



GREEN & BLUE

FINANCING FRAMEWORK

2025





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1. INTRODUCTION

“Our current Strategic Industrial Plan, which we have called “Green Diligent Growth”, envisages significant growth and focuses on three regulated businesses aimed at making our infrastructure more and more sustainable and resilient. [...] ESG criteria are an integral part of our business decisions, alongside the contribution and professional skills of our people.”

ACEA’s Chief Executive Officer and General Manager, Fabrizio Palermo

Established in 1909 as Azienda Elettrica Municipale (AEM) of the Municipality of Rome, Acea S.p.A (“**Acea**” or the “**Company**” and, together with its subsidiaries, the “**Acea’s Group**” or “**Group**”) is responsible for the development and management of the Rome’s essential infrastructure, providing the electricity and water services underlying the productive growth, social development and environmental balance of the city.

Throughout its history, Acea has taken advantage of the opportunities that came from the market, as well as the regulatory context and its stakeholders, adapting its corporate and operational set-up to the most functional and efficient models. Starting from the local dimension, Acea has gradually grown into a nationwide industrial Group, working in the areas of integrated water management, electricity production, distribution and sales and environmental services, and also expanded its presence to Central and South America.

When it comes to water and energy services, Acea is the operator of reference in Rome’s area. Specifically, with reference to the water sector, the Group is also present as an industrial partner of local management companies in some areas of Central and Southern Italy (from Tuscany to Campania). With reference to the circular economy, the Group is present along the Adriatic ridge in Central and Northern Italy.

The Group’s business operations encourage the sustainable development of the communities served, which is why sustainability is the essential value of the Group. Acea is committed to providing a top-quality service for citizens and businesses, by training and developing its staff, promoting a culture of occupational safety, promoting a circular economy and an efficient use of resources and via innovation at the service of its business.

The 2024-2028 Business Plan further reinforces Acea’s national role in the infrastructure sector – focused on regulated businesses – within a strongly evolving scenario that offers major investment opportunities in the water business, as well as a strong growth in the generation of electricity from renewable sources and in the photovoltaic business. Its goal is to enhance the sustainability and resilience of Acea’s infrastructure.

The centrality of people, a strong discipline with regard to costs and investments and optimisation of the financial structure represent the pillars of the Plan, which envisages a major increase in CapEx and growing value for shareholders.

The new Business Plan is founded on the following pillars:

PEOPLE – incorporating principles from the newly implemented “*People and Participation Charter*” (*Carta della Persona e della Partecipazione*), introducing new competencies, training, professional development, and enhancing corporate welfare on the following areas:

- > health;
 - > mental and physical wellbeing;
 - > family;
 - > economic benefits;
 - > work-life balance;
 - > pension.
-

SYSTEMS – leveraging new technologies such as digitalisation, artificial intelligence, and robotics to bolster service quality and security. Additionally, it fosters industrial, financial, and technological partnerships to expedite the growth of regulated businesses.

PROCESSES – restructuring processes to streamline operational management and service quality, conducting a review of purchasing practices, optimizing working capital, and strengthening the governance model. Particularly, the main actions envisaged are the following:

- > revisiting business processes through data mining in favour of higher value-added activities and better interaction between business units and functions, to improve operational management and service quality;
- > procurement review;
- > optimisation of the working capital through the implementation of innovative strategies across the entire credit management and recovery chain;
- > enhancing governance.

2. ACEA'S SUSTAINABILITY APPROACH: COMMITMENT, POLICIES AND STRATEGIC OBJECTIVES

Sustainability embedded in the Acea's Governance

Governance plays a fundamental role in steering the business of Acea, through the integration of sustainability among its principles, and generating growth and positive effects for all its stakeholders and the local communities it serves.

The Board of Directors has established the Ethics, Sustainability and Inclusion Committee which consists of five non-executive directors, all independent directors. It is a collegiate body with full, independent powers to act and control. It provides investigative and advisory support and puts forward proposals to the Board of Directors regarding corporate ethics and Environmental, Social and Governance topics (ESG) issues.

The Committee's main tasks are to:

- promote the integration of sustainability into the corporate strategy and culture and encourage its diffusion among employees, shareholders, users, customers and in general to all stakeholders;
- supervise the sustainability issues associated with the performance of business activities and the dynamics of interaction with stakeholders, including with regard to the reports envisaged by Legislative Decree no.125/2024;
- examine the guidelines set out in the Sustainability Plan and monitor implementation of the Plan, following approval by the Board of Directors;
- monitor the adequacy and implementation of the Code of Ethics, insofar as within its sphere of competence;
- promote diversity culture and combat discrimination in the company.

