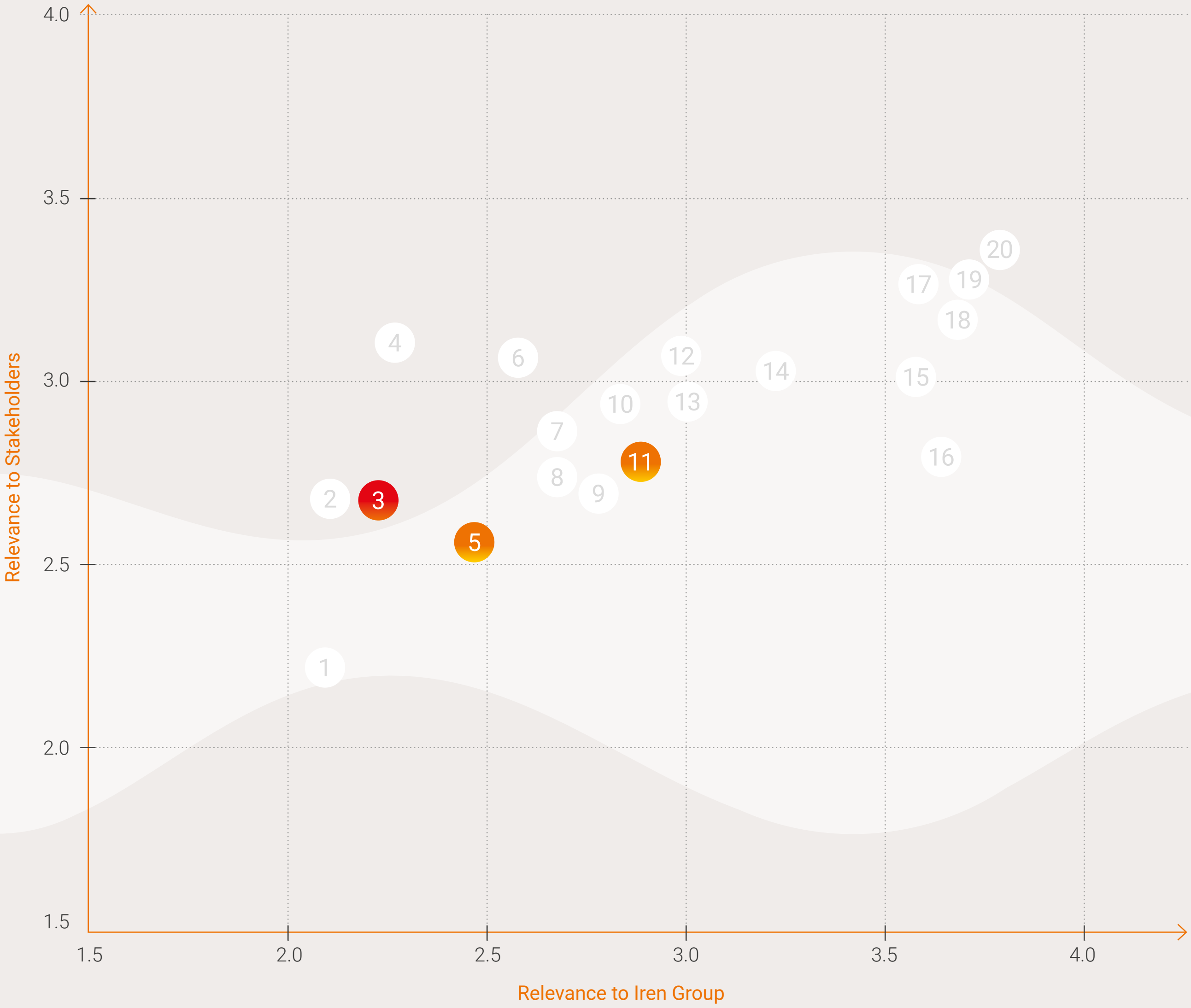
Governance for sustainable growth

3

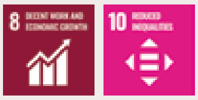
Priority topics



11 Solid and transparent governance for sustainable growth

5 Ethics, fight against corruption and legal compliance

3 Protection of human rights

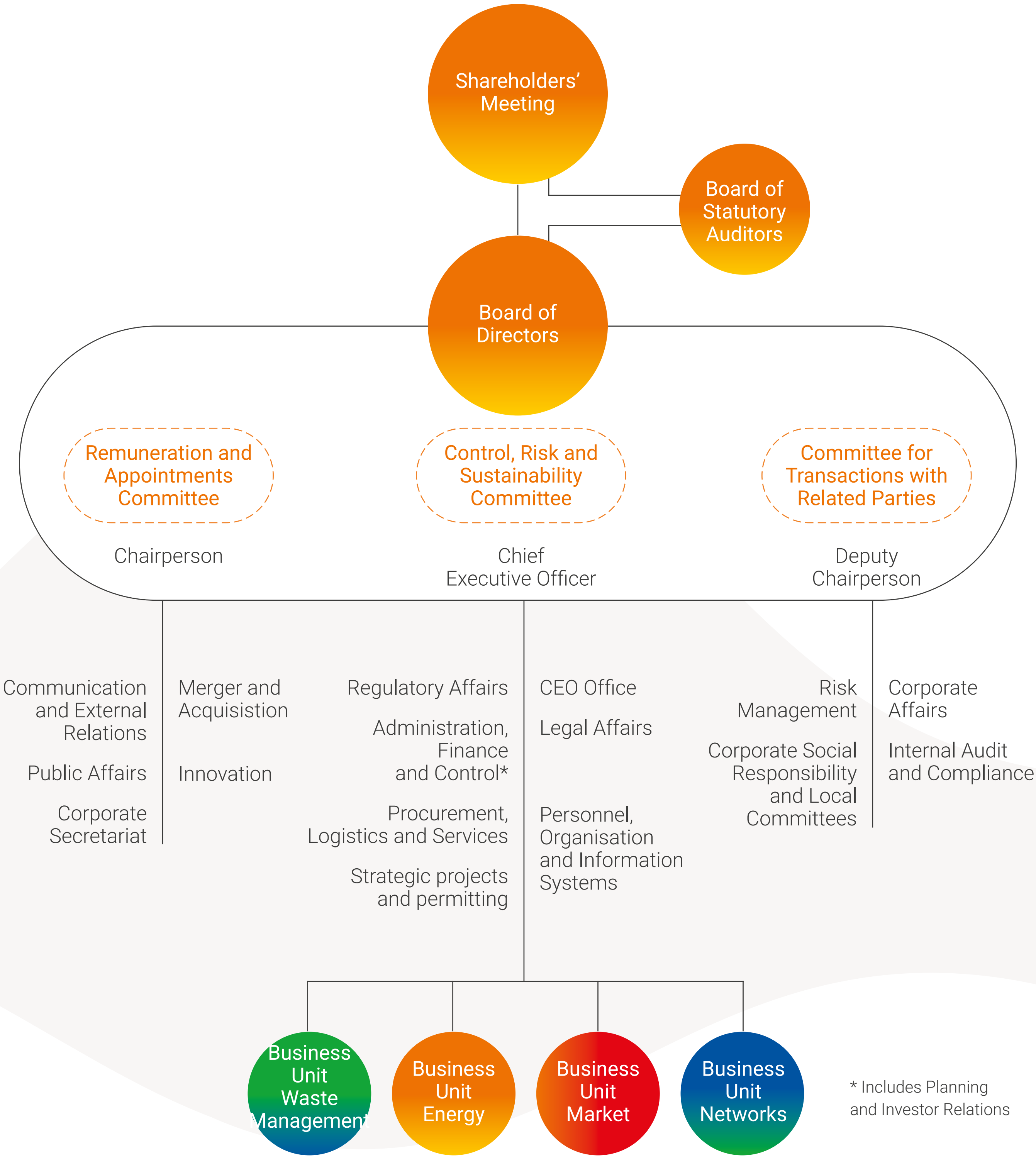


Sustainability governance

[GRI 102-15, 102-18, 102-19, 102-20, 102-22, 102-23, 102-24, 102-25, 102-26, 102-27, 102-28, 102-29, 102-30, 102-31, 102-33, 102-37]

Iren Group's governance is based on shared rules that inspire and direct strategies and activities. The instruments adopted guarantee respect for ethical values, principles and behaviours within an industrial model that plans for sustainable growth.

In order to ensure consistency between behaviours and strategies, the Group has adopted a system of internal rules that configure a corporate governance model based on the division of responsibilities and on a balanced relationship between management and control, which guarantees that risks and opportunities are duly taken into account in the decision-making processes and contributes to spreading the corporate culture at all levels and enhancing skills, increasing awareness among internal resources and contractors that the Group plays a vital role in creating value for the community.



* Includes Planning and Investor Relations

Iren Group's integrated strategy and economic and sustainability objectives are defined by the Board of Directors of the parent company, which examines the risks and opportunities linked to the socio-environmental and economic context, including when approving the Business Plan, the annual budget, the Consolidated Financial Statements and the Sustainability Report, as well as when examining and supporting extraordinary and development operations.

In 2021 the Board of Directors updated its medium-term (2026) and long-term (2030) strategic planning, including sustainability objectives and targets (see page 47), also in relation to climate change and the Group's commitment to transparent reporting in this regard, with particular focus on the four areas outlined by the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board (for detailed references see page 295):

- **governance** – description of the role of the Iren corporate governance system in relation to climate change issues;
- **strategy** - illustration of the main risks and opportunities relating to climate change, the different scenarios considered, and the corporate strategy developed as the company's response to mitigate and adapt to the risks and to maximise the opportunities;
- **risks** - description of the identification, assessment and management process for the risks and opportunities related to climate change adopted by the Group;
- **metrics and targets** – main metrics related to climate change used by the Group, as well as the main objectives set to promote a low carbon business model.

The Board of Directors analyses and approves the Sustainability Report, which serves as a non-financial statement (NFS) pursuant to Legislative Decree 254/2016, drawn up annually to publicise the Group's environmental, social and economic strategies and performance, to transparently communicate compliance with the commitments undertaken, future commitments and ability to meet stakeholder expectations. The Sustainability Report is prepared by the Corporate Social Responsibility and Local Committees Department, which reports directly to the Deputy Chairperson, who holds the relevant powers.

The Deputy Chairperson updates the Board on the status of sustainability projects managed, including through the Corporate Social Responsibility and Local Committees Department, and on stakeholder engagement and sustainability consultation activities with stakeholders. Through Local Committees, of which the Deputy Chairperson is an ex officio member, stakeholders can also draw the Group's attention to issues concerning services and environmental and social sustainability topics. The results of stakeholder engagement activities generate project ideas for the improvement of environmental and social performance and are reported annually in the Sustainability Report.

The Control, Risk and Sustainability Committee (see page 64) is responsible for examining the guidelines of the sustainability plan, assessing risks and evaluating economic, environmental and social performance, and supervising the implementation of the sustainability plan and the system for evaluating and improving the environmental, economic and social impact of the Group's activities.

For the integration and monitoring of ESG (Environment, Social, Governance) factors, from strategic planning to the management and monitoring of the Group's activities, the ESG Strategic Integration Committee was activated (see page 67), which includes the primary staff Departments and Business Units Chief Officers, and which operates in close relationship with the Sustainable Finance Committee (see page 68) responsible for defining and managing the Group's sustainable finance framework.

Iren adopts a traditional type of corporate governance system and has conformed its model to the recommendations of the Corporate Governance Code.

Composition of the Board of Directors and Internal Board Committees as at 31/12/2021

Name and Surname	Office	Executive	TUF independence	Code Independence	Remuneration & Appointments Committee (RAC)	Control, Risk & Sustainability Committee (CRSC)	Committee for Transactions with Related Parties (CTRP)
Renato Boero	Chairperson	●					
Moris Ferretti	Deputy Chairperson	●					
Gianni Vittorio Armani*	CEO/General Manager	●					
Vito Massimiliano Bianco**	CEO/General Manager	●					
Sonia Maria Margherita Cantoni	Director		●	●		M	
Enrica Maria Ghia	Director		●	●		M	
Pietro Paolo Giampellegrini	Director		●	●	C		
Alessandro Giglio	Director		●	●			M
Francesca Grasselli	Director		●	●	M		
Maurizio Irrera	Director				M		
Cristiano Lavaggi	Director		●			M	
Ginevra Virginia Lombardi	Director		●	●			M
Giacomo Malmesi	Director		●	●		C	M
Tiziana Merlino	Director		●				
Gianluca Micconi	Director		●	●			
Licia Soncini	Director		●	●			C

C = Chairperson
M = Member
* From 29/05/2021 to 31/12/2021
** From 1/1/2021 to 29/05/2021

Board of Directors

The Board of Directors (BoD) has full powers for the ordinary and extraordinary administration, and for the implementation and achievement of the company business objectives, with the sole exclusion of powers which by Law or by the Articles of Association are the responsibility of the Shareholders' Meeting. Within this framework of responsibility, the Iren Board of Directors is responsible for defining the sustainability policies and principles of conduct to be adopted at Group level, in order to ensure the creation of value over time for shareholders and for all other stakeholders, together with the definition of the sustainability plan that the BoD itself has chosen to integrate in the Strategic Plan for the development of the Group.

The BoD assesses the organisation's economic, environmental and social performance, any significant risks and opportunities, and its compliance with standards, codes of conduct and the principles declared during the approval of the strategic, business and financial planning documents, the annual budget, the financial statements and the interim management reports. The Board of Directors also evaluates the social and environmental performance reported quarterly and annually in the Sustainability Report. The assessment of sustainability risks and performance also takes place with the support of the Control, Risk and Sustainability Committee (made up of Independent Directors). The Board of Directors in office as at 31 December 2021 was appointed (for three years, until the approval of the financial statements at 31 December 2021) by the Shareholders' Meeting held on 22 May 2019 and is composed of 15 Directors. For the appointment, in addition to the provisions of the Shareholders' Agreement between Iren Public Shareholders, the Articles of Association govern the list voting mechanism, which guarantees an adequate presence of the less represented gender (equal to at least two-fifths of the members starting from the first subsequent renewal as of 1 January 2020) as well as the Directors designated by the minority shareholders.

