

Directors' report



At 31 december 2021

Market Context

The macroeconomic scenario

The year 2021 was marked by a significant recovery in the global economy, albeit against a backdrop of wide disparities between different groups of countries. The OECD estimates that global GDP grew 5.6% in 2021, supported by the recovery of OECD economies (+5.3%) and China and India, which reported annual growth of more than 8%. Instead, a lack of resources for public support policies and vaccination campaigns continues to limit growth in low-income per capita countries.

In 2021, the European economy is estimated to grow by 5.2%. European results were affected by the reintroduction, in the latter part of the year, of restrictive measures to limit the spread of the Omicron variant and the slowdown in manufacturing linked to the scarcity of raw materials and semi-finished products. Italy closes 2021 with an annual growth rate above the European average of 6.5%, after the significant contraction in 2020 (-9%).

The post-pandemic economic recovery has been accompanied since late 2020 by an international price recovery. Inflation was particularly intense for commodity prices, given the comparison with historical lows reached during the pandemic period and the scarcity phenomena created in large part by the mismatch between the recovery of supply and demand at the end of the first wave of the pandemic. In 2021, the consumer price index registered an annual increase of 3.5% globally, peaking near 5% at the end of the year. In Italy, on the other hand, price trends remained more contained, with an average for the year of just under 2% and a peak in December of 4.2%.

Household spending

The gradual removal of restrictive measures and the economic recovery supported household spending in the first three quarters of 2021, bringing it to a level 5% higher than the same baseline in 2020. However, in the third quarter of 2021, spending on services was still 7% below the pre-pandemic baseline (fourth quarter of 2019), while total spending on goods was now realigned with the same baseline.

Investments

Stimulus measures and favourable economic conditions supported a recovery in investment during 2021. In fact, the amount of gross fixed capital formation for the first three quarters of 2021 is 18% higher than the same period in 2020, and 4% higher than in 2019. The construction sector, which is heavily incentivised by government support measures, saw the largest increase over 2019 levels (+12%). Annual growth is just under 16%.

Exports

During 2021, foreign trade of the Italian economy showed a significant increase compared to the level of the previous year (+24% and +18% on the first 11 months of the year, respectively for imports and exports). The gradual removal of bottlenecks along production chains should give international trade a new boost over the coming year, with a positive impact on foreign trade performance.

The oil market

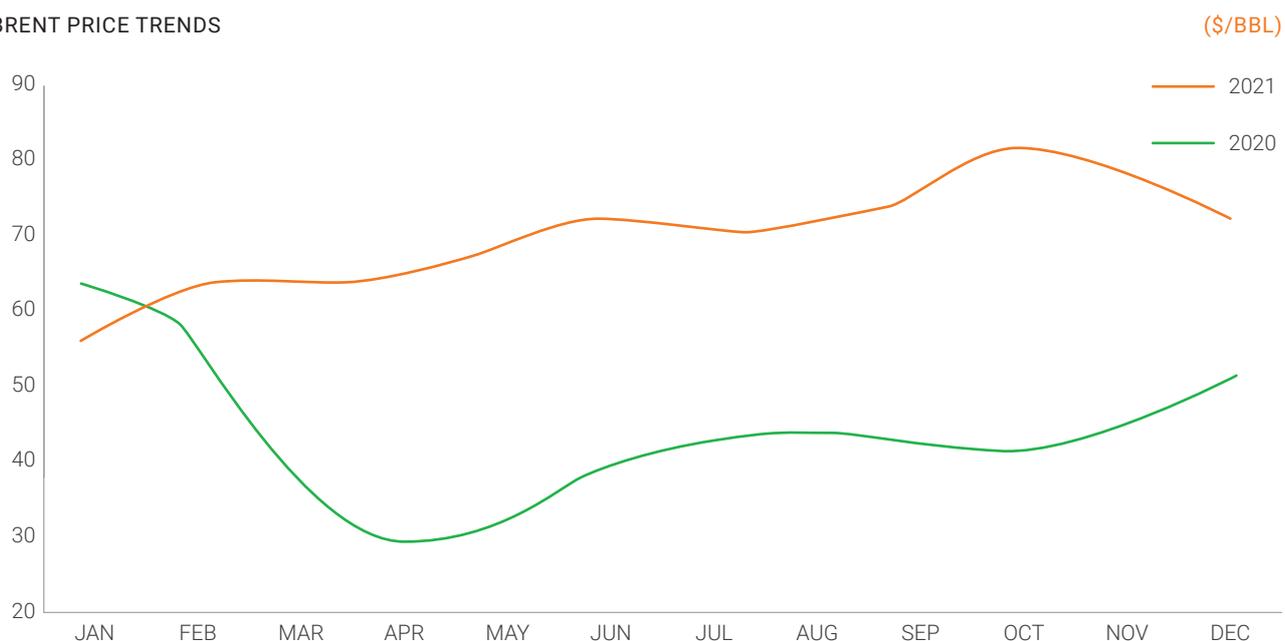
The average Brent price in 2021 averaged 70.8 \$/bbl, up 63.9% from 2020, which averaged 43.2 \$/bbl.

The oil market benefited during the first three quarters of the year from the continued optimism in financial markets, linked to the post-pandemic recovery, with OPEC Plus quotas being maintained. The cartel's decision to gradually bring production back on track and the return of some Iranian production

contributed to the stabilisation of prices in the last months of the year.

In 2021, an overall increase in demand of 5.5% over 2020 was matched by a less sustained increase in supply, on the order of just under 2%. The OPEC share of total global production in 2021 remained stable at 33%, while an important contribution to demand growth came from the Asian continent, with a 5% increase that more than offset the contraction recorded in 2020.

BRENT PRICE TRENDS



Data processed by MBS Consulting

The natural gas market

Supply and demand

Gas consumption in 2021 is up 7.9% over 2020, totalling 76.2 bln/m³ (up from nearly 71 bln/m³ last year). Significant growth in consumption occurred particularly during the first half of 2021 as the economy recovered. Slightly below average seasonal

winter temperatures also helped support consumption in the latter part of the year.

All sectors experienced significant growth during 2021. Gas demand from the residential sector increased 7.5% over 2020 (totalling nearly 34 bln/m³), followed by the thermoelectric sector (25.9 bln/m³, +6.9%) and the industrial sector (14.0 bln/m³, +6.1%).

USES AND SOURCES OF NATURAL GAS IN 2021 AND COMPARISON WITH PREVIOUS YEARS

GAS WITHDRAWN (Bln m3)*	2021	2020	2019	Change % 2021 vs 2020	Change % 2020 vs 2019
Industrial use	14.0	13.2	14.0	6.1%	-5.7%
Thermoelectric use	25.9	24.2	25.8	6.9%	-6.1%
Distribution plants	33.7	31.3	31.7	7.5%	-1.0%
Third party network and system consumption / line pack	2.6	1.9	2.3	37.7%	-17.9%
Total withdrawn	76.2	70.7	73.8	7.9%	-4.2%

* Cumulative amounts as at 31 December processed by MBS Consulting

GAS INPUT (bln m3)*	2021	2020	2019	Change % 2021 vs 2020	Change % 2020 vs 2019
Imports	71.6	65.9	70.6	8.7%	-6.8%
Domestic production	3.1	3.8	4.5	-18.3%	-14.9%
Storage	1.5	0.9	-1.4	55.0%	(**)
Total input (incl. storage)	76.2	70.7	73.8	7.9%	-4.2%
Maximum capacity	184.7	145.7	137.6		
Load Factor	38.8%	45.2%	51.3%		

*Cumulative amounts as at 31 December, processed by MBS Consulting, the value of inventories indicates net movement

**Change of more than 100%

As regards supply, total imports in 2021 were 8.7% higher than in 2020 (at 71.6 bln/m³, compared to nearly 66 bln/m³ in 2020), while domestic production fell by 18.3% compared to 2020 (for a total of 3.1 bln of gas produced).

The general situation of domestic entry points connected with foreign countries is as follows:

- inflows from Russia at the Tarvisio entry point (28.1 bln/m³) recorded a slight decrease compared to 2020 (28.3 bln/m³), but are still the main source of imports via pipeline in the overall Italian budget

(about 40% of the national market);

- gas supply was also concentrated in the Mediterranean areas, with a sharp increase in inflows from Algeria to Mazara del Vallo, which saw a 76% increase over 2020 (over 21 bln/m³ in 2021, compared with 12 bln/m³ in 2020), coming to represent 30% of total imports;
- over the course of 2021 the TAP pipeline came into operation, bringing Azeri gas to the new entry point of Melendugno. More than 7 bln/m³ have transited since the beginning of the year, making up about

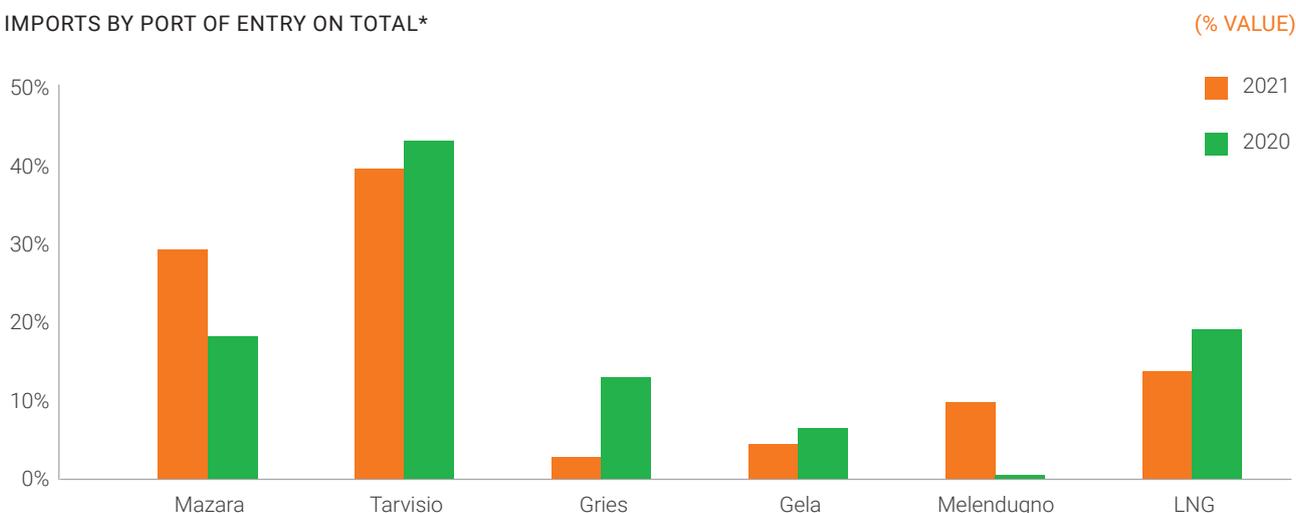
10% of total imports. The start of the new pipeline is expected to help close the spread between PSV and Northern market prices, TTF in particular;

- the reduction in Norwegian production and the opening of the TAP have led to a decrease in

imports from Northern Europe, for a total of 2.1 bln/m³ (-76% compared to 2020).

- LNG imports were down 22.3 % from 2020, totalling about 10 bln/m³. This reduction is primarily due to the strong increase in LNG demand in Asia.

IMPORTS BY PORT OF ENTRY ON TOTAL*



* Cumulative amounts at 31 December 2021
Data processed by MBS Consulting

Wholesale gas prices

The historic increase in wholesale gas prices characterised 2021, with the winter months seeing quotations above 80 €/MWh, which was also reflected in electricity price levels particularly in the last quarter.

Growth in the first half of 2021 is attributable to the economic recovery, with a gradual increase in gas demand especially from Asia, which has entered into competition with Europe on the LNG front.

In the second half of the year the continuation of the upward movement is linked:

- again to Asian demand: the energy crisis linked to the scarcity of coal supplies in India and China between September and October contributed to an increase in demand for gas, which is also subject to forecasts of a colder-than-normal winter in the northern Asian hemisphere;
- to problems relating to supply, especially of LNG: some strategic plants in Australia have been

subject to a series of maintenance and production interruptions (also caused by unplanned damage) and congestion of sea transport along the Panama Canal;

- to the failure of the North Stream pipeline, in Northern Europe, to come into operation, with the suspension of the approval process by the German regulatory authority;
- to geopolitical tensions on the borders with Belarus and Ukraine and the concomitant gradual decrease in gas flows from Russia as of October;
- to low gas storage levels in European countries and the start of a winter season with temperatures at times below normal, which has supported residential gas consumption to a large extent.

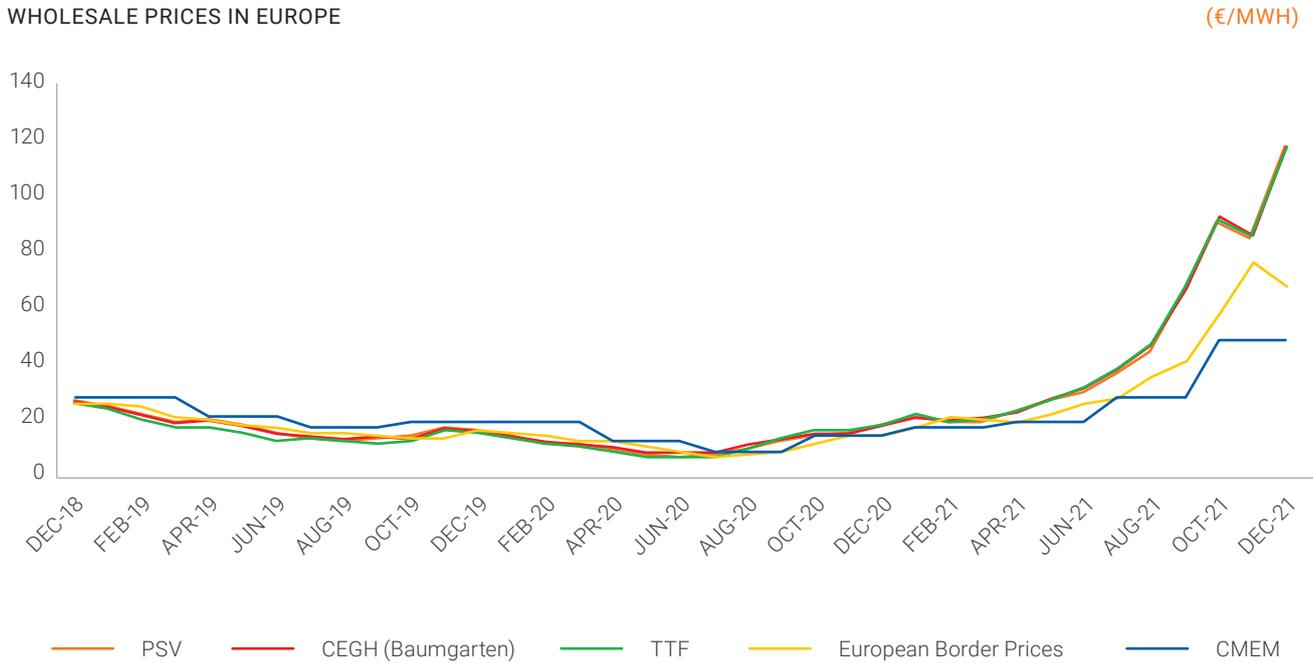
The average spot price at the Dutch TTF for 2021 stood at 46.6 €/MWh, up nearly 400% from 9.4 €/MWh in 2020. The average CEGH price, the Austrian gas market, rose by around 370% to an average of 46.5 €/MWh.

At the Italian PSV, the average spot price is up 347% compared with 2020 quotas, standing at 46.5 €/MWh, with a significant compression of the differential on northern European markets, in line with the entry into service of TAP, the increase in gas supplies from North Africa and the decrease in Russian imports into Germany. The average PSV-TTF differential was therefore around -0.07 €/MWh, compared to

1 €/MWh in 2020.

In 2021, prices at the border followed the general upward trend and settled at a European average level of 34 €/MWh, up more than 240% compared to 2020. Average Italian prices at the border were slightly higher than this average, standing at 34.5 €/MWh.

WHOLESALE PRICES IN EUROPE



Latest data 31 December 2021
Data processed by MBS Consulting

In the Italian market, the imbalance price for the year 2020 averaged 46.6 €/MWh, more than 340% higher than the price for 2020 (10.5 €/MWh). On the markets of the MGAS platform, which are used to define the imbalance price (DAM-GAS and IM-GAS), a total volume of around 8.5 bln/m³ was traded during the year. The IM-GAS intraday market continues to be the main segment of the platform managed by the GME

(Electricity Market Operator), with a total amount of volumes traded of approximately 4.2 bln/m³.

The so-called "CMEM component", meant to reflect the cost of gas procurement in the protected market price and defined by the ARERA on the basis of the TTF forward prices in 2021, increased with an average of 27.0 €/MWh (compared to 12.9 €/MWh in 2020).

The electricity market

Supply and demand

In 2021, net electricity production in Italy was 279 TWh, up 2.3% compared to 2020. The demand for electricity, amounting to 319 TWh, was 86.6% met by domestic production, and the remaining 13.4% met by imports.

At 182 TWh, domestic thermoelectric production accounted for 65.2% of net domestic production.

Production from hydroelectric sources amounted to 46 TWh (-4.5% compared to 2020), representing 16.4% of the national supply, while 51 TWh (+3.5% compared to 2020) were produced from geothermal, wind and photovoltaic sources, i.e. 18.4% of the national supply.

Consumption in 2021 was 5.5% higher than in 2020, a recovery in all areas. Central Italy experienced the most significant increase in demand (+5.8%), followed by the North (+5.6%), the Islands (+5.4%) and the South (4.5%).

CUMULATIVE ELECTRICITY SUPPLY AND DEMAND (GWH AND TREND CHANGES)

	up to 31/12/2021	up to 31/12/2020	Change %
Demand	319,318	302,779	5.5%
<i>North</i>	149,918	142,032	5.6%
<i>Central Italy</i>	93,956	88,802	5.8%
<i>South</i>	46,930	44,900	4.5%
<i>Islands</i>	28,514	27,045	5.4%
Net production	279,351	273,108	2.3%
<i>Hydroelectric</i>	45,851	47,990	-4.5%
<i>Thermoelectric</i>	182,010	175,376	3.8%
<i>Geothermoelectric</i>	5,526	5,646	-2.1%
<i>Wind and photovoltaic</i>	45,964	44,096	4.2%
Pumping consumption	-2,826	-2,557	10.5%
Foreign balance	42,793	32,228	32.8%

Data processed by MBS Consulting

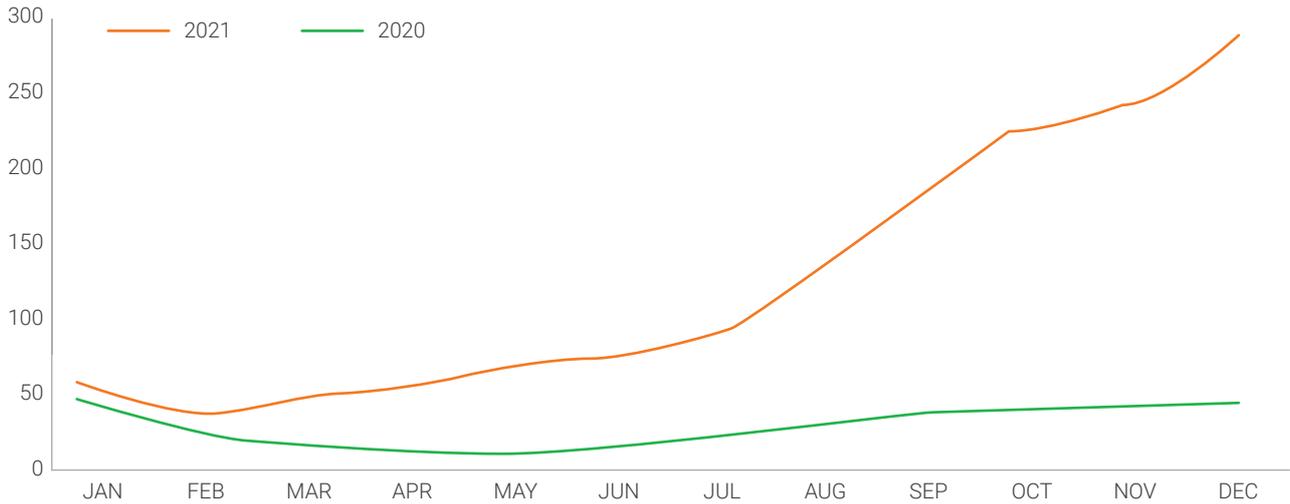
Day-Ahead Market (DAM) prices

In 2021, the National Single Price (PUN) stood at an average of 125.46 €/MWh, up 222% from 2020. Record year-over-year PUN growth was particularly significant in the second half of the year, with a

150% increase between August and December. The average monthly price was higher than in 2020 for all months of the year.

AVERAGE PURCHASE PRICE ON DAM TRENDS (PUN)

(€/MWH)



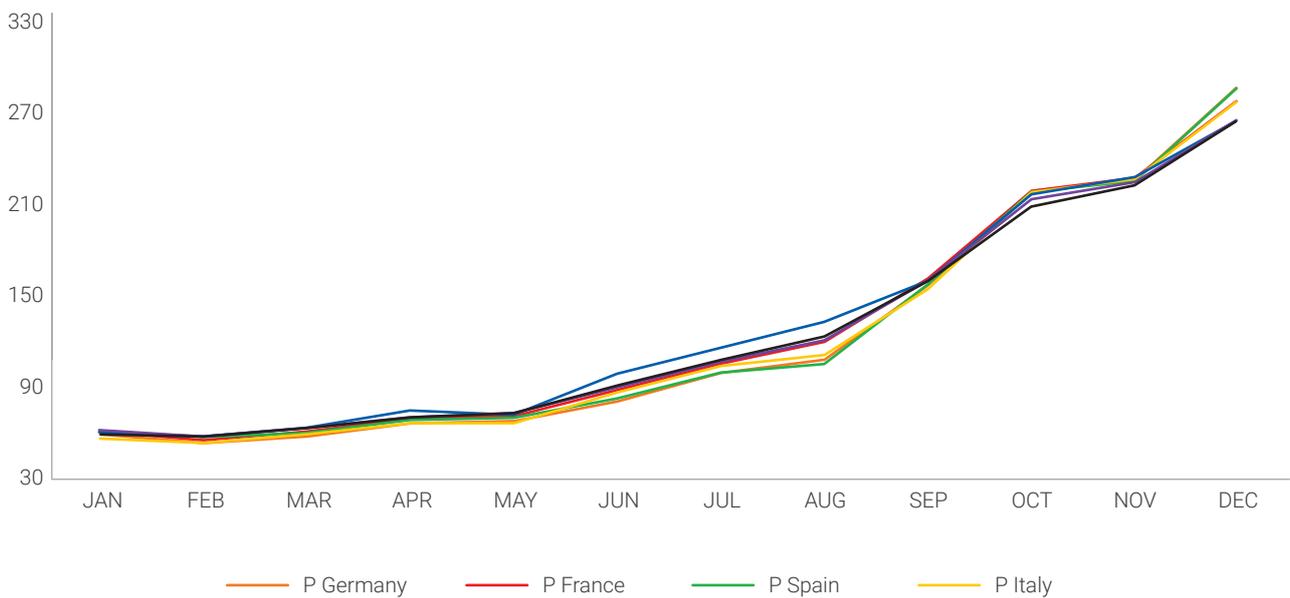
Data processed by MBS Consulting

The year-on-year increase in prices involved all zonal prices, with the highest incidence for the North (231%) and the lowest for Sicily (179%). The highest average annual price was confirmed in Sicily and the

lowest in Calabria. There has also been a narrowing of the differential between average zonal prices and thus a mutual alignment of them.

ITALIAN ZONAL PRICE TRENDS 2021

(€/MWH)

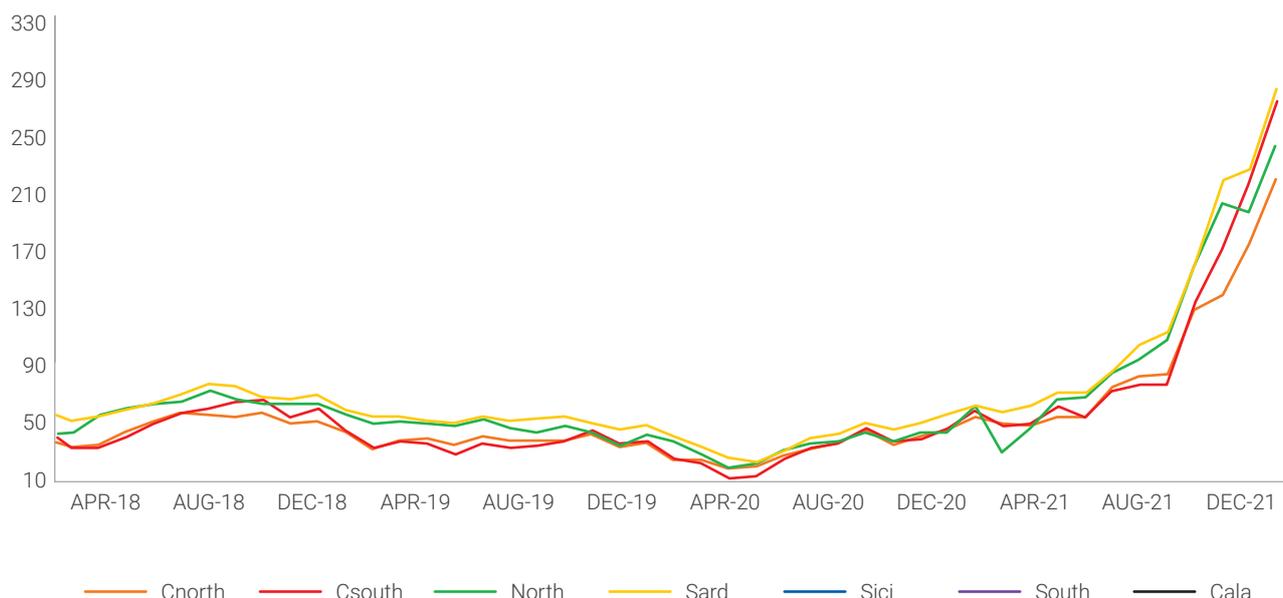


Data processed by MBS Consulting

Trends in the main European power exchanges

The average price for European power exchanges in 2021 was 105.6 €/MWh, a sharp increase over 2020

(+228%). The differential with the PUN was 19.39 €/MWh, compared with 6.72 €/MWh in the previous year. In the last quarter of 2021, prices were on average higher than in the same period of 2020 (+405%).



Elaborazioni MBS Consulting

Futures of Baseload PUN on the EEX

The following table shows the future prices traded in the last quarter of 2021.

For products with a January expiration date, upward variations were recorded between the beginning and end of the quarter; Q1 22, Q2 22 and Q3 22 also recorded an increase over the quarter, by 74.7 €/MWh,

73.7 €/MWh and 73.1 €/MWh, respectively. Cal 22 followed the same trend, going from 140.9 €/MWh in October to 213.1 €/MWh in December, recording an expected increase in prices.

Compared to the fourth quarter of 2020, average futures settled at higher levels; commodity prices rose above prior-year levels for all months of 2021.

Oct-21 Futures		Nov-21 Futures		Dec-21 Futures	
Monthly	€/MWh	Monthly	€/MWh	Monthly	€/MWh
Nov-21	221.7	Dec-21	217.8	Jan-22	286.3
Dec-21	227.0	Jan-22	220.1	Feb-22	295.9
Jan-22	231.7	Feb-22	211.3	Mar-22	305.0
Quarterly		Quarterly		Quarterly	
Q1 22	214.1	Q1 22	198.8	Q1 22	288.8
Q2 22	114.8	Q2 22	114.4	Q2 22	188.5
Q3 22	117.3	Q3 22	117.3	Q3 22	190.5
Yearly		Yearly		Yearly	
Y1 22	140.9	Y1 22	137.4	Y1 22	213.1

Data processed by MBS Consulting

Significant events of the year

Acquisition of control of Futura

As part of the consolidation activities following the acquisition of the Unieco's Waste Management Division, on 30 March 2021, Iren Ambiente acquired from S.I.T. - Società Igiene Territorio S.p.A. a further stake in Futura S.p.A., representing 20% of the share capital. The purchase price amounts to 1.1 million euro; following the transaction, the Iren Group holds a total stake of 60%.

Futura is based in Grosseto and operates a mechanical-biological treatment plant, with a composting section for the organic fraction.

Shareholders' Meeting

At their Ordinary Meeting on 6 May 2021, the Shareholders of Iren S.p.A. approved the Parent's separate financial statements at 31 December 2020 and the Directors' Report, and resolved to distribute a dividend of 0.095 euro per ordinary share, confirming the proposal made by the Board of Directors. The Shareholders also:

- approved the first section ("2021 remuneration policy") of the Report on the 2021 remuneration policy and on fees paid for 2020;
- issued a favourable vote on the second section ("Fees paid for 2020") of the same Report;
- appointed the Board of Statutory Auditors and its Chairperson for the three years 2021-2022-2023 and determined the annual remuneration to be paid to the same board's regular members.

Agreement between Iren S.p.A. and the Chief Executive Officer and General Manager, Massimiliano Bianco

On 29 May 2021, Iren S.p.A. and Massimiliano Bianco reached an agreement for the consensual termination of the relationship with the Parent pursuant to which Mr. Bianco relinquished, effective immediately, the positions of Director, Chief Executive Officer and General Manager, as well as all powers and proxies granted to him.

The terms of the Agreement reached and the related economic conditions were approved by the Board of Directors of the Parent at its meeting held on the same date, after obtaining the favourable opinion of the Remuneration and Appointments Committee, also in the exercise of the functions envisaged by the regulations on transactions with related parties, as well as after preliminary investigation by the Parent's Control, Risk and Sustainability Committee.

Appointment of the new Chief Executive Officer and General Manager, Gianni Vittorio Armani

Following on from the above, on 29 May the Board of Directors co-opted an engineer, Mr. Gianni Vittorio Armani, into the Board and appointed him as Chief Executive Officer and General Manager, with the conferment of the relative mandates and powers after verification of the requisites for assumption of the position. The Board also approved the economic-contractual conditions of the new fixed-term executive employment relationship, taking into account the preliminary investigation carried out by the Remuneration and Appointments Committee.

Completion of the acquisition of Sidiren

On 16 July 2021, Iren Mercato completed the transaction for the acquisition of 100% of the share capital of Sidiren S.r.l., a newly established company to which the business unit from Sidigas.com S.r.l., operating in the sale of natural gas, was previously transferred. Sidiren holds a portfolio of approximately 52 thousand gas customers, of which approximately 95% are domestic, distributed in 78 municipalities prevalently in the Province of Avellino. The price of the acquisition was 30.2 million euro.

New Green Bonds of 200 million euro issued

As part of the Euro Medium Term Notes (EMTN) Program of 4 billion euro, on 7 October 2021, Iren S.p.A. successfully completed a new bond issue in the amount of 200 million euro. The bonds are part of the Green Bonds reserved for institutional investors issued on 10 December 2020 and maturing

in January 2031 and augment the bonds already issued for an original amount of 300 million euro. The investments financed through this issue mainly concern the installation of smart meters and the improvement of waste collection and sorting activities.

The bonds, which have a minimum unit denomination of 100,000 euro, pay a gross yearly interest of 0.25% and were placed at an issue price of 94.954. The effective rate of return at maturity is 0.818%, corresponding to a yield of 67 basis points above the mid-swap rate.

Acquisition of control of Nove

On 12 October 2021, Iren Energia won the tender called by the Municipality of Grugliasco (Province of Turin) for the sale of 51% of Nove S.p.A., manager of the district heating service in the same municipality. The award price amounts to 5.4 million euro.

The company was already 49% owned by Iren Energia in the role of industrial partner. The planned investments on the heat distribution network concern an increase in the connected volumes from the current 2.3 Mm³ to about 3.8 Mm³ in the next few years.

Nove was merged into Iren Energia effective October 2021.

Business Plan 2021-2030

On 11 November 2021, the Board of Directors approved the Business Plan to 2030. Iren's 10-year extended growth strategy is based on three pillars:

- **ecological transition**, with progressive decarbonisation of all activities and strengthening leadership in the circular economy and sustainable use of resources;
- **territoriality**, with an extension of the scope of the activities carried out in the historical territories and the evolution as a reference partner for the communities by expanding the portfolio of services offered;
- **quality**, through the improvement of performance and the maximisation of customer/citizen satisfaction levels.

On this subject, the Group is aiming for:

- an EBITDA of 1.8 billion euro by 2030, the growth of which concerns all business sectors, particularly regulated and semi-regulated sectors;

- total investments over the plan of 12.7 billion euro. 61% of these, amounting to 7.7 billion euro, refer to development investments for internal lines, aimed at fostering the dimensional growth of the Group, mainly relating to renewable energy sources, waste selection and treatment plants, the extension of district heating networks and smart solutions projects. Unlike the previous business plans, capital expenditure on external lines, amounting to 1.8 billion euro (14% of the total), was included, primarily aimed at consolidating investees and participating in tenders for gas distribution and the Integrated Water Service in areas where the Group is currently incumbent or already present with other services. Finally, the remaining 25%, amounting to approximately 3.2 billion euro, is earmarked for maintenance investments.

- a Net financial position/EBITDA ratio by 2030 of 2.5x. Despite significant planned investments, the ratio is expected to remain below the 3.5x threshold over the plan horizon;
- Group profit of 500 million euro in 2030;
- an expected dividend of 0.10 euro/share for the 2021 profit, with an annual growth of 10% until 2025. In the second part of the plan horizon, the dividend per share will be 50-55% of the Group's profit.

Acquisition of Bosch Energy and Building Solutions Italy

On 30 November 2021, Iren Smart Solutions finalised the acquisition of 100% of Bosch Energy and Building Solutions Italy S.r.l., operating in the energy efficiency sector as an ESCo (Energy Service Company), specifically in the design, construction and management of integrated heating, air conditioning and cogeneration systems for public and private customers. The company, which operates mainly in northern Italy, will help expand, also in terms of know-how, the Group's activities in the energy efficiency sector, integrating in the range of services offered.

The company changed its name to Iren Energy Solutions effective 1 January 2022.

Rating

On 09 December 2021, the Standard & Poor's rating agency assigned, for the first time to the Iren Group, its long-term credit rating at the "BBB-" level with a "Positive" outlook. The same rating is also given to senior unsecured debt.