To further drive the sustainability efforts of the Group and integrate them into the strategy of the company, a new Risk Management, Compliance & Sustainability department has recently been set-up reporting to the Company's CEO and Managing Director.

Acea's materiality assessment is repeated every two or three years, or more often when needed, always with the direct engagement of stakeholders (internal and external). The analysis is carried out using a methodology that takes into account the evolution of the legislation governing reporting and the results are published in the annual sustainability report available online¹. The five Green &

¹ From 2025, the sustainability information will be drawn up in compliance with the CSRD Directive, implemented in Italy by Legislative Decree no. 125/2024.

Blue Eligible Categories, illustrated in the Use of Proceeds' paragraph, are consistent with highly relevant material topics.

Acea value chain

The Company's strategy promotes the full **integration of sustainability into industrial objectives**, also considering the evidence emerging from the materiality analysis and integrated risk vision, within the broader framework of the United Nations Sustainable Development Goals (UN SDG) defined by the 2030 Agenda for Sustainable Development. With 87% of EBITDA from regulated activities in 2023, Acea's business model has consistently proven to pursue operational efficiency and high quality of services, improving the development of resilient and integrated network infrastructure with the ability to deliver widespread and sustainable development.

Based on the above and for the scope of this Green & Blue Financing Framework, the projects selected follow specific Internal Eligibility Criteria, being the following:

- Coherence with Acea's Materiality Assessment
- Adherence to the objectives of the UN 2030 Agenda
- Inclusion in the 2024-2028 Sustainability Plan
- Linked to the envisaged investments of the 2024-2028 Strategic Industrial Plan.

Looking after vital resources such as water and energy requires the management of complex infrastructures – networks and systems – in the areas concerned with major impacts on local communities. Acea is committed to transforming these impacts into growth opportunities for the Group and its stakeholders:

- 72% of the energy produced as of 31 December 2023 was from renewable sources (68% as of 31 December 2022);
- over 980,000 2G electricity meters installed overall as of 31 December 2023 (c. 649,000 as of 31 December 2022);
- 50.1 GWh of energy produced from biogas in 2023 (44.3 GWh in 2022);
- 480 Mm³ of drinking water supplied by the main Group companies² in the water sector and c. 769,000 analytical determinations carried out as of 31 December 2023;
- 798 Mm³ of wastewater treated by the purifiers of the main Group companies in the water sector and c. 338,000 analytical checks on wastewater carried out as of 31 December 2023;

² Among the companies in the area of full consolidation, operating in Italy.



- 640 suppliers assessed according to the Ecovadis model (+89% compared to 2022); over 14,200 safety inspections at construction sites as of 31 December 2023.

Transparent communication with **customers** helps Acea to respond more effectively to their needs:

- 39,747 people involved in customer satisfaction surveys;
- c. 3,000 GWh of “green energy” sold to customers on the free market in 2023, an increase of approximately +18% compared to 2022.

In Acea “people are at the center”, therefore the Group focuses on activities which include: employee engagement & trainings; value creation from acquired know-how, development of skills, welfare and work-life balance initiatives, as well as setting of strategic initiatives and sustainability targets within Company’s performance management systems.

- as of December 31, 2023, 99% of Acea group’s employees are permanent workers, while 24% of the total workforce is made of women;
- 226,222 hours of training provided to employees during 2023 (+9% compared to 2022), of which 91,352 hours only on Health and Safety topics.

