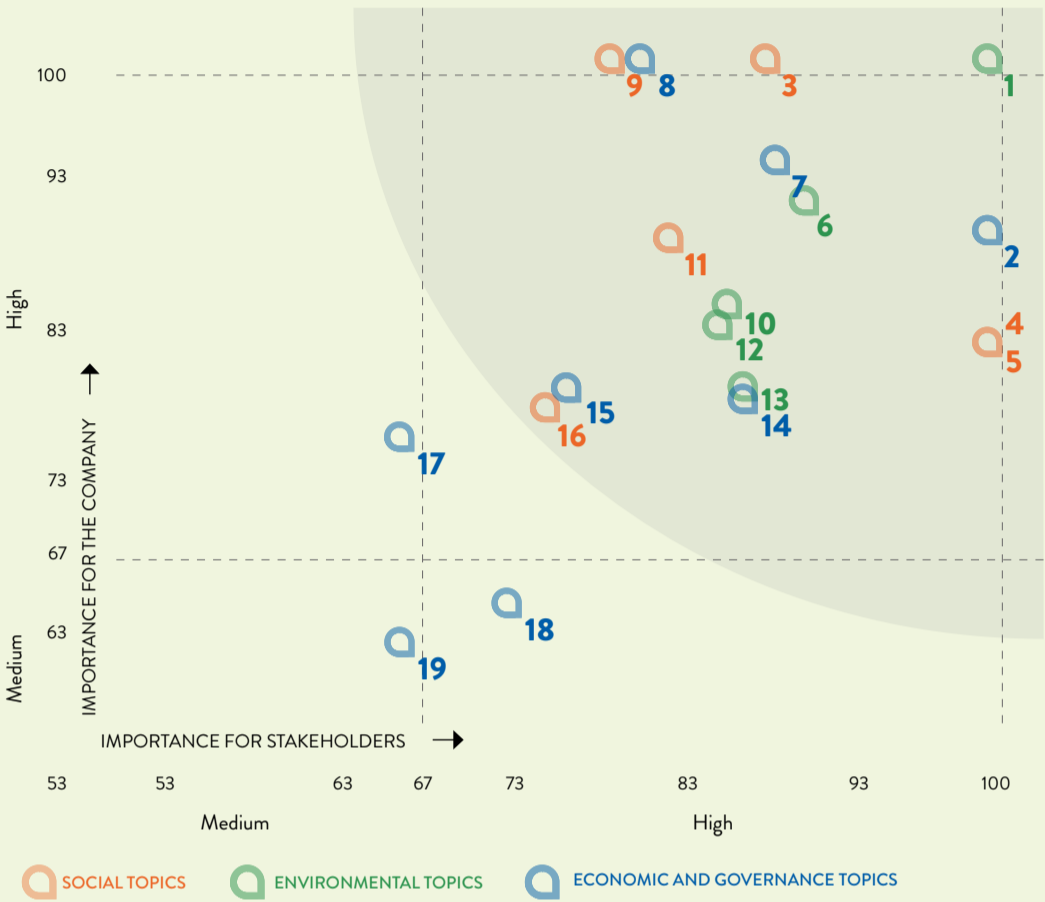


MATERIALITY MATRIX

Driven by the change in context due to the Covid-19 health emergency, in 2020 Acea carried out targeted in-depth analysis of material issues, with direct involvement of stakeholders. This in-depth analysis confirmed the validity of the materiality matrix, which therefore represents the reference up to the next round of analysis, and the "prioritisation" (of low, medium and high importance) of the 19 "material" issues of an economic, social and environmental governance nature. In particular, 16 topics are located in the high significance area (score 68-100) and 3 in the medium significance area (score 33-67), and these are also aligned with the strategic sustainability planning of the Group.

The issues identified by the Materiality Analysis are considered in the ERM programme for integrated risk analysis, which in 2021 further concentrated on ESG aspects and risk scenarios associated with material issues. During the Risk Assessment, performed annually at Group level, the Risk Owners identify the risk scenarios related to the Acea material topics, highlighting the possible impact and typical control activities implemented in order to manage and mitigate them.