The “Investment Grade” rating from a second agency, after Fitch, expresses the Group’s solid positioning in Italy, with a wide diversification of activities especially in regulated sectors and a significant territorial presence. Capital expenditures under the new Business Plan, primarily targeting organic growth and energy transition, combined with an expected continued improvement in credit metrics, support the “positive” outlook. From a financial point of view, the rating level assigned also expresses the Group’s good liquidity profile.

Also in this context, on 22 December, the agency Fitch confirmed its “BBB” rating for Iren with a “Stable” outlook. This assessment is also based primarily on an analysis of the Business Plan to 2030, with particular reference to the investments planned in relation to the financial structure. The maintenance of a business portfolio consisting mainly of regulated and semi-regulated activities, the creation of value and the stability guaranteed by the integration of the various businesses are elements considered positive by the rating agency, together with the Group’s liquidity profile.

Agreement for the acquisition of Alegas

Following the award of the specific tender procedure, on 29 December 2021, Iren Mercato signed a preliminary agreement for the acquisition of 80% of Alegas S.r.l. from AMAG S.p.A., a multi-utility based in Alessandria.

Alegas operates in the sale of gas and electricity and

has a portfolio of 43 thousand customers, mostly retail, of which 36 thousand gas and 7 thousand electricity customers, almost entirely distributed in the Province of Alessandria.

The price for the acquisition of 80% was 16.7 million euro.

Award of the tender for the acquisition of concessions in gas distribution

On 31 December 2021, the consortium formed by Ascopiave (58%), ACEA (28%), and Iren (14%), after having won the tender for the sale by A2A of concessions in the natural gas distribution service, signed an agreement with the A2A Group for the acquisition of the related assets.

The overall scope of activities covered by the transaction includes 157 thousand Redelivery Points (PDR), distributed in 8 Regions and forming part of 24 Ambiti Territoriali Minimi (ATEM, Minimum Territorial Areas), for over 2,800 km of network. The economic value of the acquisition in terms of Enterprise Value is 126.7 million euro.

Among the assets subject to tender, Iren’s scope of interest consists of concessions in 4 ATEMs, 1 of which in Lombardy and 3 in Emilia Romagna, for a total of approximately 12,300 PDR. The Enterprise Value is 17.7 million euro. The transaction is expected to close in the first half of 2022.

Alternative Performance Measures

The Iren Group uses alternative performance measures (APMs) in order to convey more effectively the information on the profitability of its business lines, and on its financial position and financial performance. These measures are different from the financial measures explicitly required by the International Financial Reporting Standards (IFRS) adopted by the Group.

On the subject of these measures, CONSOB issued Communication no. 92543/15 which makes applicable the Guidelines issued by the European Securities and Markets Authority (ESMA) on their presentation in the regulated information distributed or in prospectuses published. These Guidelines are aimed at promoting the usefulness and transparency of the alternative performance measures included in regulated information or prospectuses that fall within the scope of application of Directive 2003/71/EC, in order to improve their comparability, reliability and comprehensibility.

In line with the aforementioned communications, the criteria used to construct these measures presented in the present financial report are provided below.

Net invested capital (NIC): determined by the algebraic sum of non-current assets, other non-current assets (liabilities), net working capital, deferred tax assets (liabilities), provisions for risks, employee benefits and assets (liabilities) held for sale. For further details on the construction of the individual items that make up the indicator, please refer to the reconciliation of the reclassified statement of financial position with the statement of financial position presented in the annexes to the consolidated financial statements.

This APM is used by the Group in the context of internal and external documents and is a useful measure for the purpose of measuring total net assets, both current and non-current, also through comparison between the reporting period and previous periods or financial years. This indicator also makes it possible to carry out the analyses of operating trends and to measure performance in terms of operating

efficiency over time.

Net financial debt: calculated as the sum of non-current financial liabilities net of non-current financial assets and current financial liabilities net of current financial assets and cash and cash equivalents.

This APM is used by the Group in the context of both internal and external documents and represents a useful tool to assess the Group's financial structure, including by comparing the reporting period with that of the previous periods or years.

Net Working Capital (NWC): determined as the algebraic sum of current and non-current contract assets and liabilities, current and non-current trade receivables, inventories, current tax assets and liabilities, sundry assets and other current assets, trade payables and sundry liabilities and other current liabilities. This APM is used by the Group in the context of both internal and external documents and represents a useful tool to assess the Group's operational efficiency, including by comparing the reporting period with those related to the previous periods or years.

Gross operating profit or loss (EBITDA): calculated as the sum of profit or loss before tax, share of profit or loss of equity-accounted investees, gains and losses on equity-accounted investments, financial income and expense, and amortisation, depreciation, provisions and impairment losses. EBITDA is explicitly shown as a subtotal in the financial statements.

This APM is used by the Group in the context of both internal and external documents and is a useful tool for assessing the Group's operating performance (both as a whole and for the individual Business Units), including by comparing the operating profit or loss for the reporting period with that for previous periods or years. This indicator also makes it possible to carry out the analyses of operating trends and to measure performance in terms of operating efficiency over time.

Operating profit or loss (EBIT): calculated as the sum of profit or loss before tax, share of profit or loss

of equity-accounted investees, gains and losses on equity-accounted investments and financial income and expense. Operating Income is explicitly shown as a subtotal in the financial statements.

Free cash flow: determined as the sum of operating cash flow and cash flow from investing activities.

Investments: represents the sum of investments in property, plant and equipment, intangible assets and financial assets (equity investments), presented gross of grants related to assets.

This APM is used by the Group in the context of internal and external documents, and measures the financial resources absorbed to purchase durable goods in the year.

Gross operating profit or loss (EBITDA) margin: calculated by dividing the gross operating profit or loss by revenue.

This APM is used by the Group in the context of both internal and external documents and is a useful instrument for assessing the Group's operating performance (both as a whole and for individual Business Units), also through comparison with previous periods or years.

Net financial debt over equity: determined as the ratio between net financial debt and equity including non-controlling interests.

This APM is used by the Group in the context of both internal and external documents and is a useful instrument for assessing the financial structure in terms of the impact of the different sources of financing (third-party funds and own funds).

Investors should note that:

- these indicators are not recognised as performance criteria under IFRS;
- they shall not be adopted as alternatives to operating profit, profit for the year, operating and investing cash flow, net financial position or other measures consistent with IFRS, Italian GAAP or any other generally accepted accounting principle; and
- they are used by management to monitor business performance and its management, but are not indicative of historic operating results, nor are they intended to be predictive of future results.

Financial position, financial performance and cash flows of the Iren Group

Income statement

IREN GROUP INCOME STATEMENT

(THOUSANDS OF EURO)

	2021	2020 restated	Change %
Revenue			
Revenue from goods and services	4,826,741	3,537,997	36.4
Other income	129,130	188,211	(31.4)
Total revenue	4,955,871	3,726,208	33.0
Operating expenses			
Raw materials, consumables, supplies and goods	(1,990,495)	(1,021,501)	94.9
Services and use of third-party assets	(1,421,590)	(1,295,299)	9.7
Other operating expenses	(87,832)	(71,472)	22.9
Internal work capitalised	43,382	38,262	13.4
Personnel expense	(483,498)	(449,341)	7.6
Total operating expenses	(3,940,033)	(2,799,351)	40.7
GROSS OPERATING PROFIT (EBITDA)	1,015,838	926,857	9.6
Depreciation, amortisation, provisions and impairment losses			
Depreciation and amortisation	(477,890)	(440,793)	8.4
Impairment losses on loans and receivables	(53,521)	(61,708)	(13.3)
Other provisions and impairment losses	(30,321)	(8,943)	*
Total depreciation, amortisation, provisions and impairment losses	(561,732)	(511,444)	9.8
OPERATING PROFIT (EBIT)	454,106	415,413	9.3
Financial management			
Financial income	28,173	38,372	(26.6)
Financial expense	(74,553)	(93,702)	(20.4)

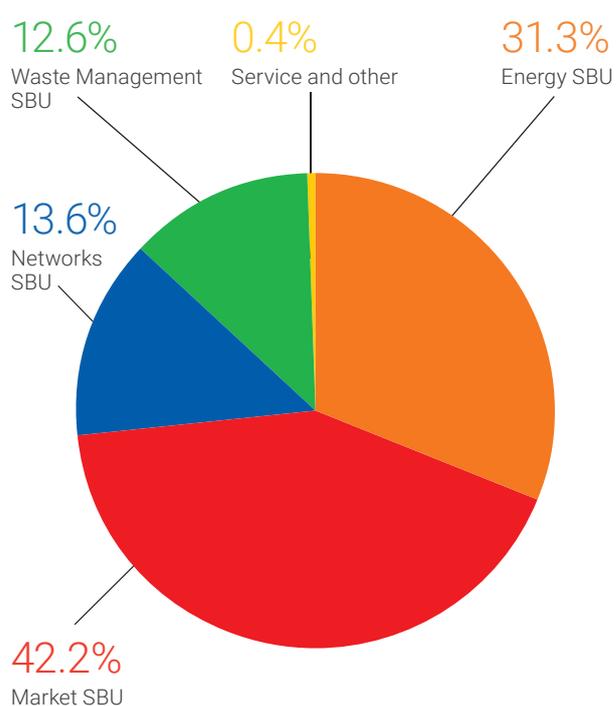
	2021	2020 restated	Change %
Net financial expense	(46,380)	(55,330)	(16.2)
Gains on equity-accounted investments	5,782	2,673	(*)
Share of profit of equity-accounted investees, net of tax effects	10,294	6,535	57.5
Profit before tax	423,802	369,291	14.8
Income taxes	(90,332)	(100,006)	(9.7)
Profit from continuing operations	333,470	269,285	23.8
Profit (loss) from discontinued operations	-	-	-
Profit for the year	333,470	269,285	23.8
attributable to:			
– the owners of the parent	303,088	239,172	26.7
– non-controlling interests	30,382	30,113	0.9

* Change of more than 100%

The comparative figures for 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and I.Blu. For further information, see section IV "Business combinations". In addition, certain reclassifications deriving from the first-time application of ESEF were made as indicated in section I. Basis of presentation under "Consolidated Financial Statements".

Revenue

For the year ended 31 December 2021, the Group booked revenue of 4,955.9 million euro, up by +33% compared to 3,726.2 million euro in 2020. The main factors for the increase refer to higher energy revenue for approximately 1,000 million euro mainly influenced by the increase in commodity prices, for approximately 120 million euro to the change in the consolidation scope of the Waste Management business unit (relating to I.Blu, consolidated from August 2020, and to the Unieco Waste Management Division, acquired in November 2020), of the Energy business unit (related to Iren Energy Solutions and Asti Energia e Calore) and of the Market business unit (Sidlren), and for about 100 million euro to the development of activities related to energy requalification and renovation of buildings favoured by recent tax breaks (façade bonus and superbonus 110%). Higher volumes sold due to climate effects and the development of the customer base also contributed to the overall change, but to a lesser extent.



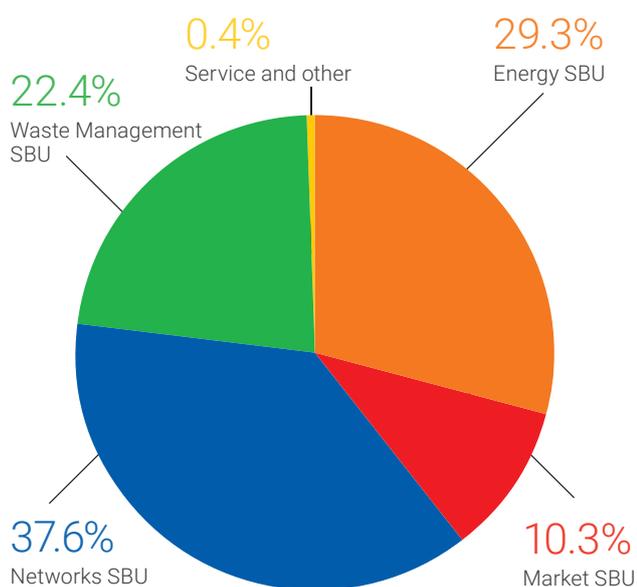
Gross Operating Profit (EBITDA)

Gross operating profit (EBITDA) amounted to 1,015.8 million euro, up +9.6% compared to 926.9 million euro in 2020. About 24 million euro of the increase is due to the expansion of the consolidation scope mainly of the Waste Management business unit.

A positive contribution to the improvement of the gross operating profit was made by the trend of the energy scenario characterised by a sharp increase in the price of electricity compared to 2020, and the greater contribution of dispatching services (MSD). The integrated energy supply chain (Generation and Sale) has overall enabled a balancing of the positive and negative effects of price volatility, ensuring a significant contribution to the Group's gross operating profit.

In addition, the organic growth related to the tariff increases of the network services, the development of the activities connected to the energy requalification works as well as the favourable trend of the thermal season contributed to the improvement of the gross operating profit.

Overall, the increase in gross operating profit with reference to the individual business units is broken down as follows: Waste Management (+31.6%), Energy (+30.6%), Networks (+1.7%) while the Market business unit declined (-28.9%), the latter trend being related to the increase in the Energy BU in the logic of integrated management of the energy chain.



Operating profit (EBIT)

Operating profit (EBIT) amounted to 454.1 million euro, up +9.3% compared to 415.4 million euro in 2020. During the year, depreciation and amortisation increased by approximately 37 million euro, mainly due to the start-up of new investments and the expansion of the consolidation scope, and write-downs increased by about 20 million euro mainly related to the assets, already non-operational, of the Scarlino Energia plant, and impairment losses on loans and receivables decreased by approximately 8 million euro, due to an improvement over last year, of the estimated effects of the Covid-19 pandemic on expected losses.

Financial income and expense

Net financial expense came to 46.4 million euro; in 2020, the figure stood at 55.3 million euro.

The change was mainly due to lower financial expense, which stood at 74.6 million euro compared to 93.7 million euro in 2020 (down 20.4%), essentially due to a lower average cost of debt. Financial income amounted to 28.2 million euro (-10.2 million euro compared to the comparative year, when it stood at 38.4 million euro).

Gains to equity investments

These gains amounting to 5.8 million euro (2.7 million euro in 2020) essentially includes the income deriving from the acquisition of the net assets of Nove (4.6 million euro) and the effect of the restatement to fair value, at the date of acquisition of control, of the minority interest in Futura (1.3 million euro). In the comparative year, the item is largely comprised of goodwill related to the acquisition of Nord Ovest Servizi.

Share of profit of equity-accounted investees, net of tax effects

This item, which amounts to +10.3 million euro (up from +6.5 million euro in the comparative year), includes the share of the pro-rata profit or loss of the Group's associates and joint ventures, the most significant of which regard Aguas de San Pedro, ASA, and ASTEA.

Profit before tax

As a result of the above trends the consolidated profit before tax came to 423.8 million euro (369.3 million euro in 2020).

Income taxes

Income taxes for the year amounted to 90.3 million euro (100.0 million euro in the comparative year),

with an effective tax rate of 21.3% (27.1% in 2020).

The latter is influenced by non-recurring tax income related to the exercise of the option on the realignment of carrying amounts and tax bases pursuant to Decree law no. 104/20 ("August" Decree Law). Excluding this income, which had a net impact on the Income Statement of approximately 32 million euro, the tax rate would have been around 29%.

Profit for the year

As a result of the above, there was a profit for the year of 333.5 million euro, an increase of +23.8% compared to the profit for 2020.

The figure is due to the profit attributable to the owners of the parent of 303.1 million euro, while profit attributable to non-controlling interests was 30.4 million euro.

Statement of Financial Position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF IREN GROUP¹

(THOUSANDS OF EURO)

	31.12.2021	31.12.2020 Restated	Change %
Non-current assets	7,020,803	6,588,256	6.6
Other non-current assets (liabilities)	(458,642)	(421,336)	8.9
Net Working Capital	(222,500)	42,155	*
Deferred tax assets (liabilities)	244,574	163,451	49.6
Provisions for risks and employee benefits	(728,898)	(660,823)	10.3
Assets (Liabilities) held for sale	1,144	1,285	(11.0)
Net invested capital	5,856,481	5,712,988	2.5
Equity	2,950,660	2,764,747	6.7
<i>Non-current financial assets</i>	(131,766)	(173,736)	(24.2)
<i>Non-current financial debt</i>	3,549,612	3,829,543	(7.3)
Non-current net financial debt	3,417,846	3,655,807	(6.5)
<i>Current financial assets</i>	(979,612)	(986,843)	(0.7)
<i>Current financial debt</i>	467,587	279,277	67.4
Current net financial debt	(512,025)	(707,566)	(27.6)
Net financial debt	2,905,821	2,948,241	(1.4)
Own funds and net financial debt	5,856,481	5,712,988	2.5

* Change of more than 100%

The comparative figures at 31 December 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and I.Blu. For further information, see section IV "Business combinations". In addition, certain reclassifications deriving from the first-time application of ESEF were made as indicated in section I. Basis of presentation under "Consolidated Financial Statements".

¹ For a reconciliation of the reclassified statement of financial position with that of the financial statements, please refer to the specific annex to the Notes to the Consolidated Financial Statements.

The main changes in the statement of financial position are commented on below.

Non-current assets at 31 December 2021 amounted to 7,020.8 million euro, up compared to 31 December 2020, when they were 6,588.3 million euro. The

increase (+432.5 million euro) was mainly due to the effect of the following:

- investments in property, plant and equipment and intangible assets (+757.7 million euro) and depreciation and amortisation (-477.9 million euro) in the year;

- write-downs (-24.7 million euro), mainly relating to the Scarlino Energia waste-to-energy plant (-24.3 million euro);
- the assets of Futura, acquired during the year, relating to a mechanical biological waste treatment plant including goodwill (32.6 million euro), the goodwill arising from the consolidation of Sidren (32.9 million euro) and non-current assets, relating to district heating, of Nove (21.4 million euro);
- the change in the portfolio of CO₂ emission rights (+73.0 million euro);
- the recognition of right-of-use assets in application of IFRS 16 - Leases for 12.5 million euro, largely relating to lease and rental contracts for buildings and vehicles used for operating activities.

For more information on the segment details of investments in the year, reference should be made to the section "Segment Reporting" below.

The decrease in Other non-current assets (liabilities) (-37.3 million euro) is due to the transfer to financial institutions of assets accrued from the tax authorities for deductions on works performed in order to improve energy efficiency in residential buildings (Superbonus 110%, introduced by Decree Law no. 24/2020, so-called "Decreto Rilancio" - Relaunch Decree)

Net Working Capital decreased by 264.7 million euro, to -222.5 million euro compared to 42.2 million euro

as at the end of 2020. The change is attributable to components of a commercial nature.

The balance of net deferred tax assets increased to 244.6 million euro (163.5 million at 31 December 2020). The change includes the effect of the release of deferred tax liabilities following the above-mentioned tax realignment of the higher carrying amounts of assets recorded in the financial statements.

Provisions for risks and employee benefits amount to 728.9 million euro and are up compared to the figure at the end of 2020 (equal to 660.8 million euro) mainly due to the increased obligations linked to CO₂ emission rights, influenced by increasing price dynamics.

Equity amounted to 2,950.7 million euro, compared with 2,764.7 million euro at 31 December 2020 (+186.4 million euro). The change refers to the profit for the year (+333.5 million euro), dividends distributed (-149.3 million euro), the performance of the hedging reserve linked to interest rate and commodities hedging derivatives (+6.2 million euro), the change in the consolidation scope (+2.1 million euro), the repurchase of treasury shares (-4.1 million euro) and other changes (-2 million euro).

Net financial debt as at 31 December 2021 amounted to 2,905.8 million euro, down compared to the figure at 31 December 2020 (2,948.2 million). For more details please see the analysis of the statement of cash flows presented below.

Statement of cash flows of the iren group

Change in net financial debt

The statement below details the movements in the Group's net financial debt that occurred in the year.

(THOUSANDS OF EURO)

	2021	2020 restated	Change %
Opening Net Financial debt	(2,948,241)	(2,706,127)	8.9
Profit for the year	333,470	269,285	23.8
Non-monetary adjustments	860,002	742,947	15.8
Payment of employee benefits	(10,373)	(7,096)	46.2
Utilisations of provisions for risks and other charges	(28,556)	(30,463)	(6.3)
Change in other non-current assets and liabilities	31,421	(27,363)	*
Taxes paid	(102,550)	(102,328)	0.2
ETS Purchase	(155,457)	(67,516)	*
Cash flows for transactions on commodities derivatives markets	(25,583)	(2,072)	*
Other changes in equity	(177)	(644)	(72.5)
Cash flows from changes in NWC	48,275	46,364	4.1
Operating cash flow	950,472	821,114	15.8
Investments in property, plant and equipment and intangible assets	(757,775)	(685,150)	10.6
Investments in financial assets	(4,488)	(50)	*
Proceeds from the sale of investments and changes in assets held for sale	7,011	11,289	(37.9)
Changes in consolidation scope	(80,678)	(197,472)	(59.1)
Dividends received	3,878	2,787	39.1
Total cash flows used in investing activities	(832,052)	(868,596)	(4.2)
Free cash flow	118,420	(47,482)	*
Cash flows from own capital	(153,324)	(174,540)	(12.2)
Other changes	77,324	(20,092)	*
Change in net financial debt	42,420	(242,114)	*
Closing Net financial debt	(2,905,821)	(2,948,241)	(1.4)

* Change of more than 100%

The comparative figures for 2020 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the purchase price to the final fair value of the acquired assets and liabilities of the companies in the Unieco Waste Management Division and the companies Nord Ovest Servizi and I.Blu. For further information, see Section IV "Business combinations".

The decrease in net financial debt compared to 31 December 2020 of 42.4 million euro is due to the following factors:

- *operating cash flow* of +950.5 million euro, with a significant improvement compared to 2020, when it stood at +821.1 million euro as a result of the growth recorded in operating profit;
- *cash flows used in investing activities* of -832.1 million euro, which include in particular technical investments for the year (757.8 million euro, 10.6% higher than in 2020) and the consideration paid and debt assumed for the acquisitions of Futura, Sidlren, Nove and Bosch Energy and Building Solutions Italy for a total of 80.7 million euro under the item "Change in consolidation scope" (the comparative figure of 197.5 million euro mainly included

the effect of the acquisition of the Unieco Waste Management Division);

- *cash flow from own capital* of -153.3 million euro (-174.5 million euro in 2020), representing dividends paid and repurchases of treasury shares in the year;
- the item *other changes*, amounting to +77.3 million euro (-20.1 million euro in 2020), relating mainly to the combined effect of the positive change in the fair value of interest rate and commodity derivative hedging instruments and of interest paid.

Finally, we note that the statement of cash flows prepared according to the format of a change in cash and cash equivalents is presented in the opening section "Consolidated Financial Statements".

Segment reporting

The Iren Group identifies the following business segments:

- Networks (Electricity distribution networks, Gas distribution networks, Integrated Water Service)
- Waste Management (Waste collection, treatment and disposal)
- Energy (Hydroelectric production and other renewable sources, combined heat and power, district heating networks, thermoelectric production, energy efficiency services, public lighting, global services, heat management)
- Market (Sale of electricity, gas, heat and other customer services)
- Other services (Laboratories, Telecommunications and other minor).

These operating segments are reported on pursuant to IFRS 8, which requires the disclosure about operating segments to be based on the elements which management uses in making operational and

strategic decisions.

For a proper interpretation of the income statements relating to individual operating segments presented and commented on below, revenue and expense referring to general activities were fully allocated to the segments based on actual usage of the services provided or according to technical and economic drivers.

Given the fact that the Group mainly operates in one area, the following segment information does not include a breakdown by geographical segment.

Net invested capital by business segment compared to the figures as at 31 December 2020 restated and income statements (up to the operating profit/(loss)) for the current year by business segment are presented below, compared against the 2020 figures restated. At 31 December 2021, non-regulated activities contributed 30% to the gross operating profit (28% at 31 December 2020), regulated activities accounted for 46% (down from 50% in 2020), and semi-regulated activities contributed 24% (22% in 2020).

RECLASSIFIED STATEMENT OF FINANCIAL POSITION BY BUSINESS SEGMENT AT 31 DECEMBER 2021 (MILLIONS OF EURO)

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Non-current assets	3,132	1,277	2,108	252	26	226	7,021
Net Working Capital	(60)	91	29	(286)	3	-	(223)
Other non-current assets and liabilities	(606)	(198)	(125)	(16)	3	-	(942)
Net invested capital (NIC)	2,466	1,170	2,012	-50	32	226	5,856
Equity							2,951
Net financial debt							2,906
Own funds and net financial debt							5,856

RECLASSIFIED STATEMENT OF FINANCIAL POSITION BY BUSINESS SEGMENT
AT 31 DECEMBER 2020, RESTATED

(MILLIONS OF EURO)

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Non-current assets	2,980	1,241	1,953	202	35	177	6,588
Net Working Capital	(102)	63	20	58	2	-	42
Other non-current assets and liabilities	(601)	(213)	(86)	(18)	1	-	(917)
Net invested capital (NIC)	2,277	1,091	1,887	242	38	177	5,713
Equity							2,765
Net financial debt							2,948
Own funds and net financial debt							5,713

INCOME STATEMENT BY BUSINESS SEGMENT FOR 2021

(MILLIONS OF EURO)

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	991	916	2,280	3,071	26	(2,328)	4,956
Total operating expenses	(608)	(689)	(1,982)	(2,967)	(22)	2,328	(3,940)
Gross Operating Profit (EBITDA)	383	227	298	104	4	-	1,016
Net amortisation, depreciation and impairment losses	(195)	(135)	(140)	(90)	(2)	-	(562)
Operating profit (EBIT)	188	92	158	14	2	-	454

INCOME STATEMENT BY BUSINESS SEGMENTS FOR 2020, RESTATED

(MILLIONS OF EURO)

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	1,041	765	1,145	2,085	25	(1,335)	3,726
Total operating expenses	(665)	(592)	(917)	(1,938)	(22)	1,335	(2,799)
Gross Operating Profit (EBITDA)	376	173	228	147	3	-	927
Net amortisation, depreciation and impairment losses	(190)	(123)	(117)	(80)	(2)	-	(512)
Operating profit (EBIT)	186	50	111	67	1	-	415

Networks SBU

For the year ended 31 December 2021, the Networks business segment, which includes the Gas Distribution, Electricity and Integrated Water Service businesses, reported revenue of 990.8 million euro, down by -4.8% compared to 1,040.9 million euro in 2020. This contraction can be attributed to the provision of the Ministry of Ecological Transition (MITE), which reduced the quantitative obligation related to Energy Efficiency Certificates (EECs) by a decree dated 21 May 2021. In fact, the application of the decree resulted in lower costs due to the reduction in the number of certificates purchased to meet the obligation and, at the same time, a related reduction in revenue due to the lower number of certificates delivered to the CSEA, however with positive effects on

the income statement due to the difference between revenue and costs.

The Gross Operating Profit (EBITDA) amounted to 382.5 million euro, up +1.7% on the 375.8 million euro for 2020, while operating profit (EBIT) was 188.1 million euro, an increase of +1.1% compared to 186.0 million euro in 2020. The trend in the operating profit (EBIT) was characterised by higher depreciation and amortisation of approximately 9 million euro, related to increased investments, higher releases of provisions for about 2 million euro and lower impairment losses on loans and receivables of approximately 3 million euro, as a result of an improvement, compared to last year, in the estimate of the effects of the Covid-19 pandemic on expected losses.

		2021	2020	Change %
Revenue	€/mln	990.8	1,040.9	(4.8)
Gross Operating Profit (EBITDA)	€/mln	382.5	375.8	1.7
% of Revenue		38.6%	36.1%	
<i>from Electricity Networks</i>	€/mln	81.8	79.3	3.0
<i>from Gas Networks</i>	€/mln	89.9	85.3	5.3
<i>from Integrated Water Service</i>	€/mln	210.9	211.2	(0.2)
Operating profit (EBIT)	€/mln	188.1	186.0	1.1
Investments	€/mln	307.7	293.9	4.7
<i>in Electricity Networks</i>	€/mln	58.6	52.5	11.5
<i>in Gas Networks</i>	€/mln	40.9	50.6	(19.2)
<i>in Integrated Water Service</i>	€/mln	202.2	182.3	10.9
<i>Others</i>	€/mln	6.0	8.4	(28.6)
Electricity distributed	GWh	3,679.8	3,587.3	2.6
Gas distributed	Mm ³	1,347.4	1,249.8	7.8
Water sold	Mm ³	174.8	175.1	(0.2)

Networks SBU - Electricity

Gross operating profit (EBITDA) amounted to 81.8 million euro, up +3% compared to 79.3 million euro in 2020. The improvement is mainly due to higher tariff revenue related to the increase in tariff invested capital (RAB) and to the reduction in the obligation of energy efficiency certificates (EEC), which more than offset contingent liabilities and higher operating costs.

Investments amounted to 58.6 million euro, up +11.5% from 52.5 million euro in 2020, relating mainly to connections, line resilience activities and the construction of new substations and LV/MV lines.

Networks SBU - Gas Distribution

Gross operating profit (EBITDA) amounted to 89.9 million euro, up +5.3% from the 85.3 million euro of

2020. The increase in is due to the growth in tariff revenue and in particular to the effect of some extraordinary items referable to previous years and no longer repeatable, mainly related to the reduction of the obligations connected to the energy efficiency certificates (EEC).

Investments amounted to 40.9 million euro, down -19.2% compared with 50.6 million euro in 2020, and involved upgrading the network to cathodic protection and installing electronic meters.

Networks SBU - Water Cycle

Gross operating profit (EBITDA) amounted to 210.9 million euro, substantially equal to the 211.2 million euro of 2020. The increase in the restriction on tariff revenue (VRG) due to the increase in tariff invested capital (RAB) was absorbed by higher operating costs linked to the improvement in service quality and the absence of the accounting effects of certain extraordinary items that had characterised the previous year and are no longer repeatable.

Investments amounted to 202.2 million euro, up 10.9% compared to 182.3 million euro in 2020.

These activities relate to the construction, development and extraordinary maintenance of distribution networks and plants and of the sewerage network, as well as the installation of measuring units mainly subject to remote reading.

In addition, investments of 6 million euro were made in information systems and the development of electric mobility across the three businesses.

Waste Management SBU

For the year ended 31 December 2021, the segment's revenue amounted to 916.1 million euro, up by +19.8% compared to 764.8 million euro in 2020. The increase of 97 million euro is due mainly to the expansion of the consolidation scope (companies in the Waste Management Division of the Unieco Group, +65 million euro and I.Blu, +32 million euro). There was also an increase in energy revenue (+48 million euro) due to the increase in the price of electricity and revenue from collection services (+19 million euro), while revenue decreased from disposal, intermediation and special waste management activities (-15 million euro) mainly due to the lower use of landfills.

		2021	2020 Restated	Change %
Revenue	€/mln	916.1	764.8	19.8
Gross Operating Profit (EBITDA)	€/mln	227.4	172.8	31.6
% of Revenue		24.9%	22.6%	
Operating profit (EBIT)	€/mln	92.0	49.7	85.2
Investments	€/mln	164.3	116.3	41.3
Electricity sold	GWh	496.9	519.5	(4.4)
Thermal energy produced	GWht	321.4	211.8	51.7
Waste managed	tonnes	3,646,007	3,081,055	18.3
Emilia area sorted waste collection	%	78.6	78.3	0.5
Piedmont area sorted waste collection	%	57.5	56.0	2.7
Liguria area sorted waste collection	%	74.7	74.2	0.7

Gross operating profit (EBITDA) of the segment amounted to 227.4 million euro, upwards +31.6% compared to 172.8 million euro in 2020. The increase is attributable not only to the change in the consolidation scope, with an increase of approximately +22 million euro, but also to the strong improvement in energy profits following the increase in the sale price of electricity (the average PUN of 125.5 euro/MWh is in fact up 222.6% compared to 2020) and to the profits from the collection and sale of recovered materials resulting from sorted waste collection. Profits on special waste intermediation and disposal activities decreased, the latter due to reduced use of the Collegno landfill, on which maintenance and expansion works are under way.

Operating profit (EBIT) amounted to 92.0 million euro, up +85.2% compared to 49.7 million euro in 2020. The positive trend in EBIT was partially absorbed by an increase in amortisation and depreciation of approximately 6 million euro, higher write-downs of approximately 21 million euro relating primarily to the assets, already non-operational, of the Scarlino Energia plant, partially offset by a greater release of provisions of approximately 15 million euro.

Investments made amounted to 164.3 million euro, a significant increase from 116.3 million euro in 2020.

Investments related to the purchase of collection vehicles and equipment and the construction of plants; in particular, the latter include the paper and plastic sorting plant in Parma, the wood treatment plant in Vercelli, the plastic sorting plant in Borgaro. The change in the consolidation scope also contributed to the growth of investments, with particular reference to the plastic recycling plant in San Giorgio di Nogaro (I. Blu).

Energy SBU

For the year ended 31 December 2021, the revenue of the Energy SBU, which includes the production of electricity and heat, management of district heating, public lighting and energy efficiency, amounted to 2,280.1 million euro, an increase of +99.2% compared to 1,144.7 million euro in 2020. The increase in revenue reflects primarily higher sales prices for electricity (over +1,000 million euro), resulting from the energy scenario, partially offset by a decrease in the amount of electricity sold (-78 million euro). Revenue from heat production is also up, due both to an increase in volumes, as a result of a more favourable heating season, and to higher sales prices, as well as revenue from activities connected with energy requalification and building restructuring favoured by recent tax breaks (around +100 million euro).

		2021	2020	Change %
Revenue	€/mln	2,280.1	1,144.7	99.2
Gross Operating Profit (EBITDA)	€/mln	297.8	228.1	30.6
% of Revenue		13.1%	19.9%	
Operating profit (EBIT)	€/mln	157.4	111.3	41.4
Investments	€/mln	169.5	171.6	(1.2)
Electricity produced	GWh	9,173.7	9,444.5	(2.9)
<i>from hydroelectric and other renewable sources</i>	GWh	1,226.1	1,283.7	(4.5)
<i>from cogeneration sources</i>	GWh	5,610.2	5,454.5	2.9
<i>from thermoelectric sources</i>	GWh	2,337.3	2,706.3	(13.6)
Heat produced	GWht	3,006.5	2,736.3	9.9
<i>from cogeneration sources</i>	GWht	2,563.9	2,230.0	15.0
<i>from non-cogeneration sources</i>	GWht	442.6	506.3	(12.6)
District heating volumes	Mm ³	98.8	96.7	2.1

In 2021, electricity produced was 9,173.7 GWh, down -2.9% compared to 9,444.5 GWh of the previous year 2020.

