



CONSOLIDATED



FINANCIAL STATEMENTS



ACEA GROUP



2023





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2023

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LETTER TO SHAREHOLDERS

Dear Shareholders,

2023 was characterised by great uncertainty around the geopolitical tensions in Eastern Europe and the Middle East, inflation levels far from the targets of the European Central Bank, and rising interest rates as a result of monetary policies. Moreover, the increase in extreme weather events was and will continue to pose an additional risk factor at national level to both the economy and our ecosystem. It is clear, therefore, that we need to find concrete solutions to address these challenges through an industrial approach to resource management, and by seizing the opportunities that arise from technological innovation and process digitisation for an ethical and sustainable growth.

In this challenging context, the 2023 results of the Acea Group confirm the positive trend seen in the final quarter of 2022, highlighting a consolidated gross operating margin and growing generation of operating cash flow.

In 2023, the Group continued its strategy focused on the development of sustainable infrastructure in regulated contexts to support growth and preserve adequate financial balance. The Group is paying more and more attention to diligent growth, with strong regulation of costs and investments in addition to the continuous optimisation of the financial structure, in order to support economic results and cash generation. One driver for the achievement of these goals is the review of procurement strategies and procedures, accompanied by the definition of lines of action to limit credit risk through prevention and management of customer portfolios. Furthermore, in early 2023, Acea issued a Green Bond worth € 700 million, placed at the most competitive rates on the market.

The company's operating results in 2023 recorded a 7% increase in EBITDA compared to 2022, for a total of € 1.4 billion, 87% of which was generated by regulated businesses. Investments, of which 88% allocated to regulated activities, amounted to € 1.1 billion, a 9% increase on the previous year. Net profit recorded a 5% growth compared to 2022 (recurring net profit up by 22%), for a total of € 294 million.

In a global context with an increasing focus on environmental and social impacts, the growth in the Group's results is accompanied by an ongoing commitment to initiatives that combat and adapt to climate change. The heart of the business strategy – in line with the energy transition undertaken – is a systemic approach to circular economy and the pursuit of sustainable business goals. The commitment to integrate sustainability aspects into business management has been met with appreciation from analysts, ratings agencies, and ESG benchmarks. Acea's response to the Climate Questionnaire of CDP (formerly the Carbon Disclosure Project) allowed for its classification in the "Leadership" category with a score of "A-", improving on the "B" from the previous year. Moreover, the Sustainability Solicited rating was increased by the independent agency Standard Ethics to "EE+".

The number one water operator in Italy and the leader in Europe, Acea continued planning and executing relevant measures in the sector in 2023, with the launch of strategic projects for the country that included: the doubling of the Peschiera Aqueduct, one of the ten projects of national interest, to which 700 million in public resources have been allocated, and NRRP projects, for which the Group was awarded funding for € 680 million in Water. Furthermore, Acea has continued to invest to reduce water leaks and to improve water quality, and has launched strategic partnerships with Acquedotto Pugliese, Coldiretti, Bonifiche Ferraresi and the Associazione Nazionale Bonifiche Irrigazioni e Miglioramenti Fondiari for the protection and reuse of water resources. Its aim is to develop synergies for reuse in the agro-industrial and energy sectors, as well as technological innovation. Business development in areas not served by Acea also began through participation in tender procedures for the Integrated Water Service.

The commitment also extends to the Networks and Public Lighting business with the launch onto the market of flexibility services through the "RomeFlex" project, to develop a resilient and remote-controlled electricity distribution grid. 2023 also marked the conclusion of the multi-year dispute with Roma Capitale for the Public Lighting Service and a spontaneous proposal for project financing was presented for the management, modernisation and digitisation of the network and the service, and for the implementation of innovative smart city solutions.

In the Environment business, on 1 March 2023, with a grouping of large national and international operators, leaders in their respective sectors, Acea submitted a declaration of interest in response to the Public Notice issued by the Municipality of Rome for the tender to build the new waste-to-energy plant in Santo Palomba, in line with a strategic vision for waste disposal in the capital and from the perspective of the country system.

In 2023, Acea maintained and renewed management systems that had previously been certified – quality, environment, security, energy, and gender equality – and achieved ISO 37001:2016 certification for its "Corruption Prevention Management System". It was also one of the first listed Italian companies to receive ISO 10004:2018 certification for customer satisfaction monitoring and measurement processes.

Acea signed a National Framework Protocol to Support Legality with the Italian Ministry of the Interior to consolidate their mutual commitment against risks of criminal infiltration and possible corruption in the worksites of the important strategic projects that the Group will implement over the coming years.

The Company launched a new organisation based on three aspects: welcoming new professionals, generational turnover, and the inclusion of women in top level positions. As further demonstration



of the Group's commitment to People, significant awards were achieved, improving its positioning in various ratings and confirming its "Top Employers" Italy certification for human resources management policies and strategies. With reference to Diversity & Inclusion, Acea has featured in the "Bloomberg Gender Equality Index" for the fourth year in a row.

Acea and the Trade Unions signed a "Charter of the Person and Participation" Protocol, an agreement that aims to strengthen relations between the parties by promoting engagement and placing people at the centre of decisions. The Group is heavily committed to protecting people's fundamental rights by promoting full respect

for human rights in the activities managed, as demonstrated by the approval of the Human Rights Policy, which is also applied by the companies operating abroad.

The achievements of 2023 form a strong foundation for implementing the recently approved Business Plan, which will guide the Group over the next five years. The Plan, named "Green Diligent Growth", envisages significant growth with a focus on regulated businesses in order to make infrastructure even more sustainable and resilient, while reinforcing the Acea Group's role as an infrastructure operator in a fast-changing context that offers significant opportunity for development and investment.

The Chairperson
Barbara Marinali

**The Chief Executive Officer
and General Manager**
Fabrizio Palermo

GROUP STRUCTURE

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



WATER

- 96%** ACEA ATO2
- 98%** ACEA ATO5
- 99%** SARNESE VESUVIANO
37% GORI
- 100%** ACEA MOLISE
- 99%** OMBRONE
40% ACQUEDOTTO DEL FIORA
- 87%** ACQUE BLU ARNO BASSO
45% ACQUE
- 75%** ACQUE BLU FIORENTINE
40% PUBLIACQUA
- 48%** G.E.A.L.
- 40%** UMBRA ACQUE
- 35%** INTESA ARETINA
46% NUOVE ACQUE
- 58%** GESESA
- 51%** ADISTRIBUZIONE GAS
55% NOTARESCO GAS
- 45%** ASM TERNI
99% UMBRIADUE SERVIZI IDRICI
43% SERVIZIO IDRICO INTEGRATO



WATER (OVERSEAS)

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



NETWORKS & SMART CITIES

- 100%** ARETI



COMMERCIAL

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



PRODUCTION

- 100%** ACEA PRODUZIONE
 - 100%** ECOGENA
 - 49%** ENERGIA
 - 100%** ACEA RENEWABLE
 - 100%** ACEA SOLAR
 - 100%** SF ISLAND
 - 100%** ACEA RENEWABLE 2
 - 100%** FER GAS SOLAR 2
 - 40%** ACEA SUN CAPITAL



ENVIRONMENT

- 100%** ACEA AMBIENTE
 - 100%** DEMAP
 - 90%** AS RECYCLING
 - 80%** CAVALLARI
 - 60%** MEG
 - 70%** S.E.R. PLAST
 - 70%** TECNOSERVIZI
 - 60%** FERROCART (via ASM TERNI)
 - 60%** BERG
 - 85%** AQUASER
 - 73%** ACQUE INDUSTRIALI
 - 80%** ISECO
 - 100%** ORVIETO AMBIENTE
 - 100%** DECO
 - 100%** ECOLOGICA SANGRO

- 50%** ECOMED

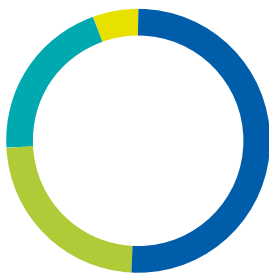


ENGINEERING & INFRASTRUCTURE PROJECTS

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

INVESTOR RELATIONS

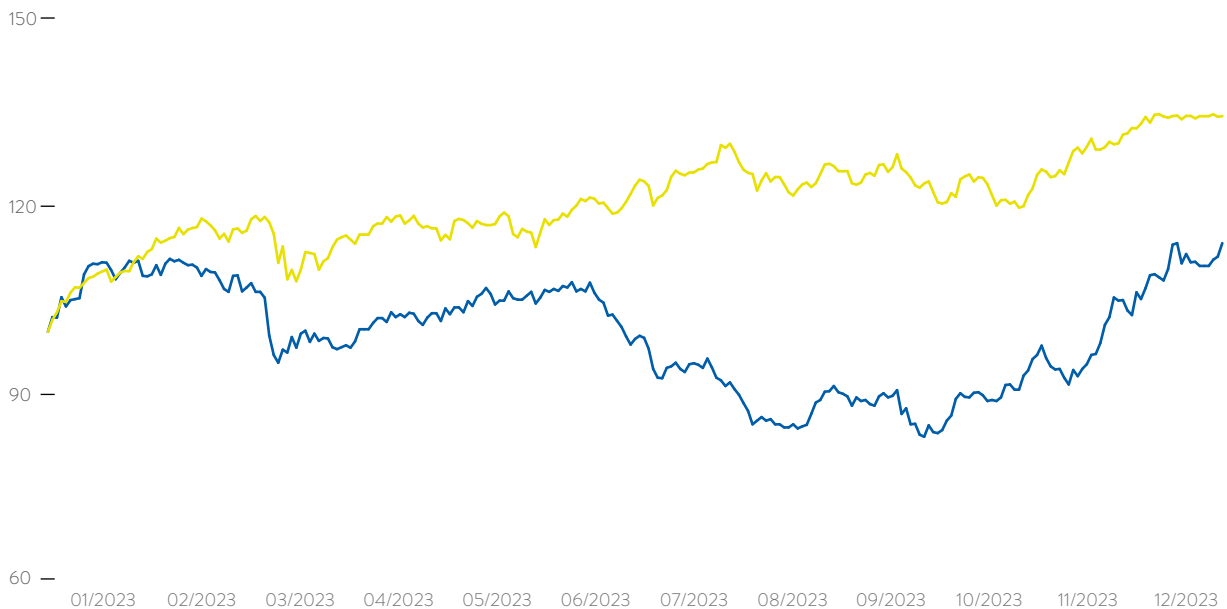
THE SHARE CAPITAL OF ACEA SPA AT 31 DECEMBER 2023 WAS MADE UP AS FOLLOWS.



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

The above chart only shows equity investments of more than 3%, as confirmed by CONSOB data

PERFORMANCE OF THE ACEA STOCK IN 2023



(Source: Bloomberg, rebased to 100 at 30/12/2022)
 Changes adjusted for dividend detachment (Total Shareholder Return)

— ACEA — FTSE MIB

CORPORATE HIGHLIGHTS



WATER

NUMBER ONE OPERATOR

in Italy for water services

with **10 million** residents served in Latium, Tuscany, Umbria, Campania and Molise



WATER (OVERSEAS)

PRESENT WITH

4 companies operating in water services

serving about **10 million** residents in Latin America



NETWORKS & SMART CITIES

ONE OF THE LEADING

energy distribution operators in Italy

with about **9 TWh** of energy distributed



COMMERCIAL

ONE OF THE LEADING

national players in the energy market

with about **7 TWh** of energy sold



PRODUCTION

ONE OF THE LEADING

Italian players in the energy generation from renewable sources

with about **750 GWh** of energy produced



ENVIRONMENT

LEADING OPERATOR

in Waste Management in Italy

with over **1.8 million tons** of waste managed



ENGINEERING & INFRASTRUCTURE PROJECTS

ONE OF THE LEADING

operators in Italy for Engineering services

461,799 drinking water analyses

160,862 waste water analyses

FINANCIAL HIGHLIGHTS

Figures in € million.

CONSOLIDATED REVENUES

2023	<input type="text"/>	4,649
2022	<input type="text"/>	5,138

EBITDA

2023	<input type="text"/>	1,391
2022	<input type="text"/>	1,305

EBIT

2023	<input type="text"/>	612
2022	<input type="text"/>	566

PROFIT/(LOSS) BEFORE TAX

2023	<input type="text"/>	475
2022	<input type="text"/>	498

NET PROFIT/(LOSS) OF THE GROUP

2023	<input type="text"/>	294
2022	<input type="text"/>	280

GROUP INVESTMENTS

2023	<input type="text"/>	993*
2022	<input type="text"/>	1,001*

* net of financed investments.

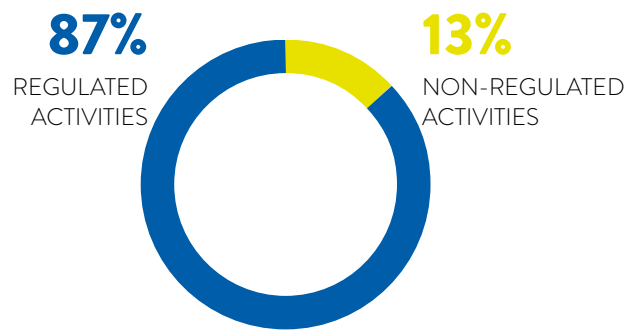
ACEA ORGANISATIONAL MODEL

Acea has adopted an organisational structure and operating model based on strategic guidelines, founded on growth in the water market through infrastructure development, geographic expansion, strengthening technology and protecting water resources; the resilience of the electricity network and quality of service in the city of Rome; developing new renewable capacity to help face the energy transition; a push towards the circular economy with geographic expansion, also in synergy with other businesses. The macrosectors in which ACEA works are broken down into the following industrial segments:

Water, Networks & Smart Cities, Commercial, Production, Environment, Engineering & Infrastructure Projects.

Figures are in € million.

EBITDA 2023
€ 1,391_{mln}



WATER

The Acea Group is the top Italian operator in the water sector serving 10 million people. The Group manages the Integrated Water Service in Rome and Frosinone, including the respective provinces, and is present in Tuscany, Umbria, Campania and Molise. The Group is also present in the methane gas distribution market, mainly in Abruzzo.

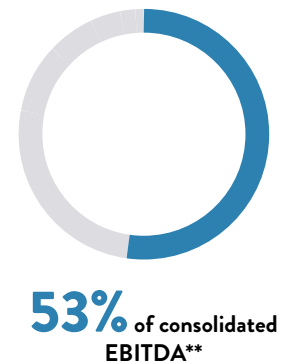
NUMBER ONE OPERATOR IN ITALY

- About 10 mln residents served and 660 million cubic meters of water supplied annually
- About 59,000 km of drinking water supply network and 25,200 km of sewer network managed

EBITDA +11.2%



INVESTMENTS -0.5%*



* net of financed investments.

** before corporate EBITDA (equal to -3%).



WATER (OVERSEAS)

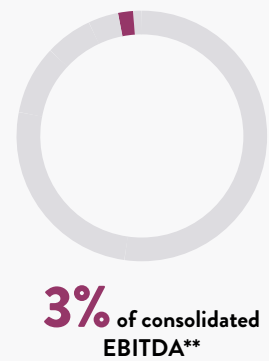
The Acea Group manages water activities in Latin America and its objective is to make the most of development opportunities in other businesses related to those already held in Italy. It is present in Honduras, Dominican Republic and Peru, serving a population of approximately 10 million inhabitants. The activities are carried out in partnership with local and international partners, including through staff training and the transfer of know-how to local entrepreneurs.

- Water management in Latin America

EBITDA +8.3%



INVESTMENTS -1.4%



NETWORKS & SMART CITIES

The Acea Group is a major operator in Italy with about 9 TWh of electricity distributed in Rome. The Group also manages the public and artistic lighting of the capital for a total of more than 206,000 lights. The ACEA Group is committed to energy efficiency projects and the development of new technologies, such as smart grids and electric mobility, through particularly innovative pilot projects.

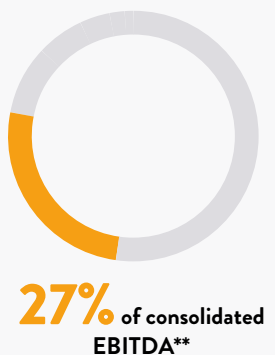
ONE OF THE LEADING OPERATORS IN ITALY

- Energy entered into areti network: 9.8 TWh
- 2G Smart Meter installed in 2023: 333,664
- Management of public and artistic lighting: 205,697 light points

EBITDA +6.6%



INVESTMENTS +1.8%*



* before corporate EBITDA (equal to -3%).
 ** before corporate EBITDA (equal to -3%).



COMMERCIAL

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

ONE OF THE LEADING OPERATORS IN ITALY

- Energy sold: 6.8 TWh
- Free market customers: 0.64 million
- Greater protection customers: 0.51 million
- Gradual protection customers: 0.10 million
- Gas customers: 0.31 million

EBITDA +43.7%



INVESTMENTS +1.2%



9% of consolidated EBITDA*



PRODUCTION

The Acea Group is one of the main national operators in the field of generation from renewable sources and is involved in energy efficiency projects and energy solutions in the business segment, particularly focused on finding innovative approaches to managing production assets and implementing new production capacity that reduces the Group's carbon footprint.

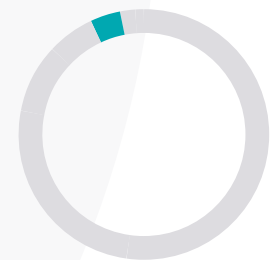
ONE OF THE LEADING OPERATORS IN ITALY

- Energy efficiency projects
- Hydroelectric power stations: 119.3 MW
- Thermoelectric power plants: 110.7 MW
- Photovoltaic power plants (including SPV): 101 MW
- Photovoltaic plants under development: 900 MW

EBITDA -40.0%



INVESTMENTS +35.7%



4% of consolidated EBITDA*

* before corporate EBITDA (equal to -3%).



ENVIRONMENT

The Acea Group is one of the leading national players with around 1.829 million tonnes of waste processed each year, including intermediated. Among the various treatment and disposal plants operated in 8 regions there is the main waste-to-energy plant and the largest anaerobic digestion and composting plant in the Lazio Region and the largest mechanical/biological treatment plant in the Abruzzo Region. The Group pays particular attention to the development of investments in the waste-to-energy and waste-recycling business, which is considered to have high potential, in line with the strategic objective of environmental and energy enhancement of waste, as well as its recovery and recycling in the plastics, paper and metals sectors and in the production of high-quality compost.

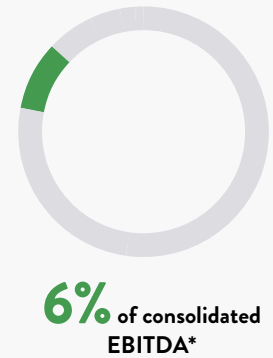
ONE OF THE LEADING OPERATORS IN ITALY

- Umbria, Lazio, Tuscany, Piedmont, Valle d'Aosta, Veneto, Marche and Abruzzo
- 1.829 million tons of waste managed per year
- Electric energy transferred: 311 GWh
- Recovered/produced biogas: 29,003 kNm³

EBITDA -17.0%



INVESTMENTS -15.9%



ENGINEERING & INFRASTRUCTURE PROJECTS

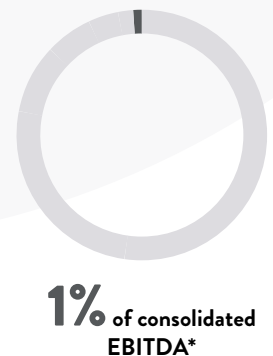
The Acea Group has developed know-how at the forefront in the design, construction and management of integrated water systems: from the source to the pipelines, from distribution to the sewer network, and treatment. It develops applied research projects aimed at technological innovation in the water,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

- Drinking water analyses: 461,799
- Wastewater analyses: 160,862
- Number of site inspections: 14,252

EBITDA -24.8%



INVESTMENTS -18.8%



* before corporate EBITDA (equal to -3%).

THE BUSINESS MODEL

WATER SUPPLY CHAIN: INTEGRATED WATER SERVICES

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

Water supply chain: integrated water system



ENERGY SUPPLY CHAIN: COMMODITIES AND ADDED-VALUE SERVICES

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

Energy supply chain: commodities and added-value services



ENERGY SUPPLY CHAIN: GENERATION

Electricity production: Through its dedicated companies, Acea generates energy from hydroelectric, thermoelectric (high-yield cogeneration) and photovoltaic power plants. In particular, Acea strategically develops its position in the solar generation segment, including through partnership agreements with major financial operators, with the aim of significantly increasing its installed renewable capacity in the medium term.

Energy supply chain: generation

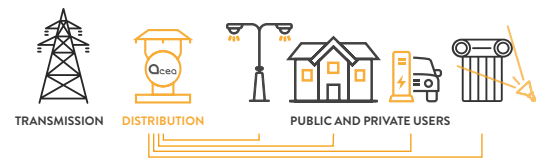


NATURAL ENVIRONMENT

ENERGY SUPPLY CHAIN: DISTRIBUTION

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

Energy supply chain: distribution

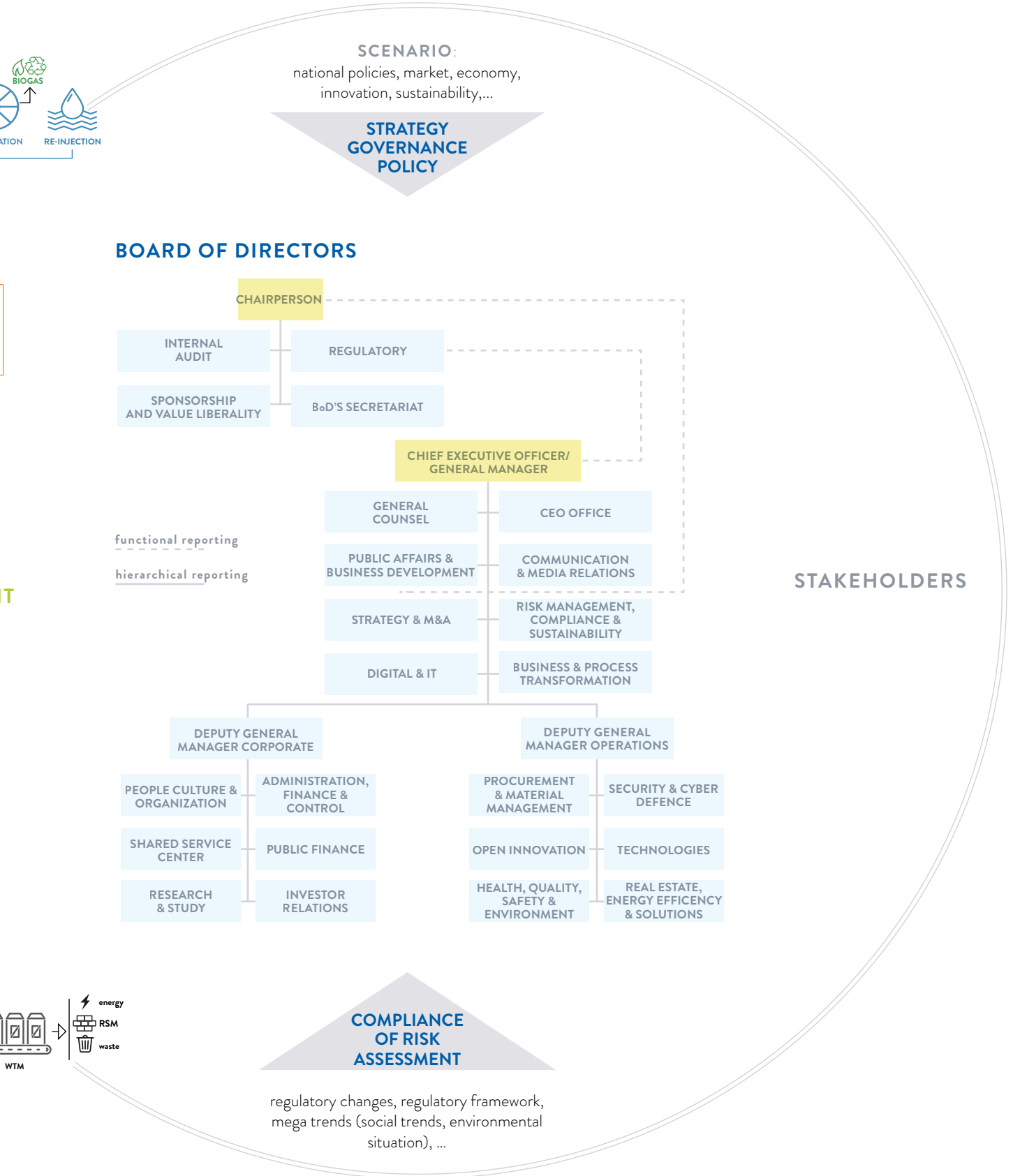


GENERATION AND NETWORKS: CIRCULAR ECONOMY

Efficient use of waste and the circular economy: the environmental supply chain aims at enhancing waste value through proper industrial management allowing for waste volume reduction, efficient treatment, conversion into biogas, transformation into compost, waste-to-energy production and recycling into material that is reusable in production processes. In particular, with a view to circular economy, Acea exploits the integration into water activities to recover sludge from water purification and send it for treatment to become compost or recoverable material, while committing itself to the growth of its market position and operational capacity. Acea is committed to expanding the management of treated volumes, from selection to storage and treatment, as well as the types of material managed in the circuit of the circular economy (paper, iron, wood, liquid waste, plastic and metals) through the acquisition of new companies.

Environmental supply chain: circular economy





1

REPORT
ON OPERATIONS







CORPORATE BODIES

BOARD OF DIRECTORS*

Barbara Marinali	Chairperson
Fabrizio Palermo**	Chief Executive Officer
Antonella Rosa Bianchessi	Director
Alessandro Caltagirone	Director
Massimiliano Capece Minutolo Del Sasso	Director
Antonino Cusimano	Director
Francesca Menabuoni***	Director
Elisabetta Maggini	Director
Luisa Melara	Director
Angelo Piazza	Director
Alessandro Picardi	Director
Vincenza Patrizia Rutigliano	Director
Nathalie Tocci	Director

BOARD OF STATUTORY AUDITORS

Maurizio Lauri	Chairperson
Claudia Capuano	Standing Auditor
Leonardo Quagliata	Standing Auditor
Rosina Cichello	Alternate Auditor
Vito Di Battista	Alternate Auditor

EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

Sabrina Di Bartolomeo****

AUDITING FIRM

PricewaterhouseCoopers SpA

* appointed by the Shareholders' Meeting on 18 April 2023

** appointed by the Board of Directors on 3 May 2023

*** appointed by the Board of Directors on 23 June 2023

**** appointed by the Board of Directors on 10 November 2023

ACEA ORGANISATIONAL MODEL

Acea is one of the main Italian industrial groups and has been listed on the stock exchange since 1999. Acea has adopted an organisational structure and operating model based on strategic guidelines, founded on growth in the water market through infrastructure development, geographic expansion, strengthening technology and protecting water resources; the resilience of the electricity network

and quality of service in the city of Rome; developing new renewable capacity to help face the energy transition; a push towards the circular economy with geographic expansion, also in synergy with other businesses. The macrosectors in which Acea works are broken down into the industrial segments listed below.

WATER

The Acea Group is the top Italian operator in the water sector serving 10 million people. The Group manages the integrated water service in Rome and Frosinone and in the respective provinces, as well as in other parts of Lazio, in Tuscany, Umbria, Campania and Molise. The Group is also in Abruzzo, Molise and Campania, as it has entered the methane distribution market in the Municipality of Pescara, the Province of L'Aquila, the Provinces of Campobasso and Isernia and the Province of Salerno. Finally, the area also includes ASM Terni, which works in the sectors of waste collection, street sweeping and electricity distribution.

The area also includes the companies that manage water activities in Latin America and its objective is to make the most of development opportunities in other businesses related to those already held in Italy. It is present in Honduras, Dominican Republic and Peru, serving a population of approximately 10 million inhabitants. 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.

NETWORKS & SMART CITIES

The Acea Group is a leading national operator with around 9 TWh of electricity distributed in Rome. The Group also manages the public and artistic lighting of the capital for a total of more than 206 lights. The Acea Group is committed to energy efficiency projects and the development of new technologies, such as smart grids and electric mobility, through particularly innovative pilot projects.

ENVIRONMENT

The Acea Group is one of the leading national players with around 1.8 million tonnes of waste processed each year, including those handled. Among the various treatment and disposal plants operated in eight regions there is the main waste-to-energy plant and the largest anaerobic digestion and composting plant in the Lazio Region and the largest mechanical/biological treatment plant in the Abruzzo Region. The Group pays particular attention to the development of investments in the waste-to-energy and waste-recycling business, which is considered to have high potential, in line with the

strategic objective of environmental and energy enhancement of waste, as well as its recovery and recycling in the plastics, paper and metals sectors and in the production of high-quality compost.

COMMERCIAL

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

PRODUCTION

The Acea Group is one of the main national operators in the field of generation from renewable sources and is involved in energy efficiency projects and energy solutions in the business segment, particularly focused on finding innovative approaches to managing production assets and implementing new production capacity that reduces the Group's carbon footprint.

ENGINEERING & INFRASTRUCTURE PROJECTS

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

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 what is indicated in the aforementioned ESMA guidelines and in particular in paragraph 127 of the recommendations contained in document no. 319 of 2013, implementing Regulation (EC) 809/2004. This indicator is determined as the sum of short-term borrowings (“Short-term loans”, “Current part of long-term loans” and “Current financial liabilities”) and long-term borrowings (“Long-term loans”) and the related derivative instruments (“Non-current financial liabilities”), net of “Cash and cash equivalents” and “Current financial assets”;
- 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 Current receivables, Inventories, the net balance of other current assets and liabilities and Current payables, excluding the items considered in calculating the net financial position.

SUMMARY OF RESULTS

Income statement data

€ million	2023	2022	Change	% Change
Consolidated net revenue	4,649.4	5,138.2	(488.9)	(9.5%)
Consolidated operating costs	3,272.9	3,861.1	(588.2)	(15.2%)
Net income/(expense) from commodity risk management	0.0	0.0	0.0	n.s.
Profit/(loss) from non-financial equity investments	14.4	27.9	(13.5)	(48.4%)
EBITDA	1,390.9	1,305.0	85.9	6.6%
Operating profit/(loss)	612.3	565.9	46.5	8.2%
Net profit/(loss)	327.4	311.2	16.3	5.2%
<i>Profit/(Loss) due to third parties</i>	33.5	31.4	2.1	6.7%
Net profit/(loss) attributable to the Group	293.9	279.7	14.2	5.1%

Financial position data

€ million	31/12/2023	31/12/2022	Change	% Change
Net Invested Capital	7,669.8	7,194.9	474.9	6.6%
Net Financial Debt	(4,846.8)	(4,439.7)	(407.1)	9.2%
Consolidated Shareholders' Equity	(2,823.1)	(2,755.2)	(67.8)	2.5%

EBITDA

€ million	2023	2022	Change	% Change
Environment	84.4	101.6	(17.2)	(17.0%)
Commercial	129.3	90.0	39.3	43.7%
Water (Overseas)	35.7	33.0	2.7	8.3%
Water	743.9	669.0	75.0	11.2%
Networks & Smart Cities	375.4	352.2	23.3	6.6%
Production	53.9	89.8	(36.0)	(40.0%)
Engineering & Infrastructure Projects	9.9	13.2	(3.3)	(24.8%)
Corporate	(41.6)	(43.7)	2.1	(4.7%)
Total EBITDA	1,390.9	1,305.0	85.9	6.6%

Investments*

€ million	2023	2022	Change	% Change
Environment	38.9	46.2	(7.3)	(15.9%)
Commercial	50.2	49.6	0.6	1.2%
Water (Overseas)	5.7	5.8	(0.1)	(1.4%)
Water	682.4	611.0	71.4	11.7%
Networks & Smart Cities	299.6	268.8	30.8	11.5%
Production	41.1	30.3	10.8	35.7%
Engineering & Infrastructure Projects	4.7	5.8	(1.1)	(18.8%)
Corporate	20.1	32.7	(12.6)	(38.4%)
Total Investments	1,142.7	1,050.1	92.6	8.8%

* The value of investments is inclusive of financed investments amounting to € 149.8 million for 2023 and € 48.9 million for 2022.

SUMMARY OF RESULTS: ECONOMIC PERFORMANCE

Income statement data

€ million	2023	2022	Change	% Change
Revenue from sales and services	4,430.3	4,957.2	(526.9)	(10.6%)
Other revenue and income	219.1	181.1	38.1	21.0%
Costs of materials and overhead	2,938.4	3,556.1	(617.6)	(17.4%)
Staff costs	334.5	305.1	29.4	9.6%
Net Income/(Expense) from commodity risk management	0.0	0.0	0.0	n.s.
Profit / (loss) from non-financial equity investments	14.4	27.9	(13.5)	(48.4%)
EBITDA	1,390.9	1,305.0	85.9	6.6%
Amortisation, depreciation, provisions and impairment charges	778.5	739.2	39.4	5.3%
Operating profit/(loss)	612.3	565.9	46.5	8.2%
Financial operations	(136.5)	(85.7)	(50.8)	59.3%
Equity investments	(0.6)	17.8	(18.4)	(103.4%)
Profit/(loss) before tax	475.2	497.9	(22.7)	(4.6%)
Income tax	147.8	186.8	(39.0)	(20.9%)
Net profit/(loss)	327.4	311.2	16.3	5.2%
Profit/(Loss) due to third parties	33.5	31.4	2.1	6.7%
Net profit/(loss) attributable to the Group	293.9	279.7	14.2	5.1%

The table below shows the main impact of the change in the consolidation scope at 31 December 2023 (gross of intercompany ad-

justments). For more details, see the paragraph “Main changes in the consolidation scope”.

€ million	Tecnoservizi	ASM Terni	Energy Box	Polo Cirsu business	Total
Consolidated net revenue	14.7	63.9	(5.8)	17.9	90.7
Consolidated operating costs	12.4	54.0	(1.1)	6.9	72.1
EBITDA	2.3	10.0	(4.7)	11.0	18.6
Operating profit/(loss)	(0.1)	3.7	(4.5)	4.9	3.9

As at 31 December 2023, **revenue from sales and services** amounted to € 4,430.3 million, a decrease of € 526.9 million (-10.6%) compared to the previous year. This decrease is attributable to lower revenues from sales and services of electricity (-€ 667.5 million) and gas (-€ 27.4 million) due to the increase in unit prices seen in 2022, as well as lower quantities and lower revenues from managing the electricity incentive payment (GRIN) due to different scheduling for GRIN incentives by the GSE (-€ 5.0 million). This change was offset by:

- greater revenue from waste disposal and landfill operations (+€ 50.3 million), almost entirely attributable to the change in the scope of consolidation (+€ 62.7 million), partially offset by lower revenue from energy sales due to both price trends and lower volumes (-€ 9.0 million) and lower revenue from contributions from the Compost supply chain (-€ 4.0 million);
- greater revenue from the Integrated Water Service (€ 36.0

million), partially due to greater investments and partially to the effects of the increase in tariff revenue, also influenced by the biennial tariff update for 2022-2023 as well as the estimate for adjustments for pass-through items (electricity, wholesale water, etc.);

- greater revenue from customer services (+€ 18.8 million), in part deriving from the change in contract work in progress for energy efficiency projects (+€ 32.6 million), in part offset by the negative change in inventories linked to multi-year contracts (-€ 11.5 million) and lower revenue realised in relation to the public lighting contract with the Municipality of Rome (-€ 6.2 million);
- greater revenues from sustainable development (+€ 62.0 million) deriving from sales, installation and customer services in the context of energy efficiency projects, smart services and smart comp.

Other revenue shows an increase of € 38.1 million (21.0%) compared to the previous year. The change mainly derived from: i) greater contingent assets (+€ 20.5 million), for the most part recognised following the allocation of energy items relative to previous years; ii) greater reimbursements for damages and penalties (+€ 8.9 million), in part attributable to Acea Energia (+€ 7.6 million) due to the increase in indemnities for the Cmor component and to *areti* (+€ 2.3 million), associated with settlements finalised with suppliers; iii) greater revenue from Gori due to the recognition of contributions for Regional Works for the years 2018-2021 (+€ 5.4 million); iv) greater revenues from the IFRIC.12 margin (+€ 3.1 million) following greater investments; v) lower energy account contributions (-€ 3.7 million), mainly following the deconsolidation of the photovoltaic companies. **External costs** decreased overall by € 617.6 million (-17.4%) compared to 31 December 2022. The change is due to the reduction in costs associated with electricity and gas procured on the free market and the gradual protection market (-€ 721.3 million) in line with that seen in revenues and lower recognition of contingent liabilities (-€ 11.3 million), for the most part associated with the recognition of the items relative to 2020 in the previous year, recognised in a lower amount, at the time of the biennial update of the tariff structure 2020-2023, particularly with reference to the “RCARC” component, partially compensated by greater contingencies in relation to the allocation of energy items

relative to previous years. This reduction was offset by the increase:

- in costs for services and contract work (+€ 95.4 million), in large part linked to energy efficiency and smart services projects (+€ 73.5 million), in line with that recognised in revenues, in costs for disposal and transport of sludge, slag, ash and waste (+€ 7.1 million) and greater costs for Cmor indemnities (+€ 7.9 million). A generalised reduction in other spending items offset this increase, including lower technical and administrative services (-€ 7.5 million), advertising and sponsorship costs (-€ 5.0 million) and lower maintenance fees (-€ 4.5 million). The change in the scope of consolidation impacted the item for a total of +€ 33.9 million;
- costs to purchase materials (+€ 5.0 million), influenced for the most part by the change in the scope (+€ 2.9 million);
- costs for compensation for damages (+€ 3.0 million for *areti* deriving from indemnities to clients and losses on lapsed credits.

The **cost of labour** rose by € 29.4 million (+9.6%) with respect to the previous year, partially influenced by the change in scope (+€ 20.2 million), as well as the increase in salaries and wages deriving from the incremental effect on payment components and the changes in national collective labour contracts.

The average number of employees was 10,348 and increased by 137 compared to the previous year, owing mainly to the change in scope (78 employees)

€ million	2023	2022	Change	% Change
Personnel costs including capitalised costs	532.0	499.1	32.9	6.6%
Costs capitalised	(197.5)	(194.0)	(3.5)	1.8%
Staff costs	334.5	305.1	29.4	9.6%

The **net income/(expense) from commodity risk management** shows a net balance. The previous years it included net income on hedging derivatives closed in the period, in line with IFRS 9.

Income from equity investments of a non-financial nature repre-

sents the consolidated result according to the equity method included among the components forming the consolidated EBITDA of the strategic companies.

€ million	2023	2022	Change	% Change
EBITDA	156.5	150.8	5.7	3.8%
Amortisation, depreciation, provisions and impairment charges	(128.5)	(108.3)	(20.2)	18.7%
Equity investments	(7.8)	(3.2)	(4.6)	145.6%
Income tax	(5.8)	(11.5)	5.6	(49.1%)
Income from equity investments of a non-financial nature	14.4	27.9	(13.6)	(48.4%)

Income from equity investments for these companies fell by € 13.6 million, mainly due to greater amortisation/depreciation.

EBITDA rose from € 1,305.0 million at 31 December 2022 to € 1,390.9 million at 31 December 2023, recording an increase of € 85.9 million or 6.6%. EBITDA net of the change in scope (€ 18.6 million) and non-recurring items for 2022 (€ 20.0 million), for the most part involving sales of CO2 rights after resolution no. 66/22 (€ 11.1 million) and the write down on plants subject to revamping (€ 9.1 million) resulted in growth of 6.9% (€ 87.0 million). The change is therefore due to the following counterbalancing effects:

- lower margins for WTEs due in part to the energy situation (-€ 4.6 million) and in part due to lower amounts of energy sold (-€ 0.4 million);
- lower margins from composting activity (-€ 5.2 million), TBM

and landfill (-€ 4.0 million) and recycling (-€ 4.0 million) consequent to lower tariffs and lower quantities;

- lower margins from hydroelectric and thermoelectric production (-€ 22.0 million), mainly impacted by the price effect (-€ 46.0 million) and partially offset by greater quantities (+€ 24.0 million);
- higher margins from the increase in water tariff revenue, relative to non-pass-through items (+€ 37.0 million), in part influenced by the biennial tariff update for 2022-2023;
- the recognition by Gori of contributions for Regional Works for the years 2018-2021 (+€ 5.3 million);
- lower margins from energy balancing (+€ 16.1 million) and management of the public lighting service in the Municipality of Rome (+€ 3.0 million) following extraordinary maintenance and safety activities and extraordinary items relative to previous years;

- an increase in the margin on sales of electricity and gas on the free market (respectively +€ 27.5 million and +€ 29.6 million), offset by the reduction in the energy margin on the protected market (-€ 13.9 million) and the margin from energy management activities (-€ 24.5 million);
- an increase in margins for added value services (+€ 8.1 mil-

lion), in relation work done in the energy efficiency area. **EBIT** amounted to € 612,3 million and increased by € 46.5 million compared to the previous year. Below are details of the items influencing EBIT.

€ million	2023	2022	Change	% Change
Depreciation/amortisation and impairment losses	651.8	594.6	57.2	9.6%
Net write-downs (write-backs) of trade receivables	86.5	113.4	(26.9)	(23.7%)
Provisions and releases for risks and charges	40.2	31.2	9.1	29.1%
Amortisation, depreciation, impairment and provisions	778.5	739.2	39.4	5.3%

The increase in **amortisation and impairment** (+ € 57.2 million) is mainly linked to natural growth in amortisation for regulated business, for the most part in the “Water” segment, as a consequence of greater investments, of assets in progress beginning to be utilised and, in part, growth in amortisation relative to commissioning costs to acquire new Acea Energia customers (+€ 6.2 million). The change in the scope of consolidation accounted for € 13.6 million of the increase, due to effects following the acquisition of the “Polo Cirsu” business unit (+€ 6.1 million) and the consolidation at the end of 2022 of ASM Terni (+€ 5.2 million) and Tecnoservizi (+€ 2.4 million).

Net write-downs (write-backs) of trade receivables declined with respect to the previous year, both in terms of absolute value (-€ 26.9 million) and in terms of impact on Group consolidated revenues (1.9% vs. 2.2%). Beyond the excellent amounts collected by the main companies, this result can be attributed to the following reasons: with reference to the Commercial B.U. (-€ 12.0 million), the reduction in volumes invoiced as a consequence of commercial policies to break up risk and trends in commodities prices; for the “Water” segment (-€ 13.8 million), the combination of i) business growth ii) the favourable resolution of certain credit settlements of significant amount by Acea Ato2, iii) the presence of a non-recurring extraordinary component for Gori in 2022 (settlement with EIC [Campania Water Authority]) for previous items equal to around +€ 5.6 million. Finally, as in previous periods, the “stress scenario” introduced in 2022 for the main Group companies was substantially maintained, intended to anticipate potential issues with customer standing not identifiable from current performance but based on satellite models utilising macroeconomic e-business information.

Provisions and releases for risks and charges were up with respect to the previous year (+€ 9.1 million). The change is due to greater provisioning by Acea Ato2, mainly linked to a payment injunction from the Lazio Region with reference to a request to recognise greater concession fees relative to the period prior to 2011 (+€ 5.6 million), areti for various provisioning including former Enel shift workers, the Arera Cmor proceedings, the Arera complaint for residence change charges (+€ 5.0 million), Acea Innovation (+€ 2.7 million) in relation to ecobonus disputes, Cavallari (+€ 2.2 million), mainly for provisioning for the notice of findings deriving from the audit carried out by the Labour Inspectorate with reference to social security contributions and Acea Energia for the release of the provision allocated for the AGCM penalty following the ruling with which the Lazio Regional Administrative Court annulled the provision due to the compliance of Acea Energia’s actions with the

regulation in question, as reconstructed by ARERA in its internal procedural opinion (€ 2.6 million). This change was offset by lower provisioning, net of amounts released, for the Group’s mobility programmes (-€ 10.2 million).

Financial management shows net expense of € 136.5 million, up compared to 31 December 2022 by € 50.8 million due to the combined effects of higher interest rates and the increase in the average debt during the period. In particular, the increase in financial expense suffered from: i) greater interest recorded by the parent company on bond loans, mainly due to the parent company’s new € 700 million issue (+€ 24.0 million) and greater interest on medium/long-term borrowings (+€ 16.5 million) due to the increase in short-term interest rates (+€ 8.0 million); ii) greater expenses recognised by Acea Energia in relation to interest on deferrals for € 7.9 million. With reference to financial income, note i) the increase in interest income on short-term receivables (+€ 13.2 million), of which € 10.8 million relative to interest income on the parent company’s short-term deposits; ii) greater interest income from customers for € 8.1 million mainly attributable to the increase in market rates; iii) lower discounting income in relation to the discounting income recognised by Gori in 2022 (-€ 11.1 million). The average overall all-in cost of the Acea Group’s debt stood at 2.08% compared to 1.44% the previous year.

Income and expense from equity investments show net income of € 0.6 million, down by € 18.4 million compared to the previous year. This reduction is largely due to the recognition in 2022 of net capital gains (€ 16.4 million) following the sale of a group of photovoltaic plants as part of the agreement signed with the British investment fund Equitix. The effects, following deconsolidation of the decommissioned assets at 31 December 2021, also included the provisional appraisal of the assets and liabilities relative to the second closing, classified with respect to IFRS 5.

The **estimated tax burden** is € 147.8 million, compared to € 186.8 million of the previous year. The reduction is due to the combined effects of lower before tax profit and a lower tax rate, impacted in 2022 by the extraordinary solidarity contribution pursuant to article 37 of Decree Law 21/2022 (“extra-profit contribution”). The tax rate at 31 December 2023 was 31.1% (37.5% at 31 December 2022).

The **net profit attributable to the Group** was € 293.9 million, and showed an increase of € 14.2 million compared to the previous year. The change net of one-off effects (€ 38.0 million) and the change in the scope (€ 2.4 million) shows an increase of around € 50 million (+22%).

SUMMARY OF RESULTS: TRENDS IN FINANCIAL POSITION AND CASH FLOWS

Financial position data

€ million	31/12/2023	31/12/2022	Change	% Change
Non-current assets and liabilities	8,366.1	7,847.0	519.1	6.6%
Net Working Capital	(696.2)	(652.0)	(44.2)	6.8%
Net Invested Capital	7,669.8	7,194.9	474.9	6.6%
Net Financial Debt	(4,846.8)	(4,439.7)	(407.1)	9.2%
Total Shareholders' equity	(2,823.1)	(2,755.2)	(67.8)	2.5%

Non-current assets and liabilities

With respect to 31 December 2022, non-current assets and liabilities increased by € 519.1 million (+6.6 %), below is a breakdown

of the item:

€ million	31/12/2023	31/12/2022	Change	% Change
Tangible/intangible fixed assets	7,885.2	7,383.0	502.1	6.8%
Equity investments	367.3	351.9	15.4	4.4%
Other non-current assets	958.8	844.6	114.2	13.5%
Employee severance indemnity and other defined-benefit plans	(109.9)	(113.0)	3.1	(2.7%)
Provisions for risks and charges	(224.3)	(218.0)	(6.3)	2.9%
Other non-current liabilities	(511.1)	(401.5)	(109.5)	27.3%
Non-current assets and liabilities	8,366.1	7,847.0	519.1	6.6%

The increase in **property, plant and equipment and intangible fixed assets** (+€ 502.1 million) mainly derives from investments, totalling € 1,142.7 million, offset by amortisation/depreciation and write-downs for a total of € 651.8 million.

The change in investments compared to the previous year is € 92.6 million and mainly refers to the Water Segment (+€ 71.4 million). Investments during the period are linked to regulated businesses for 89%, below are the investments made by each Industrial Area.

Investments

€ million	31/12/2023	31/12/2022	Change	% Change
Environment	38.9	46.2	(7.3)	(15.9%)
Commercial	50.2	49.6	0.6	1.2%
Water (Overseas)	5.7	5.8	(0.1)	(1.4%)
Water	682.4	611.0	71.4	11.7%
Networks & Smart Cities	299.6	268.8	30.8	11.5%
Production	41.1	30.3	10.8	35.7%
Engineering & Infrastructure Projects	4.7	5.8	(1.1)	(18.8%)
Corporate	20.1	32.7	(12.6)	(38.4%)
Total Investments	1,142.7	1,050.1	92.6	8.8%

Equity investments increased by € 15.4 million compared to 31 December 2022. The change was caused by the increase in the measurement of equity measured consolidated companies during the period, which contribute to EBITDA (+€ 14.6 million) and the change in scope (+€ 5.9 million), net of the effects of dividend distribution (-€ 7.7 million) and the impact of the change in the “other comprehensive income” reserves (-€ 4.4 million). Note that “Other equity investments” saw an increase of € 5.1 million following the parent company’s acquisition of 1,250,000 Bonifiche Ferraresi SpA shares.

The stock of **employee severance indemnity and other defined benefit plans** fell by € 3.1 million, mainly due to the decrease in the isopension fund. The discounting rate went from 4.0% at 31 December 2022 to 3.2% at 31 December 2023.

Provisions for risks and charges increased by € 6.3 million compared to the end of the previous year; the details, divided by the nature of the provisions, are presented below.

€ million	31/12/2022	Uses	Provisions	Release for excess provisions	Reclassifications/ Other changes	31/12/2023
Legal	14.6	(2.0)	2.6	(2.3)	0.1	13.0
Taxes	5.7	(0.5)	0.6	(0.8)	(0.0)	5.0
Regulatory risks	31.6	(0.5)	4.4	(0.5)	1.1	36.0
Investees	8.2	(2.1)	0.4	0.6	5.7	12.8
Contributory risks	1.5	0.0	2.3	(0.1)	(0.0)	3.7
Insurance deductibles	10.9	(2.2)	2.4	0.0	0.0	11.0
Other risks and charges	28.0	(4.2)	20.3	(1.5)	(3.5)	39.0
Total provision for risks	100.4	(11.6)	32.9	(4.6)	3.3	120.5
Staff mobility	28.0	(18.0)	10.0	0.0	(8.7)	11.4
Post mortem	68.3	(0.4)	(0.0)	0.0	4.5	72.4
Provision for expenses payable to others	21.1	(2.2)	1.9	0.0	(0.9)	19.9
Provisions for interim taxes	0.0	0.0	0.0	0.0	(0.0)	0.0
Provisions for reinstatement expenses	0.1	0.0	0.0	0.0	(0.0)	0.1
Total provisions for expenses	117.6	(20.6)	11.9	0.0	(5.2)	103.8
Total provisions for risks and charges	218.0	(32.1)	44.8	(4.6)	(1.8)	224.3

Other non-current assets increased by € 114.2 million, mainly due to the rise in long-term receivables from regulatory accounting (+€ 73.6 million), tariff adjustments (+€ 34.5 million) and receivables for deferred taxes (+€ 25.2 million), partially offset by the decrease in the fair value of derivatives receivable (-€ 5.1 million). The increase in **other non-current liabilities** (+ € 109.5 million) instead mainly refers to greater accrued expenses relative to plant contributions (+€ 113.4 million), partially compensated for by lower security deposits (-€ 4.2 million).

Net working capital

The change in net working capital compared to 31 December 2022 results from the combined effect of a decrease in current receivables (-€ 52.2 million), a decrease in other current assets (-€ 69.0 million), a decrease in current payables (-€ 94.0 million) and an increase in other current liabilities (+€ 10.3 million).

€ million	31/12/2023	31/12/2022	Change	% Change
Current receivables	1,213.2	1,265.4	(52.2)	(4.1%)
- of which end users/customers	1,170.0	1,216.1	(46.1)	(3.8%)
- of which Roma Capitale	21.0	35.6	(14.7)	(41.1%)
- of which from subsidiaries and associates	22.2	13.7	8.5	62.6%
Inventories	97.8	104.5	(6.7)	(6.4%)
Other current assets	418.1	487.1	(69.0)	(14.2%)
Current payables	(1,750.5)	(1,844.5)	94.0	(5.1%)
- of which suppliers	(1,741.8)	(1,802.6)	60.8	(3.4%)
- of which Roma Capitale	(4.9)	(34.8)	29.9	(85.9%)
- of which from subsidiaries and associates	(3.8)	(7.1)	3.3	(46.2%)
Other current liabilities	(674.9)	(664.6)	(10.3)	1.6%
Net working capital	(696.2)	(652.0)	(44.2)	6.8%

Receivables from users and customers, net of provisions for impairment of receivables, amount to € 1,170.0 million and show a decrease with respect to 31 December 2022 of € 46.1 million, mainly due to the reduction seen in the Commercial Segment (-€ 106.6 million), for the most part affected by energy prices the previous year and lower quantities invoiced; this change was partially offset by the increase in the Water Segment (+€ 42.6 million) and the

Networks & Smart Cities Segment (+€ 10.1 million).

The provision for doubtful receivables amounts to € 628.1 million, up with respect to 31 December 2022 (when it was € 615.5 million). Performing receivables totalling € 1,218.6 million were transferred without recourse during 2023, of which € 171.1 million to the Public Administration.

Relations with Roma Capitale

As regards **relations with Roma Capitale**, the net balance at 31 December 2023 was € 17.2 thousand receivable by the Group (€ 1.7

million at 31 December 2022). Below is a breakdown of the situation with Roma Capitale:

Receivables due from Roma Capitale

	31/12/2023	31/12/2022	Change
Utility receivables	17.6	32.9	(15.3)
Provisions for impairment	(1.8)	(1.7)	(0.0)
Total receivables from users	15.8	31.2	(15.3)
Receivables for water works and services	3.8	3.8	0.0
Receivables for water works and services to be invoiced	0.9	0.6	0.4
Provisions for impairment	(2.2)	(2.2)	0.0
Receivables for electrical works and services	4.5	4.4	0.2
Receivables works and services - to be billed	0.4	0.2	0.2
Provisions for impairment	(0.3)	(0.3)	0.0
Total receivables for works	7.2	6.5	0.7
Total trade receivables	23.0	37.7	(14.7)
Financial receivables for Public Lighting services billed	139.1	135.1	4.0
Provisions for impairment	(58.0)	(58.0)	(0.0)
Financial receivables for Public Lighting services to be billed	46.9	36.3	10.6
Provisions for impairment	(13.7)	(5.4)	(8.3)
M/L term financial receivables for Public Lighting services	1.6	4.8	(3.2)
Total Public Lighting receivables	115.9	112.8	3.1
Total receivables	138.9	150.5	(11.6)

Payables due to Roma Capitale

	31/12/2023	31/12/2022	Change
Electricity surtax payable	(5.5)	(5.5)	(0.0)
Concession fees payable	0.0	(27.6)	27.6
Other payables	(8.3)	(9.8)	1.5
Dividend payables	(107.9)	(105.9)	(1.9)
Total payables	(121.7)	(148.8)	27.1
Net balance receivables payables	17.2	1.7	15.5

In terms of trade and financial receivables, an overall decrease of € 11.6 million was seen with respect to the previous year, mainly due to the sizeable contribution from amounts collected totalling € 114.6 million, which exceeded the amounts of receivables coming due during the period.

The main changes in the year are as follows:

- Accrual of Acea Ato2 receivables for the supply of water for € 54.1 million;
- Accrual of receivables for the Public Lighting service for € 47.4 million;

- collection/offset of Acea Ato2 receivables for utilities for € 69.4 million;
- collection/offset of Acea Ato2 receivables for IP fees for € 44.3 million.

Payables decreased by € 27.1 million compared to the previous year. The main changes during the period are as follows:

- greater payables for recognition of 50% of share dividends accrued for 2022 by Acea for € 46.2 million (note that in June 2023, when the coupon was detached, Roma Capitale was paid

- 50% of the dividends for the year, equal to € 46.2 million);
- higher payables due to the recognition of the Acea Ato2 concession fee for 2023 for € 25.3 million;
- higher payables due to the recognition of Acea Ato2 stock dividends for 2022 for € 2.4 million;
- payment of Acea share dividends for 2020, for € 44.3 million;
- payment of Acea Ato2 concession fees for 2022 and 2023 for a total of € 44.4 million, with the consequent elimination of the relative payables at the end of the year;
- payment of the amounts due for road excavation permits by areti to municipalities for a total of € 12.0 million, plus the payable for Cosap 2023 for € 1.9 million.

With specific reference to just offsetting operations during the year, summarised above, below are details on the main operations chronologically:

- April 2023: offsetting of receivables for € 18.1 million related to the water supply service against the Acea Ato2 concession fee for 2022;
- September 2023: offsetting of receivables for € 12.7 million for public lighting fees for the last quarter of 2022 (including the price adjustment component) plus work performed for the IP service against Acea 2020 share dividends;
- October 2023: offsetting of receivables for € 26.3 million related to the water supply service against the Acea Ato2 concession fee for 2022 and 2023;
- October 2023: offsetting of receivables for € 2.4 million relating to the water supply service against Acea Ato2's share dividends for 2022;
- October 2023: collection of receivables for € 9.2 million relative to the water supply service;
- November 2023: offsetting of receivables for € 17.3 million for fees for the public lighting service for the first half of 2023, against Acea share dividends for 2020;
- December 2023: collection of receivables for € 13.3 million relative to the water supply service;
- December 2023: offsetting of receivables for € 14.3 million for receivables to extraordinary modernisation and maintenance in 2022 for the public lighting network and work associated with the Quality of Light Plan against Acea share dividends for 2020.

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.

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 has partly already been paid by Roma Capitale, as seen in the data below:

- in 2020 at total of € 33.3 million of receivables referred to the aforementioned report were settled in the Group;
- During 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;
- during 2022, settlement activities with Roma Capitale continued, which allowed continuation of the liquidation of Acea receivables, through offsetting of a total of € 56.5 million, of which € 27.6 million relative to fees for previous years.

Note that on 11 August 2022, the City Executive Committee with resolution no. 312 entitled "Public and artistic-monumental public lighting service on the entire municipal territory – Concessionaire: Acea SpA- Recognition of the perimeter of the payable situation and launch of the consequent procedures" recognised the perimeter of the Administration's payables to Acea/Areti in relation to the Public Lighting service as of 31 December 2021.

This resolution was published on the institutional website of Roma Capitale on 30 August 2022 and with reference to the same, dialogue is still in progress with Roma Capitale.

During 2023, specifically in September, the Acea Board of Directors, after receiving the opinion of the Related Party Transactions Committee, approved the proposal for a Settlement Agreement with Roma Capitale, to govern their reciprocal positions and the methods for the early consensual termination of the contractual relationships between the parties for the public lighting service provided by the company and for it by the subsidiary areti.

At the same time, Roma Capitale also approved the draft Settlement Agreement in the City's Assembly in December 2023.

With reference to the economic terms of this possible Settlement Agreement, substantially in line with the City Executive Committee resolution 312 of 11 August 2022, following the reciprocal renunciation by the parties, the agreement calls for the recognition of receivables due to Acea/areti from Roma Capitale for a total of around € 100.6 million. The economic and financial effects of the settlement, following the signing which had not yet occurred as of the reporting date, will not have significant effects as the Group had already updated its estimates in previous financial statements utilising the criteria established in the relevant regulations.

Current payables fell mainly due to the decrease in the stock of trade payables (-€ 60.8 million). This effect for the most part de-

rives from the decrease registered by Acea Energia (-€ 95.2 million), mainly suffering from higher prices on the energy market in the previous year, in part offset by the increase in payables due to contractors for energy efficiency work, as well as electric mobility with reference to Acea Innovation (+€ 38.3 million).

Other current assets and liabilities recorded a decrease in assets of € 69.0 million and an increase in liabilities of € 10.3 million, compared to the previous year. More specifically, **other assets** decreased due to the drops seen in: i) receivables for energy balancing (-€ 35.6 million); ii) the value of derivative instruments on commodities receivable (-€ 58.9 million); iii) receivables from AATO (-€ 6.7 million) relative to the IWS; iv) receivables for accrued Green Certificates (-€ 5.8 million) mainly due to the scheduling of GRIN incentives as well as vi) IRES and IRAP receivables (-€ 13.2 million) and receivables for advances to suppliers (-€ 7.8 million) mainly attributable to Acea Innovation and relative to the start of energy efficiency contracts. The decrease is partially offset by the increase in tax credits accrued on energy efficiency projects (€ 68.9 million). More specifically, **current liabilities** increased as an effect of the increase in amounts due to Cassa for energy and environmental services for areti (+€ 99.4 million), due to the change in the regulatory framework relative to the Social Bonus and the reintroduction

of general system charges starting in the second quarter of 2023, as well as the increase deriving from advances received on investments financed mainly by Gori (+€ 25.3 million). This change was offset by the decrease in payables due to CSEA (Cassa for Energy and Environmental Services) from Acea Energia (-€ 50.6 million) as an effect of covering imbalances in the equalisation system for electricity purchasing and dispatching costs destined for the greater protection service, the reduction in the payable relative to the acquisition of 35% of Deco for € 33.5 million and the payable for the acquisition of 30% of SIMAM for € 13.0 million, as well as the reduction in the payable for the extraordinary solidarity contribution pursuant to article 37 of Decree Law 21/2022 relative to Acea Produzione (-€ 18.4 million).

Shareholders' equity

The shareholders' equity amounted to € 2,823.1 million. The changes seen, totalling € 67.8 million, are analytically presented in the relevant table and essentially derive from profits accruing in 2023, distribution of dividends, the change in the scope of consolidation and the change in cash flow hedge reserves, as well as those formed by actuarial gains and losses.

NET FINANCIAL DEBT

Group **debt** recorded an overall increase of € 407.1 million, going from € 4,439.7 million at the end of 2022 to € 4,846.8 million at 31 December 2023.

€ million	31/12/2023	31/12/2022	Change	% Change
A) Cash	359.4	559.9	(200.5)	(35.8%)
B) Cash equivalents	0.0	0.0	0.0	n.s.
C) Other current financial assets	487.3	342.1	145.2	42.4%
D) Liquidity (A + B + C)	846.6	902.0	(55.4)	(6.1%)
E) Current financial debt	(176.1)	(165.4)	(10.7)	6.5%
F) Current portion of non-current financial debt	(746.8)	(454.0)	(292.8)	64.5%
G) Current financial debt (E + F)	(923.0)	(619.4)	(303.5)	49.0%
H) Net current financial debt (G + D)	(76.3)	282.6	(358.9)	(127.0%)
I) Non-current financial debt	(4,770.4)	(4,722.3)	(48.2)	1.0%
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)	(4,770.4)	(4,722.3)	(48.2)	1.0%
Total net financial debt (H + L)	(4,846.8)	(4,439.7)	(407.1)	9.2%

Non-current financial debt increased by € 48.2 million compared with the end of the 2022 financial year. This change derives from an increase in bond loans of € 104.7 million and from a decrease in

payables for medium/long-term loans of € 61.7 million, as shown in the following table:

€ million	31/12/2023	31/12/2022	Change	% Change
Bonds	3,939.2	3,834.5	104.7	2.7%
Medium/long-term borrowings	752.7	814.4	(61.7)	(7.6%)
IFRS 16 financial payables	78.6	73.4	5.2	7.1%
Non-current financial debt	4,770.4	4,722.3	48.2	1.0%

Bonds, equal to € 3,939.2 million at 31 December 2023, show a total increase of € 104.7 million due to the combined effects of the € 5 billion placement on 17 January 2023 under the Euro Medium Term Notes programme (EMTN), of a Green Bond with an initial amount of € 500 million, increased by a further € 200 million on 3 February (3.875% interest rate, maturing on 24 January 2031), offset by € 600.0 million for the reclassification to current of the

10-year bond issued by Acea in July 2014.

Medium/long-term loans amounting to € 752.7 million recorded an overall decrease of € 61.7 million due to the parent company (-€ 31.1 million) and *areti* (-€ 27.8 million). 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.

€ million	Total Residual Debt	By 31/12/2024	From 31/12/2024 to 31/12/2028	After 31/12/2028
fixed rate	260.8	32.5	130.2	98.1
floating rate	405.7	50.3	177.4	178.0
floating rate cash flow hedge	191.7	22.7	141.4	27.6
Total	858.1	105.5	449.0	303.8

The **fair value** of GORI's hedging derivatives was a positive € 4.2 million (as at 31 December 2022, it was a positive € 6.6 million). Acquedotto del Fiora was a positive € 3.3 million (as at 31 December 2022, it was a positive € 5.5 million), and that of IWS was a positive € 1.0 million (as at 31 December 2022 it was a positive € 1.6 million). Positive fair values are found under "Non-current financial assets" and are not considered in the balance of correlated loans.

The **short-term component** was negative at € 76.3 million and, compared to the end of 2022, worsened by € 358.9 million, generated for € 328.7 million by the Parent Company, for € 26.0 million by GORI, for € 10.3 million by Acea Produzione and for € 6.7 million by *areti*. The change seen by the parent company was mainly generated by the reclassification to current of the short-term portion of the 10-year bond issued by Acea in July 2014 (+€ 600 million), partially offset by the reduction in current financial payables following the payment of the bond which had matured (-€ 300.0 million), the reduction in cash and cash equivalents (-€ 200.5 mil-

lion) and higher short-term deposits (+€ 351.2 million).

Note that financial debt includes € 107.9 million in payables to Roma Capitale for dividends resolved to be distributed and does not include other payables of around € 12.1 million relating to share purchase options of the companies already held.

At 31 December 2023, the Parent Company had unused committed credit lines of € 700.0 million and uncommitted lines of € 425.0 million, of which € 21.0 million used. No guarantees were granted in obtaining these lines. Additionally, note that on 6 July 2023 Acea signed the contract for the first tranche of € 235 million from the EIB loan to support a portion of the Acea Ato3 investments, not utilised at 31 December 2023.

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

2023 was a year that above all saw a significant reduction in energy commodity prices with respect to the figures seen in 2022, above all gas and coal. This decrease was influenced by the drop in energy consumption and the gradual moderation of fears about energy supplies, also due to new systems for importing LNG coming online which counteracted the impact of the reduction in supplies from Russia. The drop in commodities prices also contributed to the attenuation of inflation, which at the end of 2023 fell to 2.7% in the Eurozone (vs. 3.4% in the US), compared to the peak of 8% seen in the first quarter of the year. This trend supported expectations of a coming inversion of restrictive monetary policies.

The resilience of the economy (expected 2023 GDP growth of 0.5% in the Eurozone and 2.4% in the US) and expectations of a coming mitigation of restrictive monetary policies also led to a 46 bps decrease in the BTP-Bund spread which at the end of the year was 168 bps.

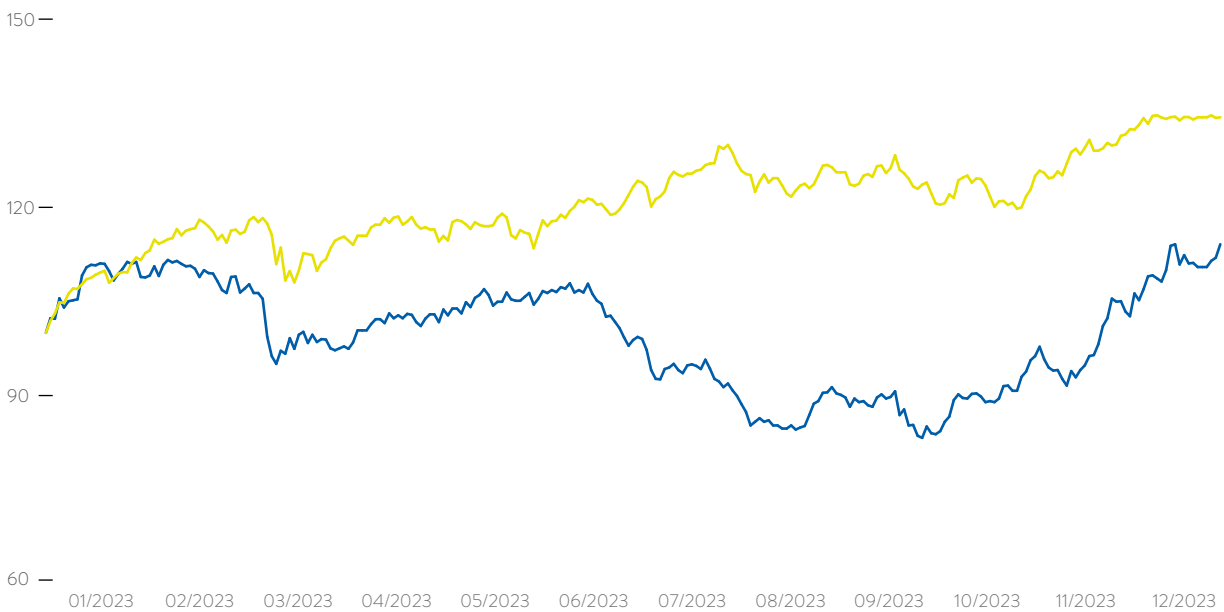
In this context, Euro Stoxx rose by 19.5% in 2023 (in terms adjusted for dividends - Total Shareholder Return), while the FTSE MIB,

in part supported by the decrease in the BTP-Bund spread, appreciated by 34.4%, the best performance of the major stock indexes in the Eurozone. The German DAX and French CAC 40 ended the year overall in line with the Eurozone benchmark.

In 2023, the Eurozone utilities sector saw an average increase of 17.7%, above all thanks to the performance of integrated operators which benefited from the recovery in commercial margins caused by the decline in energy procurement costs and higher hydroelectric availability.

Acea recorded an increase of 14.1% (in terms adjusted for dividends - Total Shareholder Return), substantially in line with the Eurozone index for the sector. The closing price at 29 December 2023 (final trading day of the year) was € 13.83, corresponding to a market capitalisation of € 2,945 million. The maximum value of € 14.42 was reached on 7 February, while the minimum value of € 10.09 was reached on 28 September.

During 2023, the daily average volumes traded were around 171,000 shares (compared to 130,000 in 2022).



(Source: Bloomberg, rebased to 100 at 30/12/2022)
Changes adjusted for dividend detachment (Total Shareholder Return)

— ACEA — FTSE MIB

ENERGY MARKET

Relative to the domestic electricity market, electricity demand in 2023 totalled 307,749 GWh, (source: Terna), down by -2.5% with respect to the previous year. Despite the negative result, the gap compared to 2022 fell gradually over the year, such that in the fourth quarter an increase of +1.2% year on year was recorded.

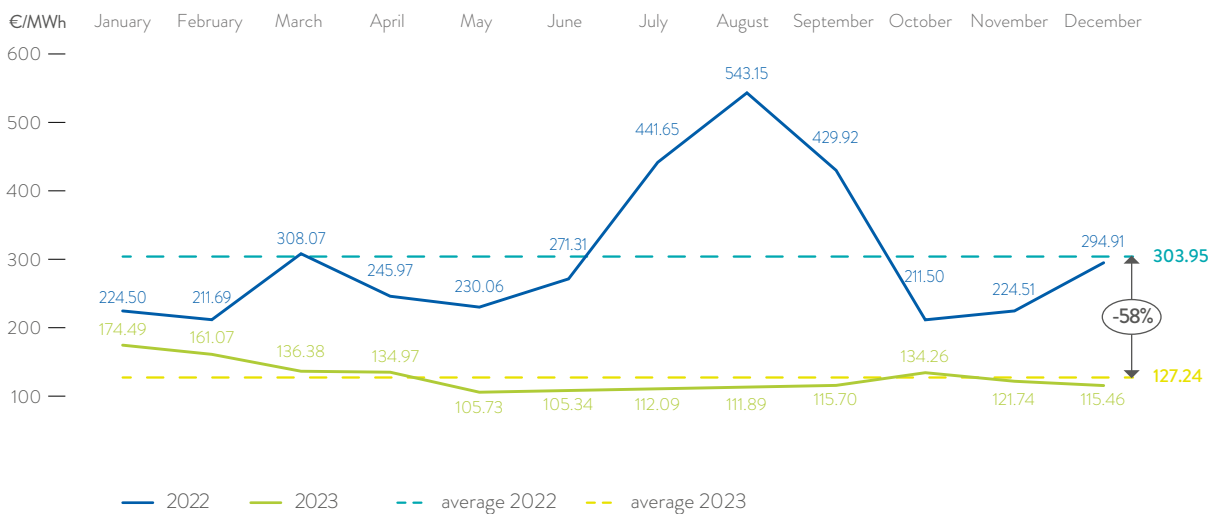
This reversal of trend, already partially seen in the third quarter, can be attributed on one hand to 2022 consumption which was strongly down due to high utility prices and the reductions requested by the European Commission to reduce consumption of gas generated through electricity during the energy crisis, and on the other to meteorological factors, with intense heat waves in July and August 2023 and an extended summer season through September/October 2023 (+1 °C with respect to September/October 2022) which kept cooling consumption high.

Energy production, net of self-consumption and consumption by pumping (29,227 GWh, +10.6%) came to 227,277 GWh, down by -8% with respect to 2022, and covered 74% of requirements. Net imports consolidated the positive contribution already seen in the beginning of the year, coming to 51,246 GWh (+19.4%) and contributing 16.7% to meeting demand, in part replacing thermoelec-

tric production (135,579 GWh, -20.1%), above all impacted by the large contribution from renewables. In fact, with the sole exception of geothermal (5,347 GWh, -1.6%), renewable sources played the leading role in a very positive 2023, with hydroelectric production up +34.4% (39,833 GWh), compared to the drought impacted 2022, wind was up +15.4% (23,338 GWh) and photovoltaic up +7.3% (24,179 GWh, with an additional 5 GW of photovoltaic capacity installed with respect to 12 months prior).

The Single National Price (SNP) in 2023 saw an average value of € 127.24/MWh, down by -58% over 2022, with the fourth quarter registering an average of € 123.85/MWh (-49% with respect to the fourth quarter of 2022). More specifically, the quarter began with an overreaction by the gas markets, reflected in the electricity markets, to a series of events (above all the Hamas attack on Israel on 7 October) which impacted security and tranquillity embedded in bearish fundamentals, while also giving rise to speculative actions and technical corrections. In the course of a week the daily average SNP gained +40%, reaching € 175/MWh on 16 October, a figure not seen since the beginning of February, followed by a return to more tranquil waters by the end of October (€ 121/MWh on 30 October).

Single National Price (SNP)



With regards to **natural gas**, domestic demand in 2023 came to 59,069 Msmc (source: Snam Rete Gas), down by -10.5% with respect to 2022. The significant decline seen at the beginning of the year (-19.8% with respect to the first quarter figure year on year) was gradually limited due to seasonal absence of residential demand in the spring/summer and an end of the year with temperatures not as high as the previous year, to which were added the more marginal effects of the coal-to-gas switch in electricity generation and the weak signs of recovery coming from the industrial sector compared to the extremely low levels in 2022. Distribution, including residential and SME, ended the year with 26,567 of consumption (-8.6% compared to one year prior, but +5.6% on just the fourth quarter), with the thermoelectric segment requesting 21,079 Msmc of gas (-15.5% in annual change, -9.8% on just the fourth quarter), also thanks to a renewed contribution from renewable production (above all hydroelectric), while the industrial segment required 11,423 Msmc of gas (-4.7% in annual change, +7% on just

the fourth quarter).

Overall, 2023 saw an annual average TTF of € 42.98 c/smc (-66% with respect to the same period in 2022) and an annual average PSV of €44.72 c/smc (-65%). In the fourth quarter, the average values were € 42.95 c/smc for the TTF (-57%) and € 43.22 c/smc for the PSV (-57%).

In 2023, the PSV-TTF differential was an average of +€ 1.74 c/smc (+€ 0.27 c/smc for the fourth quarter), trending down by -€ 0.25 c/smc with respect to the value expressed in 2022 (-€ 0.67 c/smc).

Tariffs for transport services

2023 was the eighth 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 2023 were published with Resolution 720/2022/R/eel for the distribution and metering services for non-domestic customers, with Resolution 719/2022/R/eel for the provision of the transmission service, with Resolution 721/2022/R/eel for provision of the domestic customers network services.

On 16 May 2023, with Resolution 206/2023/R/eel, provisional reference tariffs were published for 2023 for electricity distribution and metering services for distribution companies serving at least 25,000 withdrawal points.

Also note that with Resolution 154/2023/R/eel, published on 11 April 2023, the definitive reference tariffs for 2022 were published. The regulations in force in the previous regulatory sub-period include:

1. regulatory lag and return on invested capital;
2. extension of regulatory useful life;
3. 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 and will then be replaced by the final data to determine the definitive tariffs of reference published in the initial months of the following year.

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.

On 23 December 2021, ARERA published Resolution 614/2021/R/com with which it 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%, also confirmed for year 2023 with resolution 654/2022/R/com.

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, effects of dismissals and disposals
- 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.

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 circular 21/2023/ETL of 18 May 2023, CSEA invited distributors utilising the individual cost recognition regime to indicate whether or not they wish to make use of the advances mechanism for 2023. areti communicated that it would adhere to this, in a certified email (PEC) sent on 19 May 2023.

On 29 September 2023, the consultation document 423/2023/R/eel was published. Its main aspects involve mechanisms to promote aggregation of distribution companies, rationalisation of high volt-

age grid assets, the development of incentives to obtain public contributions, reactive energy tariff regulation and updating of the “other specific performance” envisaged in the TIC. The deadline for submission of comments was 27 October 2023.

Following the consultation, ARERA published Resolution 617/2023/R/eel on 27 December 2023, in which it amended, among other things, the incentives for obtaining public contributions. The bonus is equal to 10% of the public contributions collected during the previous year and is ascertained and determined annually by the Authority by 31 October of each year, from 2025 to 2028. Distribution companies must provide the list of public contributions collected by 31 March of the year following the year to which the contribution refers. Bonuses are paid in three equal amounts, unless otherwise ordered and justified by the Authority at the time the economic items are determined, for reasons of liquidity or the overall impact on the tariff.

On 27 December 2023, ARERA published Resolution 616/2023/R/eel with which it approved the tariff regulation for electricity distribution and metering services for 2024-2027, as well as the relative integrated texts for distribution (TIT) and metering (TIME) and for the connection service (TIC). Also note that the TIT was integrated with provisions relative to criteria to recognise costs for companies subject to the ROSS criteria.

With Resolution 449/2020/R/eel of 10 November 2020, the algorithm for calculating the ΔL 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 obligation to connect third parties for the “centre” zone and for the LV voltage level was modified, going from 2% to 1.83%. Table 4 of the TIS was also amended by the same Resolution with effect from 1 January 2021.

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 service to end customers as from 1 January 2023. Distribution companies submitted their comments on 31 January 2022.

This consultation procedure concluded with the publication of Resolution 117/2022/R/eel of 22 March 2022, with which the Authority set the conventional percentage factors related to commercial losses to be applied to electricity for equalisation purposes equal to 1.77% in the Centre zone for 2022, and 1.72% in the Centre zone for 2023. It also introduced a cap on the PAU price to be applied, equal to the arithmetic average of the average annual PAUs in 2016 – 2021.

With a specific application to be presented by the end of May 2022, the resolution provided for recognition of network losses attributable to non-recoverable fraudulent withdrawals that manifest with exceptional amounts compared to the levels recognised conventionally. The recognition was 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. In addition, with an application to be presented by May 2024, the same recognition was envisaged related to the 2022-2023 two-year period. The application related to the recognition of losses in the 2019-2021 three-year period was submitted by Areti via certified email on 31 May 2022.

On 7 February 2023, ARERA published Resolution 42/2023/R/eel, beginning the procedure to verify the existence of the right to

recognition of non-recoverable fraudulent withdrawals claimed by areti, the amount of fraudulent withdrawals to recognise and the corresponding economic value. Following this resolution, in a certified email the Authority communicated the following investigations relative to the procedure:

- the issue involved in the request is accepted (thereby identifying a liability with respect to the company) and is equal to around € 1.0 million;
- the non-recoverable fraudulent withdrawals are recognised solely for cases of “occupied buildings” (138 GWh), and not recognised for cases of “routes at risk” (36 GWh) and “unknown” (7 GWh). In the context of future sessions to update balancing amounts, CSEA will recognise the stated amount for areti and the relative annual updates to which the balancing amounts for 2019-2021 are subject.

Note that with Resolution 181/2023/R/eel of 4 May 2023, the Authority completed the procedure begun with resolution 42/2023/R/eel, authorising CSEA to recognise this amount for areti and the relative annual updates to which the balancing amounts for 2019-2021 are subject, in the context of future sessions to update balancing amounts.

On 25 July 2023, ARERA published resolution 336/2023/R/eel, beginning a procedure to adopt provisions to reform regulations for electric settlement, methods for determining procurement of network losses and the relative equalisation mechanisms, considering the innovations over time in relation to meter reading, the removal of the greater protection service and innovations in dispatching regulation. The reform is structured in phases, with the first actions focused on going beyond the load profiling regulations and the role of residual user, at present assigned to Acquirente Unico as part of the same regulation, as well as the consequent optimisation of the relative disclosure and monitoring obligations falling to the various entities.

Also note that with Resolution 584/2023/R/eel of 12 December 2023, the Authority extended to 2024 the regulations on equalisation of network losses established pursuant to the TIV for 2022-2023, the conventional loss factors for equalisation purposes established in the TIV for 2023 and the conventional loss factors applied for 2023 to electricity issued and withdrawn pursuant to the TIS. With reference to marginal situations, the mechanism for restoration of losses was confirmed for 2024, with the application to be presented in May 2025 with reference to 2022-2024.

On 3 August 2023 consultation document 377/2023/R/eel was published, in which the Authority presented its initial guidelines on the elimination of load profiling regulations and procurement methods for “residual” energy. The deadline for submission of comments was 25 September 2023.

With resolution 712/22, effective April 2023, ARERA governed the issuing of reactive energy from MV/LV networks to the relevant grid (NTG), establishing amounts differentiated between homogeneous and non-homogeneous areas (€2/MVarth and € 1.44/MVarth).

Homogeneous areas mean notes on the relevant grid, featuring the same impact from reactive energy exchanges (issue/withdrawal).

The Authority published resolution 124/2023 on 28 August 2023, with which it adopted the list of electricity nodes on the relevant grid to which the higher amount is applied for issuing of reactive energy, confirming the application of the amounts for reactive energy issued effective 1 April 2023, with exemptions in the case that adequate offsetting tools are utilised.

On 27 December 2023, with Resolution 615/2023/R/eel, ARERA defined the criteria for tariff regulation for electricity transmission

and dispatching services for 2024-2027 (RTTE 6PRTE). A significant passage for areti SpA involves the issue of fees to be paid to Terna for the issuing of reactive energy in the NTG. In particular, the provision establishes that the metering systems on the MV side of the primary areti SpA substations be used until 31 December 2026 to determine reactive energy issued and withdrawn, de facto extending the provisions pursuant to resolution 591/2023/R/eel (12 December 2023) with reference to measuring reactive energy exchanges on high or very high voltage, based on specific grid and metering configurations.

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.

Further impact on equalisation was linked to the fact-finding investigation launched with Resolution 58/2019/E/eel concerning the regulation of financial items relating to 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 properly define the dispatching point of export related to the electricity destined for dispatching points of export and to obtain the measurement data of the electricity sold.

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 dispatching point of export.

In June 2020, areti presented its commitments, which were revised in February 2022 in the light of the results communicated by 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.

On 5 April 2022, with Resolution 151/2022/S/eel, ARERA approved and published the proposal of commitments submitted by areti. The following phases will follow:

1. third parties could submit their comments by 7 May 2022;
2. within 30 days of the publication of any comments, areti could respond;
3. final approval of the commitments with resolution, which will also specify the terms for the settlement of the financial items and the start date of the monitoring.

With resolution 355/2022/S/eel of 27 July 2022, ARERA approved the commitments proposed by areti SpA in the context of the sanction proceedings for violations of settlement of economic items relative to electricity destined for Vatican City State.

Finally, with Resolution 576/2021/R/eel, Arera provided that for interconnection with the dispatching points of export:

- 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 dispatching points of export 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.

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:

1. 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;
2. 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;
3. 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:

1. 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.
2. 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.
3. 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.
4. 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 are present, including but 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. In this regard, note that the DSOs, through Utilitalia, are submitting to the Authority a number of requests intended to zero the bonus and penalty mechanisms for the years impacted by the scarcity of 2G meter supplies.

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.

On 23 March 2022, Arera sent to Areti, via certified email, communication of the preliminary findings related to the effective capital cost of the investments in 2G smart metering systems incurred in 2020.

On 28 June 2022, the Authority published DCO 284/2022/R/eel which outlined the guidelines relating to the introduction of transitional changes to the provisions of the 2G Directives for 2022. These transitional changes were deemed necessary following the indirect effects of the COVID-19 pandemic which led to a severe lack of semiconductors at global level and which in turn, at the start of 2022, created significant limitations on the availability of 2G meters that had already been ordered by distribution companies. Interested parties are invited to send their comments to the Authority by 29 July 2022.

With Resolution 280/2022/R/eel of 28 June 2022, Arera initiated proceedings to update the guidelines for the recognition of second generation (2G) smart metering system costs applicable from 2023, currently defined by Resolution 306/2019/R/eel, providing for the conclusion of such proceedings by 31 December 2022.

On 28 June 2022, the Authority published DCO 284/2022/R/eel outlining its guidelines relating to the introduction of transitional changes to the provisions of the 2G Directives for 2022. These transitional changes were deemed necessary following indirect effects of the COVID-19 pandemic which led to a severe lack of semiconductors at global level, which in turn, at the start of 2022, created significant limitations on the availability of 2G meters that had already been ordered by distribution companies. In this DCO, ARERA also discussed the possible transitional derogation of the “operational” criteria for significantly relevant areas, examined possible transitional changes involving the preparation of detailed plans for the mass stage, discussed application methods for the Information Quality Incentive (IQI) matrices, illustrated possible transitional changes to the penalty rules for lack of progress in the operational

plan and examined completion schedules for the mass stage of 2G smart metering operations. The interested DSOs were asked to send their comments by 29 July 2022.

Note that on 27 July 2022, the Authority published consultation document 360/2022/R/eel, illustrating guidelines relative to the extension of provisions on the implementation of second generation low voltage electricity smart metering systems. The deadline for submission of comments was 26 September 2022.

On 22 November 2022, following the consultation period begun with DCO 284/2022/R/eel, ARERA published resolution 601/2022/R/eel in which it introduced transitional changes to certain provisions for the second generation (2G) smart metering systems for low voltage electricity. In particular, it establishes: for 2022 and the first half of 2023, non-application of the “operational” criteria in any significantly relevant area; for 2022, provisions pursuant to article 18, paragraphs 1 and 3 of Annex A to resolution 306/2019/R/EEL are suspended, relative to penalties for delays with respect to the forecasts for implementing the service and limited non-compliance with expected performance levels; the effects deriving from the planned and actual numbers of 2G metres for 2022 were sterilised. On 28 March 2023, Arera sent the preliminary findings related to the effective capital cost of the investments in 2G smart metering systems incurred in 2021.

Finally, with resolution 724/2022/R/eel, the Authority updated the 2G Directives for 2023-2025 establishing i) that annual accounting methods for physical progress be made systematic, with time frames similar to the accounting already established for economic and performance progress, ii) that the monitoring period for 2G smart metering system performance be extended to 4 years, activating penalties only as of 1 January of the fifth year of PMS2, in light of the problems which arose relative to the COVID-19 health emergency and the significant limitations on availability of 2G components, iii) an obligation to promptly replace 1G metres with 2G metres for activation requests for collective self-consumption, and iv) a premium mechanism for accelerating PMS2 as an effect of public contributions.

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).

Resolution 119/2022/R/eel of 22 March 2022 established the mechanism to reimburse electricity distributors for receivables not collected and not otherwise recoverable in relation to general system charges and network charges, outlining their conditions for access, quantification criteria of the eligible receivables, criteria for their recognition, operating methods as well as time frames for submitting applications and settlement of the amounts by CSEA. Furthermore, this measure repealed resolution 50/2018/R/eel of 1 February 2018.

Furthermore, note that with Resolution 35/2022/R/eel of 31 January 2022, ARERA arranged for the cancellation of the rates for general electricity system charges for Q1 2022 for all types of users, implementing the *Supports ter Law Decree*.

On 22 November 2022, the Authority published resolution 599/2022/E/com which began an audit campaign with reference to documents on the topic of accounting separation and declared investments for a sample of regulated companies in the electricity distribution and natural gas distribution and transport sectors for the years 2018-2021.

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 31 January 2022.

On 12 July 2022, the Authority published DCO 317/2022/R/com, offering further clarifications and observations on the scope of application for the ROSS approach and the criteria used to determine the historic cost recognised under the ROSS BASE approach. Comments were sent by 14 September 2022.

On 25 October 2022, ARERA published resolution 527/2022/R/com, beginning a procedure to define the adjustment criteria based on the ROSS-complete model. By 31 December 2023 a framework resolution will be published, containing the general criteria for ROSS Complete adjustments and in 2024 specific sector provisions will be published for the various regulated services, which will contain methods and objectives for experiments.

In DCO 655/2022/R/com, the Authority published its final guidelines on the criteria for determining the cost recognised under the ROSS-base approach and a first draft of the TIROSS (Consolidated regulatory law on spending and service objectives for regulated infrastructure services in the electricity and gas sectors) for 2024-2031: the duration of the regulations contained in TIROSS is 8 years, while the duration of the regulatory period for each regulated service is 4 years. The DCO provides additional indications relative to determining the spending to be included in tariff recognition, on determining total efficiency recoveries and the treatment of capital spending existing as of the cut-off date. Distribution companies can submit their comments until 23 January 2023.

On 18 April 2013, with Resolution 163/2023/R/com, the Authority published the Consolidated law on general criteria and standards for regulating spending and service objectives for 2024-2031 (TIROSS 2024-2031), and approved Part I, containing shared provisions, as well as part II, dedicated to ROSS-base. This Resolution also confirmed the guidance anticipated in DCO 655/2022/R/com, postponing the definition of specific parameters for future specific provisions relative to each regulated infrastructure service. Subsequently, on 18 May 2023, ARERA sent to the main DSOs, Snam and Terna, a request for information, specifically simplified economic, equity and financial projections for the purposes of reg-

ulating spending and service objectives (ROSS), to determine future capitalisation rates, the X-Factor and the Z-Factor for the First ROSS Regulatory Period. This information was to be provided for 2023-2027.

With resolution 165/2023 of 18 April 2023, the Authority resolved to begin a procedure to establish provisions for infrastructure regulation with reference to electricity distribution and metering services for regulation period 2024-2027. This procedure will end by 31 December 2023, relative to general aspects, with application for the entire period from 2024-2027, and by 31 December 2027 with regards to specific application aspects, for example preparation of application criteria for the full ROSS regulation and the introduction or updating of output-based regulatory mechanisms.

On 3 August 2023, the Authority published consultation document 381/2023/R/com in which it presented guidelines on the methods for applying the ROSS-base criteria, for natural gas transport and transmission services and for electricity distribution and metering, applicable as of 2024. The document outlined the Authority's proposals relative to certain aspects not yet defined in resolution 163/2023 approving the TIROSS, in any case postponing to subsequent consultation documents and working groups the aspects linked to cost reporting and monitoring and to analysis of economic/financial returns and the "financeability" of companies. Interested parties are invited to send their comments and proposals to the Authority by 21 September 2023.

Following the consultation, on 2 November 2023 ARERA published Resolution 497/2023/R/com in which it defined the application criteria governing spending and service objectives for natural gas transport and electricity transmission, distribution and metering services. Among many changes, the Authority ordered that the baseline for operating costs in 2024 is equal to the 2022 effective operating costs (COE), appropriately revalued for 2023 and 2024, based on the inflation rates published in resolution 616/2023, respectively equal to 6% and 1.9%. Efficiency recoveries achieved in the 5th regulation period were left to the distribution companies in the four subsequent years, with gradually declining rates (50% the first year, 37.5% the second, 25% the third and 12.5% the fourth). Efficiencies in the new regulatory period are instead left to the DSO based on the incentive scheme selected (SBP low potential or SAP high potential). Capital costs incurred through 2023 (cut-off) are managed with the previous criteria (amortisation/depreciation in year n-2, capital in year n-1); capital costs after the cut-off year are managed using ROSS logic (amortisation/depreciation and capital at year n-1). Total costs incurred by the company are divided between the Slow money portion (opex) and the Fast money portion (capex) based on a capitalisation rate defined by ARERA.

On 29 November 2023, ARERA requested the information needed to determine the capitalisation rate, the baseline for 2024 operating costs, presentation of the application for the Z-factor and the incentive selected (SBP v.s SAP). On 22 December 2023, in a certified email, areti sent the Authority the requested information, deciding not to present the application to activate the Z-factor, as incremental costs associated with the energy transition were not planned for 2024, and opting for the low-potential scheme (x-factor of zero and efficiencies retained at 100% in the first year and 50% in the three subsequent years).

The Italian Waste Management market

The current situation of production and treatment capacity for waste in the traditional operational areas of the Acea Group and in

the neighbouring areas shows a high "potential demand" for waste management (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 sewerage 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

Among the main regulatory changes relative to the first half of 2023, specifically with reference to the water sector, the most important is the **2023 Budget Law** (Italian law 197 of 29 December 2022, published in the Official Journal 303 of 29 December 2022, SO no. 43), which took effect on 1 January 2023. In particular, paragraphs 519-520 involve **financing of the Peschiera water system**. Paragraph 519, to improve water supply for the metropolitan city of Rome, authorises total spending of 700 million (50 million 2023 and 2024 and 100 million in the years from 2025 to 2030), to create the "new upper section of the Peschiera aqueduct, from the sources to the Salisano Plant", as part of the project to secure and modernise the Peschiera water system (annex IV, no. 8 to Decree Law 77/2021). Paragraph 520 delegates to an MIT decree, to be adopted in concert with the MEF, by April 2023, but not yet issued, the identification of projects to finance with the resources established in paragraph 519, as well as the methods for disbursement and cases for revoking the resources, through presentation of the relevant documentation by the extraordinary commissioner.

Another important change is the publication, in the Official Journal 55 of 6 March 2023, of **Legislative Decree 18/2023**, "Implementing Directive (EU) 2020/2184 of the European Parliament and Council of 16 December 2020, concerning the **quality of water intended for human consumption**." The date of entry into force for this provision is 21 March 2023, however with different time frames for the various actions. The new regulation is not limited merely to the quality of potable water and monitoring of the same, but also includes other aspects such as water loss, water access, user information and additionally contains provisions on materials in contact with water, reagents and filtering materials.

With reference to water loss, ARERA must prepare the data acquired from managers, in line with the provisions of the technical quality regulation, and communicate the national average to the European Commission by 12 January 2026; if the average identified as a threshold by the Commission is exceeded, an action plan must be established with the relative measures to reduce the national water loss rate, to be adopted through a prime ministerial decree.

The issue of water access is also worthy of note, which involves adoption by the Regions and Autonomous Provinces of measures needed to maintain and improve access to water intended for human consumption, in particular for vulnerable and marginalised groups, promoting the use of tap water. No less important are new provisions regarding public information, already introduced in the regulation associated with resolution ARERA 609/2021/R/idr.

Also note that in Official Journal General Series, no. 59 of 10 March 2023, the MEF Decree of 31 December 2022 was published, containing general criteria for the Regions to determine **concession fees for public water utilities**.

The provision serves the goal of ensuring standard regulations throughout the country, to that end establishing general criteria for the Regions to determine concession fees for public water utilities, taking into account environmental costs and costs for the resource and pollution, contributing to achieving the milestone in the NRRP, M2C4-2 – Reform 4.2: Measures to guarantee full management capacity for integrated water services.

Another provision of interest during the reference period is Decree Law 39 of 14 April 2023, converted with Law 68/2023 (Official Journal 136 of 13 June 2023), containing urgent provisions to combat water scarcity and strengthen and adapt water infrastructure (the **Drought Decree Law**). The various measures include the establishment of a Steering Committee for the water crisis, chaired by the Prime Minister, with the task of guiding, coordinating and monitoring, and also responsible for identifying works and projects to be urgently implemented to deal with the water crisis in the short-term. As indicated in a Prime Ministerial Press Release, in May the first meeting of the Steering Committee was held, during which priorities were established and requests coming from various areas began to be examined, with the initial projects for 5 regions already identified, including Lazio, with a total investment of € 102 million made available by MIT. The Drought Decree Law also calls for the appointment of an extraordinary commissioner, in office until 31 December 2023, extendable until 31 December 2024, responsible for the urgent implementation of the projects identified by the Steering Committee; to that end, Nicola Dell'Acqua was appointed by the Council of Ministers on 4 May 2023.

Finally, with reference to the EU, we note the reasoned opinion sent by Italy to the European Commission on 15 February, as part of the INFR 2018-2249 infraction procedure in relation to non-compliance with the Nitrates Directive (91/676/EEC), with an invitation to better protect the population and ecosystems of the country from pollution caused by nitrates used in agriculture. The opinion was preceded by two default notices: the first in November 2018, inviting the authorities to guarantee stability for the network used to monitor nitrates, to carry out a review, and to designate areas vulnerable to nitrates, adopting supplementary measures in various regions; in December 2020 a complementary letter was sent, which while recognising a certain level of progress, indicated worries with regards to certain violations in various regions in which the situation for subterranean waters polluted with nitrates is not improving or in which a worsening of the problem of eutrophication of surface waters has been seen. Italian authorities have two months in which to respond and adopt the necessary measures.

Also note, in June, Italy's referral to the European Court of Justice for improper implementation of Directive 91/271/ECC on treatment of urban waste water (case C-85/13, infraction procedure 2009/2034); in fact, according to the European Commission, of the 41 initial agglomerates in the case, 5 had still not been made compliant and the 2027 deadline established by Italy for resolution was not considered acceptable.

The main measures issued by ARERA during the reference period are analysed below.

ARERA and water services

With **resolution 51/2023/R/IDR**, in compliance with article 7, paragraph 2 of Legislative Decree 201/2022 (Restructuring of regulations for local public services of economic relevance), the Authority began the procedure to determine the new regulations for the basic content of calls for tenders intended to establish the basic structure for tenders to assign management of the integrated water service. The procedure is intended, among other things, to govern the criteria used to determine the starting amount for the tender, to formulate and evaluate bids (economic and technical) so that these are consistent with regulatory provisions on tariffs and quality. No progress has been seen in the procedure, which was originally set to be completed by 30 September 2023.

With reference to the social bonus, note the following provisions:

- resolution **13/2023/R/com**, with which the Authority updated the ISEE threshold values for access to the measure, consistent with that provided in Law 197 of 29 December 2022 (2023 Budget Law): in particular, as from 1 January 2023, the access threshold was updated to € 9,530 with 15,000 the maximum limit for families with fewer than four children (the maximum limit of € 20,000 remained unchanged for large families);
- Resolution **622/2023/R/com**, revising the recognition, update and verification methods used by the manager of the social bonus.

With **resolution 639/2023/R/idr** of 28 December 2023, the Authority defined the water tariff method for the fourth regulatory period 2024 – 2029 (MTI-4). The adoption of MTI-4 is part of the procedure begun with resolution 64/2023/R/idr (which also indicated the value of the average cost for the electricity supply sector for 2022, equal to € 0.2855/kWh) and was followed by two consultations (DCO 442/2023/R/idr and DCO 543/2023/R/idr). Again for MTI-4, the Authority confirmed the methodological approach adopted in the previous regulatory periods, with the aim of guaranteeing stability and continuity in the regulatory framework. Below are the aspects of greatest impact in the new method:

- extension of the regulatory period duration from four to six years, with two biennial updates of established tariffs (by 30 April 2026 and 30 April 2028) with a possible infra-period adjustment based on a justified request from the Area Governing Body (EGA) due to extraordinary circumstances;
- update of the parameters underlying the regulatory scheme matrix with a consequent increase in the maximum allowable values (primarily due to inflation) falling between 5.95% (Framework II, previously equal to 3.7%) and 9.95% (Framework VI, previously equal to 8.5%);
- financial and tax charges for the Integrated Water Service Operator: the Authority confirmed substantial alignment with the values for other regulated sectors, defining an overall value of 6.13% (4.8% in MTI-3);
- electricity costs: recognition within the tariff of the cost to acquire electricity incurred during the year (a-2), also valorising self-production and the operator's efforts to limit consumption without changing systems and scope; this value is to be seen as the maximum ceiling as a lower value can, in any case, be quantified, in order to at least partially anticipate the effects of the possible downward trend in the cost of electricity. At the time of adjustment, the Method envisages (with the exception of 2024 and 2025, for which the mechanism based on "average sector

cost” is confirmed) a reference benchmark relative to a theoretical acquisition mix (for 2026: 70% variable price and 30% fixed; for subsequent years, an update to the weights is envisaged if needed). MTI-4 includes a deductible of 15% in addition to the benchmark (after exceeding that value any additional costs are borne by the operator), while cost efficiencies are divided between the operator and system (50% sharing). In the adjustments (RCaltro component relative to recovery of differences between the constraint of revenue and outlays incurred), amounts relative to the full recovery of electricity costs incurred in 2022 are covered, conditionally;

- adjustments: confirming, in line with previous regulatory periods, the possibility that the EGA and other relevant entities may present applications to exceed the tariff limit, the Authority emphasises that this choice may also be motivated by the need to recover adjustments relative to previous years and already approved by the same relevant entity or the Authority, in order to support the completion of necessary infrastructure. When approving the application, ARERA carries out a specific investigation intended to ascertain, beyond the validity of the data supplied and the efficiency of the metering service, congruence between the size of previous adjustments allowed for recovery and the resources required to achieve the necessary infrastructure. To limit the amount of allowable costs postponed to future period, the possibility to recover adjustments in years after 2029 is, as a rule, limited to solely cases in which this deferral is motivated by the need to respect the established limit on annual growth in the tariff multiplier. Nonetheless, it is envisaged that the EGA may present, in agreement with the operator, an application for deferral accompanied by a plan which clearly specifies the years in which it intends to carry out the recovery. Also in the light of the results of validation activity, it was decided to postpone to a subsequent provision the definition of operating methods to recover differences between:
 - the data communicated with reference to odd years and the values identified after the fact with reference to volumes invoiced and electricity consumption;
 - operating costs and adjustments quantified for the establishment of tariffs relative to 2023 assuming a null inflation rate and that derived from the update of the rate, equal to 4.5%;
- adjustment of allowable operating costs: the Authority envisages the inclusion of additional costs relative to the start of the new regulations, the expansion of the scope of activities carried out (management of rainwater where the EGA exercises the ability to include this activity within the Integrated Water Service), as well as additional costs incurred to adjust to the new technical quality objectives;
- incentives to promote energy and environmental sustainability: these measures assign a bonus in the case objectives are achieved, identified with reference to two new indicators:
 - RIU – Portion of purified volumes which could be reused but are not destined for this purpose;
 - ENE – quantity of electricity acquired (for which a lower target -5% - has been adopted with reference to that initially proposed).

These mechanisms will be applied starting in 2025, considering, among other things, the situation of each operator in 2023.

In the context of a procedure carried out at the same time as the tariff method, with **resolution 637/2023/R/ldr** the Authority adopted the update to the Integrated Water Service Technical Quality regulations (RQTI). The provision provides that, starting in

2024, quality objectives (both technical and contractual) will be consistently evaluated in a cumulative manner on a biennial basis. Consequently, for the purposes of applying the bonus (penalty) factors, the level reached cumulatively for each of the macro-indicators applied at the end of odd years will be an element of assessment. Both for technical and contractual quality there is a ceiling for the bonus, equal to 15% of the value of the Guaranteed Revenue Constraint (GRC).

By 30 April of each year, and using the operating methods to be established in subsequent provisions, the EGA must send the Authority an archive containing the file for RQTI data collection and monitoring, with annexed support documentation. As of 2026 (and then biennially), this archive must be verified by a pool of EGAs, subsequently defined by the Authority, which includes the entity locally responsible for that considered. If the archive is not certified, even partially, this must be justified and can constitute cause for exclusion from the incentive mechanism for any macro-indicators interested. Additionally, the operator can be excluded from the tariff update in the case of delays or problems in achieving the prerequisites established in the RQTI.

Among the main changes in the update to technical quality, beyond determining a number of assessment classes which are the same for all macro-indicators (with adjustment of the various levels and associated objectives) and certain specifications for each macro-indicator, a new macro-indicator has been added - “MO - Water Resilience”, with which the Regulator has set the objective of evaluating the ability of the water system to handle the frequent stresses the water resource suffers, both in terms of the local area operated and at a higher levels. In fact, MO consists of two simple indicators:

- - MOa (Water resilience at the level of integrated water service management), defined as the ratio between integrated water service consumption, including network losses, and water availability for the same operator,
- - MOb (Water resilience at a higher level) which identifies the ratio between consumption for all uses, including network losses, and overall water availability in the area considered.

Again in relation to regulation of technical and contractual quality, note resolutions **476/2023/R/ldr** and **477/2023/R/ldr** on the application of the incentive mechanism (final results) published downstream from the methodological note pursuant to resolution 303/2023/R/ldr with which ARERA identified the initial results as well as the investigation process undertaken. The two provisions specify the bonuses and penalties applied to operators for 2020-2021. Overall, the Acea Group obtained bonuses for over € 40 million and penalties for just under € 7 million.

In relation to the exceptional weather events which occurred in May 2023 ARERA, with resolutions 216/2023/R/com, 267/2023/R/com, 304/2023/R/com, 390/2023/R/com and 565/R/com suspended payment of utility bills and payment notices for water, waste, electricity and gas until 31 October, implementing Decree Law 61/2023 (the “flood decree”). Additionally, provisions were included with respect to instalment payments of fees and the suspension of arrears cases, as well as an update to the U11 tariff component, effective as of 1 July 2023, which is now equal to € 0.6/ cubic metre.

With respect to consumer protection, we note in particular the publication of **Resolution 233/2023/E/com** of 30 May 2023. With this provision, the Authority established that, as of 30 June 2023, an obligatory settlement attempt is required also for the water sector as a condition for proceeding to legal action. Therefore, if an end

user decides to take legal action, they must first attempt to resolve the dispute with the ARERA Conciliation Service or other bodies established for out of court dispute resolution. In this way the regulations of the Comprehensive Conciliation Law (TICO) were extended to the water sector, the law having already been in effect for the electricity and gas sectors since 1 January 2018. The resolution also establishes specific information requirements for managers affected by these new provisions.

Also in the first half of 2023, the Authority published the revision of its Annual Report on Conciliation Service Activities for 2022. The document indicates that conciliation requests received in 2022 totalled 24,339, of which 3,184 for the water sector and, of these, 71.3% relative to billing, 5.2% to metering, 5.1% contracts, 4.0% connections, labour, arrears and suspension, 1.3% contractual quality and 0.5% technical quality. The Regions with the highest number of requests are: Abruzzo, Lazio, Campania, Marche, Basilicata and Liguria. At the end of the conciliation procedure (for all regulated sectors) a satisfaction questionnaire was provided, completed by 8,781 customers; 96% of them said they were satisfied with the service received.

Finally, note:

- the elimination, effective 1 July 2023, of the UI4 balancing component to supply the Guarantee Fund for water works, established with resolution **239/2023/R/idr**. The component was introduced on 1 January 2020, in the amount of € 0.4/cubic metre, increasing the aqueduct, sewer and purification fees, and calling for a half-yearly update in relation to the requirements of the relative account held with the Cassa per i Servizi Energetici e Ambientali (CSEA);
- the resolution **598/2023/E/com**, which amends the Regulation for fine proceeding rules and procedural methods for assessing the commitments, expanding the terms of the procedure, calling for a meeting in the case of connected proceedings and specifically highlighting, in line with article 11 of Law 689/81, the particular negative economic conditions of the agent.

Another element which is surely of interest are the **Memos** which the Authority presented in relation to regulatory developments in the relevant sectors, as well as its Reports on monitoring carried out with reference to the restructuring of local integrated water service assets. Below are the relative provisions published in 2023. In particular, note the following.

- **Memo 106/2023/I/idr** provides the Authority's considerations on COM (2022) 540 (Framework for Community action in the field of water policy) and COM (2022) 541 (Urban wastewater treatment), guided by the EU's Senate Policy Commission. The document is intended to provide assistance with reference to the EUR directive proposals above, in particular COM (2022) 541, relative to which considerations and proposals are offered based on technical/economic assessments. More specifically, with reference to a series of actions, less stringent schedules are requested due to the significant impact foreseen in the current structure of the proposed directive. Additionally, adjustments are requested with regards to energy neutrality objectives for treatment plants.
- In **Memo 178/2023/I/idr** ARERA provides its contribution to the already cited Decree Law 39 of 14 April 2023, containing "Urgent provisions to combat water scarcity and strengthen and adapt water infrastructure", for the purposes of its conversion into law. The aspects highlighted by the Authority include the need for projects dealing with the water crisis to be included in the National Plan for Infrastructure Interventions and Safety

in the Water Sector" (paragraph 516, Law 205/2017), for the purposes of more effective coordination of the same. ARERA also proposed the adoption of incentive mechanisms to promote efficiency and improved quality, also for uses other than civil, while with regards to reuse of purified waste water, measures are proposed with the aim of simplifying authorisation procedures.

- In **Memo 232/2023/I/com** the Authority makes reference to the VIII Environment, Territory and Public Work and X Productive Activity, Commerce and Tourism Commissions of the Chamber of Deputies for energy poverty, the disbursement of social bonuses and the waste tariff system. Specifically with regards to the water social bonus, it is noted that at present the preliminary actions allowing for automatic disbursement have been completed for around 80% of the domestic population.
- In its **sixteenth interim report (Resolution 34/2023/I/idr)** prepared pursuant to article 172, paragraph 3-bis of Legislative Decree 152/2006, the Authority updated the informational framework regarding restructuring of local assets in the water sector. The framework emerging highlights the definitive completion of processes for local entities to adhere to the relative government entities in all the areas of the country and the consolidation of the process to rationalise the number of ATOs (Optimal Territorial Areas), currently totalling 62, the need to complete the process begun to achieve full implementation in certain local areas and the start, by certain Regions, of the use of substitute powers, based on the legislative changes recently introduced in Decree Law 115/22. The push made by the Region of Lazio in exercising its substitute powers to definitively transfer the water service to the relative single operators in the various Municipalities can be seen in this light. Also worthy of note is the need to complete the assignment of the integrated water service throughout Italy, and to rapidly conclude the process of rationalising and consolidating the array of managers, in line with current regulatory provisions.
- The **seventeenth interim report (resolution 323/2023/I/idr)** of July 2023 does not indicate any significant changes with respect to that noted in previous analysis, with the exception of additional progress with respect to the assignment of the IWS in Campania (in April, the assignment of operations in the Irpino District to Alto Calore Servizi) and in the Sicilian ATOs of Catania and Ragusa. However, in the Campania Regional ATO, the Sanniti and Napoli Nord Districts have not yet been assigned (for the former the establishment of a mixed company Sannio Acque is planned, while for the latter in house operation is expected, through the to be established APPN, although this has recently been contested by the Antitrust Authority). In Sicily, the assignments in the Messina, Trapani and Syracuse ATIs still need to be finalised. With a persistent Water Service Divide, the expectation of the new company Acque del Sud Spa, which from 1 January 2024 will take over for the eliminated entity for the development of irrigation and transformation in Puglia and Lucania (EIPLI), may contribute to the effective restructuring of the water supply chain and the configuration of the needed economic and environmental sustainability structural aspects for upstream activity in Southern Italy. Additionally, also given that the Authority was given the task of defining the water tariff to be applied to users of Acque del Sud SpA, it should be emphasised that "usage sectors other than civil may benefit from the application of rules - specifically modelled around those developed by the Authority for the aqueduct service - intended to incentivise performance improvement, identifying specific targets to limit waste in relation to the use of the water resource, and

consequent identification of required actions”. Finally, the Authority identified the need, in consideration of the expiration of the Acquedotto Pugliese concession (31 December 2025), “to define in the near future a lasting operational structure, respecting, among other things, the regulatory provisions with regards to transfer procedures”.

ELECTRICAL REGULATION

Biennial limitation

Article 1, paragraphs 4-10 of the 2018 Budget Law, introduced a two-year limitation on electricity supply contracts, initially establishing that end users were not eligible for this in the case of the failed or erroneous recording of consumption data, attributable to users. Paragraph 295 of Article 1 of the 2020 Budget Law eliminated this specification, establishing that the biennial limitation was also applicable in the case of confirmed responsibility on the part of the customer, and introducing objective liability in respect of the electricity chain operator, and in particular, the distributor, in its capacity as metering service operator, even without any liability or inefficiency in terms of its service provision. With Resolution 184/2020/R/com, ARERA transposed the provisions of the 2020 Budget Law with reference to the case of exclusion from the biennial limitation in cases of failed or erroneous recording of the electricity metering data, arising from the confirmed responsibility of the end customer. On 27 July 2020, Areti and Acea Energia submitted an appeal to the Regional Administrative Court to have Resolution 184/2020/R/com cancelled. The appeal was accepted with the consequent cancellation of the resolution 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 excluding the applicability of the general civil code regulations regarding limitation.

With Resolution 603/2021, 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.

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.

Subsequently, with a precautionary ordinance, the Regional Administrative court suspended ARERA resolution 603/2021, limited to article 6.4 of the Annex to the same, that is the transitional regulations which require the distributor to respond within 7 days. With ordinance 4568/2022 of 13 October 2022, the Court of Bologna clarified that SME and large companies are excluded from the category of entities to which the biennial limitations apply for electricity and gas bills.

Note that the Authority published resolution 86/2023/C/com with which it decided to appeal to the Council of State against the judgements issued by the Lombardy Regional Administrative Court with reference to the cancellation of communication requirements imposed on distributors in relation to the biennial statute of limitations on utility bills pursuant to articles 5 (“Distributor communication obligations”) and 6.4 (“Transitional norms”) of Annex A to resolution 603/2021 and article 9 of resolution 604/2021. The Authority believes there is good reason to appeal the referenced Lombardy Regional Administrative Court judgements given that these are based on an erroneous interpretation of the relevant events and laws.

Measures to limit bill price increases

Following the projects implemented throughout 2022 to limit the effects of price increases in gas/electricity commodities, in the 2023 Budget Law the government ordered, for the first quarter of 2023:

- the elimination of general system charges for the electricity sector for all domestic customers and for non-domestic customers with available power up to 16.5 kW and for gas, for all users (ARERA resolution 735/2022/R/com);
- extension of the reduced 5% VAT for administration of thermal energy produced with methane, in execution of an energy service contract;
- expansion of the electricity and gas social bonuses, enlarging the range of beneficiaries by raising the ISEE threshold for access to € 15,000 (from the previous 12,000, with the threshold for large families remaining at € 20,000) and adjusting the value of the contribution in consideration of the ISEE value, with the aim of guaranteeing greater savings for the households suffering the greatest difficulties, by maximising the resources available (ARERA resolutions 13/2023/R/com and 23/2023/R/com);

The government also confirmed and strengthened the tax credit granted to non-energy intensive and non-gas intensive companies for spending on energy and gas during the first quarter of 2023, maintaining the requirement for the seller company to calculate the same if requested by the customer (ARERA resolution 76/2023/R/com).

The same Budget Law also established for 2023 a temporary 50% “solidarity contribution” with respect to 2022 income that exceeds by at least 10% the average of total income achieved between 2018-2021. It also establishes that the amount of this contribution cannot exceed 25% of shareholders’ equity as of the reporting date in the year prior to that in effect at 1 January 2022. This tax on extra profit applies to companies that generate at least 75% of their revenue from business in the sectors of production and resales of

energy, gas and petroleum products.

Implementing that ordered in Decree Law 34/2023 (the Fifth Aid Decree), ARERA, in its subsequent resolution 134/2023/R/com, reactivated general system charges for all electricity customers, including domestic users, establishing the rates for the Asos and Arim tariff components at a level consistent with 2023 requirement forecasts for the relative management accounts. On the other hand, for the gas sector the elimination of system charges for all gas customers remained, but the value of the negative Ug2c element rate was reduced. Hence, in May 2023 this was at zero. ARERA also confirmed the reduction of VAT to 5% for management of heat, district heating and gas.

Relative to the social bonus, for the period falling between 1 April and 30 June 2023, application of supplementary social bonuses was confirmed (the “CCI” introduced in the last quarter of 2021), the amounts of which vary based on the different categories of social bonus recipients. Additionally, based on that established in the Decree Law of 30 March, from 1 April 2023 until 31 December 2023, the threshold for large families with 4 or more dependent children was raised to € 30,000 (implemented with resolution 194/2023/R/com).

Also, with resolution 153/2023/R/com, ARERA implemented the provisions of the Prime Ministerial Decree of 15 March 2023, which called for a one time contribution per withdrawal point for those receiving a bonus for physical hardship as of 31 December 2022, for electricity supplies with power levels of 3.5 kW or greater and consumption in the average (between 600 and 1200 kWh) and maximum range (over 1200 kWh).

The government also confirmed but reduced the tax credit granted to non-energy intensive and non-gas intensive companies for spending on energy and gas during the second quarter of 2023, maintaining the requirement for the seller company to calculate the same if requested by the customer (ARERA resolution 259/2023/R/com).

For the third quarter of 2023, implementing that envisaged in Decree Law 79 of 28 June 2023 (Sixth Aid Decree), ARERA confirmed the projects for the previous quarter. In particular, with resolution 297/2023/R/com the strengthening of the social bonus for large families was confirmed, an action accompanied by those relative to gas, reducing general charges to zero and reducing VAT to 5%.

The tax credit established for non-energy and non-gas intensive production activities was not confirmed.

All the measures established in the third quarter 2023 were confirmed by ARERA for the final period of the year. In particular, with resolution 429/2023/R/com, as established in the Utility Bill/ Energy Decree Law, ARERA introduced a new extraordinary contribution to heating costs for October, November and December 2023. This extraordinary contribution, which rises with the number of family members, regards heating costs for the last quarter of 2023.

Provisions in favour of groups impacted by the exceptional weather events starting on 1 May 2023

Following the exceptional weather events in May 2023 in Emilia-Romagna, ARERA urgently arranged, with resolution 216/2023/R/com, suspension of payment for invoices issued or to be issued with due dates from 1 May 2023 on and consequently regulations for suspension due to arrears, also in the case of arrears occurring prior to the same date of 1 May 2023.

With the subsequent resolution 267/2023/R/com, ARERA better specified that the period of suspension for users located in the impacted areas (annex 1 to Decree Law 61/23) is equal to 4 months, from 1 May 2023 to 31 August 2023, and called for automatic establishment of 12 instalment payments for these amounts.

In support of sellers, ARERA established an advance mechanism for the amounts with suspended payment; this mechanism can only be accessed in the case of demonstrated financial problems, or if the suspension involves users that account for over 3% of total sales with reference to the first 4 months of 2023.

With subsequent resolution 390/2023/R/com, ARERA called for the extension until 31 October 2023 of the suspension of the terms of payment in favour of those in Emilia-Romagna. In contrast to the previous suspension, automatically applied, to obtain the extension the end customer needed to make an explicit request.

With resolution 565/2023/R/com (integrated with resolution 10/2024/R/com) ARERA governed tariff subsidies to apply to consumption subject to suspension; customers must ask their vendor to apply the subsidies by 30 June 2024.

Provisions in favour of groups impacted by the exceptional weather events starting on 2 November 2023

Following the exceptional weather events in Tuscany starting on 2 November 2023, with resolution 519/2023/com, ARERA ordered the suspension of the terms of payment for invoices issued or to be issued with a due date of 2 November 2023 or later, without application of the suspension due to arrears rules.

Instalment schedules for invoices

Implementing that established in the Fourth Aid Decree Law, the Ministry of Environment and Energy Security and the Ministry of Business and Made in Italy issued a Ministerial Decree on instalment schedules for utility bills. This allows companies to request instalment schedules for amounts due for the energy component of electricity and natural gas utilised for reasons other than thermoelectric, in excess of the average amount paid, with equal consumption, during the reference period from 1 January to 31 December 2021, for consumption between 1 October 2022 and 31 March 2023, and invoiced by 30 September 2023.

Suspension of unilateral changes

In the Thousand Extensions Decree Law, the government extended from 30 April 2023 to 30 June 2023 the deadline for applying the provisions of article 3 of Decree Law 115/2022, which suspends the efficacy of contractual clauses allowing companies that supply electricity and natural gas to unilaterally modify general contract conditions with reference to defining prices. The provision also specifies that this suspension does not apply to contractual clauses that allow the company supplying electricity or natural gas to update the economic conditions in the contract upon expiration of the same, in compliance with the terms for prior notification established in the contract, and without prejudice to the counterparty's right to withdrawal.

Gradual protection service for micro-businesses

The Authority, with Resolution **208/2022/R/eel** defined the regulation of the Gradual Protection Service (GPS) for micro-busi-

nesses pursuant to Italian Law n° 124 of 4 August 2017 (“annual law for the market and competition”) and the methods of assigning the same, in order to guarantee continuity of the supply to micro-businesses connected in low voltage that are without a contract at free market conditions starting from 1 January 2023.

The service involves:

- micro-businesses that fulfil cumulatively the following conditions:
 1. they have less than ten employees and an annual turnover of not more than € 2 million,
 2. they are holders of withdrawal points all connected in low voltage with contractually committed power of up to 15 kW;
- other final non-domestic customers different from the micro-businesses, in any case holders of withdrawal points all with contractually committed power of up to 15 kW.

The GPS is activated for the above customers which as of 1 January 2023 are not holders of a supply contract at free market conditions, including customers still supplied in greater protection. The first period of assignment of the GPS for micro-businesses has a duration of 4 years.

The structure of the economic conditions that will be applied to the customers is similar to that of the Gradual Protection Service for small businesses. The tender procedures will be performed according to the model of simultaneous iterative ascending auction, in which an auctioneer (Acquirente Unico) will be present and will indicate in each session and for each area (12 territorial areas) the current price (the current price is the price, expressed in euro cents/POD/year, announced in each session by the auctioneer, in exchange for which the active participants offer to provide the gradual protection service for micro-businesses in the territorial area). A maximum ceiling on the economic offer in €/MWh is provided for. This is differentiated for each territorial area, and will be made known at the same time as the results of the tender procedures, while a minimum limit is not provided for. In the case of persistent parity among several offers for a given territorial area, lots will be drawn electronically, preventing a single operator from obtaining by lot a plurality of territorial areas. The Authority ruled that each participant may be awarded a maximum number of 4 areas, corresponding to 35 % of the total number of territorial areas. If there are no bids in the auctions, Acquirente Unico will hold a remedial auction removing the ceiling of awardable areas. The greater protection provider will be required to take charge of the service in the event of default of the operator selected in the tender or in the event of a tender without participants.

The GPS providers are required to present to the Authority a report according to a standard model to demonstrate that they possess organisational resources and a corporate structure adequate for the purpose of providing the gradual protection service in the territorial areas assigned. This standard model was defined by Determination 2/2022-DMRT. The report must be periodically updated by 31 July 2023, 31 January 2024 and 31 January 2025.

The timings for making available to participants in the tender procedures all the information necessary for formulating the offer and for performing the tender procedures are:

- by 14 June: Acquirente Unico will make the information available to participants with provincial details necessary for formulating the offer;
- by 30 May: Acquirente Unico will publish on its website the Regulation for the performance of the auctions;
- beginning of September: the date of the auctions will be defined by AU in the Regulation so that a minimum interval of at least two and a half months will be guaranteed, with respect to the

term within which the pre-procedure information is made available to participants (14 June).

As provided for in Annex B to Resolution 208/2022, on 30 May 2022 the Regulation and the related annexes governing the competitive procedures for assigning the gradual protection service for micro-businesses was published on Acquirente Unico’s website.

By 10 June 2022 Acea Energia presented an application for participation and on 14 June 2022 Acquirente Unico made available the pre-procedure information.

Acquirente Unico noted its admission to the tender procedure by 8 July 2022. The auctions were to have been held from 12 to 16 September, but, following the hacker attack on AU’s systems, the Authority was forced to postpone, holding them between 21 and 25 November 2022. With resolution 586/2022 published on 18 November 2022, ARERA postponed the activation date for the GPS for the micro enterprises to 1 April 2023, clarifying that, until 31 March 2023, micro enterprises will continue to be served under enhanced protection.

On 16 December, Acquirente Unico published the results of the tender procedure to identify the operators of the Gradual Protection Service for micro enterprises from 1 April 2023-31 March 2027; Acea Energia was awarded area no. 11, including Avellino, Barletta-Andria, Benevento, Brindisi, Trani, Foggia, Lecce, the municipality of Naples and Salerno.

Also note that the micro enterprises identified by the Municipality of Rome in area no. 8 were awarded to another supplier through a drawing of lots, in which Acea Energia participated.

Gradual Protection Service for non-vulnerable domestic customers

With resolution 362/2023/R/eel, as amended, the Authority adopted provisions for the regulation and assignment methods for the Gradual Protection Service which can be accessed by non-vulnerable domestic customers (hereafter, GPS for non-vulnerable domestic customers or GPS) without a supplier as of the date the Greater Protection Service is removed. The end of the aforementioned service was planned, pursuant to Law 124 of 4 August 2017, as amended, by 1 April 2024, as the operators who won the tenders to assign the service began operating the GPS.

Decree Law 181/2023 (“Energy Security Decree”) postponed the auctions for the Gradual Protection Service for non-vulnerable domestic customers to 10 January 2024. ARERA, with resolution 580/2023, implemented that envisaged in article 14 of the Energy Security Decree Law, postponing the date on which the auctions were held to 10 January 2024. Based on this, Acquirente Unico published as quickly as possible the updated Tender Regulations with the new expiration dates.

In essence, resolution 362/2023/R/eel, as amended, establishes that:

- “vulnerable” domestic customers will remain in the greater protection service for a transitional period, postponing to subsequent Authority provisions actions functional to their removal from this category;
- the tender procedure will be carried out with a single turn-based closed envelope auction system, giving participants the possibility to indicate the maximum number of areas they commit to serving. A maximum limit is set for the assignment of areas to each participant, defined based on the number of customers served as at 30 June 2023, in addition to a 30% ceiling envisaged in the Ministerial Decree of 17 May 2023, to mitigate

the additional risk that an operator may be awarded a number of withdrawal points out of proportion to its initial customer base. Therefore, each participant can be awarded a maximum number of areas equal to the lesser of the value communicated by Acquirente Unico and 7, corresponding to 30% of the total number of areas in the auction. A cap on the price offered is envisaged, which is not revealed to the participants. No floor is established. In the case that there are combinations of areas which could potentially be assigned to two or more operators which give the same result in terms of the minimum price for providing the service, digital drawing of lots will be utilised to assign the areas to the relevant participants.

As provided for in Annex B to Resolution 362/2023, on 26 September 2023 the Regulation and the related annexes governing the competitive procedures for assigning the gradual protection service was published on Acquirente Unico's website. By 5 October 2023 Acea Energia presented an application for participation and on 9 October 2023 Acquirente Unico made available the pre-procedure information. One month prior to the auction, Acquirente Unico made available to tender procedure participants additional information that greater protection operators must send to the AU. This additional information refers to the number of withdrawal points held by non-vulnerable domestic customers served under greater protection in April 2023 which utilise (1) an automatic payment method, (2) the utility bill in digital format.

