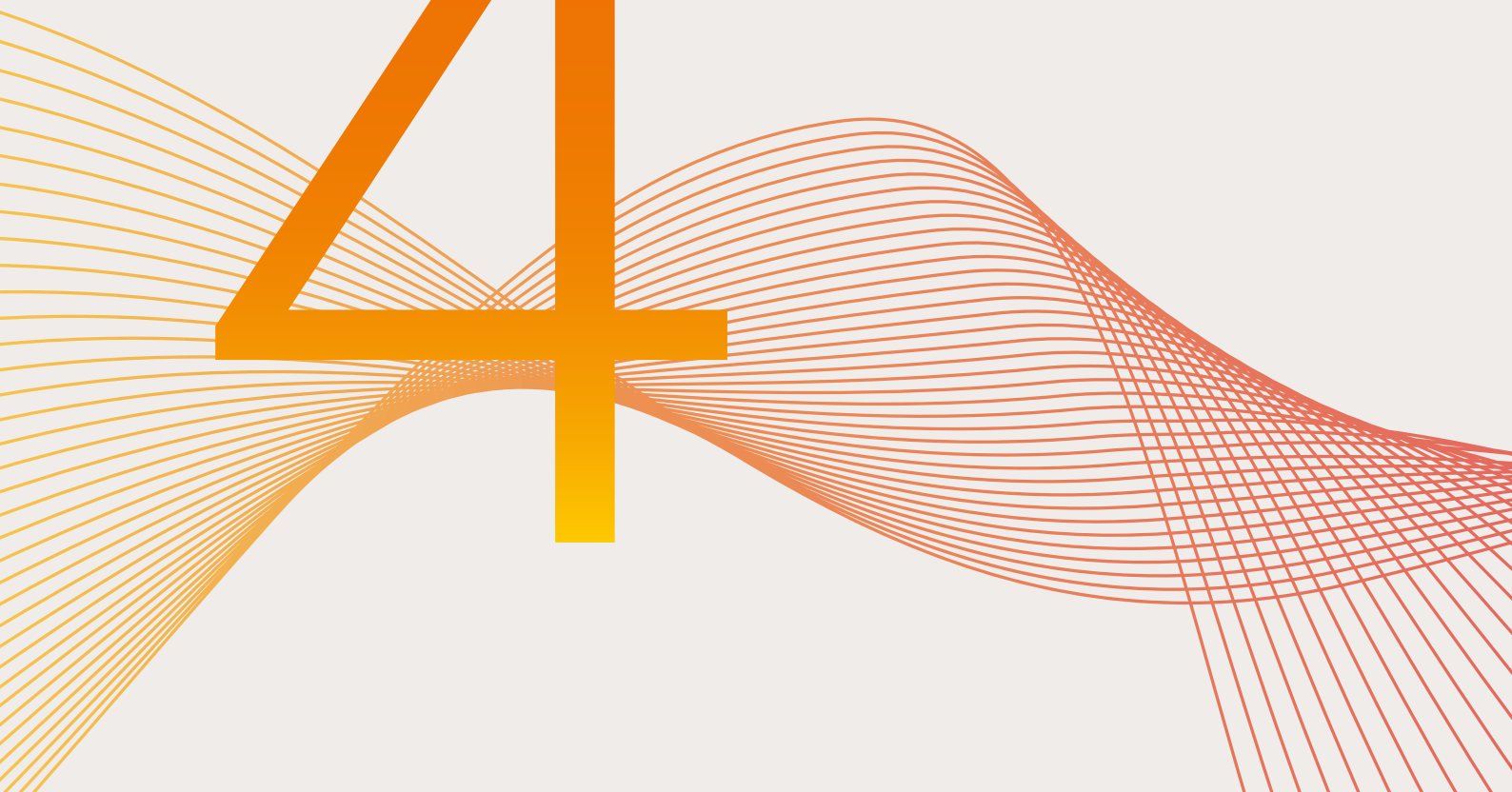


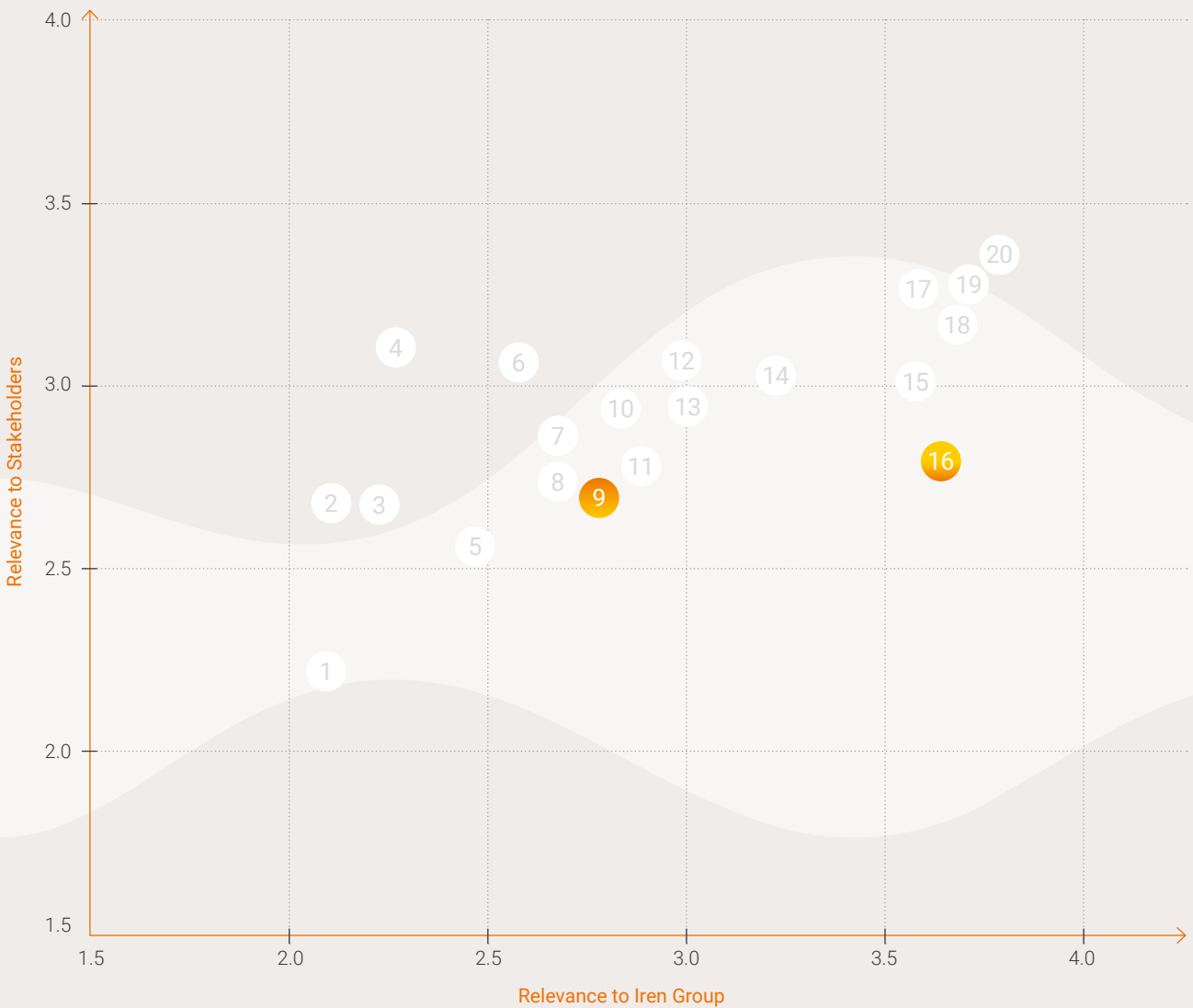


Stakeholder and value creation

4



Priority topics



9 Effective and transparent dialogue and communication with stakeholders



16 Economic development and value for local areas



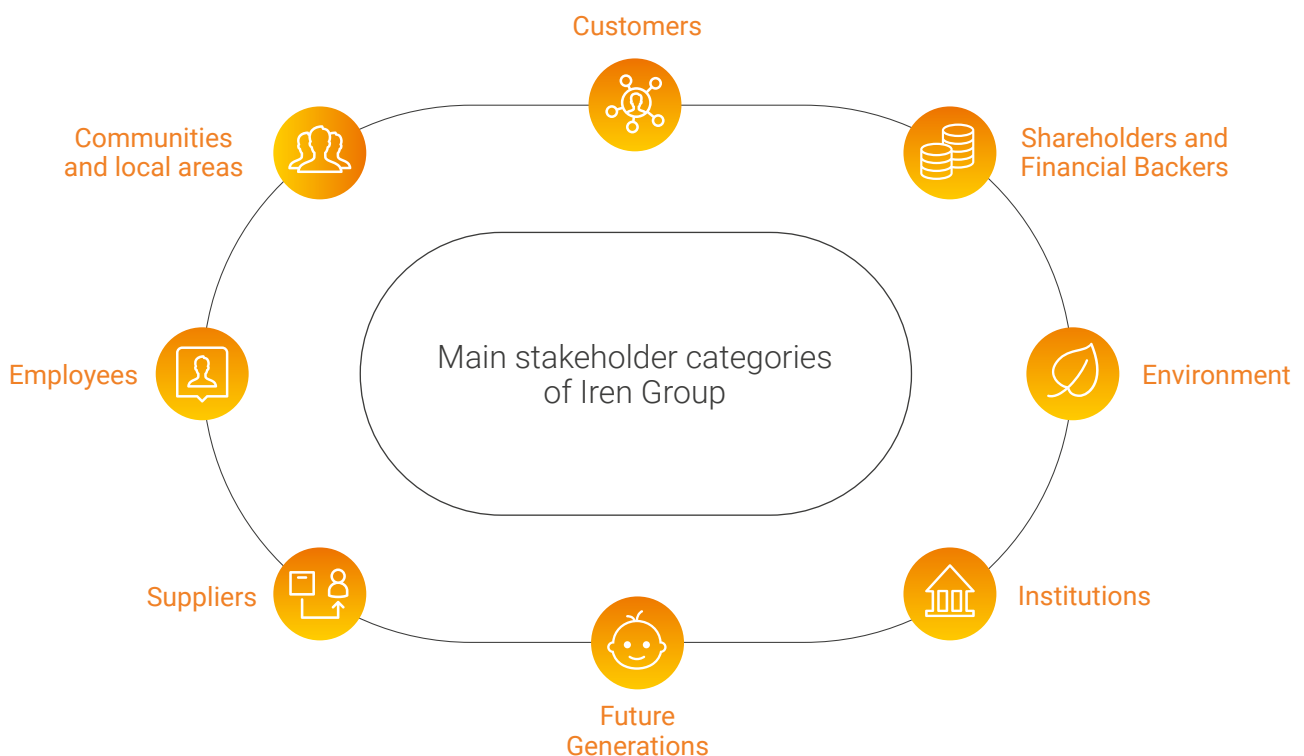
Stakeholder engagement

[GRI 102-13, 102-21, 102-32, 102-34, 102-40, 102-42, 102-43, 102-44, 415-1, 419-1]

Iren Group is committed to creating, strengthening and expanding its relationships with its stakeholders to guarantee them the widest possible scope for listening and dialogue. The criteria for stakeholder engagement are aimed at inclusion, transparency, fairness, focus on ethical, environmental and social issues and consistency with the activities of the Group. Dialogue is based on the principles of inclusivity, materiality and responsiveness laid down in the AccountAbility1000 standard in order to address and responsibly respond to issues and impacts.