Total thermoelectric production was 7,947.5 GWh, of which 5,610.2 GWh from cogeneration sources, up +2.9% compared to the 5,454.5 GWh of 2020 and 2,337.3 GWh from conventional thermoelectric sources, down -13.6% compared to the 2,706.3 GWh of 2020.

Production from renewable sources amounted to 1,226.1 GWh, of which 1,205.7 GWh deriving from hydroelectric sources and, marginally, approximately 20.4 GWh from other renewable sources (photovoltaic); overall production is down by -4.5% compared to 1,283.7 GWh in 2020 mainly due to the poor water supply of the year.

The Gross operating profit (EBITDA) amounted to 297.8 million euro, up +30.6% compared to 228.1 million euro in the previous year.

The growth trend in domestic demand for electricity that had characterised the nine months of 2021 also continued in the fourth quarter and at 31 December, stood at 318.1 TWh, an increase of +5% compared with 302.8 TWh in 2020.

The trend in the energy scenario was characterised not only by rising demand and a sharp increase in electricity prices, but also by a gradual rise in the price of gas used as a raw material in generation activities. These dynamics led to a significant increase in the margins generated in all the electricity production sectors (Hydroelectric, Electric Cogeneration and Thermoelectric), also thanks to services on the Dispatching Service Market (MSD), partially absorbed by lower profits in the heat cogeneration sector, despite the greater quantities of heat produced.

The improvement compared is also supported by the energy efficiency sector which, thanks to energy requalification and building renovation activities, favoured by recent tax concessions (e.g. facade bonus and 110% superbonus), shows an improvement of

approximately +9 million euro.

The operating profit of 157.4 million euro was up by + 41.4% compared to the 111.3 million euro of the previous year, which also benefited from a release of provisions for over 18 million euro. Depreciation, amortisation and impairment losses increased by 4 million euro.

Investments amounted to 169.4 million euro, down -1.2% from the 171.6 million euro in 2020. The main ones include the repowering of the Turbigio thermoelectric plant (78.9 million euro) and the development of district heating networks.

Market SBU

As at 31 December 2021, the segment's revenue amounted to 3,070.9 million euro, up by +47.3% compared to 2,084.6 million euro in 2020. Approximately +83% of the increase in revenue is due to the sharp rise in the prices of both gas and electricity, and +17% is due to the higher quantities of electricity and gas sold. Effective 1 July 2021, Sidlren was acquired, which contributed approximately 14 million euro to the revenue of the Market SBU.

Gross operating profit (EBITDA) amounted to 104.4 million euro, down -28.9% compared to 147 million euro in 2020. The sharp contraction is primarily attributable to electricity sales, whilst gas, partly thanks to the use of storage facilities, was less affected by the sharply rising energy scenario. The other services sector made a positive contribution to EBITDA, thanks to significant development of the services and accessory products marketed (e-mobility, boilers, energy system maintenance, etc.).

Operating profit (EBIT) amounted to 14.8 million euro, down -78% compared to 67.3 million euro in 2020. During 2021, there was higher depreciation and amortisation of approximately 15 million euro and lower impairment losses on loans and receivables of approximately 4 million euro due to an improvement, compared to last year, in the estimate of the effects of the Covid-19 pandemic on expected losses.

		2021	2020	Change %
Revenue	€/mln	3,070.9	2,084.6	47.3
Gross Operating Profit (EBITDA)	€/mln	104.4	147.0	(28.9)
% of Revenue		3.4%	7.0%	
<i>From Electricity</i>	€/mln	12.4	55.5	(77.7)
<i>From Gas</i>	€/mln	81.5	86.1	(5.4)
<i>From Heat and other services</i>	€/mln	10.5	5.3	99.1
Operating profit (EBIT)	€/mln	14.8	67.3	(78.0)
Investments		64.6	50.6	27.8
Electricity Sold	GWh	7,353.7	7,295.9	0.8
Gas Purchased	Mm ³	2,926.9	3,017.7	(3.0)
<i>Gas sold by the Group</i>	Mm ³	1,028.3	1,080.4	(4.8)
<i>Gas for internal use</i>	Mm ³	1,679.1	1,728.2	(2.8)
<i>Gas in storage</i>	Mm ³	219.5	209.0	5.0

Sale of electricity

The volumes of electricity sold on the free market amounted to 7,353.7 GWh, an increase of +0.8% compared to 7,295.9 GWh in 2020.

The increase in the deregulated market regarded the small business segment, with sales of 897.7 GWh (up 55.8%), and the retail segment, with sales of 1,543.9 GWh (up 20.3%), partly due to the higher quantities sold in the residential gradual protection auctions. On the other hand, sales were down in the Business segment (-9.6%) and in the Wholesale segment (-8.7%), to 2,857.1 GWh and 1,736.7 GWh,

respectively.

Sales in the protected market amounted to 318.3 GWh, down by -14.4% compared to 371.8 GWh in 2020.

The gross operating profit (EBITDA) from the sale of electricity amounted to 12.4 million euro, down -77.7% compared to 55.5 million euro in 2020. The sharp contraction is due to the scenario effect on uncovered sales, partially offset by increases in the PCV (sales prices) and RCV (sales marketing remuneration) components and extraordinary items related to the refund of System General Charges.

The table below shows the quantities sold by class of customer sector:

	2021	2020	Change %
<i>Business</i>	2,857.1	3,161.7	(9.6)
<i>Small business</i>	897.7	576.0	55.8
<i>Retail</i>	1,543.9	1,283.3	20.3
<i>Wholesalers</i>	1,736.7	1,903.1	(8.7)
Free market	7,035.4	6,924.1	1.6
Protected market	318.3	371.8	(14.4)
Total Electricity sold	7,353.7	7,295.9	0.8

Sale of Natural Gas

Purchased volumes amounted to 2,926.9 Mm³, down -3%, compared to 3,017.7 Mm³ in 2020.

Gas sold by the Group amounted to 1,028.3 Mm³, down by -4.8% compared to 1,080.4 Mm³ in 2020.

The gas used for internal consumption within the Group amounted to 1,679.1 Mm³, a decrease of -2.8% compared to 1,728.2 Mm³ in the previous year.

The gross operating profit (EBITDA) from the sale of gas amounted to 81.5 million euro, down -5.4% compared to 86.1 million euro in 2020.

The increase in profits linked to the management

and use of stockpiles was more than offset by higher operating costs linked to the development of new services.

Sale of heat and other services

The sale of heat and other services shows a gross operating profit of 10.5 million euro, a strong improvement compared to the 5.3 million euro in 2020. The increase is primarily attributable to the commercial activities of Iren Plus and Iren GO, the two business lines marketing goods and services ancillary to the supply of commodities and electric mobility.

Investments of the Market SBU amounted to 64.6 million euro, up +27.8% from the 50.6 million euro in 2020.

Services and other

For the year ended 31 December 2021, revenue of the segment, which includes the activities of

the analysis laboratories, telecommunications and other minor activities, was 26.3 million euro, up by +5.4% compared to the 24.9 million euro in 2020.

		2021	2020	Change %
Revenue	€/mln	26.3	24.9	5.4
Gross Operating Profit (EBITDA)	€/mln	3.9	3.3	19.8
% of Revenue		14.9%	13.2%	
Operating profit (EBIT)	€/mln	1.8	1.0	75.7
Investments	€/mln	51.6	52.8	(2.2)

Gross operating profit (EBITDA) amounted to 3.9 million euro, up +19.8% compared to 3.3 million euro in 2020.

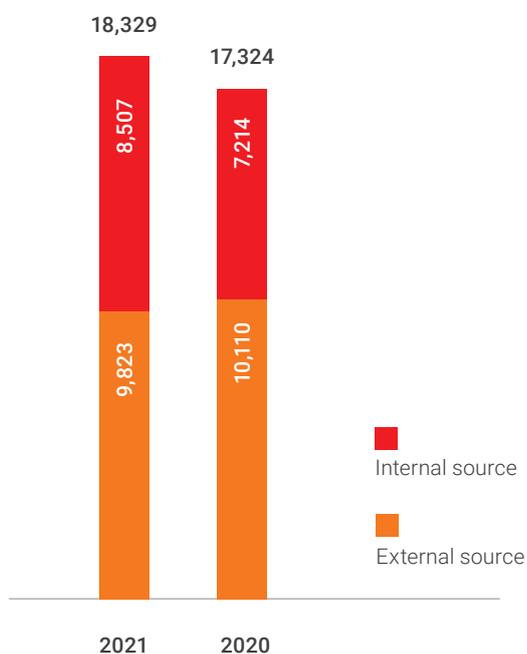
Investments in the year amounted to 51.6 million euro, down by -2.2% compared to the 52.8 million euro of the year 2020 and mainly related to information systems, vehicles and buildings.

Energy balances

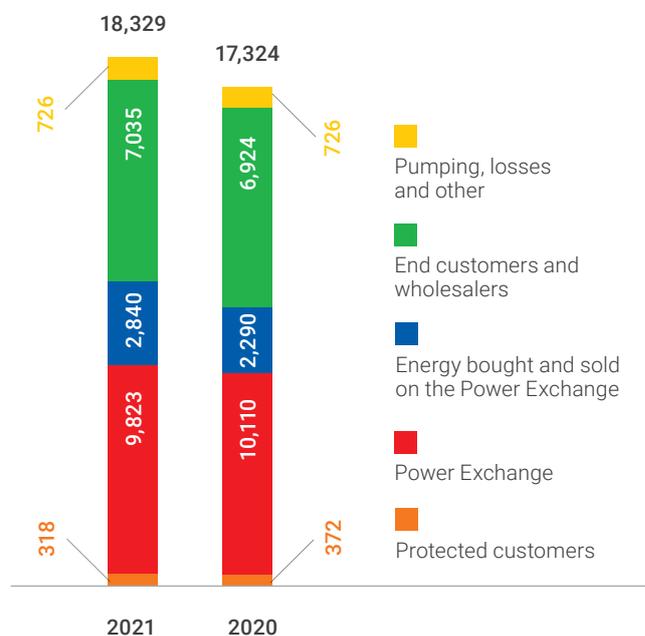
ELECTRICITY BALANCE

GWh	2021	2020	Change %
SOURCES			
Group's gross production	9,822.8	10,109.6	(2.8)
a) Hydroelectric and other renewables	1,259.9	1,315.6	(4.2)
b) Cogeneration	5,610.2	5,454.5	2.9
c) Thermoelectric	2,337.3	2,706.3	(13.6)
d) Production from WTE plants and landfills	615.4	633.2	(2.8)
Purchases from the Single Buyer (Acquirente Unico)	350.8	410.5	(14.6)
Energy purchased on the Power exchange	7,711.5	6,309.0	22.2
Energy purchased from wholesalers and imports	444.2	494.7	(10.2)
Total Sources	18,329.3	17,323.8	5.8
USES			
Sales to protected customers	318.3	371.8	(14.4)
Sales to end customers and wholesalers	7,035.4	6,924.1	1.6
Sales on the Power exchange	7,409.2	7,012.4	5.7
Electricity bought and sold on the Power Exchange	2,840.3	2,289.5	24.1
Pumping, distribution losses and other	726.1	726.0	0.0
Total Uses	18,329.3	17,323.8	5.8

SOURCE



USES

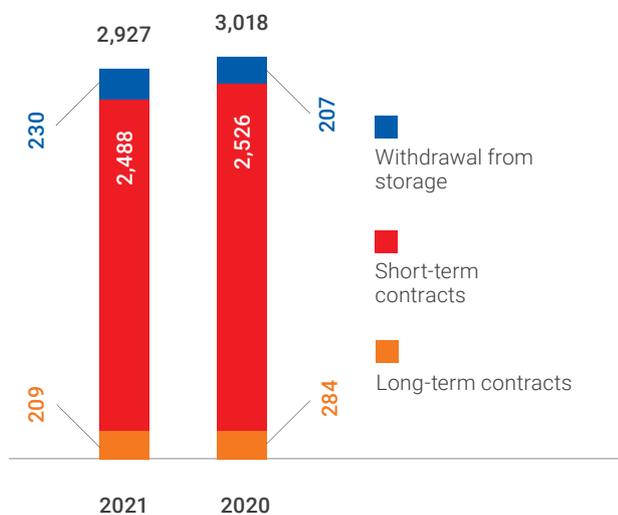


GAS BALANCE

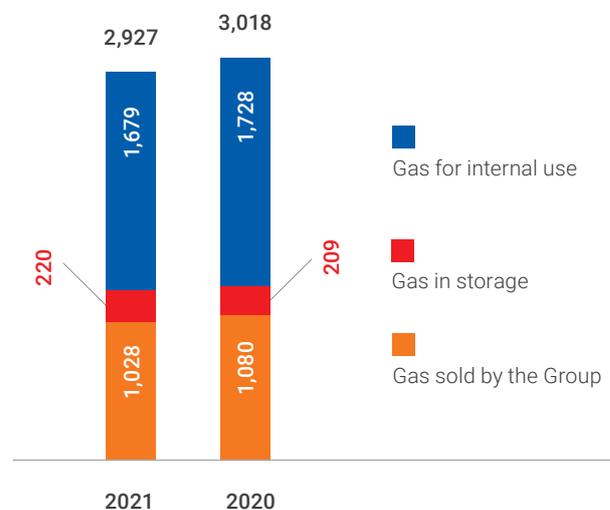
Millions of m ³	2021	2020	Change %
SOURCES			
Long-term contracts	209.1	284.4	(26.5)
Short- and medium-term contracts	2,488.1	2,526.2	(1.5)
Withdrawals from storage	229.7	207.1	10.9
Total Sources	2,926.9	3,017.7	(3.0)
USES			
Gas sold by the Group	1,028.3	1,080.4	(4.8)
Gas for internal use (1)	1,679.1	1,728.2	(2.8)
Gas in storage	219.5	209.1	5.0
Total Uses	2,926.9	3,017.7	(3.0)

¹ Internal use concerns thermoelectric plants and use for heat services and internal consumption

SOURCE



USES



Financial position, financial performance and cash flows of Iren S.p.A.

Income statement

INCOME STATEMENT OF IREN S.P.A.

(THOUSANDS OF EURO)

	2021	2020	Change %
Revenue			
Revenue from goods and services	235,753	218,968	7.7
Other income	11,567	12,964	(10.8)
Total revenue	247,320	231,932	6.6
Operating expenses			
Raw materials, consumables, supplies and goods	(7,371)	(12,313)	(40.1)
Services and use of third-party assets	(137,852)	(128,802)	7.0
Other operating expenses	(11,008)	(9,157)	20.2
Internal work capitalised	4,902	4,966	(1.3)
Personnel expense	(77,093)	(73,685)	4.6
Total operating expenses	(228,422)	(218,991)	4.3
GROSS OPERATING PROFIT (EBITDA)	18,898	12,941	46.0
Depreciation, amortisation, provisions and impairment losses			
Depreciation and amortisation	(36,267)	(31,356)	15.7
Impairment losses on loans and receivables	-	-	-
Other provisions and impairment losses	(73)	96	*
Total depreciation, amortisation, provisions and impairment losses	(36,340)	(31,260)	16.3
OPERATING LOSS (EBIT)	(17,442)	(18,319)	(4.8)
Financial management			
Financial income	288,830	290,011	(0.4)
Financial expense	(53,598)	(65,834)	(18.6)
Net financial income	235,232	224,177	4.9
Gains on equity-accounted investments	-	-	-
Profit before tax	217,790	205,858	5.8
Income tax benefit	1,061	4,205	(74.8)
Profit from continuing operations	218,851	210,063	4.2
Profit (loss) from discontinued operations	-	-	-
Profit for the year	218,851	210,063	4.2

* Change of more than 100%

Revenue

Total revenue for Iren S.p.A. was 247.3 million euro (upwards compared to the 231.9 million euro in 2020), primarily relating to corporate service activities provided to Group companies.

Operating expenses

Operating expenses amounted to 228.4 million euro, up compared to the 2020 figure (219.0 million euro) due in particular to costs for services, attributable to the management of staff activities in favour of Group companies and, specifically, the management of information systems. This increase in the cost base is reflected in the revenue trend described above.

Personnel expense rose as a result of charges for early retirement schemes and the adjustment of actuarial estimates for certain existing benefits.

Depreciation, amortisation, provisions and impairment losses

Depreciation, amortisation, provisions and impairment losses amounted to 36.3 million euro (31.4 million euro in 2020). Depreciation and amortisation, which constitute almost all of the item, increased due to the release in the operational phase of the recent and significant investments in the IT sector.

Financial income and expense

Net financial income came to 235.2 million euro.

Analysing the breakdown of the items, financial income, equal to 288.8 million euro, mainly includes dividends from subsidiaries for 235.3 million euro (- 1.1 million euro compared to 2020) and interest income on loans to subsidiaries and associates for 51.1 million euro, overall unchanged compared to 2020.

Financial expense was 53.6 million euro, and refers essentially to interest expense on bonds. The significant decrease with respect to the comparative figure, when it stood at 65.8 million, is largely attributable to the decrease in the average cost of financial debt; in 2020, there were also charges deriving from the closure of derivative positions outside hedge accounting for 6.4 million.

Profit before tax

As a consequence of the trends illustrated above, the profit before tax was 217.8 million euro, up compared to 205.9 million in 2020.

Income tax benefit

The parent recorded an income tax benefit (1.1 million euro), owing to a negative taxable income deriving from the non-taxability of 95% of the dividends received.

Profit for the year

Including taxes for the year, there was a profit of 218.9 million euro.

Statement of Financial Position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF IREN S.P.A.¹

(THOUSANDS OF EURO)

	31.12.2021	31.12.2020	Change %
Non-current assets	2,811,105	2,793,166	0.6
Other non-current assets (liabilities)	188	(7,977)	*
Net Working Capital	27,294	(38,782)	*
Deferred tax assets (liabilities)	7,517	10,090	(25.5)
Provisions for risks and employee benefits	(31,074)	(32,485)	(4.3)
Assets (Liabilities) held for sale	-	240	(100.0)
Net invested capital	2,815,030	2,724,252	3.3
Equity	2,071,331	1,971,907	5.0
Non-current financial assets	(2,499,028)	(2,225,873)	12.3
Non-current financial debt	3,278,814	3,490,489	(6.1)
Non-current net financial debt	779,786	1,264,616	(38.3)
Current financial assets	(500,795)	(819,208)	(38.9)
Current financial debt	464,708	306,937	51.4
Current net financial debt	(36,087)	(512,271)	(93.0)
Net financial debt	743,699	752,345	(1.1)
Own funds and net financial debt	2,815,030	2,724,252	3.3

* Change of more than 100%

¹ For a reconciliation of the reclassified statement of financial position with that of the financial statements, please refer to the specific annex to the Separate Financial Statements.

The main items of the statement of financial position subject to significant changes in the year are commented on below.

Non-current assets at 31 December 2021 amounted to 2,811.1 million euro, up compared to 31 December 2020, when they were 2,793.2 million euro. The increase (+17.9 million euro) was mainly due to the effect of the following:

- investments in property, plant and equipment and intangible assets (+49.9 million euro), mainly relating to motor vehicles, property redevelopment and IT implementations, and depreciation and amortisation (-36.3 million euro) in the year;
- the recognition of right-of-use assets in application of IFRS 16 - Leases for 4.3 million euro, mostly relating to lease contracts from Group companies for buildings used for management activities as well as vehicles.

The increase in Net Working Capital, which was positive at the end of 2021 (27.3 million euro), is attributable primarily to the Group's VAT positions with its

subsidiaries and, to a lesser extent, to receivables due from them in connection with the corporate services provided.

"Provisions for Risks and Employee Benefits" amounted to 31.1 million euro and decreased by 1.4 million euro compared to 31 December 2020, largely as a result of disbursements in the year of the provision set aside for early retirement of personnel.

Equity amounted to 2,071.3 million euro, compared with 1,971.9 million euro at 31 December 2020 (+99.4 million euro). The change in the year refers to profit for the year (up 218.9 million euro), dividends paid (down 121.9 million euro), the hedging reserve (up 6.6 million euro), repurchases of treasury shares (down 4.1 million euro) and other minor changes (down 0.1 million euro).

Net financial debt at the end of the year was 743.7 million euro, a decrease of 8.6 million euro compared to 31 December 2020 (-1.1%). For more details please see the analysis of the statement of cash flows presented below.

Statement of cash flows of Iren S.p.A.

Change in net financial debt

The statement below details the movements in the Group's net financial debt that occurred in the year.

	(THOUSANDS OF EURO)		
	2021	2020	Change %
Opening Net Financial debt	(752,345)	(890,549)	(15.5)
Profit for the year	218,851	210,063	4.2
Non-monetary adjustments	(198,853)	(195,251)	1.8
Payment of employee benefits	(1,507)	(1,260)	19.6
Utilisations of provisions for risks and other charges	(1,662)	(5,200)	(68.0)
Change in other non-current assets and liabilities	(8,165)	(924)	*
Other changes in equity	-	-	-
Taxes received	6,655	33,991	(80.4)
Cash flows from changes in NWC	(70,572)	72,916	*
Operating cash flow	(55,253)	114,335	*
Investments in property, plant and equipment and intangible assets	(49,868)	(51,253)	(2.7)
Investments in financial assets	(50)	(50)	-
Proceeds from the sale of investments and changes in assets held for sale	587	1,341	(56.2)
Change in consolidation scope	-	-	-
Dividends received	235,329	236,437	(0.5)
Total cash flows from investing activities	185,998	186,475	(0.3)
Free cash flow	130,745	300,810	(56.5)
Cash flows from own capital	(125,934)	(145,098)	(13.2)
Other changes	3,835	(17,508)	*
Change in net financial debt	8,646	138,204	(93.7)
Closing Net financial debt	(743,699)	(752,345)	(1.1)

* Change of more than 100%

The change in financial debt derives from the following determinants:

- *operating cash flow* of -55.3 million euro, influenced by the performance of net working capital;
- *cash flows from investing activities* (+186.0 million euro), which include dividends received from subsidiaries net of investments for the year;
- *cash flows from own capital* amounting to -125.9

million euro, which includes dividends paid (-121.8 million euro) and the repurchase of treasury shares (-4.1 million euro);

- the item "*Other changes*", amounting to +3.8 million euro, includes financial income and expense received and paid, the change in the fair value of derivative instruments hedging interest rate risk and the effect of the recognition of new lease agreements falling within the scope of IFRS 16.

We can note finally that the statement of cash flows prepared according to the format of a change in cash and cash equivalents is presented in the Separate Financial Statements at 31 December 2021.

The table below reconciles the equity and profit for the year of the Parent Iren S.p.A. at 31 December 2021 and 31 December 2020 with those of the consolidated financial statements.

(THOUSANDS OF EURO)

31.12.2021	Equity	Profit for the year
Equity and profit for the year of the Parent	2,071,330	218,851
Difference between the carrying amount and value of equity-accounted associates	46,756	12,707
Higher value from consolidation compared to the carrying amount of consolidated equity investments	493,622	302,888
Elimination of dividends from subsidiaries/associates	-	(235,329)
Elimination of intra-group profits	(41,177)	3,971
Equity attributable to the owners of the parent and profit for the year	2,570,531	303,088

“Elimination of intra-group profits” refers to the elimination of capital gains from the sale of business units or companies within the Group. In particular, it is worth noting the transaction related to the Genoa integrated water cycle carried out by the former AMGA (positive effect of 7.4 million euro on the income statement and negative by 23.9 million euro on ' Equity).

(THOUSANDS OF EURO)

31.12.2020 Restated	Equity	Profit for the year
Equity and profit for the year of the Parent	1,971,907	210,063
Difference between the carrying amount and value of equity-accounted associates	38,254	6,087
Higher value from consolidation compared to the carrying amount of consolidated equity investments	426,339	257,441
Elimination of dividends from subsidiaries/associates	-	(236,418)
Elimination of intra-group profits	(48,597)	1,999
Equity attributable to the owners of the parent and profit for the year	2,387,903	239,172

Significant events after the reporting period and outlook

Acquisition of photovoltaic systems

On 16 February 2022, the Group finalised the acquisition from European Energy S/A, a Danish company active in the development and management of wind and photovoltaic plants, of 100% of Puglia Holding S.r.l., holder of five Special Purpose Vehicles (SPV) holding the authorisations for the construction and management of the photovoltaic parks of ASI Troia, in the localities of San Vincenzo and Montevergine (Province of Foggia) and the complex of Palo del Colle (Province of Bari).

The acquired plants were built between 2019 and early 2022 and have an installed capacity of 121.5 MW, making them the largest photovoltaic park built in Italy to date. The acquired business has an enterprise value of 166 million euro.

Together with the Puglia Holding transaction, Iren Energia entered into a commercial agreement relating to the European Energy plants under development for a total installed capacity of 437.5 MW in four sites located in Lazio, Sicily and Apulia. The agreement provides for the possibility of exercising rights to invest in such assets over a period of exclusivity and at various stages of development.

Financing to support investments for the development of district heating in Turin

Continuing the cooperation in the field of environmental sustainability started in 2020, on 25 March 2022, the Council of Europe Development Bank (CEB) and Iren S.p.A. signed a Public Finance Facility (PFF) loan for 80 million euro to support the investments for the development of the district heating network

in the metropolitan area of Turin, provided for in the Business Plan.

The investments financed are aimed at saturating and extending district heating to new areas by connecting new users and improving the operational efficiency and flexibility of the network.

Russia-Ukraine conflict

On 24 February 2022, the Russian President Vladimir Putin announced the beginning of a full-scale land, sea and air military operation targeting Ukrainian military assets and cities across the country. It was the consequence of the intensification of a state of crisis began by the end of 2021, when Russian troops moved to the Russia-Ukraine borders and diplomatic negotiations between Russia and NATO countries failed. This marked the beginning of hostilities between the two countries' armed forces.

As a result, several states and supranational organisations decried Russia's doings and supported Ukrainian forces. In particular, the United Nations General Assembly and the European Council, based on international law, passed on a resolution condemning Russian military actions and demanding that Russia immediately cease its use of force in Ukraine. At the same time, the European Commission has implemented several emergency aid programmes, including financial support and interventions aimed at mitigating the humanitarian crisis caused by the conflict in Ukraine. There are ongoing negotiations between the parties involved whose goal is to identify the most appropriate diplomatic solutions on international peace, security, and stability.

The European Union and other countries (the United States, Great Britain, Australia, Japan and Switzerland among others) have tightened and extended the packages of sanctions on Russia which, although with different terms of effectiveness, aim at hitting Russian economy strategic and financial sectors and imposing targeted restrictions on the President and other figures constituting Russia's industrial, defensive and political base.

These sanctions have had a direct impact on the exchange rate of the Russian currency (the ruble has sharply depreciated against the euro and the US dollar), on local interest rates (increased to 20% by the Russian Central Bank) and on the share price of companies listed on the Moscow Stock Exchange (with a significant sign of decline recorded in March).

In this context, the Italian government is defining measures addressing the exceptional instability of the national natural gas system resulting from the conflict in Ukraine. These measures include actions to soar gas availability, the reduction of consumption and actions aimed at filling gas storage for the 2022-2023 thermal year.

Considering the actual energy sector scenario, Iren has activated a task force to carefully monitor the situation and evolution of the impact that the international crisis has on its businesses, even though the Group is not present in Russia and Ukraine. The focus is on the supply of raw materials and services, in terms of their economic and financial outcomes that could be eventually arising from the shortage of raw materials coming from areas involved in the conflict and, lastly, by the generalised increase in commodity prices considering that the gas supplied by Russia covers 40% of national needs. In this context, the increase in commodity prices leads to greater quantitative exposure and greater risk in the event of late payments in both gas and electricity retail sectors.

The Group implements direct risk reduction actions by leveraging on:

- The purchase of gas from the main Italian operators, thus excluding the risk of application of non-supply contractual clauses as a result of geopolitical events
- Hedging policies, which ensure that margins are kept under control
- Measures to protect the group from cyber-attacks, in particular trading and dispatching platforms.

In a constantly evolving scenario, characterised by regulatory uncertainty in addition to high and volatile prices regardless of the Ukrainian crisis, the Iren Group continues to monitor macroeconomic and business variables to promptly have potential impacts best estimates on regulatory changes, suppliers, and contracts applicable to the Group.

Legislative measures to fight the increase in commodity prices

For the purpose of financing measures to contain the increase in energy prices, the Italian Government is introducing some extraordinary levies on companies in the energy sector including, in particular, those listed below:

- From art. 37 of Legislative Decree no. 21 of 21 March 2022 ("Energy Decree"), which aims to tax the extra profits made by companies in the energy sector as a result of the increase in raw material costs. The Iren Group is currently assessing the possible impacts of this measure on its profitability, which are assumed to be limited according to initial estimates.
- From art. 15-bis of Law no. 25 of 28 March 2022 (conversion of Legislative Decree no. 4 of 27 January 2022 - "Sostegni-ter Decree"), which provides for a contribution on extra profits on non-incentivised renewable energy production. The effect of these measures on the Group's profits for 2022 is estimated to be a reduction of around 15 million euro.

Outlook

The Iren Group's 2022 will be characterised by a solid acceleration in investments, they are expected to grow exponentially (+50%) compared to 2021, seizing multiple development opportunities that allow to anticipate part of what is planned in the Business Plan.

The Business Plan bases its rationale on three strategic pillars guiding investment choices: ecological transition, territoriality and quality of the services. Respectively, the objectives of the ecological transition are the progressive decarbonisation of all the activities and the strengthening of Group's leadership in circular economy; when it comes to territoriality, Iren aims at expanding the scope of activities in its principal places of business and to be the reference partner for local stakeholders; finally, with quality of service, Iren's goal is to improve network services performance as well as maximise customer satisfaction in all its businesses.

The Networks business unit's 2022 will be characterised by a decrease in the rate of return on invested capital (WACC) leading to a reduction in tariff revenue which, in turn, is offset by the increase in recent years' investments. The latter positively influences the returned invested capital. Among others, investments in the integrated water system favour the increase in purification capacity, the re-use of resources and reduce water losses thanks to a greater efficiency. In the electricity and gas distribution network, the goal is to increase the power supported by the first and make the second suitable for the distribution of hydrogen mixtures. Their final goal is to guarantee a better and better quality of the services.

With regard to the Environment business unit, the investments will be focused on the construction of waste treatment and disposal plants in addition to increasing the quality of the service by expanding door-to-door collection and punctual pricing. Such

investments, together with the extensive coverage of the waste cycle (from collection to treatment and disposal), will boost recovered material volumes.

When it comes to the Energy and Market business units, throughout 2022 the Group will continue to implement a series of actions aimed at mitigating the impact of energy price volatility thanks to a hedging policy that will stabilise the margins of the entire energy supply chain. The generation park facility will benefit from new production line of Turbigio thermoelectric plant but also from the consolidation of the recently acquired photovoltaic plants and, finally, from the organic development of new renewable capacity, encouraged by the growth of our customer base.

Finally, the Smart Solutions business unit, which will be mainly focused on the energy efficiency of buildings, will be able to seize the opportunities offered by government's incentives and to the development of electric mobility. Smart Solutions will act as the main interlocutor for public administrations to realise complex urban redevelopment projects.

Concerning the international geopolitical crisis that has arisen as a result of the Russia-Ukraine conflict, it is currently difficult and uncertain to assess the effects and consequences that could derive from its persistence. In this scenario, there are two main risks to be taken into account: commodity price volatility and the simultaneous inflationary effect. Iren monitors the evolution of the situation on a daily basis, defining possible risk scenarios for its activities and identifying mitigation actions.

In addition, to ease the impact of the increase in commodities prices, whose upward trend began in the fourth quarter of 2021, the government has already approved measures to thin the imbalance between the production and sale prices of both electricity and gas. According to initial estimates, such prices will have a limited impact on the Group's profitability.

Financial management

General framework

During 2021, the short-term part of the rate curve stabilised at a new low after the turbulence experienced in 2020 following the COVID-19 pandemic events. The medium/long-term portion of rates was subject to several bullish movements recorded in the first quarter, after the summer period and, more decisively, from December 2021.

The European Central Bank has kept rates unchanged since March 2016, with the reference rate at 0%. An examination of the six-month Euribor rate shows that the rate, in heavily negative territory, is at a level of -0.48%.

The quotations of fixed rates, reflected in the values of the IRS, following the upward movements returned to positive territory for all medium and long-term maturities, reaching levels not recorded since the beginning of 2019.

Activities performed

During 2021, activities aimed at consolidating the financial structure of the Iren Group continued. Changes in financial requirements are monitored through careful planning, which makes it possible to forecast the need for new resources, taking into account the repayments of outstanding loans, changes in debt, investments, the trend in working capital and the balance of short-term and long-term sources.

The organisational model adopted by the Iren Group, with the goal of financial optimisation of the companies, entails cash pooling with the parent, non-current loans and financial risk monitoring and management. Iren has relationships with leading Italian and international banks, for the purpose of procuring the types of loans best suited to its needs and at the best market conditions.

With reference to the transactions carried out in 2021, it should be noted that in March, the first tranche equal to 5 million euro of the 80-million-euro loan of the CEB (Council of Europe Development Bank), signed in May 2020 to support the water infrastructure investment plan, was drawn down.

Direct loans with EIB and CEB, with a duration of up to 16 years, not used and available, amount to a total of 295 million euro.

As reported in "Significant events of the year", with regard to market transactions, as part of the Euro Medium Term Notes (EMTN) programme of 4 billion euro, in October a TAP issue was finalised, placed within the fourth Green Bond issue, for an amount of 200 million euro, with gross annual coupon of 0.25% and maturity on 17 January 2031. The security has a BBB Fitch rating and is listed on the regulated market of the Irish stock exchange, where the prospectus was filed, and on the ExtraMOT market of the Italian Stock Exchange.

In order to optimise the Group's financial structure, the Liability Management activity continued and in June the voluntary early repayment of loans in the parent's portfolio was carried out for a total of 35 million euro.

Within the Group, the consolidated exposure decreased due to the early repayment of the Scarlino Energia, Alfa Solutions (formerly Studio Alfa) and Nove loans for a total of 18 million euro; the Futura mortgage, consolidated from the end of March 2021, amounting to 21 million euro, was extinguished early in April, together with the related interest rate risk hedges.