With reference to Greater Protection Operators:

- during the period from September 2023 and June 2024, a separate page must be included with at least two utility bills, with the second sent to the customer between April and June 2024, with standardised text determined by the Authority, which differs for vulnerable and non-vulnerable customers;
- in derogation of the Consolidated Law on Invoicing, the final bill must be sent within ten weeks of the supply ending.
- With resolution 576/2023, the Authority defined a system to verify update requirements - applying to greater protection operators - with reference to the data in the Official Central Registry (OCR), of the Integrated Information System Operator, relative to customers served, with possible penalties borne by the operators themselves as the entities responsible for the accuracy of this information, in the case that for each withdrawal point subject to transfer in the GPS, the data needed for invoicing and contacting the end customer in the OCR is different from that used by the greater protection operator after an adequate improvement process which must be carried out by these operators prior to activation of the GPS.
- Free market vendors, with reference solely to domestic end customers, must include:
 - in all bills issued between December 2023 and June 2024, a text defined by the Authority on the rights of vulnerable customers and the conditions that apply to them, in the specific area reserved for statements from the Authority;
 - starting from 1 January 2025, in at least one bill per year, a text defined by the Authority on the rights of vulnerable customers and the conditions that apply to them, in the specific area reserved for statements.

As previously announced in resolution 580/2023, in resolution 600/2023 "Revision of activation schedules for the gradual protection service of non-vulnerable domestic customers in the electricity sector pursuant to Law 124 of 4 August 2017, Amendments to the Authority's resolution 362/2023/R/eel and relative annexes A, B, C and D", the Authority revised the date for activation of the GPS, postponing it to 1 July 2024. This was due to the need:

- to ensure end customers have a sufficient period of time to inform themselves, with respect to price protection, through the specific informational campaigns which, pursuant to Decree Law 181/23, must be carried out by MASE, for a period not to exceed twelve months;
- to carry out preparatory activities for the GPS (which also include actions to implement the provisions in the cited Decree Law with reference to the automatic transfer of direct debit authorisations for bills issued by the GPS operator, to be completed by 31 May 2024).
- to limit as much as possible the period between the assignment and activation of the GPS, to contain changes between the known conditions at the time of participation in the tender procedures (in terms of non-vulnerable end customers in greater protection) and the effective conditions at the time the service is activated.

On the other hand, the date on which the service assignment period will end remained unchanged, on 31 March 2027, consistent with that established in the Ministerial Decree of 17 May 2023 which states that, as from 1 April 2027, the GPS will serve solely as the service of last resort for all small customers, such as small companies, micro enterprises and non-vulnerable domestic customers.

Identification of vulnerable customers in the electricity market

With resolution **383/2023/R/eel**, the Authority defined the methods for identifying vulnerable customers, who will not be involved in the auctions for the Gradual Protection Service.

In particular, by the end of each month, starting in September 2023, the IWS identifies as vulnerable:

- end customers who receive a social bonus for economic problems during the current or previous year;
- end customers who receive a social bonus for physical problems during the month in progress;
- end customers who have a withdrawal point which cannot be disconnected;
- end customers over 75 years old;

By 10 September 2023, the IWS made the information able to greater protection operators with reference to their customers and made the information available for consultation.

Provisions for strengthening the disclosure obligations of the commercial conduct code to the advantage of final customers in the retail market

On 30 June 2022, the Authority published **Resolution 289/2022/R/com** which provides for both the adjustment of the Commercial Conduct Code to the provisions of Italian Legislative Decree 210/2021 for supplies of electricity on the subject of contractual rights of final customers and the monthly updating of the spending estimate of offers at variable price and of the protection services present in the Comparability Sheets for supplies of electricity and natural gas. The provisions will come into force on 1 October 2022.

Specifically:

- with reference to art. 5, paragraph 6, of Italian Legislative Decree 210/21 on the subject of methods for communicating withdrawal on the part of the final customer, not amend the regulation owing to the compliance of the said regulation with the aforesaid provisions;

- with reference to the provisions of article 5, paragraph 8, of Italian Legislative Decree 210/21, supplement the supply contract and the Summary Sheet, in the part related to the methods and terms for payment of the bills, introducing the reference to the current legislation so as to make explicit and transparent the information for the final customer in relation also to any charges connected with a chosen method of payment observing the criteria of the primary legislation;
- with reference to the provisions of article 5, paragraph 11, of Italian Legislative Decree 210/21 supplement the content of the section “Complaints, dispute resolution and the consumer’s rights” in the “Other information” box of the Summary Sheet adding the information on the rights connected with the universal public service obligations of electricity sellers;
- with reference to the provisions of article 7, paragraph 5, of Italian Legislative Decree 210/21, on the subject of informing the final customer of the possibility for electricity sellers to impose on final customers the payment of a sum of money in the case of early withdrawal from a temporary or fixed-price electricity supply contract observing the application criteria provided for in Italian Legislative Decree 210/21 itself, provide further details on the subject, in the light of the contrary observations received from the consumers’ associations that expressed the need to provide final customers with an informative framework as transparent, clear and comprehensible as possible on the option for the seller to demand payment of a sum of money in the case of early withdrawal from a temporary or fixed-price electricity supply contract and the related criteria;
- with reference to the change in the calculation of the annual spending estimate of offers at variable price, including protection services, on the Offers Portal, confirm the monthly and no longer quarterly update of the forward indices. In order to guarantee the maximum consistency between the Authority’s Offers Portal and the informative material delivered by sellers to final customers at the pre-contractual stage provide for a monthly frequency of updating the annual spending estimate of the protection services. On this point ARERA accepted partially the operators’ observations providing for a term of 7 working days instead of the 5 working days originally suggested from the publication of the said estimate for updating the Comparability Sheets to be delivered to final customers.

Reactive energy

During 2022, ARERA completed the reform of tariff regulations for reactive energy, calling for application of the fees for reactive energy issued in the F3 band as of 1 April 2023; the introduction of this fee, initially established in 2022 (resolution **568/2019/R/eel**), is intended to improve the efficiency of the electricity system. With resolution **232/2022/R/eel** ARERA therefore created regulations for this new fee for non-domestic LV end users with power exceeding 16.5 kW and for non-domestic MV end users, as well as interconnections between MV grids and interconnections between LV grids. ARERA also established, for sellers and distributors, a series of initiatives intended to inform end users of the fee to stimulate the technical actions needed to mitigate the phenomenon of reactive energy issued.

In resolution **712/2022/R/eel** ARERA called for the introduction of the fee for issuing of reactive energy for HV and extra-high voltage, establishing a “base” fee for reactive energy issued and a supplementary fee borne by only those entities in a homogeneous area, while also reducing to 33% (from the prior 50%) the limit ratio be-

tween reactive and active energy for excessive withdrawals.

ARERA’s decision to apply a differentiated fee is the consequence of additional research requested from Terna and HV and EXV grid distributors, who had noted non-homogeneous impacts on the national electricity grid in the light of which, in order to not penalise all customers and distributors by applying uniform fees, ARERA held it better to differentiate between the “base” fee to be applied to the entire grid and the higher fee to apply to the “homogeneous areas”, characterised by greater impacts from reactive energy exchanges on grid voltage and the consequent costs to control the voltage. Finally, in its subsequent resolution **124/2023/R/eel**, ARERA adopted a list of electrical nodes on the relevant grid in the homogeneous areas, for the purposes of applying the increased fees for reactive energy issued.

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 (1.83% for areti) and, consequently, the percentage of standard loss to be applied to withdrawals of LV final customers which, only for 2021, goes from 10.4% to 10.2%;
- awarding 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 the process of ensuring greater efficiency of commercial losses for DSOs;
- it introduces a mechanism for recognising fraudulent non-recoverable withdrawals based on requests from the companies, to be presented in 2022 with reference to 2019-2021, after verification of the existence of specific requirements, including having an overall net result for equalisation during 2019-2021 to be paid by the company. This amount represents the maximum amount that can be recognised to the DSO if the request is accepted by ARERA.

On 31 May 2022 Areti presented to the Authority an application for recognition of the 2019-2021 network losses attributable to non-recoverable fraudulent withdrawals, under the terms of art. 31 of the TIV.

Subsequently, the Authority published resolution 42/2023, initiating the procedure to verify the existence of the right to recognition of non-recoverable fraudulent withdrawals for 2019-2021. With resolution 181/2023/R/eel, the Authority completed the procedure begun with resolution 42/2023/R/eel to quantify and recognise for areti “non-recoverable” fraudulent withdrawals identified, for 2019-2021, of an exceptional amount with respect to the levels conventionally identified in the context of balancing grid loss. CSEA will need to pay areti the amount of € 1,139,448 in the first useful balancing session, without prejudice to the possibility of updates in the 5 subsequent years due to adjustments made to the metering figures.

The Authority published **resolution 117/2022/R/eel**, which fine-tuned the regulations for adjusting electricity losses on transmission and distribution grids for 2022-2023, confirming the desire anticipated in DCO 602/2021/221 of establishing a process to improve the efficiency of commercial losses but, however, making them more precautionary, with a 4% reduction for 2022 and 2023, bringing the percentages to:

- 1.77% in the Centre zone for 2022;

- 1.72% in the Centre zone for 2023.

A price control mechanism is introduced; this is to be used to determine the loss delta in each of the two years and, for only 2022, it provides for a guarantee clause to protect distributor companies which recognises an equalisation equal to the maximum between zero and the result that would be obtained using the conventional percentage loss factors applied for the three years 2019-2021, if the total economic result equal to the difference between the equalisation balance and the revenues obtained from the tariff regulation of the reactive energy pursuant to paragraph 24.2 of the TIT is positive (net debt position).

The Authority also extends the mechanism for recognising “non-recoverable” fraudulent withdrawals also to the years 2022 and 2023. The conventional percentage standard loss factor to be applied to the electricity withdrawn at the withdrawal points on the low voltage grids is finally set, starting from 1 January 2023, at 10%.

With resolution **336/2023/R/eel**, the Authority began the procedure to reform the electricity and network loss settlement regulations, followed by the consultation document **377/2023/R/eel** with reference to the reform of the settlement and network loss regulations, containing the Authority’s guidelines on moving beyond the load profiling regulations and “residual” electricity supply methods, with the deadline for submitting comments set for 25 September 2023. The consultation document outlines the following scenario:

- by 31 July 2024, the regulatory framework for the new settlement and network loss rules will be established, pursuing the following objectives:
 - going beyond the current load profiling methods and redefining the methods to determine and obtain “residual” energy;
 - unifying metering data functional to the settlement and regulating of network losses and simplifying disclosure obligations;
 - revising the current loss equalisation mechanism with a view to defining regulations which better adhere to the actual performance of individual companies;
 - prompt determination and assessment of physical and economic items for dispatching, with a consequent reduction in financial charges borne by various system actors and guarantees.
- by 31 December 2025, the schedule and methods for integrating that envisaged in the new regulations with the IWS are expected to be determined.

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. 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.

The total bonus obtained cannot be more than that achievable in the ordinary regulation and in the case that the improvement commitment indicated is not achieved, areti will have to pay any penalties it would have received during the four year period in the absence of the derogation.

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 the Company 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 Law Decree (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.

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 the Company, totalling 16,580 EECs, as well as determination **7/2022 – DMRT** which defines the 2022 EEC obligation, totalling 27,881 EECs.

With resolution 454/2023/R/efr, following DCO 382/2023, the Authority increased the single tariff contribution paid as an advance to distributors meeting their energy saving requirements in the context of the TEE mechanism and revised the maximum percentages of the obligations which can be complied with in the said session.

In particular, for each obligation year (t) the single tariff contribution is paid in advance for each energy efficiency certificate received in the period between the start of the obligation year and the subsequent 30 November for quantities not to exceed:

- 50% of the relevant specific target for the same obligation year (t);
- 100% of each of any residual portions of the target for the obligation year (t-2) and the relevant target for obligation year (t-1)

The single tariff contribution paid in advance is equal, for each obligation year (t), to:

- the sum of the single tariff contribution and the additional single payment for obligation year (t-1), relative to a quantity of certificates not to exceed 50% of the obligation assigned to each company for the same obligation year (t);
- € 240.00/TEE relative to the amount of excess certificates.

CSEA pays the contribution in advance to the DSO within 60 days of the completion of GSE verifications, with interest for each day of delay equal to the reference rate set by the European Central Bank, with a minimum of 0.5%.

Development and Resilience Plan

In the Development Plan, distributors are held to include a specific section containing the resilience plan, which includes network projects intended to increase the resilience of the electrical system with respect to severe and persistent weather events.

The Resilience Plan 2020-2022 was approved with **resolution 500/2020/R/eel**, including the final figures for projects completed in 2019: for these projects, with resolution **563/2020/R/eel** the Company was recognised a bonus of around € 3.1 million.

With resolution **536/2021** the Authority approved the 2021-2023 plan and with 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 € 5.3 million, which CSEA paid to the Company at the end of 2021).

The Authority has published **121/2022/R/eel** which calls for a new process to prepare development plans. In particular, for 2022 it suspends the 30 June deadline set for the preparation of distribution network development plans, while awaiting subsequent definition of more suitable scheduling, to take into account the new provisions introduced in article 23, paragraph 5 of Legislative Decree 210/21 and to allow for plan preparation to duly take into account the scenario information that will be made available by Snam and Terna by 31 July 2022. The deadline of 30 June was confirmed for sending the updated Resilience Plan pursuant to article 78.3 of the TIQF.

The Authority published **resolution 722/2022/R/eel** in which it established bonuses relative to projects to improve the resilience of the electricity distribution network completed in 2021, which for areti amounted to € 8,588,073.13, which CSEA must pay by January 2023.

Distributors with at least 100,000 withdrawal points present the Development Plan for their network annually by 30 June.

After the suspension of this requirement for 2022, the Authority

developed the idea of an evolution in the content of the Development Plans, also implementing the EU guidelines on promoting renewable energy. Therefore, it published consultation document **173/2023/R/eel** which outlines guidelines to identify performance priorities and indicators for more selective development of investments in electricity distribution networks and for the progressive introduction of provisions for the consultation and preparation of distribution network development plans.

With DCO 173/2023, postponing the due date for the presentation of the Development Plans, the Authority proposed new content and methodology for the preparation of the 2023 Plans to the distributors.

Subsequently, the Authority published **resolution 296/2023** in which it defined the schedule for the preparation and public consultation of distribution network development plans, as well as introducing certain initial requirements for preparation of the same, while awaiting additional provisions. In particular, distributors with more than 100,000 end customers must present the Authority with a 2023 development plan by 30 September, simultaneously beginning a public consultation period of at least 30 days, as areti did on 2/9/2023, publishing the document on its website. Following the consultation, each distribution company will present its development plan to the Authority by 30 November 2023, possibly updated based on that resulting from the consultation, together with the comments received and their responses, indicating any changes made. Starting in 2025, each distribution company with at least 100,000 end customers will present the scheme of their development plan to the Authority by 31 March of each odd year, at the same time each distribution company with at least 100,000 end customers will begin a public consultation on the same scheme, lasting at least 42 days. Following the consultation, each distribution company with at least 100,000 end customers will present its development plan to the Authority by 30 June of each odd year, possibly updated based on that resulting from the consultation, together with the comments received and their responses, indicating any changes made.

The Authority published resolution **422/2023**, which establishes the bonuses for projects to improve the resilience of the electricity distribution network completed in 2022. The net amount of the resilience bonus for 2022 that CSEA will pay to Acea Group by October 2023 is € 5,635,481.55.

The Authority published consultation document 173/2023, which illustrates the Authority's guidelines on identifying priorities and performance indicators for more selective development of investments in electricity distribution networks and the progressive introduction of provisions for the consultation and preparation of distribution network development plans.

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.

ARERA published Resolution 560/2021/R/EEL with which it postponed to 1 January 2023, rather than 1 January 2022, application of the rules on transmission, distribution and dispatching services for electrochemical storage pursuant to Resolution 109/2021/R/EEL, after presentation of the relative application by the producer or entity requesting connection to the network operator, based on the model established in resolution DMEA 5/2022.

The Authority published resolution 472/22, supplementing the regulation introduced by resolution 109/21 on auxiliary services and storage systems, defining its guidelines on:

- determining penalties in cases in which 110% of the power declared in the certified appraisal for auxiliary services and/or storage systems is exceeded;
- redetermining the duration of the time interval to quantify electricity withdrawn, functional to allowing subsequent issuing to the network using a division ratio;
- defining the procedure to replace metering equipment for hourly registration of electricity metering data.

The Authority published resolution 142/2023/R/eel which updates the TIS and TIME so that vendors, on one hand, and distributing companies and Terna, on the other, can properly value electricity withdrawn from system configurations that access the new regulations introduced with resolution 109/2021/R/eel. To that end, with this resolution the Authority governed methods used to send data about electricity withdrawn to power auxiliary generation services and electricity withdrawn and subsequently re-issued to the network by storage systems and net energy withdrawn.

Collective self-consumption and Renewable Energy Communities

In November 2016, the European Commission presented the “Clean Energy for all Europeans Package” (CEP), to contribute to achieving the commitments undertaken by the EU in the Paris Accords. The proposal led to the adoption of eight legislative acts, between 2018 and the first half of 2019, with which the European Union reformed its energy policy framework. Of particular significance were Directives 2018/2001 (which introduced the “Renewable Energy Communities”) and 944/2019 (which defined the “Citizen Energy Communities”); domestic implementation began with article 42-bis of Decree Law 162 of 2019, the “Thousand Extensions”, converted by Law 8/2020 (published in OJ 51 of 29 February 2020) which implemented in advance Directive 2018/2001, allowing electricity consumers to band together to create “Renewable Energy Communities” (REC).

The Authority published resolution 318/2020/R/eel implementing that established in article 42-bis of Decree Law 162 of 30 December 2019, on the regulation of economic items relative to electricity subject to collective self-consumption or sharing in the context of renewable energy communities. Subsequently, the Ministry of Economic Development published the Ministerial Decree of 16 September 2020 which established the incentive tariff remunerating plants powered by renewable sources inserted in the experimental configurations of collective self-consumption and renewable energy communities.

Article 8 of Legislative Decree 199 of 2021 expanded the power

of Renewable Energy Communities to 1 MW and established the updating of the incentive mechanisms for plants powered by renewable sources inserted in collective self-consumption or renewable energy community configurations with a power not exceeding 1 MW, based on the following guidelines:

- a) the incentive can be accessed by plants powered by renewable sources which individually have power not exceeding 1 MW and which begin operating after the date on which the Decree took effect;
- b) for self-consumers of renewable energy acting collectively and renewable energy communities, the incentive is paid only with reference to the portion of energy shared by plants and consumption users connected under the same primary substation;
- c) the incentive is disbursed in the form of an incentive tariff allocated only to the portion of energy produced by the plan and shared within the configuration;
- d) in cases pursuant to letter b) for which sharing is carried out utilising the public distribution network, a single adjustment is envisaged, consisting of the restitution of the components pursuant to article 32, paragraph 3, letter a), including the portion of shared energy, and the incentive pursuant to the present article.

Article 14 of paragraph 6 of Legislative Decree 210 of 2021 defines the citizen energy communities, which must be established in compliance with the following conditions:

- a) participation is voluntary and open to all interested parties, which may also withdraw from the community configuration with the same guarantees and rights established in article 7 of the decree;
- b) community members or shareholders maintain all the rights and obligations associated with their position of civil customers or active customers;
- c) communities can participate in sectors consisting of electricity generation, distribution, supply, consumption, aggregation, or storage, or the supply of energy efficiency services, electric vehicle charging services or other energy services;
- d) the citizen energy community is a legal entity governed by private law which can take any legal form, without prejudice to the fact that its articles of association must identify as its main goal the pursuit, in favour of its members, shareholders or the area in which it operates, environmental, economic or social benefits at the community level, with financial profit not allowed as the main purpose of the community;
- e) the community is responsible for dividing the electricity shared among its members.

Following the publication of the **consultation document 390/2022/R/eel**, the Authority published **resolution 727/2022**, containing the Consolidated Widespread Self-Consumption Act (TIAD), which governs the methods for valuing widespread self-consumption for the configurations established in Legislative Decrees 199/21 and 210/21, the application of which takes effect on the latter of 1 March 2023 or the date on which the MASE decree pursuant to article 8 of Legislative Decree 199/21 (incentive regulation) takes effect.

At the same time, as from the same date, resolution 318/2020/R/eel and relative Annex A will be abrogated.

With reference to the identification by the DSOs of the area associated with the same primary substation, article 10 of the TIAD establishes that solutions adopted to determine the perimeter must take into account:

- a) the structure of the electricity networks;
- b) the operating structures of the electricity networks;

- c) the prospective development of the electricity networks, to the extent known at the time of identification;
- d) without prejudice to the constraint associated with the territory assigned to electricity distribution concession and other geographic aspects functional to making the conventional area identified usable.

Therefore, ARERA confirms that the perimeter identified must temper the technical nature of the network underlying the primary substation and the conventional relative geographic perimeter to better respond, to the extent possible, the needs of the market.

The first version of these maps must be published on the websites of the DSOs associated with the primary substations by 28 February 2023, with validity until 30 September 2023, and must also be submitted for consultation until 31 May 2023. The maps will be published on the GSE website by 30 September 2023, with methods defined by the GSE itself.

The maps also:

- use as reference the supply address associated with each POD;
- are updated on a two-year basis, as from 1 October 2023;
- in the case of underlying DSOs, the area in concession is added in its entirety to the area underlying the primary substation to which the underlying distribution company's network is physically connected.

Publication of the MASE decree is awaited, pursuant to article 8 of Legislative Decree 199/21 (incentive regulation).

The GSE published a consultation document, with an expiration date of 19 June, to acquire elements useful for defining Operating Rules relative to the widespread self-consumption service defined by the Authority with resolution 727/2022/R/eel and the relative Consolidated Widespread Self-Consumption Act (TIAD). In particular, the aspects discussed in the consultation involve admission to the widespread self-consumption service, activation of the widespread self-consumption service and the disbursement of contributions for the widespread self-consumption service. Acea has not identified any particular issues with respect to the operating rules proposed by the GSE.

Revision of the regulation for penalty proceeding rules and assessment of commitments

With resolution 326/2023/E/com the Authority began a procedure to revise the regulation which governs penalty proceedings and procedural methods to assess commitments, followed by consultation document 327/2023/E/com which illustrates the guidelines on the subject.

Electric mobility

With resolution **541/2020/R/eel**, supplemented by Resolution 160/2021R/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:

- a) the customer must be at LV with contractually committed power of not more than 4.5 kW and not less than 2 kW;
- b) the POD must be fitted with a 1G o 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;
- c) 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.

- d) 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.

Application of the experiments, initially envisaged as from 1 July 2020 through 31 December 2023, was extended to 31 December 2024 with resolution 634/2023/R/eel, which represents the first result of consultation 540/2023/R/eel.

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 WTM – 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 regulation scheme of the rate-of-return type;
- 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 introduction 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.

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 the local level and
 2. the possible extension of the operational perimeter; these parameters determine the positioning of the individual operation within a tariff matrix defined according to the regulatory method;
- sharing factor in relation to revenues from the sale of material

and energy from waste (between 0.3 and 0.6), and in relation 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 WTM (the “WTM-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 was then published regarding gate tariffs, clarifying the regulatory scope envisaged by the Authority: ARERA is 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.

With resolution **363/2021/R/rif**, the Authority approved the new Waste Tariff Method (MTR-2) containing 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, criteria are established for access tariffs for treatment plants owned by operators not integrated into the upstream activities of the supply chain, which apply solely to those identified as “minimum plants” by the relevant entities in the context of area planning. Vice versa, plants not classified as “minimum” (known as “additional”) are subject solely to the regulations on transparency in operating information. According to the adopted method, the managers of the minimum plants must prepare the Economic Financial Plan for 2022-2025 in line with the indications found in the aforementioned MTR-2 and, pursuant to article 7 of resolution 363/2021/R/rif, send them to the relevant bodies for validation; these latter then send them to ARERA for verification of regulatory consistency with the documents and subsequent approval of the tariffs.

Resolution **459/2021/R/rif** subsequently completed the tariff regulatory framework, containing the values of parameters to determine capital use costs (i.e. planned inflation rate and the vector expressing the deflator for gross fixed investments for the MTR-2 period of application), as well as resolution **68/2022/R/rif** which established, for managers providing processing activities in a non-integrated form, a WACC value of 6%.

With determination **01/DRIF/2022** of 22 April 2022, ARERA approved the basic schemes for the documents making up the tariff proposal that managers of “minimum” plants submit to the relevant bodies, consisting of the GBOTAs or the Region. In particular, reference is made to the EFP and the Report accompanying the same. In 2022, following the sector scheduling documents published by the relevant bodies, in application of the ARERA regulations pursuant to resolution 363/2021/R/rif, Acea Ambiente implemented preparatory activities to comply with regulatory activities for plants classified as “minimum” and, subsequently, sent the documents required under Determination 01/DRIF/2022.

Also note other activities carried out by ARERA:

- with consultation document **611/2022/R/rif** the introduction of equalisation systems was proposed in the waste sector, in particular associated with respect for the waste hierarchy (and recovery of accidentally fished waste); with this mechanism, which is pass-through for plant managers, an economic incentive would be applied for deliveries with respect to recovery of materials or energies, supported by penalties applied to deliveries to landfills;
- with Resolution **413/2022/R/rif** a proceeding was launched, also envisaged in the 2022 Competition Law, to define adequate technical and quality standards to carry out disposal and recovery activities. Subsequently, with Resolution 732/2022/R/rif, the proceeding was combined with the one launched with Resolution 364/2021/R/rif (to determine efficient costs for separate waste collection, transport, sorting and other preliminary operations) and extended to 30 June 2023;
- with consultation document 643/2022/R/rif, published as part of the procedure began with resolution 362/2020/R/rif, the initial guidelines were issued for the preparation of a basic service contract scheme to govern relations between awarding entities and managers of urban waste management services.

On 24 and 27 February, decisions **486/2023** and **501/2023** were

respectively published, and on 6 March 2023, decision **557/2023**, with which the Regional Administrative Court of Lombardy, Milan, First Section, in part annulled resolution 363/2021/R/rif. Specifically, the Regional Administrative Court found that ARERA's identification of "minimum" plants fell outside of the government's area of responsibility, consequently granting Regions powers not due to them and inverting the proper direction of the scheduling process. On 7 March 2023, ARERA published resolution **91/2023/C/rif** providing information on its appeal made to the Council of State, requesting precautionary suspension of the decisions of the Regional Administrative Court of Lombardy, in that in the Authority's opinion, "the referenced decisions [...] are based on an erroneous interpretation of the relevant factual and legal elements". The Council of State rejected this precautionary suspension request.

While awaiting the Council of State's decision on the merits, with consultation document **275/2023/R/rif**, in the context of the procedure begun with resolution 62/2023/R/rif, the Authority provided guidance for the 2024-2025 two-year update for the waste tariff method (MTR-2). In particular, the Authority confirmed its desire to not submit to the referenced Lombardy Regional Administrative Court decisions and proposed updates to the main economic parameters, above all the inflation rate.

Upon completion of the aforementioned procedures, in July 2023 ARERA published the following provisions:

- Resolution **385/2023/R/rif** "Basic service contract scheme to govern relations between awarding entities and urban waste management service operators" which follows (most recently) the guidelines presented with the cited DCO 262/2023/R/rif;
- Resolution **386/2023/R/rif** "Establishment of equalisation systems in the urban waste sector" which takes up the proposals formulated in DCO 611/2022/R/rif without confirming the introduction of the equalisation instrument linked to the waste hierarchy for that going to plans (postponed to the next regulatory period);
- Resolution **387/2023/R/rif** "Monitoring and transparency obligations for efficiency in separated waste and urban waste treatment plants", which introduced initial regulations for quality for plants, with reference to both technical aspects (in particular management of processing waste) and contractual/commercial aspects (management of complaints and written requests from users, monitoring of service interruptions) with respect to which the Company adopted specific compliance measures in terms of collecting and recording information and making adjustments to contracts and its website; while establishing initial monitoring and reporting obligations, the provision did not introduce service standards correlated to bonus and penalty mechanisms, which had been announced in DCO 214/2023/R/rif;
- Resolution **389/2023/R/rif** "Two year update (2024-2025) of the waste tariff method (MTR-2)" with which, in line with the proposals in DCO 275/2023/R/rif, confirms and updates (with particular reference to economic parameters and internal inflation rates) the general structure for defining plant access tariffs pursuant to resolution 363/2021/R/rif, specifically the update of the tariff for 2024-2025 (based on updated data relative to 2022-2023) by 30 April 2024. With resolution 465/2023/R/rif ARERA subsequently confirmed the provisions inserted in line with Council of State ruling 7196/23, on the deduction of the tariff recognised for integrated management of costs/revenue attributable to precleaning, preselection or preprocessing of plastic packaging coming from separated waste.

During December 2023, the **Council of State Second Section Rulings 10548, 10550, 10734, and 10775**, rejected the ARERA ap-

peal and confirming the reasoning already expressed by the Regional Administrative Court of Lombardy, which found the classification of plants envisaged in the MTR-2 to be illegitimate, in that the material fell under the areas of planning falling to the government.

With resolution **7/2024/R/rif** ARERA took action to comply with these rulings, cancelling the tariff adjustment for "minimum" plants for 2022-2023 but at the same time confirming it for 2024-2025 (as updated by resolutions 389/2023/R/rif and 7/2024/R/rif with reference to time references and the new investment remuneration rate - WACC - which rose from 6% to 6.6%). Confirmation of the structure for "minimum" plants now is based on the criteria identified in the meantime in the PNCR (Ministerial Decree 257 of 24 June 2022). Additionally, with resolution **27/2024/R/rif** ARERA began the procedure to define directives for accounting and administrative separation in the urban waste sector, with the objective of applying the regulations starting in the next regulatory period, in 2026.

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 the 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), namely:

- 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 article 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 article 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 state explicitly 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 therefore stated 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 article 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 states 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, note the amendment approved on 6 June 2019 and included in the Reopen Building Sites Decree (Decree Law 32/2019, converted with Law 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.

With Ministerial Decree 257 of 24 June 2022, the National Waste Management Programme (PNGR) was approved, a guidance tool for the Regions and Autonomous Provinces when planning urban waste, which establishes macro-objectives, macro-actions, targets

and guidelines to follow when preparing Regional Waste Management Programmes (PRGR). This tool was envisaged in article 198-bis of Legislative Decree 152 of 3 April 2005, introduced by Legislative Decree 116 of 3 September 2020 and inserted in the National Recovery and Resilience Plan (NRRP), as one of the main reforms within the circular economy mission (M2C1).

The PNGR has a six year timeframe (2022-2028) and the objective of eliminating the plant gap, increasing the rate of separated waste collected and recycling to develop new supply chains for secondary raw materials in the waste cycle, replacing traditional ones, while contributing to the energy transition, starting from a national survey of existing plants. Additionally, the Programme classifies plants for the purposes of tariff regulation using ARERA methodology, indicating the need to adopt Life Cycle Assessment (LCA) based plans at the regional level.

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

Sustainable development

The war in progress in Ukraine has once again demonstrated the interconnectedness of the global situation, with effects felt throughout the world. In the energy arena, as is well known, extreme consequences were seen due to the block in supplies, which provided a push to reopen plants utilising polluting energy sources. The European Union reacted with the REPower EU plan, with the aim of reducing dependence on fossil fuels coming from overseas and accelerating the green transition.

In terms of climate, data from the EU Copernicus observatory saw extreme climate events, record temperatures and rising greenhouse gases globally. In Europe, continuing high temperatures aggravated water issues, with 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 implemented should be viewed and evaluated in this context. COP27 on the climate, held in Egypt, and COP15 on biodiversity, in Montreal, had objectives which included expanded protected areas and regenerating damaged ecosystems (30% by 2030). Domestically, note the constitutional reform of articles 9 and 41 and the National Climate Change Adaptation Plan.

Last year, Europe adopted certain specifications and significant provisions with regards to corporate sustainability. The Corporate Sustainability Reporting Directive, was in fact published in the EU Official Journal, an update of the Non-Financial Reporting Directive of 2014, which expands the range of companies subject to reporting requirements and introducing significant changes, for example double materiality, 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, which in December 2022 led the EU Council to adopt guidelines on the subject. In the context of Regulation 2020/852 (European Taxonomy), in 2022 the Commission, in the Complementary Delegated Act, amended the Delegated Act on the Climate, introducing activities and associated technical crite-

ria for energy generation, starting with nuclear and natural gas, and increasing the number of potentially environmentally sustainable activities in relation to which companies are asked to determine their eligibility and alignment, as well as identifying correlated economic KPI.

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 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 various provisions (Decree Law 21/2022 - “Price Cuts Decree Law”; Decree Law 50/2022 “Aid Decree Law”; 2023 Budget Law) thereby governed the solidarity contributions mechanism borne by entities in the energy sector to limit the effects of high prices for businesses and consumers are also framed in this way.

Also associated with the extraordinary energy situation and significant for its impacts on energy companies, are the provisions on excess profits and suspension of unilateral changes to electricity and gas supply contracts. Relative to the former, Decree Law 4/2022, “Supports-ter Decree Law” established compensation mechanisms for producers using renewable sources which, under certain conditions, can lead to excess profits to be paid to the GSE; relative to the latter, Decree Law 115/2022, “Aid-bis Decree Law” called for companies to halt unilateral changes to energy supply contracts with regards to definition of prices, and the subsequent Decree Law 198/2022, “Thousand Extensions Decree Law” extended the period of validity (30 June), excluding application for expiring contracts.

In 2022, consultation for implementation of Directive (EU) 2020/2184 was requested, on the quality of water destined for human consumption, following which the Council of Ministers in December approved the preliminary examination the Legislative Decree for implementation. Important changes include the revision of regulations intended to protect human health from negative effects deriving from contamination of water intended for human consumption, guaranteeing “health and cleanliness”, also through revision of the relevant parameters and values, definition of hygiene requirements for materials coming into contact with potable water, the introduction of a risk measurement and management approach that is more effective in terms of preventive health, environmental protection and control over water intended for human consumption, also with regard to costs and allocation of resources, strengthening the role of the Water Safety Plans (WSP), and improvement of equitable access for all to safe potable water and public information on water intended for human consumption.

In 2022, the delegated law on restructuring regulations for local public services was implemented with Legislative Decree 201/2022, which restructured the regulations, included among the objectives of the National Recovery and Resilience Plan (NRRP), to promote competitive dynamics that help improve the quality of public services and the results of management in the interest of citizens and users.

Also worthy of note is the preliminary approval on 16 December 2022 by the Council of Ministers of the Legislative Decree scheme to renew the Public Contract Code, intended to simplify regulations relative to public tenders and concessions to ensure efficient

realisation of the same. The Code will apply to new proceedings starting on 1 April 2023. From 1 July 2023, abrogation of the previous Code is envisaged (Legislative Decree 50 of 18 April 2016) and application of the new norms, also for proceedings in progress.

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.

During 2023, the COP28, held in Dubai, hosted the first global stocktaking, an opportunity to assess the joint effect of Nationally Determined Contributions (NDC). In this context, the parties defined an agreement to accelerate the global transition, promoting the “transition away” formula, and including for the first time in history an explicit reference to moving beyond fossil fuels to reach climate neutrality by 2050 and agreeing to triple the amount of renewable energy and double efforts for energy efficiency.

2023 was a decisive year for future European environmental policies. The European Parliament also approved the Nature Restoration Law, the first European legislation that explicitly aims to restore nature with legally binding targets for member states. In October 2023, during the European Business & Nature Summit in Milan, companies, financial institutions, governments and representations from academia and civil society met to discuss how companies can respect the commitments in the Kunming Montreal Global Biodiversity Framework (GBF) adopted in 2022. The event also saw the launch of the European Business and Nature Charter.

In 2023, the Taskforce on Nature-related Financial Disclosure (TNFD) issued its final document, containing recommendations on nature aimed at organisations, sectors and value chains.

In its Code of Ethics the Acea Group assigns fundamental importance to principles linked to sustainability and the adoption of a climate strategy. In 2023, Acea received validation of its Science Based Targets Initiative (SBTi) for its emission reduction target (by 2032), in line with climate science indications. Also in 2023, the Group participated in the Carbon Disclosure Project (CDP) on climate altering gas emissions and published its second climate-related disclosure following the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), enriching its projects aimed at identifying risks and analysis of medium/long-term climate scenarios.

In September 2023, Acea received validation of its reduction targets for 2032 for direct and indirect greenhouse gas from the Science Based Targets initiative (SBTi), with respect to base year 2020. The international organisation assessed Acea’s goals in line with the “Well below 2°C” trajectory, the goal established in the 2015 Paris Accords to limit the increase in global temperature with respect to pre-industrial levels.

This decision represents an important acknowledgement of the decarbonisation process begun by the Group to support the energy transition. The targets set are: 56% reduction in emissions per MWh of energy produced (scope 1), 32% reduction in indirect emissions, consequent to electricity use (scope 2), 56% reduction in that deriving from energy production and energy supplies and resales, and a 30% reduction in emissions due to gas distributed and sold to customers.

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, 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 on actions associated with mitigation of climate change effects, as well as adaptation to climate change in its non-financial statement (prepared in compliance with the GRI Standard which also includes the information called for under Regulation 2020/852 in relation to the two climate objectives mitigation and adaptation). 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, publishing in June 2023 its *Acea Group Climate Disclosure 2022*, based on the *TCFD recommendations*. However, it is also exposed to assumptions about highly uncertain future developments, such as future technological developments, government actions, regulatory initiatives or even developments in international political balances.

For the principal sectors in which the Group operates, actions to contain risks linked to climate change have been made concrete through investments in infrastructure to prevent and/or mitigate the impacts arising primarily from physical risks.

Also note that in 2020-2021 the main companies in the Group began a process of identifying priority physical risks, to be analysed using climate scenarios developed for the areas in which the assets operated are located, with medium/long and long-term projections,

including projections of possible variations of the potential associated economic impacts, in relation to the increased probability of extreme event occurrence (increase in frequency and duration). The priority physical risks identified are drought and water stress (mainly for water systems); extreme rainfall and flooding (mainly for power distribution networks); lightning strikes (mainly for power generation assets). To analyse physical risks, two scenarios developed by the Intergovernmental Panel on Climate Change (IPCC) were used. By way of example, the fully consolidated areti SpA assesses and quantifies the effects of climate change (heat waves/drought and flooding) on its assets and the mitigation projects to implement in the Resilience Plan approved by the Regulatory Authority For Energy, Networks and Environment (ARERA).

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 have regulatory relevance and are 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 accounting 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.

More specifically, impacts were identified in terms of sensitivity analysis carried out on CGUs, companies and systems by developing the risk analysis, considering the main external variables indirectly impacted by climate change issues (such as the production price index, energy price index and gas price index), potentially able to impact the relevant economic variables (EBITDA).

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. Specifically, extreme events such as floods can cause asset damage and service disruptions (equipment failures, blackouts, etc.) or, for the water network, overflowing of drains connected to wastewater systems and can cause turbidity of water springs. Such impacts may affect the provision of services in compliance with applicable laws and regulations, resulting in the risk of financial penalties. As indicated previously, also thanks to risk mitigation projects implemented, the potential economic/financial impacts associated with physical risks have been hypothesised as unchanged.

Geopolitical Situation

Economic trends were influenced by many factors, both geopolitical and economic: unresolved conflicts, still far

from a solution, with Russia/Ukraine at the head of the pack, as well as “new” conflicts, such as that between Israel and Hamas. At present, after the shocks of recent years, the global economy is nonetheless normalising, with most of the major imbalances evening out. 2023 saw a substantial loosening of tension on energy markets, given the gradual strengthening of downward trending fundamentals: falling demand, mild winter and autumn temperatures and stocks consistently at historically high levels, as well as hydroelectric production and French nuclear availability recovering from the *annus horribilis* of 2022. Consequently, electricity and gas prices gradually fell until mid-year, converging at the levels seen in mid-2021 - the start of the energy crisis. The scars of this latest and changed global gas supply situation have made European markets very nervous and sensitive to the contingent international and geopolitical tensions that developed in the second half of the year, above all the outbreak of the Israel/Hamas conflict, which impeded further decreases. In its October 2023 World Economic Outlook, the International Monetary Fund predicted slowing global growth, with increasing regional differences and little room for economic policy errors.

Despite the economic resilience seen at the beginning of the year, thanks to progress in reducing inflation with respect to the peaks of the last year, economic activity is still below pre-pandemic objectives, above all in emerging markets and developing economies. As causes of the slowdown, the report indicates the war in Ukraine, growing fragmentation of the economy and other more cyclical aspects such as anti-inflationary monetary policies, elimination of public aid and extreme climate events. Additionally, if the Israel/Hamas conflict expands beyond the Gaza Strip, the consequences could be very serious also in economic terms, beyond the already existing humanitarian and political emergency. Moving on to commodities, during 2023 the Brent registered an average level of \$82.22/bbl, down -17% with respect to the previous year. The decrease in prices seen during the first six months of the year reversed course in the third quarter, with daily peaks in September and October 2023 that had not been seen for about a year. The main elements underlying the increase in the autumn can be found in Saudi Arabia and Russia’s confirmation of production cuts through the first quarter of 2024 (-1.3 Mbbbl/day) and in the outbreak of the Israel/Hamas conflict, in a strategic area for global crude trading, above all in the case Iran were to join the conflict. Further increasing tensions towards the end of the year were the continuous attacks on ships and containers in the Red Sea by the Houthi, a Yemen rebel group supported by Iran, to which the United States responded with military action. Around 12% of global commerce and 30% of all cargo ships globally pass through this area. Nonetheless, it should be noted that the global macroeconomic situation of economic slowdowns and weak demand continues to weigh down oil prices, for the moment preventing excessive upward movement. The fourth quarter saw an average price level of \$83.26/bbl, down -6% with respect to the fourth quarter of 2022, but up +5% with respect to the first nine months of 2023.

It should be remembered that the ESMA Public Statement of 28 October 2022 deals precisely with the effects of the Russian invasion of Ukraine on 2022 financial statements prepared following the standard IAS34. The Statement therefore has the objective of providing to the administrative and control bodies of regulated companies a series of recommendations on the process of producing the accounting disclosure, with particular emphasis on the controls necessary to check for any impairment (*impairment tests*) of non-financial assets.

The Statement stresses that the change of strategic, commercial

and financial approach of companies following the conflict increased considerably the risk of significant impacts on the carrying amount of balance sheet assets and liabilities. The Statement therefore suggests reviewing and possibly updating the considerations made for the year-end financial statements, in particular the assumptions and the hypotheses on which the calculation of the prospective flows is based and the other elements that contribute to the estimate of the recoverable value.

The ESMA then recalls that in order to assess the existence of possible indications of impairment of non-financial assets included in the scope of IAS 36 (Impairment Testing), it is necessary to consider all the information sources, of both an external and an internal nature, to assess whether the effects of the geopolitical situation represent possible indications of impairment of the said assets. The Statement also stresses that the considerable increase in the general level of uncertainty caused by the conflict requires a careful assessment (in the context of estimating the recoverable value using the Value in Use method) of the forecast financial data used. To this end, the ESMA believes that, according to the type of asset to be tested and the related level of risk, it may be necessary to develop multiple scenarios around the forecast data considered, supported by reasonable and realistic parameters and estimation inputs. Again in this sense, there must in any case be consistency between the forecast data used and the assumptions associated with the same for the value checks, and between the choices and strategic plans formulated by companies in response to geopolitical tensions.

With reference to the discount rate used for the estimate of the recoverable value, the Statement stresses and recalls that the same must reflect the current market conditions and the specific risk characteristics associated with the specific assets subject to impairment tests (excluding the risk of assets already reflected in the forecast flows). The Statement stresses finally that the risks associated with the phenomena of rising market interest rates and the inflation rate could have an impact also on the discount rate to be used for the purpose of estimating the recoverable value of the assets to reflect the said phenomena, unless the said risks are already reflected in the calculation of the forecast flows used.

Development and technological innovation

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.

Note to that end, the partnership with **InnovUp** (formerly Italia Startup), a non-profit that represents the ecosystem of Italian start-ups, including all entities, private and public, that support the development, visibility and growth of the same, to encourage the creation of a new Italian entrepreneurial system, as well as with **SEP** (Startup Europe Partnership), an Open Innovation programme that puts European scale-ups with corporations, and finally with **Open Italy**, a co-innovation programme promoted by ELIS and established to help associated corporations meet their needs through start-ups, innovative SMEs, university spin-offs and research centres.

Development of personnel

For every organisation people represent a fundamental asset to remain competitive in a changing economic and social context. Acea listens to the needs of its people and develops a People Strategy, structured into projects and initiatives.

Every year Acea prepares an Equality & Care Plan that identifies goals and associated projects for diversity and inclusion and corporate welfare. In 2022, Acea was included by the Financial Times and Statista in the special list of “Europe’s Diversity Leaders 2023” and for the second consecutive year received Top Employers Italy Certification, official recognition of the excellence of the company’s HR policies and strategies, and implementation of the same.

Acea has developed an integrated corporate welfare system, based on listening to employees and their needs and structure around six fundamental pillars: health, psycho/physical well-being, family, reconciliation measures, economic assistance and complementary social security. Numerous initiatives have been implemented to support these pillars, including preventive medicine campaigns, support services for psycho/physical well-being and support for parents. These areas are shared with a Bilateral Committee, consisting of representatives from Group companies and the Unions.

As part of its training processes, the Group has established the Acea Business School Academy that provides courses on managerial, position, governance and digital issues, serving the entire group and designed with qualified partners (universities, business schools, research centres, etc.).

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-compulsory bonus aspects in its tender procedures.

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.

Health and safety 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 provides all its people with 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.

OPERATING SEGMENTS

The macrosectors in which Acea works are broken down into the industrial segments listed below.

ENVIRONMENT

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

WATER

Integrated Water Service in Italy
Gas distribution
Development of initiatives outside of Italy

ENGINEERING & INFRASTRUCTURE PROJECTS

Laboratory analysis
Engineering & Consultancy

COMMERCIAL

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

PRODUCTION

Electricity **generation**
Cogeneration
Photovoltaic

NETWORKS & SMART CITIES

Distribution and **Measure**
Public Lighting

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 revenue includes the condensed result of equity invest-

ments (of a non-financial nature) consolidated using the equity method. The Water Segment also includes the financial statements of companies in the gas distribution segment and ASM Terni.

31/12/2023

€ million	Environ- ment	Commercial	Water	Water (Over- seas)	Production	Networ- ks & Smart Cities	Engineering & Infra- structure Projects	Corpo- rate	Conso- lidation adjust- ments	Consolida- ted Total
Revenues	334	2,483	1,494	97	131	628	116	145	(764)	4,664
Costs	250	2,354	750	61	77	253	106	187	(764)	3,273
EBITDA	84	129	744	36	54	375	10	(42)	0	1,391
Depreciation/ amortisation and impair- ment losses	59	70	419	15	20	154	8	34	(0)	779
Operating profit/(loss)	25	59	325	21	34	221	2	(75)	0	612
Capex	39	50	682	6	41	300	5	20	0	1,143

31/12/2022

€ million	Environ- ment	Commercial	Water	Water (Over- seas)	Production	Networks & Smart Cities	Engineering & Infra- structure Projects	Corpo- rate	Conso- lidation adjust- ments	Conso- lidated Total
Revenues	342	3,160	1,374	95	175	606	118	152	(857)	5,166
Costs	241	3,070	705	62	85	254	104	196	(857)	3,861
EBITDA	102	90	669	33	90	352	13	(44)	0	1,305
Depreciation/ amortisation and impairment losses	43	68	400	14	15	150	9	40	0	739
Operating profit/(loss)	59	22	269	19	75	202	4	(84)	0	566
Capex	46	50	611	6	30	269	6	33	0	1,050

ENVIRONMENT

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS

Operating data

	U.M.	2023	2022	Change	% Change
WTE conferment	kt	375.9	389.8	(13.8)	(3.6%)
MBT waste and landfill	kt	474.0	400.0	74.0	18.5%
Conferments to composting plants	kt	156.0	149.0	7.0	4.7%
Conferments to selection plants	kt	339.2	286.8	52.4	18.3%
Intermediated waste	kt	160.8	166.0	(5.3)	(3.2%)
Liquids treated at plants	kt	322.3	323.0	(0.7)	(0.2%)
Waste produced	kt	484.9	451.2	33.7	7.5%
WTE net electricity sold	GWh	278.3	293.8	(15.5)	(5.3%)

Equity and financial results

€ million	2023	2022	Change	% Change
Revenues	334.3	342.4	(8.1)	(2.4%)
Costs	249.9	240.8	9.1	3.8%
EBITDA	84.4	101.6	(17.2)	(17.0%)
Operating profit/(loss)	25.4	58.5	(33.2)	(56.7%)
Average workforce	875	875	0	0.0%
Capex	38.9	46.2	(7.3)	(15.9%)

EBITDA

€ million	2023	2022	Change	% Change
EBITDA – Environment Segment	84.4	101.6	(17.2)	(17.0%)
EBITDA – Group	1,390.9	1,305.0	85.9	6.6%
Percentage	6.1%	7.8%	(1.7 p.p.)	

The Environment Segment closed 2023 with an EBITDA of € 84.4 million, down by € 17.2 million (-17.0 % over the previous year). The change was mainly due to lower margins for **Acea Ambiente** (-€ 25.5 million) as a consequence of: i) lower CO₂ sales (-€ 11.1 million), lower compost margins due in part to the energy scenario (-€ 4.6 million) and in part lower quantities of energy sold to WTE plants (-€ 0.4 million); ii) lower margins deriving from composting business, for the most part due to lower volumes and lower tariffs from the Aprilia (-€ 4.3 million) and Monterotondo plants (-€ 1.0 million); iii) recognition of costs linked to the waste to energy plant in Rome (+€ 2.7 million). Also contributing to the reduction was the lower margin from the **Orvieto** landfill, both due to lower quantities entering and the price effect (-€ 2.3 million) and **S.E.R. Plast** due to both the price effect and an increase in waste (-€ 2.1 million).

This change was offset by the change in scope (+€ 13.4 million), following the consolidation of **Tecnoservizi** (+€ 2.4 million) and the Polo Cirsu business unit, acquired from **Acea Ambiente** (+€ 11.0 million).

The average number of staff at 31 December 2023 was 875, in line with 31 December 2022.

Segment investments came out at € 38.9 million (-€ 7.3 million compared to 31 December 2022) and refer mainly to the investments made by **Acea Ambiente** (€ 21.7 million) for system improvements carried out at the San Vittore plants and at the WTE plant in Terni and **AS Recycling** (€ 4.8 million), for the construction of the plastic SRF recycling plant in Borgorose.

COMMERCIAL

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS

Operating data

	U.M.	2023	2022	Change	% Change
Electrical energy sold - Free	GWh	5,602.7	6,331.1	(728.4)	(11.5%)
Electrical energy sold - Gradual Protection	GWh	169.5	0.0	169.5	n.s.
Electrical energy sold - Protected	GWh	1,032.8	1,411.0	(378.2)	(26.8%)
Electricity - Free market customers (POD)	no./1,000	639.4	535.2	104.2	19.5%
Electrical Energy - Gradual Protection Customers (POD)	no./1,000	95.1	0.0	95.1	n.s.
Electrical Energy - No. Protected Market customers (POD)	no./1,000	509.2	646.8	(137.6)	(21.3%)
Gas sold	Msmc	198.9	208.4	(9.5)	(4.6%)
Gas - No. Free Market customers	no./1,000	306.3	247.8	58.5	23.6%

Economic and financial results

€ million	2023	2022	Change	% Change
Revenues	2,483.0	3,159.7	(676.7)	(21.4%)
Costs	2,353.7	3,069.7	(716.0)	(23.3%)
EBITDA	129.3	90.0	39.3	43.7%
Operating profit/(loss)	58.9	22.0	36.9	167.5%
Average workforce	450	445	5	1.1%
Capex	50.2	49.6	0.6	1.2%

Economic and financial resultsv

€ million	2023	2022	Change	% Change
EBITDA-Commercial Ssegment	129.3	90.0	39.3	43.7%
EBITDA - Group	1,390.9	1,305.0	85.9	6.6%
Percentage	9.3%	6.9%	2.4 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 2023 with an EBITDA of € 129.3 million, an increase of € 39.3 million compared to 2022.

The change is mainly attributable to **Acea Energia** (+€ 31.5 million), due to the net improvement in the Energy and Gas margin (+€ 24.7 million), lower operating costs (€ 4.4 million) and greater revenues from penalties (€ 2.0 million). Also contributing to the increase in this area was **Acea Innovation** (+€ 6.8 million) as a result of higher margins on e-mobility, smart services and smart comp activities.

With respect to effects on the primary energy margin, note:

- an improvement in the margin for the **electricity free market** (+€ 27.5 million), driven by performance in the Domestic Retail segment (average customer base +20% and unit margin +40%); on the other hand, the **Gradual Protection Service** margin was € 6.0 million;
- a reduction in margins relative to the **Greater Protection Service** (-€ 13.9 million), in part due to the automatic assignment of non-domestic customers and micro-businesses ("Other uses") to the Gradual Protection Service as of 1 April 2023 and in part to the

"natural" loss of Greater Protection Service customers to the Free Market (-8%), not counterbalanced by application of higher tariffs;

- an improvement in the margin for the **gas market** of € 29.6 million due to higher unit margins in the B2C sector (77%), combined with an increase in the average Customer Base (21%) and in volumes (22%), while general volumes in the Business sector fell due to fewer customers (-30%).
- a reduction in the Energy Management margin for **optimisation of energy flows** (-€ 24.5 million compared to the previous year) due to the progress loosening of commodity price tensions seen on wholesale energy markets.

With reference to the workforce, the average number at 31 December 2023 stood at 450 employees, slightly up compared to 31 December 2022 by 5 employees.

Investments by the Segment amounted to € 50.2 million, a small increase of € 0.6 million compared to 31 December 2022. Total investments mainly related to **Acea Energia** and mostly referred to the cost of acquiring new customers in accordance with IFRS15 (€ 32.0 million). The smart services and e-mobility projects (€ 2.9 million) developed by **Acea Innovation** also contributed to the investments of the Segment.

WATER

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS

Operating data

	U.M.	2023	2022	Change	% Change
Water volumes	Mm ³	383.8	389.4	(5.5)	(1.4%)
Energy consumed	GWh	544.5	573.9	(29.3)	(5.1%)
Sludge disposed of	kt	142.7	147.4	(5)	(3.2%)

Equity and financial results

€ million	2023	2022	Change	% Change
Revenues	1,493.7	1,374.4	119.3	8.7%
Costs	749.8	705.4	44.4	6.3%
EBITDA	743.9	669.0	75.0	11.2%
Operating profit/(loss)	325.0	268.7	56.3	21.0%
Average workforce	3,969	3,891	78	2.0%
Capex	682.4	611.0	71.4	11.7%

Equity and financial results

€ million	2023	2022	Change	% Change
EBITDA – Water segment	743.9	669.0	75.0	11.2%
EBITDA – Group	1,390.9	1,305.0	85.9	6.6%
Percentage	53.5%	51.3%	2.2 p.p.	

The EBITDA for the Segment stood at € 743.9 million at 31 December 2023, an increase of € 75.0 million compared to 31 December 2022 (+11.2%). The increase mainly derives from higher margins, relative to the increase in water tariff revenue, relative to non-pass-through items (+€ 37.0 million), in part influenced by the two year tariff update for 2022-2023. Also contributing to the increase is **Gori's** recognition of contributions for Regional Works for the years 2018-2021 (+€ 5.3 million) and the change in the

scope following the consolidation of **ASM Terni** (+€ 9.9 million). The contribution to EBITDA made by the water companies measured using the equity method, equal to € 21.2 million, was down with respect to the previous year (-€4.4 million) as a consequence of greater amortisation/depreciation recognised by the Acque Group. The contribution to EBITDA of the companies valued at shareholders' equity is detailed below:

€ million	2023	2022	Change	% Change
Publiacqua	9.3	8.6	0.8	9.2%
Acque Group	7.4	11.3	(3.9)	(34.6%)
Umbra Acque	2.9	3.3	(0.5)	(13.8%)
Nuove Acque and Intesa aretina	0.5	0.5	0.0	7.7%
Geal	0.9	1.1	(0.2)	(14.6%)
Umbria Distribuzione Gas	0.1	0.0	0.1	n.s.
Romeo Gas	0.0	0.8	(0.8)	(100.0%)
Total	21.2	25.6	(4.4)	(17.0%)

The quantification of the revenues deriving from management of the integrated water service is the consequence of application of the new water tariff method for the third regulatory period (MTI-3), as approved by the Authority (ARERA) with Resolution no. 580/2019/R/idr of 27 December 2019, taking into account the approval of the 2022-2023 tariff provisions which occurred in the

meantime. For more details, please see the section "Progress of the procedure for approving tariffs" in this document.

The average workforce as of 31 December 2023, equal to 3,969, increased by 78 compared to 31 December 2022, mainly attributable to the consolidation of **Acea Ato2** (+24 employees) and **Adistribuzionegas** (+18 employees), as a consequences of the ac-

quisition of the business unit deriving from the partial demerger of Romeo Gas in October 2022.

Investments by the Segment amounted to € 682.4 million, an increase of € 78.0 million compared to the previous year. The increase is mainly due to greater investments recognised by **Gori** (+€ 75.3 million), consequent to more works financed (maintenance and development), in part offset by lower investments by **Acea Ato2** (-€ 20.9 million) mainly due to lower investments in

maintenance and development. 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 change in scope involving consolidation of **ASM Terni** contributed to the increase (+€ 5.1 million).

WATER (OVERSEAS)

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS

Operating data

	U.M.	2023	2022	Change	% Change
Water Volumes	Mm ³	42.7	41.9	0.8	1.8%
Volumes fed into the grid	Mm ³	77.8	76.0	1.8	2.3%
Number of customers (user accounts served)	no.	124,384.0	123,433.0	951.0	0.8%

Economic and financial results

€ million	2023	2022	Change	% Change
Revenues	96.7	95.1	1.6	1.7%
Costs	61.0	62.1	(1.1)	(1.8%)
EBITDA	35.7	33.0	2.7	8.3%
Operating profit/(loss)	20.9	19.4	1.5	7.8%
Average workforce	2,478	2,474	4	0.2%
Capex	5.7	5.8	(0.1)	(1.4%)

Economic and financial results

€ million	2023	2022	Change	% Change
EBITDA Water (Overseas)	35.7	33.0	2.7	8.3%
EBITDA – Group	1,390.9	1,305.0	85.9	6.6%
Percentage	2.6%	2.5%	0.0 p.p.	

The Segment currently includes companies managing water services in Latin America and ended 2023 with EBITDA of € 35.7 million, up by € 2.7 million with respect to 31 December 2022. The increase is mainly attributable to **Aguas de San Pedro** (+€ 3.9 million) due to higher invoiced volumes (1.8%) as well as to a rate increase due to inflation. This increase offset the reduction recorded by **Acea Dominicana** (-€ 1.2 million) following the termination of the contract with CAASD on 30 September 2023.

The average number of staff at 31 December 2023 was 2,478, in line with units at 31 December 2022.

Investments during the period came to € 5.7 million, slightly down (-€ 0.1 million) with respect to the previous year and almost entirely relative to investments made by **Aguas de San Pedro** in relation to integrated water service management for the city of San Pedro Sula, in Honduras.

NETWORKS & SMART CITIES

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS

Operating data

	U.M.	2023	2022	Change	% Change
Electricity distributed	GWh	9,050	9,355	(305)	(3.3%)
No. of Customers	no./1,000	1,662	1,653	9	0.5%
Km of Grid (MV/LV)	km	32,144	31,768	376	1.2%
2G Metering Groups	no.	333,664	273,294	60,370	22.1%

Economic and financial results

€ million	2023	2022	Change	% Change
Revenues	628.4	606.5	22.0	3.6%
Costs	253.0	254.3	(1.3)	(0.5%)
EBITDA	375.4	352.2	23.3	6.6%
Operating profit/(loss)	221.5	201.9	19.6	9.7%
Average workforce	1,269	1,262	7	0.6%
Capex	299.6	268.8	30.8	11.5%

Economic and financial results

€ million	2023	2022	Change	% Change
EBITDA Networks & Smart Cities segment	375.4	352.2	23.3	6.6%
EBITDA – Group	1,390.9	1,305.0	85.9	6.6%
Percentage	27.0%	27.0%	0.0 p.p.	

The EBITDA for the segment at 31 December 2023 was € 375.4 million, showing an increase of € 23.3 million compared to 31 December 2022. EBITDA for **areti** was up by € 20.3 million, thanks to tariff growth, in particular from energy balancing (+€ 16.1 million) and greater revenue from penalties and compensation (+€ 2.0 million). The effects of the resilience plan offset this increase (-€ 3.0 million). With reference to the energy balance, at 31 December 2023, **areti** had distributed 9,050 GWh to end customers, down by 3.3% with respect to the previous year. EBITDA from **public lighting**, involving management of the public lighting service in the Municipality of Rome, came to € 3.9 million, an improvement of € 3.0 million with respect to the same period the previous year following extraordinary maintenance and security activities, and extraordinary items from previous years.

The average number of employees increased slightly compared to the previous year (+7 employees).

The operating result increased by € 19.6 million compared to 31 December 2022 and was affected by higher depreciation/amortisation (+€ 9.6 million) due to the combined effect of higher de-

preciation/amortisation of software purchased in previous periods and investments made on the distribution network and industrial and commercial equipment. This effect was partially offset by lower impairment of receivables (-€ 2.0 million) relating to user customers/users and lower provisioning in relation to the provision for staff mobility (-€ 3.9 million).

Investments amounted to € 299.6 million, an increase of € 30.8 million compared to the previous year, due to greater network expansion and modernisation projects. The investments refer to **areti** and are attributable to the expansion and upgrading of the HV, MV and LV grids, the mass replacement of 2G metering groups, work on the primary stations, secondary substations and meters, and remote control equipment as part of the grid “Adequacy and Safety” and “Innovation and Digitalisation” projects, 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 **public lighting** sector contributed for € 1.2 million.

PRODUCTION

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS

Operating data

	U.M.	2023	2022	Change	% Change
Energy produced	GWh	581.6	504.1	77.5	15.4%
of which hydro	GWh	418.9	329.9	89.0	27.0%
of which thermal	GWh	162.7	174.2	(11.5)	(6.6%)
(Photovoltaic) energy produced	GWh	133.9	125.2	8.7	7.0%
Energy produced (cogeneration)	GWh	34.1	32.2	1.9	6.0%

Economic and financial results

€ million	2023	2022	Change	% Change
Revenues	130.8	175.3	(44.4)	(25.3%)
Costs	77.0	85.4	(8.4)	(9.9%)
EBITDA	53.9	89.8	(36.0)	(40.0%)
Operating profit/(loss)	33.7	75.3	(41.6)	(55.2%)
Average workforce	97	92	5	5.2%
Capex	41.1	30.3	10.8	35.7%

Economic and financial results

€ million	2023	2022	Change	% Change
EBITDA Production segment	53.9	89.8	(36.0)	(40.0%)
EBITDA – Group	1,390.9	1,305.0	85.9	6.6%
Percentage	3.9%	6.9%	(3.0 p.p.)	

EBITDA at 31 December 2023 came to € 53.9 million, down by € 36.0 million with respect to 31 December 2022, for the most part attributable to **Acea Produzione** (-€ 22.5 million) as a consequence of lower margins, which suffered from the significant reduction in energy market prices (the average DAM price in 2023 was € 126/MWh compared to € 298/MWh in 2022), in part offset by greater quantities of energy produced by hydroelectric power plants (+89 GWh).

EBITDA for the **photovoltaic** segment fell by € 13.4 million, in part influenced by the change in the scope (-€ 4.7 million) due to the loss of control over a photovoltaic holding in the Acea Group (Acea Sun Capital) as of April 2022 and in part the impairment of plants

subject to revamping (-€ 9.1 million).

The average workforce increased slightly (+5 units) compared to the previous year; note that the photovoltaic companies do not have employees.

Investments amounted to € 41.1 million and increased by € 10.8 million compared to the previous year, mainly due to greater investments made by **Acea Solar** to construct photovoltaic systems both on agricultural and industrial land. Investments made by **Acea Produzione** totalled € 8.3 million, down with respect to the previous year (-€ 1.9 million) and mainly involving work to redevelop and maintain hydroelectric power plants.

ENGINEERING & INFRASTRUCTURE PROJECTS

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS

Operating data

	U.M.	2023	2022	Change	% Change
Number of projects	no.	60	75	(15)	(20.0%)
Number of EPC work sites	no.	27	31	(4)	(12.9%)
Number safety inspections	no.	14,443	14,913	(470)	(3.2%)
Number determinations	no.	1,039,344	1,017,004	22,340	2.2%
Number samples	no.	34,020	34,012	8	0.0%
Waste volume processed	t	7,510	9282	(1,772)	(19.1%)
Water volume processed	m ³	1,704,904	1,766,497	(61,593)	(3.5%)

Economic and financial results

€ million	2023	2022	Change	% Change
Revenues	115.6	117.6	(2.0)	(1.7%)
Costs	105.7	104.4	1.3	1.2%
EBITDA	9.9	13.2	(3.3)	(24.8%)
Operating profit/(loss)	2.0	3.7	(1.7)	(46.1%)
Average Workforce	478	456	22	4.9%
Capex	4.7	5.8	(1.1)	(18.8%)

Economic and financial results

€ million	2023	2022	Change	% Change
EBITDA Engineering & Infrastructure Projects segment	9.9	13.2	(3.3)	(24.8%)
EBITDA – Group	1,390.9	1,305.0	85.9	6.6%
Percentage	0.7%	1.0%	(0.3 p.p.)	

EBITDA for the segment at 31 December 2023 came to € 9.9 million, down by €3.3 million with respect to the previous year. This change is due to **SIMAM** (-€ 3.1 million) due to lower construction and water treatment business with respect to the previous year and to **TWS** (-€ 0.4 million) due to the reduction in the construction and project management margin due to postponing of work orders. The average workforce at 31 December 2023 stood at 478 and was

up compared to 31 December 2022 (456 employees). The change is mainly attributable to **SIMAM** (+23 employees). Investments amounted to € 4.7 million, up by € 1.1 million compared to the previous year. Investments in the segment were mainly made by **Acea Infrastructure** (€ 2.2 million), to purchase equipment and software.

CORPORATE

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS

Economic and financial results data

€ million	2023	2022	Change	% Change
Revenues	145.2	152.2	(7.0)	(4.6%)
Costs	186.8	195.9	(9.1)	(4.7%)
EBITDA	(41.6)	(43.7)	2.1	(4.7%)
Operating profit/(loss)	(75.4)	(83.7)	8.3	(9.9%)
Average workforce	733	717	16	2.3%
Capex	20.1	32.7	(12.6)	(38.4%)

Economic and financial results

€ million	2023	2022	Change	% Change
EBITDA – Corporate segment	(41.6)	(43.7)	2.1	(4.7%)
EBITDA – Group	1,390.9	1,305.0	85.9	6.6%
Percentage	(3.0%)	(3.3%)	0.4 p.p.	

Corporate closed at 31 December 2023 with negative EBITDA of € 41.6 million, an increase of €2.1 million compared to the same period in 2022. The change is mainly due to cost efficiencies, partially counterbalanced by higher personnel expense, as a consequence of contractual adjustments and increased staff. EBIT is negative at € 75.4 million, an € 8.3 million improvement over the previous year, as a result on the one hand, of the increase in EBITDA, and on the other hand, of lower provisioning, in particular with reference to staff mobility.

The average workforce at 31 December 2023 stood at 733, an increase of 16 compared to 2022 (717 units). Investments amounted to € 20.1 million (€ 32.7 million at 31 December 2022), down with respect to the same period the previous year and mainly refer to software licenses, IT development and investments in company offices.

SIGNIFICANT EVENTS DURING THE PERIOD AND AFTERWARDS

Acea: successful placement of a € 500 million Green Bond and subsequent € 200 million TAP issue

On 17 January 2023, Acea successfully completed the placement of a Green Bond issue for a total amount of € 500 million, interest rate of 3.875%, maturing on 24 January 2031.

The issue, which is part of the Green Financing Framework and the € 5 billion Euro Medium Term Notes (EMTN) programme, was a great success, receiving more than 3 times the amount offered from primary investors coming from numerous geographic areas, mainly in the green sector.

The profits will be used to finance specific projects with sustainability goals, in particular those relative to resilience of the electricity distribution grid, energy efficiency, electric mobility, development of the circular economy, increasing energy produced from renewable sources and protection of water resources. The issue is intended exclusively for institutional investors in the Euromarket.

On 3 February 2023 Acea successfully completed the reopening of the Green bond issue carried out on 17 January 2023 (rate 3.875%, maturity 24 January 2031) for an amount of € 200 million ("TAP Issue"). The TAP Issue received requests equal to over 1.5 times the amount offered. The securities, with a minimum unit of € 100,000 and a rate of 3.875%, were placed at an issue price of 100.368%, implying a return of 3.820% or 105 basis points above the midswap rate, offering a further improvement on the already very satisfactory terms of the original issue.

Acea reaches 100% of Deco: the remaining 35% of the company acquired, the main operator in the Abruzzo environmental sector

On 23 January 2023, Acea acquired the remaining 35% of Deco's share capital, a company operating in the waste sector in Abruzzo in which it already held a 65% stake, with the closing of the acquisition occurring in November 2021. The company designs, constructs and manages plants for the treatment, disposal and recovery of municipal solid waste and plants for energy recovery from renewable sources.

Acea: Michaela Castelli resigns from the position of Chairman for personal reasons

Acea notes that, on 14 February 2023, the lawyer Michaela Castelli resigned with immediate effect from her position as Director and Chairman of the Acea Spa Board of Directors.

Acea: Barbara Marinali appointed as the new Chairman of the Board of Directors

On 17 February 2023, the Acea SpA Board of Directors, on a proposal by the Appointments and Remuneration Committee and with a resolution approved by the Board of Statutory Auditors, appointed by co-optation, under the terms of Art. 2386 of the Italian Civil Code and Art. 15 of the By-Laws, Barbara Marinali as a new non-executive Director of the Company, replacing Michaela Castelli who resigned on 14 February 2023. The Board of Directors also appointed Barbara Marinali as the Chairman of the Board of Directors.

Acea: indication of interest in the Rome waste to energy plant presented

On 1 March 2023, Acea Ambiente, a subsidiary of Acea, responded to the public notice issued by the municipality of Rome to find economic operators interested in presenting project financing proposals for assignment of the systems hub concession relative to the design, authorisation, construction and management of a waste-to-energy plant and correlated ancillary systems.

Acea Ambiente presented its indication of interest with other national and international partners, including Hitachi Zosen Inova, Viniani Lavori and Suez, following favourable determinations by the relevant corporate bodies of Acea Ambiente and Acea (also pursuant to the provisions of the Acea Group Related Party Transactions Procedure).

Acea: 2023 ESR Top Utility Research and Innovation

On 9 March 2023, Acea was awarded the ESR Top Utility Research and Innovation prize. Acea won in the Research and Innovation category for "its ability to develop research projects that apply innovative digital and cybersecurity technologies to remote control systems of physical infrastructure, experiment with secure ICT platforms that enable widespread and small-scale users to participate in energy flexibility markets, and involve researchers, operators, manufacturers and start-ups in the process of technological innovation".

Acea: Fitch Ratings confirms Acea's BBB+ rating and changes the outlook from stable to negative

On 15 March 2023, Fitch Ratings confirmed Acea's Long-Term Issuer Default Rating (IDR) at BBB+, its Short-Term IDR at F2 and the Long-Term Senior Unsecured Rating at BBB+. At the same time, the Agency announced that it had changed the outlook on the Company from stable to negative. The change in the outlook reflects expectations on the increase in leverage, due to the absorption of cash due to working capital trends and the acceleration of the Group's investments related to 2022. The confirmation of the BBB+ rating reflects Acea's strategic focus on regulated activities, together with the solidity of operating management.

Acea: Shareholders' Meeting approves 2022 Financial Statements, appoints new Board of Directors and confirms € 0.85 dividend

On 18 April 2023, the Shareholders' Meeting of Acea SpA, in first call, in Extraordinary and Ordinary session, approved the financial statements and consolidated financial statements for the year ended 31 December 2022, resolved on the allocation of the profit for 2022 and appointed the new Board of Directors.

The Extraordinary Shareholders' Meeting approved the amendment to Article 15 of the By-Laws. The Ordinary Shareholders' Meeting thus set the number of members of the Board of Directors at 13 and resolved to appoint the new Board of Directors, which will remain in office for three years, namely until the approval of the Financial

Statements for 2025. The election of the members of the Board of Directors took place by list voting, according to the procedures set forth in Article 15 of the By-Laws in the new formulation approved by the Shareholders' Meeting.

The following are elected to the new Board of Directors:

- Barbara Marinali, Fabrizio Palermo, Nathalie Tocci, Angelo Piazza, Elisabetta Maggini, Alessandro Picardi and Luisa Melara, on the basis of the list submitted by the shareholder Roma Capitale, owner of 51% of the share capital of Acea SpA, which obtained the majority of the votes (approx. 68.08% of the shares admitted to vote);
- Thomas Devedjian and Vincenza Patrizia Rutigliano, on the basis of the list submitted by the shareholder Suez International SAS, owner of 23.33% of the share capital of Acea SpA;
- Alessandro Caltagirone and Massimiliano Capece Minutolo Del Sasso, on the basis of the list presented by the shareholder Fincal SpA, owner of 3.19% of the share capital of Acea SpA;
- Antonino Cusimano and Antonella Rosa Bianchessi, on the basis of the list presented by a group of asset management companies and institutional investors, holding a total of 1.17% of the share capital of Acea SpA.

Pursuant to the relevant regulations and By-Laws, the gender distribution criterion was respected.

Barbara Marinali was confirmed as the new Chairperson of the Board of Directors.

Acea and ASM Terni: second closing of the Umbrian integrated multi-utility completed

On 20 April 2023, the second closing was finalised, concluding the corporate merger between Acea, ASM Terni, and the municipality of Terni, following the public procedure initiated by ASM Terni. Following the completion of this agreement, Acea's stake in ASM Terni's share capital rises to 45% and the Umbrian utility acquires 20% of the capital of Orvieto Ambiente, Acea Ambiente's spin-off company. This strengthens Umbria's first integrated multi-utility, an industrial company active in the water sector, waste management, power generation and the distribution and sale of electricity and gas.

Acea: acquisition of SIMAM completed

On 21 April 2023, Acea completed the acquisition of the remaining 30% of SIMAM (Servizi Industriali Manageriali Ambientali), a company specialising in the engineering, construction and management of water and waste treatment plants, in environmental works and reclamation, with hi-tech integrated solutions. Over the last three years, Acea has developed new skills, know-how, and implemented new high-tech solutions in the field of design and project management, consolidating its capabilities in the construction and maintenance of infrastructures, for an increasingly sustainable, innovative and efficient management of services related to its business.

Acea: the new Board of Directors confirms Fabrizio Palermo as CEO

On 3 May 2023, Acea's Board of Directors appointed Fabrizio Palermo as CEO and General Manager of the company, and granted him the powers for the ordinary management of the company and the group. In addition to the statutory functions of representation, the Chairperson, Barbara Marinali, was granted specific powers by the Board, including those relating to Corporate Governance. During the same meeting, the Board of Directors also appointed Fabio Paris as Acea SpA's Financial Reporting Officer.

Acea: Employee and Participation Charter Signed with the Trade Unions

On 15 May 2023, Acea and the trade unions signed the "Acea Employee and Participation Charter" protocol, following negotiations with the unions that began in February. The Protocol was signed by FILCTEM-CGIL, FLAEL-CISL, FEMCA-CISL and UILTEC-UIL, as well as by CISAL Federenergia, UGL Chimici Energia, USB Lavoro Privato and Associazione Capi Intermedi e Quadri. The Protocol outlines an updated model for industrial relations based on even more constant and integrated dialogue, with the aim of strengthening union relations, taking advantage of involvement and centring people.

Acea: partnership agreement signed with Acquedotto Pugliese

On 21 June 2023, at the Water Innovation Summit in Bari, the two companies signed a memorandum to develop cooperation and projects to protect water resources, for technical development and regulatory aspects in the sector. Acea and Acquedotto Pugliese (AQP), the two main Italian operators in the integrated water service sector, signed a memorandum for joint development of cooperative projects with reference to protecting water resources and technological innovation. The memorandum of understanding was signed by the Chief Executive Officer of Acea, Fabrizio Palermo, and the Chairman of AQP, Domenico Laforgia, with the aim of sharing their respective skills in the water sector, to provide effective and technologically advanced management and operating solutions for national infrastructure.

Acea: Sabrina Di Bartolomeo appointed as Financial Reporting Manager

On 23 June 2023, after receiving a favourable opinion from the Board of Statutory Auditors and effective immediately, the Acea Board of Directors appointed Sabrina Di Bartolomeo as Financial Reporting Manager, responsible for preparing the corporate accounting documents pursuant to article 154-bis of Italian Legislative Decree 59/98, as Acea's Chief Financial Officer, replacing Fabio Paris who, after ending his time with Acea, indicated his renunciation of the position.

Acea: € 435 million from the European Investment Bank to improve the quality and resilience of the water service

On 6 July 2023, the first € 235 million tranche of the Acea-EIB loan was signed, out of a total of € 435 million approved by the EIB Board of Directors. The investments financed with these EIB resources will help to improve the coverage and quality of the integrated water service in the area operated by Acea Ato 2, reducing water loss and improving energy efficiency. Thanks to the support from the EIB, Acea will also increase the resiliency of the water service with respect to future extreme weather events such as droughts. Strengthening and improving infrastructure to provide a more efficient and resilient water service for citizens is the main objective for the € 435 million loan granted to Acea by the EIB. The signing occurred in Rome, with the EIB Director General of Operations Jean-Christophe Laloux and Sabrina Di Bartolomeo, Chief Financial Officer at Acea.

Acea: Standard Ethics increases the sustainability rating

On 12 July 2023, Standard Ethics increased Acea's Corporate

Standard Ethics Rating (SER) to “EE+” from the previous “EE”, with a Positive outlook. The company first received a Corporate SER in 2019. The Company is a member of the SE Mid Italian Index and the SE European Multi-Utilities Index.

Acea: National Framework Protocol to support legality

On 19 July 2023, the Minister of the Interior Matteo Piantedosi and Acea CEO Fabrizio Palermo signed a National Framework Protocol to support legality, with the aim of strengthening shared efforts to combat potential sources of corruption and the risk of organised crime infiltrating sectors of national strategic importance, including management of hydroelectric networks and waste.

Acea: A new organisation to face future challenges

On 12 September 2023, Acea launched a new corporate organisation based on three aspects: welcoming new professionals, generational turnover and including women in top level positions. The new organisation included the establishment of two new deputy generals with relative staff: The Deputy General Manager Corporate And Deputy General Manager Operations.

Acea: the Acea Group obtains validation of its greenhouse gas (GHG) reduction goals from the Science Based Targets Initiative (SBTi)

On 14 September 2023, Acea received validation of its greenhouse gas (GHG) reduction goals from the Science Based Targets Initiative (SBTi). The targets assessed involve both direct and indirect greenhouse gas emissions. Certification represents a significant acknowledgement of the decarbonisation process begun by Acea to support the energy transition. The Acea Group is committed to achieving the following goals: reducing GHG emissions per MWh of energy generated by 56% by 2032, with respect to 2020; over the same period of time, reduce indirect GHG emissions by 32% and those driving from energy production and procurement of fuels and energy, including that sold, by 56%; finally, reducing emissions due to gas disbursed and sold to customers by 30%. SBTi assessed Acea's goals in line with the “Well below 2°C” trajectory, the goal established in the 2015 Paris Accords to limit the increase in global temperature to well below 2°C, with respect to pre-industrial levels.

Acea: Legality Protocols

On 15 September 2023, Acea and the Prefecture of Rome signed four Legality Protocols for the construction sites for major water works in the capital city.

Acea: the Board of Directors approves the proposed settlement with Roma Capitale for Public Lighting

On 27 September 2023, the Acea Board of Directors approved a proposal for a possible settlement agreement with Roma Capitale intended to govern their reciprocal positions and the methods for an early consensual termination of the contractual relationship between the parties relative to the Public Lighting service provided by the Acea Group. Given its status as an essential public service under applicable regulations, the consensual termination will necessarily occur on the date the operator that wins the tender called by Roma Capitale effectively takes over the service. With reference to the economic terms of this possible Settlement Agreement, substan-

tially in line with the City Executive Committee resolution 312 of 11 August 2022, following the reciprocal renunciation by the parties, the agreement calls for the recognition of receivables due to the Acea Group from Roma Capitale for a total of around € 100.6 million. The settlement will not have significant financial impacts at 31 December 2023, as the companies have already updated their estimates based on the criteria established in applicable law. The Settlement Agreement, the contents of which mirror the communication between the parties following the AGCM opinion issued on 1 December 2020, can be carried out after the Roma Capital decision making process has been successfully completed. The possible signing of the Settlement Agreement is a very significant related party transaction, pursuant to Acea's RPT procedure, as well as to Annex 1 to the Regulations adopted by CONSOB with Resolution 17221 of 12 March 2010, given that Acea is controlled by Roma Capitale, pursuant to article 2359, paragraph 1, no. 1 of the Civil Code and the total value of the operation exceeds the materiality threshold established in article 1.2 and in Annex 1 to the same Related Party Transactions Procedure. In consideration of the above, Acea will publish a specific informational document, pursuant to article 5 of the RPT Regulation, within 7 days of the signing of the Settlement Agreement.

Technical and contractual quality bonus

With resolutions 476 and 477, published on 17 October 2023, Arera will complete the quantitative evaluation proceedings for 2020-2021, established in the contractual quality and technical quality incentive mechanisms for the Integrated Water Service, begun in the initial months of 2023. The incentive mechanism for contractual quality (which involves both bonuses and penalties), governed by annex A to resolution 655/15, requires respect for the objectives established for the 2 macro-indicators relative to “Initiation and termination of the contractual relationship” - MC1 and “Management of the contractual relationship and accessibility of the service” - MC2. These standards consists of a total of 42 simple indicators involving performance, related to the main macro-indicators. Technical quality results, governed by annex A to resolution 917/17, lead to bonuses and penalties relative to the 6 macro-indicators established by Arera with reference to water leaks (M1), service interruptions (M2), quality of water distributed (M3), sewer system adequacy (M4), landfill sludge disposal (M5) and quality of treated water (M6).

Bonuses assigned to managers that met the objectives established in the regulations are made available by the “Account for the promotion of the quality of aqueduct, sewer and purification services” established with the Energy and Environmental Services Fund (CSEA), supported by the UI2 tariff component, with 80% of the total assigned to technical quality and 20% to contractual quality.

Acea: Work safety and quality protocol

On 20 October 2023, Acea signed a protocol on tenders with the trade unions, to strengthen work safety and quality, with positive repercussions for the areas in which the Group's companies work.

Acea: Thomas Devedjian resigns as Director

On 31 October 2023, Acea announced that Thomas Devedjian has resigned from his position as Director, appointed through the list presented by the Shareholder Suez International at the Shareholders' Meeting of 18 April 2023. This decision was due to unforeseen professional commitments.

Acea: Francesca Menabuoni, coopted as new Director

Following the resignation of Director Thomas Devedjian, the Board of Directors, at its meeting on 10 November 2023, appointed Francesca Menabuoni by cooptation as a new non-executive Director of the company.

Acea: Moody's confirms Acea's Baa2 rating and improves the outlook from "negative" to "stable"

On 21 November 2023, Moody's improved Acea's outlook from "negative" to "stable". At the same time, the ratings agency confirmed the long-term issuer rating and the senior unsecured rating at the level "Baa2", the Baseline Credit Assessment at the level "baa2", and also the "(P)Baa2" level assigned to the EMTN programme. The improvement in Acea's outlook follows the same trend as Italian sovereign debt. Additionally, the change reflects the Company's "solid financial profile" and the fact that Acea's outlook was previously unfavourably impacted by the negative outlook for the sovereign rating. Acea's ratings remain a level above those of the Italian government, by virtue of the quality of the diversified business portfolio and the Group's strategic focus on regulated activities.

Acea: agreement between Acea and BF to protect and reuse water resources in the agri-industrial and energy sectors

On 9 December 2023, Acea and BF SpA ("BF"), the latter of which is active, through its investees, in all segments of the Italian agri-industrial supply chain, signed a memorandum of understanding ("MoU") to develop possible cooperative actions to protect and reuse water resources in the agricultural, water and energy sectors, with an eye to expanding their respective businesses.

Acea: COP28

On 12 December 2023, the Acea Group, a leader in the water sector in Italy and committed to preventing risks associated with drought and reducing greenhouse gas emissions, contributed to the Global Climate Conference, COP28, participating in the work in Dubai. The company is part of the 20% of Italian companies that have adopted a climate action plan, and part of the 17% that has set goals to reduce their climate altering emissions. In fact, Acea was one of the first industrial groups in Italy to prepare a Sustainability Report, implement a strategy to protect water resources and utilise green energy produced by renewable sources. This year Acea had its CO₂ reduction targets validated by the Science Based Targets initiative -56% by 2032. This certification represents a significant step forward in the decarbonisation process begun by Acea to support the energy transition. Additionally, for the second consecutive year, the company was awarded the Arera prize, from the national regulatory authority, as the best operator in terms of reducing its water leak rate.

Acea: agreement between Acea and Coldiretti, BF and ANBI to protect and reuse water resources

On 20 December 2023, Acea, the national confederation Coldiretti, the Associazione Nazionale Consorzi di Gestione e Tutela del Territorio e Acque Irrigue and BF SpA which, through its investees is active in all segments of the Italian agri-industrial supply chain, signed a memorandum of understanding ("MoU") to develop synergies and possible cooperative projects to protect and reuse water in agricultural, water and energy sectors.

Acea: Publication of documentation for the partial demerger by spin-off

The partial demerger by spin-off, pursuant to article 2506, paragraph 1 of the Civil Code, involves a reorganisation of the assets within the business unit associated with integrated water service management, with the goal of transferring this business unit to a newly established company that will be fully held by Acea. The documentation was published on 22 December 2023 on the Group's institutional website.

Acea: presentation of a project financing proposal to be awarded the public lighting and smart city services for the city of Rome

Meeting on 22 December 2023 and after the preliminary examination by the Related Party Transactions Committee, the Acea Board of Directors approved the definition and presentation to Roma Capitale by a.cities S.r.l., a fully held subsidiary of Acea, of a spontaneous project financing proposal to be awarded the concession, pursuant to article 193 of the Public Contracts Code, of the project to operate, modernise and digitalise the public lighting network and service in the city of Rome and the realisation of innovative smart city services.

Acea: Two tenders awarded in central southern Italy for hydraulic works and network digitalisation

On 17 January 2024, Acea Infrastructure – an Acea Group company that designs and provides engineering and technology services – was awarded two tenders in Molise and Puglia for a total of around € 2.1 million.

Acea: Publication of the second Green Bond Report

In January 2024 the second Green Bond Allocation & Impact Report for the years 2019, 2020, 2021 and 2022 was published, concerning the green format bond loan for a total amount of € 900 million under the EMTN program, and divided into two series, one of which for € 300 million maturing in 2025, and another for € 600 million maturing in 2030, issued as part of the Acea Group's Green Financing Framework for financing projects related to water resource protection, energy efficiency, development of the circular economy, and increased energy production from renewable sources.

Acea: One of the Top Employers Italia 2024

On 18 January 2024, the Acea Group has obtained Top Employers Italia Certification for the third consecutive year, official recognition of corporate excellence in HR policies and strategies and implementation of the same, with the aim of contributing to the well-being of people, improve the environment and the world of work.

Acea: Carbon Disclosure Project (CDP)

On 22 February 2024, the Carbon Disclosure Project (CDP) announced that Acea had been promoted to leadership class with respect to fighting climate change. The Company obtained an "A-" rating, an improvement on the "B" rating received the previous year based on the CDP-Climate questionnaire. Acea is now in the "Leadership" class with the companies most committed to combating climate change, in line with the objectives in the Paris Accords, classified above the European average (B rating) and the average energy utility rating (B).

Acea: Memorandum of Understanding between MIM and Acea

On 27 February 2024, Acea signed a three-year Memorandum of Understanding with the Ministry of Education and Merit to promote education on the proper use of water resources in primary and middle schools.

Consequences of geopolitical, climate and energy events

If 2022 will go down in history for its extreme geopolitical, climate and energy events, 2023 saw a substantial loosening of tension on energy markets, given the gradual strengthening of downward trending fundamental: falling demand, mild winter and autumn temperatures and stocks consistently at historically high levels, as well as hydroelectric production and French nuclear availability recovering from the *annus horribilis* of 2022.

Consequently, electricity and gas prices gradually fell until mid-

year, converging at the levels seen in mid-2021 - the start of the energy crisis. The scars of this latest and changed global gas supply situation have made European markets very nervous and sensitive to the contingent international and geopolitical tensions that developed in the second half of the year, above all the outbreak of the Israel/Hamas conflict, which impeded further decreases.

Despite a baseline situation of uncertainty associated with the continued Russia/Ukraine war, the prices of raw materials were relatively stable in the first half of 2023, after the significant growth seen in 2022. Trends on energy markets saw wholesale gas prices down notably during the second quarter of 2023, thanks to ample supply with respect to demand, allowing Europe inventory levels to arrive at over 70% of capacity. Nonetheless, prices ceased to fall in June, in part due to problems associated with the unavailability of production infrastructure in Norway.

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 Management, Compliance & Sustainability 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.

Furthermore, among the tools available to the Group, the Key Risk Indicators (KRI) Framework 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. 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 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 guaranteeing 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 ac-

credited 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.

It should be noted that the main risks and uncertainties that could cause significant effects on the Acea Group's economic, equity and financial situation present at the time this current Report on Operations was prepared are identified and that updates will be made when necessary.

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.

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 and the middle-east conflicts, there are difficulties and uncertainties when assessing the effects and repercussions that could arise from the continuation of this international crisis. Risk analysis done during the year in any case indicated an increase in risk in certain areas for Acea Group business (e.g. commodity prices, supply chains, etc.), which are discussed in more detail in the paragraphs below and are all involved in specific response actions and monitoring.

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. As previously illustrated, the effects of the conflict on the global economic-financial conditions can be seen not only in companies whose investments or operating activities are mainly located in Russia, Belarus and/or Ukraine or that maintain commercial relationships with third companies operating in these countries, but all companies, as they find themselves in a greatly weakened economic-financial environment with rising interest rates.

Acea Group therefore conducted an analysis of the market and of possible different scenarios, thereby developing an econometric model for estimating the existing relationships between the main economic-financial data relevant to Acea's various companies and plants, with particular reference to margins, and the main macroeconomic variables. The main stages of the analysis focused on identifying possible alternative scenarios, collecting and analysing data on all Group companies and plants, and finally, based on the scenarios developed and the estimated model, forecasting the possible future performance of Acea financials. From the analyses conducted, there is no statistical evidence from the current macroeconomic environment of significant impacts on Acea's various businesses.

NATURAL RISKS

For the Acea Group, due to the nature and location of its business lines, the main issues related to climate change could arise in oper-

ational, regulatory and legal areas, with potential repercussions on finances as well. 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.

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 for 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.

The natural environment is the basic scenario in which the Group's activities are developed and, as such, it is of fundamental importance to understand the regulations and global trends that impact the same, also in relation to links between the environment and energy/climate scenarios.

In the World Economic Forum's Global Risks Report 2023, environmental challenges are identified as one of the main global threats seen as the most serious in the next 10 years, confirming the importance of a global vision of environmental and climate issues. During 2023, the COP28, held in Dubai, hosted the first global stocktaking, an opportunity to assess the joint effect of Nationally Determined Contributions (NDC). In this context, the parties defined an agreement to accelerate the global transition, promoting the "transition away" formula, and including for the first time in history an explicit reference to moving beyond fossil fuels to reach climate neutrality by 2050 and agreeing to triple the amount of renewable energy and double efforts for energy efficiency. With reference to the energy situation, the IEA's World Energy Outlook 2023 confirms the ongoing transition scenario, with growing opportunities for clean energy (+40% for investments since 2020), while also forecasting an increase in liquefied natural gas projects in 2025, to deal with worries about supplies. In line with COP28, to achieve the zero net emissions goals by 2050, the IEA confirmed that additional progress was needed, including a tripling of renewable energy production, a doubling of energy efficiency improvements and an increase in electrification, with a reduction in methane emissions from fossil fuel operations.

2023 was a decisive year for future European environmental policies. The European Parliament also approved the Nature Restoration Law, the first European legislation that explicitly aims to restore nature with legally binding targets for member states. In October 2023, during the European Business & Nature Summit in Milan,

companies, financial institutions, governments and representations from academia and civil society met to discuss how companies can respect the commitments in the Kunming Montreal Global Biodiversity Framework (GBF) adopted in 2022. The event also saw the launch of the European Business and Nature Charter.

In 2023, the Taskforce on Nature-related Financial Disclosure (TNFD) issued its final document, containing recommendations on nature aimed at organisations, sectors and value chains.

In its Code of Ethics the Acea Group assigns fundamental importance to principles linked to sustainability and the adoption of a climate strategy. In 2023, Acea received validation of its Science Based Targets Initiative (SBTi) for its emission reduction target (by 2032), in line with climate science indications. Again in 2023 the Group participated in the Carbon Disclosure Project (CDP), improving its classification in the CDP assessment from B to A-. Additionally, with reference to climate altering gas emissions it published its second climate-related disclosure following the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), enriching its projects aimed at identifying risks and analysis of medium/long-term climate scenarios.

OPERATIONAL RISKS

Regulatory compliance risk

The nature of its business exposes the Acea Group to risks of non-compliance with domestic and EU consumer protection regulations, that is the risk mainly linked to the commission of unlawful or improper consumer/business practices or the issuing of misleading advertising, as well as the risk of non-compliance with domestic or EU competition regulations, that is the risk mainly linked to the prohibition for companies to implement agreements to reduce competition or abuse their dominant market position.

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 intro-

duced 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 Infrastructure 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 Segment

With reference to the Commercial 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, in the event of failure to align with the growth trend of the main competitors. This in particular in the case that a reduction in the prices of the reference commodity occurred, which could lead to exposure for a significant portion of the customer base to aggressive policies from the main competitors. Companies in this segment are also exposed to the risk of potential economic/financial impacts due to partial efficacy of commercial initiatives, intended to strengthen and increase the customer base and the margins of the companies.

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 geopolitical changes 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.

Relative to the Greater Protection electricity service, which as of July 2024 will see the Company as the sole supplier for vulnerable customers, note the risk associated with changes in the reference regulations, which could have a significant impact on the growth of the customer base.

This situation carries the risk of Acea Energia being penalised due to: (i) the inability to perform and commercial activity with regard to greater protection service customers in the vulnerable category; (ii) dependence on tariffs regulated by revenues and margins of the greater protection service; (iii) exposure of a significant portion of its customer base to the impacts of policies that will be adopted with a view to moving away from the greater protection service for vulnerable customers.

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.

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.

Energy infrastructure

Areti, making use also of the support and assistance of the Acea SpA Risk Management, Compliance & Sustainability 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.

During the year, a risk scenario was identified associated with the concrete appearance of cyber threats, exposing the Company's OT systems to compromised availability, integrity and confidential-

ity for data with reference to Industrial Control Systems (ICS), with potential damage in terms of business interruptions (due to alteration/unavailability of technical or administrative processes), data/infrastructure impairment (alteration of logical or physical infrastructure) and breaches in terms of regulatory compliance (e.g. the General Data Protection Regulation (GDPR), Network and Information Security (NIS) and the national cybernetic security perimeter).

The company has already adopted preventive measures and will implement further projects in line with the best available technology and in compliance with current legal provisions.

Production Segment

The main operational risks associated with the segment'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.

The Company, 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 and employee accidents.

The Company pays particular attention to the training of its employees, through in-person, virtual 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, as well as to ensure compliance with regulations associated with Legislative Decree 231/01 as amended - Antitrust and Consumer Protection - Privacy (GDPR).

The Company also develops and defines internal organisational procedures aimed at describing the activities and business processes of production sites/operating 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 Quality, Environment and Safety Management System (hereinafter SYSTEM or SGI), adopted by the Company pursuant to ISO 9001:2015, ISO 45001:2015 and ISO 14001:2015, certified by an accredited external control body, respectively no. 44357/23/S - EMS-5491/S - OHS-2406.

SYSTEM is intended to be a tool to:

- protect health and safety in the workplace and throughout the supply chain;
- protect the environment and biodiversity in ecosystems of interest;
- promote rational and knowledgeable use of energy sources and raw materials;
- promote a culture of quality and energy savings;
- achieve customer satisfaction;
- ensure continuous and proactive dialogue with other interested parties.

All the above is specifically detailed in the SYSTEM policy, as declared, adopted and published by the companies in the Segment.

Environment Segment

The Terni and San Vittore del Lazio plants were involved in optimisation and revamping projects that present the risks typically relat-

ed to the construction of complex industrial infrastructure (e.g. any construction and performance defects).

The Orvieto plants, 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 (Sabaudia) or has just been authorised (Chiusi).

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 incentive programmes 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. The failure of incoming material to meet the necessary specifications could lead to concrete operational problems, sufficient to compromise the operational continuity of the plants and give rise to risks of a legal nature.

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.

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

have been 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.

To that end, note that on 2 February 2023 Acea was the victim of a Ransomware hacker attack, which affected all Corporate IT services. Essential services (including electricity and water distribution) were not impacted; with reference to work stations, only a few units were compromised, thanks to the anti-malware technology installed. Concurrent with analysis, existing security measures were strengthened and recovery was begun, including restoration of full backups, which led to a gradual recovery of functioning for all systems/services. The event involved the compromising of the company's non-structured data repository with an impact on availability. Together with internal analysis, an investigation by the Public Prosecutor of Rome was launched and is still under way, utilising the bodies of the CNAIPIC Postal Police - PG to analyse the incident. The incident was also followed by the online publication of company folders and files illicitly extracted during the attack. Given that personal data was also contained in these, the company's Data Breach procedure was activated, with notification of the Personal Data Protection Authority (GPDP). Acea promptly implemented all the procedures necessary to comply with the Privacy regulations. In particular, the GPDP received a preliminary notification by the deadline of 72 hours after the event was identified. Subsequently, two supplementary notifications were sent, followed by a third on 21 April, completing the notification process and providing evidence of the results of the analysis carried out.

Following the conclusion of the notification process, the GPDP sent a request for information which Acea responded to by the deadline, and subsequently began an audit, mainly consisting of requests for information and documents inherent to the notifications made. This audit was begun on a day in early May, at the end of which the GPDP indicated that an additional day would be necessary, which occurred in July. At the end of this second day, the GPDP set a deadline of 31/07 to provide the additional documentation requested, which was not available at the time as it was being finalised. This documentation was supplied by the date indicated above.

From that point, no additional requests for information or clarifications have been received from the GPDP, although it has the power to request them, nor has it issued any provisions.

That being established, remember that still today the Authority has the right to obtain further information through requests and investigatory actions. It should be noted that at present it is not possible to predict, on the basis of currently available information, whether the Authority will apply any sort of penalty, nor the relative amount, that being represented in the communication made through Acea's request remaining still valid today, submitted through a third party and annexed to the present letter, also taking into consideration that the regulatory process for notifying the Authority was followed. The event did not require any adjustments to the data and information utilised in the preparation of the Acea Group's Consolidated Financial Statements for 2023.

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 effectively consumed by clients compared to the volumes envisaged in the sales contracts (sale profile) or, in general, the balancing of positions in the portfolios.

Through the activities carried out by the Commodity Risk Control Unit of the Finance Unit within the Administration, Finance and Control department, Acea SpA ensures the analysis and measurement of exposure to market risks, interacting with the Energy Management Unit of Acea Energia, 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 “Guidelines for the Internal Control and Risk Management System” and Acea “Guidelines for Risk Management For Commodity Trading in Futures Markets”, approved by the Board of Directors on 14 March 2022, as well as 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’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.

Commodity trading on futures markets is intended to satisfy expected needs deriving from electricity and gas sales contracts relative to end customers.

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 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.

Due to the extreme conditions on the energy and gas commodity markets, during 2023 the application of the limits established for management of Acea Energia’s portfolios was suspended, based on a decision made by top management.

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.

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

Credit risk is associated with the possibility that a commercial counterparty is non-compliant, not honouring their commitments in line with the methods and schedules contractually established. This type of risk is managed by the Acea Group through specific procedures, prepared in line with the Group's Credit Policy and with appropriate mitigation actions.

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, is integrated with user management system.

Scorecards, updated based on the most recent collection experiences, began use at the beginning of 2022 and were adjusted in 2023 in line with the changed reference scenario.

The assessment of Large Business customers is managed through an approval workflow with decision-making bodies consistent with the level of exposure expected from the supply. The models and tools for managing Large Business customers were also optimised during 2023. The dynamic management of recovery strategies is carried out

in the billing system for active customers, based on their relative payment habits (performance scorecard) and through a dedicated management system for those discontinued.

The structures of the individual companies responsible for credit management are coordinated by Acea'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 Acea Group significantly improved its collections capacity both in terms of electricity sales and the water supply business.

Due to the difficult macroeconomic situation in 2022, despite the excellent performance in terms of cash flow, the Acea Group held it expedient to incorporate a corrective factor when evaluating credit risk the previous year, in order to anticipate a possible worsening of the creditworthiness of its counterparties. Therefore, utilising satellite models, a stress scenario was introduced for the main companies to determine the unpaid rates used to calculate invoices to be issued, differentiated based on the business in question.

Despite continued financial uncertainties, with increased interest rates and inflation, 2023 was another year in which all the main Group companies saw excellent cash flow performance. With reference to the end of December 2023, as in previous methodology, the prudential ratios applied in 2022 were updated, leading to new amounts for "unpaid stressed".

As in previous years, this year the Group has also set up non-recourse, revolving and spot transactions, of receivables from private 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.

Trade receivables are shown in the financial statements net of any impairment; it is held that the value shown expresses an accurate representation of the presumed realisable value of total trade receivables.

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	Negativo	03/2023
Moody's	Baa2	n.a.	Stabile	11/2023

BUSINESS OUTLOOK

In a still complex context, due to the geopolitical turbulence in East Europe and tensions in the Middle East between Israel and Hamas, the results for 2023 maintained the positive trend seen in the final months of the previous year, with consolidated EBITDA (net of non-recurring items and the change in the scope of consolidation) and operating cash flow generated both up. The Group will continue to focus more and more attention on managing costs and investments, revising its procurement procedures.

Additionally, lines of action were defined to contain credit risk, through prevention and managing the customer portfolio. The Group will continue to implement its strategy focussing on the development of sustainable infrastructure in regulated contexts, with the aim of maintaining a solid financial structure and continuing to generate positive impacts on operating and economic performance.

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 2023, equal to € 202,961,039.38, as follows:

- € 10,148,051.97, equal to 5% of profit, to the legal reserve;
- distribution of a total dividend of € 187,042,158.16 to shareholders, corresponding to a dividend of € 0.88 per share;
- € 5,770,829.25 carried forward.

The total dividend (coupon no. 25) of € 187,042,158.16, equal to € 0.88 per share, will be paid starting from 26 June 2024 with coupon detachment on 24 June and record date 25 June.

On the date of approval of the financial statements, treasury shares amounted to no. 416,993.

Acea SpA
The Board of Directors

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FINANCIAL
STATEMENTS

Acea Photo Contest
Giovanni Angeloni (areti)
Winner Category Innovation
Flaminia primary cabin



FORM AND STRUCTURE

GENERAL INFORMATION

The financial statements of Acea SpA for the year ended 31 December 2023 were approved by resolution of the Board of Directors on 5 March 2024, which authorised their publication. Acea is an Italian public limited company, with a registered office in Italy, Rome, Piazzale Ostiense 2, whose shares are traded on the Milan Stock Exchange.

COMPLIANCE WITH IAS/IFRS

The financial statements have been drafted in accordance with the International Financial Reporting Standards (IFRS) effective on the date of drafting the financial statements, approved by the International Accounting Standards Board (IASB) and adopted by the European Union, consisting of the International Financial Reporting Standards (IFRS), by the International Accounting Standards (IAS) and by the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), collectively referred to as “IFRS” and pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Acea SpA adopts the international accounting standards, International Financial Reporting Standards (IFRS), with effect from the financial year 2006, with transition date to the IFRS at 1 January 2005. The latest financial statements drafted according to the Italian accounting standards refer to the financial year ended on 31 December 2005.

BASIS OF PRESENTATION

The Financial Statements for the year ended on 31 December 2023 consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity — all drafted according to the provisions of IAS 1 - as well as the Explanatory and Supplementary Notes, drafted in accordance with applicable IAS / IFRS provisions.

It is specified that the Income Statement is classified based on the nature of the costs, the Balance Sheet and Financial Position based on the liquidity criterion with the subdivision of items between current and non-current, while the Cash Flow Statement is presented using the indirect method.

The Consolidated Financial Managements are prepared using the going concern assumption and there are no significant uncertainties about the company as a going concern (as defined in paragraph 25 of IAS 1).

The financial statements for the year ended on 31 December 2023 have been drafted in Euro and all amounts are rounded to thousands of Euro unless otherwise indicated.

ALTERNATIVE PERFORMANCE MEASURES

On 5 October 2015, ESMA (European Securities and Markets Authority) published its guidelines (ESMA/2015/1415) on criteria

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

Financial debt is represented and determined in accordance with what is indicated in the aforementioned ESMA guidelines and in particular in paragraph 127 of the recommendations contained in document no. 319 of 2013, implementing Regulation (EC) 809/2004. This indicator is determined as the sum of short-term borrowings (“Short-term loans”, “Current part of long-term loans” and “Current financial liabilities”) and long-term borrowings (“Long-term loans”) and the related derivative instruments (“Non-current financial liabilities”), net of “Cash and cash equivalents” and “Current financial assets”.

USE OF ESTIMATES AND ASSUMPTIONS

Drafting of the Financial Statements, in application of the IFRS, requires the making of estimates and assumptions that affect the values of revenues, costs, assets and liabilities in the financial statements and information on potential assets and liabilities reference date. The main sources of uncertainty that could have an impact on the evaluation processes are also considered in making these estimates. The actual amounts may differ from such estimates.

The estimates were used in the assessment of the impairment test, to determine some sales revenues, for provisions for risks and charges, the allowance for doubtful accounts and other provisions for depreciation, amortisation, valuations of derivative instruments, employee benefits. and taxes. The estimates and assumptions are reviewed periodically, and the effects of each change are immediately recorded in the Income Statement.

The estimates also took into account assumptions based on the parameters and market and regulatory information available at the time the financial statements were drafted. Current facts and circumstances influencing the assumptions on future development and events may change due to the effect, for example, of changes in market trends or the applicable regulations that are beyond the control of the Company. These changes in assumptions are also reflected in the financial statements when they occur.

In addition, it should be noted that certain estimation processes, particularly the more complex such as the calculation of any impairment of non-current assets, are generally performed in full

only when drafting the annual financial statements, unless there are signs of impairment that call for immediate impairment testing.

For more information on the methods in question, please refer to the following paragraphs.

EFFECTS OF THE SEASONALITY OF TRANSACTIONS

For the type of business in which it operates, the Acea Group is not

subject to significant seasonality. Some specific operating segments, however, can be affected by uneven trends that span an entire year.

CASH FLOW STATEMENT

Note that certain items have been reclassified in the Cash Flow Statement for better understanding of the figure and cash flow dynamics. Therefore, the figure for 2022 has also been restated for comparability.

ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

Assessment of the relevance of the accounting policy disclosure, based also on the “four step approach” called for in IFRS Practice Statement 2; below are the main impacts on the Consolidated Financial Statements at 31 December 2023;

For accounting periods beginning on or after 1 January 2023, the IASB has amended IAS 1, providing guidelines and examples to assist entities in applying the concept of materiality to disclosures on the accounting policies adopted. The IASB also amended the IFRS Practice Statement 2 to support these amendments to IAS 1, explaining and demonstrating application of the “four step materiality process” to the accounting policy disclosure.

The amendments are intended to help entities provide more useful information about the accounting policies adopted, by:

- replacing the requirement for entities to provide information on their “significant” accounting policies with the requirement to focus on their “material” accounting policies; and
- adding guidelines on how entities should apply the materiality concept when making decisions about the disclosure on accounting policies adopted.

The replacement of disclosures on “significant” accounting policies with “material” policies in IAS 1 and the corresponding new guidelines in IAS 1 and IFRS Practice Statement 2 may impact the disclosures on accounting policies prepared by entities. Determining whether accounting policies adopted are material or not requires greater use of professional judgement. The Acea Group has considered these amendments and has begun a gradual process of reviewing the information provided in the financial statements with reference to the material policies applied, also in the light of the varying nature of the parties that may potentially be interested in reading and understanding the information included in this document.

Material policies and criteria are illustrated below.

EXCHANGE DIFFERENCES

The functional and presentation currency adopted by Acea SpA and by subsidiaries in Europe is the Euro (€). Transactions in foreign currencies are initially recognised at the exchange rate in force on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies were reconverted into the functional currency at the exchange rate prevailing at the balance sheet date.

All exchange differences are recorded in the Income Statement of the financial statements, with the exception of differences deriving from loans in foreign currency that have been entered into to hedge a net investment in a foreign company. These differences are recognised directly in equity until the net investment is disposed of and at that time any subsequent exchange rate difference is recognised in the Income Statement.

REVENUE RECOGNITION

In accordance with the provisions of IFRS15 “Revenue from contracts with customers”, revenues are recognised for an amount that reflects the consideration to which the entity believes it is entitled in exchange for the transfer of goods or services to the customer. The fundamental steps in accounting for revenues are:

- identify the commercial contract, defined as a (written or verbal) agreement between two or more parties which results in rights and obligations with the customer having the right to legal protection;
- identify the separately identifiable obligations to do something (also “performance obligations”) contained in the contract;
- determine the price of the transaction, as the fee the enterprise expects to receive for the transfer of assets or the performance of services to the customer, in accordance with the techniques in the Standard and depending on the possible presence of financial and variable components;
- allocate a price to each performance obligation;
- to recognize the revenue when the revenue obligation is fulfilled by the entity, allowing for the fact that the services may not be provided at a specific time, but over a period of time.

Revenues are measured by Acea SpA at the fair value of the consideration received or receivable, based on the type of operation, taking into account the value of any commercial discounts, returns and rebates granted.

FINANCIAL INCOME

Income is recognised on the basis of interest accrued on the net

value of the relevant financial assets using the effective interest rate (rate that exactly discounts estimated future cash flows at the net carrying amount of the asset).

DIVIDENDS

These are recognised when the unconditional right of shareholders is established to receive payment. They are classified in the income statement under the item Investment income.

CONTRIBUTIONS

Contributions obtained for investments in plants, both by public bodies and by private third parties, are recognised at fair value when there is a reasonable certainty that they will be received and that expected conditions will be met. Contributions received for specific plants whose value is recorded under fixed assets are recorded (using the indirect method) among other non-current liabilities and progressively released to the Income Statement in constant instalments over a period equal to the useful life of the reference asset.

CONSTRUCTION CONTRACTS IN PROGRESS

Construction contracts in progress are assessed on the basis of the contractual fees accrued with reasonable certainty, according to the percentage of completion criterion (the so-called cost to cost), so as to attribute the revenues and the economic result of the contract to the individual financial years in proportion to the progress of the works. The positive or negative difference between the value of the contracts and the advances received is recorded respectively in the assets or in the liabilities side of the balance sheet.

Contract revenues, in addition to contractual fees, include variants, price revisions and recognition of incentives to the extent that they are likely to represent actual revenues and if these can be determined reliably. Ascertained losses are recognised regardless of the progress of orders.

EMPLOYEE BENEFITS

Benefits guaranteed to employees disbursed at the time of or after termination of the employment relationship through defined benefit and defined contribution programmes (including: severance indemnity -TFR, extra months, tariff subsidies, as described in the notes) or other long-term benefits are recognised in the period during which the rights to these accrue. The valuation of the liability is carried out by independent actuaries. These funds and benefits are not funded. The cost of benefits envisaged by the various plans is determined separately for each plan using the actuarial valuation method of the unit credit projection, making the actuarial valuations at the end of each year.

Expenses deriving from retirement incentives for employees who took part in the "Isopensione" Plan and which meet the criteria defined in the Group's Plan were recognised in a specific Provision. The Group takes the place of the reference national insurance institutions. In particular, the Provision was created to pay pension instalments due to early pensioners, as well as to pay presumed

contributions during the period needed to achieve the right to the relative social security payments through the national insurance institutions.

TAXES

Income taxes for the year represent the sum of current taxes (as per tax consolidation) and deferred taxes.

Current taxes are based on the taxable results for the year. Taxable income differs from the results reported in the Income Statement because it excludes positive and negative components that will be taxable or deductible in other financial years and also excludes items that will never be taxable or deductible. The liability for current taxes is calculated using the rates in force or in fact in force at the balance sheet date as well as taxation instruments allowed by tax legislation (national tax consolidation, taxation for transparency).

Deferred taxes are the taxes that are expected to be paid or recovered on temporary differences between the book value of assets and liabilities in the financial statements and the corresponding tax value used in the calculation of the taxable income, recorded according to the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, while deferred tax assets are recognised to the extent where it is probable that there will be future taxable results that allow the use of deductible temporary differences.

The carrying amount of deferred tax assets is revised at each balance sheet date and reduced to the extent that, based on the plans approved by the Board of Directors, the existence of sufficient taxable income is not considered likely to allow all or partly the recovery of these assets.

TANGIBLE ASSETS

Tangible assets are recognised at cost, including ancillary costs directly attributable and necessary for putting the asset into service for the use for which it was purchased, net of the relevant accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset by applying the following percentage rates:

Description	Economic-technical depreciation rate	
	Min.	Max
Instrumental systems and equipment	1.25%	6.67%
Non-instrumental systems and equipment		4%
Instrumental industrial and commercial equipment	2.5%	6.67%
Non-instrumental industrial and commercial equipment		6.67%
Other capital goods		12.50%
Other non-capital goods	6.67%	19%
Instrumental vehicles		8.33%
Non-instrumental vehicles		16.67%

Systems and equipment under construction for production purposes are recorded at cost, net of write-downs for losses in value. The cost includes any professional fees and, for some assets, financial charges capitalised in accordance with the Company's accounting policies. The depreciation of these assets, as for all other assets, begins when the assets are ready for use. For some types of complex goods for which long-lasting functional tests are required, the suitability for use is attested by the positive passing of these tests.

REAL ESTATE INVESTMENTS

Real estate investments, represented by properties held for rental and / or capital appreciation, are recorded at purchase cost including negotiation costs net of the relevant accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The percentages applied are between a minimum of 1.67% and a maximum of 11.11%.

INTANGIBLE ASSETS

Intangible assets refer to assets without physical substance, that can be identified, are controlled by the company and are able to produce future economic benefits. Intangible assets acquired separately are capitalised at cost, while those acquired through business combinations are capitalised at the fair value defined on the purchase date. After the first entry into the category of intangible assets, the cost criterion applies.

RIGHTS OF USE OF INTELLECTUAL PROPERTY

Costs relative to this item refer to the purchase and implementation of software to support the development of IT platform management systems, corporate security and administrative management. They are included under intangible assets and are amortized on the basis of a period of presumed usefulness of three / five years.

RIGHT OF USE

This item contains assets relative to rights of use, representing the right to utilise the asset underlying the contract, in application of international accounting standard IFRS16, issued in January 2016 and in effect as of 1 January 2019, which replaced the previous standard on leasing, IAS17 and its interpretations, identifying criteria for recognition, measurement and presentation, as well as the information to be provided with reference to leasing contracts. IFRS16 marks the end of the distinction in terms of classification and accounting treatment of operating leases (with off-balance sheet disclosures) and finance leases (recognised in the financial statements). Rights of use for leased assets and the commitment made result from financial data in the financial statements (IFRS16 applies to all transactions involving a right of use, regardless of the contractual form, i.e. lease, rental or hire purchase). The standard introduces the concept of control to the definition used, in particular, to determine whether a contract is a lease. IFRS16 requires a lessee to verify whether it has the right to control the use of a given asset for a specified period of time. There is no accounting symme-

try with the lessor, which continues to apply a separate accounting treatment depending on whether the contract is an operating lease or a finance lease (on the basis of current guidelines). On the basis of this new model, the lessee shall recognise:

- in the balance sheet, the assets and liabilities for all leases that have a term exceeding 12 months, unless the underlying asset has a modest value; and
- in profit or loss, depreciation of the leased assets separately from interest on the related liabilities.

For the first-time adoption of the principle, the transition approach used by the Acea Group was the modified retrospective approach, and therefore the contracts whose leases – including renewals – will end within 12 months from the date of first application will not be included. The Group has also used the possibility envisaged by the principle of not accounting separately for the “non-lease” component of mixed contracts, therefore choosing to treat these contracts as a “lease”. For payable discounting purposes, the Group has used an IBR calculated based on a risk-free rate with a maturity equal to the residual duration for each contract plus the credit spread assigned to Acea SpA by Moody's. Finally, it should be noted that there are no significant differences between the commitments arising from lease contracts discounted at the same rate and the value recognised in accordance with IFRS16.

IMPAIRMENT

Goodwill and other assets with an indefinite useful life are not amortised on a straight-line basis, but are tested for impairment at least once a year by the individual Cash Generating Units (CGUs) or groups of CGUs to which assets with an indefinite useful life can be reasonably allocated, in accordance with Group procedures. The Company analyses the CGUs of the Group identified using its procedure, based on the impairment procedure. Where an impairment charge is recognised in the income statement, it is included among amortisation, depreciation and impairment charges.

EQUITY INVESTMENTS

Investments in subsidiaries and associates are recorded in the balance sheet at the adjusted cost of any impairment losses on the individual equity investments. The cost of acquisition or subscription, for those relating to contributions, corresponds to the value determined by the experts in the estimate pursuant to art. 2343 of the Italian Civil Code. The excess of the acquisition cost compared to the share of the investee's shareholders' equity expressed at current values is recognized as goodwill. Goodwill is included in the carrying amount of the investment and is subject to impairment tests and possibly written down. Losses in value are not subsequently restored if the reasons for such devaluation cease to exist. Losses on equity investments relating to the amount exceeding the amount of shareholders' equity are classified in the provision for risks and charges even if there is a credit exposure and until the eventual formal waiver of the receivable. Charges for settlement of equity investments are recognised through the valuation of the investments themselves regardless of the allocation of charges in the financial statements of investee companies. Investments in other companies, constituting non-current financial assets and not destined for trading activities, are measured at fair value if they can be determined: in this case, gains and losses deriving from the fair value measurement are

booked directly to equity until the moment of the sale, when all the accumulated profits and losses are charged to the profit and loss account for the period. Investments in other companies for which fair value is not available are recorded at cost, written down for any permanent losses in value. Dividends are recognised in the Income Statement when the right to receive payment is established only if they derive from the distribution of profits subsequent to the acquisition of the investee company. If, however, they derive from the distribution of reserves of the investee prior to the acquisition, these dividends are recorded as a reduction in the cost of the investment itself.

TREASURY SHARES

The purchase cost of treasury shares is recognised as a decrease in equity. The effects of any subsequent transactions on these shares are also recognised directly in equity.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised when Acea SpA becomes part of the instrument's contractual clauses.

FINANCIAL ASSETS - DEBT INSTRUMENTS

As a function of the features of the instrument and the business model used for its management, financial assets, which represent debt instruments, are classified in the following three categories: (i) financial assets measured at amortised cost; (ii) financial assets measured at fair value through other comprehensive income (hereafter, also OCI), (iii) financial assets measured at fair value through profit and loss. Initial recognition is at fair value. For trade receivables without a significant financial component, the initial recognition value is represented by the transaction price. Subsequent to initial recognition, financial assets that generate contractual cash flows exclusively representing capital and interest payments are valued at amortised cost if held for the purpose of collecting contractual cash flows (so-called "hold to collect" model). According to the amortised cost method, the initial recognition value is subsequently adjusted to take into account capital repayments, any write-downs and the amortisation of the difference between the repayment amount and the initial recognition value. Amortisation is based on the effective internal interest rate, which represents the rate that makes the present value of expected cash flows and the initial book value equal at the time of initial recognition. Receivables and other financial assets measured at amortised cost are presented in the Balance sheet net of the related provision for bad debts. The financial assets representing debt instruments whose business model envisages both the possibility of collecting contractual cash flows and the possibility of realising capital gains on disposal (so-called "hold to collect and sell" business model) are valued at fair value with allocation of the effects to OCI (hereinafter also FVTOCI). In this case, changes in the fair value of the instrument are recognised under shareholders' equity among other components of comprehensive income. The cumulative amount of changes in fair value recognised in the shareholders' equity reserve that includes the other components of the overall profit is reversed in the income statement when the instrument is derecognised. Interest income

calculated using the effective interest rate, exchange rate differences and write-downs is recognised in the income statement. A financial asset representing a debt instrument that is not valued at amortised cost or at the FVTOCI is valued at fair value with the effects being charged to the income statement (hereinafter FVTPL). This category includes financial assets held for trading purposes. When the purchase or sale of financial assets takes place according to a contract that envisages the settlement of the transaction and the delivery of the asset within a specified number of days, established by the market control bodies or by market conventions (e.g. purchase of securities on regulated markets), the transaction is recognised on the date of settlement. The financial assets sold are derecognised when the contractual rights associated with obtaining the cash flows associated with the financial instrument expire or are transferred to third parties.

WRITE-DOWNS OF FINANCIAL ASSETS

The assessment of the recoverability of the financial assets representing debt instruments not valued at fair value with effects on the income statement is made on the basis of the so-called "Expected credit loss model". In particular, expected losses are generally determined based on the product of: (i) the exposure owed to the counterparty net of the relative mitigating factors (so-called "Exposure at Default"); (ii) the probability that the counterparty does not comply with its payment obligation ("Probability of Default"); (iii) the estimate in percentage terms of the amount of credit that will not be able to be recovered in the event of a default ("Loss Given Default"), based on past experience and possible recovery actions that can be taken (e.g. out-of-court actions, legal disputes, etc.). In this regard, the internal ratings already used for the assignment have been adopted to determine the probability of default of the counterparties. For counterparties represented by State Entities and in particular for the National Oil Companies, the probability of default — essentially represented by the probability of late payment — is determined using as input the country risk premiums implemented for the purposes of determining the WACC for the impairment of non-financial assets. For retail customers not having internal ratings, the assessment of expected losses is based on a *provision matrix*, constructed where appropriate by grouping the clustered receivables to which write-down percentages apply based on the experience of previous losses, adjusted where necessary to take account of forecast information regarding the credit risk of the counterparty or of clusters of counterparties.

FINANCIAL ASSETS RELATED TO AGREEMENTS FOR SERVICES UNDER CONCESSION

With reference to the application of IFRIC12 to the public lighting service concession, Acea has adopted the Financial Asset Model, recognising a financial asset to the extent that it has an unconditional contractual right to receive future cash flows.

CASH AND CASH EQUIVALENTS

This item includes cash and bank current accounts and deposits repayable on demand or very short term and other highly liquid short-term financial investments, which are readily convertible into cash and are subject to a non-significant risk of changes in value.

FINANCIAL LIABILITIES

Financial liabilities other than derivative instruments – including financial payables, trade payables, other payables and other liabilities – are initially recognised at the fair value less any costs associated with the transaction. Subsequently they are recognised at amortised cost using the effective interest rate for discounting purposes, as illustrated in the previous point “Financial assets”. Financial liabilities are eliminated when they are extinguished or when the obligation specified in the contract is fulfilled, cancelled or expired.

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset in the balance sheet when there is a currently exercisable legal right to offset, and the intention is to settle the relationship on a net basis (i.e. to sell the asset and simultaneously settle the liability).

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments, including implicit ones (Embedded derivatives) are assets and liabilities recognised at fair value according to the criteria specified in the point below, “Valuation at fair value”. As part of the risk management strategy and objectives, qualification of transactions as hedges requires: (i) verification of the existence of an economic relationship between the hedged item and the hedging instrument that can offset the related changes in value, and that this capacity to offset is not affected by the level of counterparty credit risk; (ii) the definition of a hedge ratio consistent with risk management objectives, within the defined risk management strategy, where necessary making the appropriate rebalancing actions. Changes in risk management objectives, the absence of the conditions specified above for the classification of transactions as hedges or the implementation of rebalancing operations results in the total or partial prospective discontinuation of the hedge. When hedging derivatives cover the risk of changes in the fair value of the hedged instruments (fair value hedge; for example, hedging of the fair value variability of fixed rate assets/liabilities), derivatives are recognised at fair value with the effects allocated in the income statement. Similarly, the hedged instruments in the income statement reflect the changes in fair value associated with the hedged risk, regardless of the provision of a different valuation criterion generally applicable to the type of instrument. When derivatives hedge the risk of changes in the cash flows of the hedged instruments (cash flow hedge; e.g. hedging of the variability of the cash flows of assets/liabilities due to fluctuations in interest rates or exchange rates), the changes in the fair value of derivatives considered to be effective are ini-

tially recognised in the shareholders’ equity reserve relating to the other components of comprehensive income, and subsequently recognised in the income statement consistent with the economic effects produced by the hedged transaction. In the case of hedging of future transactions that involve the recognition of a non-financial asset or liability, the accumulated changes in the fair value of hedging derivatives, recognised in equity, are recognised as an adjustment to the carrying amount of the asset./non-financial liability subject to hedging (so-called basis adjustment). The ineffective portion of the hedge is recorded in the income statement item “Financial (costs)/income”. Changes in the fair value of derivatives that do not meet the conditions to be qualified as hedges, including any ineffective components of hedging derivatives, are recognised in the income statement. In particular, changes in the fair value of non-hedging derivatives on interest rates and currencies are recognised in the income statement item “Financial (costs)/income”. Embedded derivatives – embedded in financial assets – are not subject to separate accounting. In these cases, the entire hybrid instrument is classified according to the general criteria for the classification of financial assets. Embedded derivatives incorporate within financial liabilities and/or non-financial assets are separated from the main contract and recognised separately if the embedded instrument: (i) meets the definition of a derivative; (ii) as a whole it is not valued at fair value with the effects being charged to the income statement (FVTPL); (iii) if the characteristics and risks of the derivative are not strictly linked to those of the main contract. Verification of the existence of embedded derivatives to be separated and valued separately is carried out when the company enters into the contract, and subsequently if there are changes in the terms of the contract that lead to significant changes in the cash flows generated by that contract.

VALUATION AT FAIR VALUE

The fair value is the consideration that can be received for the sale of an asset or that can be paid for the transfer of a liability in a regular transaction between market operators at the valuation date (e.g. exit price). The fair value of an asset or liability is determined by adopting the valuations that market operators would use in determining the price of the asset or liability. The fair value measurement also assumes that the asset or liability is exchanged in the main market or, in the absence thereof, in the most advantageous market the company has access to. The determination of the fair value of a non-financial asset is made considering the ability of market operators to generate economic benefits by using this asset in its highest and best use or by selling it to another participant in the market able to use it, maximising its value. The determination of the highest and best use of the asset is made from the point of view of market operators even in the case where the company intends to use it differently. It is assumed that the company’s current use of a non-financial asset is its highest and best use unless the market or other factors suggest that a different use by market operators is able to maximise its value. The valuation of the fair value of a liability, both financial and non-financial or of a capital instrument, takes into account the quoted price for the transfer of an identical or similar liability or equity instrument. If this quoted price is not available, the valuation of the corresponding asset held by a market operator at the valuation date is considered. The fair value of financial instruments is determined considering the credit risk of the counterparty of a financial asset (so-called “Credit Valuation Adjustment” – CVA) and the risk of default by the entity itself, with reference to

a financial liability (so-called “Debit Valuation Adjustment” - DVA). In determining fair value, a hierarchy of criteria is defined based on the origin, type and quality of the information used in the calculation. This classification aims to establish a hierarchy in terms of reliability of the fair value, giving precedence to the use of observable market parameters that reflect the assumptions that market participants would use in the valuation of the asset/liability.