During the meeting held on 29 May 2021, the Board of Directors of Iren co-opted, pursuant to art. 2386 of the Civil Code, Gianni Vittorio Armani as Director and appointed him as Chief Executive Officer and General Manager in replacement of Massimiliano Bianco who resigned from the above-mentioned offices with effect from the same date.

The BoD adopts appropriate solutions to facilitate the identification and management of **situations in which a Director may be vested with personal interests or interests on behalf of third parties** in a particular transaction. In this case, in compliance with the provisions of art. 2391 of the Civil Code, the Director shall give prior notice to the other Directors and the Board of Statutory Auditors and, if an Executive Director, shall refrain from carrying out the transaction, informing the Board of Directors thereof.

The BoD, during the meeting of 05 April 2019 formulated its guidelines to the Shareholders on the **qualitative-quantitative composition of the administrative body** for the three years 2019-2021, providing indications on its size and of the Internal Board Committees and on the professional and managerial figures whose presence in the administrative body was considered appropriate (the document is available on the website gruppoiren.it/assemblee/2019#r). From a quantitative point of view, the Board wished to maintain an adequate representation of independent Directors. As regards the qualitative profile, without prejudice to the possession of the integrity requirements, the objective that the Board of Directors set itself was to combine different professional and managerial profiles, recognising the value attributed to the complementarity of experiences and skills, together with the diversity of gender and age, for the purposes of the proper functioning of the BoD. The issue of the appointment and composition of the Board of Directors and the Board of Statutory Auditors is among the topics covered by the Policy for Managing Dialogue with General Shareholders and Investors approved by the Board of Directors on 21 December 2021 (see page 108) and published on the Group's website.

Under the terms of the Articles of Association, the BoD delegates its powers to one or more of its members and can also assign powers to the Chairperson, Deputy Chairperson and CEO, provided they do not conflict with each other. The Delegated Bodies may delegate part of their duties and responsibilities to those working directly under their management. In such cases, the **delegation process** is based on notarised powers of attorney and letters of appointment naming the delegated persons. The Delegated Bodies are responsible for assessing whether the delegated persons possess the appropriate skills and personal characteristics and request periodic reports on the powers conferred with regard to economic, environmental and social aspects. The powers of attorney/delegation specify which contexts may be sub-delegated, informing the relevant Delegated Body of the same. In this case, the delegating party is responsible for assessing the skills and personal characteristics of the delegated persons. Delegated persons are generally manager or junior managers, but in certain contexts (e.g. security) may reach blue-collar workers. The Corporate Affairs and

Organization Departments always check the overall consistency and correctness of the delegation system.

The Board of Directors has resolved that the Corporate Social Responsibility and Local Committees Department, among others, reports to the Deputy Chairperson. A manager has been appointed Chief Officer of this Department.

The assessment of **the existence of the independence requirements** for Iren Directors is carried out by the BoD after appointment and, subsequently, on an annual basis (23 February and 07 April 2021 for the reporting year). Based on the criteria defined by the Consolidated Law on Finance (TUF) and the Corporate Governance Code, the assessment is also carried out when circumstances regarding independence arise. The Board of Statutory Auditors checks the correct application of the verification criteria and procedures adopted by the Board to assess the independence of its members and discloses the outcome of the audit to the market in the Corporate Governance Report or in the Auditors' Report to the Shareholders' Meeting.

The BoD establishes rules to ensure the transparency and substantial and procedural correctness of **related party transactions** and discloses them in the Directors' Report. The Board of Statutory Auditors oversees compliance with the adopted rules and refers to them in its Report to the Shareholders' Meeting.

In 2021, Iren's Board of Directors held 22 meetings; in addition to these, in continuity with previous years, training sessions were organised, both in the context of formal Board meetings and in meetings accompanying them, in which the CEO, Business Units Chief Officers or managers illustrated the strategic planning process that led to the definition of the 2030 Business Plan, also with specific focus on sustainability objectives and targets. More specifically, eleven Board meetings dealt with ESG issues, with reference to the approval of the budget, the Sustainability Report, the Group's ESG positioning, the outline of the Business Plan and its approval, the PNRR, the issues of gender diversity, climate change, resilient cities, water resources, the circular economy, relations with stakeholders and the Policy for the management of dialogue with all Shareholders and Investors.

In relation to the Covid-19 emergency, the Board of Directors was constantly informed and updated by the CEO on the progress of contagions and quarantines and on the continuous monitoring of the phenomenon, also in terms of its impact on the continuity of services, in order to prevent critical situations. An overall situation that, despite the diversified trend during the year as a result of the so-called "waves" of spread of Covid-19 and the progressive extension of the vaccination campaign, has not led to unsustainable situations in the management of services. The Board's attention was also focused on emergency plans, organisational arrangements for managing peak and resumption of work in attendance, procedures, equipment adopted, and internal communication activities carried out to ensure staff safety. In addition, reference was made to the measures of the prevention, protection and monitoring system adopted – including through discussions with the Trade Unions (via 9 Territorial/Sector Committees) – that were recognised as adequate by staff, as revealed by a special survey conducted within the Group. The agreements signed with the Trade Unions for the management of the health emergency were brought to the attention of the Board of Directors, thanks to which the system of solidarity vacations for staff not otherwise employable continued in 2021. Finally, information was provided on the actions taken to speed up staff vaccination, through the direct organisation of a vaccination service to which a significant proportion of employees voluntarily adhered. The Chief Executive Officer, on the various occasions, explained to the Directors the impacts of the health emergency on the financial and economic level.

The parent company's Supervisory Body also reported to the Board of Directors on the monitoring activities of the contagion prevention measures put in place by Iren, which revealed careful and constant management of the emergency.

In 2021, also considering what emerged from the board evaluation process, an induction path was structured focused on complementary topics: M&A operations, business and risk management, sustainability as an element of value creation, Articles of Association, Shareholders' agreements and responsibility profiles, venture capital and innovation, Italian shareholding structure and institutional investors. Each of the six induction sessions was held with input from external consultants and business managers. In addition, participation in courses and conferences for Directors and members of the Board of Statutory Auditors was encouraged and stimulated, in line with the recommendations of the Corporate Governance Code.

During each meeting of the Board of Directors, a constant data stream by the Internal Board Committees towards all Directors was ensured, also guaranteeing the prompt notification of any critical areas identified.

In line with the provisions of the Corporate Governance Code, at least once a year, the Board of Directors performs **a self-assessment of its own performance** and that of its Committees (so-called board evaluation) as well of their size and composition. Considering the Code's recommendations, the Board of Directors' critical areas drew attention as a result of the board evaluation activity and the effectiveness of corrective and improvement actions started previously and continued during 2021 was also assessed. Also in 2021, as part of the board evaluation activity, assessments of the qualitative and quantitative characteristics of the board were introduced, also with reference to the mix of skills of the Directors considered optimal, functional to the formulation of guidelines to the Shareholders on the optimal composition of the Board of Directors that will be appointed for the three-year period 2022-2024.

To date, the Board of Directors has not adopted a succession plan for Executive Directors, as the rules for their appointment and replacement are foreseen in the Articles of Association. In connection with changes to the Corporate Governance Code (Recommendation no. 24), on 13 April 2021, the Board of Directors adopted a contingency plan for Directors holding special offices of the company.

Board committees

Remuneration and Appointments Committee (RAC)

The Remuneration and Appointments Committee is composed of three Non-Executive Directors, the majority of whom – including the Chairperson – are independent. At least one member of the Committee has appropriate experience in financial and remuneration policies which is assessed by the BoD at the time of appointment. The RAC:

- periodically assesses the suitability, overall consistency and actual application of the remuneration policy of Directors and Senior Managers with strategic responsibilities, by making use of the information provided by CEOs;
- submits proposals on the subject to the BoD;
- presents proposals or expresses opinions to the BoD regarding the remuneration of Executive Directors and other Directors with specific office, as well as establishing performance objectives relating to the variable part of said remuneration;
- monitors the application of the decisions adopted by the BoD by verifying the actual fulfilment of performance objectives;
- attends to the preliminary work for the preparation of the remuneration policy for Executive Directors and Senior Managers with strategic responsibilities, needed for the BoD to adopt the measures it is responsible for, after interacting with the Control, Risk and Sustainability Committee on risk profiles;
- formulates opinions to the BoD in respect of its own size and composition, and makes recommendations on the professional figures whose presence in the BoD is deemed desirable;
- proposes candidates to the BoD for the office of Director in cases of co-opting, where independent Directors need to be replaced, ensuring compliance with the requirements on the minimum number of independent directors and on the percentages reserved for the less-represented gender;
- expresses recommendations to the BoD in relation to the maximum number of appointments that members can take as Director or Statutory Auditor in other listed companies, financial, banking, insurance or relatively large companies, compatible with the efficient performance of the office of company Director, bearing in mind the participation of Directors in the Committees established within the BoD, as well as the exceptions to the bans on competition provided for by art. 2390 of the Civil Code;
- performs enquiries into preparation of the plan for the succession of Executive Directors, if the BoD decides to adopt such a plan;
- supports the Board of Directors in the annual self-assessment activity.

The power to determine the remuneration of the Directors holding specific office pursuant to the Articles of Association resides with the Board of Directors, upon approval of the RAC and the Board of Statutory Auditors.

The Committee is responsible for the preliminary assessment – with respect to the decisions of the Board of Directors – of the Annual Remuneration Report to be made available to the public before the annual Shareholders' Meeting called to approve the Financial Statements. The Report (to which reference should be made for further details) illustrates the remuneration policy for members of the Board of Directors, the Board of Statutory Auditors and Senior Managers with strategic responsibilities (section one) and the remuneration paid in the reference year to the above subjects (section two) and is aimed at increasing the knowledge and awareness of shareholders and, in general, of stakeholders and the market. The Shareholders' Meeting held on 06 May 2021 approved section one of the Report on Remuneration Policy 2021 and Compensation Paid 2020 and resolved to vote in favour of section two. The voting results are available on the Company's website.

The Chairperson of the Remuneration and Appointments Committee or another member of the Committee must be present at the annual Shareholders' Meeting called to approve the Financial Statements, also in order to inform shareholders of the methods by which the Committee performs its assigned duties. After the Shareholders' Meeting, the Remuneration and Appointments Committee analyses the voting results on the Report on Remuneration Policy and Compensation Paid, examines any concerns arising at the Shareholders' Meeting and carries out assessments to review the Remuneration Policy adopted by the Group. Moreover – in consideration of the consensus collected on the Report and given the results of the engagement activity with proxy advisors and institutional investors, carried out with the support of a consultant – the RAC started in-depth studies with the aim of implementing the indications emerged during the Shareholders' Meeting and improving the communication to the market of the remuneration policies adopted, also in line with the innovations introduced by the Corporate Governance Code and the guidelines formulated in December 2021 by the Corporate Governance Committee. The remuneration policy and its implementation are among the topics of the Policy for the management of dialogue with all Shareholders and Investors, published on the Group's website.

Control, Risk and Sustainability Committee (CRSC)

The Control, Risk and Sustainability Committee (CRSC) is composed of four Non-Executive Directors, the majority of whom – including the Chairperson of the CRSC – are independent. At least one member has appropriate experience in accounting and finance or risk management (deemed adequate by the Board of Directors upon their appointment).

Pursuing the priority objective of creating value for its stakeholders in the medium- and long-term, the Board of Directors defines the nature and level of risk compatible with the strategic objectives, assessing all the elements that may be relevant for the company's sustainable success, as well as the guidelines of the internal control and risk management system, whose adequacy and effectiveness it assesses on an annual basis. In carrying out this role, the BoD is supported by the CRSC, which carries out assessments and provides a preventive opinion for the performance of the role that the BoD is responsible for in matters of internal control, risk management and sustainability. The Board of Statutory Auditors also monitors the effectiveness of the internal control and risk management system. The CRSC is also called upon to:

- assess, together with the Manager in charge of drawing up the corporate accounting documents and having consulted with the external auditor and the Board of Statutory Auditors, the proper use of the accounting principles and their consistency for the purpose of drafting the Consolidated Financial Statements;
- express opinions on specific aspects relative to identifying the main corporate risks (in particular, specific aspects relative to Risk Policies, the identification of the main company risks and the Audit Plan, as well as in regards the guidelines of the internal control and risk management system);
- express preliminary opinions with respect to resolutions of the BoD on a series of issues, including the appointment/ revocation and remuneration of the Manager of the Internal Audit Unit;
- examine the periodic reports on the assessment of the internal control and risk management system and those of particular relevance drafted by the Internal Audit Unit;
- monitor the autonomy, adequacy, effectiveness and efficiency of the Internal Audit Unit;
- request that the Internal Audit Unit carry out checks on specific operating areas, providing simultaneous communication to the Chairperson of the Board of Statutory Auditors;
- report to the Board of Directors on the activities carried out and on the adequacy of the internal control and risk management system at least every six months, on the occasion of the approval of the annual and half-yearly financial reports;
- through suitable preliminary activities, support the assessments and decisions of the Board of Directors relating to the management of risks arising from detrimental acts of which it has become aware;
- monitor sustainability policies and compliance with the conduct principles adopted by the Company 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;
- assess, together with the Corporate Social Responsibility and Local Committees Department and having consulted the external auditor, the correct use of the standards adopted in order to draft the non-financial information provided for by the legislations in force;
- supervise the system for assessing and improving the environmental, economic and social impacts deriving from the business activities in the local areas;
- examine the periodic reports on the implementation of the structured comparison measures with stakeholders in the local areas where the Group operates, in particular through Local Committees, and those concerning consistency with corporate social responsibility issues of cultural activities and promotion of the Group's image.

The CRSC convenes, on an at least half-yearly basis, the Chief Risk Management Officer and the other control departments for the Group risk report. The Committee also requests in-depth reviews of specific issues and commissions detailed analyses of certain risks or projects of a strategic nature. In 2021, CRSC requested a risk assessment of the 2030 Business Plan from the Risk Management Department. M&A transactions and other initiatives of a strategic nature, which were assessed during the year, were also subject to detailed analysis, with a particular focus on the impact of these transactions on the

Group's sustainability targets (environmental indicators, where significant, and social indicators relating, for example, to compliance with labour, health and safety and governance policies) and consistency with the EU Taxonomy.

The Risk Management and Corporate Social Responsibility and Local Committees Departments are convened by the CRSC at least twice a year, with one of the meetings held before the approval by the Board of Directors of the Consolidated Financial Statements and the Sustainability Report.