The objective of long-term sustainable success, referred to in the Corporate Governance Code, which Iren has adopted from 01 January 2021, is also based on the relationship established with stakeholders. In this perspective, Iren Group ensures the widest and most timely circulation of information to shareholders, institutional investors, intermediaries operating on the financial market and all stakeholders, to guarantee broad knowledge and transparency.

Considering the impact of the Group's activities on the quality of life of residents and the local region, the main stakeholder categories are represented by the Local Committees, a tool designed to promote dialogue, debate and participatory planning between Iren Group and its stakeholders.



Stakeholder engagement activities through the Local Committees are the responsibility of the Deputy Chairperson, who collaborates with the Corporate Social Responsibility and Local Committees Department which reports directly to the office of the Deputy Chairperson.



Iren Local Committees

The Group's sustainable development strategy is also managed through the Local Committees, bodies which have been established to strengthen relationships with the local areas, analyse and anticipate needs, encourage innovative environmental and social initiatives, increase widespread awareness of strategies and services offered, guaranteeing broad representation of the various realities of civil society and engaging Iren Group top management in stakeholder engagement.

Iren Local Committees were set up in 2014, to strengthen and make the dialogue with stakeholders systematic, as well as to guarantee deeper roots in local communities, thanks to participatory planning actions and moments of consultation on environmental and social sustainability, innovation and the quality of the services provided by the Group.

The Committees are also a tool to collect, through the participatory planning platform [Irencollabora.it](https://irencollabora.it), the ideas and proposals of residents to design new sustainable development solutions, enhancing the experience, knowledge, and skills of local communities to create shared value and generate growth for the Group and for the areas in which it operates, with the aim of generating concrete and tangible projects (see page 176). The information flow produced by the platform is also a source that inspires Iren to adopt innovative service strategies and anticipate the needs of the local areas.

The Committees are made up of 15-18 members, the representatives of Local Bodies and Associations, who offer voluntary and free participation. In addition to these, there are five members by right: a representative of the Municipal capital, a representative of the provincial Municipalities, a representative of the Local University, the Iren Deputy Chairperson and the Chairperson, as a permanent guest.

Through specific internal working groups, each Committee oversees the activities for the best implementation of the projects, proposed by the Committees themselves or by citizens via [Irencollabora.it](https://irencollabora.it). In 2021, despite the difficult situation caused by the pandemic, 71 meetings of Committees and working groups were held, mostly remotely, and in December 2021, the platform [Irencollabora.it](https://irencollabora.it) counted 2,009 registered profiles and 110 proposed projects.

Through Local Committees, stakeholders can also submit issues to the Group's attention to issues concerning the services rendered, as well as environmental and social sustainability topics.

The Iren Deputy Chairperson, who is a member of the Local Committees, reports regularly to the Control, Risk and Sustainability Committee and the Board of Directors, on the trend of the activities and the discussion and planning activities carried out within the Committees.

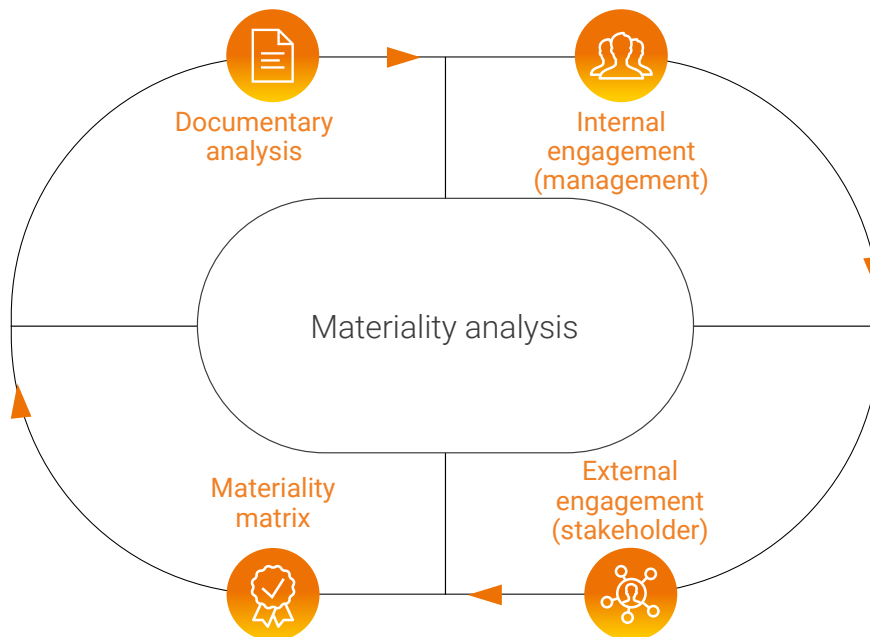
Identification of material topics

Iren has consolidated a process involving stakeholders present in the Local Committees in the materiality analysis (see page 42) to share and assess the priority topics for the Group's strategic development and report its performance.



Stakeholders are part of the materiality analysis process for strategic and reporting purposes

The process compares the Group's vision with that of the various categories of stakeholders to take on board their contribution in defining the strategy and developing reporting that is increasingly relevant and focused on their real interests, providing a clear framework of policies, actions and results achieved.



The materiality analysis carried out annually takes into consideration the guidelines of the Global Reporting Initiative (GRI) and is a dynamic process that takes place in several stages:

- **documentary analysis:** identification of the universe of potentially significant topics through the analysis of Legislative Decree 254/2016, GRI standards and other publications, domestic and international sustainable development targets, the principles of the United Nations Global Compact, the Group's mission, memorandum and Strategic Plan and related sustainability objectives, the Group's financial and sustainability reporting, previous materiality analyses, customer satisfaction surveys, risk analysis, media analysis, and peer and competitor sustainability topics;
- **internal engagement:** sharing and assessing potentially significant topics by the first line of the Group management in order to identify priority topics for Iren;
- **external engagement:** sharing and assessing potentially significant topics by Iren Local Committees in order to focus interests and identify priority topics for stakeholders. The 98 Associations/Institutions that participate in the Local Committees represent the main categories of stakeholders of Iren Group: consumers/customers, employees, suppliers, institutions, shareholders, environment, local communities, NGOs, world of research and Universities, future generations;
- development of the **materiality matrix** (see page 43), which defines the priority topics, and approval of the results of the materiality analysis by the Board of Directors on 20 January 2022.

Stakeholder engagement initiatives

In order to maintain a continuous dialogue with stakeholders on sustainability issues, in 2021, Iren continued to manage the activities of the Local Committees, held in-depth meetings, participated in seminars and conferences, and produced specific publications.

To ensure broad and transparent information, every year the Sustainability Report is presented to stakeholders and published on the Group's website. Also in 2021, Iren managed internal and external communication activities to explore the commitment put in place to ensure environmental, social and economic sustainability in planning and management. Stakeholder engagement activities have also generated projects to improve environmental and social performance, which are reported in this Sustainability Report.

Stakeholders	Key topics	Engagement initiatives
Shareholders and Financial Backers	<ul style="list-style-type: none"> • Corporate Governance • Sustainable growth strategies • Transparent communications • Share performance • Bond issues • M&A transactions • Economic/financial results • Rating 	<ul style="list-style-type: none"> • 2030 Business Plan presentation • Roadshows and webcasting • Communication of results and possible future risks • Adoption of disclosure policies • Inclusion in ethical indexes • ESG Rating • Sustainable Finance Committee • Shareholders' Meeting • Calendar of corporate events • Participations in round tables and events • Code of Ethics • Materiality analysis • Local Committees
Customers (retail and business customers, Public Administrations and consumer associations)	<ul style="list-style-type: none"> • Quality and reliability of services • Online and mobile services • Innovative services • Transparent communications • Tariffs • Credit management • Sustainable development 	<ul style="list-style-type: none"> • Front offices and call centres • Transparent billing • Website, app, social media • Customer satisfaction surveys • Security initiatives • Innovative services and sustainable use of resources • Meetings and framework agreements with Associations • Credit management protocols • Social tariffs • Joint conciliation protocols • Replacement of electricity meters with 2G smart meter devices • Guides on how to interpret utility bills • Code of Ethics • Materiality analysis • Iren Local Committees
Environment	<ul style="list-style-type: none"> • Water network leaks • Quality and efficiency of wastewater treatment systems • Gas distribution network efficiency • Energy generation • Emissions • Energy saving • Sustainable mobility • Waste management • Environmental, social and economic sustainability 	<ul style="list-style-type: none"> • Development of renewable sources • Energy savings and efficiency projects/services • District heating development • Systems to increase sorted waste collection • Material recovery from waste • Increase in the capacity to dispose of special waste • Participation in environmental clean-up initiatives and hazardous waste collection activities in collaboration with local entities and organisations • Reduction of water and gas network leaks • Reduction of atmospheric emissions • IrenGo, Iren Plus, Iren Smart Solutions • Climate Change Risk Policy • Awareness raising on environmental issues • Biodiversity Policy • Participation in European and national research projects • Self-funded internal research activities (new vectors, energy, decarbonization, material recovery from waste) • Code of Ethics • Materiality analysis • Local Committees