The fair value hierarchy has the following levels:

- level 1: inputs represented by quoted prices (unmodified) in active markets for identical assets or liabilities that can be accessed on the valuation date;
- level 2: inputs other than the prices included in level 1 that are directly or indirectly observable for the assets or liabilities to be valued;
- level 3: unobservable inputs for the asset or liability. In the absence of available market quotations, the fair value is determined using valuation techniques appropriate to the individual cases that maximise the use of relevant observable inputs, minimising the use of unobservable inputs.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are made when Acea has to meet a current obligation (legal or implicit) deriving from a past event, where it is probable that an outlay of resources will be required to satisfy the obligation and a reliable estimate can be made on the amount of the obligation. The provisions are allocated based on the Management’s best estimate for the costs required to fulfil the obligation at the balance sheet date and if the effect is significant. When the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the provision is determined by discounting the expected future cash flows at the average rate of the company’s debt taking into account the risks associated with the obligation. The increase in the provision associated with the passage of time is recognised in the income statement under the item “Financial income/(charges)”. If the debt is related to the dismantling and/or renovation of material assets, the initial fund is reported as an offset to the asset it refers to; its incidence on the Income Statement takes place through the process of amortisation of the material fixed asset to which the obligation refers.

ACCOUNTING STANDARDS, AMENDMENTS, INTERPRETATIONS AND IMPROVEMENTS APPLIED AS OF 1 JANUARY 2023

IFRS 17 Insurance Contracts

On 18 May 2017, the IASB issued IFRS 17 “Insurance Contracts” which defines the accounting of insurance contracts issued and re-insurance contracts held. The provisions of IFRS 17 that establish the criteria for recognition, measurement, presentation and disclosure of insurance contracts, supersede those currently provided for in IFRS 4 “Insurance Contracts” and have as their objective to guarantee to users of the financial statements to assess the effect that these contracts have on the financial position, the results and the cash flows of companies. The standard is to be applied for financial years that begin on 1 January 2023.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

Issued on 12 February 2021, they clarify, including through a number of examples, the distinction between estimate changes and accounting standard changes. The distinction is relevant since estimate changes are applied prospectively to future transactions and events, while accounting standard changes are generally applied retroactively. Amendments are applicable from the financial years beginning 1 January 2023. Earlier application is permitted.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

Issued on 12 February 2021, they require companies to provide relevant information about the accounting standards applied and suggest to avoid or limit unnecessary information. Amendments to IAS 16 are effective from the financial years beginning 1 January 2023.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Issued on 7 May 2021, their purpose is to make uniform the methods with which entities account for deferred taxes on operations such as leasing and the dismantling costs. The main change regards the introduction of an exception to the initial recognition exemption (IRE) of deferred taxation for assets and liabilities provided for in IAS 12. Specifically the exception provides for the non-aplicability of the exemption of IAS 12 for initial recognition of all operations that originate equal or offset temporary differences. Limiting the exemption to only initial recognition, the impact will be a gradual improvement and comparability of the information for the benefit of users of the financial statements with reference to the fiscal impacts of leasing operations and to dismantling costs. The amendments are applicable from the financial years beginning 1 January 2023. Early application is permitted.

The amendments and standards mentioned did not have any significant impact for Acea with reference to the financial statements nor did they require particular disclosures.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE AFTER CLOSURE OF THE YEAR AND NOT ADOPTED IN ADVANCE BY THE GROUP

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current”

In January 2020 and October 2022, the IASB published amendments to paragraphs 69-76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by the right to defer settlement;
- that the right to defer settlement must exist at the end of the reporting year;
- that classification is not affected by the likelihood of the entity exercising its right to defer settlement.

Only if an implicit derivative in a convertible liability is itself an equity instrument does the maturity date of the liability not impact its classification. Additionally, a requirement was introduced to disclose when a liability deriving from a loan contract is classified as non-current and the right to defer settlement is subordinate to respecting covenants within 12 months.

The amendments are effective for years beginning on or after 1 January 2024 and must be applied retrospectively. At present, the Group is assessing the impact that these amendments will have on its current situation and whether it will be necessary to renegotiate existing loan contracts.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

Issued on 22 September 2022, its purpose is to clarify the impact that a sale and leaseback transaction could have on a finan-

cial liability that involves variable payments not linked to indices or rates. The main change in the subsequent measurement of the financial liability regards the determination of the “lease payments” and of the “revised lease payments” so that, following a leaseback transaction a the seller-lessee does not recognise any profit or loss related to the right of use that it holds. The purpose of the amendment is to avoid the accounting of profits and losses, related to the right of use recognised, following events that entail a remeasurement of the payable (for example a change in the leasing contract or in its duration). Any profits and losses deriving from the partial or total termination of a leasing contract continue to be recognised for the part of right of use terminated. The amendments are applicable from 1 January 2024 with possibility of early application.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures, to clarify the characteristics of supplier finance agreements and request additional information about these agreements. The disclosure requirements included in the amendments are intended to help users of financial statements better understand the impacts on an entity’s liabilities, cash flows and exposure to liquidity risk due to supplier finance agreements. The amendments are effective for years beginning on or after 1 January 2024. Early application is allowed and must be noted. These amendments are not expected to have a material impact on the Group’s financial statements.

INCOME STATEMENT

Ref. note	€	2023	Of which related party transactions	2022	Of which related party transactions	Change
1	Revenue from sales and services	189,815,095	189,815,095	191,611,338	191,604,070	(1,796,243)
2	Other revenue and income	15,223,430	9,629,630	18,803,427	8,926,370	(3,579,997)
	Net revenues	205,038,525	199,444,725	210,414,765	200,530,440	(5,376,240)
3	Staff costs	70,478,394	0	63,845,418	0	6,632,975
4	Costs of materials and overhead	161,797,356	59,104,874	185,119,951	67,661,283	(23,322,595)
	Operating costs	232,275,749	59,104,874	248,965,369	67,661,283	(16,689,620)
	EBITDA	(27,237,224)	140,339,851	(38,550,604)	132,869,157	11,313,380
5	Net write-downs (write-backs) of trade receivables	425,590	147,265	188,019	0	237,571
6	Depreciation, amortisation and provisions	52,022,727	0	45,928,818	0	6,093,910
	Operating profit/(loss)	(79,685,542)	140,192,586	(84,667,441)	132,869,157	4,981,899
7	Financial income	114,152,586	100,121,208	89,303,287	87,162,632	24,849,300
8	Financial charges	(111,455,366)	(6,785,414)	(67,575,778)	(1,633,491)	(43,879,589)
9	Profit/(Loss) on equity investments	265,470,928	265,470,928	258,169,402	258,169,402	7,301,526
	Profit/(loss) before tax	188,482,606	498,999,309	195,229,470	476,567,701	(6,746,864)
10	Income tax	(14,478,434)	0	(11,505,799)	(100,587,879)	(2,972,634)
	Net profit/(loss)	202,961,039	498,999,309	206,735,269	577,155,580	(3,774,230)

STATEMENT OF COMPREHENSIVE INCOME

€ thousand	2023	2022	Change
Net profit/(loss) for the period	202,961	206,735	(3,774)
Provision for exchange rate difference	14,004	10,348	3,656
Tax on exchange rate difference	(3,361)	(2,484)	(877)
Gains/losses from exchange rate difference	10,643	7,865	2,779
Effective portion of gains/(losses) on hedging instruments ("cash flow hedges")	(14,895)	3,782	(18,676)
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	3,575	(908)	4,482
Profit/(loss) from the effective portion on hedging instruments, net of tax	(11,320)	2,874	(14,194)
Actuarial profit/(loss) on staff benefits included in the Shareholders' Equity	(660)	(3,259)	2,599
Tax effect on the other actuarial profit/(loss) on staff benefits	195	964	(768)
Actuarial profit/(loss) on defined benefit pension plans, net of tax	(465)	(2,295)	1,830
Total of the comprehensive income components, net of tax	(1,142)	8,444	(9,585)
Total comprehensive profit/(loss)	201,820	215,179	(13,359)

STATEMENT OF FINANCIAL POSITION

Ref. note	ASSETS €	31/12/2023	Of which related party transactions	31/12/2022	Of which related party transactions	Change
11	Tangible fixed assets	112,297,703	0	114,345,128	0	(2,047,425)
12	Real estate investments	1,989,600	0	2,255,615	0	(266,015)
13	Intangible fixed assets	98,267,856	0	92,196,660	0	6,071,195
14	Rights of use	13,579,828	0	8,469,822	0	5,110,005
15	Equity Investments in subsidiaries and associates	2,089,858,946	0	2,059,276,845	0	30,582,101
16	Other equity investments	7,350,701	0	2,350,061	0	5,000,640
17	Deferred tax assets	12,894,926	0	13,453,405	0	(558,479)
18	Financial assets	3,871,050,036	3,864,547,783	3,547,241,204	3,538,039,094	323,808,832
19	Other non-current assets	290,034	0	208,031	0	82,003
	NON-CURRENT ASSETS	6,207,579,629	3,864,547,783	5,839,796,772	3,538,039,094	367,782,857
20.a	Trade receivables	169,178,186	168,583,828	149,228,675	148,311,002	19,949,511
20.b	Other current assets	68,029,588	35,315,916	52,764,394	17,614,932	15,265,195
20.c	Current tax assets	2,209,677	0	9,221,644	0	(7,011,967)
20.d	Current financial assets	897,531,153	559,940,494	667,282,749	472,146,361	230,248,404
20.e	Cash and cash equivalents	140,469,651	0	299,918,068	0	(159,448,417)
20	CURRENT ASSETS	1,277,418,255	763,840,239	1,178,415,530	638,072,295	99,002,725
	TOTAL ASSETS	7,484,997,884	4,628,388,022	7,018,212,302	4,176,111,389	466,785,582

Ref. note	LIABILITIES €	31/12/2023	Of which related party transactions	31/12/2022	Of which related party transactions	Change
21.a	Share capital	1,098,898,884	0	1,098,898,884	0	0
21.b	Legal reserve	157,837,638	0	147,500,875	0	10,336,763
21.c	Other reserves	90,812,214	0	91,953,742	0	(1,141,528)
	Retained earnings/(losses)	161,296,541	0	145,563,757	0	15,732,785
	Profit (loss) for the year	202,961,039	0	206,735,269	0	(3,774,230)
21	SHAREHOLDERS' EQUITY	1,711,806,317	0	1,690,652,526	0	21,153,791
22	Staff termination benefits and other defined benefit plans	22,600,176	0	21,900,859	0	699,317
23	Provisions for risks and charges	14,952,442	0	17,381,138	0	(2,428,696)
24	Borrowings and financial liabilities	4,470,501,883	90,790,000	4,404,758,960	103,760,000	65,742,924
25	Other liabilities	36,723,950	36,147,973	31,714,037	31,115,294	5,009,914
	NON-CURRENT LIABILITIES	4,544,778,452	126,937,973	4,475,754,993	134,875,294	69,023,458
26.a	Borrowings	974,896,240	297,024,215	572,823,648	211,353,727	402,072,593
26.b	Payables to suppliers	195,219,580	104,412,553	233,199,222	104,651,289	(37,979,642)
26.c	Other current liabilities	58,297,295	30,680,724	45,781,912	21,753,194	12,515,382
26	CURRENT LIABILITIES	1,228,413,116	432,117,492	851,804,782	337,758,210	376,608,333
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7,484,997,884	559,055,465	7,018,212,302	472,633,503	466,785,582

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ thousand	Share capital	Legal reserve	Demerged capital gains reserve	Reserve for exchange differences	Valuation reserve for financial instruments	Reserve for actuarial gains or losses	Other miscellaneous reserves	Profit (loss) accumulated	Profit (loss) for the year	Total Shareholders' Equity
Balance as at 31 December 2022	1,098,899	147,501	102,567	17,262	(16,225)	(12,029)	379	145,564	206,735	1,690,653
Balance at 1 January 2023	1,098,899	147,501	102,567	17,262	(16,225)	(12,029)	379	145,564	206,735	1,690,653
Income statement profit	0	0	0	0	0	0	0	0	202,961	202,961
Other comprehensive income (loss)	0	0	0	10,643	(11,320)	(465)	0	0	0	(1,142)
Total comprehensive income (loss)	0	0	0	10,643	(11,320)	(465)	0	0	202,961	201,820
Allocation of result for 2022	0	10,337	0	0	0	0	0	196,399	(206,735)	0
Distribution of dividends	0	0	0	0	0	0	0	(180,666)	0	(180,666)
Balance as at 31 December 2023	1,098,899	157,838	102,567	27,905	(27,545)	(12,494)	379	161,297	202,961	1,711,806

€ thousand	Share capital	Legal reserve	Demerged capital gains reserve	Reserve for exchange differences	Valuation reserve for financial instruments	Reserve for actuarial gains or losses	Other miscellaneous reserves	Profit (loss) accumulated	Profit (loss) for the year	Total Shareholders' Equity
Balance as at 31 December 2021	1,098,899	138,649	102,567	9,397	(19,099)	(9,734)	379	158,042	177,040	1,656,139
Balance at 1 January 2022	1,098,899	138,649	102,567	9,397	(19,099)	(9,734)	379	158,042	177,040	1,656,139
Income statement profit	0	0	0	0	0	0	0	0	206,735	206,735
Other comprehensive income (loss)	0	0	0	7,865	2,874	(2,295)	0	0	0	8,444
Total comprehensive income (loss)	0	0	0	7,865	2,874	(2,295)	0	0	206,735	215,179
Allocation of result for 2021	0	8,852	0	0	0	0	0	168,188	(177,040)	0
Distribution of dividends	0	0	0	0	0	0	0	(180,666)	0	(180,666)
Balance as at 31 December 2022	1,098,899	147,501	102,567	17,262	(16,225)	(12,029)	379	145,564	206,735	1,690,653

CASH FLOW STATEMENT

Ref. note	€ thousand	Of which related 31/12/2023 party transactions		Of which related 31/12/2022 party transactions		Change
	Profit before tax	188,483		195,229		(6,747)
6	Depreciation/amortisation and impairment losses	46,583		36,514		10,069
9	Profit/(Loss) on equity investments	(265,471)	(265,471)	(258,169)	(258,169)	(7,302)
6	Changes in provisions for risks and charges	(1,869)		2,357		(4,226)
8-22	Net change in the provision for employee benefits	699		1,566		(867)
7-8	Net financial income/(charges)	(3,592)		(21,967)		18,375
	Cash flow from operating activities before changes in net working capital	(35,167)	(265,471)	(44,470)	(258,169)	9,303
5	Provision for doubtful accounts	426		188		238
20	Increase/Decrease in receivables included in current assets	(28,832)	(37,974)	(46,375)	(23,739)	17,543
26	Increase/Decrease in payables included in the working capital	73,084	8,689	125,769	(16,179)	(52,685)
10	Income taxes paid	(85,053)		(91,135)		6,082
	Change in working capital	(40,374)	(29,285)	(11,552)	(39,918)	(28,822)
	Change in other assets/liabilities during the period	4,033		31,537		(27,504)
	<i>Cash flow from operations of Disposal Groups/ Assets held for sale</i>	0		0		0
	Cash flow from operating activities	(71,509)	(294,756)	(24,486)	(298,087)	(47,023)
11-12-13	Investments in tangible and intangible assets	(47,436)		(70,823)		23,387
15-16	Investments in investees, subsidiaries and business units	(20,171)		(5,239)		(14,932)
18-20- 24-26	Collections/payments deriving from other financial investments	(565,270)	(414,303)	(221,799)	246,644	(343,471)
	Dividends received	265,576	265,576	268,362	268,362	(2,786)
	Interest income received	113,974		92,955		21,019
	<i>Cash flow from investments of Disposal Groups/ Assets held for sale</i>	0		0		0
	TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES	(253,327)	(148,727)	63,457	515,006	(316,784)
24	New issues of long-term financial debt	700,000		250,000		450,000
24	Repayment of financial payables	(351,581)	(12,970)	(59,081)	(12,970)	(292,500)
24-26	Decrease/Increase in other financial debts	60,650	72,700	(166,618)	112,524	227,268
	Interest expense paid	(108,559)		(70,988)		(37,571)
	Dividends paid	(135,123)	(135,123)	(133,904)	(133,904)	(1,220)
	<i>Cash flow from loans of Disposal Groups/Assets held for sale</i>	0		0		0
	TOTAL CASH FLOW FROM FINANCING ACTIVITIES	165,387	(75,393)	(180,591)	(34,350)	345,978
	CASH FLOW FOR THE PERIOD	(159,448)	(518,876)	(141,620)	182,569	(17,829)
	Net opening balance of cash and cash equivalents	299,918		441,538		(141,620)
	Cash availability from acquisition	0		0		0
	Net closing balance of cash and cash equivalents	140,470		299,918		(159,448)
	Cash and cash equivalents at the end of the year	0		0		0
	<i>Disposal Groups/Assets held for sale</i>					
	Cash and cash equivalents at the end of the year	140,470		299,918		(159,448)
	<i>Continuing Operations</i>					

NOTES TO THE INCOME STATEMENT

REVENUES

1. Revenue from sales and services – € 189,815 thousand

Revenues from sales and services are as follows:

€ thousand	2023	2022	Change
Revenue from customer services	43,415	49,593	(6,178)
Public Lighting - Rome	43,415	49,585	(6,171)
Other revenue	0	7	(7)
Revenues from intragroup services	146,401	142,019	4,382
Infragroup service contracts	102,334	103,061	(727)
Other intragroup services	44,066	38,958	5,109
Revenue from sales and services	189,815	191,611	(1,796)

The reduction in revenues from customer services of € 6,178 thousand is attributable to the reduction in the consideration for the public lighting service performed in the Municipality of Rome. The decrease can be traced to the decrease in the fee for the electricity component, due to market trends, in part offset by the increase in extraordinary maintenance and the creation of new plants. The extraordinary maintenance, modernisation and safety activities were carried on according to what was agreed with Roma Capitale.

Revenues from intragroup services recorded an overall increase of € 4,382 thousand. This change is due to the recognition of income relative to multi-year rights of use for licenses acquired or developed by Acea (+€ 10,223 thousand) and higher fees for the IT service contract in the interest of Group companies (+€ 1,758 thousand), partially counterbalanced by lower fees for other servic-

es envisaged in the service contract of an administrative, financial, legal, logistics, management and technical nature.

Please see the subsequent section on “Relations with Roma Capitale” for more information on the Public Lighting contract.

2. Other revenue and income – € 15,223 thousand

Other revenue and income shows a reduction of € 3,580 thousand with respect to 31 December 2022. The reduction originated from the phenomena outlined in the table below, in particular lower non-recurring gains and a lack of liabilities (-€ 2,294 thousand) and lower other revenue (-€ 2,234 thousand). The latter mainly refer to lower revenues for recognition of the tax credit for the increase in electricity and gas costs.

€ thousand	2023	2022	Change
Non-recurring gains	2,581	4,875	(2,294)
Other revenue	2,957	5,191	(2,234)
Refunds for damages, penalties, collateral	81	65	16
Regional grants		4	(4)
Seconded personnel	5,532	4,764	769
Real estate income	1,237	1,276	(39)
Recharged cost for company officers	2,835	2,629	206
Other revenue and income	15,223	18,803	(3,580)

COSTS

3. Personnel costs – € 70,478 thousand

€ thousand	2023	2022	Change
Personnel costs including capitalised costs	77,117	71,132	5,985
Staff employed in projects	(480)	(747)	267
Costs capitalised for personnel	(6,159)	(6,540)	381
Staff costs	70,478	63,845	6,633

The change in personnel costs, including capitalised costs of € 5,985 thousand derives in part from the trend in average outstanding amounts, as also highlighted in the table below, as well as from contractual adjustments.

The cost of personnel is netted, not only of capitalised costs of € 6,159 thousand (-€ 381 thousand compared to 2022) but also

of € 480 thousand (-€ 267 thousand compared to 31 December 2022) representing the total amount of personnel costs used in the IT projects for all group companies participating in the “communion” of the residual portion of the Template contract still in effect.

The following table shows the average and final number of employees by category, compared to the previous year.

	Average number of employees			End-of-period composition		
	2023	2022	Change	2023	2022	Change
Senior executives	61	53	9	68	53	15
Middle managers	189	180	9	194	188	6
Clerical staff	463	464	0	483	461	22
Blue-collar workers	20	21	(1)	17	21	(4)
Total	733	717	16	762	723	39

4. Costs of materials and overheads – € 161,797 thousand

Compared to 31 December 2022, total external costs decreased by € 23,323 thousand. The following is the composition and changes in external costs by nature.

€ thousand	2023	2022	Change
Materials	2,815	3,105	(290)
Services and contract work	135,648	161,352	(25,704)
Cost of leased assets	17,166	13,517	3,648
Other operating costs	6,168	7,145	(977)
Costs of materials and overhead	161,797	185,120	(23,323)

€ thousand	2023	2022	Change
Technical and administrative Services (including consulting and collaborations)	34,232	43,168	(8,936)
Contract work	7,842	9,877	(2,035)
Disposal and transport of sludge, slag, ash and waste	57	89	(32)
Other services	10,225	10,265	(41)
Personnel services	5,897	5,359	538
Insurance costs	1,174	1,650	(476)
Electricity, water and gas consumption	25,798	37,313	(11,515)
Intragroup services and otherwise	23,367	19,669	3,697
Telephone and data transmission costs	1,280	1,524	(244)
Postal expenses	390	568	(178)
Maintenance fees	5,872	10,172	(4,300)
Cleaning, transport and portage costs	3,847	4,406	(559)
Advertising and sponsorship costs	5,457	6,765	(1,308)
Corporate bodies	1,266	978	289
Bank charges	1,538	1,321	217
Travel and accommodation expenses	332	306	26
Seconded personnel	7,045	7,851	(806)
Printing expenses	31	73	(42)
Services and contract work	135,648	161,352	(25,704)

€ thousand	2023	2022	Change
Rent charges	548	429	120
Other rentals and fees (use of third party assets)	16,617	13,089	3,529
Cost of leased assets	17,166	13,517	3,648

€ thousand	2023	2022	Change
Taxes and duties	1,838	2,035	(197)
Damages and outlays for legal disputes	147	161	(14)
Contributions paid and membership fees	2,068	2,197	(129)
General expenses	1,490	2,054	(564)
Contingent liabilities	626	700	(73)
Other operating costs	6,168	7,145	(977)

Relative to the € 23,323 thousand decrease in external costs, the following contributed to the result:

- lower costs for consulting and technical and administrative services for € 8,936 thousand, including strategic projects; the decline is partially counterbalanced by higher costs for IT services;
- reduced electricity, water and gas consumption for € 11,515 thousand, of which € 9,963 relative to the Roma Capitale Public Lighting Service. These decreases can be traced to trends in energy market prices;
- lower costs for IT maintenance fees for € 4,300 thousand;
- greater costs for user licenses for software applications for € 3,716 thousand (included in the item other rentals and fees).

Please note that, pursuant to article 149-*duodecies* of the CONSOB Issuer Regulations, the fees accrued by the PwC Auditing Company are shown in the table below.

(€ thousand)	Parent company auditing company	Parent company auditing company network	Total
Type of service			
Independent auditing of the accounts	220		220
Certification services	73		73
Other services	232	187	419
Total fees	524	187	712

(1) Other auditing services provided by PwC SpA to the parent company mainly refer to assistance with documentation and assessment of internal audits;

(2) Other auditing services provided by companies within the PwC network to the parent company mainly involve the issuing of comfort letters with reference to bond issues.

Please note that the above fees refer to assignments for the year 2023 entrusted up to 31 December 2023.

5. Net write-downs (write-backs) of trade receivables – € 426 thousand

The balance of the account consists of the provisions set aside for the impairment of financial receivables, including Sienergia and Ecomed and trade receivables from third parties.

6. Depreciation, amortisation and provisions – € 52,023 thousand

€ thousand	2023	2022	Change
Depreciation and amortisation	46,583	36,514	10,069
Provisions	5,440	9,415	(3,976)
Depreciation, amortisation and provisions	52,023	45,929	6,094

Amortisation and depreciation totalled € 46,583 thousand and refer for € 34,889 thousand to intangible assets, for € 7,578 thousand to property, plant and equipment and for € 4,513 thousand to the application of IFRS 16. The increase in total amortisation and depreciation, equal to € 10,069 thousand, can be attributed for € 10,547 thousand to intangible assets. Of these, € 9,946 thou-

sand refers to licenses and IT development granted for use to subsidiaries and associated companies based on the contract which replaced the previous Template, with the remaining portion associated with IT projects which began operating between the end of the last year and the start of the current one, in addition to new development.

Allocations to the provision for risks amount to € 5,440 thousand, net of releases. The following are their composition by nature and their effects.

€ thousand	2023	2022	Change
Legal risks provision	1,641	974	666
Provision for investees	775	0	775
Fee risks provision	16	138	(121)
Tenders and supplies provision	19	111	(92)
Provisions for risks	2,451	1,223	1,228
Provision for staff mobility	3,246	8,208	(4,962)
Expenses provision	3,246	8,208	(4,962)
Total provisions	5,697	9,431	(3,734)
Release of risks provisions, release of fees provisions	(258)	(16)	(242)
Total	5,440	9,415	(3,976)

Compared to the previous year, an overall decrease was seen in the provisioning, mainly due to lower provisioning for staff mobility, partially offset by higher provisioning for legal disputes and risks associated with subsidiaries (€ 700 thousand refers to the equity investment in Ecomed).

For further details, please see the information provided in the paragraph “Update on major disputes and litigation” in this document.

7. Financial income – € 114,153 thousand

€ thousand	2023	2022	Change
Interest on financial receivables	96,431	83,987	12,444
Bank interest income	1,736	251	1,485
Interest on other receivables	13,006	1,874	11,133
Financial income from discounting to present value	179	246	(67)
Other Income	2,800	2,946	(146)
Financial income	114,153	89,303	24,849

The € 24,849 thousand increase in financial income is due to higher interest income, essentially from revolving credit lines provided to Group companies for € 12,444 thousand and from current ac-

counts for a total of € 1,485 thousand, which can mainly be attributed to higher interest rates and for € 10,748 thousand to higher interest rates on short-term deposits established during the year.

8. Financial costs – € 111,455 thousand

€ thousand	2023	2022	Change
Costs (Income) on Interest Rate Swaps	5,053	4,592	461
Interest on bonds	79,838	55,818	24,019
Interest on medium/long-term borrowings	20,399	7,740	12,660
Interest on short-term debt	2,984	176	2,808
Default interest and interest on deferred payments	196	206	(9)
Interest cost net of actuarial gains and losses	895	239	655
IFRS 16 financial charges	935	274	662
Other financial charges	89	223	(134)
Foreign exchange gains (losses)	1,067	(1,692)	2,758
Financial charges	111,455	67,576	43,880

The € 43,880 thousand increase in financial charges mainly derives from higher interest on bonds (+€ 24,019 thousand) and on medium/long-term borrowings (+€ 12,660 thousand).

The change in interest on bonds is due for € 25,055 thousand to the new bond issued at the beginning of the year.

The change in interest on medium/long-term borrowings totalling € 12,660 thousand is mainly due to the effect of the increase in interest rates on medium/long-term borrowings.

The same applies to the € 2,808 thousand increase in interest on short-term debt, which mainly includes interest payable on centralised treasury relationships.

The item foreign exchange gains and losses worsened by 2,758 thousand, of which € 2,852 thousand attributable to the adjust-

ment in the valuation of Acea International using the exchange rate.

With reference to the average cost of Acea's debt, there was an increase compared to the previous year, having risen from 1.24% in 2022 to 1.88% in 2023.

9. Income/Expenses from equity investments – € 265,471 thousand

Income net of equity investment expense comes to € 265,471 thousand, an increase of € 7,302 thousand (previously € 258,169 thousand at 31 December 2022). It is composed as summarised in the following table.

€ thousand	2023	2022	Change
Acea Ato2	64,680	70,805	(6,125)
Acque Blu Fiorentina	2,239	4,774	(2,535)
Acea International	2,642	2,704	(62)
areti	113,479	125,362	(11,883)
Acea Energia	3,792	10,127	(6,335)
Acea Produzione	44,626	29,099	15,527
Aquaser	46	43	2
Intesa aretina	646	0	646
Acea Ambiente	22,062	12,854	9,208
Geal	278	0	278
Ingegnerie Toscane	21	68	(48)
Acea Infrastructure	5,645	12,526	(6,881)
Ombrone	1,367	1,420	(53)
Technologies for Water Service (TWS)	4,000	0	4,000
Dividends	265,523	269,782	(4,260)
Other income from equity investments	31	0	31
(Costs) of equity investments in subsidiaries and associated companies	(82)	(11,613)	11,531
Profit/(Loss) on equity investments	265,471	258,169	7,302

The change is due to lower costs of equity investments (-€ 11,531 thousand), partially offset by lower dividends from equity investments. In 2022 the item included the write-downs on the equity investments in Acea Ato5 (for € 7,585 thousand) and in Umbria-due (for € 4,028 thousand).

Please see that found in the item Equity investments in subsidiaries and associates.

10. Income taxes – € - 14,478 thousand

Total taxes amount to -€ 14,478 thousand (€ 11,506 thousand at 31 December 2022). In particular, the tax calculation is affected by the tax law applicable to the tax treatment of the collected dividends, the provisions for the provision for risks, as well as the deductibility of the interest expense of Acea for the Group tax consolidation. Income taxes for the year have an impact on the pre-tax result of 7.7%.

The balance consists of the algebraic sum of the following items.

Current taxes

Current taxes amounted to € 92,086 thousand (€ 89,026 thousand as at 31 December 2022) and refer to consolidated IRES calculated on the sum of taxable income and tax losses of the companies consolidated on a tax basis and IRAP.

It should be noted that this effect is cancelled by the recognition of income deriving from the attribution of the taxable income of the companies participating in the tax consolidation.

This effect is summarised in the table below what shows the reconciliation between the theoretical and actual rates.

Deferred taxes

Net deferred tax assets decreased taxes by € 1,240 thousand (€ 1,182 thousand at 31 December 2022) and consisted of the algebraic sum of provisions (€ 4,239 thousand) mainly on the provision for risks, the allowance for doubtful receivables, depreciation and amortisation, as well as provisions for defined benefit plans and utilisations (€ 2,999 thousand). Deferred tax liabilities increased by € 2,208 thousand and relate only to provisions, net of use.

Charges and income from tax consolidation

These amount to € 107,529 thousand (€ 100,588 thousand as at 31 December 2022) and represent the positive balance between the tax charges that the Parent Company has towards tax consolidation companies against the transfer of tax losses (€ 2,603 thousand) and the tax income recorded as a counterpart of the taxable income transferred to the consolidated company (€ 110,131 thousand).

The compensation for the loss, as per the general consolidation regulation, is determined by applying the current IRES rate to the amount of the tax loss transferred.

The table below shows the reconciliation between the theoretical and actual tax rates.

€ thousand	2023	%	2022	%
Profit/(loss) before tax	188,483		195,229	
Expected tax charge at 24% on profit before tax	45,236	24.0%	46,855	24.0%
Fiscal effect of permanent differences, increase	2,464	1.3%	5,289	2.7%
Fiscal effect of permanent differences, decrease	(62,015)	(32.9%)	(63,411)	(32.5%)
Fiscal effect of temporary differences, increase	3,853	2.0%	3,845	2.0%
Fiscal effect of temporary differences, decrease	(4,688)	(2.5%)	(4,002)	(2.1%)
Income from tax consolidation	(327)	(0.2%)	0	0.0%
IRES for the period	(15,477)	(8.2%)	(11,424)	(5.9%)
IRAP for the period	0	0.0%	0	0.0%
Tax contingencies, previous years	32	0.0%	19	0.0%
Net deferred tax assets	967	0.5%	(102)	(0.1%)
Total income tax for the year	(14,478)	(7.7%)	(11,506)	(5.9%)

Legislative Decree 209 of 27 December 2023, "Implementation of tax reform relative to international taxation", published in Official Journal 301 of 28 December 2023, implemented in Italian legislation Directive EU 2022/2523 of the Council of 15 December 2022, to guarantee a global minimum taxation level (Global Minimum Tax) for multinational and large scale national groups in the Union, based on the Global anti-base erosion rules (GloBE rules), developed within the OECD (Pillar II).

The new regulations for Pillar II apply to financial years beginning on or after 31 December 2023 (see article 60 of Legislative Decree 209/2023). Therefore, the regulations in question apply to the Group as from 1 January 2024.

As is known, with reference to multinational groups, Pillar 2 establishes, for companies within the group with an effective taxation level of less than 15%, a system of compensatory taxation which applies to the parent company (Income Inclusion Rule - IIR). This applies to the extent needed to reach the aforementioned 15% threshold.

The Acea Group has assessed the Group's potential exposure to the

Global Minimum Tax, carrying out a simulation based on data for financial year 2022.

Based on the analysis done for all the jurisdictions in which the Group is present, the possibility of making use of the simplified regimes pursuant to article 39 of Legislative Decree 209/2023 was positively evaluated ("transitional safe harbours" in the definition contained in Directive EU 2022/2523). Recall that, when applicable, the simplified regimes establish that no additional tax is due from a group in a given country if at least one of the three tests is passed (de minimis test, effective simplified tax rate test, and ordinary profit test) as established in Directive EU 2022/2523.

In particular, the simplified regimes are applied to a group's overall figures, identified for each individual country in which the group operates, using the data presentation methods established, also in a Country-by-Country Report. Use of aggregate data reflects the top-down approach based on Pillar 2 rules, which focuses on calculating the effective taxation level incurred by the highest level parent company in the group (Ultimate Parent Entity).

NOTES TO THE BALANCE SHEET – ASSETS

NON-CURRENT ASSETS – € 6,207,580 THOUSAND

11. Tangible fixed assets – € 112,298 thousand

This item shows a decrease of € 2,047 thousand compared to the value of 31 December 2022. The change mainly refers to the net effect caused by investments, totalling € 6,364 thousand, and depreciation which amounted to € 7,529 thousand.

Investments during the period include the remote control devices of the public lighting network in Rome, created by Acea at the request of Roma Capitale in fulfilment of the service contract.

The other investments mainly relate to extraordinary maintenance on the company's offices, in addition to the investments relating to the hardware required for technological development projects for the improvement and evolution of the IT network, furnishings and office machines.

The table below summarises the changes occurred in the year.

€ thousand	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Investments in progress	Total property, plant and equipment
Initial historic cost	106,549	41,810	13,865	64,823	11,148	238,194
Investments/Acquisitions	1,673	2,889	0	836	966	6,364
Divestments/Disposals	(60)	(745)	0	(199)	(244)	(1,247)
Other changes	2,942	739	0	168	(3,849)	(1)
Final historic cost	111,104	44,693	13,865	65,627	8,020	243,310
Initial provision for amortisation/depreciation	(28,662)	(24,962)	(13,576)	(56,649)	0	(123,849)
Depreciation/amortisation and impairment losses	(2,016)	(3,282)	(175)	(2,051)	0	(7,523)
Divestments/Disposals	0	344	0	47	0	390
Other changes	(0)	(1)	0	(30)	0	(31)
Final provision for amortisation/depreciation	(30,678)	(27,901)	(13,751)	(58,683)	0	(131,013)
Net closing balance	80,426	16,793	115	6,944	8,020	112,298

12. Real estate investments – € 1,990 thousand

These amount to € 1,990 thousand, with an overall decrease of € 266 thousand, consisting of the sale of a property for € 211 thousand and the effect of depreciation for the year of € 55 thousand. They mainly consist of land and buildings not used in operations and held for rental.

effect between investments, € 41,072 thousand, and amortisation which amounted to € 34,389 thousand.

Investments mainly concerned the purchase and development of software to support the development of systems for managing IT platforms, corporate security and administrative management. Note that € 30,094 thousand refers to IT licenses and development granted for use to subsidiaries and associates based on the contract that replaced the previous Template.

13. Intangible fixed assets – € 98,268 thousand

The change, a total of € 6,028 thousand, mainly refers to the net

Below is a summary of the changes occurred during the period:

€ thousand	Patent rights	Investments in progress	Total intangible fixed assets
Net opening balance	85,287	6,910	92,197
Investments/Acquisitions	31,453	9,619	41,072
Divestments/Disposals	(45)	(528)	(573)
Other changes	2,804	(2,843)	(39)
Depreciation and amortisation	(34,389)	0	(34,389)
Net closing balance	85,110	13,158	98,268

14. Right of use – € 8,470 thousand

This item includes rights to use the assets of others which, as of 1 January 2019, are recognised as leased assets and amortised over the dura-

tion of the contracts, after application of the new international standard IFRS16. At 31 December 2023 the net book value of these assets was € 13,580 thousand (€ 8,470 thousand at 31 December 2022).

€ thousand	31/12/2023	31/12/2022	Change
Land and buildings	12,359	7,165	5,194
Cars and motor vehicles	1,220	1,304	(84)
Other	0	0	0
Total	13,580	8,470	5,110

The table below shows the changes during the year:

€ thousand	Land and buildings	Cars and motor vehicles	Other	Total
Opening balance	7,165	1,304	0	8,470
New contracts	369	751	0	1,120
Remeasurement	8,503	0	0	8,503
Reclassifications/Other changes	0	0	0	0
Depreciation	(3,678)	(835)	0	(4,513)
Total	12,359	1,220	0	13,580

There are also no guarantees on residual value, variable payments and leases not yet signed to which Acea has committed itself for a significant amount. The change can be attributed, beyond the amortisation/depreciation for the year, to the renewal of an important lease contract for company offices. Finally, it should be noted that costs relating to short-term leases and assets of modest value are recognised in the income statement item “leases and rentals” in line

with the requirements of IFRS 16 and in continuity with previous years.

15. Investments in subsidiaries and associates – € 2,089,859 thousand

An increase of € 30,582 thousand was seen with respect to 31 December 2022, as follows:

€ thousand	31/12/2023	31/12/2022	Change
Shares held in subsidiaries	2,061,685	2,033,815	27,869
Shares held in associates	28,174	25,461	2,713
Equity investments in subsidiaries and associates	2,089,859	2,059,277	30,582

Investments in subsidiaries

Changes for 2023 are summarised below.

€ thousand	Historical cost	Reclassifications and other changes	Write-ups/Write-downs	Disposals	Net value
Values at 31 December 2022	3,445,017	(374,890)	(74,842)	(961,469)	2,033,815
2023 changes:					
- changes in share capital	15,136	0	0	0	15,136
- acquisitions/formations	13,875	0	0	0	13,875
- disposals/distributions	0	0	0	0	0
- reclassifications and other changes	0	0	0	0	0
- write-downs/write-ups	0	0	(1,142)	0	(1,142)
Total changes in 2023	29,011	0	(1,142)	0	27,869
Values at 31 December 2023	3,474,027	(374,890)	(75,984)	(961,469)	2,061,685

The changes occurred involve:

- € 15,136 thousand is related to the following operations:
 - i) € 15,058 thousand refers to the recapitalisation of Acea Ato5 through the reissue of financial receivables;
 - ii) € 50 thousand refers to the share capital increase for AEMA;
 - iii) € 28 thousand refers to the recapitalisation of Agile Academy.
- € 13,875 thousand is related to the following operations:
 - i) € 11,000 thousand for the acquisition of 799,999 ABAB shares from the shareholder Vianini Lavori SpA, of which € 1,500 thousand allocated for the estimated earn-out to be paid to Vianini Lavori SpA as a price adjustment;
 - ii) € 2,500 thousand for the subscription of 498,232 shares for the capital increase for pay of ASM Terni;
 - iii) € 325 thousand refers to the establishment of Aquantia Srl (65% of the units);
 - iv) € 50 thousand refers to the establishment of a.cities Srl.
- € 1,142 thousand is related to the following operations:
 - i) € 1,127 thousand refers to the adjustment made to the exchange rate for the equity investment in Acea International SA;
 - ii) € 15 thousand refers to the price adjustment following the transfer of the equity investment in Umbriadue to ASM Terni in 2022.

For purposes of verifying the recoverable value of investments, the impairment test was carried out, pursuant to IAS 36, on Acea's direct and indirect subsidiaries.

Below is the methodology used, as well as comments on the results of the sensitivity and impairment tests carried out. The impairment procedure for equity investments compares the carrying amount of the investment with its recoverable value, identified as the higher of value in use and fair value, net of selling costs.

The value in use represents the present value of expected cash flows that are expected to derive from the continuous use of all assets relating to the investment. The fair value, net of sales costs, represents the amount obtainable from the sale in a free transaction between knowledgeable and willing parties.

The 2023 impairment process provides the estimate of an interval relative to the recoverable value of individual investments in terms of value in use in methodological continuity with respect to the previous year, or through the financial method that recognises the ability to generate cash flows the essential element for assessing the reference entity. For the purpose of discounting operating cash flows, the weighted average cost of post-tax capital (WACC) is used. The estimate of the recoverable value of the equity investments is hence expressed in terms of the value in use or at fair value, as seen in the table below.

The application of the financial method for determining the recoverable value and the subsequent comparison with the respective accounting values, therefore entailed, for each equity investment

subject to impairment testing, estimating the post tax WACC, the value of operating cash flows taken from the Business Plan approved by the Board of Directors and the value of the terminal value (TV) and, in particular, the growth rate used to project flows beyond the plan horizon, the value of the net financial position (NFP) and any surplus assets/liabilities (SA).

The main assumptions which determined cash flows and test results were the following:

- development of revenues from regulated business was prepared on the basis of the most recent tariff trends resulting from updates of national regulations, which in particular took place in December 2023. In 2024, the approval process for the tariff structures for individual water operators will be completed;
- the trend in the prices of electricity and gas sold and purchased on the free market was developed on the basis of business considerations consistent with the energy scenario developed in the business plan, which also take into account independent third party market consensus about these estimates;
- the plans were extended in an inertial manner beyond the duration of the plan approved by the Board of Directors for all CGUs, when the perpetuity hypothesis was not consistent with the characteristics of the CGU involved in the impairment test and required the use of a whole life plan.

Terminal value is calculated:

- for Acea Produzione (Production Segment) using the residual value corresponding to the net invested capital at the end of the plants' useful life;
- for the Environment and Water (Overseas) Segments, respectively, considering the residual value corresponding to the net invested capital at the end of the plants' useful life and of the concession;
- for areti (Networks & Smart Cities Segment): considering the current value of the RAB at the expiry of the concession calculated according to the regulations for the regulatory period and net working capital at the expiration of the concession;
- for the Water Segment, considering the current value of the RAB and Net Working Capital at the end of the concession;
- for the Commercial Segment, using estimated normalised cash flows with a steady state hypothesis without real growth; finally;
- for the Engineering & Infrastructure Projects Segment, using the residual value of the plans, considering net invested capital.

Finally, the flows determined as above were discounted using the post-tax WACC determined using an unconditional approach or using the regulatory WACC for regulated business.

Regulatory WACCs, following the update to national regulations, which in particular occurred in December 2023, were in line with the respective market WACCs.

Below the assumptions used in the tests and estimates for Terminal Value are summarised:

Main activity	Recoverable value	WACC	Terminal value	Cash flow period
Integrated water service management	Value in use	6.4%	NIC at the end of the concession, including the Regulatory Asset Base (RAB)	End of the concession
Network management	Value in use	6.3%	Regulatory Asset Base (RAB)	End of the concession
Sale of electricity and gas	Value in use	7.3%	Perpetuity	Until 2028
Renewable energy plants	Value in use	6.9%	NIC/perpetuity at the end of the plants' useful life	Useful life of plants/end of concession
Waste-to-energy and composting plants	Value in use	7.1%	NIC at the end of the plants' useful life	Plants' useful life
Liquid waste treatment and sludge disposal	Value in use	7.1%	NIC at the end of the plants' useful life	Plants' useful life
Engineering and services	Value in use	6.4%	NIC at the end of the plants' useful life	End of concession, Water segment
Overseas	Value in use	7.4%/12.1%	NIC at the end of the concession	End of the concession
Plastic recycling services	Fair value	-	-	-

With reference to estimating the recoverable value of equity investments in companies that provide plastic recycling services, with reference to the IASB hierarchies, note that the fair value was determined using the market multiples method, and therefore the level is 2.

Additionally, with reference to that issued by ESMA on 25 October 2023, with reference to monitoring climate change effects and the relative impacts on impairment tests for non-financial assets, Acea has developed risk analysis using quantitative instruments, including the application of an econometric model to estimate the relationship existing between macroeconomic and climate-related variables and the main economic/financial amounts of interest to Acea's various companies and plants. In particular, analysis was carried out on how margins are affected by the main macroeconomic and environmental variables (e.g. electricity and gas prices, CO₂ emissions, average temperature, average rainfall, etc.). In addition to that described, Acea developed Montecarlo analysis to better understand the relationships between individual key variables and help with defining possible alternative scenarios and, more generally, the level of volatility of predictions.

The impairment tests did not lead to any writedowns in the Acea individual financial statements. Nonetheless, note that possible impairment was identified only in certain scenarios for ATO5 and Adistribuzionegas. In any case, from a statistical point of view they were not "more likely than not", but it was considered appropriate to monitor developments.

With reference to the subsidiary Acea Ato5, note that following the approval of the two-year update for 2022-2023 and the significant increase in the costs of raw materials, worsened by the international geopolitical crisis, in 2023 the directors of Acea Ato5 confirmed the continued significant uncertainties which could give rise to serious doubts about the ability of the company to function as a going concern, in particular: the favourable conclusion of the Technical Panel with the EGA, intended to define the reciprocal items as a whole (including those subject to the Conciliation Board) and the lack of progress in the procedure for ARERA to approve the tariff proposals for 2016-2019 and 2020-2023, as well as the two-year updates for 2018-2019 and 2022-2023.

With reference to these actions, note that the latest request for economic/financial rebalance presented by the company has lapsed as it was not accepted by the deadline of 60 days and, additionally, in 2024 the Council of State rejected the company's appeal against the Area Authority's resolution 1/2021.

See, also, that described in the section "Reference context" - "Water Regulation" in the Report on Operations.

Nonetheless, in 2023 and 2024, the Directors continued to adopt all appropriate measures to improve the Company's financial position and support its continuation as a going concern.

The objectives of these actions mainly included:

- beginning meetings with the government entity to define a new EFP and approve the tariffs with the new MTI-4 method, with an increase in 2024 in line with that of 2023 and within the limits of the maximum tariff increase allowed;
- the request made to the EGA to update the technical panel intended to update the items subject to the Conciliation Board and the creditor items;
- sending a repayment plan proposal to EGA for fees payable (not subject to the Conciliation Board), for which the company has not yet received a response;
- repayment plans to pay off outstanding liabilities towards third-party suppliers and infragroup payables;
- the implementation of a set of coordinated actions designed to reduce bill collection times and thus improve the percentages of amounts received;
- improving the efficiency of operating costs due to the lower revenues coming from the Economic Financial Plan approved by the EGA;
- the request for and awarding of contributions (of around € 12 million) for investments planned in 2024-2025;
- the request that Acea renounce interest and the capital portion accrued and over due at 31/12/2023 with reference to the interest-bearing shareholders' loan for a total of € 14.55 million (of which € 10 million in capital and € 4.55 million in interest). This request was in line with that already approved by the Acea Board of Directors on 16/06/2022;
- a request for financial support from Acea SpA, through an extension on the payment with reference to the trade payable accrued at 31 December 2023 of € 7,867,191.48, in the form of 112 instalments starting in March 2024 and maturing on 30 June 2033 (an action not envisaged in the 2024-2028 plan);
- the request for two interest-bearing shareholders' loans from Acea SpA, to be used solely to serve its financial requirements for 2024, 2025 and 2026, deriving from the realisation of NRRP investments (action not envisaged in the plan 2024-2028 plan).

Nonetheless, despite the many material uncertainties that may create significant doubts about the going concern assumption, in particular:

- the favourable conclusion of the Technical Panel with the EGA, to definitively resolve the reciprocal items (including those subject to the Conciliation Board);
- the approval of the 2024-2029 tariff proposal in the terms proposed by the operator (in particular with regards to invoicing of adjustments by 2029 and the recognition of costs for arrears in the amount of 10% as from 2026);
- the acceptance of the repayment plan proposed to the OTS by the company and not yet formally accepted by the latter with reference to payables not subject to the Conciliation Board.

The Directors have continued to adopt the going-concern assumption in the preparation of the financial statements at 31 December 2023, considering that the actions taken to preserve continuity, together with the decisions of Acea SpA intended to strengthen the Company's capitalisation, will be enough to allow the ordinary management of the business. They are also confident that the Conciliation Board proceedings described above, and the ARERA tariff approvals, will be completed within a reasonable period of time.

In reference to additional cases related to legal disputes, filed or being filed, and tax disputes involving ACEA Ato 5 SpA, see sections "Update on major disputes and litigation – Tax audits and disputes – ACEA Ato 5 SpA", "Other issues – Acea Ato 5 SpA" e "Service concession arrangements – Acea Ato 5 SpA" of the consolidated financial statements.

The main reason behind the near stability of the recoverable value can for the most part be found in the following assumptions in the business plan:

- IWS revenues (GRC) were prepared using the MTI4 tariff method published in December 2023. The simulation includes (i) measuring the GRC consistent with the Regulatory WACC of 6.13%; (ii) the assumption of Cmor component recognition at 3.5% for 2024-2025 and 10% in 2026-2033, (iii) invoicing of previous adjustments by 2030 for around € 105 million, still within the limits of the maximum allowed theta. Prudentially, impacts deriving from possible greater opex recognised were not estimated;
- Continuation of the process to improve efficiency for non-

pass-through operating costs, while pass-through operating costs were projected in line with the revenue profile recognised;

- Amortisation/depreciation guarantees consistency between net fixed capital and the gross RAB recognised;
- The investment plan, until the end of the concession, is in line with the Action Plan the Company is defining with EGATO utilising the MTI-4 method. In particular, € 12 million in contributions for investments in NRRP projects are foreseen in 2024-2025;
- The residual value (investments made, net of amortisation/depreciation and contributions) of the operator in the case of a transfer was calculated by the Company on the date the Concession expires, as the algebraic sum of net fixed capital, work in progress and grants. The residual value was determined in line with the EFP prepared by the company (ARERA formula) and takes into account the end of the due dates for investments made in the last year.

Sensitivity analysis was performed, taking into consideration the hypothesised decrease in adjustments collected on one hand and the increase in plan costs on the other, with the results below. Given the circumstances, a scenario worse than the assessments made and summarised in the base case identified cannot be hypothesised, given that in the case the aforementioned recognition goals are not achieved, the Area Authority cannot avoid identifying alternative methods, including the request to access financial balancing measures called for in the regulations, in order to guarantee the required economic/financial balance for the Manager and regular management of the service. Also note that with the approval of the new tariff method MTI-4, the regulator provided a clear indication regarding the possibility of recovering adjustments, thereby limiting the degree of discretion available to government entities in the context of postponing tariff recognition. Specifically, article 28.2 of annex A to ARERA resolution 639/2023 (MTI-4) establishes that the EGAs insert all the adjustments resolved in the new EFP, calling for invoicing by 31/12/2029, without prejudice to the possibility, in agreement with the operator and to ensure the social sustainability of the tariff, of presenting a reasoned request to ARERA to exceed this deadline, in any case requiring respect for economic and financial balance.

Reduction adjustments collected (% of total adjustments, € 103 million 2025-2029)

	0%	-10%	-20%	-30%	-40%	-50%
	3.3					
	0%	0.8	(1.7)	(4.2)	(6.7)	(9.2)
	3%	(0.1)	(2.6)	(5.1)	(7.6)	(10.1)
	5%	(3.5)	(6.0)	(8.5)	(11.0)	(13.5)
	8%	(6.8)	(9.3)	(11.8)	(14.3)	(16.9)
	10%	(10.2)	(12.7)	(15.2)	(17.7)	(20.2)
	13%	(13.6)	(16.1)	(18.6)	(21.1)	(23.6)
	15%	(16.9)	(19.4)	(21.9)	(24.5)	(27.0)
Increase in costs with respect to plan baseline*						

* The baseline is calculated on total operating costs net of energy/wholesale water/concession charges, pass-through in the tariff.

Shares held in affiliate companies

Changes for 2023 are summarised below.

€ thousand	Historical cost	Reclassifications and other changes	Write-ups/ Write-downs	Disposals	Net value
Values at 31 December 2022	98,700	13,549	(80,926)	(5,861)	25,461
2023 changes:					
- changes in share capital	0	0	0	0	0
- acquisitions/formations	2,718	0	0	0	2,718
- disposals/distributions	0	0	0	0	0
- reclassifications and other changes	0	0	0	0	0
- write-downs/write-ups	0	0	(5)	0	(5)
Total changes in 2023	2,718	0	(5)	0	2,713
Values at 31 December 2023	101,417	13,549	(80,931)	(5,861)	28,174

The changes occurred involve:

- € 2,718 thousand is related to the following operations:
 - i) € 2,350 thousand for capital contributions relative to the equity investment in DropMI;
 - ii) € 368 thousand refers to the establishment of Aqua.lot Srl (35% of the units).
- € 5 thousand is related to the following operations:
 - i) € 63 thousand for the adjustment of the equity investment in Aguazul Bogotà to the exchange rate;
 - ii) € 67 thousand for the writedown of the equity investment in Ecomed.

16. Other equity investments – € 7,351 thousand

Other equity investments refer to investments in equity securities that do not constitute control, association or joint control. These increased by € 5,001 thousand following the acquisition of

1,250,000 shares of Bonifiche Ferraresi SpA on the Borsa Italiana market in December.

17. Deferred tax assets – € 12,895 thousand

These decreased by € 558 thousand compared to 31 December 2022. The following table shows the changes and the balance as at 31 December 2023, distinguishing the Assets for Prepaid Taxes from the Provision for Deferred Taxes.

Note that the item “Other” recognised under “deferred tax assets” mainly includes deferred tax assets relative to exchange losses, IFRIC 12 and equity changes relative to the swap. On the other hand, the item “Other” under “deferred tax liabilities” mainly includes deferred tax liabilities recognised on interest on arrears receivable.

With regard to the recoverability of deferred tax assets, it must be noted that the valuation of deferred tax assets was carried out on the basis of Acea’s business plans and, with regard to the time scale, considering a reasonable estimate of the reversal period.

€ thousand	31/12/2022	IRES/IRAP uses	Other changes	Rate adjustment	Changes in SE	IRES/IRAP advances	31/12/2023
Prepaid taxes							
Remuneration of BoD members	21	0	0	0	0	12	33
Provision for liabilities and charges	4,522	(2,255)	0	0	0	1,456	3,724
Provision for doubtful accounts	14,916	0	(523)	0	0	1,600	15,993
Depreciation and amortisation of tangible and intangible assets	771	(159)	0	0	0	244	856
Defined benefit plans / defined contribution	4,791	(520)	0	0	234	655	5,161
Others	5,245	(66)	523	0	3,575	272	9,550
Total	30,267	(2,999)	0	0	3,809	4,239	35,316
Deferred taxes							
Deferred taxes on dividends	35	(17)	0	0	0	16	34
Depreciation and amortisation of tangible and intangible assets	185	0	0	0	0	39	224
Defined benefit plans/defined contribution	179	0	0	0	39	0	218
Others	16,415	0	0	0	3,361	2,169	21,945
Total	16,814	(17)	0	0	3,400	2,225	22,421
Net total	13,453	(2,982)	0	0	409	2,014	12,895

18. Non-current financial assets – € 3,871,050 thousand

These saw an increase of € 323,809 thousand compared to 31 December 2022 (then € 3,547,241 thousand). Below is the detailed table:

€ thousand	31/12/2023	31/12/2022	Change
Financial receivables from Roma Capitale	1,587	4,815	(3,228)
Receivables from subsidiaries and associates for loans	3,862,960	3,533,224	329,736
Other receivables due from others	6,502	9,202	(2,700)
Financial assets	3,871,050	3,547,241	323,809

The item **Financial receivables from Roma Capitale** shows a decrease of € 3,228 thousand and refers to investments in the public lighting service, such as plant redevelopment, energy saving, regulatory compliance and technological innovation, which will be paid to Acea, equal to the tax depreciation, beyond the year 2024, in accordance with what was agreed in the Supplementary Agreement to the service contract signed on 15 March 2011.

Financial receivables from subsidiaries and associates increased by € 329,736 thousand compared to 31 December 2022, of which € 343,030 thousand due to the increase in the long-term portion of the receivable from centralised treasury relationships.

During 2023, also note:

- the reduction in the long-term current portion of the loan to Acea Ato5 equal to € 20,000 thousand in line with the amortisation plan;
- the shareholders loan to Adistribuzione gas was reclassified to the long-term, for a total of € 5,370 thousand, given that an extension on the repayment due date was granted to the same, bringing it to 31 December 2039;
- € 2,000 thousand was disbursed to Acea Molise in the form of an interest-bearing shareholders loan.

These receivables are considered entirely recoverable.

€ thousand	31/12/2023	31/12/2022	Change
Receivables for centralised treasury relationships, non-current portion	3,697,542	3,354,512	343,030
Receivables for medium/long-term loans	165,418	178,712	(13,294)
Acea Ato5	133,912	153,912	(20,000)
Adistribuzione gas	5,370	0	5,370
Acea Molise	6,870	4,870	2,000
Ecomed	33	33	0
Umbriadue Servizi Idrici	19,233	19,897	(664)
Receivables from subsidiaries and associates for loans	3,862,960	3,533,224	329,736

The item **Receivables from others**, amounting to € 6,502 thousand, is composed of € 5,952 thousand from the application of the financial asset model envisaged by IFRIC 12 regarding services under concession. This receivable represents all the investments made up to 31 December 2010 related to the service itself. The item includes € 425 thousand relative to non-current prepaid expenses for up front fees relative to committed lines.

19. Other non-current assets – € 290 thousand

This item includes prepaid expenses relative to the long-term por-

tion of user licenses and maintenance fees for IT infrastructure, pertaining to years after 2024.

20. Current assets – € 1,280,083 thousand

These recorded an increase of € 101,668 thousand (€ 1,178,416 thousand as at 31 December 2022) and are broken down as follows.

20.a - Trade Receivables – € 169,178 thousand

These saw an increase of € 19,950 thousand compared to 31 December 2022 (then € 149,229 thousand). Below is their composition:

€ thousand	31/12/2022	31/12/2021	Change
Trade receivables	690	1,239	(549)
Receivables due from the Parent Company Roma Capitale	21	21	0
Receivables from subsidiaries and associates	168,467	147,969	20,498
Trade receivables	169,178	149,229	19,950

Trade receivables

These amounted to € 690 thousand net of the allowance for doubtful receivables amounting to € 2,297 thousand and decreased by € 549 thousand. Receivables included under this item refer to positions accrued in respect of private and public entities for services rendered.

Provision for doubtful debts

These totalled € 2,297 thousand, up by € 32 thousand compared to 31 December 2022. The estimate of the amounts considered non-collectable is estimated based on the provisions of IFRS 9, or,

through the application of the expected credit loss model for the evaluation of the recoverability of the financial assets based on a predictive approach, based on the prediction of the counterparty's default (so-called probability of default) and of the ability to recover if the default event occurs (so-called loss given default).

Receivables due from the parent company - Roma Capitale

The following table shows together the amounts resulting from the relations with Roma Capitale, both with regard to the borrowing and lending due within and beyond the following year, including items of a financial nature.

€ thousand	31/12/2023	31/12/2022	Change
Receivables for services invoiced	5	5	0
Receivables for services to be invoiced	16	16	0
Total trade receivables	21	21	0
Financial receivables for Public Lighting services billed	139,132	135,127	4,005
Provision for doubtful debts	(57,994)	(57,994)	0
Financial receivables for Public Lighting services to be billed	46,873	36,274	10,599
Provision for doubtful debts	(13,706)	(5,380)	(8,326)
M/L term financial receivables for Public Lighting services	1,587	4,815	(3,228)
Total financial receivables for Public Lighting	115,892	112,842	3,051
Total receivables	115,914	112,862	3,051
Dividend payables	(107,867)	(105,942)	(1,925)
Other payables	(3,621)	(2,707)	(915)
Total payables	(111,488)	(108,649)	(2,840)
Total net balance receivables payables	4,425	4,214	211

As regards **relations with Roma Capitale**, the net balance at 31 December 2023 was € 4,425 thousand receivable by the Group (at 31 December 2022 the amount was a payable of € 4,214 thousand).

Financial receivables recorded an overall increase of € 3,051 thousand compared to the previous year, due to the changes specified below.

- accrual of receivables for the Public Lighting service for € 47,367 thousand;
- collection of € 12,718 thousand in September through offsetting, for fees (including the price adjustment component for Public Lighting for the last quarter of 2022) as well as work carried out for the Public Lighting service and the Acea share dividends for financial year 2020;
- collection of € 17,345 thousand in November through offsetting, for fees for the Public Lighting service for the first half of 2023, against Acea share dividends for 2020;
- collection of € 14,250 thousand in December through offsetting, relative to extraordinary modernisation and maintenance in 2022 for the Public Lighting network and work associated with the Quality of Light Plan against Acea share dividends for 2020.

With reference to payables, an increase of € 2,840 thousand was recorded, mainly due to the combined effects of offsetting/payments of € 44,380 thousand as well as the recognition of new debt for Acea share dividends in financial year 2022 for € 46,160 thousand (note that in June 2023 on the coupon detachment date, Roma Capitale was paid 50% of the dividend for the year, for € 46,160 thousand).

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

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. Hence, again in 2021, while awaiting the conclusion and finalisation of these aspects,

Acea continued to provide the Public Lighting service. The service has therefore been invoiced and has partly already been paid by Roma Capitale in previous years, as seen in the data below:

- in 2020 a total of € 33.3 million of receivables referred to the aforementioned report were settled in the Group;
- During 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;
- during 2022, settlement activities with Roma Capitale continued, which allowed continuation of the liquidation of Acea receivables, through offsetting of a total of € 56.5 million, of which € 17.4 million relative to receivables already recognised in previous years.

Note that on 11 August 2022, the City Executive Committee with resolution no. 312 entitled “Public and artistic-monumental public lighting service on the entire municipal territory – Concessionaire: Acea SpA – Recognition of the perimeter of the payable situation and launch of the consequent procedures” recognised the perimeter of the Administration’s payables to Acea/areti in relation to the Public Lighting service as of 31 December 2021.

This resolution was published on the institutional website of Roma Capitale on 30 August 2022 and with reference to the same, dialogue is still in progress.

During 2023, specifically in September, the Acea Board of Directors, after receiving the opinion of the Related Party Transactions Committee, approved the proposal for a Settlement Agreement with Roma Capitale, to govern their reciprocal positions and the methods for the early consensual termination of the contractual relationships between the parties for the public lighting service provided by the company and for it by the subsidiary areti SpA.

At the same time, Roma Capitale also approved the draft Settlement Agreement in the City’s Assembly in December 2023.

With reference to the economic terms of this possible Settlement Agreement, substantially in line with the City Executive Committee resolution 312 of 11 August 2022, following the reciprocal renunciation by the parties, the agreement calls for the recognition of receivables due to Acea/areti from Roma Capitale for a total of around € 100.6 million. The economic and financial effects of the settlement, following the signing which had not yet occurred as of the reporting date, will not have significant effects as the company had already updated its estimates in previous financial statements utilising the criteria established in the relevant regulations.

Receivables from subsidiaries and associates

Receivables from subsidiaries and associates total € 168,467 thousand and increased by € 20,498 thousand compared to the previous year. These mainly refer to services rendered in the context of various services contracts. The difference is due to invoicing and collection trends. Below is their composition:

€ thousand	31/12/2023	31/12/2022	Change
Acea Ato2	34,222	32,829	1,393
areti	30,234	28,327	1,907
Acea Energia	18,023	19,031	(1,008)
Gesesa	10,467	8,760	1,707
Acea Ato5	10,355	5,552	4,803
Acea Ambiente	8,849	6,294	2,555
Acquedotto del Fiora	8,805	7,500	1,305
Acea Molise	8,679	8,063	616
Publiacqua	7,872	4,878	2,994
Umbra Acque	6,480	4,192	2,288
Acea Infrastructure	4,922	2,987	1,936
GORI	3,492	6,403	(2,911)
Acea Produzione	3,170	3,154	16
Acque	1,909	2,893	(984)
Aquaser	1,342	142	1,200
Sarnese Vesuviano	910	789	121
Acque Industriali	849	921	(72)
Orvieto Ambiente	692	0	692
Umbriadue Servizi Idrici	664	716	(52)
Servizi Idrici Integrati	631	298	334
Ecogena	624	83	541
DropMI	563	0	563
ASM Terni	402	13	389
Technologies for Water Service (TWS)	377	421	(44)
Acea Solar	370	90	280
Ingegnerie Toscane	337	417	(80)
Acea Innovation	312	552	(240)
Aquantia	152	0	152
Marco Polo	1,236	1,236	0
Other	1,528	1,429	99
Total	168,467	147,969	20,498

20.b - Other current assets – € 68,030 thousand

These recorded an increase of € 15,265 thousand and are made up as follows.

€ thousand	31/12/2023	31/12/2022	Change
Other receivables	421	238	183
Receivables from national insurance institutions	427	324	103
Receivables due to severance pay for individual transfers	1,967	1,952	15
Advances to suppliers and deposits with third parties	158	298	(140)
Other tax receivables	23,964	25,271	(1,306)
Accrued income and prepaid expenses	6,148	7,144	(996)
Tax consolidation receivables due from subsidiaries	34,945	17,539	17,406
Other current assets	68,030	52,764	15,265

This change mainly derived from receivables for tax consolidation (+€ 17,133 thousand).

Receivables from national insurance institutions and for severance indemnities (TFR) for individual terminations include receivables generated by the return of Marco Polo to the facility

management sector for amounts due to employees. Accrued income and prepaid expenses mainly include the portion of user licences accruing to subsequent years, fees for IT infrastructure maintenance and IT services, insurance contracts and insurance premiums.

20.c - Current tax assets – € 2,210 thousand

The item fell by € 7,012 thousand, mainly due to higher IRES receivables for advances paid.

€ thousand	31/12/2023	31/12/2022	Change
IRAP receivables	31	31	0
IRES receivables	2,179	9,191	(7,012)
Current tax assets	2,210	9,222	(7,012)

20.d - Current financial assets – € 897,531 thousand

These recorded an increase of € 230,248 thousand and can be broken down as follows. Non-current financial assets include the

portion of current accounts related to revolving loan lines destined by the subsidiaries to non-current assets.

€ thousand	31/12/2023	31/12/2022	Change
Financial receivables from the Parent Company Roma Capitale	114,305	108,026	6,278
Financial receivables from subsidiaries and associates	445,550	364,120	81,431
Financial receivables from third parties	337,676	195,137	142,539
Total current financial assets	897,531	667,283	230,248

Receivables from parent companies - Roma Capitale

These amount to a total of € 114,305 thousand and refer to receivables due from Roma Capitale relating to the Public Lighting Service Contract as anticipated in the section of this document "Trade receivables from Roma Capitale".

Receivables from subsidiaries and associates

These amount to € 445,550 thousand (€ 364,120 thousand at 31 December 2022) and are composed as follows:

€ thousand	31/12/2023	31/12/2022	Change
Receivables from cash pooling relationships	307,947	246,125	61,821
Accrued current financial assets on loans and cash pooling relationships	97,901	84,762	13,139
Receivables from subsidiaries for loans	34,138	27,816	6,322
Other receivables from subsidiaries	2,837	2,906	(69)
Receivables for commissions on guarantees given	2,728	2,510	218
Financial receivables from subsidiaries and associates	445,550	364,120	81,431

The change with respect to the end of the previous year is mainly due to the decrease in the current portion of balances in the current accounts with group companies which adhered to a revolving type loan, covering working capital and investment requirements and due to the reduction in associated accrued income, mainly due to the reduction in interest rates.

Additionally, an increase was seen in receivables from subsidiaries for loans of € 6,322 thousand, due for € 10,000 thousand to the increase in the short-term portion of the shareholder receivable relative to ATO5 and for € 1,556 thousand to the shareholders loan disbursed to Acea Molise to support a shareholder loan of the same

amount disbursed by the latter to Gesesa, offset for € 5,370 thousand by the reclassification to long-term of the shareholder loan to Adistribuzione gas, for which maturity was postponed to 31 December 2039.

Receivables from others

These amounted to a total of € 337,676 thousand and increased compared to 31 December 2022 by € 142,539 thousand owing to the increase in short-term deposits which went up from € 190,000 thousand to € 330,000 thousand.

€ thousand	31/12/2023	31/12/2022	Change
Receivables for managing the Public Lighting service	2,681	3,181	(501)
Receivables on short-term deposits	330,000	190,000	140,000
Financial accrued income	4,478	1,080	3,398
Receivables from SEIN from liquidation of Acea Ato5 Servizi	0	274	(274)
Other receivables	517	602	(85)
Financial receivables from third parties	337,676	195,137	142,539

20.e - Cash and cash equivalents – € 140,470 thousand

These recorded a decrease of € 159,448 thousand (€ 299,918 as at 31 December 2022) and represent the balance of bank and

postal current accounts opened at the various credit institutions as well as at Ente Poste.

NOTES TO THE BALANCE SHEET – LIABILITIES

21. SHAREHOLDERS' EQUITY – € 1,711,806 THOUSAND

€ thousand	31/12/2023	31/12/2022	Change
Share capital	1,098,899	1,098,899	0
Legal reserve	157,838	147,501	10,337
Reserve for own shares	0	0	0
Other reserves	90,812	91,954	(1,142)
Retained earnings/(losses)	161,297	145,564	15,733
Profit/(loss) for the year	202,961	206,735	(3,774)
Shareholders' Equity	1,711,806	1,690,653	21,154

Shareholders' equity increased by € 21,154 thousand compared to 31 December 2022. This change is mainly due to the profit reported in the year and to the effects generated by the allocation of the result achieved in 2022 equal to € 0.85 per share, as well as the changes in other reserves.

The composition and changes per item are shown below:

21.a - Share capital – € 1,098,899 thousand

This amounts to € 1,098,899 thousand and is represented by 212,964,900 ordinary shares with a par value of € 5.16 each, as shown in the Shareholders' Register. The share capital is subscribed and paid-up in the following manner:

- Roma Capitale: 108,611,150 for a total nominal value of € 560,434 thousand;

- Market: 103,936,757 shares for a total par value of € 536,314 thousand;
- Treasury Shares: 416,993 ordinary shares with a total nominal value of € 2,151 thousand.

21.b - Legal reserve – € 157,838 thousand

It includes 5% of the profits of the previous financial years as required by article 2430 of the Italian Civil Code.

At 31 December 2023 there was an increase of € 10,337 thousand compared to the previous year, due to the allocation of profit achieved in 2022.

21.c - Other reserves – € 90,812 thousand

The composition of the Item and the changes for the period are provided below:

€ thousand	31/12/2023	31/12/2022	Change
Extraordinary reserve	180	180	0
Demerged capital gains reserve	102,567	102,567	0
Reserve for exchange differences	27,905	17,262	10,643
Valuation reserve for financial instruments	(27,545)	(16,225)	(11,320)
Reserve for actuarial gains and losses	(12,494)	(12,029)	(465)
Other miscellaneous reserves	198	198	0
Other reserves	90,812	91,954	(1,142)

The reserve for differences in exchange records an increase of € 10,643 thousand and represents the effect of the valuation at the exchange rate on 31 December 2023 of the private placement in YEN stipulated in 2010.

The cash flow hedge reserve is negative and stands at € 27,545 thousand. This reserve includes € 3,333 thousand for the negative difference deriving from the delta of conversion rates between that provided for in the hedging contract and that recorded on the adjustment date of the bond (3 March 2010).

The table below shows available and unavailable reserves.

€ thousand	31/12/2023			
	Amount	Possibility of use	Distributable portion	Summary of use made in the previous three years Loss coverage Other reasons
Capital reserves				
Reserve deriving from the ARSE spin-off	6,569	A, B, C	6,569	
Profit reserves from the Income Statement				
Legal reserve	157,838	A, B	157,838	
Extraordinary reserve	180	A, B, C	180	
Demerged capital gains reserve	102,567	A, B, C	102,567	
Retained earnings/(losses)	161,297	A, B, C	161,297	13,643
Profit reserves from OCI				
Valuation reserve for financial instruments	(27,545)		(27,545)	
Reserve for exchange differences	27,905		27,905	
Reserve for actuarial gains and losses	(12,494)		(12,494)	
Other reserves				
Greater cost paid, infragroup acquisitions	(5,652)		(5,652)	
IAS reserve	(719)		(719)	
Reserve for own shares	3,853	Guarantee of treasury shares	3,853	
Total	413,800		413,800	
Non-distributable share			143,186	
Residual distributable portion			270,614	

Key: A = capital increase – B = to cover losses – C = distribution to shareholders

Reserve for own shares

Pursuant to art. 2428 of the Italian Civil Code, there are 416,993 treasury shares in the portfolio, with a nominal value of € 5.16 each (€ 2,152 thousand in total) and correspond to 0.196% of the share capital.

The reserve for treasury shares in portfolio amounted to € 3,853 thousand at 31 December 2023. The amount of the reserve coincides with the value of shares in the portfolio accounted for as a reduction of the Shareholders' Equity in accordance with IAS32.

NON-CURRENT LIABILITIES – € 4,544,778 THOUSAND

22. Employee severance indemnity and other defined benefit plans – € 22,600 thousand

It increased by € 699 thousand and reflects severance indemnities and other benefits to be paid subsequently to the perfor-

mance of the work activity to employees. Within the obligations that make up this item, we need to highlight the defined contribution plans and defined benefit plans. The following table shows the composition:

€ thousand	31/12/2023	31/12/2022	Change
- Employee severance indemnities (TFR)	4,351	4,577	(226)
- Pegaso Fund	0	0	0
Employee severance indemnity	4,351	4,577	(226)
- Extra months	1,034	1,015	19
Extra months	1,034	1,015	19
- LTIP plans	3,118	1,736	1,383
Long-Term Incentive Plans (LTIP)	3,118	1,736	1,383
Benefits due at the time of termination of employment	8,504	7,327	1,176
- Employees tariff subsidy	860	868	(8)
- Managers tariff subsidy	75	90	(15)
- Pensioners tariff subsidy	9,635	10,299	(664)
Tariff subsidies	10,571	11,257	(687)
Post-employment benefits	10,571	11,257	(687)
- Isopensione fund	3,526	3,316	210
Isopensione (early retirement)	3,526	3,316	210
Staff termination benefits and other defined benefit plans	22,600	21,901	699

With regard to the calculation method, it must be noted that the benefits due at the time of termination of the employment relationship are determined according to actuarial criteria; with reference to post-employment benefits, the calculation is based on the “projected unit credit method” which is based on assessments that express corporate liability as the current average value of future benefits, pro rated based on the service provided by the employee at the time calculation with respect to that corresponding at the time of payment of the service.

The change is affected (i) by the provisions for the period, (ii) by the outflows that occurred during the period and (iii) by the decrease in the rate used for the valuation of the liabilities.

In particular, with regard to the economic-financial scenario, the

discounting rate used for the valuation was of 3.17% against a rate used last year of 3.95%.

As required by paragraph 78 of IAS 19, the interest rate used to determine the current value of the obligation was determined with reference to the yield on the valuation date of securities of primary companies in the financial market to which Acea belongs and to the return on outstanding government bonds on the same date with a duration comparable to the residual duration of the collective of workers analysed; it must be noted that, due to internal consistency of assessment and alignment with the requirements of IAS 19, the same technical bases have been maintained for the various types of plans.

Furthermore, the parameters used for the evaluation are shown below:

	31/12/2023	31/12/2022
Discount rate	3.17%	3.95%
Revenue growth rate (average)	2.67%	2.67%
Long-term inflation	2.09%	2.50%

With regard to the measurement of the Group Employee Benefits (Employee severance indemnity (TFR), Monthly bonuses, tariff subsidies for current and retired staff) a sensitivity analysis was

performed to assess the changes in the liability resulting from both positive and negative shifts of the rate curve (+0.5% shift /-0.5% shift). The results of this analysis are summarised below.

Plan type - € thousand	Discount Rate	
	-0.5%	+0.5%
Employee severance indemnities (TFR)	(165)	175
Tariff subsidies	(319)	337
Extra months	(39)	41
LTIP	(26)	26

Furthermore, a sensitivity analysis was performed related to the age of the group, hypothesizing a group one year younger than the actual one.

Plan type - € thousand	-1 year of age
Employee severance indemnities (TFR)	25
Tariff subsidies	(522)
Extra months	68

Sensitivity analyses were not performed for other variables such as, for example, inflation rate.

23. Provision for risks and charges – € 14,952 thousand

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

€ thousand	31/12/2022	Uses	Provisions	Release for Excess Provisions	Reclassifications/Other changes	31/12/2023
Legal	3,136	(720)	1,641	(172)	0	3,885
Investees	5,520	0	775	0	(195)	6,100
Contributory risks	730	0	16	0	0	747
Other risks and charges	1,041	0	19	(85)	0	975
Total provision for risks	10,427	(720)	2,451	(258)	(195)	11,706
Staff mobility	6,954	(6,589)	3,246	0	(365)	3,246
Total provisions for expenses	6,954	(6,589)	3,246	0	(365)	3,246
Total provisions for risks and charges	17,381	(7,309)	5,697	(258)	(559)	14,952

The main changes concerned:

- the provisions for risks associated with legal disputes utilised for € 720 thousand owing to unfavourable judgements. Additionally, other provisioning was carried out during the year for € 1,641 thousand, with amounts released for excess provisions of € 172 thousand;
- the provision for risks of investees includes additional provisions, of which € 700 thousand for the equity investment in Ecomed;
- the provision set aside for staff mobility plans used for € 6,589

thousand as the relevant procedures have been completed. Additionally, allocations of € 3,246 thousand were made.

For further details, see the information provided in the section “Update on major disputes and litigation”.

24. Non-current borrowings and financial liabilities – € 4,470,502 thousand

The breakdown is as follows:

€ thousand	31/12/2023	31/12/2022	Change
Bonds	3,939,174	3,834,453	104,722
Medium/long-term borrowings	431,095	462,202	(31,107)
Medium/long-term borrowings from subsidiaries	90,790	103,760	(12,970)
IFRS 16 financial payables	9,442	4,344	5,098
Borrowings and financial liabilities	4,470,502	4,404,759	65,743

Medium and long-term bonds

On 17 January 2023, Acea successfully completed the placement of a Green Bond issue for a total amount of € 500 million, interest rate of 3.875%, maturing on 24 January 2031 under the Green Financing Framework and the Euro Medium Term Notes programme (EMTN) of € 5 billion, in line with the Base Prospectus supplemented on 13 January 2023. On 3 February 2023 Acea successfully completed the reopening of the Green bond issue carried out on 17 January 2023 (rate 3.875%, maturity 24 January 2031) for an amount of € 200 million (“TAP Issue”).

Bonds amounted to € 3,939,174 thousand at 31 December 2023 (€ 3,834,453 thousand at 31 December 2022) and refer to the following:

- **€ 498,028 thousand** (including the long-term portion of the costs associated with the stipulation) relating to the bond loan issued by Acea on 24 October 2016, maturing on 24 October 2026, with a fixed rate of 1% under the EMTN programme. Interest accrued during the period amounted to € 4,997 thousand;

- € 128,432 thousand relating to the Private Placement which, net of the Fair Value of the hedge, a negative € 32,909 thousand, amounted to **€ 161,342 thousand**. This fair value is allocated to a specific equity reserve. A suitable exchange reserve includes the exchange rate difference, a negative € 36,717 thousand, of the hedged instrument calculated on 31 December 2023. The exchange rate at the end of 2023 stood at € 155.72 against € 140.41 at 31 December 2022. Interest accrued during the period amounted to € 15,730 thousand. This is a private bond (Private Placement) for an amount of 20 billion Japanese Yen with a maturity of 15 years (2025). The Private Placement was underwritten entirely by a single investor (AFLAC). Coupons are paid on a semi-annual basis every 3 March and 3 September applying a fixed rate in Yen of 2.5%. At the same time, a cross currency transaction was carried out to transform the Yen currency into Euro and the Yen rate applied in a fixed rate in Euro. The cross currency transaction requires the bank to pay Acea, with a deferred semi-annual maturity, 2.5% out of 20 billion Japanese Yen, while Acea must pay the bank the coupons on a quarterly basis postponed to a fixed rate of 5.025%. The loan agreement and the hedging contract contain an option, respectively, for the investor and the agent bank, connected to the trigger rating: the debt and its derivative can be recalled in their entirety in the event that Acea's rating falls below the level of investment grade or in the event that the debt instrument loses its rating. At the end of the year the conditions for the possible exercise of the option did not occur;
- **€ 695,655 thousand** (including the long-term portion of the costs associated with the stipulation) relating to the bond loan issued by Acea on 8 February 2018, maturing on 8 June 2027, with a fixed rate of 1.5% under the EMTN programme. Interest accrued during the period amounted to € 10,484 thousand;
- **€ 496,811 thousand** (including the long-term portion of the costs associated with the stipulation) relating to the bond loan issued by Acea on 23 May 2019, maturing on 23 May 2028, with a fixed rate of 1.75% under the EMTN programme. Interest accrued during the period amounted to € 8,735 thousand;
- **€ 497,232 thousand** (including the long-term portion of costs associated with the conclusion) relating to the bond loan issued by Acea on 6 February 2020, maturing on 6 April 2029, with a rate of 0.50% under the EMTN programme. Interest accrued during the period amounted to € 2,495 thousand;
- **€ 299,902 thousand** (including the long-term portion of costs associated with the conclusion) related to the Green Bond issued on 28 January 2021, maturing 28 September 2025, with a rate of 0%;
- **€ 592,644 thousand** (including the long-term portion of costs associated with the conclusion) related to the Green Bond issued on 28 January 2021, maturing on 28 July 2030, with a rate of 0.25%. Interest accrued during the period amounted to € 1,498 thousand;
- **€ 697,561 thousand** (including the long-term portion of costs associated with the conclusion) related to the Green Bond issued on 24 January 2023, maturing on 24 January 2031, with a rate of 3.875%. Interest accrued during the period amounted to € 25,055 thousand.

The decrease compared to 31 December 2022 refers for € 599,513 thousand (including the long-term portion of the costs associated with the conclusion) relating to the reclassification into the short-term position of the bond issued by the Company on 15 July 2014, maturing on 15 July 2024, with a fixed rate, under the EMTN programme. Interest accrued during the year amounted to € 3,207 thousand.

The following is a summary including the short-term portion:

€ thousand	Gross payables *	FV hedging instrument	Interest accrued **	Total
Bonds:				
Issued in 2014	599,513	0	7,316	606,829
Private Placement issued in 2014	128,411	32,909	632	161,953
Issued in 2016	496,944	0	943	497,887
Issued in 2018	693,953	0	5,939	699,891
Issued in 2019	495,905	0	5,331	501,236
Issued in 2020	496,597	0	1,844	498,442
Issued in 2021	891,110	0	643	891,753
Issued in 2023	697,155	0	25,416	722,571
Total	4,499,588	32,909	48,064	4,580,562

* Including amortised cost.

** Including deferrals on hedging instruments.

Medium/long-term borrowings

These amount to € 431,095 thousand and show a reduction of € 31,107 thousand and represent the payable for the portion of the instalments not yet repaid at 31 December 2023 and expiring beyond twelve months. The reduction refers solely to the portions which have come due in line with the amortisation plan.

The main mortgages, whose values as at 31 December 2023 are

shown below including the short-term portions amount to a total of € 501,460 thousand and are described below:

- medium/long-term loan of € 200,000 thousand, signed by Acea SpA and the EIB in July 2014, to cover a portion of the requirements for the multi-year investment plan of Acea Ato2 SpA ("Acea Rome II Water Sector") and fully disbursed in December 2014. The interest rate is variable with maturity set for June 2030 in the amortisation plan. The residual amount of the

- loan at 31 December 2023 amounts to € 72,372 thousand;
- medium/long-term loan of € 200,000 thousand, signed by Acea SpA and the EIB in August 2015, to cover a portion of the requirements for the multi-year investment plan of areti SpA (“Acea Network Efficiency III”) and fully disbursed in May 2017. The interest rate is variable with maturity set for December 2030 in the amortisation plan. The residual amount of the loan at 31 December 2023 amounts to € 140,270 thousand;
 - medium/long-term loan of € 250,000 thousand, signed by Acea SpA and the EIB in July 2020, to cover a portion of the requirements for the multi-year investment plan of Acea Ato2

SpA (“Acea Rome III Water Sector”) and fully disbursed in June 2022. The disbursement was carried out in two equal tranches, one fixed and one floating rate, with identical amortisation plans in which the final maturity is June 2037. The residual amount of the loan at 31 December 2023 amounts to € 250,000 thousand.

The table below provides details of the loans by type of interest rate and by maturity. It must be noted that the table also shows the short-term portion by 31 December 2024 of € 31,952 thousand.

€ thousand	31/12/2023	By 31/12/2024	From 31/12/2024 to 31/12/2028	After 31/12/2028
Loans:				
- fixed rate	125,130	133	28,407	96,589
- floating rate	337,917	31,819	152,844	153,255
Total	463,047	31,952	181,251	249,844

For information on financial instruments at the reporting date please refer to the paragraph “Supplementary information on financial instruments and risk management policies”.

Acea Energia to Acea SpA. This was disbursed in a single amount with maturity 31 December 2031 and amortising repayment in six-monthly constant instalments. Below are details of the ageing, including the short-term portion.

Medium/long-term borrowings from subsidiaries

On 20 December 2021 a contract was concluded for a loan from

€ thousand	Total residual debt	By 31/12/2024	From 31/12/2024 to 31/12/2028	After 31/12/2028
Loans:				
- fixed rate	103,764	12,975	51,880	38,910
Total	103,764	12,975	51,880	38,910

IFRS16 financial payables

This item includes the financial payable deriving from the adoption of IFRS16, the long-term portion of which amounts to € 9,442

thousand. The short-term portion instead amounts to € 4,414 thousand. The cash flows broken down by maturity to which Acea is potentially exposed are shown below:

€ thousand	Within 12 months	Within 24 months	Within 5 years	Residual debt
IFRS16 liabilities	4,414	7,108	12,585	13,856

25. Other non-current liabilities – € 36,724 thousand

The item of € 36,724 thousand (€ 31,714 thousand at 31 Decem-

ber 2022) mainly includes the non-current portion of accrued expenses related to multi-annual user licences and development granted to subsidiaries and associates.

26. CURRENT LIABILITIES – € 1,228,413 thousand

These amounted overall to € 1,228,413 thousand and decreased overall by € 376,608 thousand.

€ thousand	31/12/2023	31/12/2022	Change
Current financial payables	974,896	572,824	402,073
Payables to suppliers	195,220	233,199	(37,980)
Tax payables	0	0	0
Other current liabilities	58,297	45,782	12,515
Current liabilities	1,228,413	851,805	376,608

26.a - Financial payables – € 974,896 thousand

These rose by € 402,073 thousand and are composed as follows:

€ thousand	31/12/2023	31/12/2022	Change
Payables to banks for short-term credit lines	74	91	(17)
Payables to banks for loans	31,952	39,258	(7,306)
Short-term bonds	641,387	316,965	324,422
Payables to the Parent Company Roma Capitale	111,306	108,466	2,840
Payables to subsidiaries and associates	185,718	102,887	82,831
Payables to third parties	45	655	(610)
IFRS 16 financial payables within one year	4,414	4,500	(87)
Current Financial Payables	974,896	572,824	402,073

The decrease of € 7,306 thousand in payables to banks for loans, includes € 7,509 thousand for the repayment of the EIB loan “Acea Rome Water Sector”, which was disbursed on 25 August 2008 and matured in 2023.

The short-term portion for bonds increased by € 324,422 thousand following the reclassification to the short-term portion of the 10-year bond issued by Acea under the EMTN programme in 2014 (+€ 600,000 thousand) partially offset by the repayment of the 5-year bond issued by Acea under the EMTN programme in February 2018, which matured in the first few days of February 2023 (-€ 300,000 thousand).

Financial payables due to Roma Capitale increased by € 2,840 thousand, mainly due to the combined effects of offsetting/payments of € 44,380 thousand as well as the recognition of new debt for Acea share dividends in financial year 2022 for € 46,160

thousand (note that in June 2023 on the coupon detachment date, Roma Capitale was paid 50% of the dividend for the year, for € 46,160 thousand).

The changes concerning payables to subsidiaries and associates, which increased by € 82,831 thousand, essentially refer to centralised treasury relationships due to the greater financial exposure recorded during the year with reference to Acea Energia. Other financial payables include, beyond the short-term portion and instalments relative to the loan provided to Acea SpA by Acea Energia, the interest payment due for centralised relationships which increased (the latter +€ 2,863 thousand with respect to 31 December 2022).

The following is a breakdown by type of debt due to investee companies:

€ thousand	31/12/2023	31/12/2022	Change
Payables for cash pooling relationships	169,562	89,862	79,700
Other financial payables	16,156	13,026	3,130
Payables to subsidiaries and associates	185,718	102,887	82,831

This item includes the short-term portion of IFRS 16 financial payables, equal to € 4,414 thousand (€ 4,500 thousand at 31 December 2022).

26.b - Trade payables – € 195,220 thousand

Results are as follows.

€ thousand	31/12/2023	31/12/2022	Change
Payables to suppliers	91,127	129,040	(37,913)
Payables to the parent company	182	182	0
Payables to subsidiaries and associates	103,910	103,977	(67)
Payables to suppliers	195,220	233,199	(37,980)

Payables to third-party suppliers show a decrease of € 37,913 thousand and the balance is shown below:

€ thousand	31/12/2023	31/12/2022	Change
Payables due to invoices received	38,710	75,934	(37,224)
Payables due to invoices to be received	52,417	53,106	(689)
Payables to suppliers	91,127	129,040	(37,913)

With regard to payables to suppliers for invoices received for € 38,710 thousand, it must be noted that the expired component amounts to € 9,948 thousand, the remaining amount is due within the next twelve months.

Relative to relations with **Subsidiaries and associates**, note a €1,487 thousand increase with respect to 31 December 2022, essentially relative to areti for fees relative to the Public Lighting service. Details by counterparty are provided in the following table:

€ thousand	31/12/2023	31/12/2022	Change
Acea Ato2	680	795	(116)
Acea Ato5	57	68	(11)
Acea Energia	8,358	12,490	(4,132)
Acea Produzione	36	58	(22)
areti	95,723	89,950	5,774
Acea Infrastructure	186	166	20
Acea Ambiente	77	48	29
GORI	89	44	45
Ecogena	30	25	5
Gesesa	48	48	0
Other	179	284	(105)
Total	105,464	103,977	1,487

26.c - Other current liabilities – € 58,297 thousand

The increase of € 12,515 thousand is due for € 7,067 thousand to the short-term portion of accrued expenses relative to multi-year

rights of use for licenses and developments granted to subsidiaries and associates.

€ thousand	31/12/2023	31/12/2022	Change
Payables to social security institutions	3,952	3,877	75
Accrued expenses and deferred income	19,421	12,812	6,609
Tax consolidation payables to subsidiaries	9,933	9,120	813
Payables due to personnel	13,608	10,211	3,398
Payables to Equitalia	61	61	0
Other current liabilities	11,321	9,701	1,620
Other current liabilities	58,297	45,782	12,515

For greater clarity, it must be noted that payables with a due maturity of more than five years are not recorded in the financial state-

ments, other than those already indicated with respect to the item "Loans".

RELATED PARTY TRANSACTIONS

ACEA AND ROMA CAPITALE

The controlling entity holds an absolute majority with 51% of Acea's shares.

There are commercial relations between Acea and Roma Capitale, as the company provides services to the Municipality with regard to maintenance and upgrading of public lighting systems.

With regard to the public lighting service, we inform you that it is provided exclusively in the Rome area. As part of the thirty-year free grant issued by the Municipality of Rome in 1998, the economic terms of the services subject to the concession are currently governed by a service contract between the parties in force since May 2005 and until the concession expires (31 December 2027), pursuant to the supplementary agreement signed between Acea and Roma Capitale on 15 March 2011 modified in June 2016 with a private deed aimed at regulating commitments and obligations deriving from the implementation of the LED Plan.

The additions of the supplementary agreement of 2011 concern the following aspects:

- alignment of the duration of the service contract to the expiry of the concession (2027), given the mere accession function of the contract to the agreement;
- periodic updating of the fee components related to electricity consumption and maintenance;
- annual increase in the lump-sum payment for the new lighting points installed.

Furthermore, the investments required for the service may be (i) applied for and funded by the Municipality or (ii) financed by Acea. In the former case, such works will be paid based on a price list agreed by the parties (and subject to review every two years) and will result in a percentage decrease in the ordinary fee. In the latter case, the Municipality is not bound to pay a surcharge; however, Acea will be awarded all or part of the savings expected in both energy and economic terms according to pre-established methods.

On the due or early termination date Acea is entitled to an indemnity corresponding to the residual book value of the assets that will be paid by the Municipality or the incoming operator upon express provision of this obligation in the call for tenders for the selection of the new operator.

Finally, the contract establishes a list of events which represent just cause for early revocation of the concession and/or termination of the contract by the parties. Of these events, that relative to newly arising requirements linked to the public interest appears relevant, expressly included under that established by article 23 bis of Italian Decree Law 112/2008, abrogated after the referendum of 12 and 13 June 2011, which determines for Acea the right to an indemnity commensurate with the discounted product of a defined percentage of the annual contractual amount and the number of years remaining until the natural expiry of the concession.

The supplementary agreement, exceeding the materiality thresholds defined by the Company in relation to Transactions with Related Parties, was submitted to the analysis of the Board of Directors and obtained approval at the meeting on 1 February 2011, after ob-

taining the favourable opinion by the Committee for Transactions with Related Parties.

Reciprocal claims and liabilities – with reference to payment methods and terms – are governed by individual contracts:

- a. for the public lighting service contract the payment is expected within sixty days from the submission of the invoice and, in the event of delayed payment, the legal rate is applied for the first sixty days and then the default rate as established from year to year by a special decree of the Minister of Public Works in agreement with that of the Minister of Economy and Finance;
- b. for all other service contracts the payment deadline for Roma Capitale with reference to service contracts is sixty days from receipt of the invoice and in the event of late payment, the parties have agreed to apply the official discount rate in force over time.

The private agreement signed in June 2016 between Acea and Roma Capitale regulated commitments and obligations deriving from the implementation of the LED Plan modifying art. 2.1 of the Supplementary Agreement signed in 2011.

More specifically, the agreement provides for the installation of 186,879 fittings (which became 182,556 at the request of Roma Capitale), in the number of 10,000 per month starting thirty days after the signing of the agreement; the price was set at € 48 million for the entire Led Plan. The amount is to be paid in the amount of 10% in advance and the remaining part on the basis of specific bimonthly progress certificates, which must be paid by Roma Capitale within thirty days following the closing of the progress certificate for 80%, and within fifteen days after verification of the same progress certificate for the remaining 15%. The agreement also provides for incentive/penalty mechanisms based on higher/lower than planned installations every two months and for a reduction of the fee paid by Roma Capitale to the extent of 50% of the economic value of Energy Efficiency bonds due to Acea for the LED Project. As a result of the implementation of the LED Plan, the parties partially modified the price list and the composition of the fee for the management of the service.

New constructions and investments contribute to the increase in the lump-sum payment due to the annual rate calculated according to the mechanism of tax depreciation envisaged for the plants underlying the specific intervention and to the percentage reduction of the ordinary rent due from Roma Capitale whose amount is defined in the technical-economic project document.

A variable interest rate is envisaged to remunerate the invested capital.

With regards the extent of the relationship between Acea and Roma Capitale, reference must be made to what has been explained and commented on receivables and payables to the parent company in note no. 19.c of this document.

Finally, note that with reference to the conditions applied to the Public Lighting Service, following the opinion given by the AGCM (Antitrust Authority) in Bulletin no. 49 of 14 December 2020, Roma Capitale began checking the conditions of congruity and economic convenience of the performance terms under the service

contract between the Administration and Acea SpA (and through it for areti) comparing it with the terms pursuant to the CONSIP Luce 3 Convention and, in addition, on the basis of the positions expressed by the AGCM in the said opinion, expressed queries over the legitimacy of the award to Acea SpA. On 8 February 2021, with a note ref. DG 1585/2021, Roma Capitale communicated the results of the said checks, affirming definitively “the congruity and convenience of the economic terms currently in being with respect to the qualitative and economic parameters of the CONSIP – LUCE 3 convention” and confirming “the correctness of the prices applied for the public lighting service”, overcoming definitively all reserves on the congruity of the prices charged in the context of the contractual relationship in being between Roma Capitale and Acea SpA. In the same note, the Administration therefore ordered the restart of the procedures for payment of Acea’s ascertained receivables in relation to the service contract. We can note that the said communication regards the correctness of the prices charged, without affecting the Administration’s intention, already manifested, to terminate the relationship with Acea to call for tenders and thus make a new award for the Public Lighting Service.

Note that on 11 August 2022, the City Executive Committee with resolution no. 312 entitled “Public and artistic-monumental public lighting service on the entire municipal territory – Concessionaire: Acea SpA – Recognition of the perimeter of the payable situation and launch of the consequent procedures” recognised the perimeter of the Administration’s payables to Acea/areti in relation to the Public Lighting service as of 31 December 2021.

This resolution was published on the institutional website of Roma

Capitale on 30 August 2022 and with reference to the same, dialogue is still in progress.

During 2023, specifically in September, the Acea Board of Directors, after receiving the opinion of the Related Party Transactions Committee, approved the proposal for a Settlement Agreement with Roma Capitale, to govern their reciprocal positions and the methods for the early consensual termination of the contractual relationships between the parties for the public lighting service provided by the company and for it by the subsidiary areti SpA.

At the same time, Roma Capitale also approved the draft Settlement Agreement in the City’s Assembly in December 2023.

With reference to the economic terms of this possible Settlement Agreement, substantially in line with the City Executive Committee resolution 312 of 11 August 2022, following the reciprocal renunciation by the parties, the agreement calls for the recognition of receivables due to Acea/areti from Roma Capitale for a total of around € 100.6 million. The economic and financial effects of the settlement, following the signing which had not yet occurred as of the reporting date, will not have significant effects as the company had already updated its estimates in previous financial statements utilising the criteria established in the relevant regulations. The effects of the possible settlement are not reflected in the 2023 financial statements, while awaiting the formal signing of the Agreement.

From the point of view of economic relations, instead, the costs and revenues at 31 December 2023 are summarised below with reference to the most significant transactions.

€ thousand	Revenues		Costs	
	2023	2022	2023	2022
Public Lighting service contract	42,756	49,157	78	78
Revenue from realisation plants on request	659	429	0	0
Total	43,415	49,585	78	78

ACEA AND THE ROMA CAPITALE GROUP

Even with companies, special companies or institutions controlled by Roma Capitale, Acea has commercial relations.

The following table shows information on entries with the companies of the Roma Capitale Group.

Roma Capitale Group € thousand	31/12/2023			
	Payables	Costs	Receivables	Revenues
Ama SpA	137	521	101	139
Fondazione Cinema per Roma	123	123	0	0
Fondazione Teatro dell’Opera	15	15	0	0
Total	276	659	101	141

ACEA AND ITS SUBSIDIARIES

Financial reports

Acea SpA, in its function as an industrial holding company, defines the strategic objectives at the Group and subsidiary level and coordinates its activities.

As part of the centralised management of financial services, the parent company Acea has long since adopted a Group inter-company treasury system, including an inter-company finance rela-

tionship, making it available to many Group companies with which a special multi-year inter-company finance contract was signed.

The intercompany finance contracts were renewed on 1 January 2020. Based on this contract, Acea makes available a medium-term revolving loan, known as the “Intercompany Finance Line”, up to a predetermined credit limit for financing the financial needs for (i) working capital requirements and (ii) the execution of investments. Additionally, Acea makes available to the companies: 1) a Guarantee Line to issue bank or corporate guarantees (on its own unse-

cured credit lines), for an amount equal to the Guarantee Limit; 2) an Insurance Guarantee Line to issue sureties with Acea co-obligated for an amount equal to the insurance guarantee limit.

The operation of this contract provides that in a permanent and daily manner each company, holder of specific peripheral bank current accounts, daily credit or debit the Parent Bank's current account to zero the balance on its current accounts.

In the case of a daily intercompany balance due by currency, the companies pay interest expense to the Parent Company calculated, for each year, on the basis of a market interest rate, defined as the sum of: Cost of funding, the average weighted interest rate paid by the Acea Group on the market the previous year and Incremental Risk, the risk differential between the Acea Group and individual companies participating in the contracts. For 2023, the interest rate applied falls between a minimum of 2.06% and a maximum of 3.59%, while in 2022, the rate applied fell between a minimum of 1.82% and a maximum of 2.73%.

In the case of a daily intercompany credit balance by currency, Acea recognises calculated interest rates for each quarter by applying the interest rate resulting from the arithmetic average of the "3 month EURIBOR" rates (source Bloomberg) in the previous quarter.

Contractual terms applied are, with the same credit standing and type of financial instrument, in line with those resulting from the reference market, also supported by the evidence of a benchmark developed by a leading consulting firm.

The contracts have:

- a duration of 30 years or until the expiry of concessions for companies with regulated business (Acea Ato2 and areti);
- annual updating of the total rate for use of the Intercompany Finance Line, based on the calculation methodology shared with a major consulting firm;
- annual updating of the total rate for use of the Guarantee Line, based on the calculation methodology shared with a major consulting firm.

In 2023, the corporate scope of the current Treasury Contracts expanded to include Orvieto Ambiente Srl. This contract is set to expire on 31/12/2050, in line with those of the other companies.

ACEA AND THE MAIN COMPANIES OF THE CALTAGIRONE GROUP

As of the end of financial year 2023, there were the following financial relationships with the companies of the Caltagirone Group and Acea SpA.

€ thousand	31/12/2023			
	Payables	Costs	Receivables	Revenues
Piemme SpA - Concessionaria di Pubblicità SpA	241	214	0	0
Vianini Lavori SpA	1,500	0	0	0
Total	1,741	214	0	0

Commercial relationship

Acea also provides subsidiaries and associated companies with administrative, financial, legal, logistics, management and technical services in order to optimise the resources available within the Company and to optimally use existing know-how in a logic of affordability. These services are governed by specific service contracts.

As of 1 January 2023, and for three years, the new service contracts for 2023-2025 took effect. The methodology used to determine the unit price is the Cost Plus Method, which calls of the identification of a shared base cost, to which is applied a mark-up on internal costs (subject to market benchmarks by a major consulting company) and, subsequently, divided up between the various beneficiaries of the services through allocation keys which are compliant and consistent, in line with what third parties would do. These contracts are compliant for regulatory purposes and of the Organisation, management and control model and envisage SLAs (Service Level Agreements) with a view to improving the level of service offered, to relate to relevant KPIs (Key Performance Indicators).

As of 1 January 2022, replacing the Template project "communion" system, Acea and its subsidiaries signed a new contract for Acea to supply assets and IT services from a specific catalogue, ranging from supplying software licenses and developments relative to which Acea transfers multi-year user rights through a license, to sales of hardware infrastructure. As part of this contract, Acea manages the operating, application management and maintenance of software and hardware falling under the contract and IT security services.

In any case, a portion of the Template contract is still operational for a residual portion of the "communion" that is still undivided.

Finally, during 2022 Acea continued to develop a series of software programmes made available to certain companies through the signing of specific contracts providing for a consideration user licences and the related maintenance release and ordinary maintenance services.

The contractual terms applied are, for the same type of service rendered, in line with those resulting from the market.

ACEA AND THE MAIN COMPANIES OF THE SUEZ GROUP

As of the end of financial year 2023, there were no economic or equity items with Suez Italia SpA, which is now incorporated into Suez International and Acea SpA.

The table below shows the impact of transactions with related parties on the statement of financial position, the income statement and the cash flow statement.

Impact on the statement of financial position

€ thousand	31/12/2023	Of which related party transactions	Impact	31/12/2022	Of which related party transactions	Impact
Non-current financial assets	3,871,050	3,864,548	100%	3,547,241	3,538,039	100%
Trade receivables	169,178	168,584	100%	149,229	148,311	99%
Other current assets	68,030	35,316	52%	52,764	17,615	33%
Current financial assets	897,531	559,940	62%	667,283	472,146	71%
Borrowings and financial liabilities	(4,470,502)	(90,790)	2%	(4,404,759)	(103,760)	2%
Other non-current liabilities	(36,724)	(36,148)	98%	(31,714)	(31,115)	98%
Current financial payables	(974,896)	(297,024)	30%	(572,824)	(211,354)	37%
Payables to suppliers	(195,220)	(104,413)	53%	(233,199)	(104,651)	45%
Other current liabilities	(58,297)	(30,681)	53%	(45,782)	(21,753)	48%

Impact on the economic results

€ thousand	2023	Of which related party transactions	Impact	2022	Of which related party transactions	Impact
Revenue from sales and services	189,815	189,815	100%	191,611	191,604	100%
Other revenue and income	15,223	9,630	63%	18,803	8,926	47%
Costs of materials and overhead	161,797	59,105	37%	185,120	67,661	37%
Financial income	114,153	100,121	88%	89,303	87,163	98%
Financial charges	(111,455)	(6,785)	6%	(67,576)	(1,633)	2%
Profit/(Loss) on equity investments	265,471	265,471	100%	258,169	258,169	100%
Income tax	(14,478)	0	0%	(11,506)	(100,588)	874%

Impact on the cash flow statement

€ thousand	2023	Of which related party transactions	Impact	2022	Of which related party transactions	Impact
Cash flow from operating activities	(71,509)	(294,756)	412%	(24,486)	(39,918)	163%
Cash flow of asset investment/disinvestment	(253,327)	(148,727)	59%	63,457	515,006	812%
Cash flow from financing activities	165,387	(75,393)	-46%	(180,591)	(34,350)	19%

LIST OF TRANSACTIONS WITH RELATED PARTIES

During 2023, a major transaction was approved between Acea and Roma Capitale, relative to the signing of a settlement agreement which involves (i) the early consensual termination of contractual relations relative to the public lighting management ser-

vice entrusted to Acea by Roma Capitale and the free use of state property in favour of the former, as well as (ii) the definition, with an eye to settlement, of debtor items inherent to the aforementioned service.

UPDATE ON MAJOR DISPUTES AND LITIGATION

ACEA SPA - MILANO '90

This issue concerns the failure to pay sums due for the balance of the sale price of the area in the Municipality of Rome with access from via Laurentina No. 555, formalised with a deed dated 28 February 2007 and with a subsequent supplementary deed of 5 November 2008. With the said supplementary deed, the parties agreed to change the fee from € 18 to € 23 million, while eliminating the earn out, setting 31 March 2009 as the payment deadline. Given the purchaser's failure to act, the procedure to collect the amounts due was initiated by preparing a notice pay addressed to Milano '90 and through application for an injunction order which, on 28 June 2012, was granted in a temporarily enforceable form. Therefore, in November 2012, Acea served a garnishment order to the company Milano '90 for the forced recovery of the amounts claimed. Milano '90 opposed the aforementioned injunction — also requesting the condemnation of Acea for the restitution of sums paid as a price and compensation for damages — obtaining the suspension of its provisional execution. Consequently, the enforcement procedure was in turn suspended.

By judgement no. 3258, published on 13 February 2018, the Court of Rome rejected the opposition and confirmed the court order in full, sentencing Milano '90 to pay for the costs of the dispute.

Appeal Decision

On 26 April 2018, Milano '90 appealed, and with a decision issued 23 June 2022, the Court of Appeal of Rome fully confirmed the sentence of the first instance judge and sentenced the counterparty to pay the litigation costs.

With an appeal to the Court of Cassation notified on 21 September 2022, Milano '90 appealed the decision issued by the Rome Court of Appeal. Acea SpA filed a cross-appeal by the deadline and is waiting for the date of the hearing to be set.

Executive procedure

Following the favourable ruling of first instance, on 27 March 2018 Acea filed the application for resumption of the executive procedure in relation to Milano '90 and the third parties attached. Following the opposition proceedings brought by the third-party garnishee, on 25 March 2022 the sums assigned to Acea were paid. An appeal to the Court of Cassation by the third-party garnishee is now pending. The date for the hearing has not yet been set.

ACEA SPA - FORMER COS RULINGS

The COS dispute concerns the ascertainment of the illegality of the contract between ALMAVIVA Contact (formerly COS) and Acea and the consequent right of its workers to be recognised as having a subordinate employment relationship with Acea.

It should be noted that the majority of the cases in which Acea was unsuccessful were settled, and that of the six claimants only two were brought before the Court of Cassation by Acea to assess the existence of a claim (the assessment of the right to establish a relationship). These judgements were settled by dismissal orders — made on 2 and 10 July 2019 — of Acea's application. The establish-

ment of the employment contract between Acea and the opposing parties as from 2004 is therefore confirmed.

The claimants — who have claimed the remuneration differences for lack of performance — have therefore started to work concretely starting from February 2020.

Quantification judgements

Based on the above-mentioned judgements concerning the *an debeat*, the six workers who won their cases (i.e. with whom a subordinate employment relationship with Acea was established) have over time initiated actions quantifying their claims, requesting the company to pay the wages due as a result of the established relationship and regarding different periods of accrual of the receivables. Below, specifically.

Salary differences in relation to the period 2008/2014. In 2015, six separate quantification judgements were introduced by the aforementioned workers in relation to the wage differences matured between 2008 and 2014. The judge, having gathered the appeals, rejected them with a sentence of 3 June 2015 against which an appeal was lodged by the counterparties.

In December 2020 conciliation of the dispute with one of the six workers was reached, while the appeal, continued for the other 5 applicants, ended with a partially unfavourable sentence handed down on 26 October 2022, as a result of which Acea paid, subject to repetition, the amounts due by way of wage and social security differences as well as interest and monetary revaluation.

Acea appealed to the Supreme Court against this ruling, currently awaiting a hearing.

Salary differences in relation to the period 2014/2019. In the years 2020 and 2022, four workers were notified as many monitoring judgements aimed at also obtaining the wages not received in relation to the 2014-2019 time segment.

With reference to the injunctions received in 2020, after the opposition to the same was rejected, the workers' requests were accepted. In April 2022, Acea paid the salary differences and ancillary costs, reserving the right of reimbursement, and also filed an appeal which is still pending.

With regard to the appeals made in 2022, both sets of proceedings have been opposed. In a judgement dated 4 April 2023, Acea was ordered to pay the salary differences which were settled, reserving the right of reimbursement. The rulings have been appealed with the Rome Court of Appeal and the hearings have been set for 26 April and 10 May 2024.

Finally, note the introduction in July 2022 of an appeal pursuant to art. 414 c.p.c. by a fifth worker, whose requests were granted in a decision issued in December 2022. The ruling on the appeal proceedings started by Acea is still pending, with the next hearing set for 4 April 2024.

ACEA SPA - MUNICIPALITY OF BOTRICELLO

In 1995, the Municipality of Botricello transferred management of its integrated water service to a temporary grouping of businesses, which later established itself as a consortium, known as Hydreco

Scarl. In 2005, the Municipality sued, in the Court of Catanzaro, the company Hydreco Scarl and its component companies, including Sigesa SpA (which transferred its rights to Acea SpA), to obtain reimbursement of the fees due for administration for the period from 1995-2002, quantified in the amount of € 946,091.63, plus damages, interest and revaluation.

The companies disputed the Municipality's claim and filed a counter-claim for non adjustment of tariffs and loss of earnings due to the early revocation of the service. During the case an expert was called upon, who recognised a balance due to the Municipality of around € 230 thousand. Nonetheless, the Court, with judgement 1555 of 29 October 2015, ordered the companies to jointly pay € 946,091.63, plus interest and revaluation of the payable accrued, rejecting the counter-claims. The losing parties filed separate appeals and, with an ordinance of 27 March 2018, the Catanzaro Court of Appeals suspended execution of the appealed judgement, based on the validity of the arguments made in the appeal document. However, with judgement 677 of 6 June 2020, the appeals were rejected.

Acea has filed an appeal with the Court of Cassation. The hearing was held on 21 December 2023 and the decision of the Supreme Court has not yet been issued.

ACEA SPA AND ARETI SPA - MP 31 SRL (FORMERLY ARMOSIA MP SRL)

This is an opposition proceeding filed against the injunction issued by the Court of Rome against areti, in the amount of € 226,621.34, requested by Armosia MP by way of lease payments for the months of April-May-June of 2014 in relation to the property in Rome - Via Marco Polo 31. The injunction was declared provisionally enforceable by order of 8 July 2015.

In the hearing on 17 February 2016, the Judge adjoined this case with the other pending before the Court of Rome, taken by Acea and areti (transferee of the lease contract) in order to obtain the termination of the lease contract. In this latter case, MP 31 has also filed an unconventional remand for compensation for the damages incurred in consideration of the degrading condition of the building when it was released by areti. With a sentence dated 27 November 2017 the Court upheld the application of MP 31 against areti, condemning it to the payment of the previous rent in the amount of € 2,759,818.76 plus interest from the individual deadlines, as well as the payment of the rent up to contract expiry (29 December 2022). As a result, there are no further charges to the company. Acea filed an appeal, served on 2 January 2018.

The hearing to discuss the appeal judgement has been postponed several times and is currently set for 19 September 2024.

ACEA SPA AND ACEA ATO2 SPA - CO.LA.RI.

With a writ of summons served on 23 June 2017, the Consortium Co.La.Ri. and E. Giovi Srl — respectively the manager of the Malagrotta landfill (prov. Rome) and the executor — summoned Acea and Acea Ato2 to obtain payment for the portion of the tariff for accessing the landfill, to be allocated to cover the thirty-year costs to manage the same, as established in Italian Legislative Decree 36/2003, alleged to be due for the depositing of waste during the contractual period from 1985-2009.

The main request stands at over € 36 million for the entire period of contract validity. Subordinately, in the event that the law disposing

the tariff is considered by the judge to be applicable retroactively, the plaintiffs request the recognition of the right to receivables of approximately € 8 million for the period March 2003 - 2009, and the ascertainment, by expert appraisal, of the receivables for the previous period 1985-2003.

The first hearing, initially set for 23 February 2018, was postponed to 8 October 2018 to add the dispute against the Optimal Territorial Area Authority 2 Central Lazio - Rome.

The hearing for the clarification of the conclusions was set for 22 March 2021 and, on that occasion, the judge, taking into account the pleas made by the parties, granted further postponements for the same impending. At the subsequent hearing on 26 April 2022, the Judge took the parties' requests under advisement and with a provision issued on 19 December 2023, lifting the reservation adopted, ordered a new investigation of the case and the appointment of a court-appointed expert. The hearing for the swearing in of the expert was held on 12 February 2024 and on the same occasion the date of 6 March was set for the start of the investigation. Another hearing was also set for 14 March for cross-examination and oral arguments.

GALA'S SUMMONS TO ARETI, ACEA ENERGIA AND ACEA

By means of a summons served in March 2018, GALA requested the Court of Rome to declare the invalidity of some clauses of the transport contract stipulated with areti in November 2015 and the consequent invalidity/ineffectiveness of the termination of the contract by areti, ordering the latter to pay the corresponding damage, for a total of over € 200 million.

GALA also asked the court to find that the conduct of Areti and the other defendants (Acea and Acea Energia) amounted to unfair competition and/or abuse of dominant position, and that they be ordered to pay damages.

The defendants filed an appearance by the legal deadline, rejecting the adverse party's claims and asking that they be dismissed.

In addition, as a counter-claim, Areti has requested to declare the contract legitimately terminated, as well as to ascertain and declare the non-fulfilment of GALA of the payment and guarantee obligations assumed under the transport contract with consequent order to pay the related amount, plus interest and without prejudice to the additional amounts being accrued.

In a judgement dated 15 June 2023, in accepting the defence arguments of areti, Acea SpA and Acea Energia, the Court of Rome dismissed all the arguments made by GALA and upheld the counter-claim of areti, declaring the transport contract terminated and ordering GALA to pay the sums requested as compensation in the counter-claim, plus interest. The company was also ordered to reimburse Acea, Areti and Acea Energia for the cost of the proceedings.

Both areti (limited to a marginal aspect) and Gala have filed an appeal against this judgement.

Following the payment, the judgement will be resolved pursuant to articles 181 and 309 of the Code of Civil Procedure.

ACQUE BLU FIORENTINE SPA VS. PUBLIACQUA SPA AND OTHERS

Publiacqua S.p.A is a public/private company that operates the integrated water service in Tuscany through a concession, ATO no. 3

Medio Valdarno. It is 60% held by the municipalities making up the ATO in question and 40% by Acque Blu Fiorentina SpA (ABF), in which, in turn, Acea SpA holds a 75% stake. Publiacqua's concession is in effect until 31 December 2024.

Relations between ABF, a private shareholder, and the public shareholders, have been governed over time not just by the articles of association but also through shareholders' agreements which dictate the governance of the company and called for, to protect the public shareholders, special rules in the case of a decision making deadlock, which may provide the possibility of exercising a purchase option relative to the private shareholders' shares.

Aiming at regional consolidation of public services, starting in 2020 certain Tuscan businesses established the Tuscan multi-utility Alia Servizi Ambientali. In this context, the public shareholders of Publiacqua began a series of actions intended to remove the shareholder ABF from Publiacqua's shareholding structure, which culminated in the annulment of the shareholders' agreement. This led to a series of disputes, some filed with urgency.

While awaiting the rulings against the actions carried out by the public shareholders, the latter:

- i) transferred the shares held by various municipalities in favour of the multi-utility Alia Servizi Ambientali, which in this way became a shareholder of Publiacqua;
- ii) invoked the "decision making deadlock" with reference to the shareholders' agreement and gave notification that it would exercise its purchase option for the Publiacqua shares held by ABF.

At present, in particular in terms of the second point, the case filed by ABF is still pending with the Court of Florence, which summoned Publiacqua and its public shareholders with the intent of declaring the illegitimacy of the request intended to force ABF to transfer to the public shareholders the stake held by ABF in Publiacqua's share capital. The first hearing, to allow the summons of additional parties, was most recently postponed to 16/11/2023. Following that hearing, the judge granted the parties the deadlines pursuant to article 183, paragraph 6, Code of Civil Procedure and set a hearing for 21/3/2024.

ACQUE BLU ARNO BASSO SPA VS. ACQUE SPA AND OTHERS

Acque SpA is a public/private company that operates the integrated water service in Tuscany through a concession, ATO no. 2 Basso Valdarno. It is 55% held by the municipalities making up the ATO in question, with the remaining 45% held by Acque Blu Arno Basso SpA (ABAB), in which, in turn, Acea SpA holds a 86% stake. Acque's concession is in effect until 31 December 2031.

Relations between ABAB, a private shareholder, and the public shareholders, have been governed over time not just by the articles of association but also through shareholders' agreements which dictate the governance of the company and called for, to protect the public shareholders, special rules in the case of a decision making deadlock, which may provide the possibility of exercising a purchase option relative to the private shareholders' shares.

Back in 2019, the public shareholders formerly annulled the shareholders' agreements and in July 2021 formalised the exercising of the purchase option.

ABAB consequently began a series of legal actions to protect its interests, with the aim of preventing the transfer to the public shareholders of ABAB's equity investment in Acque.

In the context of the case, the public shareholders filed a request to appoint an arbitrator pursuant to article 1349 of the Civil Code, to determine the price due in the case the disputed option right were to be exercised. Following the filing of the preliminary pleadings, the judge (i) appointed the arbitrator; (ii) requested a court-appointed expert to determine the price in the case one was not identified by the third party; (iii) set an attempt for conciliation.

The dispute, after the filing of the consultation and clarification documents provided by the court-appointed expert, the hearing on 11/12/2023 was postponed for the hearing for final arguments on 1/7/2024.

The Directors consider that the settlement of the ongoing dispute and other potential disputes should not create any additional charges for Acea, with respect to the amounts set aside. These allocations represent the best estimate possible based on the elements available today.

ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

CLASSES OF FINANCIAL INSTRUMENTS

The following table shows the breakdown of financial assets and liabilities required by IFRS 9 based on the categories defined by IAS 39.

€ thousand	FVTPL	FVTOCI	Amortised cost	Balance sheet value	Explanatory Notes
Non-current assets	7,351	0	3,871,050	3,878,401	
Other equity investments	7,351	0	0	7,351	16
Total financial assets	0	0	3,871,050	3,871,050	18
Current assets	0	0	1,093,647	1,093,647	
Total trade receivables	0	0	169,178	169,178	20
Total current financial assets	0	0	897,531	897,531	20
Other current assets	0	0	26,937	26,937	20
Non-current liabilities	0	161,342	4,299,718	4,461,060	
Bonds	0	161,342	3,777,833	3,939,174	24
Medium/long-term borrowings	0	0	521,885	521,885	24
Current liabilities	0	0	1,194,645	1,194,645	
Short-term bonds	0	0	641,387	641,387	26
Payables to banks	0	0	32,026	32,026	26
Other financial payables	0	0	297,069	297,069	26
Payables from commodity derivatives	0	0	0	0	26
Total trade payables	0	0	195,220	195,220	26
Other liabilities	0	0	28,943	28,943	26

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of securities not listed on an active market is determined using the valuation models and techniques prevailing on the market or using the price provided by several independent counterparties.

The fair value of medium / long-term financial receivables and payables is calculated on the basis of the risk-less and risk-less adjusted rates. It must be noted that for trade receivables and payables with contractual expiry within the financial year, the fair value has not been calculated as their book value approximates the same.

In addition, fair value is not calculated when the fair value of financial assets and liabilities cannot be objectively determined.

TYPES OF FINANCIAL RISKS AND RELATED HEDGING ACTIVITIES

Foreign exchange risk

Acea is not particularly exposed to this type of risk which is concentrated on the conversion of the financial statements of foreign subsidiaries.

As regards the 20 billion Yen Private Placement, the exchange rate risk is hedged through a cross currency swap described in the section on interest rate risk.

Liquidity risk

Acea's liquidity risk management policy is based on ensuring the availability of significant bank lines of credit. Such lines exceed the average requirement necessary to fund planned expenditure and enable the Group to minimise the risk of extraordinary outflows. In order to minimise liquidity risk, the Group has adopted a centralised treasury management system, which includes the most important Group companies, and provides financial assistance to the companies (subsidiaries and associates) not covered by a centralised finance contract.

At 31 December 2023 the Parent Company has uncommitted credit lines of € 425 million, of which € 21 million utilised. In the event of the drawdown of these types of facilities, Acea would pay an interest rate equal to the Euribor at one, two, three or six months (depending on the chosen period of use), in addition to a spread that, in some cases, may vary according to the rating assigned to the parent company. Acea also has committed revolving lines for € 700 million, with an average maturity of around 2.9 years. No guarantees were granted in obtaining these lines.

Additionally, on 6 July 2023 Acea signed the contract for the first tranche of € 235 million from the EIB loan to support a portion of the Acea Ato2 investments (Acea Water Sector IV), not utilised at 31 December 2023. At the end of the year the Parent Company has commitments in short-term deposit transactions for an amount of € 330 million.

Please note that the EMTN Programme approved and established in 2014 for an initial amount of € 1.5 billion, adjusted upwards for a total of € 5 billion in 2021, was available in a residual amount of € 600 million at 31 December 2023. In 2023, Acea placed bonds for a total of € 700 million.

Interest rate risk

The Acea Group's approach to managing interest rate risk, which takes the structure of assets and the stability of the Group's cash flows into account, has essentially been targeted, up to now, at hedging funding costs and stabilising cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving from ordinary activities.

The Group's approach to managing interest rate risk is, therefore, prudent and the methods used tend to be static in nature.

In particular, for static management (to be opposed to the dynamic one) we mean a type of management of interest rate risk that does not provide for daily operations on the markets but an analysis and control of the position carried out periodically on the basis of specific needs. This type of management therefore involves daily activity in the markets, not for trading purposes but in order to hedge the identified exposure in the medium/long term.

Acea has, up to now, opted to minimise interest rate risk by choosing a mixed range of fixed and floating rate funding instruments.

As it is known, fixed rate funding protects a borrower from cash flow risk in that it stabilises the financial outflows in the income statement, whilst heightening exposure to fair value risk in terms of changes in the market value of the debt.

An analysis of the consolidated debt position shows that the risk Acea is exposed to is mainly in the form of fair value risk, being composed of hedged fixed rate borrowings (93%) as at 31 December 2023, and to a lesser extent to the risk of fluctuations in future cash flows.

Acea is consistent with its decisions regarding interest rate risk management that essentially aims to both control and manage this risk and optimise borrowing costs, taking account of Stakeholders' interests and the nature of the Group's activities, and based on the prudence principle and best market practices. The main objectives of these guidelines are as follows:

- identifying, from time to time, the optimal combination of fixed and variable rates;
- to pursue a potential optimisation of borrowing costs within the risk limits established by governance bodies and in accordance with the specific nature of the business;
- to manage derivatives transactions solely for hedging purposes, should Acea decide to use them, in respect of the decisions of the Board of Directors and, therefore, the approved strategies and taking into account (in advance) the impact on the income statement and Statement of Financial Position of said transactions, giving preference to instruments that qualify for hedge accounting (typically cash flow hedges and, under given conditions, fair value hedges).

A cross currency plain vanilla swap operation is in being as of 31 December 2023 on Acea. This was entered into in 2010 to transform into euro the currency of the Private Placement (yen) and the yen rate applied into a fixed rate in euro.

The derivative instrument contractualised by Acea listed above is of the non-speculative type and the fair value, calculated according to the bilateral method, is a negative € 32.9 million (a negative € 18.0 million at 31 December 2022).

The fair value of medium/long-term debt is calculated on the basis of the risk-free and the risk-adjusted interest rate curves.

€ thousand	Amortised cost (A)	Risk-less FV (B)	Delta (A - B)	risk adjusted FV (C)	Delta (A - C)
Bonds	4,580,562	4,470,918	109,644	4,346,761	233,801
- fixed rate	125,130	121,727	3,402	114,390	10,740
- floating rate	337,917	360,599	(22,682)	347,287	(9,370)
Total	5,043,609	4,953,244	90,364	4,808,437	235,172

This analysis was also carried out with the risk adjusted curve, i.e. a curve adjusted for the level of risk and the business sector of Acea. A curve populated with fixed rate bonds denominated in Euro, issued by domestic companies in the public utilities sector with a composite rating ranging from BBB+ and BBB- was used.

A sensitivity analysis has been carried out on medium/long-term financial liabilities using stress testing, thus applying a constant spread over the term structure of the «risk adjusted» interest rate curve.

This makes it possible to evaluate the impact on fair value and on future cash flows for both the individual instruments in the portfolio and the overall portfolio.

The following table shows the overall fair value changes of the debt portfolio based on parallel shifts (positive and negative) between -1.5% and +1.5%

Constant spread applied	Changes in present value (€ million)
(1.5%)	(422.0)
(1.0%)	(313.8)
(0.5%)	(209.0)
(0.25%)	(157.9)
n.s.	0.0
0.25%	(57.9)
0.50%	(9.1)
1.00%	86.2
1.50%	178.7

With regard to the type of hedging of which the fair value is determined and with reference to the hierarchies required by the IASB, it should be noted that, since these are composite instru-

ments, the level is type 2 and that during the period there were no reclassifications from or to other levels of fair value as defined by IFRS 13.