In 2023 Acea’s key ESG milestones have been spanning across the water, electricity and environment segments, such as:

2023 Results: Key milestones		PEOPLE	ESG
WATER	<ul style="list-style-type: none"> • Major works: launched Peschiera Aqueduct (confirmed 700 mln€) and PNRR (invested 450+ mln€) • SII¹ tenders: launched participation in other Italian regions (e.g., Syracuse) • International: renegotiation of concessions + strengthened organization • Strategic partnerships: Acquedotto Pugliese and Bonifiche Ferraresi/Coldiretti (agricultural supply chain) 	<ul style="list-style-type: none"> • Top employer '23 • Certification on gender equality (UNI/PdR 125) and human rights policy 	<ul style="list-style-type: none"> • SBTi Targets confirmed (Scope 1-2-3) • Green bonds issued (700 mln€)
ELECTRICITY	<ul style="list-style-type: none"> • Public Lighting: resolved multi-year dispute with Rome and submitted PPPs (Rome and Terni) • RomeFlex: launched Flexibility Services market (Rome) 	<ul style="list-style-type: none"> • People and Participation Charter 	
ENVIRONMENT	<ul style="list-style-type: none"> • WtE: S. Vittore expansion and Rome project • Reorganization of shareholdings: launched process 	<ul style="list-style-type: none"> • New Acea Spa organization and new management 	

¹ Sistema Idrico Integrato (Integrated Water Service)

Source: Strategic Industrial Plan Presentation

Furthermore, during 2023, Acea also received ESG ratings from other major players:

- Sustainalytics, assigned the Company a Low risk level, with a score of 15.4, a small improvement over the Medium risk level and 19.7 score in 2023, demonstrating the efforts made by management;
- MSCI ESG Rating confirmed its “A” rating (scale from AAA (leader)-CCC).

The **presence of ESG investors in Acea’s share capital**, representing 6.1% of the share capital equivalent to 45% of total institutional investors’ base, is a testament to the results achieved in deploying its sustainability plan and initiatives.

With reference to sustainable capital funding, to date Acea has launched two green bonds for €900 and €700 million respectively, and a sustainability-linked credit line for €200 million. Acea is included in the MIB ESG index, supervised by Euronext, as well as in the SE Mid Italian Index and the SE European Multi-Utilities Index, managed by Standard Ethics.

In March 2024 Acea presented its strategic industrial plan and sustainability planning for 2024-2028

The Business Plan reinforces Acea Group’s role as infrastructure operator – focused on regulated businesses – within a strongly evolving scenario that offers major investment opportunities:

- in the water business, to modernise the infrastructure;
- in the electricity sector, for grid resilience;
- in the environmental sector, for the circular economy.

The total investments foreseen in the 2024-2028 Business Plan amount to 7.6 billion Euro, of which over 90% in regulated businesses.

The investment programme will fund several projects and will enable an acceleration of sustainable growth to support the country. Acea confirms its role as infrastructure operator with good financial leverage, a leading player in the energy transition, decarbonisation and enhancement of the territory, from a circular economy perspective.

The Business Plan 2024-2028 envisages a significant growth coming from for each of Acea four areas of operation:

1. WATER



- **Driving force for the development of Italy and focal point for Acea's strategy**
- **Consolidate and reinforce its leadership position in a segment that is fundamental to the country's industrial development**
- **Implement major strategic works at national level**

Main initiatives:

- > increasing the resilience of the water systems;
- > optimising and innovating network management;
- > developing collection and treatment processes;
- > streamlining the corporate structure in the water business to support greater operating efficiency;
- > Water supply continuity through the doubling of Peschiera Aqueduct.

2. ELECTRICITY



Guarantee the grid's resilience and enhance service quality by promoting the energy transition through the electrification of consumptions and large network services

Main initiatives:

- > upgrade of Rome's low voltage network to increase its resilience, available power and hosting capacity;
- > modernisation of the medium and low voltage network in order to enhance safety through advanced diagnostics, remote control and automation;
- > "smartisation" of the grid for dynamic management, control of PODs via 2G smart meters and large-scale demand response through artificial intelligence and IoT platforms;
- > development of "smart" Public Lighting;
- > supervision of positioning in the commercial sector, improving performance and the level of service.

3. ENVIRONMENT



- **Market consolidation towards circular economy**
- **Acceleration to close the waste loop in Central Italy**

Main initiatives:

- > streamlining of the corporate structure as regards five treatment sectors;
- > expansion and upgrade of existing plants (WtE, other facilities);
- > closing of the treatment cycle with End of Waste activities;
- > consolidation of the plastics sector, with the aim of improving profitability also through partnerships.

4. ENGINEERING & SERVICES



Engineering centre of excellence

Main initiatives:

- > create a single hub – Acea Infrastructure – by integrating various companies for the management of major projects.





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Investments in the new Business Plan are directly related to sustainability objectives

In a global situation of constantly greater attention to environmental and social impacts, the Acea Group continues to pursue its sustainable strategy, in line with the long-term objectives set forth by the UN 2030 Agenda.

