

MARKET CONTEXT

THE MACROECONOMIC SCENARIO

The COVID-19 pandemic triggered a severe economic crisis. In the March 2021 update, the OECD reported an annual fall in GDP in 2020 at global level of 3.4%; by contrast, the Euro Area's GDP was down by 6.8% compared to 2019, with a return to pre-crisis levels not expected before 2022.

For the Italian economy, an 8.9% decline in GDP in 2020 compared to the previous year was recorded. The Bank of Italy forecasts Italian GDP growth of 3.5% in 2021 and a return to pre-pandemic levels only starting in 2024.

Household spending

The current economic crisis has led to a decrease in households' disposable income, with repercussions on consumption. In fact, total household consumption expenditure in 2020 was 11% lower than in 2019.

The freeze on layoffs maintained the number of employees with permanent contracts stable, while the number of employees under fixed-term employment contracts decreased the most. Overall, as of December 2020, the number of employed people was 2% lower than a year earlier. Despite the fall in the number of employed persons, in December the unemployment rate for the population aged between 15 and 64 (9%) was 0.6 percentage points lower than in the previous year; the inactive population increased over the same period (+3.6%).

Investments

The climate of uncertainty related to the evolution of the pandemic and the economic crisis affected business confidence negatively in 2020, causing a significant reduction in gross fixed capital formation. The 2020 value of investments is 9% lower than the 2019 level.

Exports

The value of Italian exports in 2020 was 10% lower than in the previous year. The decline was concentrated in the first half of the year, when the value of exported goods fell by 16% compared to the same benchmark in 2019. Despite the recovery recorded in the third quarter, this came to a halt in the last months of the year.

Prospects for a return to pre-2020 levels remain strongly influenced by uncertainty about pandemic evolution.

THE OIL MARKET

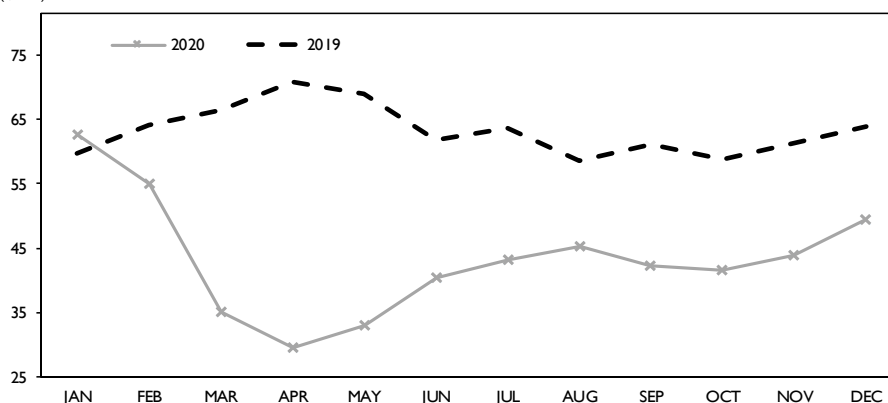
2020 recorded an average Brent price of \$43.21/bbl, down 33% from 2019, which had averaged \$64.2/bbl for the year.

Overall, a decline in global oil demand of around 8% was recorded in 2020 compared to 2019. The largest reduction was recorded in the second quarter (-15% compared to Q2 2019). Fourth quarter demand, which recovered 3 percentage points in cyclical terms, was still lower (-4%) than in the same period of 2019.

The 2020 production cut decided by OPEC Plus countries and the concomitant reduction in US *shale oil* production led to an overall reduction in global oil supply of 6% compared to 2019. The fourth quarter of 2020 ended with supply down 5% compared to the last quarter of 2019.

BRENT PRICE TRENDS

(\$/bbl)



Source: REF-E processing of Reuters data

THE ELECTRICITY MARKET

Supply and demand

In 2020, net electricity production in Italy was 273.11 TWh, down 3.8% compared to 2019. The demand for electricity, amounting to 302.80 TWh, was 89% met by domestic production, with the remaining 11% met by imports from abroad. At 175.38 TWh, domestic thermoelectric production accounted for 64% of net domestic production, down 6.4% compared to 2019 values, mainly under the effect of lower demand. Production from hydroelectric sources amounted to 47.99 TWh (+0.8% compared to 2019), representing 18% of the national supply, while 49.74 TWh (+1% compared to 2019) were produced from geothermal, wind and photovoltaic sources, i.e. 18% of the national supply.

Consumption in 2020 was 5.3% lower than in 2019. The North suffered the most significant reduction in demand (-6.2%), followed by the Centre (-5.7%), the South (-3.2%), and the Islands (-2.7%).

Demand and supply of accumulated electricity (GWh and changes in trends)

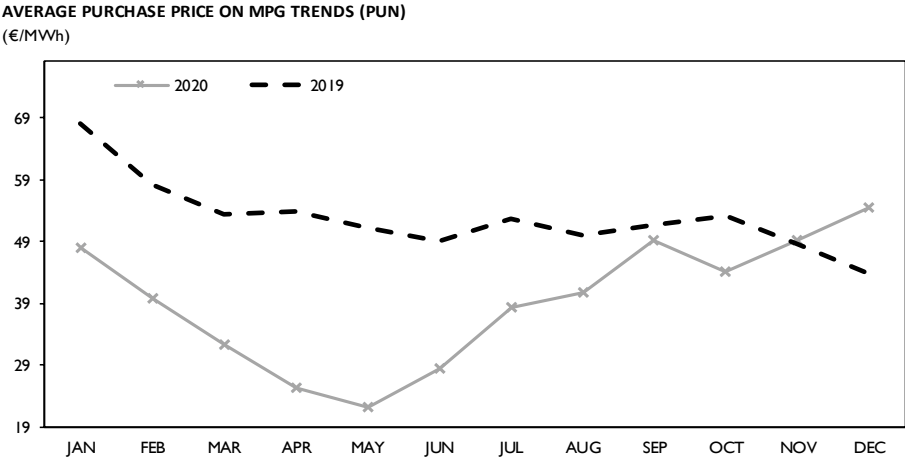
	up to 31/12/2020	up to 31/12/2019	Change %
Demand	302,801	319,792	-5.3%
<i>Northern Italy</i>	141,746	151,142	-6.2%
<i>Central Italy</i>	88,824	94,176	-5.7%
<i>Southern Italy</i>	45,026	46,523	-3.2%
<i>Islands</i>	27,205	27,951	-2.7%
Net production	273,108	283,950	-3.8%
<i>Hydroelectric</i>	47,990	47,590	0.8%
<i>Thermoelectric</i>	175,376	187,317	-6.4%
<i>Geothermoelectric</i>	5,646	5,689	-0.7%
<i>Wind and photovoltaic</i>	44,096	43,354	1.7%
Pumping consumption	-2,557	-2,469	3.6%
Foreign balance	32,250	38,311	-15.8%

Source: Terna

Day-Ahead Market (DAM) prices

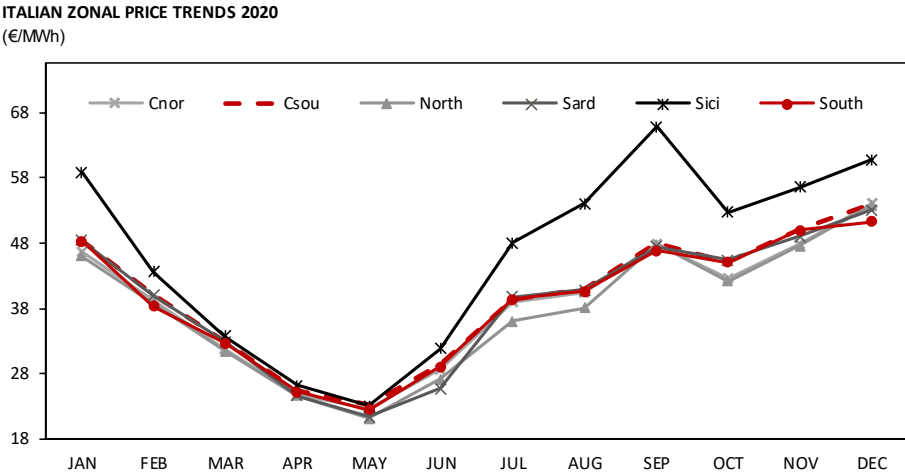
In 2020, the National Single Price (NSP) stood at an average value of € 38.9/MWh, down 25.7% from 2019. The decrease in the NSP compared with the previous year was particularly significant in the first half of the year, with the largest decreases occurring in April (-53.5%) and May (-57.0%).

The average monthly NSP value was higher than in 2019 only in the last two months of the year.



Source: REF-E processing of GME data

The year-on-year decrease in prices involved all zonal prices, with the highest incidence for Sicily (-26.4%) and the lowest for the South (-23.4%). Despite this sharp reduction, Sicily's average annual price continued to be the highest, whilst the lowest electric power price was in the North, where it averaged € 1.12 per MWh lower than the NSP. In 2020, the zonal average price differential (8.4 €/MWh) contracted compared to 2019 (€ 11.9/ MWh).