COMMITMENTS AND CONTINGENCIES

These amounted to € 867,680 thousand and increased by € 57,080 thousand compared to 31 December 2022 (€ 810,600 thousand).

ENDORSEMENTS AND SURETIES ISSUED AND RECEIVED

These have a negative net balance of € 25,206 thousand, as the endorsements and sureties issued amounted to € 25,763 thousand while those received amounted to € 50,969 thousand.

These saw an increase of € 4,133 thousand compared to the end of the previous year. The change is mainly due to the issue of bank sureties in favour of INPS as part of the isopension programme, for € 2,051 thousand, and the issue of two supplementary bank sureties with respect to those in place, associated with the operation of the water service and pumping stations for the city of Lima, for a total of € 1,974 thousand.

LETTERS OF PATRONAGE ISSUED AND RECEIVED

The balance is positive for € 638,333 thousand, consisting of letters of patronage issued for € 638,536 thousand and letters of patronage received for € 203 thousand.

During the year they underwent an overall decrease of € 51,404 thousand.

The main changes concerned:

- the net increase in guarantees given to various traders in favour of Acea Energia for € 45,676 thousand (of which € 69,000 in new issues and € 23,324 thousand released);
- the decrease in the guarantee in favour of CDP (€ 25,734 thousand) on the account of areti;
- the overall increase in guarantees in favour of various companies in compliance with the obligations established in electricity transport contracts on the account of Acea Energia, for a total of approximately € 17,380 thousand;
- the issue of a € 9,003 thousand guarantee in favour of Acea Energia in the interests of Gesesa, to cover trade receivables for which payment terms were extended;
- the issue of a € 1,900 thousand guarantee in favour of Edison Energia SpA in the interest of Ecogena to cover the obligations established in a natural gas supply contract;
- the € 681 thousand increase in the guarantee provided in the interest of Acea Ato5 in favour of UniCredit to adjust the unsecured credit line granted to Acea Ato5 by the Bank.

THIRD-PARTY ASSETS UNDER CONCESSION

These amount to € 86,077 thousand and have not changed since 31 December 2022 and refer to assets related to Public Lighting.

RESOLUTIONS REGARDING THE RESULT FOR THE YEAR AND THE DISTRIBUTION TO SHAREHOLDERS



Dear Shareholders,

In inviting you to approve the financial statements we are submitting to you, we propose to allocate the profit for the year ended 31 December 2023, equal to € 202,961,039.38, as follows:

- € 10,148,051.97, equal to 5% of profit, to the legal reserve;
- distribution of a total dividend of € 187,042,158.16 to shareholders, corresponding to a dividend of € 0.88 per share;
- € 5,770,829.25 carried forward.

The total dividend (coupon no. 25) of € 187,042,158.16, equal to € 0.88 per share, will be paid starting from 26 June 2024 with coupon detachment on 24 June and record date 25 June.

On the date of approval of the financial statements, treasury shares amounted to no. 416,993.

Acea SpA

The Board of Directors

ANNEXES TO THE EXPLANATORY NOTES OF WHICH THEY FORM AN INTEGRAL PART



**ANNEX 1:
FINANCIAL DEBT AT 31 DECEMBER
2023**

**ANNEX 2:
CHANGES OF INVESTMENTS
AT 31 DECEMBER 2023**

**ANNEX 3:
SIGNIFICANT NON-RECURRING
TRANSACTIONS PURSUANT TO
CONSOB RESOLUTION NO. 15519
OF 27 JULY 2006**

**ANNEX 4:
POSITIONS OR TRANSACTIONS
DERIVING FROM UNUSUAL AND/OR
ATYPICAL OPERATIONS**

**ANNEX 5:
SEGMENT INFORMATION (IFRS8)**

ANNEX NO. 1 – FINANCIAL DEBT AT 31 DECEMBER 2023

€ thousand	31/12/2023	Of which related party transactions	31/12/2022	Of which related party transactions	Change
A) Cash	140,470	0	299,918	0	(159,448)
B) Cash equivalents	0	0	0	0	0
C) Other current financial assets	897,531	559,940	667,283	472,146	230,248
D) Liquidity (A + B + C)	1,038,001	559,940	967,201	472,146	70,800
E) Current financial debt	(288,583)	(284,050)	(216,600)	(211,354)	(71,982)
F) Current portion of non-current financial debt	(686,313)	(12,974)	(356,223)	0	(330,090)
G) Current financial debt (E + F)	(974,896)	(297,024)	(572,824)	(211,354)	(402,073)
H) Net current financial debt (G + D)	63,105	262,916	394,377	260,793	(331,273)
I) Non-current financial debt	(4,470,502)	(90,790)	(4,404,759)	(103,760)	(65,743)
J) Debt instruments	0	0	0	0	0
K) Trade payables and other non-current payables	0	0	0	0	0
L) Non-current financial debt (I + J + K)	(4,470,502)	(90,790)	(4,404,759)	(103,760)	(65,743)
Total financial debt (H + L)	(4,407,397)	172,126	(4,010,382)	157,033	(397,016)
Long-term financial receivables	3,865,098	3,864,548	3,547,241	3,538,039	317,857
Net financial position	(542,299)	4,036,674	(463,141)	3,695,072	(79,159)

ANNEX 2 – CHANGES IN HOLDINGS AS AT 31 DECEMBER 2023

€ thousand	Changes in the period						31/12/2023
	31/12/2022	Acquisitions	Disposals	Reclassifications	Increases/ Decreases	Write-downs/ Losses/ Revaluations	
Subsidiaries							
Acea Ambiente Srl	39,151	0	0	0	0	0	39,151
Aquaser Srl	61	0	0	0	0	0	61
Acea Energia SpA	277,164	0	0	0	0	0	277,164
Acea Energy Management Srl	50	0	0	0	50	0	100
Acea International SA	20,829	0	0	0	(1,127)	0	19,703
Consortio Acea - Acea Domenicana	43	0	0	0	0	0	43
Acea Ato2 SpA	585,442	0	0	0	0	0	585,442
Acea Ato5 SpA	108,918	0	0	0	15,058	0	123,977
Acque Blu Arno Basso SpA	14,663	11,000	0	0	0	0	25,663
Ombrone SpA	19,383	0	0	0	0	0	19,383
Acque Blu Fiorentina SpA	43,911	0	0	0	0	0	43,911
Acea Molise Srl	2,874	0	0	0	0	0	2,874
Sarnese Vesuviano Srl	21,410	0	0	0	0	0	21,410
Adistribuzione gas Srl (formerly Alto Sangro Distribuzione Gas Srl)	26,761	0	0	0	0	0	26,761
ASM Terni SpA	471	2,500	0	0	0	(15)	2,956
Agile Academy Srl (formerly Parco della Mistica)	2	0	0	0	28	0	30
Aquantia Srl	0	325	0	0	0	0	325
areti SpA	683,861	0	0	0	0	0	683,861
a.cities Srl	0	50	0	0	0	0	50
Acea Produzione SpA	173,206	0	0	0	0	0	173,206
Acea Liquidation and Litigation Srl	8,341	0	0	0	0	0	8,341
Acea Infrastructure SpA	7,209	0	0	0	0	0	7,209
TWS SpA	64	0	0	0	0	0	64
Hydreco Scarl in liquidation	0	0	0	0	0	0	0
Total - subsidiaries	2,033,815	13,875	0	0	14,009	(15)	2,061,685

€ thousand	Changes in the period						31/12/2023
	31/12/2022	Acquisitions	Disposals	Reclassifications	Increases/ Decreases	Write-downs/ Losses/ Revaluations	
Associates							
Aguazul Bogotà SA	296	0	0	0	63	0	359
Umbra Acque SpA	6,851	0	0	0	0	0	6,851
Intesa aretina Scarl	11,505	0	0	0	0	0	11,505
Geal SpA	3,788	0	0	0	0	0	3,788
Umbria Distribuzione Gas SpA	318	0	0	0	0	0	318
DropMI Srl	2,565	2,350	0	0	0	0	4,915
Aqua.lot Srl	0	368	0	0	0	0	368
Ecomed Srl	67	0	0	0	0	(67)	0
Ingegnerie Toscane Srl	58	0	0	0	0	0	58
Marco Polo SpA in liquidation	0	0	0	0	0	0	0
Citelum Napoli Pubblica Illuminazione Scarl	0	0	0	0	0	0	0
Sienergia SpA in liquidation	0	0	0	0	0	0	0
DI.T.N.E. Scarl	12	0	0	0	0	0	12
Tirana Acque Scarl in liquidation	0	0	0	0	0	0	0
Total - associates	25,461	2,718	0	0	63	(67)	28,174

€ thousand	Changes in the period						31/12/2023
	31/12/2022	Acquisitions	Disposals	Reclassifications	Increases/ Decreases	Write-downs/ Losses/ Revaluations	
Other companies							
Polo Tecnologico Industriale Romano SpA	2,350	0	0	0	0	0	2,350
Bonifiche Ferraresi SpA	0	5,001	0	0	0	0	5,001
WRC PLC	0	0	0	0	0	0	0
Total - other companies	2,350	5,001	0	0	0	0	7,351

ANNEX 3 – SIGNIFICANT NON-RECURRING TRANSACTIONS PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

It must be noted that no non-recurring significant transactions were carried out during the period.

ANNEX 4 – POSITIONS OR TRANSACTIONS DERIVING FROM UNUSUAL AND/OR ATYPICAL OPERATIONS

Pursuant to the Consob Communication of 28 July 2006, it should be noted that during 2023 Acea SpA has not performed atypical and/or unusual transactions, as defined by the Communication itself.

ANNEX 5 – SEGMENT INFORMATION (IFRS8)

€ thousand	Public Lighting	Corporate	Total continuing operations	Discontinuing operations	Total
Revenue from sales and services	43,492	146,323	189,815	0	189,815
Other revenue and income	0	15,223	15,223	0	15,223
Net revenues	43,492	161,547	205,039	0	205,039
Staff costs	0	70,478	70,478	0	70,478
Costs of materials and overhead	45,477	116,320	161,797	0	161,797
Operating costs	45,477	186,799	232,276	0	232,276
EBITDA	(1,985)	(25,252)	(27,237)	0	(27,237)
Net write-downs (write-backs) of trade receivables	0	426	426	0	426
Depreciation, amortisation and provisions	2,286	49,736	52,023	0	52,023
Operating profit/(loss)	(4,271)	(75,414)	(79,686)	0	(79,686)
Financial income	321	113,832	114,153	0	114,153
Financial charges	(89)	(111,367)	(111,455)	0	(111,455)
Profit/(Loss) on equity investments	0	265,471	265,471	0	265,471
Profit/(Loss) before tax	(4,039)	192,522	188,483	0	188,483
Income tax	0	(14,020)	(14,020)	0	(14,020)
Net result of continuing operations	(4,039)	206,542	202,503	0	202,503
Net profit/(loss) from discontinued operations				0	
Net profit/(loss)	(4,039)	206,542	202,503	0	202,503

€ thousand	Public Lighting	Corporate	Total continuing operations	Discontinuing operations	Total
Tangible fixed assets	9,145	103,152	112,298	0	112,298
Real estate investments	0	1,990	1,990	0	1,990
Intangible fixed assets	0	98,268	98,268	0	98,268
Rights of use	0	13,580	13,580	0	13,580
Equity investments in subsidiaries and associates	0	2,089,859	2,089,859	0	2,089,859
Other equity investments	0	7,351	7,351	0	7,351
Deferred tax assets	0	12,895	12,895	0	12,895
Financial assets	7,540	3,863,511	3,871,050	0	3,871,050
Other non-current assets	0	290	290	0	290
Non-current assets	16,685	6,190,895	6,207,580	0	6,207,580
Trade receivables	3,439	165,739	169,178	0	169,178
Other current assets	0	68,030	68,030	0	68,030
Current tax assets	0	2,210	2,210	0	2,210
Current financial assets	116,985	780,546	897,531	0	897,531
Cash and cash equivalents	0	140,470	140,470	0	140,470
Current assets	120,424	1,156,994	1,277,418	0	1,277,418
Non-current assets destined for sale	0	0	0	0	0
Total assets	137,109	7,347,889	7,484,998	0	7,484,998

€ thousand	Public Lighting	Corporate	Total continuing operations	Discontinuing operations	Total
Share capital	0	1,098,899	1,098,899	0	1,098,899
Legal reserve	0	157,838	157,838	0	157,838
Other reserves	0	90,812	90,812	0	90,812
Retained earnings/(losses)	0	161,297	161,297	0	161,297
Profit (loss) for the year	0	202,961	202,961	0	202,961
Shareholders' Equity	0	1,711,806	1,711,806	0	1,711,806
Staff termination benefits and other defined benefit plans	0	22,600	22,600	0	22,600
Provisions for risks and charges	0	14,952	14,952	0	14,952
Borrowings and financial liabilities	0	4,470,502	4,470,502	0	4,470,502
Other liabilities	0	36,724	36,724	0	36,724
Non-current liabilities	0	4,544,778	4,544,778	0	4,544,778
Borrowings	3,439	971,457	974,896	0	974,896
Payables to suppliers	101,035	94,184	195,220	0	195,220
Tax payables	0	0	0	0	0
Other current liabilities	0	58,297	58,297	0	58,297
Current liabilities	104,474	1,123,939	1,228,413	0	1,228,413
Liabilities closely associated with assets held for sale	0	0	0	0	0
Total liabilities and shareholders' equity	104,474	7,380,524	7,484,998	0	7,484,998

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

(in accordance with art. 153 of Italian Legislative Decree 58/1998)

Dear Shareholders,

The Board of Statutory Auditors (hereinafter also referred to as “the Board”) of ACEA S.p.A. (hereinafter also referred to as “Aceca” or “Company”) is required to report to the Shareholders' Meeting on the supervisory activities carried out during the fiscal year 2023, on any omissions and reprehensible facts identified pursuant to Article 153 of Italian Legislative Decree no. 58/1998 (hereinafter also “TUF”) and Article 2429 of the Italian Civil Code.

The Board may also make comments and proposals regarding the financial statements, their approval and the matters within its remit. Since its appointment by the Shareholders' Meeting of 27 April 2022, the Board has carried out its institutional duties in compliance with the Italian Civil Code, the TUF and Italian Legislative Decree no. 39/2010 (Consolidated Law on Independent Auditing), the rules of the by-laws and the regulations issued by the Authorities performing supervisory and audit activities in relation to the Company, also taking into account the Rules of Conduct for the Board of Statutory Auditors, recommended by the National Council of Chartered Accountants and Accounting Experts.

In particular, the Board of Statutory Auditors monitored:

- compliance with the law and the By-Laws, compliance with the principles of correct administration and the functionality and adequacy of the organisational structure, the internal control and risk management system and the administrative-accounting system, also in light of Article 2086 of the Italian Civil Code and Italian Legislative Decree no. 14 of 12 January 2019 (Code on business crisis and insolvency);
- the adequacy of the instructions given to Subsidiaries, also pursuant to Article 114, paragraph 2 of the Consolidated Finance Act;
- the procedures for the concrete implementation of the corporate governance rules provided for in the Corporate Governance Code, issued by the Corporate Governance Committee of Borsa Italiana S.p.A., which the Company has adopted;
- the compliance of the Procedure on transactions with Related Parties, approved by the Board of Directors, with the principles pursuant to Consob Resolution no. 17221 of 12 March 2010, as amended, and observance of the said Procedure (updated following the changes introduced by Consob with Resolution no. 21624 of 10 December 2020);
- the existence of the requisites of suitability in relation to its representatives, in application of the current legislation on the subject;
- the criteria and practices used to assess the independence of members of the Board of Directors;
- the observance of the legal and regulatory rules related to the process of forming the Financial Statements and preparing the non-financial declaration pursuant to Italian Legislative Decree no. 254/2016.

Furthermore, in its capacity as Internal Control and Audit Committee, the Board performed the functions envisaged by Art. 19 of

Italian Legislative Decree no. 39/2010.

This report provides information on the activities carried out by the Board of Aceca S.p.A. in the year ended 31 December 2023.

In the light of the foregoing, the information contained in Consob Communication no. 1025564/2001 and subsequent amendments and additions is provided below.

Appointment of the Board of Statutory Auditors

The undersigned Board was appointed at the Shareholders' Meeting held on 27 April 2022 for three financial years until the approval of the Financial Statements at 31 December 2024.

The Board in office at the date of this report is composed of Maurizio Lauri (Chairperson), Claudia Capuano and Leonardo Quagliata.

Self-assessment of the Board of Statutory Auditors

Upon taking office, the Board assessed its composition, deeming it to be adequate, verifying in particular compliance with the requirements of independence, professionalism, integrity, diversity, skill and limits to the number of positions held.

The members of the Board have also stated that they have the time necessary for the complexity of their duties.

A similar overall assessment was also conducted in 2024 in the Board's annual self-assessment. When these activities had been completed, based on the information in its possession, the information requested and acquired, as well as the declarations made by the individual members, the Board therefore verified and confirmed that all its members continue to have:

- the independence requisites provided for both in the law (Art. 148, paragraph 3 of the TUF) and in the Corporate Governance Code for statutory auditors of listed companies;
- the requisites of professionalism, expertise and experience in accordance with the provisions of the Regulation containing rules for the establishment of the requisites of professionalism and integrity of the members of the Board of Statutory Auditors of listed companies;
- the requisites provided for in Art. 22 of the Articles of Association under the terms of which “*The Board of Statutory Auditors shall consist of three effective members and two alternates, all meeting the requirements foreseen by the Law, all applicable regulations, and the Voluntary Code of Conduct for Publicly Traded Companies*”. On the same occasion it was also verified that each member of the Board of Statutory Auditors continues to comply with the provisions of the applicable laws and regulations (art. 148-bis of the TUF and art. 144-duodecies to 144-quinquies-decies of the Issuers Regulations) with regard to the limits on the number of posts held.

Moreover, also in accordance with the provisions of art. 19 of Italian Legislative Decree 39/2010, it was verified that the members of the Board, as the Internal Control and Audit Committee, as a whole are competent in the sector the Company operates in.

Activities and Organisation of the Board of Statutory Auditors

During 2023, the Board carried out the activities it was responsible for, holding 24 meetings, each lasting an average of 1 hour and 45 minutes.

The Board of Statutory Auditors also attended all 24 meetings of the Board of Directors and the 12 meetings of the Control and Risks Committee, the 13 meetings of the Appointments and Remuneration Committee, the 8 meetings of the Committee for the Region, the 28 meetings of the Committee for Related Party Transactions (of which 14 in its role as Equivalent Internal Control pursuant to the current procedure for Related Party Transactions), and the 13 meetings of the Ethics, Sustainability and Inclusion Committee.

The Board also attended the Shareholders' Meeting held on 18 April 2023 in ordinary session, at which the Shareholders could attend exclusively through their designated representative, as per applicable regulations.

During the Board of Directors meeting, the Board obtained information pursuant to Article 150, paragraph 1 of the TUF on activities carried out and Acea's most significant economic, financial and equity transactions carried out during the year by the Company and its subsidiaries.

Based on the information acquired through its supervisory activities, the Board has not become aware of any transactions that were not based on the principles of correct administration, resolved and carried out in breach of the law and the by-laws, not in the interest of Acea, in contrast with resolutions passed by the Shareholders' Meeting, manifestly imprudent or reckless, lacking the necessary information in case of Directors' interests or compromising the integrity of the company's assets.

The Board oversaw the Board of Directors' decision-making procedures and verified that the management decisions were compliant with the applicable regulations (substantive legitimacy), adopted in the interest of the Company, compatible with the Company's resources and assets and adequately supported by information, analysis and verification processes.

The most significant transactions carried out by the Acea Group during 2023 are specified in the documentation submitted to the Shareholders' Meeting, to which reference should be made.

The documents submitted for your approval, the information received during the meetings of the Board of Directors and the meetings of the internal Board Committees, that received from the Chairperson and the Chief Executive Officer, the management, the Boards of Statutory Auditors of directly controlled companies and the independent auditing firm PwC S.p.A. (hereinafter also referred to as "PwC" or "Audit firm") did not reveal the existence of atypical and/or unusual transactions, including intra-group transactions or transactions with related parties.

Significant intercompany or related-party transactions are set out in the documents submitted for your approval, to which we refer.

Supervisory activities pursuant to the Consolidated Law on Statutory Audits

The Board, identified by the Consolidated Law on Auditing as the "Committee for Internal Control and Statutory Audit", oversaw

amongst others:

- the financial reporting process;
- the effectiveness of internal control, internal auditing and financial reporting risk management systems;
- the statutory audit of annual accounts and consolidated accounts;
- the independence of the external auditor (hereinafter also "auditor", "external auditor" or "audit firm"), in particular as regards the provision of non-audit services.

The Board examined the reports prepared by the independent auditing firm, whose activity supplements the general framework of the control functions established by the regulations with regard to the financial and non-financial reporting process.

The Acea Shareholders' Meeting appointed PwC to audit the accounts for the period 2017-2025, including the Independent audit of the consolidated and separate financial statements, the limited audit of the condensed separate financial statements at 30 June and the audit of the separate annual accounts of Group companies that fall within the scope of unbundling regulations.

Furthermore, the Audit Firm was awarded the endorsement assignment pursuant to Article 3 of Legislative Decree no. 254/2016, with reference to the Non-Financial Statement.

In the light of the current rules, the Audit Firm issued today, under the terms of Article 14 of Italian Legislative Decree no. 39/2010, the Auditing Report on the Separate and Consolidated Financial Statements for the year to 31 December 2023. The form and contents of the Auditing Report are compliant with the amendments made to Italian Legislative Decree no. 39/2010 by Italian Legislative Decree no. 135/2016.

The Audit Firm issued these Reports with no objections and with the following emphases of matter:

"We bring attention to the note 'Investments in subsidiaries and associates' of the financial statements and to the sections 'Water Regulation' and 'Environmental Regulation' of the report on operations, in which the directors explain:

- *with specific reference to the subsidiary Acea Ato 5 SpA, the continuation of (i) the financial imbalance determined by the most recent tariff arrangements approved by the Area Body with consequent confirmation of the existence of multiple significant uncertainties that could raise significant doubts about the ability of the subsidiary to function as a going concern, and (ii) further uncertainties associated with the ongoing tax disputes and the complex judicial and extra-judicial dispute in progress with the Area Authority related to the charging to the company of contractual penalties for alleged non-fulfilment, to the recognition of receivables related to the higher operating costs incurred in the period 2003-2005 (as per settlement deed of 27 February 2007) and to determination of the concession fees;*
- *the complex regulatory measures, with particular reference to what underlies the water and waste tariff approval process.*

We also bring attention to the notes 'Related Party Transactions - Acea and Roma Capitale' and 'Receivables due from the parent company - Roma Capitale' in the financial statements, in addition to the section 'Relations with Roma Capitale' in the report on operations, in which the directors describe the relations with Roma Capitale and, in particular, the updates related to dialogue for the recognition of the Administration's payable to Acea/Areti with reference to the public lighting service".

The Audit firm, in addition,

- i) issued a judgement which states that the Reports on Op-

erations that accompany the separate and consolidated Financial Statements – as well as some specific information contained in the “Report on Corporate Governance and Shareholding Structure” indicated in article 123-bis, paragraph 4, of the Consolidated Finance Act (for which the Directors are responsible) – are consistent with the Financial Statements and are prepared in compliance with the applicable legal provisions;

- ii) checked that the Directors had prepared the “Report on the Remuneration Policy and on Remuneration Paid”, as provided for in article 123-ter, paragraph 8-bis of the Consolidated Finance Act;
- iii) declared, as regards significant errors in the Reports on Operations, on the basis of the knowledge and understanding of the business and of the related context acquired during the auditing activity, that it had nothing to report.

The Audit Firm has also certified that it has carried out the audit procedures set forth in Auditing Standard SA (Italy) 700B for the purpose of expressing an opinion on whether the annual financial statements and consolidated financial statements comply with the provisions of European Commission Delegated Regulation (EU) 2019/815 on regulatory technical standards relating to the specification of the European Single Electronic Format (ESEF) to the annual financial statements and consolidated financial statements, to be included in the annual financial report (the “Delegated Regulation”). These procedures did not reveal any non-compliance with the Delegated Regulation.

For details on the key aspects of the auditing please see the content of the Reports issued by PwC, published together with the separate and consolidated Financial Statements.

The Auditing firm also issued to the Board of Statutory Auditors, under the terms of article 11 of Regulation (EU) no. 537/2014, the Report to the Internal Control and Audit Committee (the so-called “Additional Report”), with which it illustrated:

- i) the main aspects of the auditing;
- ii) the levels of significance for the consolidated financial statements and for the separate financial statements;
- iii) the audit plan;
- iv) the scope and method of consolidation;
- v) the audit methodology and measurement methods applied in the consolidated and separate financial statements;
- vi) the areas of focus related to the consolidated and separate financial statements;
- vii) the auditing activities carried out.

The Additional Report does not indicate significant deficiencies identified in the Internal Control System with respect to the financial reporting process. The Board was informed of certain shortcomings and/or areas for potential improvement in the Internal Control System in relation to the financial reporting process, assessed by the Auditor as “not significant”.

In accordance with the recommendations of the joint Bank of Italy - CONSOB - ISVAP document no. 4 of 3 March 2010, the impairment test procedure governed by IAS 36 received the favourable opinion of the Control and Risks Committee and was approved by the Board of Directors.

The Board checked the adequacy, from the methodological point of view, of the impairment testing process to which the accounting assets involved are subjected.

For this test, Acea appointed an external consultant to assist in the analyses carried out to verify the recoverability of the carrying

amount of goodwill and the shareholdings recorded in the Company’s consolidated and separate financial statements.

This independent advisor showed how, in carrying out the impairment test as of 31 December 2023, Acea used the forecasts formulated in the 2024 - 2028 Business Plan, as approved at the Board of Directors’ meeting. For companies subject to concessions, the company’s whole life plans for the duration of the concession were used inertially.

The results of the impairment test carried out show some overall impairments at the level of the consolidated and separate financial statements, including a number of situations that are identified as requiring monitoring, which are presented in the documents submitted for your approval, to which we refer.

While the market capitalisation of Acea is higher than the value of the Group’s shareholders’ equity, a second-level impairment test was in any case also carried out.

The Board of Statutory Auditors also acquired information from the Auditing Firm with reference to the activities carried out during the audit procedures pertaining to ATO 5 SpA, a company for which, in the auditor’s opinion, significant uncertainties remain related to the company’s ability to function as a going concern, such that it is unable to express an opinion on the subsidiary’s separate financial statements.

The Board of Statutory Auditors also acquired information with reference to the process of determining the Provisions for Impairment of Receivables through models compliant with the methodologies provided for in IFRS9 (simplified method), which use customised calculation tools, for each company, according to the specific characteristics of the type of business, focusing on the Companies with recurring invoicing and the Provisions for Impairment of Receivables of which are characterised by a high number of customers.

We can inform you that, with reference to the previous financial year 2022, the Board forwarded during 2023 to the Board of Directors the PwC’s Additional Report accompanied by its own observations.

The Board examined the declaration on the independence of the external auditor pursuant to article 17 of Italian Legislative Decree no. 39/2010, which does not indicate situations that have compromised its independence or causes of incompatibility pursuant to articles 10 and 17 of that decree and its implementing provisions.

The Board also acknowledged the Transparency Report prepared by the Auditing Firm and published on its website, pursuant to article 13 of Regulation EU 537/2014.

To this end, during the year and in compliance with the referenced provisions on audits, the Board approved in advance - after the related checks regarding potential risks for independence and the safeguarding measures adopted - the appointments for activities other than the independent audit conferred on PwC and the companies within its network. On this point, monitoring is in place with the aim of verifying observance of the quantitative limits on the fees for non-auditing appointments provided for in article 4 of the aforementioned European Regulation. The Board attests that the limit was amply observed.

We can note in addition that a specific internal regulation is in effect at the Group level, governing operations linked to these checks related to the conferment of appointments for non-audit services. In accordance with Art. 149-duodecies of Consob Issuers’ Regulations, the financial statements reports the fees accrued by the independent auditors PwC in 2023.

On the basis of the information acquired, the Board notes that, during 2023, with reference to the Acea Group, the PwC network, in addition to the audit assignments provided for by the sharehold-

ers' resolution, were paid fees for other non-audit or audit-related services amounting to € 791 thousand.

The external auditor periodically met with the Board of Statutory Auditors in accordance with the provisions of art. 150, paragraph 3 of the TUF for the purpose of exchanging reciprocal information, and did not bring to the attention of the Board any acts or facts considered reprehensible or irregularities that required the formulation of specific reports pursuant to art. 155, paragraph 2 of the TUF.

Supervision of the financial disclosure process

The Board of Statutory Auditors held periodic meetings with the Financial Reporting Manager (hereinafter "Reporting Manager"), appointed under the terms of Italian Law no. 262/2005, during which it did not report significant shortcomings in the operating and control processes that could have affected the adequacy and effective application of the administrative-accounting procedures for the purpose of correct economic and financial presentation in compliance with the accounting standards.

This presentation is confirmed by what is stated in the "Report on the Financial Reporting Manager's activities for the purposes of issuing the declaration provided for in art. 154-bis of the Consolidated Finance Act on the annual financial report at 31 December 2023". The report confirms the completion of the 2023 plan, in line with the planning presented to the corporate bodies, in addition to the adequacy of the internal and external resources available to the Executive Responsible for managing the 262 Model, considering the size of the Acea Group.

At the end of the assessment process, on the basis of the activities performed, with regard also and taking into account the results of the test activities conducted in accordance with the monitoring plan of the control system on the process of formation of the financial reporting, Acea's Executive Responsible for Financial Reporting decided that she could sign - with no objections - the attestation of Acea's separate and consolidated financial statements at 31 December 2023.

In the light of the information received and the documents examined, having noted the activities under way, also considering the support provided to the Executive Responsible for Financial Reporting by the Internal Audit Function, which has specialist IT skills available to verify the design and functioning of the IT General Controls, the Board of Statutory Auditors has no observations to make to the Shareholders' Meeting on the functioning and adequacy of the administrative accounting system.

Supervision of the non-financial reporting process

In the context of the performance of the functions attributed to it, the Board supervised – among other things meeting periodically with the structure responsible and discussing with the Auditing Firm – the observance of the rules contained in Italian Legislative Decree no. 254 of 30 December 2016, in particular with reference both to the preparation process and to the contents of the Non-Financial Statement.

The 2023 Sustainability Report/NFS has been prepared in accordance with the updated version of the Global Reporting Initiative Standard.

As regards the Taxonomy, Acea decided to anticipate the obligations set out by the regulation, reporting from as early as the financial year in question on the eligibility and alignment of its activities

with all six environmental goals (climate change mitigation, climate change adaptation, sustainable use and protection of water, circular economy, pollution prevention and reduction, and protection of biodiversity and ecosystems).

The second Acea climate-related disclosure (using 2022 figures) was published according to the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), expanding the number of "water" companies involved and the range of risks investigated (physical and/or transition).

Acea received validation of its reduction targets for 2032 for direct and indirect greenhouse gas from the Science Based Targets initiative (SBTi).

To that end, having examined the declaration made by the Auditing Firm pursuant to article 3, paragraph 10 of Italian Legislative Decree 254/2016, and the declaration made by the same relative to Report on the Consolidated Financial Statements pursuant to article 4 of the CONSOB Regulation implementing the above Decree, the Board did not identify any issues of non-compliance and/or breach of the reference regulations.

The attestation includes a limitation of scope with reference to the recent EU taxonomy of sustainable activities.

The Board of Statutory Auditors formulated a recommendation to promote all necessary initiatives in order to strengthen the system of internal controls for non-financial reporting, to be developed in line with the projects required to ensure fulfilment of the disclosure obligations arising from the CSRD.

Supervision of the adequacy of the internal control system, risk management and organisational structure

Internal Control System

The Board, in noting the findings of the Corporate Governance Report on the adequacy and effective functioning of the Internal Control and Risk Management System ("ICRMS"), reviewed the Reports as at 31 December 2023 of the Internal Audit Function, the Control and Risks Committee, the 231 Supervisory Body, and the second-level control entities.

In particular, the Board of Statutory Auditors points out that during the year:

- the necessary functional and informative liaison was maintained with the Control and Risks Committee, the Oversight Committee and the Heads of the Internal Audit and Risk, Compliance and Sustainability Functions on the methods of carrying out the assessment and control tasks entrusted to them, relating to the adequacy, full operation and effective functioning of the internal control and risk management system, as well as the results of the audits performed by the Internal Audit Function in accordance with the audit plan approved by the Board of Directors, the results of the risk assessment carried out by the Risk Management Function and the results of the activities pertaining to the second-level control entities

The analysis of the reports on second-level control measures found that:

- the activities conducted by the Anti-Corruption Function were aimed at an initial implementation of the anti-corruption framework in Acea, which was considered suitable by the external certifying body for the purposes of ISO 37001 "Anti-bribery management systems" certification, achieved by Acea in September 2023;
- 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 and issued 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.

- the activities carried out by the Head of the Prevention and Protection Service (RSPP) on topics related to health and safety at work within the Acea Group confirmed the existence of an effective management system for safety in the workplace, with no significant issues raised to be reported in this report.
- the Company updated the Organisation, Management and Control Model, pursuant to Legislative Decree 231/01. The aim of the update was a full review of the document and project outputs, with reference to: i) an update of the risk assessment methodology, for the purpose of an alignment with the additional methodologies used within the company; ii) a new assessment concerning all cases of predicate offences considered by the legislative decree (until the new changes introduced in August 2023), and iii) a review of the structure of the Model itself, involving a redesign of the Special Part according to a “process-driven” approach, with the aim of increasing the usability of the document and promoting the application of the principles contained therein;
- the Company updated the “Acea Group’s Whistleblowing Policy”, approved by the BoD of ACEA on 10 November 2023, in line with the provisions of Italian Legislative Decree no. 24/2023 and the Guidelines published by ANAC;
- the overall assessment of privacy compliance by the Data Protection Officer was positive. In the DPO’s opinion, the control measures envisaged by the privacy governance framework appear to be implemented correctly, in line with legislation. In light of the significant corporate reorganisation in 2023, areas for improvement remain in terms of greater integration within various inter-function and compliance areas, intended to create more awareness and better efficiency of processes, including in relation to time frames. To this end, specific actions were launched.

The Manager of the Internal Audit Function periodically updated the Board on the activities carried out and the main results of the audits performed, communicating the corrective actions identified and discussed with the Company’s management, indicating implementation deadlines and specific implementation responsibilities, subject to periodic monitoring by the Internal Audit Function.

The Manager of the Internal Audit Function informed the Board that the functional hierarchical positioning, the constant dialogue and the exchange of information with the company’s top management, the board committees and the control bodies ensured that the Function had full access to all the useful information for performance of its duties, full independence and autonomy of judgement. The 2023 annual report of the Internal Audit Function notes how the audits are structured in order to incorporate useful evidence for formulating the opinion from different sources, in particular:

- in the context of monitoring certain relevant processes of the Internal Control and Risk Management System (“ICRMS”), the various events highlighted by each Key Risk Indicator were analysed and verified and, downstream of this activity, no irregularities have emerged;

- the testing activities aimed at ensuring that the key automatic controls, in the context of the administrative and accounting procedures, work correctly and are effective with respect to the objective set, had positive results, despite there being areas for improvement related to IT governance (still under way);
- the discussions held during the year with the managers of the second-level audits and their reports show adequate resilience of the system, highlighting aspects for improvement already included in the planning activities in progress.

The Head of the Internal Audit Function communicated that the audits performed by the Internal Audit Function found:

- significant shortcomings in aspects of IT security, which require considerable measures on the control system and on internal governance to monitor such risks. Management took prompt charge of these measures;
- the need to review the operating control model for recently acquired companies in the environment area, in order to guarantee that the operating processes are aligned and fully compliant with security and environment, and that there is effective monitoring of periodic results;
- the absence of critical aspects that could adversely affect the reliability of the ICRMS (Internal Control and Risk Management System) as a whole, including in residual situations in which the internal regulatory system has not yet been updated with respect to the best practices operated;
- that the remaining corrective actions identified in the context of the audit activities conducted in previous years which as of today have not yet been completed, will be defined through the completion of the update of the corporate regulatory system and in the various projects still in progress.

An extensive review of the aforementioned findings reveals that, with the exception of the information reported above on IT security risks and the operating control model for recently acquired companies in the environment area, the Head of the Internal Audit Function believed that the design gaps found in the activities do not generate, in operations, situations such as to undermine the resilience of the overall Internal Control and Risk Management System adopted by Acea and its subsidiaries and, therefore, believed that the Internal Control and Risk Management System adopted by Acea and its subsidiaries is functioning, adequate and consistent with the current Guidelines on the ICRMS, despite the fact that there are a number of project activities attributable to components of the same that have not been finalised in 2023.

The Board of Statutory Auditors highlights the need to complete: (i) the initiatives that management took charge of in order to overcome the shortcomings in aspects of IT security (which require considerable measures on the control system and on internal governance to monitor such risks), and (ii) certain planning activities for the overall improvement of the internal control and risk management system (including in order to implement the management and coordination regulation in the most effective manner through a defined Group governance model, also comprising dedicated governance flows in line with said governance model and, as a result, to make it possible to update the guidelines on the internal control and risk management system), launched recently and not finalised in 2023.

In light of the activities performed by the Internal Audit Function, the second-level control audits and the internal board committees in the current reporting period, the Board of Statutory Auditors has no further observations to make to the Shareholders’ Meeting on the functioning and adequacy of the internal control and risk man-

agement system.

The Board hopes also that further coordination is promoted between control oversight, of both second and third level, with reference to both planning activities and, above all, in the process of ever-increasing integration and efficacy of reporting to the Corporate Bodies on findings resulting from audits performed.

Risk Management System

The exchange of information and the reports rendered by the risk management structure represented the results of the Group's risk assessment process for the purpose of identifying and analysing the main risk scenarios relevant for the Group, highlighting any response strategies prepared by the management to reduce the risks to a severity level considered acceptable and in keeping with the business plan objectives.

The Risk Management Function stated that it performed quarterly monitoring of the full implementation of the mitigation actions identified to limit the risk scenarios as proposed by the management in the risk assessment phase.

The Company also defined a Framework of Key Risk Indicators, aimed at enabling quantitative monitoring over time of exposure to the risks identified at the Group level.

Activities are still in progress with the aim of developing the risk scenarios identified in an overall taxonomy of business risks to be combined with the related risk owners and the business processes assigned as their responsibility, both at the corporate level and at the level of the various corporate businesses.

Lastly the Board of Statutory Auditors reaffirms its conviction that, given that the Acea Group has a significant presence in the management of regulated infrastructures of strategic significance for the supply of essential public services to the communities of reference in which it operates, and is developing significant planning initiatives pertaining to said strategic infrastructures, it is necessary that planning and execution activities be developed with considerable attention the monitoring of legality and to the implications related to maintaining the Group's net financial position over time, compatible with the reference economic and equity situation.

Organisational Structure

The Board of Statutory Auditors examined the documentation produced from time to time during Board of Directors meetings, focusing its attention on the existence of:

- an organisational chart and related company documentation detailing the roles and responsibilities of the organisational structures;
- an effective and efficient system of delegations and powers of attorney;
- corporate regulations for the exercise of governance by Acea as part of its functions of guidance, coordination and control of the Group's legal entities;
- company regulations for the performance of the activities of each managerial function.

The Board of Statutory Auditors was informed of the ongoing activities to update the Group's regulatory system and to implement the Regulation governing the management and coordination powers and duties of the Parent Company.

The Board of Statutory Auditors notes the significance of the opportunity for the administrative body to receive, at least annually, an organic document on the organisational structure of the company

and its subsidiaries of strategic importance, useful for optimising internal operations, improving productivity, reducing risk and ensuring compliance with laws and the applicable regulations.

Remuneration policies

The Board acknowledged that the Board of Directors approved, insofar as it was responsible under the terms of current legislation, the Report on the remuneration policy and on the remuneration paid to the Group's personnel including the section "2023 Remuneration Policy" and the section "Remuneration paid" as well as the related Illustrative Report to the Shareholders' Meeting to which the documents will be submitted.

The Policy prepared for 2023 takes into consideration the contents of the 2024-2028 Strategic Plan approved by the Board of Directors.

In relation to performance objectives, the Board of Statutory Auditors considered commendable, among other things, that the Acea Group is pursuing an even greater integration of sustainability into its business, through the gradual alignment of the performance management system with the ESG (environmental, social and governance) goals outlined in the Strategic Plan, while paying the necessary attention to the objective measurability of these goals when identifying them.

The remuneration policy defines the criteria and guidelines for remunerating members of the Board of Directors, including Executive Directors and Directors with special, for Executives with Strategic Responsibilities and for members of the Company's Board of Statutory Auditors, over a period of time coinciding with the financial year in course.

The document was prepared in compliance with the new regulatory framework (art. 123-ter, TUF), updated by Italian Legislative Decree no. 49/2019, which contains the provisions necessary for implementation of Directive EU 2017/828 of the European Parliament and Council of 17 May 2017 (SHRD II), which amended Directive 2007/36/EC (SHRD) relative to encouraging long-term commitment from shareholders.

Additionally, it was prepared in compliance with the contents of CONSOB resolution 21623 of 11 December 2020, which implemented what is provided for in the SHRD II.

Corporate Information System

The Board of Statutory Auditors also paid particular attention to the various initiatives launched by the Acea Group with regard to development of the corporate information system and the protection of business continuity, with a particular focus on cybersecurity issues. At the beginning of 2023, in fact, Acea was the victim of a Ransomware hacker attack. The event did not require any adjustments to the data and information utilised in the preparation of the 2022 financial statements of Acea and the Group companies, as also confirmed by the statements released at the reporting date by the external company to which the technical verification and recovery activities were assigned. The relevant functions of Acea reported that analyses of the event by the Italian Data Protection Authority are still in progress and did not communicate any further relevant information between the period following the event and the date of this document.

An overall action plan is ongoing, intended to overcome the critical issues also raised by the Internal Audit Function, monitored by the Head of Security & Cyber Defence.

The Board of Statutory Auditors reiterates the importance, as

mentioned in its previous reports, of paying particular attention to the strengthening of cybersecurity, providing for measures to: (i) increase the security of the most-exposed areas (for example the Cloud, Online Services, Third Parties), (ii) develop solutions aimed at managing security incidents, at Business Continuity and at Crisis Management, (iii) consolidating the data protection solutions (classification, encryption, masking, tracing) in accordance with the General Data Protection Regulation and Privacy rules. The Board recommended also the adoption of suitable initiatives with a view to continual improvement and strengthening of the governance model and oversight of IT risks, in order to increase further the level of oversight of the systems and the quality of the services provided and to guarantee the maximum levels of security of the information system.

Further activities of the Board of Statutory Auditors and disclosure required by Consob

As required by art. 149 of the TUF, in the performance of its duties the Board:

- over saw the processes of effective implementation of the corporate governance regulations provided under the codes of conduct drawn up by regulated market management or by category associations with which Acea declares its compliance. Pursuant to art. 123-bis of the Consolidated Finance Act and art. 144-decies of the Issuers Regulation, Acea prepared the annual “Report on Corporate Governance and Ownership Structures”. The Board has verified that the Report on Corporate Governance and Ownership Structure contains all the information required by Article 123-bis of the TUF as well as other disclosures made in compliance with the regulations governing issuers listed on regulated markets;
- it monitored the adequacy of the instructions given to subsidiaries pursuant to art. 114, paragraph 2 of the TUF;
- it exchanged information with the Boards of Statutory Auditors of subsidiary companies as required by art. 151, paragraph 2, of the TUF. In order to allow for this exchange of information, a questionnaire was sent to all the control bodies concerning the supervisory activities carried out by them during 2023. From the analysis of these questionnaires, as well as the meetings held with some of the subsidiaries’ boards of statutory auditors, no issues were raised or facts emerged worthy of note in this report. For directly controlled foreign companies, the supervisory activities of the Board were carried out with the direct cooperation of the Internal Audit Function.

During the course of the financial year, the Board issued opinions and expressed the observations that current legislation assigns to its remit.

In addition, the Board of Statutory Auditors reports:

- that it acknowledged that the Board of Directors has positively assessed the adequacy of its size, composition and operation, also in light of the results of the self-assessment that was performed with the support of an external consultant with the required requisites of independence;
- that the Board of Directors has approved a Policy for managing discussions with institutional investors, and all shareholders and bondholders of Acea;
- to have verified that its members meet the same independence requirements as those required of Directors in accordance with the recommendations of the Borsa Italiana Corporate Governance Code;

- that it found the correct application of the criteria and practices for ascertaining the requisites used by the Board of Directors to assess the independence of its members on an annual basis.

No separate meeting of the independent directors was held during the year, as they considered it unnecessary in view of the quality of the information received from the delegated bodies and their active participation in the Board of Directors and in the Board Committees.

At present, the requirements of the Corporate Governance Code for Listed Companies for the establishment of the position of lead independent director are not met, given that the Chairperson of the Board of Directors does not hold the position of Chief Executive Officer and does not have a controlling interest in the company.

The Board verified full compliance with obligations regarding regulated information, inside information or information required by the Regulatory Authorities.

The Board also received adequate reporting, with reference to the provisions of Articles 15 et seq. of the Market Regulations, regarding subsidiaries incorporated and regulated by the laws of non-EU countries from the Internal Audit Function, which conducted an analysis of entity-level controls, from which it concluded that the control environment was substantially adequate to the requirements of the aforementioned Article 15.

The Board noted that the Company has not been notified of any complaints to the Court under Article 2409, Paragraph 1 of the Italian Civil Code, nor has the Board had to make any complaints under Article 2409, Paragraph 7 of the Italian Civil Code. The Board did not have to intervene due to omissions of the Administrative Body pursuant to Article 2406 of the Italian Civil Code and did not make any reports to the Administrative Body pursuant to and in accordance with Article 25-octies of Legislative Decree 14/2019. The Board of Statutory Auditors did not receive any reports pursuant to Article 2408 of the Italian Civil Code.

As a result of the supervisory activities carried out by the Board, no reprehensible facts, omissions or irregularities have emerged that should be included in this Report.

The Board does not deem it necessary to exercise the right to make proposals to the Shareholders’ Meeting pursuant to art. 153, paragraph 2, of the TUF.

Conclusions

In view of all the above, considering the content of the reports prepared by the external auditor, acknowledging the declarations issued jointly by the Chief Executive Officer and the Financial Reporting Manager, pursuant to Article 153, paragraph 2 of the TUF, to the extent of its remit the Board of Statutory Auditors has not found any reasons preventing the proposed approval of the separate financial statements at 31 December 2023, or the proposed allocation of the results for the year, as formulated by the Board of Directors.

Rome, 21 March 2024

The Board of Statutory Auditors

Maurizio Lauri
Claudia Capuano
Leonardo Quagliata



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

Acea SpA

Financial Statements as of 31 December 2023



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of
Acea SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Acea SpA (the Company), which comprise the statement of financial position as of 31 December 2023, the income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2023, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matters

We draw attention to note "Investments in subsidiaries and associates" to the financial statements and to paragraphs "Water Regulation" and "Environmental Regulation" of the report on operations where the directors described:

PricewaterhouseCoopers SpA

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- With specific reference to the subsidiary Acea Ato 5 SpA, the continuation of (i) the financial imbalance arisen from the most recent tariff provisions approved by the Area Authority with the consequent confirmation of the existence of several material uncertainties that may cast significant doubts on the subsidiary's ability to continue as a going concern, as well as (ii) further uncertainties related to the ongoing tax litigation and the complex in and out of court legal dispute with the Area Authority related to the contractual penalties charged to the company for alleged non-fulfilments, the recognition of receivables related to higher operating costs incurred in the 2003-2005 period (as per the settlement agreement of 27 February 2007) and the determination of the concession fees;
- The complex regulatory measures, with particular reference to what lies behind the approval process of water and waste tariffs.

Moreover, we draw attention to notes "Related Party Transactions – Acea and Roma Capitale" and "Receivables due from the Parent Company - Roma Capitale" to the financial statements, as well as to paragraph "Relations with Roma Capitale" of the Report on Operations, where the directors described the relations with Roma Capitale and in particular the updates related to the discussions on the recognition of the Administration's payable to Acea/areti with reference to the public lighting service.

Our opinion is not qualified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Auditing procedures performed in response to key audit matters
<p>Recoverability of the value of investments in subsidiaries and associates</p> <p><i>Note 15 to the financial statements "Investments in subsidiaries and associates"</i></p> <p>The Company recognised in the financial statements as of 31 December 2023 investments in subsidiaries and associates for an amount equal to Euro 2,090 million. Annually, the Company, in accordance with a specific internal policy, verifies the presence, if any, of impairment losses of investments in subsidiaries and associates in compliance with IAS 36 "Impairment of assets", comparing their book value with their estimated</p>	<p>We performed our audit procedures in order to evaluate if the method to estimate the recoverable amount used by the Company was consistent with what is envisaged by IAS 36 and by the evaluation practice, verifying the appropriateness of the types of cash flows used, their consistency with the Group's Business Plan and the mathematical accuracy of the quantification of the recoverable amount.</p> <p>In particular, with reference to the investee companies in relation to which impairment</p>



recoverable amount measured through the Discounted Cash Flow method (impairment test). Such verification is carried out on the main investments apart from the presence of any impairment indicators emerged during the year. The impairment test was carried out on the basis of the cash flows under the 2024-2028 Business Plan of the Group approved by the Board of Directors on 5 March 2024.

With reference to the financial statements for the year ended 31 December 2023, the Company's management had recourse to an external expert to perform the impairment testing.

As part of our audit activities, we paid particular attention to the risk that there could be impairment losses in the abovesaid investments, inasmuch as the process for the estimate of their recoverable amount is particularly complex and based on valuation assumptions affected by future economic, financial and market conditions which are hard to forecast.

indicators were found (so-called Trigger events), we:

- verified the reasonableness of the main assumptions underlying the projected cash flows and the discount rates used to perform the impairment test (also through a comparison with the budget data deriving from external information sources, if available);
- compared the forecasts of the prior years with the corresponding final data and finally we verified the sensitivity analyses performed by the Company on investee companies, with particular reference to the subsidiary Acea Ato5 in relation to the uncertainties connected thereto.

As part of our audit activities, we were also supported by the PwC network experts in valuations. Moreover, we assessed the independence, technical capabilities and objectivity of the external experts who were tasked by the Company management with carrying out the impairment tests. Finally, we examined the adequacy and completeness of the disclosures provided by the directors in the notes to the financial statements in relation to the above-described matters.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;



- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 27 April 2017 the shareholders of Acea SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Acea SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the financial statements as of 31 December 2023, to be included in the annual report.



We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the financial statements as of 31 December 2023 have been prepared in XHTML format in compliance with the provisions of the Commission Delegated Regulation.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Acea SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Acea SpA as of 31 December 2023, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Acea SpA as of 31 December 2023 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Acea SpA as of 31 December 2023 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Rome, 21 March 2024

PricewaterhouseCoopers SpA

Signed by

Luigi Necci
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

CERTIFICATION OF SEPARATE FINANCIAL STATEMENTS

(in accordance with art. 154-bis of Legislative Decree 58/98)

(Translation from the original Italian text)

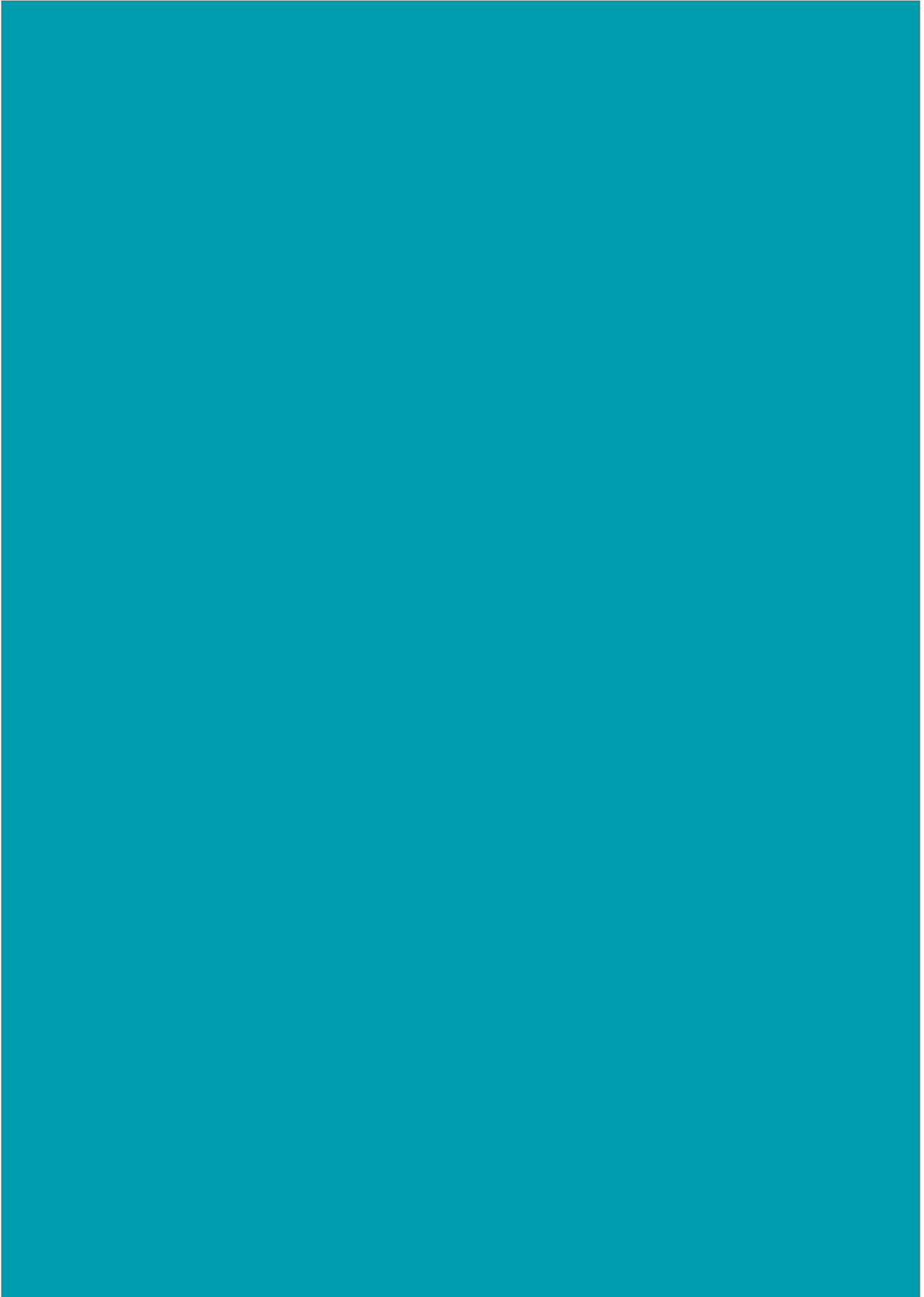
1. The undersigned, Fabrizio Palermo, as Chief Executive Officer, and Sabrina Di Bartolomeo, as Executive Responsible for Financial Reporting of the company Acea S.p.A., taking also account of provisions envisaged by Art. 154-bis, paragraphs 3 and 4, of the Legislative Decree no. 58 of 24 February 1998, hereby certify:
 - the consistency to the business characteristics and
 - the effective applicationof the administrative and accounting procedures for preparing the separate financial statements at 31 December 2023.
2. To this purpose, no significant issues were recorded.
3. It is also certified that:
 - 3.1 the separate financial statements:
 - a) were drawn up in compliance the applicable international accounting standards recognised in European Community in accordance with EC Regulation 1606/2002 of the European Parliament and the Council, of 19 July 2002,
 - b) are consistent with the underlying accounting books and records,
 - c) provide a true and correct view of the operating results and financial position of the issuer,
 - 3.2 the Report on Operations includes a reliable analysis of the operational performance and result, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 05 March 2024

signed by: Fabrizio Palermo, the CEO

signed by: Sabrina Di Bartolomeo, the Executive Responsible for Financial Reporting

This report has been translated into the English language solely for the convenience of international readers



3

CONSOLIDATED FINANCIAL STATEMENTS



Acea is one of the major Italian multiutilities, and has been listed on the stock exchange since 1999. Acea has adopted an organisational structure and operating model based on strategic guidelines, founded on growth in the water market through infrastructure development, geographic expansion, strengthening technology and

protecting water resources; the resilience of the electricity network and quality of service in the city of Rome; developing new renewable capacity to help face the energy transition; a push towards the circular economy with geographic expansion, also in synergy with other businesses.

FORM AND STRUCTURE

GENERAL INFORMATION

The Consolidated Financial Statements at 31 December 2023 of the Acea Group were approved by Board of Directors' resolution on 5 March 2024, which also authorised their publication. The Parent Company Acea is an Italian joint-stock company, with its registered office in Rome, at Piazzale Ostiense 2 and whose shares are traded on the Milan Stock Exchange. The Acea Group's principal operating segments are described in the Report on Operations.

COMPLIANCE WITH IAS/IFRS

These Condensed Financial Statements have been prepared in compliance with the international accounting standards in effect on the date of the financial statements, approved by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set forth in art. 6 of the regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and pursuant to art. 9 of Italian Legislative Decree 38/2005.

The international accounting standards include the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretations Committee (SIC), collectively the "IFRS".

BASIS OF PRESENTATION

These consolidated financial statements consist of the consolidated income statement, the comprehensive consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement and the statement of changes in consolidated shareholders' equity. The Report also includes notes prepared under the IAS/IFRS currently in effect. The consolidated income statement is classified according to the nature of the costs, the items of the consolidated balance sheet according to the criterion of liquidity, with the items classified as current and non-current, while the consolidated cash flow statement is presented using the indirect method. The Consolidated Financial Managements are prepared using the going concern assumption and there are no significant uncertainties about the company as a going concern (as defined in paragraph 25 of IAS 1). The Consolidated Financial Statements are presented in Euros and all amounts are rounded off to the nearest thousand Euros unless otherwise indicated.

The figures in these Consolidated Financial Statements are comparable to those in the previous year.

USE OF ESTIMATES AND ASSUMPTIONS

Drafting of the Consolidated Financial Statements, in application of the IFRS, requires the making of estimates and assumptions that affect the values of revenues (including the estimate of the GRC), costs, assets and liabilities in the financial statements and information on contingent assets and liabilities at the reference date. The main sources of uncertainty that could have an impact on the evaluation processes are also considered in making these estimates.

The actual amounts may differ from such estimates. Estimates are used to determine some sales revenues, provisions for risks and charges, provisions for impairment of receivables and other provisions for depreciation, amortisation, valuation of derivatives, employee benefits and taxes. The estimates and assumptions are reviewed periodically, and the effects of each change are immediately recorded in the Income Statement.

The estimates also took into account assumptions based on the parameters and market and regulatory information available at the time the financial statements were drafted. Current facts and circumstances influencing the assumptions on future development and events may change due to the effect, for example, of changes in market trends or the applicable regulations that are beyond the control of the Company. These changes in assumptions are also reflected in the financial statements when they occur.

In addition, it should be noted that certain estimation processes, particularly the more complex such as the calculation of any impairment of non-current assets, are generally performed in full only when drafting the annual financial statements, unless there are signs of impairment that call for immediate impairment testing. For more information on the methods in question, please refer to the following paragraphs.

EFFECTS OF THE SEASONALITY OF TRANSACTIONS

For the type of business in which it operates, the Acea Group is not subject to significant seasonality. Some specific operating segments, however, can be affected by uneven trends that span an entire year.

CASH FLOW STATEMENT

Note that certain items have been reclassified in the Cash Flow Statement for better understanding of the figure and cash flow dynamics. Therefore, the figure for 2022 has also been restated for comparability.

CONSOLIDATION POLICIES, PROCEDURES AND SCOPE

CONSOLIDATION POLICIES

Subsidiaries

The scope of consolidation includes the Parent Company Acea and the companies over which it directly or indirectly exercises control or when the Group is exposed or entitled to variable returns deriving from the relationship with the investee and has the capacity to influence its returns through the exercise of its power over the investee. Power is defined as the capacity to manage the significant activities of the subsidiary by virtue of existing substantial rights.

Subsidiaries are consolidated from the date on which control is effectively transferred to the Group and are de-consolidated from the date on which control is transferred out of the Group.

According to accounting standard IFRS 10, control is obtained when the Group is exposed or has the right to variable performance deriving from relations with the subsidiary and is able, through exercising power over the subsidiary, to influence its performance. Power is defined as the capacity to manage the significant activities of the subsidiary by virtue of existing substantial rights.

The existence of control does not depend exclusively on possession of the majority of the voting rights, but on the substantial rights of the investor over the investee. Consequently, the opinion of the management team is required to assess specific situations leading to substantial rights attributing to the Group the power to manage the significant activities of the subsidiary so as to influence its performance.

In order to assess the requirement of control, the management team analyses all facts and circumstances, including agreements with other investors, the rights deriving from other contracts and potential voting rights (call option, warrant, put option assigned to minority stakeholders, etc.). These other facts and circumstances may be particularly significant in the assessment, especially if the Group holds less than the majority of the voting rights or similar rights in the subsidiary.

The Group reviews the existence of control over a subsidiary when the facts and circumstances indicate that there has been a change in one or more elements considered in verifying its existence. Lastly, it must be noted that in assessing the existence of the control requirements, no situations of de facto control were encountered. Changes in the possession quota of equity investments in subsidiaries that do not imply the loss of control are recorded as capital transactions adjusting the quota attributable to the stakeholders of the Parent Company and that of third parties to reflect the change in the quota owned. The eventual difference between the amount received or paid and the corresponding fraction of the shareholders' equity acquired or sold is recorded directly in the consolidated shareholders' equity. When the Group loses control, any residual equity investment in the company previously controlled is re-measured at fair value (with counterpart in the income statement) on the date on which control is lost. Also, the quota of the OCI of the subsidiary over which control is lost is

dealt with in the accounts as if the Group has directly disposed of the relevant assets or liabilities. Where there is loss of control of a consolidated company, the Consolidated Financial Statements include the results for the part of the reporting period in which the Acea Group had control.

Joint ventures

A joint venture is a contractual arrangement in which the Group and other parties jointly undertake a business activity, i.e. a contractually agreed sharing of control whereby the strategic, financial and operating policy decisions can only be adopted with unanimous consent of the parties sharing control. The Consolidated Financial Statements include the Group's share of the income and expenses of jointly controlled entities, accounted for using the equity method.

To determine the existence of joint control and the type of joint arrangement, the opinion of the management team is required, which must assess the rights and obligations deriving from the arrangement. To this end, the management team considers the structure and legal form of the arrangements, the terms agreed between the parties in the contractual agreement and, if significant, other facts and circumstances. The Group reviews the existence of joint control when facts and circumstances indicate that there has been a change in one or more elements previously considered in verifying the existence of joint control and the type of joint control.

Associates

An associate is a company over which the Group exercises significant influence, but not control or joint control, through its power to participate in the financial and operating policy decisions of the associate.

In determining the existence of significant influence, the opinion of the management team is required, which must assess all facts and circumstances.

The Group reviews the existence of significant influence when facts and circumstances indicate that there has been a change in one or more elements previously considered in verifying the existence of significant influence.

When the Group's share of an associate's losses exceeds the carrying amount of the investment, the interest is reduced to zero and any additional losses must be covered by provisions to the extent that the Group has legal or implicit loss cover obligations to the associate or in any event to make payments on its behalf.

CONSOLIDATION PROCEDURES

General procedure

The financial statements of the Group's subsidiaries, associates and joint ventures are prepared for the same accounting period and using the same accounting standards as those adopted by the Parent Company. Consolidation adjustments are made to align any dissimilar accounting policies applied.

All intercompany balances and transactions, including any unrealised profits on intercompany transactions, are eliminated in full. Unrealised losses are eliminated unless costs cannot be subsequently recovered.

The carrying amount of investments in subsidiaries is eliminated against the corresponding share of the shareholders' equity of each subsidiary, including any adjustments to reflect fair values at the acquisition date. Any positive difference is treated as "goodwill", while any negative difference is recognized through profit or loss at the acquisition date.

The minority interest in the net assets of consolidated subsidiaries is shown separately from shareholders' equity attributable to the Group. This interest is calculated on the basis of the percentage interest held in the fair value of assets and liabilities recognised at the original date of acquisition and in any changes in shareholders' equity after that date. Losses attributable to the minority interest in excess of their portion of shareholders' equity are subsequently attributed to shareholders' equity attributable to the Group, unless the minority has a binding obligation to cover losses and is able to invest further in the company to cover the losses.

Business combinations involving solely entities under common control

Business combinations which involve companies which are, definitively, under the control of the same company or the same companies both before and after the combination, and this control is not temporary, are classified as "Business Combinations of entities under common control". These are excluded from the scope of application of IFRS 3, nor are they governed by other IFRS. In the absence of a relevant accounting standard, the selection of the accounting standard for these transactions, relative to those for which a significant influence on future cash flows cannot be demonstrated, is guided by the principle of prudence, which leads to the application of the criteria of continuity of values for the net assets acquired. Assets are recognised at the book values found in the accounts of the companies acquired (or that of the selling company) prior to the transaction or, alternatively, the values found in the consolidated financial statements of the common parent company. Particularly with reference to the above transactions, relative to the sale of a business unit, treatment of the difference between the contractually defined payment and the accounting value of the business transferred is differentiated as a function of the equity investment relationships between the entities involved in the transfer. Relative to transfers of business units under common control, on the other hand, regardless of the pre-existing investment relationship, the transferring entity must recognise the business transferred at its historic accounting value, increasing its shareholders' equity by the same amount. The receiving entity must symmetrically recognise the equity investment in the transferring entity for an amount equal to the increase in the shareholders' equity of the latter. This accounting treatment makes reference to

that proposed by Assirevi in its Preliminary Guidelines on IFRS (OPI n. 1 Revised) - "Accounting treatment of business combinations of entities under common control in annual and consolidated financial statements", issued in October 2016.

Consolidation procedure for assets and liabilities held for sale (IFRS 5)

Non-current assets and liabilities are classified as held for sale, in accordance with the provisions of IFRS 5.

Treatment of put options for shares of subsidiaries

Based on the provisions established under standard IAS 32, paragraph 23, a contract which contains a requirement for an entity to acquire shares for cash or against other financial assets, gives rise to a financial liability for the current value of the price to exercise the option. Therefore, if the entity does not have the unconditional right to avoid the payment of cash or other financial instruments if and when a put option is exercised on shares of subsidiaries, it must recognise this debt. All subsequent changes are recognised in the Income statement. The same accounting treatment applies when, in addition to a put option, there is also a symmetrical call option, referred to as "symmetrical put and call options related to non-controlling interest". The Group considers shares subject to put options (or to symmetrical put and call options) already acquired, in cases in which the economic benefits and risks linked to actual ownership of the shares does not remain with minority shareholders. Therefore, in these circumstances, it does not recognise the interests held by minority shareholders in the consolidated financial statements.

Consolidation of foreign companies

The financial statements of investee companies operating in currencies other than the Euro, which is the functional currency of the Parent Company Acea, are converted into Euro by applying the exchange rate at the end of the period to the assets and liabilities, and the average exchange rates for the period to income statement items and to the cash flow statement.

The exchange differences arising from the translation of the financial statements of investee companies operating in currencies other than the Euro are recognised directly in equity and are shown separately in a specific reserve of; this reserve is reversed to the income statement at the time of complete divestment or loss of control, joint control or significant influence over the investee company. In the case of partial disposal:

- without loss of control, the share of the exchange differences relating to the shareholding sold is attributed to the shareholders' equity pertaining to minority interests;
- without loss of joint control or significant influence, the portion of exchange differences relating to the shareholding sold is recognised in the income statement.

ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

For accounting periods beginning on or after 1 January 2023, the IASB has amended IAS 1, providing guidelines and examples to assist entities in applying the concept of materiality to disclosures on the accounting policies adopted. The IASB also amended the IFRS Practice Statement 2 to support these amendments to IAS 1, explaining and demonstrating application of the “four step materiality process” to the accounting policy disclosure.

The amendments are intended to help entities provide more useful information about the accounting policies adopted, by:

- Replacing the requirement for entities to provide information on their “significant” accounting policies with the requirement to focus on their “material” accounting policies; and
- Adding guidelines on how entities should apply the materiality concept when making decisions about the disclosure on accounting policies adopted.

The replacement of disclosures on “significant” accounting policies with “material” policies in IAS 1 and the corresponding new guidelines in IAS 1 and IFRS Practice Statement 2 may impact the disclosures on accounting policies prepared by entities. Determining whether accounting policies adopted are material or not requires greater use of professional judgement. The Acea Group has considered these amendments and has begun a gradual process of reviewing the information provided in the financial statements with reference to the material policies applied, also in the light of the varying nature of the parties that may potentially be interested in reading and understanding the information included in this document.

Material policies and criteria are illustrated below.

REVENUE RECOGNITION

In accordance with the provisions of IFRS 15 “Revenue from contracts with customers”, revenues are recognised for an amount that reflects the consideration to which the entity believes it is entitled in exchange for the transfer of goods or services to the customer. The fundamental parts for accounting purposes are:

- identify the commercial contract, defined as a (written or verbal) agreement between two or more parties which results in rights and obligations with the customer having the right to legal protection;
- identify the separately identifiable obligations to do something (also “performance obligations”) contained in the contract;
- determine the price of the transaction, as the fee the enterprise expects to receive for the transfer of assets or the performance of services to the customer, in accordance with the techniques in the Standard and depending on the possible presence of financial and variable components;
- allocate a price to each performance obligation;
- to recognize the revenue when the revenue obligation is fulfilled by the entity, allowing for the fact that the services may not be provided at a specific time, but over a period of time.

In a construction contract, revenue is recognised over time, using the input method, which measures the performance obligation based on the percentage of completion. When the amount invoiced

exceeds total revenues recognised, a contract liability is recognised or, in the opposite case, a contract asset.

With reference to measuring revenues, note in particular that:

- **revenues from the sale and transport of electricity and gas** are recognised at the time the service is supplied or supplied, even if they are not invoiced, and are determined by adding estimates calculated on the basis of pre-established reading calendars. These revenues are calculated on the basis of the provisions of the law, of the resolutions of the Authority for electricity and gas and the water system in force during the period, also taking into account the pro tempore equalisation measures in force; it should be noted that with reference to the valorisation of revenues from the transport of electricity, if the admission of investments in tariffs that establishes the right to payment for the operator is virtually certain already in the year in which they are realized, the corresponding revenues they are ascertained on an accrual basis regardless of how they will be financially recognized as a result of ARERA Resolution 654/2015;
- **the revenues of the integrated water service** are determined on the basis of the Water Tariff Method (MTI-3), valid for the determination of the tariffs for the years 2020-2023, approved with Resolution no. 580/2019/R/idr (MTI-3) of 30 December 2019, Determination 1/2020-DSIS of 29 June 2020 and subsequent modifications by ARERA. Based on the interpretation of the legal nature of the tariff component, Fo.NI. (New Investments Fund) is entered among the revenues for the year the relative amount due to the Water Companies where expressly recognized by the Area Authorities which establish the intended use.

The adjustment for the so-called pass-through items is also entered among the revenues of the year (i.e. electricity, wholesale water) of which the aforementioned resolution provides specific details as well as any adjustment relating to costs pertaining to the Integrated Water System incurred for the occurrence of exceptional events (i.e. water and environmental emergencies) if the preliminary investigation for their recognition gave positive results.

DIVIDENDS

These are recognised when the unconditional right of shareholders is established to receive payment. They are classified in the income statement under the item Investment income.

CONTRIBUTIONS

Contributions obtained for investments in plants, both by public bodies and by private third parties, are recognised at fair value when there is a reasonable certainty that they will be received and that expected conditions will be met. Contributions received for specific plants whose value is recorded under fixed assets are recorded (using the indirect method) among other non-current liabilities and progressively released to the Income Statement in constant instal-

ments over a period equal to the useful life of the reference asset.

EMPLOYEE BENEFITS

Benefits guaranteed to employees disbursed at the time of or after termination of the employment relationship through defined benefit and defined contribution programmes (including: severance indemnity -TFR, extra months, tariff subsidies, as described in the notes) or other long-term benefits are recognised in the period during which the rights to these accrue. The valuation of the liability is carried out by independent actuaries. These funds and benefits are not funded.

The cost of benefits envisaged by the various plans is determined separately for each plan using the actuarial valuation method of the unit credit projection, making the actuarial valuations at the end of each year. Profits and losses deriving from the actuarial calculation are recorded in the statement of comprehensive income, then in a specific Shareholders' equity Reserve, and are not subsequently charged to the Income Statement.

Expenses deriving from retirement incentives for employees who took part in the "Isopensione" Plan and which meet the criteria defined in the Group's Plan were recognised in a specific Provision. The Group takes the place of the reference national insurance institutions. In particular, the Provision was created to pay pension instalments due to early pensioners, as well as to pay presumed contributions during the period needed to achieve the right to the relative social security payments through the national insurance institutions.

GOODWILL

Goodwill deriving from business combinations (including but not limited to, the acquisition of subsidiaries, jointly controlled entities or the acquisition of business units or other extraordinary transactions) represents the excess of the cost acquisition of the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly-controlled entity at the acquisition date compared to the Group's share of the fair value. Goodwill is recognised as an asset and reviewed annually to verify that it has not suffered any loss in value. If there is joint control, or even affiliated, the goodwill of investments recognised according to the equity method remains implicit in the value of the investment.

The losses in value are recorded immediately in the income statement and are not subsequently restored.

At the acquisition date, any emerging goodwill is allocated to each of the independent cash generating units that are expected to benefit from the synergistic effects deriving from the acquisition. Any loss in value is identified through assessments that refer to the capacity of each unit to generate cash flows to recover the part of goodwill allocated to it. In the event that the recoverable amount by the cash-generating unit is lower than the assigned load value, the relative loss in value is recorded.

In the event of the sale of a subsidiary or jointly controlled entity, the amount not yet amortized of the goodwill attributable to them is included in the determination of the gain or loss on disposal.

CONCESSIONS

This item includes the value of the concession right to the assets consisting of water and purification plants that were transferred. This value refers to state property belonging to the so-called "accidental state" of water and sewage treatment and is systematically amortised based on the residual duration of the concession. It should be noted that the residual depreciation period is in line with the average duration of the operations entrusted with a public procedure.

INFRASTRUCTURE LAW

In line with the provisions of IFRIC 12 "Service Concession Arrangements", based on the intangible asset model the Group reports the total amount of the physical infrastructure supplied for the management of the water service, since the service concession contract does not give the concessionaire the right to control the use of the public service infrastructure but rather allows access to the management of the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.

In fact, the aforementioned interpretation requires the registration of a single intangible asset representing the concessionaire's right to charge the fee to users of the public service instead of the takeover of the physical infrastructure for the management of the service.

The amount also includes the capitalisation of the margin resulting from investments.

RIGHTS OF USE OF INTELLECTUAL PROPERTY

Costs related to this item are included under intangible assets and are amortized on the basis of a period of presumed usefulness of three / five years.

RIGHT OF USE

This item contains assets relative to application of international accounting standard IFRS 16, issued in January 2016 and in effect as of 1 January 2019, which replaced the previous standard on leasing, IAS 17 and its interpretations, identifying criteria for recognition, measurement and presentation, as well as the information to be provided with reference to leasing contracts. IFRS 16 marks the end of the distinction in terms of classification and accounting treatment of operating leases (with off-balance sheet disclosures) and finance leases (recognised in the financial statements).

The right to use the leased asset ("Right of Use") and the commitment made result from financial data in the financial statements (IFRS 16 applies to all transactions involving a right of use, regardless of the contractual form, i.e. lease, rental or hire purchase). The standard introduces the concept of control to the definition used, in particular, to determine whether a contract is a lease. IFRS 16 requires a lessee to verify whether it has the right to control the use of a given asset for a specified period of time.

There is no accounting symmetry with the lessor, which continues to apply a separate accounting treatment depending on whether the contract is an operating lease or a finance lease (on the basis of current guidelines). On the basis of this new model, the lessee

shall recognise:

- in the balance sheet, the assets and liabilities for all leases that have a term exceeding 12 months, unless the underlying asset has a modest value; and
- in profit or loss, depreciation of the leased assets separately from interest on the related liabilities.

For the first-time adoption of the principle, the transition approach used by the Acea Group was the modified retrospective approach, and therefore the contracts whose leases — including renewals — will end within 12 months from the date of first application will not be included. The Group has also used the possibility envisaged by the principle of not accounting separately for the non-lease component of mixed contracts, therefore choosing to treat these contracts as a lease.

For payable discounting purposes, the Group has used an IBR calculated based on a risk-free rate with a maturity equal to the residual duration for each contract plus the credit spread assigned to Acea SpA by Moody's. Finally, it should be noted that there are no significant differences between the commitments arising from lease contracts discounted at the same rate and the value recognised in accordance with IFRS 16.

IMPAIRMENT

Goodwill and other assets with an indefinite useful life are not amortised on a straight-line basis, but are tested for impairment at least once a year by the individual Cash Generating Units (CGUs) or groups of CGUs to which assets with an indefinite useful life can be reasonably allocated, in accordance with Group procedures. The Company analyses the CGUs of the Group identified using its procedure, based on the impairment procedure. The test consists of a comparison between the carrying amount of the asset and its estimated value in use - VIU. Given the nature of the activities carried out by the Acea Group, the method of determining the "VIU" is carried out by discounting the expected cash flows from use and, if significant and reasonably determinable, from disposal at the end of the useful life. However, where there is evidence of a reliable fair value (price traded in an active market, comparable transactions, etc.) the Group assesses the adoption of this value for impairment testing.

Cash flows are determined on the basis of the best information available at the time of the estimate, which can be inferred through the combined use of the financial method and sensitivity analyses. The determination of the "VIU" is carried out using the financial method (Discounted Cash Flow - DCF) which considers the ability to produce cash flows as the fundamental element for the valuation of the entity of reference. The application of the financial method to determine the value in use of a CGU involves estimating the present value of net operating cash flows for tax purposes.

If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be lower than the relative book value, it is reduced to the lower recoverable value. An impairment loss is immediately recognised in the Income Statement, unless the asset is represented by land or buildings other than real estate investments recorded at revalued values, in which case the loss is recognised in the respective revaluation reserve. When an impairment no longer exists, the carrying amount of the asset (or cash-generating unit), with the exception of goodwill, is increased to its new estimated recoverable amount. The reversal must not exceed the carrying amount that would have been determined (net of amortisation or depreciation)

had no impairment charge been recognised for the asset in prior periods. The reversal of an impairment charge is recognised immediately as income in the income statement, unless the asset is carried at a revalued amount, in which case the reversal is recognised in the revaluation reserve.

Where an impairment charge is recognised in the income statement, it is included among amortisation, depreciation and impairment charges.

EMISSION ALLOWANCES, GREEN CERTIFICATES AND WHITE CERTIFICATES

Different accounting policies are applied by the Group to allowances or certificates held for own use in the "Industrial Portfolio", and those held for trading purposes in the "Trading Portfolio".

Surplus allowances or certificates held for own use, which are in excess of the company's requirement in relation to the obligations accruing at the end of the year, are accounted for at cost in other intangible assets. Allowances or certificates assigned free of charge are accounted for at a zero value.

Given that these are assets for instant use, they are not amortised but are tested for impairment. The recoverable amount is the higher of the asset's value in use and its market value.

The burden resulting from the fulfilment of the energy efficiency obligation is estimated on the basis of the average purchase price for the contracts entered into, taking into account the certificates in the portfolio at the financial statements date; a provision for liabilities is allocated for the negative difference between the said burden and the contribution estimated pursuant to AEEGSI Resolution 13/2014/R/efr, to be paid at the time the certificates are delivered in fulfilment of the obligation.

Allowances or certificates held for trading in the "Trading Portfolio" are accounted for in inventories and measured at the lower of purchase cost and estimated realisable value, based on market trends. Allowances or certificates assigned free of charge are accounted for at a zero value. Market value is established on the basis of any spot or forward sales contracts already signed at the end of the reporting period, or otherwise on the basis of market prices.

WRITE-DOWNS OF FINANCIAL ASSETS

The assessment of the recoverability of the financial assets representing debt instruments not valued at fair value with effects on the income statement is made on the basis of the so-called "Expected credit loss model".

In particular, expected losses are generally determined based on the product of: i) the exposure owed to the counterparty net of the relative mitigating factors (so-called "Exposure at Default"); ii) the probability that the counterparty does not comply with its payment obligation ("Probability of Default"); iii) the estimate in percentage terms of the amount of credit that will not be able to be recovered in the event of a default ("Loss Given Default"), based on past experience and possible recovery actions that can be taken (e.g. out-of-court actions, legal disputes, etc.).

In this regard, the internal ratings already used for the assignment have been adopted to determine the probability of default of the counterparties. For counterparties represented by State Entities

and in particular for the National Oil Companies, the probability of default – essentially represented by the probability of late payment – is determined using as input the country risk premiums implemented for the purposes of determining the WACC for the impairment of non-financial assets.

For retail customers not having internal ratings, the assessment of expected losses is based on a *provision matrix*, constructed where appropriate by grouping the clustered receivables to which write-down percentages apply based on the experience of previous losses, adjusted where necessary to take account of forecast information regarding the credit risk of the counterparty or of clusters of counterparties.

FINANCIAL ASSETS RELATED TO AGREEMENTS FOR SERVICES UNDER CONCESSION

With reference to the application of IFRIC 12 to the public lighting service concession, Acea has adopted the Financial Asset Model, recognising a financial asset to the extent that it has an unconditional contractual right to receive cash flows. In addition, the Group reports revenues on the contract for construction and improvement services, both for the part carried out internally by the Group and for the part of Third Parties. The margin recorded is accounted for according to the provisions of IFRS 15 and amortised over the residual duration of the concession.

FINANCIAL LIABILITIES

Financial liabilities other than derivative instruments – including financial payables, trade payables, other payables and other liabilities – are initially recognised at the fair value less any costs associated with the transaction. Subsequently they are recognised at amortised cost using the effective interest rate for discounting purposes, as illustrated in the previous point “Financial assets”.

Financial liabilities are eliminated when they are extinguished or when the obligation specified in the contract is fulfilled, cancelled or expired.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments, including implicit ones (Embedded derivatives) are assets and liabilities recognised at fair value according to the criteria specified in the point below, “Valuation at fair value”.

In the context of the risk management strategy and objectives, qualification of transactions as hedges requires: i) verification of the existence of an economic relationship between the hedged item and the hedging instrument that can offset the related changes in value, and that this capacity to offset is not affected by the level of counterparty credit risk; ii) the definition of a hedge ratio consistent with risk management objectives, within the defined risk management strategy, where necessary making the appropriate rebalancing actions. Changes in risk management objectives, the absence of the conditions specified above for the classification of

transactions as hedges or the implementation of rebalancing operations results in the total or partial prospective discontinuation of the hedge.

When hedging derivatives cover the risk of changes in the fair value of the hedged instruments (fair value hedge; e.g. hedging of the variability of the fair value of fixed rate assets/liabilities), the derivatives are recognised at fair value with the allocation of effects in the income statement. Similarly, the hedged instruments in the income statement reflect the changes in fair value associated with the hedged risk, regardless of the provision of a different valuation criterion generally applicable to the type of instrument.

When derivatives hedge the risk of changes in the cash flows of the hedged instruments (cash flow hedge; e.g. hedging of the variability of the cash flows of assets/liabilities due to fluctuations in interest rates or exchange rates), the changes in the fair value of derivatives considered to be effective are initially recognised in the shareholders' equity reserve relating to the other components of comprehensive income, and subsequently recognised in the income statement consistent with the economic effects produced by the hedged transaction. In the case of hedging of future transactions that involve the recognition of a non-financial asset or liability, the accumulated changes in the fair value of hedging derivatives, recognised in equity, are recognised as an adjustment to the carrying amount of the asset./non-financial liability subject to hedging (so-called basis adjustment).

The ineffective portion of the hedge is recorded in the income statement item “Financial (costs)/income”.

Changes in the fair value of derivatives that do not meet the conditions to be qualified as hedges, including any ineffective components of hedging derivatives, are recognised in the income statement. In particular, changes in the fair value of non-hedging derivatives on interest rates and currencies are recognised in the income statement item “Financial (costs)/income”.

Embedded derivatives – embedded in financial assets – are not subject to separate accounting. In these cases, the entire hybrid instrument is classified according to the general criteria for the classification of financial assets.

Implicit derivatives incorporated within financial liabilities and/or non-financial assets are separated from the main contract and recognised separately if the embedded instrument: i) meets the definition of a derivative; ii) as a whole it is not measured at fair value with the effects being charged to the income statement (FVTPL); iii) if the characteristics and risks of the derivative are not strictly linked to those of the main contract. Verification of the existence of embedded derivatives to be separated and valued separately is carried out when the company enters into the contract, and subsequently if there are changes in the terms of the contract that lead to significant changes in the cash flows generated by that contract.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are made when the Group has to meet a current obligation (legal or implicit) deriving from a past event, where it is probable that an outlay of resources will be required to satisfy the obligation and a reliable estimate can be made on the amount of the obligation.

The provisions are allocated based on the Management's best estimate for the costs required to fulfil the obligation at the balance sheet date, and if the effect is significant.

When the financial effect of time is significant and the payment

dates of the obligations can be reliably estimated, the provision is determined by discounting the expected future cash flows at the average rate of the company's debt taking into account the risks associated with the obligation; the increase in the provision associated with the passage of time is recognised in the Income Statement under the item "Financial income/(charges)".

If the debt is related to the dismantling and/or renovation of material assets, the initial fund is reported as an offset to the asset it refers to; its incidence on the Income Statement takes place through the process of amortisation of the material fixed asset to which the obligation refers.

NON-CURRENT ASSETS DESTINED FOR SALE

Non-current assets held for sale, disposal groups and discontinued operations whose carrying amount will be recovered mainly through sale rather than through continual use, are measured at the lower of their net carrying amount and the fair value net of costs to sell. In particular, by disposal group is meant a set of directly related assets and liabilities held for sale in the context of a single operation.

Discontinued operations consist, instead, of a significant component of the group, such as an important autonomous business unit or geographical area of activity or a subsidiary acquired exclusively with a view to resale.

This condition is met only when the sale is highly probable, the asset (or group of assets) is available for immediate sale in its current conditions and the Management has made a commitment to the sale, which must take place within twelve months from the date of classification in this item.

Assets and liabilities directly related to non-current assets held for sale, disposal groups and discontinued operations, in line with what is provided for in the international accounting standards, are accounted for in two specific items of the balance sheet, that is, assets held for sale and liabilities closely associated with assets held for sale.

In addition, from the date on which the changed destination of the assets has been resolved, depreciation and amortisation are no longer calculated and the measurement of such assets is made at the lower between historical cost, decreased by the related accumulated depreciation or amortisation, and the estimated realisable value.

ACCOUNTING STANDARDS, AMENDMENTS, INTERPRETATIONS AND IMPROVEMENTS APPLIED AS OF 1 JANUARY 2023

IFRS17 Insurance Contracts

On 18 May 2017, the IASB issued IFRS 17 “Insurance Contracts” which defines the accounting of insurance contracts issued and re-insurance contracts held. The provisions of IFRS 17 that establish the criteria for recognition, measurement, presentation and disclosure of insurance contracts, supersede those currently provided for in IFRS 4 “Insurance Contracts” and have as their objective to guarantee to users of the financial statements to assess the effect that these contracts have on the financial position, the results and the cash flows of companies. The standard is to be applied for financial years that begin on 1 January 2023.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

Issued on 12 February 2021, they clarify, including through a number of examples, the distinction between estimate changes and accounting standard changes. The distinction is relevant since estimate changes are applied prospectively to future transactions and events, while accounting standard changes are generally applied retroactively. Amendments are applicable from the financial years beginning 1 January 2023. Earlier application is permitted.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

Issued on 12 February 2021, they require companies to provide relevant information about the accounting standards applied and suggest to avoid or limit unnecessary information. Amendments to IAS 16 are effective from the financial years beginning 1 January 2023.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

Issued on 7 May 2021, their purpose is to make uniform the methods with which entities account for deferred taxes on operations such as leasing and the dismantling costs. The main change regards the introduction of an exception to the initial recognition exemption (IRE) of deferred taxation for assets and liabilities provided for in IAS 12. Specifically the exception provides for the non-applicability of the exemption of IAS 12 for initial recognition of all operations that originate equal or offset temporary differences. Limiting the exemption to only initial recognition, the impact will be a gradual improvement and comparability of the information for the benefit of users of the financial statements with reference to the fiscal impacts of leasing operations and to dismantling costs. The amendments are applicable from the financial years beginning 1 January 2023. Early application is permitted.

The amendments and standards mentioned above did not have any significant impact for the Acea Group on the financial statements nor did they require particular disclosures.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE AFTER CLOSURE OF THE YEAR AND NOT ADOPTED IN ADVANCE BY THE GROUP

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB published amendments to paragraphs 69 -76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by the right to defer settlement;
- that the right to defer settlement must exist at the end of the reporting year;
- that classification is not affected by the likelihood of the entity exercising its right to defer settlement.

Only if an implicit derivative in a convertible liability is itself an equity instrument does the maturity date of the liability not impact its classification. Additionally, a requirement was introduced to disclose when a liability deriving from a loan contract is classified as non-current and the right to defer settlement is subordinate to respecting covenants within 12 months.

The amendments are effective for years beginning on or after 1 January 2024 and must be applied retrospectively. At present, the Group is assessing the impact that these amendments will have on its current situation and whether it will be necessary to renegotiate existing loan contracts.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

Issued on 22 September 2022, its purpose is to clarify the impact that a sale and leaseback transaction could have on a financial liability that involves variable payments not linked to indices or rates. The main change in the subsequent measurement of the financial liability regards the determination of the “lease payments” and of the “revised lease payments” so that, following a leaseback transaction a the seller-lessee does not recognise any profit or loss related to the right of use that it holds. The purpose of the amendment is to avoid the accounting of profits and losses, related to the right of use recognised, following events that entail a remeasurement of the payable (for example a change in the leasing contract or in its duration). Any profits and losses deriving from the partial or total termination of a leasing contract continue to be recognised for the part of right of use terminated. The amendments are applicable from 1 January 2024 with possibility of early application.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures, to clarify the characteristics of supplier finance agreements and request additional information about these agreements. The disclosure requirements included in the amendments are intended to help users of financial statements better understand the impacts on an entity's liabilities, cash flows and exposure to liquidity risk due to supplier finance agreements. The amendments are effective for years beginning on or after 1 January 2024. Early application is allowed and must be noted. These amendments are not expected to have a material impact on the Group's financial statements.

MAIN CHANGES IN THE CONSOLIDATION SCOPE

At 31 December 2023, the scope of consolidation, with respect to that at 31 December 2022, changed due to the following main operations.

With reference to 2022, we note the following:

- on 8 February 2022, Acea Ambiente signed the deed of acquisition of 70% of the shares of S.E.R. Plast, a company operating in the recycling of plastic waste;
- at the end of March 2022, Acea finalised the sale of the photovoltaic holding company (Acea Sun Capital) to the British investment fund Equitix. The agreement for the transfer of assets was signed on 24 December 2021. With the closing of the operation, the newco AE Sun Capital Srl, 60% owned by Equitix and 40% by Acea Produzione, acquired from Acea Produzione the photovoltaic holding company of the Acea Group, the holder, through a number of vehicles, of a portfolio of photovoltaic plants, 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;
- on 1 April 2022, a purchase agreement was signed by Adistribuzione gas for 30% of Romeo Gas as part of the sale by A2A of concessions for the natural gas distribution service;
- on 23 May 2022, Acea Ambiente signed the deed of acquisition for an additional 20% of the shares in Cavallari, bringing its stake to 80%;
- on 29 July 2022, Acea Solar signed the purchase of 17 vehicle companies in the Basilicata region (Marmaria Group), each the holder of development projects for ground-mounted monoaxial photovoltaic plants. The total power is estimated at 340 MWp, with annexed storage systems for 170 MWp of power;
- on 30 June 2022, the acquisition by Acea Ambiente of the business unit known as Polo Cirsu was signed after participation in the competitive bidding process begun with the notice of sale issued by the Court of Teramo. This business unit consists of: (i) a landfill known as "Grasciano1", completely depleted of authorised volumes; (ii) a landfill known as "Grasciano2", consisting of an first lot of 234,000 m³ and a second lot to be built, with an authorised volume of 246,000 m³; (iii) a recycling and composting plant and a platform to utilise separate waste;
- on 1 September 2022, Acea Renewable 2 Srl and Fergas Solar 2 Srl were established, both 100% held by Acea Solar to complete the transfer of photovoltaic assets for plants constructed in the industrial and agricultural area. The establishment of the two companies is part of the project to deconsolidate the photovoltaic segment, begun on 22 March 2022, and which calls for a second closing, involving the transfer of plants that will be connected and operating on the date of the transaction;
- on 1 October 2022, the partial demerger of Romeo Gas SpA was completed, implemented through the assignment of equity shares in favour of Adistribuzione gas Srl. The purpose of the operation is part of an overall corporate reorganisation to achieve more efficient management of gas distribution concessions;
- on 4 October 2022, Acea Ambiente signed the acquisition

of 70% of the capital of Tecnoservizi Srl, a company that offers separate urban waste treatment and recovery services. The company's authorised capacity is treatment of 210 thousand tonnes per year in the province of Rome, coming from separate waste of Municipalities, entities and businesses;

- on 3 November 2022, Acea Ambiente, through its subsidiary Cavallari Srl, completed acquisition of 100% of Italmacero Srl, a company operating in the mechanical treatment and recovery of separate urban waste (mixed packaging, monomaterial fractions) and special non-hazardous waste;
- on 22 November 2022, the reverse merger by incorporation of AE Sun Capital with the subsidiary Acea Sun Capital was complete. The merger is part of an investment project involving the renewable energy sector and was implemented to achieve advantages through unification of processes, structures, achieving synergies and economies of scale, as well as cost efficiencies;
- on 6 December 2022, the closing of the initial stage of the business combination with ASM Terni was signed, following the completion public procedure initiated by the latter. The operation is intended to create a single operator working in the integrated water cycle, environment and electricity and gas distribution and sales sectors;
- on 19 December 2022, DropMI Srl was established, which carries out research and engineering for next generation water metres, that can operate and be monitored remotely, and also develops smart water solutions for the domestic and international markets.

With reference to 2023, we note the following:

- on 30 January 2023, Citelum Acea Napoli Illuminazione Pubblica was liquidated and removed from the Business Register;
- on 10 February 2023, Aqua.iot Srl and Aquantia Srl were established; the corporate purpose of the companies is the production, marketing and distribution of water meters to companies operating in the water industry in Italy. Aqua.iot Srl is 65% owned by Suez International SAS and 35% owned by Acea, while Aquantia Srl is 65% owned by Acea and 35% owned by Suez International SAS;
- on 1 March 2023, Orvieto Ambiente was established, wholly owned by Acea Ambiente, into which the business unit for the mechanical sorting, composting and waste disposal plant at the site in the Municipality of Orvieto was transferred. 20% of the equity investment was transferred at the second closing of the business combination with ASM Terni, cited below;
- on 19 April 2023, the second closing of the stage of the business combination with ASM Terni was signed, following the completion of the public procedure initiated by the latter. The operation is intended to create a single operator working in the integrated water cycle, environment and electricity and gas distribution and sales sectors. Following the second closing, the Group held a 45% equity investment;
- on 21 April 2023, Acea completed the acquisition of the remaining 30% of SIMAM (Servizi Industriali Manageriali Ambientali), a company specialising in the engineering, construc-

tion and management of water and waste treatment plants, in environmental works and reclamation, with hi-tech integrated solutions;

- on 16 June 2023, the merger of Italmacero Srl with its parent company Cavallari Srl was finalised, with effects retroactive to 1 January 2023;
- on 31 October 2023, the parent company acquired an additional 10% of the shares of Acque Blu Arno Basso SpA, corresponding to 799,999 shares previously held by the shareholder Vianini;
- on 2 November 2023, the merger of Acque Servizi Srl with its parent company Acque SpA was finalised, with effects retroactive to 1 January 2023;
- on 5 December 2023, the merger of Cesap Vendita Gas Srl with its parent company Umbria Energy SpA was finalised, with effects retroactive to 1 January 2023;
- on 12 December 2023, the parent company subscribed the cap-

ital increase of Bonifiche Ferraresi SpA, acquiring 1,250,000 shares for a minority interest of 0.48%;

- on 15 December 2023, the company a.cities Srl was established, fully held by the parent company with share capital of € 50 thousand. The company will manage public and artistic lighting and is not operational at present.

UNCONSOLIDATED EQUITY INVESTMENTS

Tirana Acque Scarl in liquidation, 40% owned by Acea, is recognised at cost. The subsidiary, entirely written off, is excluded from the consolidation scope as it is not operational and its relevance in qualitative and quantitative terms is not significant.

CONSOLIDATED INCOME STATEMENT

Ref. note	€ thousand	2023	Of which related party transactions	2022	Of which related party transactions	Change
1	Revenue from sales and services	4,430,252		4,957,179		(526,927)
2	Other revenue and income	219,124		181,066		38,058
	Consolidated net revenue	4,649,376	163,833	5,138,245	148,412	(488,869)
3	Staff costs	334,478		305,066		29,412
4	Costs of materials and overhead	2,938,418		3,556,055		(617,638)
	Consolidated operating costs	3,272,896	59,772	3,861,121	65,557	(588,225)
5	Net income/(expense) from commodity risk management	0		0		0
6	Profit/(Loss) from non-financial equity investments	14,397		27,897		(13,500)
	EBITDA	1,390,877	104,061	1,305,021	82,855	85,856
7	Net write-downs (write-backs) of trade receivables	86,487		113,370		(26,883)
8	Depreciation, amortisation and provisions	692,060		625,799		66,261
	Operating profit/(loss)	612,330	104,061	565,851	82,855	46,478
9	Financial income	39,481	2,868	25,962	1,117	13,518
10	Financial charges	(176,009)	6	(111,670)	(66)	(64,339)
11	Profit/(Loss) on equity investments	(603)		17,793		(18,396)
	Profit/(loss) before tax	475,198	106,934	497,937	83,906	(22,739)
12	Income tax	147,755		186,777		(39,022)
	Net profit/(loss)	327,443	106,934	311,160	83,906	16,284
	Net profit/(loss) from discontinued operations					
	Net profit/(loss)	327,443	106,934	311,160	83,906	16,284
	Profit/(loss) due to third parties	33,536		31,435		2,100
	Net profit/(loss) attributable to the Group	293,908		279,725		14,183
13	Earnings (loss) per share attributable to Parent Company's shareholders					
	- Base	1.38008		1.31348		0.06660
	- Diluted	1.38008		1.31348		0.06660
	Profit (loss) per share attributable to the shareholders of the Parent Company net of treasury shares					
	- Base	1.38278		1.31605		0.06673
	- Diluted	1.38278		1.31605		0.06673

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand	2023	2022	Change
Net profit/(loss) for the period	327,443	311,160	16,284
Gains/losses from the conversion of financial statements in foreign currency	(2,735)	6,524	(9,259)
Provision for exchange rate difference	14,004	10,348	3,656
Tax on exchange rate difference	(3,361)	(2,484)	(877)
Gains/losses from exchange rate difference	10,643	7,865	2,779
Effective portion of gains/(losses) on hedging instruments ("cash flow hedges")	(86,541)	79,696	(166,237)
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	25,042	(21,744)	46,786
Profit/(loss) from the effective portion on hedging instruments, net of tax	(61,499)	57,952	(119,451)
Actuarial profit/(loss) on staff benefits included in the Shareholders' Equity	(2,749)	6,409	(9,158)
Tax effect on the other actuarial profit/(loss) on staff benefits	801	(1,842)	2,643
Actuarial profit/(loss) on defined benefit pension plans, net of tax	(1,948)	4,567	(6,515)
Total of the comprehensive income components, net of tax	(55,539)	76,908	(132,446)
Total comprehensive profit/(loss)	271,905	388,067	(116,163)
Total comprehensive income (loss) attributable to:			
- Group	242,124	348,319	(106,196)
- Third parties	29,781	39,748	(9,967)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Ref. note	ASSETS € thousand	31/12/2023	Of which with related parties	31/12/2022	Of which with related parties	Change
14	Tangible fixed assets	3,334,868		3,144,250		190,618
15	Real estate investments	1,990		2,256		(266)
16	Goodwill	254,626		255,048		(421)
17	Concessions and rights on infrastructure	3,787,263		3,470,906		316,357
18	Intangible fixed assets	413,162		420,191		(7,028)
19	Copyright	93,284		90,397		2,887
20	Equity investments in unconsolidated subsidiaries and associates	359,281		348,885		10,397
21	Other equity investments	8,029		3,007		5,023
22	Deferred tax assets	205,065		179,823		25,242
23	Financial assets	18,852	18,852	30,531	4,865	(11,679)
24	Other non-current assets	716,582		615,144		101,438
	NON-CURRENT ASSETS	9,193,002	18,852	8,560,435	4,865	632,567
25	Inventories	97,843		104,507		(6,665)
26	Trade receivables	1,213,200	66,272	1,265,439	61,714	(52,239)
27	Other current assets	405,026		460,786		(55,760)
28	Current tax assets	13,075		26,296		(13,221)
29	Current financial assets	487,251	97,093	342,085	117,998	145,165
30	Cash and cash equivalents	359,379		559,908		(200,529)
	CURRENT ASSETS	2,575,774	163,365	2,759,022	179,712	(183,248)
31	Non-current assets destined for sale	18,288		19,076		(788)
	TOTAL ASSETS	11,787,064	163,365	11,338,533	179,712	448,531

Ref. note	LIABILITIES AND SHAREHOLDERS' EQUITY					Change
	€ thousand	31/12/2023	Of which with related parties	31/12/2022	Of which with related parties	
	Share capital	1,098,899		1,098,899		0
	Legal reserve	157,838		147,501		10,337
	Other reserves	73,697		27,743		45,954
	Retained earnings/(losses)	752,940		737,400		15,540
	Profit (loss) for the year	293,908		279,725		14,183
	Total Shareholders' Equity for the Group	2,377,281	0	2,291,268	0	86,014
	Third parties Shareholders' Equity	445,803		463,975		(18,172)
32	TOTAL SHAREHOLDERS' EQUITY	2,823,084	0	2,755,243	0	67,842
33	Staff termination benefits and other defined benefit plans	109,895		112,989		(3,094)
34	Provisions for risks and charges	224,276		218,025		6,252
35	Borrowings and financial liabilities	4,770,436		4,722,263		48,173
36	Other non-current liabilities	510,871		399,628		111,243
	NON-CURRENT LIABILITIES	5,615,479	0	5,452,905	0	162,574
37	Borrowings	922,950	111,306	619,418	108,523	303,532
38	Payables to suppliers	1,750,473	8,661	1,844,485	41,985	(94,012)
39	Tax payables	13,032		26,810		(13,777)
40	Other current liabilities	661,857		637,754		24,103
	CURRENT LIABILITIES	3,348,313	119,967	3,128,466	150,508	219,847
41	Liabilities closely associated with assets held for sale	188		1,919		(1,731)
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	11,787,064	119,967	11,338,533	150,508	448,531

CONSOLIDATED CASH FLOW STATEMENT

Ref. note	€ thousand	31/12/2023	Related parties	31/12/2022	Related parties	Change
	Profit before tax	475,198	0	497,937	0	(22,739)
8	Depreciation/amortisation and impairment losses	651,827	0	594,636	0	57,191
6-11	Profit/(Loss) on equity investments	(13,794)	0	(45,690)	0	31,896
34	Changes in provisions for risks and charges	8,099	0	(11,345)	0	19,443
33	Net change in the provision for employee benefits	(1,463)	0	(182)	0	(1,280)
9-10	Net financial income/(charges)	132,055	0	84,384	0	47,670
	Cash flow from operating activities before changes in net working capital	1,251,922	0	1,119,740	0	132,182
26-27	Provision for doubtful accounts	86,487	0	113,370	0	(26,883)
25-26-27	Increase/Decrease in receivables included in current assets	(24,004)	(4,558)	(312,114)	(35,924)	288,110
38-39	Increase/Decrease in payables included in the working capital	(84,485)	(33,324)	196,983	10,522	(281,469)
25	Increase/Decrease in inventories	6,665	0	(15,497)	0	22,162
	Income taxes paid	(148,185)	0	(178,506)	0	30,321
	Change in working capital	(163,522)	(37,881)	(195,764)	(25,401)	32,241
24-40	Change in other assets/liabilities during the period	22,520	0	(44,934)	0	67,453
	<i>Cash flow from operations of Disposal Groups/Assets held for sale</i>	0	0	0	0	0
	Cash flow from operating activities	1,110,919	(37,881)	879,042	(25,401)	231,877
	Investments in tangible and intangible assets	(1,142,690)	0	(1,050,303)	0	(92,387)
	Investments in investees, subsidiaries and business units	(67,983)	0	45,863	0	(113,846)
	Collections/payments deriving from other financial investments	(133,487)	6,919	44,844	(10,586)	(178,330)
	Dividends received	5,567	5,567	3,381	3,381	2,186
	Interest income received	39,252	0	25,962	0	13,290
	<i>Cash flow from investments of Disposal Groups/Assets held for sale</i>	0	0	0	0	0
	TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES	(1,299,341)	12,486	(930,253)	(7,205)	(369,088)

Ref. note	€ thousand	31/12/2023	Related parties	31/12/2022	Related parties	Change
37	New issues of long-term financial debt	700,000	0	250,000	0	450,000
37	Repayment of financial payables	(377,978)	0	(73,287)	0	(304,690)
35	Decrease/Increase in other financial debts	(22,827)	2,783	(2,546)	9,359	(20,281)
	Interest expense paid	(166,090)	0	(103,972)	0	(62,118)
	Dividends paid	(145,213)	(145,213)	(146,238)	(146,238)	1,025
	<i>Cash flow from loans of Disposal Groups/Assets held for sale</i>	0	0	0	0	0
	TOTAL CASH FLOW FROM FINANCING ACTIVITIES	(12,107)	(142,429)	(76,043)	(136,879)	63,936
	CASH FLOW FOR THE PERIOD	(200,529)	(167,825)	(127,254)	(169,485)	(73,275)
	Net opening balance of cash and cash equivalents	559,908		680,820		(120,912)
	Cash availability from acquisition	0		6,342		(6,342)
	Net closing balance of cash and cash equivalents	359,379		559,908		(200,529)
	Cash and cash equivalents at the end of the year	0		0		0
	Disposal Groups/Assets held for sale					
	Cash and cash equivalents at the end of the year	359,379		559,908		(200,529)
	Continuing Operations					

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ thousand	Share capital	Legal reserve	Valuation reserve for employee defined benefit plans net of tax	Financial derivative fair value reserve net of tax effect	Exchange difference reserve	Other reserves	Profit (loss) for the year	Total Shareholders' Equity for the Group	Third parties Shareholders' Equity	Total Shareholders' Equity
Balance at 1 January 2023	1,098,899	147,501	(14,329)	44,825	16,592	718,056	279,725	2,291,268	463,975	2,755,243
Income statement profit	0	0	0	0	0	0	293,908	293,908	33,536	327,443
Other comprehensive income/(loss)	0	0	(1,887)	(58,682)	8,784	0	0	(51,785)	(3,755)	(55,539)
Total comprehensive income/(loss)	0	0	(1,887)	(58,682)	8,784	0	293,908	242,123	29,781	271,905
Allocation of result for 2022	0	10,337	0	0	0	269,388	(279,725)	0	0	0
Distribution of dividends	0	0	0	0	0	(180,666)	0	(180,666)	(10,130)	(190,796)
Change in consolidation scope	0	0	48	(432)	(2)	25,200	0	24,815	(37,219)	(12,404)
Other changes	0	0	19	(18)	0	(259)	0	(258)	(604)	(862)
Balance as at 31 December 2023	1,098,899	157,838	(16,149)	(14,307)	25,374	831,719	293,908	2,377,281	445,803	2,823,084

€ thousand	Share capital	Legal reserve	Valuation reserve for employee defined benefit plans net of tax	Financial derivative fair value reserve net of tax effect	Exchange difference reserve	Other reserves	Profit (loss) for the year	Total Shareholders' Equity for the Group	Third parties Shareholders' Equity	Total Shareholders' Equity
Balance at 1 January 2022	1,098,899	138,649	(18,234)	(4,754)	2,048	594,055	313,309	2,123,971	392,449	2,516,420
Income statement profit	0	0	0	0	0	0	279,725	279,725	31,435	311,160
Other comprehensive income/(loss)	0	0	3,876	50,175	14,544	0	0	68,595	8,313	76,908
Total comprehensive income/(loss)	0	0	3,876	50,175	14,544	0	279,725	348,319	39,748	388,067
Allocation of result for 2021	0	8,852	0	0	0	304,457	(313,309)	0	0	0
Distribution of dividends	0	0	0	0	0	(180,666)	0	(180,666)	(11,992)	(192,658)
Change in consolidation scope	0	0	29	(596)	0	(2,211)	0	(2,777)	43,843	41,066
Other changes	0	0	0	0	0	2,420	0	2,420	(73)	2,348
Balance as at 31 December 2022	1,098,899	147,501	(14,329)	44,825	16,592	718,056	279,725	2,291,268	463,975	2,755,243

NOTES TO THE CONSOLIDATED INCOME STATEMENT

CONSOLIDATED NET REVENUE

As at 31 December 2023 these amounted to € 4,649,376 thousand (€ 5,138,245 thousand at 31 December 2022), recording a decrease of € 488,869 thousand compared to the previous year.

€ thousand	2023	2022	Change	Change %
Revenue from sales and services	4,430,252	4,957,179	(526,927)	(10.6%)
Other revenue and income	219,124	181,066	38,058	21.0%
Consolidated net revenue	4,649,376	5,138,245	(488,869)	(9.5%)

1. Revenue from sales and services – € 4,430,252 thousand

This item registered a total decrease of € 526,927 thousand (-10.6%) compared to the previous financial year, which closed

with € 4,957,179 thousand. The composition of the item is shown below.

€ thousand	2023	2022	Change	Change %
Revenue from electricity sales and services	2,289,290	2,956,818	(667,528)	(22.6%)
Revenue from gas sales	200,880	228,254	(27,374)	(12.0%)
Revenue from electricity incentives	1,227	6,292	(5,065)	(80.5%)
Revenue from the Integrated Water Service	1,238,797	1,202,854	35,942	3.0%
Revenue from Overseas Water Services	96,678	94,458	2,220	2.4%
Revenue from waste disposal and landfill operations	239,894	189,550	50,344	26.6%
Revenue from customer services	172,298	153,487	18,811	12.3%
Connection fees	32,765	28,990	3,776	13.0%
Revenues from sustainable development	158,423	96,476	61,947	64.2%
Revenue from sales and services	4,430,252	4,957,179	(526,927)	(10.6%)

Revenue from electricity sales and services

Amounted to € 2,289,290 thousand and are broken down as follows:

€ thousand	2023	2022	Change	Change %
Electricity and heat generation	10,972	12,837	(1,866)	(14.5%)
Electricity sales	1,674,719	2,571,259	(896,540)	(34.9%)
Transport and metering of energy	594,776	362,615	232,161	64.0%
Sale of energy from waste-to-energy and biogas	2,568	1,979	589	29.8%
Co-generation	6,255	8,128	(1,873)	(23.0%)
Revenue from electricity sales and services	2,289,290	2,956,818	(667,528)	(22.6%)

The main change refers to the sale of electricity (-€ 896,540 thousand), in which the decrease is the result of the increase in unit prices seen in 2022 and partly due to lower quantities sold. Electricity sales on the Free Market totalled 5,603 GWh with a 11.5% reduction on the previous year, while electricity sales on the Great-

er Protection Service totalled 1,202 GWh with a 14.8% decrease on an annual basis. This reduction was affected by the automatic assignment of “small” customers and “micro” enterprises to the Gradual Protection Service, and in part to the decrease in the number of customers.

Revenue from gas sales

Amounted to € 200,880 thousand and recorded a decrease of € 27,374 thousand compared to 31 December 2022 partially as a consequence of the easing of tension in commodity prices and partially due to lower quantities.

Revenue from electricity incentives

These revenues amounted to € 1,227 thousand and showed a decrease of € 5,065 thousand compared to the previous year. The decrease is mainly attributable to Acea Produzione (-€ 4,561 thousand) referring to the decrease in revenue from the Incentive Management Recognition (GRIN) after the GSE changed the schedule for GRIN incentives.

€ thousand	2023	2022	Change	Change %
Revenue from water sales	666,048	702,412	(36,364)	(5.2%)
Revenue from water purification sales	312,992	298,998	13,994	4.7%
Revenue from sewerage sales	127,091	116,754	10,337	8.9%
Other revenue from GRC	132,666	84,690	47,976	56.6%
Revenue from the Integrated Water Service	1,238,797	1,202,854	35,942	3.0%

The quantification of the revenues deriving from management of the integrated water service is the consequence of application of the new water tariff method for the third regulatory period (MTI-3), as approved by the Authority (ARERA) with Resolution no. 580/2019/R/ldr of 27 December 2019, taking into account the approval of the 2022-2023 tariff provisions which occurred in the meantime. For more details, please see the section "Progress of the procedure for approving tariffs" in this document.

Revenue from Overseas Water Services

These revenues are equal to € 96,678 thousand and show an increase of € 2,220 thousand compared to the previous year (€

€ thousand	2023	2022	Change	Change %
Revenue from waste disposal and transport	27,989	18,689	9,300	49.8%
Revenues from street sweeping and collection	41,995	3,455	38,539	n.s.
Revenue from selection and processing	29,392	32,629	(3,237)	(9.9%)
Revenue from landfill management and transport	35,560	30,902	4,658	15.1%
Revenue from sludge recovery	12,655	16,159	(3,505)	(21.7%)
Revenue from conferment of biomasses	92,305	87,716	4,589	5.2%
Revenue from waste disposal and landfill operations	239,894	189,550	50,344	26.6%

The increase recorded was mainly due to the change in the consolidation scope (+€ 62,682 thousand), as a result of the consolidation of ASM Terni in relation to the sweeping and waste collection service (+€ 38,707 thousand), Tecnoservizi in relation to revenues for waste disposal and transport (+€ 11,459 thousand) and to the consolidation of the "Polo Cirsu" business unit (+€ 12,898 thousand). These increases were offset by lower

Revenue from the Integrated Water Service

As mentioned in the section of the Report on Operations to which reference should be made for more detailed explanations, revenue from the Integrated Water Service is almost exclusively generated by the companies managing the service in Lazio and Campania. Said revenue amounts in total to € 1,238,797 thousand and shows an increase of € 35,942 thousand (+3.0%) compared to the previous year (€ 1,202,854 thousand) mainly due to greater investments and the increase in tariff revenue, also influenced by the two-year tariff update for 2022-2023, as well as the estimate for adjustments for pass-through items (electricity, wholesale water, etc.). The composition of the item is shown below:

94,458 thousand as at 31 December 2022). The change was influenced by higher invoiced volumes and a tariff increase due to inflation, in part offset by an overall negative foreign exchange effect.

Revenue from waste disposal and landfill operations

These revenues amounted to € 239,894 thousand and showed an increase of € 50,344 thousand compared to the previous year. The breakdown of the item is shown below:

revenues from Acea Ambiente, associated with the San Vittore and Terni plants, as the overall effect of lower volumes of energy transferred and lower tariffs (-€ 8,961 thousand) and lower revenues from the recovery of waste, deriving from the combined effect of higher volumes processed at the Monterotondo plant, lower volumes processed at the Aprilia plant and the decrease in tariffs.

Revenue from customer services

These amounted to € 172,298 thousand (€ 153,487 thousand at 31 December 2022) and increased by € 18,811 thousand. The changes can be represented as follows:

€ thousand	2023	2022	Change	Change %
Public Lighting - Rome	43,415	49,585	(6,171)	(12.4%)
Work for third parties	101,856	68,905	32,951	47.8%
Intercompany services	10,608	7,793	2,815	36.1%
Photovoltaic	850	2	847	n.s.
GIP revenue	6,302	6,417	(115)	(1.8%)
Change in inventories	9,268	20,784	(11,517)	(55.4%)
Revenue from customer services	172,298	153,487	18,811	12.3%

The increase is mainly due to the change in contract work in progress for energy efficiency projects, in part offset by the negative change in inventories linked to multi-year contracts, for the most part attributable to SIMAM, and lower revenue realised in relation to the public lighting contract with the Municipality of Rome.

Connection fees

These amounted to € 32,765 thousand, recording an increase of € 3,776 thousand compared to 31 December 2022.

€ thousand	2023	2022	Change	Change %
Water connection fees	4,992	3,882	1,109	28.6%
Electricity market connection fees	20,219	19,867	352	1.8%
Ancillary revenue	7,555	5,241	2,314	44.2%
Connection fees	32,765	28,990	3,776	13.0%

Revenues from sustainable development

These revenues amounted to € 158,423 thousand and showed an increase of € 61,947 thousand compared to the previous year. This revenue derives from installation and customer services in the context of energy efficiency projects, smart services and smart comp.

€ thousand	2023	2022	Change	Change %
Contributions from entities for Energy Efficiency Certificates	5,234	4,714	520	11.0%
Non-recurring gains	60,538	40,018	20,520	51.3%
Other revenue	73,212	69,820	3,392	4.9%
Refunds for damages, penalties, collateral	23,073	14,092	8,981	63.7%
Feed-in tariff	2,357	6,015	(3,659)	(60.8%)
Regional grants	23,314	17,903	5,411	30.2%
Income from end users	59	63	(4)	(5.7%)
Seconded personnel	837	513	324	63.2%
Real estate income	1,750	1,004	746	74.3%
IFRIC 12 margin	21,419	18,344	3,075	16.8%
Gains on asset disposals	3,696	4,351	(655)	(15.1%)
Recharged cost for company officers	643	654	(10)	(1.6%)
Premiums for continuity of service	31	165	(134)	(81.3%)
Revenue for disconnections and connections	2,962	3,411	(449)	(13.2%)
Other revenue and income	219,124	181,066	38,058	21.0%

The increase is mainly attributable to the following offsetting effects:

- greater non-recurring gains (+€ 20,520 thousand), for the most part associated with Acea Energia (+€ 10,992 thousand),

2. Other revenue and income – € 219,124 thousand

This item increased by € 38,058 thousand compared to 31 December 2022 (€ 181,066 thousand at 31 December 2022). The following table shows a breakdown of this item:

recognised against the allocation of energy items relative to previous years;

- greater reimbursement for damages and penalties (+€ 8,981 thousand) partly attributable to Acea Energia (+€ 7,601 thou-

sand) mainly due to the increase in revenues the Cmor component on the free market and to areti (+€ 2,347 thousand) linked to transactions finalised with suppliers;

- higher regional contributions (+€ 5,411 thousand) prevalently due to GORI in relation to the recognition of contributions for

Regional Works for the years 2018-2021;

- a higher IFRIC12 margin for € 3,075 thousand, consequent to greater investments;
- lower energy account contributions (-€ 3,659 thousand) mainly due to the deconsolidation of the photovoltaic companies.

CONSOLIDATED OPERATING COSTS

At 31 December 2023 operating costs amounted to € 3,272,896 thousand (€ 3,861,121 thousand at 31 December 2022), recording

a decrease of € 588,225 thousand (-15.2 % compared to the previous year). The breakdown is as follows:

€ thousand	2023	2022	Change	Change %
Staff costs	334,478	305,066	29,412	9.6%
Costs of materials and overhead	2,938,418	3,556,055	(617,638)	(17.4%)
Consolidated operating costs	3,272,896	3,861,121	(588,225)	(15.2%)

3. Personnel costs – € 334,478 thousand

€ thousand	2023	2022	Change	Change %
Personnel costs including capitalised costs	532,003	499,105	32,898	6.6%
Costs capitalised	(197,525)	(194,039)	(3,486)	1.8%
Staff costs	334,478	305,066	29,412	9.6%

The increase in personnel costs, including capitalised costs, amounted to € 32,898 thousand and was affected in part by the change in the consolidation scope (+€ 20,161 thousand) and in part by the effect of the increase in payment components and the changes in the national collective labour contracts. Capital-

ised costs were in line with the previous year, increasing slightly by € 3,486 thousand.

The following tables show the average and actual number of staff by operating segment compared to the same period of the previous year.

Consistenza finale del periodo

	31/12/2023	31/12/2022	Change	Change %
Environment	858.0	881.0	(23.0)	(2.6%)
Commercial	449.0	456.0	(7.0)	(1.5%)
Water (Overseas)	2,380.0	2,583.0	(203.0)	(7.9%)
Water	3,956.0	3,963.0	(7.0)	(0.2%)
Networks & Smart Cities	1,246.0	1,287.0	(41.0)	(3.2%)
Production	99.0	97.0	2.0	2.1%
Engineering & Infrastructure Projects	470.0	465.0	5.0	1.1%
Corporate	762.0	723.0	39.0	5.4%
Total	10,220.0	10,455.0	(235.0)	(2.2%)

Consistenza media del periodo

	31/12/2023	31/12/2022	Change	Change %
Environment	874.8	874.8	0.1	0.0%
Commercial	449.8	444.9	4.8	1.1%
Water (Overseas)	2,477.8	2,473.9	3.9	0.2%
Water	3,968.6	3,890.8	77.8	2.0%
Networks & Smart Cities	1,269.2	1,261.8	7.3	0.6%
Production	97.0	92.2	4.8	5.2%
Engineering & Infrastructure Projects	478.2	455.8	22.4	4.9%
Corporate	733.1	716.9	16.2	2.3%
Total	10,348.4	10,211.1	137.3	1.3%

4. Costs of materials and overheads – € 2,938,418 thousand.

This item shows an overall increase of € 617,638 thousand (-17.4% compared to 31 December 2022).

€ thousand	2023	2022	Change	Change %
Electricity, gas, fuel	1,922,807	2,644,092	(721,285)	(27.3%)
Materials	131,684	126,697	4,987	3.9%
Services and contract work	672,371	576,958	95,413	16.5%
Concession fees	69,091	67,693	1,398	2.1%
Cost of leased assets	52,845	41,692	11,153	26.8%
Other operating costs	89,620	98,924	(9,304)	(9.4%)
Costs of materials and overhead	2,938,418	3,556,055	(617,638)	(17.4%)

Electricity, gas and fuel

€ thousand	2023	2022	Change	Change %
Electricity and gas purchases and transportation	1,917,545	2,637,274	(719,729)	(27.3%)
White certificates	1,447	889	558	62.8%
Green certificates and CO ₂ rights	3,815	5,929	(2,114)	(35.6%)
Electricity, gas, fuel	1,922,807	2,644,092	(721,285)	(27.3%)

The decrease in costs to purchase and transport electricity and gas (-€ 719,729 thousand) is in line with the decrease in revenues consistent with that already described in detail in relation to price trends.

Materials

The cost of materials amounted to € 131,684 thousand and represents the cost of materials used net of capital expenditure, as shown in the table below.

€ thousand	2023	2022	Change	Change %
Purchase of materials	186,020	183,507	2,513	1.4%
Change in inventories	19,707	5,092	14,615	n.s.
Costs capitalised	(74,043)	(61,901)	(12,142)	19.6%
Materials	131,684	126,697	4,987	3.9%

The increase seen in this item was influenced by the change in the scope of consolidation for a total of € 2,856 thousand.

Services and contract work

These amounted to € 672,371 thousand and increased by a total of € 95,413 thousand (the figure was € 576,958 thousand at 31 December 2022). They can be represented as follows:

€ thousand	2023	2022	Change	Change %
Technical and administrative Services (including consulting and collaborations)	65,948	73,696	(7,748)	(10.5%)
Contract work	212,922	139,422	73,500	52.7%
Disposal and transport of sludge, slag, ash and waste	132,016	102,597	29,419	28.7%
Other services	86,656	77,921	8,735	11.2%
Personnel services	23,904	21,566	2,337	10.8%
Insurance costs	15,154	15,370	(217)	(1.4%)
Electricity, water and gas consumption	60,046	59,858	188	0.3%
Internal use of electricity	9,849	10,639	(790)	(7.4%)
Intragroup services and otherwise	13,757	16,328	(2,571)	(15.7%)
Telephone and data transmission costs	6,939	7,001	(62)	(0.9%)
Postal expenses	3,751	3,321	430	12.9%
Maintenance fees	7,556	12,016	(4,459)	(37.1%)
Cleaning, transport and portage costs	7,381	7,493	(112)	(1.5%)
Advertising and sponsorship costs	10,800	15,847	(5,047)	(31.9%)
Corporate bodies	5,091	4,475	616	13.8%
Meter readings	4,109	3,754	356	9.5%
Bank charges	4,036	3,716	320	8.6%
Travel and accommodation expenses	2,186	2,020	166	8.2%
Seconded personnel	187	(234)	421	(179.9%)
Printing expenses	82	148	(67)	(45.0%)
Services and contract work	672,371	576,958	95,413	16.5%

The increase is attributable to the change in scope which accounted for €33,876 thousand of it. The remainder of the increase is due to:

- greater costs for contract work (+€ 73,500 thousand) for the most part associated with energy efficiency and smart services projects, in line with that recognised in the revenue section;
- greater costs for disposal and transport of sludge, slag, ash and waste (+€ 7,047 thousand);
- greater costs for Cmor indemnities (+€ 7,995 thousand).

The increases were offset by a generalised reduction in other spend-

ing items, including lower technical and administrative services (-€ 7,748 thousand), advertising and sponsorship costs (-€ 5,047 thousand) and lower maintenance fees (-€ 4,459 thousand).

Concession fees

Concession fees totalled € 69,091 thousand, in line with the previous year and referring to companies that manage Area Authorities under concession in Lazio and Campania. The table below shows the breakdown by Company:

€ thousand	2023	2022	Change	Change %
Adistribuzione gas	2,859	2,842	17	0.6%
Acea Ato2	52,193	50,677	1,516	3.0%
Acea Ato5	3,776	3,847	(71)	(1.9%)
Acea Molise	52	53	(2)	(3.0%)
Gesesa	336	369	(32)	(8.8%)
GORI	2,444	2,420	24	1.0%
Acquedotto del Fiora	4,844	4,823	21	0.4%
Servizi Idrici Integrati	2,493	2,543	(50)	(2.0%)
Other companies	94	118	(24)	(20.5%)
Total	69,091	67,693	1,398	2.1%

For other information regarding the concessions, reference should be made to the information in the specific section entitled "Service concession report".

Cost of leased assets

The item amounts to € 52,845 thousand, up by € 11,153 thousand with respect to the previous year (€ 41,692 thousand at 31 December 2022); the increase is partially attributable to greater costs for software application licenses, mainly relative to the parent com-

pany and in part to higher costs for easements and public land rent. In line with IFRS 16, this item contains costs relating to short-term leases and leases of modest value.