Stakeholders	Key topics	Engagement initiatives	
People (employees, collaborators and Trade Unions)	<ul style="list-style-type: none"> • Health and Safety • Enhancement of skills • Remuneration • Training • Internal communication • Welfare • Diversity and inclusion • Sustainable development 	<ul style="list-style-type: none"> • Technical and soft skills assessment, training and development • Reward & Performance Management • "Iren4Digital" project • Internal mobility • "Irenfutura" Portal • Work Life Balance • Corporate Welfare programme • Initiatives for employees' children • Employee health and wellness initiatives "Al cuore della salute", "Gympass", "Telemedicina" • Initiatives to promote gender and cultural diversity • On-boarding programme for new hires: "App pre-onboarding ReadyTolren", "Welcome Webinar", "Learning Meeting", "Induction" 	<ul style="list-style-type: none"> • "Melagioco" Leadership Development Programme • Smart Working • Incentivised termination of employment • Industrial relations and trade union agreements • Corporate Covid-19 vaccination campaign • Accessibility to the "Gamma Sicurezza" app • Constant information through push and pull channels • Employee Events • Enhancement of employees' professionalism through video storytelling • Code of Ethics • Materiality analysis • Iren Local Committees
Suppliers (individuals, supplier categories and trade associations)	<ul style="list-style-type: none"> • Supply chain management • Transparent communications • Contractual conditions • Payments • Sustainable development 	<ul style="list-style-type: none"> • Procurement portal and Supplier Register • Training/information for third-party companies • Corporate social responsibility survey for suppliers 	<ul style="list-style-type: none"> • Code of Ethics • Materiality analysis • Iren Local Committees
Institutions, Local Areas and the Community (citizens, associations, NGOs, Local and Governmental Authorities, Regulatory Authorities and Bodies)	<ul style="list-style-type: none"> • Attention to the local area • Smart City • Dialogue and involvement • Creation of value for the local areas • Transparent communications • Investments and support for local initiatives • Sustainable development 	<ul style="list-style-type: none"> • Participation in meetings with Institutions • Collaboration in projects by Institutions • Surveys and questionnaires • Conferences, seminars and workshops • Subsidy plans for communities affected by emergencies 	<ul style="list-style-type: none"> • Plant visits (virtual tours) • Transmission of opinions and documents • Local Committees and "Irencollabora.it" platform • Code of Ethics • Materiality analysis
Future Generations (school/university, research centres, incubators)	<ul style="list-style-type: none"> • Smart City • Circular Economy • Decarbonization of production processes • Innovative services • Reduction of impacts • Climate change • Sustainable development 	<ul style="list-style-type: none"> • Educational programmes in schools (Eduiren) and Universities • Guided tours (virtual tours) • Partnerships, projects and investments in research and innovation • Iren Up • Framework agreements with Universities and research centres 	<ul style="list-style-type: none"> • Training and recruitment agreements with Universities and Business Schools • Activation of apprenticeship and recruitment paths with Technical Institutes • Materiality analysis • Local Committees

Relations with shareholders and investors

The objective of sustainable success, introduced by the Code of Corporate Governance for Listed Companies to which Iren adheres, is also based on a solid and transparent relationship with shareholders and investors. In order to improve interactions with these stakeholders, in 2021, Iren's Board of Directors approved the Policy for managing the dialogue with General Shareholders and Investors (published on the Group's website), which regulates the extra-assembly dialogue between the Board of Directors and the representatives of shareholders and investors on issues within the Board's competence and defines the principles, rules and methods for conducting this dialogue, identifying the recipients, the interlocutors, the topics of discussion, the timing and channels of interaction. The Policy is based on the principles of transparency, correctness, punctuality and timeliness of information, equal treatment of shareholders, effectiveness, compliance with regulatory provisions – including those concerning market abuse -, internal governance rules and procedures, always ensuring cooperation and transparency to supervisory authorities, regulators and competent administrations.

The Investor Relations Department is responsible for managing relations with shareholders and the financial market in general, and among other things discloses important information about the Group through the website in an objective and transparent manner. The Director of Administration, Finance and Control, who is in charge, among other things, of the Investor Relations function, is identified as the point of contact for the purposes of the Policy for managing the dialogue with General Shareholders and Investors. Moreover, pursuant to the Consolidated Law on Finance, shareholders can ask questions on the items on the agenda of the Shareholders' Meeting (by e-mail, fax or filling in the form available on the Group's website), even before the meeting itself.

Iren Group carries out an intense activity aimed at reinforcing the relationship of trust with its shareholders and at increasing the interest and knowledge of Italian and foreign analysts and investors.

The strong interest of the market in the Group is confirmed by the intensification of relations and opportunities for contact with analysts, also following the positive performances recorded, supported by the Business Plan to 2030, the first ten-year plan in Iren's history. In addition to this, there is the positive effect of the optimisation of the financial profile, through greater recourse to the bond market, compared to the banking channel, confirmed by the issue in 2021 of a Green Bond for 200 million Euro, which contributes to strengthening the strategic vision oriented to sustainability.

In 2021, seven brokers covering the bond were confirmed with periodic reports: Equita, Exane (sponsored research), Intermonte, Intesa Sanpaolo, KeplerCheuvreux, Mediobanca, Stifel.

The increased interest shown by investors towards the Group has required greater communication intensity. As in the past, the roadshow, organised from time to time by different brokers, remained the main tool for introducing the Group to Italian and foreign institutional investors. In 2021, 16 virtual roadshows and conferences were held in the major European financial markets (London, Paris, Geneva, Brussels, Luxembourg and Frankfurt). More than 100 investment funds were met during the year, with a total of 140 fund managers or analysts. The direct day-to-day contact with managers of institutional funds and financial analysts that oversee the bond is of particular significance.

In addition to the roadshows, the Group has maintained a constantly communication with the market using different channels, including quarterly conference calls for the presentation of the results for the period. The most important event during the year was the presentation of the Business Plan to 2030, held on 11 November, during which top management illustrated the Group's new strategy and investment plan to the financial community.

Investors are paying increasing attention to environmental, social and governance (ESG) issues both through direct contact with the Group and through ratings issued by specialist rating agencies. Iren has established a transparent and timely dialogue with ESG investors, taking part in roadshows and conferences on these topics, actively contributing to analyses and surveys of ESG rating companies, periodically reviewing the investors section of the website to make information more accessible and developing, every year, its own specific analyses aimed at identifying possible areas of improvement.

There were no instances of fines or penalties for failure to comply with the regulations and laws for shareholders.

Iren share performance

In 2021, the main world stock exchange indices showed upward trends, thanks in particular to the actions taken against the spread of Covid-19 and the consequent expectations of economic recovery supported, among other things, by the European Next Generation plan and the maintenance of expansive monetary policies by the major international central banks. The year was marked by extreme volatility in the energy scenario and a higher-than-expected inflation rate, phenomena attributable to the evolution of the pandemic emergency, which had a negative impact on the markets, especially in the last quarter. Nonetheless, the FTSE Italia All-Share (the main index of the Italian Stock Exchange) grew by 23.7% and multi-utilities also posted rising performances, benefiting from expectations of a positive impact of European and national plans for economic recovery and infrastructure development. At 30 December 2021 (last day of trading), the price of Iren stock stood at 2.654 Euro per share, up 24.8% compared to the price at the beginning of the year, with average volumes traded during the period amounting to approximately 1.88 million units per day. The average price was 2.483 Euro per share, which reached the highest level of the year (2.884 Euro per share) on 10 November 2021 and its minimum level (2.028 Euro per share) on 21 January 2021.

Relations with financial backers

The Group has relations with leading Italian and international credit institutions and has access to the capital market in order to research the most suitable forms of financing for its needs and the best market conditions, implementing a management model focused on the resources and financial risk management with the objective of financial optimisation for all of the companies of the Group.

The sustainability of the financial profile has always been a strategic element for the Group. On 09 December 2021, the Standard & Poor's agency assigned, for the first time to Iren Group, its long-term credit rating at the "BBB-" level with a "positive" outlook. The same rating is also given to senior unsecured debt. The "Investment Grade" rating from a second agency, after Fitch, expresses the Group's solid positioning in Italy, with a wide diversification of activities especially

in regulated sectors and a significant territorial presence. The investments envisaged in the new Business Plan, primarily targeting organic growth and energy transition, combined with an expected continued improvement in credit metrics, support the "positive" outlook. From a financial point of view, the rating level assigned also expresses the Group's good liquidity profile. On the basis of these assumptions, and in particular with reference to the investments planned in the Business Plan in relation to the financial structure, on 22 December, the agency Fitch confirmed its "BBB" rating for Iren with a "stable" outlook. The business portfolio consisting mainly of regulated and semi-regulated activities, the value creation and the stability guaranteed by the integration of the various businesses are, together with the Group's liquidity profile, elements considered positive by Fitch.

There were no instances of fines or penalties for failure to comply with the regulations and laws for financial backers.

Relations with Institutions

As also indicated in its Code of Ethics, Iren Group actively and fully cooperates with the Public Authorities, pursuing the objectives indicated by the relevant Public Institutions and effectively cooperates with the authorities/institutions responsible for regulating and supervising local public services. These are actions that the Group pursues, combining them with its mission and with the need for managerial and organisational autonomy shared by all economic operators.

The control of relations with institutional subjects is defined by an organisational model that assigns competences and responsibilities to the reference company structures. In particular, the Public Affairs Department oversees top-level relations at an institutional level, especially with international, national and local entities, in order to represent the Group's needs and proposals, in agreement with the relevant Departments and Business Units. The Regulatory Affairs Department manages relations with the Regulatory Authorities and the associations to which the Group belongs, in close coordination with the Business Units. The Corporate Affairs Department handles communications with the market supervisory Authorities (Stock Exchange and Consob). The Business Units supervise, with the support of the parent company, the technical and specialised aspects of the services, also interacting with administrative, regulatory and control bodies.