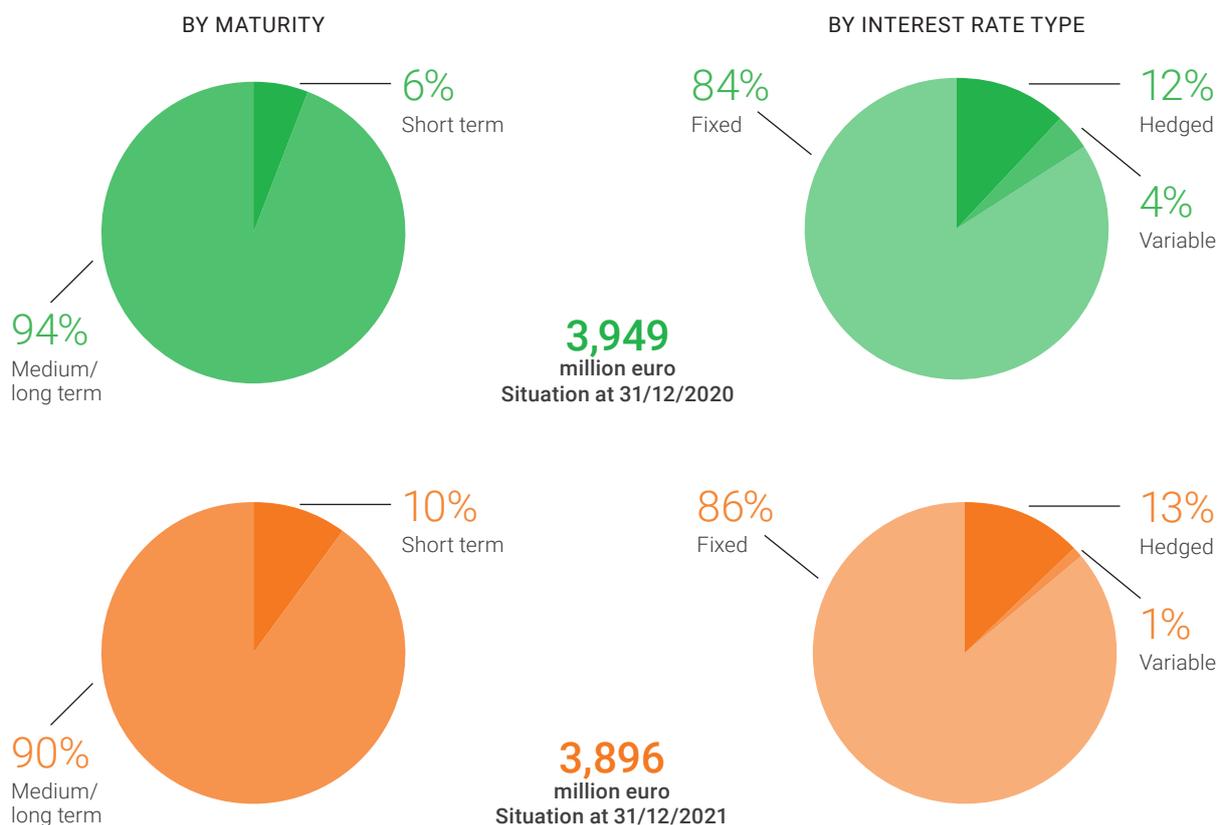
Financial debt from loans, which does not include financial liabilities recognised in accordance with IFRS 16, consisted of 14% loans and 86% bonds at the end of the year.

As regards financial risks, the Iren Group is exposed to various types of risk, including liquidity risk, interest rate risk, and currency risk. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit risks of fluctuations in the interest rate. No new Interest Rate Swap contracts were entered into during the year.

At the end of the year, the portion of floating rate debt not hedged by derivatives was equal to 1% of financial debt from loans, in line with the Iren Group's objective of maintaining adequate protection from significant increases in interest rates.

Overall, the activity carried out is aimed at refinancing debt with a view to improving the financial structure, structurally reducing the cost of capital and extending the average duration of financial debt.

The composition of financial debt from loans by maturity and rate type, compared with the situation at 31 December 2020, is shown in the chart below.



Rating

On 09 December 2021, the Standard & Poor's rating agency assigned, for the first time to the Iren Group, its long-term credit rating at the "BBB-" level with a "Positive" outlook. The same rating is also given to senior unsecured debt.

The "Investment Grade" rating from a second agency, after Fitch, expresses the Group's solid positioning in Italy, with a wide diversification of activities especially in regulated sectors and a significant territorial presence. Capital expenditures under the new Business Plan, primarily targeting organic growth and energy transition, combined with an expected continued improvement in credit metrics, support the "positive" outlook. From a financial point of view, the rating level assigned also expresses the Group's good liquidity profile.

Also in this context, on 22 December, the agency Fitch confirmed its "BBB" rating for Iren with a "Stable" outlook. This assessment is also based primarily on an analysis of the Business Plan to 2030, with particular reference to the investments planned in relation to the financial structure. The maintenance of a business portfolio consisting mainly of regulated and semi-regulated activities, the creation of value and the stability guaranteed by the integration of the various businesses are elements considered positive by the rating agency, together with the Group's liquidity profile.

To support the liquidity profile of the Group and the rating, Iren has the aforementioned medium/long-term credit lines agreed and available but not used for 295 million euro, which are in addition to current liquid assets.

Risks and uncertainties

The management of corporate risks is an essential component of the Internal Control System of the Corporate Governance of a listed company, and the Corporate Governance Code of Borsa Italiana assigns specific responsibilities on this aspect. The Enterprise Risk Management model operative within the Group includes the methodological approach to integrated identification, assessment and management of the Group risks.

For each of the following risk types:

- Financial Risks (liquidity, interest rate, currency);
- Credit Risk;
- Energy Risks, attributable to the procurement of gas for thermoelectric generation and to the sale of electricity, heat and gas, and to the hedging derivative markets;
- Cyber Risks, linked to potential events related to the loss of confidentiality, integrity or availability of data or information after which negative impacts on the organisation, people, operations or other organisations could derive;
- Risks from Climate Change, which include risks due to the transition to a low carbon dioxide emission economy (transition risks) and risks of a physical nature (physical risks) that may result from catastrophic environmental events (acute risks) or from medium- to long-term changes in environmental patterns (chronic risks);
- Tax risks, associated with potential transactions carried out in violation of tax regulations or in contrast with the principles or purposes of the tax system;
- Operational risks, associated with asset ownership, involvement in business activities, processes, procedures and information flows.

Specific “policies” have been defined with the primary goal of fulfilling strategic guidelines, organisational- managerial principles, macro processes and techniques necessary for the active management of the related risks.

The Group’s Enterprise Risk Management model also

regulates the roles of the various parties involved in the risk management process, which is governed by the Board of Directors, and calls for specific Commissions to manage the financial, IT, credit, energy and climate risks.

The Cyber Risk Policy, the Climate Change Risk Policy and the Tax Control Model were adopted in 2020 following the approval of the Board of Directors of Iren S.p.A., while the other Policies have undergone some substantial revisions over time to adapt them to the current organisational models and to the evolution of risk factors.

As the Iren Group pays particular attention also to maintaining trust and a positive image of the Group, the Enterprise Risk Management model manages also “reputational risks”, which relate to the impacts on stakeholders of any malpractices.

The Risk Management department, reporting to the Deputy Chairperson, is present within the Group. This department is entrusted, among other things, with the following activities:

- verification of the integrated management of the Group’s Enterprise Risk Management (ERM) System: methodological approach, definition of policies and monitoring of the System;
- stipulation and management of insurance policies in conjunction with the CEO and with the support of the “Procurement, Logistics and Services”, and “Legal Affairs” functions.

A periodic assessment process is also in place with regard to adverse events in the various sectors and across all the Group’s areas in order to circumscribe their causes and implement the most suitable methods for preventing and/or limiting the impacts of the events.

Details of the active management methods within the Group are provided below for the different types of risk.

1) FINANCIAL RISKS

The Iren Group’s business is exposed to various types of financial risks, including: liquidity risk, currency risk and interest rate risk. As part of its Risk

Management activities, the Group uses non-speculative hedging contracts to limit currency risk and interest rate risk.

a) Liquidity risk

Liquidity risk is the risk that financial resources available to the company will be insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines.

The procurement of financial resources has been centralised in order to optimise their use. In particular, centralised management of cash flows in Iren makes it possible to allocate the funds available at the Group level according to the needs that from time to time arise among the individual companies. Cash movements are recognised in intra-group accounts along with intra-group interest income and expense.

A number of investees have an independent financial management structure in compliance with the guidelines provided by the parent.

b) Currency risk

Except as indicated in the section on energy risk, the Iren Group is not significantly exposed to currency risk.

c) Interest rate risk

The Iren Group is exposed to interest rate fluctuations especially with regard to the measurement of borrowing costs. The Iren Group's strategy is to limit exposure to the risk of interest rate volatility, maintaining at the same time a low cost of funding.

Compliance with the limits imposed by the Policy is verified during the Financial Risk Commission meetings with regard to the main metrics, together with analysis of the market situation, interest rate trends, the value of hedges and confirmation that the conditions established in covenants have been met.

2) CREDIT RISK

The Group's credit risk is mainly related to trade receivables deriving from the sale of electricity, district heating, gas and the provision of energy, water and waste management services. The receivables are spread across a large number of counterparties, belonging to non-uniform customer categories (retail and business customers and public bodies); some exposures are of a high amount and are constantly monitored and, if necessary, covered by repayment plans. The Iren Group's Credit Management units

devoted to credit recovery are responsible for this activity.

In carrying on its business, the Group is exposed to the risk that assets may not be honoured on maturity with a consequent increase in their age and in insolvency up to an increase in assets subject to arrangement procedures or unenforceable. Among other factors, this risk is also affected by the economic and financial situation, which in the second half of 2021, led to a particularly significant increase in prices for end customers of gas, electricity and district heating. To limit exposure to credit risk, a number of tools have been activated. These include analysing the solvency of customers at the acquisition stage through careful assessment of their creditworthiness, transferring the receivables of discontinued and/or active customers to external credit recovery companies and introducing new recovery methods for managing legal disputes. In addition, methods of payment through digital channels are offered to customers.

The credit management policy and creditworthiness assessment tools, as well as monitoring and recovery activities differ in relation to the various categories of customers and types of service provided.

Credit risk is hedged, for some types of business customers, with opportune forms of first-demand bank or insurance guarantees issued by subjects of leading credit standing and with credit insurance for the reseller customer segment.

An interest-bearing guarantee deposit is required for some types of services (water, natural gas, highly-protected electricity sectors) in compliance with regulations governing these activities. This deposit is reimbursed if the customer uses payment by direct debit from a current account.

The payment terms generally applied to customers are related to the legislation or regulations in force or in line with the standards of the free market; in the event of non-payment, default interest is charged for the amount indicated in the contracts or by the legislation.

The loss allowance reflects, carefully and in accordance with the current legislation (applying the IFRS 9 method), the effective credit risks, and is determined on the basis of the extraction from databases of the amounts making up the receivable and, in general, assessing any changes in the said risk compared to the initial measurement and, in particular for trade receivables, estimating the related

expected losses determined on a prospective basis, taking into due consideration the historical data. With regard to the emergency caused by Covid-19, and with specific reference to the possible liquidity difficulties of the customer portfolio linked to the measures to combat the pandemic and the regulatory and corporate measures to mitigate the economic and social impact of the crisis, the Group adjusted the loss allowance based on the assessment of expected losses.

The control of credit risks is also strengthened by the monitoring and reporting procedures, in order to identify promptly possible countermeasures.

In addition, on a quarterly basis, the Risk Management Department collects and integrates the main data regarding the evolution of the Group companies' trade receivables, in terms of type of customers, status of the contract, business chain and ageing band. The assessment of credit risk is carried out both at the consolidated level and at the level of Business Units and companies.

Some of the above assessments are carried out at intervals of less than three months or when there is a specific need.

3) ENERGY RISK

The Iren Group is exposed to price risk on the energy commodities traded, these being electricity, natural gas, environmental emission certificates, etc., as both purchases and sales are impacted by fluctuations in the price of such commodities directly, or through indexing formulae. Exposure to currency risk, characteristic of oil-based commodities, exists, but is residual thanks to the development of the European organised markets that trade the gas commodity in euro and no longer indexed to oil products.

The Group's policy is oriented to a strategy of active management of the positions to stabilise the margin taking the opportunities offered by the markets; it is implemented by aligning the indexing of commodities purchased and sold, through vertical and horizontal use of the various business chains, and operating on the financial markets.

For this purpose, the Group plans the production of its plants and purchases and sales of energy and natural gas, in relation to both volumes and price formulae. The objective is to achieve sufficient margin stability through a policy of indexed purchases and sales that achieves a high degree of natural hedging, with adequate recourse to futures and spot markets.

For a more detailed analysis of the risks dealt with up to now, reference should be made to the paragraph "Group Financial Risk Management" in the Notes.

4) CLIMATE CHANGE RISKS

The Iren Group has included in the Enterprise Risk Management system a Policy dedicated to climate change risks, which are becoming increasingly important for organisations. Moreover, they affect the health of the planet, with estimates of significant effects already in the medium term. All companies, and in particular those operating in significantly exposed sectors such as the Iren Group, must consider the analysis of climate change risks as an emerging and determining factor in the definition of their medium and long-term strategies.

The adoption of the Climate Change Risk Policy and the resulting risk analysis and management represent the preliminary steps in a process that will enable the Group to provide even more effective control over its exposure to damaging events and the opportunities that the external context and its changes may offer, as well as its contribution to the achievement of sustainable development objectives defined at national and international level.

The Policy analyses and regulates, focusing on the applicability to the individual Business Units, the risk factors related to climate change, distinguishing between physical risks and transition risks. Physical risks resulting from changing climatic conditions are divided into acute physical risks - if related to local catastrophic natural events (e.g. floods, heat waves, fires, etc.) - and chronic physical risks - if related to long-term climate change (e.g. global warming, rising sea levels, water scarcity, etc.).

The transition to a low-carbon economy could entail extensive changes in government policies, with consequent regulatory, technological and market changes. Depending on the nature and speed of these changes, transition risks may result in a varying level of financial and reputational risk for the Group.

The Policy requires the presence of a Risk Commission to periodically review the Group's risk profile, defining and proposing updates to the Chief Executive Officer on strategies for managing risk classes and reporting any emerging critical issues to the Executive Bodies. The document also includes guidelines for reporting, aimed at ensuring transparency of information to all stakeholders.

As part of the Climate Change Risk Management Policy, in 2021 the Iren Group began implementing a tool that supports strategic decision-making. This tool has seen the development of a model based on three time horizons (2030, 2040 and 2050), identified in line with the objectives of the Group's Strategic Plan and Sustainability Plan, and on the use of climatic and socio-economic scenarios necessary to define evolution scenarios of the main quantities underlying the analysis.

Climate data are based on scenarios published by the *International Panel on Climate Change* (IPCC), the so-called *Representative Concentration Pathways* (RCPs) where the number associated to each RCP indicates the "strength" of climate change generated by human activity by 2100 compared to the pre-industrial period.

The climate scenarios taken into consideration in the analysis are the RCP 2.6 scenario (~+1.5°C considered by the Iren Group), which envisages a strong mitigation aimed at keeping global warming below 2°C compared to pre-industrial levels with the simultaneous achievement of the targets defined by the Paris Agreement, and the RCP 8.5 (~+4°C considered by the Iren Group), (commonly associated with the expression "Business-as-usual", or "No mitigation"), which does not envisage the adoption of any particular countermeasures and a growth in emissions at current rates.

Socio-economic data, on the other hand, are primarily based on the *Sustainable Development Scenario* (SDS) and *Stated Policies Scenario* (STEPS) scenarios from the *World Energy Outlook* (WEO) published by the *International Energy Agency*. The model allows to quantify the variation of the economic-financial variables, through specific KPIs, for those assets that are potentially more exposed to climate change risks.

The application of the model showed that the actions introduced in the 2021-2030 Business Plan, in which asset-specific investments are outlined, have a mitigating effect on the impacts of climate change on the activities of the Iren Group. Mitigation actions of a strategic nature, linked to investments, are flanked by others of an operational and insurance nature.

During 2022, the assessment model will be completed, including all the most significant plants for the risk under consideration, paying particular attention to new regulatory and climate scenarios.

5) TAX RISKS

The Iren Group has adopted a specific internal control and tax risk management system, understood as the risk of operating in violation of tax regulations or in contrast with the principles or aims of the legal system.

The tax risk control and management system, the "Tax Control Framework" (hereinafter "TCF"), enables the Group to pursue the objective of minimising its exposure to tax risk by identifying, updating, assessing and monitoring tax-related governance, processes, risks and controls.

The Group is committed to managing its tax affairs in accordance with all applicable laws and regulations.

For this reason, Iren has adopted the TCF as an internal control system that defines the governance for the management of taxation and related risk in line with the principles of the company strategy and, in particular, the Tax Strategy.

The Tax Control Framework adopted consists of a set of rules, guidelines, tools and models aimed at supporting the Group's employees in carrying out their daily activities, ensuring consistency on relevant tax matters.

Therefore, the TCF's structure provides for the presence of two pillars that outline its operating scheme: the Tax Strategy and the Tax Compliance Model.

The Tax Strategy defines the objectives and the approach adopted by the Group in managing the tax variable. The purpose of this document is to establish the Principles of conduct in tax matters in order to i) contain tax risk due to exogenous and endogenous factors, and ii) continue to guarantee over time the correct and timely determination and settlement of taxes due by law, and the performance of related obligations. The Tax Strategy has been approved and issued by the Board of Directors of Iren S.p.A.

The Tax Compliance Model is an element of the Internal Control and Risk Management System. This document contains the detailed description of the phases comprising the risk assessment, control and periodic monitoring processes carried out by Iren, and the subsequent reporting on tax issues to the Chief Executive Officer and the other relevant bodies and functions. It also aims to summarise the main responsibilities assigned to the various functions involved in tax-relevant processes. The Tax Compliance Model is prepared by the Tax and Compliance

Function and is ultimately approved by the Board of Directors of Iren S.p.A.

The project for the creation of a TCF aligned with the best practices in the matter took shape with the presentation by Iren S.p.A. and Iren Energia of the application for access to the Collaborative Compliance institution, a regime between the Tax Authority and the large companies introduced by Legislative Decree No. 128 of 5 August 2015 in order to promote the implementation of enhanced forms of communication and cooperation based on mutual trust between tax authorities and taxpayers, and to encourage, in the common interest, the prevention and resolution of tax disputes. The preliminary investigation for admission was successfully concluded in December 2021 with the admission of the two companies.

6) OPERATIONAL RISKS

This category includes all the risks which, in addition to those already noted in the previous paragraphs, may influence achievement of the targets, i.e. relating to the effectiveness and efficiency of business transactions, levels of performance, profitability and protection of the resources against losses.

The Group's Enterprise Risk Management model has as its objective the integrated and synergistic management of risks.

The process of managing the Group's risks entails that, for each business line and operating area, the activities performed are analysed and the main risk factors connected with achievement of the objectives are identified. Following the identification activity, the risks are assessed qualitatively and quantitatively (in terms of magnitude and probability of occurrence), thus making it possible to identify the most significant risks. The analysis also involves an assessment of the current and prospective level of control of the risk, monitored by means of specific key risk indicators.

The above stages make it possible to structure specific treatment plans for each risk factor.

Along all the management phases, each risk is subjected on a continuous basis to a process of control and monitoring, which checks whether the treatment activities approved and planned have been correctly and effectively implemented, and whether any new operational risks have arisen. The process of managing operational risks is associated with a comprehensive and structured reporting system for presenting the results of the risk measurement and

management activity. Each process stage is performed in accordance with standards and references defined at Group level. The Group's risk position is updated at least quarterly, indicating the extent and level of control of all risks monitored, including financial, IT, credit and energy risks. The risk reporting is sent to the top management and to the risk owners, who are involved in the management activity. The risk analysis also supports the preparation of planning tools.

In this regard, Iren has equipped itself with a very detailed risk map that corresponds to the reality of the Group, with qualitative and quantitative assessments of each individual risk and with details of the controls and mitigation actions in place or planned. The identified risks have been associated with the ESG (Environmental, Social and Governance) category to which they belong. It is noted that for each risk it was verified whether and how it had been impacted by Covid-19.

Of particular note are:

a) Legal and regulatory risks

The legislative and regulatory framework is subject to possible future changes, and therefore is a potential risk. In this regard departments operate, reporting directly to the Chief Executive Officer, dedicated to continual monitoring of the relevant legislation and regulations in order to assess their implications, guaranteeing their correct application in the Group.

b) Plant-related risks

As regards the amount of the Group's production assets, plant-related risks are managed with the approach described above in order to correctly allocate resources in terms of control and preventive measures (preventive/predictive maintenance, control and supervisory systems, emergency and continuity plans, etc.). For the most important plants the Risk Management Department periodically conducts surveys, from which it can accurately detail the events to which such plants could be exposed and consequent preventive action. The risk is also hedged by insurance policies designed considering the situation of the single plants.

c) IT Risks

Cyber risks are defined as the set of internal and external threats which can compromise business continuity or cause civil liability damage to third parties in the event of loss or disclosure of sensitive

data. From an internal point of view, the operational risks regarding information technology are closely related to the business of the Iren Group, which operates network infrastructures and plants, including through remote control, accounting operational management and invoicing systems and energy commodity trading platforms. The Iren Group is, in fact, one of the leading Italian operators on the Power Exchange and any accidental unavailability of the system could have considerable economic consequences, connected with the non-submission of energy sale or purchase offers. At the same time, problems related to supervision and data acquisition on physical systems could cause plant shutdowns and collateral and even serious damage. A breakdown of invoicing systems could also determine delays in issuing bills and the related collections, as well as damage to reputation.

To mitigate such risks, specific measures have been adopted, such as redundancies, highly-reliable systems and appropriate emergency procedures, which are periodically subject to simulations, to ensure their effectiveness. The Iren Group is also exposed to the risk of cyber attacks aimed both at acquiring sensitive data and at stopping operations, causing damage to plants and networks and compromising service continuity. Market benchmarks also show that attacks aimed at acquiring companies' and third-party data are increasingly frequent, with consequent civil liability and sanctions, including serious ones, and at acquiring industrial secrets. In this regard:

- the data network was further segregated according to functional usage, especially by isolating the OT network;
- the Security Operation Center (SOC) is active with 24 hour monitoring of IT security events;
- policies were adopted to strengthen access to systems such as, in addition to the introduction of particularly complex passwords, the introduction of the second authentication factor and a platform for controlled and monitored access by system administrators. Adoption of systems with behavioural analytics capabilities and automated, remote response execution for workstations was completed;
- The Cyber Threat Intelligence (CTI) platform, aimed at acquiring evidence of attackers and threats potentially impacting corporate assets has been fully integrated with the monitoring and event management systems of IT security;

- a multi-year project was launched to raise awareness of IT security issues for all Group employees; this programme is based on phishing simulation campaigns, assessment questionnaires and targeted online training modules.

In addition, the Group Cyber Risk Policy is in force, approved by the Board of Directors of Iren S.p.A., which - like the other main risk policies - provides for the convening of specific Risk Commissions, the monitoring of performance indicators and dedicated reporting.

The operational risk management process also aims at optimising the Group's insurance programmes.

7) STRATEGIC RISKS

In the development of the new 2030 Business Plan, the Group has structured three distinct areas of analysis: a qualitative-quantitative risk assessment, a specific focus on investments and a focus on climate change risks.

The qualitative risk assessment was based on an analysis of industry trends, the Group's exposure to related strategic risks and the related ability of the Business Plan to mitigate these risks. Consequently, for the risk categories and related elementary risks mapped as part of the Group's Risk Map, a detailed analysis of the quantitative drivers relating to the risks with an impact in the years of the Plan was carried out. Once these risks have been identified, the relative impacts, probability of occurrence and mitigation actions have been quantified in order to quantify both the inherent and residual risk value. This assessment led to the enhancement of the Plan's stress test and related rating indices.

With regard to the analysis of the Plan's investments, identifying both the capital expenditures with a mitigating effect on risks and those whose implementation may represent a possible source of risk, with possible repercussions in economic and financial terms (so-called "execution risks").

Finally, an analysis of the risk factors from climate change impacting the Group was carried out, with modelling of the most significant assets and risk factors for different energy scenarios and time horizons. Model results were analysed and investments to mitigate climate change risks were evaluated.

In addition to the risk analysis associated with the Plan, the Risk Management Department contributes risk assessments specific to mergers & acquisitions and the main strategic plans concerning the Group.

Transactions with related parties

The Procedure on Related Party Transactions (“RPT Procedure”) in force since 1 July 2021 is published on Iren’s website (www.gruppoiren.it) and was approved by the Board of Directors on 28 June 2021, subject to the favourable opinion of the Related Party Transactions Committee (“RPTC”, entirely composed of Independent Directors).

Until 30 June 2021, the RPT Procedure approved by the Board of Directors on 30 June 2019 remained in force, again subject to the favourable opinion of the RPTC.

The above documents, in their versions in force from time to time, have been prepared in implementation of:

- the provisions regarding transactions with related parties set forth in article 2391-bis of the Italian Civil Code, as most recently amended by Legislative Decree No. 49 of 10 May 2019, concerned with *“Implementation of Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement”*;
- the Regulation containing provisions on related party transactions, adopted by Consob by Resolution No. 17221 of 12 March 2010 and subsequent amendments and additions (“Consob Regulation”), in the version in force from time to time, taking into account the indications of Consob Communication no. DEM/10078683 of 24 September 2010 (“Consob Communication”); in particular, the update of the RPT Procedure by the parent’s Board of Directors on 28 June 2021, effective as of 1 July 2021, incorporates the amendments made by Consob Resolution No. 21624 to the text of the Consob Regulation, also effective as of the same date;
- the provisions of Article 114 of Legislative Decree No. 58 of 24 February 1998 (“Testo Unico della Finanza”/ TUF - Consolidated Law on Finance) and the provisions of Regulation (EU) no. 596/2014 on market abuse.

The corporate documents adopted in accordance with the legislation on transactions with related parties, defined in coordination with the provisions of the administrative and accounting procedures pursuant to Art. 154-*bis* of the TUF, aim specifically:

- (i) to regulate the performance of transactions with related parties by Iren, directly or through subsidiaries, identifying internal procedures and rules capable of ensuring the substantial and procedural transparency and correctness of such transactions, and
- (ii) establish the methods for fulfilling the related disclosure obligations, including those provided for in legal and regulatory measures in force and applicable.

These, very briefly, provide for:

- a) the identification of the scope of related parties as per the IFRS adopted in accordance with the procedure set out in section 6 of Regulation (EC) 1606/2002 in the version in force at the time;
- b) the definition of a “related party transaction”;
- c) the identification of cases of exclusion and of transactions “for small amounts”;
- d) the procedures applicable to minor and major transactions, as the case may be;
- e) the persons responsible for the paperwork on related party transactions;
- f) the transactions on which the Shareholders must resolve;
- g) forms of disclosure and information flows.

Iren and its subsidiaries carry out transactions with related parties in accordance with the principles of transparency and fairness. These transactions mainly concern services provided to customers in general (gas, water, electricity, heat, etc.) or following concessions and awards of services, in particular for the

waste management sector, and are governed by the contracts applied in such situations.

Where the services provided are not the above, the transactions are governed by specific agreements whose terms are established, where possible, in accordance with normal market conditions. If these references are not available or significant, the contractual conditions are defined also in consultation with independent experts and/or professionals.

Information on financial and economic transactions with related parties is included in the Notes to the Consolidated Financial Statements in sections "VI. Information on transactions with related parties" and "XII. Annexes to the Consolidated Financial Statements", an integral part thereof.

As specified above, with a resolution adopted on 28 June 2021, effective as of 1 July 2021, the parent's Board of Directors approved an update to the RPT Procedure, implementing the amendments made by Consob Resolution No. 21624 to the text of the Consob Related Parties Regulation.

The main changes made concern in summary:

- i. in art. 3.1, the notion of Related Party, which, as of the effective date referred to above, is aligned with the IFRS in force from time to time (in particular, IAS 24);
- ii. in art. 3.2, the notion of Related Party Transaction, with a view to aligning it with the IFRS and, in particular, with IAS 24;
- iii. in art. 3.3.1, the introduction of a new definition regarding the Directors involved in the Transaction, who are required to abstain from voting on the Transaction itself, both for Immaterial Transactions and Material Transactions;
- iv. in art. 3.3.5, a better illustration of the Conditions that can be considered equivalent to Market or Standard Conditions, identified in the participation in tenders in certain hypotheses identified by the Procedure;
- v. in art. 6.2, the introduction of an information flow to the Committee with respect to exemptions;
- vi. in articles 9 and 10, (a) the specification that the opinion issued by the Committee is to be understood as a separate document from the minutes of the meeting; (b) the reinforcement of the checks by the Committee regarding the independence of the experts appointed to support the examination of the Transaction;
- vii. in art. 14.5, the provision for the involvement of the Committee, at least on an informational basis, with regard to Ordinary Material Transactions and those concluded at Conditions equivalent to Market or Standard Conditions.

Legislative and regulatory framework

The main legislative and regulatory measures in 2021 with the greatest impact for the businesses managed by the Iren Group are shown below.

European framework

“EU Taxonomy” Regulation 2020/852

Regulation (EU) 2020/852 (“EU Taxonomy Regulation”), which entered into force on 12 July 2020, is part of a series of measures aimed at creating a sustainable financial ecosystem in line with the objectives of the Green Deal. In particular, the EU Taxonomy is a transparency tool, intended for companies and investors, based on scientific criteria of technical screening that establish whether a given activity can be classified as “environmentally sustainable”.

The delegated regulation on climate change was adopted on 4 June 2021, while the adoption of the delegated regulations on the other environmental objectives of the EU Taxonomy was postponed until the first half of 2022.

The Taxonomy will be implemented gradually, with simplified reporting in 2022 (covering the 2021 financial year), partial reporting in 2023 (2022 financial year) - which implies the indication of the share of Turnover, Opex and Capex in line with climate change mitigation and adaptation criteria - and full implementation, covering all the environmental objectives of the Taxonomy, which will come into force in 2024 (2023 financial year).

Next Generation EU / National Recovery and Resilience Plan (PNRR)

Through Regulation (EU) 2020/2094 (Next Generation EU) and Regulation (EU) 2021/241 (Recovery and Resilience Facility), the European Union established the framework for the recovery of the economy following the Covid-19 pandemic. On 13 July 2021, the Council of the European Union approved the assessment of the Italian PNRR.

The measures in the Plan are structured around 6 tasks: 1. Digitalisation, innovation, competitiveness, culture and tourism; 2. Green revolution and ecological transition; 3. Infrastructure for sustainable mobility; 4. Education and research; 5. Cohesion and inclusion; 6. Health.

Italy is the first beneficiary, in absolute value, of the two main instruments of the NGEU, the Recovery and Resilience Facility (RRF), with an amount of 191.5 billion euro, and the Recovery Assistance Package for Cohesion and European Territories (REACT-EU), with an additional 13 billion euro. In addition to these resources, there are approximately 30.62 billion euro deriving from the Supplementary Fund, aimed at financing specific actions that supplement and complete the Plan through ordinary state resources. All interventions must be completed by 2026.

The action plan is accompanied by a package of structural reforms in the areas of simplification of authorisations, procurement code, justice, public administration and competition. The first piece of legislation adopted by the Government is the Simplification and Governance Decree (Decree Law no. 77 of 31 May 2021), which contains a series of measures aimed at simplifying the process of environmental authorisations.

Fit for 55 package

On 14 July 2021, the European Commission adopted the “Fit for 55” climate package, which makes legislative proposals to achieve the Green Deal goals by 2030. In particular, the reduction of greenhouse gas emissions by 55% compared to 1990 levels, with the aim of achieving “carbon neutrality” by 2050. The package contains 12 initiatives, both amendments to existing legislation and new proposals, including amending the Energy Efficiency Directive, revising the Renewables Directive, revising the Emissions Trading System, and the Strategic Implementation Plan to support the rapid deployment of an alternative fuels infrastructure.

Gas-Hydrogen Package and proposed Regulation to reduce methane emissions in the energy sector

On 15 December 2021, the EU Commission presented the gas-hydrogen package, which includes in particular a proposal for a regulation and a directive. These proposals aim to decarbonise gas consumption and propose the necessary measures to support the creation of optimal, dedicated infrastructure and efficient markets. The measures put out for consultation create the conditions for a gradual phase-out of natural gas, aiming to facilitate the penetration of renewable and low-carbon gases in the energy system. In parallel with the gas-hydrogen package, a proposal for a regulation to reduce methane emissions in the energy sector was submitted. The documents are in the consultation phase.

Directive (EU) 2020/2184 (in force since 12 January 2021) concerning the quality of water intended for human consumption for all countries of the EU

This Directive regulates the means available to Member States to introduce the necessary measures to provide water intended for human consumption that is healthy and clean, providing for this purpose very precise quality characteristics that meet the requirements set out in the Annex to the Directive.

The supply, treatment and distribution of water intended for human consumption must therefore be based on a risk assessment, with an approach covering the whole supply chain, from the catchment area to distribution.

Finally, the Directive highlighted the need to make consumers more aware of the implications of water consumption, requiring Member States to ensure that all users receive, periodically, certain information such as the volume consumed by the household, trends in annual household consumption and a comparison of the household's annual water consumption with the average consumption of a similar household.

National framework

Code on public contracts

Decree Law no. 77 of 31 May 2021, "Governance of the National Recovery and Resilience Plan and initial measures to strengthen administrative structures and speed up and streamline procedures" (Decree Law "Semplificazioni bis"), in force as of 1 June, and

the subsequent Law no. 108 of 29 July 2021, converting the decree itself, introduced various extensions and innovations regarding public tenders.

Specifically, the following are extended:

- the simplifications provided for by Decree Law no. 76/2020 for contractual determinations made by 31 December 2021 to 30 June 2023 (e.g. exemptions for contracts below the thresholds, simplified anti-Mafia checks, etc.);
- the exemptions introduced by Decree Law no. 32/2019 "Sblocca cantieri" to 30 June 2023;
- to 30 June 2023 the possibility of making changes also to projects subject to preventive archaeology, as well as the measure that allows for the approval of changes to final projects already approved by CIPE, without having to go through the latter again, if they do not exceed 50% of the value of the project.

The main amendments introduced by the conversion law are described below.