Other operating costs

These amounted to € 89,620 thousand at 31 December 2023, an increase of € 9,304 thousand. The table below provides details of this item by type:

€ thousand	2023	2022	Change	Change %
Taxes and duties	17,716	17,003	714	4.2%
Damages and outlays for legal disputes	11,138	8,371	2,767	33.1%
Contributions paid and membership fees	5,540	5,779	(239)	(4.1%)
Losses on receivables	1,002	71	932	n.s.
General expenses	18,728	20,892	(2,164)	(10.4%)
Contingent liabilities	35,496	46,808	(11,312)	(24.2%)
Other operating costs	89,620	98,924	(9,304)	(9.4%)

The decrease derives: i) from lower non-recurring costs (-€ 11,640 thousand) recorded by Acea Ato2 (-€ 20,489 thousand) as a consequence of the recognition of positive components the previous year linked to the tariff components for 2020 recognised at the time of the two year update to set the tariff for 2020-2023 in an amount inferior to that recognised in the respective financial statements, particularly with reference to the RCARC component introduced in accordance with certain Council of State rulings on tariff calculation rules for the years 2012 and 2013, as well as for the period from 21 July-31 December 2011 and the negative adjustment which arose in the course of the two-year update to set the tariff for 2020-2023, as users suffering economic problems made less use of the supplementary water bonus (in the form of a subsidy) with respect to that recognised in the tariff in 2021, partially offset by Acea Energia (+€ 3,851 thousand) and Umbria Energy (+€ 3,456), mainly in relation to allocations of energy items from previous years; ii) the reduction in general expenses (-€ 2,164 thousand), influenced by lower pass-through costs for GORI for

the component linked to the Water Bonus recognised in 2022. This reduction was offset by an increase in the other items, for the most part due to greater compensation for damages (+€ 2,767 thousand), mainly for areti (+€ 3,009 thousand), deriving from indemnities to clients and losses on lapsed receivables.

5. Net Revenue/(Costs) from commodity risk management – € 0 thousand

At 31 December 2023, the Group had not subscribed to derivatives to hedge trading operations.

6. Income/(Expenses) from equity investments of a non-financial nature – € 14,397 thousand

This item represents the consolidated result according to the equity method that is included among the EBITDA components of strategic companies. The breakdown of this item is detailed below:

€ thousand	2023	2022	Change	Change %
EBITDA	156,500	150,838	5,662	3.8%
Amortisation, depreciation, impairment and provisions	(128,511)	(108,323)	(20,188)	18.6%
Profit/(Loss) on equity investments	0	0	0	n.s.
Financial operations	(7,762)	(3,163)	(4,599)	145.4%
Taxes	(5,831)	(11,454)	5,624	(49.1%)
Income from equity investments of a non-financial nature	14,397	27,897	(13,500)	(48.4%)

EBITDA for these companies rose by € 5,662 thousand, while profit from the equity investment fell by € 13,561 thousand, mainly

impacted by higher amortisation/depreciation. The companies' assessments are detailed below.

€ thousand	2023	2022	Change	Change %
Powertis Group	(45)	(7)	(39)	n.s.
Acea Sun Capital Group	(7,491)	997	(8,489)	n.s.
Energy	488	395	93	23.5%
Ecomed	(646)	0	(646)	n.s.
Romeo Gas	0	760	(760)	(100.0%)
Umbria Distribuzione Gas	113	0	113	n.s.
DropMI	(118)	0	(118)	n.s.
Acque	7,400	11,062	(3,662)	(33.1%)
Intesa aretina	(235)	(423)	188	(44.4%)
GEAL	943	1,104	(161)	(14.6%)
Nuove Acque	777	926	(149)	(16.1%)
Publiacqua	9,347	8,560	787	9.2%
Acque Servizi	0	251	(251)	(100.0%)
Umbra Acque	2,863	3,320	(458)	(13.8%)
Ingegnerie Toscane	1,002	950	52	5.5%
Total	14,397	27,897	(13,500)	(48.4%)

7. Net write-downs (write-backs) of trade receivables – € 86,487 thousand

This item fell with respect to the previous year, both with reference to its absolute value (-€ 26,883 thousand) and in terms of its impact on the Group's consolidated revenues (1.9% vs. 2.2%). Beyond the excellent amounts collected by the main companies, this result can be attributed to the following reasons: with reference to the Commercial B.U. (-€ 11,999 thousand), the reduction in volumes invoiced as a consequence of commercial policies to break up risk and trends in commodities prices; for the "Water" segment (-€ 13,803 thousand), the combination of i) business growth ii) the favourable resolution of certain credit settlements of significant amount by OTA2, iii) the presence

of a non-recurring extraordinary component for GORI in 2022 (settlement with EIC [Campania Water Authority]) for previous items equal to around +€ 5,600 thousand. Finally, as in previous periods, the "stress scenario" introduced in 2022 for the main Group companies was maintained, intended to anticipate potential issues with customer standing not identifiable from current performance but based on satellite models utilising macroeconomic e-business information.

8. Depreciation, amortisation and provisions – € 692,060 thousand

Compared to 31 December 2022, an increase of € 66,261 thousand was registered, with the details presented below.

€ thousand	2023	2022	Change	Change %
Depreciation and amortisation	651,827	594,636	57,191	9.6%
Provisions	40,233	31,163	9,070	29.1%
Depreciation, amortisation and provisions	692,060	625,799	66,261	10.6%

Depreciation/amortisation and impairment losses

€ thousand	2023	2022	Change	Change %
Depreciation	184,131	171,213	12,918	7.5%
Amortisation	461,775	420,857	40,918	9.7%
Impairment losses	5,921	2,566	3,355	130.8%
Depreciation/amortisation and impairment losses	651,827	594,636	57,191	9.6%

The increase in the item of € 57,191 thousand is mainly linked to natural growth in amortisation/depreciation for regulated business, for the most part in the "Water" segment, as a consequence of greater investments, of assets in progress beginning to be utilised and, growth in amortisation/depreciation relative to commissioning costs to acquire new Acea Energia customers (+€ 6,158 thousand).

The change in the scope of consolidation accounted for € 13.6 million of the increase, due to effects following the acquisition of the "Polo Cirsu" business unit (+€ 6,077 thousand) and the consolidation at the end of 2022 of ASM Terni (+€ 5,468 thousand) and Tecnoservizi (+€ 2,386 thousand).

Provisions

Net of sums released, provisions amounted to € 40,233 thousand and are divided by type as follows:

	2023	2022	Change	Change %
Legal Risks provision	2,636	2,975	(340)	(11.4%)
Tax provision	561	409	152	37.0%
Regulatory risks provision	4,387	4,995	(608)	(12.2%)
Provision for investees	425	0	425	n.s.
Fee risks provision	2,261	555	1,706	n.s.
Tenders and supplies provision	11,008	403	10,605	n.s.
Insurance deductibles provision	2,366	2,174	192	8.8%
Other risks and charges provision	9,260	6,922	2,337	33.8%
Provisions for risks	32,904	18,435	14,469	78.5%
Early retirements and redundancies provision	10,043	20,206	(10,162)	(50.3%)
Post mortem provision	(0)	288	(288)	(100.0%)
Provision for Expenses payable to others	1,881	602	1,280	n.s.
Expenses provision	11,924	21,095	(9,171)	(43.5%)
Total provisions	44,829	39,530	5,299	13.4%
Release of risks provisions, release of fees provisions	(4,596)	(8,367)	3,772	(45.1%)
Total	40,233	31,163	9,070	29.1%

For more details please see note 34 “Provisions for risks and charges”.

9. Financial income – € 39,481 thousand

€ thousand	2023	2022	Change	Change %
Interest on financial receivables	158	71	87	121.5%
Bank interest income	3,015	307	2,708	n.s.
Interest on trade receivables	18,392	10,213	8,179	80.1%
Interest on other receivables	15,091	1,883	13,208	n.s.
Financial income from discounting to present value	179	11,240	(11,060)	(98.4%)
Income from fair value hedges measurement	48	452	(404)	(89.3%)
Other income	2,596	1,796	801	44.6%
Financial income	39,481	25,962	13,518	52.1%

Financial income amounted to € 39,481 thousand, an increase of € 13,518 thousand with respect to the previous year. This increase derives i) from the increase in interest income on short-term receivables (+€ 13,208 thousand), of which € 10,421 thousand relative to inter-

est income on the parent company's short-term deposits; ii) greater interest income from customers for € 8,179 thousand mainly attributable to the increase in market rates; iii) lower discounting income in relation to the discounting income recognised by GORI in 2022.

10. Financial costs – € 176,009 thousand

€ thousand	2023	2022	Change	Change %
Costs (Income) on Interest Rate Swaps	3,635	5,445	(1,810)	(33.2%)
Interest on bonds	79,844	55,823	24,020	43.0%
Interest on medium/long-term borrowings	34,870	18,345	16,525	90.1%
Interest on short-term debt	11,949	3,951	7,998	n.s.
Default interest and interest on deferred payments	13,609	4,173	9,436	n.s.
Interest cost net of actuarial gains and losses	4,474	1,324	3,150	n.s.
Factoring fees	14,264	14,236	28	0.2%
Discounting charges	1,577	3,747	(2,170)	(57.9%)
IFRS 16 financial charges	3,778	2,211	1,567	70.9%
Other financial charges	3,491	1,390	2,100	151.1%
Interest payable to end users	4,429	608	3,820	n.s.
Foreign exchange gains (losses)	90	416	(327)	(78.4%)
Financial charges	176,009	111,670	64,339	57.6%

Financial charges, equal to € 176,009 thousand, rose by € 64,339 thousand due to the combined effect of the increase in interest rates and the increase in average debt for the period. In particular, the increase in financial expense suffered from: i) greater interest recorded by the parent company on bond loans, mainly due to the parent company's new € 700 million issue (+€ 24,020 thousand) and greater interest on medium/long-term borrowings (+€ 16,521 thousand) due to the increase in

short-term interest rates (+€ 7,995 thousand); ii) greater expenses recognised by Acea Energia in relation to interest on derivatives for € 7,861 thousand.

The average overall all-in cost of the Acea Group's debt stood at 2.08% compared to 1.44% the previous year.

11. Income/Expenses from equity investments – € 603 thousand

€ thousand	2023	2022	Change	Change %
Income from equity investments in associates	1,770	18,007	(16,237)	(90.2%)
(Costs) of shares in related companies	(2,373)	(214)	(2,159)	n.s.
Profit/(Loss) on equity investments	(603)	17,793	(18,396)	(103.4%)

Revenue from equity investments refers to consolidation according to the net worth method of some Group companies. The decrease compared to the previous year is due to the recognition in 2022 of the capital gain effects from the sale of a group of photovoltaic plants as part of the agreement signed with the British investment fund Equitix, equal to € 16,372 thousand.

12. Income tax – € 147,755 thousand

Estimated tax expenses for the period were € 147,755 thousand, compared to € 148,260 thousand of the previous year. The break-

down is essentially as follows:

- Current taxes: € 148,984 thousand (€ 144,983 thousand at 31 December 2022);
- Net deferred tax liabilities/(assets): -€ 1,230 thousand (€ 1,256 thousand at 31 December 2022).

The decrease in absolute value of taxes recorded during the period is the partial direct consequence of the establishment in 2022 of the "excess profit contribution". The table below shows the breakdown of taxes and the correlated percentage weight calculated on consolidated profit before tax.

€ thousand	2023		2022	
	Tax	Impact	Tax	Impact
Consolidated profit/(loss) before tax	475,198	%	497,937	%
Theoretical IRES calculated using the parent company rate	114,048	24.00%	119,505	24.00%
Reconciliation with the before tax result taxable for IRES purposes	61,014	12.84%	64,677	12.99%
IRES fiscal effect of permanent differences, increase	10,852	2.28%	18,024	3.62%
IRES fiscal effect of permanent differences, decrease	(72,881)	-15.34%	(89,294)	-17.93%
IRES fiscal effect of temporary differences, increase	31,356	6.60%	32,891	6.61%
IRES fiscal effect of temporary differences, decrease	(35,608)	-7.49%	(41,072)	-8.25%
IRES fiscal effect of ACE deduction	(2,575)	-0.54%	(2,072)	-0.42%
Income from tax consolidation/tax losses	(652)	-0.14%	(278)	-0.06%
IRES for the period	105,554	22.21%	102,380	20.56%
<i>of which relative to companies included in tax consolidation</i>	<i>92,052</i>	<i>19.37%</i>	<i>89,046</i>	<i>17.88%</i>
<i>of which relative to companies not included in tax consolidation</i>	<i>13,502</i>	<i>2.84%</i>	<i>13,335</i>	<i>2.68%</i>
IRAP for the period	38,198	8.04%	36,617	7.71%
Taxes, foreign companies	8,659	1.82%	6,745	1.35%
Tax contingencies, previous years	(3,426)	-0.72%	1,261	0.27%
Net deferred tax assets/liabilities	(1,230)	-0.26%	1,256	0.26%
Total taxes accruing for the year	147,755	31.09%	148,260	29.77%

The tax rate for the year is 31.1% (37.5% at 31 December 2022), whereas the normalised tax rate (less the solidarity contribution of € 38,517 thousand) is 29.8%.

Legislative Decree 209 of 27 December 2023, "Implementation of tax reform relative to international taxation", published in Official Journal 301 of 28 December 2023, implemented in Italian legislation Directive EU 2022/2523 of the Council of 15 December 2022, to guarantee a global minimum taxation level (Global Minimum Tax) for multinational and large scale national groups in the Union, based on the Global anti-base erosion rules (GloBE rules), developed within the OECD (Pillar II).

The new regulations for Pillar II apply to financial years beginning on or after 31 December 2023 (see article 60 of Legislative Decree 209/2023). Therefore, the regulations in question apply to the Group as from 1 January 2024.

As is known, with reference to multinational groups, Pillar 2 establishes, for companies within the group with an effective taxation level of less than 15%, a system of compensatory taxation which applies to the parent company (Income Inclusion Rule - IIR). This applies to the extent needed to reach the aforementioned 15%

threshold.

The Acea Group has assessed the Group's potential exposure to the Global Minimum Tax, carrying out a simulation based on data for financial year 2022.

Based on the analysis done for all the jurisdictions in which the Group is present, the possibility of making use of the simplified regimes pursuant to article 39 of Legislative Decree 209/2023 was positively evaluated ("transitional safe harbours" in the definition contained in Directive EU 2022/2523). Recall that, when applicable, the simplified regimes establish that no additional tax is due from a group in a given country if at least one of the three tests is passed (de minimis test, effective simplified tax rate test, and ordinary profit test) as established in Directive EU 2022/2523.

In particular, the simplified regimes are applied to a group's overall figures, identified for each individual country in which the group operates, using the data presentation methods established, also in a Country-by-Country Report. Use of aggregate data reflects the top-down approach based on Pillar 2 rules, which focuses on calculating the effective taxation level incurred by the highest level parent company in the group (Ultimate Parent Entity).

13. Earnings per share

Earnings per share are calculated by dividing profit for the year attributable to Acea by the weighted average number of Acea shares outstanding during the year, excluding treasury shares. The weighted average number of shares outstanding was € 212,547,907 at 31 December 2023. Diluted profit per share is calculated dividing profit for the financial year attributable to Acea by the weighted average number of Acea shares in circulation during the year, ex-

cluding treasury shares, increased by the number of shares which could potentially be put in circulation. At 31 December 2023 there were no shares that could potentially be put into circulation and, accordingly, the weighted average number of shares for the calculation of basic earnings per share coincides with the weighted average number of shares for the calculation of diluted earnings per share. Earnings per share, determined in accordance with IAS 33, are shown below:

	31/12/2023	31/12/2022	Change
Net profit attributable to the Group (€/000)	293,908	279,725	14,183
Net profit attributable to ordinary equity holders of the Group (€/000) (A)	293,908	279,725	14,183
Weighted average number of ordinary shares for the purpose of determining earnings per share			
- basic (B)	212,548	212,548	0
- basic (C)	212,548	212,548	0
Earnings per share (€)			
- basic (A/B)	1.38278	1.31605	0.06673
- diluted (A/C)	1.38278	1.31605	0.06673

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

At 31 December 2023 these amounted to € 11,787,064 thousand (€ 11,338,533 thousand at 31 December 2022), recording an in-

crease of € 448,531 thousand or +4.0% from the previous year; they are broken down as follows.

€ thousand	31/12/2023	31/12/2022	Change	Change %
Non-current assets	9,193,002	8,560,435	632,567	7.4%
Current assets	2,575,774	2,759,022	(183,248)	(6.6%)
Non-current assets destined for sale	18,288	19,076	(788)	(4.1%)
Total assets	11,787,064	11,338,533	448,531	4.0%

Non-current assets – € 9,193,002 thousand

14. Property, plant and equipment – € 3,334,868

The incidence of the infrastructure used for the distribution and generation of electricity amounts to 79.8% of property, plant and equipment, € 2,662,256 thousand.

The remaining 20.2% refers to:

- facilities belonging to the Environment Segment companies for € 349,691 thousand;
- infrastructures related to the Parent Company for € 103,152 thousand;

- infrastructure related to the Water Segment for € 164,023 thousand;
- infrastructure related to the Water Segment (Overseas) for € 33,994 thousand;
- facilities belonging to the Engineering & Infrastructure Projects Segment for € 9,472 thousand.

€ thousand	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Investments in progress	Assets to be relinquished	Total
Initial historic cost	651,258	3,880,120	1,135,146	201,810	98,250	14,040	5,980,623
Assets held for sale	(334)	(6,198)	0	0	3,077	0	(3,455)
Investments/Acquisitions	14,298	186,595	95,524	12,766	63,419	1,975	374,577
Disposals/Sales	(137)	(10,908)	(29,005)	(2,808)	(3,593)	0	(46,452)
Writedowns/Impairment	0	0	0	(55)	(238)	0	(293)
Changes in consolidation scope	842	39,707	3,600	732	(44,141)	0	740
Other changes	7,210	(26,321)	(24)	(1,054)	18,678	257	(1,255)
Final historic cost	673,137	4,062,995	1,205,240	211,390	135,451	16,272	6,304,486
Initial amortisation provision	(195,142)	(2,055,987)	(433,881)	(145,263)	0	(6,100)	(2,836,373)
Depreciation/amortisation and Writedowns/impairment	(15,070)	(100,083)	(49,856)	(13,646)	0	(5,379)	(184,034)
Assets held for sale	0	489	0	0	0	0	489
Investments/Acquisitions	0	0	0	0	0	0	0
Disposals/Sales	0	5,721	27,052	2,449	0	0	35,222
Changes in consolidation scope	0	(225)	0	0	0	0	(225)
Other changes	818	8,579	534	979	0	4,394	15,303
Final amortisation provision	(209,395)	(2,141,506)	(456,151)	(155,481)	0	(7,084)	(2,969,618)
Net carrying amount	463,743	1,921,489	749,088	55,909	135,451	9,188	3,334,868

Investments totalled € 374,577 thousand and mainly refer to those incurred by:

- areti for € 267,492 thousand in relation to the expansion and improvement of the HV, MV and LV grids, the mass replacement of the 2G metering groups, primary stations, secondary substations and meters, and remote control equipment as part of the grid “Adequacy and Safety” and “Innovation and Digitalisation” projects.
- Acea Ambiente for € 19,866 thousand for plant improvements carried out at the plants in San Vittore and Aprilia, the WTE plant in Terni and in Monterotondo Marittima;
- Acea Produzione for € 7,915 thousand mainly for the upgrading and maintenance of hydroelectric plants, the extension and restoration of the district heating grid, for maintenance work on the Tor di Valle power plant and work at the Montemartini power station;
- Acea Solar for € 29,935 thousand for the construction of photovoltaic plants on both agricultural and industrial land;
- Acea for € 5,207 thousand mainly for extraordinary maintenance at offices hosting company activities, as well as investments relating to the hardware required for technological development projects for the improvement and evolution of the IT

network, furnishings and office machines;

- A.S. Recycling for € 4,803 thousand to construct buildings for the SRF plant;
- Aguas De San Pedro for € 5,528 thousand for maintenance and new constructions.

Other changes refer to reclassifications due to the commissioning of assets under construction and disposals and disinvestments of assets.

15. Real estate investments – € 1,990 thousand

Real estate Investments primarily include land and buildings not used in operations and held for rental. The decrease with respect to the end of the previous year, of € 266 thousand, derives from amortisation/depreciation and write-downs recognised during the year.

16. Goodwill - € 254,626 thousand

At 31 December 2023 goodwill amounted to € 254,626 thousand (€ 255,048 thousand at 31 December 2022). The change compared to 31 December 2022 refers mainly to the definitive allocation of the price paid for the Business Combinations for new acquisitions. For more details please see the specific section.

€ thousand	31/12/2022	Definitive allocation	Exchange delta	Write-downs	Other changes	31/12/2023
Environment	79,224	(625)	0	(898)	(0)	77,701
Commercial	47,716	0	0	0	0	47,716
Production	91,618	0	0	0	0	91,618
Water	15,942	1,190	0	0	(35)	17,097
Water (Overseas)	4,951	0	(54)	0	0	4,897
Engineering & Infrastructure Projects	15,597	0	0	0	0	15,597
Goodwill	255,048	565	(54)	(898)	(35)	254,626

In order to verify the book value of the CGUs, as part of the impairment procedure the Group provides an estimate of an interval relating to the recoverable value of the assets in terms of value in use (“VIU”), in continuity with the previous year, i.e. using the Discounted Cash Flow (DCF) method, which identifies the ability to generate cash flows as the fundamental element for the purposes of assessing the entity of reference. For the purpose of discounting operating cash flows, the weighted average cost of post-tax capital is calculated.

The application of the financial method for determining the recoverable value and the subsequent comparison with the respective accounting values, therefore entailed, for each CGU subject to impairment testing, estimating the post tax WACC, the value of operating cash flows taken from the Business Plan approved by the Board of Directors on 5 March 2024, and the terminal value (TV) and, in particular, the growth rate used to project flows beyond the plan horizon, the value of the net financial position (NFP) and any surplus assets/liabilities (SA).

The main assumptions which determined cash flows and test results were the following:

- development of revenues from regulated business was prepared on the basis of the most recent tariff trends resulting from updates of national regulations, which in particular took place in December 2023. In 2024, the approval process for the tariff structures for individual water operators will be completed;

- the trend in the prices of electricity and gas sold and purchased on the free market was developed on the basis of business considerations consistent with the energy scenario developed in the business plan, which also take into account independent third party market consensus about these estimates;
- the plans were extended in an inertial manner beyond the duration of the plan approved by the Board of Directors for all CGUs, when the perpetuity hypothesis was not consistent with the characteristics of the CGU involved in the impairment test and required the use of a whole life plan.

Terminal value is calculated:

- for Acea Produzione (Production Segment) using the residual value corresponding to the net invested capital at the end of the plants’ useful life;
- for the Environment and Water (Overseas) Segments, respectively, considering the residual value corresponding to the net invested capital at the end of the plants’ useful life and of the concession;
- for areti (Networks & Smart Cities Segment): considering the current value of the RAB at the expiry of the concession calculated according to the regulations for the regulatory period and net working capital at the expiration of the concession;
- for the Water Segment, considering the current value of the RAB and Net Working Capital at the end of the concession;

- for the Commercial Segment, using estimated normalised cash flows with a steady state hypothesis without real growth; finally;
- for the Engineering & Infrastructure Projects Segment, using the residual value of the plans, considering net invested capital.

Finally, the flows determined as above were discounted using the post-tax WACC determined using an unconditional approach or using the regulatory WACC for regulated business.

Regulatory WACCs, following the update to national regulations and/or agreements with the relevant authorities, which in particular occurred in December 2023, were in line with the respective market WACCs.

Below the assumptions used in the tests and estimates for Terminal Value are summarised:

Sector	Recoverable value	WACC	Terminal value	Cash flow period
Water	Value in use	6.4%	NIC at the end of the concession, including the Regulatory Asset Base (RAB)	End of the concession
Water (Gas)	Value in use	6.7%	Terminal value equal to RAB	End of the concession
Networks & Smart Cities	Value in use	6.3%	Regulatory Asset Base (RAB)	End of the concession
Commercial	Value in use	7.3%	Perpetuity	Until 2028
Production	Value in use	6.9%	NIC/perpetuity at the end of the plants useful life	Useful life of plants/end of concession
Engineering & Infrastructure Projects	Value in use	6.4%	NIC at the end of the plants' useful life	End of concession, Water segment
Water (Overseas)	Value in use	7.4%/12.1%	NIC at the end of the concession	End of the concession
Environment	Value in use	7.1%	NIC at the end of the plants' useful life	Plants' useful life

Note that certain assets relative to the Environment Segment were reorganised in 2023 and similarly the methods used to monitor synergies and, consequently, goodwill, as also confirmed in the Group's strategic plan approved by management. Nonetheless, note that if the previous allocation and monitoring of impairment had been maintained, the results of the impairment test would not have been different.

Additionally, with reference to that issued by ESMA on 25 October 2023, with reference to monitoring climate change effects and the relative impacts on impairment tests for non-financial assets, Acea has developed risk analysis using quantitative instruments, including the application of an econometric model to estimate the relationship existing between macroeconomic and climate-related variables and the main economic/financial amounts of interest to Acea's various companies and plants. In particular, analysis was carried out on how margins are affected by the main macroeconomic and environmental variables (e.g. electricity and gas prices, CO₂ emissions, average temperature, average rainfall, etc.). In addition to that described, Acea developed Montecarlo analysis to better understand the relationships between individual key variables and help with defining possible alternative scenarios and, more generally, the level of volatility of predictions. In addition to the impairment indicated below, there were also possible losses identified only under certain scenarios which, from a statistical point of view are not "more likely than not" but for which it was still held appropriate to monitor developments. More specifically, the CGUs classified as such are Acea Ambiente, Tecnoservizi, Acea Innovation, Acquedotto del Fiora, Adistribuzione Gas, Acea Produzione and the plants of Castel Madama (Acea Produzione), Mandela (Acea Produzione) and Tor di Valle (Acea Produzione).

The results of the impairment test indicated total writedowns of € 144 thousand, relative to: i) the Ecologica Sangro CGU for € 70 thousand; and ii) the Sabaudia plant for € 74 thousand.

With reference to Acea Ato5, note that following the approval of the two-year update for 2022-2023 and the significant increase in the costs of raw materials, worsened by the international geo-

political crisis, in 2023 the directors of Acea Ato 5 confirmed the continued significant uncertainties which could give rise to serious doubts about the ability of the company to function as a going concern, in particular: the favourable conclusion of the Technical Panel with the EGA, intended to define the reciprocal items as a whole (including those subject to the Conciliation Board) and the lack of progress in the procedure for ARERA to approve the tariff proposals for 2016-2019 and 2020-2023, as well as the two-year updates for 2018-2019 and 2022-2023.

With reference to these actions, note that the latest request for economic/financial rebalance presented by the company has lapsed as it was not accepted by the deadline of 60 days and, additionally, in 2024 the Council of State rejected the company's appeal against the Area Authority's resolution 1/2021.

See, also, that described in the section "Reference context" - "Water Regulation" in the Report on Operations.

Nonetheless, in 2023 and 2024, the Directors continued to adopt all appropriate measures to improve the Company's financial position and support its continuation as a going concern.

The objectives of these actions mainly included:

beginning meetings with the government entity to define a new EFP and approve the tariffs with the new MTI-4 method, with an increase in 2024 in line with that of 2023 and within the limits of the maximum tariff increase allowed;

- the request made to the EGA to update the technical panel intended to update the items subject to the Conciliation Board and the creditor items;
- sending a repayment plan proposal to EGA for fees payable (not subject to the Conciliation Board), for which the company has not yet received a response;
- repayment plans to pay off outstanding liabilities towards third-party suppliers and infragroup payables;
- the implementation of a set of coordinated actions designed to reduce bill collection times and thus improve the percentages of amounts received;
- improving the efficiency of operating costs due to the lower rev-

venues coming from the Economic Financial Plan approved by the EGA;

- the request for and awarding of contributions (of around € 12 million) for investments planned in 2024-2025;
- the request that Acea renounce interest and the capital portion accrued and over due at 31/12/2023 with reference to the interest-bearing shareholders' loan for a total of € 14.55 million (of which € 10 million in capital and € 4.55 million in interest). This request was in line with that already approved by the Acea Board of Directors on 16/06/2022;
- a request for financial support from Acea SpA, through an extension on the payment with reference to the trade payable accrued at 31 December 2023 of € 7,867,191.48, in the form of 112 instalments starting in March 2024 and maturing on 30 June 2033 (an action not envisaged in the 2024-2028 plan);
- the request for two interest-bearing shareholders' loans from Acea SpA, to be used solely to serve its financial requirements for 2024, 2025 and 2026, deriving from the realisation of NRRP investments (action not envisaged in the plan 2024-2028 plan);

Nonetheless, despite the many material uncertainties that may create significant doubts about the going concern assumption, in particular:

- the favourable conclusion of the Technical Panel with the EGA, to definitively resolve the reciprocal items (including those subject to the Conciliation Board);
- the approval of the 2024-2029 tariff proposal in the terms proposed by the operator (in particular with regards to invoicing of adjustments by 2029 and the recognition of costs for arrears in the amount of 10% as from 2026);
- the acceptance of the repayment plan proposed to the OTS by the company and not yet formally accepted by the latter with reference to payables not subject to the Conciliation Board.

The Directors have continued to adopt the going-concern assumption in the preparation of the financial statements at 31 December 2023, considering that the actions to taken to preserve continuity, together with the decisions of Acea SpA intended to strengthen the Company's capitalisation, will be enough to allow the ordinary management of the business. They are also confident that the Conciliation Board proceedings described above, and the ARERA tariff approvals, will be completed within a reasonable period of time.

The main reason behind the near stability of the recoverable value can for the most part be found in the following assumptions in the business plan:

- IWS revenues (GRC) were prepared using the MTI4 tariff method published in December 2023. The simulation includes

(i) measuring the GRC consistent with the Regulatory WACC of 6.13%; (ii) the assumption of Cmor component recognition at 3.5% for 2024-2025 and 10% in 2026-2033, (iii) invoicing of previous adjustments by 2030 for around € 105 million, still within the limits of the maximum allowed theta. Prudentially, impacts deriving from possible greater opex recognised were not estimated;

- continuation of the process to improve efficiency for non-pass-through operating costs, while pass-through operating costs were projected in line with the revenue profile recognised;
- amortisation/depreciation guarantees consistency between net fixed capital and the gross RAB recognised;
- the investment plan, until the end of the concession, is in line with the Action Plan the Company is defining with EGATO utilising the MTI-4 method. In particular, € 12 million in contributions for investments in NRRP projects are foreseen in 2024-2025;
- the residual value (investments made, net of amortisation/depreciation and contributions) of the operator in the case of a transfer was calculated by the Company on the date the Concession expires, as the algebraic sum of net fixed capital, work in progress and grants. The residual value was determined in line with the EFP prepared by the company (ARERA formula) and takes into account the end of the due dates for investments made in the last year.

Sensitivity analysis was performed, taking into consideration the hypothesised decrease in adjustments collected on one hand and the increase in plan costs on the other, with the results below. Given the circumstances, a scenario worse than the assessments made and summarised in the base case identified cannot be hypothesised, given that in the case the aforementioned recognition goals are not achieved, the Area Authority cannot avoid identifying alternative methods, including the request to access financial balancing measures called for in the regulations, in order to guarantee the required economic/financial balance for the Manager and regular management of the service. Also note that with the approval of the new tariff method MTI-4, the regulator provided a clear indication regarding the possibility of recovering adjustments, thereby limiting the degree of discretion available to government entities in the context of postponing tariff recognition. Specifically, article 28.2 of annex A to ARERA resolution 639/2023 (MTI-4) establishes that the EGAs insert all the adjustments resolved in the new EFP, calling for invoicing by 31.12.2029, without prejudice to the possibility, in agreement with the operator and to ensure the social sustainability of the tariff, of presenting a reasoned request to ARERA to exceed this deadline, in any case requiring respect for economic and financial balance.

Reduction adjustments collected (% of total adjustments, € 103 million 2025-2029)

	0%	-10%	-20%	-30%	-40%	-50%
	3.3					
	0%	0.8	(1.7)	(4.2)	(6.7)	(9.2)
	3%	(0.1)	(2.6)	(5.1)	(7.6)	(10.1)
	5%	(3.5)	(6.0)	(8.5)	(11.0)	(13.5)
	8%	(6.8)	(9.3)	(11.8)	(14.3)	(16.9)
	10%	(10.2)	(12.7)	(15.2)	(17.7)	(20.2)
	13%	(13.6)	(16.1)	(18.6)	(21.1)	(23.6)
	15%	(16.9)	(19.4)	(21.9)	(24.5)	(27.0)
Increase in costs with respect to plan baseline *						

* The baseline is calculated on total operating costs net of energy/wholesale water/concession charges, pass-through in the tariff.

17. Concessions and Rights on Infrastructure – € 3,787,263 thousand

This item mainly refers to the Water Services and essentially includes:

- the values of concessions received from the Municipalities (€ 93,176 thousand);
- the overall amount of all tangible infrastructures for the management of water and gas distribution services (€ 70,455 thousand), in accordance with IFRIC 12.

Concessions refer for € 77,684 thousand to the thirty-year concession from Roma Capitale on the assets consisting of water and sewage treatment facilities, and to the right arising from taking over the management of the integrated water service in the Municipality of Formello. Rights are amortised on the basis, respectively, of the remaining term of the concession signed between Acea and Roma Capitale and the term of the Management Agreement signed by the Mayors in OTA 2. The balance is completed by the thirty-year concession for the management of the integrated water service of the city of San Pedro Sula in Honduras for a total amount of € 6,177 thousand and the Consorcio Agua Azul for € 9,314 thousand.

Capital expenditure for the period relating to Infrastructure rights amounted to € 664,147 thousand and mainly refers to:

- Acea Ato2 for € 414,706 thousand for the modernisation, expansion and reclamation of the water and sewerage pipes of the

various municipalities; to the extraordinary maintenance of the water centres of the treatment plants and to the actions aimed at reducing water leaks;

- Acea Ato5 for € 34,429 thousand for the replacement, maintenance and expansion of water supplies and sewerage pipes and of water treatment plants;
- GORI for € 141,621 thousand, for the replacement of the water pipelines as well as for the extraordinary maintenance of the works for the water and sewerage service;
- Acquedotto del Fiora for € 49,038 thousand, mainly due to reclamation and extraordinary maintenance, optimisation of networks/plants and new works, as well as the increased efficiency for the networks;
- SII for € 15,940 thousand mainly for modernisation and expansion of the infrastructures, and for reordering and improvement of the waste collection and treatment system.

The item **Other changes** mainly comprises reclassifications for the commissioning of assets previously in preparation. Note that the item also includes the combination of infrastructure for the gas distribution service belonging to Adistribuzionegas.

18. Tangible fixed assets – € 413,162

The item has a net book value as at 31 December 2023 of € 413,162 thousand and can be represented as follows:

€ thousand	Patent rights	Other intangible fixed assets	Contract costs	Investments in progress and advances	Total
Net opening balance	218,479	129,554	56,809	15,348	420,191
Depreciation/amortisation and impairment losses	(67,792)	(24,239)	(27,919)	0	(119,950)
Assets held for sale	0	(259)	0	0	(259)
Investments/Acquisitions	48,458	35,470	1,614	18,424	103,966
Disposals/Sales	(176)	0	0	(1,040)	(1,216)
Changes in consolidation scope	2,532	3	0	(2,532)	3
Other changes	1,525	(13,842)	32,028	(9,283)	10,427
Net closing balance	203,027	126,687	62,533	20,916	413,162

The item saw a decrease of € 7,028, deriving from investments incurred during the period (€ 103,966 thousand), net of amortisation and reductions in value (€ 119,950 thousand) and reclassifications.

Investments for the period are mainly attributable to:

- areti for € 30,943 thousand for charges incurred for the re-engineering of the information and commercial distribution systems and for the harmonisation of systems to support measurement activities;
- Acea Energia for € 44,980 thousand, for the most part associated with the costs of acquiring new customers pursuant to IFRS 15 (€ 32,023 thousand) and implementation of the new CRM, as well as improvements made to the invoicing, credit and decision-making support systems for development and pro-

gressive projects linked to integrating systems on the new CRM platform;

- The Parent Company for € 14,929 thousand for the purchase and implementation of software to support the development of IT platform management systems, the corporate security and the administrative management.

19. Right of use – € 93,284 thousand

This item includes rights to use the assets of others which are recognised as leased assets and amortised over the duration of the contracts in line with the IFRS 16 international standard. As at 31 December 2023 the net book value of these assets is € 93,284 thousand and the nature of these assets can be represented as follows:

€ thousand	31/12/2023	31/12/2022	Change	Change %
Land and buildings	73,460	67,150	6,310	9.4%
Cars and motor vehicles	8,102	9,440	(1,338)	(14.2%)
Machinery and equipment	9,493	11,453	(1,960)	(17.1%)
Distribution cabins	1,719	1,877	(159)	(8.4%)
Other	511	477	34	7.1%
Total	93,284	90,397	2,887	3.2%

The book value of the assets consisting of the right of use at 31 December 2023 for each class of underlying asset and the related changes in the period are shown below:

€ thousand	Land and buildings	Cars and motor vehicles	Machinery and equipment	Distribution cabins	Other	Total
Opening balances	67,150	9,440	11,453	1,877	477	90,397
Acquisitions	0	0	0	0	0	0
New contracts	8,994	4,174	201	109	277	13,755
Remeasurement	8,771	(296)	(21)	(5)	(53)	8,396
Depreciation	(11,455)	(5,216)	(2,140)	(263)	(190)	(19,263)
Total	73,460	8,102	9,493	1,719	511	93,284

The increase of € 2,887 thousand is mainly due to the signing of new contracts in 2023, mainly with reference to surface rights. With regard to extension or termination options, it should be noted that for regulated businesses, with regard to contracts relating to concession activities, the estimated term for contract renewals is the year of the end of the concession itself. There are also no guarantees on residual value, variable payments and leases not yet signed, for a significant amount, to which the Group has committed itself.

Finally, it should be noted that costs relating to short-term leases and assets of modest value are recognised in the income statement item “leases and rentals” in line with the requirements of IFRS 16 and in continuity with previous years.

20. Equity investments in unconsolidated subsidiaries and associates – € 359,281 thousand

€ thousand	31/12/2022	Scope change	Valuation for the period	Dividends	OCI	Other	31/12/2023
Acque Group	124,677	0	7,400	(1,590)	(2,575)	(10)	127,903
GEAL	9,288	0	943	(278)	(2)	0	9,950
Nuove Acque e Intesa Aretina	13,079	0	542	(646)	(72)	0	12,903
Publiacqua	117,850	0	9,347	(2,740)	4	(109)	124,353
Umbra Acque	27,447	0	2,863	96	(534)	0	29,872
Ingegnerie Toscane	9,597	0	1,002	(908)	2	0	9,692
Energia	13,316	3,244	488	0	0	241	17,288
Picena Ambiente	3,088	0	(1,283)	0	0	0	1,805
Acea Sun Capital	16,079	0	(5,854)	(1,653)	(1,314)	402	7,660
DropMI	2,565	2,285	(118)	0	0	0	4,732
Aqua.lot	0	368	0	0	0	0	368
Marmaria Group	9,096	0	(45)	0	0	68	9,119
Aguzul Bogotà	825	0	(90)	0	118	0	852
Other equity investments	1,977	0	(533)	0	0	1,341	2,785
Total equity investments	348,885	5,896	14,661	(7,720)	(4,374)	1,933	359,281

The changes that occurred during the period refer primarily to the valuation of the results of companies consolidated using the equity method, which have a positive impact on the Income Statement for a total of € 14,661 thousand. These valuations are mainly reflected in the item “Income/(Expenses) from equity investments of a non-fi-

ancial nature” (€ 14,397 thousand) and residually in the item “Income/Expenses from equity investments”. The change was contributed to by dividend distribution (-€ 7,720 thousand), the change in the scope of consolidation (+€ 5,896 thousand) and in the reserves of “other comprehensive income” (-€ 4,374 thousand).

31/12/2023

€ thousand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Valuation of companies using the equity method	Net Financial Position
Acque	258,614	44,581	(118,749)	(57,173)	(80,767)	(7,400)	(94,967)
Aqua.iot	0	368	0	0	0	0	0
Intesa aretina	13,892	534	0	(9)	0	235	192
DropMI	5,258	645	0	(1,172)	0	118	337
Ecomed	37	323	(539)	(556)	0	646	162
Energia	10,572	959	(2)	(1,137)	(1,682)	(488)	378
GEAL	18,299	4,327	(7,079)	(5,155)	(13,032)	(943)	(2,729)
Ingegnerie Toscane	702	11,829	(413)	(5,945)	(9,969)	(1,002)	(2,336)
Powertis Group	2,676	907	(20)	(293)	0	45	27
Nuove Acque	18,473	5,983	(6,343)	(3,896)	(10,110)	(777)	(2,668)
Acea Sun Capital Group	91,038	14,621	(54,428)	(10,839)	(10,991)	7,491	(35,563)
Publiacqua	226,727	60,865	(56,363)	(105,283)	(120,670)	(9,347)	(42,036)
Umbria Distribuzione Gas	6,397	6,263	(2,526)	(8,215)	0	(113)	892
Umbra Acque	82,246	15,514	(43,611)	(25,631)	(40,952)	(2,863)	(24,576)

31/12/2022

€ thousand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Valuation of companies using the equity method	Net financial position
Acque	244,400	42,352	(43,716)	(122,628)	(78,535)	(11,062)	(88,032)
Acque Servizi	823	6,629	(1,004)	(2,616)	(10,833)	(251)	908
Acea Sun Capital Group	119,272	10,103	(64,757)	(9,808)	(9,590)	(997)	(40,416)
Powertis Group	2,281	1,027	(7)	(55)	(4)	7	333
Intesa aretina	13,188	308	0	(96)	0	423	192
DropMI	2,565	0	0	0	0	0	0
Ecomed	3	361	(20)	(420)	0	0	157
Energia	6,386	914	0	(779)	(1,547)	(395)	140
GEAL	19,633	5,196	(9,009)	(6,130)	(11,820)	(1,104)	(3,030)
Ingegnerie Toscane	1,482	10,332	(521)	(5,233)	(9,691)	(950)	(1,139)
Nuove Acque	18,438	5,772	(7,635)	(2,739)	(9,343)	(926)	(3,096)
Publiacqua	220,777	68,285	(77,452)	(92,395)	(109,401)	(8,560)	(58,011)
Romeo Gas	0	0	0	0	0	(760)	0
Umbria Distribuzione Gas	5,499	4,734	(3,147)	(5,255)	0	0	63
Umbra Acque	75,171	19,158	(44,196)	(24,254)	(46,951)	(3,320)	(22,564)

21. Other equity investments – € 8,029 thousand

These total € 8,029 thousand (they were € 3,007 thousand at 31 December 2022) and are composed of investments in shareholder securities that do not represent control, association or joint control. The increase derives almost entirely from the acquisition of a minority interest in Bonifiche Ferraresi SpA.

22. Deferred tax assets – € 205,065 thousand

At 31 December 2023, deferred tax assets, net of deferred tax liabilities, amounted to € 205,065 thousand (€ 179,823 thousand at 31 December 2022). Deferred tax assets are mainly made up of the following: i) € 37,458 thousand for the provision for tax risks (€

36,725 thousand as at 31 December 2022); ii) € 67,881 thousand to impairment of receivables (€ 68,543 thousand as at 31 December 2022); iii) € 144,694 thousand for the amortisation/depreciation of intangible assets and property, plant and equipment (€ 136,519 thousand as at 31 December 2022); iv) € 13,386 thousand to defined benefit and defined contribution plans (€ 12,725 thousand as at 31 December 2022); v) € 29,042 thousand to the fair value measurement of commodities and other financial instruments (€ 9,100 thousand as at 31 December 2022).

Provisions for deferred taxes include in particular the deferred taxes tied to differences existing between the economic-technical amortisation rates applied to depreciable assets and tax portions. Uses in

the period totalling €9,309 thousand and allocations amounting to €9,415 thousand contributed to this item.

The following table details the changes in this item:

€ thousand	31/12/2022				31/12/2023		
	Balance	Changes in consolidation scope	Adjustments and reclassifications	Changes in shareholders' equity	Uses	IRES/IRAP provisions	Balance
Prepaid taxes							
Tax losses	67	0	(0)	0	0	0	67
Remuneration of BoD members	61	0	0	0	(15)	93	140
Provisions for risks and charges	36,725	0	(0)	1,357	(11,108)	10,483	37,458
Impairments of receivables and equity investments	68,543	0	0	2,555	(7,491)	4,274	67,881
Depreciation and amortisation	136,519	0	0	2,187	(12,308)	18,296	144,694
Defined benefit and defined contribution plans	12,725	0	0	913	(1,382)	1,130	13,386
Tax assets on consolidation adjustments	3	0	0	0	0	216	219
Fair value commodities and other financial instruments	9,100	0	0	20,503	0	(560)	29,042
Others	56,489	0	(0)	(2,832)	(2,428)	2,135	53,364
Total	320,232	0	(0)	24,683	(34,730)	36,066	346,251
Deferred taxes							
Depreciation and amortisation	58,969	0	0	85	(8,626)	5,491	55,919
Defined benefit and defined contribution plans	24,178	0	0	772	(700)	(48)	24,202
Fair value commodities and other financial instruments	27,164	0	0	2,709	1,320	605	31,797
Others	30,098	0	0	(2,896)	(1,303)	3,368	20,267
Total	140,409	0	0	670	(9,309)	9,415	141,186
Net	179,823	0	(0)	(24,012)	(25,422)	26,651	205,065

The Group recognised deferred tax assets based on earnings forecasts in the Group's business plans, which confirm the probability that sufficient future taxable profit will be available against which all of the deferred tax assets recognised in the financial statements can be recovered.

23. Non-current financial assets – €18,852 thousand

These amounted to €18,852 thousand (€30,531 thousand at 31 December 2022), a decrease of €11,679 thousand mainly attributable to the Parent Company (-€5,928 thousand) of which a por-

tion relating to the public lighting service, including requalification of systems, energy saving, legislative compliance and technological innovation. The remainder of the credit will be paid to Acea, for an amount equal to the fiscal amortisation, after financial year 2023, in accordance with what is agreed in the Supplementary Agreement to the service contract signed on 15 March 2011.

24. Other non-current assets – €716,582 thousand

Other non-current assets at 31 December 2023 are composed as follows:

€ thousand	31/12/2023	31/12/2022	Change	Change %
Other receivables	15,275	15,155	121	0.8%
Advances and deposits	1,608	2,110	(502)	(23.8%)
Other receivables, receivables from subsidiaries	0	0	0	n.s.
Long-term receivables for tariff adjustments	499,650	469,552	30,098	6.4%
Long-term receivables for Regulatory Lag	188,540	114,947	73,593	64.0%
Accrued income and prepayments	11,507	13,380	(1,872)	(14.0%)
Other assets	716,582	615,144	101,438	16.5%

This item also includes long-term receivables for tariff adjustments for €499,650 thousand (€469,552 thousand at 31 December 2022) of the water companies, while €188,540 thousand

(€114,947 thousand at 31 December 2022) is the long-term portion of the receivables registered in areti for regulatory lag.

Current assets – € 2,575,774 thousand

€ thousand	31/12/2023	31/12/2022	Change	Change %
Inventories	97,843	104,507	(6,665)	(6.4%)
Trade receivables	1,213,200	1,265,439	(52,239)	(4.1%)
Other current assets	405,026	460,786	(55,760)	(12.1%)
Current tax assets	13,075	26,296	(13,221)	(50.3%)
Current financial assets	487,251	342,085	145,165	42.4%
Cash and cash equivalents	359,379	559,908	(200,529)	(35.8%)
Current assets	2,575,774	2,759,022	(183,248)	(6.6%)

Note that the figures at 31 December 2022, in relation to “trade receivables” and “other current assets”, were reclassified so as to better represent the information.

7,375 thousand) relative to contract work in progress to construct systems, partially offset by greater inventories for Acea Energia (+€ 3,980 thousand), in relation to Gas storage activities.

25. Inventories – € 97,843 thousand

The item inventories totals € 97,843 thousand (€ 104,507 thousand at 31 December 2022), down by € 6,665 thousand, mainly due to the decrease in inventories associated with energy efficiency projects (-€ 3,158 thousand) and SIMAM inventories (-€

26. Trade receivables – € 1,213,200 thousand

These amounted to € 1,213,200 thousand, recording a decrease of € 52,239 thousand compared to 31 December 2022, when the figure was € 1,265,439 thousand. The breakdown for the item is provided below:

€ thousand	31/12/2023	31/12/2022	Change	Change %
Trade receivables	1,169,967	1,216,099	(46,133)	(3.8%)
Receivables due from the parent company	20,993	35,646	(14,653)	(41.1%)
Receivables from jointly controlled subsidiaries and associates	22,240	13,694	8,547	62.4%
Trade receivables	1,213,200	1,265,439	(52,239)	(4.1%)

Trade receivables

These amounted to € 1,169,967 thousand, a decrease of € 46,133 thousand compared to 31 December 2022 and are represented as follows:

€ thousand	31/12/2023	31/12/2022	Change	Change %
Receivables due from end users for bills issued	311,554	362,675	(51,121)	(14.1%)
Receivables due from end users for bills to be issued	561,290	641,181	(79,891)	(12.5%)
Receivables due from non-user customers for bills issued	257,026	158,456	98,570	62.2%
Receivables due from non-user customers for bills to be issued	40,037	53,729	(13,691)	(25.5%)
Other current receivables and assets	59	59	0	0.0%
Trade receivables	1,169,967	1,216,099	(46,133)	(3.8%)

Receivables are shown net of the Provision for doubtful receivables, which at 31 December 2023 amounted to € 628,100 thousand and increased by € 12,561 thousand compared to the previous year, mainly due to the difference between provisioning for the period (€ 86,487 thousand) and uses, in part due to the effects of sales of non-performing receivables, which amounted to € 30,020 thousand at 31 December 2023.

Receivables due from the Parent Company Roma Capitale

As regards relations with Roma Capitale, the net balance at 31 December 2023 was € 17,190 thousand receivable for the Group (the payable balance at 31 December 2022 was € 1,714 thousand).

In terms of trade and financial receivables, an overall decrease of € 11,602 thousand was seen with respect to the previous year, mainly due to the sizeable contribution from amounts collected

totalling € 114,630 thousand, which exceeded the amounts of receivables coming due during the period.

The main changes in the year are as follows:

- Accrual of Acea Ato2 receivables for the supply of water for € 54,074 thousand;
- Accrual of receivables for the Public Lighting service for € 47,367 thousand;
- collection/offset of receivables of Acea Ato2 for utilities for € 69,377 thousand;
- collection/offset of Acea Ato2 receivables for IP fees for € 44,312 thousand.

Payables decreased by € 27,078 thousand compared to the previous year; the main changes during the period are as follows:

- greater payables for recognition of 50% of share dividends accrued for 2022 by Acea for € 46,160 thousand (note that in

June 2023, when the coupon was detached, Roma Capitale was paid 50% of the dividends for the year, equal to € 46,160 thousand);

- higher payables due to the recognition of the Acea Ato2 concession fee for 2023 for € 25,276 thousand;
- higher payables due to the recognition of Acea Ato2 stock dividends for 2022 for € 2,372 thousand;
- payment of Acea share dividends for 2020, for € 44,312 thousand;
- payment of Acea Ato2 concession fees for 2022 and 2023 for a total of € 44,408 thousand, with the consequent elimination of the relative payables at the end of the year;
- payment of the amounts due for road excavation permits by areti to municipalities for a total of € 11,962 thousand, plus the payable for Cosap 2023 for € 1,890 thousand.

With specific reference to just offsetting operations during the year, summarised above, below are details on the main operations chronologically:

- April 2023: offsetting of receivables for € 18,110 thousand related to the water supply service against the Acea Ato2 concession fee for 2022;
- September 2023: offsetting of receivables for € 12,718 thousand for public lighting fees for the last quarter of 2022 (including the price adjustment component) plus work performed for the IP service against Acea 2020 share dividends;
- October 2023: offsetting of receivables for € 26,298 thousand related to the water supply service against the Acea Ato2 concession fee for 2022 and 2023;
- October 2023: offsetting of receivables for € 2,372 thousand relating to the water supply service against Acea OTA2's share dividends for 2022;
- October 2023: collection of receivables for € 9,152 thousand relative to the water supply service;
- November 2023: offsetting of receivables for € 17,345 thousand for fees for the public lighting service for the first half of 2023, against Acea share dividends for 2020;
- December 2023: collection of receivables for € 13,337 thousand relative to the water supply service;
- December 2023: offsetting of receivables for € 14,250 thousand for receivables to extraordinary modernisation and maintenance in 2022 for the public lighting network and work associated with the Quality of Light Plan against Acea share dividends for 2020.

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.

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. Hence, again in 2021, while awaiting the conclusion and finalisation of these aspects, Acea continued to provide the Public Lighting service. The service has therefore been invoiced and has partly already been paid by Roma Capitale, as seen in the data below:

- in 2020 at total of € 33.3 million of receivables referred to the aforementioned report were settled in the Group;
- During 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;
- during 2022, settlement activities with Roma Capitale continued, which allowed continuation of the liquidation of Acea receivables, through offsetting of a total of € 56.5 million, of which € 27.6 million relative to fees for previous years.

Note that on 11 August 2022, the City Executive Committee with resolution no. 312 entitled "Public and artistic-monumental public lighting service on the entire municipal territory – Concessionaire: Acea SpA – Recognition of the perimeter of the payable situation and launch of the consequent procedures" recognised the perimeter of the Administration's payables to Acea/areti in relation to the Public Lighting service as of 31 December 2021.

This resolution was published on the institutional website of Roma Capitale on 30 August 2022 and with reference to the same, dialogue is still in progress with Roma Capitale.

During 2023, specifically in September, the Acea Board of Directors, after receiving the opinion of the Related Party Transactions Committee, approved the proposal for a Settlement Agreement with Roma Capitale, to govern their reciprocal positions and the methods for the early consensual termination of the contractual relationships between the parties for the public lighting service provided by the company and for it by the subsidiary areti SpA.

At the same time, Roma Capitale also approved the draft Settlement Agreement in the City's Assembly in December 2023.

With reference to the economic terms of this possible Settlement Agreement, substantially in line with the City Executive Committee resolution 312 of 11 August 2022, following the reciprocal renunciation by the parties, the agreement calls for the recognition of receivables due to Acea/areti from Roma Capitale for a total of around € 100.6 million. The economic and financial effects of the settlement, following the signing which had not yet occurred as of the reporting date, will not have significant effects as the company had already updated its estimates in previous financial statements utilising the criteria established in the relevant regulations.

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 (€ thousand)	31/12/2023	31/12/2022	Change
Utility receivables	17,597	32,936	(15,339)
Provisions for impairment	(1,753)	(1,747)	(6)
Total receivables from users	15,844	31,189	(15,345)
Receivables for water works and services	3,804	3,804	0
Receivables for water works and services to be invoiced	931	574	357
Provisions for impairment	(2,191)	(2,191)	0
Receivables for electrical works and services	4,512	4,360	152
Receivables works and services - to be billed	425	242	183
Provisions for impairment	(326)	(326)	0
Total receivables for works	7,155	6,463	692
Total trade receivables	22,999	37,652	(14,653)
Financial receivables for Public Lighting services billed	139,132	135,127	4,005
Provisions for impairment	(57,994)	(57,994)	(0)
Financial receivables for Public Lighting services to be billed	46,873	36,274	10,599
Provisions for impairment	(13,706)	(5,380)	(8,326)
M/L term financial receivables for Public Lighting services	1,587	4,815	(3,228)
Total Public Lighting receivables	115,892	112,842	3,051
Total receivables	138,891	150,494	(11,602)

Payables due to Roma Capitale (€ thousand)	31/12/2023	31/12/2022	Change
Electricity surtax payable	(5,503)	(5,495)	(8)
Concession fees payable	0	(27,559)	27,559
Other payables	(8,331)	(9,784)	1,453
Dividend payables	(107,867)	(105,942)	(1,925)
Total payables	(121,702)	(148,779)	27,078
Net balance receivables payables	17,190	1,714	15,476

Trade receivables from associates and joint ventures

€ thousand	31/12/2023	31/12/2022	Change	Change %
Receivables from associates	4,458	2,721	1,737	63.9%
Receivables from jointly controlled entities	17,782	10,973	6,809	62.1%
Receivables from jointly controlled subsidiaries and associates	22,240	13,694	8,547	62.4%

Trade receivables from jointly-controlled companies mainly refer to receivables from companies consolidated using the equity method.

27. Other current assets – € 405,026 thousand

€ thousand	31/12/2023	31/12/2022	Change	Change %
Receivables from others	348,482	345,124	3,358	1.0%
Accrued income and prepaid expenses	34,192	34,364	(171)	(0.5%)
Active derivative instruments on commodities	22,352	81,298	(58,947)	(72.5%)
Other current assets	405,026	460,786	(55,760)	(12.1%)

Receivables from others

These amount to a total of € 348,482 thousand. Note that with reference to the comparative data, the table includes certain re-

classifications so as to better represent the information. The changes can be represented as follows:

€ thousand	31/12/2023	31/12/2022	Change	Change %
Receivables due from the Equalisation Fund	30,178	53,117	(22,939)	(43.2%)
Receivables from Equalisation Fund for Tariff Contribution from cancellation	3,360	5,300	(1,939)	(36.6%)
Other receivables from Equalisation Fund	3,579	14,274	(10,695)	(74.9%)
Regional grants receivable	532	2,514	(1,982)	(78.9%)
Security deposits	6,568	5,032	1,535	30.5%
Receivables from social security institutions	3,332	3,180	152	4.8%
Suppliers' advances	13,119	20,877	(7,759)	(37.2%)
Receivables due from Municipalities	9,173	11,519	(2,346)	(20.4%)
Receivables for accrued Green Certificates	365	6,137	(5,773)	(94.1%)
Receivables from OTAA's	0	6,740	(6,740)	(100.0%)
Receivables from staff	4,020	3,462	558	16.1%
Other tax receivables	181,318	89,804	91,514	101.9%
Other receivables	92,939	123,168	(30,229)	(24.5%)
Receivables from others	348,482	345,124	3,358	1.0%

The increase of € 3,358 thousand derives from the following contrasting effects: i) the increase in tax receivables (+€ 91,514 thousand) mainly relative to credits accrued on energy efficiency projects for companies in the Commercial sector; ii) lower other receivables (-€ 30,229 thousand) for the most part associated with Acea Ato2 in relation to the decrease in receivables due from CSEA following the recognition of the water social bonus for the years 2021 and 2022, collected in 2023; iii) lower receivables due from the Energy Equalisation Fund (-€ 22,939 thousand), in part due to coverage of imbalances in the equalisation system in terms of costs to acquire and dispatch electricity intended for the greater protection service and in part as the consequence of the change in the regulatory framework with reference to the Social Bonus and the reintroduction of general system charges in the second quarter of 2023; iv) lower other receivables from the Equalisation Fund (-€ 10,595 thousand), mainly for areti (-€ 8,520 thousand) and ASM Terni (-€ 4,022 thousand); v) lower advances to suppliers (-€ 7,759 thousand) mainly attributable to Acea Innovation, relative to the start of energy efficiency contracts; vi) lower receivables from OTAA (-€ 6,740 thousand) relative to the IWS due to invoicing of adjustment items; vii) lower receivables for green certificates (-€ 5,773 thousand), mainly due to the scheduling of GRIN incentives.

Accrued income and prepaid expenses

These amounted to € 34,192 thousand (€ 34,364 thousand at 31 December 2022) and refer mainly to rent on public land, lease payments and insurance, as well as the portion of user licences accruing to subsequent years and IT infrastructure maintenance fees.

Active derivative instruments on commodities

Active derivative instruments on commodities represent the valuation of hedging derivatives on commodities, entirely referring to Acea Energia and amounting to € 22,352 thousand, down on the € 58,947 thousand at 31 December 2022 due to the change in the fair value measurement at the end of the period in question and the change in the quantities hedged. For these transactions classified as cash flow hedges, changes in fair value were recognised, limited only to the effective portion, in a specific equity reserve called "cash flow hedge reserve" through the statement of comprehensive income. There were no changes in fair value referable to the ineffective portion to be recognised in the income statement.

We note that among the "Other current liabilities" the item "Current derivative instruments" is recognised for € 1,361 thousand.

28. Current tax assets – € 13,075 thousand

These amounted to € 13,075 thousand (€ 26,296 thousand at 31 December 2022) and include IRAP and IRES receivables.

29. Current financial assets – € 487,251 thousand

€ thousand	31/12/2023	31/12/2022	Change	Change %
Financial receivables from the Parent Company Roma Capitale	114,305	108,026	6,278	5.8%
Financial receivables from jointly controlled subsidiaries and associates	4,738	12,502	(7,763)	(62.1%)
Financial receivables from third parties	365,577	218,891	146,686	67.0%
Securities	2,631	2,667	(36)	(1.3%)
Current financial assets	487,251	342,085	145,165	42.4%

Financial receivables from the Parent Company Roma Capitale

These totalled € 114,305 thousand, up by € 6,278 thousand compared to 31 December 2022. They represent the unconditional right to receive cash flows in line with the methods and timing envisaged in the service agreement for public lighting management. Further details are provided in the note “Receivables due from the Parent Company Roma Capitale”.

Financial receivables from associates and joint ventures

These totalled € 4,738 thousand, down by € 7,763 thousand compared to 31 December 2022.

Financial receivables from third parties

These amounted to € 365,577 thousand (€ 218,891 thousand at 31 December 2022) and are made up of short-term deposit lines of the Parent Company for € 330,000 thousand (€ 190,000 at 31 December 2022).

30. Cash and cash equivalents – € 359,379 thousand

The balance at 31 December 2023 of bank current accounts and postal accounts, opened with the various banks and BancoPosta by the consolidated companies amounted to € 359,379 thousand. A breakdown and changes in this item by operating segment are shown in the table below:

€ thousand	31/12/2023	31/12/2022	Change	Change %
Bank and postal deposits	338,887	541,481	(202,594)	(37.4%)
Cheques	12,078	9,614	2,464	25.6%
Cash and similar items of value on hand	8,415	8,813	(398)	(4.5%)
Cash and cash equivalents	359,379	559,908	(200,529)	(35.8%)

31. Assets held for sale – € 18,288 thousand

At 31 December 2023, “Non-current assets held for sale” amounted to € 18,288 thousand (€ 19,076 thousand at 31 December

2022) and refer to the reclassification of assets destined for sale pursuant to IFRS 5 in the context of the disposal of majority stakes relative to photovoltaic assets.

LIABILITIES

At 31 December 2023 these amounted to € 8,963,980 thousand (€ 8,583,290 thousand at 31 December 2022), recording an in-

crease of € 380,690 thousand (4.4%) over the previous year, and are broken down as follows:

	31/12/2023	31/12/2022	Change	Change %
Non-current liabilities	5,615,479	5,452,905	162,574	3.0%
Current liabilities	3,348,313	3,128,466	219,847	7.0%
Liabilities closely associated with assets held for sale	188	1,919	(1,731)	(90.2%)
Total liabilities	8,963,980	8,583,290	380,690	4.4%

32. Shareholders' equity – € 2,823,084 thousand

At 31 December 2023, shareholders' equity amounted to € 2,823,084 thousand (€ 2,755,243 thousand at 31 December 2022). Changes in shareholders' equity during the period are shown in the specific statement.

Share capital

This amounts to € 1,098,899 thousand, represented by 212,964,900 ordinary shares with a par value of € 5.16 each, as shown in the Shareholders' Register. The share capital is subscribed and paid-up in the following manner:

- **Roma Capitale: 108,611,150** ordinary shares for a total par value of € 560,434 thousand;
- **Market: 103,936,757** shares for a total par value of € 536,314 thousand;
- **Treasury shares: 416,993** for a total par value of € 2,151 thousand.

Legal reserve

The legal reserve includes 5% of the profits from previous years, in accordance with article 2430 of the Italian Civil Code, and it refers to the legal reserve of the parent company amounting to € 157,838 thousand.

Other reserves and retained earnings

At 31 December 2023, these amounted to € 73,697 thousand against € 27,743 at 31 December 2022. In addition to the allocation of the previous year's result, the change of € 45,954 thousand derives mainly from: i) distribution of dividends of the parent company for € 180,666 thousand; ii) decrease in cash flow hedges of financial instruments and commodities for € 58,682 thousand; iii) decrease of € 1,887 thousand in actuarial gains and losses reserves; iv) increase in the exchange rate reserve for € 8,784 thousand.

At 31 December 2023 Acea held 416,993 treasury shares to be used for future medium/long-term incentive schemes. At this time there are no medium/long-term share-based payment schemes planned.

Third parties Shareholders' Equity

This amounted to € 445,803 thousand, an increase of € 18,172 thousand. The change between the two periods in question, in addition to the change in the portion of profits due to third parties and the distribution of dividends (-€ 10,130 thousand), is mainly due to the change in the scope (-€ 37,219 thousand) following the acquisition of an additional +10% stake in Acque Blue Arno Basso and the exercising of a put option to acquire an additional 30% stake in SIMAM and the second closing of ASM Terni.

Non-current liabilities – € 5,615,479 thousand

€ thousand	31/12/2023	31/12/2022	Change	Change %
Staff termination benefits and other defined benefit plans	109,895	112,989	(3,094)	(2.7%)
Provisions for risks and charges	224,276	218,025	6,252	2.9%
Borrowings and financial liabilities	4,770,436	4,722,263	48,173	1.0%
Other non-current liabilities	510,871	399,628	111,243	27.8%
Non-current liabilities	5,615,479	5,452,905	162,574	3.0%

33. Employee severance indemnity and other defined benefit plans – € 109,895 thousand

At 31 December 2023, this item amounted to € 109,895 thousand (€ 112,989 thousand as at 31 December 2022) and represents termination and other benefits payable to employees on retirement or

termination of employment.

The following table shows the change in actuarial liabilities during the period.

€ thousand	31/12/2023	31/12/2022	Change	Change %
- Employee severance indemnities (TFR)	56,391	56,624	(233)	(0.4%)
- Pegaso Fund	48	45	3	5.6%
Employee severance indemnity	56,439	56,669	(231)	(0.4%)
- Extra months	6,859	6,679	180	2.7%
Extra months	6,859	6,679	180	2.7%
- LTIP plans	3,118	1,736	1,383	79.7%
Long-Term Incentive Plans (LTIP)	3,118	1,736	1,383	79.7%
Benefits due at the time of termination of employment	66,416	65,084	1,332	2.0%
- Employees tariff subsidy	5,207	5,287	(80)	(1.5%)
- Managers tariff subsidy	133	152	(19)	(12.7%)
- Pensioners tariff subsidy	17,660	18,715	(1,055)	(5.6%)
Tariff subsidies	23,000	24,154	(1,154)	(4.8%)
Post-employment benefits	23,000	24,154	(1,154)	(4.8%)
- Isopensione fund	20,479	23,751	(3,272)	(13.8%)
Isopensione (early retirement)	20,479	23,751	(3,272)	(13.8%)
Staff termination benefits and other defined benefit plans	109,895	112,989	(3,094)	(2.7%)

In addition to the provision which, pursuant to the revised legislation on Termination Benefits, consists of the employee termination benefits accrued until 31 December 2006, the change reflects the revised discount rate used for the valuation according to IAS 19.

As required by paragraph 78 of IAS 19, the interest rate used to calculate the present value of the obligation was based on returns,

at the end of the reporting period, on securities of major companies listed on the same financial market as Acea, and on returns on government bonds in circulation at the same date that have terms to maturity similar to the residual term of the liability for the workforce in question.

As regards the economic and financial scenario, the following table shows the main parameters used for the evaluation.

	31/12/2023	31/12/2022
Discount rate	3.2%	4.0%
Revenue growth rate (average)	3.0%	3.0%
Long-term inflation	2.1%	2.5%

With regard to the measurement of the Group Employee Benefits (Employee severance indemnity (TFR), Monthly bonuses, tariff subsidies for current and retired staff) a sensitivity analysis was

performed to assess the changes in the liability resulting from both positive and negative shifts of the rate curve (+0.5% shift /-0.5% shift). The results of this analysis are summarised below.

Type of plan - € million	Discount rate	
	+0.50%	-0.50%
Employee severance indemnities (TFR)	(1.8)	3.6
Extra months	(0.3)	0.3
Tariff subsidies	(0.8)	0.8

Furthermore, a sensitivity analysis was performed related to the age of the group, hypothesizing a group one year younger than the ac-

tual one. Sensitivity analyses were not performed for other variables such as, for example, inflation rate.

Type of plan - € million	-1 year of age
Employee severance indemnities (TFR)	1.8
Extra months	0.4
Tariff subsidies	(0.7)

34. Provisions for risks and charges – € 224,276 thousand

At 31 December 2023, the provision for risks and charges amounted to € 224,276 thousand (€ 218,025 thousand at 31 December 2022) and is allocated to hedge among other things probable liabilities that may derive from ongoing legal disputes, on the basis of what is stated by internal and external lawyers, without considering those that could be successful and those that could be lost being assessed exclusively as possible.

When calculating the size of the provisions, account is taken both of the estimated costs that may derive from litigation or other disputes arising during the year and an update of estimates of the potential liabilities deriving from the litigation involving the Company in previous years.

The following table shows a breakdown of provisions and movements in the period:

€ million	31/12/2022	Uses	Provisions	Release for excess provisions	Reclassifications/Other changes	31/12/2023
Legal	14,575	(2,041)	2,636	(2,306)	136	12,999
Taxes	5,738	(506)	561	(764)	(0)	5,029
Regulatory risks	31,550	(510)	4,387	(510)	1,069	35,987
Investees	8,167	(2,100)	425	617	5,657	12,767
Contributory risks	1,528	0	2,261	(125)	(11)	3,654
Insurance deductibles	10,881	(2,201)	2,366	0	0	11,046
Other risks and charges	28,004	(4,222)	20,268	(1,508)	(3,543)	38,997
Total provision for risks	100,443	(11,580)	32,904	(4,596)	3,307	120,479
Staff mobility	28,038	(17,978)	10,043	0	(8,667)	11,436
Post mortem	68,267	(415)	(0)	0	4,502	72,355
Provision for expenses payable to others	21,128	(2,162)	1,881	0	(926)	19,921
Provisions for Interim Taxes	30	0	0	0	(30)	0
Provisions for reinstatement expenses	119	0	0	0	(34)	86
Total provisions for expenses	117,582	(20,555)	11,924	0	(5,154)	103,798
Total provisions for risks and charges	218,025	(32,134)	44,829	(4,596)	(1,847)	224,276

The increase with respect to the end of the previous year (–€ 6,252 thousand) is the result of provisioning, net of releases for excess funds and uses. In particular, note:

- the decrease in the provision for staff mobility, mainly due to uses net of provisioning and releases, for the most part in reference to the parent company, Acea Ato2 and areti;
- the increase in the provision for other risks and charges, mainly due to provisioning carried out by: i) Acea Ato2 for € 7,391 thousand, mainly due to a payment injunction issued by the Lazio Region relative to reimbursement of fees due to land-improvement consortia pursuant to Regional Law 14/00 and advanced by the Region while awaiting the signing of the agreement called for in article 9 of Regional Law 6/96 and for € 1,700 thousand relative to contracts and supplies; ii) areti for € 5,083 thousand, including former Enel shiftworkers, the ARERA Cmor procedure, ARERA claim for residence change charges; iii) Acea Innovation for € 3,205 thousand, allocated in the face of expenses deriving from the non-completion of energy upgrading works associated with 14 work orders

- not completed at 31 December 2023; iv) Acea Energia for € 1,756 thousand, mainly attributable to the supplemental and performance bonuses to be paid to agents;
- the increase in the provision for contributory risks, mainly associated with the provisioning carried out by Cavallari (€ 2,241 thousand) for the notice of findings following the audit performed by the Labour Inspectorate on social security contributions;
- the increase in the provision for regulatory risks, mainly due to provisioning by areti (€ 1,200 thousand) and Acea Produzione (€ 3,187 thousand);
- the increase in the *post mortem* provision for Deco and Ecologica Sangro.

Acea considers that the settlement of ongoing disputes and other potential disputes should not create any additional charges for Group companies, with respect to the amounts set aside, which represent the best estimate possible on the basis of elements available as of today. For further information please refer to the section “Update on major disputes and litigation”.

35. Non-current borrowings and financial liabilities – € 4,770,436 thousand

€ thousand	31/12/2023	31/12/2022	Change	Change %
Bonds	3,939,174	3,834,453	104,722	2.7%
Medium/long-term borrowings	752,698	814,422	(61,725)	(7.6%)
IFRS 16 financial payables	78,564	73,388	5,176	7.1%
Borrowings and financial liabilities	4,770,436	4,722,263	48,173	1.0%

The figures in the table include the fair value, at 31 December 2023, of hedging instruments entered into and certain Group companies

which are shown separately from the hedged instrument in the table below.

€ thousand	Hedged instrument	Derivative fair value	31/12/2023	Hedged instrument	Derivative fair value	31/12/2022
Bonds	3,906,265	32,909	3,939,174	3,816,438	18,015	3,834,453
Medium/long-term borrowings	752,698	0	752,698	814,422	0	814,422
Non-current borrowings and financial liabilities	4,658,963	32,909	4,691,872	4,630,860	18,015	4,648,875

Medium and long-term bonds

Bonds amounted to € 3,939,174 thousand at 31 December 2023 (€ 3,834,453 thousand at 31 December 2022) and refer to the following:

- **€ 498,028 thousand** (including the long-term portion of the costs associated with the stipulation) relating to the bond loan issued by Acea on 24 October 2016, maturing on 24 October 2026, with a fixed rate of 1% under the EMTN programme. Interest accrued during the period amounted to € 4,997 thousand;
- € 128,432 thousand relating to the Private Placement which, net of the Fair Value of the hedge, a negative € 32,909 thousand, amounted to **€ 161,342 thousand**. This fair value is allocated to a specific equity reserve. A suitable exchange reserve includes the exchange rate difference, a negative € 36,717 thousand, of the hedged instrument calculated on 31 December 2023. The exchange rate at the end of 2023 stood at € 155.72 against € 140.41 as at 31 December 2022. Interest accrued during the period amounted to € 15,730 thousand. This is a private bond (Private Placement) for an amount of 20 billion Japanese Yen with a maturity of 15 years (2025). The Private Placement was underwritten entirely by a single investor (AFLAC). Coupons are paid on a semi-annual basis every 3 March and 3 September applying a fixed rate in Yen of 2.5%. At the same time, a cross currency transaction was carried out to transform the Yen currency into Euro and the Yen rate applied into a fixed rate in Euro. The cross-currency transaction requires the bank to pay Acea, with a deferred semi-annual maturity, 2.5% out of 20 billion Japanese Yen, while Acea must pay the bank the coupons on a quarterly postponed basis at a fixed rate of 5.025%. The loan agreement and the hedging contract contain an option, respectively, for the investor and the agent bank, connected to the trigger rating: the debt and its derivative can be recalled in their entirety in the event that Acea's rating falls below the level of investment grade or in the event that the debt instrument loses its rating. At the end of the year the conditions for the possible exercise of the option did not occur;

- **€ 695,655 thousand** (including the long-term portion of the costs associated with the stipulation) relating to the bond loan issued by Acea on 8 February 2018, maturing on 8 June 2027, with a fixed rate of 1.5% under the EMTN programme. Interest accrued during the period amounted to € 10,484 thousand;
- **€ 496,811 thousand** (including the long-term portion of the costs associated with the stipulation) relating to the bond loan issued by Acea on 23 May 2019, maturing on 23 May 2028, with a fixed rate of 1.75% under the EMTN programme. Interest accrued during the period amounted to € 8,735 thousand;
- **€ 497,232 thousand** (including the long-term portion of costs associated with the conclusion) relating to the bond loan issued by Acea on 6 February 2020, maturing on 6 April 2029, with a rate of 0.50% under the EMTN programme. Interest accrued during the period amounted to € 2,495 thousand;
- **€ 299,902 thousand** (including the long-term portion of costs associated with the conclusion), related to the Green Bond issued on 28 January 2021, maturing on 28 September 2025, with a rate of 0%;
- **€ 592,644 thousand** (including the long-term portion of costs associated with the conclusion) related to the Green Bond issued on 28 January 2021, maturing on 28 July 2030, with a rate of 0.25%. Interest accrued during the period amounted to € 1,498 thousand;
- **€ 697,561 thousand** (including the long-term portion of costs associated with the conclusion) related to the Green Bond issued on 24 January 2023, maturing on 24 January 2031, with a rate of 3.875%. Interest accrued during the period amounted to € 25,055 thousand.

The decrease compared to 31 December 2022 refers for € 599,513 thousand (including the long-term portion of the costs associated with the conclusion) relating to the reclassification into the short-term position of the bond issued by the parent company on 15 July 2014, maturing on 15 July 2024, with a fixed rate, under the EMTN programme. Interest accrued during the year amounted to € 3,207 thousand.

The following is a summary of the bonds, including the short-term portion:

€ thousand	Gross payables *	FV hedging instrument	Interest accrued **	Total
Bonds:				
Issued in 2014	599,513	0	7,316	606,829
Private Placement issued in 2014	128,411	32,909	632	161,953
Issued in 2016	496,944	0	943	497,887
Issued in 2018	693,953	0	5,939	699,891
Issued in 2019	495,905	0	5,331	501,236
Issued in 2020	496,597	0	1,844	498,442
Issued in 2021	891,110	0	643	891,753
Issued in 2023	697,155	0	25,416	722,571
Total	4,499,588	32,909	48,064	4,580,562

* Including amortised cost.

** Including deferrals on hedging instruments.

Medium/long-term borrowings (including short-term portions)

These come to a total of € 858,147 thousand (€ 951,468 thousand at 31 December 2022) and consist of: i) the payable for the capital portions of instalments coming due within the year for € 105,450 thousand (€ 137,046 thousand at 31 December

2022), ii) the portions relative to the same loans expiring after the year for € 752,698 thousand (at 31 December 2022 these were € 814,422 thousand).

The following table shows medium/long-term borrowings by maturity and type of interest rate:

€ thousand	31/12/2023	By 31/12/2024	From 31/12/2024 to 31/12/2028	After 31/12/2028
fixed rate				
- floating rate	260,773	32,489	130,152	98,133
- floating rate cash flow hedge	405,705	50,302	177,380	178,023
- Total	191,670	22,659	141,413	27,598
Total	858,147	105,450	448,944	303,753

The **fair value** of GORI's hedging derivatives was a positive € 4,193 thousand (as at 31 December 2022, it was a positive € 6,579 thousand). Acquedotto del Fiora was a positive € 3,329 thousand (as at 31 December 2022, it was a positive € 5,462 thousand), and that of SII was a positive € 1,010 thousand (as at 31 December 2022 it was a positive € 1,643 thousand). Positive fair values are found under "Non-current financial assets" and hence at 31 December 2023 are not considered in the balance of correlated loans.

The Group's main medium/long-term borrowings are subject to covenants to be complied with by the borrowing companies in accordance with normal international practices.

In particular, the loan taken out by areti is subject to a financial covenant. On this point we can note that while awaiting the formalisation of the correct and updated interpretation of the method of calculating the financial parameter, Acea and Cassa Depositi e Prestiti agreed, in a Letter of Consent signed on 18 February 2022, to change, limited to the Company and not to the Consolidation, the threshold value of the same going from 0.65 to 0.75, with effect starting from the financial statements at 31 December 2021 and until expiry of the loan contract.

The loan agreements entered into by the Parent Company envisage:

- standard Negative Pledge and Acceleration Events clauses;
- clauses requiring compulsory credit rating monitoring by at least two major agencies;
- clauses requiring the company to maintain a credit rating above certain levels;
- the obligation to arrange insurance cover and maintain ownership, possession and usage of the works, plant and machinery financed by the loan through to the maturity date;
- periodic reporting requirements;
- clauses giving lenders the right to call in the loans on the occurrence of a certain event (i.e. serious errors in the documentation provided when negotiating the agreement, default on repayments, the suspension of payments, etc.), giving the bank the right to call in all or a part of the loan.

During the year there was no evidence that any of the covenants had not been complied with.

The table below shows the fair value of borrowings broken down by type of loan and interest rate as at 31 December 2022. The fair value of medium and long-term debt is calculated on the basis of the risk-free and the risk-adjusted interest rate curves. As regards

the type of hedge for which the fair value is calculated and with reference to the hierarchies required by the IASB, given that they are composite instruments, they are categorised as level 2 in the fair value hierarchy.

Loans € thousand	Amortised cost (A)	Risk-less FV (B)	Delta (A – B)	Risk adjusted FV (C)	Delta (A – C)
Bonds	4,580,562	4,470,918	109,644	4,346,761	233,801
- fixed rate	260,773	264,049	(3,276)	254,646	6,127
- floating rate	405,705	434,545	(28,840)	418,426	(12,721)
- floating rate cash flow hedge	191,670	193,490	(1,821)	189,088	2,581
Total	5,438,709	5,363,002	75,707	5,209,920	229,789

IFRS 16 financial payables

This item includes the long-term portion of the financial payable deriving from the impact of IFRS 16 which at 31 December 2023 amounted to € 78,564 thousand, of which the short-term portion

amounts to € 15,258 thousand. The cash flows the Group is potentially exposed to are shown below, broken down by maturity date:

€ thousand	Within 12 months	Within 24 months	Within 5 years	After 5 years	Total
IFRS 16 financial payables	15,258	10,910	22,750	44,962	93,880

It should be noted that the debt is discounted using a risk-free rate with a maturity equal to the residual duration for each contract, plus the credit spread assigned to Acea by Moody's.

36. Other non-current liabilities - € 510,871 thousand

€ thousand	31/12/2023	31/12/2022	Change	Change %
Advances and other payables	157,696	160,550	(2,854)	(1.8%)
Water and electrical connection fees	48,322	47,895	428	0.9%
Capital grants	260,834	147,465	113,369	76.9%
Accrued expenses and deferred income	44,019	43,718	301	0.7%
Other non-current liabilities	510,871	399,628	111,243	27.8%

Advances received

The item advances includes advances from end users and customers, in particular: i) the amount of the security deposits and consumption advances of the water companies and ii) the amount of the deposits concerning the liabilities for advances on electricity

consumption paid by the customers of the standard market and interest-bearing under the conditions envisaged by the rules of the ARERA (resolution no. 204/99).

€ thousand	31/12/2023	31/12/2022	Change	Change %
Advances from users	8,484	6,007	2,477	41.2%
User guarantee deposits	135,073	139,266	(4,193)	(3.0%)
Advances from other customers and non-current payables	14,139	15,278	(1,138)	(7.5%)
Advances and other payables	157,696	160,550	(2,854)	(1.8%)

Capital grants and water connection fees

Water connection contributions amounted to €48,322 thousand (€ 47,895 thousand at 31 December 2022), while plant contributions amounted to € 260,834 thousand (€ 147,465 thousand at 31 December 2022).

These payments on behalf of plants registered in the liabilities annually are attributed by share to the profit and loss account in relation to the duration of the investment to which the issuance of the contribution is connected. The amount recognised as income is determined on the basis of the useful life of the asset to which it refers.

Current liabilities – € 3,348,313 thousand

€ thousand	31/12/2023	31/12/2022	Change	Change %
Borrowings	922,950	619,418	303,532	49.0%
Payables to suppliers	1,750,473	1,844,485	(94,012)	(5.1%)
Tax payables	13,032	26,810	(13,777)	(51.4%)
Other current liabilities	661,857	637,754	24,103	3.8%
Current liabilities	3,348,313	3,128,466	219,847	7.0%

Note that the figures at 31 December 2022, in relation to “trade payables” and “other current liabilities”, were reclassified so as to better represent the information.

37. Financial payables – € 922,950 thousand

€ thousand	31/12/2023	31/12/2022	Change	Change %
Payables to banks for short-term credit lines	10,112	8,008	2,105	26.3%
Payables to banks for loans	105,450	137,046	(31,596)	(23.1%)
Short-term bonds	641,387	316,965	324,422	102.4%
Payables to the controlling shareholder Municipality of Rome	111,306	108,466	2,840	2.6%
Payables to subsidiaries and associates	12	68	(56)	(82.7%)
Payables to third parties	39,425	32,358	7,067	21.8%
IFRS 16 financial payables within one year	15,258	16,507	(1,249)	(7.6%)
Borrowings	922,950	619,418	303,532	49.0%

Payables to banks for short-term credit lines

These amounted to € 10,112 thousand (€ 8,008 thousand at 31 December 2022), showing an increase of € 2,105 thousand, mainly attributable to ASM Terni for € 2,110 thousand.

Payables to banks for loans

These amounted to € 105,450 thousand (€ 137,046 thousand at 31 December 2022), and refer to the current portion of bank loans falling due within twelve months. The decrease of € 31,596 thousand is mainly due to the refinancing of Adistribuzionegas's financial debt, incurred to acquire the Romeo Gas business unit, which in 2022 had a short-term due date.

Short-term bonds

These amounted to € 641,387 thousand (€ 316,965 thousand at 31 December 2022). The increase in short-term bonds of € 324,422 thousand is due to the reclassification to the short-term portion of the 10-year bond issued by Acea under the EMTN programme in 2014 (+€ 600,000 thousand) partially offset by the repayment

of the 5-year bond issued by Acea under the EMTN programme in February 2018, which matured in the first few days of February 2023 (-€ 300,000 thousand).

Payables to the Parent Company Roma Capitale

These amounted to € 111,306 thousand (€ 108,466 thousand at 31 December 2022) and recorded a decrease of € 2,840, resulting from the combined effect of the resolution of the Parent Company's dividends, offset by the payment/collection of dividends during the period.

Payables to subsidiaries and associates

These amounted to € 12 thousand and increased by € 56 thousand, compared to 31 December 2022.

Payables to third parties

These amounted to € 39,425 thousand (€ 32,358 thousand at 31 December 2022). The item can be represented as follows:

€ thousand	31/12/2023	31/12/2022	Change	Change %
Dividends payable to shareholders	524	939	(416)	(44.3%)
Financial payables due to factors	32,724	22,536	10,188	45.2%
Other financial payables	6,177	8,882	(2,705)	(30.5%)
Payables to third parties	39,425	32,358	7,067	21.8%

IFRS 16 financial payables within one year

These payables, totalling € 15,258 thousand (€ 16,507 thousand at 31 December 2022), represent the short-term portion of the financial debt at 31 December 2023 recorded following the appli-

cation of the IFRS 16 international standard. For additional information refer to note 35.

39. Trade payables – € 1,750,473 thousand

€ thousand	31/12/2023	31/12/2022	Change	Change %
Payables to suppliers	1,741,770	1,802,577	(60,807)	(3.4%)
Payables to the parent company	4,892	34,818	(29,926)	(85.9%)
Payables to jointly controlled subsidiaries and associates	3,811	7,090	(3,279)	(46.2%)
Payables to suppliers	1,750,473	1,844,485	(94,012)	(5.1%)

Payables to suppliers

Payables to suppliers amounted to € 1,741,770 thousand. The decrease of € 94,012 thousand is in large part influenced by higher energy and gas prices in 2022, offset by the increase in payables associated with the increase in smart services business.

The Group has entered into factoring agreements, typically in the reverse factoring technical form. On the basis of the contractual structures in place the supplier has an option sell, at its discretion, the receivables from the company to a lending bank it selects. In some cases, the payment deadline set in the invoice is deferred by agreement between the supplier and the Group; these delays are granted against payment of a fee.

If the payment has been deferred, a quantitative analysis is performed aimed at verifying whether the change of contractual terms is material; this is made through a quantitative test in accordance with the provisions of IAS 39 “AG62”. In this context, the relationships for which the primary obligation with the supplier is maintained and the deferral of the payment deadline, if granted, does not involve a substantial change in payment terms, retain their nature and are therefore classified as trade payables.

Trade payables due to the Parent Company Roma Capitale

These amounted to € 4,892 thousand (€ 34,818 thousand at 31 December 2022) and are commented on with the trade receivables in paragraph 26 of these Notes.

Trade payables due to subsidiaries and associates

Trade payables to subsidiaries and associates amounted to € 3,811 thousand (€ 7,090 thousand at 31 December 2022) and include payables to companies consolidated using the equity method. The reduction is mainly in reference to Acea Produzione for € 3,079 thousand.

39. Tax payables – 13,032 thousand

These amounted to € 13,032 thousand (€ 26,810 thousand at 31 December 2022) and include the IRAP and IRES tax payable. The decrease is mainly attributable to the payable for extraordinary solidarity contribution pursuant to art. 37 of Decree Law 21/2022 paid (€ 18,366 thousand).

40. Other current liabilities – 661,857 thousand

€ thousand	31/12/2023	31/12/2022	Change	Change %
Payables to social security institutions	31,650	32,112	(462)	(1.4%)
Current accrued expenses and deferred income	94,625	83,846	10,779	12.9%
Other current liabilities	534,221	520,224	13,997	2.7%
Payables from commodity derivatives	1,361	1,572	(210)	(13.4%)
Other current liabilities	661,857	637,754	24,103	3.8%

Payables to social security institutions

These amounted to € 31,650 thousand and show an increase of € 462 thousand compared to 31 December 2022.

Accrued expenses and deferred income

This item amounted to € 94,625 thousand (€ 83,846 thousand at 31 December 2022). The increase was influenced by the change of ASM Terni for € 15,052 thousand in relation to the TARIC share pertaining to April-December 2023.

Other current liabilities

These amounted to € 534,221 thousand, an increase of € 13,997 thousand compared to 31 December 2022 and can be broken down as follows:

€ thousand	31/12/2023	31/12/2022	Change	Change %
Payables to Equalisation Fund	134,655	84,520	50,135	59.3%
Payables to Municipalities for concession fees	64,409	64,740	(330)	(0.5%)
Payables for collections subject to verification	24,060	20,385	3,675	18.0%
Payables due to personnel	60,880	56,561	4,320	7.6%
Other payables to Municipalities	21,190	32,941	(11,751)	(35.7%)
Payables to Equitalia	62	2,095	(2,034)	(97.1%)
Welfare contribution payables	(393)	119	(511)	n.s.
Payables for environmental premium art. 10 of AT14 agreement of 13/08/2007	730	677	53	7.9%
Payables to end users for refund of Tariff Component as per referendum outcome	14	14	(0)	0.0%
Other tax payables	73,447	64,307	9,141	14.2%
Other payables	155,165	193,866	(38,700)	(20.0%)
Other current liabilities	534,221	520,224	13,997	2.7%

The change derives from the following contrasting effects: i) the increase in payables to the Equalisation Fund totalling € 51,279 thousand is due for € 100,001 thousand to the change in the regulatory framework related to the Social Bonus and to the re-introduction of general system charges in Q2 2023, partially offset by the change recognised by Acea Energia for € 50,370 thousand as an effect of covering imbalances in the equalisation system of acquisition and dispatch costs for electricity destined for the greater protection service; ii) the decrease in other payables for a total of € 35,912 thousand, attributable for € 33,445 thousand to the decrease in the payable relating to the purchase of 35% of Deco

and for € 13,000 thousand to the decrease in the payable for the purchase of 30% of SIMAM.

41. Liabilities closely associated with assets held for sale – € 188 thousand

At 31 December 2023, “Liabilities closely associated with assets held for sale” amounted to € 188 thousand and refer to the re-classification of liabilities closely associated with assets held for sale in terms of IFRS 5; reference is made to the specific paragraph for more information.

COMMITMENTS AND CONTINGENCIES

ENDORSEMENTS, SURETIES AND GUARANTEES

At 31 December 2023 they totalled € 1,053,829 thousand (€ 632,577 thousand at 31 December 2022).

The balance is composed of the following main transactions:

- € 108,808 thousand for guarantees in the interest of Acea Energia relative to the electricity and gas dispatching and transport service;
- € 20,000 thousand for the Sole Purchaser and in the interests of Acea Energia as a back-to-back guarantee relating to the electricity sale agreement signed between the parties;
- € 53,666 thousand in the form of a guarantee issued by Acea to Cassa Depositi e Prestiti in relation to refinancing of the loan issued to areti. This is a sole guarantee giving the lender first claim and covering all obligations linked to the original loan (€ 493 million). The sum of € 53,666 thousand refers to the guaranteed portion exceeding the loan originally disbursed (€ 439 million);
- € 14,042 thousand issued by insurance companies on behalf of Acea Ambiente in relation to waste collection plants and waste recovery plants with electricity production;
- € 23,856 thousand issued by insurance institutions in favour of the Umbria Region for management of the operating and post-operating activities for the Orvieto landfill, in the interest of Orvieto Ambiente;
- € 8,336 thousand released by banks on the account of Acea Ambiente in favour of the Umbria Region for management of the Orvieto landfill;
- the guarantee of € 284,000 thousand for various traders in the interest of Acea Energia as a back-to-back guarantee on electricity and gas trading transactions;
- € 17,716 thousand for the guarantees issued for areti in favour of Terna relative to the electricity transmission service contract;
- € 17,427 thousand for two bank guarantees issued in the interest of areti, in favour of the Ministry of Environment and Energy Security to cover the contribution granted to the Company as an advance of 10% of the amount for projects to be carried out under the NRRP;
- € 29,816 thousand in bank and insurance sureties issued in the interest of GORI, in favour of the Campania Region and the Campania Water Authority relative to financed works;
- € 2,701 thousand for the bank guarantee issued in favour of Roma Capitale in relation to the “Progetto Tecnologico” contract for the construction of the new multiservice pipe network of Via Tiburtina and adjacent streets, in the interest of areti;
- € 4,000 thousand relating to the bank guarantee issued for Roma Natura in connection with works to upgrade the network in the Marcigliana Reserve;
- € 7,568 thousand relative to Acea Ato5 and in particular the obligatory surety required under article 31 of the Technical Specifications, issued by UniCredit to OTAA, calculated on 10% of the three-year average of the Financial-Tariff Plan of the OTAA Area Plan, which during 2023 was extended until 28 February 2026 with the amount adjusted through a new issue for the difference;
- € 38,500 thousand for the issuing of a back to back guarantee in favour of a pool of banks providing financing for the Acquedotto del Fiora;
- € 2,565 thousand for a surety to the Area Authority to guarantee the obligations deriving from the management of the Servizi Idrici Integrati of the subsidiary GORI SpA;
- € 62,857 thousand for bank sureties issued in favour of INPS as part of the Isopensione programme;
- € 12,507 thousand for five bank sureties issued in favour of SE-DAPAL for the management of the pumping stations in the city of Lima and for maintenance of the water and sewerage network in the North zone, for the maintenance and management of wastewater treatment plants in Lima North-East zone;
- € 25,376 thousand for various guarantees associated with the authorisation request to build and manage photovoltaic parks;
- € 6,427 thousand issued by insurance companies on behalf of DECO relating to the landfill and waste treatment plant;
- € 36,812 thousand issued in the interest of Acea Ambiente in favour of Roma Capitale for participation in the exploratory notice for the presentation of project financing proposals for assignment of the systems hub concession relative to the design, authorisation, construction and management of a waste to energy plant and correlated ancillary systems;
- € 6,323 thousand for a bank surety issued in the interest of Acea Molise in favour of ATI Siracusa for participation in the tender to select a private partner for the to be established company, which will be granted the integrated water service concession in the Syracuse area;
- € 29,816 thousand in bank and insurance guarantees in the interest of the Campania Water Authority and Campania Region relative to financed works.

BUSINESS COMBINATIONS

Below are the Business Combination, for which recognition using the acquisition method is to be considered definitive.

Acquisition of Tecnoservizi

On 4 October 2022, Acea Ambiente signed the acquisition of 70% of the capital of Tecnoservizi Srl, a company that offers separate urban waste treatment and recovery services. The company's

authorised capacity is treatment of 210 thousand tonnes per year in the province of Rome, coming from separate waste of municipalities, entities and businesses.

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS 3 according to the acquisition method and the related results are to be deemed definitive.

Net assets acquired € thousand	Tecnoservizi		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	5,537	0	5,537
Intangible fixed assets	5,164	5,159	10,323
Warehouse inventories	73	0	73
Deferred taxes	283	(1,486)	(1,203)
Trade receivables	7,475	0	7,475
Other receivables	2,170	0	2,170
Financial receivables	641	0	641
Cash and cash equivalents	1,522	0	1,522
Employee severance indemnity and other defined benefit plans	(1,195)	0	(1,195)
Provisions for risks and charges	(11)	0	(11)
Trade payables	(4,007)	0	(4,007)
Other payables	(3,585)	0	(3,585)
Other financial liabilities	(8,800)	0	(8,800)
Payables to banks	(2,203)	0	(2,203)
Allocated goodwill	0	0	0
Net balance	3,064	3,673	6,737
- of which attributable to third parties			(2,021)
Goodwill			1,995
Net value acquired			6,712
Net cash outflow for the acquisition			(6,712)
Cash and cash equivalents acquired			1,522
Repayment of financial payables			0
Payables to banks			(2,203)
Net cash flow			(7,393)

Acquisition of Italmacero

On 3 November 2022, Acea Ambiente, through its subsidiary Cavallari Srl, completed acquisition of 100% of Italmacero Srl, a company operating in the mechanical treatment and recovery of separate urban waste (mixed packaging, monomaterial fractions) and special non-hazardous waste.

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS 3 according to the acquisition method and the related results are to be deemed definitive.

Net assets acquired € thousand	Italmacero		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	256	0	256
Intangible fixed assets	5	0	5
Deferred taxes	17	0	17
Other receivables	12	0	12
Cash and cash equivalents	928	0	928
Employee severance indemnity and other defined benefit plans	(72)	0	(72)
Net balance	1,146	0	1,146
- of which attributable to third parties			0
Goodwill			615
Net value acquired			1,761
Net cash outflow for the acquisition			(1,761)
Cash and cash equivalents acquired			928
Repayment of financial payables			0
Payables to banks			0
Net cash flow			(833)

Acquisition of Romeo Gas Business Unit

On 1 October 2022, the partial demerger of Romeo Gas SpA was completed, implemented through the assignment of equity shares in favour of Adistribuzionegas Srl. The purpose of the operation is part of an overall corporate reorganisation to achieve more efficient management of gas distribution concessions.

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS 3 according to the acquisition method and the related results are to be deemed definitive.

	Romeo Gas business unit		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Net assets acquired			
€ thousand			
Tangible fixed assets	21,107	0	21,107
Intangible fixed assets	19	9,073	9,093
Warehouse inventories	20	0	20
Deferred taxes/Tax Credits	3,129	(2,642)	487
Other receivables	13	0	13
Employee severance indemnity and other defined benefit plans	(401)	0	(401)
Provisions for risks and charges	(93)	0	(93)
Trade payables	(119)	0	(119)
Other payables	(335)	0	(335)
Net balance	23,341	6,431	29,772
- of which attributable to third parties			0
Goodwill			7,302
Net value acquired			37,074
Net cash outflow for the acquisition			(37,074)
Cash and cash equivalents acquired			0
Repayment of financial payables			0
Payables to banks			0
Net cash flow			(37,074)

Acquisition of former Cirsu Business Unit

On 30 June 2022, through its subsidiary Acea Ambiente, the Group was awarded the business unit called "Polo Cirsu" (located in Località Casette di Grasciano Notaresco - Teramo), following participation in the competitive bidding process called with a notice of sale of the Court of Teramo. The business unit consists of the landfill known as Grasciano1, completely depleted of authorised volumes, and the new landfill known as Grasciano2. Possession of

the same occurred after the authorisations were transferred at the end of 2022.

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS 3 according to the acquisition method and the related results are to be deemed definitive.

	Ex Cirsu business		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Net assets acquired			
€ thousand			
Tangible fixed assets	13,673	0	13,673
Intangible fixed assets	0	30,547	30,547
Other receivables	854	0	854
Provisions for risks and charges	0	(7,648)	(7,648)
Net balance	14,526	22,899	37,425
- of which attributable to third parties			0
Bargain			(10,044)
Net value acquired			27,381
Net cash outflow for the acquisition			(27,381)
Cash and cash equivalents acquired			0
Repayment of financial payables			0
Payables to banks			0
Net cash flow			(27,381)

Acquisition of ASM Terni

On 6 December 2022, the closing of the initial stage of the business combination with ASM Terni was signed, following the completion public procedure initiated by the latter. The operation is intended to create a single operator working in the integrated water cycle, environment and electricity and gas distribution and sales sectors.

The entry of Acea into the ASM Terni share capital involves two distinct stages. The first stage involves the signing of the tranche of the ASM Terni share capital increase, through the transferring of an equity investment as below:

- the parent company, TWS and Acea Molise transferred the equity investments held in UmbriaDue Servizi Idrici Scarl overall held at 99.4%;

- Acea Ambiente transferred the 60.0% equity investment held in Ferrocarril Srl.

The second phase of the operation was completed on 19 April 2023 and brought the Group's equity investment in ASM Terni to 45.27% through transfer of 20% of the capital of Orvieto Ambiente, the spin-off company of Acea Ambiente, and of liquidity for € 2.5 million.

Therefore, Acea is the industrial partner to achieve the established objectives and fully consolidates the company based on the agreements signed, also in accordance with shareholders' agreements and by-laws.

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS 3 according to the acquisition method and the related results are to be deemed definitive.

Net assets acquired € thousand	ASM Terni		
	IAS/IFRS Financial Statements	Adjusted fair value	Fair value
Tangible fixed assets	1,760	(2,153)	(393)
Intangible fixed assets	73,808	4,631	78,439
Goodwill	482	(482)	0
Equity investments	7,739	(481)	7,258
Inventories	1,818	0	1,818
Deferred taxes/Tax credits	7,131	(557)	6,574
Trade receivables	52,928	0	52,928
Other receivables	11,737	0	11,737
Cash and cash equivalents	4,624	0	4,624
Employee severance indemnity and other defined benefit plans	(3,597)	0	(3,597)
Provisions for risks and charges	(12,336)	(1,533)	(13,869)
Trade payables	(42,561)	0	(42,561)
Other payables	(45,242)	0	(45,242)
Payables to banks	(11,223)	0	(11,223)
Net balance	47,067	(575)	46,492
- of which attributable to third parties			(22,002)
Goodwill			2,300
Reserve for Acea operation			21,627
Net value acquired			48,417
Net cash outflow for the acquisition			(48,417)
Cash and cash equivalents acquired			4,624
Repayment of financial payables			0
Payables to banks			(11,223)
Net cash flow			(55,016)

APPLICATION OF THE IFRS5 STANDARD

An agreement was signed on 23 December 2021 with the British investment fund Equitix for the sale of photovoltaic plants held by the Acea Group for a total of approximately 105 MW. The agreement was then finalised on 22 March 2022 with the transfer of Acea Sun Capital to the Newco AE Sun Capital, held for 40% by Acea Produzione and for 60% by Equitix; the transfer resulted in the handover of the plants already connected to the network, whereas in terms of the agreements, the transfer of the plants undergoing completion or connection is subject to obtaining the connection certificate. These plants are held by Acea Solar, Acea Renewable and Fergas Solar 2 and are included in this Report in line with the provisions of IFRS5 and in line with what was reported in the 2021 and 2022 Consolidated Financial Statements, namely:

- the measurement of such assets was made at the lower between historical cost, decreased by the related accumulated depreciation or amortisation, and the estimated realisable value;

- the assets and liabilities closely associated with the group held for sale were measured and presented in the balance sheet in two specific items of the financial situation (“assets held for sale” and “liabilities closely associated with assets held for sale”). Neither IFRS 5 nor IAS 1 provide indications on the methods of presenting transactions between Continuing and Discontinued Operations. The method chosen led to presenting the reclassification of the asset and liability financial balances with the values net of the elimination of intercompany transactions;
- the economic items were presented in continuity with the previous year; from the date on which the changed destination of the assets has been resolved, depreciation and amortisation are no longer calculated.

The contribution of the operation to the equity situation of the Acea Group (in €/million) as at 31 December 2023 is presented below:

ASSETS	Effect of application of IFRS 5
Non-current assets	17.7
Current assets	0.6
Non-current assets destined for sale	18.3

LIABILITIES	Effect of application of IFRS 5
Non-current liabilities	0.0
Current liabilities	(0.2)
Liabilities closely associated with assets held for sale	(0.2)

Furthermore, with regard to the transfer of Acea Sun Capital and its subsidiaries, it is noted that the economic items of the first six months of 2023 were presented in continuity with the previous year (line-by-line consolidation including intercompany elimina-

tion) and from the date on which the changed destination of the assets has been resolved, depreciation and amortisation were no longer recognised.

SERVICE CONCESSION ARRANGEMENTS

The Acea Group operates water, environmental and public lighting services under concession. It also manages the selection, treatment and disposal of urban waste produced in Municipalities in Optimal Territorial Area 4 Ternano–Orvietano through Acea Ambiente.

As for the water segment, the Acea Group provides the Integrated Water Service (IWS) under a concession arrangement in the following regions:

- Lazio, where Acea Ato2 SpA and Acea Ato5 SpA provide services in the provinces of Rome and Frosinone, respectively;
- Campania, where GORI SpA provides services in the area of the Sorrento Peninsula and Capri island, the Vesuvio area, the Monti Lattari Area, as well as in the hydrographic basin of the Sarno river;
- Tuscany, where the Acea Group operates in the province of Pisa, through Acque SpA, in the province of Florence, through Publicacqua SpA, in the provinces of Siena and Grosseto, through Acquedotto del Fiora SpA in the province of Arezzo through Nuove Acque SpA and in the province of Lucca and periphery through GEAL SpA;
- Umbria, where the Group operates in the province of Perugia through Umbra Acque SpA, and Terni through SII ScpA.

The Group is also in charge of several former CIPE services in the province of Benevento with Gesesa SpA and in the municipality of Termoli with Acea Molise SpA.

Finally, it is to be noted that since 2019, the Acea Group also distributes gas in Abruzzo, in the provinces of Pescara and Aquila.

For additional information on the legislative and regulatory framework, please refer to the Report on Operations.

PUBLIC LIGHTING - ROME

The service is carried out by the Parent Company based on a deed of concession issued by Roma Capitale for a period of thirty years (from 1 January 1998). No fee was paid for this concession, which is implemented through a special service agreement, which given its concessionary nature, expires on the same date of the concession (2027).

The service agreement envisages, among other clauses, an annual update of the fee concerning consumption of electricity and maintenance and the annual increase of the lump-sum fee in relation to the new lighting installed.

Furthermore, the investments required for the service may be i) applied for and funded by the Municipality or ii) financed by Acea. In the former case, such works will be paid based on a price list agreed by the parties (and subject to review every two years) and will result in a percentage decrease in the ordinary fee. In the latter case, the Municipality is not bound to pay a surcharge; however, Acea will be awarded all or part of the savings expected in both energy and economic terms according to pre-established methods.

Upon natural or early expiry – also due to cases envisaged under Law Decree no. 138/2011 – Acea will be awarded an allowance corresponding to the residual carrying amount, that will be paid by the Municipality or the incoming operator if this obligation is expressly

set out in the call for tenders for the selection of the new operator. Lastly, the contract sets out a list of events that represent a reason for advance revocation of the concession and/or termination of the contract by the will of the parties. Among these events, reference is made to newly arising needs linked with public interests, according to which Acea has the right to receive an allowance according to the product, that is discounted based on the percentage of the annual contractual amount and the number of years until expiry of the concession.

On the basis of the number of public lighting plants as at 31 December 2009, the supplemental agreement establishes the ordinary annual fee as € 39.6 million, including all costs relative to the provision of electricity to supply the plants, ordinary operations and ongoing and extraordinary maintenance.

In June 2016, Acea and Roma Capitale signed a private agreement aimed at regulating commitments and obligations arising from the implementation of the LED Plan and, consequently, amending article 2.1 of the Supplementary Agreement signed in 2011.

More specifically, the agreement provides for the installation of 186,879 fittings (which became 182,556 at the request of Roma Capitale), in the number of 10,000; the price was set at € 48.0 million for the entire LED Plan.

As a result of the implementation of the LED Plan, the parties partially amended article 2.1 of the 2011 Supplementary Agreement with reference to the price list and the composition of the service management fee.

As regards the Public Lighting Service, following the opinion given by the AGCM (Antitrust Authority) in Bulletin no. 49 of 14 December 2020, Roma Capitale began checking the conditions of congruity and economic convenience of the performance terms pursuant to the service contract between the Administration and Acea SpA (and through its areti) compared with the terms pursuant to the Consip Luce 3 Convention and, in addition, on the basis of the positions expressed by the AGCM in the said opinion, expressed queries over the legitimacy of the award to Acea SpA. On 8 February 2021, with a note ref. DG 1585/2021, Roma Capitale communicated the results of the said checks, affirming definitively “the congruity and convenience of the economic terms currently in being with respect to the qualitative and economic parameters of the CONSIP – LUCE 3 convention” and confirming “the correctness of the prices applied for the public lighting service”, overcoming definitively all reserves on the congruity of the prices charged in the context of the contractual relationship in being between Roma Capitale and Acea SpA. With the same note, which, in any event, does not affect the Administration’s intention to issue a new call for tenders in order to re-tender the service, the Administration therefore ordered the resumption of the procedures for the payment of Acea’s ascertained receivables in relation to the Service Contract. Following this intention, Roma Capitale, in July 2021, undertook to settle the acknowledged receivables and to adopt resolutions for the acknowledgement of the off-balance-sheet payable in relation to the receivables which cannot be settled immediately. Although there are still some receivable items in dispute, following the discussions of July 2021 and up to November 2021, a large part of the outstanding amount relating to previous years was paid by Rome Capital and the verification and comparison activities with

the Municipality of Rome continued. These comparisons led Roma Capitale to pay Acea further collections relating mainly to current receivables. Hence during 2022 reconciliation activities occurred with reference to credit items and, again through offsetting, € 56.5 million was liquidated.

Also note that on 11 August 2022, the City Executive Committee with resolution no. 312 entitled “Public and artistic-monumental public lighting service on the entire municipal territory – Concessionaire: Acea SpA – Recognition of the perimeter of the payable situation and launch of the consequent procedures” recognised the perimeter of the Administration’s payables to Acea and areti in relation to the Public Lighting service as of 31 December 2021. This resolution was published on the institutional website of Roma Capitale on 30 August 2022.

On 27 September, the Acea Board of Directors approved a proposal for a possible settlement agreement with Roma Capitale intended to govern their reciprocal positions and the methods for an early consensual termination of the contractual relationship between the parties relative to the Public Lighting service provided by the Acea Group. Given its status as an essential public service under applicable regulations, the consensual termination will necessarily occur on the date the operator that wins the tender called by Roma Capitale effectively takes over the service.

We can inform you that while awaiting the conclusion and definition of all the aspects regarding the service, Acea continued the Public Lighting service proceeding regularly to the invoicing as described at length in the Notes to the Statements in the paragraph on Relations with Roma Capitale.

Finally, please note that during September 2023, the Consolidated Financial Statements of Roma Capitale at 31 December 2022 were approved.

INTEGRATED WATER SERVICE

Lazio - Acea Ato2 SpA (OTA2 - Central Lazio - Rome)

The Integrated Water Service in OTA2 Central Lazio - Rome started on 1 January 2003. The services for the municipalities of the OTA were taken on gradually and at 31.12.2023 the municipalities operated, with respect to the total of 113 for the entire OTA, came to 90 for the complete integrated water service (aqueduct, sewer and purification) and 16 in which Acea Ato2 provides one or two services. The remaining 7 municipalities have the option to not participate in the sole management, based on article 148, paragraph 5 of Legislative Decree 152/2006.

At the 30 November 2022 meeting of the Conference of Mayors of OTA2 Central Lazio - Rome, with Resolution 13-22 the regulatory scheme was adopted on updating of the tariffs established for 2022-2023, based on ARERA resolutions ARERA 639/2021/R/ldr and 229/2022/R/ldr. Pending approval by the Authority, pursuant to paragraph 7.2 of ARERA resolution 580/2019/R/ldr, the 2020-2023 tariff is applied, as approved by the Authority with resolution 197/2021/R/ldr.

The tariff proposal adopted by the Conference of Mayors, the result of a joint process between Acea Ato2 and the Technical Operational Secretariat of the Conference of Mayors was approved in January 2023 by the Authority with resolution 11/2023/R/ldr “Approval of

the update of tariff provisions for the integrated water service for 2022 and 2023”; the main aspects follow:

- confirmation of the placement of Scheme V within the regulatory scheme matrix pursuant to article 5 of Annex A to resolution 580/2019/R/ldr (high investments with respect to the value of existing infrastructure and average per capita GRC higher than the average national value determined by ARERA), already approved with ARERA resolution 197/2021/R/ldr;
- Works Programme for 2022-2023 of over € 805 million, equal to around € 110 million per year per capita, up by around € 90 million with respect to that approved for 2020-2023; for the subsequent 2024-2032 period, an additional amount of around € 4,200 million is planned (€ 890 million more than that approved for 2020-2023);
- confirmation of the theta tariff multiplier (to be applied to the tariff in force at 31 December 2019) of 1.139 for 2022 and of 1.202 for 2023, in line with that already approved in ARERA resolution 197/2021/R/ldr;
- confirmation of the value of the “psi” parameter of 0.45 (the maximum value provided for in Resolution 580/2019/R/ldr is 0.8) for the purposes of determining the component for the financing in advance of new investments (FN_{new});
- use of the amount of the integrated water bonus for all of 2021 not utilised to reduce tariff adjustments for 2020 and 2021, specifically around € 6 million.

At its meeting on 2 August 2023, with resolution 6-23 the Conference of Mayors approved the new tariff structure for Acea Ato 2, effective as from 1 September 2023. This measure, based on the principle of isorevenue, was made necessary by the amendments introduced by ARERA resolution 609/2021/R/ldr, which supplemented the TICS1 by extending the per-capita tariff approach to condominium users. At the same hearing, with resolution no. 5-23, amendments and additions to the Service Charter were approved, to include innovations introduced with reference to communication channels (the introduction of a chatbot and expansion of operations which can be carried out remotely), as well as certain adjustments in line with current rules and regulations.

Additionally, at its meeting on 27 December 2023, the Conference of Mayors approved the implementation Regulation for the 2024 integrated water bonus (Resolution 5-23). As in previous years, the amount of the bonus is calculated as an expense (based on the tariffs in effect in the reference year) corresponding to the fixed and variable fees for aqueduct, sewer and purification for a consumer up to:

- 40 m³ per year for every member of the household, for direct and indirect users with ISEE up to € 8,265;
- 20 m³ per year for every member of the household, for direct and indirect users with:
 1. ISEE indicator up to € 13,939.11 and household of up to 3 members;
 2. ISEE indicator up to € 15,989.46 and household with 4 members;
 3. ISEE indicator up to € 18,120.63 and household with 5 or more members.

Another event of note in relation to Conference of Mayors decisions was the update of the Services Charter (resolution 5-23 of 2 August 2023).

With determination 1/2022 – DSID, the expiration of 30 April 2022 was re-established for EGAs to send the Authority the tariff

data for the 2020-2023 period, also defining the associated forms (or the technical and tariff data collection file - RDT2022 - which also includes the project programme, strategic works plan and economic/financial plan, and the basic schedules for the accompanying reports respectively for the tariff data and quality objectives for 2022-2023, with the update of the project programme/strategic works plan).

Following the proceeding launched with resolution 139/2022/R/idr of 30 March 2022 and continued with consultation 184/2022/R/idr of 26 April 2022, the related urgent measures are introduced, intended to ensure the certainty of the system and the various interested parties.

Specifically, and without prejudice to the provisions for the 2022-2023 tariff update set out by resolution 639/2021/R/idr, for the year 2022 provisions were made for the possibility to formulate a reasoned request for the activation of forms of financial advances to meet part of the expenses incurred for the purchase of electricity. The claim, formulated by the AGB by the deadline of 30 June 2022 at the request of the relevant operator faced with substantiated financial problems, is subject to a series of conditions, including having made recourse to the possibility of exploiting, for the year 2022, the additional forecast component set out by paragraph 20.3 of the MTI-3 and the assumption of the commitment to request from its suppliers instalment arrangements of the amounts due for the energy consumption relating to the months of May and June 2022, according to the provisions of Law Decree 21/2022. The value of the advance cannot exceed 35% of the cost component recognised for the electricity quantified for the purposes of updating the tariff arrangement for 2022. After verification of the conditions and correctness of the documentation submitted, the CSEA will pay the amounts by 31 July 2022, which the beneficiary operator must pay back by 31 December 2024. Furthermore, in the event of an effective cost for the purchase of electricity referring to 2021 that is higher than the one recognised in application of the rules set out by article 20 and paragraph 27.1 of the MTI-3, the EGA is given the power, at the request of the operator and for the purposes of maintaining the economic and financial balance of the management, to submitted a reasoned request for the recognition of additional costs in the context of the adjustment component relating to systemic changes and exceptional events (paragraph 27.1, letter f), MTI-3) referring to 2023; the request must be accompanied by an action plan to limit the cost of energy. With the subsequent Resolution 495/2022/R/idr of 13 October 2022 a second window was established (1 November-30 November 2022) for presentation of requests to CSEA. Annually, starting in 2023, the Authority will publish the annual cost of the electricity supply sector, on the basis of specific investigations, in order to strengthen monitoring of the system.

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 are still pending. Relative to Resolution 643/2013, note that on 8 May 2014 the additional reasons for annulment of ARERA decisions 2 and 3 of 2014 were presented.

The ruling of the regional administrative court of Lombardy no. 892 of 20 April 2022 confirmed the guidelines already expressed by the Council of State in the cases on resolution 585/2012/R/Idr re-

lating:

- to the so-called “white water” for which the appealed resolution “does not impact in a broad sense on the ongoing management agreements”;
- to mixed sewerage, stating that “in these cases, since it is not possible to quantify the volumes of water that flow into the sewerage networks from the various points of input, and therefore to break down the relative costs, it responds to economic rationality fees so that the tariffs also cover the costs deriving from the collection and treatment of white water”;
- to the financial expenses on adjustments, for which it is confirmed that since the operator incurs an objective cost deriving from the fact that the level of the tariffs initially set by the area governing body is insufficient to cover the costs of the service, the recognition of this financial cost cannot be renounced. Due to this, the Authority must then provide, during determination of the adjustment, for a correction to cover the financial expense on adjustments. The regional administrative court rejected the reason concerning the provision of a cap on adjustments.

On 11 October 2022, appeals relative to resolution 643/13 were discussed, with the exception of that of Acea Ato2 as the individual to which it had been assigned was not available.

Relative to Acea Ato2, with judgement 736 of 23 February 2023, the Council of State accepted ARERA’s appeal with regards to the judgement of the Lombardy Regional Administrative Court Second Section, no. 892/2022, which had partially annulled the acts approving the Water Tariff Method (MTI) for the years 2014 and 2015, agreeing with the regulator with regards to non-payment of financial charges relative to adjustments. The second level judge agreed with ARERA’s arguments, as in the similar rulings already issued for the Authority’s appeals against, among others, Acquedotto del Fiora, Umbra Acque, GORI and Publiacqua, deeming the regulator’s decision to base adjustments on “effective data and certificates relative to sales volumes” reasonable, while “the riskiness of the IWS management activities is already considered in the “beta” tariff value, which was deemed reasonable by a verification body in function of the pursuit of the “full cost recovery” principle. Additionally, the judgement establishes that “recognising financial charges also for adjustments (operating costs) would mean, in terms of profitability, attributing this component substantially the same treatment as investments (capital costs) which pursue a different purpose of improving the quality of the public service”. Finally, the Council of State agreed with ARERA on the fact that the adjustments are already adjusted exclusively in relation to inflation, as already occurs in the other regulated sectors.

The Council of State also rejected the appellant’s claims relative to the illegitimacy of the cap established for the theta multiplier with reference to the component of adjustments, in that the regulation already calls for the same to be exceeded solely under certain conditions and based on a justified request presented by the Governing Body.

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/ldr which approved the Tariff Method of the integrated water service for the third regulatory period (MTI-3), reiterating many of the reasons for previous appeals in tariff matters and introducing new ones related to specific aspects introduced for the first time with the new tariff methodology. Other subsidiaries and/or investees of the Acea Group that have challenged MTI-3 are Acea ato5, Acea Molise Srl and Gesesa (which had not previously challenged the resolutions relating to the TTM, MTI and MTI-2). Resolution 235/2020/R/ldr 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. In February 2022, Acea Ato2 filed an appeal against resolution 639/2021/R/ldr relating to the two-year tariff update for 2022 and 2023. The challenge of the provision, also carried out by the subsidiaries and/or investee companies of the Acea Group such as Acea Ato5, Acea Molise Srl, Publiacqua, Acquedotto del Fiora, GORI, Gesesa, Umbra Acque and SII Terni, confirms many of the reasons already advanced against the previous tariff resolutions, adding new ones linked to the new regulation enunciated by ARERA. In relation to the reasons pertaining to the new provisions, note both the mechanism for recognition of the cost of energy, deemed inefficient to intercept the real contingent situation, as well as the provisions with which ARERA declared that it wishes to comply with the law of the Council of State on financial expenses on adjustments, treatment of the New Investments Fund and redefinition of the quota subject to reimbursement to users pursuant to Resolution no. 273/2013.

The quantification of the revenues deriving from management of the integrated water service is the consequence of the application of the new water tariff method (MTI-3), as approved by the Authority (ARERA) with Resolution no. 580/2019/R/ldr of 27 December 2019. In particular, the aforesaid revenues are consistent with the biennial update of the 2020-2023 tariff arrangement approved by the Mayors' Conference of OTA2 on 30 November 2022 and subsequently by ARERA on 17 January 2023.

The revenues of the period amounted to € 752 million: they include the estimate of adjustments to pass-through items (electricity, wholesale water, etc.), the FoNI component of € 74.5 million (€ 51.1 million for the FNI component and € 23.3 million for the Amm.FoNI).

With reference to technical quality, note that in October, with resolution 477/2023/R/ldr, the results were published relative to application of the incentive mechanism for 2020-2021, following the methodological note issued with reference to the preliminary investigation results approved with resolution 303/2023/R/ldr.

The total amount of bonuses paid out for all assessment stages was around € 130 million, while total penalties applied came to around € 9.6 million.

Overall, total bonuses attributed to Acea Ato 2 were the highest in absolute, equal to € 24.7 million for the period in question. In fact, also in the current two-year period Acea Ato 2 achieved the highest improvement with respect to the M1-Water leaks macroindicator, in first place in Step IV of the assessment (advanced assessment level for improvement targets). It also was in second place (again in Step IV) for the macroindicator M3 - quality of the water supplied. Additionally, it reported no penalties.

At the same time, the results were published on the application of the contractual quality incentive mechanism for 2020-2021, with resolution 476/2023/R/ldr, subsequently updated to correct certain material errors with resolution 500/2023/R/ldr. In line with the criteria expressed in the methodological note approved with resolution 734/2022/R/ldr, bonuses for over € 21 million were

attributed as well as penalties for almost € 25 million. For both macroindicators, MC1 - "Initiation and termination of the contractual relationship" and MC2 - Management of the contractual relationship", Acea Ato2 reached the improvement targets (Step II) and maintenance targets (Step I). Nonetheless, net of the portion of operating costs to subtract in line with the regulation, the total amount achieved was reduced to zero.

Acea Ato5

Lazio - Acea Ato5 SpA (OTA5 - Southern Lazio - Frosinone)

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 450,434 inhabitants, with a service coverage equal to approximately 93% of the territory. The number of users is 202,209.

With regard to the acquisition of the systems relating to management in the Municipality of Paliano, the IWS is currently still managed by AMEA, in which the Municipality of Paliano is an investor. Relative to this management, in November 2018 the Council of State issued a definitive judgement on the appeal filed by the Municipality of Paliano against the Regional Administrative Court judgement 6/2018, which accepted the Company's appeal relative to the Municipality, to obtain annulment of the provision with which the Municipality rejected the transfer of service. Hence, with judgement 6635/2018, the Council of State rejected the appeal presented by the Municipality of Paliano and confirmed the Latina Regional Administrative Court's decision, noting that the protective regime in favour of AMEA was "circumscribed to a period of three years starting from the signing of the Management Agreement between OTAA5 and Acea Ato5; this term was to expire in 2006, after which date the management by AMEA was considered without title".

Since Acea Ato5 has so far failed to initiate compliance proceedings with a view to verifying the voluntary compliance of the Municipality, which is suitable for preventing the possible appointment of an acting commissioner as has already happened in similar cases, a series of meetings have taken place at the Operational Technical Secretariat of OTAA5 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 deeds 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, subsequently updated in 2020 and 2021, also identifying necessary projects for the work in terms of purification and sewage.

The Parties subsequently held other meetings, together with the Operational Technical Secretariat of OTA5, 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. The fact that not all required information has been received and disputes relative to the methods used to transfer the infrastructure and management of the IWS have been documented in notes sent between the parties and in reports sent to the Operational Technical Secretariat and the Lazio Region, with the latter asked to begin commissioner proceedings to apply the substitute powers pursuant to article 172, paragraph 4 of Legislative Decree 152/2006, as amended.

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 Tariffs, on 10 March 2021, the Conference of Mayors for Optimal Territorial Area Authority no. 5 - Southern Lazio (hereafter, “OTAA 5”), approved the Tariff Structure for the regulatory period 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/ldr, 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.

Following the tariff scenario approved by the aforementioned Resolution, 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 Articles 9 and 10 of the Standard Agreement approved by the Regulatory Authority for Energy, Networks and Environment by resolution 656/2015/ldr).

With reference to the first initiative, the Regional Administrative Court rejected the appeal on the grounds of lack of jurisdiction. The Company appealed the judgement with the Council of State. However, on 01/02/2024 it rejected the appeal filed by Acea Ato5 with reference to the establishment of the IWS tariff for 2020-2023.

On the other hand, 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 OTA5 and the proposal of the rebalancing measures assumed, including the request for access to the financial equalisation measures, the OTAA5 Operational Technical Secretariat responsible for transmitting the request to ARERA began the necessary checks in 2021, making use of qualified external consultants.

Nonetheless, OTAA5 did not approve the rebalancing request sent by the Company by the deadlines established in the regulation.

With Resolution 639/2021/R/ldr of 30 December 2021, ARERA created regulations for the two-year update to tariffs for the integrated water service.

After publication of the stated resolution, the Company provided the Area Authority with data, information and clarifications useful for preparation of the tariff update 2022-2023. Despite the sending of these documents, the Area Authority did not prepare the tariff proposals for the 2022-2023 period by the deadline set in the regulations in effect (30 April 2022). Therefore, seeing the inaction of the Area Authority, on 30 November 2022 the Company sent to the OTAA 5 and to ARERA, via certified email, the tariff request pursuant to art. 6, para. 6.3 of Resolution 580/2019/R/ldr. On 22 December 2022, ARERA sent OTAA 5 a formal warning to take action, within 30 days, to make the tariff decisions for which it was responsible for the regulatory period 2020-2023, 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.

The Conference of Mayors approved the tariff update for the regulatory period 2022-2023 on 11 January 2023, with resolution 1/2023.

With respect to the Company’s proposal sent to ARERA on 30 November 2022, following inaction by the Area Governing Body, note:

- non-recognition of the component covering the cost for arrears (COmor) for € 7.5 million;
- a reduction of both the FoNI component of € 4.3 million and the OpMis component for around € 1.6 million.

With respect to the biennial update 2022-2023, an appeal has not been submitted to the Lazio Regional Administrative Court given the now well-established tendency of administrative judges regarding the internal procedural nature of the EGATO resolutions on tariffs.

Both for the Economic Financial Plan approved with resolution 1/2021 and that approved with resolution 1/2023 certain considerations should be reiterated.