EVENTS IN 2021

THE FIRST ACEA GREEN BOND

In January 2021 Acea issued its first Green Bond against a total value of €900 million as a development initiative towards greater integration of sustainable finance tools, in line with its industrial and sustainability plan 2020-2024, which is focused on achieving the objectives of the 2030 Agenda. Investor demand was seven times greater than availability and Acea achieved a negative yield for the five-year tranche. This was a first for a corporate issue from an Italian listed company.

The projects financed by the Green Bond, which will be subject to periodic reporting, fall within the following operational areas: management of water resources, energy efficiency, circular economics and green energy.

ACEA SUSTAINABILITY DAY AND INNOVATION DAY

Acea Sustainability Day promotes sharing between the main institutional and corporate players regarding sustainability. The 2021 event, now in its third edition, centred on the topic of fair and sustainable transition. In particular, it highlighted the need to go beyond environmental considerations, also exploring social factors to guarantee a truly "just transition". The event, broadcast via streaming and live on CorriereTV, had more than 900,000 views.

With the title Builders of the Future, the Acea 2021 Innovation Day, now in its second edition, aimed to explore future challenges, new scenarios and the evolution of industrial models with experts in the sector and institutional representatives. Issues covered included digitalisation, cybersecurity, green energy, electric mobility, circular economics, and network resilience to manage the growth in electricity demand and tackle climate change. Leading companies were involved, including Cisco Italia, IBM Italia, Leonardo, Google Cloud Italia, Accenture Italia, the ELIS Consortium, CDP Venture Capital SGR and Mind The Bridge. The intention is to create a community of innovators to accelerate the technological evolution of infrastructure, enabling companies to be more competitive and offering more efficient services. The event had more than 200,000 views on and offline.

- | | |
|---|--|
| <ul style="list-style-type: none"> 1 Sustainable water cycle management 2 Sustainability in infrastructure design, construction and management 3 Occupational health and safety 4 Innovation of smart utility processes, infrastructure and services 5 Sustainability and circularity along the supply chain 6 Recovery of waste for a circular economy 7 Strategic approach to stakeholder and community relations 8 Business ethics and integrity 9 Customer focus 10 Air quality: reducing emissions into the atmosphere and pollution | <ul style="list-style-type: none"> 11 Involvement of personnel, investment in human capital and enhancement of skills 12 Protection of the territory and biodiversity 13 Decarbonisation and adaptation to climate change 14 Consolidation of sustainability elements in corporate governance 15 Business evolution through open innovation and development of synergies with scientific and entrepreneurial partners 16 Company well-being, diversity and inclusion 17 Integrated risk management (threats and opportunities) 18 Responsible finance 19 Performance management systems for sustainability in the medium- and long-term |
|---|--|

SUSTAINABLE REMUNERATION SYSTEMS

With the introduction of sustainability goals for short-term and medium-long-term incentive systems, Acea is strengthening the link between remuneration mechanisms and achievement of social and environmental goals. The new 2021-2023 Long-Term Incentive Plan, aimed at managers with strategic responsibilities, has introduced goals connected with the sustainable success of the Group in the medium-long term, tracked with a composite sustainability indicator.

The short-term (annual) incentive system for top and middle management, Management by Objectives (MbO), has also been revised, starting in 2021, to make it fairer and easier to communicate and assess. The system is divided into Group objectives, area objectives and individual objectives. With regard to group objectives, applicable to all those on the MbO scheme, economic and financial indicators and a composite sustainability indicator are employed.

ACEA IN THE BLOOMBERG GENDER-EQUALITY INDEX

Again in 2021, Acea was included in the Bloomberg Gender-Equality Index (GEI), which is based on the following five elements:

- female leadership and talent pipeline;
- wage parity and equality between the sexes;
- a culture of inclusivity;
- policies to eliminate harassment;
- promotion initiatives aimed specifically at women.

Acea achieved a score of 80.67/100, representing a significant improvement on 2020 (70.49), and above the average for the sector (71.21) and the sample analysed (71.11).