Approximately 5.5 billion Euro of industrial CapEx expected throughout the plan period is related to significant areas for sustainability, and in line with the UN SDG.

Breakdown of Investments³ related to sustainability targets, 2024-2028:

	1,210 M€	water losses reduction, modernization, energy efficiency, digitization
	1,270 M€	resiliency of the aqueduct system
	1,050 M€	optimization of sewage-depuration sector
	90 M€	electric smart meters installation (2G)
	1,000 M€	resilience, modernization, efficiency of power grid and innovation in a smart city logic
	470 M€	increase in treated waste from a circular economy perspective
	10 M€	infrastructure for electric mobility
	370 M€	increase in green energy generation

³ Gross of public contributions (e.g. PNRR) and M&A for photovoltaic.





3. ACEA'S GREEN & BLUE FINANCING FRAMEWORK

Acea has decided to update its Green & Blue Financing Framework (hereinafter also referred to as the “Framework”) in alignment with its new Industrial Plan for 2024-2028 and the new sustainability targets. This Framework is dedicated to various Green & Blue Financing Instruments (hereinafter referred to as the “Instruments”) to be issued or contracted by Acea. The possible Instruments will include (without being limited to):

- Green Bonds (including Public and Private Placements)
- Blue Bonds (including Public and Private Placements) – for which the proceeds are exclusively allocated to the Water Supply, Wastewater Collection and Treatment, Circular Economy and Energy Efficiency categories
- Green Loans (Term Loans, Project Finance Loans, ECA-covered loans)
- Blue Loans (Term Loans, Project Finance Loans, ECA-covered loans) – for which the proceeds are exclusively allocated to the Water Supply, Wastewater Collection and Treatment, Circular Economy and Energy Efficiency categories.

The Instruments to be issued under this Framework will align with the Green Bond Principles (GBPs), administered by the International Capital Market Association (ICMA) – June 2021 version with June 2022 Appendix⁴ including Practitioner’s Guide published by ICMA in September 2023⁵ and the Green Loan Principles (GLPs) published by the Loan Market Association (LMA) – February 2023 version⁶ and their four core components:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

In addition, the Blue Bonds & Blue Loans issued under this Framework will align with the Guidelines for Blue Finance developed by the International Finance Corporation (IFC) – January 2022 version⁷.

Concerning to its approach to sustainability, Acea is constantly committed to adopt the best practices in its sector and pursue best in class solutions in order to set ambitious standards to improve

⁴ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles-June-2022-060623.pdf>

⁵ <https://www.icmagroup.org/assets/documents/Sustainable-finance/Bonds-to-Finance-the-Sustainable-Blue-Economy-a-Practitioners-Guide-September-2023.pdf>

⁶ https://www.lma.eu.com/application/files/8916/9755/2443/Green_Loan_Principles_23_February_2023.pdf

⁷ <https://www.ifc.org/content/dam/ifc/doc/mgrt/ifc-guidelines-for-blue-finance.pdf>

its environmental, social and governance impact. Based on this, Acea's Green & Blue Financing Framework will be subject to amendments and/or updates to reflect changes in market practice as well as regulatory developments.

3.1 Use of Proceeds

Acea's priority and challenges on environmental impacts are consistent with the 2030's Agenda, focusing on key issues such as climate, water resources, electrification and energy efficiency, as well as circular economy and technological innovation applied to infrastructure management.

Regarding climate change, Acea is implementing initiatives focused on both mitigation and adaptation. For instance, on adaptation, Acea is enhancing its infrastructure resilience and integrating critical scenario analysis into its operations; on mitigation, the company is progressively reducing greenhouse gas (GHG) emissions, with a program aligned to the science-based methodology, validated by SBTi.

An amount equal to the net proceeds from the issuance of the Green & Blue Financing Instrument will finance or refinance, in full or in part, new or existing Green & Blue Eligible Projects. The Eligible types of expenditures (the "Expenditures") defined below are the following:

- Capital expenditures ("CapEx") and operating expenses ("OpEx") of tangible assets meeting the Green & Blue Eligibility Criteria of the Green & Blue Eligible Projects described in the Use of Proceeds section of the Framework;
- Equity investments for the acquisition of a controlling stake⁸ in "pure players"⁹ whose shares are either not publicly traded, or newly issued in the primary markets;
- Research and Development ("R&D") expenditures aiming at developing new products and solutions as per the Green & Blue Eligibility criteria described in the Use of Proceeds section of the Framework.





