- the new thresholds for the direct awarding of contracts for works (150,000 euro) and services and supplies (139,000 euro) are confirmed until 30 June 2023. In relation to direct awarding, the identification of qualified economic operators must be guaranteed, for which the necessary application of the rotation criterion is reiterated.
- with regard to subcontracting, until 31 October 2021 the exemption that raised the limit on the subcontracting of services to 50% was applied, whilst from 1 November 2021 the new regulations no longer provide for a general limit but rather specific limitations introduced by the measure.
- with regard to the provisions that specifically regulate purchases falling wholly or partly within the scope of the funding established by the PNRR, measures are provided for allowing contracting authorities to include in the call for tenders bonus criteria designed to facilitate small and medium-sized enterprises in assessing the offer.

Law no. 106 of 23 July 2021 reintroduced into our legal system, albeit on an extraordinary and one-off basis, the revision of prices on a legal basis in public contracts, in order to deal with the exceptional increases in the prices of certain construction materials that occurred in the first half of 2021, setting up a special Compensation Fund of 100 million euro for this purpose. The institution applies to all contracts in progress as of 24 July 2021. This measure was

also extended to the second half of 2021 through the 2022 Budget Law.

2022 Budget Law - Law no. 234 of 30 December 2021 - State budget for the financial year 2022 and multi-year budget for the three-year period 2022-2024

The measure takes action on the following issues, among others:

- Energy Efficiency (Superbonus/Bonus): see specific paragraph in the section "Energy Efficiency";
- Environmentally friendly hydropower generation from aqueducts: see specific paragraph in the section "Water Service";
- Industry 4.0: with regard to the incentives provided by Plan 4.0, the tax credit for capital goods in Annexes A and B to the 2016 Budget Law are extended until 2025 with different articulations.
- high utility bills, replicated for the first quarter of 2022 some measures already introduced during 2021, such as:
 - application of reduced rates of the ASOS and ARIM components;
 - cancellation of the rates of the RE, RET, GS and GST components as well as the UG3 and UG3T components for all users in the gas sector;
 - application of reduced VAT of 5% to the supply of gas for civil and industrial use;
 - for domestic customers who find themselves in arrears, payment in instalments of their electricity and gas bills issued from January to April 2022, for a maximum period of 10 months and without interest.

Law no. 233 of 29 December 2021, converting, with amendments, Decree Law no. 152/2021 on the implementation of the National Plan for Recovery and Resilience (PNRR) and for the prevention of Mafia infiltration (Decree Law "Attuazione PNRR")

The measure takes action on the following issues, among others:

- implementation of PNRR projects (administrative simplifications): in particular, it is envisaged that the declaration of public utility of the work will be automatically recognised following the final determination of the Services Conference/Council of Public Works;
- greater protection: assignment times for the

Gradual Protection Service and provisions for sellers regarding vulnerable customers (see specific paragraph in the section on "Electricity");

- environment: a reduction in the time required for the Strategic Environmental Assessment procedure is envisaged;
- measures to support the development of renewable energy sources: accessibility to residual power quotas from the auctions of the Energy Services Operator (GSE) is extended.

Gas

Gas Energy Management

Resolution 134/2021/R/gas - Review of the processes for defining commercial relationships between balancing users and distribution users. Revision of the processes of conferring capacity at redelivery points on the transport network

Resolution 147/2019/R/gas had reformed the process of allocating capacity to gas transmission network exit points that feed into distribution networks (City Gate), effective 1 October 2020.

Resolution 134/2021 intervened on this matter, postponing the entry into force of the reform to 1 October 2022.

Gas Networks

Consultation Document 250/2021/R/gas - Natural gas infrastructures: pilot projects for management optimisation and innovative uses - Final guidelines

The regulator wants to promote actions to optimise distribution and transportation networks. The projects proposed by the operators will be evaluated by an independent Commission according to two macro-environments: the prospective dimension of energy, environmental and economic performance and the experimental dimension of the project. Full or partial coverage of costs will be through tariff and extra-tariff awards. The Authority has introduced an indicative ceiling for the extra-tariff contribution of no more than 35-40 million euro. The duration of the testing will be a maximum of three years and the Owner of the project will have to submit to ARERA appropriate monitoring reports of the activities.

Consultation Document 263/2021/R/gas - Smart metering gas: regulation of outputs and performance of the metering service and billing obligations - Final guidelines

Among the measures put out for consultation, the Authority provides for class G4/G6 smart meters to collect readings on a monthly basis. In addition, it introduces new compensation, both for end customers (G4/G6 class meters) and for sales companies (meters of class greater than or equal to G10 and meters of class less than G10 with AC greater than 5000 scm).

Resolution 512/2021/R/gas - Reorganisation of gas measurement activities at entry and exit points of the transmission network

The Authority approved the “*Regulation of the metering service on the natural gas transmission network (RMTG)*”.

The person in charge of the metering activity, i.e. the owner of the metering plant, is subject to minimum and optimal requirements in terms of plant engineering, performance and maintenance, which are relevant in case of non-compliance with the service quality standards. In fact, these standards are associated with a system of economic fees consistent with the costs to the transportation system generated by measurement errors. The fees will apply beginning in 2024.

Resolution 287/2021/R/gas and Determination DIEU 3/2021 - Criteria for the decommissioning of traditional meters replaced with smart meters and determination of the amount to recover lost depreciation on class G4/G6 meters

The measures define the operating procedures for recovering the residual depreciation resulting from the reduction of the useful life of traditional meters to fifteen years.

Electricity

Market

Decree Law Milleproroghe 2020

The Decree introduced amendments to the primary legislation (Competition Law No. 124/2017) concerning price protection. It established the postponement of the end of the protection period to 1 January 2021 for small and medium-sized businesses, and to 1 January 2022 for micro-businesses, and mandated the Ministry of Economic Development (MiSE) to establish by decree the measures to encourage the transition to the deregulated market in addition to defining the Sellers

List (parties authorised to sell electric power and natural gas).

Law no. 233 of 29 December 2021, converting, with amendments, Decree Law no. 152/2021 on the implementation of the National Plan for Recovery and Resilience (PNRR) and for the prevention of Mafia infiltration (Decree Law “Attuazione PNRR”)

The provision envisages that from 1 January 2023, on a transitional basis and pending the performance of the competitive procedures for the assignment of the graduated protection sales service, domestic customers will continue to be supplied via the protection service, in accordance with the guidelines defined by decree of MITE. ARERA is responsible for adopting the necessary provisions for the assignment of the service with gradual protections for domestic customers, through competitive procedures to be concluded by 1 January 2024, guaranteeing the continuity of supplies.

If, on 1 January 2023, the measures are not adopted as provided for in Legislative Decree no. 210/2021 for vulnerable customers aimed at aligning the prices applied to them with those of the wholesale market, the protection service will continue to be applied to these types of customers on the basis of the specific guidelines defined by MiTE decree.

The date of 1 January 2023 is confirmed for the transition to the free market of all micro-businesses with committed power less than or equal to 15 kW through the transition, also for these customers, to the service with gradual protections assigned by auction with procedures similar to those already governed by Resolution 491/2020/R/eel.

Resolution 491/2020/R/eel - Provisions for the provision of the gradual protection service for small enterprises in the electricity sector pursuant to Law No. 124 of 4 August 2017 (Annual market and competition law)

The resolution (as amended) substantially confirmed the approach envisaged during the consultation process. In the first phase of application (1 January 2021 - 30 June 2021) the Gradual Protection Service was temporarily entrusted to the local exercising higher protection that provided it according to methods defined by the Authority (contractual conditions similar to PLACET, financial terms and conditions calculated on ex-post PUN). In the second phase (1 July 2021 - 30 June 2024) the service is entrusted to operators selected through competitive procedures by means of double round auctions, with access to the second

round reserved for the two best bidders and with Cap and Floor for the assignment of lots of users in the SME segment divided into homogeneous territorial areas in terms of number, power used, and unpaid ratio. An antitrust cap exists on the volume that can be awarded (35% of the total amount in the tender).

In addition to SMEs, the service benefits all BTAU points with a power output of more than 15 kW (pursuant to Resolution 604/2020).

Resolution 32/2021/R/eel - Provisions relating to the mechanism for recognising general system charges not collected from end customers and already paid to the distribution companies

The measure outlines the criteria for compensating transmission users for the portion of charges paid but not collected to end customers and the related procedures for submitting the application to CSEA.

Charges are subject to recovery:

- not already the subject of other reintegration mechanisms;
- shown on invoices with payment deadlines that have expired for at least 12 months;
- for which the commercial counterparty has provided notice of default and at the same time has followed specific company procedures for the management of arrears and credit protection.

Access to the compensation mechanism may take place in two different ways: through the ordinary regime (where the user is required to indicate precisely the amount of uncollected charges relating to the period of reference of the request) or through the so-called simplified regime (where the amount of compensation is determined on the basis of the best estimate of uncollected charges to which a corrective discount of 25% is applied to their total). The offsets are disbursed on an annual basis with reference to the previous year's accrual; for the session relating to the 2021 annuity, provision has been made to also request the amounts of charges relating to the entire period between 1 January 2016 and 30 June 2020.

Legislative Decree No. 210 of 08 November 2021 implementing Directive (EU) 2019/944 (Market Directive)

The decree establishes common rules for the energy market and cross-border infrastructure, putting end users at the centre of it all.

The new directive introduces the possibility of maintaining, until 2025, price protection mechanisms for supplies to vulnerable customers (customers over 75 years of age and/or in a condition of economic or physical hardship and/or located in areas affected by calamitous events): each sales company with more than 200,000 users served is required to offer vulnerable customers who so request a supply of electricity at a price that reflects the price of energy in the wholesale market and with costs and contractual conditions defined and updated by ARERA. Regarding the freedom of choice of supplier, the directive provides for the possibility for end customers to sign a supply contract with any operator, even if operating in a different EU country; moreover, with a view to simplifying the entire process, by 1 January 2026 the directive provides for the possibility of concluding the switching operation within 24 hours of submission of the request.

In order to increase the capacity and participation of the end customer in energy markets with the aim of making final consumption more efficient, a number of new instruments are introduced: (i) "dynamic price" contracts (in which prices have hourly granularity and reflect the trend of spot markets); (ii) demand aggregation mechanisms (citizens' energy communities - CECs - aggregators) that make it possible to maximise participation in the market both from the point of view of the development of new shared plants and/or storage, and from the point of view of the provision of energy services to the system also in terms of balancing services.

Production

Decree Law no. 4 of 27 January 2022, published in Official Gazette no. 21 of 27 January 2022 (Decree Law "Sostegni Ter")

Title III of the Decree provides for "Urgent measures to contain electricity costs" through various interventions.

The first concerns the cancellation, for the first quarter of 2022, of the rates relating to general system charges applied to users with available power equal to or greater than 16.5 kW.

The second relates to the reduction of bills for energy-intensive businesses whose energy costs have undergone an increase in cost of more than 30 % relative to 2019, which are granted an extraordinary contribution to partially offset the higher charges incurred, in the form of a tax credit for 20% of the

expenses incurred for the energy component purchased in the first quarter of 2022.

The third section concerns the introduction of a cap on the selling price of electricity produced by renewable plants incentivised with mechanisms not linked to market trends. In particular, it provides for the application, as from 1 February 2022 and until 31 December 2022, of a two-way compensation mechanism on the price of energy, with reference to the electricity fed into the grid by photovoltaic plants with a capacity of more than 20 kW that benefit from fixed premiums deriving from the Energy Account mechanism, which do not depend on market prices, as well as on the electricity fed into the grid by plants with a capacity of more than 20 kW powered by solar, hydroelectric, geothermal and wind sources that do not have access to incentive mechanisms.

For this purpose, the GSE is responsible for calculating the difference between a reference price equal to the average of the hourly zonal prices recorded from the date on which the plant enters into operation until 31 December 2020 and the hourly zonal electricity market price. If the difference is positive, the Manager shall pay the relative amount to the producer. If negative, the GSE adjusts or requests the corresponding amounts from the producer.

The provisions do not apply to energy covered by contracts concluded prior to the date on which the decree came into force, provided that they are not linked to price trends on the energy spot markets and that, in any event, they are not entered into at an average price 10% higher than the average value previously mentioned.

Terna Pilot Projects

In implementation of ARERA Resolution No. 300/2017/R/eel, Terna launched a series of pilot projects aimed at expanding the number of resources admitted to participate in the market for dispatching services.

Following approval by the Authority (with Res. 215/2021/R/eel), Terna also published the documentation needed to start the pilot project for the provision of the secondary frequency/power regulation service.

Resolution 218/2021/R/eel and Terna Grid Code update

The resolution approves the changes to Terna's Grid Code and amends Annex A to the Res. 111/06 to

regulate issues related to the new structure of the intraday market (MI), the new methods of coordination between the MI and the Dispatching Services Market (DSM) and the new price caps. In particular, the measure is functional to the implementation of the single coupling of the intraday electricity market.

Resolution 109/2021/R/eel - Regulation of the transport and dispatch of electricity withdrawn for subsequent feed-in to the grid

Resolution 109/2021/R/eel provides that, from 1 January 2022, withdrawals for subsequent feed-in from storage systems may be treated as negative energy input.

For the application of the new regulation, producers had to submit to the distributor an application (with a sworn expert's report) by 31 July 2021 (existing plants) or before the end of the connection process (new plants).

Resolution 560/2021/R/eel deferred from 2022 to 1 January 2023 the provisions of resolution 109/2021.

Hydroelectric concessions

Large hydroelectric derivation concessions

With reference to Regional Law Piedmont Region No. 26/2020 "Allocation of large derivations for hydroelectric use", issued in declared implementation of the new art. 12 of Legislative Decree No. 79/1999, as amended by art. 11 quater of Decree Law No. 135/2018 converted into Law No. 12/2019, which introduced the regulation of the annual fee for Large Derivation concessions for hydroelectric purposes applicable from 2021, the appeal by the Government before the Constitutional Court is still pending.

Regional Regulations No. 5/R (regulation of fees) and No. 6/R (obligation to supply energy free of charge from large hydroelectric derivation plants) of 18 December 2020 were published. They were issued in implementation of article 21 of RL 26/2020.

Small hydroelectric derivation concessions

In 2021, the Metropolitan City of Turin, noting a lack of complete regulatory compliance in the Decree Law "Semplificazioni", submitted a question to the AGCM, believing, in particular, that art. 12 of the Services Directive should be applied to small derivations and that therefore they should be renewed through a competitive procedure.

In Opinion No. AS1780, published in Bulletin No.

32/2021 of 09 August 2021, the Authority confirmed the applicability of Article 12 of the Services Directive, and therefore the need for a competitive procedure, also in the matter of renewal of concessions of small hydroelectric derivations and has underlined the irremediable opposition with this provision of the rules of domestic law which, on the contrary, provide for automatic renewal, such as article 30 of the Piedmont Region Regulation no. 10/2003 (the content of which is similar to article 28 of Royal Decree no. 1775/1933).

Electricity Networks

Determination 2/2021 and Consultation Document 515/2021/R/eel - Reactive Energy

The determination established the submission to ARERA of the 2017-2024 investment plan aimed at improving voltage and reactive energy control. In addition, Consultation 515/2021/R/eel, which proposed the completion of the tariff regulation of withdrawals and inputs of reactive energy, has recently concluded and provides:

- in the short term (from July 2022): introduction of fees for reactive energy fed into the F3 band only and a strong active involvement of end customers by the DSO;
- in the medium term (2023-2024): possible differentiated fees per geographical area and promotion of multi-DSO and DSO/user groupings on ancillary services to reduce reactive inputs, as well as exemption from fees in case of reactive investments on all primary substations.

Resolutions 279/2021/R/eel and 124/2021/R/eel - Changes to the tariffs of non-domestic low-voltage users

Extension until July 2021 of network tariff concessions and general charges for low voltage non-domestic customers with power over 3 kW.

Resolution 106/2021/R/eel - 2G commissioning plans for companies serving up to 100,000 users

Resolution 106/2021/R/eel has provided - for distribution companies serving up to 100,000 users - the installation from 2022 of only 2G smart meters. The unit cost recognised is 145 euro/2G and will be recognised over 15 years in decreasing instalments.

Resolution 201/2021/R/eel - IRETI 2G commissioning plan

With resolution 201/2021/R/eel, ARERA approved the commissioning plan of the 2G smart metering systems presented by IRETI, agreeing to the start-up of the massive phase in the 2nd half of 2021, confirming the expected expenditure admitted to the recognition of capital costs in line with that planned by the Company (129.2 euro/2G).

Resolutions 63/2021/R/com, 257/2021/R/com, 396/2021/R/com and 635/2021/R/com - New regulations for bonuses for economic hardship and supplementary social bonuses

As of 1 January 2021, all social bonuses for economic hardship (electric, gas, water) were automatically recognised to citizens/families who were eligible for them for the entire period of the bonus. Effective 1 October 2021, an additional compensation component was introduced through 31 March 2022.

Energy efficiency

Superbonus and other building bonuses

Decree Law no. 77/2020 (so-called "Decreto Rilancio") and Budget Laws

The Decree provided for the increase of the deduction to 110% for expenses incurred from 1 July 2020 to 31 December 2021 for specific interventions (energy efficiency, seismic risk, installation of photovoltaic systems, installation of charging infrastructure for electric vehicles), with use of the deduction in 5 equal annual instalments or option for transformation into a tax credit or discount for the amount corresponding to the deduction.

The 2021 Budget Law provided for the extension of the measures until 30 June 2022 and, only for condominium owners that have completed at least 60% of the work by June 2022, until 31 December 2022.

The 2022 Budget Law then included the following provisions:

- Superbonus of 110% also extended for trailed works, with extension to the Third Sector, at the end of 2023 (reduction to 70% in 2024 and 65% in 2025) for works of condominium owners on common parts of condominiums and on apartments. For single-family units 110% superbonus extension to 31 December 2022, subject to carrying out works for at least 30% of the total by 30 June 2022 (based on the project status report);

- installation of photovoltaic systems: extension of the 110% deduction to 30 June 2022;
- updating of the reference for the primary energy conversion factors to be applied for the A.P.E. (energy performance certificate) annexed to the appraisal required to benefit from the Superbonus;
- deductibility of expenses for the issue of compliance statements and certifications/assessments. Deductions do not apply to interventions (i) of free building and (ii) of amount < 10 thousand euro, on single units or common parts, excluding interventions on building façades zone A or B;
- Ecobonus (energy efficiency and building renovation): extension of deductions to 31 December 2024;
- Façade bonus: remodulation from 90% to 60% on full 2022;
- extension of the option to transfer credit or discount on the invoice to 2025 for Superbonus, to 2024 for “ordinary” building interventions (Ecobonus, Sismabonus, renovations, façade bonus, installation of columns and photovoltaic panels);
- abrogation of Decree Law no. 157/2021 (Anti-fraud) with implementation of the text, including reference, pro appraisal congruity expenses, to the maximum values (MD MiTE approved on 14 February 2022).

District heating

Resolution 478/2020/R/tlr - Regulation of metering in the district heating and cooling service for the regulatory period 1 January 2022 - 31 December 2024

The resolution defines the regulation of the quality of measurement in district heating service, supplementing the regulation of the commercial quality of service, for the 1 January 2022 - 31 December 2024 regulatory period.

Resolution 463/2021/R/tlr - Provisions on connection fees and procedures for exercising the right of withdrawal for the second regulatory period

This is an update to the TUAR, the Consolidated law on connection fees, for the regulatory period 1 January 2022 - 31 December 2025.

Resolution 526/2021/R/tlr - Provisions on the commercial quality of district heating and cooling services for the second regulatory period

This is the update of the District Heating Commercial Quality Framework (RQCT) for the regulatory period 1 January 2022 - 31 December 2025.

Waste

Standard UNI/PdR 123:2021

Effective 16 December 2021, the standard covers a test method for determining the quality of organic waste to be recovered through anaerobic digestion and composting processes.

New technical annex Anci - Conai - Corepla on plastic packaging and ANCI-CONAI framework agreement

ANCI, CONAI and COREPLA, taking into account the changes made to Legislative Decree 152/2006 by the implementation of the European directive on waste and packaging, have signed the new Technical Annex (AT) for plastic packaging provided for by the Anci/Conai Framework Agreement 2020-2024. The Technical Annex shall be in force from 1 January 2021. The ANCI-Biorepack agreement was also signed.

Decree Law no. 41 of 22 March 2021 - Urgent measures in the field of support to businesses and economic operators, labour, health and territorial services, related to the COVID-19 emergency converted, with amendments, by Law No. 69 of 21 May 2021 (so-called “Decreto Sostegni”)

The measure, in addition to economic support measures, also includes important provisions regarding TARI and the deadline by which the choice of non-domestic users who produce urban waste to use the public service or the market must be made. The choice of non-domestic users must be communicated to the municipality, or to the waste service manager in the case of a paid tariff, by 30 June of each year, with effect from 1 January of the following year. For the year 2021 only, the choice had to be reported by 31 May effective 1 January 2022. An extension has been established for 2021 to 30 June for the approval by the Municipalities of the rates and regulations of the TARI and the corresponding tariff.

ARERA Resolution 363/2021/Rif - Update of the MTR for the second regulatory period (2022-2025)

The Authority approved the update of the Waste Tariff Method (MTR) for the II regulatory period (2022-2025), which also includes the tariff regulation of treatment plants. Key aspects include:

- the preparation of a four-year EFP and the extension of the mechanism of cost recovery adjustments;
- the introduction of an asymmetric tariff regulation of the treatment plants for residual urban waste (RUR) and organic fraction (OFMSW) that distinguishes the “minimum” plants, i.e. subject to tariff regulation at the gate from the “additional” ones, for which transparency obligations are envisaged.

To this end, the standard outlines to be used for preparation of the four-year EFP and the accompanying report were published, as well as some clarifications regarding MTR2 (Determination DRIF 2/2020).

Consultation documents 72/2021/R/rif and 422/2021/R/rif - First and final guidelines for the regulation of the quality of the management service for urban and assimilated waste

The consultation documents set out the general framework elements and guidelines that the Authority intends to follow in regulating the contractual and technical quality of the municipal waste management service, providing for its entry into force on 1 January 2023 (the final resolution - 15/2022/R/rif will be published in early 2022).

Ministry of Ecological Transition Circular No. 35259, 12 April 2021

The circular clarified some issues related to the application of the TARI following the enactment of Legislative Decree no. 116/2020. Among the various information provided by the Circular, it is clarified that industrial activities also produce urban waste, with consequent application of the TARI.

Decree Law no. 73 of 25 May 2021 (“Decreto Sostegni bis”)

The decree contains various provisions on environmental matters, including: the extension to 1 January 2022 of the provisions on the tax for plastic products with a single use, known as the plastic tax, and concessions relating to the TARI.

Decree Law no. 77 of 31 May 2021 on “Governance of the national recovery and resilience plan and initial measures to strengthen administrative structures and accelerate and streamline procedures” (the so-called “DL Semplificazioni”)

Title 1 is dedicated to the “ecological transition and speeding up of environmental and landscape procedures” (EIA and SEA) and chapters 6 and 7 are dedicated to the acceleration of procedures for

renewable sources and energy efficiency. Chapter 8 contains regulations regarding simplification for the promotion of the circular economy and hydro-geological contrast, including changes regarding the end of waste status. Finally, important changes are introduced to Part IV of the Consolidated Environmental Act, and the updated list of wastes is attached.

Circular on Register of environmental managers no. 16 of 30 December 2021 regarding “Application of article 3-bis of Law no. 159 of 27 November 2020, converting Decree Law no. 125 of 07 October 2020, in force since 04 December 2020 - Extension of the state of emergency”

The circular establishes that enrolments in the Register of Environmental Managers expiring between 31 January 2020 and 31 March 2022, remain valid until 29 June 2022.

Ministerial Decree no. 396/2021 - Allocated 1,500 million euro of which 60% allocated to Centre South in favour of EGATOs (Government bodies of the optimal territorial area) and Municipalities for the financing of the following possible projects:

- improvement and mechanisation of the urban waste disposal network (max. 1 million/proposal);
- treatment and recycling plants of municipal waste from separate collection (max. 40 million/proposal);

adaptation of existing plants and construction of new innovative treatment/recycling plants for disposal of absorbent materials for personal use (PAD), purification sludge, leather and textile waste (max. 10 million/proposal).

Ministerial Decree no. 397/2021: Allocated 600 million euro of which 60% allocated to Centre South in favour of companies for the financing of the following possible projects:

- adaptation of existing plants and construction of new plants for i) collection, logistics and recycling of WEEE (150 million, of which 60 million in the North); ii) collection, logistics and recycling of paper and cardboard waste (150 million, of which 60 million in the North);
- construction of new plants for the recycling of plastic waste (through mechanical and chemical recycling, “Plastic Hubs”) with a total contribution of 150 million (of which 60 million in the North);

- infrastructure for the collection of pre- and post-consumer textile fractions, plant modernisation and construction of new recycling plants for textile fractions with a contribution of 150 million (of which 60 million in the North).

Consequently, calls for proposals and notices linked to the activation/selection procedures for PNRR projects were published (on the "Italia Domani" portal).

National Waste Management Programme (PNGR)

Legislative Decree no. 116/2020 introduced national planning. In December 2021, the Preliminary Environmental Report was submitted by MiTE as part of the SEA process. The PNGR is expected to be adopted by mid-2022.

With regard to planning at the regional level, the state of progress is reported for each reference region:

- Apulia Region: Approval of the 2021-2025 Plan on 14/12/2021;
- Emilia-Romagna Region: Adoption of the 2022-2027 Plan on 27/12/2021 (expected approval in 2022);
- Liguria Region: Adoption of the 2021-2026 Plan on 10/12/2021 (expected approval during 2022);
- Piedmont and Tuscany Region: Started respective update processes.

Integrated water service

Law no. 234 of 30 December 2021 - State budget for the financial year 2022 and multi-year budget for the three-year period 2022-2024

The 2022 Budget Law introduced, in Legislative Decree no. 152 of 03 April 2006, art. 166-bis (Use of water for potable supply), whereby the managers of the integrated water service, holders of concessions for the potable use of water, with reference to the water resource granted for potable use and already exploited in existing canals or pipelines, may submit a request to the competent authority for the production of hydroelectric energy within the same water systems.

Resolution 639/2021- Criteria for the biennial update (2022-2023) of tariff arrangements

The resolution in question, while confirming the criteria already provided for by MTI-3 (third regulatory period of the Water Tariff Method), introduces some

significant new profiles. In light of the significant increases in electricity prices, the Authority introduces flexibility mechanisms aimed at preserving the financial balance of operations, through a better alignment between costs incurred and costs recognised in the tariff. The finance and tax expense coverage rate (OF-OFisc) is updated to 4.80%, from the previous 5.24%.

A Fund for the promotion of innovation in the integrated water service was set up at CSEA, whose criteria for use and management procedures will be defined by subsequent provisions.

Finally, the judgements of the Council of State concerning:

- implementation of rulings regarding the Transitional Tariff Method (MTT): the Authority provided, limited to the two-year period 2012-2013, for the possibility for the operator to submit a request for recognition of the financial costs regarding adjustments, instead of mere recognition of inflation;
- implementation of the sentence regarding remuneration restitution criteria: application, subject to acceptance of the petition, of criteria substantially similar to those provided for the MTT regarding the calculation of financial and fiscal tariff charges, in place of those provided for by Resolution no. 273/2013;
- implementation of the sentence regarding the RQT: regarding the modification of the criteria for calculating linear water losses in order to also include the length of the connections, with consequent adjustment of the classes and improvement objectives, the Authority has provided for standardised criteria; the possibility for the operator to submit a request to apply a punctual value has been recognised in case of availability of geo-referenced data.

Resolution 609/2021 - Integration of the regulations on the measurement of the SII (integrated water service) (TIMSII-Consolidated Text for the regulation of the metering service for the integrated water service at national level)

Updates made by the Authority include:

- equating the validated self-metering with the metering collected by the operator (with consequent fulfilment of the obligations relating to collection attempts);
- the obligation to give advance notice of attempted

metering collection now limited to non-accessible or partially accessible users only. Effective 1 January 2023, specific standards are introduced regarding compliance with the minimum number of attempts to collect the metering and the minimum notice time for attempts to collect the metering from end users with a non-accessible or partially accessible meter;

- the introduction of regulation regarding hidden losses, providing for common minimum levels of protection;
- the inclusion of obligations aimed at reinforcing transparency and awareness of consumption and offering tools to condominium administrators for a more consistent allocation of consumption at the level of individual housing units in accordance with TICS (Integrated Text for Water Service Fees) criteria;
- the introduction of the single supply code.

Other general matters

Incentives

Decree of the Ministry of Ecological Transition 21 May 2021 on "Determination of the national quantitative energy saving objectives that can be pursued by electricity and gas distribution companies for the years 2021-2024 (so-called white certificates)".

The decree provides some macro issues of reform of the mechanism of EECs:

- reduction of 2020 obligations from 7.09 MEEC to 2.84 MEEC (-40%) and extension of the expiry date of the 2020 obligation year to 16 July 2021; ARERA ruling no. 6/2021 redetermined the obligations for DSOs;
- determination of 2021-2024 targets (in sharp decline compared to historical trends);
- introduction of a new downward auction system;
- new types of upgrades eligible for incentives.

Resolution 547/2021/R/efr

The resolution defined the exceptional rate contribution (AC) to be recognised to distributors for the obligation year 2020: Exceptional CA, in addition to the Tariff Contribution, equal to 7.26 euro/EEC, for each EEC delivered at the end of the 2020 obligation year, valid for the updated target.

Legislative Decree No. 199 of 08 November 2021 transposing Directive (EU) 2018/2001 on renewable energy sources (RED II)

The measure defines the instruments, mechanisms, incentives and the institutional, financial and legal framework necessary to achieve the objectives of increasing the share of energy from renewable sources by 2030. In particular, the Legislative Decree provides for the strengthening of incentives for green gases by extending the incentive system to gases other than biomethane (i.e. hydrogen) and by extending the scope of application to green gases produced for injection into the network. Currently, the incentive is provided only for biomethane for the transportation sector.

As far as renewable energy sources are concerned, penetration targets on demand are defined in accordance with the PNIEC and the incentive scheme based on downward auctions for large plants through two-way difference contracts is maintained; in addition, it is defined that network managers (TSOs and DSOs) must plan the development of the networks taking into account the development targets of RES. Finally, as far as small-scale RES generation is concerned, the instrument of Renewable Energy Communities (RECs) is strengthened and stabilised through the extension of the perimeter to the primary substation and incentives for configurations containing plants up to a size of 1MW. The new incentive systems will in any case have to combine storage with RES plants. Simplifications of an authorisation nature are also provided (simplified authorisation procedure - AS) for the installation of RES plants in areas defined as suitable and identified by the regions based on criteria established by the Ministry of Ecological Transition.

Coverage rates of financial and capital costs

Resolution 614/2021 - TIWACC 2022-2027

With this document, the Authority approves the criteria for determining and updating the rate of return on invested capital for energy infrastructure regulations in the second regulatory period (II PWACC). The duration of the regulatory period is 6 years, with an infra-period update in 2025; in the event that conditions are determined such as to entail cumulative effects on WACC higher (in an absolute sense) than 50 bp, an update would also be carried out on an annual basis.

The main methodological discontinuities from TIWACC 2016-2021 concern the following parameters:

- Risk free rate (in real terms): the previously envisaged floor level (50 bp) has been removed, in the belief that the condition of even negative real rates can no longer be considered extraordinary. A number of risk compensation factors have also been introduced (*forward premium, uncertainty premium, convenience premium*).
- Cost of debt (in real terms): the kd^{real} value is now determined based on an average of spot yields and average yields over the past 10 years of market indices of BBB-rated non-financial bonds. Acknowledging the comments made by the operators, the Authority has provided for a tiering mechanism between the criterion set forth herein and the cost recognised under TIWACC I PR.

The Authority aligned the minimum systematic risk parameter β_{ASSET} to 0.4 and also updated the marginal tax rate level.

In the case of gas distribution, the WACC rate fell from 6.3% to 5.6% and for electricity distribution from 5.9% to 5.2%.

With respect to the WACC update to be applied to the waste sector, the resolution provides for a value of 5.6%. In addition, the resolution also sets some specific parameters of the integrated waste cycle sector for the regulatory period 2022-2025, while it remains pending the determination of beta and gearing.

Regulation of energy network tariffs

Consultation document 615/2021/R/com - Guidelines for the development of ROSS-base regulation to be applied to all regulated infrastructure services in the electricity and gas sectors

The Authority published the first consultation document regarding the introduction of new methods of recognising costs for infrastructure services in the electricity and gas sectors, based on a “total expense” approach. In particular, the consultation document envisages the application of the “ROSS-base” from 2024 for electricity distribution and from 2026 for gas distribution. Moreover, with regard to electrical distribution, application of the “ROSS-integral” is envisaged for companies that exceed a certain size threshold, to be defined as part of the consultation process in question.

The process of defining the general criteria for determining the recognised cost according to the “ROSS-base” methodology is expected to be completed

by the end of 2022. Instead, the “ROSS-integral” approach, which also includes business plan analyses, will be the subject of specific proceedings to be initiated in 2022.

Short limitation

Resolutions 603/2021/R/com and 604/2021/R/com - Billing of amounts relating to energy consumption over two years old and 610/2021/R/idr - Billing of amounts relating to water consumption over two years old

Through these resolutions, ARERA complied with the sentences of the Lombardy Regional Administrative Court.

In particular, on the energy side, a new process is outlined through which the distributor is required to send, in addition to the metering flows, information on the presence of causes hindering the application of the limitation, on a transitional basis within seven days of the supplier's request downstream of the end customer's objection and, when fully operational, at the same time as making the metering flow available.

The seller, in turn, is obliged to send two separate communications to the end customer, in the event of the presence or absence of causes that may affect the right to limitation, and to the distributor, to communicate promptly any objection of limitation on the part of the user. In addition, Resolution 604/2021/R/com defines the methods for offsetting settlement items deriving from exceptions to the two-year statute of limitations raised by the end customer and the seller. On the distributor side, the introduction of penalties (limited to the electricity sector) was confirmed for items for which the presence of obstructive causes was not communicated.

Information obligations are also introduced on the water side in favour of end users considered worthy of greater protection:

- in cases of invoicing of amounts relating to consumption over two years old that may be declared time-barred, indicating the procedures for contesting the limitation;
- in cases of invoicing of amounts referring to consumption over two years old, but for which the operator considers that there is a cause for suspension of the statute of limitations, the operator itself adequately informs the end user of the precise reasons for the (presumed) non-accrual of the statute of limitations.