Committee for Transactions with Related Parties (CTRP)

The Committee for Transactions with Related Parties (CTRP), composed of four independent Non-Executive Directors, expresses its opinion on the performance of transactions of lesser and greater importance with Related Parties and, in general, performs all the other duties pursuant to the Regulation on transactions with related parties adopted by Consob.

The procedure for transactions with related parties of the Group, approved by the Board of Directors and revised in 2021 (available on the Group website), identifies three types of transaction: greater importance, lesser importance, and transactions of small amounts – and lays out procedural and transparency conditions according to the type of transaction, in accordance with the provisions of the Consob Regulation.

Iren has also established the Evaluation Commission for transactions with related parties (composed of the Chief Officers of the Administration, Finance and Control, Legal and Corporate Affairs, Risk Management Departments, the Manager of the Corporate Unit and, depending on the transaction in question, the other Chief Officers involved), with the function of monitoring the process of evaluating transactions with related parties.

The procedure attributes a central role to the CTRP and, to guarantee the double requirement of independence and non-relation in the individual transaction to be investigated of the members of the CTRP, outlines the mechanisms for identifying any persons responsible, as an alternative, for the investigation.

For transactions of lesser importance, the CTRP is required to express a preliminary non-binding, supported opinion regarding the Company's interest in the completion of the transaction and the convenience and substantial correctness of the relative conditions. For transactions of greater importance, the CTRP is involved during the investigatory phase and is required to express a preliminary and binding favourable opinion regarding the Company's interest in the completion of the transaction, as well as the convenience and substantial correctness of the relative conditions. In this case, the Evaluation Commission for Transactions with Related Parties is responsible for the drafting of a document to be disclosed to the public, in accordance with Consob Regulation, within seven days of the approval of the transaction by the competent body or, if the competent body decides to present a contractual agreement, from the moment that the preliminary contract is concluded according to the applicable guidelines.

The update of the procedure for transactions with related parties, approved by the Board of Directors with effect from 1 July 2021, introduced, in line with the requirements of Consob regulations, an obligation to abstain from voting on minor and major transactions by any Directors who have an interest in the transaction, on their own behalf or on behalf of third parties, that conflicts with that of the Company.

In the case of transactions involving the remuneration of Directors vested with special offices and Senior Managers with strategic responsibilities, the Remuneration and Appointments Committee assumes responsibility for the matter, limited to cases where the composition of the Committee meets the minimum requirements of independence and non-relation of its members as required by the Consob Regulation.

Stakeholder information on related party transactions is provided in the Report on Corporate Governance and Ownership Structure and in the interim and annual reports on operations.

Board of Statutory Auditors

Iren's Board of Statutory Auditors in office as at 31 December 2021 was appointed (for three years until approval of the Financial Statements as at 31 December 2023) by the Shareholders' Meeting of 06 May 2021 and is composed of 5 Standing Auditors and 2 Supplementary Auditors.

Composition at 31/12/2021	
Michele Rutigliano	Chairperson
Simone Caprari	Standing Auditor
Cristina Chiantia	Standing Auditor
Ugo Ballerini	Standing Auditor
Sonia Ferrero	Standing Auditor
Lucia Tacchino	Supplementary Auditor
Fabrizio Riccardo Di Giusto	Supplementary Auditor

The Articles of Association establish the appointment of the Board of Statutory Auditors through the submission of the lists in order to guarantee an adequate presence of the less-represented gender within the Board.

The Board of Statutory Auditors is called upon to assess the adequacy of the identification, measuring, management and monitoring system for current corporate risks, as well as to verify the appropriate and prompt application of corrective actions held to be suitable for reducing corporate risks to levels considered acceptable by the BoD when defining the business strategy. More specifically, the Board of Statutory Auditors verifies:

- the compliance of the acts and deliberations of the governing bodies with the regulation, statutory provisions and the Corporate Governance Code, as well as the tangible means of implementing the same;
- the compliance of management choices with the principles of correct administration and, thus, with the general criteria of economic rationality, such as control of substantial legitimacy and compliance with the operative procedures and/or practices in force;
- the adequacy of the organisation structure compared to the size and complexity of the Company, placing particular attention on the completeness of existing Company departments, on the separation and on contrasting responsibilities in the functions and duties, as well as the clear definition of mandates or powers of each department;
- the adequacy of the internal control system in relation to the size and complexity of the company and the sector in which the Group operates, as well as strategic objectives;
- fulfilment of the obligations to draw up and publish the Non-Financial Statement under Legislative Decree 254/2016;
- the adequacy of the procedures adopted by the Board of Directors to regulate transactions with related parties, as well as the compliance of the same with the laws and regulations on transparency and public information.

Also, the Board of Statutory Auditors, in its capacity as the "Internal Control and Audit Committee", is entrusted with the following tasks:

- monitor the statutory audit of the Separate Financial Statements and Consolidated Financial Statements, also taking into account any findings and conclusions of the quality controls carried out by Consob;
- review and monitor the autonomy of the Independent Auditors, especially concerning the adequacy of the provision of non-audit services, oversee the adoption of appropriate procedures for the preventive authorisation of eligible non-audit services and evaluate in advance each request to refer to Independent Auditors for eligible non-audit services.

The outcome of the supervisory activity carried out is reported in the Report of the Board of Statutory Auditors to the Shareholders' Meeting, which also contains information on the activity carried out about the compliance of the procedures adopted by Iren with the principles indicated by Consob concerning related parties, as well as on their observance.

Governance in Group companies

Iren Ambiente, Iren Energia, Iren Mercato and Ireti have a traditional corporate governance system with a Board of Directors composed of 3 members, in the case of the first three companies, and by 4 members, in the case of Ireti, and a Board of Statutory Auditors composed of 3 Standing Auditors and 2 Supplementary Auditors.

Iren's Chief Executive Officer appoints the CEOs of the above mentioned Companies, while the Chairperson, Directors and the members of the Boards of Statutory Auditors are proposed by the Iren's BoD. The appointed persons are primarily and predominantly selected from Group personnel (Directors of the parent company, managers or junior managers of Group companies, with suitable professional profiles), or persons external to the Group with experience and expertise appropriate to the role in question. One member of the Iren Board of Statutory Auditors must be present on the company Boards of Statutory Auditors.

As for the other Companies reported in this Sustainability Report, the traditional corporate governance system is the one predominately adopted, with a monocratic composition of the administrative body in some cases and a collegial composition in others. The designations of competence of Iren Group within the governing bodies are disciplined by the respective Articles of Associations and Shareholders' Agreements in force for each company.

Iren's management and coordination of Iren Ambiente, Iren Energia, Iren Mercato and Ireti is expressly provided and governed by the Iren Articles of Association and those of the aforementioned Companies. For other subsidiaries, management and coordination, where not expressly governed by the respective Articles of Association, derives from the organisational structure whereby the Business Departments are appointed by the Parent Company and report to its Chief Executive Officer.

Management structures for sustainability

ESG Strategic Integration Committee

The integration and monitoring of ESG (Environment, Social, Governance) factors, from strategic planning to the management and monitoring of the Group's activities, is entrusted to the ESG Strategic Integration Committee, set up to ensure:

- sharing of scenario analyses for proposing guidelines and policies to integrate sustainability into business strategy and processes, to ensure the creation of value over time for the Group, its shareholders and other stakeholders;
- analysis of risks/opportunities related to ESG matters;
- assessment of the implications of national and European guidelines and standards regarding ESG profiles;
- sharing of environmental and social impact assessments arising from the Group's activities;
- analysis of the ESG positioning of Iren Group and proposal of initiatives for improvement;
- analysis and monitoring of sustainable finance instruments to support the Group's development strategy;
- periodic presentation of updates on ESG integration policies at Group level;
- spreading of the culture of sustainability.

The Committee, which meets at least quarterly, is composed of: Chief Financial Officer, Chief Procurement, Logistics and Services Officer, Manager of CEO Office, Chief Communications Officer, Chief Corporate Social Responsibility and Local Committees Officer, Chief Human Resources Officer, Chief Risk Management Officer, Head of Finance and Credit Policy, Head of Investor Relations and Head of Planning and Control. The Committee is expected to involve the managers of the BUs and other Departments in a targeted manner and ensure the mainstreaming of ESG factors at all Group levels.

Sustainable finance committee

The **Sustainable Finance Committee** operates in conjunction with the ESG Strategic Integration Committee and is responsible for defining the sustainable finance framework, and for carrying out the following tasks:

- identification and selection of investments, activities and projects considered eligible for access to sustainable finance instruments, based on market standards and national and international frameworks, and which produce a positive and measurable impact in line with the Group's sustainability strategies;
- monitoring of the progress of projects/activities financed with sustainable finance instruments;
- ensuring proper management of the process throughout the duration of the activated loan.

The Sustainable Finance Committee, which has the right of veto in the selection of activities/projects eligible for sustainable finance instruments, is composed of the Chief Financial Officer, Chief Corporate Social Responsibility and Local Committees Officer, Head of Planning and Control, Head of Finance and Credit Policy, Head of Financial Management and Sustainable Finance and Head of Investor Relations.

CSR department and local committees

The following tasks are attributed to the Corporate Social Responsibility and Local Committees Department:

- definition of the sustainability impacts, targets and objectives for the Group's strategic plans, budgets and finance, in coordination with Strategic Planning, Finance and BUs;
- definition of sustainability goals for the Group's MbO and LTI system, in collaboration with Personnel and Strategic Planning;
- participation in the ESG Strategic Integration Committee and the Sustainable Financing Committee set up to identify, within the Group's investments, those with a positive environmental and social impact;
- definition of guidelines, oversight and management of activities for the Group's non-financial statement pursuant to Legislative Decree 254/2016 and presentation to stakeholders;
- definition of the improvement plan relevant to the Group Corporate Responsibility;
- definition of the engagement plan, management and analysis of the results from the dialogue with stakeholders;
- issue and update of the Code of Ethics, in collaboration with the Internal Audit and Compliance Department;
- issue and update of the operational Regulations for the Local Committees;
- establishment and management of the Local Committees and the online platform Irencollabora.it;
- coordination of projects promoted by the Local Committees;
- creation of Group customer satisfaction surveys;
- participation in working tables and initiatives on strategic integration of sustainability;
- processing and provision of data and information for sustainability ratings.

Risk management

[GRI 102-11, 102-29, 102-30, 102-33, 201-2]

Iren Group has an Internal Control and Risk Management System, under the Corporate Governance Code for Listed companies and the internal guidelines, which is configured as a transversal process that involves, with different roles and within the context of their respective competences, the administrative and control bodies of the Group, the Control, Risk and Sustainability Committee, the Directors of the Parent Company appointed for the internal control and management of risks and sustainability, the Head of the Internal Audit Unit, the Chief Risk Management Officer and the Manager in charge of drawing up the corporate accounting documents, as well as all personnel of Iren Group companies. In particular, the Board of Directors assesses the adequacy of the Internal Control and Risk Management System compared to the characteristics of the company and the indications expressed in the guidelines and carries out the following tasks, subject to the opinion of the Control, Risk and Sustainability Committee:

- defines the guidelines of the internal control and risk management system in line with the strategies, so that the main risks are correctly identified, as well as adequately measured, managed and monitored, also determining the level of compatibility of such risks with business management consistent with the strategic objectives identified;
- at least once a year, assesses the adequacy of the internal control and risk management system relevant to the characteristics of the business and the risk profile undertaken, as well as its efficacy;
- at least once a year, approves the work plan prepared by the Internal Audit Unit and presented by the competent Delegated Body, after consulting the Directors in charge of the internal control and risk management system and the Board of Statutory Auditors;
- evaluates the opportunity to take measures to ensure the effectiveness and impartiality of the corporate functions involved in the controls, verifying that they have adequate professionalism and resources;
- assigns – in Iren Group to a body made up of external parties – the oversight functions provided for by Legislative Decree 231/2001;
- describes, in the corporate governance report, the main features of the internal control and risk management system, the methods of coordination among the subjects involved in it, indicating the models and national and international best practices of reference and expressing its assessment of its adequacy;
- assesses, after consultation with the Board of Statutory Auditors, the results presented by the statutory auditor in any letter of suggestions and in the additional report addressed to the control body;
- defines sustainability policies and conduct principles in order to ensure the creation of value over time for shareholders and for all other stakeholders;
- defines a plan (strategic priorities, commitments and objectives) for the sustainable development of the Group;
- appoints and dismisses, upon proposal of the Deputy Chairperson (competent Delegated Body), in agreement with the Chairperson, subject to the approval of the Control, Risk and Sustainability Committee and subject to the opinion of the Board of Statutory Auditors, the Head of the Internal Audit Unit ensuring the adequate resources for the fulfilment of responsibilities and defines remuneration in line with company policies.

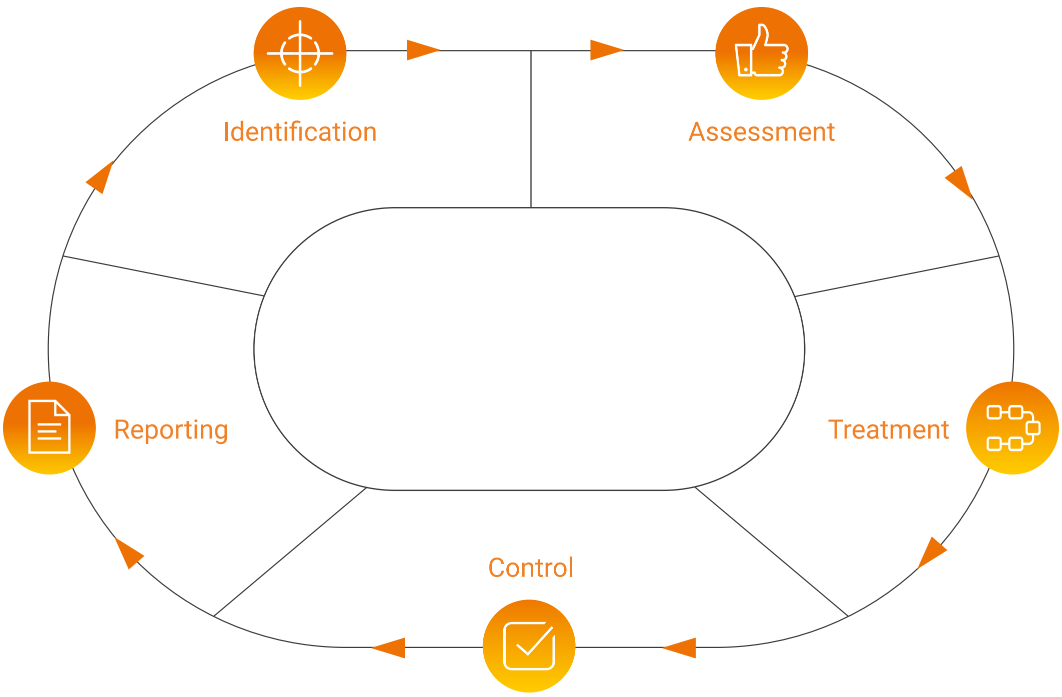
Iren's Board of Directors, through the Control, Risk and Sustainability Committee (CRSC), convenes the Chief Risk Management Officer and the other control departments on at least a half-yearly basis for a report on Group risks in which the risk map is presented with the main risks in terms of impact and probability and any mitigation actions, and provides the results of specific analyses, such as the results of the Risk Commissions and specific risk assessments.