The Expenditures relate to Acea's three strategic axes (Water, Circular Economy and Green Energy) across five Green & Blue Eligible Categories also included in EU Taxonomy, as well as the EU Environmental Objectives and the UN 2030 Agenda:



- 1. Water Supply**
- 2. Wastewater Treatment and Collection**
- 3. Circular Economy**
- 4. Energy Efficiency**
- 5. Renewable Energy.**






⁸ Exclusive or joint control on the acquired company, in which case Acea establishes oversight of the acquired company and its assets. In the case of joint control, only Acea's share in the acquisition will be taken into account for allocation purposes.









⁹ Companies having at least 90% of revenue, or if not applicable 90% of the balance sheet, meeting the Green & Blue Eligible Projects criteria described in the Use of Proceeds section of the Green & Blue Financing Framework.

Each of these Green & Blue Eligible Categories are associated with the Green & Blue Eligible Projects described in the table below for the purpose of this Framework:

STRATEGIC AXIS	GREEN & BLUE ELIGIBLE CATEGORIES	GREEN & BLUE ELIGIBLE PROJECTS	GREEN & BLUE ELIGIBILITY CRITERIA & EU ENVIRONMENTAL OBJECTIVES	UN SDGS CONTRIBUTION
Water	Water Supply  Eligible for Blue Bonds & Loans	<ol style="list-style-type: none"> Investment aiming at reducing at least by 20% water leakages (districtisation and remediation of networks and remote control of infrastructures) Interventions on strategic infrastructures aiming at increasing the resiliency of the water supply system 	Construction, extension, operation, and renewal of water collection, treatment and supply systems intended for human consumption based on the abstraction of natural resources of water from surface or ground water sources, complying with Acea's Internal Eligibility Criteria and to the extent possible with criteria of the EU Taxonomy's activity 2.1 (Water Supply) for the Sustainable use and protection of water and marine resources (WTR) Objective	    
	Wastewater Treatment and Collection  Eligible for Blue Bonds & Loans	<ol style="list-style-type: none"> Efficiency and modernization of the purification sector (centralization and processing capacity increase, districtisation of the sewerage network, remote control of infrastructures) Quality improvement of the purified water (optimization of the treatment sections of the plants) 	Construction, extension, upgrade, operation and renewal of urban waste water infrastructure including treatment plants, sewer networks, storm water management structures, connections to the waste water infrastructure, decentralized wastewater treatment facilities, complying with Acea's Internal Eligibility Criteria and to the extent possible with the criteria of the EU Taxonomy's activity 2.2 (Urban Waste Water Treatment) for the Sustainable use and protection of water and marine resources (WTR) Objective	     
Circular Economy	Circular Economy  Eligible for Blue Bonds & Loans	<ol style="list-style-type: none"> Bio-methane production from purification plants 	Construction and operation of facilities for the treatment of sewage sludge by anaerobic digestion with the resulting production and utilization of biogas or chemicals, complying with Acea's Internal Eligibility Criteria and to the extent possible with the criteria of the EU Taxonomy's activity 5.6 (Anaerobic digestion of sewage sludge) for the Climate Change Mitigation (CCM) Objective	     