Specifically, the stated Economic Financial Plans:

- do not set a certain date for the billing of the past tariff adjustments amounting to around € 50 million (of a total of € 124 million at 31 December 2022, which totalled € 101 million at 31 December 2021);

- call for invoicing of around € 51 million only after the start of 2023 (one year recovered with respect to the 2020-2023 EFP, which called for invoicing starting in 2024), not in a single solution, but made over time;
- do not recognise operating costs of € 3.3 million for the years 2020-2021, resulting in a financial loss for 2021 of the corresponding amount and of € 4.5 million for 2022-2023;
- sets a tariff change that is incompatible with the level of investment and operating costs over the Plan time period, as it does not take into account the financial deficit created for the operator from the previous tariff orders.

In support of the activities carried out and with a view to ensuring economic and financial sustainability, the Manager, on 14 February 2022 with note ref. 47536/2022, submitted to EGATO5 the request for valorisation of the additional component of a forecast nature (Op EE exp, a) to be included in the cost component for electricity (COEE a) pursuant to article 4, paragraph 4.3, of the ARERA resolution 639/2021/R/ldr, in order to anticipate at least in part the effects of the growth trend in the cost of electricity.

This delayed financial coverage is also aggravated by the dragging out of the process by which ARERA approves the tariffs for 2016-2019 and 2020-2023, as well as the 2018-2019 and 2022-2023 update. Consequently, although the Mayors' Conference has authorised the GRC for 2016-2019, 2020-2023 and 2022-2023 to cover the allowable costs (albeit for a lower amount compared to 2020-2023 and 2022-2023), the operator is exposed to the uncertainty surrounding the billing of the past adjustments, which are needed to maintain financial equilibrium over the short-term and also in the medium-long term.

In view of the restrictions imposed by ARERA's tariff method, particularly with regard to the two-year time lag in recognising the allowable costs on the tariff, in the current tariff plan for 2020-2023 and 2022-2023 the AAT05 Mayors' Conference has not guaranteed the funding needed in order for the operator to cover its financial commitments, specifically the plan for repayment of the debt and water service management costs deriving from OTAA 5's previous violations of the tariff approvals.

In view of the uncertain regulatory situation surrounding the Company, on 16 June 2022 the parent Acea, SpA authorised the capitalisation of Acea Ato5 by waiving its claims to: the non-financial items (trade and other) due as of 31 December 2021, the overdue capital portion of the interest-bearing loan and the portion of interest due as of 31 December 2021, for a total of € 96,337,589.84. It also restructured the liability on the interest-bearing shareholder loan by waiving the interest accruing from year to year and the capital line, which year on year will become due in 2022, 2023 and 2024 if the Company requests it and if the uncertain conditions remain.

Note that the company, in its own note 0076994/23 of 24 March 2023, given the continuation of the uncertainties described in the Report on Operations, asked Acea SpA to renounce the receivable due on 31 December 2022, both with reference to the capital (€ 10,000 thousand) and the interest (€ 5,508 thousand). On 9 May 2023, the Company received a positive response from the parent company.

The capitalisation operation performed by the parent Acea SpA is intended to re-establish financial equilibrium, thanks to the reduction in the stock of accounts payable to the parent company and to the significantly positive effects on NFP, thus freeing up financial resources to be allocated gradually to paying off prior trade payables to third-party suppliers.

Note that following the approval of the two-year update for 2022-2023 and the significant increase in the costs of raw materials, worsened by the international geopolitical crisis, in 2023 the directors of Acea Ato 5 confirmed the continued significant uncertainties which could give rise to serious doubts about the ability of the company to function as a going concern, in particular: the favourable conclusion of the Technical Panel with the EGA, intended to define the reciprocal items as a whole (including those subject to the Conciliation Board) and the lack of progress in the procedure for ARERA to approve the tariff proposals for 2016-2019 and 2020-2023, as well as the two-year updates for 2018-2019 and 2022-2023.

With reference to these actions, note that the latest request for economic/financial rebalance presented by the company has lapsed as it was not accepted by the deadline of 60 days and, additionally, in 2024 the Council of State rejected the company's appeal against the Area Authority's resolution 1/2021.

See, also, that described in the section "Reference context" - "Water Regulation" in the Report on Operations.

Nonetheless, in 2023 and 2024, the Directors continued to adopt all appropriate measures to improve the Company's financial position and support its continuation as a going concern.

The objectives of these actions mainly included:

beginning meetings with the government entity to define a new EFP and approve the tariffs with the new MTI-4 method, with an increase in 2024 in line with that of 2023 and within the limits of the maximum tariff increase allowed;

- the request made to the EGA to update the technical panel intended to update the items subject to the Conciliation Board and the creditor items;
- sending a repayment plan proposal to EGA for fees payable (not subject to the Conciliation Board), for which the company has not yet received a response;
- repayment plans to pay off outstanding liabilities towards third-party suppliers and infragroup payables;
- the implementation of a set of coordinated actions designed to reduce bill collection times and thus improve the percentages of amounts received;
- improving the efficiency of operating costs due to the lower revenues coming from the Economic Financial Plan approved by the EGA;
- the request for and awarding of contributions (of around € 12 million) for investments planned in 2024-2025;
- the request that Acea renounce interest and the capital portion accrued and over due at 31/12/2023 with reference to the interest-bearing shareholders' loan for a total of € 14.55 million (of which € 10 million in capital and € 4.55 million in interest). This request was in line with that already approved by the Acea Board of Directors on 16/06/2022;
- a request for financial support from Acea SpA, through an extension on the payment with reference to the trade payable accrued at 31 December 2023 of € 7,867,191.48, in the form of 112 instalments starting in March 2024 and maturing on 30 June 2033 (an action not envisaged in the 2024-2028 plan);
- the request for two interest-bearing shareholders' loans from Acea SpA, to be used solely to serve its financial requirements for 2024, 2025 and 2026, deriving from the realisation of NRRP investments (action not envisaged in the plan 2024-2028 plan).

Nonetheless, despite the many uncertainties that may create sig-

nificant doubts about the going concern assumption, in particular:

- the favourable conclusion of the Technical Panel with the EGA, to definitively resolve the reciprocal items (including those subject to the Conciliation Board);
- the approval of the 2024-2029 tariff proposal in the terms proposed by the operator (in particular with regards to invoicing of adjustments by 2029 and the recognition of costs for arrears in the amount of 10% as from 2026);
- the acceptance of the repayment plan proposed to the OTS by the company and not yet formally accepted by the latter with reference to payables not subject to the Conciliation Board;
- the Directors have continued to adopt the going-concern assumption in the preparation of the financial statements at 31 December 2023, considering that the actions to be taken to preserve continuity, together with the decisions of Acea SpA intended to strengthen the Company's capitalisation, will be enough to allow the ordinary management of the business. They are also confident that the Conciliation Board proceedings described above, and the ARERA tariff approvals, will be completed within a reasonable period of time.

The main reason behind the near stability of the recoverable value can for the most part be found in the following assumptions in the business plan:

- IWS revenues (GRC) were prepared using the MTI4 tariff method published in December 2023. The simulation includes i) measuring the GRC consistent with the Regulatory WACC of 6.13%; ii) the assumption of Cmor component recognition at 3.5% for 2024-2025 and 10% in 2026-2033, iii) invoicing of previous adjustments by 2030 for around € 105 million, still within the limits of the maximum allowed theta. Prudentially, impacts deriving from possible greater opex recognised were not estimated;
- Continuation of the process to improve efficiency for non-pass-through operating costs, while pass-through operating costs were projected in line with the revenue profile recognised;
- Amortisation/depreciation guarantees consistency between net fixed capital and the gross RAB recognised;
- The investment plan, until the end of the concession, is in line with the Action Plan the Company is defining with EGATO utilising the MTI-4 method. In particular, € 12 million in contributions for investments in NRRP projects are foreseen in 2024-2025;
- The residual value (investments made, net of amortisation/depreciation and contributions) of the operator in the case of a transfer was calculated by the Company on the date the Concession expires, as the algebraic sum of net fixed capital, work in progress and grants. The residual value was determined in line with the EFP prepared by the company (ARERA formula) and takes into account the end of the due dates for investments made in the last year.
- Sensitivity analysis was performed, taking into consideration the hypothesised decrease in adjustments collected on one hand and the increase in plan costs on the other, with the results below. Given the circumstances, a scenario worse than the assessments made and summarised in the base case identified cannot be hypothesised, given that in the case the aforementioned recognition goals are not achieved, the Area Authority cannot avoid identifying alternative methods, including the request to access financial balancing measures called for in the regulations, in order to guarantee the required economic/financial balance

for the Manager and regular management of the service. Also note that with the approval of the new tariff method MTI-4, the regulator provided a clear indication regarding the possibility of recovering adjustments, thereby limiting the degree of discretion available to government entities in the context of postponing tariff recognition. Specifically, article 28.2 of annex A to ARERA resolution 639/2023 (MTI-4) establishes that the EGAs insert all the adjustments resolved in the new EFP, calling for invoicing by 31.12.2029, without prejudice to the possibility, in agreement with the operator and to ensure the social sustainability of the tariff, of presenting a reasoned request to ARERA to exceed this deadline, in any case requiring respect for economic and financial balance.

Revenues for the integrated water service are determined on the basis of the water tariff method (MTI-3), as approved by the Authority (ARERA) with its resolution 580/2019/R/ldr of 27 December 2019 and resolution 1/2023 of the Conference of Mayors of OTA5 and amount to € 85.5 million, including the estimate of adjustments for pass through items and the FoNI component of € 7.9 million.

With reference to tariff adjustments, these total € 110 million.

With resolution 639/2023/R/ldr of 28 December 2023, ARERA approved the water tariff method for the fourth regulatory period 2024-2029 (MTI-4), defining the rules to calculate costs which can be recognised in the tariff.

Following the publication of this resolution, the Company sent a note to the EGA requesting the establishment of a calendar of meetings to support the process of sharing data and information useful for the tariff update to be approved by 30 April 2024.

With regard to **relations with OTAA5**, 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 OTA5 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 OTA5.

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

In this regard, on 11 September 2018 OTAA5 and the Company signed report no.1 in which the parties expressed their mutual willingness to open a Conciliation Board on the various disputes pending between them.

Also in the same minutes, the Parties shared the rules of operation of the Conciliation Board and the criteria for the appointment of that Board and, in particular, each party appointed its own member. The Chairperson of the Conciliation Board was selected by the Prefect of Frosinone, at the joint request of the parties, and was jointly appointed on 16 May 2019. The Board officially took office on 27 May 2019, thus starting the 120-day period within which it had to arrive at a proposal for an amicable settlement of the issues submitted for its assessment. On 17 September 2019, the Conciliation Board announced that it had completed the preliminary work on all the items assigned to the round table. 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 OTAA5, 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. Note that on 31/05/2023, a ruling was issued with which the Judge deemed the debt on the basis of the payments made by Acea during the legal proceedings to be extinguished. The Judge also found that there had been an overpayment by Acea Ato5, equal to the difference between the sum due (€ 26,313,251.50) and the sum effectively paid by Acea Ato5 (€ 28,690,662.85), amounting to approximately € 2,377,000.

In the light of this judgement, the Company adjusted the provision for risks:

- allocating interest of around € 554,000.00 based on the note sent to EGATO5 on 06/02/2024 and based on that established in the judgement of 31/05/2023. The amount allocated derives from the application of the rate at which the entity's liquidity gains interest (Euribor 3 months for the reference year plus 70 bps);
- releasing it for around € 1,200,000.00 following the judgement in question:
 - quantification of the concession fee relative to the period 2012-2018, and the linked destination of any economies for a total of € 12,798,930.00 - the Board proposes, also taking into account the regulatory guidelines provided by ARERA, that these are taken out of the tariff adjustments in favour of the Operator;
 - recognition of the amount owed by the Operator (€ 10,700,000.00) — the Board proposes recognition of this credit in favour of the Operator;
- compensation of damages suffered by Acea Ato5 against delayed delivery of services by the Municipalities of Cassino, Atina and Paliano - the Board holds the Operator's claim to be founded but, in consideration of the difficulty in quantifying the damage suffered and with an eye to amicable settlement, proposes

that the Operator renounces this claim with regards to the Area Authority;

- compensation of damages for the lack of handover of the ASI and Cosilam plants, assessed in the amount of € 2,855,000.00 - the Board holds that the requirements to dispute a deed which is now final are not met; nonetheless, the Operator will renounce the claim against recognition of the credit for € 10,700,000.00;
- recognition of penalties totalling € 10,900,000.00 applied by OTAA 5 against the Operator and annulled by the Latina Regional Administrative Court by judgement no. 638/2017. Although the Operator has substantially renounced the application of the said penalties related to the period 2014-2015, the Board proposes partial acceptance of the Area Authority's claim for a total amount of € 4,500,000. In relation to this point, the Conciliation Proposal provides for an irrevocable commitment to make investments, in the territory of the OTAA5, 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; the Board proposes offsetting this debt by the recognition of a credit of € 10,700,000;
- discounting of the Adjustments 2006/2011, and for 2014, 2015, 2016 and 2017, assessed in the amount of € 1,040,000.00 — the Board proposes recognition of this credit in favour of the Operator;
- non-invoicing of adjustments 2006/2011, due to the adjustment of 2012 volumes, assessed in the amount of € 1,155,000 — the Board proposes recognition of this claim in favour of the Operator.

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

However, in light of the conduct throughout the conciliation process, and in particular during the final meeting held on 11 November 2019 in which the Conciliation Board explained the Conciliation Proposal to the legal representatives of the parties and as the Company's Board of Directors had already approved the related Conciliation Deed on 19 December 2019 and then communicated this decision to OTAA 5 on 4 February 2020, the Company believed that as at 31 December 2019 an implicit obligation had already arisen for the commitments envisaged in the Conciliation Deed, and in particular for the aforementioned commitment to carry out interventions in the territory without any tariff recognition, having already created a valid expectation in the OTAA 5 Area Authority

and in the municipalities of the territory that the Company intends to honour these commitments and bear the related charges. When the Company was preparing its financial statements for 2019, 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, 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 million relating to the aforementioned savings on concession fees for the period 2012-2018, as quantified in the joint report of 29 April 2019 attached to the work of the conciliation round table, 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 2012-2018 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.

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 also for the preparation of the Company's 2023 financial statements, in the light of the dialogue in progress with EGATO, with a meeting set for 6 March 2024, as better described below.

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

The Company responded to this reminder with three separate letters sent on 3 February 2022, 17 February 2022 and, most recently, on 2 March 2022, in which, respectively, it disputed the amounts of some of the invoices requested by the AGB (the amounts of which do not match those of the invoices in its possession), it put

forward a proposal for a payment by instalment plan and reiterated, however, that this instalment proposal is not an alternative to the Conciliation Board, nor does it change its content in any way, but only concerns the settlement of the portion of debts referring to the 2019-2021 period.

In a letter of 29 April 2022, the OTS repeated its claims about the concessionary charges and called a meeting for 6 May 2022. On 9 May 2022, the meeting between the parties took place, who agreed on the need to begin technical talks to analyse all the outstanding issues.

The technical panel updated the information on the economies for mortgages already identified in the context of the work of the Conciliation Board, also discounting the fees due from the Manager and reconciling invoices issued and already paid by the latter. Subsequently, with a note issued in December 2022, the Operational Technical Secretariat requested an urgent meeting to deal with the issue of concession fees not yet paid and, more generally, the amount due to the Manager from the Entity. During these meetings, held in the second half of December 2022, the Operational Technical Secretariat presented the problems deriving from the evaluation of its 2021 financial statements. In response to this note, in a note dated 23 December 2022, the Company indicated its continued situation of uncertainty due to the non-approval of tariffs by ARERA within the established schedule. At present, there are no further updates.

On 21/09/2023 with doc. 2577/2023 EGATO 5 formalised a notice and placement in arrears with reference to the presumed debt accrued by Acea Ato5 in relation to concession fees not paid as at 31 July 2023, requesting application of commercial interest pursuant to Legislative Decree 231/2002. In this context, the Company, as it indicated to EGATO 5 in its communication of 9 November 2023, began payment of its debt to EGAATO 5 relative to the 2019-2023 period (of around € 4 million), proposing the signing of a repayment plan with 18 monthly instalments starting in November 2023, as well as a single payment of € 1,318,066 and the payment of € 934,941 for operating expenses for the EGAATO5 OTO for 2023. At present, the company has not received a response from the OTS with reference to the proposed signing of the repayment plan.

In a note sent on 3 January 2024, the company asked the EGA to convene a Conciliation Board. The meeting was held on 11 January 2024, during which the expediency of preliminary research to identify the content and items which would make up the Conciliation Proposal for 2019 was indicated, in order to not only verify the current nature of the same in light of the recent resolution of certain disputes, but also to assess any possible correctives for the same proposal in respect of the reciprocal requirements.

As discussed during the meeting, the result of this research must then be shared with the respective reference bodies for subsequent assessment. In fact, on 1 March 2024, with a note titled "Update on conciliation board work", EGATO called a meeting for 6 March 2024 at 11:00.

In reference to additional cases related to legal disputes, filed or being filed, and tax disputes, see the "Update on major disputes and litigation" section of this document".

Acea Molise

Acea Molise Srl (hereafter “Amolise” or the company) manages the IWS in the Municipality of Termoli (Campobasso), after winning the tender held in 2022 for the “Implementation of measures to protect the soil and water and to improve the integrated water service in the Municipality of Termoli under a Public Private Partnership through Project Finance, with the proponent’s right of pre-emption (Art. 183, paragraph 15 of Legislative Decree No. 50/2016)”.

In brief, the Project Finance involves:

- €7.6 million of investments borne by the Operator, to be allocated to the water sector as a whole (water, purification and sewerage);
- € 3.8 million in regional finance, for the “Delocalisation and de-commissioning of the port treatment plant” in the municipality of Termoli (Campobasso);
- a 15-year management timeframe to complete the works;
- remuneration of the works through the water tariff, according to the ARERA regulatory criteria;
- management of the municipal Integrated Water Service.

The Project Finance Management Agreement was signed on 03 August 2022. The company Acea Molise is therefore fully authorised to manage the Integrated Water Service for the Municipality of Termoli (Campobasso) until 2037.

It should be specified that article 6.2 of the Management Agreement includes the hypothesis of early withdrawal if the Single Operator of the Molisano Area identified by the Molisano Area Governing Entity (hereafter, “EGAM”) explicitly asks Acea Molise to take over the service.

Due to the above, the take over from Gestione Risorse Idriche Molisane Scarl (hereafter, “GRIM”) to Acea Molise Srl, in terms of operating the integrated water service for Termoli (CB) is technically plausible prior to the 15-year expiration of the Agreement. Although no request in this regard has yet been received from GRIM, Acea Molise - in view of its commitments with Project Financing and in particular the borrowings necessary to complete the new works - has advised EGAM of the objective difficulties in continuing with the planning and execution of the upgrading works without having a clear view of the overall strategic picture of the regional plans for the water sector, or of the role of GRIM.

Acea Molise considers that it is not possible to start complex and financially demanding works such as the delocalisation of the purifier at the port of Termoli, which would take an average of three years, without having a precise indication from the relevant Authorities of the prospects for the company as a going concern, at least over the short to medium-term.

While awaiting more information from the Authorities as to the intentions and time frame of the Single Operator GRIM, at the start of 2023 the Company instructed the law firm to prepare an opinion, in order to evaluate the overall situation regarding the Termoli Agreement and consider whether or not the conditions exist for the continued existence of the company, from a regulatory and legal perspective.

The Opinion sent to the company in the second half of March 2023 does not leave or establish any doubts with regards to the legal and regulatory right for Acea Molise to continue to operate the integrated water service in the municipality of Termoli, fully and absolutely.

Noting therefore that the opinion concludes that until such time as a formal request to take over the service is made, and the regulatory Residual Value is paid, Acea Molise has a specific obligation to perform the concession agreement and to manage the IWS for the Municipality of Termoli in accordance with the Agreement and the relevant ARERA regulations, and also to complete the investments and the works as indicated in the Action Plan (and any prerequisites, instrumental or consequential activities) in accordance with the time frame. During 2023 all technical and economic activities preparatory to complying with the commitments for project financing were made concrete.

In summary:

- investments have been scheduled and carried out in the entire integrated water sector for a value of 1.5 million, as well as the ordinary maintenance on systems and networks;
- an interest-bearing shareholders’ loan contract was signed with Acea SpA for a maximum outlay of € 5 million;
- a bridge loan contract was signed with UniCredit SpA up to a maximum outlay of € 4 million;
- in concert with the Municipality of Termoli (CB) and EGAM, the tariff established for 2022-2023 was updated.

In particular, with regards to the tariff update, it should be noted that on 18.12.2023, with Executive Resolution 3309, the Municipality of Termoli (CB) approved the tariff update for Amolise 2022-2023 and also approved the RAB and tariff updates accrued up to that point.

Finally, note that as the agent for the temporary joint venture to be established, on 10 November 2023 Amolise participated in the call for tenders issued by Sicily Region’s Special Office - Central Single Contracting Authority, for the acquisition of a 49% stake in the share capital of the to be established Aretusacque, to operate the integrated water service in the municipality and province of Syracuse.

The water service in the Province of Syracuse includes 19 municipalities, with 166 thousand users served, covering an area of 2,100 km² and operating 2,000 km of water network and 1,300 km of sewer network. The concession is set to last 30 years (until 2053) and the total value of the award envisaged in the tender is € 1.264 billion, against annual hypothesised revenue for the new operator of between € 37-46 million and total investments of € 366 million (as in the 30 year Action Plan).

As noted previously, Acea Molise is the agent (with a 60% stake) of a temporary joint venture to be established with a local partner (with a 40% stake), making use of the technical, economic and financial requirements of Acea Ato2 and the SOAs for TWS design and work.

Following the appointment of the president of the commission, ATI Siracusa on 16 January 2024, it was found that the sole bid presented by the tender deadline was that of Amolise (in a temporary joint venture with the local partner).

In the meantime, the Regional Administrative Court of Catania rejected all the appeals filed against the call for tenders. The appeals had been presented by Suez (judgement of 3 January 2024), by Ireti (judgement of 8 January 2024) and by DAM (judgement of 6 February 2024).

At present the contracting body has not called the meeting for the administrative opening of the envelope.

Campania - GORI SpA (Sarnese Vesuviano)

The Company manages the integrated water service in the Sarnese Vesuviano District of the Campania Region (which includes 59 municipalities in the Province of Naples and 18 in the Province of Salerno), for a total of 77 municipalities. Note that on 9 October 2023, GORI, the municipality of Roccapiemonte and the Campania Water Authority (EIC) signed an agreement for GORI to begin operating the integrated water service starting from 1 January 2024. At present, solely the municipality of Calvanico in the Province of Salerno is managing its water services, having not yet ensure the start of IWS operation by the company, even if the EIC has begun the procedures to implement the transfer.

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-Vesuviano 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-Vesuviano District of the Campania Region covers an area of approximately 900 square kilometres with a population of approximately 1,411,416 inhabitants. (last Istat figure Year 2020).

A total of 5,274 km of water network is currently managed, consisting of 869 km of primary abstraction network and 4,405 km of distribution network, and a 2,746 km drainage system.

GORI currently manages 13 water sources, 117 wells, 204 tanks, 116 water pumping stations, 211 wastewater pumping stations and 13 waste treatment plants.

Operating Agreement between Campania Region, the Campania Water Authority and GORI

Please note that 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-Vesuviano District area within a framework of economic-financial equilibrium of the management for its entire residual duration. As a result of the Operating Agreement:

- (i) the Regional Works (various major IWS infrastructure falling within the territory of the Sarnese-Vesuviano District Area, managed for a long period by the Campania Region and by the latter transferred to the manager GORI from 2019-2021) were transferred to the manager GORI through a concession, based on the provisions of the current IWS Management Agreement for the OTA;
- (ii) on 18 July 2019, a long-term loan agreement was signed with a pool of banks, with an availability period of 4 years, a ten-year term and a final maturity for repayment on 31 December 2029; and
- (iii) to guarantee the economic and financial balance of management of the IWS for the OTA and bankability of the project, GORI and the Campania Region signed two additions to the Operating Agreement, specifically:
 1. Additional Act no. 1 of 20 November 2020, which postponed instalments of the repayment plans for the debt accrued by GORI relative to the Region for supplies of “wholesale water” and the “waste water collection and purification” service, rescheduling instalments due in 2025 (€

1.7 million), in 2026 (€ 3.5 million) and 2027 (€ 6.7 million), respectively to 2029, 2030 and 2031;

2. Additional Act no. 2 of 10 August 2022, which postponed until 2030 payment of the instalments of the same repayment plan for €103 million.

It is specified that Additional Act no. 1 and Additional Act no. 2 were signed in consideration of the social/economic problems associated with the Covid-19 health emergency and the exceptional increases in the purchase prices of construction materials and energy products which have significant impacts on the financial requirements of operators in the water services sector.

Confirmation of the Regulatory Framework for 2012-2015 - Definition of Previous Items prior to 2012 - Update of the Regulatory Framework for 2022-2023

On 10 August 2022 the Executive Committee of the Campania Water Authority (CWA) definitively approved, with resolution 36/2022, the biennial update of the regulatory framework for 2022-2023 for the manager GORI SpA, based on the criteria defined by the Authority in resolution 580/2019/R/idr, as supplemented by 639/2021/R/idr and 229/2022/R/idr; on 05 October 2022, the CWA offices sent ARERA the update of the regulatory framework using the IT procedure.

The update to the regulatory scheme approved by the EIC for 2022-2023 saw an increase in the theta of 2.4 for 2022 and a theta of 1 for 2023, hence confirming for both years the amounts of the tariff increases resolved with the previous resolution 35/2021 of the Water Authority’s Executive Committee, which approved the regulatory scheme for 2020-2023, pursuant to ARERA resolution 580/2019/R/idr;

Revenues as of 31 December 2023, which total € 222.9 million, were determined on the basis of the regulatory scheme approved by the Campania Water Authority with Resolution 36/2022, in compliance with ARERA Resolution 580/2019/R/idr, subsequently supplemented by ARERA Resolution 639/2021, with which the Authority defined the criteria for the two-year update (2022-2023) of the tariff arrangements for the Integrated Water Service.

Verification of parameters to identify the regulatory quadrant and the presence of OPnew relative to systematic changes in operator activities in the “presence of the supply of a new service (e.g. purification or sewers for an operator whose management was previously limited to aqueduct services or, in other cases, in the presence of expansion with an upstream supply chain), pursuant to article 18.2, 18.3, letter c) and 18.4 of Annex A to resolution ARERA 580/2019/R/idr as subsequently amended and integrated, 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 Guaranteed Revenue Constraint (GRC) as at 31 December 2023, the constraint component relating to the Opsocial supplementary water bonus for 2023, has been set at zero. The reason for this is that although this component has been recognised within the regulatory framework approved by the CWA, a deliberation paper is missing. The purely regulatory components CODfanghi and COEE were

also considered.

The “OpexQT” component was calculated in the amount of what was requested in the related cost recognition request, within the limit of what was recognised in 2019.

On the other hand, for the OpexQC component costs effectively incurred were included in the calculation, as these are lower with respect to that requested in the relative request for cost recognition. Additionally, the component relative to the corrective factor for adjustments was calculated, pursuant to paragraph 27-bis 2 MTI-3 with application of the return rate for fixed assets K_d to adjustments recognised for years 2012 and 2013.

The OPnew included in the calculation were quantified in the same manner as in previous years, and therefore, on the basis of the full cost recovery principle, the costs effectively incurred on plants transferred at 31 December 2023 are covered, as demonstrated in the accounting documents.

At 31 December 2023, the works transferred to the Operator are: Waterworks at Mercato Palazzo, transferred in October 2016; waterworks at Boscotrecase and Cercola transferred in March 2018; waterworks in the Nolana area transferred in September 2018; waterworks at Campitelli and Boccia a Mauro to complete the Vesuvius Area, transferred in December 2018; Campo Pozzi di Angri transferred in February 2019; the Nolana Area treatment plant transferred in March 2019; the completion of the Sarnese Area, transferred in April 2019; the Medio Sarno 2 treatment plant, transferred in July 2019; the transfers of 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; the transfer of the Alto Sarno treatment plant in January 2021 and finally the transfer of the treatment plant at Punta Gradelle in March 2023.

External operating costs Opexend were defined based on what is established in article 17.1 of Annex A to resolution ARERA 580/2019/R/idr as subsequently amended and integrated, 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 article 17.1 of resolution ARERA 580/2019/R/idr, while calculation of estimated operating costs, using the statistical model found in article 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 was placed in quadrant 4 of the regulatory matrix. The Opexend thus defined, adjusted by the inflation coefficient provided by the Authority as part of the 2022-2023 two-year regulatory update, amount to € 74.8 million.

The GRC was also updated pursuant to art. 27.1 of Annex A of ARERA Resolution no. 580/2019/R/idr as subsequently amended and integrated 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 (R_c), 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 2023, the tariff approved by the CWA by Resolution no. 7 of 26 February 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 € 0.21679/m³, with the application, for the year 2023, of a theta equal to 1.124 (6% increase on the previous year).

The pertinent cost at 31 December 2023 on the COws relating to regional water supplies, according to the principle of full cost recovery, was approximately € 4.8 million, entered for the same amount in GRC and in the related costs.

As regards the COws 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 2023, according to the full cost recovery principle, amounted to approximately € 7.3 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 ARE-RA 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.

The component covering costs incurred to purchase electricity - COEE - implements the adjustment of that allocated for energy costs, recognised in previous years, in the amount of -€ 3.2 million. The Government has introduced a series of measures to support businesses in facing the energy crisis and the associated cost increases.

The measures introduced by the Government in the Budget Act 197/2022, on 29 December 2022, include a tax credit to support electricity purchases for non-energy-intensive businesses (which includes operators of Integrated Water Services); the tax credit equates to 35% of the cost of buying electricity if its price during Q3 2022 was more than 30% higher than in Q3 2019.

In Decree Law 34 of 30 March 2023, the Government then allowed a tax credit of 10% for Q2 2023, again with reference to the purchase of energy.

Quantification of the tax credit, calculated for invoices effectively incurred and relative to January-June, is equal to around € 3.9 million and was recognised at 31 December 2023 under the item “Other revenue” in the income statement.

In the relevant GRC at 31 December 2023, to avoid double coverage of the cost of electricity, the quantification of the tax credit was taken into account through an adjustment of revenue (GRC) by an equal amount (€ -3.9 million), allocated to the item “Exceptional events”.

Additionally, also in the “exceptional events” item, a constraint adjustment of -€ 3.5 million was recognised following the results of the application of the contractual quality incentive mechanism for the integrated water service (RQSI) for 2020-2021, as better illustrated below.

Also note that on 13 October 2022, ARERA, with resolution 495/2022/R/idr “Reopening the terms for financial advances aimed at mitigating the effects of the growth in electricity costs on managers of the integrated water service”, called for a second window within which government entities in the area, based on a request by the relevant manager, could present a justified request to CSEA (by 30 November 2022) to activate types of financial advances, introduced with resolution 229/2022/R/idr, associated with the obtaining of resources to handle part of the expenses incurred to purchase electricity. As the requirements were met, on 08/11/2022 GORI sent a request to the Campania Water Authority seeking a financial advance from CSEA of

€ 11,842,336.80 (this is the maximum amounts, equal to 0.35 x COEE 2022).

Based on the request presented by GORI, the Campania Water Authority Executive Committee, in resolution 76 of 29 November 2022, decided to ask CSEA to activate the financial advance methods introduced with ARERA resolution 229/2022/R/Idr, associated with obtaining resources to handle part of the expenses incurred to purchase electricity for the manager GORI Spa; on 30 November 2022, the Campania Water Authority sent CSEA the Financial Advance Request for the manager GORI SpA, in the amount requested by the Manager, specifically € 11,842,336.80. As established in resolution 495/2022/R/Idr, the advance was disbursed by CSEA by 31 December 2022, specifically on 27 December 2022 and the Manager must see “to the return to CSEA of the sums advanced in two instalments of equal amount (in relation to the capital portion) maturing respectively on 31 December 2023 and 31 December 2024. The instalments are increased by interest applied to the remaining capital and calculated based on the interest rate applied, equal to that obtained by CSEA for its own liquid assets held with its bank.”

On 19/12/2023, GORI returned to the CSEA the capital portion of the first instalment on the financial advance obtained for 5,921,168.40 and must pay the interest portion as soon as CSEA determines and communicates the same.

In October 2023, ARERA completed the proceedings for the incentive mechanism associated with technical and contractual quality regulations. In particular, with resolution 476/2023/R/Idr of 17 October 2023, as amended by resolution 500/2023/R/Idr of 31 October 2023, ARERA published the results of the application of the incentive mechanisms for the integrated water service contractual quality regulation (RQSII), for 2020-2021.

At the same time, with resolution 477/2023/R/Idr of 17 October 2023, ARERA completed the procedure for application of the incentive mechanism for regulation of the technical quality of the integrated water system (RQTI) for the years 2020-2021, informing sector operators of the final results.

In GORI's case, the results of the application of the incentive for technical quality (RQTI) and that for contractual quality (RQSII) for 2020-2021 led to technical quality bonuses of € 3,301,042 and penalties for contractual quality of € 3,503,333.

In particular, with reference to technical quality, 2020-2021 was the second two year period in which the incentive mechanism for the integrated water service was applied: each water service operator was analysed and classified with respect to all six technical quality macroindicators, specifically water leaks (M1), service interruptions (M2), quality of water distributed (M3), sewer system adequacy (M4), landfill sludge disposal (M5) and quality of treated water (M6), while in the previous two year period macroindicator M2, relative to service interruptions, had been excluded from the mechanism. As is known, the technical quality incentive system established by ARERA, in the context of the RQTI, involves either bonus or penalties, to be attributed based on the operators' performance.

For 2020-2021, GORI received bonuses for achieving the targets for macro-indicators M2, M3 and M6 with reference to step II, characterised by a basic bonus factor level; for macro-indicator M2 GORI received a double bonus: a bonus for step II (of € 1,363,712) and one for step IV, with an advanced bonus factor level (€ 1,514,016) as one of the three operators which had achieved,

after the fact, the widest improvements with respect to the targets set (GORI was in second place).

Also note that for the bonuses relative to 2020-2021, ARERA established that these would be disbursed by CSEA. In fact, in November 2023, CSEA disbursed the technical quality bonuses to GORI. On 30/11/2023, CSEA disbursed a total of € 3,301,042.10 to GORI for the technical quality bonus for 2020-2021.

With reference to contractual quality, 2020-2021 was the first two-year period in which the incentive mechanism for integrated water service contract quality was applied, as introduced by ARERA with resolution 547/2019/R/Idr: each water service operator was analysed and classified on both contractual quality macro-indicators, MC1 - “Initiation and termination of the contractual relationship” and MC2 - “Management of the contractual relationship and accessibility of the service”. The incentive mechanism introduced by the Authority with resolution 547/2019/R/Idr (specular for bonuses and penalties) is broken down into bonus or penalty factors, to be assigned based on operator performance, through subsequent assessment stages, distinctive in terms of assessment level (base level and excellence level) and in terms of the targets associated with starting conditions (maintenance and improvement targets). The methods which govern the contractual quality incentive mechanisms, in the context of Title XIII of the RQSII, involve three assessment steps, with I and II using the base level and the III the advanced level.

As is known, quantification of the bonus or penalty depends for each operator on the cost component **OpexQC** (possibly valorised for the adjustments to contractual quality standards and/or new targets established in the regulation) and the operator revenue constraint, **GRC**, as resulting from tariff decisions made in respect of the criteria in Annex A to resolution 580/2019/R/Idr, containing the Water Tariff Method for the third regulatory period (MTI-3). It should be noted that for 2020-2021, GORI participated in both macro-indicators for a base level of the bonus factor, that is for Stage II. In particular, for 2020-2021, GORI pursued the target set for macro-indicator MC1 and did not achieve the target set for macro-indicator MC2. Nonetheless, despite the fact that GORI achieved the improvement target in 2020-2021 for macro-indicator MC1, the bonus was reduced to zero in application of the formula under article 96.2 of the RASII (that is in virtue of the value of the tariff recognised for RQSII for adjustments to contractual quality standards and/or new targets established in the regulations). For macro-indicator MC2, the non-achievement of the target for 2020-2021 instead led to a penalty.

Also note that ARERA established that the bonuses for 2020-2021 would be disbursed by CSEA and that contractual quality penalties for 2020-2021 were to be deducted from the costs recognised for operators in Stages I and II, in line with paragraph 96.3 of the RQSII.

The measures supporting companies with reference to the energy crisis and cost increases, introduced with Budget Law 197/2022 of 29 December 2022, were extended through 30.06.2023.

Quantification of the tax credit, calculated for invoiced costs effectively incurred and accruing during first half of 2023, came to around € 3.9 million and the relative revenue was recognised under A5 in the income statement.

In the relevant GRC, to avoid double coverage of the cost of electricity, the quantification of the tax credit was taken into account through an adjustment of GRC revenue of an equal amount, allocated to the item “Exceptional events”.

Legal proceedings

- Case pending before the Regional Administrative Court of Campania, (Naples), initiated by a petition filed by the Municipalities of Fisciano and Mercato San Severino (Salerno), Casanuovo di Napoli, Somma Vesuviana and Scisciano (Naples), Roccapiemonte, Nocera Superiore, Nocera Inferiore, Angri and Pagani (Salerno), seeking the annulment of the Deliberation made on 10 August 2022 by the Executive Committee of the Campania Water Authority (approving the historic items, pre-2012): The Municipalities listed above have filed an appeal with the Regional Administrative Court of Naples, against the deliberation by the Executive Committee of the Campania Water Authority No. 35 of 10 August 2022, relating to the “definitive decisions under Art. 21 paragraph 9-bis of the Regional Law of Campania No. 15/2015. Approval of historic items pre-2012 accrued by GORI SpA”. The date of the public hearing to discuss the merits of the case is still awaited.
- Case pending before the Regional Administrative Court of Lombardy (Milan), initiated with a petition filed by the Municipalities of Fisciano and Mercato San Severino (Salerno), Casanuovo di Napoli, Somma Vesuviana and Scisciano (Naples), Roccapiemonte, Nocera Superiore and Angri (Salerno), seeking the annulment of the deliberation no. 457/2022/R/ldr made by the Authority for Energy, Networks and Environment published on 30 September 2022: the municipalities filed an appeal with the Milan branch of the Regional Administrative Court of Lombardy, against the deliberation by the Energy, Networks and Environment Authority no. 457/2022/R/ldr of 27 September 2022, concerning the “Conclusion of proceedings to comply with the Council of State judgement No. 5309/2021 concerning the regulation of tariffs for the integrated water service”. The date of the public hearing to discuss the merits of the case is still awaited.
- 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 branch), nos. 4846/2015, 4848/2015, 4849/2015 and 4850/2015 relating to the recognition of pre-2012 entries for tariff adjustments approved by the granting authority, the Sarnese-Vesuviano Area Authority (the predecessor of the Campania Water Authority): as a result of the above measures having been adopted by the Energy, Network and Environment Authority (deliberation no. 457/2022/R/ldr) and the Campania Water Authority (the deliberations 34, 35 and 36 of 10 August 2022), the Council of State declared inadmissible the petitions made in the first instance (settled by the Campania regional administrative court rulings numbered 4846/2015, 4848/2015, 4849/2015 and 4850/2015) and therefore set aside the first-instance rulings without referral.
- Case against the Reclamation Consortium for the Sarno Area, in respect of consortium costs: with the decision no. 7271/2021 of 7 September 2021, the Court of Naples (11th Civil Section) rejected the claim by the plaintiff (Sarno Reclamation Consortium) which was seeking payment of around € 21 million from GORI SpA in respect of consortium costs for the period 2008-2016. In summary, the claim was dismissed because the Consortium did not provide evidence (mainly because of the uncertain data and lack of documentation) of the direct economically-assessable benefit to GORI for having used the consortium’s channels and thus it was “impossible to find any certain data or quantify accurately without any doubt the contribution

due from the respondent company”. The Consorzio di Bonifica del Comprensorio Sarno appealed the decision and the Court of Appeals of Naples referred the case for the specification of conclusions to the hearing on 17 September 2024.

Campania - Gesesa SpA (OTA1 - Calore Irpino)

Gesesa manages the Integrated Water Service in 21 Municipalities in the province of Benevento for a total resident population of 117,593 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 57,470, for which 2022 consumption has been estimated at about 7.7 million cubic metres of water.

The sewerage service is provided to approximately 80% of users while the purification service reaches about 40% of users. Regional Law 15 of 2 December 2015, in effect as of 22 December 2015, established the Campania Water Authority (CWA), to which “all local entities must obligatorily adhere” if falling within territory of the region. CWA’s responsibilities can be summarised as follows: (i) selecting the management model, (ii) approving the tariff proposal for the integrated water service, (iii) assigning this service to “third party” manager entities, based on indications received from each district council and (iv) monitoring these operations. This is without prejudice to any substitute and supervisory powers over the activities of the CWA held by the Campania Region.

To achieve greater management efficiency and improved service quality for users, the area of the regional OTA was divided into five district areas, including “Calore-Irpino”, which includes all the management entities within the province of Benevento. With Regional Council resolution 434 of 3 August 2022, the Campania Regional Council acknowledged resolution 26 of 27 July 2022 of the Campania Water Authority Executive Committee and amended the composition of the single regional OTA district areas, subdividing the Calore Irpino district area into two separate district areas: Irpino and Sannita.

On 5 October 2022, with the appointment of the District Council, the district area became fully functional and at its first meeting on 25 October 2022, “selected the type of management pursuant to article 14, paragraph 1, letter b) of Regional Law 15/2015”, resolving, among other things:

- that management of the IWS in the Sannita District Area would be entrusted to a mixed public/private company, as a solution able to combine the interests of the Municipalities with the need to have private capital for the start-up phase of the new manager and to carry out the planned projects, as well as the know how of an industrial operator that already has significant experience in the integrated water service sector;
- for the purposes of the previous point, to express the guideline that the offices of the CWA prepare the planning documents for the IWS relative to the Sannita District area, taking into account the Council’s wish that the sole management of the service be entrusted to a mixed public/private capital company, reserving the relative majority for the Municipalities of the Province of Benevento, reserving for the private shareholder to be selected through a dual purpose tender, a portion of the share capital equal to a maximum of 49%, in compliance with article 17 of Legislative Decree 175/2016, and reserving for the public part an absolute majority of the shareholding structure.

The EIC Executive Committee:

- on 1 December 2023 ratified the decision of the Sannita Dis-

trict Council no. 2 of 25.10.2023, which approved the proposals to adjust the Gesesa tariffs for the 2018-2023 period;

- on 23 December 2023 approved the District Area Plan for the Sannita District, including the documents envisaged in article 149, paragraph 1 of Legislative Decree 152/06;
- Determination of the sub-entry value (residual value of investments + tariff adjustments to be invoiced) that the private shareholder must pay Gesesa.

At present, the EIC is carrying out activities to prepare a double call for tender to identify a private partner, which should be published in March 2024 envisaging, therefore, the end of 2024 as the deadline for completion of the same and the identification of the private partner. Subsequently, all the consequential activities will begin to achieve the entrusting of the IWS to the new operator.

In relation to proceeding 231 associated with the company, note progress in the criminal proceeding 5548/2016, with a preventive seizure of 12 water treatment plants managed by Gesesa and appointment of a Judicial Administrator.

Following the proceeding above, an independent proceeding was begun involving the position of the company relative to which action was taken with regards to certain crimes contemplated under Legislative Decree 231 of 2001.

On 15 November 2021, the Judge of the Court of Benevento issued a preventive seizure order relative to Gesesa, executed on 29 November 2021, in that the Benevento Public Prosecutor had charged Gesesa, in terms of liability pursuant to Legislative Decree 231 of 2001, all the crimes contemplated by the stated Legislative Decree, which real persons had already been charged with. That being established, with regards to the merits, based on the accusations summarised above, the Judge granted preventive seizure as requested by the Public Prosecutor, in the amount of € 78,210,529.00, relative to Gesesa. Given the unfounded nature of the accusations and the abnormality of the measures applied, through its trusted attorneys Gesesa appealed the seizure order. On 22 December 2021, the Benevento Court of Appeal granted the appeal presented by the company and fully annulled the seizure ordered by the Judge. This annulment was not appealed and, therefore, this decision became final.

On 25 January 2022, notification was received that the investigations of the Company had been completed and on 17 June 2022 notification was received by the real persons and the company of the provision requesting indictment; the date for the preliminary hearing, initially set for 23 January, has been postponed to 26 June 2023 due to the absence of the relevant judge. On 26 it was further postponed to allow for some of those charged to be notified again. On 13 November the hearing was postponed to 12 February 2024 to allow the notification of another defendant, as well as discussion of preliminary matters. At the hearing on 12 February 2024, the preliminary matters were discussed. The case was postponed to a hearing on 13 May 2024, for the decision on the aforementioned preliminary matters.

That being established, note that the company, pursuant to article 17 of Legislative Decree 231/2001, has begun actions to verify any risks and identify possible improvements that have allowed it to align its control system with the requirements of the law. These improvements have given rise to an action plan to revise and strengthen the internal control system.

In particular, with regards to the plants subject to preventive seizure, following a virtuous path of more than two years, with total outlays

of € 891,060.34 by the Company, to implement the requalification projects requested by the Judicial Administrator, the requalification activities were effectively completed for the plants subject to seizure.

Following these activities, the Judicial Administrator, with a specific Report filed with the relevant Prosecutor, acknowledged the conclusion of the same with a satisfactory completion of the newly functional plants. In the light of this report, with a provision of 9 September 2022, the Public Prosecutor's Office deemed as "ceased the requirements that gave rise to the appointment of the Judicial Administration for the operation of the purification plants", while it did not hold the requirements for release from seizure of the same yet met, with a provision of 14 September 2022 the Judge consequently ordered termination of Judicial Administration and confirming seizure with the right to use the treatment plants by Gesesa.

Four months having passed since the above without any major issues arising in the operation of the stated plants, Gesesa decided to file a request to release the seized purification systems in question. Gesesa submitted this request through its attorneys, presenting it on 14 February 2023. With an order filed on 8 March 2023, at present the preliminary judge has not granted the request as the public prosecutor indicated the need for verifications relative to the same. The order follows the note issued by the NOE of Naples on 06.03.23, based on which the public prosecutor held that "the adequacy of the period of time passed for the purposes of stabilising the systems could not be estimated, if not through findings and inspections which the magistrate must delegate". Consequently, the public prosecutor ordered the execution of the stated inspections, delegating NIPAF which performed them with assistance from the NOE and ARPAC. After the completion of this activity and the positive outcome of the monitoring operations carried out by the judicial authorities, Gesesa, through its lawyers, again applied to the court on 27.06.2023 requesting the release of the purification plants.

Following this request, the judge ordered the release of two of the twelve plants, maintaining the seizure of the remaining 10 with the right to use, given that the analysis performed "had a non-compliant toxicity report". This was despite the compliance of all the other parameters and despite the fact that, under ordinary conditions, non-compliance of the acute toxicity test cannot be fined (in contrast to all the other parameters which, on the other hand, were compliant). For these reasons, in addition to monitoring all the parameters, the company asked to professors from UNISANNIO to prepare a report in which to properly frame the validity of the acute toxicity test and, consequently, utilise the report to prepare a new request for release of the seizure. Downstream from this reliable opinion, issued by the professionals on 10 November 2023, on 24 November 2023 the company decided to again present a request for release of seizure for the remaining 10 plants. Developments are awaited.

With regard to any risks concerning the final outcome of the proceedings, the Directors, also on the basis of the opinion of the appointed lawyers, according to whom it is currently not possible to formulate forecasts concerning the duration, outcome and potential risk for the Company deriving from the completion of the legal process, believe that, at the stage of the proceedings, it is not possible to make a forecast of the liabilities that could arise for the Company as a result of the development of the further stages of the aforementioned proceedings.

Tuscany - Acque SpA (OTA2 - Basso Valdarno)

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 OTA2, 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 CD Resolution 14/2022 of 25 November 2022, AIT approved the biennial tariff update for 2022 and 2023. The main elements of the revision are:

- Tariffs: the thetas previously approved for years 2022 and 2023 were confirmed; slight increase in thetas for 2024-2031;
- Tariff adjustments: increase of around 8 million, slightly earlier recovery (2024 instead of 2025);
- Action Plan 2020-2031: increase of around € 76 million net (from € 800 million to € 875 million) and € 114 million gross, for more maintenance and replacement projects; partial re-scheduling of framework agreement projects and adaptations for regional laws on EU/NRRP infractions. There was a reduction on the part of AIT for IT projects.

For both years 2022 and 2023 the electricity anticipation component OPexp EE was inserted.

ARERA has not yet approved the AIT proposal.

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.

The finance agreement signed in 2018 was initially set to mature at the end of 2023.

For this reason, in 2022 the Company began a process that, by the maturity date of the stated finance agreement, allowed it to achieve a new and more streamlined financial structure, more in line with investment financing requirements.

Two advisors were appointed, Mediobanca - Banca di Credito Finanziario SpA and Banca Finanziaria Internazionale SpA, as well as Studio Cappelli RCCD serving as a legal consultant, supporting the Company in a complex project to refinance existing debt and simultaneously activate a financing channel with the European Investment Bank (EIB). The Company launched a "beauty contest" procedure to source a 7-year 'amortizing' loan from a pool of investors for a total of € 225 million, of which (i) € 210 million would be a targeted term facility, and (ii) € 15 million would be an RCF to cover the Company's ordinary requirements.

In December 2022, the European Investment Bank, at the request of the Company and following an internal procedure, authorised a loan for a total of € 130 million to carry out a plan of investments for the years 2022, 2023, 2024 and 2025, under conditions which are much more favourable than the current market dynamics.

The purpose of the restructuring of Acque's borrowings, is to refinance the existing bank finance, including the early termination of the hedging agreements related to the finance contract, to cover additional ordinary cash flow requirements over a period of 12

months and to cover the costs of the operation in order to allow the Company to focus on implementing its new Action Plan.

The new financial structure will cover the Company's requirements until the end of the concession agreement, at a lower cost, thus allowing it to implement a very ambitious Action Plan which has been extended following the recent tariff approval. With the same level of overall borrowings, there is also a much more flexible structure that does not place any restriction on any further requirements linked to any need for investment that may arise over the next few years.

On 13 June 2023, the loan contract was signed with EIB and on 14 June 2023 the contract with the lending parties.

The closing occurred on 20 June 2023 with the disbursement of the sums for refinancing.

On 28 September 2023, 9 interest rate swap contracts were signed to protect against negative effects associated with interest rates, with a notional value equal to 70% of the term line and effective as from 20/06/2023.

On 27/12/23 the first EIB drawdown was carried out for € 71 million, at a fixed rate of 3.363%.

On 29/12/23, an optional early repayment of the bank loan was made for 41 million without additional costs and without consequent overhedging (derivative coverage at 90.65%).

On 24 November 2022 EGA was set the request for activating types of financial advances associated with obtaining resources to handle expenses incurred to acquire electricity, in turn presented to ARERA/CSEA, pursuant to that established in ARERA resolutions ARERA 580/2019/R/Idr, 639/2021/R/Idr and 229/2022/R/Idr. The amount requested, the maximum Acque could request, was € 5,055,080. On 29 December 2022, CSEA disbursed the advance which must be repaid in two instalments of equal amount: the first by 31 December 2023 and the second by 31 December 2024.

It should be noted that in relation to the average defined cost for electricity, the Company appears to have purchased at an average cost below the defined threshold, thus being entitled to full recognition of the adjustment. Finally, note that on 2 November 2023 Acque SpA saw the merger by incorporation of its subsidiary Acque Servizi Srl.

Tuscany - Publiacqua SpA (OTA3 - Medio Valdarno)

The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 20 December 2001. In accordance with said agreement, the 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.

Note 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 MIT-3”. Also note that 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.

Following the start of the tariff update process for the 2022-2023 two-year period, Publiacqua sent all the data to the AIT for approval of the tariff provision. The AIT approved the same in February.

Finally, note that in Q4 2022 activities with the AIT involved various aspects of regulation. After Publiacqua sent the proposed Addendum to the Single Regulation in May, with the technical schedules and prices for services, dialogue with AIT led, as stated previously, to approval of the tariffs for 2022-2023.

Tuscany - Acquedotto del Fiora SpA (OTA6 - Ombrone)

Based on the agreement signed on 28 December 2001, the operator (AdF) is to supply integrated water services on an exclusive basis in OTA 6, consisting of public services covering the collection, abstraction and distribution of water for civil use, sewerage and 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 provisions of interest to Acquedotto del Fiora, based on that established in the cited ARERA resolution, on 14 December 2022, based on the actual data collected referring to the years 2020 and 2021 and the Investment Plan, the Tuscan Area Governing Body (AIT) approved the tariff revision proposal, setting the GRC and the Theta for 2022-2023 and also redesigning the entire tariff profile until the end of the IWS concession (AIT Executive Council Resolution 17/2022 of 14 December 2022). This tariff proposal was then sent to ARERA for final ratification. The accounting situation at 31/12/2023, with reference to revenues, is therefore based on the results of the definitive investigation carried out by ARERA and published with resolution 313/2023/R/Idr.

Tuscany - GEAL SpA (OTA1 - Toscana Nord)

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 O_{pexQt} 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. Finally, it should be noted that on 31 May 2022, the AIT, with Resolution no. 5, approved the tariff arrangement to apply for the years 2022 and 2023.

Subsequently, on 30.5.2023 ARERA approved resolution 238, with which it confirmed the tariff increases for 2022 and 2023, in the amount established in previous resolutions, that is equal to 6.2% for both years.

However, in the ARERA provision recognition of public land rent requested by the Tuscany Region for 2016-2021 is partially decreased. In particular, the tariff components Rcaaltro and Opexal were not entirely recognised.

Taking this into account, based on the content of the specific question faced by the company in concert with other Tuscan water companies coordinated by Cispel Toscano, rather than the size of the total amount, GEAL filed an appeal against ARERA resolution 285/2023 on 31.7.2023, through the Studio Farnetani of Florence. It should be noted that ARERA, with Resolution no. 183/2022/Idr/R, awarded the Company a bonus of € 2,805 thousand (Acea share € 1,346 thousand) already paid for the results achieved in Technical Quality in the 2018-2019 two-year period.

For 2020-2021, with resolution 477/2023/R/Idr of 17.10.2023 GEAL obtained bonuses totalling € 1,848 thousand, the second best operator nationally for the M6 index among class A operators, and the second best operator nationally for the M1 index among operators below class A.

In terms of commercial quality, ARERA approved resolution 476/2023/R/Idr on 17.10.2023. Despite achieving the class A maintenance targets for the MC1 and MC2 indexes at the end of the two years, GEAL was not awarded specific bonuses in that it was already a beneficiary of integrated water service tariff components that exceeded the bonuses (O_{pexQc}).

Relative to the NRRP, GEAL is above all moving forward with the completion of the works envisaged in NRRP line M2C4-I4.1- Investments in primary water infrastructures for the security of the water supply, for which it has obtained financing of € 2.5 million, as well as price adjustments for a total of around € 0.6 million.

In addition:

- for NRRP line M2C4-I4.4 – investments in sewer lines and purification, through the Tuscan Water Authority MASE has approved a € 1 million contribution to partially cover the costs of extending the sewage system in the Oltreserchio zone and an energy efficiency project involving the purifier; procedures are in progress to sign the programme agreement with the AIT serving as the implementing party (GEAL is classified as the external implementing party);
- for NRRP line M2C4-I4.2 - reduction of leaks in water distribution networks, including digitalisation and monitoring of the networks, on 15.12.2023 MIT informed GEAL that, against the provision of additional resources, as the company is included on the list of eligible entities, it could benefit from an € 8.8 million contribution partially covering the costs to replace certain sections of the water network and the installation of smart water metering systems on the entire installed base. While awaiting official communication, GEAL has carried out the tender procedures preparatory to executing the works.

Umbria - Umbra Acque SpA (OTA1 - Umbria 1)

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 originally set for 31 December 2027 and which following the Assembly of Mayors of the AURI with resolution 10 of 30 October 2020 was extended to 31 December 2031). 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.

won the basis of Water Tariff Method 3 (MTI-3) under Resolution no. 63/2023/R/ldr of 21 February 2023 with which ARERA approved the preparation of the 2022-2023 tariff update previously approved by the Assembly of Mayors of the AURI with Resolution no. 10 of 25 October 2022, which provide for 2023 an applicable theta of 1.246 and an increase of 7.1% compared to 2022. The average tariff €/m³ was approximately € 3.36 at 31 December 2023. The number of users served was approximately 236 thousand. With reference to volumes, based on the estimates, approximately 27.4 million cubic metres of water were distributed (-1.9% compared to 2022, when 27.9 million cubic metres of water were distributed). As invoicing operations were not yet complete when these final figures were compiled, cubic metres distributed but not yet invoiced were estimated and the relevant rate determined based on historic values and prospective measurements.

When measuring revenues accrued from GRC in 2023, the company envisaged a full adjustment of costs incurred for the regional supplementary water social bonus for 2021/2023, with respect to that envisaged in the tariff; this adjustment will be recovered in the next tariff update (MTI-4), as established for this type of cost (see article 27.1 letter k of Annex A to ARERA resolution 580/2019/R/ldr of 27 December 2019).

Investment production in 2023 amounted to a total of € 35.6 million, before public plant contributions and private contributions, which total € 4.3 million. This is the highest level of production ever achieved by the company.

In the third quarter of 2023, all the tenders for projects currently financed under the NRRP were awarded meaning that the most important milestone set was achieved on 30 September 2023. Additionally, all contract works were delivered. In particular, work began on both phases (1 and 2) of the interconnection project for the Chiasco dam, connecting them with the main regional water systems - Lot 1: Chiasco dam connection to the Perugia-Trasimeno aqueduct system, for which Umbra Acque was identified as an implementing part with NRRP financing of € 16.2 million (MIMS Ministerial Decree 517 of 16 December 2021) with additional financing of € 4.17 million from the Fund for the launch of works that cannot be postponed (Decree of 18 November 2022). The final cost of the works, following the introduction of technical solutions for renewable energy production (hydroelectric turbines, photovoltaic panels) and the significant rise in prices due to the global economic situation, is € 28 million, as communicated to the Area Authority. In line with the schedule, in August all 17 contract were begun relative to the full districting of the distribution network, with reduction of leaks in the area operated by Umbra Acque. These contracts involve designs for the 8 identified lots, as well as the relative replacement work, to which is added a

specific contract for districting studies. Line replacement work is in progress, currently moving forward regularly with the exception of the Perugian lot, for which delays attributable to the contractor are accumulating. The procedures envisaged under the law to overcome this situation have been activated. For the leak reduction project, with Directorial Decree 1 of 10 January 2023, the General Directorate for Dams of the Ministry of Infrastructure and Transport assigned € 25 million in NRRP financing, out of a total value of € 52 million. Implementation is planned for 2023-2025, with the final objective of achieving an overall 30% decrease in losses. Work began at the end of August 2023, so as to complete the work by the end of 2025.

In September, after registration with the Financial Court on 31 August, the Ministry of the Environment (MASE) published Ministerial Decree 262 of 9 August 2023, containing the list of 176 projects eligible for financing under Measure M2C4, Investment 4.4, Sewer lines and purification. The four projects selected by Umbra Acque, for which € 9.02 million from the NRRP were requested, were all found eligible. The signing of the relevant Programme Agreements between MASE, the Regions or autonomous Provinces, and Area Governing Bodies is under way, which should definitively assign the resources, which will be followed by the start of monitoring and reporting activities for all the projects, of which one is already complete and three in the call for tender process.

With reference to the financial situation, note that the impacts that derive from the increase in electricity costs risk compromising the benefits obtained from the € 62 million medium/long-term loan agreement signed on 20/07/2021, with a pool of banks consisting of BNL, MPS and UniCredit (hereafter, also "Pool"). To this can be added the significant increase in investment activities correlated with the new commitments deriving from the NRRP, which call for the execution of around € 90 million in works to be completed between 2023 and 2026, of which around € 50 million financed with European funds and the rest through the tariff. The company has taken steps to obtain new short-term financing lines with financial institutions to support its short-term commitments. Beyond this, the company continues to communicate with the Pool to obtain a new € 15 million medium/long-term loan. Additionally, SACE SpA, an Italian insurance/financial group directly controlled by the Ministry of Economy and Finance, the implementing entity for the Italian Green New Deal, has been asked to assess issuing a "green" guarantee in favour of our lending banks to grant a new € 15 million credit line, to carry out NRRP investments in line with the 6 environmental objectives promoted by the EU to achieve climate neutrality by 2050.

Umbria - SII ScpA (OTA2 - Umbria 2)

The Optimal Territorial Area Authority no. 2 Umbria (OTA Umbria n. 2), awarded to SII ScpA from 1 January 2002, the date on which the Convention was signed, for the duration of thirty years, the management of the Integrated Water Service (water supply, sewerage and treatment, hereinafter IWS) in the 32 municipalities of the Province of Terni (today Sub-area no.4 of the Umbria AURI). The Terni Area covers an area of 1,953 square kilometres, 93% of which is hills and 7% mountains. With the exception of the industrial areas of Terni and Narni, the land is prevalently used for forest and agriculture. The resident population served amounts to approximately 220,000 inhabitants. Users served total around 121 thousand and the water network covers 2,600 kilometres.

With resolution 78 of 28 February 2023, ARERA concluded, with reference to 2022-2023, the procedure to verify the updates to the deeds that make up the specific regulatory scheme, approving the same, pursuant to article 2 of resolution 639/2021/R/ldr, proposed by AURI for the IWS, and confirming the envisaged tariff increase. More specifically, recovery of the greater cost of electricity supplies incurred in 2022 is included in the RC component, as well as the forecast value for 2023.

In August, the company was able to acquire from Acquirente Unico the flows for the “mass” management of bonuses for the years 2020 and 2021 and the monthly bonus flows for 2023. The necessary updates to the CRM were immediately made, verifying the accuracy of the calculations. As envisaged in the cited resolutions, the social and regional bonuses for 2021-2022 were recognised, in the maximum amount of € 2.245 million (of which € 1,455,691.17 to direct users and € 789,530.06 to indirect users). For direct users, the bonus was recognised in the bill starting from the third invoicing cycle, begun in the first week of July. For indirect users, it was paid in the form of a cheque by 1 September. In addition to bonuses for 2021 and 2022, SII is managing disbursements of the social and supplemental bonus for 2023 for relevant users, in line

with the schedule established in resolution 63/2021/R/com. On 29 December 2022, CSEA accredited € 2.5 million to SII, 50% of which was reimbursed at the end of 2023 as established during the disbursement stage, while the remaining 50% will be reimbursed at the end of 2024.

On 31 December, applying the subordination and deferral clauses for the existing shareholders’ loan, the company postponed the repayment of the half-yearly instalments of 30 June and 31 December (capital and interest) formally notifying the business shareholders. The waterfall payment structure and constraints of allocating liquidity in favour of the service account in fact blocked the possibility of repayment.

Progress of the procedure for approving the tariffs

The following table shows the updated situation of the procedure for approving IWS tariff provisions for Group companies relating to the 2016-2019 regulatory period, the 2018-2019 two-year tariff update, and tariff provisions for 2020-2023, as well as the two-year tariff update for 2022-2023.

Company	Approval status (up to MTI2 “2016-2019”)	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023	Approval status two-year update 2022-2023
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/ldr. The ARERA then approved them in Resolution 674/2016/R/ldr, 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/ldr. 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/ldr.	Following the formal warning of 18 October 2022 sent by ARERA, the Conference of Mayors approved the 2022-2023 tariffs on 30 November 2022. ARERA approval arrived with resolution 11/23 of 17 January 2023.
Acea Ato5	Tariff proposal submitted by the Operator on 30 May 2016, with request for recognition of the Opexqc. 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 Opexqc. 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 article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/ldr 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.	Following the formal warning sent by ARERA on 29 November 2022, EGA approved the 2022-2023 tariff proposal on 11 January 2023. ARERA has not yet given its approval.
GORI	On 1 September 2016, the Extraordinary Commissioner of the AGB approved the tariff with Opexqc as of 2017. Approval by ARERA is awaited. With Resolution 247 of 31 May 2022, ARERA ordered CWA to employ and submit — within 90 days — specific determinations regarding tariff arrangements for the years 2012 and 2013. The measure at the same time extends the deadline for the conclusion of the proceedings to 30/09/2022, for the renewal of the contradictory preliminary investigation underlying the tariff determinations in Resolution 104/2016 (2012-2013 and 2014-2015)	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 article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/ldr MTI-3 of 27 December 2019. Following a warning from ARERA, the CWA (Campania Water Authority) with a resolution dated 12 August 2021, approved the 2020-2023 tariff proposal. ARERA has not yet proceeded with approval.	On 10 August 2022 with resolution no. 35 the CWA approved the two-year update 2022-2023 including the earlier items prior to 2012. Approval by ARERA is awaited.

Company	Approval status (up to MTI2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023	Approval status two-year update 2022-2023
Acque	On 5 October 2017, the AIT approved the tariff with recognition of the Opexqc. 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/ldr of 28 September 2021.	AIT approved the 2022-2023 update on 25 November 2022. Approval by ARERA is awaited.
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/ldr. On 12 October 2017, with resolution 687/2017/R/ldr 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.	The AIT Executive Council approved the update for 2022-2023 on 22 February 2023. Approval by ARERA is awaited.
Acquedotto del Fiora	On 5 October 2016, the AIT approved the tariff with recognition of the Opexqc. On 12 October 2017, with resolution 687/2017/R/ldr, ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	The AIT Board of Directors approved the 2018-2019 tariff update in the session of 27 July 2018. Pending approval by ARERA, the AIT Board of Directors also approved the application to extend the concession to 31 December 2031, submitted by the Company in April 2019 and approved by the AIT Executive Council on 1 July 2019. The updated tariff proposal was then presented to extend it to 2031, which in any case confirmed the tariff increase (theta) and the Guaranteed Revenue Constraint (GRC) for the years 2018 and 2019, already approved by the AIT with its Resolution of July 2018. ARERA approved the two-yearly update (with a small correction of the recognised OpexQC) 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/ldr of 2 March 2021.	The AIT approved the 2022-2023 two year update on 14 December 2022. Approval by ARERA occurred with resolution 313/23 of 13 July 2023.
GEAL	On 22 July 2016, the AIT approved the tariff with recognition of the Opexqc. On 26 October 2017, with resolution 726/2017/R/ldr 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/ldr of 22 June 2021.	On 31 May 2022, the AIT, with Resolution no. 5, approved the tariff arrangement to apply for the years 2022 and 2023. ARERA approval arrived with resolution 238/23 of 30 May 2023.

Company	Approval status (up to MTI2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023	Approval status two-year update 2022-2023
Acea Molise	Following Resolution no. 664/2015/R/Idr, both for the Municipality of Campagnano di Roma (RM) and the Municipality of Termoli (CB), Municipalities where Crea Gestioni offers the IWS, neither the Granting Body nor the Area Authority of reference submitted a tariff proposal for the regulatory period 2016-2019, so the Company independently submitted tariff proposals. Currently approval by the ARERA is still pending.	The Company has submitted the data to the competent parties/ AGB in order to update the 2018-2019 tariff. For the management of the IWS in the Municipality of Campagnano di Roma (RM), given the inaction of the designated parties the Company filed an application with ARERA in early January 2019 for a tariff adjustment in 2018-2019, also revising the 2016-2019 proposal. ARERA has not yet pronounced or issued a warning to the AGB and/or to the competent parties. For the management of the IWS in the Municipality of Termoli (CB), with a Resolution dated 17 December 2019 the Municipal Council of Termoli approved the alignment of the pre-existing Agreement to the Agreement template, extending its expiry to 31 December 2021, and confirmed the tariff increase (theta) and the Guaranteed Revenue Constraint (GRC) for 2018 and 2019, also revising the 2016-2019 proposal. ARERA has not yet given its approval.	The Municipality of Termoli approved the tariff provisions for 2020-2023 on 4 February 2021. These were sent by the EGAM on 4 March 2021. For the Municipality of Campagnano, the Operator sent the tariff provisions to ARERA on 30 March 2021 in accordance with the provisions under art. 5.5 of Resolution 580/2019/R/ldr. Approval by ARERA is awaited.	On 18 December 2023, the Municipality of Termoli approved the tariffs for 2022-2023, sending them to EGAM at the same time. Approval by ARERA is awaited.
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. On 1 December 2023, the EIC District Committee approved the proposed tariff for 2018-2023. Approval by ARERA is awaited.	On 29 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/ldr MTI-3 of 27 December 2019. The CWA convened the District Council for 22 July 2021 (findings report on checking of the minutes of 31/7/20) following the warning from ARERA received on 2 July 2021. On 1 December, the EIC District Committee approved the proposed tariff for 2018-2023. Approval by ARERA is awaited.	On 1 December, the EIC District Committee approved the proposed tariff for 2018-2023. Approval by ARERA is awaited.
Nuove Acque	On 22 June 2018, the AIT Executive Council approved the tariffs	On 16 October 2018 with Resolution 520 ARERA approved the 2018-2019 tariff update proposed by the AIT. With this resolution, ARERA made explicit the quantification of multipliers for 2016-2017.	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	With resolution 12/2022 of 29 July 2022, the AIT Executive Council approved the tariff provisions for 2022 - 2023. ARERA provided approval with resolution 535/2022 of 25 October 2022.
Umbra Acque	On 30 June 2016, the AGB approved the tariff with recognition of the Opexqc. 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.	On 25 October 2022, AURI approved the 2022-2023 update. Following this approval, ARERA approved the 2022-2023 update with resolution 63 of 21 February 2023.
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.	On 25 October 2022, AURI approved the 2022-2023 update. Following this approval, ARERA approved the 2022-2023 update with resolution 78 of 28 February 2023.

Revenue from the Integrated Water Service

The table below indicates for each Company in the Water Segment the amount of revenue in 2023 valued on the basis of the MTI-3 Tariff Method. The figures also include adjustments of pass-through items and the Fo.NI component. Also note that following publication of resolution 64/2023 on “Launch of pro-

ceeding to define the water tariff method for the fourth regulatory period (MTI-4)” for 2024-2029, with reference to costs for electricity purchases incurred in 2022, the possibility to resubmit the justified request for recognition of these costs will be established for 2022 as well.

Company	(pro quota values in € million)	FoNI (pro quota values in € million)	% of direct participation
ACEA Ato2	752	FNI = 51.1 AMMFoNI = 23.3	96.5%
ACEA Ato5	85.5	FNI = 1.7 AMMFoNI = 6.2	98.5%
GORI	223.1	-	37.1%
Acque	73	AMMFoNI = 5.2	45.0%
Publiacqua	112.8	AMMFoNI = 21.5	40.0%
Acquedotto del Fiora	120.5	AMMFoNI = 12.2	40.0%
Gesesa	14.9	-	57.9%
Nuove Acque	9.1	FNI = 0.5 AMMFoNI = 0.9	16.2%
GEAL	10.2	AMMFoNI = 0.8	48.0%
Acea Molise	4.8	-	100.0%
IWS	44.1	AMMFoNI = 1.7	43.0%
Umbra Acque	37.1	FNI = 0.1 AMMFoNI = 2.6	40.0%

RELATED PARTY TRANSACTIONS

ACEA GROUP AND ROMA CAPITALE

Trading relations between Acea Group companies and Roma Capitale include the supply of electricity and water and provision of services to the Municipality.

Among the principal services are the management, maintenance and upgrading of public lighting facilities and, with regard to environmental-water services, the maintenance of fountains and drinking fountains and the additional water service, as well as contract work.

Such relations are governed by appropriate service contracts and the supply of water and electricity is conducted by applying the tariffs in force on the market adjusted to the supply conditions.

Acea and Acea Ato2, respectively, provide public lighting and integrated water services under the terms of two thirty-year concession agreements. Further details are provided in the section “Service concession report”.

For further information regarding relations between the Acea Group and Roma Capitale, reference should be made to the disclosures regarding receivables and payables from and to the Parent Company in note 26 of this document.

The following table shows details of the main revenues and costs at 31 December 2023 of the Acea Group (compared to those of the previous year) deriving from the most significant financial relations.

€ thousand	31/12/2023	31/12/2022
Revenues		
Supply of fresh water	51,534	48,318
Supply of electricity	2	332
Public Lighting service contract	43,415	49,585
Public Lighting contract interest	8,326	5,380
Water maintenance service contract	178	50
Monumental fountain service contract	178	50
Costs		
Concession fee	26,337	26,337
Lease fees	113	112
Taxes and duties	2,685	3,696

Reference should be made to note 26.b for details on the impact of these transactions, while the table below summarises the changes in receivables and payables.

€ thousand	31/12/2022	Collections/ payments	Accruals 2023	31/12/2023
Receivables	150,494	(114,630)	103,028	138,891
Payables	(148,779)	159,987	(132,909)	(121,702)

ACEA GROUP AND ROMA CAPITALE GROUP

The Acea Group also maintains trading relations with other companies, special companies and entities owned by Roma Capitale, mainly concerning the supply of electricity and water.

The supply of services to entities owned by the Roma Capitale Group is also conducted by applying the tariffs in force on the market adjusted to the supply conditions. The prices applied to sales of

electricity to free market users are in line with the sales policies of Acea Energia.

The following table shows the most significant amounts of revenues, costs, receivables and payables deriving from relations between the Acea Group and entities owned by the Roma Capitale Group.

Roma Capitale Group € thousand	Trade payables	Costs	Trade receivables	Revenues
AMA SpA	181	1,262	4,325	3,059
ATAC SpA	111	113	5,257	1,620
Assicurazioni di Roma - Mutua Assicuratrice Romana	8	18	6	0
Total	299	1,392	9,588	4,679

ACEA GROUP AND MAIN CALTAGIRONE GROUP COMPANIES

The Acea Group companies maintain trading relations that mainly concern the supply of electricity and water.

The supply of services to entities owned by this company is conducted by applying the tariffs in force on the market adjusted to the supply conditions. The prices applied to sales of electricity to

free market users are in line with the sales policies of Acea Energia.

The following table shows the most significant amounts relating to financial relations between the Acea Group and the main entities owned by the Caltagirone Group at 31 December 2023.

€ thousand	Revenues	Costs	Receivables	Payables
Caltagirone Group	183	214	5	230

ACEA GROUP AND SUEZ ENVIRONMENT COMPANY SA GROUP

There were no relations with companies in the Suez Group as at 31 December 2023. It must also be noted that the financial balances described above do not include relations with companies in the

Group consolidated under the equity method., which are included in the financial statements.

€ thousand	Revenues	Costs	Receivables	Payables
Suez Environment Company SA Group	15	1,142	0	1,040

List of significant related party transactions

During 2023, three significant transactions were approved, relative to:

- **Acea** and Roma Capitale, relative to the proposed signing of a settlement agreement which involves (i) the early consensual termination of contractual relations relative to the public lighting management service entrusted to Acea by Roma Capitale and the free use of state property in favour of the former, as well as (ii) the definition, with an eye to settlement, of debtor items inherent to the aforementioned service;
- the proposal presented by **Acea Ambiente Srl**, a single shareholder company subject to management and coordination by Acea, Hitachi Zosen Inova AG, Vianini Lavori SpA and Suez Italy SpA, pursuant to the exploratory notice published by Roma Capitale on 1 December 2022, relative to the awarding of a systems hub concession for the recovery of the fraction of unsorted waste produced by the city of Rome;

- amendments to the proposal presented by **Acea Ambiente Srl**, a single shareholder company subject to management and coordination by Acea, Hitachi Zosen Inova AG, Vianini Lavori SpA and Suez Italy SpA, pursuant to the exploratory notice published by Roma Capitale on 1 December 2022, relative to the awarding of a systems hub concession for the recovery of the fraction of unsorted waste produced by the city of Rome.

Additionally, the RPT Committee issued a “**preliminary**” opinion to the presentation made by the newly established company, fully controlled by Acea, **a.cities Srl**, involving a spontaneous proposal for the awarding of a concession through a project financing procedure, pursuant to article 193 (awarding procedure) of Legislative Decree 36/2023 (the “Public Contracts Code”), for the project to operate, modernise and digitalise the public lighting network and service in the city of Rome and the realisation of innovative smart city services.

The table below shows the percentage weight of transactions with related parties on the statement of financial position, the income statement and the cash flow statement.

Impact on the Statement of Financial Position						
€ thousand	31/12/2023	Of which with related parties	Impact	31/12/2022	Of which with related parties	Impact
Financial assets	18,852	18,852	100.0%	30,531	4,865	15.9%
Trade receivables	1,213,200	66,272	5.5%	1,267,445	61,714	4.9%
Current financial assets	487,251	97,093	19.9%	342,085	117,998	34.5%
Trade payables	1,750,473	8,661	0.5%	1,849,980	41,985	2.3%
Borrowings	922,950	111,306	12.1%	619,418	108,523	17.5%

Impact on the Income Statement						
€ thousand	31/12/2023	Of which with related parties	Impact	30/06/2022	Of which with related parties	Impact
Consolidated net revenue	4,649,376	163,833	3.5%	5,138,245	148,412	2.9%
Consolidated operating costs	3,272,896	59,772	1.8%	3,861,121	65,557	1.7%
Total Financial (costs)/income	(136,529)	2,873	(2.1%)	(85,708)	1,051	(1.2%)

Impact on the Cash Flow Statement						
€ thousand	31/12/2023	Of which with related parties	Impact	31/12/2022	Of which with related parties	Impact
Increase/Decrease in receivables included in current assets	(24,004)	(4,558)	19.0%	(312,114)	(35,924)	11.5%
Increase/Decrease in payables included in the working capital	(84,485)	(33,324)	39.4%	196,983	10,522	5.3%
Collections/payments deriving from other financial investments	(133,487)	6,919	(5.2%)	44,844	(10,586)	(23.6%)
Dividends received	5,567	5,567	100.0%	3,381	3,381	100.0%
Decrease/Increase in other financial debts	(22,827)	2,783	(12.2%)	(2,546)	9,359	n.s.
Dividends paid	(145,213)	(145,213)	100.0%	(146,238)	(146,238)	100.0%

UPDATE ON MAJOR DISPUTES AND LITIGATION

TAX AUDITS AND DISPUTES

Acea Ambiente SpA

Notices of assessment for VAT relative to tax periods 2013 and 2014, for SAO SpA.

During 2017, the Latina Provincial Office I claimed that SAO SpA, a company incorporated by Acea Ambiente SpA, had unduly deducted VAT for tax period 2013 and 2014.

For tax period 2013, the Regional Tax Commission of Lazio granted the Company's appeal, entirely annulling the first level judgement. With judgement 1556 of 12 January 2021, the Court of Cassation granted the appeal filed by the Office and returned the case to the Regional Tax Commission which, with judgement 2485/2022, rejected the Company's appeal. At present, the appeal filed with the Court of Cassation by the Company is pending.

For tax period 2014, the Regional Tax Commission of Lazio, with judgement 1734/18/2021, filed on 29 March 2021, rejected the Company's appeal. On 16 November 2021, the Company filed an appeal with the Court of Cassation. At present, a hearing to discuss this case has not yet been scheduled.

Notices of assessment for IRES relative to tax period 2004, for SAO SpA.

In November 2008, the relevant local office of the Revenue Agency served the incorporated SAO Srl, formerly SAO SpA, as well as the previous parent company EnerTAD SpA, with a notice of assessment for IRES, relative to tax period 2004.

With judgement 29153/21 of 20 October 2021, the Court of Cassation granted the appeals presented by the Revenue Agency and overturned the appealed judgements, returning the dispute to the Umbria Regional Tax Commission for a new examination of the disputes. The second level Tax Court of Umbria, with judgements 80/2023 and 81/2023 of February 2023, rejected the Revenue Agency's appeals, which was ordered to pay court costs.

At present, the deadline for an appeal has not yet passed, taking into account that the deadlines for appeals have been suspended due to Law 197/2022, which established a special easier method to resolve disputes, as an effect of which the deadlines have been suspended for eleven months by law.

Notices of assessment for IRES relative to tax period 2004, for SAO SpA for the tax consolidation of ERG Renew SpA.

In December 2009, the relevant local office in Milan of the Revenue Agency served SAO SpA, now SAO Srl, as a company which at the time was included in the tax consolidation of ERG Renew SpA (formerly EnerTAD SpA) with a notice of assessment for IRES, relative to tax period 2004.

With judgement 29050/21 of 20 October 2021, the Court of Cassation fully rejected the appeal presented by the Revenue Agency against the judgement of the Umbria Regional Tax Commission, no 502/02/14 of 13 August 2014. With ordinance 1085/2022, the Milan Tax Commission decided to suspend the present dispute and return the case to be rescheduled, while awaiting the issuing of the

first level judgement on the notice of assessment. After the decision of the first level Tax Court of Umbria, which issued its first level opinion on the notice of assessment with judgement 81/2023 of 21 February 2023, fully annulling the appealed provision, the Company presented a hearing for discussion request on 29 May 2023, with the first level Tax Court of Milan. The hearing to discuss the case is set for 21 March 2024.

ARETI SpA

Notices of assessment for VAT relative to tax periods 2009, 2011, 2012, 2013 and 2014.

The Revenue Agency Lazio DRE served five separate notices of assessment for VAT relative to tax periods 2009, 2011, 2012, 2013 and 2014, claiming that the tax had been unduly deducted as the requirement of localisation was not met.

With reference to tax periods 2009, 2011 and 2012 the Regional Tax Commission of Lazio agreed with the Company's arguments and annulled the notices of assessment. The Revenues Agency lodged an appeal to the Court of Cassation. At present, the hearing to discuss the case has not yet been scheduled.

With reference to 2013, the Regional Tax Commission of Lazio granted the Company's appeal.

The deadline to file an appeal with the Court of Cassation expires on 27 February 2024, taking into account that the deadlines for appeals have been suspended due to Law 197/2022, which established a special easier method to resolve disputes, as an effect of which the deadlines have been suspended for eleven months by law.

With reference to the notice of assessment for 2014, with judgement 4293/2022, the Provincial Tax Commission of Rome granted the Company's appeal. The Office has appealed the same and the Company appeared as appropriate. At present, a hearing to discuss this case has not yet been scheduled.

Notices of assessment for IRAP relative to tax periods 2011, 2012, 2013 and 2014.

The Revenue Agency Lazio DRE served separate notices of assessment for the years 2011 to 2014 concerning the treatment of tariff benefits granted to employees and former employees with reference to IRAP.

Relative to tax period 2011, the Regional Tax Commission of Lazio annulled the notice, confirming the first level decision. With an ordinance filed on 31 May 2022, the Court of Cassation rejected the Attorney General's appeal, which can therefore be considered concluded. The Office filed a request to correct the appeal decision, based on the Court of Cassation's decision, and the second level judges corrected the decision. The new deadline for an appeal will expire on 10 May 2024.

With reference to tax period 2012, with judgement 3612/2022, filed on 12 August 2022, the Regional Tax Commission of Lazio accepted the Office's appeal. The Company filed an appeal with the Court of Cassation in January 2024. As of today's date, a hearing to discuss this case has not yet been scheduled.

With reference to tax period 2013, with judgement 5567/2022, the Regional Tax Commission of Lazio rejected the Company's appeal. The Company presented a request for facilitated settlement of the dispute pursuant to article 1, paragraphs 186-202 of Law 107/2022. At present this dispute has been definitively resolved.

With reference to tax period 2014, with judgement 12424/16/2021, the Provincial Tax Commission of Rome rejected the Company's appeal. The Company presented a request for facilitated settlement of the dispute pursuant to article 1, paragraphs 186-202 of Law 107/2022. At present this dispute has been definitively resolved.

ARSE

Notice of liquidation for register taxes for tax period 2015.

In January 2016, ARSE, a company at the time already closed due to complete spin-off, was informed of a notification of liquidation of the complementary register fee concerning the requalification of the conferment transaction and subsequent transfer of the equity investment in Apollo Srl, a company in the photovoltaic segment.

On 7 March 2016, the beneficiaries of the ARSE – Acea SpA, Acea Liquidation e Litigation (ex Elga Sud) and Acea Produzione – believe the notification of liquidation is groundless as regards both the obvious technicalities in terms of its form and as regards the dispute involved in the notification.

On 15 January 2018, the hearing for discussion was held before the Provincial Tax Commission of Rome. By judgement no. 1926/15/2018 deposited on 22 January 2018, the judges cancelled the notice of assessment challenged. On 5 June 2018 the Office filed an appeal against the above judgement; the companies joined the proceedings in the second instance, filing counterarguments on 7 August 2018. The hearing was held on 9 June 2022 and Regional Tax Commission of Lazio, in decision 3450/2022, rejected the Office's appeal, with legal expense reimbursement. The deadline for the Office to file an appeal with the Court of Cassation expired on 29 January 2024 (as extended pursuant to Law 197/2022). At present this dispute has been definitively resolved.

Acea Ato5 SpA

Notice of assessment relative to tax periods 2013, 2014, 2015, 2016 and 2017 for IRES and IRAP for Acea Ato5 SpA, as a consolidated company and for IRES for Acea SpA as the consolidating entity.

The relevant local Revenue Agency in Frosinone, following a general tax audit carried out by the Guardia di Finanza, served separate notices of assessment for IRES and IRAP relative to tax periods 2013, 2014, 2015, 2016 and 2017, disputing the deductibility and taxability of various components of business income. With reference to the findings related to the lack of jurisdiction disputed for 2015, supported by its tax advisors, having carried out the appropriate assessments of the risk profiles related to the aforementioned findings, the Company allocated a provision for tax risks for approximately € 701 thousand, whereas, with reference to the other findings, 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.

The IRES notices of assessment were also served to the parent company Acea as the consolidating entity in the tax consolidation agreement signed with Acea Ato5 SpA.

With reference to tax periods 2013 and 2014, the Provincial Tax Commission of Frosinone accepted the Company's defensive arguments and cancelled the notices related to IRES for years 2013 and 2014 and for IRAP for 2014, ordering the Agency to pay the costs. The Revenues Agency lodged an appeal. The Company entered an appearance at second instance.

The disputes for the years 2013 and 2014 were combined in an appeal and, after the relative hearing held on 26 February 2024, the case was adjourned for a decision.

With reference to tax period 2015, the first level Tax Court of Frosinone, with decision 414/2023, filed on 20/11/2023, combined the IRES and IRAP decisions and partially accepted the Company's arguments, partially annulling the notice of assessment. The Company took action to file an appeal, the deadline for which is still pending. With reference to tax period 2016, the first level Tax Court of Frosinone, combining the IRES and IRAP cases, with decision 413/2023 filed on 20 November 2023 annulled both of the findings contained in the notices, fully granting the Company's appeal. At present the deadline for an appeal available to the Revenue Agency is still pending.

With reference to tax period 2017, on 17 November 2023 notices of assessment for IRES and IRAP were received from the Revenue Agency. The Company has proposed a tax petition for compliance and assigned an attorney to defend it.

Umbria Energy SpA

During 2016, the Customs Office of Terni issued various payment and penalty notices, for the years 2010 to 2012, claiming various non-payments of taxes (excise and additional taxes on electricity) and the erroneous completion of consumption declarations, for € 1,410 thousand relative to the Province of Perugia and for € 862 thousand relative to the Province of Terni. The Company carried out the appropriate provisioning, reflecting the level of risk to which the Company is exposed on the basis of the opinion issued by an external professional.

In the face of these actions, a dispute arose which saw the Company lose at the first and second level, although with a partial reduction in the cited amounts. Therefore, the Company and the Customs Office have filed an appeal with the Court of Cassation.

Utilising facilitated settlement for the pending cases pursuant to Law 197/2022, the case pending with the Court of Cassation was settled through the payment of a single amount of € 401,156.33, without the payment of the penalties or interest. Due to this, the residual portion of the relevant provision for risks was released for € 598,843.67.

OTHER ISSUES

Acea Ato5

Acea Ato5 - Injunction order for payment of € 10,700,000 and counterclaim to OTAA5 for concession fees

On 14 March 2012, Acea Ato5 filed an application for an injunction, relating to the credit of €10,700,000 which had been granted to the Company by the OTAA in respect of the higher costs incurred during the 2003-2005 period.

Accepting the appeal, the Court of Frosinone issued Injunction Order no. 222/2012, enforceable immediately, notice of which was served to the Area Authority on 12 April 2012.

By notice dated 22 May 2012, the OTAA sent notice of its opposition to the injunction order, requesting the cancellation of the order and, as a precautionary measure, the suspension of its provisional enforcement. Moreover, as a counter-claim, it submitted a claim for the payment of concession fees totalling € 28,699,699.48.

Acea Ato5 appeared before the court in the proceedings against the injunction order, challenging the adversary's demands and in turn formulating a counter-claim for the payment of the entire amount of higher costs incurred by the Operator and originally requested, totalling € 21,481,000.00.

Following the hearing on 17 July 2012, the Judge – in an Order deposited on 24 July – suspended the temporary enforcement of the injunction order and adjourned the discussion of the merits of the case, also rejecting the request for the granting of an order for payment of the concession fees, made by the OTAA.

In its judgement number 304/2017, the Court of Frosinone:

- 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;
- annulled the injunction order on the assumption 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 prepared subordinately (in the event that the Settlement Agreement had been declared invalid) by Acea Ato5 defence attorneys, intended to obtain 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 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.

This was followed by further payments by the Operator, but due to the credit/debit discrepancies between the parties, in April 2021 the court ordered an expert witness report. Following that, at the hearing on 15 December 2021 the Operator made a settlement proposal which was then rejected by OTAA 5.

In its order of 31 May 2023, the Judge also held that the debt had been paid off, based on the payments made by Acea during the proceedings. The court also identified a surplus payment by Acea Ato5,

equal to the difference between the sum owed (€ 26,313,251.50) and the sum effectively paid by Acea Ato5 (€ 28,690,662.85), amounting to approximately € 2,377,000.

Following this judgement, the Company adjusted its provision for risks by releasing the amount previously allocated. With reference to the interest recognised in the judgement, note that application of interest on arrears pursuant to Legislative Decree 231/2002 to the receivables due to EGATO5 in relation to concession fees is erroneous, both in and of itself and in the amount. Therefore, in line with the provisions of the Management Agreement and in particular article 30 of the Technical Specifications, the company has allocated the sum deriving from application of the rate at which liquidity is remunerated for EGATO - Euribor 3 month for the reference year plus 70 basis points - which at 31.12.2023 amounts to € 553,654.37.

In connection with these proceedings, the appeal must be considered against the judgement of the Court of Frosinone that revoked the Court Order of € 10,700,000, initially issued by said Court. The Court, after hearing the respective positions of the parties, adjourned the case to 20 November 2020 for the oral discussion and the delivery of the judgement pursuant to art. 281 sexies of the code of civil procedure. The case was then further adjourned until 10 July 2024, at the request of the parties.

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

- the issue in question, which relates to the recognition of the amount owed by the Operator (of € 10,700,00.00) in connection with the 2007 settlement, the subject of sentence no. 304/2017 of the Court of Frosinone, appealed by Acea Ato5 SpA to the Court of Appeal of Rome, 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 per se determine the non-existence of the receivable.

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

In its Conciliation Proposal sent to the parties on 27 November 2019 and currently being examined by the OTAA 5 Conference of Mayors, the Conciliation Board has in fact, among other things:

- ascertained the existence of significant differences between the concession fees approved in the various tariff arrangements and the amounts to be paid to the Municipalities. In the opinion of the Board, the actual existence of such differences leads one to believe that Resolution no. 4/2007 of the Area Authority was based on credible elements, also found afterwards, where it identified the “savings on the concession fees to be paid to the Municipalities” (which could constitute the financial funding to pay a loan stipulated by the Area Authority) as the financial coverage for the payment to the Operator of the sums envisaged in the settlement. This conclusion, highlighting the plausibility of the sources of coverage identified by the Area Authority to finance the settlement, confirms the validity of the appeal filed by the Company against sentence no. 304/2017, by which the Court of Frosinone declared the nullity of Resolution no.

4/2007 of the Area Authority and of the settlement agreement precisely because of the alleged failure to identify the related financial coverage in violation of the disclosure regulations, since the reference to “unspecified savings on the concession fees to be paid to Municipalities” was not considered adequate and sufficient;

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

Criminal proceeding no. 2031/2016

With regard to criminal proceeding no. 2031/2016 concerning the financial years 2015, 2016 and 2017, on 4 January 2019 the current Chairperson of the Company was served with an invitation to appear in person subject to investigation and information of guarantee for alleged offences attributable to false financial statements and false corporate communications. This measure also affected the Chairpersons of the Company and the representatives of the control bodies in office in those financial years. The preliminary hearing was held on 26 October 2021, adjourned to 15 November 2021, in order to assess the admission of civil parties and then adjourned to 13 December 2021 for the same obligations and then to 10 January 2022, in order to dissolve the reservation on the admission of civil parties. The Preliminary Hearing Judge, having withdrawn the reservation, issued an order whereby, with the exception of the associations “Free Monte” and “Codici Onlus”, all the parties allegedly harmed by the facts of the crime against the defendants were admitted.

Finally, at the instigation of several civil parties, the citation of Acea Ato5 and OTA5 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’ defence.

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.

Following the hearing held on 10 February 2023, the Judge for the Preliminary Hearing declared a lack of jurisdiction for the Court of Frosinone, in favour of the Court of Rome, to ascertain the following crimes:

1. Fraudulent financial statements;
2. Inhibiting the exercising of the functions of the public supervisory authority;
3. Tax crimes with reference to income taxes.

Following the Judge’s declaration of a lack of jurisdiction, the transfer of the documents to the public prosecutor’s office at the Court of Rome was ordered, so that they could proceed with the relevant determinations.

For all the other crimes, the Judge for the preliminary hearing issued a decision to not proceed, due to a lack of grounds.

Acea Ato5 - Lazio Regional Administrative Court appeal of contract termination

With regard to the matter of the termination of the Management Agreement, various municipalities in OTA5 and OTAA5 have filed

two appeals against sentence no. 638/2017 by which the Lazio Regional Administrative Court - detached section of Latina upheld the appeal filed by the Company against Resolution no. 7 of 13 December 2016 of the Conference of Mayors that ordered the resolution, annulling the measure.

It should be noted that the aforementioned appeals do not present any arguments of particular novelty or relevance with respect to what has already been submitted for the examination of the Court of First Instance, nor have the appellants proposed an application for interim relief. The Company has filed its formal documents with reference to both disputes, following which were issued the decisions of 11/10/2023, for the case identified by docket number 5833/2018 and that of 29/12/2023, relative to the case identified by docket number 05675/2018, both of which definitely rejected the appeals presented by the municipalities of the OTAA5 and the Area Authority.

Acea Ato5 - Municipality of Atina - City Council Resolution no. 14 of 17 April 2019

Following the transfer of the management of the IWS of the Municipality of Atina to Acea Ato5, on 19 April 2018, the Municipality decided to “establish the optimal territorial sub/area called Atina Territorial Area 1, with reference to the optimal territorial area no. 5, for the continuity of the autonomous and direct management of the water service pursuant to art. 147 paragraph 2 bis of Italian Legislative Decree 152/2006, declaring the Integrated Water Service “local public service without economic importance” (Municipal Council resolution no. 14 of 17 April 2019).

OTAA 5 appealed the above resolution before the Lazio Regional Administrative Court – Latina Section – also serving the Company and the Lazio Region.

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

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

Acea Ato5 - Municipality of Anagni - Appeal to the Lazio Regional Administrative Court (Latina). Annulment of order to demolish treatment plant in the San Bartolomeo district of the Municipality of Anagni

On 4 November 2021, with Executive Order no. 236/2021 the Municipality of Anagni ordered the demolition and removal of the Treatment Plant located in the San Bartolomeo district (Anagni) and the consequent restoration of the original condition of the places as they were before the work began. The local Council alleges that the said infrastructure was created in breach of art. 10 of Italian Presidential Decree 380/2001, given that the work is said to have been done without planning permission, and in breach of art. 24 of Italian Presidential Decree 327/2021, given the non-definition of the expropriation order with the due notification procedures. In ad-

dition, according to the Council the plant occupies an area covered by the constraint for sites of national interest (Hydrographic basin of the River Sacco). Against this measure the Company presented an application for access to the records, which was rejected by the Municipality.

At the same time the Company lodged an appeal with the Lazio Regional Administrative Court (RAC) – detached section of Latina – in order to obtain, as a precautionary measure, the suspension of the effectiveness of the measure appealed against and, on the merits, the acceptance of the application for access to the records and the cancellation of the executive order. With an order of 14 January 2022 the Lazio RAC accepted the precautionary application and set the hearing of the merits for January 2023. At the hearing on 11 January 2023, the Regional Administrative Court, based on a request by both parties, further postponed the matter until 7 June 2023.

On 24/07/2023 the Regional Administrative Court of Lazio, detached section of Latina, with decision 604/2023, on the presupposition that on 16/04/2023 a notice of conformity pursuant to article 36 of Presidential Decree 380 of 6/06/2001 had been presented, declared that the appeal could not proceed due to a supervening lack of interest.

Acea Ato5 - Opposition to injunction by the Municipality of Fiuggi

In the Injunction ordered by the Court of Frosinone on 25 July 2013, the Municipality of Fiuggi was ordered to pay Acea Ato5 the sum of €185,685.00 in respect of unpaid bills for the supply of water to service users covered by 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 case was thus adjourned until 19 December 2023 to allow verification of perfor-

mance of the obligations deriving from the settlement agreement. The activities were carried out in compliance with the schedule set in the settlement agreement. Therefore, at the hearing on 19/12/2023, the Judge, in line with article 309 of the Code of Civil Procedure, as the parties did not appear, ordered the case postponed to 27/03/2024.

Acea Ato5 - Class actions under art. 140-bis of Legislative Decree 206/2005

On 17 May 2019 a summons was served initiating a class action under the terms of art. 140 bis of Italian Legislative Decree 206 of 2005 before the Court of Rome.

The action, started by the Cassino No Acea Committee, was launched against the Company in the interest of 729 users, in order to:

- ascertain the non-existence/nullity of contracts in being between the users and the Operator;
- ascertain the illegitimate application of the *pro die* method;
- declare not payable the sums requested for previous items;
- have the Company ordered to return any sums received.

On 5 November 2021, the Civil Court of Rome declared the class action brought by the NO Acea Committee to be inadmissible. The Committee then filed an appeal. In an order made on 17 February 2023, the Rome Court of Appeal amended the lower court's decision, while also indicating that it had not investigated the merits of the dispute; the appeal court found that the class action brought by the No Acea Committee was admissible and referred the case back to the Court of Rome.

On 12 June 2023, the case was assigned to the Civil Court of Rome, second section, which on 20/12/2023 issued the decision which defined the judgement in question and entirely rejected the claims made by the plaintiffs.

Acea SpA - Milano '90

This issue concerns the failure to pay sums due for the balance of the sale price of the area in the Municipality of Rome with access from via Laurentina No. 555, formalised with a deed dated 28 February 2007 and with a subsequent supplementary deed of 5 November 2008. With the said supplementary deed, the parties agreed to change the fee from € 18 to € 23 million, while eliminating the earn out, setting 31 March 2009 as the payment deadline. Given the purchaser's failure to act, the procedure to collect the amounts due was initiated by preparing a notice pay addressed to Milano '90 and through application for an injunction order which, on 28 June 2012, was granted in a temporarily enforceable form.

Therefore, in November 2012, Acea served a garnishment order to the company Milano '90 for the forced recovery of the amounts claimed.

Milano '90 opposed the aforementioned injunction – also requesting the condemnation of Acea for the restitution of sums paid as a price and compensation for damages – obtaining the suspension of its provisional execution. Consequently, the enforcement procedure was in turn suspended.

By judgement no. 3258, published on 13 February 2018, the Court of Rome rejected the opposition and confirmed the court order in full, sentencing Milano '90 to pay for the costs of the dispute.

Appeal Decision

On 26 April 2018, Milano '90 appealed, and with a decision issued 23 June 2022, the Court of Appeal of Rome fully confirmed the

sentence of the first instance judge and sentenced the counterparty to pay the litigation costs.

With an appeal to the Court of Cassation notified on 21 September 2022, Milano '90 appealed the decision issued by the Rome Court of Appeal. Acea SpA filed a cross-appeal by the deadline and is waiting for the date of the hearing to be set.

Executive procedure

Following the favourable ruling of first instance, on 27 March 2018 Acea filed the application for resumption of the executive procedure in relation to Milano '90 and the third parties attached. Following the opposition proceedings brought by the third-party garnishee, on 25 March 2022 the sums assigned to Acea were paid. An appeal to the Court of Cassation by the third-party garnishee is now pending. The date for the hearing has not yet been set.

Acea SpA - Former COS rulings

The COS dispute concerns the ascertainment of the illegality of the contract between ALMAVIVA Contact (formerly COS) and Acea and the consequent right of its workers to be recognised as having a subordinate employment relationship with Acea.

It should be noted that the majority of the cases in which Acea was unsuccessful were settled, and that of the six claimants only two were brought before the Court of Cassation by Acea to assess the existence of a claim (the assessment of the right to establish a relationship). These judgements were settled by dismissal orders — made on 2 and 10 July 2019 — of Acea's application. The establishment of the employment contract between Acea and the opposing parties as from 2004 is therefore confirmed.

The claimants - who have claimed the remuneration differences for lack of performance - have therefore started to work concretely starting from February 2020.

Quantification judgements

Based on the above-mentioned judgements concerning the *an debeat*, the six workers who won their cases (i.e. with whom a subordinate employment relationship with Acea was established) have over time initiated actions quantifying their claims, requesting the company to pay the wages due as a result of the established relationship and regarding different periods of accrual of the receivables. Below, specifically.

Salary differences in relation to the period 2008/2014. In 2015, six separate quantification judgements were introduced by the aforementioned workers in relation to the wage differences matured between 2008 and 2014. The judge, having gathered the appeals, rejected them with a sentence of 3 June 2015 against which an appeal was lodged by the counterparties.

In December 2020 conciliation of the dispute with one of the six workers was reached, while the appeal, continued for the other 5 applicants, ended with a partially unfavourable sentence handed down on 26 October 2022, as a result of which Acea paid, subject to repetition, the amounts due by way of wage and social security differences as well as interest and monetary revaluation.

Acea appealed to the Supreme Court against this ruling, currently awaiting a hearing.

Salary differences in relation to the period 2014/2019. In the years 2020 and 2022, four workers were notified as many monitoring judgements aimed at also obtaining the wages not received in relation to the 2014-2019 time segment.

With reference to the injunctions received in 2020, after the op-

position to the same was rejected, the workers' requests were accepted. In April 2022, Acea paid the salary differences and ancillary costs, reserving the right of reimbursement, and also filed an appeal which is still pending.

With regard to the appeals made in 2022, both sets of proceedings have been opposed. In a judgement dated 4 April 2023, Acea was ordered to pay the salary differences which were settled, reserving the right of reimbursement. The rulings have been appealed with the Rome Court of Appeal and the hearings have been set for 26 April and 10 May 2024.

Finally, note the introduction in July 2022 of an appeal pursuant to art. 414 c.p.c. by a fifth worker, whose requests were granted in a decision issued in December 2022. The ruling on the appeal proceedings started by Acea is still pending, with the next hearing set for 4 April 2024.

Acea SpA - Municipality of Botricello

In 1995, the Municipality of Botricello transferred management of its integrated water service to a temporary grouping of businesses, which later established itself as a consortium, known as Hydreco Scarl. In 2005, the Municipality sued, in the Court of Catanzaro, the company Hydreco Scarl and its component companies, including Sigesa SpA (which transferred its rights to Acea SpA), to obtain reimbursement of the fees due for administration for the period from 1995-2002, quantified in the amount of € 946,091.63, plus damages, interest and revaluation.

The companies disputed the Municipality's claim and filed a counter-claim for non adjustment of tariffs and loss of earnings due to the early revocation of the service. During the case an expert was called upon, who recognised a balance due to the Municipality of around € 230 thousand. Nonetheless, the Court, with judgement 1555 of 29 October 2015, ordered the companies to jointly pay € 946,091.63, plus interest and revaluation of the payable accrued, rejecting the counter-claims. The losing parties filed separate appeals and, with an ordinance of 27 March 2018, the Catanzaro Court of Appeals suspended execution of the appealed judgement, based on the validity of the arguments made in the appeal document. However, with judgement 677 of 6 June 2020, the appeals were rejected.

Acea has filed an appeal with the Court of Cassation. The hearing was held on 21 December 2023 and the decision of the Supreme Court has not yet been issued.

Acea SpA and areti SpA - MP 31 Srl (formerly ARMOSIA MP Srl)

This is an opposition proceeding filed against the injunction issued by the Court of Rome against areti, in the amount of € 226,621.34, requested by Armosia MP by way of lease payments for the months of April-May-June of 2014 in relation to the property in Rome - Via Marco Polo 31. The injunction was declared provisionally enforceable by order of 8 July 2015.

In the hearing on 17 February 2016, the Judge adjoined this case with the other pending before the Court of Rome, taken by Acea and areti (transferee of the lease contract) in order to obtain the termination of the lease contract. In this latter case, MP 31 has also filed an unconventional remand for compensation for the damages incurred in consideration of the degrading condition of the building when it was released by areti. With a sentence dated 27 November 2017 the Court upheld the application of MP 31 against areti, condemning it to the payment of the previous rent in the amount of € 2,759,818.76 plus interest from the individual deadlines, as well

as the payment of the rent up to contract expiry (29 December 2022). As a result, there are no further charges to the company. Acea filed an appeal, served on 2 January 2018.

The hearing to discuss the appeal judgement has been postponed several times and is currently set for 19 September 2024.

areti SpA - Roma Capitale

With the Executive Determination of 2 May 2005, the City of Rome, Municipio XII, assigned penalties to Acea Distribuzione, now Areti, for violation of article 26, paragraph 5 of the cables regulation (non-return of areas subject to works by the pre-established date, associated with work carried out by Acea Distribuzione in Municipio XII between 2003 and 2004) and, consequently, requesting that the company pay a total of € 9,990,000.00.

This provision was challenged through the Regional Administrative Court of Lazio, which annulled the same with decision 2238/2012. Roma Capitale appealed this decision with the Council of State, which in a decision dated 24 July 2020 granted Roma Capitale's appeal based on the important aspect of jurisdiction, held to fall under the Ordinary Court rather the Administrative Court.

Areti then appealed to the Supreme Court of Cassation, requesting the annulment of the appeal decision and confirmation of the Administrative Judge's decision. However, in an ordinance published on 7 November 2023, the Supreme Court rejected the appeal, confirming the jurisdiction of the Ordinary Court.

Having defined the issue of jurisdiction, on 6 February 2024 Areti therefore returned to the case before the Ordinary Court. The hearing has been set for 15 July 2024.

Acea SpA and Acea Ato2 SpA - CO.LA.RI.

With a writ of summons served on 23 June 2017, the Consortium Co.La.Ri. and E. Giovi Srl – respectively the manager of the Malagrotta landfill (prov. Rome) and the executor – summoned Acea and Acea Ato2 to obtain payment for the portion of the tariff for accessing the landfill, to be allocated to cover the thirty-year costs to manage the same, as established in Italian Legislative Decree 36/2003, alleged to be due for the depositing of waste during the contractual period from 1985-2009.

The main request stands at over € 36 million for the entire period of contract validity. Subordinately, in the event that the law disposing the tariff is considered by the judge to be applicable retroactively, the plaintiffs request the recognition of the right to receivables of approximately € 8 million for the period March 2003-2009, and the ascertainment, by expert appraisal, of the receivables for the previous period 1985-2003.

The first hearing, initially set for 23 February 2018, was postponed to 8 October 2018 to add the dispute against the Optimal Territorial Area Authority 2 Central Lazio - Rome.

The hearing for the clarification of the conclusions was set for 22 March 2021 and, on that occasion, the judge, taking into account the pleas made by the parties, granted further postponements for the same impending. At the subsequent hearing on 26 April 2022, the Judge took the parties' requests under advisement and with a provision issued on 19 December 2023, lifting the reservation adopted, ordered a new investigation of the case and the appointment of a court-appointed expert. The hearing for the swearing in of the expert was held on 12 February 2024 and on the same occasion the date of 6 March was set for the start of the investigation. Another hearing was also set for 14 March for cross-examination and oral arguments.

Acea Ato2 SpA and Acea Ato5 SpA - Challenge to Regional deliberations concerning the identification of the Optimal Territorial Areas of the Hydrographic Basin

With an appeal lodged before the Superior Court of Public Waters of Rome, Acea Ato2 challenged the regional resolutions concerning the identification of the Optimal Territorial Areas of the Hydrographic Basin (GRL Resolution no. 56 of 6 February 2018, GRL Resolution no. 129 of 20 February 2018, GRL Resolution no. 152 of 2 March 2018). A similar appeal was also proposed by the Optimal Territorial Area Authority no. 2 Central Lazio. With Resolution no. 218 of 8 May 2018, the Lazio Region suspended the effectiveness of the challenged resolutions, delegating to the Regional Director of Water Resources and Soil Defence any activity useful for achieving a new governance model for the IWS during the following six months. Therefore, at the hearing of 11 July 2018 the case was postponed to 6 February 2019, pending the new assessments of the Region on the matter, announced in the provision that suspended the contested acts. Subsequently, the Region issued Resolution no. 682 of 20 November 2018 with which it has extended the deadline for the definition of the new IWS model, confirming the suspension of the effectiveness of the challenged resolutions. There have been a number of postponements, and most recently the hearing was set for 5 June 2024. A similar appeal was filed by Acea Ato5 and, in this case as well the hearing has been adjourned several times, due to the ongoing suspension of the contested measure and, in any case, the Region's ongoing investigation.

Media Sabina (insert dispute)

Acea Ato2 SpA – Parco dell'Aniene Scarl

Civil Judgement

In June 2019 the company Parco dell'Aniene Scarl sued Acea Ato2 and Roma Capitale for alleged liability of the defendants, jointly and severally or to the extent to which they are responsible, for alleged wrongful acts arising from the failure to build and/or repair the sewerage system prior to the construction works carried out by the claimant in the Tor Cervara - Via Melibeo area. The consortium is making an exorbitant claim for compensation, totalling more than € 105 million. The designated Judge, who initially considered that the claim of a lack of jurisdiction proposed by Acea was sufficient to define the case, set the hearing for definition of the conclusions. At the same time, Parco dell'Aniene introduced an appeal for jurisdictional regulation before the United Sections of the Supreme Court of Cassation and with an order of 29 July 2021 declared the administrative court had jurisdiction.

Noting the provision of the Supreme Court, with a decisive ordinance of 15 November 2022, the Judge declared it was impossible to proceed with the civil judgement proceeding.

Administrative Judgement

With an appeal filed on 23 November 2021, Parco dell'Aniene Scarl resumed the case before the Regional Administrative Court of Lazio.

Acea Ato2 appeared as appropriate, requesting inclusion of the insurance companies already involved in the civil judgement case in the cross examination. At present we are awaiting the scheduling of the hearing.

Acea Ato2 SpA - Disputed concession of derivation of drinking water from the Peschiera and Le Capore springs for the water supply of Roma Capitale

Three cases have been brought before the High Court of Public Waters for the annulment of the Determination of the Lazio Region of 10 June 2019 (DGR no. G.07823) – with which the Concession was issued for the derivation of public water for drinking from the Peschiera springs in the municipalities of Cittaducale and Castel S. Angelo and from the Le Capore springs in the municipalities of Frasso Sabino and Casaprota for the water supply of Roma Capitale – which involve Acea Ato2 and Roma Capitale as counterparties.

Appeals brought by the Postribù Association and the Municipality of Casaprota

With reference to both appeals – notified, respectively, on 16 and 19 September 2019 – with judgements of 13 March 2021, the High Court of Public Waters rejected completely the appeal lodged by the Municipality of Casaprota and declared inadmissible that of the Postribù Association, for lack of active legitimation. The cases have now been defined.

Appeal filed by the Municipality of Rieti

The appeal, lodged on 16 September 2019 was completely rejected with a judgement of 11 August 2021.

The Municipality appealed that decision before the United Sections of the Court of Appeal. The proceedings ended with a dismissal order made on 5 April 2023 and an appeal for Rectification made to the Higher Court for the Public Water supply (TSAP) which recently adjourned the hearing until 20 September 2023. As of today the judgement has not been issued.

Acea Ato2 SpA - Enel Green Power Italia Srl

With an appeal of 27 July 2020, Enel Green Power Italia Srl (EGP) summoned Acea Ato2 to the Regional Public Waters Court, via the Roma Civil Appeals Court, to obtain recognition of its right to receive a greater amount than that already paid by Acea as an indemnity for lower voltage (in terms of that due based on the agreement in effect between the parties as of 1985), for electricity which could not be produced with the Farfa 1° salto, Farfa 2° salto, Nazzano and Castel Giubileo systems, subject to derivation of waters from the Le Capore sources.

More specifically, the appellant states that between 2009 and 2019, Acea, in applying the methods used to calculate the indemnity as indicated in the 1985 agreement, erroneously calculated the amounts due and that, as a consequence of this calculation error, should be required to pay EGP the total amount of € 11,614,564.85, plus additional amounts claimed as due for adjustments after 31 December 2019, as well as interest on arrears.

Acea Ato2 filed its appearance, noting the unfounded nature of the interpretation of the agreement on which the appellant bases its request and indicating a different way of quantifying the indemnity which is more in line with the agreements made between the parties during the course of the contractual relationship.

Based on the application of this calculation method, Acea Ato2, taking into account the indemnities already paid, formulated a counter-claim for the return of € 3,246,201.46, plus interest, in that it was not due from Acea Ato2.

With a decision on 14 November 2022, the TRAP, granting the exception raised by Acea Ato2, declared its lack of jurisdiction in favour of the Civil Court of Rome, setting a deadline of 90 days for resumption.

In a writ of summons served on 25 January 2023, EGP reinstated the proceedings before the Court of Rome. The first hearing was held on 1 February 2024 and the Judge set the deadline for briefs, postponing the hearing to 9 January 2025.

Acea Ato2 SpA and Acea Produzione SpA - Erg Hydro Srl

With separate appeals, notified on 10 March 2021, Erg Hydro Srl summoned Acea Ato2 and Acea Produzione before the Regional Court of Public Waters (RCPW) at the Rome Court of Civil Appeal to obtain ascertainment of its right to receive by way of indemnity for lower voltage - due to it on the basis of the agreements in effect between the parties as of 1985 - for electricity which could not be produced with its plants, given the diversion of the sources of the Peschiera and affected by the regurgitation of Nera Montoro.

The application lodged regards the payment of default interest for delayed payment of past invoices, and the different amount of the adjustments calculated differently on the basis of the aforementioned agreement of 1985.

Specifically, the total request in relation to Acea Ato2 is approximately € 4,500,000.00, while in relation to Acea Produzione the application lodged is for approximately € 140,000.00.

The defendants joined the case arguing that the amounts requested had lapsed, and that the interpretation of the agreement on which the plaintiff based its request was groundless.

In November 2021, a court-appointed expert was assigned to quantify the indemnity due by Acea Ato2 for the lower voltage of Peschiera.

The report issued in July 2022 confirmed the accuracy of the lower voltage calculations prepared by Acea Ato2 and the hearing to examine the expert's report was most recently postponed to 21 March 2023. A hearing before a panel of judges was set for 21 November 2023, later postponed to 19 November 2024.

Areti SpA - GALA SpA

In November 2015, Areti signed a transport contract for the electricity distribution and metering service with Gala SpA, a company that sells electricity to end users.

Starting in March 2017, Gala SpA fully cased paying the fees invoiced and due to Areti. Protecting its rights as a creditor, on 7 April 2017 Areti began enforcement of the guarantees issued by Gala SpA and later, the non-fulfilment of the obligations deriving from the contract being disputed by both Gala SpA and the guarantors, the termination clauses found therein were utilised. This led to a series of disputes. Note that on 3 February 2023, Gala SpA filed a request to begin a composition with creditors procedure to resolve the crisis and, following negotiations under this procedure between Gala, areti and e-Distribuzione SpA, an agreement was reached to finalise the debtor amounts against the crystallisation of Gala's crisis, stipulated on the basis of the Redevelopment Plan signed by the independent expert appointed by the Commission established by the Rome Chamber of Commerce, pursuant to Legislative Decree 14/2019. The agreement was formalised on 2 February 2024 and also required the renunciation of the disputes indicated above.

Judgement filed by the guarantor Euroins Insurance plc

In July 2017, Euroins Insurance plc, a guarantor of GALA, introduced an assessment proceeding to declare the non-existence of its own guarantee obligation. With a judgement of 10 May 2021 the action for ascertainment of invalidity of the policy was rejected, with an order to Euroins to pay Areti the sum of € 5.0 million plus legal interest from the application to payment of the balance and legal expenses.

The judgement also ordered GALA to ensure the release of the guarantor, directly paying areti the sum of € 5.0 million plus legal interest.

On 8 June 2021, GALA paid the amount indicated in the judgement of its own accord, paying Areti a total of € 5,058,986.30, reserving plus legal interest (for € 58,986.30), reserving the right of objection and reimbursement of the amount unduly paid, also in respect of the claims made in the parallel civil proceedings between GALA and Areti.

GALA's summons on appeal was served on 10 December 2021 and the hearing has been postponed to 22 June 2026 for the oral discussion.

Following the payment, the judgement will be resolved pursuant to articles 181 and 309 of the Code of Civil Procedure.

GALA's summons to areti, Acea Energia and Acea

By means of a summons served in March 2018, GALA requested the Court of Rome to declare the invalidity of some clauses of the transport contract stipulated with areti in November 2015 and the consequent invalidity/ineffectiveness of the termination of the contract by areti, ordering the latter to pay the corresponding damage, for a total of over € 200 million.

GALA also asked the court to find that the conduct of Areti and the other defendants (Acea and Acea Energia) amounted to unfair competition and/or abuse of dominant position, and that they be ordered to pay damages.

The defendants filed an appearance by the legal deadline, rejecting the adverse party's claims and asking that they be dismissed.

In addition, as a counter-claim, Areti has requested to declare the contract legitimately terminated, as well as to ascertain and declare the non-fulfilment of GALA of the payment and guarantee obligations assumed under the transport contract with consequent order to pay the related amount, plus interest and without prejudice to the additional amounts being accrued.

In a judgement dated 15 June 2023, in accepting the defence arguments of Areti, Acea SpA and Acea Energia, the Court of Rome dismissed all the arguments made by GALA and upheld the counter-claim of areti, declaring the transport contract terminated and ordering GALA to pay the sums requested as compensation in the counter-claim, plus interest. The company was also ordered to reimburse Acea, Areti and Acea Energia for the cost of the proceedings.

Both areti (limited to a marginal aspect) and Gala have filed an appeal against this judgement.

Following the payment, the judgement will be resolved pursuant to articles 181 and 309 of the Code of Civil Procedure.

areti SpA - Metanewpower in liquidation (MNP)

In November 2015, in its capacity as operator of the electricity distribution network, Areti entered into a transport contract with

MNP, which operates in the sale of electricity to end users, a contract the seller repeatedly breached.

Two cases arose: one regarding the legitimacy of the system of guarantees required from the distributor for non-payment of system charges, regardless of effective collection from the final customer, with MNP requesting damages of around € 34.0 million and an additional case disputing the validity of the contractual clauses. Both cases were concluded in areti's favour, respectively with decisions on 27 July 2022 and 24 March 2023, ordering MNP to pay court costs. The cases have now been defined.

Recovery of areti's receivable from Metanewpower

On 30 May 2019, following MNP's continuing breach, Areti ordered a new contractual termination and initiated the recovery of its receivable, obtaining the issue of an injunction for the amount of approximately € 3.85 million by way of default. MNP – for the same reasons already stated – lodged an objection to the injunction. With a measure of 15 November 2021, lifting the reservation adopted on the occasion of the hearing on 3 December 2020, the judge rejected the application for concession of provisional enforcement of the decree, granting the terms for the pleadings pursuant to art. 183 of the Code of Civil Procedure and adjourning the case for the continuation to the hearing on 10 March 2022. On that occasion, the judge, considering the preliminary requests irrelevant, postponed for conclusions to March 20, 2024.

GORI SpA - Consorzio di Bonifica Integrale del Comprensorio Sarno

With decision 7271/2021 of 7 September 2021, the Court of Naples, XII Civil Section, rejected the request made by Consorzio di Bonifica Sarno to condemn GORI SpA to payment of around € 21 million as consortia expenses relative to the period from 2008 to 2016, based on the fact, briefly, that the Consortia did not provide evidence (above all due to the uncertainty of the data and the lack of documentation produced) of the direct benefits, thereby economically calculable, received by GORI for the use of the consortia channels, with the effect of "impossibility to identify certain data and quantify precisely and without doubt the contribution due by the Company". The Consorzio di Bonifica del Comprensorio Sarno appealed the decision and the Court of Appeals of Naples referred the case for the specification of conclusions to the hearing on 17 September 2024.

AGCM Proceeding PS12458 - Acea Energia SpA

On 18 October 2022, Acea Energia received a communication in which AGCM requested information about so-called "unilateral contract amendments". On 4 November 2022, the Company provided a response to AGCM relative to the requested information and, on 12 December 2022, held it expedient to send a second communication with further details to demonstrate the compliance of its actions with that established in article 3 of the Aid-bis Decree Law.

That being established, on 13 December 2022 AGCM informed Acea Energia of the start of the proceeding and also notified the Company of a precautionary measure which, given the grave and irreparable harm deriving from complementation of the same, Acea Energia promptly appealed with the Regional Administrative Court of Lazio. As a consequence of the new case law and legislative changes made in this area, on 30 December 2022 AGCM adopted

a second precautionary measure in relation to Acea Energia, partially revoking the measure imposed on 12 December 2022.

In the order made on 8398 of 17 May 2023, the Regional Administrative Court of Lazio set aside the interim measures made by AGCM in the case numbered PS12458. On 4 September 2023, AGCM notified Acea Energia of the appeal filed against the decision of the Regional Administrative Court of Lazio and on 4 October 2023 Acea Energia filed its counter appeal.

Subsequently, in a meeting on 31 October 2023, the Authority issued a penalty provision to conclude the proceeding. In particular, reducing the claims initially made, AGCM deemed as worthy of penalties and hence improper, due to violation of articles 24 and 25 of the Consumer Code, the following two actions by the Company:

- A. the communication and consequent application to the customer of unilateral changes in the contractual economic conditions, not corresponding with the expiration of the said conditions, with reference to article 3 of the Second Aid Decree;
- B. having held and responded to user complaints that these changes would be finalised after just ten days after the relative communication was sent.

Therefore, in the light of the above, the practices implemented by Acea Energia, specifically the two described above (A and B) constitute, in AGCM's opinion, a violation of articles 24 and 25 of the Consumer Code.

Due to the gravity and duration (indicated by AGCM as from 10 August 2022 to 17 May 2023, 281 days) of the infraction, the Authority applied a monetary administrative sanction in the amount of € 560 thousand, paid by Acea Energia in November 2023.

Note that the Authority's order did not contain a warning to stop and/or not continue the conduct sanctioned, nor did it set a deadline for Acea Energia by which to send a report on compliance.

On 13 January 2024 the Company filed an appeal with the Regional Administrative Court against the sanction provision.

Appeals relative to Excess Profits - Acea Ambiente Srl, Acea Produzione SpA, Acea Energia SpA and Acea Solar Srl

1. Temporary solidarity contribution for 2022 (Article 37 of Decree Law 21/2022, 21 March 2022)

With reference to the contribution in question, based on the assumption that a significant part of the taxable base identified for the companies of the Acea Group cannot be seen as excess profits intended to be taxed by lawmakers, but rather to extraordinary operations, Acea Ambiente Srl, Acea Produzione SpA, Acea Energia SpA and Acea Solar Srl filed distinct appeals with the Regional Administrative Court of Lazio, in all cases also seeing to payment of the respective advances, to cancel the implementation provision with which the Revenue Agency determined the amounts, also declarative, and the methods for paying the contribution (Director of the Revenue Agency Provision 221978/2022 of 17 June 2022).

The request made is intended to cancel the appealed provision, by returning the question of legitimacy to the Constitutional Court relative to article 37 of Decree Law 21/2022.

With decisions published on 16 and 17 November 2022, the four appeals filed by the companies of the Group, together with appeals presented by other operators outside of the Group, were declared

inadmissible due to an absolute lack of jurisdiction over the appealed provision. Separate appeals were filed with the Council of State.

With reference to the appeals made by Acea Ambiente and Acea Solar, due to the changes made by the 2023 Stability Law to Article 37 of Decree Law 21/ 2022, which restricted the obligation to pay the extraordinary contribution solely to those cases where at least 75% of the volume of business for 2021 derived from operations in the energy sector, declarations have been filed to indicate the supervening absence of interest in the decision on the appeals made. The Council of State thus declared the appeals inadmissible for that reason.

With regard to the appeals filed by Acea Produzione and Acea Energia, in judgements dated 28 March 2023 the Council of State recognised the jurisdiction of the Administrative Court and the cases were therefore taken up with the Regional Administrative Court of Lazio. At the same time, in May 2023 the Revenue Agency filed an appeal with the United Sections of the Court of Cassation, on jurisdictional grounds. With a decision of 19 October 2023, the United Sections of the Court of Cassation confirmed jurisdiction for the administrative court with respect to the appeals filed by Acea Energia and Acea Produzione and the cases with the Regional Administrative Court were begun again, which had been suspended with an order issued on 22 June 2023 while awaiting the Supreme Court's decision. The Regional Administrative Court of Lazio has not yet set a date for the hearing.

2. Temporary solidarity contribution for 2023 (Article 1 paragraphs 115-121 of Law 197 of 29 December 2022): Acea Produzione

With reference to this contribution, on the assumption that through Article 1 paragraphs 115-119 of Law 197 of 2022 the Italian government introduced a third solidarity contribution – in addition to the one introduced in Article 37 of Decree Law 21/2022 and Article 15-bis of Decree Law 4/2022 – which in fact pursues the same aim, namely to target any extra profits earned in the year 2022 (even though the payment of this second contribution will be made in 2023). Pursuant to this provision of the Budget Law, a “solidarity contribution” was established in 2023, for 50% of 2022 income which exceeds by at least 10% the average of total income achieved between 2018-2021. The amount of this contribution cannot exceed 25% of shareholders' equity as of the reporting date in the year prior to that in effect at 1 January 2022. This tax on extra profit applies to companies that generate at least 75% of their revenue from business in the sectors of production and resales of energy, gas and petroleum products.

Acea Produzione has filed an appeal with the Regional Administrative Court of Lazio to annul the following Revenue Agency publications: Circular No. 4/E of 23 February 2023; Resolution No. 15/E of 14 March 2023; Provision no. 55523 of 28 February 2023.

The court was asked to set aside the appealed decisions after finding that there is a conflict between Italian law and EU law and/or after referring the matter under article 267 of the TFEU, before the European Court of Justice and/or the Constitutional Court, relative to Article 1 paragraph 115-119 of Law No. 197 del 2022. The hearing on the merits was set for 21 November 2023 and with an ordinance of 16 January 2024, the question of constitutional legitimacy raised by Acea Produzione was submitted to the Constitutional Court. The case is consequently suspended until the decision is issued.

(insert obligatory paragraph on restitution Third Aid Decree)

Acea Ambiente Srl - Disputes relative to the procedure to develop the San Vittore “fourth line”

Against Lazio Region Determination G09041 of 12 July 2022, regarding the “Environmental Impact Valuation Proceeding pursuant to article 27-bis of Italian Legislative Decree 152/2006, as amended, for the “Systems and environmental adaptation for the San Vittore del Lazio waste to energy plant with creation of a fourth line”, in the Municipality of San Vittore del Lazio (prov. Frosinone), localities Valle Porchio, Proposing Entity Acea Ambiente, 5 administrative appeals have been filed, with Acea Ambiente as a counterparty.