Concessions and assignments of the Iren Group

Hydroelectric production

The major hydroelectric shunt concessions and the related expiries for the Iren Energia plants are summarised below.

Region	Plant	Average rated concession power (MW)	Expiry
Piedmont	Po Stura - San Mauro	5.58	31 December 2010
	Pont Ventoux - Susa	47.42	13 December 2034
	Agnel - Serrù - Villa	12.53	31 December 2010
	Bardonetto - Pont	8.92	
	Ceresole - Rosone	32.92	
	Telessio - Eugio - Rosone	26.10	
	Rosone - Bardonetto	9.71	
	Valsoera - Telessio	1.76	
Campania	Tusciano	8.49	31 March 2029
	Tanagro	12.84	
	Bussento	17.06	
	Heat	3.27	

Natural gas distribution

As regards the natural gas distribution service sector, operated by the Group in the area of the Municipality of Genoa and neighbouring municipalities and in the Emilia Romagna provinces of Parma, Piacenza and Reggio Emilia, the concessions are currently under an extension regime pending the launch of public tenders.

During 2021, tenders have been launched and are currently underway for the assignment of the service in ATEM Genoa 2 and ATEM La Spezia.

The Group also operates in numerous other areas throughout Italy through assignments or concessions given to mixed capital companies in which IREN Group companies have a direct or indirect investment.

The main assignments and concessions are:

- Province of Ancona / Macerata - ASTEA S.p.A. (in which a 21.32% stake is held by the G.P.O. Consortium, 62.35% of which IRETI controls in turn): Municipalities of Osimo (AN), Recanati (MC), Loreto (AN) and Montecassiano (MC) assignment expired on 31 December 2010 and is being extended;

- Municipality of Vercelli and other municipalities in the Province - ASM Vercelli S.p.A. (formerly ATENA S.p.A., 60% owned by IRETI): the 1999 concession expired on 31 December 2010 and is being extended;
- Province of Livorno - ASA S.p.A. (in which IRETI has a 40% stake); Provinces of Livorno, Castagneto Carducci, Collesalvetti, Rosignano Marittimo and San Vincenzo – assignment expired on 31 December 2010 and is being extended;

Electricity

Ministerial electric concessions have an expiration date of 31 December 2030.

IRETI manages the public electricity distribution service in the cities of Turin and Parma.

Through local mixed companies, the Iren Group is also present in the following main areas:

- Municipality of Vercelli, with the subsidiary ASM Vercelli S.p.A., which manages the public electricity distribution service in the City;
- Marche area, with DEA S.p.A., controlled by ASTEA S.p.A., manages the public electricity distribution

service in the municipalities of Osimo (AN), Recanati (MC) and Polverigi (AN).

District heating

Iren Energia manages the district heating distribution service through concession, award or authorisation to lay networks in the following areas:

- Municipalities of Turin and Moncalieri (TO);
- Municipality of Nichelino (TO);
- Beinasco (TO);
- Reggio Emilia;
- Parma;
- Piacenza;
- Genoa;
- Rivoli;
- Collegno;
- Grugliasco

In the Grugliasco area, until 31 December 2021, the service was managed through the company NOVE, controlled by Iren Energia. With effect from the same date, the company was merged into Iren Energia.

Moreover, Asti Energia e Calore was entrusted with the sub-concession of the district heating service in the city of Asti.

Integrated water service

Liguria area

IRETI S.p.A. holds the management assignment for the integrated water service in the 67 municipalities of the Province of Genoa. The assignment was granted by Decision no. 8 of the Genoa ATO Authority on 13 June 2003 and will expire in 2032.

The integrated water service in the territory of the Municipalities of the Province of Genoa is managed by IRETI through the safeguarded operators. The authorised and/or safeguarded companies of the Iren Group that perform the function of operator are Iren Acqua (60% controlled by IRETI), Iren Acqua Tigulio (66.55% controlled by Iren Acqua) and AMTER (in which Iren Acqua, again, has a 49% stake).

IRETI also provides the drinking water distribution service in the Municipalities of Camogli, Rapallo, Coreglia and Zoagli in the Genoese ATO.

The company manages only the segment of the water service in the following ATOs:

- Savona area, in the municipalities of Albissola Marina, Albissola Superiore, Quiliano, Vado Ligure, Celle Ligure, Noli, Spotorno, Bergeggi, Savona, Stella, Varazze;
- Centre West 2 - comprises all the municipalities located on the Po valley side, managing the service, through the C.I.R.A. Consortium in the municipalities of Altare, Cairo Montenotte, Carcare, Cengio;
- as regards the Province of Imperia: Bordighera, Camporosso, Isolabona, Dolceacqua, Perinaldo, Vallecrosia, San Biagio della Cima, Vallebona, Seborga, Soldano. For AIGA, IRETI manages in prorogatio a part of the territory of the Municipality of Ventimiglia.

Finally, in La Spezia and its Province, in 29 municipalities, the Iren Group manages (through ACAM Acque) the water service with a concession valid until 31 December 2033.

On 20 December 2021, Acam Acque signed the minutes of the takeover of Varese Sviluppo S.r.l., with effect from 1 January 2022 in the management of the Integrated Water Service in the Municipality of Varese Ligure, which therefore from that date joins the municipalities already managed.

Emilia Romagna area

The Group provides the Integrated Water Service on the basis of specific assignments granted by the respective Local Authorities, governed by agreements signed with the competent ATOs.

Based on the laws of the Emilia Romagna Region, water service Agreements provide for 10-year assignments, in a safeguarding arrangement, except for the agreement relating to the Parma ATO, which sets the expiry of the assignment at 30 June 2025, by virtue of the disposal to private entities of 35% of the AMPS capital by the Municipality of Parma in 2000 through a public offering.

The Integrated Water Service in the Parma, Piacenza and Reggio Emilia ATOs is managed by IRETI. Ownership of the assets and networks of the water segment was transferred to companies wholly owned by public entities. These companies made their networks and assets available to the Iren Group on the basis of a rental contract and against the payment of a fee.

On 3 December 2019, ATERSIR published in the Official Journal of the European Union the Call for Tenders, concerning "Restricted procedure for the selection of the operating private partner of the company to be established to which the concession of the

integrated water service for the Province of Reggio Emilia will be entrusted”.

Main elements:

- Value of the Concession: 1,550,000,000.00 euro
- Duration of Concession: from 1 January 2021 to 31 December 2040 => 20 years;
- Award criterion: most advantageous cost-effective offer (70 points technical-qualitative part + 30 points to the financial portion);

As regards the Management model, it provides - from the corporate point of view - for the incorporation of a limited-liability company, to be called “Azienda Reggiana per la Cura dell’Acqua” (Reggiana Company for Water Treatment), abbreviated to ARCA. The private

partner - selected with the dual-purpose procedure - will hold 40% of the quota capital of the company in question, while AGAC Infrastrutture S.p.A. will be the public partner with 60% of the quotas.

The tender procedure provides for an obligation for the private partner to create a territorial operating company (100% held) for management of the operating tasks assigned with the tender procedure. This company will not be linked to the mixed company through an equity investment, but only through an agreement that governs the assignment by ARCA S.r.l. to the operating company of the specific operating tasks identified in the tender procedure.

As part of the tender procedure, a provisional award was made in favour of IRETI. The public evidence procedure is currently underway.

The table below summarises the data on the existing agreements in the Group’s main areas of operation:

ATO	Regime	Signing date	Expiry date
Genoa area	ATO/operator agreement	16-4-2004/5-10-2009	31 December 2032
Reggio Emilia		30 June 2003	31 December 2011*
Parma		27 December 2004	30 June 2025
Piacenza		20 December 2004	31 December 2011*
Vercelli		13 March 2006	31 December 2023
La Spezia		20 October 2006	31 December 2033

* Service extended until new agreements are defined following the tender procedure

Other geographical areas

The Iren Group also operates in the Integrated Water Service sector in other parts of Italy through assignments or concessions given to mixed-capital companies in which it has a direct or indirect investment. The main assignments and concessions are:

- ATO Toscana Costa – ASA S.p.A. (in which IRETI has a 40% stake) Integrated water service in the Municipality of Livorno and other municipalities in the Province;
- Ambito Territoriale Marche Centro, Macerata (ATO3) - ASTEA S.p.A. (21.32% owned by Consorzio GPO,

which is in turn 62.35% controlled by IRETI) only for the municipalities of Recanati, Loreto, Montecasiano, Osimo, Potenza Picena and Porto Recanati;

- Municipality of Ventimiglia: AIGA S.p.A. (in which IRETI has a 49% stake);
- Municipality of Imperia: AMAT S.p.A. (in which IRETI has a 48% stake);
- Alessandria ATO: ACOS S.p.A. (in which IRETI has a 25% stake) for the Municipality of Novi Ligure; Cuneo ATO: Mondo Acqua S.p.A. (in which IRETI has a 38.5% stake) – manages the Municipality of Mondovì and 7 other municipalities in the Cuneo area.

Environmental service management

The Iren Group provides waste management services on the basis of specific service assignments from the Local Authorities, governed by agreements signed with the provincial ATOs. The table below contains details of existing agreements in the Group's main areas of operation:

ATO	Regime	Signing date	Expiry date
<i>Reggio Emilia</i>	ATO/operator agreement	10 June 2004	31 December 2011*
<i>Parma</i>		27 December 2004	31 December 2014*
<i>Piacenza</i>		18 May 2004	31 December 2011*
<i>Turin</i>		21 December 2012	30 April 2033*
<i>Vercelli (Municipality)</i>	Municipality/operator agreement	22 January 2003	31 December 2028
<i>Other Municipalities in the Vercelli area (except Borgosesia)</i>	Procurement contract with C.O.Ve.Va.R.	01 February 2011	31 January 2019
<i>La Spezia (Municipality)</i>	Municipality/operator agreement	10 June 2005	31 December 2028 (collection and sweeping) 30 December 2043 (waste disposal)

* Service extended until new agreements are defined

** the term is 20 years running from the end of provisional operation of the Waste-to-Energy plant of TRM S.p.A.

ACAM Ambiente, controlled by Iren Ambiente and operating in La Spezia and its Province, manages the service of the integral waste cycle, in 20 Municipalities of the Province (including the Municipality of La Spezia). In addition, it performs the activity of waste disposal, with award in a contract/on a time-and-materials basis/in-house, in 12 other Municipalities of the said Province.

We can note that Iren Ambiente presented a tender for "The award in concession of the public service of integrated municipal and similar waste management in the territorial catchment area of Parma" (44 Municipalities) and for the analogous award in Piacenza.

After a long pause dictated by the well-known emergency situation, ATERSIR, in the context of the tender procedure for the concession of the public service of integrated management of urban and assimilated waste in the Parma basin, opened the envelopes containing the technical and economic offer on 5 June 2020. The offer submitted by Iren Ambiente was provisionally first in the ranking (total score of 100 points), exceeding 4/5 of the maximum score obtainable both from a technical and economic point of view.

On 19 June 2020, the session was held for the evaluation of the anomaly threshold of the offer, and

the awarding commission - departing from a first expressed orientation, in that the current legislation (Legislative Decree no. 50/2016, Article 97, paragraph 3) does not provide for verification obligations on the part of the Commissioning Body where the number of admitted bids is less than three - considered that Iren Ambiente's bid, exceeding the aforementioned 4/5 of the maximum score obtainable, was to be subject to the procedure.

The anomaly assessment procedure was activated on 2 July 2020 by the Project Manager and on 25 September Iren Ambiente sent the last requested justifications.

ATERSIR is also proceeding with the verification of the possession of the general capacity requirements pursuant to art. 80 paragraph 3 of the Legislative Decree no. 50/2016 and anti-mafia checks.

With respect to the similar tender for the concession of the public service for the integrated management of urban and similar waste in the territorial basin of Piacenza, Iren Ambiente was first in the ranking. ATERSIR activated the procedure for evaluating the anomaly of the offer on 11 September 2020 and on 25 November the company sent the last requested justifications.

With regard to the perimeter of the investee companies of the so-called "Unieco Waste Management

Division", subject to acquisition in 2020, it is noted that the associate SEI Toscana is the owner, under an agreement with ATO Toscana Sud, of the integrated waste management in 104 municipalities in the provinces of Grosseto, Siena and Arezzo, which expires on 27 March 2033.

Services provided to the Municipality of Turin

Iren Smart Solutions is party to the following conventions:

- Agreement signed with the Municipality of Turin for the assignment of street lighting and traffic light services in the Municipality of Turin, expiring on 31 December 2036;
- Agreement stipulated with the Municipality of Turin for the assignment of the management service of the municipal heating plants;
- Agreement stipulated with the Municipality of Turin for the assignment of the management service of

the electrical and special systems of the municipal buildings.

With regard to the assignments of the management service of municipal thermal systems and of the management service of electrical and special systems of municipal buildings, expiring on 31 December 2020, the Municipality, by Executive Resolution of 24 December 2020, has extended the deadline to 30 June 2021.

At the end of 2020, Iren Smart Solutions submitted a new project financing proposal pursuant to Article 183 paragraph 15 of the Public Contracts Code for the assignment of the service: with a Resolution of the Municipal Council of 15 December 2020, the proposal was declared of public interest and Iren Smart Solutions was identified as the promoter. The Municipality of Turin launched the tender for the assignment of the concession and Iren Smart Solutions submitted its offer within the deadline, which expired on 15 December 2021. As of today, the bid review is ongoing.

Personnel

As at 31 December 2021 the Iren Group had 9,055 employees, up compared to 8,680 employees as at 31 December 2020, as the table below shows, divided by Holding and Business Unit.

Company	Workforce at 31.12.2021	Workforce at 31.12.2020
Iren S.p.A.	1,074	1,063
IRETI and subsidiaries	2,166	2,154
Iren Ambiente and subsidiaries	4,178	4,065
Iren Energia and subsidiaries	1,084	874
Iren Mercato and subsidiaries	553	524
Total	9,055	8,680

The changes in the workforce compared to 31 December 2020 were ascribable to:

- the acquisition, in March 2021, by Iren Ambiente of the company Futura for a total of 28 resources;
- the acquisition, in August 2021, by Alfa Solutions (formerly Studio Alfa) of the business unit of SAS - Sviluppo Ambiente e Sicurezza and of Lab231, for a total of 26 resources;
- to Bosch Energy and Building Solutions Italy (now Iren Energy Solutions), for a total of 156 resources, acquired by Iren Smart Solutions at the end of November 2021;
- to the initiation/conclusion of services contracted out by San Germano;
- continuation of the generational turnover plan, with a considerable number of recruitments on the labour market.

Organisation and IT systems

Organisational Development

The year 2021 saw a significant increase in activities in support of acquisitions and corporate rationalisation and concession tenders for gas distribution and integrated water services, as well as the continuation of important initiatives to improve the functioning of the Group's organisational model and the competitiveness of the companies. In this regard, the main activities carried out are listed:

- coordination of Working Groups (PMO) with the aim of finalising corporate rationalisation and process integration operations;
- organisational integration: centralisation, in accordance with the Group's model, of the main corporate functions of the companies involved in the 2021 Rationalisation and Integration Plan;
- for the same companies, Information Systems integration: centralisation of information systems, with priority given to the AFC area.

As a result of corporate, organisational and systems integration, the application of Group processes and procedures was extended.

In order to support the Group's development, organisational structures were adjusted, especially in the Waste Management BU, the Networks BU and the Market BU, as well as in the new subsidiaries.

Moreover, in order to facilitate the achievement of the objectives of the Group and of the individual companies that are part of it, in line with the provisions of the Strategic Guidelines of the Business Plan, important transformation projects were launched or continued, developed together with an in-depth Change Management process; specifically:

- a complex programme continued with the aim of redesigning the entire customer management and relation process, from the first contact to invoicing, entitled "Market Transformation Programme";

- in the Networks Business Unit, the project for the use of a new Asset and Work Force Management (AM-WFM) system was completed; the "IrenWay" project continued, with the aim of creating a new and single technical-commercial information system for the management of the Gas and Electricity distribution service and the Integrated Water Cycle;
- within the Waste Management Business Unit, the "Just Iren" project continued, with the extension also to the companies Iren Ambiente, ACAM Ambiente and ASM Vercelli of the new management, operational and IT system, which will allow optimising the management of the waste collection, sweeping and conferment process, facilitating also the interaction with Customers/Citizens and with local authorities to which the service is provided;
- with regard to transversal projects, the "Digital Workplace" project was completed, aimed at allowing all Group employees to easily access information and collaborate safely and efficiently both in the office and remotely;
- the use of agile methodology for Business Intelligence projects and the development of portals and web apps as part of the "Digital Factory" programme (consisting of various projects developed with the Business Units and Central Departments) was made fully operational; in addition, a programme was launched to spread awareness of agile methodology through internal and external training courses;
- a programme was launched for the introduction of the lean method to support the efficiency of processes and the improvement of business performance, broken down into various projects focused on the main central departments;
- experimentation of Robotic Process Automation technology was also launched, through an assessment of the opportunities for automating processes in the main central departments and the subsequent implementation of a number of pilot projects;

- finally, a project to review the organisational model and the catalogue of corporate roles was launched in order to identify any changes that could be made to better support the evolution of the business outlined in the new Business Plan.

Finally, the improvement of the emergency situation, together with the activation of important measures to prevent and counteract the contagion, has allowed the return to the office and the resumption of activities in presence also for the staff that carried out their activities remotely since the beginning of the pandemic, while maintaining the possibility of carrying out part of their activities remotely. This allowed for a resumption of personal relationships and social cohesion within the offices, fostering collaboration and active exchange of information. Looking ahead, apart from its use as a tool to prevent and contain contagions, the continuation of smart working is considered useful, but in a differentiated manner according to the type of positions and activities carried out (it being understood that it cannot be adopted for operational and “field” activities).

Information Technology

The year 2021 saw the launch, continuation and/or completion of important projects which are strategic for the Group, as presented below.

In general, besides the necessary adjustments, the computerisation and digitalisation plan provided for in the Business Plan is in the implementation stage, with a significant increase in investments and operating costs for sustaining the process of transformation, security, and development of the Group. In 2021, the incorporations/corporate mergers were also supported, proceeding to the integration or standardisation of the systems starting from the administrative-management area.

In order to support this change and achieve the expected results, among other things, certain areas of the Information Systems Department were reorganised and staff were strengthened in order to improve internal service levels.

In terms of transversal initiatives, in the Infrastructure area, the completion of the following projects is particularly noteworthy:

- Digital Workplace with the move of company mailboxes to the cloud and migration of company PCs to the new model office;

- the Group’s new geographic network, which has increased connectivity resiliency;
- IT/OT network segregation to increase IT security in compliance with new NIS regulations;
- CyberArk, for secure and centralised management of administrative access to the infrastructure;

The project relating to the new Datacenter is also in the progress stage, in order to adopt technological solutions to support Business Continuity Management.

In the ICT Governance area, the main initiatives concerned:

- the Iren Now IT platform, which saw consolidation actions in 2021 and the design of Operations Management for the management of physical assets;
- carrying out the risk analysis within the framework of the PSNC (Perimeto di Sicurezza Nazionale Cibernetica) project and drafting the PSNC risk analysis methodological procedure and the Risk Evaluation report.

In 2021, project initiatives aimed at raising the level of Information Security against cyber events also continued, the most significant of which are:

- the launch of an awareness campaign on IT security issues, aimed at all employees;
- the conclusion of the project to introduce dual factor authentication for access to systems;
- the conclusion of the project for the adoption of a tool for the management of privileged users.

With regard to the Corporate area, the main projects carried out in the year were:

- the completion of the management of all major personnel processes on a dedicated platform;
- the introduction of a Software as a Service platform for the management of the company’s vehicle fleet, with the exception of vehicles dedicated to urban hygiene;
- the launch of the migration project to S4HANA technology of the entire SAP corporate application park.

With regard to the Networks BU, the activities relating to the “Iren Way” project continued, aimed at reviewing and standardising the processes and information systems to support the technical-commercial

activities of managing the networks; at the beginning of November, the second release relating to the Electricity stream was made and activities relating to the Water stream continue (expected for mid-2022). The activities relating to the PMS2 (Smart Meter 2G EE) project were also completed, the release of which was carried out in conjunction with the release of the Iren Way Electricity stream. Finally, the project related to "EE Design and Simulation" was released in December.

Within the Energy BU, management of the new continuous trading market (XBID) was introduced within the Power Management - Electricity Exchange area and the consolidation of systems relating to the management of district heating on a single centralised platform was completed.

As regards the Market BU, in 2021 functional releases continued, in continuity with the previous year, aimed at consolidating the systems of the "Energy Market Transformation" programme and completing it with functions for B2B customers.

During the year, the periodic releases of the IrenYou app continued, reaching a total of 850,000 registered customers and a rating steadily above 4; additional

functions for the PIS (Payment Initiation Service) and AIS (Account Information Service) payment services were also released on the app. The Transformation programme will continue in 2022 with the migration of water service customers.

Finally, in 2021 the new Energy Forecasting platform was released and the first pilot project of the new Energy Trading & Risk Management cloud platform was launched, which will be released in production in all its functionalities by the first half of 2022, for an optimised management of Iren's portfolio.

For the Waste Management BU, the main initiatives concerned:

- the completion of the release of the "Just Iren" programme, with the complete redesign of the application map starting from the sector of collection and sweeping and of the activities related to the relationship with municipalities and citizens, and the activation on the same systems of the Purification processes;
- the release, in March, of the functionalities for the management of environmental services, weighing and Customer Care services for Iren Ambiente.

Quality, Environment and Safety

As expressed in its corporate mission the Iren Group provides integrated services aimed at safeguarding the environment and personnel safety. As customer needs and expectations are evolving constantly, strongly backed by market competitiveness, calling for flexible organisational models and streamlined management systems and requiring monitoring of efficiency in terms of expected results, the Group has developed an Integrated System (Quality, Environment and Safety) as a means to support the achievement of the predefined objectives.

The Integrated System is structured in such a way as to envisage adequate control of all operating processes affecting service quality, adopting an approach based increasingly on customers, workers' safety and environmental protection.

The Parent, all its direct (first level) subsidiaries and the investees AMIAT, ACAM Ambiente, ReCos, ACAM Acque, ASM Vercelli, ATENA Trading and San Germano have systems certified according to the international standards ISO 9001 (Quality) and BS OHSAS 18001 or ISO 45001 (Safety).

The Parent, the first level companies (with the exception of Iren Mercato as it is a commercial company) and the investees AMIAT, ACAM Ambiente, ReCos, ACAM Acque, ASM Vercelli and San Germano are certified according to the international standard ISO

14001 (Environment).

In addition, Iren Energia and Iren Smart Solutions are certified in accordance with the standard ISO 50001 for Energy Efficiency; Iren Smart Solutions is, in addition, certified in relation to UNI 11352 (for Energy Service Companies) and F-GAS. Finally, Iren Mercato is certified in accordance with the Certiquality 66 Technical Document in relation to the Sale of Green Energy and the Document RINA ST TRAC_EE for the "System for tracking the characteristics of electricity from renewable sources."

In 2021, Iren Mercato also acquired ISO 18295-2 Compliance Certification with respect to control over external contact centres. Finally, in 2021 Iren S.p.A. extended the ISO 27001 (Information Security) certification also to the services provided to Iren Energia, Iren Mercato, Iren Ambiente, Ireti, Iren Acqua, Iren Acqua Tigullio and AMTER.

The Quality, Safety and Environment management systems are overseen for each first-level company by the Personnel, Organisation and Information Systems Department of IREN.

All audits carried out by the Certification Bodies at the Group companies in 2021 ended with a positive result confirming the maintenance of the Certifications in possession of the individual companies.

Research and development

Technological innovation in the Iren Group is central to the strategic choices and the definition of the products and services offered.

The Business Plan to 2030, approved by the Board of Directors of Iren S.p.A. on 11 November 2021, provides for more than 2 billion euro investments in innovative technologies and for digitalisation. This confirms the centrality of innovation in the Iren Vision, which will be expressed in the development of all the sectors in which it operates with the objective of making the Group an example of excellence and innovation in the multi-utility sector. In particular, the Business Plan is in line with the sector macro-trends identified, namely the decarbonisation and development of renewables, the circular economy, energy efficiency and the protection of natural resources.

From this perspective, the main innovation activities underway within the Group are aimed at researching and adopting technologies and processes to support the sustainable development of the reference businesses.

The Iren Group manages innovation processes through an open innovation model and, consistently, has launched profitable collaborations with Universities, Research Centres, Innovation Hubs and Start-ups. Additionally, it takes an active part in working groups and associations on specific research and development and promotes events such as conferences, workshops and hackathons. In this regard, in 2021 Iren received the Smau Innovation Award as a recognition of Italian excellence for the model of innovation between companies and public bodies.

The year 2021 was characterised by the continuation of technical activities related to the Group's various co-financed projects and by the development, also in partnership with innovative companies and start-ups, of internal technological projects on the basis of planning which, starting from an analysis of the long-term scenario, is aimed at giving the Group the tools needed to seize the opportunities and mitigate the risks deriving from the evolution of the markets in which it operates.

The activities of Iren Up, the Corporate Venture Capital programme, launched in 2018 with the aim of

supporting the highest potential Italian start-ups in the cleantech sector, from clean technologies to the circular economy, continued. The programme envisages investments with tickets ranging from 100,000 euro to 2 million euro, depending on the Start-up's development phase and requirements.

Due to the continuation of the Covid-19 crisis in 2021, the usual Iren Startup Award event dedicated to the search for start-ups did not take place, but the scouting activity continued through collaboration with local and international accelerators.

The management of equity investments in start-ups in which the Group has invested continued, concluding several supplementary agreements and the disbursement of tranches upon achieving the milestones conceived in these agreements. In particular, an important investment has been concluded in Enerbrain, a start-up active in the field of energy efficiency; the transaction, which involved national and international financial and industrial operators, will allow the company to expand its business abroad, consolidating its growth. Moreover, in the first months of the year, a first investment was made in the start-up Remat, which deals with polyurethane recycling: this innovative company is perfectly integrated into the recycling chain managed by the Group. In collaboration with Remat, during the year other tranches of funding were disbursed, enabling the recycling plant to be started up.

Among the initiatives in which Iren has participated, bringing its contribution in terms of process innovation and applied research, there are the collaborations with the Competence Centres (promoted by the Ministries of Economic Development and Economy) in Turin ("Competence Industry Manufacturing 4.0 – CIM 4.0") and Genoa ("Competence Centre for the Security and Optimisation of Critical Infrastructures" Association – "START 4.0").

Completed and ongoing funded research projects

Also in 2021, Iren contributed to the creation of important innovation projects co-financed with

public funds for research. On this point, the main projects underway are presented below. The total investment for the Iren Group is approximately 8.6 million euro, of which around half being financed. In relation to these amounts, the expense incurred during the year was approximately 2,165,000 euro, of which approximately 1,280,000 euro covered by loans.

The projects completed and in progress in 2021 are presented below.

Material recovery from WEEE R1/R2 (Ministry of Environment Call for Proposals)

The project, concluded in August 2021, had as its main objective the development of technologies with high replicability and rapidly transferable to the industrial world, aimed at optimising the management of waste electrical and electronic equipment (WEEE), and in particular the recovery of polyurethane from refrigerators (WEEE R1) as secondary raw material and optimisation of the separation of cement from the carcass of washing machines (WEEE R2). During 2021, Iren Ambiente and AMIAT, partners in the project, completed the technical-economic feasibility analysis for the implementation of a refining line for the polyurethane produced by the treatment of WEEE R1; tests of a prototype for the semi-automated cutting of washing machine carcasses were also carried out at the AMIAT Trattamento Beni Durevoli (TBD) plant.

SATURNO (Call for proposals Bioeconomy Technological Platform - Piedmont Region)

The project provides for the validation, on an industrial platform, of the conversion of the organic fraction of waste and of the CO₂ of vehicle exhausts and industrial production, into biofuels and biochemicals; specifically, the project provides for use of the organic fraction of waste of municipal origin, normally converted into thermal energy, electricity, bio-methane and compost, through the extraction of substances with high value added such as hydrogen, carboxylic acids, biofertilisers, and biostimulants. Iren is involved in the project together with its associate GAIA, where tests will be carried out on the separation and treatment of bio-plastics separated from the OFMSW (Organic Fraction of Municipal Solid Waste); Iren is also involved in the development of the Business Plan for the SATURNO integrated biorefinery, which will be tested and validated during the project.

During 2021, Iren continued to collect and process experimental data in order to set up the development of the Business Plan. In addition to the field tests of the optical selector, experimental activities have also been developed on the treatment and valorisation of bio-plastics within the traditional anaerobic digestion/composting processes.

OnlyPlastic (RFCS – 2019)

Started in September 2020, the OnlyPlastic project aims to replace fossil carbon sources (coal, coke, petroleum coke) in the electric arc furnaces of the Feralpi steel plant in Lonato (BS) with densified polymers derived from residues from the treatment of plastic waste. In order to achieve optimum use of SRA (secondary reducing agent) granules in Feralpi's steel plant, a prototype is to be built for the transport, handling and loading of the granules, as well as the design of a new injection system that meets the characteristics of the SRA obtained in accordance with the specifications of the UNI 10667-17 standard.

Within the project, the role of Iren, through I.BLU, is configured in the production of densified plastic material to be used as a reducing agent/ foam alternative to fossil fuels in steel production processes. I.BLU will supply a product deriving from post-consumer plastic residues destined for injection and a product designed for loading into baskets.

In the first months of the project, I.BLU took part in the characterisation and optimisation of the product for use in steelworks. Preparatory activities have been completed for the supply of reducing agent to the project partner, which will be activated during 2022.

PolynSPIRE (Horizon 2020)

The PolynSPIRE project aims to demonstrate a range of sustainable, innovative and cost-effective solutions for the energy and material recovery of post-consumer plastics and industrial waste. Three macro-sectors of innovation are considered: 1) chemical recycling assisted by the use of microwaves and magnetic catalysts; 2) advanced additives and irradiation of polymers with high energy radiation to promote high quality plastic recycling; 3) development of plastic waste as a carbon source in the steel industry. Specifically, Iren participates in the project through its subsidiary I.BLU contributing to the third line of research.

With regard to this issue, activities concerning the optimisation of the formulation and production process of the I.BLU granule have been completed and industrial testing in steel mills has begun. Supplies of reducing agent to the project partner have been completed.

CHESTER (Horizon 2020)

The project has the objective of developing and integrating an innovative solution of the Power-to-Heat-to-Power type that will enable maximisation of the exploitation of non-programmable electricity RESs and thermal RESs already combined with TLR (district heating) systems. The system involved in the study, named CHEST, making use of heat pumps, latent heat storages and Organic Rankine Cycles (ORCs), will make it possible to transform electricity into heat, store it and subsequently produce new electricity.

Iren is involved in the project as district heating network operator and has provided operational data of electricity and heat production of the Turin plants and district heating network demand as input to the CHEST system model. Iren is carrying out supervision in the development phases of the system components and control infrastructure, and during 2021, started the analysis and development of business models related to market opportunities, identified with the support of the project partners, which provide for the exploitation of the CHEST system in RES plants.

Energy Shield (Horizon 2020)

The project intends to develop an integrated cyber security platform, usable by all actors of the energy chain (Transmission system operators, distributors, aggregators, producers) to prevent future attacks and learn how to defend yourself by analysing past attacks. Iren participates as a Distributor (through IRETI) supporting the partners in the definition of the specific cyber security instruments, preparing a feasibility test (on paper) and possibly an "offline" field test applied to one or more subsystems of the network (remote control, SCADA, smart meters, supporting TLC networks etc.). During 2021, Group companies primarily supported two development verticals. The first of these involved the development of a platform to test employees' behaviour, competence and awareness of cyber security issues (Security Behaviour Analysis tool). This vertical is

led by NTUA University in Athens. Iren and Ireti tested the platform through a first group of about 15 beta-users, translating the questionnaire in Italian, identifying criticalities and strengths and laying the foundations for a test extended to a wider population (about 250 users), scheduled for 2022.

The second vertical of development concerns an Anomaly Detection system to detect any telecontrol penetrations at the primary substation level. In 2021, the system was installed at the primary substation at the Martinetto site and initial measurements and testing were performed.

ENERGYNIUS (POR-FESR 2014-2020 Emilia-Romagna)

The ENERGYNIUS (acronym for Energy Networks Integration for Urban Systems) project intends to outline models of development that enable Energy Communities and Energy Districts to carry out bidirectional exchanges with energy networks, thus offering energy and services to the regional/national system. Software instruments based on optimised management algorithms, real-time simulation models and energy district diagnostics will also be developed to identify the best technological and control solutions for energy production, storage and distribution systems. Some of the algorithms developed will be integrated into a hardware device for the control of energy plants. Software and hardware instruments will be validated in both simulated and real environments on at least three study cases. Iren participates in the project as an external partner, providing its point of view on the development of the project tools and eventually with field tests.

EVERYWH2ERE (Horizon 2020)

The aim of the project is to develop a "plug and play" hydrogen fuel cell generator, easy to transport around the city for temporary electrical power in various sectors (building sites, music festivals, temporary events, exhibition centres) and able to guarantee high levels of reliability and safety as well as a reduction in emissions compared to traditional generators. The Iren Group, as a third party of Environment Park, will test a hydrogen skid, currently installed at the Friem headquarters in Segrate (Milan), for electricity production during events/trade fairs (Uninterruptible Power Supply (UPS)/mobile generator mode).

During 2021, Iren supervised the validation process of the generators and began to identify, despite the continuation of the Covid-19 emergency, events related to the city of Turin during which to test the 25 kW generator in 2022, starting to prepare the necessary documentation for the authorisation process.

INCIT-EV (Horizon 2020)

The objective of the INCIT-EV project is to develop and field test a set of electric vehicle charging infrastructure, hardware and software technologies and business models to drive large-scale adoption of electric mobility.

The Iren Group participates in the project through the parent, Iren Mercato and Ireti for the development of the pilot project in the Caio Mario interchange car park in Turin, which intends to test a system of DC columns (with both slow and fast charging), directly connected to the direct current power supply of the tram line. During 2021, Iren took part in the definition of the specifications for the construction of the conversion substation and a supply tender was issued that will allow the works to be carried out in the first half of 2022.