Relations with local sector authorities

In 2021, our constant discussion with Public Administrations and Local Sector Authorities focused on the following issues:

- implementation of the interventions provided for in the Area Plan aimed at improving the integrated water service in Liguria (Genoa and La Spezia), Emilia (Parma, Piacenza and Reggio Emilia) and Piedmont (Vercelli) regions;
- districts division of the water network in Liguria, Emilia and Piedmont regions, with monitoring and control of network leaks to progressively reduce them;
- adaptation of the wastewater treatment plants of the Metropolitan City of Genoa (conclusion of the authorisation procedure for the Sestri Levante plant, continuation of the procedure for the Chiavari plant, construction of plants of Arenzano-Cogoleto, Torrighia and Central Area of Genoa) to the Directive 91/271 EEC on the treatment of wastewater;
- inauguration of a new wastewater treatment plant in Villa Minozzo (RE) that provides the village of Gozzano with an important infrastructure for the protection of water resources;
- conclusion of the authorisation process for the realization, in the province of Vercelli, of a plant for the transformation of the recovered wood into new final or semi-finished products;
- conclusion of the authorisation process for the construction of a biodigestion plant for biodegradable waste in the province of La Spezia;
- application of the tariff method and quality regulation approved by ARERA for the integrated water service and the waste management service. Constant relations with the Local Sector Authorities and – in the case of waste – the Public Administrations have made it possible to achieve a fair balance between tariff increases and the need for investment in the area, complying with the requirements of the regulations;
- multi-year plan to replace electricity meters, which began in November 2021 in the cities of Parma and Turin. The plan, which calls for the commissioning of more than 700,000 new 2G smart meters, has been shared and approved by ARERA;
- operation of the 79 dispensers that supply zero kilometre water to thousands of residents in the provinces of Parma, Piacenza and Reggio Emilia with less plastic bottles to be used and, consequently, less waste to be produced;
- institutional visits to the Group's main plants which represent – in terms of size and technologies adopted – excellence at national level in the energy, water and waste sectors. In particular, the Mancasale (Reggio Emilia) plant for the reuse of purified water, which makes it possible to recover millions of cubic metres of water resources, was also visited during the Festival of the Green Economy held in Parma;
- projects for the efficient use of water resources, the prevention of waste production, the development of sorted waste collection and in general the awareness of local communities towards good practices of environmental sustainability.

Contributions to political institutions and parties

The Group's Code of Ethics explicitly states, in paragraph 7.5, that: *"Iren does not make contributions, either directly or indirectly and in any form, to parties, movements, committees and political and trade union organisations, or to their representatives and candidates, except for those due under specific regulations"*.

The Group collaborates with Institutions, also financially, for specific projects that are attributable to its mission and, in particular, for projects that contribute to the economic, social and environmental sustainability of the areas of reference. These collaborations, however, are always implemented on the basis of clear documentation for the use of resources.

Associations and networks of which the Group is a member

Iren Group has chosen the path of associative participation, which aims to put experience and knowledge at the service of companies and organisations that share a common path of sustainability and responsibility. Participation in networks and associations is focused on continuous updating, on the dissemination of publications, studies and research, on information and comparison meetings, on the involvement of institutions and social forces to promote strategic issues, stimulating targeted and incisive intervention proposals and policies.

The monitoring, analysis and comparison of emerging trends and regulatory issues are of great importance for the most correct and up-to-date understanding of the reference framework in which the Group operates. In particular, membership of associations and networks at national level, in line with objective 17 of the United Nations Agenda 2030 "to promote partnerships for sustainable development", is of great importance to the Group, both in terms of attention to sustainability policies and in terms of regulatory and technological updates.

Association / Network	Description
UN Global Compact	United Nations Global Compact, born from the desire to promote a sustainable global economy: respectful of human and labour rights, environmental protection and the fight against corruption. It is a voluntary initiative of adherence to a set of principles that promote the values of sustainability in the long-term and a commitment, signed with the United Nations by the top managers of the participating companies, to contribute to a new phase of globalisation characterised by sustainability, international cooperation and partnership in a multi-stakeholder perspective.
Global Compact Network Italia Foundation	was created with the primary purpose of contributing to the development of the United Nations Global Compact in Italy. Global Compact Network Italia works to promote the ten principles of the Global Compact and the United Nations Sustainable Development Goals (SDGs), deepen the themes of sustainability and related fields within the general framework proposed by the Global Compact, assist and support companies and organisations in implementing the ten principles of the Global Compact and the SDGs in their core business and in reporting on sustainability.
Utilitalia	a federation that brings together public service Companies that operate in the water, environment, electricity and gas sectors, acting as their representative at European and national Institutions. It was created from the merger between Federutility (water and energy services) and Federambiente (environmental services). It offers support and refresher and training courses, as well as consultancy on contractual, legislative, operational, tax and legal aspects.
Confservizi (at a national and regional level)	a trade association that represents, promotes and protects companies and bodies that manage public utility services such as water, gas, electricity, environmental health and local transport.
Confindustria (GE, PR, PC, RE SP, TO and VC Valsesia)	the leading organisation representing manufacturing and service companies within Italy that is tasked with contributing to the economic growth and social advancement of the country, alongside political institutions and economic, social and cultural organisations.
Assonime	an association of Italian Joint-Stock companies. It works to improve industrial, commercial, administrative and tax legislation in Italy and represents the views of the companies within Italian, European and international institutions.
Anfida	a national association of private water works companies that belong to Confindustria, which promotes solidarity and collaboration between its member companies, organises studies on topics of interest and acts as their representative with private and public authorities, organisations and administrations.
AIRU (Associazione Italiana Riscaldamento Urbano)	the Italian Urban Heating Association, which represents sector operators with the aim of promoting and disseminating plant engineering innovation and its application.
EHP – EuroHeat and Power	an international association that represents the district heating and cooling sector and cogeneration sector in Europe.
Elettricità Futura	the main Italian electrical association, created from the merger between AssoRinnovabili and Assoelettrica. It represents and protects both big and small companies that operate within the electricity sector in Italy and counts over 700 operators with plants all over Italy.
Federazione Italiana per l'uso Razionale dell'Energia (FIRE)	a non-profit association active in the energy and environmental sector, in particular for: promoting good practices for energy efficiency, the use of renewable sources and sustainability; the analysis of topics linked to energy consumption and generation; participation in international projects aimed at the efficient use of energy and environmental resources; the certification of energy managers and ESCOs; training, information and study activities, and the development of new energy management tools.

Association / Network	Description
Comitato Italiano Gas (CIG)	non-profit organisation for the study of scientific and technical problems and the publication of technical regulatory documents for the combustible gas sector. The CIG draws up draft standards, specifications and technical reports, proposing them to the UNI for publication; is appointed by the UNI to participate in works by Regulatory Authorities (CEN and ISO); collaborates with the Government, National, European and International Bodies and Associations; carries out training and information activities.
Sustainable Development Foundation	reference point for the main sectors and protagonists of the green economy: the economy of sustainable development. It puts experience and knowledge at the service of companies and organisations that share a common path of sustainability and responsibility. It is focused on continuous updating, the dissemination of publications, studies and research, information and discussion meetings, the involvement of institutions and social forces, networks to promote the strategic topics of the green economy.
Sustainability Makers	brings together the professionals who are dedicated to the definition and implementation of strategies and sustainability projects in business and other organisations: it works to qualify and promote these professionals with the aim of increasing their competence and authority, through training and networking, studies and research, conferences, workshops and webinars. Founded in 2006 as the CSR Manager Network, it changed its name to Sustainability Makers in 2021.
Kyoto Club	a non-profit organisation made up of companies, bodies, associations, and local administrations committed to achieving the targets for reducing greenhouse gas emissions set out in the Kyoto Protocol, the decisions taken at the EU level, and the 2015 Paris Agreement. As an interlocutor of public, National and European decision-makers and the UN Framework Agreement on Climate Change, Kyoto Club is committed to stimulating targeted and incisive proposals and policies in the energy-environmental sector.
Corporate Forum for Sustainable Finance	an international network of Companies committed to supporting and developing sustainable finance as a tool to fight climate change and promote a more sustainable and responsible society.
Valore D	first association of companies in Italy – over 270 to date, for more than two million employees and an aggregate turnover of over 500 billion Euro – which has been committed to gender balance and inclusive culture in organisations and our country for ten years.

Media relations

In 2021, the Group recorded the growth of its presence in the media, both traditional and innovative, with a proactive model of relations with the media and timely support for the values and growth and development plans of the Group. A great deal of space was dedicated to the themes of renewable energies, decarbonization, circular economy and related plant development, as well as diversity and inclusion activities carried out by the Group. These results have been achieved also thanks to the consolidation of the structural reorganisation of Iren's media relations and the redesign of its activities with the aim of giving stakeholders greater knowledge and visibility on the Group's investments and objectives.

In 2021, the content factory and news making activities continued, both in support of the Group's economic, environmental, social and industrial strategies and to reinforce the commercial actions undertaken towards the various target customers. The media relations activity was then developed in synergy with the Investor Relations function for the numerous financial communication actions launched during the year and operated in support of the institutional policies of the Group and its top management in harmony with the Public Affairs Department. Moreover, media coverage of new territorial and business areas was guaranteed, as a result of the change in the Group's scope following structural growth and M&A operations.

The extensive commitment in the management of media relations is also demonstrated by the certification BIC - Best in Media Communication, obtained by Iren in 2021, created by Fortune Italia and Eikon Strategic Consulting with the aim of scientifically measuring the impact of the company's communication through its positioning in the media and the quality of its relations with the different editorial offices.

Creating value

[GRI 201-1, 201-2, 201-4, 202-2, 203-1, 203-2, 207-1, 207-2, 207-3, G4-EU10]

The economic results of Iren Group show, compared to 2020, an increase in revenues of 33%, due to the growth in energy demand linked to the economic recovery and the increase in commodity prices, against a significant increase in the gross operating profit (Ebitda) of 9.6% and Group profit (+26.8%).

Economic indicators	u.m.	2021	2020 ¹
Revenue	€/mln	4,956	3,726
Gross Operating Profit (EBITDA)	€/mln	1,016	927
Operating profit (EBIT)	€/mln	454	415
Profit attributable to the Group	€/mln	303	239
Total capitalisation	€/mln	3,405	2,737
Dividend per share	€	0.105 ²	0.095

¹ The 2020 figures have been restated in accordance with IAS standards.

² Dividend proposed by the Board of Directors.

Net financial debt at 31/12/2021 amounted to 2,906 million Euro, down from the 2,948 million Euro at 31/12/2020, despite the consolidation of the new companies acquired by the Group and the significant increase in investments made that, during the year, amounted to approximately 758 million Euro (+10.6% compared to 2020) intended for development interventions in the various sectors of activity, with a prevalence of interventions with connotations of environmental sustainability and circular economy, ensuring an important contribution to local communities.