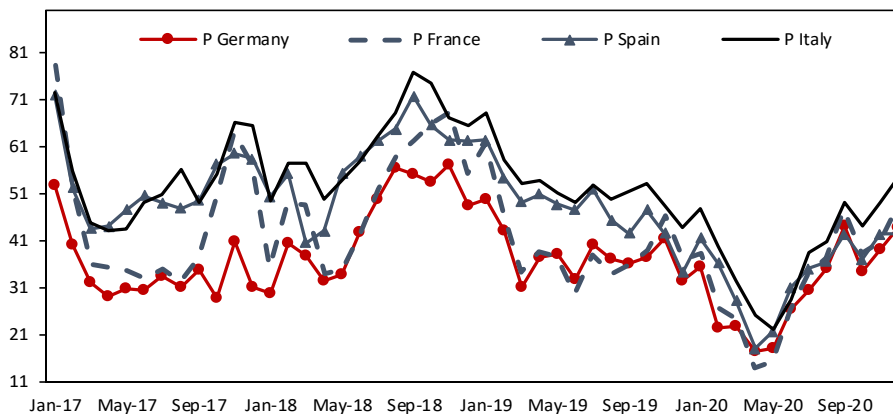
Source: REF-E processing of GME data

Trends in the main European power exchanges

The average price for European power exchanges in 2020 (calculated by taking into account the arithmetic average of market results in Germany, France and Spain) was € 32.2/ MWh, down 23% compared to 2019. The differential with the NSP was € 6.7/ MWh, compared with € 10.7/ MWh in the previous year. Thus, only in the last quarter of 2020 prices were on average higher than in the same period of 2019 (+3%).

EUROPEAN ELECTRICITY PRICE TRENDS

(€/MWh)



Source: REF-E processing of European stock exchanges data

Futures of Baseload NSP on the EEX

The table below shows *futures* prices traded in the last quarter of 2020, signalling expectations of higher electricity prices on the European Energy Exchange. Specifically, forward purchases referable to delivery in January showed upward changes between the beginning and end of the quarter; those maturing in future quarters (Q1 21, Q2 21 and Q3 21) also increased, rising by 5.9 €/MWh, 4.5 €/MWh, and 3.7 €/MWh, respectively. The yearly *Calendar-21* followed the same trend, from € 47.9/ MWh in October to € 52.5/ MWh in December.

Oct-20 Futures		Nov-20 Futures		Dec-20 Futures	
Monthly	€/MWh	Monthly	€/MWh	Monthly	€/MWh
Nov-20	43.2	dec-20	45.6	Jan-21	54.3
dec-20	46.5	Jan-21	45.3	Feb-21	56.5
Jan-21	47.1	Feb-21	48.3	Mar-21	57.3
Quarterly		Quarterly		Quarterly	
Q1 21	48.8	Q1 21	48.0	Q1 21	54.7
Q2 21	43.3	Q2 21	43.1	Q2 21	47.8
Q3 21	48.7	Q3 21	48.7	Q3 21	52.3
Yearly		Yearly		Yearly	
Y1 21	47.9	Y1 21	47.7	Y1 21	52.5

Source: Reuters on EEX data

THE NATURAL GAS MARKET

Supply and demand

Gas consumption in 2020 decreased by 4.2% compared to 2019, to 70.7 billion cubic meters (last year it amounted to approximately 73.8 billion). The significant drop in consumption occurred during the first half of 2020 as a result of the spread of the pandemic and related containment measures. Winter temperatures, in line with the seasonal average, together with the partial economic recovery, particularly in the third quarter, allowed demand to recover slightly in the latter part of the year.

Uses and sources of natural gas in 2020 and comparison with previous years

GAS WITHDRAWN (bln m3)*	2020	2019	2018	Change % 2020 vs 2019	Change % 2019 vs 2018
Industrial use	13.2	14.0	14.3	-5.7%	-2.0%
Thermoelectric use	24.2	25.8	23.3	-6.1%	10.5%
Distribution plants	31.3	31.7	32.3	-1.0%	-2.1%
Third party network and system consumption / <i>line pack</i>	1.9	2.3	2.3	-17.9%	-0.6%
Total withdrawn	70.7	73.8	72.3	-4.2%	2.0%

*Cumulative amounts at 31 December 2020

Source: REF-E processing of SRG data

GAS INPUT (bln m3)*	2020	2019	2018	Change % 2020 vs 2019	Change % 2019 vs 2018
Imports	65.9	70.6	67.4	-6.8%	4.8%
Domestic production	3.8	4.5	5.1	-14.9%	-11.9%
Storage	0.9	-1.4	-0.3	(**)	(**)
Total input (incl. storage)	70.7	73.8	72.3	-4.2%	2.0%
Maximum capacity	145.7	137.6	135.9		
Load Factor	45.2%	51.3%	49.6%		

*Cumulative values as at 31 December 2020, the value of inventories indicates net movement

**Change of more than 100%

Source: REF-E processing of SRG data

The sectors that suffered the most significant reduction were the industrial sector (-5.7%) and the thermoelectric sector (-6.1%), mainly due to the economic effects of the measures implemented to contain the pandemic. Gas consumption in the residential sector was also slightly negative (-1.0%).

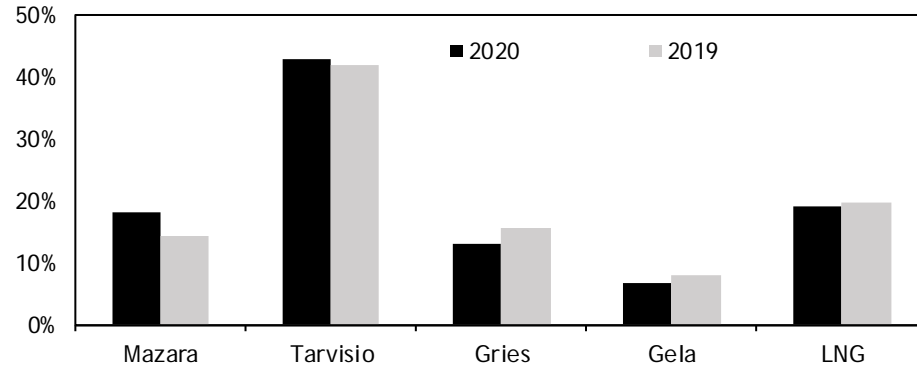
As regards supply, total imports in 2020 were 6.8% lower than in 2019 (at 65.9 bln/m³, compared to 70.6 bln/m³ in 2019), while domestic production fell further by 14.9% compared to 2019 (for a total of 3.8 bln/m³ of gas produced).

Concerning exports, the general situation of domestic entry points connected with foreign countries is as follows:

- inflows from Russia at the Tarvisio *entry point* (28.2 bln/m³) confirm once again the central role played by the Russian gas *pipeline* in Italy's overall budget (43% of the domestic market);
- the reduction in Norwegian production, together with a tight schedule of *Transitgas's* pipeline maintenance, led to a decrease in imports from Northern Europe, which stood at 8.5 bln/m³ (-22% compared to 2019);
- gas supply was also concentrated in the Mediterranean areas, with an increase in inflows from Algeria at Mazara del Vallo (+18% compared to 2019, i.e. 12.0 bln/m³);
- Liquefied Natural Gas (LNG) imports remained high in 2020 (12.6 bln/m³), but did not reach the record of 2019 (14.0 bln/m³).

Imports by point of entry on total*

(% values)



*Cumulative amounts at 31 December 2020

Source: REF-E processing of SRG data

Wholesale gas prices

In the first part of 2020, the downward trend in European and global wholesale natural gas prices that has been in place since late 2018 continued. In the second half of the year, however, there was a rather significant recovery.

The downturn in the first two quarters, due to Asian demand (Chinese in particular), a surplus of supply also on the storage side and the decrease in the price of *Brent*, was overcome by the upward trend in the second half of the year, mainly due to:

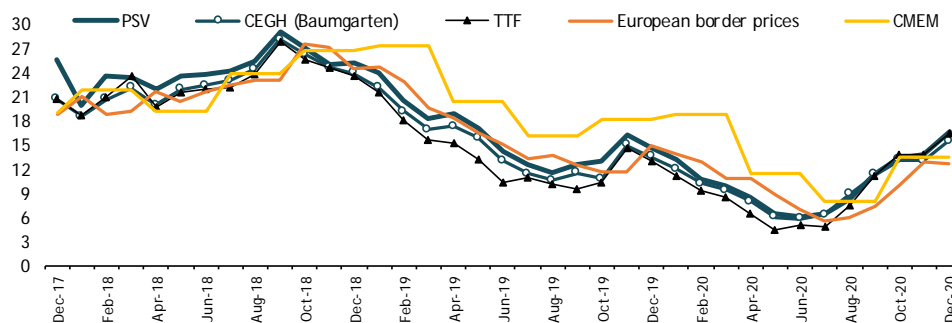
- recovery of Asian demand and consequent gradual recovery of global economic activities;
- supply issues, especially for LNG: maintenance, interruptions and forecasts of a colder-than-normal winter in the North Asian hemisphere, addressed by US supply, leaving European needs uncovered;
- the start of a winter season with temperatures at times below normal.

The average spot price at the Dutch TTF for 2020 stood at € 9.4/MWh, down 32.4% from € 13.9/MWh in 2019. With regard to the PSV, the average *spot* price marks a -37% compared to the 2019 quotas, settling at 10.4 €/MWh and demonstrating once again how the Italian *hub* continues to remain a premium market compared to the Northern European ones, with an average PSV-TTF differential of € 1/MWh (down, however, by more than 60% compared to last year).

The so-called “CMEM component”, meant to reflect the cost of gas procurement in the protected market price and defined by the ARERA on the basis of the TTF *forward* prices, increased with an average of 12.93 €/MWh.