STRATEGIC AXIS	GREEN & BLUE ELIGIBLE CATEGORIES	GREEN & BLUE ELIGIBLE PROJECTS	GREEN & BLUE ELIGIBILITY CRITERIA & EU ENVIRONMENTAL OBJECTIVE	UN SDGS CONTRIBUTION
Circular Economy	Circular Economy  Eligible for Blue Bonds & Loans	<p>6. Reduction of sludge produced (drying processes, ozonolysis, dehydration, etc.)</p>	<p>Construction, extension, upgrade, operation and renewal of urban waste water infrastructure including treatment plants, sewer networks, storm water management structures, connections to the waste water infrastructure, decentralized wastewater treatment facilities, complying with Acea's Internal Eligibility Criteria and to the extent possible with the criteria of the EU Taxonomy's activity 2.2 (Urban Waste Water Treatment) for the Sustainable use and protection of water and marine resources (WTR) Objective</p>	
		<p>7. Increase in the waste treatment capacity, with particular attention to the End of Waste</p>	<p>Construction, upgrade, and operation of facilities for the sorting or recovery of non-hazardous waste streams into high quality secondary raw materials using a mechanical transformation process, complying with Acea's Internal Eligibility Criteria and to the extent possible with the criteria of the EU Taxonomy's activity 2.7 (Sorting and material recovery of non-hazardous waste) for the Transition to a Circular Economy (CE) Objective</p>	
		<p>8. Reuse of waste water</p>	<p>Construction, extension, operation and renewal of facilities for producing reclaimed water, facilities for harvesting rain and storm water and facilities for collection and treatment of grey water, complying with Acea's Internal Eligibility Criteria and to the extent possible with the criteria of the EU Taxonomy's activity 2.2 (Production of alternative water resources for purposes other than human consumption) for the Transition to a Circular Economy (CE) Objective</p>	
		<p>9. Sewage sand recovery</p>	<p>Construction and operation of facilities for the sorting and processing of separately collected non-hazardous waste streams into secondary raw materials involving mechanical reprocessing, except for backfilling purposes, complying with Acea's Internal Eligibility Criteria and to the extent possible with the criteria of the EU Taxonomy's activity 5.9 (Material recovery from non-hazardous waste) for the Climate Change Mitigation (CCM) Objective</p>	

STRATEGIC AXIS	GREEN & BLUE ELIGIBLE CATEGORIES	GREEN & BLUE ELIGIBLE PROJECTS	GREEN & BLUE ELIGIBILITY CRITERIA & EU ENVIRONMENTAL OBJECTIVE	UN SDGS CONTRIBUTION
Green Energy	Energy Efficiency  Eligible for Blue Bonds & Loans	<p>10. Investments in energy efficiency (electricity and water infrastructure)</p>	<p>Construction and operation of transmission systems that transport the electricity on the extra high-voltage and high-voltage interconnected system, complying with Acea's Internal Eligibility Criteria and to the extent possible with the criteria of the EU Taxonomy's activity 4.9 (Transmission and distribution of electricity) for the Climate Change Mitigation (CCM) Objective</p> <p>Construction, extension, operation, and renewal of water collection, treatment and supply systems intended for human consumption based on the abstraction of natural resources of water from surface or ground water sources, complying with Acea's Internal Eligibility Criteria and to the extent possible with the criteria of the EU Taxonomy's activity 2.1 (Water Supply) for the Sustainable use and protection of water and marine resources (WTR) Objective</p> <p>Construction, extension, upgrade, operation and renewal of urban waste water infrastructure including treatment plants, sewer networks, storm water management structures, connections to the waste water infrastructure, decentralized wastewater treatment facilities, complying with Acea's Internal Eligibility Criteria and to the extent possible with the criteria of the EU Taxonomy's activity 2.2 (Urban Waste Water Treatment) for the Sustainable use and protection of water and marine resources (WTR) Objective</p>	   
		<p>11. Increase in the resilience of electricity distribution infrastructures and grids smartisation, also through modernisation and upgrading</p>	<p>Construction and operation of transmission systems that transport the electricity on the extra high-voltage and high-voltage interconnected system, complying with Acea's Internal Eligibility Criteria and to the extent possible with the criteria of the EU Taxonomy's activity 4.9 (Transmission and distribution of electricity) for the Climate Change Mitigation (CCM) Objective</p>	

STRATEGIC AXIS	GREEN & BLUE ELIGIBLE CATEGORIES	GREEN & BLUE ELIGIBLE PROJECTS	GREEN & BLUE ELIGIBILITY CRITERIA & EU ENVIRONMENTAL OBJECTIVE	UN SDGS CONTRIBUTION
Green Energy	Energy Efficiency  Eligible for Blue Bonds & Loans	12. Investments in digital technology, connectivity and remote control of electricity distribution infrastructures	Construction and operation of transmission systems that transport the electricity on the extra high-voltage and high-voltage interconnected system, complying with Acea's Internal Eligibility Criteria and to the extent possible with the criteria of the EU Taxonomy's activity 4.9 (Transmission and distribution of electricity) for the Climate Change Mitigation (CCM) Objective	   
		13. Installation of smart meters (2G) on the energy network	Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings, complying with Acea's Internal Eligibility Criteria and to the extent possible with the criteria of the EU Taxonomy's activity 7.5 (Installation, maintenance and repair of instruments and devices) for the Climate Change Mitigation (CCM) Objective	
	Renewable Energy	14. Revamping of hydropower generation facilities for electricity production	Construction or operation of electricity generation facilities that produce electricity from hydropower, complying with Acea's Internal Eligibility Criteria and to the extent possible with the criteria of the EU Taxonomy's activity 4.5 (Electricity generation from hydropower) for the Climate Change Mitigation (CCM) Objective	  
		15. Production of energy from renewable sources (photovoltaic or "PV" plants) for self-consumption	Installation, maintenance and repair of renewable energy technologies on-site, complying with Acea's Internal Eligibility Criteria and to the extent possible with the criteria of the EU Taxonomy's activity 7.6 (Installation, maintenance and repair of renewable energy technologies) for the Climate Change Mitigation (CCM) Objective	