Investments

Technical investments (millions of Euro)	2021	2020
Generation and district heating	169.5	171.6
Networks (electricity, gas, water cycle)	307.7	293.9
Market	64.6	50.6
Waste management services	164.3	116.3
Others	51.7	52.8
Total	757.8	685.2

The economic-financial performance for 2021 confirms – through a business portfolio with a prevalence of regulated activities and a significant increase in investments – a strong focus on developing infrastructures serving the development of the economic systems of the areas served. The multi-utility and mainly regulated business

profile has ensured the Group's high resilience to the Covid-19 emergency and the volatility of the energy scenario that characterised the second half of the year (for more details see the Consolidated Financial Statements). Furthermore, as defined also in the Business Plan to 2030 perspective, particular attention is confirmed to environmental sustainability, to the improvement of the quality of the service, digital transformation, and innovation in synergy with the companies and institutions of the reference areas. By hiring 886 new employees (612 in 2020), the Group continued an important generational turnover and development process, focused on acquiring the skills needed for digital transformation and growth also in new business lines.

The strategic guidelines, focused on sustainability profiles, guide the planning of the multi-year investments to be made. These same profiles are part of the principles of the Code of Ethics that Group companies are required to comply with when making investments: creating value and increasing the Group's assets, management and technological values, the return for shareholders, and the economic and social well-being for employees and the community. In the planning processes, the Group pays particular attention to the variables, emerging from economic and industrial scenarios of the sector, able to guarantee the medium- and long-term availability of energy. Scenarios are analysed by **continuously monitoring industrial, economic, financial and sustainable development dynamics**.

In order to plan the development of **production capacity in the energy field**, the Group considers the medium-term scenarios referred to the electricity and gas markets, the evolution of the Capacity Market, the price of CO₂ and Energy Efficiency Certificates. Development investments in district heating networks and regulatory scenarios favouring renewable energies' growth are also taken into account. Maintenance programmes aim to maintain efficiency and prevent breakdowns and are planned to minimise the impact of unavailability on the Group's results.

The energy production facilities of Iren Group are efficient and appropriate in terms of size, thanks to the significant investments in new production capacity and in increasing the efficiency of the existent one. The production capacity planned to 2030, thanks to the investments included in the Business Plan, will be guaranteed for about 67% by plants producing energy from renewable sources (hydroelectric, photovoltaic, wind).

In order to ensure that adequate production and reliability standards are maintained, the Group adopts advanced management and maintenance policies (predictive and preventive) and focuses on innovation, both by increasing the efficiency and flexibility of its plants and by developing projects targeted at the energy efficiency of the system (flexibility of combined-cycle plants, management of waste-to-energy plants to seize opportunities of district heating development, installation of heat storage systems, design of mini-hydro plants and realisation of photovoltaic plants). In this context, an electrical storage system has been installed at the Turin North power station and electrical storage systems are being built at the Moncalieri and Turbigo power stations, which will make it possible to increase reserve power and producible energy.

Medium- and long-term gas availability is planned and ensured through the combined management of several sources: availability of foreign transportation capacity that the Group can use on an event-driven basis, annual availability of storage capacity, and wholesale supply contracts. The combined use of these sources allows for natural gas demand to be met even during particularly severe periods.

Planning is fundamental for guaranteeing the continuity, reliability and security of the **integrated water service**. This objective is overseen by the resource need analysis for the various areas – also in relation to their possible evolution and seasonality – and the attainment of diversion concessions that are proportional to the identified needs. This is complemented by the planning and management of ordinary and unscheduled maintenance, the renovation of plants and networks to contain water and sewer network leaks, the adoption of remote-control systems and the automation of plants, an emergency service, analytical checks and treatments to guarantee compliance with the qualitative requirements of the water supplied and the wastewater discharged from treatment plants.

As far as **waste management** is concerned, at plant level, the production capacities of the Group's plants are assessed and planned in relation to the needs and production of each region. Investment planning is aimed at optimising waste management and closing the cycle, aiming at the maximum valorisation of waste in terms of material and energy.

In order to guarantee the reliability of its **electricity distribution networks**, the Group has adopted a planning tool (medium voltage distribution network master plan) that defines the renovation, upgrading and extension rules and methods, for the main high-to-medium voltage transformer plants and networks. The renovation and upgrading plan for the main plants, in addition to the gradual substitution of parts of obsolete plants, includes quality and technical improvements to the grid layout and its adaptation to future load increases. The plan is reviewed and updated in the event that new significant supply requests or reliability and stability issues emerge for the medium voltage network or for the main plants. The management methods are assessed on the basis of the time schedules for the design and implementation of works and in correspondence with technical standards put in place for the construction of new main substations, by verifying and reviewing the projects established in the time schedules. The effectiveness and quality of the interventions carried out are assessed in relation to the performance of the service quality indicators established by the Authority for Electricity, Gas and the Water System (ARERA).

In **gas distribution**, the plan aims to contain leaks, which is the main objective for the safety, quality, efficiency and continuity of service and protection of the environment. Regular ordinary and unscheduled maintenance and the renovation of plants and networks, scheduled searching for leaks, the addition of gas odorants upon receipt by the national transport network, the maintenance of efficient and effective cathodic protection systems and the use of distributed monitoring systems thanks to the remote control, as well as constant supervision of plants and networks by highly qualified and constantly updated staff, all contribute to achieving this objective.

During the planning phase, the Group also analyses the impact of **climate change** scenarios: changes in temperature distributions (chronic physical risks) – which impact the dynamics of gas and heat consumption of



district heating, water and electricity – and extremes of weather phenomena (acute physical risks) such as droughts, heat waves, water bombs, floods, cyclones, landslides. In particular, the latter have repercussions on the hydrology of hydroelectric and aqueduct plants, with the related economic implications, and represent aspects of attention due to the consequences that they may have on the Group's assets (for example, breakdowns of the district heating network), on margins (due to damage caused to production plants), on the availability planning and scheduled maintenance of thermoelectric production plants (for further details on climate risk management, see page 80).

The financial or strategic impacts are primarily analysed in the Group's risk map, which is periodically updated and identifies and quantifies all significant impacts on the business (see page 69).

Creation of added value

Iren Group produces added value with respect to the external resources employed, thanks to the effective use of production factors, and contributes to the economic growth of the social and environmental context, producing important effects on the territories in which it operates, in particular, in view of the



The impacts generated by Iren Group on the reference areas contribute to the growth of the economic, social and environmental context

investments made, the employment generated and the induced activities it carries out.

The investments improve the social and environmental context by intervening on basic infrastructures (electricity, gas, sewerage and water networks, wastewater treatment plants) and essential services (waste collection and disposal). Moreover, all the business areas present significant opportunities for the development of innovative technologies and processes and, consequently, for territorial growth also in terms of know-how.

The Group contributes to the quality of employment of the area in which it operates and generates added value through actions aimed at increasing professional skills and at consolidating the improvements reached in the level of education.



Iren Group generates opportunities for the development of innovative technologies and processes and for the growth of territorial expertise

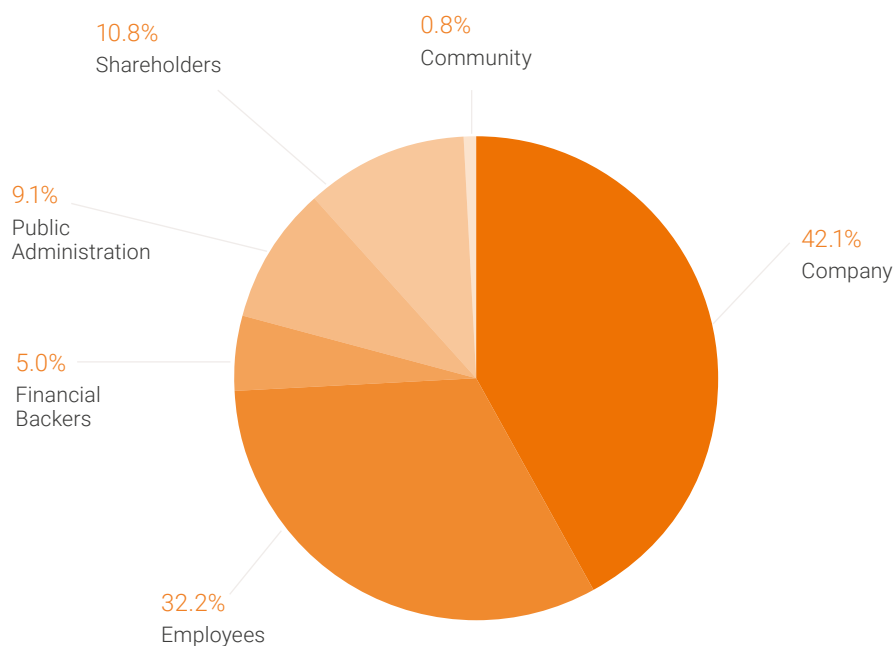
The Group has no specific local recruitment policy; nevertheless, given the specificity of the Italian labour market, there is a high coincidence between the provinces of residence of employees and their assigned place of work: 78% of executives reside in the same region as their place of work.

The indicator that highlights the Group's ability to produce value and satisfy the economic interests of its main stakeholders is Added Value, which measures the economic performance of operations and the ability to create the conditions for distributing wealth to stakeholders.

In 2021, Iren Group generated a total gross Added Value of over 1,534 million Euro, distributed as follows:

- **42.1% to the Company** (approximately 646 million Euro) as wealth retained within the Group, including depreciation and amortisation and retained earnings;
- **32.2% to Employees** (over 495 million Euro) in terms of wages and salaries, charges and other personnel costs;
- **9.1% to the Public Administration** (approximately 140 million Euro) in the form of direct and indirect taxes, net of operating subsidies received;
- **5.0% to Financial Backers** (approximately 76 million Euro) in terms of financial expenses incurred in relation to all creditors;
- **10.8% to Shareholders** (approximately 165 million Euro) as dividend;
- **0.8% to the Community** (almost 12 million Euro) in terms of contributions to social, environmental, cultural and sports events.

Total gross added value distributed



Determination of Added Value (thousands of Euro)	2021	2020 ¹
Revenues from sales and services	4,828,351	3,534,601
Change in work in progress, semi-finished products, finished products and goods	45,698	-14,159
Other revenue	128,074	149,434
Production revenue	5,002,123	3,669,876
Costs for raw materials, consumables, supplies and goods	-2,035,769	-1,007,514
Cost for services	-1,377,920	-1,254,346
Other expenses	-39,468	-20,677
Capitalised expenses for internal work	45,256	38,891
Provisions for risks	-83,841	-70,651
Intermediate production costs	-3,491,742	-2,314,297
Gross Added Value	1,510,381	1,355,579
Non-core and non-recurring items	24,011	64,739
Net profit from discontinued operations	0	0
Total gross Added Value	1,534,392	1,420,318

¹ The 2020 figures have been restated in accordance with IAS standards.