The Risk Management Department periodically updates the Group's risk map by interviewing all risk owners, sharing and fine-tuning the results. The risk map is very detailed and contains qualitative and quantitative assessments of each individual risk with the specification of controls and mitigation actions in place or planned.

For specific projects of a strategic nature – such as, for example, the Business Plan, acquisition transactions or investments of an industrial nature – CRSC requests a specific risk assessment from the Risk Management Department.

The outcome of the Internal Audits, any critical issues detected and the status of measures implemented following the recommendations issued in the audits of previous years (follow-ups) are reported in the Internal Audit Manager's six-monthly Report presented to the Risk, Control and Sustainability Committee, pursuant to the Corporate Governance Code for Listed Companies. The Committee, based on the information received, reports every six months to the BoD pointing out the critical areas identified expressing its opinion on the adequacy of the Internal Control and Risk Management System. With regard to any critical issues identified, the Head of Internal Audit prepares reports on particularly significant events for the Chairpersons of the Board of Statutory Auditors, the Control, Risk and Sustainability Committee and the Board of Directors.

Corporate risk management is an essential component of the Internal Control System, and the Corporate Governance Code for Listed Companies assigns specific responsibilities in this respect. The Enterprise Risk Management (ERM) model of Iren Group defines the methodological approach for the integrated management of the risks, which are broken down into the following phases:



Risk governance is a pivotal tool in sustainability governance

Each process stage is performed in accordance with standards and references defined at Group level.

The Group's Enterprise Risk Management model regulates the roles of the various parties involved in the risk management process, which is under the responsibility of the Board of Directors, envisages specific Committees that are responsible for the management of each type of risk and focuses in particular on the management of:

- **financial risks** related to liquidity, interest rates, exchange rates and spreads;
- **credit risks**, related to events that may negatively affect the achievement of credit management objectives;
- **IT risks (cyber risks)**, attributable to threats to cyber security, in particular data integrity, confidentiality and availability;
- **energy risks**, attributable to the supply of gas for the thermoelectric generation and the commercialisation of electricity and gas, as well as the hedging derivatives markets;
- **climate change risks**, which include risks due to the transition to a low carbon economy (transition risks) and physical risks that may arise from catastrophic environmental events (acute risks) or from medium- to long-term changes in environmental patterns (chronic risks) (see page 80);
- **tax risks**, which can be traced back to the risk of operating in violation of tax regulations or in contrast with the principles and purposes of the tax system;
- **operational risks**, relating to asset ownership, the exercise of business activities, processes and procedures. Also included are the rules and regulatory risks, whose impact on the business is monitored on an ongoing basis;
- **reputational risks** related to the impacts of any malpractices on stakeholders.

For each type of risk, specific Risk Policies have been defined – approved by the Board of Directors on the proposal of the Director in charge of the Internal Control and Risk Management System with delegated powers in the field of Risk Management (Deputy Chairperson) in agreement with the Chairperson and the CEO (also identified as Directors in charge of the Internal Control and Risk Management System), to the extent of their respective competences, subject to the favourable opinion of the CRSC and reporting to the Board of Statutory Auditors – with the primary objective of explaining the strategic guidelines, the organisational/management principles, the macro-processes and the techniques necessary for the active management of the related risks.

The Group's risk policies will be updated annually. The body responsible for approving substantive changes is the BoD.

Environmental, Social and Governance (ESG) risks

For each risk category in the Group's risk map, environmental, social and governance (ESG) impacts are assessed and the risks affected by the Covid-19 emergency are analysed, resulting in a comprehensive, detailed and integrated risk register that also considers ESG impacts on the mapped risk categories. For each risk category, the operational, contractual and insurance mitigation measures implemented, in progress and to be implemented to reduce the risk level are identified.

By way of example but not limited to, the main risk categories with social impacts are: supply chain, technological innovation, infrastructure and facilities; those with environmental impacts are: legislative and regulatory changes, natural and accidental events, climate change; those with governance impacts are information systems, third-party unlawful acts and process adequacy. This last aspect is fundamental to guarantee the resilience of the business even in the face of unforeseen events, ensuring the continuity of critical processes. Precisely for this reason, the Board of Directors, with the opinion of the CRSC, approved in 2021 the Crisis Management Procedure as part of the Group's Business Continuity Management (BCM) Project, which formalised and implemented a **BCM model** with the provision of organisational and technological safeguards to ensure the continuity of processes, as well as a proactive and structured response to emergency or crisis events.

The analysis of ESG impacts is the basis for the risk matrix below.

External risks

A Social and economic context risks

- A1 Competitors
- A2 Financial and capital markets
- A3 Macroeconomic/ Politic
- A4 Supply chain
- A5 Consumer behaviour
- A6 Relations with institutional bodies
- A7 Technological innovation

B Regulatory risks

- B1 Normative and regulatory changes
- B2 Authorisation processes
- B3 Relations with regulatory bodies

C Risks from external events

- C1 Natural/ accidental events
- C2 Anthropic events
- C3 Climate change
- C4 Illegal acts of third parties

Internal risks

D Financial risks

- D1 Interest rate
- D2 Credit
- D3 Liquidity
- D4 Exchange rate
- D5 Commodities

E Legal and compliance risks

- E1 Financial and non-financial information
- E2 Internal and external compliance
- E3 Legal/ litigation

F Strategic risks

- F1 Model and business sectors
- F2 Capital allocation
- F3 M&A
- F4 Reputation
- F5 Governance

G Operational risks

- G1 Process adequacy
- G2 Infrastructures and plants
- G3 Environment
- G4 Human Resources
- G5 ICT
- G6 Quality of service
- G7 Health & Safety
- G8 Purchase planning

Risk category impacted by Covid-19

ESG Categories:

- Governance
- Environmental
- Social

The assessment of ESG impacts shows a correlation between the priority topics defined in the materiality analysis process and the risks/opportunities, also with specific reference to the provisions of Legislative Decree 254/2016 (art. 3 paragraph 1 point c).

All priority topics are linked to one or more risks identified in the enterprise risk management model, as shown in the table below.

<table>
<tr><th>Priority topics (reference to the Group risk map)</th><th>Risk factors / Opportunities</th><th>Management methods</th></tr>
<tr><td>Solid and transparent governance for sustainable growth

Ethics, fight against corruption and compliance

(E2, E3, F4, F5)</td><td>RISK FACTORS
• Failure to achieve the targets set out in the Business Plan and consequent negative impacts (operational, economic and reputational)
• Commission of offences related to Legislative Decree 231/2001
• Non-compliance with tax regulations
• Company's administrative responsibility for violation of rules and regulations
• Criminal liability of management for violation of regulations
• Violation of the Code of Ethics conduct criteria
• Violation of confidentiality or abuse of privileged information
• Negative operational, economic and reputational impact deriving from conduct contrary to company ethics, rules and regulations</td><td>• Planning and monitoring of Business Plan targets
• Board Committees
• ERM system
• Organisational model 231
• Code of Ethics
• Corporate Governance Code
• Internal Audit Plan
• Supervisory Bodies
• Employee training on Model 231 and Code of Ethics
• Procedures: Whistleblowing, Internal dealing, Management of relevant and privileged information, Internal management and external communication of relevant information and/or privileged information
• Policy for the management of dialogue with all Shareholders and Investors
• Sanctioning system</td></tr>
<tr><td>Effective and transparent dialogue and communication with stakeholders

(A6, E1, E2, F4, F5)</td><td>RISK FACTORS
• Ineffective communication to stakeholders
• Disruption of relations with Public Bodies with subsequent negative reputational impact
• Errors/omissions in the contents of a product/service communication campaign
• Disputes with Public Bodies
• Commission of offences against the Public Administration
• Ineffective communication towards employees
• Violation of the Code of Ethics conduct criteria

OPPORTUNITIES
• Brand promotion</td><td>• Structured communication plans on strategies, objectives, facilities and services
• Code of Ethics
• Organisational model 231
• Organisational and managerial oversight
• Local Committees
• Employee training on Code of Ethics
• Procedures: Management of Media Relations, Whistleblowing, Internal management and external communication of relevant information and/or privileged information
• Policy for the management of dialogue with all Shareholders and Investors
• Sanctioning system</td></tr>
</table>

Priority topics (reference to the Group risk map)	Risk factors / Opportunities	Management methods
Sustainable management of the supply chain (A4, F4, G1, G7)	RISK FACTORS • Qualification in the Register of a supplier not complying with the Group's quality/ sustainability standards • Occupational accidents and work-related illness of employees of third-party companies • Non-compliance with worker health and safety regulations by suppliers, including in relation to pandemic events • Violation of the Code of Ethics conduct criteria and current regulations by suppliers • Supplier behaviours that disregard the values of diversity and inclusion • Supplier behaviours that do not comply with the Group's environmental regulations and policies	• Code of Ethics • Questionnaire for supplier qualification • Score for qualification in the Supplier's Register • Monitoring of potentially sensitive contracts concerning environmental protection and health and safety at work • Supply chain monitoring on workers' rights • Supply chain monitoring on human rights • Contracts that enhance the work of disadvantaged personnel • Contractual clauses with suppliers on Code of Ethics and social criteria
Decarbonization and reduction of emissions (C3, E2, G1, G2, G3, A4)	RISK FACTORS • Failure to achieve the targets set out in the Business Plan and consequent negative impacts (operational, economic and reputational) also on accessibility to sustainable finance instruments • Negative impacts on environment, health and safety with consequent negative reputational and economic impacts • Unintentional exceeding of emission thresholds provided for by environmental authorisations or regulations • Loss of environmental certifications • Tightening of emission constraints and need for adaptation of processes/plants • Errors/omissions in the design/permit/ implementation activities with subsequent impairment of plant operating continuity OPPORTUNITIES • Business opportunities related to energy and environmental transition	• Planning and monitoring of Business Plan targets and sustainable finance instruments • ERM system (Operational Risk Policy and Climate Change Risk Policy) • Certified Management System (risk assessment, containment measures and third-party audits) • Organisational model 231 • Procedures: Environmental analysis, Management of emissions from waste-to-energy plants and thermoelectric power stations, Management of emergencies aimed at returning within certain timescales to the established emission thresholds, Management and maintenance of vehicle fleets • Adoption of best available technologies • Continuous emission monitoring systems and real-time connection with control bodies • Periodic audits by control bodies • Improvement plans and related investments • Environmental authorisations • Medium- and/or long-term objectives for management

Priority topics (reference to the Group risk map)	Risk factors / Opportunities	Management methods
Circular economy: management, sorted waste collection and reuse of waste (C3, E2, F1, F4, G3, G6, A4)	RISK FACTORS • Failure to achieve the targets set out in the Business Plan and consequent negative impacts (operational, economic and reputational) also on accessibility to sustainable finance instruments • Impacts inconsistent with circular economy directives or negative environmental, health and safety impacts with consequent negative reputational and economic impacts • Loss of environmental authorisations • Incorrect handling of waste by employees or suppliers OPPORTUNITIES • Favourable regulatory framework • Growth opportunities in the domestic market • Increased consumer awareness	• Planning and monitoring of Business Plan targets and sustainable finance instruments • ERM system (Operational Risk Policy and Climate Change Risk Policy) • Certified Management System (risk assessment, containment measures and third-party audits) • Adoption of best available technologies • Organisational model 231 • Procedures: Environmental analysis, special waste management • Environmental authorisations • Requirements in the specifications regarding the tracing of waste and timely checks • Qualification and monitoring of suppliers • Audit of the most significant and potentially sensitive contracts concerning environmental protection • Medium- and/or long-term objectives for management
Energy efficiency, renewable sources and district heating (B1, C1, C3, F1, G3)	RISK FACTORS • Failure to achieve the targets set out in the Business Plan and consequent negative impacts (operational, economic and reputational) also on accessibility to sustainable finance instruments • Impacts inconsistent with directives and guidelines on energy efficiency and production from renewable sources, resulting in negative economic and reputational effects • Shortage of water resources affecting hydropower generation • Reduction in demand for district heating caused by the rise in average temperatures • Extreme natural phenomena that may cause impacts on assets or the district heating network • Changes in the legislative/regulatory framework regarding incentives for energy efficiency measures OPPORTUNITIES • Growth opportunities in the energy efficiency sector • Evaluation of possible external growth lines in the renewables sector • Extensibility of district heating systems in new geographical areas	• Planning and monitoring of Business Plan targets and sustainable finance instruments • ERM system (Operational Risk Policy and Climate Change Risk Policy) • Certified Management System (risk assessment, containment measures and third-party audits) • Procedures: Environmental analysis • Temperature monitoring • Adoption of state-of-the-art technologies • Maintenance plans, including predictive plans • Use of materials and components less subject to climate change • Medium- and/or long-term objectives for management