The subsequent administrative provisions issued by the Region are the Integrated Environmental Authorisation (AIA) of 26 October 2022 and the Single Regional Authorisation Provision (PAUR) of 28 October 2022.

i. **Lamberet SpA** - Appeal to the Lazio Regional Administrative Court - Rome, served on 10 October 2022.

No appeals for additional reasons appear to have been filed against the subsequent authorisation provisions (AIA and PAUR). A date for the hearing has not yet been set.

ii. **Municipalities of Rocca d’Evandro, Magnano Monte Lungo, San Pietro Infine and Associazione Ambientalista Fare Verde Onlus** - Appeal to the Lazio Regional Administrative Court - Latina, served on 10 October 2022.

On 27 December 2022, an appeal for additional reasons was filed, with reference to the AIA and PAUR. The appeal includes a precautionary request and the hearing for discussion of suspension was held on 22 February 2023. The precautionary request was rejected. Subsequently, the Latina Regional Administrative Court set the hearing to discuss the request for a court-appointed expert filed by the appellants for 10 May 2023. In an order of 15 May 2023, the Regional Administrative Court of Lazio dismissed both the request of the court-appointed expert witness and the plaintiffs’ application for the joining of proceedings, reserving the right to consider these requests at a later stage in the proceedings. A date for the hearing on the merits has not yet been set.

iii. **Municipality of Cassino** - Appeal to the Lazio Regional Administrative Court, Latina, served on 11 October 2022.

No appeals for additional reasons appear to have been filed against the subsequent authorisation provisions (AIA and PAUR). A date for the hearing has not yet been set.

iv. **Siefic Calcestruzzi Srl and Siefic SpA**: Appeal to the Regional Administrative Court of Lazio (Rome), served on 13 October 2022.

On 13 January 2023, an appeal with additional reasons was served, against the AIA and the PAUR, accompanied by a precautionary request. A closed session was held on 8 February 2023. Following this, the Lazio Regional Administrative Court, Rome, ordered transfer of the files to the Court of the Regional Administrative Court of Lazio to make the decision on the exception for lack of jurisdiction raised by Acea. In an order of 14 March 2023, the Regional Administrative Court of Lazio (Latina) was declared competent. In an order of 9 June 2023, the Regional Administrative Court of Latina, in accepting the plea of late filing raised in the interests of Acea, declared the appeal unacceptable based on additional grounds, and that the main appeal was not admissible. On 16 June 2023, a notice of appeal was served with an interim application. With an ordinance on 7 July 2023, the Council of State rejected the precautionary request made by Siefic and the hearing on the merits is set for 7

March 2024.

v. **Municipality of San Vittore del Lazio** - Appeal to the Regional Administrative Court of Lazio, Latina, served on 16 October 2022. Appeals for additional reasons against the PAUR and AIA were served on 23 December 2022. A date for the hearing has not yet been set.

Acque Blu Fiorentina SpA vs. Publiacqua SpA and others

Publiacqua SpA is a public/private company that operates the integrated water service in Tuscany through a concession, OTA no. 3 Medio Valdarno. It is 60% held by the municipalities making up the OTA in question and 40% by Acque Blu Fiorentina SpA (ABF), in which, in turn, Acea SpA holds a 75% stake. Publiacqua’s concession is in effect until 31 December 2024.

Relations between ABF, a private shareholder, and the public shareholders, have been governed over time not just by the articles of association but also through shareholders’ agreements which dictate the governance of the company and called for, to protect the public shareholders, special rules in the case of a decision making deadlock, which may provide the possibility of exercising a purchase option relative to the private shareholders’ shares.

Aiming at regional consolidation of public services, starting in 2020 certain Tuscan businesses established the Tuscan multi-utility Alia Servizi Ambientali. In this context, the public shareholders of Publiacqua began a series of actions intended to remove the shareholder ABF from Publiacqua’s shareholding structure, which culminated in the annulment of the shareholders’ agreement. This led to a series of disputes, some filed with urgency.

While awaiting the rulings against the actions carried out by the public shareholders, the latter:

- transferred the shares held by various municipalities in favour of the multi-utility Alia Servizi Ambientali, which in this way became a shareholder of Publiacqua;
- invoked the “decision making deadlock” with reference to the shareholders’ agreement and gave notification that it would exercise its purchase option for the Publiacqua shares held by ABF.

At present, in particular in terms of the second point, the case filed by ABF is still pending with the Court of Florence, which summoned Publiacqua and its public shareholders with the intent of declaring the illegitimacy of the request intended to force ABF to transfer to the public shareholders the stake held by ABF in Publiacqua’s share capital.

The first hearing, to allow the summons of additional parties, was most recently postponed to 16/11/2023. Following that hearing, the judge granted the parties the deadlines pursuant to article 183, paragraph 6, Code of Civil Procedure and set a hearing for 21/3/2024.

Acque Blu Arno Basso SpA vs. Acque SpA and others

Acque SpA is a public/private company that operates the integrated water service in Tuscany through a concession, OTA no. 2 Basso Valdarno. It is 55% held by the municipalities making up the OTA in question, with the remaining 45% held by Acque Blu Arno Basso SpA (ABAB), in which, in turn, Acea SpA holds a 86% stake. Acque’s concession is in effect until 31 December 2031.

Relations between ABAB, a private shareholder, and the public shareholders, have been governed over time not just by the articles of association but also through shareholders’ agreements which dictate the governance of the company and called for, to protect

the public shareholders, special rules in the case of a decision making deadlock, which may provide the possibility of exercising a purchase option relative to the private shareholders' shares.

Back in 2019, the public shareholders formerly annulled the shareholders' agreements and in July 2021 formalised the exercising of the purchase option.

ABAB consequently began a series of legal actions to protect its interests, with the aim of preventing the transfer to the public shareholders of ABAB's equity investment in Acque.

In the context of the case, the public shareholders filed a request to appoint an arbitrator pursuant to article 1349 of the Civil Code, to determine the price due in the case the disputed option right were to be exercised. Following the filing of the preliminary pleadings, the

judge (i) appointed the arbitrator; (ii) requested a court-appointed expert to determine the price in the case one was not identified by the third party; (iii) set an attempt for conciliation.

The dispute, after the filing of the consultation and clarification documents provided by the court-appointed expert, the hearing on 11/12/2023 was postponed for the hearing for final arguments on 1/7/2024.

The Directors consider that the settlement of the ongoing dispute and other potential disputes should not create any additional charges for Group companies, with respect to the amounts set aside (note 34 a on the Provision for risks and charges).

These allocations represent the best estimate possible based on the elements available today.

ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

CLASSES OF FINANCIAL INSTRUMENTS

The following table shows the breakdown of financial assets and liabilities required by IFRS 7 based on the categories defined by IAS 39.

€ thousand	FVTPL	FVTOCI	Amortised cost	Balance sheet value	Explanatory notes
Non-current assets	26,881	0	0	26,881	
Other equity investments	8,029	0	0	8,029	21
Total non-current financial assets	18,852	0	0	18,852	23
Current assets	0	22,352	2,048,933	2,071,284	
Trade receivables	0	0	1,213,200	1,213,200	26
Payables arising from commodity derivatives	0	22,352	0	22,352	26
Total current financial assets	0	0	487,251	487,251	29
Other current assets	0	0	348,482	348,482	27
Non-current liabilities	0	161,342	4,530,530	4,691,872	
Bonds	0	161,342	3,777,833	3,939,174	35
Payables to banks	0	0	752,698	752,698	35
Current liabilities	0	1,361	3,224,037	3,225,398	
Short-term bonds	0	0	641,387	641,387	37
Payables to banks	0	0	115,562	115,562	37
Other financial payables	0	0	150,743	150,743	37
Payables from commodity derivatives	0	1,361	0	1,361	38
Total trade payables	0	0	1,750,473	1,750,473	38
Other liabilities	0	0	565,871	565,871	40

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of securities not listed on an active market is determined using the valuation models and techniques prevailing on the market or using the price provided by several independent counterparties.

The fair value of medium/long-term financial assets and liabilities is calculated on the basis of the risk less and the risk less adjusted interest rate curves.

It must be noted that for trade receivables and payables with contractual expiry within the financial year, the fair value has not been calculated as their book value approximates the same.

In addition, fair value is not calculated when the fair value of financial assets and liabilities cannot be objectively determined.

TYPES OF FINANCIAL RISKS AND RELATED HEDGING ACTIVITIES

Foreign exchange risk

The Group is not particularly exposed to this type of risk, which is concentrated in the conversion of the financial statements of its overseas subsidiaries. As regards the 20 billion Yen Private Placement, the exchange rate risk is hedged through a cross currency swap described in the section on interest rate risk.

Commodity Risk

In this context, reference is made to the Price Risk and Volume Risk cases as defined:

- **Price Risk:** risk linked to the change in commodities prices due to the difference in the price indices for purchases and sales of Electricity, Natural Gas and EUA Environmental Certificates;
- **Volume Risk:** the risk linked to changes in the volumes effectively consumed by clients compared to the volumes envisaged

in the sales contracts (sale profile) or, in general, the balancing of positions in the portfolios.

Through the activities carried out by the Commodity Risk Control Unit of the Finance Unit within the Administration, Finance and Control department, Acea SpA ensures the analysis and measurement of exposure to market risks, interacting with the Energy Management Unit of Acea Energia SpA, verifying compliance with the limits and criteria adopted by the General Risk Management of the Commercial and Trading Sector and by the Administration, Finance and Control Department in line with the Acea SpA “Guidelines for the Internal Control and Risk Management System” and Acea SpA “Guidelines for Risk Management For Commodity Trading in Futures Markets”, approved by the Board of Directors on 14 March 2022, as well as 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.

Commodity trading on futures markets is intended to satisfy expected needs deriving from electricity and gas sales contracts relative to end customers.

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 on compliance with risk procedures and limits (also for purposes of compliance with Law 262/05) and reports to the Top Management any discrepancies detected during the phases of checks, so that measures can be adopted to be within the established limits.

The objectives and policies for market risk, counterparty credit risk and regulatory risk management are detailed in the relevant section of the Report on Operations, to which reference is made.

It should be noted that the hedges effected on the purchases and sales portfolio were conducted with leading operators in the electricity market and the financial sector. Below, in accordance with former article 2427-bis of the Italian Civil Code, is the information necessary for the description of transactions carried out, aggregated by hedged index, effective as of 1 January 2024.

Instrument	Table of Contents	Purposes	Purchases/Sales	Fair value € thousand	Portion recognised to shareholders' equity	Portion recognised in the income statement
Swap. CFD	Energy_IT	Hedging Energy portfolio	Electricity sales	20,804	20,804	0
Swap. CFD	Gas_IT	Hedging Gas portfolio	Purchase of natural gas	187	187	0

The Group determines the classification of financial instruments at fair value, in accordance with the provisions of IFRS 13. The fair value of the assets and liabilities is classified in a fair value hierarchy that envisages three different levels, defined as follows, according

to the inputs and valuation techniques used to measure fair value:

- level 1: prices listed (not adjusted) on a market for identical assets and liabilities;
- level 2: inputs other than listed prices pursuant to level 1, which

can be observed for the asset or liability, both directly and indirectly;

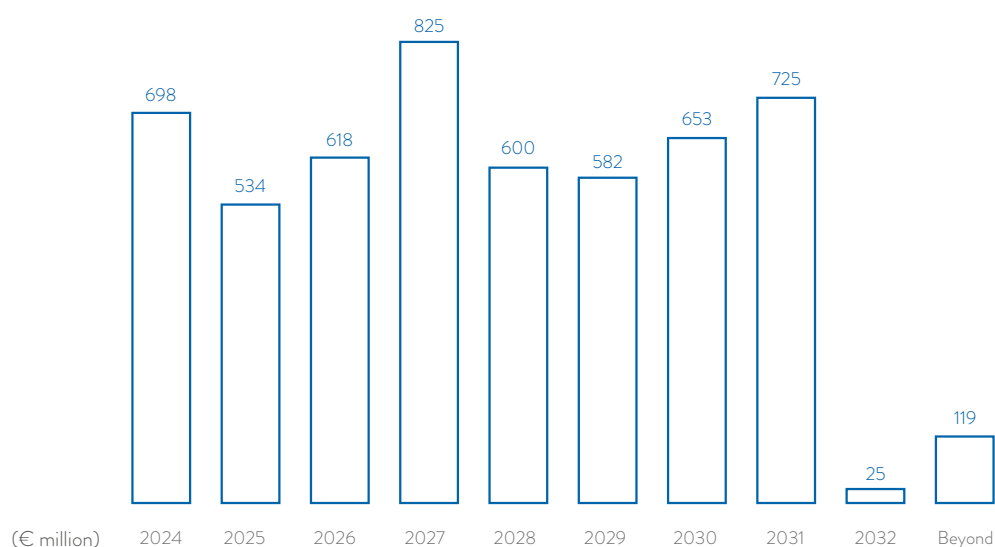
- level 3 - inputs not based on observable market data. This note provides some detailed information on the valuation techniques and inputs used to prepare these valuations.

With regards to the type of derivatives for commodities for which fair value is determined, note that this is fair value level 1 as they are listed on active markets;

Finally, it should be noted that, as of 2014, the Group has applied the rules laid down in EC regulations 148 and 149/2013 (jointly and together with Regulation 648/2012, EMIR) and is currently defined as NFC - (Non-Financial Counterparty).

Liquidity risk

Acea's liquidity risk management policy is based on ensuring the availability of significant bank lines of credit. Such lines exceed the average requirement necessary to fund planned expenditure and enable the Group to minimise the risk of extraordinary outflows. In order to minimise liquidity risk, the Group has adopted a centralised treasury management system, which includes the most important Group companies, and provides financial assistance to the companies (subsidiaries and associates) not covered by a centralised finance contract.



Regarding the trade payables (€ 1,750.6 million) it should be noted that the portion which is due to expire in the next twelve months amounted to € 1,658.6 million. The amount already expired of € 92.1 million will be paid by the first quarter of 2024.

Interest rate risk

The Acea Group's approach to managing interest rate risk, which takes the structure of assets and the stability of the Group's cash flows into account, has essentially been targeted, up to now, at hedging funding costs and stabilising cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving from ordinary activities.

The Group's approach to managing interest rate risk is, therefore, prudent and the methods used tend to be static in nature.

At 31 December 2023 the Parent Company has uncommitted credit lines of € 425 million, of which € 21 million utilised. In the event of the drawdown of these types of facilities, Acea would pay an interest rate equal to the Euribor at one, two, three or six months (depending on the chosen period of use), in addition to a spread that, in some cases, may vary according to the rating assigned to the parent company. Acea also has committed revolving lines for € 700 million, with an average residual maturity of around 2.9 years. No guarantees were granted in obtaining these lines.

Additionally, on 6 July 2023 Acea signed the contract for the first tranche of € 235 million from the EIB loan to support a portion of the Acea Ato2 investments (Acea Water Sector IV), not utilised at 31 December 2023. At the end of the year the Parent Company has commitments in short-term deposit transactions for an amount of € 330 million.

Please note that the EMTN Programme approved and established in 2014 for an initial amount of € 1.5 billion, adjusted upwards for a total of € 5 billion in 2021, was available in a residual amount of € 600 million at 31 December 2023. Note that in the first two months of 2023, Acea placed bonds totalling € 700 million.

The graph below depicts the future development of all debt maturities, forecast based on the situation at the end of the year.

In particular, for static management (to be opposed to the dynamic one) we mean a type of management of interest rate risk that does not provide for daily operations on the markets but an analysis and control of the position carried out periodically on the basis of specific needs. This type of management therefore involves daily activity in the markets, not for trading purposes but in order to hedge the identified exposure in the medium/long term.

Acea has, up to now, opted to minimise interest rate risk by choosing a mixed range of fixed and floating rate funding instruments.

As it is known, fixed rate funding protects a borrower from cash flow risk in that it stabilises the financial outflows in the income statement, whilst heightening exposure to fair value risk in terms of changes in the market value of the debt.

An analysis of the medium/long-term consolidated debt position shows that the risk Acea is exposed to is mainly in the form of fair value risk, being composed of hedged fixed rate borrowings (91%) as at 31 December 2023, and to a lesser extent to the risk of fluctuations in future cash flows.

Acea is consistent with its decisions regarding interest rate risk management that essentially aims to both control and manage this risk and optimise borrowing costs, taking account of Stakeholders' interests and the nature of the Group's activities, and based on the prudence principle and best market practices. The main objectives of these guidelines are as follows:

- identifying, from time to time, the optimal combination of fixed and variable rates;
- to pursue a potential optimisation of borrowing costs within the risk limits established by governance bodies and in accordance with the specific nature of the business;
- to manage derivatives transactions solely for hedging purposes, should Acea decide to use them, in respect of the decisions of

the Board of Directors and, therefore, the approved strategies and taking into account (in advance) the impact on the income statement and Statement of Financial Position of said transactions, giving preference to instruments that qualify for hedge accounting (typically cash flow hedges and, under given conditions, fair value hedges).

A cross currency plain vanilla swap operation is in being as of 31 December 2023 on Acea. This was entered into in 2010 to transform into euro the currency of the Private Placement (yen) and the yen rate applied into a fixed rate in euro.

The derivative instrument contractualised by Acea listed above is of the non-speculative type and the fair value, calculated according to the bilateral method, is a negative € 32.9 million (a negative € 18.0 million at 31 December 2022).

The fair value of medium/long-term debt is calculated on the basis of the risk-free and the risk-adjusted interest rate curves.

Loans € thousand	Amortised cost (A)	Risk-less FV (B)	Delta (A - B)	Risk adjusted FV (C)	Delta (A - C)
Bonds	4,580,562	4,470,918	109,644	4,346,761	233,801
- fixed rate	260,773	264,049	(3,276)	254,646	6,127
- floating rate	405,705	434,545	(28,840)	418,426	(12,721)
- floating rate cash flow hedge	191,670	193,490	(1,821)	189,088	2,581
Total	5,438,709	5,363,002	75,707	5,208,920	229,789

This analysis was also carried out with the risk adjusted curve, i.e. a curve adjusted for the level of risk and the business sector of Acea. A curve populated with fixed rate bonds denominated in euro, issued by domestic companies in the public utilities sector with a composite rating ranging from BBB+ and BBB- was used.

A sensitivity analysis has been carried out on medium/long-term financial liabilities using stress testing, thus applying a constant spread over the term structure of the «risk adjusted» interest rate curve.

This makes it possible to evaluate the impact on fair value and on future Cash Flows for both the individual instruments in the portfolio and the overall portfolio.

The following table shows the overall fair value changes of the debt portfolio based on parallel shifts (positive and negative) between -1.5% and +1.5%.

Constant spread applied	Changes in present value € million
-1.5%	(422.0)
-1.0%	(313.8)
-0.5%	(209.0)
-0.25%	(157.9)
n.s.	0.0
0.25%	(57.9)
0.5%	(9.1)
1.0%	86.2
1.5%	178.7

With regard to the type of hedging of which the fair value is determined and with reference to the hierarchies required by the IASB, it should be noted that, since these are composite instruments, the level is type 2 and that during the period there were no reclassifications from or to other levels of fair value as defined by IFRS13.

Credit risks

As already indicated in the general part of the Report on Operations to which you are referred, Acea issued in July 2019 the guidelines of the Group Credit Policy and the "Scoring and customer credit limit" procedure, which defines the methods for preventing credit risk (hereinafter "Credit Check") on non-regulated markets.

The guidelines of the Credit Policy, of a general nature, based on the principle of decentralising the credit activities within the companies, identify, on the basis of a Governance matrix, the responsibilities of the Parent Company and those of the operating companies.

Based on the above guidelines, the companies are responsible for the operational management of active and discontinued loans of the entire receivable portfolio, with the exception of customers of a significant amount managed by Corporate Credit through law firms identified together with the General Counsel Department. For the authorised companies, the Collection Unit of Administration, Finance and Control proceeds, on appointment of the same, to recovery through tax injunctions.

The Corporate Credit Unit monitors the performance of receivables on an ongoing basis and provides periodic management reports by segment and by company.

The following table shows the credit risk management of the main business areas of the group by number of customers/turnover.

Relative to the **areti**, the credit component managed by the Company that indicates a possible risk factor is that invoiced to operators for sales activities relative to transportation of energy on the distribution network, for performances carried out for end customers and general system charges (these latter in turn paid to CSEA or the GSE). This risk was mitigated by regulatory changes implemented by ARERA, which introduced mechanisms for recognising amounts not collected.

Relative to the companies in the **Commercial and Trading Segment**, for supplies of electricity and gas on the free market, preventive credit risk identification is done through a credit scoring system, integrated into the user management system, allowing for real time assessment of the creditworthiness of potential clients when they are acquired:

- with regard to Mass Market and Small Business customers, the Credit Check system integrated in the CRM is directly usable by Acea Energia and the commercial agencies appointed thereby. Specific scorecards have been defined to identify customers that are potentially unsuitable for the supply of electricity or gas, as they have a risk profile that is not in line with company standards;
- with reference to Large and Top customers, the investigation is performed in Acea SpA using a dedicated platform with specific workflows that support the timely analysis of prospective customers, thanks also to the availability of updated accounting and commercial information.

Acea Energia uses the invoicing system both to manage credit relative to active users on the protected market and to manage credit for customers active on the free market, while receivables due from ceased customers are managed with dedicated software.

In the past two years in and out of court collection has been strengthened, improving performance and quality for “small-ticket” receivables through master legal and collection agencies managed by Acea Energia, thereby utilising services offered by market operators for large-scale credit collection.

On the management side, activities successfully continued for the collection matching process, acting both on the collection channels and the application systems, and with regard to the number of dedicated employees.

The “large-ticket” customers that have ceased to be “large-ticket” customers following an internal collection process set up by Acea Energia are transferred to the Acea Corporate Credit Unit in the event of an unsuccessful outcome of the recovery, which then entrusts them in packages with uniform characteristics to law firms contracted by the General Counsel Department.

Law firms are assessed on the basis of their recovery performance and are engaged in proportion to the results achieved.

With regards to **companies in the Water Segment**, it should be remembered that the Galli Law, which grants a single operator a thirty-year concession for the integrated water service in the Optimal Territorial Area, created a local monopoly in the management of this service.

These features of the water market are reflected when measuring credit risk which mainly applies to certain types of insolvency, in particular:

- receivables subject to tender procedures;
- receivables linked to termination of accounts without the creation of a new contractual relationship;

- receivables linked to special social situation, in which the operator due to reasons of public order and/or regional issues is not able to apply the typical risk protection instruments.

Essentially, users, also in typical cases when liquidity is lacking, tend to comply with their commitments relative to a primary service such as water, meaning the operator has risk of a mainly “financial” nature, that is associated with payment trends that tend to be slower on average with respect to trade receivables.

Legislators have taken action multiple time to adopt measures intended to limit late payments, in particular the recent resolution ARERA 311/2019/R/Idr which published the REMSI provision, which contains the provisions for regulating late payments for the integrated water services (REMSI), as of 1 January 2020. This provision was subsequently amended with the resolution of 17 December 2019, 547/2019/R/Idr, with resolution 26 May 2020, 186/2020/R/Idr and resolution 16 June 2020, 221/2020/R/Idr. In this context, the Companies, consistent with the guidelines of the Acea Group’s credit policy, have identified different strategies that follow the Customer Care philosophy, based on the fundamental presupposition of a direct relationship with users, as a distinctive element in creating an efficient process to constantly improve the net financial position.

Implementation of credit risk management strategies starts with a macro-distinction between public sector end users (Municipalities, public administrations, etc.) and private sector end users (industrial, commercial, condominium, etc.), given that said categories present different levels of risk, in particular:

- low risk of insolvency and high risk of late payment for public sector end users;
- variable risk of insolvency and late payment risk for private sector end users.

With reference to amounts due from “public” users, these are managed through specific phone collection actions, with a residual portion converted to cash through without recourse factoring with financial partners and/or the offsetting of receivables and payables and settlement agreements.

Management of credit relative to “private” users involves a series of targeted action which range from amicable payment reminders, specific notices for condominium customers, formal notice of arrears, assignment to specialised or internal collection services via telephone, through to disconnection of defaulting end users, factoring and assignment to legal studies for collection of credit via the courts.

These actions are carried out with methods and schedules governed by the REMSI provision.

Note that Ministry of Economy and Finance Decrees authorise Acea Ato2, Acea Ato5 and GORI are authorised to make use of forced collection and hence can directly issue tax injunctions and, in the case of persistent default, can register the receivables with injunctions.

For the above companies, tax injunctions represent the main judicial collection tool relative to ceased receivables.

Relative to **other Group Segments**, (Environment, Engineering & Infrastructure Projects and Production), credit exposure is generally limited and concentrated with a few debtors, carefully managed by the operating companies with support, if necessary, from the Corporate Credit Unit.

ANNEXES



- A. LIST OF CONSOLIDATED COMPANIES
- B. RECONCILIATION OF SHAREHOLDERS' EQUITY AND STATUTORY PROFIT – CONSOLIDATED
- C. REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND KEY MANAGERS
- D. PUBLIC DISBURSEMENT INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125, LAW 124/2017
- E. SEGMENT INFORMATION: STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

A. LIST OF CONSOLIDATED COMPANIES

Company name	Registered Office	Share capital (€)	Effective equity investment %	Group consolidated stake	Consolidation method
Environment Segment					
Acque Industriali Srl	Via Bellatalla, 1 - Ospedaletto (PI)	100,000	73.05%	100.0%	Full
Aquaser Srl	Piazzale Ostiense, 2 - Rome	3,900,000	97.86%	100.0%	Full
Acea Ambiente Srl	Piazzale Ostiense, 2 - Rome	2,224,992	100.00%	100.0%	Full
Orvieto Ambiente Srl	Piazzale Ostiense, 2 - Rome	10,010,000	100.00%	100.0%	Full
A.S. Recycling Srl	Piazzale Ostiense, 2 - Rome	1,000,000	90.00%	100.0%	Full
Berg SpA	Via delle Industrie, 38 - Frosinone	844,000	60.00%	100.0%	Full
Cavallari Srl	Via dell'Industria, 6 - Ostra (AN)	100,000	80.00%	100.0%	Full
Deco SpA	Via Vomano, 14 - Spoltore (PE)	1,404,000	100.00%	100.0%	Full
Demap Srl	Via Giotto, 13 - Beinasco (TO)	119,015	100.00%	100.0%	Full
Consorzio Servizi Ecologici del Frentano "Ecofrentano"	Strada Provinciale Pedemontana Km 10, Frazione Cerratina - Lanciano (CH)	10,329	75.00%	100.0%	Full
Ecologica Sangro SpA	Strada Provinciale Pedemontana Km 10, Frazione Contrada - Cerratina Lanciano (CH)	100,000	100.00%	100.0%	Full
Ferrocarrt Srl	Via Vanzetti, 34 - Terni	80,000	60.00%	100.0%	Full
Iseco SpA	Loc, Surpian n. 10 - Saint-Marcel (AO)	110,000	80.00%	100.0%	Full
MEG Srl	Via 11 Settembre n. 8 - San Giovanni Ilarione (VR)	10,000	60.00%	100.0%	Full
S.E.R. Plast Srl	Contrada Stampalone, Cellino Attanasio (TE)	70,000	70.00%	100.0%	Full
Tecnoservizi Srl	Via Bruno Pontecorvo, 1/B - Rome	1,000,000	70.00%	100.0%	Full
Commercial Segment					
Acea Energia SpA	Piazzale Ostiense, 2 - Rome	10,000,000	100.00%	100.0%	Full
Acea Energy Management Srl	Piazzale Ostiense, 2 - Rome	100,000	100.00%	100.0%	Full
Acea Innovation Srl	Piazzale Ostiense 2 - Rome	2,000,000	100.00%	100.0%	Full
Umbria Energy SpA	Via Bruno Capponi, 100 - Terni	1,000,000	100.00%	100.0%	Full
Water Segment					
Adistribuzione Gas Srl	Via L. Galvani, 17/A - Forlì	5,953,644	51.00%	100.0%	Full
Notaresco Gas Srl	Via Padre Frasca - Frazione Chieti Scalo Centro Dama (CH)	100,000	55.00%	100.0%	Full
Acea Ato2 SpA	Piazzale Ostiense, 2 - Rome	362,834,340	96.46%	100.0%	Full
Acea Ato5 SpA	Viale Rome - Frosinone	10,330,000	98.45%	100.0%	Full
Acque Blu Arno Basso SpA	Piazzale Ostiense, 2 - Rome	8,000,000	86.66%	100.0%	Full
Aquantia Srl	Piazzale Ostiense, 2 - Rome	500,000	65.00%	100.0%	Full
Acea Molise Srl	Piazzale Ostiense, 2 - Rome	100,000	100.00%	100.0%	Full
Gesesa SpA	Corso Garibaldi, 8 - Benevento	534,991	57.93%	100.0%	Full
GORI SpA	Via Trentola, 211 - Ercolano (NA)	44,999,971	37.05%	100.0%	Full
Sarnese Vesuviano Srl	Piazzale Ostiense, 2 - Rome	100,000	99.17%	100.0%	Full
Acque Blu Fiorentine SpA	Piazzale Ostiense, 2 - Rome	15,153,400	75.01%	100.0%	Full
ASM Terni	Via Bruno Capponi, 100 - Terni	84,752,541	45.27%	100.0%	Full
Acquedotto del Fiora SpA	Via G. Mameli, 10 - Grosseto	1,730,520	40.00%	100.0%	Full
Agile Academy Srl	Via Mameli, 10 - Grosseto	10,000	100.00%	100.0%	Full
Ombrone SpA	Piazzale Ostiense, 2 - Rome	6,500,000	99.51%	100.0%	Full
Servizi Idrici Integrati Scarl	Via I Maggio, 65 - Terni	19,536,000	43.00%	100.0%	Full
Umbriadue Servizi Idrici Scarl	Via Aldo Bartocci n. 29 - Terni	100,000	99.90%	100.0%	Full

Company name	Registered Office	Share capital (€)	Effective equity investment %	Group consolidated stake	Consolidation method
Water Segment (Overseas)					
Acea International SA	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama - Santo Domingo	9,089,661	100.00%	100.0%	Full
Consorcio Agua Azul SA	Calle Amador Merino Reina 307 - Of. 803 Lima 27 - Perù	16,000,912	44.00%	100.0%	Full
Consorcio Acea	Calle Amador Merino Reina 307 - Lima - Perù	225,093	100.00%	100.0%	Full
Consorcio Servicio Sur	Calle Amador Merino Reyna, San Isidro - Lima - Perù	33,834	51.00%	100.0%	Full
Acea Dominicana SA	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama - Santo Domingo	644,937	100.00%	100.0%	Full
Consorcio Acea Lima Norte	Calle Amador Merino Reina 307 - Lima - Perù	221,273	100.00%	100.0%	Full
Consorcio Acea Lima Sur	Calle Amador Merino Reyna 307 - Lima - Perù	75,068	100.00%	100.0%	Full
Aguas de San Pedro SA	Las Palmas. 3 Avenida, 20y 27 calle - 21104 San Pedro - Honduras	6,457,345	60.65%	100.0%	Full
Acea Perù SAC	Cal. Amador Merino Reyna , 307 Miraflores - Lima - Perù	177,582	100.00%	100.0%	Full
Consorzio Acea - Acea Dominicana	Av. Las Americas - Esq. Masoneria - Ens. Ozama - Santo Domingo	67,253	100.00%	100.0%	Full
Networks & Smart Cities Segment					
areti SpA	Piazzale Ostiense, 2 - Rome	345,000,000	100.00%	100.0%	Full
A.Cities Srl	Piazzale Ostiense, 2 - Rome	50,000	100.00%	100.0%	Full
Production Segment					
Ecogena Srl	Piazzale Ostiense, 2 - Rome	1,669,457	100.00%	100.0%	Full
Acea Renewable Srl	Piazzale Ostiense, 2 - Rome	10,000	100.00%	100.0%	Full
Acea Liquidation and Litigation Srl	Piazzale Ostiense, 2 - Rome	10,000	100.00%	100.0%	Full
Fergas Solar 2 Srl	Piazzale Ostiense, 2 - Rome	10,000	100.00%	100.0%	Full
Acea Renewable 2 Srl	Piazzale Ostiense, 2 - Rome	10,000	100.00%	100.0%	Full
SF Island Srl	Via Cantorriwo, 44/C - Acquapendente (VT)	10,000	100.00%	100.0%	Full
Acea Solar Srl	Piazzale Ostiense, 2 - Rome	1,000,000	100.00%	100.0%	Full
Acea Produzione SpA	Piazzale Ostiense, 2 - Rome	5,000,000	100.00%	100.0%	Full
Engineering & Infrastructure Projects Segment					
Acea Infrastructure SpA	Via Vitorchiano, 165 - Rome	2,444,000	100.00%	100.0%	Full
SIMAM SpA	Via Cimabue, 11/2 - Senigallia (AN)	600,000	100.00%	100.0%	Full
Technologies for Water Services SpA	Via Ticino, 9 - Desenzano del Garda (BS)	11,164,000	100.00%	100.0%	Full

Companies accounted for using the equity method as from 1 January 2014 in accordance with IFRS 11

Company name	Registered Office	Share capital (€)	Effective equity investment %	Group consolidated stake	Consolidation method
Environment Segment					
Ecomed Srl	Piazzale Ostiense, 2 - Rome	10,000	50.0%	50.0%	Equity
Picenambiente SpA	Contrada Monte Renzo, 25 - San Benedetto del Tronto (AP)	5,500,000	21.8%	21.8%	Equity
Picenambiente Srl	Contrada Monte Renzo, 25 - San Benedetto del Tronto (AP)	505,000	100.0%	21.8%	Equity
Picenambiente Energia SpA	Contrada Monte Renzo, 25 - San Benedetto del Tronto (AP)	200,000	100.0%	21.8%	Equity
Water Segment					
Umbria Distribuzione Gas SpA	Via Capponi, 100 - Terni	2,120,000	55.0%	55.0%	Equity
Aqua.iot Srl	Piazzale Ostiense, 2 - Rome	1,050,000	35.0%	35.0%	Equity
DropMI Srl	Piazzale Ostiense, 2 - Rome	1,000,000	50.0%	50.0%	Equity
Acque SpA	Via Garigliano, 1 - Empoli	9,953,116	45.0%	45.0%	Equity
Intesa aretina Scarl	Via Benigno Crespi, 57 - Milano	18,112,000	35.0%	35.0%	Equity
GEAL SpA	Viale Luporini, 1348 - Lucca	1,450,000	48.0%	48.0%	Equity
Nuove Acque SpA	Patrignone - Località Cuculo (AR)	34,450,389	46.2%	16.2%	Equity
Publiacqua SpA	Via Villamagna - Firenze	150,280,057	40.0%	40.0%	Equity
Umbra Acque SpA	Via Benucci, 162 - Ponte San Giovanni (PG)	15,549,889	40.0%	40.0%	Equity
Greenasm Srl	Via dello Stabilimento, 1 - Nera Montoro (TR)	10,000	50.0%	22.6%	Equity
Production Segment					
KT4 Srl	Via SS. Pietro e Paolo, 50 - Rome	110,000	100.0%	40.0%	Equity
Ambra Solare 16 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 17 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 20 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 25 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 28 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 29 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 30 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 31 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 33 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 34 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 35 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 39 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 40 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 44 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Belaria Srl	Via Luciano Manara, 15 - Milan	10,000	49.0%	19.6%	Equity
Energia SpA	Via Barberini, 28 - Rome	239,520	49.9%	49.9%	Equity
Euroline 3 Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity
Fergas Solar Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity
Acea Green Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity
IFV-Energy Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity
JB Solar Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity

Company name	Registered Office	Share capital (€)	Effective equity investment %	Group consolidated stake	Consolidation method
M2D Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity
Marmaria Solare 8 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Marmaria Solare 9 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Marmaria Solare 10 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Marche Solar Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity
PF Power of Future Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity
PSL Srl	Piazzale Ostiense, 2 - Rome	15,000	100.0%	40.0%	Equity
Solaria Real Estate Srl	Piazzale Ostiense, 2 - Rome	176,085	100.0%	40.0%	Equity
Solarplant Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity
Acea Sun Capital Srl	Piazzale Ostiense, 2 - Rome	10,000	40.0%	40.0%	Equity
Trinovolt Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity
Engineering & Infrastructure Projects Segment					
Ingegnerie Toscane Srl	Via Francesco de Sanctis, 49 - Firenze	100,000	99.9%	44.5%	Equity

The following companies are also consolidated using the equity method:

Company name	Registered Office	Share capital (€)	Quota di partecipazione	Group consolidated stake	Consolidation method
Environment Segment					
Amea SpA	Via San Francesco d'Assisi 15C - Paliano (FR)	1,689,000	33.0%	33.0%	Equity
Coema	Piazzale Ostiense, 2 - Rome	10,000	67.0%	33.5%	Equity
Water Segment					
Le Soluzioni Scarl	Via Garigliano, 1 - Empoli	250,678	80.8%	51.6%	Equity
Sogea SpA	Via Mercatanti, 8 - Rieti	260,000	49.0%	49.0%	Equity
Umbria Distribuzione Gas SpA	Via Bruno Capponi 100 - Terni	2,120,000	15.0%	15.0%	Equity
Bonifiche Ferraresi SpA	Via Cavicchini, 2 - Jolanda di Savoia (FE)	261,883,391	0.5%	0.5%	Equity
Water Segment (Overseas)					
Aguaazul Bogotá SA	Calle 82 n. 19°-34 - Bogotá - Colombia	652,361	51.0%	51.0%	Equity
Production Segment					
Sienergia SpA (in liquidation)	Via Fratelli Cairoli, 24 - Perugia	132,000	42.1%	42.1%	Equity
Other					
Marco Polo Srl (in liquidation)	Via delle Cave Ardeatine, 40 - Rome	10,000	33.0%	33.0%	Equity

B. RECONCILIATION OF SHAREHOLDERS' EQUITY AND STATUTORY PROFIT – CONSOLIDATED

€ thousand	Profit for the year		Shareholders' equity	
	2023	2022	31/12/2023	31/12/2022
Balances in statutory financial statements (Acea)	202,961	206,735	1,711,806	1,690,653
Surplus of shareholders' equity in financial statements, including the related results compared to carrying values in consolidated companies	91,751	64,308	259,230	232,706
Consolidation Goodwill	(17,161)	(18,484)	274,587	247,122
Accounted for using the equity method	14,246	28,042	179,388	170,628
Other changes	2,111	(877)	(47,729)	(49,840)
Balances in consolidated financial statements	293,908	279,725	2,377,281	2,291,268

C. REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND KEY MANAGERS

Board of Directors and Board of Statutory Auditors

€ thousand	Remuneration due				
	Remuneration for the office	Non-monetary benefits *	Bonuses and other incentives	Other compensation	Total
Consiglio di Amministrazione	Total	11	365	1,611	2,438
Collegio Sindacale	364	0	0	0	364

* Non-monetary benefits are expressed at their taxable value.

Key Managers

Total fees due to executives with strategic responsibilities for 2023 amounted to:

- salaries and bonuses € 1,163 thousand;
- non-monetary benefits € 30 thousand.

Remuneration paid to key managers is established by the Remuneration Committee based on average levels of pay in the labour market.

Auditing Firm

In accordance with article 149 duodecies of CONSOB Issuers' Regulations, the fees accrued by the independent auditors PwC in 2023 are provided in the table below.

Type of service (€ thousand)	Parent company auditing company		Parent company auditing company network		Total	
	Group Parent company	Acea Group	Group Parent company	Acea Group	Group Parent company	Acea Group
Independent auditing of the accounts	220	1,552	0	217	220	1,769
Certification services	73	317	0	0	73	317
Tax consulting services	0	0	0	9	0	9
Other services	232	255	187	210	419	465
Total fees	524	2,124	187	436	712	2,559

(1) Other auditing services provided by PwC SpA to the parent company mainly refer to assistance with documentation and assessment of internal audits;

(2) Other auditing services provided by companies within the PwC network to the parent company mainly involve the issuing of comfort letters with reference to bond issues;

(3) Other auditing services provided by PwC SpA and the companies in the PwC network to subsidiaries mainly include limited auditing of sustainability reports.

D. PUBLIC DISBURSEMENT INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125, LAW 124/2017

On the basis of the transparency rules for the system of public disbursements, pursuant to article 1, paragraph 125 of Law 124/2017, the following is declared with reference to 31 December 2023:

- Acea Ato2 collected a contribution of € 23,727 thousand from the Lazio Region as a result of the request for access to the Fund for the adjustment of the prices of building materials referred to in article 1-septies, paragraph 8, of the Law Decree 73 of 25 May 2021 converted, with amendments, by law of 23 July 2021 no. 106 and a contribution of € 2,226 thousand intended to combat the drinking water supply crisis in the Lazio Region with reference to 2021;
- areti collected € 8,540 thousand following the request to access the Fund for the adjustment of prices of building materials pursuant to article 1-septies, paragraph 8 of Decree Law 73 of 25 May 2021, converted with amendments by Law 106 of 23 July 2021 and as an advance (of 10%) received contributions relative to public financing envisaged in the National Recovery and Resilience Plan (NRRP) equal to € 17,427 thousand to increase the network's ability to host and integrate additional amounts generated from renewable sources and augment the capacity and power available to users to support electrification of energy consumption;
- Acea Ato5 collected € 1,318 thousand from regional financing to develop and adapt the water and sewer networks and waste water purification systems for 2021-2023, based on DGR 905/21 and additionally received € 3,769 thousand from the Ministry of Infrastructure and Sustainable Mobility for the request for access to the Fund for adjustment of the prices of building materials referred to in article 1-septies, paragraph 8, of Decree Law 73/2021;
- Acea Innovation collected a contribution from the Region of Sicily in the amount of € 120 thousand for the Campus - Sharing, Smart and Sustainable Campus project;
- GORI collected contributions from the Region of Campania for € 75,203 thousand, of which € 37,692 thousand to construct and improve the efficiency of plants and the remaining part for projects associated with the NRRP and React EU to monitor and reduce leaks. It also received contributions from the Ministry of Infrastructure and Sustainability Mobility for € 9,922 for the "Aid Decree" (Decree Law 50/2022) and from the POR Fund collected € 3,156 thousand. Finally, from the Ministry of Education and the Ministry of the University it collected a total of € 184 thousand, respectively for the Raphael Project and the Biofeedstock Project;
- Iseco benefited from the sum of € 102 thousand in the form of a tax credit, partially offsetting the costs incurred for the purchase of energy and gas as an energy-intensive company;
- During the period, Cavallari used the sum of € 43 thousand as a tax credit in partial set-off of the costs incurred for the purchase of electricity, as an energy-intensive company;
- During the period, Demap has benefited from the sum of € 64 thousand as a tax credit, partially offsetting the costs incurred for the purchase of electricity;
- During the period, BERG used the sum of € 40 thousand as a tax credit, partially offsetting the costs incurred for the purchase of electricity;
- Acquedotto del Fiora received € 2,187 thousand from the Ministry of Infrastructure and Transport for the request to access the Fund for adjustment of the prices of building materials, pursuant to article 1-septies, paragraph 8 of Decree Law 73/2021 and € 500 thousand from the NRRP contribution to complete the new aqueduct for the Mondetoglio dam, to which the Tuscan Water Authority also contributed for € 2,500 thousand. It also collected € 630 thousand from the latter to develop new purification systems and € 1,815 thousand for having overcome the water emergency of 2003. Additionally, for resolving roadway interference with pipelines, ANAS SpA received € 508 thousand, € 339 thousand for extending the water network in the Municipalities of Casole d'Elsa and Siena and, finally, collected € 23 thousand from CINEA with reference to the LIFE TURBINES project;
- Gesesa collected € 222 thousand from the Campania Region as a contribution for the Development and Cohesion Plan and € 555 thousand with reference to the POR Fund. Additionally, during the reference period it benefited from the sum of € 146 thousand as a tax credit, partially offsetting the costs incurred for the purchase of electricity.

E. SEGMENT INFORMATION: STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

Please note the following for a better understanding of the breakdown provided in this section:

- **Environment**, responsible from an organisational point of view, for Acea Ambiente, Aquaser, Acque Industriali, Iseco, Demap, Berg, Ferrocarr, Cavallari, Deco, Meg, S.E.R. Plast, AS Recycling, Tecnoservizi, Italmacero, Orvieto Ambiente;
- **Commercial**, responsible from an organisational point of view, for Acea Energia, Aema, Umbria Energy, Acea Innovation;
- **Water (Overseas)** responsible, from an organisational point of view, for the activities carried out abroad;
- **Water**, responsible, from an organisational point of view, for the water companies operating in Lazio, Campania, Tuscany and Umbria, and for the gas distribution companies operating in Abruzzo and ASM Terni;
- **Production** refers to Acea Produzione, Ecogena, Acea Liquidation and Litigation, and all the companies in the Photovoltaic sector;
- **Networks & Smart Cities** refers to areti and public lighting;
- **Engineering and Services** responsible, from an organizational point of view, for Acea Infrastructure, TWS, Ingegnerie Toscane and SIMAM.

Balance sheet - Assets 2022

€ thousand	Environment	Commercial	Water (Overseas)
Capex	46,226	49,556	5,803
Total property, plant and equipment	340,749	4,472	35,764
Total intangible fixed assets	188,865	207,953	35,223
Subsidiaries			
Financial assets in shares			
Total non-financial assets			
Total financial assets			
Inventories	11,405	4,911	2,141
Receivables from customers	105,234	539,115	11,113
Receivables from Parent Company	359	17,844	0
Receivables from associates	15	(138)	0
Other current receivables and assets			
Total financial assets			
Total cash and cash equivalents			
Non-current assets held for sale			
Total assets			

Balance sheet - Liabilities 2022

€ thousand	Environment	Commercial	Water (Overseas)
Trade payables to third parties	86,755	700,589	4,519
Trade payables to Parent Company	7,649	20,657	67
Trade payables to subsidiaries and associates	0	0	167
Other current trade liabilities			
Other current financial liabilities			
Employee severance indemnity and other defined benefit plans	11,271	3,889	545
Other provisions	73,072	12,528	126
Other non-current trade liabilities			
Other non-current financial liabilities			
Liabilities closely associated with assets held for sale			
Shareholders' Equity			
Total liabilities and shareholders' equity			

Water	Production	Networks & Smart Cities	Engineering & Infrastructure Projects	Corporate	Consolidation adjustments	Consolidated Total
610,966	30,257	268,797	5,802	32,690	0	1,050,097
159,297	224,324	2,266,079	10,607	106,326	(1,111)	3,146,506
3,936,643	37,855	114,051	25,252	61,462	(370,764)	4,236,541
						348,885
						3,007
						803,389
						22,108
21,999	1,447	41,092	39,246	0	(17,734)	104,507
487,925	40,271	146,115	47,236	1,310	(162,183)	1,216,135
28,835	412	2,243	224	(36)	(14,235)	35,646
3,031	291	0	48	147,823	(137,412)	13,658
						487,082
						342,085
						559,908
						19,076
						11,338,533

Water	Production	Networks & Smart Cities	Engineering & Infrastructure Projects	Corporate	Consolidation adjustments	Consolidated Total
826,813	26,973	172,727	28,652	131,454	(175,905)	1,802,577
91,147	3,921	30,509	3,412	182	(122,726)	34,818
8,934	4,565	10,848	31	3,486	(20,941)	7,090
						664,563
						619,418
35,409	2,002	33,147	4,836	21,901	0	112,989
56,803	26,059	28,656	2,274	(4,766)	23,275	218,025
						399,628
						4,722,263
						1,919
						2,755,243
						11,338,533

Income Statement 2022

€ thousand	Environment	Commercial	Water (Overseas)
Revenues	342,367	3,159,688	95,053
Staff costs	40,592	27,085	26,701
Costs of materials and overhead	200,169	3,042,629	35,376
Net income/(expense) from commodity risk management	0	0	0
Valuation of companies using the equity method	0	0	0
EBITDA	101,606	89,974	32,976
Depreciation/amortisation and impairment losses	43,058	67,951	13,543
Operating profit/(loss)	58,548	22,023	19,434
Financial (costs)/income			
(Expenses)/Income from equity Investments	236	0	16
Profit/(loss) before tax			
Taxes			
Net profit/(loss)			

Balance sheet - Assets 2023

€ thousand	Environment	Commercial	Water (Overseas)
Capex	38,898	50,174	5,723
Total property, plant and equipment	350,335	7,755	33,994
Total intangible fixed assets	171,161	211,126	30,674
Subsidiaries			
Financial assets in shares			
Total non-financial assets			
Total financial assets			
Inventories	12,960	5,733	2,099
Receivables from customers	116,706	419,775	12,408
Receivables from Parent Company	363	14,040	0
Receivables from associates	16	(128)	0
Other current receivables and assets			
Total financial assets			
Total cash and cash equivalents			
Non-current assets held for sale			
Total assets			

Balance sheet - Liabilities 2023

€ thousand	Environment	Commercial	Water (Overseas)
Trade payables to third parties	74,377	648,329	4,496
Trade payables to Parent Company	12,211	19,408	68
Trade payables to subsidiaries and associates	(7)	4	162
Other current trade liabilities			
Other current financial liabilities			
Employee severance indemnity and other defined benefit plans	12,644	3,854	245
Other provisions	77,055	14,767	95
Other non-current trade liabilities			
Other non-current financial liabilities			
Liabilities closely associated with assets held for sale			
Shareholders' Equity			
Total liabilities and shareholders' equity			

Water	Production	Networks & Smart Cities	Engineering & Infrastructure Projects	Corporate	Consolidation adjustments	Consolidated total
682,388	41,068	299,592	4,710	20,136	0	1,142,690
164,023	245,692	2,421,556	9,472	105,142	(1,111)	3,336,858
4,268,713	37,995	111,582	23,921	62,736	(369,572)	4,548,335
						359,281
						8,029
						927,599
						12,900
21,767	1,275	40,093	43,510	0	(29,595)	97,843
531,419	33,573	165,500	54,521	761	(164,661)	1,170,002
13,789	347	2,524	236	21	(10,328)	20,993
4,375	290	0	0	163,862	(146,211)	22,205
						418,101
						487,251
						359,379
						18,288
						11,787,064

Water	Production	Networks & Smart Cities	Engineering & Infrastructure Projects	Corporate	Consolidation adjustments	Consolidated total
856,231	26,669	183,584	27,152	91,127	(170,196)	1,741,770
69,980	4,478	29,461	5,317	182	(136,213)	4,892
13,347	1,486	7,425	0	2,620	(21,227)	3,811
						674,889
						922,950
34,554	1,859	29,641	4,509	22,600	0	109,895
58,279	27,698	27,586	2,328	(7,195)	23,663	224,276
						510,871
						4,770,436
						188
						2,823,084
						11,787,064

Income Statement 2023

€ thousand	Environment	Commercial	Water (Overseas)
Revenues	334,903	2,483,010	96,678
Staff costs	44,051	27,899	26,965
Costs of materials and overhead	205,847	2,325,838	34,010
Net income/(expense) from commodity risk management	0	0	0
Valuation of companies using the equity method	(646)	0	0
EBITDA	84,359	129,273	35,703
Depreciation/amortisation and impairment losses	58,996	70,356	14,761
Operating profit/(loss)	25,364	58,918	20,942
Financial (costs)/income			
(Expenses)/Income from equity investments	(798)	0	91
Profit/(loss) before tax			
Taxes			
Net profit/(loss)			



Independent auditor's report

In accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

Acea SpA

***Consolidated financial statements
as of 31 December 2023***



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Acea SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Acea Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2023, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Acea SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matters

We draw attention to notes "Goodwill" and "Service Concession Arrangements – Acea Ato 5" to the consolidated financial statements and to paragraphs "Water regulation" and "Environmental regulation" of the report on operations where the directors described:

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- With specific reference to the subsidiary Acea Ato 5 SpA, the continuation of (i) the financial imbalance arisen from the most recent tariff provisions approved by the Area Authority with the consequent confirmation of the existence of several material uncertainties that may cast significant doubts on the subsidiary's ability to continue as a going concern, as well as (ii) further uncertainties related to the ongoing tax litigation and the complex in and out of court legal dispute with the Area Authority related to the contractual penalties charged to the company for alleged non-fulfilments, the recognition of receivables related to higher operating costs incurred in the 2003-2005 period (as per the settlement agreement of 27 February 2007) and the determination of the concession fees;
- the complex regulatory measures, with particular reference to what lies behind the approval process of water and waste tariffs.

Moreover, we draw attention to notes "Receivables due from the Parent Company - Roma Capitale" and "Related Party Transactions – Acea Group and Roma Capitale" to the consolidated financial statements, as well as to paragraph "Relations with Roma Capitale" of the Report on Operations, where the directors described the relations with Roma Capitale and in particular the updates related to the discussions on the recognition of the Administration's payable to Acea/areti with reference to the public lighting service.

Our opinion is not qualified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

Auditing procedures performed in response to key audit matters

Determination of revenue from sales and services and receivables for invoices to be issued

Note 1 "Revenue from sales and services" and note 26 "Trade receivables" to the consolidated financial statements

The Group recognised in the consolidated financial statements as of 31 December 2023 receivables from users for invoices to be issued for an amount equal to Euro 561 million compared to revenue from sales and services amounting to Euro 4,430 million.

The Group recognises revenue from sales and services when control of the good is actually transferred or when a service is rendered in

The audit procedures we performed consisted in understanding, assessing and validating the operation of relevant controls implemented by management as part of the revenue cycle, with particular, but not exclusive, reference to the update of the customer database, the recognition of meter readings, consumption estimates, the calculation of tariffs and the valuation of invoices and receipts.

Moreover, we performed the following specific validity tests for each type of revenue.



accordance with the requirements of IFRS 15 “Revenue from contracts with customers”.

In particular:

- i) revenues from the sale and transport of electricity and gas are recognised at the time the service is supplied or provided, even if they are not invoiced, and are determined by adding appropriate estimates on the volumes supplied/transported to revenues that are calculated on the basis of pre-established meter reading calendars;
- ii) revenues from distribution of electricity take into account the tariffs and the restriction on revenue established by the Italian Regulatory Authority for Energy, Networks and the Environment (“ARERA”). Moreover, if the admission of investments in tariffs that establishes the operator’s right to payment is virtually certain, the corresponding revenues are recognised as determined by the ARERA Resolution 654/2015 (the so-called “regulatory lag”);
- iii) revenues from integrated water service are determined on the basis of the estimated consumption for the period and of the tariffs and of the operator’s Guaranteed Revenue Constraint (GRC) provided for in the tariff plan prepared in accordance with the Water Pricing Method applied for the calculation of the 2020-2023 tariffs and approved by the competent authorities. Furthermore, the Group recognises under revenues for the year adjustments for the so-called pass-through items, as well as any adjustment related to costs pertaining to the Integrated Water Service incurred for the occurrence of exceptional events (i.e. water and environmental emergencies), if the preliminary investigation for their recognition has given positive results.

The methods to determine allocations for invoices to be issued are based on the use of

i) Revenues from the sale and transport of electricity and gas

- We compared the electricity and gas quantities sold included in the billing system with the data communicated by the distributors and the quantities purchased, in order to establish the reasonableness of the estimated quantities sold still to be billed;
- We verified the correct valuation of invoices to issue based on the estimated quantities sold but not yet invoiced and the tariffs in force in the period under analysis.

ii) Revenues from electricity distribution

- We compared the quantities distributed included in the billing system with the quantities supplied to the grid communicated by the dispatcher net of expected grid losses, in order to ascertain the reasonableness of the estimated quantities distributed not yet invoiced;
- We tested the correct valuation of invoices to issue on the basis of the estimated distributed quantities still to be invoiced and of the tariffs in force in the period under analysis;
- We verified the correct calculation of receivables/payables for the electricity equalisation to the extent of the difference between sales revenues invoiced/to be invoiced to customers and the regulatory revenues attributable to the year and established by the ARERA;
- We verified the methods adopted by management to determine the accruals for the “regulatory lag”.

iii) Revenues from the integrated water service



complex algorithms and include significant estimates. Therefore, we paid particular attention to the risk of wrong calculation of revenues from sales and services and of the related receivables from users for invoices to be issued.

- We reconciled revenues from the integrated water service with the GRC adjusted to reflect the adjustments to the pass-through items and those related to the costs incurred in consequence of exceptional events occurred;
- We verified the correct determination of receivables for invoices to be issued for tariff adjustments to an extent equal to the difference between revenues for bills issued /to be issued and the adjusted GRC.

Finally, we verified the adequacy and completeness of the disclosures provided by the directors in the notes to the consolidated financial statements in relation to the above-described matters.

Investments and disinvestments of non-current assets and impairment test

Note 14 “Property, plant and equipment”, note 16 “Goodwill”, note 17 “Concessions and rights on infrastructure” and note 18 “Intangible fixed assets” to the consolidated financial statements

The Group recognised in the consolidated financial statements as of 31 December 2023 non-current assets equal to Euro 7,885 million, of which Euro 3,335 million related to tangible assets and Euro 4,455 million related to intangible assets (including concessions and goodwill). The Group investments in the period totalled Euro 1,143 million, of which Euro 374 million related to tangible assets and Euro 769 million related to intangible assets (including concessions and goodwill). In this respect, we highlight that for regulated activities (in particular the integrated water service and the electricity distribution), the tariffs and, accordingly, the Group’s revenues are directly influenced by the amount of the invested capital and therefore by changes in non-current assets. As a result, the overestimate or underestimate of the abovementioned non-current assets could increase or decrease the

We performed our compliance procedures in order to comprehend, evaluate and validate the internal control system with reference to the corporate processes related to the management of non-current assets.

Our validity tests were focused on the analysis of the changes in non-current assets during the financial year, verifying that they were reconciled with the fixed asset register, with the supporting documentation about a sample of investments and divestments during the year, especially in the integrated water service and in the electricity distribution segments.

With reference to these segments, we verified if the requirements for the capitalization of internal and external costs provided for by IAS 16 “Property, plant and equipment” and IAS 38 “Intangible assets” had been complied with, we checked the existence of the services capitalized, that is if the service or goods being verified had been actually rendered or delivered/installed and correctly recognised.



tariffs applied to final users under the performance of the integrated water service and the transport of electricity. Annually, the Group, on the basis of its internal procedures, performs the impairment test pursuant to IAS 36 “*Impairment of assets*” using the Discounted Cash Flow method to determine the recoverable amount of assets. The impairment test is based on a two-level approach. A first level concerns the estimate of the recoverable amount of the Group’s industrial plants and a second level relates to the estimate of the recoverable amount of the CGUs that include goodwill. In particular, goodwill is tested for impairment at least annually and with the same frequency, in compliance with a specific internal policy, the impairment test is carried out on the Group’s industrial plants, also without any impairment indicators. The recoverability assessment was carried out on the basis of the cash flows under the 2024-2028 Business Plan of the Group approved by the Board of Directors on 5 March 2024.

With reference to FY2023 the Group’s management availed itself of an external expert for the performance of the impairment test.

Considering the numerous changes occurred during the year in the assets of the regulated activities and the complexity of estimating the recoverable value of the above-mentioned assets, which are based on evaluation assumptions affected by economic, financial and market conditions that are difficult to predict, as part of our auditing we devoted special attention to these financial statement areas.

With reference to the impairment test, we performed our audit procedures in order to:

- i) assess the consistency of the estimate method used by the Group with the provisions of IAS 36 and the valuation practice;
- ii) verify the process of identification of the Cash Generating Units (CGUs), based on the current organisational structure;
- iii) verify the appropriateness of the types of cash flows used and their consistency with the Group’s Business Plan;
- iv) verify the reasonableness of the main assumptions used by management to perform the impairment test and related sensitivity analyses on all the CGUs that include goodwill;
- v) verify the reasonableness of the main assumptions used by management to perform the impairment test with reference to the CGU “Acea Ato5” in relation to the uncertainties connected thereto; and
- vi) evaluate the independence, technical capabilities and related objectivity of the external expert engaged by the management for the performance of the impairment test, as well as the methods used by him.

As part of our auditing, we were also supported by our PwC network experts in valuations.

Finally, we verified the adequacy and completeness of the disclosures provided by the directors in the notes to the consolidated financial statements in relation to the above-described matters.



Determination of the provision for doubtful accounts – trade receivables

Note 26 “Trade receivables” of the consolidated financial statements.

The Group recognised in the consolidated financial statements as of 31 December 2023 a provision for doubtful trade accounts for an amount equal to Euro 628 million.

At each reporting date the Group estimates the irrecoverable amount of trade receivables based on complex calculation models which rely upon the requirements in the accounting standard IFRS 9 “Financial Instruments”.

The estimate of the recoverability of trade receivables is characterised by specific complexities related to the high number of customers and to the fragmentary nature of the amounts. Furthermore, the evaluations are affected by different socio-economic variables related to the different categories of customers, in addition to international geo-political factors. Therefore, as part of our audit activities we paid particular attention to the risk of a wrong quantification of the estimate under examination.

We performed our audit procedures in order to verify the correctness of the reports generated by the information systems and used by the directors in order to determine the Expected Credit Losses that can be attributed to the balance of receivables from specific customers or customer clusters. We also tested the reasonableness of the assumptions underlying the calculation model.

Through inquiries of the credit managers of the Group and of individual companies, we evaluated, on a sample basis, certain specific positions also by analysing the lawyers’ replies to the requests for information, by examining the guarantees given by the various customers and by assessing any other piece of information gathered after the reporting date.

Moreover, we verified the consistency of the method used by the Group with the provisions of IFRS 9 and the accuracy of the mathematical calculation for the determination of the expected credit losses.

Finally, we verified the adequacy and completeness of the disclosures provided by the directors in the notes to the consolidated financial statements in relation to the above-described matters.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Acea SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the



group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 27 April 2017 the shareholders of Acea SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Acea SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements as of 31 December 2023, to be included in the annual report.



We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements as of 31 December 2023 have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Acea SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Acea Group as of 31 December 2023, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Acea Group as of 31 December 2023 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Acea Group as of 31 December 2023 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Acea SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement.



Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Rome, 21 March 2024

PricewaterhouseCoopers SpA

Signed by

Luigi Necci
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

CERTIFICATION OF CONSOLIDATED FINANCIAL STATEMENTS

(in accordance with art. 154-bis of Legislative Decree 58/98)

(Translation from the original Italian text)

1. The undersigned, Fabrizio Palermo, as Chief Executive Officer, and Sabrina Di Bartolomeo, as Executive Responsible for Financial Reporting of the company Acea S.p.A., taking also account of provisions envisaged by Art. 154-bis, paragraphs 3 and 4, of the Legislative Decree no. 58 of 24 February 1998, hereby certify:
 - the consistency to the business characteristics and
 - the effective application of the administrative and accounting procedures for preparing the consolidated financial statements at 31 December 2023.
2. To this purpose, no significant issues were recorded.
3. It is also certified that:
 - 3.1 the consolidated financial statements:
 - a) were drawn up in compliance the applicable international accounting standards recognised in European Community in accordance with EC Regulation 1606/2002 of the European Parliament and the Council, of 19 July 2002,
 - b) are consistent with the underlying accounting books and records,
 - c) provide a true and correct view of the operating results and financial position of the issuer and the overall of companies included in the consolidation,
 - 3.2 the Report on Operations includes a reliable analysis of the operational performance and result, as well as the situation of the issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 05 March 2024

signed by: Fabrizio Palermo, The CEO

signed by: Sabrina Di Bartolomeo, The Executive Responsible for Financial Reporting

This report has been translated into the English language solely for the convenience of international readers

4

REPORT ON CORPORATE GOVERNANCE
AND SHAREHOLDINGS



Acea Photo Contest
Micol Di Segni (Acea Ato 2)
Fregene purifier sedimentation tank



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DEFINITIONS

ARC: the Appointments and Remuneration Committee.

Articles of Association: the Issuer's Articles of Association.

Board of Directors or **BoD:** the Issuer's Board of Directors.

Board of Statutory Auditors: the Acea Board of Statutory Auditors.

Code or **CG Code:** the Corporate Governance Code for listed companies approved in January 2020 by the Corporate Governance Committee.

Consob Issuers Regulation: the Regulation issued by Consob with resolution no. 11971 of 1999 (as subsequently amended) regarding issuers.

Consob Markets Regulation: the Regulation issued by Consob with resolution no. 20249 of 2017 regarding markets.

Consolidated Law on Finance or **TUF:** Italian Legislative Decree 58 of 24 February 1998.

C.C.: the Italian Civil Code pursuant to Royal Decree no. 262 of 16 March 1942, as amended.

CG Committee or **Corporate Governance Committee:** the Italian Corporate Governance Committee for listed companies, promoted by Borsa Italiana, ABI, Ania, Assogestioni, Assonime and Confindustria.

CRC: the Acea Control and Risks Committee.

Financial Reporting Officer or **FRO:** the Financial Reporting Officer, responsible for the preparation of the company's accounting documents.

Group: the group of companies headed by the Issuer.

MOG: the organisation, management and control model pursuant to Italian Legislative Decree 231/2001.

Report: this report on corporate governance and ownership structure that companies are required to prepare and publish pursuant to art. 123-*bis* of the TUF.

Report on Remuneration: the report on the remuneration policy and on the fees paid that companies are required to prepare and publish pursuant to art. 123-*ter* of the Consolidated Law on Finance (TUF) and 84-*quater* of the Consob Issuers' Regulation.

RPT Committee: the Acea Related Party Transactions Committee.

RPT Regulation: the Regulation issued by Consob with resolution no. 17221 of 12 March 2010 (as subsequently amended) regarding transactions with related parties.

SB or **Supervisory Body:** the Acea Supervisory Body.

SCIGR or **Control System:** the Acea internal control and risk management systems.

1. THE ISSUER'S PROFILE

Acea, a company listed on the online stock market organised and managed by Borsa Italiana SpA since 1999, is a leading Italian infrastructure management company that has been operating for more than a century in the sectors of energy (from the generation, increasingly from renewable sources, distribution and sale of electricity and gas to the management of public lighting and value-added smart city services), integrated water services (from capture and distribution to purification) and environmental services (the treatment and utilisation of waste), adopting a circular economy approach.

Acea conceives its role and carries out business activities guided by the principles of sustainable development, implementing corporate management oriented toward protecting the environment, in particular with reference to water, energy and the circular economy, with attention to all stakeholders serving as an essential condition for the creation of long-term value for the local area, communities and shareholders. In this regard, note the stakeholder engagement activities carried out at the Group level, part of a larger project aimed at developing the culture on this issue and adopting the related tools and methods, including for the purpose of preventing and mitigating reputational and business risks.

Acea promotes the integration of industrial, financial and sustainability growth in planning strategic objectives, to which management is held accountable through a remuneration policy that provides for quantitative sustainability targets in the short-term and long-term variable incentive plans (for more details, please refer to Section 8 of this Report). Acea has developed sustainable finance instruments, supporting its commitments that take into consideration environmental, social and governance factors, as well as a process to improve the sustainable management of the company, guiding capital towards long-term green business and projects. During the year, Acea received validation of its reduction targets for direct and indirect greenhouse gases (GHG) from the Science Based Targets initiative (SBTi), in line with the “Well below 2°C” trajectory, with full recognition of the decarbonisation process undertaken by Acea to support the energy transition.

Acea pursues sustainable success through cohesive organisational, procedural and cultural tools: there is an internal Board committee for Ethics, Sustainability and Inclusion (for more details please see section 9 of this Report), as well as an integrated system consisting of a policy, committee and manager, dedicated to promoting equality, diversity and inclusion within the Group. A specific human rights policy has been prepared and adopted. Monitoring procedures are in place with reference to sustainability goals and operating activities are accounted for based on the European Taxonomy. There are also procedures to support dialogue with investors and relevant stakeholders (more details can be found in section 13 of this Report) and integration of sustainability within the corporate ecosystem is constantly supported, for example through initiatives targeting Acea personnel, including members of the corporate bodies, such as courses which provide training, managerial culture development and strategic analysis. With regard to the risk factors that may impact the generation of long-term value, the Company is oriented towards an increasing understanding of the relationship

between ERM approaches and methods and the most relevant sustainability topics.

Acea operates in line with the principles issued by the UN Global Compact, to which it formally subscribes, and has continued a process of gradual alignment with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), publishing disclosures on how it manages — from governance to the metrics and targets used — the main climate-related risks (physical and transitional), their evolution, and potential economic impacts on its main activities. According to the most recent data, to date the Acea Group is the leading national operator in the water sector for inhabitants served, one of the major Italian operators in the distribution of electricity to users (the third for volumes distributed), the seventh operator for energy volumes sold to end users, and one of the major national operators in Waste-to-Energy (environmental sector).

This Report illustrates the corporate governance system adopted by Acea and is published in line with the principles and recommendation of the Code, as well as the recommendations provided by Consob on the subject and, more generally, international best practices, also with regard to the ninth edition of the “Format for the Report on Corporate Governance and Shareholding Structure” published by Borsa Italiana in January 2022¹.

Acea regularly publishes a Consolidated Non-financial Statement pursuant to Italian Legislative Decree no. 254 of 2016, in compliance with GRI standards. This document is available on the Company website, www.gruppo.acea.it, in the “Governance” section.

The governance system adopted by the Company is in line with the recommendations which, in order to ensure proportionality, the Code has introduced for large businesses and those with concentrated ownership. For more information on board evaluation activities please refer to paragraph 7 of this Report.

THE GOVERNANCE MODEL

Acea's corporate governance structure is based on the traditional model, which — without prejudice to the duties of the Shareholders' Meeting — assigns strategic management to the Board of Directors, the hub of the organisational system, and supervisory functions to the Board of Statutory Auditors.

Statutory auditing of the accounts is assigned to a specialised company registered with the relevant register, appointed by the Shareholders' Meeting, based on a reasoned proposal from the Board of Statutory Auditors.

In accordance with the provisions of the Articles of Association, the Board of Directors has appointed a Chief Executive Officer, responsible for managing the Company and with sole decision-making power on certain matters. The Chief Executive Officer is therefore primarily responsible for managing the Company, without prejudice to the duties reserved for the Board.

¹ The format recommended by Borsa Italiana format is available at the following web address: www.borsaitaliana.it/Comitato-corporate-governance/documenti/format2022.pdf

The Chairperson of the Board of Directors has been given a central role by the Board in overseeing issues related to the environmental impact and social sustainability (i.e. corporate social responsibility) of business activities and processes. In addition, the Chairperson is vested with the legal and institutional representation of the Company, as well as the powers of signature.

The chosen model enshrines the clear separation between the functions of the Chairperson and those of the Chief Executive Officer. Under Article 20 of the Articles of Association, both are responsible for representing the Company.

The Board has established, from among its members, (i) advisory committees — with investigative, propositional, and advisory functions to ensure the adequate internal division of its functions — which report to the Board through their respective Chairpersons on the most relevant issues as well as (ii) an RPT Committee, which performs the functions required by current regulations and the appropriate corporate procedure.

Key figures in Acea's governance model also include:

- the Financial Reporting Officer; and
- the Supervisory Body, appointed by the Board and composed of 1 internal member (identified as the manager of the Internal Audit Function), and 2 external members, including the Chairperson.

For more details on the Financial Reporting Officer and the Supervisory Body, please refer to the dedicated sections in this Report.

The information contained herein refers to financial year 2023 and, in relation to specific subjects, is updated as at 5 March 2024, the date of the Board of Directors' meeting which approved this Report.

Since 1999 (with reference to financial year 1998), Acea has published a Sustainability Report every year. Additionally, since the Report on financial year 2017, it has included the "consolidated non-financial statement" (NFD), in line with that established in Legislative Decree 254/2016. The NFD, prepared in compliance with the cited Legislative Decree and the international reporting standards issued by the Global Reporting Initiative (GRI), is approved by the Board of Directors and subject to limited assurance by the same company responsible for the auditing of Acea's consolidated financial statements (PwC SpA).

As of the date of this Report, the Company is classified as a "company with concentrated ownership" pursuant to Code 7, in that the shareholder Roma Capitale holds a majority of the votes which can be expressed at an Ordinary Shareholders' Meeting (for more information, please see section 2 in this Report).

The Company cannot be classified as a SME pursuant to article 1, paragraph 1, letter *w-quater*.1), of the TUF and article 2-ter of the Consob Issuers Regulation.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (PURSUANT TO ART. 123-BIS TUF, PARAGRAPH 1)

A. STRUCTURE OF THE SHARE CAPITAL (PURSUANT TO ART. 123-BIS TUF, PARA. 1 LETT. A)

The Company's capital, equal to €1,098,898,884.00, entirely underwritten and paid up, is divided into 212,964,900 ordinary shares with a par value of € 5.16 each, listed on the online stock market organised and managed by Borsa Italiana (see Table 1). There are no shares with limited voting rights or without voting rights, except 416,993 treasury shares for which the voting right is suspended pursuant to article 2357-ter of the Civil Code.

B. RESTRICTIONS ON SHARE TRANSFERS (PURSUANT TO ART. 123-BIS TUF, PARA. 1 LETT. B)

There are no restrictions on share transfers except for individual constraints of the single shareholders.

C. RELEVANT STAKES (PURSUANT TO ART. 123-BIS TUF, PARA. 1 LETT. C)

Relevant stakes, held directly or indirectly, pursuant to art. 120 of the TUF, according to the information published on 5 March 2024 on the Consob website and the communications made in compliance with the same article, are listed in Table 1.

D. SHARES BEARING SPECIAL RIGHTS (PURSUANT TO ART. 123-BIS TUF, PARA. 1 LETT. D)

The Articles of Association do not provide for the issue of multiple voting shares or shares with increased voting rights. During 2023 no shares bearing special controlling rights were issued, nor is such a provision currently under discussion.

E. STAKES HELD BY EMPLOYEES: THE VOTING RIGHTS EXERCISE MECHANISM (ART. 123-BIS TUF, PARA. 1 LETT. E)

Article 13 of the Articles of Association states that, to facilitate the collection of proxies from shareholding employees of the Company,

its subsidiaries and affiliates and shareholders' associations, with the requisites contemplated by the relative provisions in force, specific spaces are made available for the communication and the collection of the proxies according to terms and methods set by the Board of Directors directly or through its proxies.

There are no particular mechanisms for exercising rights.

F. RESTRICTIONS ON VOTING RIGHTS (PURSUANT TO ART. 123-BIS TUF, PARA. 1 LETT. F)

Under art. 6 of the Articles of Association, with the sole exception of Roma Capitale, any shareholder whose stake exceeds 8% of the share capital must be disclosed to the Company. This limit is considered as reached, in both direct and indirect terms, as specified in more detail in paragraphs 2 and 3 of the said article and as described in the paragraph on Shareholders' Meetings of this Report. In the case of breach of this rule, the exercise of the vote for the shares exceeding the said limit will be prohibited and, in the case of a resolution by a determining vote deriving from the shares exceeding said limit, the resolution may be challenged pursuant to art. 2377 of the Italian Civil Code.

G. SHAREHOLDERS' AGREEMENTS (PURSUANT TO ART. 123-BIS TUF, PARA. 1 LETT. G)

The Company is not aware of any shareholders' agreements of any kind, as contemplated under art. 122 of the TUF, nor of any special powers of veto or of any other extraordinary influence on the decisions that are not direct expressions of the shares held.

H. CHANGE OF CONTROL CLAUSES (PURSUANT TO ART. 123-BIS OF THE TUF, PAR. 1, LETT. H) AND ARTICLES OF ASSOCIATION PROVISIONS ON TAKEOVERS (PURSUANT TO ART. 104, PARA. 1-TER AND 104-BIS, PAR. 1)

Acea has signed a number of significant agreements which become effective or are annulled in the case of a change of control for the contracting company.

Following are the significant agreements in place where the change of control involves the initiation of a negotiation procedure, where

(a) the occurrence of such a case is disclosed, (b) the parties consult within a defined time frame to assess possible mitigations to any adverse effects of the change of control, and (c) if the outcome of the consultations is negative, the bank may request early repayment:

- long term loan totalling an initial € 200 million from the European Investment Bank in favour of Acea (Water Segment II);
- long term loan totalling an initial € 200 million from the European Investment Bank in favour of Acea (Network Efficiency III);
- long term loan totalling € 250 million from the European Investment Bank in favour of Acea (Water segment III);
- long term loan totalling € 235 million from the European Investment Bank in favour of Acea (Water segment IV), not yet disbursed as at 31 December 2023; and
- three Revolving Credit Facilities for a total of € 700 million in favour of Acea, not disbursed as at 31 December 2023.

With regard to takeovers, the Company's Articles of Association do not waive the provisions of art. 104, paragraphs 1 and 1-bis, of the TUF, nor are neutralisation rules, provided under art. 104-bis, para. 2 and 3 of the TUF.

I. DELEGATIONS FOR CAPITAL INCREASES PURSUANT TO ART. 2443 OF THE CIVIL CODE OR THE DIRECTORS' POWER TO ISSUE FINANCIAL INSTRUMENTS AND AUTHORISATION FOR THE PURCHASE OF TREASURY SHARES (ART. 123-BIS TUF, PARA. 1 LETT. M)

As at 31 December 2023 and also at the date of this Report, the Board of Directors has not been delegated to increase the share capital or to buy treasury shares.

Additionally, as stated, the Company currently holds 416,993 treasury shares for which voting rights are suspended pursuant to article 2357-ter of the Civil Code, a residual amount following

its acquisitions of treasury shares, authorised with the resolution made by the Ordinary Shareholders' Meeting of 23 October 1999, amended with the resolution made by the Ordinary Shareholders' Meeting on 29 April 2000, renewed with the resolution made by the Ordinary Shareholders' Meeting on 31 October 2001 and integrated with the resolution made by the Ordinary Shareholders' Meeting on 30 April 2002.

J. MANAGEMENT AND COORDINATION (PURSUANT TO ART. 2497 AND SUBSEQUENT, CIVIL CODE)

The Company is not subject to management and coordination activities pursuant to art. 2497 *et seq.* of the Italian Civil Code.

Pursuant to art. 16, paragraph 4 of the Markets Regulation, please note that Acea defines its own strategic guidelines and has full control of organisation, management and negotiation.

It must be noted that:

- the information required by art. 123-bis, para. 1, lett. i) ("*agreements between the Company and the directors...which provide for indemnity in the case of resignation or dismissal without just cause or if their professional relationship ceases subsequent to a takeover*") is contained in the Report on remuneration policy and compensation paid published pursuant to art. 123-ter of the TUF;
- the information required by art. 123-bis, para. 1, lett. l) ("*regulations applicable to the appointment and replacement of directors ... as well as to amendments to the Articles of Association, if different from the legal and regulatory rules applicable*") are illustrated in the section of the Report on the Board of Directors (paragraph 4 of this Report);
- the information required by art. 123-bis, para. 1, letter l, second section ("*regulations applicable ... to the amendment of the Articles of Association, if different from the applicable legal and regulatory rules*") is illustrated in the section dedicated to the Shareholders' Meeting (paragraph 14) of this Report.

3. COMPLIANCE (PURSUANT TO ART. 123-BIS, PARA. 2, LETT. A), TUF)

Acea adheres to the Corporate Governance Code, which can be viewed by the public on the Corporate Governance Committee's website, established through Borsa Italiana, at www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf.

The Company provides information annually on its governance system and on its adhesion to the Code by means of a Report, drawn up also pursuant to art. 123-bis of the TUF, which shows the degree of adhesion to the principles and recommendations established by the Code itself and to international best practices.

The yearly Report is made available to the Shareholders, together with the documentation required for the Shareholders' Meeting

called to approve the financial statements, and it is also immediately published on the Company's Internet site (www.gruppo.acea.it) in the "Governance" section.

Information regarding the application of the remuneration recommendations is based on the 2024 Report on the Remuneration Policy and on the fees paid in 2023, prepared pursuant to art. 123-ter of the TUF, published in accordance with the law.

Acea and its subsidiaries with strategic importance are not subject to any non-Italian legal provisions that may influence the corporate governance of the Company.

4. BOARD OF DIRECTORS

4.1 ROLE OF THE BOARD OF DIRECTORS

The Company's Board of Directors holds a central role in the sphere of the Company's governance, and all the departments and the managers of the Company and of the Group with strategic and organisational responsibilities report to the Board of Directors, in line with the pursuit of sustainable performance. Taking its role into account, the Board of Directors meets regularly, to guarantee the effective performance of its duties.

More specifically, based on provisions provided by law, by the Articles of Association, by the Board resolutions that regulate the structure of powers of corporate bodies, and by the guidelines of the Internal Control and Risk Management System (hereinafter "**Guidelines**") last updated on 22 January 2020, the duties listed below are reserved to the Board of Directors:

- define strategic and general management guidelines and steer the Company's development; economic-financial coordination of the Group's activities by approving medium-term strategic plans which incorporate the Group's development guidelines, the investment plan, the financial plan and the annual budgets;
- by proposal of the Control and Risks Committee, the responsibilities of which are outlined in section 9 of this Report, define the guidelines of the Internal Control and Risk Management System so that the main risks concerning Acea and its subsidiaries — including the various risks that can become relevant in the light of sustainability over the medium-long term period — are correctly identified and adequately measured, managed and monitored;
- define the nature and level of risk compatible with the identified strategic objectives;
- approve and amend the internal regulations as far as concerning the general organisational structure of the Company, the Group's macrostructure and any amendments to the same that have a significant impact on the Group's organisation;
- approve the internal rules on Internal Dealing;
- appoint the General Manager if deemed appropriate;
- define the corporate governance system and see to the establishment of specific internal committees, for which it appoints the members and approves the respective operating rules;
- adopt the organisational model pursuant to Italian Legislative Decree no. 231/2001, appoint the Supervisory Body and examine the half-yearly reports prepared by the SB on implementation of the MOG;
- appoint the directors and statutory auditors due to Acea at significant subsidiaries and investees, understood to be (i) those listed on regulated markets and (ii) those which require commitments of capital, shareholder loans or guarantees exceeding € 10 million;
- attribute and revoke delegations to the delegated directors, defining the limits and procedures of their exercise;
- approve all extraordinary operations, as well as the acquisition/disposal of shares, excluding intercompany transactions;
- exercise, on behalf of Acea and its subsidiaries, powers for amounts exceeding € 7.5 million if in line with the budget, and above € 1 million for off-budget expenditure for a series of significant operations;
- determine the remuneration of the Chairperson, Chief Executive Officer and other Directors with specific duties, upon a proposal by the relevant committee and after hearing from the Board of Statutory Auditors, as well as the remuneration due to the members of the Board Committees and remuneration of executives with strategic responsibilities, except for cases in which this latter has been approved by the Appointment and Remuneration Committee;
- evaluate the adequacy of Acea's organisational, administrative and accounting structure, as well as that of subsidiaries with strategic relevance, particularly with reference to SCIGR;
- assess the general business performance (art. 2381 of the Civil Code) taking into consideration, in particular, the information received from the delegated bodies, periodically comparing the results achieved with those programmed;
- appoint and revoke:
 - the Internal Audit Function Manager, subject to the favourable opinion of the CRC and by proposal of the Director responsible for the SCIGR, and having consulted with the Board of Statutory Auditors, making sure that said Department is provided with adequate resources for the performance of its duties and defining the remuneration consistent with Company policies;
 - a Financial Reporting Officer, unless already provided for by the Shareholders' Meeting, by the favourable opinion of the Board of Statutory Auditors (as per art. 22-ter of the Articles of Association), ensuring the adequacy of their powers and means for the performance of their duties;
- approve the Audit Department Manager's work plan on an annual basis, having consulted with the Control and Risk Committee, the Board of Statutory Auditors and the SCIGR appointed Director;
- assess, having consulted with the Board of Statutory Auditors, the results found by the independent auditor contained in the letter of suggestions, where applicable, and in the report on fundamental issues that have come to light during the audit of the accounts;
- assess, at least once every year, the adequacy of the SCIGR in consideration of the Company's characteristics and risk profile, describe its main characteristics in the Report on Corporate Governance, expressing its opinion on adequacy of the same, after hearing from the Control and Risks Committee;
- establish corporate measures of protection for the processing of personal or sensitive data by third parties;
- adopt the procedures necessary to protect workers' health and appoint the subjects responsible for ensuring safety in the workplace;
- act so as to establish continuous dialogue with shareholders, based on understanding of the reciprocal roles;
- promote initiatives to support the widest possible participation of shareholders at Shareholders' Meetings and to make the exercising of voting rights easy;

- adopt the procedures for the internal management and the external disclosure of documents and information regarding the Company, especially price sensitive information and information relating to transactions in financial instruments carried out by persons who, due to their office, have access to relevant information;
- carry out periodic self-assessments on the functioning of the Board and its committees and on their size and composition;
- assess, at least once a year, the independence of its non-executive members.

Please see chapter 13 below for information on the “Policy for the management of relations with institutional investors, shareholders and bondholders”, adopted by the Board based on a proposal made by the Chairman in accord with the Chief Executive Officer.

A summary of the main activities carried out by the Board of Directors of the Company in 2023 is given below. In particular, the Board:

- assessed the general business trend as representing in its financial reporting (the draft financial statements of the period as at 31 December 2022, the six-monthly interim financial report, the interim management reports on the 1st and 3rd quarters of the period), taking into consideration, in particular, the information received from the delegated bodies, and periodically comparing the results achieved with those forecast;
- approved the remuneration policy of the Company, which includes variable short and long-term incentive schemes based on quantitative sustainability targets;
- prepared the proposal relative to the amendment to article 15 of the Articles of Association for the Shareholders’ Meeting, which approved the same on 18 April 2023:
 - a. to expand the quantitative composition of the current Board to ensure, among other things, better structure of the positions and functions within the management body, also taking into account the requirements to effectively perform administrative functions and monitor management and for balanced composition of board committees;
 - b. to ensure that the minimum number of independent directors is identified by making explicit reference to the recommendations provided by the new Corporate Governance Code — as well as the relevant provisions of the law — which states that, in large companies with concentrated ownership, i.e. Acea, at least one third of the members of the board of directors must meet the independence requirements; and
 - c. to align the number of independent directors to be included in the lists of candidates for the renewal of the management body with the expansion of the quantitative composition of the board of directors, coordinating the related provisions on the placement of these directors on the list;
- expressed its guidance to the shareholders of Acea on the quantitative and qualitative composition of the Board of Directors deemed optimal, taking into account the results of the Board Review process carried out for financial year 2023 and in line with that recommended in the Corporate Governance Code, after hearing from the Appointments and Remuneration Com-

mittee. Although Acea is a large company with a concentrated ownership structure (based on the categories in the Code), in view of the renewal of the administrative body in 2023, it decided to voluntarily implement this best practice, expressing guidance on its optimal composition, taking into account the results of the self-assessment. This guidance was made explicit in a specific document which was published in a timely manner on the Company’s website in view of the Shareholders’ Meeting called to renew the Board;

- approved the amendment to the Procedure for Related Party Transactions adopted in 2011;
- resolved on the organisational amendments to the macrostructure of Acea;
- approved the issuing of one or more series of bonds, also in the form of green bonds, under the EMTN programme, for a total nominal value of up to € 600 million;
- approved the Sustainability Report/Consolidated Non-Financial Disclosure for 2023, pursuant to Italian Legislative Decree no. 254/2016;
- having consulted with the Board of Statutory Auditors, evaluated the results presented by the independent auditor in the letter of recommendations and the supplementary report addressed to the Board of Statutory Auditors.

On 05/03/2024, the Board of Directors assessed the adequacy of the Internal Control and Risk Management System, as well as the adequacy of the organisation, administrative and accounting structures of the Company and its subsidiaries of strategic importance, holding that the Acea Control System was functional, adequate and consistent with the current guidelines for internal control and risk management systems.

4.2 APPOINTMENT AND REPLACEMENT (ART. 123-BIS, PARA. 1, LETT. L, TUF)

Appointment of the Board of Directors

Directors are appointed and replaced in compliance with the laws in force, as adopted and integrated, within the limits allowed, by the provisions of the Articles of Association.

As a consequence of the amendments to the Articles of Association approved by the Shareholders’ Meeting on 18 April 2023, the Board of Directors was expanded, effective as of the appointment of the administrative body for 2023-2025, consisting of no fewer than seven and no more than thirteen members, appointed by the Ordinary Shareholders’ Meeting (which determines the number within those limits), for a period of three financial years and eligible for re-appointment at the end of the term.

Directorships can only be held by those with the requisites laid down by law and by the regulatory provisions.

Directors are elected as described in art. 15.1 of the Articles of Association, which establishes that:

- gender balance must be ensured in the composition of the Board of Directors, as governed by law²;

² Please note that Law no. 160 of 27 December 2019 (“Budget Law 2020”) amended the provisions of art. 147-ter and 148 of the TUF regarding gender balance in the corporate bodies of listed companies, requiring that at least two fifths (40%) of the positions be reserved for the least-represented gender. This new criteria is effective from the first renewal of the management and control bodies after the entry into force of the Budget Law 2020 on 1 January 2020, for six consecutive mandates.

- Directors are elected on the basis of lists, each of which contains as many candidates, each indicated by a progressive number, as the number of directors to be elected, and each list must have at least four candidates qualified as independent, in line with the Law and Code, clearly indicating such candidates and placing at least two of these no lower than the second and third positions on the list and at least two other of the same no lower than the fifth and sixth positions on the list;
- the election is carried out as follows:

“A. from the list that obtains the majority of votes (“Majority List”), in the order in which they appear in the list, half plus one of the Directors to be appointed shall be taken, rounded, in case of fractional number, to the lower unit;

B. without prejudice of the provisions of the Law and the dispositions in these Articles of Association as to the limits to relations with the Majority List, the remaining Directors shall be taken from the other lists. For this purpose, the votes obtained by each list shall be divided first by 1, then by 2, 4, 8, 16 and 32 and so on up to the number of Directors to be elected. The ratios thus obtained will be progressively assigned to the candidates of said lists, according to progressive order by which they are indicated. The quotients assigned in this manner to the candidates on the various lists shall be arranged into a single list in descending order. The elected candidates shall be those obtaining the highest quotients.

Should one or more candidate obtain the same quotient, the elected candidate shall be the one on the list that has elected no Directors or has elected the least number of Directors.

If no Director has been elected thus far from any of the lists concerned or if the same number of Directors has been elected from each list, the elected candidate shall be that obtaining the highest number of votes. In the case of parity between the list votes and of parity of ratios, the entire Shareholders’ Meeting will vote again and the candidate with the simple majority of votes will be elected.

In any case, if a correctly drawn up list is presented in addition to the Majority List, the candidates of such a list will be elected according to the order of presentation”.

The adopted election mechanism guarantees that at least one director represents the minorities and that the legally required minimum number of independent directors is elected (at least four candidates) in compliance with art. 147-ter, paragraph 4, TUF. In fact, art. 15 of the Articles of Association establishes that the Board of Directors must contain a minimum number of directors holding the independence requirements established under the law, applicable regulations and the Code, as well as those established from time to time by current legislation and by the Code.

The appointment of the Board of Directors is regulated by art. 15 of the Articles of Association, according to which members are appointed on the basis of the lists presented at least twenty or twenty-five days before the date set for the first meeting respectively by the outgoing Directors or by Shareholders who — individually or together with other Shareholders — represent, at the date on which the lists are filed — at least 1% of the shares with voting rights in the Shareholders’ Meeting, or the minimum portion of the share capital determined by Consob pursuant to art. 144-quater of the Issuers’ Regulation. In this regard, please note that the portion requested by Consob under Executive De-

termination no. 92 of 31 January 2024, for the presentation of the lists is 1%.

The lists will be made public at the Company’s headquarters and announced in three national newspapers, two of which are financial publications, as well as according to the various methods indicated by applicable law.

No candidate may be on more than one list and no shareholder may vote for more than one list.

For information on the role of the Board of Directors and the advisory committees in the processes of self-evaluation and the succession of directors, please refer to paragraph 7 of this Report.

Termination of office of Director

Pursuant to art. 15.3 of the Articles of Association: *“If a director appointed on the basis of the above-mentioned list vote leaves office, the Board of Directors will provide for his replacement by the co-optation, pursuant to art. 2386 of the Civil Code, with the first candidate not elected on the list on which the outgoing director was a candidate, in respect of the legal provisions on gender balance, or, if that list has no more candidates, with the first of the non-elected candidates regardless of the relative list; however, if the outgoing director is not on the Majority List, the absence of connection with the Majority List must be respected. Should the outgoing Director meet all independence requirements, and/or belong to the less represented gender, and as a result of their leaving, the number of independent directors and/or the number of directors belonging to the less represented gender would be reduced to below the minimum number required by law, the first un-elected candidate on the list to which the outgoing Director meeting the independence requirements and/or being of the same gender as of the outgoing director, shall be co-opted. Directors thus appointed will remain in office until the next Shareholders’ Meeting”.*

Replacement of Director

Pursuant to art. 15.4 of the Articles of Association: *“If a director leaves office during the financial period, the Shareholders’ Meeting, by a relative majority vote, will elect his replacement, as far as possible in respect of the rules in force on independence and gender balance, from the non-elected candidates on the same list as that of the outgoing director. The newly appointed director must have provided, at least ten days before the date scheduled for the Meeting, written confirmation of his candidature as well as the declarations that no reasons exist for his ineligibility or incompatibility and that he holds the requisites prescribed for the office by the laws in force and the Articles of Association.*

Should this replacement procedure not be possible, the replacement shall be performed by resolutions passed with a relative majority vote, while respecting the necessary representation of minorities and the minimum number of independent Directors and in compliance with pro tempore regulations in force regarding gender balance.

A director thus appointed will remain in office until the expiry of the term of office of the other directors.

If, for any reason, the number of the Directors in charge drops by more than half, the whole Board of Directors shall be deemed to be dismissed, and the Shareholders’ Meeting shall be convened as soon as possible in order to appoint a new Board. However, the Board of Directors will remain in office for the execution of acts of ordinary administration until the Shareholders’ Meeting has resolved on its renewal and until at least half of the new directors have accepted their appointment”.

4.3 COMPOSITION (PURSUANT TO ART. 123 BIS, PARA. 2, LETT. D, TUF)

On 18 April 2023, the Shareholders' Meeting set the number of Directors at thirteen, who will remain for a term of three financial years, that is until the approval of the financial statements for the year 2025. The term of office applies equally to all directors.

During the Shareholders' meeting of 18 April 2023, four lists of candidates were presented, transcribed below and indicating the relative proposing party:

List of candidates for director no. 1

Shareholder Roma Capitale, holder of 108,611,150 shares, representing 51% of the share capital of Acea:

- Candidate no. 1 Barbara Marinali, born in Rome on 10 August 1964;
- Candidate no. 2 Fabrizio Palermo, born in Perugia on 5 February 1971;
- Candidate no. 3 Nathalie Tocci, born in Rome on 7 March 1977;
- Candidate no. 4 Angelo Piazza, born in Bologna on 13 September 1955;
- Candidate no. 5 Elisabetta Maggini, born in Rome on 24 July 1982;
- Candidate no. 6 Alessandro Picardi, born in Naples on 23 October 1977;
- Candidate no. 7 Luisa Melara, born in Taurianova on 18 October 1970;
- Candidate no. 8 Simone Silvi, born in Rome on 26 October 1977; and
- Candidate no. 9 Francesca Di Donato, born in Naples on 2 April 1973.

List of candidates for director no. 2

Shareholder Suez International SAS, holder of 49,691,095 shares, representing 23.33% of the share capital of Acea:

- Candidate no. 1 Thomas Devedjian, born in Paris on 16 June 1971;
- Candidate no. 2 Patrizia Rutigliano, born in Barletta on 25 February 1968;
- Candidate no. 3 Loredana Bracchitta, born in Ragusa on 28 February 1966;
- Candidate no. 4 Francesca Menabuoni, born in Florence on 29 December 1969;
- Candidate no. 5 Andrea Mentasti, born in Varese on 30 March 1960; and
- Candidate no. 6 Wanda Ternau, born in Trieste on 24 September 1960.

List of candidates for director no. 3

Shareholder Fincal SpA, holder of 6,800,000 shares, representing 3.19% of the share capital of Acea:

- Candidate no. 1 Alessandro Caltagirone, born in Rome on 27 December 1969;
- Candidate no. 2 Massimiliano Capece Minutolo Del Sasso, born in Naples on 7 April 1968;
- Candidate no. 3 Elena Di Simone, born in Naples on 20 August 1975;
- Candidate no. 4 Azzurra Caltagirone, born in Rome on 10 March 1973;
- Candidate no. 5 Annalisa Costantini, born in Terni on 1 January 1976;

- Candidate no. 6 Fabrizio Caprara, born in Rome on 12 November 1959;
- Candidate no. 7 Tatiana Caltagirone, born in Rome on 3 July 1967;
- Candidate no. 8 Annalisa Mariani, born in Avezzano on 8 March 1980; and
- Candidate no. 9 Mario Delfini, born in Rome on 19 April 1940.

List of candidates for director no. 4

A group of asset management companies and institutional investors, holders of 2,491,937 shares, representing 1.17% of the share capital of Acea:

- Candidate no. 1 Antonino Cusimano, born in Palermo on 29 September 1964;
- Candidate no. 2 Antonella Rosa Bianchessi, born in Crema on 17 October 1969;
- Candidate no. 3 Simonetta Giordani, born in Rome on 6 July 1964; and
- Candidate no. 4 Stefano Pareglio, born in Vercelli on 25 March 1963.

At the end of the vote, the following directors were taken from the majority list, presented by the shareholder Roma Capitale: Barbara Marinali, Fabrizio Palermo, Nathalie Tocci, Angelo Piazza, Elisabetta Maggini, Alessandro Picardi and Luisa Melara.

From the minority list presented by Suez International Sas Thomas Devedjian and Patrizia Rutigliano were elected, from the minority list presented by Fincal SpA Alessandro Caltagirone and Massimiliano Capece Minutolo Del Sasso were elected and, finally, from the minority list presented by the group of asset management companies and institutional investors, Antonino Cusimano and Antonella Rosa Bianchessi were elected.

On 3 May 2023, pursuant to article 20 of the Articles of Association, the Board of Directors appointed Fabrizio Palermo as the Company's Chief Executive Officer and General Manager and, substantially in line with the approach taken by the previous structure, granted him all powers for the ordinary and extraordinary management of the Company, with the exclusion of specific attributions that the Board reserved for its own responsibility, as well as those which cannot be delegated under the terms of the law and the Articles of Association.

On 31 October 2023, Director Thomas Devedjian, appointed from the list presented by the Shareholder Suez International SAS at the 18 May 2023 Shareholders' Meeting, resigned with immediate effect. This decision was due to professional commitments which had arisen with reference to the same Director.

On 10 November 2023, Acea's Board of Directors, based on a proposal by the Appointments and Remuneration Committee and with a resolution approved by the Board of Statutory Auditors, appointed by co-optation, under the terms of Art. 2386 of the Italian Civil Code and Art. 15 of the Articles of Association, Francesca Menabuoni as a new non-executive Director of the Company, replacing Thomas Devedjian.

Therefore, the Board of Directors, as at 31 December 2023, is made up as follows: Barbara Marinali, Fabrizio Palermo, Nathalie Tocci, Angelo Piazza, Elisabetta Maggini, Alessandro Picardi, Luisa Melara, Patrizia Rutigliano, Francesca Menabuoni, Alessandro Caltagirone, Massimiliano Capece Minutolo Del Sasso, Antonino Cusimano and Antonella Rosa Bianchessi.

Of the above directors in office, one is an executive director — Fabrizio Palermo — whom the Board of Directors has appointed as Chief Executive Officer with individual managerial powers, whereas the remaining 12 are non-executive directors.

The number and competencies of the non-executive directors are such to ensure a significant weighting in the adoption of board decisions and to guarantee effective monitoring of the business management.

Please note that eleven directors meet the requirements of independence provided for by applicable law and by the Code.

Seniority of office from the first appointment is shown in Table 2 “Structure of the Board of Directors at year-end”.

Some information of a personal and professional nature on the directors in office is given below.

BARBARA MARINALI

Chairman – Non-Executive – Independent

Barbara Marinali was born in Rome on 10 August 1964. After receiving a degree in Economics and Commerce from Università degli Studi La Sapienza in Rome, she also became certified as a chartered accountant and auditor. Since April 2021 she has been an independent director on the Webuild Board of Directors and from December 2021 to April 2023 served as the Chairman of Open Fiber. From September 2020 to March 2022 she was the Senior Advisor to the CEO of Snam, where she also served as team leader for an important water infrastructure project in South Italy. From 2013 to 2020 she was a member of the first Transport Regulation Authority Board. With over 25 years working for the government, she has acquired in-depth knowledge of the administrative machine, the operation of regulated markets and the domestic institutional structure. From 2009 to 2013 she was the General Manager for road infrastructure for the Ministry of Infrastructure and Transport. From 2006 to 2008 she was Director of the Interministerial Committee for Economic Planning (CIPE) and headed the Department for Economic Policy Planning and Coordination at the Prime Minister’s Office. She also has significant experience with: the Antitrust Authority, the Ministry of Economy and Finance and the Ministry of Productive Activity (now, the Ministry of Enterprises and Made in Italy - MIMIT).

Appointed on the basis of list no. 1 presented by the aforementioned Roma Capitale.

FABRIZIO PALERMO

Managing Director – Executive

Fabrizio Palermo was born in Perugia, Italy on 5 February 1971. He received a degree with honours in Economics and Commerce from Università degli Studi di Roma “La Sapienza”, and from July 2018 to May 2021 served as the Chief Executive Officer and General Manager of Cassa Depositi e Prestiti where, since 2014, he had served as Chief Financial Officer.

From 2005 to 2014 he worked for the Fincantieri Group, where he held top positions of increasing responsibility, initially as Director of Business Development and Corporate Finance, then as Chief Financial Officer (2006-2014), and lastly as Deputy General Manager (2011-2014).

Fabrizio Palermo began his career in the London offices of Morgan Stanley, in the investment Banking Division. In 1998, he continued at McKinsey & Company, specialising in the restoration, transformation and revitalisation of large industrial and financial groups.

During his career, he was Chairperson of CDP Equity SpA, Chief Executive Officer of CDP Reti SpA, and Director on the Boards of Open Fiber SpA, Fincantieri SpA and Fincantieri USA Inc., Vard Group AS and Vard Holdings Limited.

Fabrizio Palermo has been a member of the Board of Directors of Assonime, a member of the Board of Directors of the Centre for American Studies, and Co-chair of the Italy-China Business Forum.

Since 2007, he has also been working at Libera Università Internazionale degli Studi Sociali Guido Carli as Assistant Professor for the “Planning and Control” course (from 2007 to 2010) and later as MBA Adjunct Professor for the “Corporate Finance” course (in 2018 and 2022).

Appointed on the basis of list no. 1 presented by the aforementioned Roma Capitale.

ELISABETTA MAGGINI

Director – Non-Executive – Independent

She has a degree in Law from LUMSA (Libera Università Maria Santissima Assunta) in Rome, as well as a Master in Finance Real Estate from LUISS Business School.

From December 2020 to June 2023 she served as a Director on the Consap SpA Board of Directors (the Public Insurance Services Concessionaire, an investee of the Ministry of Economy and Finance, established after the demerger from the National Insurance Institute - INA).

She also served as a Director on the Sorgente Group Srl Board of Directors from 2014-2023, a holding company in the finance, real estate, construction and infrastructure sectors and, from January 2022 to July 2023 was a member of the Sorgente SGR SpA Board of Directors, an asset management company in the Sorgente Group.

Since July 2021 she has been the Chairperson of ANCE Roma Giovani, the young builders group with the Rome Association of Building Contractors (ACER). Additionally, since 2016 she has been Chairperson of the Consultation Group for Young Entrepreneurs and Professionals in Rome and the Region of Lazio.

Since July 2020 she has been a director of the Lazio Region’s ASP Asilo Savoia - Regional Personal Care Services Company.

She was a member of the Acea SpA Board of Directors from 2014 to 2017.

Among her other significant experience, she was a director of Istituto Poligrafico Zecca dello Stato SpA (2017-2020), Quorum SGR SpA (2021-2022) and Nova RE SIIQ SpA (2017-2021) a listed real estate investment company (2017-2021).

From 2013-2014 she a secretariat staff member for the President of the Region of Lazio. From 2009-2012 she a secretariat staff member for the President of the Province of Rome.

During the period 2014-2017, she was a member of the Rome Chamber of Commerce Women’s Entrepreneurship Committee and from 2010 to 2016 was Chairperson of “Vocazione Roma”, the association of Roman professionals, entrepreneurs and creators under 40.

She was appointed from list no.1, presented by Roma Capitale.

LUISA MELARA

Director – Non-Executive – Independent

She holds a law degree from LUISS with specialisation in the legal administrative field.

A lawyer, registered with the special list of attorneys admitted to practice before the Italian Supreme Court, she is a freelance professional, specialised in company law, business crisis law, commercial and banking law and goods and services procurement contracts. She heads the Luisa Melara & Partners Law Firm in Rome.

She provides managerial activities, as well as judicial and extrajudicial consultancy and assistance for public companies, corporations and investment funds.

In 2019 she served as the Chairperson of the AMA SpA Board of Directors.

Among her current engagements, she is business crisis legal consultant for ANCE (National Association of Private Construction Contractors), a member of the Advisory Committee for the FOF Private Equity Italia fund and a partner of the “Pinelli Avvocati” Law Firm in Padua.

She has been “Of Counsel” in the “Business Crisis” Department at Carnelutti, Associated Law Firm in Milan.

She carries out teaching activities, specifically for the Advanced Training course for Business Law Consultants organised by the LU-ISS Business School, and regularly participates as speaker at conferences on corporate and business crisis issues.

She is a member of the Institute for Corporate Governance (IGS) Scientific Committee and since 2019 is a member of the Company Law Committee and the Business Crisis, Company and Market Law Committee set up by the Rome Bar Association.

She is a member of the Guarantees and Legality Olympics Committee created to oversee the 2026 Winter Olympic and Paralympic Games.

Since 2021, she has been Acting Vice President of ANPIB - National Association of Private & Investment Bankers.

She was appointed from list no.1, presented by Roma Capitale.

ANGELO PIAZZA

Director – Non-Executive – Independent

He holds a degree in law from the University of Bologna and has written a number of scientific publications and essays on civil and administrative law.

A professor at the “Foro Italico” University of Rome 4, he is also a practising lawyer.

In the academic and professional field, he has gained experience and expertise in matters concerning public companies, local public services, public contracts and concessions, and with regard to urban planning, construction and energy and environmental law.

He has served as Board Member and Chairman of several companies. In particular, he is currently a member of the Boards of Directors of SAVE SpA, CDP Real Asset Società di Gestione del Risparmio SpA and Acea SpA.

He is also the Chairman of the Board of Statutory Auditors of La Villata SpA Real Estate Investment and Development.

From November 2021 to June 2022 he was the Sole Director of AMA SpA. From 2020 to 2022 he was a member of the F2i SGR Board of Directors and a member of the Italia Trasporto Aereo SpA Board of Directors. From 2013 and 2020 he served on the Supervisory Body for Leonardo SpA (formerly Finmeccanica).

He has also held numerous institutional positions. He was a member of the Ministerial Study Committee, set up at the Ministry of Infrastructure and Transport for the transposition of European Parliament and Council directive 2014/24/EU of 26 February 2014 on public contracts and for the simplification of the Public Contracts Code.

As part of his academic experience, from 2002 to 2012 he was a tenured professor at the University of Bologna.

He was appointed from list no.1, presented by Roma Capitale.

ALESSANDRO PICARDI

Director – Non-Executive – Independent

He is a corporate manager. Currently he is the Chairman of Capital Advisory and Deputy Chairman of Assolombarda Confindustria, as well as the Chairman of Nexting.

More recently he served four years within the TIM Group, where he was Executive Vice President and Chief Public Affairs Officer, as well as a member of the Sparkle SpA Board of Directors and sub-

sequently Executive Chairman with operational powers at Olivetti SpA. He was also the Chairman of Finlombarda Gestioni SGR and has many years of experience in the telecommunication, radio and television sectors.

From 2013 to 2019 he was employed by Rai, firstly as Manager of Institutional, International and Regulatory Relations and then as Director of Strategic Platform Development. At the same time, from 2014 to 2019 he was Executive Chairman of Tivù Srl - Tivusat, a company operating in free-to-air satellite television owned by Rai, Mediaset and Telecom Italia.

During the period 2012-2013 he was Deputy Chairman Corporate Affairs of Alitalia, and from 2006 to 2012 was Head of Institutional Affairs at Wind. From 2004 to 2006 he was employed by Sky Italy (satellite television) as advisor for Institutional Affairs and Relations with the Vatican.

He has served on the Boards of Directors of several companies and foundations, in particular Fondazione TIM (2019-2022) and Tivù S.r.l. - Tivusat (2019-2022). During the same period, he was a director of ISPI, the Italian Institute for International Political Studies, and the COTEC Foundation for technological innovation. From 2015 to 2018 he was a Director at Auditel. Since 2018 he has been on the Board of Directors of Centre for American Studies.

He has previously served as Deputy Chairman of Confindustria Digitale, Deputy Chairman of Asstel (Confindustria association of telecommunications operators) from 2020 to 2022, member of the Presidency Council and General Council of Confindustria Radio Televisioni, member of the Eurovisioni Governing Council.

He was appointed from list no.1, presented by Roma Capitale.

NATHALIE TOCCI

Director – Non-Executive – Independent

She has been Director of the Istituto Affari Internazionali (IAI) since 2017, honorary professor at the University of Tübingen since 2015 and is Europe’s Futures Fellow at the Institut für die Wissenschaften vom Menschen (IWM) in Vienna. Since 2023 she has been Professor at the Transnational School of Government of the European University Institute in Florence and from 2021 to 2022 was Pierre Keller Visiting Professor at the Harvard Kennedy School.

From 2020 to 2023 she was an independent board member for Eni and from 2013 to 2020 served on the Edison Board of Directors.

She has been Special Advisor to the European Union High Representative for Foreign Affairs and Security Policy and Vice President of the European Commission, first with Federica Mogherini (2015-2019) and then with Josep Borrell (2020-2021). In that capacity she worked on the drafting and implementation of the EU global strategy. In 2014, she was director of international strategies for Italy’s Minister for Foreign Affairs, Federica Mogherini.

In 2006 she joined the IAI, where she is now Director, as Research Manager, in 2010 becoming Programme Manager for European foreign policy and, in 2011, Deputy Director and Editor of The International Spectator.

She has also been Senior Fellow at Washington’s Transatlantic Academy (2009-2010), Associate Fellow for European foreign policy at the Centre for European Policy Studies in Brussels (2007-2009), Marie Curie Fellow at the Robert Schuman Centre for Advanced Studies – European University Institute (2005-2007), Jean Monnet Fellow for the Mediterranean Programme of the Robert Schuman Centre for Advanced Studies (2003-2004), Research Fellow at the Centre for European Policy Studies in Brussels (1999-2003). She has written a number of scientific publications. Her current scientific interests concern European integration and European foreign policy, the Middle East, Eastern Europe, transatlantic relations, multilateralism, conflict resolution, energy, climate and defence.

Her present engagements include participation on the Boards of various institutions, such as the Centre for European Reform, the Jacques Delors Centre, the European Leadership Network. She is on the Europe for Middle East Peace Advisory Board and council member of the European Council for Foreign Relations.

She holds a PhD in International Relations from the London School of Economics.

She was appointed from list no.1, presented by Roma Capitale.

PATRIZIA RUTIGLIANO

Director – Non-Executive – Independent

She holds a degree in Languages and contemporary history from the Università Cattolica of Milan, with a specialisation diploma in Social Sciences and Journalism. She has gained significant managerial experience working with public and private companies in strategic sectors such as energy, telecommunications, service concessions, as well as the Public Administration. She has in-depth knowledge of ESG issues and has developed engagement models and environmental and social policies that are often innovative for the reference businesses.

At Snam from 2009 to October 2022, in positions of increasing responsibility, she held the role of Executive Vice President Institutional Affairs, ESG, Communication & Marketing and was the first woman to become a member of the leadership team. She managed major profiles in the processes concerning functional and proprietary separation from Eni, integration of the gas markets, supply diversification and security, development of energy transition activities, gas and hydrogen market and taxonomy reform. She was responsible for the ESG policies on which the business plan was based, defining the environmental objectives (Scopes 1, 2 and 3) and the carbon offsetting mechanisms.

From 2004 to 2009 she was Head of External Relations for Autogrill, during the period in which the main motorway and airport concessions were renewed.

From 2001 to 2004, she was initially e.Biscom press office manager and was then also appointed as Head of Fastweb External Relations.

From 1997 to 2001 she was Spokesperson for the Municipality of Milan, during the privatisation phase of the main municipalised companies.

She began her career in 1992 as a professional journalist, covering politics and economics for Mondo Economico, Fininvest and Euronews.

She served on the Boards of companies and non-profits, including Tiscali and Fiera Milano, Terêga Holding, a regulated French gas utility, Toscana Energia, the Snam Foundation, World Wellbeing Movement, the MIP-Politecnico di Milano School of Management and the publishing company Il Cittadino.

She was Deputy Chairperson of Anigas (National Association of Gas Industrialists) and member of the Assolombarda governing council and the Valore D Board of Directors. She was also Chairperson of the Italian Federation for Public Relations (FERPI) from 2011 to 2016. She was appointed from list no. 2, presented by Suez International SAS.

FRANCESCA MENABUONI

Director – Non-Executive

Francesca Menabuoni was born in Florence, Italy on 29 December 1969. She graduated in Civil Engineering (hydraulics department) from the University of Florence. A manager with extensive experience in integrated water service management, she has been Chief Executive Officer and General Manager of Nuove Acque SpA

since 2012. (Suez Group). Among her current roles, she is Concessions Director of Suez International Italian Branch (SIIB).

ALESSANDRO CALTAGIRONE

Director – Non-Executive – Independent

Alessandro Caltagirone was born in Rome on 27 December 1969; he graduated in Economics and Commerce at La Sapienza University in Rome. Currently a member of the Board at various companies, including: Il Messaggero SpA and Caltagirone SpA, as well as Deputy Chairperson of the Board of Directors of Cementir Holding N.V., Alborg Portland Holding A/S and Caltagirone Editore SpA. This Director was appointed for the first time as a member of the Acea Board of Directors on 27 April 2017.

He was appointed on the basis of list no. 3 presented by Fincal SpA.

MASSIMILIANO CAPECE MINUTOLO DEL SASSO

Director – Non-Executive – Independent

Massimiliano Capece Minutolo Del Sasso was born on 7 April 1968; he is registered in the register of engineers of Rome since 1992. Vast experience in the real estate and infrastructure sector with competencies in design, development and management of large urban and construction projects. In the course of his professional career he has developed experience in the cement, banking, renewable energy and publishing sectors. He is currently Chairman of the Board of Directors of “Il Mattino SpA”.

He is also manager of the company Vianini Lavori SpA and Director/Member of the Board of Directors of various companies operating in the real estate development and management sector and has been on the Board of Directors of Acea since 23 April 2015, on the basis of the list presented by Fincal SpA.

He was appointed on the basis of list no. 3 presented by Fincal SpA.

ANTONELLA ROSA BIANCHESSI

Director – Non-Executive – Independent

Antonella Rosa Bianchessi was born in Crema on 17 October 1969 and holds a degree in Business Administration from Università Bocconi. Currently an independent consultant, she has proven experience in the fields of financial analysis, corporate finance and business valuation, with in-depth knowledge of the utilities sector.

From 2011 to 2022 she was in charge of the Global Utilities Team and Managing Director at Citigroup, responsible for leading the global team in the production of comprehensive sector studies, focused on the energy transition. She headed European Utilities research and was charged with developing investment strategies in the sector and thematic analyses, for example with regard to European Taxonomy, European energy policies and investments in renewables. In this role she published a number of sector and ESG studies and analyses of corporate securities, developing dialogue with the international financial community and taking part in several financial transactions on capital markets.

From 2002 to 2011, she worked for Morgan Stanley in the capacity of Southern European Utilities analyst, Executive Director. From 2000 to 2002 she was Italian utilities analyst for Goldman Sachs in London. From 1995 to 2000, she was a utilities analyst firstly at Banca IMI and then at Caboto.

She was appointed on the basis of list no. 4, presented by a group of asset management companies and institutional investors.

ANTONINO CUSIMANO

Director – Non-Executive – Independent

He has a degree in Law from Università degli Studi in Palermo and has worked with a number of law firms in the United States. An

attorney, he has experience serving as general counsel for multi-national groups, handling legal affairs, international law, corporate governance, resolving global disputes, compliance and anti-bribery and risk management. He has worked and lived in London, Paris and Pittsburgh.

Since 2018 he has served as Corporate Vice President, General Counsel and Secretary of the Board of Directors of Nexans SA, the second largest producer of cables in the world. The Group, listed on the Paris Euronext stock market, works in various sectors and supplies a vast array of cables and solutions for energy transmission and distribution, including undersea cables for interconnections, for offshore wind parks, high voltage cables for power grids and cables for renewable energy sources such as solar and wind.

From 2016-2017, Antonino Cusimano served as Vice President and Group General Counsel for CMA-CGM SA, the third largest freight group in the world, headquartered in France.

From 2008 to 2016 he worked for Telecom Italia as Group General Counsel, Executive Vice President Legal Affairs and Secretary of the Board of Directors.

From 2006 to 2008 he worked for General Electric Oil & Gas in Florence, as Senior Counsel Global Services and Transactions / Senior Counsel M&A.

From 1994 to 2006 he worked for the PPG Industries International Group in Paris, where he held various positions, rising to become the General Legal Counsel for Europe, Middle East and Africa in 2000. He was appointed on the basis of list no. 4, presented by a group of asset management companies and institutional investors.

Diversity criteria and policy in the composition of the Board and the corporate structure

On 9 March 2020, after receiving the opinion of the Appointment and Remuneration Committee, the Board of Directors adopted the “Diversity policy for the composition of the administrative and control bodies” (“**Diversity Policy**”), promoted by the former Ethics and Sustainability Committee.

The Diversity Policy aims to ensure the proper operation of Acea’s corporate bodies by regulating their composition and ensuring that their members have personal and professional requirements that meet the highest degree of diversity and competence.

In fact, the Board of Directors is aware of the fact that diversity and gender balance are fundamental elements of the corporate culture of a corporate group. In particular, as fundamental elements of sustainability in the medium-long term, diversity and gender balance represent a reference paradigm for both Acea Group employees and members of the company’s management and control bodies.

This Diversity Policy establishes that an optimal composition of the Issuer’s administrative body can be guaranteed by respecting, among other things, the following criteria:

- (i) the administrative body has a majority of non-executive directors, so that these can provide an important democratic function and support the monitoring of the choices made by the executive directors;
- (ii) a suitable number of directors possess the independence requirements recommended in the Code, so as to also ensure suitable composition of the internal Board committees (which must have a majority of independent directors);
- (iii) a Board of Directors which in any case ensures gender balance in line with the provisions of the law and the Articles of Association in effect, both at the time of appointment and throughout the term;

- (iv) a balanced combination of ages within the Board of Directors, so as to allow for a balanced plurality of perspectives and managerial and professional experiences;
- (v) there are Directors with managerial and/or professional and/or academic backgrounds such as to realise a mix of skills and experience that are different but complementary to each other, in consideration of the various sectors of business the Company operates in (regulated and market);
- (vi) the administrative body possesses, as a whole, a high level of orientation towards strategies and results in respect of the principles of proper corporate and business management, as well as skills regarding the governance of risks, in a corporate and regulatory framework, the economic and financial context and the financial statements, the structure and development of corporate governance processes and systems in listed companies, the topics of sustainability and social responsibility and digital innovation.

In line with the content of the Diversity Policy, in view of the Shareholders’ Meeting of 18 April 2023 called to appoint the Directors, the Acea Board expressed its position to the shareholders on the optimal qualitative and quantitative composition of the new Board. In particular, the outgoing Board of Directors had emphasised the need to have members not only able to manage a company listed on the stock exchange with a presence in various business sectors (regulated and market), but also to guarantee optimal governance of ongoing processes of technological and industrial transformation.

The composition of the Board must also take into account the requirements of Acea and the need to maintain a significant presence of independent Directors in accordance with gender diversity and guaranteeing a high level of professionalism and seniority. The current composition appears to be in line with the above orientation.

Following the entry into force, from 1 January 2020, of the provisions of the Budget Law 2020, amended by art. 147-ter, paragraph 1-ter, and 148, paragraph 1-bis, of the TUF, concerning gender balance in the corporate bodies of listed companies, the minimum quota currently required for the least represented gender is at least two fifths of the members of the Board of Directors.

Please note that the composition of the current Board of Directors complies with the gender balance called for under applicable regulations.

Acea, consistent with the principles expressed in the Code of Ethics, as updated in 2023, promotes a culture that values diversity, which is based on the involvement of the corporate bodies and internal and external stakeholders.

In this context can be seen (i) the “Equality, Diversity & Inclusion Policy”, approved by the Board of Directors on 19 October 2022, formalising the Group’s commitment by establishing principles, objectives and guidelines for action; (ii) the current Equality, Diversity & Inclusion Management Committee which promotes the annual plan of D&I initiatives, cooperating with the internal Board committee on Ethics, Sustainability and Inclusion; (iii) the appointment of an Equality, Diversity & Inclusion Manager, in line with best market practices (iv) the signing of protocols with trade unions, to support the active involvement and participation of people and union representatives to improve engagement and working conditions and to develop and support professional skills. Most recently, this included the Employee and Participation Charter signed in May 2023 with the national trade unions; (v) the Governance Code for Responsible Companies to Support Natality protocol, signed in December

2023 with the Ministry for the Family, Natality and Equal Opportunity, jointly with other companies notable for their active participation with reference to these aspects.

In order to determine priorities for actions and measure the efficacy of those implemented, the Group has established a set of D&I indicators, made accessible to all employees in a specific section of the Intranet, which analyse all the processes of the people strategy (selection, training, development, compensation and welfare) and measure the effectiveness of the same, offering transparency to its staff on results.

The consequent 2023 annual “Equality & Care” plan, consistent with the content of the NFD, was focussed mainly on the issues of gender, employee welfare, parenting, differentiated ability, family and interpersonal relations, also with an eye to developing the internal culture and services for people within the Group.

The main initiatives during the year included:

- preventative health campaigns;
- initiatives to support psycho/physical well-being;
- economic support and healthcare plans;
- actions to attract and retain female “STEM” skills;
- hiring plans for disadvantaged populations;
- projects to support parents;
- training and cultural awareness initiatives to combat stereotypes and prejudice;
- initiatives to support women’s safety;
- engagement initiatives and active involvement of employees on D&I issues.

Confirming its commitment to and interest in D&I issues was the awarding in December 2023 to the Group of the public call for tenders #Riparto, issued by the Department of Family Policies of the Prime Minister’s Office regarding the execution of corporate welfare projects to support mothers during the first 1,000 days of their children’s lives.

Additionally, in 2023 the Group continued to participate in various sector certification initiatives, in particular GEI Bloomberg certification, improving on the score it received the previous year, as well as the UNI PDR 125: 2002, relative to which it also improved its 2022 score, and Top Employers 2024 certification, placing among the best Italian companies and again included in the list of Europe’s Diversity Leaders.

Maximum number of offices simultaneously held in other companies

At its meeting on 16 December 2020, after the investigation carried out in 2020 by the Appointment and Remuneration Committee in office at the time, the Board of Directors resolved to update the guidelines already expressed on 23 March 2011 with regards to the maximum number of offices held.

To that end, it defined the “other significant companies”, for the purposes of calculating the total in addition to other listed companies, financial, banking or insurance companies, or those with shareholders’ equity exceeding € 1 billion.

Furthermore, the Board resolved that:

- a) a Director should not hold the office of non-executive Director or Auditor in more than 6 (six) of the aforementioned companies;
- b) an executive director should not hold the office of non-executive Director of another issuer of which an Acea Director is an executive Director.

Further, it decided (i) to not consider the position held in Acea when calculating offices held; (ii) to not consider any offices held in direct or indirect subsidiaries of Acea, or in companies in which Acea holds an equity investment when calculating offices held; (iii) to not consider positions held on internal Board committees for the purposes of reaching the maximum limit for offices held.

On the basis of the updated communications received by the Company in implementation of the resolutions passed, all the Directors, at 5 March 2024, cover a number of roles compatible with the guidelines laid down by the Board itself.

Table 1, at the foot of this Report, lists the offices held by the Directors and Statutory Auditors in other companies listed on regulated markets, also abroad, in financial, banking and insurance companies and companies with shareholders’ equity exceeding € 1 billion.

4.4 FUNCTIONING OF THE BOARD OF DIRECTORS (PURSUANT TO ART. 123-BIS, PARAGRAPH 2, LETTER D) OF THE TUF)

The Board meets on a regular basis - usually monthly, and in any case at least quarterly - in compliance with the law and the calendar of works, approved annually and published on the Company website, at least for meetings significant to the applicable law. However, meetings are called whenever the Board deems it opportune or at the request of the CEO, the majority of the Directors in office or the Board of Statutory Auditors.

The BoD is structured and operates to guarantee the efficient and effective performance of its duties. In order to regulate and set appropriate timelines for its operations, the Board has adopted a Board Regulation, last amended in March 2021 to adapt to the provisions introduced by the Code.

Resolution proposals and information for the Board of Directors must be sent - along with any other useful documentation and having been reviewed by the managers of the departments, functions and areas responsible for the specific matters - at least 10 calendar days prior to the date set for the Board meeting, to the secretariat of the Acea corporate bodies, which shall forward it without delay, in agreement with the Secretary, for the approval of the CEO in order to draw up the draft Agenda.

The Chairperson ensures that the pre-meeting information and any supplementary information provided during the meetings is such to enable the Directors to conduct their roles in an informed manner. In particular, the Chairperson monitors that adequate information is provided on the items on the Agenda of each meeting and that such information is provided within the deadlines set by the internal regulations, according to which the Agenda and any relative documents must be made available to Directors at least three days prior to the meeting. The documentation is made available to Directors and Auditors in such a way as to guarantee the necessary confidentiality, including through an appropriate IT system, pursuant to the provisions of the current BoD Regulation.

However, the justification of non-compliance with the aforementioned deadlines on the grounds of confidentiality is not permitted. In this regard, Acea has adopted specific software in order to enable the secure management of Board meetings and facilitate the secure and confidential transmission of information and documentation.

This system makes it possible to use various levels of security. Therefore, increasing usage of this platform and usage of the higher security levels that it offers makes it possible to protect even the

need for greater information protection which may arise, without compromising completeness, usability and timeliness.

In certain cases, in the course of 2023, when it was not possible to meet the above deadline set by the Regulation for the provision of pre-meeting information due to the documentation being particularly copious or complex, at the meeting, as well as dedicating ample time to discuss the relative topic and any requests for clarification or further information, the manager of the relevant internal department was generally present.

Board meetings may also be held using remote technology (audio, video or teleconferencing systems), as long as all participants can be duly identified by the Chairperson of the Board of Directors or by the Secretary in the event that the Chairperson is also attending remotely, and that all Directors are able to follow the discussion and engage in real time in the discussion of the items on the Agenda, as well as exchange documents relative to the topics under discussion and take part in the voting. The use of such remote methods of participation shall be acknowledged in the minutes.

At each meeting, the Chairperson of the Board of Directors invites Directors who, in relation to the items on the Agenda, may represent certain interests on their own behalf or on behalf of third parties, to make such interests known.