DIVERSITY, INCLUSION AND WELFARE

In 2021, Acea furthered its commitment to the principles of inclusivity, valuing diversity, and combating and preventing all forms of discrimination. Two initiatives particularly stand out:

- signing, with social partners, of the Diversity and Inclusion Protocol, applicable at Group level, implementing tangible measures in the workplace, improving on the provisions of existing laws, to promote parenthood, support women who are victims of gender-based violence, work against all types of gender disparity and promote inclusivity for people with disabilities;
- definition of the 2021-2022 Diversity & Inclusion Plan to establish a programme of initiatives for employees and implement D&I projects with impacts for customers, local areas and institutions.

To promote corporate well-being, the Group Welfare Plan was enhanced in 2021, identifying six areas of action relating to health, work-life balance, emotional and physical well-being, supplementary pensions, income support and family. For example, employees can access a specific platform to convert their performance bonus into a range of different welfare services (flexible benefits), extended to the whole household. Acea has also reused part of the tax relief enjoyed thanks to the Welfare Plan, for the benefit of all employees, both through payment of an addition amount for those who allocated their performance bonus to supplementary pension schemes, and by offering health services, preventive campaigns and services promoting psycho-physical well-being and physical well-being for employees and their families.

STAKEHOLDER ENGAGEMENT

Acea promotes stakeholder engagement, promoting dialogue and sharing. This approach was demonstrated in 2021 with formalisation of the Principles and Values of Stakeholder Engagement, which guarantee a uniform approach for interaction with the parties involved, and a Group Procedure to better identify stakeholders and their priorities, and to manage the operational process, establishing effective communication.

INTEGRATION OF SUSTAINABILITY INTO THE CORPORATE STRATEGY

Considering the opportunities arising from the changing scenario and new economic, social and environmental challenges, the 2020-2024 Industrial Plan was drawn up on the basis of five mega-trends characterising the utilities sector: sustainability and circular economy, customer-centric approaches, energy transition, innovation and digitalisation, and improving competitive position.

The Business Plan has divided the Group's growth guidelines into five strategic pillars summarised by the acronym GRIDS: Growth - growth driven by the regulated market; Renewables - investment in renewables; Innovation - investment in new innovative services; Delivery - results exceeded targets; Sustainability - increasing focus on environmental impacts and circular economy.

The investments set out in the Industrial Plan total € 4.3 billion over the entire plan period, with € 2.1 billion of this linked to sustainability targets.

THE 5 MEGA-TRENDS FOR UTILITY COMPANIES

<p>Consolidation of target markets</p> <ul style="list-style-type: none"> • Competition consolidated in certain target markets (for example Waste, Water) • Opportunities for positioning utilities as geographical or supply chain leader 	<p>Energy transition</p> <ul style="list-style-type: none"> • Push for decarbonisation, coal phase-out vs strong push for RES • Electrification with new energy consumption linked to new needs in line with the European New Green Deal 	<p>Innovation and Digital</p> <ul style="list-style-type: none"> • Digital and Innovation along the entire value chain, as an enabler of development • Technological enabling of new advanced services (for example predictive maintenance, smart meters)
<p>Customer focus</p> <ul style="list-style-type: none"> • "Change of paradigm" with customer value becoming more important • Transition from "Commodity-based" to "Service-based" 	<p>Sustainability & the Circular Economy</p> <ul style="list-style-type: none"> • Central role for utility companies in sustainability with a focus on the circular economy • Protection of water resources and recycling; transformation of waste into new resources 	<p>5 Mega-trends</p>

A LEADING ITALIAN INTEGRATED MULTIUTILITY COMPANY THAT INVESTS IN SUSTAINABILITY, KEY DRIVER OF THE GROUP'S BUSINESS STRATEGIES, GENERATING VALUE FOR PEOPLE AND THE TERRITORY IN WHICH IT OPERATES.

WE INVEST IN INNOVATION AND DIGITALIZATION, WITH A STRONG COMMITMENT TO ECOLOGICAL TRANSITION.

Leader in the integrated water sector and one of the primary operators in the distribution of electricity, energy, generation from renewable sources and environmental services with high added value.

The Group's industrial mission is also rooted in the development of innovative solutions enabling sustainable growth.