The Green & Blue Eligible Projects include refinancing and new financings of capital expenditures (including personnel costs), selected operating expenditures such as maintenance costs related to green assets and, where applicable, research and development expenditures.

The Framework is also intended to align - on a best effort basis and to the extent possible - with the European Regulation setting forth a framework to facilitate sustainable investments (Regulation (EU) 2020/852, known as the 'EU Taxonomy') and the Supplementary Delegated Acts (Delegated Reg. 2023/2485) and the Delegated Environment Act (Delegated Reg. 2023/2486), which set out the requirements for the six environmental objectives (the "EU Environmental Objectives").

Acea is required to publish information on the percentage shares of economic performance indicators (revenue, CapEx, OpEx) related to managed activities, aligned or not aligned with the Taxonomy, for the first two climate objectives. For the four new environmental objectives and activities introduced in 2023, only the eligible and non-eligible shares of revenue, CapEx, and OpEx need to be published. Despite the absence of a regulatory obligation, and in line with best market practice, Acea has decided to conduct alignment analyses for the new environmental objectives and activities added in 2023, publishing the relevant qualitative and quantitative information.

In the context of this Green and Blue Financing Framework, Acea will finance and/or refinance project activities that have already been assessed as aligned or partially aligned as part of its latest reporting obligations, or that will be assessed as aligned or partially aligned as part of its future reporting obligations, on a best-efforts basis.

Among the Instruments falling within the scope of this Framework, Acea will not finance and/or refinance any project, asset, expenditure, or investment related to the following activities:

- Fossil fuels
- Energy production facilities with GHG intensity above 100gCO₂e/kWh
- Gambling
- Tobacco
- Thermal coal mining and coal-fired energy generation
- Controversial weapons.

3.2 Process of Evaluation and Selection

Since the issuance of the inaugural Green Bond in 2021, Acea has established within its governance system an internal procedure for the implementation of best practices for the whole Group in the sustainable finance field, including processes for designing, planning, executing and monitoring all the sustainable finance activities. In addition, the Group has set up a Green Finance Working Group (GFWG) that is chaired by the Chief Financial Officer and composed by members of the Finance, Planning & Control and Sustainability Planning & Reporting departments.

Acea's GFWG is in charge of monitoring the selection and allocation process as per the Green & Blue Eligibility Criteria defined in the Use of Proceeds section above.

As such, the GFWG will be responsible for the following:

- Reviewing and validating the selection of Eligible Green & Blue Projects in accordance with the defined Green & Blue Eligible Categories listed in the Use of Proceeds section.
- Monitoring the Eligible Green & Blue Project portfolio during the life of the transaction. The working group or Committee can decide to replace an Eligible Green & Blue Project if it no longer meets the eligibility criteria.
- Monitoring any ESG controversy (such as controversies that may impact local communities or changes in ecosystems) that are directly related to an Eligible Green Project.
- If the Sustainability department deems that a Green & Blue Eligible Project becomes subject to a major ESG controversy, the Green Finance Working Group will analyse it and may decide to exclude and replace such Green & Blue Eligible Projects.
- Managing any future update of the Green & Blue Financing Framework.

Finally, all potential Green & Blue Eligible Projects comply with local laws and regulations, including any applicable regulatory environmental requirements, as well as Acea's internal standards for managing ethical and governance risks following the current Code of Ethics and different Management Systems, all publicly available in the Acea website.