Taxes and duties

Iren Group, while respecting and independently making its own management decisions and in line with its sustainability policy, pursues a tax strategy inspired by principles of honesty, correctness and regulatory compliance, characterised by collaborative and transparent behaviour towards the Tax Authorities and third parties, in order to minimise any substantial impact in terms of risk, be it fiscal or reputational.

To this end, the Board of Directors has issued the document **Fiscal Strategy**, also referred to in the Code of Ethics, which defines the objectives and the approach adopted by the Group in managing the tax variable. The document is made available to all stakeholders on the website gruppooiren.it/strategia-fiscale and is promptly updated whenever changes occur in the essential elements regulated. The Fiscal Strategy establishes the principles of conduct in tax matters, to contain the risk of incurring in the violation of tax regulations or the abuse of the principles and purposes of the tax system, and to ensure the correct and timely determination and settlement of taxes over time. Consistently with these principles, Iren refrains from implementing tax practices or strategies aimed at abusively eroding the tax base and commits itself not to undertake operations and behaviours and not to establish commercial relations or company structures that are devoid of economic substance and aimed at obtaining undue tax advantages and that are not justified by valid economic reasons, including organisational or managerial reasons, or in any case consistent with social and business ethics objectives. Iren also undertakes to actively pursue prior certainty of its tax positions and to prevent the start of unproductive tax disputes or disputes that, in any case, based on a prognostic assessment, could have an unfavourable outcome (principle of "more likely than not"). Where the tax obligations or cases are considered, based on an objective assessment by management, to be unclear or subject to interpretation or, in any case, have margins of uncertainty, Iren acts in any case with full transparency towards the Tax Authorities, according to the instruments made available by the legal system, to achieve the application of the correct level of taxation.

Iren's Board of Directors, supported by the Control, Risk and Sustainability Committee, defined the guidelines for the internal control and risk management system, including tax risks, and identified the Chief Executive Officer as the person responsible for directing the fiscal strategy, verifying the functioning of the **Tax Control Framework**, i.e. the tax risk management and control system that Iren has adopted to ensure the submission of accurate tax declarations, the correct application of all tax regulations and, when deemed appropriate, the involvement of the Tax Authority in the face of transactions likely to generate interpretative uncertainties.

The Board of Directors also established the **Tax Risk Management Committee**, which has four permanent members: Chief Risk Management Officer, Tax Risk Manager, CFO and Head of Consolidated Financial Statements and Taxation. The Committee oversees the processes envisaged by the Tax Control Framework with supervisory and control tasks, as well as guiding in the context of monitoring activities, supporting the various players involved, including the Chief Executive Officer and the Tax Risk Manager, in the performance of their respective tasks in a non-binding advisory and propositional capacity. The **Tax Risk Manager** is responsible for monitoring the effectiveness and efficiency of the controls in place to protect against tax risks and periodically reports to the Tax Committee on the activities carried out, their results, and the Tax Control Framework's adequacy. By identifying and assessing risks and the preparation, in collaboration with the functions involved, of operating procedures of a fiscal nature, the Tax Risk Manager ensures that each control owner is aware of and implements the control measures and confirms the effective application of the procedures.

Consistent with the broader system of internal control and risk management, the Tax Control Framework requires that tax risk be managed through the assignment of responsibilities and roles according to three levels of control. **First level control** is represented by the individual operating lines which, daily, in carrying out the activities for which they are responsible, implement the so-called line controls, as defined by Company policies and procedures, aimed at ensuring that operating activities are carried out correctly, including those with repercussions on tax compliance. Therefore, the first level of control is carried out by the Company management of the individual operating lines, including the Tax and Compliance Department.

The **second level of control** is entrusted to the Tax Risk Manager who, according to the criterion of separation of duties concerning line roles, prepares the annual monitoring plan on tax controls and risks and ensures its

execution, identifying any areas for improvement and supporting the control owners in identifying the related corrective actions. Adequate, proportionate and diversified information flows guarantee the circulation of information and ensure that the results deriving from the monitoring activities carried out by the Tax Risk Manager are known at the appropriate Company levels.

The **third level control**, entrusted to the Internal Audit Unit, has the objective of verifying the operation and suitability of the internal control and risk management system and identifying anomalous trends and violations of procedures and regulations.

The management of fiscal and tax aspects has been identified as a sensitive activity concerning the tax offences referred to in the Legislative Decree 231/01 that Iren considers potentially applicable in the conduct of business activities. The Procedure for the management of reports to the Supervisory Body, approved by the Board of Directors, regulates the methods of communication and management of reports concerning situations of overt or alleged violations of the law, of the principles of the Organisational Model 231 and of the procedures governing sensitive activities at risk of 231-related crimes, along with instruments for implementing the Model itself (for more details on the Model 231, see page 86).

In order to improve communication and collaboration with the Tax Authorities, Iren Group decided to adhere to the "Collaborative Compliance Regime" (Legislative Decree 128/2015), which provides a new scheme of relations between the Revenue Agency and taxpayers inspired by the principles of cooperative compliance already adopted by foreign tax administrations. The main benefits of tax risk management derive from the possibility of joint assessment of any tax risks with the Revenue Agency before the tax return and access to forms of prior appeal with an abbreviated procedure. The Group companies that meet the requirements of the Revenue Agency and admitted to the "Collaborative compliance regime" in December 2021 are Iren and Iren Energia.

Iren has also consolidated a stakeholder involvement process through the Local Committees, representing the main tool for dialogue and discussion between Iren Group and all stakeholders (consumers/customers, employees, suppliers, institutions, shareholders, the environment and local communities).

Lastly, the tax information in the Consolidated Financial Statements and the Sustainability Report is subject to an assurance process by a third party (Independent Auditors).

The income taxes for FY 2021 amount to over 90 million Euro (-9.7% compared to 2020). The effective tax rate is 21.32%.

In 2021, the Group received around 30.4 million Euro in benefits and grants from Public Administration, of which 5.8 million Euro in capital investments.

Taxes and duties paid (millions of Euro)	2021	2020 ¹
Government and Region	90.33	100.00
Total direct taxes and duties	90.33	100.00
ATO concession fees	2.29	2.54
Other concession fees	23.88	23.87
Derivation, taxes and licenses (derivation fees and surtaxes)	20.55	18.91
Taxes and duties	21.78	25.16
Total indirect taxes and duties	68.50	70.48
TOTAL	158.83	170.48

¹ The 2020 figures have been restated in accordance with IAS standards.

Sustainable finance

The financial market has seen strong growth in recent years in sustainable and responsible investments and financing instruments that consider sustainability impacts, including offering more affordable rates based on the achievement of defined and measured goals.

The European Union has given an important impetus in this direction with the adoption, in 2018, of the Action Plan for Sustainable Finance, which outlines strategies and measures for the realisation of a financial system capable of promoting sustainable development, contributing to the implementation of the Paris Agreement on climate change and the goals the United Nations 2030 Agenda. The Plan recommends ten actions to be taken at European level to encourage the channelling of financial investment towards a more sustainable economy, consider sustainability in risk management procedures, and strengthen transparency and long-term investment.

Sustainable finance represents a very significant lever to support the investment plan envisaged in Iren Group's strategic plan to achieve the planned ESG objectives.

European Taxonomy

The Green Deal is Europe's strategy to become a carbon-neutral society by 2050, protect the health and well-being of its citizens, and conserve and enhance natural capital and biodiversity. This challenge requires not only public funds (such as those from Next Generation EU), but also private funds. For this reason, as part of the Action Plan for Sustainable Finance, the European Commission has defined the Taxonomy (EU Regulation 2020/852), a single system of classification of economic activities that defines the criteria for assessing environmental sustainability, encouraging companies to make their models more environmentally sustainable, implementing investments in this direction, and to provide disclosure of information related to the environment and climate.

The Taxonomy determines **six environmental objectives** to identify sustainable economic activities: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

An economic activity is aligned with the Taxonomy, and therefore considered sustainable, if it meets three basic principles:

- substantially contribute to at least one of the six environmental objectives by meeting activity-specific technical screening criteria (substantially contribute);
- Do Not Significant Harm (DNSH) to any of the environmental objectives;
- comply with the minimum safeguards set out in the OECD Guidelines for Multinational Enterprises¹ and the United Nations Guiding Principles on Business and Human² (UNGPs) (comply with minimum safeguards).

Companies required to publish the Non-Financial Statement (NFS) must report three indicators (KPIs): revenue, operating expenses (OpEx) and capital expenditures (CapEx), related to activities aligned with the Taxonomy.

¹ OECD Guidelines for Multinational Enterprises – aimed at multinational enterprises operating in Organisation for Economic Cooperation and Development (OECD) member countries – provide non-binding principles and standards for responsible business conduct based on applicable laws and internationally recognised standards.

² United Nations Guiding Principles on Business and Human Rights (UNGPs) are a tool, consisting of 31 principles, that implement the United Nations' "Protect, Respect and Remedy" framework for human rights in business.

On 09 December 2021, the EU Delegated Regulation (2021/2139) – the so-called Climate Delegated Act – was published in the Official Journal, defining the technical criteria for the first two objectives (mitigation and adaptation to climate change), and the Delegated Acts for the other four objectives are expected to be published during 2022.

Iren Group, sharing the aims of the Taxonomy as a tool for the homogenisation, security and transparency of information towards all stakeholders, actively participated in the various consultation processes, providing input through the sector associations and the Corporate Forum on Sustainable Finance (CFSF) in which the Group participates.

Adoption of the European Taxonomy

The Taxonomy envisages that for the first year of application (2022) only the share of economic activities eligible and non-eligible for the Taxonomy itself in terms of turnover, capital expenditure and operating expenditure will be reported in relation to the previous year (2021) (EU Delegated Regulation 2021/2178), while from 2023 the reporting will have to cover the KPIs relating to the activities aligned with the Taxonomy. An **economic activity eligible** for the Taxonomy is defined as an activity described in the Climate Delegation Act, regardless of whether it meets the technical screening criteria established for it. Eligible activities, therefore, constitute the basic universe of activities that have the potential to align with the technical screening criteria. Conversely, a **non-eligible economic activity** is defined as an activity not described in the Climate Delegation Act.