Priority topics (reference to the Group risk map)	Risk factors / Opportunities	Management methods
Innovation, smart city and sustainable mobility (F, A7)	RISK FACTORS • Failure to achieve the targets set out in the Business Plan and consequent negative impacts (operational, economic and reputational) also on accessibility to sustainable finance instruments • Delay in technological change OPPORTUNITIES • Acceleration of digital transformation • Business opportunities related to energy and environmental transition and technological evolution • Participation in local systems to build resilient cities	• Planning and monitoring of Business Plan targets and sustainable finance instruments • Group innovation plan and related investments
Protection of biodiversity (C1, C3, E2, G1, G3)	RISK FACTORS • Natural/accidental event affecting minimum vital water flow mechanisms according to regulations • Possible gaps in monitoring the biodiversity impact of plants, activities or services • Accidental spills impacting biodiversity	• Business Plan • ERM system • Certified Management System (risk assessment, containment measures and third-party audits) • Biodiversity Policy • Procedures: Environmental analysis • Mapping of the Group's plants and networks for biodiversity impacts assessment (to be completed) • Plant equipment and monitoring systems to minimize possible impacts on biodiversity • Emergency plans • Collaboration with local protection agencies, institutions and associations
Economic development and value for local areas (F, A, B)	RISK FACTORS • Failure to achieve the targets set out in the Business Plan and consequent negative impacts (operational, economic and reputational) • Reduction in value distributed to stakeholders • Negative ratings or downgrading in ratings • Loss of growth opportunities in business sectors • Ineffective performance communication • Failure to achieve quality of service OPPORTUNITIES • Business opportunities related to energy and environmental transition and technological and digital evolution • Access to sustainable finance instruments	• Planning and monitoring of Business Plan targets and sustainable finance instruments • ERM system (Financial Risk Policy, Credit Risk Policy) • Structured financial management for return on investment • Structured traditional investor relationship system and ESG • Adoption of sustainable finance instruments • Transparent performance communications • Medium- and/or long-term objectives for management

Priority topics (reference to the Group risk map)	Risk factors / Opportunities	Management methods
Development of local communities Sustainability education (A6, A7, F1, F4)	RISK FACTORS • Disruption of relations with the representative subjects of the local areas with subsequent negative reputational impact • Negative perception by the community related to the presence of Group's plants or managed activities • Lack of perception of the Group's investments for the development/ modernisation of regional infrastructures OPPORTUNITIES • PNRR • Policy and legislative framework increasingly oriented towards sustainable development • Participation in national and international networks for sustainable development	• Business Plan and related investments for regional infrastructures • Structured communication plans on strategies, objectives, plants and services • Local Committees • Eduiren educational programme • Sustainability awareness programmes • Monitoring activities and definition of corrective actions in case of claims/ complaints • Procedures: Sponsorship management, Media Relations management • Plants open to visitors
Efficient, reliable and safe management of processes and infrastructures (G1, G2, G3, G4, G5, G7, G8, E3, F4)	RISK FACTORS • Failure to achieve the targets set out in the Business Plan and consequent negative impacts (operational, economic and reputational) also on accessibility to sustainable finance instruments • Malfunctions or business interruption of plants, networks and services • Emergency or crisis events that may result in the interruption of business processes • Damage to third-parties (persons and/or property) attributable to activities carried out by the Group • Accidental spills impacting on soil or water • Noise pollution related to the Group's activities • Odour emissions into the atmosphere • Generation of electromagnetic fields • Cyber risk or inadequacy of the ICT system • Non-compliance in the processing of personal data • Legal proceedings brought by consumers • Impairment of continuity and quality of service	• Planning and monitoring of Business Plan targets and sustainable finance instruments • ERM system (Operational Risk Policy, Climate Change Risk Policy and Cyber Risk Policy) • Business Continuity Management (BCM) model: organisational and technological safeguards for the continuity of business processes • Service and plant monitoring tools, remotely controlled systems for the safety of networks and plants • Certified Management System (risk assessment, containment measures and third-party audits) • Adoption of best available technologies • Environmental authorisations • Business continuity plan • Emergency management planning • Annual customer satisfaction surveys and identification of improvement actions • Insurance plans • 27001 certification • Personal data processing management system

Priority topics (reference to the Group risk map)	Risk factors / Opportunities	Management methods
Service quality and customer orientation (G1, G6, E2, E3, F4, A4)	RISK FACTORS • Loss of customers • Errors in service charges and credit management • Reduction in customer satisfaction levels • Delays/defaults by suppliers in the execution of outsourced activities • Commercial practices inconsistent with the existing legal/regulatory framework • Non-compliance with customer protection protocols and regulations • Failure or improper management of customer relations • Disputes with customers, Consumer Associations/Class action suits • Loss of ISO 9001 certification and the subsequent inability to participate in tenders • Ineffectiveness of business strategy OPPORTUNITIES • Market share development	• Business Plan and related investments for service quality • Code of Ethics • ARERA Code of Business Conduct • Certified Management System (risk assessment, containment measures and third-party audits) • ERM system • Multi-channel CRM and caring initiatives • Specific agreements with consumer organisations and constant monitoring of relations • Protocols and regulations concerning customer protection via specific processes and procedures • Annual customer satisfaction surveys and identification of improvement actions • Monitoring activities and definition of corrective actions in case of claims/complaints • Service charters and service specifications • Joint conciliation • Medium- and/or long-term objectives for management
Employment, development of human resources and welfare (E3, G4, F4)	RISK FACTORS • Failure to achieve Business Plan targets • Loss of key skills/inadequate job profiles • Loss of talent • Slowdown/interruption of operations and/or impairment of service quality level due to lack of personnel • Outsourcing policies not adequately managed • Labour disputes • Sanctions and fines for non-compliance with labour laws • Lack of attention to employees' well-being • Poor work-life balance OPPORTUNITIES • Improvement of the internal climate • Favourable legislative framework for better corporate welfare	• Planning and monitoring of Business Plan targets • Code of Ethics • Certified Management System (risk assessment, containment measures and third-party audits) • Talent acquisition initiatives • Compensation & benefits policies • Corporate retention and welfare programmes • Monitoring of labour law developments and specific audits on regulatory compliance • Procedures: Personnel recruitment and selection; Training and education • Guidelines: Definition of key resources; Management by objectives; Economic and professional development • Internal communication • Career planning and merit enhancement systems • Welfare plan • Medium- and/or long-term objectives for management
Industrial relations (G4, F4, A6)	RISK FACTORS • Disruption of relations with trade unions and the subsequent negative operational and reputational impact • Slowdown/interruption of operations due to workers' strikes (e.g. on the occasion of renewal of the collective agreement, business transformation, organizational changes, etc.)	• Management of industrial relations articulated on 3 levels: Group, corporate, local areas • Studies for the renewal of the reference National Collective Labour Agreements and participation in their work at national level

Priority topics (reference to the Group risk map)	Risk factors / Opportunities	Management methods
Diversity and inclusion (G4, F4)	RISK FACTORS • Failure to meet Business Plan targets • Collective/individual policies/behaviours that disregard the values of diversity and inclusion • Advertising content perceived as discriminatory	• Planning and monitoring of Business Plan targets • Code of Ethics • Diversity management programmes and initiatives • "Futuro D" Project • Hiring of disadvantaged personnel • Medium- and/or long-term objectives for management
Occupational health and safety (G7, F4, E2, E3)	RISK FACTORS • Occupational accidents and work-related illness of employees • Epidemic events affecting workers' health • Civil and/or criminal liability of persons covered by Legislative Decree 81/08 • Loss of ISO 18001 certification and the subsequent loss of the INAIL award • Non-compliance with health and safety standards • Negative operational, economic and reputational impact related to the failure to protect the health and safety of workers OPPORTUNITIES • Technological innovations that make operations safer	• Planning and monitoring of Business Plan targets • Code of Ethics • Prevention and protection service • Specific personnel training • ERM system • Certified Management System (risk assessment, containment measures and third-party audits) • Procedures: Management of occupational health and safety aspects; PPE management; Management of accidents and injuries; Protection of the health and safety of pregnant workers, those who have recently given birth and those who are breastfeeding • Emergency management planning • Health monitoring plans • Insurance plans • Organisational model 231 and information flows to the Health and Safety Supervisory Bodies • "Near miss" analysis and subsequent actions • Medium- and/or long-term objectives for management
Protection of human rights (G4, F4, E3)	RISK FACTORS • Violation of conduct criteria of the Code of Ethics and current regulations by employees • Discriminatory actions against customers and employees • Violation of the rights of people with disabilities • Violation of the rights of employees and contractors in the supply chain • Negative operational, economic and reputational impacts of human rights violations	• Code of Ethics • System for reporting to the Supervisory Bodies • National Collective Labour Agreements • Service charters • Removal of architectural barriers in Group buildings • Accessibility of services for people with disabilities

The Group Risk Management Department, which reports to the Deputy Chairperson, is responsible, among other things, for the audit of the ERM integrated management system of the Group, in terms of methodological approach, definition of policies and monitoring of the system and, in collaboration with the Chief Executive Officer, for taking out and managing insurance policies with the support of the Procurement, Logistics and Services and Legal Affairs Departments. A periodic assessment process is also in place about adverse events in the various sectors and across all Group's operational areas in order to describe in detail their causes and implement the most suitable methods for preventing and/or limiting the impacts of the events.

Climate risks

The Climate Change Risk Policy of Iren Group carefully analyses and regulates the risk factors, both physical and transitional, the strategies towards these factors (exclusion, acceptance and management) and the guidelines for reporting, aimed at guaranteeing information transparency to all stakeholders. The Climate Change Risk Commission – made up of the Chief Risk Management Officer, the Chief Corporate Social Responsibility and Local Committees Officer, the CFO and the Business Units Chief Officers – periodically examines the Group's risk profile, defining and proposing to the CEO the updating of the management strategies of the risk classes and reporting to the Delegated Bodies any emerging criticalities.

The Risk Management Department considers these risks in its insurance programme.

A specific climate change risk assessment model was developed in 2021.

Among the effects of climate change there are extremes of atmospheric phenomena (acute physical risks) that can generate events such as droughts and fires, heat waves, cyclones, landslides, water bombs, floods; these events produce impacts on the hydrology of hydroelectric and aqueduct plants, with the related economic implications and are aspects of attention for the consequences they produce on the property assets (e.g. failures in the district heating network) and on margins (reduction due to damage to production facilities). These events also have an impact on the scheduling of the availability of thermoelectric generating units and the related scheduled maintenance.

Climate change trends lead to variations in temperature distributions (chronic physical hazards) that primarily impact the dynamics of district heating, gas, water and electricity consumption or changes in precipitation patterns with impacts on hydroelectric plants production and water resource scarcity for distribution.

Financial implications for the Group, in relation to climate change, also derive from the costs associated with the Emission Trading System and their variation depending on regulations (transition risks). Regulatory, market, technological and political developments may also produce possible risks and/or opportunities for the Group.

In the model of assessment of risks from climate change implemented by Iren Group, the analysis is based on the definition of some time horizons (2030, 2040, 2050), identified in line with the objectives of the Strategic and Sustainability Plan, and on the use of climate and socio-economic data series necessary to define scenarios of evolution of the main quantities underlying the analysis.

Climate data are based on two International Panel on Climate Change (IPCC) scenarios: CPR 2.6 and CPR 8.5 (see page 38).

The model also uses socio-economic data as inputs that are primarily based on scenarios published annually by the International Energy Agency (IEA) in the World Energy Outlook (WEO).

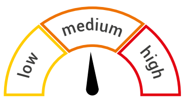
From a methodological point of view, the analysis carried out starts from the results of the implementation of specific models for some of the Group's key assets, in particular those that would potentially be more exposed to risks from climate change, and which make it possible to carry out a medium- and long-term scenario analysis, quantifying the change in economic and financial variables related to the operation of the assets taken into consideration.

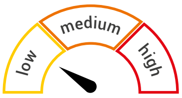
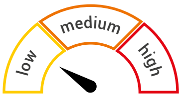
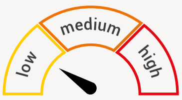
The first analysis concerned the association of each risk factor, identified within the scope of the Group's Climate Change Risk Policy, with possible risks/opportunities mapped for the various Group businesses. KPIs, obtained from the simulations, were then analysed, providing a quantification of the impact of risk within the simulation model.

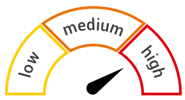
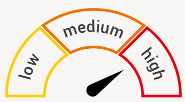
Application of the model has shown that actions introduced as part of the 2030 Business Plan, which also outlines asset-specific investments, have a mitigating effect on the impacts of climate change. Mitigation actions of a strategic nature, linked to investments, are flanked by others of an operational and insurance nature.

The table below provides a summary of the analysis carried out and shows the main risks identified for each business area with the relative quantification and the most significant mitigation actions implemented or planned by 2030.