3.3 Management of Proceeds

An amount equivalent to net proceeds of each Green & Blue Financing Instruments will be allocated, including through the centralized treasury system or intercompany loans for the benefit of operating subsidiaries, to disbursements for Green & Blue Eligible Projects and managed by the Green Finance Working Group, which is also responsible for managing and reporting the allocation of proceeds in the most transparent way to make up to the specific investors' and stakeholders'

expectations and regulatory requirements. For avoidance of doubt, the GFWG will indeed monitor and track the net proceeds through a dedicated reporting.

Following each issuance, Acea endeavors on a best effort basis to reach full allocation within three years of lookback and forward-looking periods.

Pending full allocation, unallocated proceeds may be temporarily invested in accordance with Acea's investment guidelines either in cash, deposits and other liquid money market instruments or in Socially Responsible Investments.

3.4 Reporting

Acea commits to publish annually both the allocation and impact report, as detailed below.

Such allocation and impact reporting will be made available until full allocation of proceeds.

I. Allocation reporting

The allocation reporting will follow the portfolio's approach. To this extent, the document will provide the following information:

- the amount of net proceeds allocated per Green & Blue Eligible category;
- the size of the Eligible Green & Blue Portfolio, including a split between type of investments or financings (CapEx, equity, OpEx, etc.);
- the share of financing and refinancing in existing projects;
- the amount of unallocated proceeds, if any, including the date of reporting and, where feasible the nature of temporary investment instruments;
- examples of Eligible Green & Blue Projects (re)financed representative of the overall allocation, including a brief description and geographical location;
- once available, the percentage of Eligible Green & Blue Projects financed that are aligned to the EU Taxonomy.

This information will be publicly available on the Acea's website.

II. Impact reporting

Jointly with the allocation reporting described above, Acea will provide an impact reporting to illustrate the environmental and social impact of the Green & Blue Financing Instruments with qualitative and / or quantitative information. Relevant methodologies and assumptions for computing indicators will be disclosed in the appendix of the reporting document.

Key impact indicators per Green & Blue Eligible Category will consist of estimated expected impact reporting metrics, including (but not exclusively) the following:

Green & Blue Eligible Categories	Possible Output indicators	Examples of Impact indicators
Water Supply	<ul style="list-style-type: none"> Volume of distributed water (Mm³) 	<ul style="list-style-type: none"> Estimated water losses' volume water (Mm³/year)
Wastewater Collection and Treatment	<ul style="list-style-type: none"> Upgraded purification plant (n.) Total sewerage network (km) 	<ul style="list-style-type: none"> Increase in purification potential of the plants in equivalent inhabitants (%) District sewerage network out of the total sewerage network (%)
Circular Economy	<ul style="list-style-type: none"> Amount of incoming waste in the recycling area plants (t) Volume of sludge produced (t) 	<ul style="list-style-type: none"> Outcoming End of Waste and other re-covered waste/total incoming waste in the recycling plants (%) Estimated sludge reduced (t)
Energy Efficiency	<ul style="list-style-type: none"> Energy saving for efficiency measures (GWh) Network subject to interventions aimed at reducing the risk of power failure (km) Smart meters 2G installed (n.) 	<ul style="list-style-type: none"> Estimated annual reduction in GHG emission (tCO₂e/year) Users who benefit from the interventions (n.) Smart meters 2G installed/total meters
Renewable Energy	<ul style="list-style-type: none"> Installed energy capacity (MW) for self-consumption Hydroelectric power plant performance (last three-year average performance) 	<ul style="list-style-type: none"> Estimated annual reduction in GHG emission (tCO₂e/year) Hydroelectric power plant performance post revamping/ performance (last three-year average performance)









4. EXTERNAL REVIEW

4.1 Second Party Opinion

A leading Provider will publish a Second-Party Opinion on the Framework, to confirm the alignment of the Framework to the latest available versions of ICMA's Green Bond Principles and LMA Green Loan Principle as well as Guidelines for Blue Finance developed by the International Finance Corporation (IFC) and the Practitioner's Guide for Bonds to Finance the Sustainable Blue Economy developed by ICMA. The Second Party Opinion document will be made available on Acea's website.

4.2 Post issuance external verification

An external verification on the allocation reporting will be released by an independent provider, on an annual basis and until the full allocation of proceeds.

The independent provider will verify that the proceeds of the Instruments are either allocated to Eligible Green & Blue Projects or invested in approved financial instruments. This information will be published on Acea's website.





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