In order to implement the European Taxonomy in its own monitoring and reporting system, at the beginning of 2021, Iren Group launched a process and a cross-functional work team (Business Units, Corporate Social Responsibility and Local Committees, Management Control, Regulatory Affairs, Corporate Affairs, Finance and ICT Departments) that carried out the analysis of all economic activities managed, verified their consistency with the Taxonomy, in the extension in force to date, and identified **eligible activities** and **non-eligible activities**. It is important to note that two different types of non-eligible activities are actually included:

- activities that are not included in the Delegated Acts adopted to date, bearing in mind that the expected evolution and dynamism of the Taxonomy should, in particular by including other environmental objectives, broaden the scope of eligible activities (e.g. energy production from natural gas, waste management in a circular economy perspective);
- **activities excluded** because they are not considered to produce significant impacts on the environmental objectives considered by the Taxonomy. For example, one of the excluded activities is the sale of electricity to end customers, which, according to Iren Group's evaluations, could contribute significantly to the mitigation of climate change in a logic of progressive electrification of consumption, oriented towards the sale of electricity produced 100% from renewable sources.

Following the analysis of the activities, an account coding system was defined, in order to calculate the KPIs required by the Taxonomy, and the verification of the alignment of the activities was undertaken, according to the technical screening criteria and DNSH.

In the process of implementing the Taxonomy, also in view of the need to define homogeneous interpretative criteria, it was essential to compare notes with other players in the sector, both directly and through association working groups (e.g. Utilitalia, Assonime).

Portions of activities Taxonomy-eligible and non-eligible

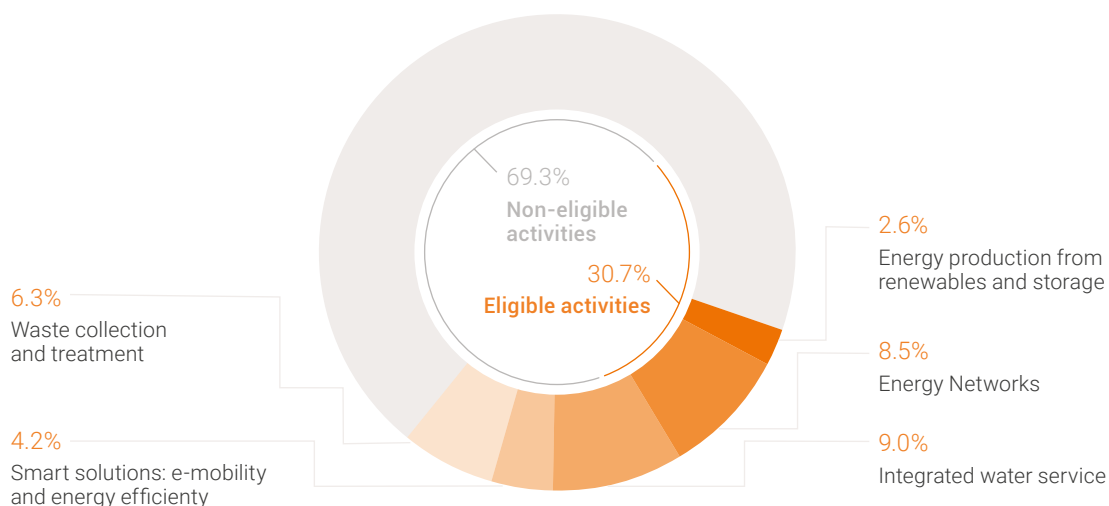
The portions of eligible and non-eligible activities related to the three KPIs required by the Taxonomy are represented below.

It should be noted that the development of the Delegated Acts for the four environmental objectives relating to sustainable use and protection of water and marine resources, transition to circular economy, prevention and control of pollution, protection and restoration of biodiversity and ecosystems, should strengthen the adherence of Iren Group's business model to the Taxonomy, considering that the current analysis only covers the objectives of climate change mitigation and climate change adaptation.

More detailed information on eligible and non-eligible activities, as well as the criteria for calculating the relative share of turnover, operating expenditures and capital expenditures, can be found in the table on page 296.

Turnover

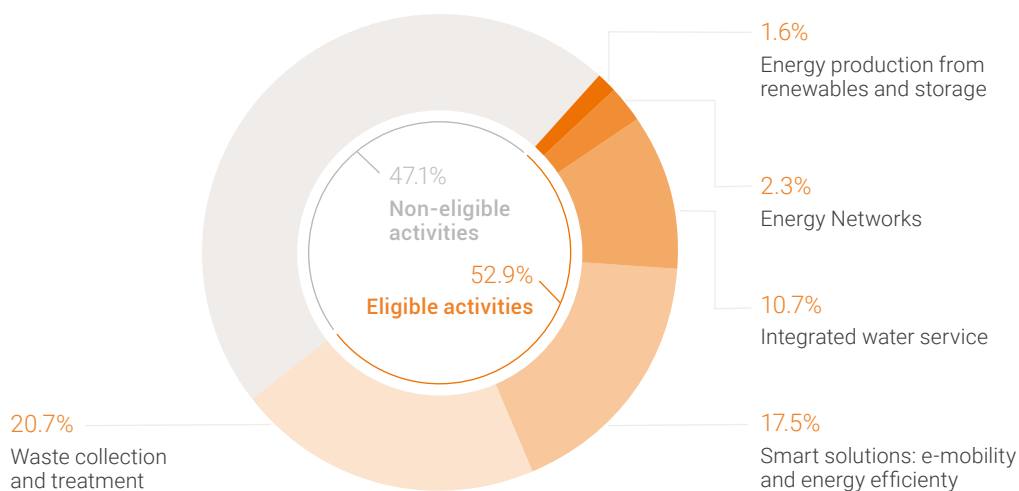
The total turnover assumed to define the indicator (denominator) are those reported in the Consolidated Financial Statements, in compliance with International Accounting Standards, with the neutralisation of the effects deriving from assets under concession (IFRIC 12). In calculating the indicator, only revenues from external sales were considered in the numerator. By adopting said criteria, the share of turnover relating to Taxonomy-eligible activities, for the objectives of climate change mitigation and climate change adaptation, stands at **30.7% of turnover** in 2021 equal to over 1,450 million Euro, mainly relating to the areas of energy networks, integrated water service and waste collection and treatment in material recovery plants.



It should be pointed out that the taxonomy does not include activities that are of considerable importance for the Group, such as, for example, the sale of commodities (around 38% of consolidated turnover), which could, in fact, have a positive impact on climate change mitigation if geared towards the sale of electricity from renewable sources or low carbon gas. By neutralising the effects of this activity, the proportion of turnover related to green activities would be 50%.

Operating Expenditures (OpEx)

In line with the interpretations provided by the European Commission³, the operating expenditures considered for the purposes of calculating the indicator do not include the following expenses: overheads, raw materials, personnel for the management of activities, management of research and development projects, electricity, fluids or reagents necessary for the operation of property, plant and equipment.

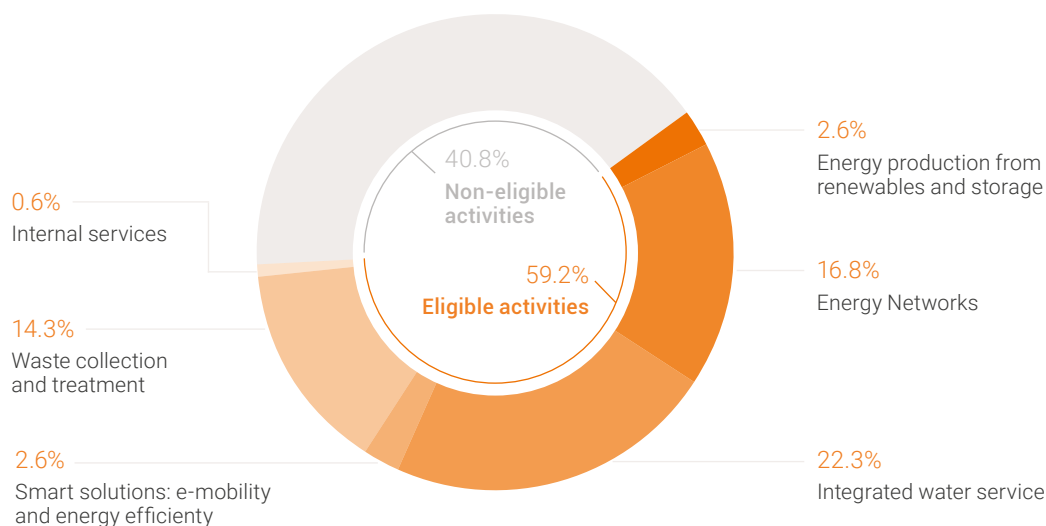


³ Draft Commission notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Art. 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets' 2/2/2022.

52.9% of operating expenditures (OpEx) in 2021, or approximately 472 million Euro, relate to eligible-activities for climate change mitigation and adaptation objectives. These expenditures mainly refer to the areas of waste collection and treatment in material recovery plants, smart solutions and integrated water service.

Capital Expenditure (CapEx)

The capital expenditure used to define the indicator includes, at the denominator, increases in tangible and intangible assets before depreciation, amortisation, impairment and any revaluation, including also increases resulting from business combinations and capitalised long-term leases (IFRS 16).



59.2 percent of capital expenditures (CapEx) in 2021, or more than 508 million Euro, relate to eligible activities for climate change mitigation and adaptation goals. The largest share of this percentage relates to the areas of integrated water service, energy networks, district heating, electricity and gas distribution and waste collection and treatment in material recovery plants.

Sustainable finance instruments

In 2021, the Group obtained new loans, in particular to support investment plans, which confirm the confidence of the financial system in planned development initiatives and make it possible to maintain an adequate balance between short- and long-term financial exposure. The Group's focus is increasingly on **sustainable finance instruments, which account for 64% of source** of funding: Green Bonds, EIB (European Investment Bank) and CEB (Council of Europe Development Bank) financing that support specific projects and meet particular sustainability requirements.

As part of its Euro Medium Term Notes (EMTN) Programme of 4 billion, on 07 October 2021 Iren successfully concluded the issuance of a new Green Bond for **200 million Euro** (Tap Issue) which is part of the reopening of the Green Bond of 300 million Euro issued on 10 December 2020, making it the first Italian multi-utility for the number of instruments issued in this format: 4 Green Bonds for a total of 2 billion Euro. The new issue, with a Fitch BBB rating, is listed on the regulated market of the Irish Stock Exchange, and on the ExtraMOT market of the Italian Stock Exchange in the segment dedicated to green instruments. As for the previous Green Bonds, the list of projects refinanced by the Green Bond was defined by Iren's Sustainable Financing Committee and its correspondence to precise environmental criteria is ensured by an external body (DNV GL). The issue was earmarked for the financing and refinancing of projects in the following categories: energy efficiency, renewable sources, waste management efficiency and recycling, wastewater treatment, efficiency improvement in water services, e-mobility.