The Secretary draws up the minutes of the Board meetings and submits a draft to the Chairperson who, having consulted with the CEO, orders their transmission to the individual Directors. The approval of the minutes of the previous meeting is usually the first item on the Agenda of the next Board meeting.

In 2023, the Board of Directors met 23 times. The average duration of the meetings was 2 hours and 54 minutes. The meetings were attended by the members of the administrative body and the Board of Statutory Auditors.

The attendance of each Directors at the Board of Directors' meetings is detailed in Table no. 2.

At the date of this report, 4 meetings have been held since the beginning of 2024.

The calendar of the main corporate events 2024 (communicated to the Market and to Borsa Italiana in accordance with regulatory requirements) includes 3 more meetings on the following dates:

- 9 May 2024 – approval of the interim report on operations as at 31 March 2024;
- 25 July 2024 – approval of the semi-annual report as at 30 June 2024;
- 14 November 2024 – approval of the interim report on operations as at 30 September 2024.

4.5 ROLE OF THE CHAIRPERSON OF THE BOARD OF DIRECTORS

Pursuant to art. 20, paragraph 4 of the Articles of Association, the Chairperson of the Board of Directors, Barbara Marinali, is the legal and institutional representative of the Company, and holds the powers of signature.

The Chairperson of the Board liaises between the executive and non-executive Directors and is responsible for the effective operation of the Board, and is supported in these duties by the Secretary of the Board of Directors.

Furthermore, the Chairperson oversees the perceived quality indicators and the issues relating to environmental impacts and corporate social responsibility of company activities and processes.

The Chairperson supervises the secretary of the Board of Directors

and all related activities, and is also vested with the powers to represent and promote the image of the Company and the Group and to manage external institutional communications.

With specific reference to the supervisory role over the secretary of the Board of Directors, the Chairperson:

- i) ensures the prompt and complete provision of meeting and pre-meeting information;
- ii) ensures that appropriate information flows are in place between Acea and Group companies, in order to monitor the consistency between the Group's strategic guidelines and its performance;
- iii) verifies the implementation of the resolutions adopted by the Board of Directors and the rules and principles of corporate governance, also in compliance with the powers reserved to the Board of Directors.

The Chairperson, therefore, coordinates the activities of the Board of Directors, calls the Board meetings, establishes the Agenda and directs the meeting, ensuring that the Directors are promptly given – except in the case of need or urgency – the documentation and information necessary to allow the Board to give a conscious opinion on the matters submitted to its examination.

In 2023 the Chairperson:

- ensured that the call notice - containing the date, time and place of the meeting and the topics to be discussed - and the documentation relating to the items on the Agenda were provided within the deadline provided for by the Articles of Association, i.e., at least 3 days prior to the meeting itself;
- promoted a structured scheduling process, with the exception of Board meetings requested by the Chief Executive Officer in compliance with article 3 of the Board Regulations, for both Board of Directors and internal Board committee meetings, also to help coordinate the activities of the committees with those of the Board;
- ensured, in concert with the Chief Executive Manager, that the department or area managers responsible for the items on the Agenda were available to participate, where required, in Board meetings. These managers attended Board meetings exclusively to discuss the topics relevant to their area of competence and left the meeting when the Board came to make its resolution;
- prepared, in concert with the Chief Executive Officer a training programme for the Board that was also attended by the Board of Statutory Auditors, aimed at providing the Directors with a thorough knowledge of the Company's activities and organisation, of its sector and the regulatory framework and self-regulatory framework, of the company dynamics and their evolution and the role to be performed with respect to the specificities of Acea. The induction initiatives carried out in 2023 concerned, among other things, topics linked to business. Furthermore, the Directors are kept informed by the competent corporate functions regarding the main legislative and regulatory novelties concerning the Company and the exercise of their functions. The Chairperson and the Secretary ensured that the Directors and Auditors were able to participate in the induction sessions in person or remotely;
- supervised the self-evaluation of the Board, which also involved the Appointments and Remuneration Committee (for more details see paragraph 7 of this Report);
- ensured that, during the year, the Board was informed on the development and significant contents of the dialogue that had taken place with all shareholders as provided for in the Policy for

Managing Relations with Acea's Institutional Investors, Shareholders and Bondholders, approved by the Board of Directors (for more details, see Section 13 of this Report).

Secretary of the Board of Directors

Article 18, paragraph 1 of the Articles of Association states that the Board of Directors elects, from among its members or externally, a Secretary who will draw up in the minutes of the Board meetings.

As noted in the paragraph regarding the functioning of the BoD, on 1 March 2021 the Board of Directors approved the new Regulation on the functioning of the Board of Directors, introducing measures on the appointment and duties of the Secretary.

In particular, the first paragraph of the aforementioned article states that the Board resolves, on the proposal of the Chairperson, on the appointment or revocation of the Secretary of the administrative body, assessing the existence of the appropriate requirements of professionalism and defining, where necessary, any other appointments.

On this basis, on 3 May 2023 the Board of Directors appointed, subject to the positive assessment of the requirements of professionalism, Mr. Cosmo Damiano Marzulli as the Secretary of the BoD.

In line with the duties assigned, in 2023 the Secretary supported the activities of the Chairperson and provided impartial assistance and advice to the administrative body on all aspects relevant to the correct operation of the corporate governance system.

In particular, the Secretary supported the Chairperson of the Board of Directors in the performance of the various activities of competence, in order to ensure that:

- pre-meeting information was accurate, complete and clear, and that supplementary information provided during the meetings was such to enable Directors to act in an informed manner;
- the activities of the internal board committees were coordinated with those of the Board of Directors;
- Directors of the Company and of Group companies were able to participate in Board meetings to provide any necessary details on the items on the Agenda;
- all Board members and Auditors could participate, following their appointment and during their term of office, in the specific induction activities focused on corporate dynamics and their evolution, including with a view to sustainable success and the principles of sound risk management;
- the self-assessment process for the administrative body was adequate and transparent (for more details, see section 7).

4.6 EXECUTIVE DIRECTORS

Chief Executive Officer and General Manager

On 3 May 2023, the Board of Directors appointed Fabrizio Palermo as the Chief Executive Officer and General Manager. With reference to the position of Chief Executive Officer, pursuant to Art. 20 of the Articles of Association, Fabrizio Palermo was delegated the ordinary and extraordinary management of the Company, as well as signing powers, and the ability to represent the company legally and in court, with all the powers within the scope of the delegations conferred and within set commitment limits.

The Chief Executive Officer is vested with all powers of administration of the Company, with the exception of those otherwise assigned by law and by the Regulation, the Articles of Association or the structure of powers last approved in May 2023. Additionally,

he makes proposals on the annual budget and multi-year business plans to submit to the Board of Directors to the extent of his responsibilities, guaranteeing and verifying respect for the management guidelines that derive from the same.

In particular, the Chief Executive Officer, among other things:

- defines projects intended to achieve structural transformation of the company's business;
- adopts provisions regarding the hiring and termination of personnel, including executives, and all other actions relative to employment relations with employees, without prejudice to the powers and prerogatives of the Board of Directors and the responsibilities assigned to the Appointments and Remuneration Committee;
- implements organisational and procedural changes to Company activities in line with the guidelines resolved by the Board of Directors;
- is responsible for the activities regarding the management and coordination of subsidiary and investee companies of the Acea Group, including through the establishment of targets and the monitoring and control of the activities and results of Group companies, in line with the Group's strategies. The CEO is also responsible for ensuring the management and organisational coordination of companies subject to management and coordination by Acea or otherwise controlled pursuant to art. 2359 of the Italian Civil Code;
- is delegated to monitor sponsorship and donation initiatives intended to improve the name and reputation of the Company or Group, which have received a favourable opinion from the Committee for the Region, up to the amount of €100,000.00.

The Managing Director informs the Board of Directors and the Board of Statutory Auditors at least every quarter and, in any case, on the occasion of the Board of Directors' meetings, on the activity performed and the Company's business trend, on the business outlook and on transactions of major relevance for their dimensions or features, carried out by the Company or its subsidiaries, in compliance with art. 20.1 of the Articles of Association.

Furthermore, the Chief Executive Officer is responsible for establishing and maintaining the Internal Control and Risk Management System (SCIGR), as provided for by the Code (for a detailed description of the duties assigned to the Chief Executive Officer with regard to the SCIGR see paragraph 10.1 of this Report).

On the other hand, with respect to the General Manager position, at its meeting on 3 May 2023 the Board of Directors resolved to grant Mr. Palermo, among other things, the following powers:

- ordinary management of the Company and, consequently, all powers necessary to that end, excluding the activities directly handled by the Chief Executive Officer. To that end, the General Manager has the power to implement, carrying out all relative actions, the directives received from the Board of Directors and delegated bodies of the Board;
- determinations regarding works contracts and framework agreements, the purchase, rental, lease, free rent, transfer and disposal of goods, execution of transformation processes, execution of purchase deeds, the signings of deeds to purchase, transfer and dispose of real estate whether instrumental to core business or not, the remodelling of existing systems and construction of new ones, the acquisition and/or sale of patents, participation in calls for tenders and the presentation of bids. In this context, the powers of the Chief Executive Officer are ex-

exercised for operations of an amount up to € 7.5 million if in line with the budget and up to € 1 million if out of budget;

- banking and financial powers;
- with the exception of executives, the adoption of provisions regarding the hiring and termination of personnel, and all other actions relative to employment relations with employees, without prejudice to the powers and prerogatives of the Board of Directors and the responsibilities assigned to the Appointments and Remuneration Committee;
- the signing of tender contracts of any amount awarded on the basis of Italian Legislative Decree 50/2016, as amended.

For that not included under the powers of the General Manager, the powers of approval and guidance of the Chief Executive Officer and Board of Directors shall apply.

With reference to the topics reserved to the Board by the structure of powers and by art. 20.2 of the Articles of Association, see paragraph 4.1 of this Report.

Chairperson of the Board of Directors

The Chairperson has not received management powers and does not play a specific role in the development of corporate strategies. For the appointments and powers of the Chairperson, see paragraph 4.5 of this Report.

Joint Powers of the Chairperson and Chief Executive Officer

By Board resolution of 3 May 2023, joint powers were delegated to the Chairperson and the Chief Executive Officer who, in the case of proven urgency and need, are thus authorised to i) exercise the powers normally reserved to the Board in relation to contracts, purchases, company transformation, participation in tender procedures, (the relative limits of which are based on the financial commitments or expenses or charges or debts that may be incurred by the Company in the event of an award) and the issue of sureties, and ii) appoint the members of the Boards of Statutory Auditors and the Boards of Directors of the most important subsidiaries and partly held companies, these being understood as:

- those listed on regulated markets or with securities on issue as under art. 116 of the TUF;
- those requiring capital commitments, shareholders' loans or guarantees exceeding € 10 million.

The Chairperson and Chief Executive Officer inform the Board of any measures adopted at the next meeting; the Board establishes the existence of proven urgency and need.

In addition, the Chairperson and the Managing Director designate the members of the Boards of Statutory Auditors and the Boards of Directors of the companies of the Acea Group other than those considered of "more importance".

Information provided to the Board by Board members/delegated bodies

Pursuant to art. 20 of the Articles of Association, the delegated bodies report to the Board of Directors and the Board of Statutory Auditors on a quarterly basis on the general business trend and the relative outlook, as well as on operations deemed significant — due to their size or characteristics — carried out by the Board or by its subsidiaries.

In this regard, in 2023 the Chairperson and the Chief Executive Officer gave a quarterly report to the BoD and the Board of Statutory Auditors regarding the exercise of the powers vested in them,

producing a list of the most significant actions adopted using the powers delegated to the bodies of the BoD.

In the case of events and/or operations of particular significance to the Company, the delegated bodies report to the BoD and the Board of Statutory Auditors at the next meeting.

Other Executive Directors

With the exception of the Chief Executive Officer/General Manager, Fabrizio Palermo, there are no other Directors on the Board of Directors of Acea who qualify as executive under the definitions provided by the Corporate Governance Code.

4.7 INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTOR

Independent Directors

The Company's Board of Directors has a number of independent directors who represent the absolute majority of its members.

Their number and competencies are appropriate to the needs of the business and to the operation of the Board, as well as to the constitution of the relative committees.

The Board conducts checks to verify the independence of its members at the time of appointment and subsequently on an annual basis. In particular, in March 2024, the process to evaluate the independence of the directors was completed, pursuant to the Code and to art. 148, paragraph 3 of the TUF.

The actions taken by the Company may consider the following methods.

First of all, the assessment of independence of the members of the Board of Directors is based on the information held by the Company regarding the existence of any significant relationships as well as on any declarations made by each individual member.

In the event that it deems the available information not to be sufficient to complete the assessment, or if the information available to the Company raises doubts or concerns regarding the independence, the Company sends a request for further information or clarification to the member in question.

In order to ensure the functional performance of the assessment process and the correct interpretation of the available information, the Board of Directors reserves the right to consult with a qualified external consultant.

Moreover, each independent director shall promptly inform the Board of Directors in the event of situations that may theoretically impact the position of independence.

In the event that the Board of Directors resolves not to apply any of the criteria of significance to one or more directors, it provides adequate, transparent and exhaustive reasons for the reasons for this non-application.

The Board of Statutory Auditors verifies the correct application of the criteria and of the assessment procedures adopted by the Board of Directors to assess the independence of non-executive members, and the outcome of these controls is made available to the market in this Report or in the report made by the Auditors to the Shareholder's Meeting.

During the annual process carried out in 2024 the position of Director Massimiliano Capece Minutolo Del Sasso was subject to particular attention. In fact, he was appointed for the first time by the Shareholders' Meeting held on 23 April 2015 and, therefore, as of the date of the stated Board of Directors, the Director was close to having served as Director of the Company for more than nine financial years out of the last twelve.

Given that this fact is expressly mentioned in the Corporate Governance Code as a circumstance that compromises or may appear to compromise the independence of a Director, the Board of Directors carefully examined the position and personal characteristics of Director Capece Minutolo del Sasso.

As part of this assessment, carried out based on statements made by the same Director, information independently acquired by the Company and the convictions of the Board of Directors itself in relation to the subjective aspects of the Director, the Board of Directors, at its meeting on 5 March 2024, and taking into account:

- i. the interpretation criteria established in the Corporate Governance Code, based on which: “companies adopt the Code with substance prevailing over form and applying its recommendations based on the criteria of comply or explain”;
- ii. the independent judgement consistently demonstrated over time by Director Capece Minutolo del Sasso;
- iii. the high level of moral integrity and notable professional standing demonstrated by the Director for the entire duration of his position;
- iv. the effective and careful participation at Board of Directors meetings and statements and contributions of independent thought he has contributed to Board discussions with reference to decisions taken;
- v. the significant contribution made in general to the Company by the Director in carrying out his role as Director and in the dynamics on internal Board committees;
- vi. the general appreciation of the Director’s work by Company management;
- vii. the fact that remaining in office for more than nine financial years does not in and of itself automatically need to be considered a negative fact that makes it impossible to be independent, in that improving knowledge of the specific problems and dynamics of the issuer, together with an approach of substantial independence and autonomy of judgement for the Director, do not necessarily and automatically prejudice decision-making ability with reference to the requirement of independence; and
- viii. the information provided by the Director, which confirmed that substantial criteria must be taken into account when evaluating independence requirements, also confirming his belief that he continues to operate with full integrity with respect to the other indicators used to assess independence in the Corporate Governance Code, with full autonomy and independence of thought.

It was held that this Director, in line with the cited principle of substance over form, held the requirement of independence pursuant to the Corporate Governance Code.

Therefore, following the outcome of the activities in 2024, the Board of Directors, based on the information available to the Company, the information provided by individual Directors, ascertained in March 2024, the existence of the requirements of independence contained in art. 148, paragraph 3 of the TUF and in Recommendation 7 of the Code, in relation to the following Directors: Barbara Marinali, Antonella Rosa Bianchessi, Alessandro Caltagirone, Massimiliano Capece Minutolo Del Sasso, Antonino Cusimano,

Elisabetta Maggini, Luisa Melara, Angelo Piazza, Alessandro Picardi, Patrizia Rutigliano and Nathalie Tocci.

Insofar as necessary, when verifying the existence of the independence requirements of the current administrative body, the Board gave its assessment in accordance with the criteria contained in the Code.

Moreover, within the framework of the tasks attributed to it by law the Board of Statutory Auditors has verified the correct application of the assessment criteria and procedures adopted by the Board to evaluate the independence of its members and disclose the outcome of the verification to the market in the Corporate Governance Report.

During the year, there was no need to hold a separate meeting for the independent directors, also in consideration of the quality of the information received by the delegated bodies and their active participation on the Board and on the internal board committees.

For the purposes of evaluating whether or not the independence requirements established in the Corporate Governance Code are met, the Board of Directors, pursuant to recommendation 7, letter c) of the Corporate Governance Code, adopted specific quantitative parameters at its meeting on 5 March 2024, applicable to commercial, financial or professional relationships as indicated below:

- commercial or financial relationships: (i) 5% of the annual turnover of the company or entity over which the director has control or for which they serve as executive director or of the professional firm or consulting company in which they are a partners; and/or (ii) 5% of the annual costs incurred by the Acea Group which can be traced to the same type of contractual relationships;
- professional services: (i) 5% of the annual turnover of the company or entity over which the director has control or for which they serve as executive director or of the professional firm or consulting company in which they are a partners; and/or (ii) 2.5% of the annual costs incurred by the Acea Group which can be traced to appointments of a similar nature.

As a general principle and without particular circumstances to be evaluated specifically and justified, exceeding these parameters precludes the existence of the independence requirements envisaged in the Code with respect to non-executive directors.

Lead Independent Director

On 5 March 2024, the BoD verified that, as in previous years, no circumstances pursuant to Recommendation 13 of the Code that would require the appointment of a lead independent director had arisen.

In fact, at Acea the Chairperson of the Board of Directors is not the chief executive officer, is not vested with significant powers of administration, and is not a shareholder with control, including joint control, over the Company.

As at the date of this report, no requests regarding the appointment of a lead independent director have been received from the independent directors.

5. MANAGEMENT OF CORPORATE INFORMATION

As proposed by the Chief Executive Officer, the Acea Board of Directors has adopted Regulations for internal governance and for the external disclosure of the Company's documents and inside information that:

- establish the methods for the processing and disclosure of corporate information within the Group;
- rule that Company representatives who gain knowledge of information of which the early disclosure could be prejudicial to the Company's equity and/or that of the Shareholders must treat the same with maximum reserve, and that the Company, in the case of specific circumstances, must give immediate and full information to the market;
- prescribe that a procedure must be established for the drafting of press releases relating to price sensitive information, to prevent possible distortions or irregularities in the communication of such information.

This Regulation is available on the Acea website at: www.gruppo.acea.it/governance/sistema-controllo-interno-gestione-rischi/trattamento-informazioni-societarie.

The creation is also required, pursuant to art. 18, par. 1, lett. a) of Regulation (EU) no. 596/2014 (MAR), of a List of persons with access to Inside Information.

The list is divided into:

- a "permanent section", which indicates entities who have access to all Inside Information;
- a section for each inside information, where the persons who have access to the specific inside information are registered.

Art. 7 of the MAR regulation establishes that inside information means "information of a precise nature, which has not been made public, directly or indirectly relating to one or more issuers or one or more financial instruments and which, if rendered public, could have a significant effect on the prices of those financial instruments or on the prices of related derivative financial instruments". Information is deemed precise if "it refers to a series of existing circumstances or which could be reasonably held to occur or an event which has occurred or which could be reasonably understood to occur and if this information is sufficiently specific to allow the drawing of conclusions about the possible effect of this combination of circumstances or of the event on prices of financial instruments or the relative derivative financial instrument [...]. In this respect in the case of a protracted process that is intended to bring about, or that results in, particular circumstances or a particular event, those future circumstances or that future event, and also the intermediate steps of that process which are connected with bringing about or resulting in those future circumstances or that future event, may be deemed to be precise information".

Rules have also been adopted on Internal Dealing in compliance with the provisions of art. 19 of the MAR which rules that transactions in financial instruments carried out by "relevant persons" and by persons closely linked to the same must be communicated to Acea and to Consob immediately and, in any case, within three working days from the transaction, at the request of the relevant persons.

Relevant persons and persons closely linked to the same must inform the Company, pursuant to the referenced regulation, of all transactions carried out on their behalf once the aggregate amount of such transactions reaches the threshold of € 20,000.00 over one calendar year.

6. INTERNAL BOARD COMMITTEES (PURSUANT TO ART. 123-BIS, PARA. 2, LETT. D) TUF)

The Board of Directors has set up three internal committees to support the administrative body, namely: the Appointments and Remuneration Committee, the Control and Risks Committee and the Ethics, Sustainability and Inclusion Committee.

For information on the RPT Committee, see section 11 of this Report.

In adopting its regulation, the Board of Directors established that the duties and composition of each committee must be set at the time of its constitution by Board resolution, and that the activities of the committees may be regulated by specific operating regulations that establish operating procedures for the duties assigned to them.

Therefore, the composition, duties and functioning of each committee are governed by the Board of Directors through the adoption of specific regulations in line with the criteria laid down by the Code.

Committee members (totalling a minimum of three per committee) are appointed by the Board and are selected from among the members of the Board. The Board determined the composition of the committees prioritising skill and experience held by the relative members. Note that, as highlighted in the guidance for Company Shareholders regarding the size and composition of the new Board of Directors, the increase in the number of Directors decided by the Shareholders' Meeting on 18 April 2023 was intended to allow for more effective distribution of the tasks, thereby avoiding the concentration of responsibilities.

The chairpersons of the committees, who are nominated by the Board from among its members, call the meetings, set the agendas, prepare the works and coordinate the discussion. At the next Board meeting, the committee chairs report on the relevant activities conducted by the committees and on the proposals and opinions issued. In the event of absence or impediment, the chairpersons are replaced by the committee member with the highest seniority by age. For the organisation of their work, the committees are supported by the Secretary of the Board of Directors or by a party indicated by the committee itself. Each committee meets, on the invitation of its chairperson, at the location established in the call notice issued to all members at least 3 business days before the date set for the meeting; in urgent cases, this period may be reduced to 24 hours before the time set for the meeting. The meeting documentation is made available to the committee members at the same time as the call notice is issued by the Secretary of the respective committee. The documentation regarding the Agenda is made available to members by the Secretary of the respective committee usually at least three business days prior to the date of the meeting, except in exceptional circumstances.

The members of each committee and all participants in the meeting are bound by the legal obligations on inside information and the confidentiality of data and information received in the execution of their duties.

Moreover, Acea has adopted specific software in order to enable the secure management of committee meetings and facilitate the secure transmission of information and documentation. For more information on this software please refer to section 4.4 in this Report.

The committees meet according to a schedule approved by each committee, based on the proposals of the respective chairpersons.

This schedule is updated when deemed opportune and/or necessary by the respective chairperson in the light of developments to the corporate activities.

Based on the specific invitation of the respective chairperson, the meetings of each committee may be attended by other members of the Board of Directors or by representatives of company departments or third parties whose presence may be of assistance in the best performance of the committee's functions.

The Chairperson of the Board of Statutory Auditors or another statutory auditor designated by the same also participates in committee meetings (it being understood, in any case, that other current statutory auditors are also entitled to intervene).

Resolutions are taken by absolute majority vote; in the event of a tie, the vote of the chairperson of the committee shall prevail.

The minutes of each meeting are signed by the chairperson of the committee and the Secretary. In the performance of their activities, committees are entitled to access the information and company departments deemed necessary for the performance of their duties and may also consult external consultants, according to the terms established by the Board.

The committees provided for by the Code shall be provided with an adequate annual budget assigned by the Board.

In line with best practices, independent directors represent the majority of members on the advisory committees provided for by the Code, and the position of chairperson is entrusted to an independent director.

Other committees (not provided for by law or recommended by the Code)

A Committee for the Region was established, composed of three non-executive independent directors, with an advisory and supervisory role over the process for granting sponsorships and donations. The Committee for the Region is responsible, among other things, for:

- a) reviewing, on a preliminary basis, the needs represented by Acea and its subsidiaries with regard to the regions in which the Group operates and as reflected in the guidelines prepared each year to define and steer the areas of intervention for sponsorship initiatives and donations to be presented for approval by the Board of Directors;
- b) reviewing, on a preliminary basis, the management rules and procedures on sponsorships and donations which establish roles, responsibilities, monitoring principles and codes of conduct;
- c) reviewing, on a preliminary basis, the annual spending budget to be presented for approval by the Board of Directors; and
- d) expressing opinions regarding the formalisation of the sponsorships and donations identified by the competent body/department of Acea or of its subsidiaries, verifying that the donation or sponsorship is consistent with the budget and the guidelines defined from time to time.

During 2023, the Committee for the Region expressed, *inter alia*, at all its meetings, its opinion on the sponsorships and donations presented by the competent Acea department. Following each meeting, the Committee for the Region duly reported to the Board of Directors on its activities.

7. SELF-EVALUATION AND SUCCESSION OF DIRECTORS - APPOINTMENTS COMMITTEE

Evaluation of the functioning of the Board of Directors and its Committees

In line with recommendations 22 and 23 of the Corporate Governance Code, again referenced and supplemented in the 11th 2023 report of the Italian Corporate Governance Committee, on 14 December 2023 the Board of Directors resolved to carry out a Board Review, with reference to its size, composition and operation, as well as of its Committees, for the three years of the Board's term, with assistance from an independent external consultant.

The Chairperson of the Board, supported by the Appointments and Remuneration Committee and the Secretary of the Board of Directors, began the self-assessment process and established the methods for the same. Following a competitive process, the Company assigned the task to Crisci & Partners Srl, which was found to hold the requirements of neutrality, objectivity, skill and independence. The appointment will last for three years, in line with the Board of Directors term.

As part of the project, which will conclude at the end of 2025, the Chairperson of the Board of Directors is responsible for: — define guidelines, taking into account the degree of complexity of the work of the Board and best practices for governance, — ensure the process is carried out in a constructive and transparent manner, involving all members of the Board and of the Committees, — monitor the progress of the work and adherence to the guidelines as established. The Appointments and Remuneration Committee has an investigative function, supported by the Secretary of the Board of Directors, and is responsible for supervising the execution of the various stages of the process, updating the Board. The cooperative assistance offered by the independent external consultant Crisci & Partners contributes to ensuring a transparent and impartial process, intended to identify possible areas for improvement with respect to the effectiveness and efficiency of the Board's work.

The self-evaluation project presented by the Board of Directors in office is intended to develop a gradual and personalised process that helps the Board and the Directors to fully understand its role and functioning, achieving a shared focus on the objectives to be achieved during the three-year period. The Board Review, broken down into three stages over the three years, will be carried out with assistance from Crisci & Partners:

Stage I. Initial survey, examining available corporate documentation and interviewing key members of corporate bodies, to confirm awareness of individual members and the overall body of the characteristics of their roles, sharing:

- purpose, mission and the engagement model;
- composition, and the areas of focus and commitments of individual members;
- the functioning of the bodies;
- on-boarding/induction needs.

Stage II. Analysis and verification of efficiency and effectiveness levels in the operation and performance of the Board of Directors and internal Board committees, as well as an evaluation of the mix

of skills and experience present, through interviews with Board of Directors and Board of Statutory Auditors members, also intended to verify:

- the understanding of individual roles and responsibilities;
- the group's soft skills and relationship dynamics;
- the quality of the debate and decision-making processes of the bodies.

Stage III. The 2025 Self-Evaluation process will be completed with the verification of the efficiency and effectiveness of the Board of Directors and internal Board committees, as well as their compliance with legal and regulatory requirements, using questionnaires and interviews with Directors, also to develop:

- suggestions on how to strengthen the role and contribution of individual members and the Board of Directors as a whole;
- comments on onboarding activities and induction needs, as well as useful suggestions on developing them over time, with reference to schedules, methods and content, to better tailor them to the mix of skills held by individual Board of Directors members, in terms of the governance, strategy, risk and control aspects specific to Acea;
- suggestions to favour improved dynamics, cooperation and trust between individual Board members, to promote proactive and positive dialogue on strategic issues;
- opportunities for reflection coming from dialogue with peers and governance best practices, utilising governance benchmarking analysis.

As part of Stage III, the possibility to also use peer-to-peer review tools is envisaged, to assess the experience and skills of individual members and the group and the behaviours adopted by the same, as well as Board Effectiveness to assess the effectiveness of the Board's performance.

Succession plans

The Board was informed of the opportunity to launch, during the course of the present Board's term, activities aimed at the adoption of a succession plan for the CEO, which defines the procedures to be followed in the case of early termination of office, the periodic updating of the same and the methods for implementation.

In this regard, the Board of Directors of the Company appointed in April 2023, while recognising the importance of succession plans to promote generational exchange, to improve the management of the termination of office of executive directors and senior management and to contain the negative impact of any discontinuity in management, decided not to prepare a succession plan for executive directors. This is directly related to the current appointment methods of executive directions and the representation and evaluations of the majority shareholder.

If an executive director leaves office, the Board of Directors may co-opt a new director in their place and determine the powers to be vested on the latter.

Their successive inclusion on the Board of Directors shall be confirmed at the next Shareholders' Meeting.

7.1 APPOINTMENTS AND REMUNERATION COMMITTEE

As of the date of this Report, the Appointments and Remuneration Committee consists of four non-executive and independent Directors, specifically Massimiliano Capece Minutolo del Sasso (Chairman), Angelo Piazza, Patrizia Rutigliano and Nathalie Tocci. The Board of Directors recognised Massimiliano Capece Minutolo del Sasso and Nathalie Tocci as having adequate knowledge and experience in accounting and financial matters and remuneration policies.

The Appointments and Remuneration Committee's secretariat duties are performed by the Board of Directors' Secretary or by another subject chosen by the Committee itself.

With respect to the tasks assigned, the Appointments and Remuneration Committee offers research, proposals and consulting. In particular, it is responsible for assisting the Board of Directors in assessments and decisions relating to its composition and to remuneration policies regarding the Managing Director, the directors who hold particular offices and the managers with strategic responsibilities.

It should be noted that the powers relating to appointments and remuneration are merged into a single committee, in line with the express provisions of the Code, in compliance with the rules relating to the composition of each committee, so as to ensure the correct use of the relative powers in an effective and efficient manner.

In particular, the Appointments and Remuneration Committee:

1. proposes to the Board of Directors the policy for the remuneration of directors and executives with strategic responsibilities, with a view to promoting sustainability and the creation of value in the medium-long term;
2. periodically assesses the adequacy, the overall consistency and the concrete application of the remuneration policy relating to directors and senior management, on the basis of information provided by the Chief Executive Officer, and presents proposals regarding said remuneration to the Board of Directors;
3. in the case of co-option, proposes candidates for the office of director to the Board of Directors;
4. it presents proposals to the Board of Directors on the fees of the executive directors and the other directors that hold special offices, and on the performance targets linked to the variable part of said fees;
5. it monitors the application of the decisions adopted by the Board, checking, in particular, on the effective achievement of the performance targets;
6. it submits the Remuneration Report to the Board pursuant to art. 123-ter of the TUF, which the Directors present to the annual Shareholders' Meeting;
7. it gives the Board its views on the dimensions and composition of the Board itself and makes recommendations as regards the management team and professionals whose presence is deemed necessary;
8. issues preliminary and non-binding opinions regarding the positions to be classified as having strategic responsibilities;
9. for the purposes of expressing its preventive and non-binding opinions, it gathers the preliminary investigations according to the choice of the executives with strategic responsibilities as well

as those relating to the appointments of the Directors and Auditors in the most significant companies; and

10. The Committee is also recognised with the additional responsibility, for the purposes of formulating preliminary and non-binding opinions, of the investigations conducted on the basis of the selection of executives who, while not classifiable as executives with strategic responsibilities, perform duties relevant to the achievement of the Group's performance ("**Key Resources**").

Directors must refrain from participating in Appointments and Remuneration Committee meetings when the Committee discusses proposals to be submitted to the Board of Directors relating to their own fees.

In 2023, the Committee met on 13 occasions, with an average duration of 1 hour, with the minutes duly recorded, and meetings were characterised by the regular attendance of members. The Chairperson of the Board of Statutory Auditors and/or another Auditor also participated in the meeting and provided valuable contributions to the discussion.

As at the date of this report, 3 meetings have been held.

The attendance of each Director at the Committee meetings is detailed in Table no. 3.

The Committee meetings were also attended by representatives of relevant company departments whose presence was deemed opportune for the optimal performance of the duties of the Committee itself; such attendees were specifically invited by the Chairperson and their presence was notified to the Chief Executive Officer.

The Committee had access to the information and company departments necessary for the execution of its responsibilities.

With regard to remuneration, during 2023 among other things the Committee:

- submitted the Remuneration Report pursuant to art. 123-ter of the TUF to the Board of Directors for approval and, in particular, the section on the Remuneration Policy for directors and executives with strategic responsibilities for the year 2023;
- monitored the concrete application of the remuneration policy for Directors and executives with strategic responsibilities;
- noted the achievement of economic/financial objectives and authorised payment of the short-term variable incentive programme "MBO 2022" ("*Management By Objectives*");
- submitted a proposal to the Board of Directors on establishing performance objectives for the short-term variable component "MBO 2023" for the CEO and executives with strategic responsibilities;
- expressed an opinion in favour of adopting certain proposals to amend the Regulation for the Long Term Incentive Plan 2021-2023, to be submitted to the Board of Directors for approval;
- after the appointment of the new Board of Directors by the Shareholders' Meeting on 18 April 2023, submitted the proposal for the fees due to the Chairperson and Managing Director to the Board of Directors for approval, pursuant to article 2389, para. 3, Civil Code, to be submitted to the administrative body;
- examined and positively evaluated the proposal for additional compensation for members of the Appointment and Remuneration Committee, Control and Risks Committee, Ethics, Sustainability and Inclusion Committee, the Related Party Trans-

actions Committee and the Committee for the Region, to be submitted to the administrative body.

As regards its duties concerning appointment, the Committee:

- proposed to the Board of Directors the adoption of a series of guidelines for Company shareholders on the size and composition of the new Board of Directors;
- formulated a proposal to the Board of Directors so it could appoint by co-optation Francesca Menabuoni, following the resignation of Thomas Devedjian;
- formulated a proposal to the Board of Directors for a review of the list of individuals who could be classified as executives with strategic responsibilities;
- supported the Board in the self-evaluation of the Board and of its Committees as part of the 2020-2023 process.

The Board of Directors confirmed the allocation of an annual budget for 2024 of € 25,000.00 for the Committee so as to allow the latter, should it be deemed necessary, to confer external mandates instrumental to the performance of its duties.

8. DIRECTORS' REMUNERATION

Remuneration Policy

The Remuneration Policy for Directors and Senior Management ("Remuneration Policy"), defined by the Board of Directors, is described in detail in the "Report on the Remuneration policy and on the fees paid" ("Remuneration report") produced pursuant to art. 123-ter of the TUF and available on the website www.gruppo.acea.it in the "Governance - Remuneration" section, to which reference should be made.

The Appointments and Remuneration Committee and the Board of Directors of the Company play a central role in defining the Remuneration Policy.

The People Culture & Organization unit, in coordination with the other competent corporate departments/units and involving the top management, sets up in a proactive, clear and transparent manner the process of developing the remuneration policies. The preliminary phase begins with the monitoring of the most widespread market practices, also through benchmarks prepared by leading operators in the sector, with the intention of aligning and/or keeping aligned its Remuneration Policy with the best practices.

The result of these activities enables the competent bodies to submit to the shareholders remuneration policies and guidelines increasingly appropriate for the professionalism, competence and commitment required. The aim of the Acea Group remuneration policy is to attract, motivate and retain individuals who, due to their technical and managerial skills and their differing profiles also in terms of gender and experience, are a key factor to the success of the Group.

On the basis of the documents produced by the People Culture & Organization unit, the Appointments and Remuneration Committee submits the Remuneration Report to the Board for approval.

The Committee provides information to the Board of Statutory Auditors, in order to enable the latter to check the consistency of the proposals on the subject of the directors' remuneration with the remuneration policy for the purpose of expressing the opinion pursuant to art. 2389 of the Italian Civil Code.

The intervention of the main corporate management bodies in the process for the approval of the Remuneration Policy ensures that it is based on clear and prudent rules which ensure that it is consistent, avoiding situations of conflict of interest and guaranteeing its transparency through suitable disclosure.

Remuneration of Executive Directors and Executives with Strategic Responsibilities

The Remuneration Policy defines guidelines that are consistent with the topics indicated below:

a significant part of the remuneration of the Company's Executive Directors and key managers, as expressly required by the Code, is linked to the economic results achieved by the Company and, possibly, to the achievement of specific performance targets — pre-set, measurable and aimed at promoting sustainable success — indicated in advance by the Board of Directors itself.

For details on remuneration, please see the "Report on Remuneration" - Section I.

A system of medium-long term variable incentives (Long Term Incentive Plan) is contemplated, to be vested in three years. The aim of this plan is to encourage the management to pursue the Group's economic-financial and sustainability results in the interests of the shareholders.

As of 2015, in line with a growing need for transparency expressed by the Self-Governance Code and in view of an increasingly responsible remuneration policy, the claw back clause, already adopted for executives and key managers, has been extended also to the managerial roles which have greater impact on the Group's business. Based on this clause, the Company is granted the right to request the restitution of variable remuneration (both short and long-term), should these components be found to have been paid on the basis of conduct of a malicious nature and/or due to serious misconduct, such as the intentional alteration of the figures used in achieving the objectives or obtaining these figures through conduct contrary to the corporate or legal regulations.

Note that in a market context in which there is an increasingly widespread connection between variable remuneration mechanisms and the achievement of social and environmental results, the Acea Group has confirmed its path of increasing the integration of sustainability into business activities, adopted over the years, also by strengthening of its own commitment.

This aim is also implemented through Group incentive plans, with a significant increase in 2024 of the importance placed on sustainability aspects—both in the short-term and long-term incentive plans—in relation to other economic and financial objectives contained.

Moreover, the new Long Term Incentive Plan includes parameters intended to align the interests of management with those of shareholders and closely linked to the Group's Business Plan, through the use of economic/financial indicators and indicators which recognise the creation of value which is sustainable over the medium/long-term.

For details on the remuneration package for the Chairperson and the CEO, as well as for other executives with strategic responsibilities, please refer to Section I of the Report on Remuneration, pursuant to art. 123-ter, TUF.

Remuneration of non-executive Directors

The remuneration of non-executive directors is not linked to the economic results achieved by the Company, but to the commitment requested of them and their possible membership of one or more committees. No share incentive plans involve non-executive directors.

With the assistance of the competent Appointments and Remuneration Committee, for many years the Board of Directors has undertaken a process of analysis aimed at aligning the remuneration paid to corporate bodies with market best practices.

It should be noted that, in the light of the benchmarking activities carried out, with the support of the competent internal departments and external consultants, the total remuneration paid to members of the administrative body is in line with the first quartile of the relevant market.

Accrual and payment of remuneration

At the end of the reference period of the Remuneration Policy, the Board of Directors, on the proposal of the Appointments and Remuneration Committee, approves the achievement of the performance objectives associated with the variable incentive schemes, verifying the consistency with the terms set in the remuneration policy, which is considered an effective lever in the pursuit of the goals of the Strategic Plan.

Indemnity for Directors in the case of revocation, resignation, dismissal or discontinued office subsequent to a takeover (art. 123-bis, par. 1, lett. i, TUF)

For more details on this aspect, please see the Report on Remuneration - Section I, pursuant to article 123-ter of the TUF.

9. ETHICS, SUSTAINABILITY AND INCLUSION COMMITTEE

The Ethics, Sustainability and Inclusion Committee is a panel body having full and autonomous powers of action and control designated with providing preliminary, propositional and advisory support to the Board of Directors within the context of corporate ethics and environmental, social and governance topics (ESG Environmental, Social and Governance).

The composition and operation of the Committee are disciplined by specific Regulations approved by the Board of Directors.

The Committee consists of five non-executive and independent Acea directors, specifically Elisabetta Maggini (Chairperson), Antonella Rosa Bianchessi, Massimiliano Capece Minutolo Del Sasso, Luisa Melara and Patrizia Rutigliano.

As required by the aforementioned Regulations, Director Patrizia Rutigliano has adequate experience in environmental matters and/or corporate social responsibility, assessed by the Board of Directors upon appointment.

The Committee's secretariat duties are performed by the Board of Director's secretary or by another subject chosen by the Committee itself.

So as to fulfil its responsibilities, it carries out the following duties:

- a) promote the integration of sustainability in the strategies and culture of the company and favour its circulation among employees, shareholders, users, clients, the territory and all the stakeholders in general;
- b) supervise sustainability issues, also in relation to reporting aspects required under Italian Legislative Decree 254/2016, associated with the exercising of business activities and interaction dynamics between the company and all stakeholders and examine the main corporate rules and procedures proving to be of relevance upon comparison;
- c) examine the guidelines of the sustainability plan and the procedures for implementing them;
- d) monitor the implementation of sustainability plan approved by the Board of Directors;
- e) examine the no profit strategies of the company;
- f) monitor, regarding matters of competence, the adequacy of the Code of Ethics and its effective implementation;
- g) express, by request of the Board of Directors, opinions on other matters regarding sustainability;
- h) report to the Board of Directors, at least on a half-yearly basis and no later than the term for approving the annual or interim financial report, about the activity carried out;
- i) liaise with the pertinent corporate structures and bodies in relation to aspects of ethics and sustainability.

Also note that in article 5 letter j), the Regulations of the Ethics, Sustainability and Inclusion Committee expressly includes among its tasks, the responsibility to *"promote, in the light of international best practices, a culture that values diversity, avoiding and combating all forms of discrimination and supporting the adoption of a diversified*

approach to managing people, disseminating sensitivity to and awareness of the value of difference at all levels of the organisation and monitoring overall developments."

During the period, the Ethics, Sustainability and Inclusion Committee (formerly the Ethics and Sustainability Committee had 13 meetings, with an average duration of 1 hour 36 minutes, mostly attended by its members. The Chairperson of the Board of Statutory Auditors and/or another Auditor also participated in the meeting and provided valuable contributions to the discussion.

The attendance of each Director at the Committee meetings is detailed in Table no. 3.

In 2024, as at the date of this Report, the Committee had met on 2 occasions.

In 2023, the Ethics, Sustainability and Inclusion Committee:

- examined the interim report from the Ethics Officer, which serves to monitor compliance with the values of transparency, legality, equity and ethical integrity in relations with employees, suppliers, customers and all stakeholders, with regards to notifications received on presumed violations of the Ethics Code the law, internal regulations governing Group activities and any other conduct in violation of the behavioural principles established by the Acea Group (whistleblowing system);
- carried out an investigation with reference to the connection between remuneration and sustainability, also in view of the definition of the remuneration policy for 2024, acquiring a specific benchmark that provides evidence about current practice in terms of ESG indicators and the relative percentage weights found in variable incentive systems;
- acquired analysis on the composition of sustainable investors within the ACEA shareholding structure;
- expressed a favourable opinion, for the purpose of subsequent discussion and approval by the Board of Directors, on the Acea Group's Human Rights Policy;
- to the extent of its responsibility, examined and shared the process that led to the definition and identification of the corporate scope for the non-financial consolidated statement for the financial year 2023;
- this was updated with reference to the revision of the Manifesto for Equality, adding four new pillars, with the main one *"recognising and valuing the diversity of each individual as a person, for personal and professional growth and for the growth of our Company"*;
- received a declaration with reference to the main amendments introduced by Legislative Decree 24 of 10 March 2023, published in the Official Journal of 15 March 2023, implementing in Italy Directive EU 2019/1937, on *"the protection of persons who report breaches of Union law"*;
- expressed a favourable opinion on the subsequent discussion and approval by the Board of Directors with reference to the

Acea Group's Whistleblowing Policy, together with the Group's Whistleblowing Management Model.

The Board of Directors confirmed the allocation of an annual budget for 2024 of € 25,000.00 for the Committee.

It is noted that the Ethics, Sustainability and Inclusion Committee is also responsible for supporting the administrative body in the review and approval of the business plan of the company and the Group, including on the basis of the analysis of topics relevant to the generation of long-term value.

10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM - CONTROL AND RISKS COMMITTEE

Acea's Internal Control and Risk Management System, an essential element of the Group's Corporate Governance system, consists of all the people, tools, organisational structures, rules and regulations aimed at enabling the Acea Group to be managed soundly, correctly and consistently with corporate objectives, through an adequate process of identification, measurement, management and monitoring of the main risks, in order to contribute to the sustainable success, the structuring of adequate information flows to ensure the circulation of information and the coordination of the various players in the Control System.

This system is periodically reviewed and updated through specific projects aimed at increasing its integration into the more general organisational and corporate governance structures adopted by Acea, aligning it with the recommendations of the Code, adopted by the Board of Directors on 16 December 2020, and the best national and international practices.

The definition of an adequate SCIGR contributes to a healthy, legitimate and consistent management of the company through the making of informed decisions compatible with the risk appetite defined by the Board of Directors, and helps to ensure the protection of the company's assets, the efficiency and effectiveness of processes, the reliability of the information provided to corporate bodies and the market and compliance with laws, regulations, the Articles of Association, the Code of Ethics and internal procedures, thus constituting a fundamental prerequisite for assessing the adequacy of the Company's general organisational, administrative and accounting structure.

The "Internal Control and Risk Management Guidelines" ("Guidelines") were approved by the Board of Directors in January 2020, with the aim of:

- providing guidelines for various actors involved in the SCIGR, so as to ensure the main risks impacting the Acea Group are properly identified and adequately measured, managed and monitored;
- identify principles and responsibilities with regards to governing, managing and monitoring risks linked to company activities;
- establishing control activities at all operational levels and clearly identifying tasks and responsibilities in order to avoid any duplicated activities and ensure coordination between the main subjects involved in the SCIGR;
- defining the architecture of the Control System adopted by the Group, and in particular outlining the stages that make up the definition process;
- defining specific information flows among the various actors of the Control System, through the preparation of a matrix that identifies actors, objectives, frequency and description of the flow as well as the recipients or other actors who are informed based on their role in the SCIGR.

Updating the guidelines is one of the fundamental elements for the definition of the Acea Group's control model aimed at strengthening and consolidating the culture of control and risk management.

a. Roles and responsibilities in the Internal Control and Risk Management System

The governance and implementation of the complete SCIGR involves actors with diverse roles within the Company (governance and control bodies, Company departments, management, employees). In line with the recommendations of the Code and the best practices of reference, the Guidelines describe the roles and responsibilities of these actors. For a description of the roles and duties of the main actors, we invite you to refer to the specific paragraphs of this Report (Board of Directors, internal committees within the Board, the Managing Director, the Internal Audit function manager, Risk Management, Compliance & Sustainability function, the Financial Reporting Officer and the Supervisory Body).

Beyond the tasks or responsibilities specifically identified for these actors, the management, the employees and all the people working for Acea, each for their own area responsibility, must contribute to the adequacy and effective operation of the SCIGR. To this end, with the support of specific training, Acea strives to ensure that the management, employees and all people working in the company acquire, each according to their role, all the skills and professionalism necessary to allow an effective operation of the SCIGR.

b. Risk identification, assessment and management

Given the nature of its business, the Acea Group is exposed to various types of risks, therefore to manage these risks, analyses and monitoring are carried out by each company as part of a structured and coordinated process implemented at a Group level through the integration of two complementary approaches (Enterprise Risk Management and Continuous Risk Management), aimed at assessing and treating the risks of the entire organisation in an integrated logic, consistent with its risk appetite, with the aim of providing management with the information needed to make the most appropriate decisions to achieve strategic and business objectives, to safeguard, grow and create value for the company.

This combination is designed to ensure effective control of the entire universe of main risks the Group is potentially exposed to, guaranteeing management of the Group's overall exposure in line with the objectives of the Business Plan and Sustainability.

Group management is responsible for identifying and evaluating risks, on the basis of the guidelines and methodological instruments defined. These activities are done so as to guarantee appropriate responses are suitably defined, to mitigate and monitor risks. The Risk Management, Compliance & Sustainability function and other second-level control functions for specialised risks provide support throughout the entire risk identification, assessment and management process.

The control activities are wholly or partially integrated into the operations, involve all organisational levels and include a set of various operations, like approvals, authorisations, checks, comparisons, review of operational performance, controls of information systems, controls to safeguard company assets, separation of duties, etc.

Responsibility for controls is divided into three complementary levels:

- the first level of control is aimed at ensuring the proper conduct of business processes through the identification, assessment, management and monitoring of risks, for which it implements appropriate mitigation actions. The responsibility for their execution is generally assigned to the line structures;
- the second level of control is aimed at controlling specific company risks as well as verifying the adequacy and effective operation of the controls in place to manage the main risks. Furthermore, it provides support to the first level of control in defining and implementing mitigation actions for the main risks;
- the third level of control is entrusted to the Internal Audit function and provides independent and objective verification of the adequacy of the design and the effective operation of the SCIGR as a whole.

The activities of the Internal Audit function are regulated by the Board of Directors through the Audit Charter, which defines its purpose, remit, authority, responsibilities and other relevant provisions.

In particular, the Internal Audit function manager is responsible for verifying that the Control System is functioning, adequate and consistent with the guidelines defined by the Board of Directors. They report to the Board of Directors, they are not responsible for any operational activities and they may have direct access to all information useful for the performance of their duties. They report to the Chairperson, the CEO, the Control and Risks Committee and the Board of Statutory Auditors on the operation, adequacy and effectiveness of the Control System. The Internal Audit function operates on the basis of an Audit Plan, developed on the basis of a structured process of analysis and prioritisation of the main risks, which takes into account the results deriving from the monitoring performed by the company departments responsible for second level controls and any proposals received from Acea Functions and Departments, as well as any requests from the Control and Risks Committee, the Board of Statutory Auditors and the Supervisory Body. The Audit Plan is approved annually by the Board of Directors, subject to the favourable opinion of the Control and Risks Committee and after having consulted the Board of Statutory Auditors and the CEO.

c. Qualifying elements of the Control System

Internal control environment

The foundations of Acea's SCIGR consist of a set of different elements, consistent with each other, which contribute in an integrated manner to establishing the environment Acea's people operate in, directing their activities within their assigned responsibilities and encouraging the taking of conscious decisions aimed at achieving corporate objectives.

Constituent elements of the internal control environment include: the adoption of ethical principles and standards of conduct; the adoption of regulatory instruments; the dissemination of a risk management culture in support of growth; a system of delegations and powers and the development of the skills of People working in Acea.

Second-level company control functions for particular risk categories

The CEO identified certain corporate functions — including some that are not exclusively dedicated — which identify, measure, manage and monitor specific types of risk connected with the Group's operations.

These centralised controls are the manner by which a transversal view of the risks and of the connected systems of control between the diverse processes within the Group is possible.

The company structures and the relative risk management models through guidance and/or monitoring activities are summarised below.

- Compliance: Antitrust and Unfair Commercial Practices Model; Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01, Anti-Corruption;
- DPO Office: Group Privacy Governance Model;
- Enterprise Risk Management: analysis of the evolution of the Group's overall risk profile, development of a mitigation strategy and monitoring of its implementation;
- Integrated Certification Systems: Integrated Environment and Safety Management Systems;
- Executive Responsible: Group Management and Control Model pursuant to Italian Law 262;
- Cyber Security: Group Cyber Security Model.

d. Comprehensive assessment of the adequacy of the Control System

For details, see paragraph 4.1 of this Report regarding the Board of Directors.

Main features of the internal control and risk management system in relation to the financial reporting process (art. 123-bis, par. 2, lett. b), TUF)

Introduction

In the Internal Control and Risk Management System, with reference to financial reporting, particular relevance is held by the "Group's Management and Control Model pursuant to Law 262" (the "262 Model"), adopted on the occasion of the updating of the Group's Internal Control System to the requirements of Law 262/2005. In particular, Acea created a process of adaptation to the needs expressed by Law 262/2005 aimed at planning an effective system of Internal Control over Financial Reporting ("ICFR"), subject to constant improvement and adaptation to the evolution of the Group and reference best practices, which can allow the Financial Reporting Officer and Chief Executive Officer of Acea to issue the market certifications required by art. 154-bis of the TUF. The system is defined as all the activities for identifying the risks/controls and for defining specific procedures and tools adopted by Acea to ensure, with reasonable certainty, the achievement of the aims of the credibility, accuracy, reliability and immediacy of the financial information.

The Model 262 defines the guidelines, the methodological references and the responsibilities for the institution, assessment and maintenance of the ICFR.

The Model 262 is developed on the basis of the fact that the ICFR must be a part of the broader Internal Control and Risk Management System and an essential element of Acea's Corporate Governance, and that the credibility of the information disclosed to the market on the Company's situation and results is a fundamental element for all the stakeholders.

On 15 May 2019, the Board of Directors approved the latest update of the Management and Control Model of the Acea Group pursuant to Italian Law no. 262/05, which consists of documentation that defines the founding aspects of the system, namely:

- Financial Reporting Officer Regulation: defines the figure of the Financial Reporting Officer and governs their activities based on that established in the Articles of Association and applicable laws, as well as regulating their relations with internal and external stakeholders.
- Periodic internal reporting of the Acea Group: governs the internal information flows for the Acea Group (internal certifications) that allow the Acea Financial Reporting Officer and CEO to issue certifications pursuant to art. 154-bis of the TUF. The document includes Internal Declarations Letter templates.
- 262 Management and Control Model: defines the guiding principles and methodological approach for the establishment, assessment and maintenance of the Control System that oversees the preparation of the financial statements and illustrates the main components of the 262 Framework adopted by the Acea Group.

In addition to the three documents mentioned above which constitute the 262 Model, the Internal Control System for Financial Reporting is also regulated by the following documents:

- Group Accounting Standards Manual,
- Guide to the Closing of the Consolidated Financial Statements,
- Checklist for the collection and processing of accounting data at the end of the period.

When defining its 262 Model, Acea took inspiration from the principles of national and international best practices such as the CoSo Report³. The analysis is carried out according to two different levels, namely entity-level analysis and process-level analysis.

This approach is consistent with the Guidelines published by Confindustria and ANDAF for the performance of the duties of the Financial Reporting Officer, with the Framework presented in the Research document Assirevi no. 131-ter, and with national and international best practices (e.g. Models for adjustments to the Sarbanes Oxley Act).

Description of the main features of the internal control and risk management system in relation to the financial reporting process

The Model 262 defines the guidelines of reference for creating and managing the Internal Control System for Acea Financial Reporting and for its consolidated companies of relevance to Financial Reporting ("relevant companies"), regulating the main steps and responsibilities.

a) Phases of the Internal Control and Risk Management System in relation to the financial reporting process

Defining the scope of analysis

Every year Acea updates the scope of analysis of the system of administrative-accounting controls and of the monitoring of the underlying processes, to guarantee that the risks relating to the financial reporting of the more significant accounting items within the consolidation perimeter are covered.

The scope of the analysis is initially determined by the contribution of each company of the Group on the consolidated financial statements, taking into account the relevance for the same of the associated significant accounts and administrative-accounting processes; successively, the results of the analysis are integrated by considerations of a qualitative nature to take into account both the Group's structure and the features of specific financial statement items.

Entity-level analysis

The Entity Level Controls analysis considers the cross-cutting and infrastructural aspects of the Internal Control System, which mainly concern the corporate governance measures taken by the Company's administrative boards and management, making it possible to evaluate the design and operations of the controls. The identification of Entity Level Controls was conducted on the basis of the CoSo Report which represents the reference Framework for the assessment of the Internal Control System, duly adapted to the characteristics of Acea. The methodological approach defined by the CoSo Report establishes 17 core principles associated with 5 typical components of a control system (control environment, risk assessment, control activities, information and communication, and monitoring activities) which are interconnected and deeply integrated in management processes.

The 17 control principles in the CoSo Report are reflected in Acea's specific entity controls, making it possible to identify organisational and regulatory tools that satisfy them.

Process-level analysis

The approach adopted by Acea allows evaluation of the design of controls for company processes, which the financial reporting derives from and is carried out through the following steps:

- breakdown of the process into sub-processes and activities;
- Identification of responsibilities (Process & Risk Owner, Control Owner);
- identification and evaluation of risks for the specific phases/activities, to verify coverage of statements made in the financial statements (administrative/accounting risk assessment);
- identification of existing controls and their assessment for the identification of Key Controls;
- identification of any areas for improvement.

The output of this analyses is represented by the risk and control matrix, i.e. the administrative and financial procedures.

³ The CoSo Report (Committee of Sponsoring Organizations) issued by the Treadway Commission defines the Internal Control system as the combination of the following elements: Control environment, Risk assessment, Control activities, information and communication, and monitoring activities.

Monitoring

The successful implementation of controls in administrative and financial procedures, ascertained by the Process and Risk Owner and the Control Owner as part of the Group's internal Certification Process, is corroborated by the implementation of an independent Test Plan defined by the Financial Reporting Officer, aimed at ensuring that the controls are effectively implemented and are effective to the pursuit of the target. Considering the risk-based approach and following input from the Board of Statutory Auditors, the test plan is defined on a three-year basis, with the aim of evaluating the operation of all of the Key Controls identified in administrative and financial procedures.

The data base of the Three-year Test Plan (no. of Key Controls) is updated every year based on the change in the scope of Companies and processes in the scope of 262, which results in a corresponding change in the Key Controls to undergo operational testing.

The tests are carried out with the support of the Acea Internal Audit department and leading consultancy firms.

The Financial Reporting Officer implements a process for sharing and circulating the results of the test activities in order to induce the relevant management to implement the necessary corrective actions in their own structures.

Group internal certification process

The information contained in the administrative and financial procedures, prepared during the process level analysis phase, and the Entry Level Controls implemented by Acea in the entity level analysis phase, are validated by the Process & Risk Owners of the Group's companies and by the managers of Acea's functions through the Group internal certification process.

In fact, considering the nature of the Group's business consolidation and the consequent legal requirement to produce consolidated financial statements and issue the relative statements to the Market, it is necessary to coordinate effective information flows to Acea. This coordination is based on the internal "chain" certifications issued by the parties involved on various levels in company processes and in the entity level controls.

The information communicated to the Financial Reporting Officer via the internal "chain" certifications is summarised in the Group Internal Certification Statements, which contain the following information:

- application of appropriate cross-cutting measures/control procedures able to guarantee the adequacy and operation of the internal control system (Entity Level);
- assessment of the design and operation of the controls defined in administrative and financial procedures (Process Level);
- any critical issues identified as well as the relative action plan;
- application of the reporting standards in force to prepare the consolidated reporting package and description of the main risks as defined in the Report on Operations;
- reasonableness of the assessment methods and significant assumptions used to determine estimates;
- absence of any significant events after year-end;
- knowledge of cases of fraud or suspected fraud.

Corrective Action Plan

If, on the basis of the analyses carried out by the business lines, the controls are found to be absent, not documented or not carried out correctly according to the company's procedures, the manager of the organisational unit concerned, up to the level of the Delegated Administrative Bodies for the Group Companies shall define

and implement a corrective action plan for the identified areas of improvement, with an indication of the timing and responsibilities implementing the corrective actions. The corrective action plan is submitted to the Financial Reporting Officer, for comprehensive evaluation of the Internal Control System regarding Financial Statements and coordination of the activities to be implemented and is updated every six months by the relevant entities.

Comprehensive evaluation. The Group internal certification process authorises the Acea Financial Reporting Officer and the CEO to issue the certifications pursuant to art. 154-bis of the TUF.

Therefore, the comprehensive evaluation of the Internal Control System on Financial Reporting is based on a complex evaluation process that considers:

- the results of the entity level and process level analyses;
- internal "chain" certifications issued by Acea management and the delegated administrative bodies of consolidated companies;
- the results of the tests; and
- final analysis of areas for improvement identified, with reference to their significance in financial reporting.

Any important shortcomings that are found are communicated to the control bodies according to the procedures laid down in the Financial Reporting Regulations.

b) Roles and Functions involved

The Model 262 is based on the clear internal attribution of responsibilities in the planning, assessment and maintenance over time of the ICFR, without prejudice to the responsibilities attributed by law to the FRO and to the Delegated Administrative Body. For this purpose, the Group internal certification process aims to ensure the adequate internal formalisation of the responsibilities for the adequacy and effective application of the entity level controls and the administrative and reporting procedures, to monitor the corrective action plan, when necessary, and to acquire possible modifications to controls of the business lines and change/risk factors that arise in the course of ordinary process operations that may influence the adequacy of the ICFR.

The evaluation process of the Financial Reporting Officer and the CEO upon which, according to the Consob model, the certification of the financial statements is based, therefore considers the internal certifications issued, in particular, by the Acea function managers and, or consolidated companies, by the process & risk owners/the Delegated Administrative Bodies.

The 262 Model identifies the main parties involved in the financial reporting process, in addition to the FRO and the Delegated Administrative Bodies, with the relative responsibilities:

- The Control Owner is the individual entrusted with the responsibility for performing and certifying the controls within their competence to guard against specific risks in accordance with the methods and timeframes set forth in administrative and accounting procedures.
- The process and risk owner is responsible for a related series of activities necessary for achieving a specific control objective. They are responsible for carrying out the overall assessment of the design and implementation of the control, with reference to the processes within their remit, indicating whether such processes have been adapted to monitor the risks identified and monitored during the risk assessment. They are also responsible for updating and ensuring the implementation of the corrective action plan.

- The 262 Manager of the Company/Acea Department is the person responsible for guaranteeing Group oversight of the implementation of the Model pursuant to Law 262/05, within the relevant Acea Company/Department, ensuring the flow of information to and from the FRO. They are responsible for consolidating all the information received from the process & risk owners and assembling the overall assessment of the design and operation of the controls for the relevant company/Acea department, submitting it to the Administrative Body of the Company or to Head of the Acea Department.
- The company's Administrative Body is responsible for assessing the design and function of the controls defined in the Company's administrative and accounting procedures and for sending the internal certification letter to the FRO, using the established format, together with the duly validated corrective action plan, also communicating any changes/risks which have arisen during the reference period which could influence the adequacy of the ICFR.
- Acea Department Managers are responsible for evaluating the design and function of entity-level controls defined in the documentation relating to the relevant Function and for sending the internal certification letter to the FRO, using the established format, together with the duly validated corrective action plan, also communicating any changes/risks which have arisen during the reference period which could influence the adequacy of the ICFR.

Finally, with reference to the other governing and internal and external control bodies for the Group, Acea has established a process to exchange information, to and from the FRO, structured and modulated to foster as broad an overall view as possible of the internal control system on the part of said bodies.

10.1 CHIEF EXECUTIVE OFFICER

The Chief Executive Officer is responsible for establishing and maintaining the internal control and risk management system, pursuant to that indicated in the Corporate Governance Code.

In 2023, the CEO – with the support of the ERM unit within the Risk Management, Compliance & Sustainability function and of the information coming from the second level controls on specialised risks – identified the main business risks, taking into account the characteristics of the activities carried out by Acea and its subsidiaries, and submitted them to the Board for examination. He has put into practice the guidelines drawn up by the Board of Directors, ensuring the planning, execution and management of the Internal Control System through the relevant structures and the constant monitoring of the overall adequacy, effectiveness and efficiency. He has also provided for the adaptation of the system to the dynamics of the operating conditions and the legislative and regulatory context.

The CEO may request the Internal Audit function, notifying the Chairperson of the Board of Directors, the Control and Risks Committee and the Board of Statutory Auditors, of the execution of verifications on specific operating areas and on respect for the internal rules and procedures in the execution of Company operations.

The Chief Executive Officer also promptly informs the Control and Risks Committee and the Board of Directors of problems and critical situations that arise in the performance of their activities or which come to their knowledge.

10.2 CONTROL AND RISKS COMMITTEE

The Control and Risks Committee was established to assist the Board of Directors, ensuring the latter adequate preliminary investigation and support in the assessments and the decisions related to the Control System, as well as related to the approval of the financial and non-financial reports.

As of the date of this report, the Control and Risks Committee consists of five non-executive directors, of whom the majority are independent, specifically: Alessandro Picardi (Chairperson, independent), Massimiliano Capece Minutolo Del Sasso, Antonino Cusimano, Elisabetta Maggini e Francesca Menabuoni (this latter appointed to replace Director Thomas Devedjian, after he resigned on 31 October 2023).

The Committee possesses appropriate expertise in the business sectors in which the Company operates such to enable the effective evaluation of the relative risks. The Board of Directors recognised that Massimiliano Capece Minutolo Del Sasso meets the requirement of adequate knowledge and experience in reporting and financial matters and risk management.

The Committee's secretariat duties are performed by the Board of Director's Secretary or by another subject chosen by the Committee itself.

The Committee carries out its inquiries and issues opinions to the Board of Directors regarding:

1. the definition of the Guidelines for the Internal Control and Risk Management System, so that the main risks that may impact Acea and its subsidiaries – including the various risks which may become significant with a view to medium-long term sustainability – are correctly identified, and adequately measured, managed and monitored;
2. the determination of the degree of compatibility of the main risks with a management consistent with the strategic objectives identified;
3. the assessment, at least once a year, of the adequacy of the SCIGR in respect of the Company's characteristics and the risk profile adopted, as well as the effectiveness of the said system;
4. the appointment and revocation of the Internal Audit function, defining the remuneration thereof in line with company policies as well as the adequacy of the resources assigned to the function;
5. the approval, at least once a year, of the work plan drawn up by the Internal Audit function manager;
6. the assessment, having consulted with the Board of Auditors, of the results explained by the statutory audit in a letter of suggestions, where applicable, and in the report on fundamental issues that have come to light during the audit of the accounts; and
7. a description, within the annual report on corporate governance, of the main features of the SCIGR and the methods of coordination among the persons involved therein, expressing its opinion on the overall adequacy of the same.

Additionally, the Committee assists the Board of Directors by:

- evaluating, having consulted with the Financial Reporting Officer, the independent auditor and the Board of Statutory Auditors, of the proper use of accounting standards and their uniformity relative to preparation of the Consolidated Financial Statements;
- evaluating the capacity of the periodic financial and non-financial reporting to correctly represent the business model, the

company strategies, the impact of its business and the performance achieved, in coordination with the Ethics and Sustainability Committee;

- evaluating, together with the relevant Acea function, after hearing from the independent auditor and the Board of Statutory Auditors, the proper use of accounting standards adopted for the purposes of preparing the non-financial declaration pursuant to Italian Legislative Decree 254/2016;
- supporting, through adequate research, the assessments and decisions of the Board of Directors with regards to management of risks deriving from prejudicial events of which the Board of Directors has become aware;
- expressing opinions to the Board of Directors on specific aspects inherent to the identification of the main risks for the company;
- reviewing and evaluating the reports prepared by the FRO and expressing an opinion to the Board of Directors regarding the adequacy of the powers and means assigned to the FRPO and the effective application of administrative and reporting procedures, to enable the Board to exercise its supervisory duties provided for by law;
- monitoring, for matters within its competence, the adequacy of the Code of Ethics and its effective implementation;
- examining periodic reports evaluating the SCIGR and those of particular significance prepared by the Internal Audit function;
- monitoring the autonomy, adequacy, efficacy and efficiency of the Internal Audit function;
- requesting, where required, the Internal Audit function to carry out audits in specific operational areas, duly notifying the Chairperson of the Board of Statutory Auditors, Chairperson of the Board of Directors and the Director assigned to the Control System, with the exception of cases in which the subject matter of the audit request specifically concerns the activity of such subjects.

The Committee reports to the BoD, at least every six months, during the approval of the annual and interim financial report, on the activity carried out and the adequacy of the SCIGR.

In 2023, the Committee met on 12 occasions, with an average duration of 2 hour and 22 minutes, with the minutes duly recorded and characterised by the regular attendance of its members. The Chairperson of the Board of Statutory Auditors and/or another Auditor also participated in the meeting and provided valuable contributions to the discussion.

As at the date of this report, 2 meetings have been held.

The attendance of each Director at the Committee meetings is detailed in Table no. 3.

The meetings were also attended, at the invitation of the Chairperson of the Committee, by company department representatives to illustrate certain items on the Agenda, and their attendance was notified in advance to the Chief Executive Officer.

In 2023 the Committee performed the tasks reserved to it by the Corporate Governance Code and, in particular:

- it assisted, carrying out the necessary enquiries, the Board of Directors in its decisions and assessments related to the control system, and those related to the approval of the periodic financial reports;
- it examined the process used to prepare the Non-Financial Statement relative to financial year 2023, as well as progress in assurance activities with regards to the document by the auditing firm PricewaterhouseCoopers;
- it shared, with the competent corporate functions, the various

stages of the process to define the Non-Financial Statement for 2024; in this regard, it was informed on the evolution and evaluation of applicability of the new GRI standards for the non-financial reporting cycle for the 2024 financial year;

- it evaluated, after consulting with the Financial Reporting Officer, the independent auditor and the Board of Statutory Auditors, the proper use of accounting standards and their homogeneity relative to preparation of the Consolidated Financial Statements;
- it expressed a favourable opinion on the Internal Audit's Plan, prior to its presentation to the Board for approval;
- it examined the periodic reports from the Internal Audit function regarding progress with the Audit Plan, the results of individual audit activities, implementation status for improvement actions established by management with regards to issues identified (monitoring and follow-up) and evaluations regarding the appropriateness of the SCIGR issued by the Internal Audit Function Manager;
- it monitored the autonomy, adequacy, efficacy and efficiency of the Internal Audit function;
- it examined and assessed the Reports prepared by the Financial Reporting Officer and the action plan regarding the adequacy of the powers and means assigned to the same Officer and on effective compliance with administrative and accounting procedures;
- it was informed about the results of the audits performed on specific areas;
- expressed an opinion in favour of the Board of Directors approving the "Antitrust and Consumer Protection Regulation Compliance Manual";
- it reported to the Board, at least once every six months, at the time of the approval of the annual and interim financial reports, on the activity it performed and on the adequacy of the Internal Control and Risk Management System.

The Committee had access to the information and company departments necessary for the execution of its responsibilities.

The Board of Directors confirmed the allocation of an annual budget for 2024 of € 25,000.00 for the Committee so as to allow the latter, should it be deemed necessary, to confer external mandates instrumental to the performance of its duties.

10.3 THE INTERNAL AUDIT FUNCTION MANAGER

On 22 January 2019, the Board of Directors, on the proposal of the Chief Executive Officer, with the favourable opinion of the Control and Risks Committee and after consulting the Board of Statutory Auditors, resolved on the appointment of Mr. Simone Bontempo as Manager of the Internal Audit function from 1 February 2019 and defined his salary, in accordance with the Company's policies.

On the proposal of the Chief Executive Officer, after receiving the favourable opinion of the Control and Risk Committee, as well as after consulting the Board of Statutory Auditors, the Board of Directors ensures that the Internal Audit Function Manager is provided with adequate resources to carry out the responsibilities assigned to them.

The Guidelines of the Internal Control and Risk Management System approved by the Board of Directors define the Internal Audit Function's mission and activities, according to which this Department has a central role in the coordination of the SCIGR. The In-

ternal Audit function manager is required to verify the operation and adequacy of the SCIGR and the consistency with the relative guidelines by means of verifications, both continuously and in relation to specific needs, on the operations and suitability of the Control System and the support of the Chief Executive Officer in the activities to identify and establish the priorities of the main risks to which Acea and its subsidiaries are exposed.

At its meeting on 20 January 2023, the Board of Directors approved the Internal Audit function's work plan and at the same time it verified the adequacy of the resources allocated to the Department for the performance of its duties.

The Internal Audit function manager in office had direct access to all useful information for the performance of his mandate, had no responsibility for operational areas, nor is he hierarchically subordinate to the managers of the operational areas and reported directly to the Board of Directors.

During the financial year the Internal Audit function, performing its duties as described, carried out the following activities:

- a) it verified, both continuously and in relation to specific needs and consistently with the international standards for professional internal auditing, the functioning and the suitability of the Control System, through the activity plan of the Internal Audit function approved by the Board of Directors;
- b) it carried out additional audits with respect to the Audit Plan, requested by top management and the control bodies;
- c) it prepared reports after individual audits and requested the competent functions/companies, when necessary, to draw up action plans for overcoming the critical issues found, monitoring the implementation and reporting the results to the Control and Risks Committee;
- d) it constantly informed, by means of drawing up specific reports, the Chairperson of the Board of Directors, the Chief Executive Officer, the Control and Risks Committee about the activities carried out and related results; it drew up reports on significant events at the request of the Chairperson of the Board of Directors and the CEO;
- e) within the sphere of the Audit Plan, it verified the reliability of the information systems, including those of accounting disclosure;
- f) it supported the Acea Supervisory Body and those of the subsidiaries in the audits pursuant to Legislative Decree 231/2001;
- g) it monitored initiatives for overcoming anomalies found in the implementation and functioning of the controls, also through follow up activities;
- h) supporting the Ethics Officer, it collected and processed, following the guidelines defined in the whistleblowing procedure, reports received relating to cases of alleged violations involving failure to comply with the law, internal regulations and the Code of Ethics;
- i) it internally assessed the compliance of available resources and of the methodology adopted by the Internal Audit function in the execution of its activities with regards to the Internal Professional Practice Framework issued by the Institute of Internal Auditors; and
- j) it drafted the final report in which it gave an assessment of the suitability of the Control System and sends it to the Chairperson of the Board of Directors, the Control and Risk Committee and the Board of Statutory Auditors, as well as the Chief Executive Officer.

10.4 ORGANISATION, MANAGEMENT AND CONTROL MODEL AS PER LEGISLATIVE DECREE 231/2001

With the adoption of the Organisation, Management and Control Model, pursuant to Legislative Decree 231/2001, Acea has sought to comply with the provisions of the law, conforming to the guiding principles and provisions of Legislative Decree 231/2001 (the "Decree"), the Code and the recommendations issued by the supervisory and control authorities, with the aim of strengthening the control and Corporate Governance systems, in particular to prevent the predicate crimes of the Decree.

With the adoption of the MOG, Acea has set itself the following goals of a general nature:

- understand company processes and activities with a risk of offences under the Decree (risky activities) and understanding, in terms of recipients, of the rules (methods and procedures) that govern risky activities with a view to preventing the risk of offences and illegal administrative actions which could theoretically occur in the context of the Company's business;
- the circulation, personal acquisition and concrete affirmation of a corporate mentality based on legality, in the awareness of the Company's express disapproval of any behaviour contrary to law, the self-regulating provisions, the indications of the supervisory and control authorities and internal provisions;
- the dissemination, personal acquisition and concrete affirmation of a risk and control culture, to safeguard the achievement of objectives;
- implementation of a structured system of powers, procedures and controls that reduces the risk of committing crimes referred to in the Decree and of offences in general;
- raising awareness as regards the sanctions that may be imposed upon perpetrators of the offence or upon the Company as a result of breaches of the law, regulations or the internal provisions of the Company.

In relation to the various types of crime contemplated by Legislative Decree 231/01 and the relative sensitive activities, the MOG identifies functional and instrumental company processes, and the underlying activities at risk of offences, also referencing the behavioural guidelines and control standards which characterise the internal control system and which, consequently, recipients must carry out when performing their duties.

After its first approval in May 2004 by both Acea and its subsidiaries, the MOG was continually updated and improved, based on experience accrued, regulatory developments in the Decree and the evolution of case law, as well as changes in the company's organisation. The new Acea SpA Model was approved by the Company's Board of Directors on 10 November 2023, following a comprehensive risk assessment project.

The MOG, approved by Acea's Board of Directors at its meeting of 10 November 2023, is constantly analysed and revised, with the aim of updating the MOG to include all the additional crimes recently added to Legislative Decree 231/2001 and to enhance and reflect in the Model the changes that have taken place in terms of governance and the internal control system during the period. The general section of the MOG (which illustrates the principles of Ital-

ian Legislative Decree no. 231/01, the Acea internal control system, the methodology used to prepare the Model, the establishment and role of the Supervisory Body, the Whistleblowing system and the disciplinary system) and the extract from the Special Section, up to this point structured with a process driven approach, highlighting the main behaviours which Recipients must utilise, is available on the Company's website at www.gruppo.aceait, in the 'Governance' section", where a section also covering all the MOGs of the Group Companies has also been created.

The Supervisory Body, established pursuant to article 6, paragraph 1, letter b) of Legislative Decree 231/2001, is the body with full and autonomous powers of initiative, intervention and control as regards the proper functioning, effectiveness and observance of the MOG. The SB supervises the effectiveness and adequacy of the MOG, monitoring its state of implementation and proposing any necessary updates to the Board of Directors. It must also report to Acea's competent bodies any breaches of the MOG, ascertained or subject to pending investigations, which could lead to liability bearing on the Company.

With regard to the composition of the SB, a collegial body is appointed by the administrative body, with two external members, one of which is the Chairperson, who are experts on internal control and corporate criminal liability, as well as an internal member represented by the Internal Audit function manager.

The current Supervisory Body, appointed by the Acea Board of Directors at the meeting of 16 December 2020, will remain in office until the approval of the financial statements subsequent to those whose approval will coincide with the expiry of the Board of Directors which appointed it (the approval of the 2023 financial statements). The Board of Directors provides the SB with a specific annual budget of € 25,000.00 (twenty five thousand and zero cents), it being understood that, pursuant to that established in the Acea MOG, the Board of Directors ensures the SB has financial resources available to it for all requirements linked to the proper execution of its responsibilities, in order to guarantee and make concrete its autonomous "power of initiative and control", which the Decree recognises it.

10.4.1 Code of Ethics

With the Code of Ethics, adopted as early as 2001, Acea affirms and explicates the values, principles and behavioural standards that underlie its actions and those of its internal and external stakeholders. Observance of these values is deemed of fundamental importance not only for achieving business development and efficiency objectives, but also to guarantee correctness and transparency in company practices, as well as reliability and reputation for the Company and persons operating on their account.

Specifically, the Code sets out the general ethical principles that all company practices must be linked to, specifying the criteria of conduct towards each category of stakeholder and defining the mechanisms for implementing the principles and controlling the behaviour of the people who work in the Company's interest.

The Code of Ethics is therefore a fundamental element in the control environment of Acea, which circulates the knowledge thereof among personnel, both upon recruitment and in cyclical training activities, also carried out in e-learning mode. Compliance with the Code of Ethics is explicitly required of employees, suppliers and all those contributing in the Company's activity (advisors, collaborators, etc.).

By resolution of their Boards of Directors, the subsidiaries transpose the Acea Code of Ethics, which forms an integral part of the organisational and management models as per Legislative Decree 231/2001.

The current edition of the Code of Ethics was adopted by the Board of Directors on 9 November 2022, replacing the 2018 version.

In addition to reflecting regulatory and organisational developments, the current version aims to make the Code of Ethics more usable and applicable and enable wider dissemination of Acea's principles and values to all Group companies and individuals.

Additionally, the most recent edition includes additional references to principles and standards related to strategic initiatives for the Group, especially with regard to sustainability and, in particular, the valuing of principles related to ESG issues such as:

- the protection of human rights in every operational context, including the supply chain;
- explicit reference to issues related to inclusion, Acea's involvement of people, and organisational well-being;
- commitment to preserving biodiversity;
- the importance of dialogue and discussion with stakeholders;
- interacting with sustainability-conscious suppliers.

In implementing the principles of the Code of Ethics, and in compliance with Legislative Decree 24 of 10 March 2023, Acea has adopted a specific procedure to receive, analyse and process notifications of presumed violations of the Code of Ethics and the Organisation and Management Model pursuant to Legislative Decree 231/01, which ensures confidentiality and protects good faith whistle-blowers.

In compliance with regulatory provisions and guidelines issued by ANAC, Acea has adopted a dedicated IT platform, through which internal and external entities can send notifications of suspect phenomena or behaviour, of irregularities in business actions, events or facts which could constitute a violation of internal or external norms, for Acea and its subsidiaries, with the maximum guarantee of confidentiality.

Responsibility for managing notifications and monitoring compliance with the values of transparency, legality, equity and ethical integrity in relations with employees, suppliers, clients and all stakeholders is entrusted to the Ethics Officer (for more information, see Section 10.6.2).

10.5 INDEPENDENT AUDITOR

Pursuant to art. 22 bis of the Articles of Association in force, the certified audit of the accounts is carried out by an auditing firm appointed and operating pursuant to law and pursuant to the regulations dictated for issuing companies listed on regulated markets. In particular, it verifies that the accounts have been regularly kept and that the management events have been correctly recorded in the accounts during the period, and it also verifies the Company's financial statements and the consolidated financial statements of the period.

The Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2016, held on 27 April 2017 in conformity with the provisions of law, by recommendation of the Board of Directors, with recommendations from the Board

of Statutory Auditors, conferred PricewaterhouseCoopers SpA the assignment of auditing the Company's financial statements and the consolidated financial statements for a term of nine financial years – specifically 2017-2025, in other words until the approval of the financial statements of the last year of the said mandate – and established the relative fees.

In the performance of its activity, the independent auditing firm had access to the company's information and data, in both documentary and electronic format, its archives and assets and those of its subsidiaries.

For information on the provisions of Recommendation 33, letter f) of the Code, please refer to paragraph 4.1 of this Report.

10.6 THE FINANCIAL REPORTING OFFICER AND OTHER CORPORATE ROLES AND FUNCTIONS

10.6.1 The Financial Reporting Officer

At its meeting on 23 June 2023, after receiving a favourable opinion from the Board of Statutory Auditors and effective immediately, the Acea Board of Directors appointed Sabrina Di Bartolomeo Chief Financial Officer (CFO) of Acea, the Financial Reporting Officer responsible for preparing the corporate accounting documents pursuant to article 154-bis of the TUF.

As required by the Articles of Association, the Financial Reporting Officer has a number of years of experience in the performance of managerial duties in administration and control activities at capital companies of significant size and is responsible for establishing and maintaining the Internal Control System regarding Financial Statements and to issue a specific certificate according to the model published by Consob, together with the CEO.

The figure of the Financial Reporting Officer, introduced by Law 262/05, was adopted by Acea with an amendment to the Articles of Association of 13 November 2006, which requires this figure to be appointed by the Board of Directors.

In line with the provisions of art. 22-ter of the Articles of Association of Acea and the Regulation of the FRO, the FRO is vested with the following powers and means:

- to request, within Acea and the companies included with the scope of consolidation of the Group, all information of an administrative and accounting nature that may facilitate the evaluation of the design and operation of the control system that oversees the process to prepare the financial reports and the consolidated financial statements, including interim reports;
- to request, within Acea and the companies included with the scope of consolidation of the Group, all information of an operational nature regarding events that may in any way significantly influence the performance of the Company and the Group;
- to access the data of Acea Functions as well as those of Group companies, the archives and the company assets whenever deemed necessary;
- to propose, to the Board of Directors and to the Delegated Administrative Body of Acea, guidance aimed at all companies included with the scope of consolidation of the Group on the methodologies to be applied, as well as on the organisational structure of the administrative and control system;

- to draft, with the support of the People, Culture and Organisation Department and the operational departments, the company procedures regarding processes, including those of a cross-cutting nature, associated with the areas under the direct control of the Financial Reporting Officer;
- to propose changes to company processes and procedures for which the Financial Reporting Officer is not the Process Owner, including IT processes, which have an impact on the preparation of the financial statements;
- to conduct controls on any company process that has a direct or indirect impact on the preparation of the financial statements;
- to analyse the design of the Internal Control System and, in particular, the general entity level controls including general IT controls IT general controls or ITGC;
- to request assistance from other company functions and qualified external consultancy firms for the performance of risk assessments and to evaluate the design and functionality of the controls in place;
- to request certifications regarding the correct application of company procedures and their functionality in the reference period from other Acea Functions and Group Companies;
- to request changes to the Internal Control System on Financial Reporting (understood as the combination of people, tools, information and rules established to mitigate risks) of Acea and of the companies included within the Group's scope of consolidation;
- to act with financial independence and to operate in accordance with the general guidelines of the Company and in line with existing procedures, shared by the Financial Reporting Officer with the Delegated Administrative Body at the approval of the annual budget.

Pursuant to art. 154-bis of the TUF, the Board of Directors ensures that the Financial Reporting Officer has adequate powers and means to perform the tasks assigned to him or her, as well as effective compliance with the administrative and accounting procedures. At the meeting held on 5 March 2024, the Board of Directors confirmed the adequacy of the powers and means available to the Financial Reporting Officer, as well as compliance with the administrative and accounting procedures prepared thereby.

10.6.2 Ethics Officer

Pursuant to the Code of Ethics and implementing Legislative Decree 24 of 10 March 2023, the Ethics Officer is the collegial body with the responsibility for managing the system of reporting alleged violations for non-compliance with the law, internal regulations and the Code of Ethics (Whistleblowing System), as well as monitoring compliance with the values of transparency, legality, fairness and ethical integrity in relations with employees, suppliers, customers and all stakeholders. Its responsibilities also include promoting communication programmes and activities intended to further disseminate the principles of the Code of Ethics within the companies of the Group, as well as any updates made to the Code of Ethics, and issuing guidelines and operating procedures to reduce the risk of violations of the Code.

The Ethics Officer makes use of support from a Technical Secretariat consisting of the Acea Internal Audit Function to carry out its tasks and send the Chairperson, the CEO and Acea's control bodies (Control and Risk Committee, Ethics, Sustainability and Inclusion

Committee, Board of Statutory Auditors and Supervisory Body) periodic reports on the notifications received, the studies carried out and the initiatives agreed to on training and communications inherent to the Code of Ethics and the whistleblowing system.

10.6.3 Risk Management, Compliance & Sustainability Department

In consolidating the governance and management tools of the SCIGR, the company integrated the Risk Management, Compliance & Sustainability Function into the Group's macrostructure with a view to:

- planning, implementing and monitoring the Group's Risk Governance model, identifying, describing and measuring the main risk factors that could compromise the achievement of the Group's strategic and business objectives, defining and proposing risk management and mitigation policies, guiding the implementation and evolution of the Group's Enterprise Risk Management (ERM) framework, with a view to integrating various risk sectors;
- guaranteeing the effective and continuous implementation of the ERM process, also by coordinating and cooperating with other internal control structures, and ensuring reporting is provided to senior management and corporate and control bodies on the evolution of the Group's overall risk profile, possible impacts on strategic and business objectives and on the implementation and monitoring of actions to respond to risks;
- serving a preventive and proactive role in the before the fact assessment of non-compliance risks for company actions relative to reference regulations (antitrust, Legislative Decree 231/01, anti-corruption, fraud prevention and privacy), examining the efficacy of processes with the objective of preventing violations of norms and rules, both internal and external, and suggesting, in the case of discrepancies, the most appropriate solutions;
- assessing the most appropriate measures to incorporate compliance requirements into the current privacy legislation for business processes, developing proposals and actions for changes and updates to policies, procedures and security measures, and verifying the actual effective implementation of the governance policies for the risks related to the processing of personal data;
- ensuring the design, implementation, monitoring and updating of the risk management system relating to processes and the Group's governance model, in line with current regulations and best practices for the sector/market and guaranteeing alignment with current regulatory governance instruments;
- ensuring that ESG aspects are valued within the Acea Group, integrating sustainability standards and issues with business and financial aspects, promoting the Group's ranking in international sustainability ratings and also preparing relative reports (including the Sustainability Report).

10.7 COORDINATION AMONG SUBJECTS INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In order to allow the various subjects involved in the SCIGR to adequately perform the role assigned in relation to such system, specific informatory flows are defined among the various levels of control and the competent management and control bodies, duly coordinated in terms of content and timing.

Acea's Guidelines contemplate the definition of a series of activities for the coordination between the various subjects involved in the Control System, in order to ensure continuous monitoring of the adequacy and its operation, and to facilitate the efficient exchange of information. These methods briefly consist of:

- periodic coordination meetings regarding, in particular, the processing of the financial information and the assessment, monitoring and mitigation of the risks (economic-financial, operational and compliance risks);
- information flows between the subjects involved in the Control System;
- coordination meetings and joint meetings between the Board of Statutory Auditors, Control and Risk Committee, audit firm, Financial Reporting Officer and the Internal Audit Function Manager;
- structured information flows between the second level control entities, top management, the Internal Audit function, the Risk, Management, Compliance & Sustainability function and the control bodies;
- communication flows between the Internal Audit function and the Risk Management, Compliance & Sustainability Department to support the specific activities of competence. In particular, the Risk Management, Compliance & Sustainability function informs the Internal Audit function about the main corporate risks useful for preparing the risk-based Audit plan proposal and receives the results of the internal audit activities where relevant to performing its task;
- structured information flows between the Supervisory Bodies of Acea's subsidiaries and the issuer's Supervisory Body;
- periodic reports to the Board of Directors;
- support from the Internal Audit function for Acea Supervisory Body activities and for those of the subsidiaries;
- communication flows within each Group company between the Board of Statutory Auditors and the Supervisory Body;
- information flows between the Board of Statutory Auditors and the Control and Risks Committee for the exchange of information necessary to the completion of the respective duties.

11. DIRECTORS' INTERESTS AND RELATED PARTIES TRANSACTIONS

Prior to discussion on each item on the agenda during the board meeting, every director must report any interests that it holds, directly or on behalf of third parties, connected with the topics or questions to be dealt with, specifying the nature, the terms, the source and the extent.

With regard to related party transactions, the Procedure for Related Party Transactions (“**RPT Procedure**”) defined pursuant to article 2391-bis of the Civil Code was adopted in compliance with the principles established by the RPT Regulation, and was last amended by the Board of Directors on 14 June 2023.

The RPT Procedure applies to transactions conducted directly by Acea, or by its direct or indirect subsidiaries, with related parties.

Based on amount, transactions are divided up as follows:

- transactions of Major Relevance: transactions in which at least one of the indices of relevance, indicated in Annex 1 of the RPT Regulation, is above the threshold of 5%, which must be approved by the Acea Board of Directors;
- transactions of negligible amount: transactions for which the value, calculated on the basis of the indicators set out in Annex 1, does not exceed, in relation to the described type of transaction, the following thresholds:
 - 1) Natural Person:
 - 1.a) € 30,000 for sponsorships and other similar initiatives;
 - 1.b) € 150,000 for the remaining types of transactions.
 - 2) Legal Entity:
 - 2.a) € 120,000 for sponsorships and other similar initiatives;
 - 2.b) € 200,000 for the remaining types of transactions;
- transactions of Minor Relevance, which includes all the transactions with related parties that cannot be classified as of major relevance or of negligible amount.

The procedure does not apply to certain types of related party transactions, with the main ones involving ordinary operations carried out on an arm’s length basis and operations with or between subsidiaries, also jointly by Acea, as well as transactions with associates of Acea, on the condition that in the subsidiaries or associates involved in the transaction there are no significant interests (as identified in the procedure) for other Acea related parties.

According to the RPT Procedure, before the approval of a transaction with a related party, whether of Major or Minor Relevance, the Transactions with Related Parties’ Committee expresses an opinion on the Company’s interest in the execution of the transaction and on the convenience and on the substantial correctness of the related conditions.

To that end, note that until the new Board of Directors took office, the Board of Statutory Auditors was identified as the entity called on to serve as the “equivalent internal control”, pursuant to the Regulation adopted by Consob with resolution 17221, as amended, as well as the Procedure for Related Party Transactions in effect at the time, for the purposes of expressing opinions on Acea’s interest in the execution of certain related party transactions, as well as

the expediency and substantial correctness of the conditions of the same.

Subsequently, the Procedure for Related Party Transactions was amended on 14 June 2023, also to identify specific equivalent internal controls, which are to be adopted in cases in which, with reference to a specific transaction on the agenda, there is a concrete correlation with one or more members of the RPT Committee.

Note that, as indicated in the guidance on the quantitative and qualitative composition of the Board of Directors, the increase in the number of Directors approved by the Shareholders’ Meeting on 18 April 2023 allowed for better distribution of responsibilities and supported the work of the Committee for Related Party Transactions, taking into account the rigorous internal regulations which Acea has established on the subject.

As of the date of this Report, the Committee for Related Party Transactions was composed of 5 directors, all of which were independent, specifically Angelo Piazza (Chairman), Antonella Rosa Bianchessi, Massimiliano Capece Minutolo Del Sasso, Luisa Melara and Patrizia Rutigliano.

The RPT Committee Chairperson convenes and chairs the meetings. The RPT Committee Secretariat is coordinated by the Secretary of Acea’s Board of Directors.

The Committee held 14 meetings in 2023, duly recorded in minutes and regularly attended by all the members as well as the members of the Board of Statutory Auditors, with an average duration of approximately 1 hour 20 minutes each.

In its role as the Equivalent Internal Control, the Committee held 14 minutes, duly recorded in minutes and regularly attended by all its members, as well as the members of the Board of Statutory Auditors with an average duration of around 1 hour and 49 minutes.

In its role as Equivalent Internal Control, the Board of Statutory Auditors held 8 meetings, duly recorded in minutes and regularly attended by all the members, with an average duration of approximately 2 hours 26 minutes each.

During 2023, the Committee provided its preparatory and investigative activities and issued opinions in relation to related party transactions involving Acea, in particular with reference:

- the public/private partnership project with Roma Capitale for public lighting and smart city services;
- the project promoted by the Municipality of Rome to construct a new waste to energy plant.

In 2024, as at the date of the Report, no Committee meetings had been held.

The attendance of each Director at the Committee meetings is detailed in Table no. 3.

The Board of Directors confirmed the allocation of an annual budget for 2024 of € 50,000.00 for the Committee so as to allow the latter, should it be deemed necessary, to confer external mandates instrumental to the performance of its duties.

For more information, please refer to Acea’s website www.gruppo.aceait, “Governance” section.

12. BOARD OF STATUTORY AUDITORS

12.1 APPOINTMENT AND REPLACEMENT

In compliance with the provisions of the law and of the Articles of Association, the Board of Statutory Auditors is composed of three standing auditors and two alternative auditors, appointed by the Ordinary Shareholders' Meeting for a term of three financial periods, and they can be re-elected on expiry of their mandate.

There must be a gender balance in the composition of the Board of Statutory Auditors, as governed by the applicable laws in force from time to time.

For the appointment of the Board of Statutory Auditors, regulated by art. 22 of the Articles of Association, the procedures explained in Section 4.2 on the subject of the appointment of Directors apply. The appointment of the Board of Statutory Auditors is regulated by art. 22 of the Articles of Association, according to which members are appointed on the basis of the lists presented by the Shareholders who - individually or together with other Shareholders - represent, at the date on which the lists are filed - at least 1% of the share capital, or the minimum portion of the share capital determined by Consob pursuant to art. 144-*quater* of the Issuers' Regulation. In this regard, please note that the portion requested by Consob under Executive Determination no. 76 of 30 January 2023, for the presentation of the lists is 1%.

In particular, half plus one of the standing auditors to be elected will be drawn from the list that has obtained the majority of votes, in the progressive order in which they are placed on the list, rounded down to the nearest whole number in the case of a fractioned number, and one alternative auditor.

For the other members of the Board of Statutory Auditors, the standing auditor and alternate auditor will be respectively those who have obtained the first and second highest quotient in the minority list; in case of equal percentage, the standing auditor will be the one on the minority list that has obtained most votes. In any case, at least one standing auditor must be elected by the minority shareholders. If an auditor leaves office during a financial period, the alternative auditor on the same list as the outgoing auditor will take his/her place.

The appointment of Auditors who, for any reason, are not elected according to the above-illustrated procedure, must be approved by a Shareholders' Resolution passed with the majority required by law. The Chairperson of the Board of Statutory Auditors will be chosen from those effectively elected from the minority list.

12.2 COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (PURSUANT TO ART. 123-BIS, PARA. 2, LETT. D, TUF)

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting of 27 April 2022 and its mandate will expire on the approval of the financial statements for 2024.

Three lists were presented at the appointment meeting: i) List no. 1 presented by Roma Capitale with three candidates, Claudia Capua-

no, Leonardo Quagliata and Rosina Cichello; ii) List no. 2 presented by shareholder Fincal SpA with two candidates, Maurizio Lauri and Mario Venezia; and iii) List no. 3 presented by a group of asset management companies and institutional investors with two candidates, Vito Di Battista and Diana Rizzo. List no. 1 was voted by 67.69%, List No. 2 by 20.53% and List No. 3 by 11.55% of voters.

Please note that the minority list declared the absence of any relationship or connection, including of an indirect nature, with the majority list.

All Auditors declared themselves to meet the requirements of professionalism, integrity and independence required by applicable law and by the Corporate Governance Code.

According to the appointments at that Meeting, the Board of Statutory Directors is formed, as described in *Table 4*, by the individuals below, for which, pursuant to art. 144-*decies* of the Issuers' Regulation, a short professional description of each is provided:

- **Maurizio Lauri, Chairperson.** Born in Rome on 16 August 1962. Degree in Economics from LUISS, Master of Laws (LL.M.) – London School of Economics and Political Science, University of London. He has served as a director, also with top positions, for companies, including listed and public, as well as serving as a member of the control bodies for various companies and non-commercial entities.

A Chartered Accountant and Auditor, he is a member of the Commission to Establish Behavioural Guidelines for the Board of Statutory Auditors of Listed Companies, within the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Council of Chartered Accountants and Accounting Experts).

- **Leonardo Quagliata, Standing Auditor.** Born in Rome, Italy on 21 October 1953. Graduated with honours in Economics and Business from the University of Rome "La Sapienza". A certified public accountant and auditor, he is the founder and owner of Studio Commercialista Quagliata.

He was awarded the honour of Knight of the Order of Merit of the Italian Republic.

He is a corporate law expert with specific expertise in corporate governance and internal control systems in equity companies, including companies in the energy production and distribution sector and those constructing and operating infrastructure networks.

He holds and has held positions as Chairperson of the Board of Statutory Auditors and Standing Auditor, as well as Chairperson of the Supervisory Body pursuant to Legislative Decree 231/2001, in complex large companies, including listed companies.

He is the Chairman of the Boards of Statutory Auditors for a number of scientific and cultural foundations and associations. He serves as the Chairperson of an Investment Committee for a listed real estate fund. He has lectured in teaching courses and participated as a speaker in conferences and seminars concerning the duties and responsibilities of the Board of Statutory Auditors.

He has been collaborating for many years with the Civil and Criminal Court and the Rome Court of Appeals as Technical

Consultant to the judge, judicial administrator, judicial inspector, judicial custodian and special curator.

- **Claudia Capuano, Standing Auditor.** A Chartered Accountant and Auditor, Managing Partner of Studio Capuano Legale e Tributario.

He serves as standing auditor for various companies, is on supervisory and serves as judicial administrator for assets seized and as M.P. (appointed by the Court of Rome and Viterbo), an insolvency liquidator and liquidator commissioner in arrangements with creditors and liquidations in general. She holds positions as Expert and Court Appointed Consultant in criminal and civil trials and Technical Consultant of the Public Prosecutor.

- **Rosina Cichello Alternate Auditor.** Chartered Accountant and Auditor.

She provides corporate consultancy for tax and fiscal matters, for extraordinary transactions, and tax and fiscal coordination and control directly for companies. She has served as a technical consultant and member of the Board of Statutory Auditors for entities of public interest and in companies working in the industrial, commercial and services sectors. She currently holds positions on Boards of Statutory Auditors, in particular in the multi-utility and healthcare sectors.

- **Vito Di Battista Alternate Auditor.** Born in Lecce, Italy on 10 January 1952, Vito Di Battista holds a degree in business administration from the Luigi Bocconi University. A Chartered Accountant and Auditor, he provides tax advice to industrial and financial companies, including listed ones. He currently serves as Chairperson and Chief Executive Officer of Angelini Finanziaria SpA, Chairperson of the Board of Statutory Auditors of Avio SpA and Chairperson of the Board of Directors of IBL Real Estate Srl, as well as Standing Auditor of Net Holding SpA, Net Insurance SpA and Net Insurance Life SpA – company subject to management and coordination by Poste Vita SpA. He has served as a member of the Supervisory Committee of Banca Popolare Adriese (limited partnership), Banca di Credito Cooperativo di Pachino (limited partnership) and Banca di Credito Cooperativo “S. Apollonia” di Ariccia (limited partnership). He has served, among other roles, as Chairperson of the Board of Statutory Auditors of Bancaperta SpA and Cassa di Risparmio di Fano SpA, as member of the Board of Directors of Istituto Bancario del Lavoro SpA and Cuki Group SpA, as Chairperson of the Board of Directors of Atlantide SpA, and as Standing Auditor of the supplementary pension fund Fondenergia. He also served as a board member of the Ned community.

The auditors have been chosen amongst people who can be qualified as independent and they must act with autonomy and independence, also as regards the shareholders that have elected them. Soon after her appointment, the Board of Statutory Auditors verified and confirmed that she met the independence requirements envisaged by law and the Code and communicated the result of this verification to the Company's Board of Directors. The outcome of the checks carried out was communicated to the market with a press release.

Subsequently, the Board of Statutory Auditors duly ascertained the existence of the requirements of independence (for more information see paragraph 4 of this Report) pursuant to the law and the Code regarding its effective members, verifying the existence thereof and submitting the outcome of the verifications to the Board.

The Board of Statutory Auditors receives from the administrative body, at the Board of Directors' meetings, information on the activity performed by the Board of Directors, by directly participating in the Board of Directors' meetings and by examination of the material which illustrates the items on the agenda, which it receives in advance in the same format and within the same terms as the documentation received by the Directors.

The Board of Statutory Auditors exercises the powers and performs the duties contemplated by the provisions in force. In carrying out its duties, it coordinates with the Internal Audit function mainly through periodic meetings to illustrate the work plan for independent monitoring activities and results of the main actions carried out during the year. It also cooperates with the Control and Risks Committee, by the participation of the Chairperson and/or the Auditors at the meetings.

The remuneration of statutory auditors is commensurate with the commitment required, the importance of the role held and the company's size and sectorial characteristics.

In particular, the Shareholders' Meeting determined the annual lump sum fees due to the Chairperson of the Board of Statutory Auditors and for each Standing Auditor in the amount of, respectively, € 150,000.00 and € 100,000.00, as well as reimbursement of expenses necessary to carry out the role of Auditor.

Each member of the Board of Statutory Auditors is required to promptly and comprehensively inform the other members and the Chairperson of the Board of Directors of the nature, terms, origin and extent of any potential interest in a certain operation of Acea, both on their own behalf or on behalf of third parties.

During the period, the Board of Statutory Auditors held 24 meetings, with an average duration of 1 hour 45 minutes, regularly attended by the statutory auditors.

In 2024, as at the date of this Report, the Committee had met on four occasions.

Diversity criteria and policy

The information regarding the diversity criteria and policies applied in relation to the composition of the control bodies with regard to aspects such as age, gender balance and professional and educational background pursuant to art. 123-bis, paragraph 2, letter d-bis of the TUF is illustrated in the section of the Report devoted to the Board of Directors (paragraph 4.3).

Self-assessment of the Board of Statutory Auditors

The Board of Statutory Auditors conducted its Self-Assessment for 2023 in accordance with the recommendations of the Corporate Governance Code and as set forth in Rule of Conduct Q.1.7. contained in the Rules of Conduct for the Board of Statutory Auditors of Listed Companies published in December 2023 by the National Council of Chartered Accountants and Accounting Experts (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* – CNDCEC). The Self-Assessment process focused mainly on composition, exercise of powers, and function.

The self-assessment process was conducted by having the auditors complete an ad hoc questionnaire.

In light of the information in its possession, at present, the Board of Statutory Auditors of the Company has assessed how adequate its composition is, having regard to the requirements of experience, diversity, expertise, integrity and independence required by law.

13. RELATIONS WITH SHAREHOLDERS

Information regarding the Company is precisely and immediately disclosed to the market and to the relative Supervisory Authorities. This information is made available in the “Investors” section of the company website www.gruppo.acea.it and is constantly updated.

Acea’s organisational structure includes an Investor Relations Department, which reports to the Deputy General Manager Corporate, led by Dario Michi.

On the approval of the annual, six-monthly and quarterly results of the Business Plan and of the execution of possible extraordinary price sensitive transactions, the Company organises special conference calls/webcasts/presentations with institutional investors and financial analysts. In this context, Acea maintains a dialogue with investors based on the principles of propriety and transparency in compliance with EU and national regulations on market abuse and with international best practices.

In 2023, Acea had approximately 450 interactions with Institutional Investors, Analysts and Bondholders by participating in several events, also held virtually, including one-on-one meetings and broader presentations promoted by the Investor Relations Department or requested by the market, Investor Conferences organised by Borsa Italiana and leading Commercial Bank, as well as national and international roadshows. Furthermore, conference calls and webcasts were held for the approval of the company’s interim and annual results. There were also numerous contacts with Analysts/Investors through e-mail exchanges.

Relations with Shareholders

From 10 November 2021, the Board of Directors of Acea adopted the “Policy for the management of relations with Institutional Investors, Shareholders and Bondholders of Acea” (“Relations Management Policy”), in line with the provisions of Principle 4, Recommendation 3 of the Corporate Governance Code.

Acea believes that promoting constant and constructive dialogue with the financial community can contribute to achieving company goals, strengthening the generation and sharing of value and ensuring the principles of transparency, timeliness, correctness and reliability which are the foundation for all the activities in the Group’s mission.

The Relations Management Policy of Acea defines:

- the topics to be discussed with Institutional Investors/Shareholders/Bondholders;
- the corporate entities and departments responsible for engagement;
- the channels of communication through which the financial community can engage with the Company (Shareholders’ Meeting, meetings with analysts, industry conferences, investor days, webcasts, company website, press releases, etc.);
- the methods and deadlines for reporting to the Board of Directors.

The implementation of engagement activities is entrusted to the CEO and the Chairperson.

The Chairperson ensures that the Board of Directors is regularly informed about the development and significant contents of the dialogue with the market.

The Investor Relations Function coordinates and manages dialogue with Institutional Investors, Shareholders and Bondholders, operating as a point of contact and an internal link for reactive and proactive engagement.

In the dialogue with institutional investors, shareholders and bondholders, the main issues discussed included: the operating performance of the Company and Group, updates and new additions in terms of regulatory aspects of the water sector and electricity distribution.

14. SHAREHOLDERS' MEETING (PURSUANT TO ART. 123-BIS, PARA. 2, LETT. C, TUF)

The regulations governing the operation of the Shareholder's meeting are defined in the Articles of Association of Acea, making reference to applicable law.

In particular, with regard to the methods of convocation of the Meeting, art. 10 of the Articles of Association states that, without prejudice to the powers of convocation contemplated by specific provisions of law, the Shareholders' Meeting, whether ordinary or extraordinary, is called by the Board of Directors by a notice indicating the date and place of the meeting and the list of items on the agenda.

The meeting may also be held in a place other than the registered office, as long as the alternative location is within Italy. The relative notice is published on the Company's website, in the *Official Journal of the Italian Republic* and in the daily newspaper *Il Sole 24 Ore* within the terms laid down by the laws in force, if necessary also calling subsequent meetings.

The ordinary Shareholders' Meeting is called at least once a year for the approval of the financial statements, within 120 days of the end of the financial year or within 180 days of the said end of the financial year if the conditions set out in Article 2364 of the Italian Civil Code are fulfilled, while the extraordinary shareholders' meeting is called whenever it needs to make a decision reserved to it by the law.

The Shareholders' Meeting, whether ordinary or extraordinary, is also held when requested by as many shareholders as represent the percentages contemplated by the laws in force, and the request must specify the items to be discussed, or when requested by the Board of Statutory Auditors or members of the same in the cases contemplated by law. Additionally, shareholders representing the percentages envisaged by the law in force may request, in full compliance with the ruling regulation, a supplement to the published agenda, indicating on the request the additional subjects proposed. The Shareholders' Meeting may not be convened nor the supplement request to the published agenda considered upon the request of the Shareholders to transact business in respect of which the passing of resolutions may only take place according to the law and upon the proposal of the Directors or on the basis of a project or a report to be prepared by them.

The majorities necessary for the Meeting, whether ordinary or extraordinary, and its resolutions to be quorate are those contemplated by law.

Entitlement to participate in the Shareholders' Meeting and to exercise the right to vote is testified by a communication to the issuer made by the intermediary, in conformity with the accounting evidence, in favour of the subject holding the right to vote, according to the procedures and terms laid down by the laws in force (the so-called "record date"). Shareholders entitled to participate in the Meeting may be represented pursuant and according to the procedures of law.

As indicated in paragraph 2, letters b) and f) of the Report, the exception of Roma Capitale or its subsidiaries that have become shareholders, voting rights cannot be exercised, even by proxy, in a measure in excess of 8% of the share capital. For more information on this matter please refer to the aforementioned paragraph 2, letter f) of this Report.

As noted in paragraph 2, letter e) of this Report, pursuant to article 13.3 of the Articles of Association, in order to facilitate the collection of proxies from shareholding employees of the Company, its subsidiaries and affiliates and shareholders' associations that meet the requirements contemplated by the relative legal provisions in force, specific spaces are made available for the communication and the collection of the proxies according to terms and methods set by the Board of Directors directly or through its proxies. If a proxy is conferred electronically, according to the procedures contemplated by the regulations in force at any moment, said proxy may be communicated via the Company's Internet site according to the procedures specified in the notice of convocation. The conduction of Shareholders' meetings is regulated by law, by the Articles of Association and by a specific Regulation published in the "Shareholders' Meeting" section of the website www.gruppo.acea.it.

In particular, article 7.3 of the Regulation concerning the methods in place to guarantee the right of shareholders to take the floor on the topics under discussion, establishes that the request to speak on the individual items of the agenda may be presented to the Chairperson of the Shareholders' Meeting from the moment that the Meeting is validly constituted and until the Chairperson of the Meeting declares the discussion on the relative item closed.

In giving the floor, the Chairperson of the Shareholders' Meeting normally follows the order of the presentation of the requests for the floor. Each shareholder may take the floor only once on each item on the agenda, and for no more than ten minutes.

The meeting is chaired by the Chairperson of the Board of Directors or, in the case of their absence or impediment, by another person appointed by the same. In the absence thereof, the meeting elects its own chairperson.

The Chairperson, having been appointed by the meeting, appoints a Secretary, who is responsible for preparing the minutes, to be signed by the Chairperson and the Secretary, which document the resolutions taken by the meeting. In the cases set forth by the law or when the meeting's chairperson so requires, the relevant minutes shall be prepared by a notary public.

The Chairperson of the meeting, *inter alia*, verifies that the meeting is quorate, ascertains the identify and legitimacy of those present, regulates the execution of the works and verifies the results of the voting, which must be recorded in the relative minutes.

Finally, note that at the Shareholders' Meeting on 18 April 2023, the Company made use of the option envisaged under article 106 of Decree Law 18/2020, converted by Law 27/2020, as amended and most recently extended by Decree Law 198 of 29 December 2022, converting with amendments Law 14 of 24 February 2023, establishing that participation in the Shareholders' Meeting by those entitled to participate takes place exclusively through the Company's Designated Representative, pursuant to article 135-undecies of Legislative Decree 58 of 24 February 1998 (TUF), without the physical participation of shareholders.

In 2023 the Board of Directors has reported to the Shareholders' Meeting the activity performed and programmed, thus ensuring that the shareholders are correctly informed on the elements necessary to allow them to take informed decisions on the matters of

their competence.

The Board of Directors considers the Shareholders' Meeting to be a particularly significant moment for its relations with the shareholders; therefore, it makes all efforts, as far as falling within its competence, to encourage and facilitate the broadest participation possible of the shareholders at the meetings.

Eight Directors participated in the 2023 Shareholders' Meeting, including the Chairperson and Chief Executive Officer.

In the course of the 2023 financial year, the Shareholders' Meeting met on 18 April with the following agenda:

extraordinary session

1. Amendment to Art. 15 of the Articles of Association. Pertaining and/or consequent resolutions;

ordinary session

2. Separate Financial Statements at 31 December 2022; Board of Directors' Report on Operations and reports of the Board of Statutory Auditors and of the Independent Auditing Firm. Presentation of the Consolidated Financial Statements at 31

December 2022 and information on the consolidated non-financial disclosure under the terms of Italian Legislative Decree no. 254/2016 (2022 Sustainability Report). Resolutions on the approval of the Separate Financial Statements at 31 December 2022.

3. Resolutions on the allocation of the result for financial year 2022.
4. Report on the Remuneration policy and the remuneration paid: Resolution on the First Section, pursuant to article 123-ter, paragraph 3-bis of Legislative Decree no. 58 of 24 February 1998.
5. Report on the Remuneration policy and the remuneration paid: Resolution on the Second Section, pursuant to article 123-ter, paragraph 6 of Legislative Decree no. 58 of 24 February 1998 and, subject to the approval of the aforesaid item 1 in the extraordinary part,
6. Determining the number of members of the Board of Directors.
7. Appointment of the members of the Board of Directors.
8. Appointment of the Chair of the Board of Directors.
9. Determining the fees for the members of the Board of Directors.

15. OTHER CORPORATE GOVERNANCE PRACTICES (PURSUANT TO ART. 123-BIS, PARA. 2, LETT. A), TUF)

N.A.

16. CHANGES SINCE THE CLOSURE OF THE FINANCIAL YEAR

From the end of the financial year to the date on which this Report was approved, no additional changes occurred in the Company's

corporate governance structure.

17. CONSIDERATIONS ON THE LETTER OF 14 DECEMBER 2023 OF THE CHAIRPERSON OF THE CORPORATE GOVERNANCE COMMITTEE

On 14 December 2023, as part of the monitoring of the implementation of the Code by issuers, the Chairperson of the Corporate Governance Committee sent a communication that identifies a series of areas where it would be best to improve compliance with the recommendations of the Code itself.

At the meeting on 15 February 2024 the Company's administrative body examined the text of the letter and the points made, and with the support of the relevant corporate functions it noted that, without prejudice to further improvements, Acea's Corporate Governance system is substantially aligned with the indications contained in the letter.

The pertinent recommendations made in the letter were also submitted to the Control and Risks Committee at the meeting of 8 February 2024, and to the Acea Board of Statutory Auditors at the meeting of 20 February 2024.

For more details, please see that contained in the specific sections of the Report, specifically section 4.1 with regard to the "Guidance on optimal composition"; 4.4 with regard to "Pre-Meeting information" and 2.d with regard to "Multiple voting rights".

On the other hand, with respect to the recommendation for 2024 on the business plan, note the following: following the appointment of the new Board of Directors and the seating of the new managerial team, the Company began activities functional to the preparation

of a new business plan. These activities saw the Directors involved on multiple occasions. In particular, at its meeting on 25 July 2023 the administrative body was able to examine the foundations of the strategic guidelines in the new business plan. Subsequently, also in consideration of a series of business transactions which the Company may have called upon to carry out before the approval of the new business plan, the Board of Directors was able to benefit, both in the context of formal meetings and in meetings corollary to the same, from presentations made by the relevant managers to provide market scenario analysis with reference to each of the main business sectors in which the Group does business.

In the initial months of 2024, this process involved additional meetings during which the Board, also based on requests made by the Directors, was able to discuss and share elements of the strategy underlying the preparation of the new business plan and significant in terms of long-term value generation, as well as approving the same.

For the Board of Directors

The Chairperson
Barbara Marinali

TABLES

TABLE 1: INFORMATION ON THE OWNERSHIP STRUCTURE AS AT 5 MARCH 2024

Share capital structure

	No. of shares	No. of voting rights	Listed on Borsa Italiana's online stock exchange	Rights and obligations
Ordinary shares (shares with increased voting rights are not permitted)	212,964,000	212,964,000	100%	
Preferential shares	-			
Multiple voting shares	-			
Other share categories with voting rights	-			
Savings shares	-			
Convertible savings shares	-			
Other share categories without voting rights	-			
Other	-			
Ordinary shares (shares with increased voting rights are not permitted)	212,964,000	212,964,000	100%	

2. Other financial instruments (granting the right to subscribe newly issued shares)

	Listed (indicate the markets)/ unlisted	No. of instruments in circulation	Category of shares for conversion/ operation	No. of shares serving conversion/ exercising
Convertible bonds	-	-	-	-
Warrant	-	-	-	-

3. Relevant stakes in share capital

(taken from the Consob website on 5 March 2024)

Declarant	Direct Shareholder	% stake of capital ordinary	% stake of capital voting
Roma Capitale	Roma Capitale	51%	51%
Suez SA	Suez International SAS	23.333%	23.333%
Caltagirone Francesco Gaetano	Capitolium Srl	0.141%	
	Caltagirone SpA	1.174%	
	Fincal SpA	3.052%	
	FGC SpA	1.085%	5.452%

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AT YEAR-END

Position	Members	Year of birth	Date of initial appointment *	In office from	In office to
Chairperson	Barbara Marinali	1964	17/02/2023	18/04/2023	31/12/2025
CEO/GM	Fabrizio Palermo	1971	26/09/2022	18/04/2023	31/12/2025
Director	Antonella Rosa Bianchessi	1969	18/04/2023	18/04/2023	31/12/2025
Director	Antonino Cusimano	1964	18/04/2023	18/04/2023	31/12/2025
Director	Patrizia Rutigliano	1968	18/04/2023	18/04/2023	31/12/2025
Director	Francesca Menabuoni	1969	10/11/2023	10/11/2023	31/12/2025
Director	Alessandro Caltagirone	1969	27/04/2017	18/04/2023	31/12/2025
Director	Massimiliano Capece Minutolo Del Sasso	1968	23/04/2015	18/04/2023	31/12/2025
Director	Luisa Melara	1970	18/04/2023	18/04/2023	31/12/2025
Director	Alessandro Picardi	1977	18/04/2023	18/04/2023	31/12/2025
Director	Elisabetta Maggini	1982	18/04/2023	18/04/2023	31/12/2025
Director	Angelo Piazza	1955	18/04/2023	18/04/2023	31/12/2025
Director	Nathalie Tocci	1977	18/04/2023	18/04/2023	31/12/2025
Directors leaving office during the financial year					
Director	Thomas Devedjian	1971	18/04/2023	18/04/2023	31/10/2023

* The date of first appointment refers to the date on which the director was appointed for the (very) first time as a member of Acea's BoD.

** This column indicates whether the list from which each director was taken was presented by Shareholders ("A") or by the Board of Directors ("C").

*** This column indicates the list from which each director was taken ("M": majority list; "m": minority list).

**** This column indicates the number of offices that directors or statutory auditors hold in other companies listed on regulated markets, even abroad, in financial, banking and insurance companies or large companies. The offices are explained in full on the last page of the Report.

***** This column indicates the directors' participation in the meetings of the BoD.

No. meetings held in 2023: 24

Quorum required for the submission of lists by minorities for the election of one or more members (per art. 148 TUF): 1% of the shares with voting rights

DIRECTORS IN OFFICE UNTIL 18 APRIL 2023

Position	Members	Year of birth	Date of initial appointment *	In office from	In office to
Chairperson*	Michaela Castelli	1970	27/04/2017	29/05/2020	14/02/2023
Chairperson	Barbara Marinali	1964	coop. BoD 17/02/2023	17/02/2023	18/04/2023
CEO	Fabrizio Palermo	1971	26/09/2022	26/09/2022	18/04/2023
Director	Giacomo Larocca	1978	29/05/2020	29/05/2020	18/04/2023
Director	Gabriella Chiellino	1970	27/04/2017	29/05/2020	18/04/2023
Director	Liliana Godino	1962	27/04/2017	29/05/2020	18/04/2023
Director	Francesca Menabuoni	1969	GM 27/04/2022	27/04/2022	18/04/2023
Director	Alessandro Caltagirone	1969	27/04/2017	29/05/2020	18/04/2023
Director	Massimiliano Capece Minutolo Del Sasso	1968	23/04/2015	29/05/2020	18/04/2023
Director	Massimiliano Pellegrini	1973	coop. BoD 18/07/2022	18/07/2022	18/04/2023

* The date of first appointment refers to the date on which the director was appointed for the (very) first time as a member of Acea's BoD.

** This column indicates whether the list from which each director was taken was presented by Shareholders ("A") or by the Board of Directors ("C").

*** This column indicates the list from which each director was taken ("M": majority list; "m": minority list).

**** This column indicates the number of offices that directors or statutory auditors hold in other companies listed on regulated markets, even abroad, in financial, banking and insurance companies or large companies. The offices are explained in full on the last page of the Report.

***** This column indicates the directors' participation in the meetings of the BoD.

List **	List (M/m) ***	Exec.	Non-Exec.	Indep. under Code	Indep. under TUF	No. other positions ****	Attendance at meetings *****
A	M		X			1	16/16
A	M	X				n.a.	16/16
A	m		X			n.a.	16/16
A	m		X			n.a.	16/16
A	m		X				16/16
A	m		X			n.a.	3/3
A	m		X			6	11/16
A	m		X			2	12/16
A	M		X			n.a.	14/16
A	M		X			n.a.	15/16
A	M		X			2	16/16
A	M		X			3	16/16
A	M		X			n.a.	15/16
A	m		X				8/12

List (proposing parties)**	List (M/m) ***	Exec.	Non-Exec.	Indep. from Code	Indep. from TUF	No. other positions ****	Equity investment *****
A	M		X			2	3/3
			X	X	X	1	5/5
A	M	X				-----	8/8
A	M		X	X	X	-----	8/8
A	M		X	X	X	1	8/8
A	M		X	X	X	-----	8/8
A	m		X			-----	8/8
A	m		X	X	X	6	8/8
A	m		X	X	X	2	7/8
A	m		X			-----	7/8

TABLE 3: STRUCTURE OF THE ADVISORY COMMITTEES AT YEAR-END

Office/Classification	Members	Board of Directors		Committee for the Region	
		*	**	*	**
Barbara Marinali	Chairperson non-executive, independent under TUF and Code				
Fabrizio Palermo	Chief Executive Officer, not independent				
Antonella Rosa Bianchessi	Director non-executive, independent under TUF and Code				
Antonino Cusimano	Director non-executive, independent under TUF and Code				
Patrizia Rutigliano	Director non-executive, independent under TUF and Code	5/5		P	
Massimiliano Capece Minutolo Del Sasso	Director non-executive, independent under TUF and Code	5/5		M	
Alessandro Caltagirone	Director non-executive, independent under TUF and Code				
Luisa Melara	Director non-executive, independent under TUF and Code				
Alessandro Picardi	Director non-executive, independent under TUF and Code	5/5		M	
Francesca Menabuoni	Non-executive Director				
Elisabetta Maggini	Director non-executive, independent under TUF and Code				
Angelo Piazza	Director non-executive, independent under TUF and Code				
Nathalie Tocci	Director non-executive, independent under TUF and Code				
Directors leaving office during the financial year					
Thomas Devedjian	Director non-executive,				
Giacomo Larocca	Director non-executive, independent under TUF and Code	3/3		M	
Gabriella Chiellino	Director non-executive, independent under TUF and Code				
Liliana Godino	Director non-executive, independent under TUF and Code				
Francesca Menabuoni	Director non-executive	3/3		P	
Alessandro Caltagirone	Director non-executive, independent under TUF and Code				
Massimiliano Capece Minutolo Del Sasso	Director non-executive, independent under TUF and Code	2/3		M	
Massimiliano Pellegrini	Director non-executive, independent under TUF and Code				

(a) Note that in its role as Equivalent Internal Control, the Committee (composed of Angelo Piazza, Luisa Melara, Patrizia Rutigliano and Antonella Rosa Bianchessi), held 14 meetings between May 2023 and 31 December 2023.

(b) Note that until the new Board of Directors took office, the Board of Statutory Auditors was identified as the entity called on to serve as the “equivalent internal control”, pursuant to the Regulation adopted by Consob with resolution 17221, as amended, as well as the Procedure for Related Party Transactions in effect at the time, for the purposes of expressing opinions on Acea’s interest in the execution of certain related party transactions, as well as the expediency and substantial correctness of the conditions of the same.

* This column indicates the member participation in the meetings of the Committee.

** This column indicates the office of each component (P: Chair, M: Member).

RPT Committee (a)		Control and Risks Committee		Appointments and Remuneration Committee		Ethics, Sustainability and Inclusion Committee	
*	**	*	**	*	**	*	**
13/14	M					7/7	M
		8/8	M				
14/14	M			8/9	M	7/7	M
14/14	M	8/8	M	9/9	P	7/7	M
13/14	M					6/7	M
		8/8	P				
		1/1	M				
		8/8	M			7/7	P
13/14	P			9/9	M		
				7/9	M		
	(b)						
		4/5	M				
		4/4	M			6/6	M
				4/4		6/6	P
		4/4	P	4/4			
		4/4	M			6/6	M
		4/4	M	4/4	P	5/6	M
				3/4	M		

TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AT YEAR-END

Board of Statutory Auditors			
Quorum required to present lists upon the last appointment: 1% of the shares with voting rights			
Position	Members	Year of birth	Date of first appointment *
Chairperson	Maurizio Lauri	1962	2019
Standing auditor	Leonardo Quagliata	1953	2022
Standing auditor	Claudia Capuano	1968	2022
Alternate auditor	Rosina Cichello	1967	2022
Alternate auditor	Vito Di Battista	1952	2022

* The date of first appointment refers to the date on which the auditor was appointed for the (very) first time as a member of the issuer's Board of Auditors.

** This column indicates the list from which each auditor was taken ("M": majority list; "m": minority list).

*** This column indicates the participation of the auditors in the meetings of the Board of Auditors.

**** This column indicates the number of offices held as directors or auditors by the subjects concerned, pursuant to art. 148-bis of the TU F and of the relative implementation provisions contained in the Consob Issuers Regulations. The full list of offices is published by Consob on its website pursuant to art. 144-quinquiesdecies of the Consob Issuers' Regulations.

No. meetings held in 2023: 24

Quorum required for the submission of lists by minorities for the election of one or more members (per art. 148 TUF): 1% of shares with voting rights

TABLE 1. COMPOSITION OF THE ACEA BOARD OF DIRECTORS AND OFFICES HELD BY DIRECTORS IN OTHER COMPANIES AS AT 31 DECEMBER 2023

Position	Name	Position	Other Offices *
Chairperson	Barbara Marinali		Webuild SpA
Chief Executive Officer/GM	Fabrizio Palermo		n.a.
Director	Antonella Rosa Bianchessi		n.a.
Director	Antonino Cusimano		n.a.
Director	Patrizia Rutigliano		Poste Italiane SpA
Director	Francesca Menabuoni		n.a.
Director	Massimiliano Capece Minutolo Del Sasso		Piemme SpA FGC SpA
Director	Alessandro Caltagirone		Aalborg Portland Holding A/S (VP) Cementir Holding NV (VP) Caltagirone SpA Caltagirone Editore SpA (VP) Fincal SpA (P) Finanziaria Italia 2005 SpA (SA)
Director	Luisa Melara		n.a.
Director	Alessandro Picardi		n.a.
Director	Elisabetta Maggini		[ASP Asilo Savoia Azienda Pubblica di Servizi alla persona] Sorgente Group SpA (ending on 21/12/2023)
Director	Angelo Piazza		CDP Real Asset SGR SpA SAVE SpA La Villata SpA Immobiliare di Investimento e Sviluppo
Director	Nathalie Tocci		n.a.

(*) List of director or statutory offices held by each Director in other companies listed on regulated markets, also abroad, in financial, banking and insurance companies and companies with shareholders' equity exceeding € 1 billion.

Board of Statutory Auditors

Quorum required to present lists upon the last appointment: 1% of the shares with voting rights

In office since	In office to	List (M/m) **	Independence from Code	Attendance at meetings	Number of other offices
27/04/2022	31/12/2024	m	X	24/24	4
27/04/2022	31/12/2024	M	X	24/24	1
27/04/2022	31/12/2024	M	X	24/24	
27/04/2022	31/12/2024	M	X		5
27/04/2022	31/12/2024	m	X		5

ACEA SPA

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