In 2020, prices at the border, still *oil-linked* partly, followed the general downward trend and settled at a European average level of € 9.9/MWh, down almost 40% compared to 2019. Average Italian prices at the border were lower than the European average, standing at € 11.2/MWh.

Wholesale prices in Europe (€/MWh)



Latest data 31 December 2020

Source: REF-E processing of WGI - ARERA - Alba Soluzioni data

SIGNIFICANT EVENTS OF THE PERIOD

Expression of interest for the acquisition of the gas sales business unit of Sidigas.com

In January 2020 SI.DI.GAS – Società Irpina Distribuzione GAS S.p.A. accepted the binding manifestation of interest presented by Iren regarding the acquisition of a business unit of its subsidiary Sidigas.com S.r.l. related to natural gas sales, with a portfolio of approximately 55 thousand customers (mainly in *retail*), distributed over 78 Municipalities mainly in the Province of Avellino. The transaction is subject to the occurrence of certain conditions precedent.

Completion of the disposal of the stake in OLT Offshore LNG Toscana

To complete the transaction in the previous financial year, and following receipt of the authorisations from the competent authorities, on 26 February 2020 the Group transferred to SNAM 49.07% of OLT Offshore LNG Toscana. The selling price of the equity investment, and the remaining portion of the shareholders' loan, amounted to a total of 332 million euro, excluding any future upward adjustments on fulfilment of certain conditions.

Agreement for the expansion of the Turbigio power plant

On 3 March 2020 Iren signed with Ansaldo Energia a contract worth 180 million euro for the final design, supply and construction of a new, gas-powered combined-cycle electricity generation plant, and of the related auxiliary works, which will make it possible to increase the total installed capacity of the Turbigio site from the current 850 MW to approximately 1,280 MW.

In the Capacity Market auction, the expansion of the power station enabled recognition of the contribution for fifteen years starting from 2022, the year in which the start of the production stage is planned, for a total of 117 million euro. The expansion of Turbigio will make the plant one of those which, operating at high flexibility and in a way complementary to renewable sources, are essential for sustaining the adequacy of the Italian electricity production system.

Purchases of treasury shares

On 29 April, the Shareholders' Meeting authorized the Board of Directors to purchase and dispose of treasury shares for eighteen months from that date, at the same time revoking, for the unexecuted portion, the previous authorization to purchase deliberated on 5 April 2019. The Board of Directors may purchase and dispose of a maximum of 65,000,000 shares, equal to 5% of the share capital, in accordance with the applicable regulations.

On 12 May, the Board of Directors, authorizing the CEO to carry out the purchase program, set the limit at 26,000,000 shares, taking into account the shares already in the portfolio. As at 31 December 2020, Iren S.p.A. held on the whole 15,868,004 treasury shares, equal to 1.22% of the share capital.

Acquisition of the district heating business unit from SEI Energia

On 23 April 2020, Iren Energia and Fineurop Investment Opportunities S.p.A., as the assumptor relative to the SEI Energia arrangement procedure, signed the contract to acquire the district heating business unit from SEI, already managed through a lease by Iren Energia since September 2018.

The branch includes the network and the heat distribution plants in the municipalities of Rivoli and Collegno in the Turin metropolitan belt and 49% of the company NOVE, which manages the service in the municipality of Grugliasco, for a total connected volume of 5.2 million cubic metres. Total thermal energy distributed is around 150 GWh/year. The consideration paid by Iren for the acquisition of the business was € 24.4 million. Acquisition of the SEI Energia district heating business is done with the prospect of integrating with the existing grid in the metropolitan area of the municipality of Turin, taking advantage of heat produced by Group cogeneration and waste to energy plants.

Acquisition of seven property complexes

At the end of April, Iren S.p.A. bought back from REAM SGR S.p.A. seven real estate complexes for management and operational support use located in Turin, Genoa, Parma and Reggio Emilia, which were already the subject of lease contracts falling within the scope of application of the international accounting standard IFRS 16 - *Leases*. The total value of the transaction was 97 million Euro, with zero impact on net financial debt.

Shareholders' Meeting

On 29 May 2020, the Ordinary Shareholders' Meeting approved the Company's Financial Statements for 2019 and the Report on Operations, and resolved to distribute a dividend of € 0.0925 per share, confirming what had been proposed by the Board of Directors. The dividend was paid starting from 24 June 2020 (coupon detachment 22 June 2020 and record date 23 June 2020).

The Shareholders' Meeting also:

- approved the first section ("2020 remuneration policy") of the Report on the 2020 remuneration policy and on fees paid for financial year 2019;
- made a favourable consultation vote on the second section ("Fees paid for financial year 2019") of the same Report.

Execution of an 80 million Euro loan for sustainable investments in the water sector

On 6 May 2020, Iren S.p.A. signed, with the Council of Europe Development Bank (CEB) a Public Finance Facility (PPF) in the amount of 80 million euro, usable in multiple tranches and with a duration of 16 years, intended to finance a significant part of the investment plan for the water infrastructure in the provinces of Genoa and Parma, in particular with regards to the expansion and improvement of the aqueduct and sewer network and water treatment systems.

Agreement with Engie to extend district heating in Turin

On 15 May 2020, Iren Energia signed an agreement with Engie to develop district heating in the north-east of Turin. This collaboration sees Engie producing thermal energy from its cogeneration plant in Leinì (north of the metropolitan area), transported through a feeder (to be built by Engie) to the Turin border and from there to the area covered by Iren Energia's heat distribution network.

Through this agreement, Iren Energia will extend the district heating network in the north-east of the city to serve potential connected volumes of 17 million cubic meters by 2024. The investments planned by Iren to extend the network (pipes, accumulators and substations) amount to 90 million euro.

The significant increase in the number of users served by the district heating service will thus be achieved without having to build new production sites in the metropolitan area.

500 million euro bond issued

At the end of June 2020, Iren S.p.A. completed the issuance of a ten-year Bond, reserved for institutional investors, for a total of € 500 million, under the € 4 billion Euro Medium Term Notes (EMTN) Programme.

The Notes, which have a minimum unit denomination of 100,000 euro and mature on 1 July 2030, pay a gross yearly interest of 1% and were placed at an issue price of 98.144. The effective rate of return at maturity is 1.198%, corresponding to a yield of 135 basis points above the 10-year mid-swap rate.

Settlement took place on 1 July, the date on which the Bond was listed on the regulated market of the Irish Stock Exchange (Euronext Dublin).

Acquisition of control of Nord Ovest Servizi and Asti Energia e Calore

On 21 July 2020, the Group acquired from ASTA S.p.A. (a Gavio Group company), through IRETI and AMIAT, 50% of the shares of Nord Ovest Servizi S.p.A. (NOS) thus increasing to 75% and, through Iren Energia, 28% of Asti Energia e Calore S.p.A. (AEC), standing at 62%. The total outlay amounts to 6.5 million euro.

In particular, NOS holds 45% of the share capital of Asti Servizi Pubblici S.p.A. (ASP), a company controlled by the Municipality of Asti that operates in the integrated water cycle, in the waste management and transport sectors in the province, which in turn owns the remaining 38% of AEC.

The transaction is part of the territorial development strategy of the Group, which is already present in the area with its subsidiary GAIA, with particular reference to the water and environmental sectors and the promotion of energy streamlining and e-mobility projects.

Acquisition of I.Blu and partnership with Idealservice in environmental services.

Following the preliminary agreement signed at the end of January and considering that all the suspensive conditions were met, on 12 August 2020, Iren Ambiente completed the purchase of 80% of the share capital of I.Blu from Idealservice for € 16 million. I.Blu operates:

- in the selection of plastic waste to be sent for recovery and recycling, for the most part in the Corepla Consortium circuit, in two plants with a total capacity of 200 Kton/year, and
- In the processing of plastic waste for the production of Blupolymer (a polymer for civil uses) and Blair (“reducing agent” for steel-making plants).

The company plans to increase the capacity of the current plants and build a new plant to treat the so-called plasmix, heterogeneous plastics which, at the moment, have no outlet in the downstream recycling market.

An agreement has also been signed between Iren Ambiente and Idealservice concerning the subcontracting of any selection activities and services on multi-material plants and the definition of a partnership between Idealservice and San Germano for the management of urban solid waste collection services in some areas of Northern Italy.

The operation allows Iren to become a national leader in the selection of Corepla plastics and, in perspective, in *plasmix* management.

Business Plan to 2025

On 29 September, the Board of Directors approved the 2020-2025 Business Plan which presents, compared to the previous year, an increase in investments and margins that continue the growth recorded in recent years, through commercial expansion at national level and bringing the results achieved in the historical areas in the field of waste and energy efficiency to new areas.

On this subject, the Group is aiming for:

- EBITDA of 1,160 million euro by 2025, through organic growth, the contribution from expanding the company’s scope, and the synergies that can be achieved;
- total investments over the plan period of 3.7 billion euro, 400 million euro more than the previous business plan. 40% of these are oriented towards the regulated and semi-regulated sectors (improvement of network services and urban waste collection), a similar proportion concerns development (mainly in the environmental sector, district heating and *smart solution* and digitalisation projects), and the remaining portion is for maintenance investments;
- a Net Financial Position/EBITDA ratio of 2.5x by 2025, despite the fact that in the short-medium term, the company could position itself in the 3.0-3.5x range in finalising any further strategic options and due to the significant amount of investments in the first two years;
- group net profit of around 350 million euro by 2025;
- a planned dividend of € 0.095/ share for the 2020 result, up 2.7% compared to the last one distributed. Increasing unit distributions are expected particularly in the last three years of the Plan, with a dividend of € 0.146 per share in 2025.