RISK ANALYSIS

Risk/scope/ time horizon[1]	Impact[2]	Mitigation actions and their effectiveness
Acute physical risks		
Drought Reduction in hydroelectric production due to changes in water resource availability **Scope Impacted:** Hydroelectric plants **Horizon:** S M L	Reduced marginality relative to hydroelectric production due to drought resulting from increased temperatures (evapotranspiration from reservoirs) and precipitation regime. **Level:** TBD[3]	Analysis of the change in water source availability (primary energy) as well as hydraulic turbine efficiency. Monitoring the ratio of installed power to producible power that varies depending on the availability of the water source. If the ratio is slightly less than 1, the hydraulic turbine can be revamped to increase its efficiency. **Efficacy:** TBD[3]
Extreme events (floods, landslides, sea storm, water bombs, snowstorms...) Damage to the infrastructures of the Group and its partners due to the occurrence of extreme weather events **Scope Impacted:** Group **Horizon:** S M L	Direct and indirect damage to the Group with potential business interruption, consequent decrease in turnover and increased costs to carry out repair work. **Level:**[4] 	Implementation of asset-specific analysis and risk assessment to analyse the vulnerability of buildings, machinery, goods, and supply chains to catastrophic natural events. Statistical monitoring of past events and conducting Business Impact Analysis. Some specific mitigation actions at the plant level are, for example, formalised emergency and evacuation plans with assignment of roles and responsibilities and the performance of periodic tests, maintaining distance from waterways, the implementation of earthquake-resistant infrastructure, the definition of a business continuity management plan, and the compartmentalisation of premises. Analysis, for all assets, of insurance strategy to verify adequacy of coverage. **Efficacy:** high

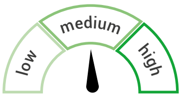
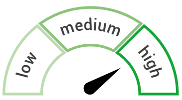
Risk/scope/ time horizon[1]	Impact[2]	Mitigation actions and their effectiveness
Chronic physical risks		
Temperature increase Inability to meet drinking water demand due to water stress situations **Scope Impacted:** Aqueducts **Horizon:** S M L	Decrease in the margin of the aqueduct network due to the inability to meet the demand for drinking water in the areas served due to lack of availability of water resources in the supply sources, caused by changes in temperature and precipitation. **Level:** TBD[3]	Analysis of water source availability, district subdivision and routine maintenance of networks to reduce resource waste (water network leaks at 20% by 2030). Implementation of Water Safety Plans. The Strategic Plan foresees investments for the maintenance of the water network and the consequent efficiency with the reduction of leaks equal to about 1 billion Euro. **Efficacy:** TBD[3]
Temperature increase Decrease in gas and thermal energy requirements for heating due to the increase in average temperatures, balanced by the increase in electrical consumption (use of air conditioning systems and greater spread of electric mobility) **Scope Impacted:** Market **Horizon:** M L	Decrease in EBITDA due to lower sales of natural gas for heating and heat for district heating, offset by increased EBITDA from higher sales of electricity. **Level:** 	Monitoring of the volumes of gas and heat sold and planning of a greater penetration of the cooling and electricity sales businesses both in terms of increased volumes and in terms of new customers acquired (especially in the household segment). **Efficacy:** high
Temperature increase Decrease in thermal energy demand for heating due to increase in average temperatures **Scope Impacted:** District heating network **Horizon:** M L	Reduction in the marginality of the district heating network related to the contraction of the demand for thermal energy per capita in correlation with the increase in average temperatures. **Level:** 	Annual monitoring of both the heating degree days (in the areas served by the network) and the thermal energy demand satisfied through the district heating network. Reductions in requirements can be offset by extensions of networks and district heating volumes. The Strategic Plan includes investments for the maintenance, development and extension of the district heating network with an increase in volumes (+30% to 2030) amounting to approximately 800 million Euro. **Efficacy:** average
Temperature increase Overloading of power grids and blackouts related to temperature increase **Scope Impacted:** Electricity network **Horizon:** M L	Reduced power distribution capacity of networks due to increased temperature and increased peak demand for electricity in the summer. Occurrence of blackouts resulting in extra costs to ensure service continuity and increased capital costs to replace damaged components. **Level:** 	Construction and refurbishment of stations and network renewal. The Strategic Plan allocates investments of around 800 million Euro to the efficiency of electricity distribution networks and plants. The implementation of the investments almost completely mitigates the negative effects and significantly reduces the impacts, bringing distribution capacity back to current values. **Efficacy:** high

Risk/scope/ time horizon[1]	Impact[2]	Mitigation actions and their effectiveness
Transition Risks		
Political and legal More penalising regulatory policies regarding water quality, sewerage system adequacy, and service interruption. **Scope Impacted:** Purifiers **Horizon:** S > M	Increased operating costs to comply with more stringent rules and regulations with direct impact on levelized cost of treatment value. This is also reflected in an increase in any mandatory reporting on performance ratios. **Level:** TBD[3]	Analysis of incoming wastewater treatment efficiency to verify adequacy against more stringent environmental policies for chemical and physical parameters of treated wastewater. Technology scouting and appropriate planning of adaptation investments. The Strategic Plan foresees investments for the maintenance of the sewer networks and the renewal and expansion of the wastewater treatment system amounting to approximately 800 million Euro. **Efficacy:** TBD[3]
Political and legal Tightening of the Emission Trading System Regulations **Scope Impacted:** Thermoelectric power plants **Horizon:** S > M	Increased cost of emissions or extended applicability of a tightened ETS to new plants, resulting in decreased plant margins. Financial impacts, such as the increase in the levelized cost of energy, resulting from the possible transition to a carbon tax. **Level:** 	Monitoring of the CO_2 emissions of the assets and control of the evolution of the relevant environmental regulations. Evaluation of the introduction of technologies aimed at reducing CO_2 emissions into the atmosphere, as well as any revamping necessary to adapt assets to more stringent environmental regulations or the adoption of more sustainable technologies. Partial replacement of fuel gas with hydrogen blend. The Strategic Plan includes investments to improve the efficiency of thermoelectric power plants amounting to approximately 350 million Euro. **Efficacy:** high
Political and legal Stricter environmental regulations on waste-to-energy plants **Scope Impacted:** WTE **Horizon:** S > M	Costs for revamping and upgrading facilities to more stringent environmental regulations on WTE plants, including with respect to the introduction of “zero-waste“ policies and constraints on air emissions. Increased costs resulting from the introduction of taxation or inclusion of WTE in the ETS in the face of possible tightening of regulations about atmospheric emissions. **Level:** 	Monitoring of the CO_2 emissions of the assets and control of the evolution of the relevant environmental regulations. Assessment of the introduction of technologies to reduce CO_2 emissions, as well as any revamping required to bring assets into compliance with more stringent environmental regulations or adoption of more sustainable technologies, such as carbon capture & storage systems. In a context of technological evolution with regard to the stages of CO_2 capture and storage, the Strategic Plan provides for a share of investment that will be adjusted over time according to the availability of new technologies. **Efficacy:** average

[1] Time Horizon: S=short-term, M=medium-term, L=long-term
[2] The rating scale refers to the impact on EBITDA expected in 2030 (downside for risks and upside for opportunities): <1%, medium between 1 and 5%, >5%
[3] It was decided not to provide a quantification as the valuation refers to a limited number of assets, as indicated below:
- Hydroelectric plants: analysed assets representing 25% of hydroelectric production, so the impact was low in both scenarios;
- Aqueducts: analysed assets representing 54% of the volumes of drinking water injected into the network, so the impact was low in the 4°C scenario and medium in the 1.5°C scenario;
- Wastewater treatment plants: analysed assets representing 8% of treated water volumes, so the impact was low in both scenarios.

As part of future developments, it is planned to significantly extend the scope of analysis.
Similarly, the effectiveness of the mitigation strategy will be made explicit once the assessment has achieved relevant coverage.
[4] The quantification is based on the impact of natural catastrophic events on the Group’s main assets.

OPPORTUNITIES ANALYSIS

Opportunity/scope/ time horizon[1]	Impact[2]	Strategy to realise the opportunity
Products and services Dissemination of new integrated solutions, e.g. for production and energy efficiency (increased incentives for energy efficiency interventions in buildings). Market penetration with an energy offering more aligned with changing consumption by end users. **Scope Impacted:** Group **Horizon:** S M	Increased revenues from: • favourable competitive positioning in the energy sector thanks to the dissemination and adoption of new technological solutions; • direct impact on the number of customers reached by the Group, thanks to the push towards electrification of consumption and the change in consumer preferences towards "green" energy; • increasing number of energy efficiency interventions on buildings. **Level:** 	Monitoring of the penetration rate of services offered and competitors' offerings. Expansion of the portfolio of integrated services provided. Increased offerings of electricity produced exclusively from renewable sources. Dedicated campaigns to respond to changes in consumer preference. The Strategic Plan provides for investments related to the deployment of new integrated solutions, such as the installation of public charging stations for electric vehicles, energy communities, e-buses, energy efficiency products/services, new smart cities services amounting to approximately 1.6 billion Euro.
Market Access to finance through diversification of financial instruments **Scope Impacted:** Group **Horizon:** S M	Increased opportunities to access capital through sustainable finance instruments such as Green Bond, EIB loans, Sustainable Loan for Hydro, Sustainability linked revolving credit facility	Establishment of the Sustainable Finance Committee, third-party reviews of projects financed with sustainable finance instruments, monitoring of regulations, relations with financial markets.
Resource efficiency Circular economy **Scope Impacted:** Waste treatment plants **Horizon:** S M	Increase in revenue related to: • consolidation of regulatory frameworks that regulate and incentivise material recovery and the production of biogas and biomethane from waste; • increased volumes handled by current plants; • acquisitions of companies in the sector; • development of plants and technologies for material recovery and production of biomethane, biogas. **Level:** 	Monitoring of regulations and development of an investment plan mainly aimed at the development of plants for the recovery of waste materials. The Strategic Plan includes investments in the circular economy of approximately 1.6 billion Euro.

[1] Time Horizon: S=short-term, M=medium-term, L=long-term

[2] The rating scale refers to the impact on EBITDA expected in 2030 (downside for risks and upside for opportunities): <1%, medium between 1 and 5%, >5%

Governance tools

[GRI 102-16, 102-17, 102-34, 205-1, 205-2, 205-3]

The governance of economic, environmental and social factors is managed through a structured and coordinated system of tools that ensure consistency with the mission, values and strategies of Iren Group.

Code of Ethics

The Code of Ethics transposes the mission, vision and values of Iren Group into conduct standards for all employees and for all those who work with and for the Group. It is also the cornerstone of the organisational model aimed at preventing the crimes laid down by Legislative Decree 231/2001, including the offence of corruption.

The Code of Ethics also focuses on the concept of sustainable development, considered fundamental by Iren Group, which believes that behaviours are becoming increasingly ethical and equitable starting from the pursuit of social, economic and environmental sustainability.

Iren Group is committed to disseminate and promote awareness of the Code of Ethics to its employees and everyone who works for the Group. To this end, 400 employees were involved in training activities on the Code in 2021 and, following the update of the Code at the end of 2020, dissemination activity is ensured for all recipients, through the widest channels available, including the websites of Group Companies, the Intranet, notice boards and the suppliers' portal.

The Code of Ethics defines the general conduct criteria regarding respect for the Constitution, laws, regulations and ethical principles, human rights and personal dignity, respect for and protection of the market, competition, and industrial property, protection of personal data, the correct use of technology and the computer system and environmental protection. The Code also regulates the criteria of conduct in relations with shareholders and personnel – with particular reference to personnel policies, occupational health and safety, duties of employees, conflicts of interest and use of company assets – in relations with customers, suppliers, external collaborators, public institutions, judicial agencies, public supervisory authorities, political and trade union organisations. Other specific rules of conduct concern confidentiality, internal management and communication of information, rewards and benefits, management of promotional activities, sponsorships and contributions, aspects of accounting, taxation and internal controls, reporting and whistleblowing.

Observation of the content of the Code of Ethics by all those who work on behalf of Iren is fundamental for the smooth operation, reliability and reputation of the Group.

Managers of corporate departments and units are committed to disseminate the knowledge and sharing of the rules of the Code of Ethics, to make employees and collaborators follow them, to encourage and protect reports of possible violations from any type of retaliation, as well as promptly reporting any reports received, taking the immediate and essential corrective actions required by the situation.

With regard to the external parties to whom the Code is addressed, the Group undertakes to introduce contractual clauses and/or to obtain signed declarations that formalise the acknowledgement, acceptance and compliance with the principles set out in the Code. Explicit acceptance of the Code of Ethics is required by all suppliers from the offer stage, without the possibility of exceptions or amendments. Companies participating in the tenders are required to report any attempt to disturb, any irregularities or misrepresentation by any competitor or party involved, during the tender and/or when performing the contract, to Iren Group company that calls the tender, as well as any anomalous request or demand from Group employees or anyone who can influence the decisions of the tender or the contract and its execution.

The Code of Ethics requires all the Group's employees and collaborators to undertake to report to the Supervisory Body or their superiors or Iren's Internal Audit and Compliance Department, depending on their area of competence, any possible violation of the Code of Ethics or any request for infringement that has been addressed to them. Such reports can also be made anonymously with all the guarantees provided by the law on whistleblowing.

The Group Companies and the Supervisory Bodies shall ensure that those who have made the reports are not subjected to retaliation, discrimination or, in any case, penalisation, whether direct or indirect, for reasons connected, directly or indirectly, to the report, thus ensuring the appropriate confidentiality.

Iren ensures the verification of each notice of breach of the Code of Ethics, received pursuant to the methods and through the channels specified by the Code, the assessment of the facts and the application of appropriate sanctions in case of breaches. In particular, it is the responsibility of the Supervisory Body to monitor, within the scope of its competence, compliance with the Code of Ethics, with a view to guarding against the risk of committing the offences envisaged by Legislative Decree 231/01 and formulate its own observations regarding alleged violations of the Code of Ethics of which it is aware, reporting any violations found to the competent company bodies.

Iren's Corporate Social Responsibility and Local Committees Department has the task of promoting awareness, ensuring the updating, dissemination, interpretation and implementation of the provisions of the Code of Ethics. The Code of Ethics is available on the Group's website in order to achieve maximum dissemination and understanding. Furthermore, to support ethical conduct and compliance with the law and Code of Ethics, Iren Group makes available information concerning laws, regulations and insights regarding quality, safety and environment to all stakeholders, both internal and external. This can be found on the company's website and Intranet.

In 2021, five reports were made to some Supervisory Bodies of Iren Group, relating to possible violations of Model 231, which could also involve violations of the Code of Ethics. The checks carried out did not reveal any relevance of the reports, which were therefore archived.

Organisational model 231

Iren and the Group's main companies have adopted Organisation, Management and Control Models pursuant to Legislative Decree 231/2001 (Model 231), which configure a structured and organic system of control activities and procedures to prevent, where possible, conduct that could constitute the commission of the crimes covered under the Legislative Decree 231/2001, listed below:

Predicate crimes (Legislative Decree 231/2001)	Applicability to Iren
Offences related to relations with the Public Administration, such as corruption, incitement to corruption, undue induction to give or promise benefits, extortion, embezzlement to the detriment of the State, undue receipt of funds to the detriment of the State, fraud to the detriment of the State, aggravated fraud to obtain public funds and computer fraud to the detriment of the State	✓
Cybercrimes and unlawful processing of data	✓
Offences of organised crime, both on a transnational and national scale, such as, for example, criminal association, mafia-type association, also foreign, kidnapping for the purpose of extortion, induction to not make statements or to make false statements to the judicial authorities, personal aiding and abetting	✓
Crimes against public faith such as forgery of money, public credit cards and revenue stamps, and instruments or signs of recognition	✗
Crimes against industry and commerce such as disturbance of the freedom of industry or trade and fraud in the exercise of trade	✓
Corporate offences such as, for example, false corporate communications, obstruction of control, unlawful distribution of profits and reserves, unlawful transactions on shares or quotas of the company or of the parent company, transactions to the detriment of creditors, failure to communicate conflicts of interest, bribery among private individuals, instigation of bribery among private individuals, unlawful influence on the meeting, market rigging, obstruction the exercise of the functions of public supervisory authorities	✓

Predicate crimes (Legislative Decree 231/2001)	Applicability to Iren
Crimes for the purpose of terrorism and subversion of democratic order provided for by the Penal Code and special laws	✓
Offence of female genital mutilation practices	✗
Crimes against the person such as trafficking in persons, reduction and maintenance in slavery and illicit intermediation and exploitation of labour	✓
Market abuse insider dealing and market manipulation	✓
Crimes relating to health and safety in the workplace such as manslaughter and grievous bodily harm	✓
Crimes of receiving stolen goods, money laundering, utilisation of money, good or benefits of unlawful origin, as well as self-laundering	✓
Copyright infringement crimes	✓
Crimes of induction to not make statements or to make false statements to the judicial authority	✓
Environmental offences such as environmental pollution, environmental disaster, negligent offences against the environment, trafficking and abandonment of highly radioactive material, offences against protected animal or plant species, destruction or deterioration of habitats within protected sites, offences relating to atmospheric emissions, management of wastewater discharges, waste management, activities organised for the illegal trafficking of waste	✓
Crimes of employing third country citizens staying illegally	✓
Corruption and incitement to corruption between private individuals	✓
Racism and xenophobia	✗
Fraud in sports competitions, abusive exercise of gambling or betting and games of chance exercised by means of prohibited devices	✗
Tax offences such as fraudulent declaration through the use of invoices or other documents for non-existent transactions	✓

The adequacy, effectiveness and suitability of the Model 231, of which the Code of Ethics is an integral part, is monitored by the Supervisory Body.