PLANET (Horizon 2020)

The Planet project, concluded in January 2021, studied technologies and regulatory constraints for the synergistic exploitation of distribution networks (electricity, gas and thermal). During the project storage and conversion technologies have been modelled; multi-grid intelligent automated management systems have been simulated; new business models have been created; energy conversion systems have been tested in a physical pilot.

The Group designed and installed a pilot heat pump system that can be managed remotely, to integrate the heating and cooling system in a building it manages in Turin. The aim of the experimentation was to test in the field the joint management of energy vectors for the activation of demand flexibility strategies with a view to providing ancillary services to the electricity grid. The heat pump was tested in the winter heating season to balance load imbalances or participate in ancillary electricity markets, while optimising the building's energy needs and flexibility measures required by the electrical grid.

PUMP-HEAT (Horizon 2020)

The project has set the objective of increasing the flexibility of conventional fossil source plants, in particular combined cycles, in order to satisfy the ever-increasing needs of the network to offset the demand fluctuations deriving from renewable sources. The project investigated the combination of heat pumps with cogeneration combined cycle and conventional combined cycle plants; the combination with systems for heat and cold storage was also analysed. From the preliminary evaluations made in the project, it is expected that a large heat pump would result in a 1.5 percentage point increase in plant efficiency in a fully cogeneration configuration.

5G-Solutions (Horizon 2020)

The objective of the 5G-Solutions project, launched in 2019, is to test, in different field tests, the functioning, potential and limits of the 5G network, with particular attention to assessing the performance indicators defined by the standardisation bodies responsible. These tests will focus on verticals Factories of the Future, Smart Energy, Smart Cities, Smart Ports, Media & Entertainment. Iren participates in the activities of the "Energy" vertical, assessing the benefits related to integration and use of the 5G network (and of its main characteristics of speed, limited latency and high reliability) in the cases of use of Demand Side Management at building and Smart Charging level of electric vehicle fleets, through two pilots developed and managed by the Group.

In 2021, the software infrastructure for the control and monitoring of case studies was defined and tested in Beta version, working on the integration and compatibility with existing services and the ICT security policies of the Group. Hardware systems for interfacing with the heat pump, as well as a prototype for regulating household loads, were installed and tested in advance.

Evolution2G (EMEUrope Call 2016)

The "eVolution2G" project, which began in June 2018 and ended in January 2021, investigated and tested on the field the Vehicle to Grid (V2G) concept, that is a system in which electric vehicles have a balancing role on electricity grids. The main innovations that the project has brought forward are based on the development of a prototype EMCS (Energy Management and Control System) for the management of data according to the different

stakeholders, with a view to improving the balance of the electricity grid, and on prototype tests of V2G charging solutions, at both domestic and public/urban level. During the project, Iren has equipped itself with 2 bi-directional DC prototype columns and has carried out several experimental tests related to different usage scenarios (i.e. vehicle charging, powering a stand-alone house, using the car battery to power the grid).

WaterTech (MIUR)

The project arises from the merger of two project ideas WATERTECH and SMART WATER presented under the MIUR Smart Cities tender with a view to offering a more robust analysis of the integrated water service, aiming both to manage problems related to water distribution networks, and to apply innovative models and technologies for treating waste water.

In 2021, research activities continued on the aqueduct and wastewater facilities identified as case studies.

MARILIA - Mara-Based Industrial Low-Cost Identification Assays (H2020)

The MARILIA project, started in September 2020, aims to develop, from Technology Readiness Level 2/3 to 5, a new low-cost, high-sensitivity, expeditive test for the detection of pathogens in water samples, but potentially applicable also in other sectors such as food, health, agriculture. The objective is to validate the test at laboratory level, developed for the identification of a set of bacteria (to be identified with the contribution of Iren), laying the foundations for a subsequent deployment in the field by introducing a significant streamlining in terms of speed and cost compared to current analytical practices. During 2021, Iren, with the collaboration of Iren Laboratori, took part in the project activities related to the development of the sensor, contributing to the dissemination of the project results with a multiplicity of stakeholders (also related to the technological platform Water Europe) and with the working groups in charge of the European standardisation of the reference guidelines for the online monitoring.

PRELUDE (Horizon 2020)

The objective of the project, started at the end of 2020, is to test, in several pilot projects in Europe,

solutions in the field of innovative management of buildings and plants, free-running mode, self-consumption and integration of renewable sources. From the technological point of view, PRELUDE intends to integrate multiple physical and mathematical models developed by the partners, databases of the different pilots and monitoring and control systems of the assets of the pilot projects in a single modular/middleware platform that is based on FusiX (metadata infrastructure and DSS - Decision Support System), developed by partner EMTECH in previous EU projects.

Iren and Iren Smart Solutions are participating in the project as coordinators of the Italian Pilot, installing in some apartments different levels of sensing, implementation, and direct feedback on inhabitants.

In 2021, the use cases were identified, specifically the apartment building on which the pilot will be implemented, and the components to be installed in each apartment were identified and purchased.

RES-DHC (Horizon 2020)

The objective of the project is to create tools to support regulators and stakeholders in increasing the use of renewables in district heating and cooling systems. Programmatic and technical-economic assessment tools, actions to improve policies and regulatory frameworks, and innovative dissemination and communication means will be tested in six European pilot areas with the aim of validating their benefits and providing a set of tools for future energy projects.

Iren and Iren Energia participate in RES-DHC to test the tools and skills of the partners on studies/projects for the renewal of existing TLR networks or new expansion projects, with the primary objective of improving the way in which the Group's innovative district heating 4.0 projects are planned, communicated and accepted. During 2021, the consortium of Italian stakeholders was inaugurated, which will provide support for the implementation of programmatic measures for the promotion of district heating from renewables defined in the last quarter of 2021 by Iren and Ambiente Italia, the main Italian partner. Several workshops and coaching activities were also organised on the topic of district heating from renewables, curated by the foreign partners of the project and from which Iren and the Italian stakeholders benefited.

BESTSAFE4IREN (Tender PRIA4.0 - Competence center CIM4.0)

The project aims to increase the levels of redundancy, security and interoperability of the equipment for the Safety of workers, integrating them with a wireless LoRaWAN infrastructure and a new generation DLT patent able to certify in a standardised and anonymised way on blockchain networks the data from field sensors in order to ensure the appropriate level of neutrality needed for operational, regulatory, insurance and legal use.

The solution developed in the project has been successfully tested during 2021 on a portion of TRM and will be tested in the first months of 2022 on a portion of the hillside of the City of Turin where Iren operators deal with waste collection.

Multipliers (Horizon 2020)

The project aims at facilitating the introduction of new scientific ideas, practices and approaches in schools, which can offer to the communities, of which teachers and pupils are part, a space for open innovation, on scientific issues that have an impact on citizens' lives. To achieve the goal, multiplier partnerships (Open Science Communities - OSCs) will be formed involving schools, families, civil society organisations, informal education providers, policy makers, media, scientific institutions, and businesses in six EU countries, diverse in terms of geographic location and economic status. OSCs will jointly select socio-scientific issues to be addressed and develop real-life projects to be implemented in schools involving more than 1,500 students of all grade levels in the same six countries. Students will interact with faculty and be involved in data collection and decision making. Through open community events, they will share and rethink their experiences, collaborating with families and businesses and acting as knowledge multipliers.

RUN (Liguria Region)

The RUN project, which began in July 2021, involves the development and demonstration of a service for now-casting the risk of flooding during heavy rains using IoT technologies and Big Data analysis tools designed for Smart Cities and urban drainage network managers, enabling faster actions to protect people and property and those in charge of maintaining drains, who will be able to plan interventions

for optimal system operation. The project will make use of low-cost IoT sensor networks, information on elements exposed to danger on an Open Data basis (people, vehicles and assets), algorithms for evaluating surface runoff and continuous assessment of the expected level of risk made usable on an IT platform for the benefit of authorities and managers of drainage networks.

Other innovation activities

During 2021, alongside the financed projects, Iren launched approximately 40 initiatives and self-financed projects, which engaged resources internal and external to the company. In particular, as regards external collaborations, Iren activated multiple research contracts with Italian Universities which regarded aspects such as the design and testing of innovative plant solutions in support of the Iren businesses, the creation of models and the identification of new processes and services.

Some significant self-financed projects are presented below:

Water

Research activities continued for optimisation of water pipeline networks during the year. Specifically, tests continued on sensors for monitoring hydraulic transients in water distribution networks and on the instrumentation, in order to identify and eliminate the causes generating the damaging effects on pipes, causing breakages. Iren has also started collaborations aimed at testing the use of specific probes to detect the presence of water in biomasses through the measurement of cosmic rays in the aqueduct and in the hydroelectric field for the water estimation of snowpacks.

Moreover, in 2021 Iren co-financed a Proof of Concept aimed at the functional analysis of innovative smart meters characterised by noise loggers, which allow the pre-localisation of water losses present in the vicinity of the site where the meter is located.

Following the patent filing of a technological nucleus that demonstrated the feasibility of the acoustic telemetry technique and in continuity with the activities carried out during 2020, in 2021 Iren realised the components of a data transmission system using acoustic modems, testing them on portions of the network realised in the laboratory

(bed test) and in the field. In order to obtain components applicable to different types of water mains, 4 different receptor/transmitter pairs were built and tested.

Work continued on researching new technologies to be applied to purification processes aimed at optimising management and recovering materials and energy from the supply chain. Related to optimised management, during 2021, scouting activity focused on energy efficiency technologies and on-line process monitoring. As a result of this activity, some field tests have been activated on innovative mixing systems with low energy consumption and probes to detect the metabolic activity of bacteria.

In the area of sludge reduction and recovery of materials and energy, collaboration with start-ups and research bodies continued, with the aim of assessing the yields and applicability of innovative processes such as hydrolysis, gasification/pyrolysis or biotechnological processes for the extraction of high-value compounds, such as biopolymers. In particular, the possibility of integrating biopolymer (PHA) extraction processes in the sludge line of sewage treatment plants was investigated through a technical-economic feasibility study.

The research activity involving Hera, Iren, SMAT, and A2A also continued. During the year, in fact, Iren continued to share its experience and knowledge through joint development of innovative projects, with repercussions to the benefit of the said Companies, with the objective of developing applied research, innovation and technological development in the context of management of the water service. In particular, projects were concluded dedicated to (i) sensors for on-line monitoring dedicated to early warning; (ii) the recovery of substances useful for the production of bioplastics from the purification cycle of urban waste water; (iii) the management of the presence of Legionella in water networks by comparing different analytical methods; (iv) the monitoring of chlorites and chlorates by identifying infrastructural and technological interventions, control and mitigation activities, and behaviours in the field of transparency and communication, in view of the entry into force of new limits provided by the revision of the European Drinking Water Directive for the two disinfection by-products (DBPs) Chlorite and Chlorate. Additional research projects of common interest have been defined and will be implemented in the 2022-2023 two-year period.

Projects included in the AMGA Foundation's research programme

During the year, Iren continued its collaboration in the context of research projects funded by the AMGA Foundation relating to economic-regulatory issues and technical-scientific aspects related to water, energy and environmental resources. Research projects completed in 2021 include:

- application of WSP to the water service: methodological and informative aspects for the stakeholders involved;
- reuse of purified wastewater: analysis of the hygienic-sanitary impact;
- optimal methods of managing urban drainage systems based on innovative monitoring of rainfall using IOT Low-Power Wide-Area Network technology;
- markets in search of regulation: tenders for gas distribution concessions;
- the economic, environmental and organisational performance of the Italian water sector.

Some projects begun in the previous biennium, including as a result of the emergency due to the pandemic, are still underway and will be completed during the year 2022. They include:

- resilience indicators in water distribution systems with respect to climatic and socio-economic changes;
- regulation of water and environmental services: analysis of factors that determine operating and capital costs, and possible impacts on price recognition models;
- applicability of Landfill Mining to old landfill sites in Italy.

The following projects selected under the second edition of Project 4.0, a call for proposals aimed at funding annual research projects related to the water, energy and environmental sectors, were also launched in 2021:

- assessment of the residual risk in the effluent and sewage sludge for the presence of emerging micropollutants and identification of the best technologies to be adopted to reduce the risk;
- evaluation of the presence of viral indicators in sludge from both wastewater purification and

organic waste treatment, through molecular biology and electron microscopy methods;

- development of an innovative technology for the degradation of emerging pollutants through the use of non-conventional photocatalysts;
- multifunctional nanostructures as catalysts for clean energy production and simultaneous water purification;
- sewage treatment plants: possible hotspots in the spread of antibiotic resistance;
- water quality and exposome: focus on emerging contaminants from wastewater;
- stabilisation of PFAS in landfill leachate;
- analysis of retail prices on energy markets. Evidence from the ARERA offers portal;
- integrated asset management in a context of geo-hydrological risk and climate change;
- the lever of tariff regulation to stimulate the engagement and awareness of users towards behaviours that favour waste prevention, reuse and recycling.

Waste Management

During 2021, research activities continued on scouting and quanti-qualitative analysis of the energy and environmental performance of processes and technologies for capturing and converting CO₂ produced by various types of emissions into products with high added value. Specifically, with regard to the capture and use of carbon dioxide produced by biogas upgrading processes, a study has been developed to assess the potential for integrating algal cultures with anaerobic digestion processes of OFMSW (nutrient use and CO₂; biomass valorisation). In the last months of the year, an experimental activity was also launched with the aim of testing an automated module of vertical farming in CO₂-enriched atmosphere and assessing its industrial applicability as a system of capture and sequestration of the CO₂ produced by emission flows.

Again with a view to optimising the management of the organic waste chain, a regulatory and market analysis was carried out on possible alternatives for the valorisation of digestate/compost through the extraction and production of fertilised products in compliance with the new European regulations.

In addition, the research activity launched in 2020 aimed at defining and evaluating a correlation model between the chemical composition of gaseous emissions (from waste treatment) and odour concentration continued.

During 2021, research activities continued on the valorisation of bottom and fly ashes produced by the Group's incineration plants. In particular, the activities carried out, which have involved Universities and industries, have focused on the analysis of the technological state of the art and on the evaluation of the industrial applicability of the same. Specifically, an in-depth study has been developed on innovative processes for the treatment and recovery of material from fly ashes.

With regard to the treatment of WEEE, following the development of a feasibility study with annexed field tests of a robotic system based on artificial vision for the automation of the process of dismantling end-of-life LCD screens treated at the TBD - Trattamento Beni Durevoli (Treatment of Durable Goods) plant in Volpiano (Turin), activities were started for the inclusion of the industrial line within the same plant.

Finally, with regard to the treatment and recovery of plastic waste, a study has been launched with the aim of quantifying the reduction of the emission impacts deriving from the use of Bluair®, produced by I-BLU, as a reducing agent in steelworks.

Energy

Innovation Industry 4.0

Iren is continuing a research activity on seeking innovative solutions falling under the definition of "Industry 4.0" applicable to the Energy Business Unit, with particular reference to the maintenance sector. The analysis focused on specific verticals, that is operator safety, infrastructure monitoring and big data, concentrating on the thermoelectric, hydroelectric and district heating sectors.

During 2021, testing activities using drones for inspections of dams, reservoirs and rocky slopes continued. The industrialisation process of the rover prototype for the inspection of the branch tunnels with the definition of specifications and requirements has also started: the robot, once completed, will be able to walk through the tunnels acquiring 3D images and maps, communicating with the outside via a wireless network during the inspection. In addition, on the basis of positive experiences in the hydroelectric

sector, tests on the use of “smart glasses” systems have also been launched in the thermoelectric sector.

In 2021, in the colder months, the experimental technique of monitoring district heating networks by air was once again used. Thanks to the use of a high-resolution thermographic camera, mounted on an aircraft, it was possible to fly, in a winter night, over the city of Turin and identify using thermal image processing software the water and heat leaks of the network. Moreover, on the basis of the thermal mapping obtained, a research project was conducted for the development of machine learning algorithms for predictive and multi-temporal analysis with the aim of developing models and methods for advanced and predictive maintenance of the district heating network of Turin.

Other innovations in the energy field

In the research area, during the year, Iren:

- promoted a project for the creation of an integrated supply chain for the production of hydrogen from electrolysis fed by RES-E plants (hydroelectric and waste-to-energy) owned by the Group and its use in the mobility sector in the Turin area. On the subject of hydrogen, Iren is active at the tables of local and national bodies and associations and constantly follows the updates of the regulations on the production, distribution and use of hydrogen;
- conducted a preliminary feasibility analysis of the energy and environmental performance of processes and technologies for the capture and conversion of CO₂ from waste-to-energy into high value-added products (chemicals, gas, fuels etc.);
- transformed a portion of the uncovered parking lot of the Martinetto headquarters into an experimental laboratory for testing smart lighting systems and technologies for smart cities. In this area, innovative lighting fixtures from different manufacturers were installed. They are equipped with sensors capable of processing external stimuli (radar, presence sensors) and can be controlled remotely via a platform capable of integrating inputs from different databases. The area also saw the installation of air quality sensors connected via both WiFi and LoRaWAN and the testing of a street lighting system integral to an electric vehicle charging station;
- continued the testing, on a user of the district heating network of Turin, of innovative storage systems based on phase change materials (PCM), with the aim of evaluating their performance in terms of

charge-discharge efficiency and reduction of the morning peak, with a consequent increase of thermal energy available in the network, useful to supply new users with the same infrastructure;

- launched a research project for the analysis of the evolutionary scenarios of thermal consumption due to variations in technical and exogenous factors over time and the possible effects on the Turin district heating network and on the production units;
- carried out research to estimate the impacts of public and private electric mobility on Turin's electricity distribution network, with the aim of supporting network development decisions;
- conducted two projects to test solutions to support renewable energy communities. In a first pilot we focused on testing management platforms with a particular focus on User Experience and supervised battery optimisation. The second pilot focused on the testing of User Devices able to communicate with second generation meters and provide useful information for the management of both Energy Communities and Recharge Infrastructure Controllers;
- started a testing activity of solutions for Smart Charging services at the service of the company fleet, with the implementation of a pilot at the multi-storey parking lot of the Iren headquarters in Turin Martinetto with integrated service in the fleet management system through the activation of Application Programming Interface;
- developed a study on innovation in the field of electric mobility, with a focus on the technological and regulatory state of the art regarding V1G, V2G and plug&charge and the analysis of start-ups active in the sector;
- conducted research on protocols to ensure the interoperability of public lighting systems serving the smart-city with a particular focus on platforms for supervised management and innovative protocols such as TalQ or Ucifi;
- initiated a study of home load management controllers for maximising self-consumption of renewable energy installed at the single-family home level. The study will focus on integrating heating/cooling systems, appliances, and battery systems into a single integrated logic that considers on-site photovoltaic production;

- completed the LoRa Castellarano project, which provided for the implementation of the IoT connectivity network based on the LoRaWAN communication protocol covering the Municipality of Castellarano. The project tested distributed sensor solutions to serve the smart city, starting with assets managed directly by IREN, such as the gas distribution network, the drinking water network, and waste collection, and including additional services for citizens, such as monitoring weather conditions, air quality, car traffic, noise, parking, and the comfort conditions of some buildings owned by the municipality. The pilot project ended on 30 June 2021.

Corporate Venture Capital – Iren UP

During 2021, numerous activities were carried out in the context of the Corporate Venture Capital programme.

The collaboration with the start-up Re Mat, active in the recycling of Polyurethane, continued during the year: in fact, a further tranche of financing was

concluded for the start-up of the plant and the commercial agreement with Iren Ambiente. Moreover, during the year an important investment was concluded in the start-up Enerbrain, active in the energy efficiency sector: the investment saw the participation of other institutional investors and a major international industrial player. Regarding the other start-up in the portfolio, i-Tes, the contractual terms of collaboration were extended for an additional year. Finally, at the end of the year an experimentation agreement was concluded with an innovative company operating in the agritech sector.

The Group participated in institutional events and collaborations, such as the National Innovation Award (NIA) and Techstars, which allowed it to continue its scouting activities for new start-ups, identifying possible new investment targets and open innovation activities for 2022.

The research and analysis of start-ups at national level during 2021 has produced contacts with more than 200 start-ups and with about twenty of these Open Innovation activities are underway.

Iren and sustainability

Sustainability is at the centre of the strategy of the Iren Group, which reports its policies and performance with particular regard to environmental and social issues, to those relating to the personnel, to human rights, and to combating active and passive corruption.

These issues, together with others identified as priorities by the materiality analysis, carried out with the involvement of stakeholders, are reported and analysed in the Sustainability Report of the Iren Group, which also fulfils the function of Consolidated Non-Financial Statement (NFS) required by Legislative Decree no. 254/2016. A significant function that underlines how the strategic approach to social responsibility is becoming increasingly important in the long term for the competitiveness of companies, and that strengthens the Group's orientation both in terms of information transparency and in considering sustainability a strategic lever for growth.

The Iren Group integrates sustainable development into its business model, in line with the UN Sustainable Development Goals (SDGs). An evaluation of the SDGs to which Iren contributes and can contribute more in the future was also carried out in the preparation of the Strategic Plan to 2030. All 17 SDGs were analysed, with the relative targets, and the areas of activity of the Group that contribute to their achievement were identified, making it possible to select 9 priority objectives, which were assumed in the Strategic Plan with specific commitments and targets that are constantly monitored and reported.

In the non-financial reporting for the 2021 financial year, the recommendations of the Task Force

on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board are introduced, in a comprehensive manner, with reference to governance (corporate governance with regard to climate issues), strategy (illustration of the main risks and opportunities related to climate change, the different scenarios considered and the strategy developed as a response to mitigate and adapt to risks and maximise opportunities), risks (description of the process of identifying, assessing and managing risks and opportunities related to climate change), metrics and targets (climate change metrics used and main targets set to promote a low-carbon business model). Reporting is also enriched with the information required by the European Taxonomy (Regulation (EU) 2020/852), the single classification system for economic activities considered environmentally sustainable, which also defines the lines of disclosure of information related to the environment and climate.

The Sustainability Report/Non-financial Statement - to which reference is made pursuant to Legislative Decree no. 254/2016 - is therefore increasingly a tool both for transparency towards all stakeholders and for monitoring operations, economic, environmental and social impacts.

The document is prepared, under the coordination of the Corporate Social Responsibility and Local Committees Department, in compliance with the GRI (Global Reporting Initiative) Standard with the electricity industry Utility supplement – G4 Sector Disclosure, and is submitted for approval to the Board of Directors at the same time as the draft Separate and Consolidated Financial Statements.

Other information

Protection of natural persons with reference to personal data

During 2021, for Iren S.p.A. and for the main Group companies, the activity of adapting, monitoring and implementing the company Privacy System, in application of the regulatory principles referred to in Regulation (EU) 679/16 (GDPR) and the national legislation in force (Legislative Decree no. 196/2003 and subsequent amendments, supplementary measures issued by the Privacy Guarantor, etc.) was carried out.

The GDPR has substantially changed the concept of protection of personal data, with the aim of strengthening the rights related to the protection of the individual sphere of individuals, introducing, among other things, the concepts of *privacy by design* and *by default* and *accountability*, thus obliging the Companies to evaluate and adopt best practices in order to minimise the processing of personal data.

The company Privacy System, subject to constant monitoring and improvement, led to the identification of the Data Protection Officer (DPO) of Iren S.p.A. as the 231 System Compliance and Privacy Manager, subsequently designated by the Data Controller (CEO of Iren S.p.A.). The same then gave instructions, in the context of the activity of management and coordination of the subsidiaries, to the Data Controllers of these companies, that they were to appoint as DPO the same person chosen for the Parent.

Subsequently all the Data Controllers of the main Group Companies therefore designated as DPO the Parent DPO and made the relevant communication to the Supervisory Authority. During 2021, the activities of adaptation and monitoring of the company

Privacy System led, among other things, to constant support for the business structures on all issues relating to the processing of personal data (including, for example, the introduction of the Green Pass in the private sector, etc.), as well as the revision of some of the procedures containing rules of conduct to be implemented by staff. The Processing Registers, provided for under the terms of art. 30 of the GDPR are also constantly updated. These documents, revised annually, are provided for in the legislation for the purpose of providing full knowledge of the existing processing, identifying, among other things, a number of elements of particular significance such as data processed, conservation times, risk levels, etc.

Control of companies abroad

It is noted that the Parent does not control companies established and regulated by the laws of non-EU countries. Furthermore, it is noted that Iren S.p.A. is not subject to management and coordination by another company.

Report on Corporate Governance and Ownership Structure and Report on the policy on the subject of remuneration and on fees paid

The Report on Corporate Governance and Ownership Structure and the Report on the policy on the subject of remuneration and on fees paid, approved by the Board of Directors and published within the legal deadline, include information not mentioned in the section below "Information on Corporate Governance", as envisaged in art. 123-*bis* and art. 123-*ter* of Legislative Decree no. 58 of 24 February 1998, and subsequent amendments and additions.

Information on Corporate Governance

Introduction

IREN S.p.A. (hereinafter “Iren”) is the result of the merger of Enia S.p.A. into IRIDE S.p.A. which took effect on 1 July 2010. The merger between IRIDE and Enia was promoted by the controlling shareholders - respectively FSU S.r.l. (then controlled equally by the Municipalities of Turin, through FCT Holding S.p.A., and Genoa) and the Municipalities of Reggio Emilia, Parma, Piacenza and other Municipalities of the Emilia area that had signed *ad hoc* shareholders’ agreements – with the objective of creating a new entity capable of developing industrial synergies and to be a hub for further aggregations on the national market.

At the reference date of this report, three Shareholders’ Agreements are in force among the public shareholders of Iren S.p.A.:

- Agreement between FSU - FCT - Metro Holding Torino - so-called Parti Emiliane – Soci Spezzini, effective as of 5 April 2019.

This agreement (hereinafter also the “Shareholders’ Agreement”) is attributable to a blocking and voting syndicate with the purpose of guaranteeing the development of the Parent, of its investees and of its business, and of ensuring unity and stability of guidance, also through the use of the instrument of increased votes, and, specifically: (i) determining methods of consultation and joint decision-making regarding certain resolutions of the Parent’s Shareholders’ Meeting; and (ii) setting certain limits on the circulation of the shares contributed.

The Agreement has a duration of 3 years and will be tacitly renewed, subject to the option to withdraw with the methods and in the terms pursuant to the Agreement, for a further 2 years; subsequently, any further renewal must be agreed in advance in writing. On 21 May 2021, the following companies joined the Shareholders’ Agreement: (i) Società per la Trasformazione del territorio Holding S.p.A. (STT Holding) by contributing 15,341,000 ordinary shares,

10,000,000 of which to the Block Syndicate; (ii) Metro Holding Torino S.r.l. by contributing 32,500,000 ordinary shares, 6,500,000 of which to the Block Syndicate.

- Emilian Parties *Sub-Agreement* in effect as of 5 April 2019.

This agreement is intended, among other things, to determine the respective rights and obligations, in order to (i) ensure uniformity of conduct and rules on decisions that must be taken by the Emilian parties in the context of what is provided for in the FSU-FCT-Emilian Parties-La Spezia Shareholders’ Agreement; (ii) provide for further commitments in order to guarantee the development of the Parent, of its investees and of its business, and of ensuring to the same unity and stability of guidance; (iii) attribute a right of pre-emption in favour of the signatories in the event of sale of the Parent’s shares other than shares covered by the Block Syndicate under the terms of the Agreement; and (iv) confer on the Municipality of Reggio Emilia an irrevocable mandate to exercise on behalf of the signatories the rights attributed to these latter under the terms of the Agreement.

The Emilian Parties *Sub-Agreement* has a duration of 3 years and will be tacitly renewed, subject to the option to withdraw with the methods and under the terms pursuant to the *Sub Agreement*, for 2 additional years; subsequently, any further renewal must be agreed in advance in writing.

- Piedmont Parties *Sub-Agreement* in effect as of 28 September 2021.

This agreement can be traced back to a voting syndicate through which the shareholders FCT Holding S.p.A. and Metro Holding Torino intended to regulate their mutual relations as shareholders of Iren, also as part of the broader Shareholders’ Agreement signed with other shareholders of Iren on 05 April 2019. More specifically, the Piedmontese Parties intend to 1) coordinate with each other in order to identify, within the limits set by the Piedmontese *Sub-Agreement*: i)

shared candidacies within the scope of the powers to appoint directors and statutory auditors, as governed by the Shareholders' Agreement; ii) common guidelines in relation to the decisions to be taken on the resolutions of the Meetings as per art. 6-bis of Iren's Articles of Association, as well as on the resolutions to be taken on the following matters (a) amendment of the provisions of the Articles of Association governing the limits to share ownership; (b) amendment of the provisions of the Articles of Association concerning the composition and appointment of the corporate bodies; (c) amendments to the Articles of Association concerning the quorums for the constitution and passing of resolutions and the powers of the Shareholders' Meetings and the Board of Directors; (d) the registered office; (e) mergers, spin-offs (other than those pursuant to Articles 2505, 2505-bis and 2506-ter, last paragraph, of the Italian Civil Code) as well as other extraordinary transactions on the capital, with the exception of those required by law; and (f) the liquidation of the Parent; 2) to grant FCT an irrevocable mandate, also in the interest of FCT itself, to exercise the rights conferred by the Shareholders' Agreement on FCT in accordance with the provisions of the Piedmont Sub-Agreement.

The Piedmont Parties Sub-Agreement has a duration until 05 April 2022 (First Expiration Date) and is tacitly renewed upon expiry for a further 2 years, unless notice of termination is communicated at least 6 months before the expiry date.

During 2021, the following changes occurred in the structure of IREN's public ownership structure:

- on 1 March 2021, the number of voting rights conferred to the Shareholders' Agreement changed due to the granting of an increased vote to 32,750,000 shares held by Finanziaria Sviluppo Utilities S.r.l. (FSU);
- on 21 May 2021
 - the following joined the Shareholders' Agreement (i) STT Holding by contributing 15,341,000 ordinary shares, of which 10,000,000 to the Block Syndicate; (ii) Metro Holding Torino by contributing 32,500,000 ordinary shares, of which 6,500,000 to the Block Syndicate;
 - the Municipality of Parma granted the Block Syndicate an additional 1,534,179 shares;
 - the company Parma Infrastrutture S.p.A. contributed 6,500,000 ordinary shares to the Block Syndicate.

In the period from 27 May 2021 to 21 December 2021 (i) 2 adherents sold a total of 1,150,000

shares, in particular the Municipality of Boretto sold 50,000 shares and the Municipality of La Spezia sold 1,100,000 shares; (ii) the number of voting rights conferred to the Shareholders' Agreement changed as a result of the allocation of the 158,492 loyalty shares held by the Municipality of Deiva Marina as from 1 June 2021 and 387,000 loyalty shares held by the Municipality of Piacenza as from 1 December 2021.

Lastly, it is specified that, in 2021, as part of the buy-back programme approved by the Shareholders at their Meeting of 29 April 2020, Iren purchased 1,987,641 treasury shares equal to 0.15% of the share capital. As at 31 December 2021, Iren held 17,855,645 treasury shares equal to 1.37% of the share capital.

The Parent adopts a traditional system of corporate governance. The Board of Directors is vested with the broadest powers for the ordinary and extraordinary administration of the Parent and, specifically, with the power to carry out all the actions it deems appropriate for the implementation and achievement of the corporate purpose, including organising the Parent and the Group into business areas, whether structured as companies or operating divisions, excluding only those actions that the law and the Articles of Association reserve for the Shareholders' Meeting.

Under the terms of the current Articles of Association, the Board of Directors delegates its powers to one or more of its members and may also assign powers to the Chairperson, Deputy Chairperson and CEO provided they do not conflict with each other.

Declaration on observance of the laws on the subject of corporate governance

Iren's Corporate Governance system is in line with the provisions of the Consolidated Law on Finance (hereinafter "TUF") and the Corporate Governance Code approved by the Italian Corporate Governance Committee on 31 January 2020, effective 1 January 2021 (hereinafter "Code"), to which the Parent subscribed by board resolution of 18 December 2020.

After adoption a disclosure was made to the public through a press release distributed to the market. On the same date the Board of Directors also approved the document which highlights the governance solutions adopted by the Parent with reference to the provisions of the Code. This was published on the IREN Group's website (www.grupporenen.it), in the Section "Investors – Corporate Governance – Corporate documents".

The current Articles of Association are in keeping with the rules of the TUF and the other provisions of laws or regulations applicable to listed companies.

In particular the Articles of Association state, among other things, that:

- the directors must be in possession of the requisites provided for by law and by the regulations on the subject (art. 147-*quinquies* of the Consolidated Law on Finance);
- at least two members of the Board of Directors must possess the requisites of independence established by the applicable legislation (art. 147-*ter*, paragraph 4, and art. 148, paragraph 3, Consolidated Law on Finance);
- the members of the entire Board of Directors are appointed on the basis of lists (art. 147-*ter*, paragraph one, Consolidated Law on Finance);
- the non-controlling shareholders have the right to appoint at least two Directors (art. 147-*ter*, paragraph 3, Consolidated Law on Finance);
- the balanced representation of genders in the composition of corporate bodies is respected (Article 147-*ter*, paragraph 1-*ter* and art. 148, paragraph 1-*bis*, Consolidated Law on Finance);
- one standing and one alternate member of the Board of Statutory Auditors must be elected from the list presented by the minority (art. 148, paragraph 2 of the Consolidated Law on Finance);
- the Chairperson of the Board of Statutory Auditors and one alternate auditor must be appointed on the basis of the list presented by the minority (art. 148, paragraph 2-*bis* of the Consolidated Law on Finance);
- a person responsible for corporate financial reporting must be appointed, setting the requisites of professionalism and the powers and tasks attributed to the same (art. 154-*bis* of the Consolidated Law on Finance).

On 22 May 2019 the Iren Shareholders' Meeting, called *inter alia* to approve the financial statements at 31 December 2018, also proceeded to appoint the Parent's Board of Directors for the 2019-2021 three-year period, with expiry on the date of approval of the financial statements at 31 December 2021.

By resolution of the Board of Directors of 22 May 2019, the newly appointed Chairperson, Renato Boero, was conferred powers, proxies and responsibilities

in relation to communication and external relations, institutional relations (including relations with Regulators, Regions and Local Authorities), and mergers & acquisitions.

The Deputy Chairperson, Moris Ferretti, was given powers, proxies and responsibilities in relation to corporate affairs, corporate compliance, corporate social responsibility (which also covers support for the activities of territorial Committees), risk management, internal auditing.