Confirming growth as a priority, the Group also identified certain additional strategic options not included in the data of the Plan, but which can be considered on the basis of future developments:

- growth options for internal lines focused on bidding for gas tenders, developing district heating in new geographic areas, repowering some hydroelectric plants, projects to make electric power generation facilities more flexible, and further waste treatment plants;
- external growth options (M&A), both small, focusing on a more selective choice aimed at consolidating minority interests, and large, to be carried out whilst maintaining the current investment grade.

Confirmation of Iren's rating

On 20 October 2020, Fitch confirmed the Group's BBB rating with a stable *outlook*. The judgment is mainly based on the update of the industrial plan to 2025 which, in continuity with previous years, confirms the prevalence of regulated and quasi-regulated activities (over 70% of EBITDA), with the consequent limited impact of the negative effects of market resulting from the Coronavirus emergency. In addition, Fitch assesses positively the Group's liquidity profile.

"Green Energy Loan"

At the end of October, Iren S.p.A. and the European Investment Bank (EIB) signed a 16-year loan, which can be used in several tranches, of € 100 million to finance projects for the development and efficiency of the district heating network in the Turin area (for total investments of € 197 million in the 2021-2025 period).

Acquisition of Unieco's Environment Division

On 17 November 2020, Iren Ambiente completed the purchase of the so-called "Unieco Environment Division", a cooperative company under administrative compulsory liquidation.

The Environment Division's business, distributed in Piedmont, Emilia Romagna, Marche, Tuscany and Puglia, is run through a set of subsidiaries and associated companies which oversee the main operational sectors of the waste chain:

- brokering, treatment, sending for disposal and disposal of hazardous and non-hazardous special waste;
- collection and management of mechanical-biological treatment plants, composting, energy recovery and disposal of urban waste.

The consideration paid by Iren Ambiente for the acquisition of all the equity investments concerned was € 121.1 million, subject to adjustment.

The transaction will allow Iren Ambiente to consolidate its position among the national operators in the environmental sector, expanding the territorial basin served and acquiring a strategic position in waste collection in the Tuscany region.

Issue of the fourth Green Bond, for a total of € 300 million

As part of the Euro Medium Term Notes (EMTN) Programme of € 4 billion, on 10 December Iren S.p.A. successfully concluded, for the fourth consecutive year, the issue and listing of a *Green Bond* reserved for institutional investors, for an amount of € 300 million, maturing in January 2031, intended to finance projects relating to the recovery of plastic materials, the development of district heating and the improvement of purification processes, as defined in the 2025 Business Plan.

The Notes, which have a minimum unit denomination of 100,000 euro, pay a gross yearly interest of 0.25% and were placed at an issue price of 99.030. The effective rate of return at maturity is 0.348%, corresponding to a yield of 64 basis points above the mid-swap rate.

EFFECTS OF THE COVID-19 PANDEMIC ON THE FINANCIAL YEAR 2020

In early 2020, the COVID-19 virus began to spread globally. Considering the number of countries affected and deaths recorded, the spread of the virus was officially declared a pandemic by the World Health Organization on 11 March 2020.

In the context of the health emergency that has arisen, the governments of the affected countries have placed restrictions on the movement and assembly of people, quarantines, and limitations on economic activities. In Italy, after the so-called "lockdown" period, which ended in May 2020, restrictive and emergency measures are still in place, differentiated according to risk levels at territorial level.

When the seriousness of the pandemic became evident, also with specific reference to the territories in which the Group operates, Iren implemented first measures to protect its employees, using individual protection devices and promptly adopting, where possible, forms of remote work on a large scale thanks to the level of digitalisation achieved. In addition, service operations were structured to minimize the risk of exposure to contagion, particularly with regard to waste collection, network businesses and customer service desks, while ensuring the continuity of the service provided.

In the macroeconomic context, the slowdown in domestic industrial production and commercial activities following the emergency situation affected the Group's revenue performance, which nevertheless maintained stable margins. In particular, the contraction in industrial demand affected the disposal of special non-urban waste, the sale of electricity and gas to the small and large business segments and the quantities of electricity produced, especially in the thermoelectric sector. In this scenario, electric power prices, which were lower on average than in the previous year, were accompanied by a significant decrease in gas prices, influenced in part by mild weather conditions and lower demand in the European and global markets.

In the regulatory area, ARERA introduced measures to support end users of natural gas, electric power and water services during the lockdown period, reducing some rate components for electric power and halting the issuance of default proceedings and suspensions of supply to households and small businesses, providing subsequent instalment plans to make up for lateness in paying debt.

Given the persistence of the emergency situation, in November 2020 the Group also decided to stop until the end of the year, for small commercial activities in the so-called "red" or "orange" areas, the new actions of suspension/reduction of gas, electricity, water and district heating supplies due to arrears. At the same time, it made it possible for all customers in objective financial hardship to access payment instalments.

With reference to the possible liquidity difficulties of the customer portfolio linked to the measures to combat the pandemic and measures implemented to mitigate the economic and social impact of the crisis, the Group increased the provision for bad and doubtful debts by € 25 million due to the assessment of expected losses, particularly in the electricity and gas sales and integrated water service sectors.

Notwithstanding the above, and in spite of the emerging costs linked to the extraordinary situation, the impact on the economic and financial results for the year was on the whole limited, thanks to actions taken at all levels, to the financial strength of the Group and to its resilience due to the nature of the businesses in which it operates, including those of an essential nature (over 70% of margins are achieved in regulated or semi-regulated sectors). In fact, a reduction of € 15 million in EBITDA was recorded, in addition to an increase of € 25 million in the provision for bad and doubtful debts (see above), and an increase in trade receivables of approximately € 60 million.

The margins of the Group's operating chains recorded substantial overall stability, and planned investments did not slow down and were instead significantly higher (+30%) than in FY 2019.

These results confirm the resilience of Iren Group's multi-business model, also with reference to new opportunities deriving from energy efficiency incentives (e.g. 110% superbonus) issued by the Government in the emergency context to accelerate economic recovery; moreover, the liquidity generated by operating activities and that deriving from recent bond issues is sufficient to cover the needs deriving from management and planned investments, as well as to face the risk of non-collection of customer receivables. Finally, reference is made to the information contained in the "Goodwill" section of the Notes to the Financial Statements concerning *impairment tests* and the recoverable value of assets.

FINANCIAL POSITION, RESULTS OF OPERATIONS AND CASH FLOWS OF THE IREN GROUP

Income statement

IREN GROUP INCOME STATEMENT

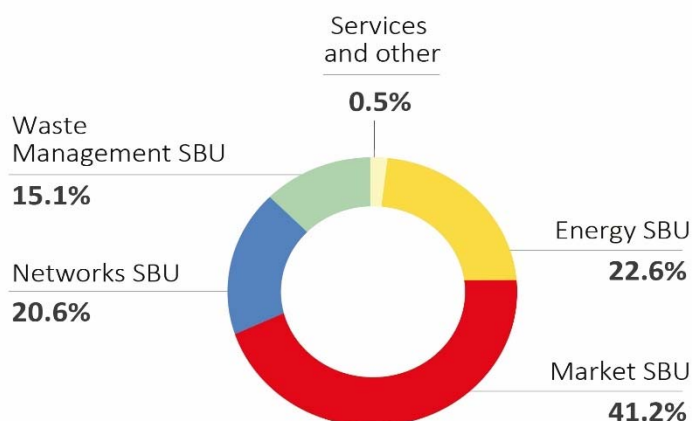
	thousands of €		
	FY 2020	FY 2019 Restated	Change %
Revenue			
Revenue from goods and services	3,537,250	4,081,333	(13.3)
Other income	188,211	193,373	(2.7)
Total revenue	3,725,461	4,274,706	(12.8)
Operating expenses			
Raw materials, consumables, supplies and goods	(1,021,501)	(1,410,798)	(27.6)
Services and use of third-party assets	(1,294,058)	(1,458,394)	(11.3)
Other operating expenses	(71,472)	(78,976)	(9.5)
Capitalised expenses for internal work	38,262	33,444	14.4
Personnel expense	(449,341)	(442,721)	1.5
Total operating expenses	(2,798,110)	(3,357,445)	(16.7)
GROSS OPERATING MARGIN (EBITDA)	927,351	917,261	1.1
Depreciation, amortisation, provisions and impairment losses			
Depreciation and amortisation	(440,910)	(403,563)	9.3
Provisions for impairment of receivables	(61,708)	(37,203)	65.9
Other provisions and impairment losses	(8,943)	(24,647)	(63.7)
Total amortisation, depreciation, provisions and impairment losses	(511,561)	(465,413)	9.9
OPERATING RESULT (EBIT)	415,790	451,848	(8.0)
Financial income and expenses			
Financial income	38,372	34,614	10.9
Financial expenses	(93,630)	(114,482)	(18.2)
Total financial income and expenses	(55,258)	(79,868)	(30.8)
Share of profit (loss) of associates accounted for using the equity method	6,535	4,477	46.0
Value adjustments on equity investments	(1,862)	558	(*)
Profit (loss) before tax	365,205	377,015	(3.1)
Income tax expense	(100,134)	(111,550)	(10.2)
Net profit (loss) from continuing operations	265,071	265,465	(0.1)
Net profit (loss) from discontinued operations	-	-	-
Net profit (loss) for the period	265,071	265,465	(0.1)
attributable to:			
- Profit (loss) for the period attributable to shareholders	235,322	236,362	(0.4)
- Profit (loss) for the period attributable to non-controlling interests	29,749	29,103	2.2

(*) Change of more than 100%

As required by IFRS 3, the 2019 cash flow balances have been recalculated to take into account, at the acquisition date, the effects of the completion, occurred in 2020, of the purchase price allocation at the final *fair value* of the assets and liabilities acquired (*Purchase Price Allocation*) of Ferrania Ecologia and Territorio e Risorse. For further information, refer to the section "Content and Structure of the Consolidated Financial Statements" in the Notes.