In 2021, the process of revising and updating the 231 Model of some Group companies continued in order to ensure its constant consistency over time with the organisational changes that have taken place and its effectiveness in relation to the introduction of new criminal offences by the legislator. The revision of the Models is carried out according to the risk self-assessment methodology, which consists in the identification by management (risk owner) of the processes, sub-processes or company activities at risk of 231 crime, with assessment of the potential risk, of the level control and any actions for the improvement of the same. Management submitted the updated Models 231 to the Supervisory Bodies, approved by the Companies' Boards of Directors and published on the Company Intranet, informing all employees that they are required to consult the Model and adopt behaviours that comply with its provisions.

Each recipient of the Model 231 is required to report any breaches or suspected breaches of the Code of Ethics, or the control principles outlined in the Model (whistleblowing). For this purpose, the Group adopted a procedure for handling reports to the Supervisory Body of the Model 231 that governs how reports are communicated and regulates the tasks and verification activities performed by the person receiving the report. Reports are always handled (for some Companies also through the "*Comunica* whistleblowing"-"Report whistleblowing" IT tool) in compliance with the confidentiality of the whistleblower's identity and the principles and provisions of the Organisational Model 231. Through internal and external training and information, the Group promotes the discipline of whistleblowing also in order to develop a correct corporate culture.

Any reports received from internal and external parties during the period about alleged breaches of the Model or Code of Ethics are discussed in the Supervisory Body's half-yearly report to the BoD. In 2021, five reports were made to some Supervisory Bodies of Iren Group. The reports were processed and managed in compliance with the provisions of the Procedure for the management of whistleblowing reports to the Supervisory Body of suspected breaches to the Organisational Model 231. The checks carried out did not reveal the relevance of the reports, which were therefore deemed to be filed.

Supervisory bodies

Iren and the main Group companies established, with a resolution of the Board of Directors, the Supervisory Body (SB) according to Legislative Decree 231/2001, with the task of monitoring the functioning and compliance of the Model and updating it, and with the objective of meeting the requirements of autonomy, independence, professionalism and continuity of action. The Supervisory Body is vested with the powers of initiative and control necessary to ensure effective and efficient supervision of the operation of and compliance with the Model under the provisions of art. 6 of Legislative Decree 231/01. The Supervisory Body carries out, with the assistance of the competent Company Departments, checks on the areas of activity that are considered at risk under the Legislative Decree 231/2001, and half-yearly reports to the Board of Directors on its activities and findings. When deemed necessary, the Supervisory Body gives suggestions aimed at improving the control system for activities and oversees their implementation. The assignment of these responsibilities to a body with autonomous powers of initiative and control, together with the correct and effective performance of the same, are fundamental prerequisites for the exemption from liability provided for by Legislative Decree 231/01.

Corruption prevention

In the performance of its activities, Iren Group companies manage relations with the Public Administrations and with third parties, regulated by the principles established by the Code of Ethics and the Model 231, which provide the guidelines and codes of conduct that aim to prevent, insofar as possible, the commission of the crimes relevant under the Decree itself, including the crime of corruption. Company processes are also regulated by specific procedures defining roles, responsibilities and methods of control, establishing the traceability of processes and the clarity of authorisations to ensure transparency and honesty in the company's activities.

The 231 Model of the parent company identifies, within the activities carried out by the Company, the company processes and areas that are "sensitive" to the potential risk of the offences indicated in the Decree being committed. In particular, sensitive activities at risk of corruption were identified, for which suitable internal rules were provided to supplement the Code of Ethics (general control principles and specific conduct and control protocols), such as, but not limited to:

- the selection and formation of contractual relations with suppliers;
- consulting selection and management (public and private bodies);
- HR selection, recruitment and management and management of the bonus system;
- management of sponsorships, gifts and donations;
- support in the management of relationships with public bodies to attain or renew authorisations, licences and concessions for carrying out corporate activities;
- management of public grants, payments and contributions;
- support to Group companies in participating in tenders for the sale/award of public utility services.

The process mapping, risk self-assessment, preparation of the Model of Organisation, Management and Control, examination and approval of the document by the Board of Directors, its dissemination and relative training initiatives, are also training activities on anti-corruption for each of the parties involved in the various activities.

The audit activities concerning the issue of corruption fall into the context of broader audit activities regarding the internal control system of processes with a view to preventing the most significant risks. By way of example, in 2021, checks were carried out on the following processes: management of sponsorships, purchase of gas, direct contracts, funded training, reimbursement of expenses to members of corporate bodies.

With regard to communication and training on the offences of the Legislative Decree 231/2001, which also includes policies and procedures for the prevention of corruption, the activity is diversified according to the roles and responsibilities of the recipients, with the aim of conveying knowledge and instructions on specific aspects of the Model 231 such to ensure the awareness and full understanding of the internal provisions to be complied with and the ethical standards that inspire their conduct.

The training activities of the Parent Company involve the members of the Board of Directors and the Departments and Business Units Chief Officers in specific classroom sessions.

The training for managers, junior managers and office workers is delivered through e-learning sessions that are updated and renewed periodically following changes to legislation. This enables all personnel to be reached quickly, with the possibility of target-based profiling and the attribution of the entire course or individual training modules depending on the previous training level of the individual person. The frequency and content of the training activities are designed to provide a full understanding of the Decree and awareness of the Model. Training is mandatory and controls are in place to verify participation and learning.

Based on the policy adopted, employee training activities were planned for the year, which saw 1,696 hours of training provided to 346 employees and will continue in 2022.

Training on anti-corruption policies and procedures	2021		2020		2019	
Total trained employees	346		535		22	
of which	no.	%	no.	%	no.	%
Managers	*2*	*2.0*	*7*	*7.6*	*16*	*16.7*
Junior managers	*14*	*4.1*	*26*	*8.4*	*1*	*0.3*
White collars	*301*	*7.9*	*490*	*13.8*	*5*	*0.1*
*Blue collars**	*29*	*0.6*	*12*	*0.3*	N/A	N/A

* Staff who have voluntarily taken advantage of the training opportunities in the Group catalogue on anti-corruption issues.

In 2021, in fact, the writing of the storyboard was completed for the creation of a new e-learning course with updated content compared to the models issued, to be distributed to all employees (excluding blue collar workers) of the Group's consolidated Companies for asynchronous distance learning. The course also includes a section dedicated to the contents of the Code of Ethics for all employees.

Reports on training are regularly sent to the Supervisory Bodies.

All employees are also provided with information, through a dedicated section of the Company Intranet, on their Company's Model 231 and the Group Code of Ethics. Appropriate communications tools are adopted to update employees on any changes to the Model and, in this context, it is noted that the Model itself outlines specific conduct and control protocols which must be complied with by all employees throughout their working activities.

In 2021, no confirmed instances of corruption were reported within Group companies.

Remuneration policies

[GRI 102-35, 102-36]

Iren Shareholders' Meeting decides, upon appointment and for the entire duration of the office, the total annual remuneration of the members of the Board of Directors and the maximum total amount for the remuneration of the Directors holding specific office provided for in the Articles of Association.

The BoD defines, upon proposal of the RAC and having consulted the Board of Statutory Auditors, the structure and the remuneration for the Directors holding specific offices (Chairperson, Deputy Chairperson and CEO) and the remuneration for the participation of Board Directors, as well as the policy for the remuneration of the BoD and of the Senior Managers with strategic responsibilities, subject to the RAC assessment, carried out in agreement with the Control, Risk and Sustainability Committee, with regard to the risk and sustainability profiles. The BoD, subject to the RAC assessment, also defines the objectives that determine the variable annual short- and long-term component of the remuneration of the Chief Executive Officer and General Manager.

Considering the provisions of the remuneration policy, the Chief Executive Officer determines the remuneration of Senior Managers with strategic responsibilities and defines the objectives to which the short- and long-term annual variable component of the same is related, involving the RAC in the process, in order to obtain the relevant opinion in advance.

The remuneration of Non-Executive Directors is not linked to the results achieved, but it is commensurate with the commitment required of each of them, bearing in mind their potential participation in one or more of the Committees within the Board of Directors.

For the Chairperson and Deputy Chairperson, a fixed remuneration has been established, and no performance bonus is envisaged. The Chief Executive Officer participates in the short- and long-term incentives system, as described in the Remuneration Report approved by the Shareholders' Meeting.

Generally, without prejudice to compliance with the regulations in force, no indemnity is provided for directorship severance for Iren Directors. For the Chief Executive Officer and General Manager,

compensation is envisaged in the event that the mandate is withdrawn without a legitimate cause or not renewed and, in view of the fixed-term management contract held with Iren, the treatment and severance indemnity established by law and the national collective labour agreement of reference apply.

For the Chief Executive Officer and General Manager (CEO/GM) as well as for Senior Managers with strategic responsibilities (SESR) the **variable portion of the remuneration** is divided into two parts, the short-term and the long-term.

The **short-term variable remuneration** – which reaches an average of 37.5% of the fixed remuneration upon achievement of all objectives – is based on an MbO (management by objectives) system, which takes into consideration the main objectives for the Group relating to economic, financial and operating performance, the main strategic projects and ESG objectives through the introduction – for all Senior Managers with strategic responsibilities – of a performance indicator relating to the relationship with stakeholders and ESG objectives (such as, for example, improvement of environmental performance, reduction of accident frequency index, development of gender diversity, etc.), which impacts by 20% the total variable remuneration. The system provides, with the aim of avoiding the disbursement of incentives for decidedly unsatisfactory results, a "gate" condition linked to the maintenance of the rating on investment grade by a leading rating agency. To make the incentives scheme more challenging in the short-term, for each performance indicator there is a fixed threshold of 70% of the objective with a target of 100% of the objective. Also in 2021, at Group level (or at the Networks Business Unit, in line with the functional unbundling forecasts), a corrective factor of individual results was maintained to take into account and incentivise the creation of value by the Group with respect to planned targets. EBITDA and Operating Cash Flow levered (OCF levered) have been selected as the economic/financial indicators which best represent the correlation between development and creation of value. The corrective factor (multiplier or demultiplier of the percentage value obtained for the individual objective sections) is the weighted average of the two indicators, with weights and metrics defined in advance. Thus, the maximum amount attainable as short-term variable compensation can be up to 120% of the target amount.

The objectives for Senior Managers, which are always defined in line with horizontal and vertical consistency at a Group level and within individual Business Units, also form the foundation of the MbO system used for managers and junior managers, to whom they are assigned via cascading.

Long-term variable compensation (introduced in 2015) is cash-based, with amounts on an annual basis of up to 25% of fixed compensation upon achievement of all objectives. The objectives of the Long-Term Incentive (LTI) Plan, which expires on 31 December 2021, are linked to the achievement of three economic objectives (EBITDA, Operating Cash Flow – OCF-levered and cumulative capital expenditure) set out in the Group's Business Plan for the period 2019-2021, at the end of which disbursement may take place. The LTI Plan also envisages an incremental mechanism in the event of significant exceedance of the OCF target and a sustainability correction, linked to any failure to achieve ESG objectives, which may produce a decrease of up to 10% on the bonus accrued. The ESG objectives, calculated in an on/off logic, considered are:

- gender diversity (a compound indicator that includes the percentage of women out of total employees, the percentage of women hires out of total hires, the percentage of women managers and junior managers out of the total managers and junior managers and the percentage of women participating in training courses out of the total of the participants);
- circular economy (recoverable waste processed in Group plants);
- water resources (water network leaks);
- resilient cities (district heated volumes).

The indicators are identified in agreement with the Corporate Social Responsibility and Local Committees Department from among those set by the Board of Directors in the Business Plan.

Given the expiry of the LTI Plan at the end of 2021, a new long-term incentive plan is expected to be defined shortly.

Malus and clawback clauses are provided for in the regulations of both systems (MbO and LTI).

Iren Group does not use specific bonuses or incentives at the time of appointment/assumption of the role, except to offset amounts that are lost as a result of hiring from the external market. The severance indemnity and supplementary pensions for Senior Managers with strategic responsibilities are established by law and by the national collective labour agreement.

Protection of human rights

[GRI 406-1, 412-1, 412-2, 412-3]

Attention to and respect of individuals are issues that Iren Group places at the heart of its growth and the sustainable development of the community and local area.

The Group operates mainly in Italy, where a complex system of laws contributes to preventing the risk of human rights violations. Nevertheless, the Group considers the UN Universal Declaration of Human Rights, the International Labour Conventions and Recommendations issued by the ILO (International Labour Organization)[5] and the Earth Charter drawn up by the Earth Council, along with the principles of the UN Global Compact that Iren adopts, and the UN Sustainable Development Goals, to be essential points in defining its values.

Acknowledging the absolute value of the fundamental principles of the Constitution of the Italian Republic, Iren Group, in its own Code of Ethics, considers respect for the dignity of people and the condemnation of any discrimination – trade union, political, religious, racial, language or gender discrimination – as central, with the promotion of an inclusive culture at all levels.