The bonds of the new Green Bond (Tap GB4), placed at an issue price of 94.954%, reflect the characteristics of the Green Bond issued in December 2020: they have a minimum unit denomination of 100,000 Euro, pay an annual gross coupon of 0.25% and mature on 17 January 2031. The effective rate of return at maturity is 0.818%, corresponding to a yield of 67 basis points above the mid-swap rate. This issue received the market's appreciation of the Group's sustainability strategy, and its ability to achieve the objectives set, which outlines an ever-increasing ambition embodied in the 2030 Business Plan and the adoption of procedures dedicated to green financial instruments to ensure the necessary transparency for investors.

Iren Group has also focused its attention on identifying further innovative sustainable finance instruments, through relations with the EIB and CEB, which finance projects that meet particular sustainability requirements. In particular, in March 2021, the technical investigation with CEB was concluded for a loan of 80 million Euro to integrate a loan signed in 2020 with EIB, relating to the development projects of the district heating network in the Turin area for a total amount of 197 million Euro. These are projects that can be classified by EIB as "efficient district heating and cooling", according to directive 2012/27/EU, which therefore fall within the provisions of the EU bank's new energy lending policy.

Iren Green Bonds in circulation at 31/12/2021

Bond	Iren code	ISIN code	Bond amount (€/000)	Ann. coupon (%)	Maturity at issue (years)	Maturity date	Issue price (%)	Rating
Tap Issue Green Bond 2031	Tap GB4	XS2275029085	200,000	0.250%	10	17/01/2031	94.954	BBB
Green Bond 2031	GB4	XS2275029085	300,000	0.250%	10	17/01/2031	99.030	BBB
Green Bond 2029	GB3	XS2065601937	500,000	0.875%	10	14/10/2029	99.345	BBB
Green Bond 2025	GB2	XS1881533563	500,000	1.950%	7	19/09/2025	99.129	BBB
Green Bond 2027	GB1	XS1704789590	500,000	1.500%	10	24/10/2027	98.356	BBB
Total			2,000,000					

Allocation of Green Bond funds

The funds of the Green Bond issued on 7 October 2021 (Tap GB4) were allocated to 15 projects, identified by Iren, whose correspondence to specific environmental criteria was ensured by an external certification body. Starting from the date of issue and until the complete allocation of the net amount of 189,908,000 Euro, within the maximum period of 24 months, the use of liquid funds allocated to the refinancing/financing of the selected projects is monitored. An amount equal to 76% of the net proceeds (144,571,350 Euro) was used for refinancing and/or financing investments covered by previous bank lines and bonds, while the remaining part of 24% (45,336,650 Euro) will be allocated within 24 months of issue and is included in the liquidity balance as at 31 December 2021, with an allocation constraint to the refinancing/financing Eligible Projects.

For the Green Bonds issued in 2019 and 2020 (GB3 and GB4), full allocation of the cash collected within the required allocation terms occurred during 2021. The investments related to all Green Bonds issued at the end of 2021, shown in the table below, are all confirmed and present in the Group's assets as at 31 December 2021.

Allocation of income from Green Bonds as at 31/12/2021¹

Project categories	Tap Green Bond 2031 (Tap GB4)		Green Bond 2031 (GB4)		Green Bond 2029 (GB3)		Green Bond 2025 (GB2)		Green Bond 2027 (GB1)	
	Investments (€)	Proj. (no.)	Investments (€)	Proj. (no.)	Investments (€)	Proj. (no.)	Investments (€)	Proj. (no.)	Investments (€)	Proj. (no.)
Energy efficiency	104,196,535	7	196,784,859	6	387,503,236	11	247,991,764	4	232,587,446	6
Renewable sources	9,075,639	1	33,360,992	5	4,263,000	1	134,658,410	5	161,002,995	7
Waste management efficiency and recycling	52,719,803	4	47,450,547	6	35,388,104	3	7,265,347	1	42,123,504	1
Wastewater treatment	18,817,532	2	8,393,602	3	61,594,858	4	100,438,533	1	56,066,055	4
Water service efficiency	-	-	-	-	4,677,908	1	-	-	-	-
E-mobility	5,098,491	1	-	-	3,297,894	1	5,290,946	1	-	-
Total allocated	189,908,000	15	285,990,000	20	496,725,000	21	495,645,000	12	491,780,000	18
Issue discount	10,092,000		2,910,000		3,275,000		4,355,000		8,220,000	
Residual to be funded by 2022			11,100,000							
Total issue	200,000,000	15	300,000,000	20	500,000,000	21	500,000,000	12	500,000,000	18

¹ The 86 projects indicated in the table include projects common to the 5 Green Bond issues for different years (46 projects not including common projects).

The positive environmental impacts generated by the projects funded by the Green Bonds are outlined by the main indicators shown in the table below.

More information on the Green Bonds and funded projects is available in the Sustainable Finance section of the grupporein.it website.

Project category and main indicators	u.m.	2021	2020	2019	2018	2017
Energy efficiency						
Electricity produced	MWh	3,847,662	3,486,789	3,833,955	3,887,199	3,884,511
Electricity produced from renewables ¹	MWh	878	0	657	46	25
Primary energy saved	MWh	1,838,393	1,532,645	1,808,508	2,200,496	2,281,239
CO ₂ emissions avoided by non-fossil sources	t	578,080	492,287	616,258	636,478	724,744
Thermal energy produced ¹	MWh	1,996,062	1,660,701	1,592,436	1,684,507	1,770,005
Electricity input to the grid ¹	MWh	3,585,171	3,505,548	3,790,141	3,803,936	4,222,786
Network leaks (electricity) ¹	MWh	87,791	94,613	154,570	166,866	158,921
Electricity and gas smart meters installed	no.	1,418,954	1,385,339	1,330,716	1,188,480	966,569
Renewable sources						
Primary energy saved	MWh	2,497,041	2,101,596	2,827,848	3,254,066	3,663,699
Electricity produced from renewables	MWh	713,362	765,174	777,269	904,438	761,335
Thermal energy distributed ²	MWh	3,144,036	2,856,932	2,779,773	2,816,307	2,956,143
CO ₂ emissions avoided by non-fossil sources	t	1,057,353	1,074,207	1,320,889	1,371,073	1,581,848
Waste management efficiency and recycling						
Refuse Derived Fuel (RDF)	t	8,461	9,429	16,523	2,585	7,886
Sorted waste collected	t	856,682	825,674	813,804	788,313	711,910
Unsorted waste treated	t	366,570	371,735	415,905	445,411	464,837
Door-to-door collection services – residents served	no.	1,817,913	1,656,415	1,590,536	1,473,268	1,391,087
Plastic sent for recovery	t	221,783	59,635	-	-	-
Blupolymer product	t	19,137	7,054	-	-	-
Bluair product	t	8,538	6,648	-	-	-
Biomethane produced	scm	1,778,145	-	-	-	-
Emissions of CO ₂ avoided	t	367,637	102,162	-	-	-
Wastewater treatment						
Equivalent residents served (potential) ¹	no.	628,878	625,806	531,528	515,650	295,650
Volumes of water for reuse/Volumes of treated water	%	32	31	32	30	30
Wastewater treatment plants	no.	1,291	1,310	1,293	1,278	1,122
Sewer networks	km	10,842	10,739	10,662	10,606	9,924
Water service efficiency						
Smart meters installed	no.	127,046	96,965	51,742	-	-
E-mobility						
CO ₂ emissions avoided by non-fossil sources ²	t	1,420	1,069	789	52	-

¹ The years prior to 2021 have undergone a restatement.

² The year 2020 has undergone a restatement.

ESG indices and ratings

Iren Group's choice to place sustainability at the core of its development is confirmed in the 2030 Business Plan: circular economy, water resources, resilient cities, decarbonization and people will be at the heart of the Group's agenda for the next decade. 80% of the total organic investments, or more than 8.7 billion Euro, will be earmarked for sustainable projects to achieve commitments made consistently with the United Nations 2030 targets. This is a tangible commitment that confirms the desire to merge the Group's development with that of the communities, local areas and the environment.

ESG indices include company shares with strong sustainability profiles, with the aim of providing socially responsible investors with a method of evaluation based on the premise that businesses with sustainable approaches to environmental, social and governance issues outperform their competitors in the long-term. In 2021, Iren's stock was included in the Euronext MIB ESG Index, the first ESG index designed by Euronext to identify large Italian listed issuers with ESG best practices. Iren is also included in several ESG indices issued by FTSE Russell, Euronext, Bloomberg and STOXX.

ESG ratings are considered a strategic tool to support investors and identify risks and opportunities regarding sustainability within their investment portfolio, contributing to the development of active and passive sustainable investment strategies. Iren has been evaluated by various rating agencies.

CDP

CDP Climate Change 2021 assesses transparency and reporting on strategies, governance, goals related to environmental performance, and management of risks and opportunities associated with the effects of climate change. Iren achieves A-level, plus Supplier Engagement Leader Rating (SER) obtained for the involvement of its suppliers in the fight against climate change.

MSCI

MSCI assesses the exposure and ability to manage risks and opportunities related to ESG factors, across several topics: CO₂ emissions, water stress, opportunities in renewables, other pollutant emissions and waste, human capital, corporate governance and corporate conduct. In this rating, Iren obtains A out of a maximum of AAA.

Sustainalytics

In the Sustainalytics ESG Risk Rating – which analyses the relevance of environmental, social and governance issues and how the company manages the risks arising from these issues – the Group obtains a rating of 29.6.

ISS ESG

ISS ESG – which assesses ESG performance on the basis of around 100 indicators divided into 6 macro-areas – gives Iren a B- rating.

Vigeo Eiris

In the ESG Rating by Vigeo Eiris, Europe's leading social, environmental and governance rating agency, the Group obtains a rating of 56 (robust) out of a total of 100.

Bloomberg Gender Profile

Bloomberg's Gender-Equality Index (GEI), which assesses corporate disclosure and performance on: female leadership, equal pay and gender equity, inclusive culture, anti-sexual harassment policies, and inclusive branding, gives Iren a rating of 72.63 out of a total of 100.

Other ratings

In addition, Iren is assessed in other ratings such as IGI (70.3/100, fifth position) and Corporate Knights (88/200 clean economy revenues).