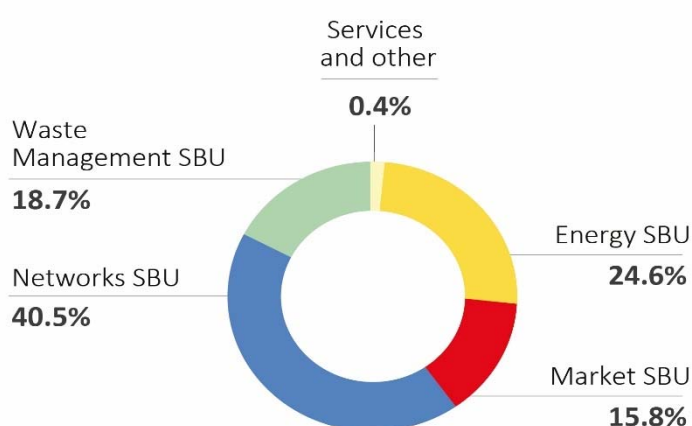
Revenue

As at 31 December 2020, the Group booked revenues of € 3,725.5 million, down by -12.8% compared to € 4,274.7 million in the FY 2019. The main reasons for the decrease in revenues are lower energy *commodity* prices, a reduction in unit sales of electric power caused in part by the *lockout* resulting from the Covid-19 health emergency, lower sales of natural gas and heat for district heating due to the particularly mild winter, and a decrease in the amount of electric power generated by the Group's facilities. The energy scenario, which was already weak at the beginning of the year, suddenly worsened from the end of February as the safety measures, put in place to cope with the spread of the COVID-19 virus, culminated in the total closure of production activities from the beginning of March until 4 May. The third quarter of 2020 saw an increase in thermoelectric power generation and a recovery in the price of electricity (NSP), which was still below the average price recorded for the same period in 2019. Only during the fourth quarter (months of November and December 2020) the price of electricity (NSP) was higher than that recorded in 2019.



Gross Operating Margin

Gross operating margin (EBITDA) amounted to € 927.4 million, up +1.1% compared to € 917.3 million in 2019. The trend for the margin was adversely affected by the particularly unfavourable energy and climate situation, mentioned above, the absence of certain non-recurring factors that had featured positively in last year's results, and the economic consequences of the COVID-19 pandemic. However, the Group's *multi-business* portfolio and the consolidation operations more than offset the adverse effects mentioned above; in fact, the improvements in the margins of the Market (+33.1%), Waste Management (+9.6%), and Networks (+0.9%) *business units* more than offset the decline reported by the Energy *business unit* (-16.7%).



Operating result

Operating profit (EBIT) amounted to € 415.8 million, down by -8% compared to € 451.8 million of the corresponding period of 2019.

Amortization and depreciation increased by approximately € 37 million during the year, due mainly to new investments becoming operational and the expansion of the scope of consolidation, as well as additions to the provision for bad and doubtful debts of approximately € 25 million, mainly related to an increase in the estimate of expected losses due to the economic crisis linked to the Covid-19 health emergency. In addition, net additions to the provisions for risks, net of reversals, decreased by approximately € 9 million and write-downs by approximately € 8 million.

Financial income and expenses

The revenue components show a balance of net financial expenses of € 55.3 million (79.9 million in 2019). Financial expenses amounted to 93.6 million, down (-20.9 million) compared to 2019. The decrease is mainly attributable to lower expenses for *liability management* transactions (-13.8 million); in addition, a decrease has been recorded in the average cost of financial debt, and lower interest, of an accounting nature, relating to outstanding *leases*, partially offset by higher charges for discounting provisions for charges.

Financial income for the year, which includes capital gains from the sale of non-controlling interests, amounted to € 38.4 million (+10.9% compared to 2019).

Share of profit (loss) of associates accounted for using the equity method

This item, which amounts to € +6.5 million (up from € +4.5 million in the previous financial year), includes the share of the pro-rata results of the Group's associates and *joint ventures*, the most significant referring to Aguas de San Pedro, SETA, ACOS, and ASA.

Value adjustments on equity investments

The item (negative by € 1.9 million, positive by € 0.6 million in 2019) comprises mainly the effect of the *fair value* restatement, at the date of acquisition of control, of the non-controlling interest in Nord Ovest Servizi.

Profit (loss) before tax

As a result of the above trends, consolidated profit before tax amounted to 365.2 million euro (377.0 million euro in the comparison period).

Income tax expense

Income tax for the period amounted to € 100.1 million (-10.2% compared to 2019, in correlation to the lower pre-tax result), with an effective tax rate for 2020 of 27.4% (29.6% in the cross year comparison). The decrease in the tax rate is linked to some extraordinary items relating to previous years and, in particular, among other things, to the IRES refund from IRAP deduction by the Revenue Agency. Not considering these elements of discontinuity, the tax rate would have been substantially in line with that of the previous year.

Net profit (loss) for the period

Therefore, a net profit has been booked for the period of € 265.1 million, unchanged compared to 2019. The figure is due to the profit pertaining to shareholders of 235.3 million euro, while profit attributable to minorities interests was 29.8 million euro.

Statement of Financial Position

IREN GROUP RECLASSIFIED STATEMENT OF FINANCIAL POSITION (1)

	thousands of €		
	31.12.2020	31.12.2019 Restated	Change %
Non-current assets	6,580,889	6,102,060	7.8
Other non-current assets (liabilities)	(421,336)	(444,550)	(5.2)
Net Working Capital	42,070	165,707	(74.6)
Deferred tax assets (liabilities)	165,835	158,170	4.8
Provisions for risks and employee benefits	(657,188)	(625,240)	5.1
Assets (Liabilities) held for sale	1,285	1,293	(0.6)
Net invested capital	5,711,555	5,357,440	6.6
Equity	2,763,528	2,651,313	4.2
Non-current financial assets	(166,522)	(148,051)	12.5
Non current financial debt	3,825,197	3,167,048	20.8
Non-current net financial debt	3,658,675	3,018,997	21.2
Current financial assets	(985,525)	(774,583)	27.2
Current financial debt	274,877	461,713	(40.5)
Current net financial debt	(710,648)	(312,870)	(*)
Net financial debt	2,948,027	2,706,127	8.9
Own funds and net financial debt	5,711,555	5,357,440	6.6

(*) Change of more than 100%

As required by IFRS 3, the financial position at 31 December 2019 has been restated to take into account, at the acquisition date, the effects of completion, occurred in 2020, of the purchase price allocation at the final *fair value* of the assets and liabilities acquired (*Purchase Price Allocation*) of Ferrania Ecologia and Territorio e Risorse. For further information, refer to the section "Content and Structure of the Consolidated Financial Statements" in the Notes.

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

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

Non-current assets at 31 December 2020 amounted to € 6,580.9 million, up compared to 31 December 2019, when they were 6,102.1 million euro. The increase of € +478.8 million was mainly due to the effect of the following determinants:

- technical investments in property, plant and equipment (€ +685.2 million) and depreciation and amortisation (€ -440.9 million) in the period;
- M&A transactions:
 - the assets of the so-called "Unieco Environment Division", relating to waste treatment plants and equity investments for a total of € 156.1 million;
 - the district heating network and the equity investment in Nove, included in the SEI Energia business unit, for a total of € 24.2 million;
 - the assets of I.Blu, mainly relating to plastic processing plants (€ 40.2 million);
 - the investment in Asti Servizi Pubblici resulting from the consolidation of Nord Ovest Servizi (€ 9.8 million);
- the recognition of rights of use in application of IFRS 16 - Leases for € 10.9 million, largely relating to lease contracts for buildings used for operating activities.

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

The increase in Other non-current assets (liabilities) (amounting to € 23.3 million) refers mainly to receivables owed by the tax authorities for energy efficiency incentives for buildings.

Net Working Capital decreased by € 123.6 million to € 42.1 million compared to €165.7 million as at 31 December 2019. The change is due to the performance of the commercial and tax components, as well as the increase in the provision for bad and doubtful debts.

"Provisions for Risks and Employee Benefits" amounted to € 657.2 million, an increase of 31.9 million compared with 31 December 2019; the change is mainly attributable to liabilities assumed following the consolidation of the Unieco Environment Division, relating to the future post-operating management of landfills in operation.

Equity amounted to 2,763.5 million euro, compared to the 2,651.3 million euro of 31 December 2019 (+112.2 million euro). The change refers to the effect of the net result (+265.1 million), dividends paid (-148.9 million), the trend of the *cash flow hedge* reserve linked to interest rate and *commodities* hedging derivatives (+17.5 million), the change in the scope of consolidation (+9.0 million), the purchase of own shares (-25.6 million), and other changes (4.9 million).