[5] Particular reference is made to the Conventions ILO C1, C29, C87, C95, C98, C100, C102, C103/183, C105, C111, C115, C118, C120, C122, C130, C131, C132, C135, C138, C142, C148, C154, C155, C158, C159, C162, C170, C171, C174, C175, C182, C187, C190.

These principles – set out in the Code of Ethics, in the Policy on Diversity and Inclusion and in the Policy on dealing with violence, harassment and bullying in the workplace, adopted in 2021 (see page 245) – are aimed at fighting any violation of human rights, result in the refusal of any form of forced labour or employment of irregular personnel, to enter into negotiations or to confer positions that may offend or which are contrary to the fundamental principles underlying respect for human dignity and commitment not to collaborate with partners who violate these principles, with particular reference to the exploitation of child labour and the protection of the primary guarantees of each worker.

At Iren Group, respect for human rights is always a fundamental prerequisite for correct business activity, which is reflected in our scrupulous compliance with the law and contract regulations, with the provisions of the Model 231 and the Code of Ethics, as well as in our constant discussion with Trade Unions and stakeholders (via Local Committees) and in the suppliers' management system. This issue is so integral to the company culture that all action areas and tools mentioned above are subject to constant update and improvement.

The Group has also adopted instruments to encourage accessibility and use of services, particularly for disabled people, more vulnerable categories, and foreign language speakers.

The principles, the policies pursued, and the conduct adopted, ensured that in 2021, Iren Group did not record any violations for discriminatory practices.

Also in 2021 in the extraordinary transactions aimed at acquiring companies/shareholdings, the Group carried out, with the support of specifically appointed advisors, the appropriate due diligence activities aimed, among other things, at verifying: the application of labour and workplace safety regulations provided for by Italian legislation, and the existence of any disputes on the subject, the adoption of a Model 231 and a Code of Ethics, and the identification of any risks linked to the non-application of these regulations and management models with the adoption of the appropriate actions, such as, for example, the inclusion of conditions precedent and penalties in transactions deemed at risk.

In order to spread good practice and ensure compliance with ethical values and principles of conduct by the supply chain, the Group has prepared, in addition to the Code of Ethics, specific social standards on human rights and working conditions, which must be signed by all suppliers (see page 266).

In 2021, 136 hours of training were provided to I.Blu staff on human rights, as part of the commitments made with SA8000 Certification, which is based on the principles of social responsibility inherent in the prohibition of child, forced and compulsory labour, the prohibition of discrimination against workers and disciplinary practices involving physical or psychological punishment, the promotion of the health and safety of workers, freedom of association and the right to collective bargaining, the regulation of working hours and fair pay.

In 2021, the annual analysis was carried out on suppliers through a questionnaire also aimed at detecting the human rights policies adopted by companies that hold active contracts with the Group (see page 264).

Of the 1,332 supplier companies that responded (26% of the total), 56% have human rights policies in place that fall, in order of priority, into the following areas:

- equal opportunities and equal treatment, regardless of race, gender, language, religion, nationality, political opinion, sexual orientation, social status, disability, age or other condition of the individual that is not connected to the requirements for carrying out their job;
- checking of the age of employees during the hiring process, including by recruitment companies;
- formal reporting systems that allow workers to report human rights breaches, ensuring the protection of the reporter's identity;
- training to raise awareness and prevent discrimination;
- measures to integrate employees;
- formal control systems to ensure that the company does not request that its employees deposit money, identity documents or credit cards during the hiring process.

Furthermore, 20% of those who responded to the questionnaire stated that there is an employee within their organisation who is officially responsible for human rights issues. Finally, responding providers received two instances of human rights-related complaints, while no complaints or lawsuits for discriminatory practices have been recorded.

This survey is repeated regularly to maintain constant monitoring of the supply chain.

QSE Certified Integrated Management System

Iren Group is committed to offer its customers and residents service efficiency, effectiveness, economic convenience, and high quality, operating with expertise and professionalism in full respect of the environment and safety, contributing to the well-being of its personnel and the community.

For this reason, the Group has developed an integrated certified management System (Quality, Safety and Environment – QSE), which is structured in such a way so as to adequately monitor all operating processes that influence the service levels with attention increasingly focused on the customer and on the basis of risk identification and governance as part of the ongoing analysis of the organisational context and the needs and expectations of the parties involved. The certified System is actually a streamlined and flexible organisational model that adapts quickly to changes in customer expectations and needs and organisational changes within the Group, thereby ensuring continuous monitoring of the effectiveness and efficiency of the processes at the same time.

The values of Iren Group are applied and expressed in the QSE Policy, which is acknowledged and shared by all personnel, in the following basic principles of the certified system:

Main certifications

	ISO 9001 (Quality)	ISO 45001 (Safety)	ISO 14001 (Environment)	ISO 27001 (Information Security)	EMAS	UNI 11352 (ESCo)	ISO 50001 (Energy efficiency)	ISO 17025 (Lab)
Iren	•	•	•	•				
Iren Ambiente	•	•	•		• (5 sites)			
Acam Ambiente	•	•	•					
Amiat	•	•	•					•
Bonifica Autocisterne	•							
Futura	•		•					
I.Blu	•	•	•					
Manduriamente			•					
Produrre pulito	•		•					
ReCos	•	•	•					
San Germano	•	•	•					
Scarlino Energia			•					
TB		•	•				•	
Territorio e Risorse	•		•					
TRM	•	•	•		• (1 site)			
UHA	•	•	•					
Uniproject	•		•					
Iren Energia	•	•	•		• (4 sites)	•	•	
Bosch Energy and Building Solutions Italy	•	•	•			•	•	
Iren Smart Solutions	•	•	•			•	•	
Studio Alfa	•	•	•					•
Iren Mercato	•	•						
Salerno Energia Vendite	•							
Ireti	•	•	•					
Acam Acque	•	•	•					
ASM Vercelli	•	•	•					
Atena Trading	•	•						
Iren Acqua	•	•	•					
Iren Acqua Tigullio	•	•	•					
Iren Laboratori	•	•	•					•
% coverage[1]	**99%**	**98%**	**93%**	**12%**	**3%[2]**	**10%**	**10%**	**20%**

[1] The % coverage is calculated as the ratio between the sum of the number of employees of the companies subject to certification and the total number of employees of the Group.
[2] The % coverage is calculated as the ratio between the number of employees at certified sites and the total number of employees in the Group.

The Group's focus on customers and process quality is also confirmed by the possession of the following additional certifications:

- F-GAS certification of Iren Smart Solutions and Bosch Energy and Building Solutions Italy;
- UNI EN ISO 18295-1 certification (service requirements for customer contact centres) of Bosch Energy and Building Solutions Italy;
- ISO 18295-2 certification (requirements for organizations using external contact centres) acquired in 2021 by Iren Mercato;
- Iren Mercato certification in compliance with the Certiquality 66 Technical Document relating to the sale of green energy;
- Certification of Iren Mercato in compliance with ST TRAC_EE for the tracking system of the characteristics of energy from renewable sources, which is a tool to provide customers with a guarantee of the origin of the "green" electricity sold;
- Multi-site Accreditation of Iren Laboratori;
- SA 8000 certification (corporate social responsibility) of I.Blu;
- IQNet SR 10 (Social Responsibility Management Systems) certification of Studio Alfa.

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 the audits carried out by the Certification Bodies at the Group Companies in 2021 were concluded with a positive outcome and confirmed the maintenance of the Certifications held. During the year, the actions planned to achieve the defined objectives were also implemented:

- maintenance of the certifications held by all Group Companies;
- extension of Iren Ambiente ISO 14001 certification to the multi-purpose plants of AMA, GHEO and Sereco;
- acquisition, transfer to Iren Ambiente and maintenance of the EMAS registrations of the GHEO and Sereco plants;
- acquisition and maintenance of the ISO 9001 and ISO 14001 Certified System of Territory and Resources.

The achievement and maintenance of voluntary certificates evidence Iren Group's commitment to sustainability, particularly through the protection of the environment, the rational use of natural resources and energy, full compliance with legislation, raising awareness amongst its customers and suppliers and service levels.

In order to ensure sustainable company growth based on the principle of continuous improvement, resources were employed for:

- the development of the production of energy from renewable or high-efficiency sources and district heating, together with the adoption of the best plant technologies to guarantee a reduced environmental impact;
- the improvement of the use of water resources, in terms of withdrawal, use, release and discharge;
- the renovation of the urban wastewater treatment systems and search for the best technologies in order to improve the quality of effluents and minimising odorous emissions;
- the correct management of obligations concerning special waste in the production, storage, transport and disposal and/or final recovery stages;
- the spread of information on the impacts on the external environment through specific publications, such as the Sustainability Report and Environmental Declarations.

From a management point of view, to reduce the environmental impact of activities, particular importance was given to:

- review and update of the Environmental Analysis of sites, plants and processes at all Group companies with ISO 14001 certification;
- mapping of environmental obligations for Group companies;

- definition of the Environment Model which, starting from the Mapping of obligations, has led to the definition of procedures aimed at giving uniformity to the management of environmental issues, providing indications on the management and control tools of these issues, including the monitoring of legislative compliance;
- monitoring environmental performance through the use of indicators for significant environmental aspects;
- analytically control of impacts on the environment, with particular reference to atmospheric emissions, air quality, water discharges, special waste, acoustic emissions and electromagnetic fields;
- conducting specific internal audits aimed at verifying the correct management of the environmental problems connected with company plants;
- compliance with administrative obligations, with particular regard to the monitoring and control activities associated with the Integrated Environmental Authorisations (I.P.P.C. Directive) and the emission of greenhouse gases (Emission Trading System), for the plants concerned.

Legal compliance

The objective to develop the business in close contact with the local communities and areas is placed at the heart of Iren Group's commitment to constantly combine development with respect for rules and regulations, protecting the environment and promoting the protection of natural resources based on principles of sustainable development.

In order to identify and implement the most appropriate action plan, the Regulatory Affairs Department draws up a regulatory framework, at least quarterly. The document analyses the impact of the regulatory variables on the Group's results. The Italian and international regulatory framework is constantly supervised and monitored through the following activities:

- reporting and analysis concerning the transposition of updates and the interpretation and application of relevant legislation;
- the coordination and direction of company departments assigned, either directly or indirectly, to comply with information obligations by sector Authorities;
- the coordination and support of the company departments in managing the "antitrust risk" and the "regulatory risk".

The Group concentrates its activities on the active and proactive monitoring of regulatory developments relevant to all the business sectors in which it operates, participating in consultations, hearings before Chambers (both directly and through the trade associations it subscribes to) and promoting direct meetings with the Bodies involved. In particular, the topics observed in the various sectors are summarised below:

- **energy business** – market reform/updating (capacity market, MSD revision and expansion, adjustments on imbalances), regulation of district heating, reform of the Energy Efficiency Certificates mechanism, hydroelectric concessions for large-scale diversions, incentives for energy efficiency programmes, regulation of energy communities, development of projects involving hydrogen technology;

- **market business** – reform of protected market, revision of sale components (electricity and gas), reform of gas balancing, transport and settlement, regasification (combined capacity and storage auctions, tariffs for the actual recognition of costs incurred and revenue coverage factor);
- **environment business** – tariff regulation of the urban waste service (collection and treatment), regulation of transparency and quality (contractual and technical) of the urban waste sector, support for incentives for renewable sources and biomethane, monitoring of the reference regulatory framework at national level (PNRR, Decrees transposing EU directives on the circular economy – with particular attention to waste assimilation criteria, shared responsibility of the producer, reform of the consortium system, reorganisation of responsibilities and the National Waste Management Programme – and on the promotion of the use of energy from renewable sources) and at regional level (governance and planning of waste management), tenders for the award of the service;
- **networks business** (water, gas and electricity distribution) tariff regulation for cost coverage and technical and commercial/contractual quality regulation, smart meters and their technological evolutions, resilience, non-payment, safety obligations, tenders for service assignment; specifically for electricity and gas distribution: smart grid, network code and national equalisation.

The following topics were monitored across all Business Units: unbundling and compliance, implementation of the regulation on the integrity and transparency of wholesale energy markets (Remit), the implementation of the Directive and regulation of market abuse and the procedures of the Antitrust Authority (AGCM).

In addition, the Legal Affairs function monitors the legislation and, upon request, provides support in its interpretation, provides legal assistance and advice to all the structures of the Parent Company and to the Business Units and participates in working groups on issues involving the Parent Company or the Business Units.

Codes of Conduct

[GRI 102-12]

Iren adheres to the recommendations of the Code of Corporate Governance (January 2020 edition), drawn up by the Italian Committee for Corporate Governance and has approved a document that highlights the governance solutions adopted with reference to the provisions of the Code. The Company discloses to the market its adherence to the Code in the annual report on Corporate Governance and ownership structure.

Iren Group operates in full compliance with the Code of Business Conduct for the sale of electricity and natural gas and, in general, with the standards of ARERA (the Regulatory Authority for Energy, Networks and Environment). Furthermore, the Service Charters regulate the activities to achieve high quality and efficiency standards in terms of continuity and customer relations.

Iren Group service charters
Waste management
Integrated water service
District heating
Thermal and communal electricity plants
Traffic lights
Public street lighting

Iren has signed, already in 2017, with 19 National Consumer Associations, the Joint Conciliation protocol on behalf of Iren Mercato, Ireti, Iren Acqua, Iren Acqua Tigullio. The Iren Joint Conciliation Body was recognized, in 2018, by ARERA as an ADR (Alternative Dispute Resolution Body) and was extended to the customers of Atena Trading and Acam Acque. In 2021, the Iren Joint Conciliation Body continued its activities, providing – in collaboration with other ADR Bodies of the main utilities and multi-utilities in the energy and water sector – refresher courses for conciliators of Consumer Associations and training courses for new conciliators of the same, on the energy and water sector.

As regards the ARERA conciliation service at the Single Buyer, which is compulsory from July 2019 for Ireti, it was confirmed in 2021 the readiness of most of the Group's other water operators (Iren Acqua, Iren Acqua Tigullio, Acam Acque) to adhere to all conciliation requests received through the service.

Lastly, activities also continued, relating to the service activated by Iren Mercato and dedicated to reports from Consumer Associations, structured through a dedicated email box, a dedicated number and the possibility of setting up meetings at the counters for specific practices; in particular, periodic meetings were held with the territorial offices of the Associations for the analysis of the reports received.