The Chief Executive Officer, Massimiliano Bianco, was given powers, proxies and responsibilities in relation to administration, finance and control (including investor relations); personnel, organisation and information systems; procurement, logistics and services; legal affairs; strategies, studies and regulatory affairs, Energy, Market, Networks and Waste Management business units, as well as expansive duties and powers of representation.

On 2 July 2019, at the same time as his appointment as General Manager, the Board of Directors of Iren gave Massimiliano Bianco powers and proxies of an operational kind, with a transversal impact on the Departments and Business Units.

During the meeting of 29 May 2021, the Board of Directors of Iren, co-opted, pursuant to Article 2386 of the Italian Civil Code, Gianni Vittorio Armani as Director of the Parent and appointed him as CEO and General Manager to replace Massimiliano Bianco, who resigned from the above-mentioned offices with effect from the same date. Gianni Vittorio Armani was granted powers, proxies and responsibilities in the same matters as those mentioned above.

In compliance with the provisions of the Code, with resolutions passed at the meetings on 22 and 30 May 2019, the Board of Directors also appointed:

- a Remuneration and Appointments Committee (hereinafter also "RAC");
- a Control, Risk and Sustainability Committee (henceforth also "CRSC").

In accordance with the provisions of the CONSOB Regulation and of the current RPT Procedure, with a resolution passed at the meeting on 22 May 2019 (amended with a resolution passed on 30 May 2019), the Board of Directors also appointed the Independent Directors' Committee for dealing with Transactions with Related Parties, named the Related Party Transactions Committee (hereinafter also "RPTC").

Board of directors

As mentioned above, on 22 May 2019, the Shareholders appointed the current Board of Directors, made up of fifteen members, in office for the years 2019/2020/2021 (until approval of the separate financial statements at 31 December 2021).

The following table shows the breakdown at the date of this Report:

Office	Name and Surname	Place of birth	Date of birth
Chairperson of the Board of Directors	Renato Boero	Turin (TO)	09 March 1962
Deputy Chairperson	Moris Ferretti	Reggio Emilia	28 May 1972
Chief Executive Officer and General Manager	Gianni Vittorio Armani	Tradate (VA)	24 July 1966
Director	Sonia Maria Margherita Cantoni	Milan	16 February 1958
	Pietro Paolo Giampellegrini	Massa (MS)	14 November 1968
	Enrica Maria Ghia	Rome	26 November 1969
	Alessandro Giglio	Genoa	30 July 1965
	Francesca Grasselli	Reggio Emilia	13 June 1979
	Maurizio Irrera	Turin	17 September 1958
	Cristiano Lavaggi	Carrara (MS)	08 August 1975
	Ginevra Virginia Lombardi	Viareggio (LU)	04 July 1966
	Giacomo Malmesi	Parma	29 October 1971
	Gianluca Micconi	Ponte dell'Olio (PC)	19 March 1956
	Tiziana Merlini	Finale Ligure (SV)	08 June 1974
	Licia Soncini	Rome	24 April 1961

In accordance with art. 25 of the current Articles of Association, resolutions of the IREN Board of Directors are carried by a vote in favour of the absolute majority of Directors in office.

For the matters indicated in Art. 25.5 of the Articles of Association ("Significant Matters"), resolutions of the Board are instead carried by the vote in favour of at least 12 Directors.

Articles 18, 19 and 20 of the Articles of Association govern the appointment, methods and criteria for the presentation of lists for the appointment of Directors, which adopts the list voting system.

During 2021 the IREN Board of Directors held 22 meetings.

As at 31 December 2021, in the Board of Directors, consisting of 15 directors, 9 directors possess the requirements of independence both under the terms of

the combined provisions of arts 147-ter, paragraph 4, and 148, paragraph 3, of the Consolidated Law on Finance, and under the terms of art. 7 of the Code.

The Board of Directors assesses the independence of its members with regard to the principle of substance over form. The independence of directors is assessed by the Board of Directors on appointment, and thereafter on an at least annual basis, or when significant circumstances occur for the purposes of independence during their mandate. The outcome of the Board's assessments is disclosed to the market, with the methods identified in the Code.

As at 31 December 2021, the Independent Directors met once, under the terms of Recommendation no. 5 of the Code. In 2021, a meeting was also held in which, in addition to a number of Independent Directors, including their coordinator, the Executive Directors participated.

The Parent has set up a short-term bonus system (MBO) for the Chief Executive Officer and General Manager of the Parent and the Group's Key Management Personnel: the targets are set respectively by the Parent's Board of Directors and Chief Executive Officer and General Manager – after consulting the Parent's Remuneration and Appointments Committee – on an annual basis and, if achieved, for the amount established at the end of an enquiry carried out by the Committee, give the right to receive the related bonus (after a resolution of the Board of Directors, as regards the figure of the Chief Executive Officer and General Manager).

During the meeting on 27 November 2018, the Parent's Board of Directors, on the basis of the inquiry carried out by the Remuneration and Appointments Committee, approved the 2019-2021 Long-Term Monetary Incentive Plan for the Group's Key Management Personnel and other resources (the so-called "Key Resources") who can contribute in a significant way to achieving the targets in the 2018-2023 Business Plan (as approved by the Board of Directors on 26 September 2018).

For more information on the remuneration policy, please see the Report on the policy on the subject of 2022 remuneration and on fees paid for 2021 made available to the shareholders, in observance of the terms provided for in the current legislation, in view of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2021.

As envisaged in the Italian Civil Code, directors with an interest in a given transaction must report such interest beforehand. On this point, with a resolution passed on 28 June 2021, the current text of IREN's Procedure on Related Party Transactions was approved by the Board of Directors.

Remuneration and appointments committee

The Board of Directors set up within it a Remuneration and Appointments Committee (hereinafter also "RAC"), composed of non-executive directors, most of whom independent, from among whom the Board of Directors appointed the Chairperson.

The Committee has the preliminary, proposing and consultative functions towards the Board of Directors, as per the Code as well as the Policies and

Procedures approved by the Board of Directors of IREN S.p.A. on 1 August 2018 (and of which the RAC in office took note in the first meeting following the appointment), as follows:

- a) to formulate proposals to the Parent's Board of Directors on the definition of the policy on remuneration of Directors and Key Management Personnel of the IREN Group (top management, as defined in the Code), in compliance with the current legislation and having regard to the criteria recommended by the Code, after interaction with the Parent's Control, Risk and Sustainability Committee, as regards the risk profiles;
- b) to submit for the approval of the Parent's Board of Directors the annual Report on the policy on the subject of remuneration and on fees paid prepared under the terms of art. 123-ter of the Consolidated Law on Finance, for its presentation to the Shareholders' Meeting called for approval of the annual financial statements;
- c) to assess periodically the adequacy, overall consistency and actual application of the policy under a) above, availing itself, in this last regard, of the information provided by the competent delegated bodies and formulating proposals on the subject to the Board of Directors;
- d) to present proposals or express opinions to the Parent's Board of Directors on the remuneration of executive directors and other directors who hold special positions and establishing performance objectives relating to the short and medium/long-term variable component connected with this remuneration;
- e) to monitor the application of the decisions adopted by the said Board by verifying, in particular, the actual achievement of the short- and medium/long-term performance targets pursuant to point d) above;
- f) to formulate proposals to the Parent's Board of Directors on the remuneration of the members of the Committees set up within the Board itself;
- g) to establish the annual board evaluation procedure ("board evaluation") on the operation of the Board itself and of its Committees and on their size and composition, also taking into account elements such as the professional characteristics, experience, including managerial, and gender of its members, and their seniority

in office; specifically, after coordination with the Chairperson of the Board of Directors, the Committee identifies the subjects with which the assessment is concerned and, having regard to the best practices, also availing itself of the assistance of an expert consultant in the sector;

- h) taking into account the results of the board evaluation as in point g) above, to formulate opinions to the Board of Directors on the subject of the dimensions and composition of the same and of its Committees (including the requisites of professionalism, integrity and independence of the related members) and to express recommendations on the professional and managerial figures whose presence on the Board of Directors is considered opportune, so that the Board of Directors can express its guidance to the shareholders before the appointment of the new administrative body;
- i) to express recommendations to the Board of Directors as regards the maximum number of appointments as Director or Statutory Auditor in other listed companies in regulated markets (including abroad), in financial, banking and insurance companies or in large companies, compatible with an effective fulfilment of the appointment as Director of IREN S.p.A. taking into consideration the participation of the Directors in the Committees set up within the Board;
- j) to express recommendations to the Board of Directors on any problematic cases connected with application of the prohibition on competition provided for in relation to Directors in art. 2390 of the Italian Civil Code;
- k) in line with the current with statutory provisions, to propose candidates to the Board of Directors for the position of Director in the cases of co-optation pursuant to Article 2386 paragraph 1 of the Italian Civil Code, if it is necessary to replace Independent Directors, ensuring observance of the prescriptions on the minimum number of independent directors and on the quotas reserved for the less represented gender;
- l) to carry out the enquiry on preparation of the plan for the succession of the Executive Directors, if the Board of Directors decides to adopt this plan;
- m) to report, through its Chairperson, on the most

significant questions examined by the Committee on the occasion of the first useful meeting of the Board of Directors of IREN;

- n) to report on the methods of performing its duties to the Shareholders' Meeting called for approval of the annual financial statements, through its Chairperson or another member indicated by the same.

No Director shall take part in meetings of the Committee in which proposals are formulated to the Parent's Board of Directors on their remuneration, unless the proposals regard all the members of the Committees set up within the administrative body.

In performing its duties, the Committee has the right to accede to the information and corporate units necessary for it to carry out its tasks, and to avail itself of external consultants, under the terms laid down by the Board of Directors.

In the case of transactions regarding the remuneration of the Directors of the Parent and the Key Management Personnel of the IREN Group, the Committee also performs the duties of the Committee of independent directors responsible for the examination and enquiry pursuant to the current RPT Procedure, limited to cases in which its composition makes it possible to meet the minimum requisites of independence and non-relatedness of its members required by the CONSOB R.P.T. Regulation.

With resolutions passed on 22 and 30 May 2019, IREN's Board of Directors identified, as members of the Remuneration and Appointments Committee for the three years 2019-2021, the following Directors:

- Pietro Paolo Giampellegrini, recognising that he possessed adequate knowledge and experience on the subject of remuneration policies;
- Maurizio Irrera, recognising that he possessed adequate knowledge and experience on the subject of remuneration policies;
- Francesca Grasselli, recognising that she possesses adequate knowledge and experience on financial matters and remuneration policies.

On 30 May 2019, Iren S.p.A.'s Board of Directors appointed as Chairperson of the Remuneration and Appointments Committee Pietro Paolo Giampellegrini, in possession of the requisites of independence under the terms of arts 147-ter, paragraph 4, and 148, paragraph 3, Consolidated Law on

Finance, and under the terms of Recommendation no. 7 of the Code.

In 2021 the Remuneration and Appointments Committee met 17 times (of which 3 times jointly with the Control, Risk and Sustainability Committee), preparing proposals and opinions recorded in the minutes of the Committee meetings. The Committee meetings held during the year were attended by at least one Statutory Auditor of the Parent, as per the Committee Regulations.

Control, risk and sustainability committee

In accordance with what is established by the Code, the Board of Directors set up within it a Control, Risk and Sustainability Committee (hereinafter also "CRSC"), composed of four non-executive Directors, most of whom independent, from among whom the Board of Directors appointed the Chairperson.

The Control, Risk and Sustainability Committee performs the general task of supporting, through adequate preliminary activities, the assessments and decisions of the Board of Directors relating to the internal control and risk management system, as well as those concerning approval of the periodic reports of both a financial and a non-accounting nature.

It is assigned the functions set out in the Code as well as in the Regulation approved by the Board of Directors of IREN S.p.A. on 5 April 2019 (and which the CRSC in office acknowledged in the first meeting following its appointment), as follows:

- to assess, together with the Manager in charge of financial reporting, and after consulting the independent auditors and the Board of Statutory Auditors, the proper use of accounting policies, and in the case of Groups, their uniformity for the purpose of drafting the Consolidated Financial Statements;
- to express opinions on specific aspects related to identifying the main business risks (in particular, on specific aspects related to the Risk Policies, identifying the main business risks and the Audit Plan, and on Guidelines for the internal control and risk management system);
- to examine the periodic reports, concerning the evaluation of the internal control and risk

management system, and those of particular significance drafted by the Internal Audit Unit;

- to monitor the independence, adequacy, effectiveness and efficiency of the Internal Audit Unit;
- to request that the Internal Audit Unit carry out checks on specific operational areas, communicating simultaneously with the Chairperson of the Board of Statutory Auditors;
- to report to the Board, at least every six months, on the occasion of approval of the annual and interim Financial Report, on its activity and on the adequacy of the internal control and risk management system;
- to support, with adequate enquiries, the assessments and decisions of the Board of Directors in relation to the management of risks deriving from detrimental events of which the Board of Directors has become aware;
- to examine the risk analysis carried out (a) with reference to the long-term Business Plan of the IREN Group, prior to its approval by the Board of Directors; (b) with reference to the strategic initiatives, including the mergers & acquisitions, carried out by the Parent and/or by the subsidiaries, if they fall within the scope of Iren's Board of Directors' duties;
- to express to the Board of Directors of the Parent its prior opinion on the proposal related (a) to the appointment and dismissal of the Manager of the Internal Audit unit; (b) to the adequacy of the resources assigned to the same for performing his or her duties; (c) to the definition of the related remuneration in keeping with the corporate policies;
- in agreement with the Remuneration and Appointments Committee, prior to its approval by the Board of Directors, to examine the Parent's policy for the remuneration of the Directors and Key Management Personnel of the Group, with a particular focus on the risk profiles.

The Committee also provides the Board of Directors with its prior opinion on proposals related: (a) to the appointment and dismissal of the Manager of the Internal Audit unit; (b) to the adequacy of the resources assigned to the same for performing his or her duties; (c) to the definition of the related remuneration in keeping with the corporate policies;

The Board of Directors of Iren S.p.A. also attributed to the Control, Risk and Sustainability Committee the functions of consultation and proposal in relation to the administrative body on the subject of sustainability listed below:

- to express opinions to the Board of Directors of the Parent on (a) the definition of “sustainability” policies and principles of conduct, in order to ensure the creation of value over time for the shareholders and for all the other stakeholders; (b) the definition of a sustainability plan (strategic priorities, commitments and objectives) for the development of the economic, environmental and social responsibility of the Group;
- to supervise the “sustainability” policies and observance of any principles of conduct adopted on the subject by the Parent and its subsidiaries;
- examine the issues under enquiry in terms of long-term sustainability of the basic principles and guidelines of strategic planning, of the Business Plan and of short-term planning, supervising the methods for implementing the same;
- to assess, together with the competent Group Unit and after consulting the Independent Auditors, the proper use of the standards adopted for the purposes of preparing the non-financial disclosures provided for in the current legislation;
- supervise the system for assessing and improving the environmental, economic and social impacts deriving from the business activities in the local areas;
- to examine the periodic reports on the implementation of the structured methods of discussion with stakeholders in the local areas in which the Group operates, also through instruments such as Local Committees, and those on the consistency with the corporate social responsibility questions of the Group’s cultural and image promotion activities.

In performing its duties, the Committee has the right to accede to the information and corporate units necessary for it to carry out its tasks, and to avail itself of external consultants, under the terms laid down by the Board of Directors.

With resolutions passed on 22 and 30 May 2019, Iren’s Board of Directors identified as members of the Control, Risk and Sustainability Committee for the three years 2019-2021, the following Directors:

- Giacomo Malmesi, recognising that he possessed adequate experience on strategic planning processes and aspects of corporate social responsibility;
- Sonia Maria Margherita Cantoni, recognising that she possessed adequate experience on assessment of functioning processes of complex organisations, on strategic planning processes, on strategic risk management, on aspects of corporate social responsibility and on guidance and assessment of environmental aspects;
- Enrica Maria Ghia, recognising that she possessed adequate experience regarding assessment of functioning processes of complex organisations, of strategic planning processes, of strategic risk management, of aspects of corporate social responsibility and of guidance and assessment of environmental aspects;
- Cristiano Lavaggi, recognising that he possessed adequate experience regarding the analysis of accounting and financial disclosures and aspects of corporate social responsibility.

On 30 May 2019, Iren S.p.A.’s Board of Directors appointed as Chairperson of the Remuneration and Appointments Committee Giacomo Malmesi, in possession of the requirements of independence under the terms of arts 147-ter, paragraph 4, and 148, paragraph 3, Consolidated Law on Finance, and under the terms of Recommendation no. 7 of the Code.

During 2021, the Control, Risk and Sustainability Committee held 18 meetings (of which 3 jointly with the Remuneration and Appointments Committee). As per the recommendations of the Code, all the meetings of the Committee were attended by the Chairperson of the Board of Statutory Auditors and/or another/other statutory auditor(s) designated by the latter.

Related party transactions committee

In accordance with what is established by the current RPT Procedure, the Board of Directors set up a specific Related Party Transactions Committee (“RPTC”).

The RPTC consists of four Directors in possession of the requirements of independence provided for in Articles 147-ter, paragraph 4 and 148, paragraph 3 of

the Consolidated Law on Finance and the additional requirements set forth in Recommendation no. 7 of the Code. In order to guarantee the double requisite of independence and non-relatedness in each transaction to be examined, in the context of the current RPT Procedure mechanisms were put in place to identify any subjects responsible, as an alternative, for the enquiry.

Specifically, without prejudice to the competence of the RAC in the case of transactions related to the remuneration of the Parent's Directors and the Group's Key Management Personnel, it is envisaged that:

- if possible, the RPTC is expanded to include other independent Directors, "unrelated to the transaction under review" who are members of the Parent's Board of Directors, attributing to same administrative body the task of identifying, in order of seniority, a Sub-Committee composed of at least two, for minor transactions, or three, for major transactions, Independent Directors unrelated to the individual transaction with Related Party under review;
- If there is not even one member of the RPTC or of the Board of Directors that has the above requisites of independence and non-relation, of the investigation in relation to the transaction to be examined,

an Independent Expert appointed by the Parent's Board of Directors will be vested as Alternative Overseers.

With resolutions passed on 22 and 30 May 2019, the Board of Directors identified, as members of the Related Party Transactions Committee for the three years 2019-2021, the following Directors:

- Licia Soncini;
- Alessandro Giglio;
- Giacomo Malmesi;
- Ginevra Virginia Lombardi;

all in possession of the requirements of independence under the terms of the provisions of the Consolidated Law on Finance, and pursuant to Recommendation no. 7 of the Code.

On 29 May 2019, the RPTC appointed Licia Soncini as its Chairperson.

In 2021, the RPTC met 8 times preparing, among other things, opinions that, from 1 July 2021, are annexed to the minutes of the Committee's meetings. The meetings of the Committee were attended by the Chairperson of the Board of Statutory Auditors and/or another/other statutory auditor(s) designated by the latter.

Board of statutory auditors

As of today, the Board of Statutory Auditors is composed of five statutory auditors and two alternate auditors with a three-year term of office expiring on the date of the shareholders' meeting called to approve the financial statements in their last year of office; they can be re-elected.

On 06 May 2021, the Shareholders appointed the members of the Board of Statutory Auditors; their term expires upon approval of these 2023 financial statements.

The composition is as follows:

Office	Name and Surname	Place of birth	Date of birth
Chairperson	Michele Rutigliano	Milan	06 October 1953
	Cristina Chiantia	Turin	07 May 1975
Standing Auditor	Simone Caprari	Reggio Emilia	10 January 1975
	Ugo Ballerini	Pisa	28 October 1947
	Sonia Ferrero	Turin	19 January 1971
Alternate Auditor	Lucia Tacchino	Genoa	18 April 1979
	Fabrizio Riccardo Di Giusto	Collevecchio (RI)	20 June 1966

Arts 27 et seq. of the Articles of Association, to which reference should be made, establish list voting as the method for appointing the Board of Statutory Auditors.

The members of the Board of Statutory Auditors attend the shareholders' meetings and meetings of the Board of Directors. The presence of at least one member of the Board of Statutory Auditors at Board of Directors' meetings ensures that the Board of Statutory Auditors remains informed of activities conducted by the parent and on the transactions of greatest economic, financial and equity significance performed by the parent and its subsidiaries, particularly transactions in which the directors have an interest.

As indicated above, in accordance with the indications of the Code, the meetings of the Committees set up within the Board of Directors held during the 2021, were attended by the Chairperson of the Board of Statutory Auditors and/or another/other statutory auditor(s) designated by the latter.

In carrying out its supervisory activities on the adequacy of the internal control and risk management system, the Board of Statutory Auditors has established an information flow with the Internal Audit Unit and the Risk Management Department of the Parent.

Furthermore, in its capacity as the "Internal Control and Risk Management Committee" and in coordination with the Parent's Administration, Finance and Control Department, the Board of Statutory Auditors monitored, inter alia, (i) the financial reporting process, (ii) the statutory audit of the Parent's Separate Financial Statements and of the Consolidated Financial Statements, and (iii) the verification of the independence of the Independent Auditors.

In 2021, the Board of Statutory Auditors held 18 meetings. The outcome of the supervisory activities of the Board of Statutory Auditors in office during the year, starting from its appointment, is shown in the report to the Shareholders' Meeting prepared pursuant to Article 153 of the Consolidated Law on Finance and annexed to these financial statements.

Manager in charge of financial reporting

As at the date of this Report, the position is held by Anna Tanganelli (Administration, Finance, Control and M&A Manager), following appointment

by the Board of Directors on 26 November 2021, having consulted the Board of Statutory Auditors. Until this date, the position was held by Massimo Levrino.

Independent Auditors

With the approval of the financial statements at 31 December 2020, the assignment was completed for the statutory audit of the Parent's financial statements conferred on PricewaterhouseCoopers SpA for the nine-year period 2012-2020 by the Shareholders at their meeting of 14 May 2012.

As is known, on the recommendation of the Board of Statutory Auditors, in its capacity as the "Internal Control and Audit Committee", at their meeting held on 22 May 2019, the Shareholders have already appointed KPMG S.p.A. to audit the financial statements of IREN S.p.A. for the nine-year period 2021-2029. This resolution was taken at the end of a complex selection procedure that was carried out in accordance with the provisions of art. 16 of Regulation (EU) 537/2014 (the "Tender Process").

Subsequently, on 25 November 2019, the Parent and KPMG signed a Framework Agreement containing terms and conditions (technical and financial) for the performance, for the 2021-2029 nine-year period by KPMG S.p.A. of (i) the statutory audit of Iren's financial statements, and, (iii) the statutory audit of the financial statements of the consolidated companies included in the scope of the Tender Process (the "Framework Agreement"). Moreover, the same Framework Agreement contains terms and conditions (technical and economic) for carrying out the review of the NFS of the Iren Group for the three-year period 2021-2023, with an option to renew for two further three-year periods.

The Shareholders of each consolidated company included in the Tender Process, on the basis of a reasoned proposal from their respective Boards of Statutory Auditors, have therefore appointed KPMG S.p.A. to audit their financial statements for the 2021-2023 three-year period (with an option to renew for two additional three-year periods), in accordance with the terms and conditions of the Framework Agreement.

After the signing of the Framework Agreement, the dynamism that has characterised the Group, both in terms of growth through external lines and in terms of internal reorganisation, has given rise to situations

such as to entail changes to the original audit scope entrusted by Iren to KPMG S.p.A. for the nine-year period 2021-2029. In view of the changes that have taken place in the meantime, it has been necessary to modify the Framework Agreement. The Parent, also in the name and on behalf of the companies directly and indirectly controlled by Iren, and KPMG S.p.A. therefore agreed an Addendum to the Framework Agreement, to: (i) extend the statutory audit that KPMG S.p.A. is required to perform, starting from 2021, of the financial statements of companies consolidated in the medium term, following the approach of the sole auditor of the group on which the Tender Process was based; (ii) adjust the terms and conditions of certain statutory audit engagements already assigned to KPMG S.p.A.

Maximum number of positions held in other companies

According to the Code, the directors ensure adequate time availability for the diligent fulfilment of the tasks assigned to them. Furthermore, the Board of Directors, on the basis of the commitment required of the directors for the execution of their office in Iren, can express their orientation regarding the maximum number of offices in the management or control bodies in other listed companies or companies of significant size which can be considered compatible with the effective execution of the office of director of the parent, taking into account the commitment deriving from the role held, as well as the participation of the Directors in the Committees established within the Board. To this end it may propose to the Shareholders to introduce into the Articles of Association particular rules aimed at regulating consistently the appointment of directors.

In the current context, the Remuneration and Appointments Committee and the Board of Directors of the Parent did not consider it necessary to make this provision, considering that the number of positions currently held by members of the board in other companies is compatible with the fulfilment of the commitment as Director of IREN S.p.A.

Policy for Managing Dialogue with General Shareholders and Investors

IREN S.p.A. has always attached great importance to continuous, open and transparent communication with all shareholders, investors and the market because, on the one hand, it helps to improve their

understanding of the Parent's strategies and activities and to encourage their long-term commitment, and on the other hand, it allows the Parent to gather elements that are useful for guiding strategies, decisions and action plans, guaranteeing the high standards of governance to which the Parent is committed. Discussion, dialogue and listening represent a key element for the creation of value in the medium-long term and for the continuous improvement of strategies, objectives and economic, environmental, social and governance results, through the understanding of the needs and legitimate requests of stakeholders.

On 21 December 2021, the Board of Directors of IREN S.p.A. approved the *"Policy for Managing Dialogue with General Shareholders and Investors"* in accordance with the provisions of Article 1, Principle IV and Recommendation 3, of the Corporate Governance Code, to which the Parent has adhered.

In detail, the approved Policy governs the dialogue between the Board of Directors and the representatives of the Shareholders and Investors, apart from during shareholders' meetings, on matters falling within the competence of the Board, and defines the principles, rules and methods for carrying out this dialogue, identifying the recipients, the interlocutors, the topics under discussion, the timing and channels of interaction.

Contingency plans for Directors holding special offices

Pursuant to Recommendation no. 24 of the Corporate Governance Code, by a resolution passed on 13 April 2021, the Board of Directors of IREN S.p.A., after preliminary investigation by the Remuneration and Appointments Committee and the Control, Risk and Sustainability Committee of IREN S.p.A., approved a contingency plan for Directors holding special offices (Chairperson, Deputy Chairperson and Chief Executive Officer) of the Parent. This Plan is designed to cope, even temporarily and contingently, with any sudden early termination of office or any temporary impediment to the exercise of the office (hereinafter also the "Event") affecting one of the persons mentioned, making it possible to mitigate and manage the risk of a management vacancy and preserving the parent from operational interruptions, in compliance with the law, the Articles of Association and the shareholders' agreements that regulate the governance of IREN S.p.A.

Regulations for the Operations and for the Management of the Information Process of the Board of Directors

In execution of Recommendation No. 11 of the Corporate Governance Code, functional activities were initiated in 2021 to prepare Regulations for the Operations and for the Management of the Information Process of the Board of Directors. Said Regulations were approved at the meeting held on 15 February 2022. These Regulations, without prejudice to the provisions of the law and regulations, the Articles of Association of Iren S.p.A and other corporate institutional documents, aim at formalising the rules and procedures for the operations related to the meetings to be held by the Board of Directors also in order to ensure an effective management of the Board's information process. In particular, the Regulations identify the deadlines for the prior submission of the necessary information, ensuring that confidentiality issues are properly managed without affecting the timeliness and completeness of the flow of information, with the aim of enabling the Directors to act and deliberate in an informed manner.

Directors responsible for the Internal Control and Risk Management System

By resolution of 4 June 2019, having regard to the allocation of powers, the Board of Directors of Iren identified, as Directors in charge of the internal control and risk management system (hereinafter "ICRMS Directors"), Renato Boero (Chairperson), Massimiliano Bianco (Chief Executive Officer and General Manager), and Moris Ferretti (Deputy Chairperson), each with regard to their respective functions and powers¹.

Taking into account the resignation from the offices held in the Parent submitted by Mr. Massimiliano Bianco on 29 May 2021 and the appointment, on the same date, of Gianni Vittorio Armani as the new Chief Executive Officer and General Manager of the Parent, consistently with the structure of the proxies illustrated above and continuity with what was previously resolved on the matter, on 08 June 2021, the Board of Directors of Iren resolved to appoint the Chief Executive Officer in office from 29 May 2021, Gianni Vittorio Armani, as Director in charge of

SCIGR, with reference to the area to which the powers assigned to him refer.

Since that date, this role has been held by: Renato Boero (Chairperson), Gianni Vittorio Armani (Chief Executive Officer and General Manager), and Moris Ferretti (Deputy Chairperson), each with regard to their respective functions and powers.

Each ICRMS Director, with reference to the areas falling under their responsibility, and in compliance with the proxies, is vested with the functions indicated below:

- to identify the main business risks, taking into account the characteristics of the activities performed by Iren S.p.A. and by its subsidiaries and check that the same are submitted periodically to examination by the Board of Directors; in more detail, in the current governance system, the ICRMS Director with proxies on the subject of Risk Management, in agreement with the other ICRMS Directors, as far as each is responsible, also submits the Risk Policies and the Audit Plan for examination by the Board of Directors;
- to put into practice the guidelines defined by the Board of Directors, dealing with the planning, creation and management of the internal control and risk management system and checking constantly its adequacy and effectiveness;
- to adapt this system to changes in the operating conditions and the legislative and regulatory framework;
- to request that the Internal Audit Unit perform audits on specific operating areas and on compliance with the internal rules and procedures in the execution of business operations, communicating this at the same time to the Chairperson of the Board of Directors, to the Chairperson of the Control, Risk and Sustainability Committee and to the Chairperson of the Board of Statutory Auditors;
- to report promptly to the Control, Risk and Sustainability Committee (or to the Board of Directors) on the problems and critical issues that have emerged in performance of his or her work or which he or she has in any case been informed, so that the Committee (or the Board) may take the opportune initiatives.

¹ With reference to Recommendation 32, letter b), of the new Code, since the Board's term of office is ongoing and also in light of what was highlighted in the Q&A to the Code, the Board of Directors deemed it appropriate to refrain from making decisions. Any different assessment is referred to the Board of Directors to be appointed for the 2022-2024 three-year period.

Supplementing the above, the ICRMS Director with proxies on the subject of Risk Management (in the current system, this is the Deputy Chairperson), in agreement with the Chairperson (who, equally, holds the position of ICRMS Director), proposes to the Control, Risk and Sustainability Committee, for the relevant opinion, and to the Board of Directors, for the related decision, the appointment, dismissal and remuneration of the Manager of the Internal Audit unit.

Requisites of directors

All members of the Parent's Board of Directors in office possess the requirements of integrity, pursuant to Article 147-*quinquies* of the Consolidated Law on Finance. As at 31 December 2021, the Directors Sonia Maria Margherita Cantoni, Pietro Paolo Giampellegrini, Enrica Maria Ghia, Alessandro Giglio, Francesca Grasselli, Ginevra Virginia Lombardi, Giacomo Malmesi, Gianluca Micconi, and Licia Soncini are also in possession of the requirements of independence provided for in the provisions of the Consolidated Law on Finance (acc. to Arts 147-*ter*, paragraph 4, and 148, paragraph 3, Consolidated Law on Finance), and in Art. 7 of the Code according to the Corporate Governance solutions adopted by IREN S.p.A.

Organisational model under the terms of Legislative Decree 231/2001

Iren and the main Group companies have adopted Organisational, Management and Control Models under the terms of Legislative Decree No. 231/2001 with the objective of creating a structured and organic system of procedures and control activities aimed at preventing, as far as possible, conduct that can entail committing the crimes contemplated by Legislative Decree no. 231/2001. Alongside the Organisational, Management and Control Model, Iren S.p.A. has adopted, with a resolution of the Board of Directors of 10 December 2010, also the Code of Ethics. This document has been updated several times over

the years and was approved in its current version by the Board of Directors on 18 December 2020.

During 2021, the main Group Companies continued the Project for substantial revision and updating of the Organisational, Management and Control Models in order to guarantee their constant consistency with the organisational changes that had occurred and with the introduction by the legislator of new offences, so that they maintain over time their effective ability to prevent 231 offences from being committed. The updated 231 Models were subsequently submitted to the Supervisory Body, presented to the Boards of Directors of the individual companies for approval, and published in their entirety on the companies' intranet sites. Iren and the main companies in the Group have established, by a resolution of the Board of Directors, a Supervisory Body pursuant to art. 6 of Legislative Decree. 231/2001, with the task of supervising the functioning of and compliance with the model and ensuring that it is updated. In 2019, the Board of Directors of Iren S.p.A. confirmed the sitting as a united bench of its Supervisory Body appointing three external professionals with legal, corporate governance, organisational, economic and financial skills, with the objective of meeting the requirements of autonomy, independence and professionalism required by law. The Board of Directors also appointed a Contact Person within the Supervisory Body in order to ensure the coordination and continuity of action of the Body itself and the constant identification of a reference in the Parent. IREN S.p.A.'s Supervisory Body, availing itself of the competent corporate units, performs checks on areas of activity considered at risk under the terms of Legislative Decree no. 231/2001, and half-yearly reports to the Board of Directors on its activities and findings. If it is considered necessary, the Supervisory Body expresses suggestions aimed at improving the system for controlling the activities and monitors its implementation.

Both the general part of the Model and the Code of Ethics are available on the Parent's website.

Proposals of the Board of Directors to the Shareholders' meeting

PROPOSALS RELATING TO THE AGENDA ITEMS "Separate Financial Statements at 31 December 2021; Directors' Report, Report of the Board of Statutory Auditors and Report of the Independent Auditors" and "Proposal for allocation of the profit, relevant and ensuing deliberations"

Dear Shareholders,

In relation to the above, we propose that you:

- approve the Separate Financial statements of Iren S.p.A. at 31 December 2021 and the Directors' Report prepared by the Board of Directors;
- approve the proposed allocation of the profit for the year, 218,850,794.04 euro, as follows:
 - 10,942,539.70 euro, 5% of the profit for the year, to the legal reserve;
 - a maximum of 136,597,794.59 euro as dividend to Shareholders, corresponding to 0.105 euro for each of the maximum no. of 1,300,931,377 ordinary shares constituting the Parent's share capital, noting that treasury shares, if any, will not benefit from the dividend; the dividend will be paid starting from 20 July 2022, validity date for registration for the dividend 18 July 2022, and record date 19 July 2022;
 - to retained earnings, the remaining amount of at least 71,310,459.75 euro.

Reggio Emilia, 29 March 2022

On behalf of the Board of Directors

Chairperson

Renato Boero