Net financial debt at end of the period amounted to € 2,948.0 million, an increase of € 241.9 million compared to 31 December 2019 (+8.9%) mainly due to the significant investments in the period, growth through acquisitions and dividend payments, partly offset by the dynamics of operating cash flow. For more details please see the analysis of the statement of cash flows presented below.

IREN GROUP CASH FLOW STATEMENT

Change in net financial debt

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

	thousands of €		
	FY 2020	FY 2019 Restated	Change %
Starting Net Financial (debt)	(2,706,127)	(2,452,806)	10.3
Result for the period	265,071	265,465	(0.1)
Adjustments for non-financial transactions	747,655	718,991	4.0
Utilisations of employee benefits	(7,096)	(10,950)	(35.2)
Utilisations of provisions for risks and other charges	(30,463)	(42,306)	(28.0)
Change other non-current assets and liabilities	(27,363)	10,827	(*)
Other changes in capital	(96,981)	(37,635)	(*)
Taxes paid	(102,328)	(157,924)	(35.2)
Operating cash flow before changes in NWC	748,495	746,468	0.3
Cash flows from changes in NWC	73,018	(21,817)	(*)
Operating cash flow	821,513	724,651	13.4
Investments in property, plant and equipment and intangible assets	(685,150)	(523,985)	30.8
Investments in financial assets	(50)	(277)	(81.9)
Proceeds from sale of investments and changes in assets held for sale	11,289	5,955	89.6
Change in consolidation scope	(197,824)	(64,795)	(*)
Dividends received	2,787	1,784	56.2
Total cash flows from/(used in) investing activities	(868,948)	(581,318)	49.5
Free cash flow	(47,435)	143,333	(*)
Cash flows of equity capital	(174,540)	(159,176)	9.7
Other changes	(19,925)	(237,478)	(91.6)
Change in net financial (debt)	(241,900)	(253,321)	(4.5)
Closing Net financial (debt)	(2,948,027)	(2,706,127)	8.9

(*) Change of more than 100%

As required by IFRS 3, the 2019 cash flow presentation has been recalculated to take into account, at the acquisition date, the effects of the completion, occurred in 2020, of the purchase price allocation at the final *fair value* of the assets and liabilities acquired (*Purchase Price Allocation*) of Ferrania Ecologia and Territorio e Risorse. For further information, refer to the section "Content and Structure of the Consolidated Financial Statements" in the Notes.

The increase in financial debt derives from the following determinants:

- *operating cash flow* of € +821.5 million, upwards (+13.4%) compared with the same period of the previous year, when it amounted to € +724.7 million;
- *cash flow from investing activities* (-868.9 million), which includes mainly technical investments for the period (685.2 million, up significantly from 524.0 million in 2019).
The item "Change in consolidation scope" includes the effect of the consideration paid and the net debt assumed of -197.8 million for the acquisition of the Unieco Environment Division, the district heating business unit of SEI Energia, I.Blu, Nord Ovest Servizi, and Asti Energia e Calore;
- the cash flows of equity capital of € -174.5 million, which includes dividends approved (€ -148.9 million) and the purchase of treasury shares (€ -25.6 million);
- the item "*Other changes*", amounting to -19.9 million, includes net financial charges, the positive change in the *fair value* of derivatives hedging interest rate and *commodity* risks, and the effect of recognition of new *lease* agreements falling within the scope of IFRS 16. The 2019 comparative figure of -237.5 million included, among others, the effect of the first-time application of IFRS 16 (-105 million) and a negative change in the fair value of hedging derivative instruments.

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

SEGMENT REPORTING

The Iren Group identifies the following business segments:

- Networks (Electricity distribution networks, Gas distribution networks, Integrated Water Service)
- Waste Management (Waste collection and disposal)
- Energy (Hydroelectric Production and production from other renewable sources, Combined Heat and Power, District Heating Networks, Thermoelectric Production, Public Street Lighting, Global services, Heat management, Energy efficiency services)
- Market (Sale of electricity, gas, heat and other customer services)
- Other services (Laboratories, Telecommunications and other minor services).

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

For a proper interpretation of the income statements relating to individual businesses presented and commented on below, revenue and expense referring to overhead activities were fully allocated to the businesses based on actual usage of the services provided or according to technical and economic drivers. Given the fact that the Group mainly operates in one area, the following segment information does not include a breakdown by geographical area.

Net invested capital compared to the figures as at 31 December 2019 restated and the income statements for the FY 2020 (up to the operating performance) are presented below by business segment, compared with the figures for the restated FY 2019. As at 31 December 2020, non-regulated activities contributed to the formation of EBITDA for 29% (27% as at 31 December 2019), regulated activities accounted for 49% (unchanged compared to the corresponding period of 2019), while semi-regulated activities account for 22% (24% in 2019).

Reclassified statement of financial position by business segment at 31 December 2020

	millions of €						
	Networks	Environment	Energy	Market	Other services	Non-allocable	Total
Non-current assets	2,980	1,233	1,953	202	35	178	6,581
Net Working Capital	(101)	63	20	58	2		42
Other non-current assets and liabilities	(601)	(207)	(86)	(18)	1		(911)
Net invested capital (NIC)	2,278	1,089	1,887	242	38	178	5,712
Equity							2,764
Net financial debt							2,948
Own funds and net financial debt							5,712

Reclassified statement of financial position by business segment at 31 December 2019 restated

millions of €

	Networks	Environment	Energy	Market	Other services	Non-allocable	Total
Non-current assets	2,823	1,037	1,884	175	38	145	6,102
Net Working Capital	(69)	64	87	70	13		165
Other non-current assets and liabilities	(603)	(171)	(139)	0	3		(910)
Net invested capital (NIC)	2,151	930	1,832	245	54	145	5,357
Equity							2,651
Net financial debt							2,706
Own funds and net financial debt							5,357

Income Statement by business segment FY 2020

millions of €

	Networks	Environment	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	1,041	765	1,145	2,085	25	(1,336)	3,725
Total operating expenses	(665)	(591)	(917)	(1,938)	(22)	1,336	(2,798)
Gross Operating Margin (EBITDA)	376	173	228	147	3	-	927
Net am./depr., provisions and impairment losses	(190)	(123)	(117)	(80)	(3)		(512)
Operating result (EBIT)	186	50	111	67	1	-	415

Income Statement by 2019 business segments restated

millions of €

	Networks	Environment	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	1,046	715	1,473	2,746	22	(1,727)	4,275
Total operating expenses	(673)	(557)	(1,199)	(2,636)	(20)	1,727	(3,358)
Gross Operating Profit (EBITDA)	373	158	274	110	2	-	917
Net am./depr., provisions and impairment losses	(175)	(102)	(134)	(53)	(1)	-	(465)
Operating result (EBIT)	198	56	140	57	1	-	452

Networks SBU

As at 31 December 2020, the Networks business segment, which includes the Gas Distribution, Electricity and Integrated Water Service businesses, reported revenues of € 1,040.9 million, downwards slightly by -0.5% compared to € 1,046.4 million in FY 2019.

EBITDA was equal to € 375.8 million, an increase of +0.9% compared to € 372.5 million in 2019, while the operating result was of € 186.0 million, down by -5.9% compared to € 197.7 million in 2019.

The increase in EBITDA was offset by a rise in depreciation and amortization of approximately € 12 million due to higher capital expenditures and a € 10 million increase in provisions for bad and doubtful debts caused by the Covid-19 health emergency, offset in part by a reduction in the provisions for risks and a decrease in write-downs of approximately € 8 million.

		FY 2020	FY 2019	Changes %
Revenue	€/mln	1,040.9	1,046.4	(0.5)
Gross Operating Margin (EBITDA)	€/mln	375.8	372.5	0.9
<i>EBITDA Margin</i>		<i>36.1%</i>	<i>35.6%</i>	
	<i>from Electricity Networks</i>	€/mln 79.3	74.9	5.9
	<i>from Gas Networks</i>	€/mln 85.3	88.7	(3.9)
	<i>from Integrated Water Service</i>	€/mln 211.2	208.9	1.1
Operating Result (EBIT)	€/mln	186.0	197.7	(5.9)
Investments	€/mln	293.9	297.1	(1.1)
	<i>in Electricity Networks</i>	€/mln 52.5	48.8	7.7
	<i>in Gas Networks</i>	€/mln 50.6	53.6	(5.5)
	<i>in Integrated Water Service</i>	€/mln 182.3	187.3	(2.7)
	<i>in generic services</i>	€/mln 8.5	7.4	14.5
Electricity distributed	GWh	3,587.3	3,818.8	(6.1)
Gas introduced into the network	Million m3	1,266.0	1,289.3	(1.8)
Water sold	Million m3	175.1	174.9	0.1

The changes in gross operating profit for the segments concerned are illustrated below.

Networks SBU - Electricity

Gross operating profit (EBITDA) amounted to € 79.3 million, upwards +5.9% compared to € 74.9 million in 2019. The increase in the margin is due to an increase in tariff revenues of approximately € 1 million and the operating synergies achieved during the period.

Investments of € 52.5 million were booked for the period, upwards by +7.7% compared to the € 48.8 million in 2019, concerning mainly new connections, line resilience activities, and the construction of new LV/MV substations and lines, as well as the completion of some primary substations.