SUMMARY

FIGURES

ACEA GROUP

2021

LETTER TO THE STAKEHOLDERS

2021, which has just ended, was a crucial year for the successful overcoming of the most acute phases of the health emergency and the gradual economic and social recovery of the country and the rest of the world. If it were possible, just for a moment, to divert our thoughts from what is happening in Europe today, a conflict that marks a deep furrow of discontinuity with respect to the previous world political and economic balances, generating numerous unknowns about the future, we could, on the contrary, highlight the clear and coherent path of the European Union that is strongly characterised by the issues of sustainable and inclusive growth. This was also the case for the Acea Group in 2021.

The year began with the issue of Acea's first Green Bond, also aligning the financial strategy with the industrial and sustainability planning defined in 2020. The green projects eligible for funding through Green Bond are attributable to four particularly significant areas for the common challenge of sustainable growth: management of water resources, energy efficiency, circular economy and green energy. The initiative was very much welcomed by the market and initiates, for Acea, a gradual expansion of the use of sustainable finance instruments.

We wanted to promote a stronger rooting of sustainability issues in corporate governance by equipping the Group with policies and tools with transversal, internal and external impacts. Among these, for example, the definition and adoption of the Principles and Values of Stakeholder Engagement, through which we wanted to take on wider responsibilities with respect to the efficient management of the business and related to the ability to contribute to sustainable development of the territories in which we operate, increasing attention to the well-being of our people and of all the stakeholders with whom we interact. With this in mind, the principles and procedures for involving interested parties will increase the ability to listen and the effectiveness of dialogue and will facilitate the construction of a solid relational network. The evolution of the Group's vendor rating system and the partnership with Ecovadis, both implemented, also respond to the same logic, which will contribute to promoting and enhancing sustainability along the supply chain, fostering increasingly virtuous collaborations, with the utmost consideration for the health and safety of all workers.

Of equal importance during the year was the signing with the Trade Unions of a Protocol on Diversity and Inclusion, operational at Group level, which emphasises the centrality of the principles of gender equality, social inclusion, contrast to all forms of discrimination and the enhancement of diversity, and the definition of a Diversity and Inclusion Plan, for the development of initiatives dedicated to employees, and a dashboard dedicated to measuring and analysing trends relating to the variables of interest.

A particularly important step was the choice of integrating quantitative sustainability objectives into the medium-long and short-term incentive remuneration policy. Both the new Long-Term Incentive Plan (LTIP), referring to the three-year period 2021-2023 and reserved for some senior positions, and the annual incentive plan, Management by Objectives, applied to top and middle management, include, in fact, starting from 2021, a composite sustainability indicator, the achievement of which affects the performance evaluation system.

The 2020-2024 Sustainability Plan in force, approved by the Board of Directors, was prepared in accordance with the Development Goals of the 2030 Agenda, with the values of our Code of Ethics and the principles of the United Nations "Global Pact", to which Acea confirmed to adhere to again this year. The specific objectives set out therein

find a key to understanding not only in relation to the main stakeholders, but also around some drivers that qualify our sustainability strategy, and in particular: resilience and modernisation of infrastructures, customer care, the circular economy, sustainable water management, the decarbonisation of the energy system, sustainability along the supply chain, the reduction of environmental impact, the contribution to smart cities and the containment of impacts on the urban context, innovation, the centrality of people and involvement in the territory. During the year, both the state of progressive pursuit of the sustainability targets set for 2024, the annual final balance of which is published in this document, and the amount of investments envisaged in the industrial plan and related to sustainability targets were monitored.

Determined to go further, we have already activated working groups that will lead us to define even more ambitious longer-term strategic planning. We are in fact convinced that business management capable of pursuing sustainable success, jointly evaluating economic growth and impacts on the environmental and social context and therefore directing the business development prospects so that they also generate a positive contribution for the territory, is, particularly in our time, the only way forward to preserve and develop the common good.

The Chairperson
Michaela Castelli

The Chief Executive Officer
Giuseppe Gola



QR code to access the Consolidated Financial Statements and Sustainability Report