Networks SBU - Gas Distribution

Gross operating profit (EBITDA) amounted to € 85.3 million, up -3.9% from € 88.7 million in 2019. The decrease in the margin is due to various factors, including the unfavourable effects deriving from the revision of the tariff method (5th regulatory period), only partially offset by the positive effects on tariffs related to the increase in investments. In addition to the regulatory effect, higher costs have been booked in relation to the energy efficiency certificates (EEC) required to meet the obligation and extraordinary losses related to the recalculation of gas leakage, as well as the effects of components that had positively characterized 2019 and are non-recurring.

Investments in the period amounted to € 50.6 million, down by -5.5% compared to € 53.6 million in 2019, and concerned mainly the areas subject to ARERA resolutions, specifically, the adjustment of the cathodic protection network and the installation of electronic meters.

The latter activity, suspended during the *lockdown* period, resumed from the beginning of May, albeit at a slow pace due to compliance with Covid-19 protocols.

Networks SBU - Water Cycle

Gross operating profit (EBITDA) amounted to € 211.2 million, upwards +1.1% compared to € 208.9 million in 2019. The increase in the margin is attributable to the restriction on tariff revenues (VRG), in which the components related to the increase in rateable investments (RAB) more than offset the reduction in other components linked to the tariff revision envisaged by the new regulatory period (MTI-3), and to greater synergies on operating costs, which made it possible to offset the absence of some contingencies from the previous year that are no longer repeatable, linked to the adjustment of past tariff items.

Investments in the period totalled € 182.3 million, slightly declining by -2.7% compared to the € 187.3 million in 2019, and concerned the construction, development and extraordinary maintenance of distribution networks and plants, the sewerage network and, in particular, the construction of new water treatment plants and the replacement and installation of mainly remote-reading metering units.

In addition, common fund investments of € 8.5 million were booked, particularly in information and e-mobility services, across the businesses.

Waste Management SBU

As at 31 December 2020, the sector's revenues amounted to € 764.8 million, an increase of +7% compared to 714.9 million in 2019. The increase is mainly due to the expansion of the scope of consolidation related to the companies I.Blu (€ +19.7 million) consolidated from August 2020, and the companies of the Environment Division of the UNIECO Group (€ +29.7 million) consolidated from 1 November 2020. On the other hand, energy revenues and revenues from waste disposal activities decreased, only partially absorbed by higher revenues from commercial brokerage and special waste management activities.

		FY 2020	FY 2019 (restated)	Changes %
Revenue	€/mln	764.8	714.9	7.0
Gross Operating Margin (EBITDA)	€/mln	173.3	158.1	9.6
<i>EBITDA Margin</i>		22.7%	22.1%	
Operating Result (EBIT)	€/mln	50.1	55.5	(9.5)
Investments	€/mln	116.3	76.4	52.2
Electricity sold	GWh	519.5	507.3	2.4
Thermal energy produced	GWht	207.5	173.1	19.9
Waste managed	tonnes	3,081,055	2,835,310	8.7
Emilia area separate waste collection	%	78.3	77.0	1.7
Piedmont area separate waste collection	%	56.0	54.8	2.2
Liguria area separate waste collection	%	74.2	74.1	0.2

Gross operating profit (EBITDA) of the segment amounted to € 173.3 million, upwards +9.6% compared to € 158.1 million in 2019. The increase in margin is attributable for approximately € 11 million to the change in the scope of consolidation of I.Blu and the companies in the UNIECO Environment Division.

On the other hand, revenues from electricity produced by the waste-to-energy plants were down sharply as a result of the fall in electricity prices (average NSP € 38.9/MWh, -25.7%), which was only partially offset by the improved value of green certificates produced (€ 99.1/MWh, +7.5%) and lower volumes of special waste treated and disposed of in landfills as a result of the Covid-19 health emergency. These negative factors were only partially offset by higher revenues from municipal waste management activities, and, specifically, from collection and intermediation activities.

Operating profit (EBIT) amounted to € 50.1 million, down by -9.5% compared to € 55.5 million in the corresponding period of 2019. Higher amortizations were booked during the year for approximately € 11 million, partly related to the expansions of the scope, higher provisions to the bad debt provision for approximately € 4 million, higher provisions for risks for € 8 million and lower write-downs for approximately € 4 million.

Investments made during the year amounted to € 116.3 million, upwards sharply from € 76.4 million in the corresponding period of 2019. The main investments in the period include those relating to the *revamping* of the Cairo Montenotte biodigester, the construction of the paper and plastic sorting plant in Parma, the vehicles and equipment for door-to-door collection in Turin, and the development of the new Just Iren management system.

SBU Energia

As at 31 December 2020, revenues of the Energy SBU, which includes power generation and heat management, public lighting and energy efficiency activities, amounted to € 1,144.7 million, down -22.3% compared to € 1,473.3 million in 2019. The main reason for the sharp decline in revenues is the drop in sales prices for electric power (approximately € -260 million) caused by the unfavourable energy scenario, in addition to a decrease in electric power production (approximately € -40 million). The contraction in revenue was also affected by lower prices and volumes of district heating heat due to the particularly mild weather (approximately € -20 million) and lower income from energy securities compared to 2019 (€ -26 million). Only revenues from services increased (+ 25 million euros).

		FY 2020	FY 2019	Changes %
Revenue	€/mln	1,144.7	1,473.3	(22.3)
Gross Operating Margin (EBITDA)	€/mln	228.1	273.9	(16.7)
<i>EBITDA Margin</i>		19.9%	18.6%	
Operating Result (EBIT)	€/mln	111.3	139.7	(20.3)
Investments	€/mln	171.6	67.4	(*)
Electricity produced	GWh	9,444.5	9,711.9	(2.8)
<i>from hydroelectric and other renewable sources</i>	GWh	1,283.7	1,321.0	(2.8)
<i>from thermoelectric cogeneration sources</i>	GWh	5,454.5	5,920.2	(7.9)
<i>from conventional thermoelectric sources</i>	GWh	2,706.3	2,470.7	9.5
Heat produced	GWht	2,736.3	2,820.7	(3.0)
<i>from cogeneration sources</i>	GWht	2,230.0	2,380.9	(6.3)
<i>from non-cogeneration sources</i>	GWht	506.3	439.8	15.1
District heating volumes	Million m3	96.7	95.0	1.9

(*) Change of more than 100%

As at 31 December 2020, electricity produced was 9,444.5 GWht, downwards -2.8% compared to 9,711.9 GWht of the previous year 2019.

Total thermoelectric production amounted to 8,160.8 GWh, of which 5,454.5 GWh from cogeneration sources, down by -7.9% compared to 5,920.2 GWh in 2019 and 2,706.3 GWh from conventional thermoelectric sources, an increase of + 9.5% compared to 2,470.7 GWh in the corresponding period of 2019.

Production from renewable sources amounted to 1,283.7 GWh, of which 1,262.7 GWh deriving from hydroelectric sources and, marginally, approximately 21 GWh from other renewables (photovoltaic); overall production is down by -2.8% compared to 1,321 GWh in 2019 mainly due to the partial use, however planned, of the Piantonetto reservoir.

Heat production for the period was 2,736.3 GWht, down -3% compared to the 2,820.7 GWht in 2019. Overall, district heating volumes amounted to approximately 96.7 Mmc up +1.9% compared to approximately 95 Mmc in 2019.

EBITDA amounted to € 228.1 million, down by -16.7% compared to € 273.9 million in 2019.

The FY 2020 was characterised by a scenario in which domestic electricity demand was 302.8 TWh, down by -5.3% compared to 319.6 TWh in 2019 (as at 30 June demand was down by -8.8% and as at 30 September by -6.9%) with an average electricity price (NSP) of € 38.9/MWh, down by -25.7% compared to € 52.3/MWh in 2019.

The NSP trend, already down as of the beginning of the year compared to 2019, widened the fall matching the *lockdown* measure related to the Covid-19 health emergency (17 March - 4 May) which, by reducing demand, further pushed the energy price towards the minimum values recorded in May 2020 (€ 21.8/MWh). Since the third quarter of 2020, the NSP value has been recovering but characterized by high volatility related to pandemic containment actions, availability of hydroelectric generation and higher gas prices.

The concurrent impact of a contraction in sales of electric power and heat and a sharp reduction in unit prices and margins on electric power generation had a significant impact on the SBU's margins, which were offset only in part by improved results from the dispatching service (MSD) and, starting in the third quarter of 2020, by an increase in scheduled thermoelectric generation.

Furthermore, it affects negatively, in the comparison with the previous year, the absence of some extraordinary items of 2019, non-recurring.

The energy efficiency sector compensates, albeit only partially, for the above-mentioned effects and, thanks to activities related to energy re-qualification and building renovation favoured by recent tax breaks (e.g., façade bonus), records positive increases of approximately € 3 million.

The operating result of the energy sector amounted to € 111.3 million, down by -20.3% compared to € 139.7 million in 2019. Depreciation and amortization for the period increased by approximately € 3 million compared to 2019, mainly due to the resumption of amortization in the hydroelectric sector on devolvable works (Law No. 12 of 11 February 2019); a decrease was recorded in provisions of approximately € 10 million and a higher release of provisions due to the non-existence of related risks of approximately € 13 million (of which € 18.7 million related to additional past hydroelectric fees).

Investments for the period amounted to € 171.6 million, up from € 67.4 million in 2019, and related mainly to the start of expansion activities at the Turbigo thermoelectric power plant, which will increase the plant's installed capacity from 850 to 1,280 MW.

Market SBU

As at 31 December 2020, the segment's revenues amounted to € 2,084.6 million, down by -24.1% compared to € 2,745.6 million in 2019. The decrease in revenues reflects a reduction in unit sales, which were down due to the halt in productive activities caused by the Covid-19 health emergency, and a particularly mild winter, and a reduction in the price of energy *commodities*. This trend characterised the entire fiscal year, with prices recovering from the third quarter onwards but still below the values of the corresponding period of 2019.

Despite the contraction in revenues, EBITDA amounted to € 147.0 million, an increase of + 33.1% compared to € 110.4 million in 2019. This increase is attributable both to sales of electric power and natural gas and reflects primarily an improvement in unit sales margins, which more than offset the negative impact of the drop in unit sales caused by the Covid-19 health emergency.

The operating result amounted to € 67.3 million, an increase of + 17.2% compared to the € 57.5 million in the corresponding period of 2019. The positive trend in EBITDA was offset in part by: higher depreciation and amortization (approximately € 9 million); increased provisions for bad and doubtful debts (approximately € 14 million), reflecting an increase in the estimate of expected losses due to the economic crisis related to the Covid-19 health emergency; and lower releases of provisions and write-downs (approximately € 2 million).

		FY 2020	FY 2019	Changes %	
Revenue	€/mln	2,084.6	2,745.6	(24.1)	
Gross Operating Margin (EBITDA)	€/mln	147.0	110.4	33.1	
EBITDA Margin		7.0%	4.0%		
	<i>from Electricity</i>	€/mln	55.5	34.9	58.9
	<i>from Gas</i>	€/mln	86.1	71.3	20.8
	<i>from Heat and other services</i>	€/mln	5.3	4.1	29.2
Operating Result (EBIT)	€/mln	67.3	57.5	17.2	
Investments		50.6	40.8	23.9	
Electricity Sold	GWh	7,295.9	9,447.4	(22.8)	
Gas Purchased	Million m3	3,017.7	3,014.2	0.1	
	<i>Gas sold by the Group</i>	Million m3	1,080.4	1,065.2	1.4
	<i>Gas for internal use</i>	Million m3	1,728.2	1,760.2	(1.8)
	<i>Gas in storage</i>	Million m3	209.1	188.8	10.7

Sale of electricity

The volumes of electricity sold on the free market, net of pumping, grid losses, dedicated withdrawals and including imbalances, amounted to 6,924.1 GWh, down by -23.3% compared to 9,033 GWh in the corresponding period of 2019.

The decrease in the deregulated market affected all customer segments, particularly the business segment (-34.1%), due in part to the effect of the reduction in Consip and small business contracts (-24.2%), which are most affected by the effects of the COVID-19 pandemic.

Sales in the protected market amounted to 371.8 GWh, down by -10.3% compared to 414.5 GWh in the FY 2019.

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

	<i>GWh</i>		
	FY 2020	FY 2019	Changes %
<i>Business</i>	3,161.7	4,794.8	(34.1)
<i>Small business</i>	576.0	760.3	(24.2)
<i>Retail</i>	1,283.3	1,554.0	(17.4)
<i>Wholesalers</i>	1,903.1	1,923.9	(1.1)
Free market	6,924.1	9,033.0	(23.3)
Protected market	371.8	414.5	(10.3)
<i>Imbalances, pumping, network losses and dedicated withdrawals</i>	410.1	433.3	(5.4)
Total Electricity sold	7,706.0	9,880.7	(22.0)

EBITDA from the sale of electricity amounts to € 55.5 million, an improvement of + 58.9% compared to € 34.9 million in 2019. This increase is due to an improved unit margin and the development of the customer portfolio, which made it possible to offset the negative impact of a reduction in sales volumes caused by the Covid-19 emergency.

Sale of Natural Gas

Purchased volumes amounted to 3,017.7 Mm³, essentially unchanged (+0.1%), compared to 3,014.2 Mm³ in 2019.

The gas sold by the group amounted to 1,080.4 Mmc up +1.4% compared to 1,065.2 Mmc in 2019 thanks to higher sales to wholesalers; all other customer segments recorded a contraction.

Gas used for internal consumption within the Group amounted to 1,728.2 Mm³, down -1.8% compared to 1,760.2 Mm³ in FY 2019.

EBITDA from gas sales amounts to € 86.1 million, an increase of + 20.8% compared to € 71.3 million in 2019. The positive margin performance is due to improvements in unit sales margins and also to an improvement in the retail sales quota (QVD) component, which made it possible to absorb the lower quantities of gas sold (all business segments were down, except for trading) caused by a particularly mild heating season and the negative effects of the economic crisis resulting from the Covid-19 health emergency.

Sales of heat and other services

Heat sales and other services recorded an EBITDA of € 5.3 million, up from € 4.1 million in 2019. The improvement in the margin is due to the commercial activities of Iren plus and Iren go, the two new business lines for the marketing of goods and services ancillary to the supply of commodities and electric mobility.

Investments made during the year amounted to € 50.6 million, upwards from € 40.8 million in the corresponding period of 2019.

Services and other

As at 31 December 2020 the revenues of the sector, which includes the activities of the analysis laboratories, telecommunications and other minor activities, amounted to € 24.9 million and were up by + 10.9% compared to € 22.5 million in the corresponding period of 2019.

		FY 2020	FY 2019	Changes %
Revenue	€/mln	24.9	22.5	10.9
Gross Operating Margin (EBITDA)	€/mln	3.3	2.5	32.0
<i>EBITDA Margin</i>		<i>13.2%</i>	<i>10.9%</i>	
Operating Result (EBIT)	€/mln	1.0	1.5	(33.3)
Investments	€/mln	52.8	42.3	24.8

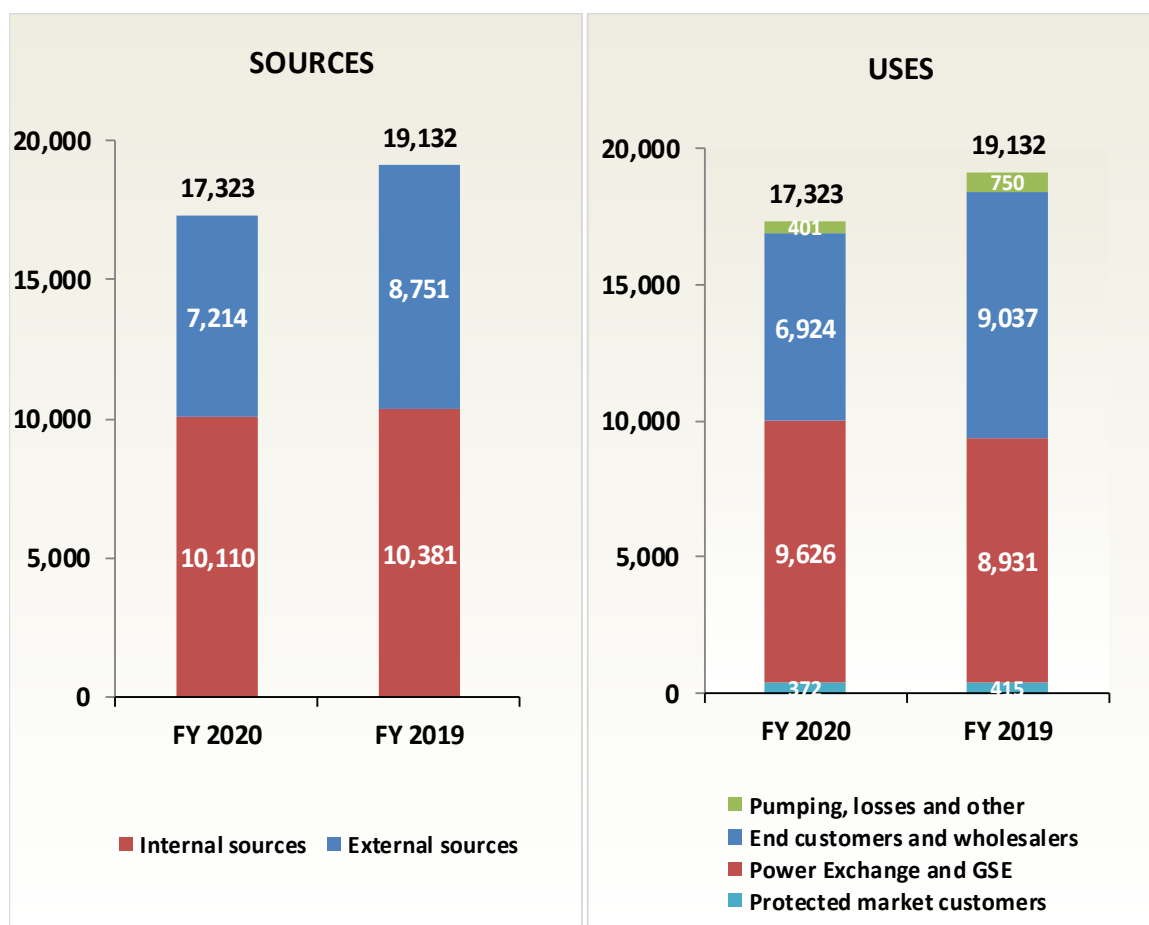
EBITDA amounts to € 3.3 million, upwards compared to € 2.5 million in 2019.

Investments for the period amounted to € 52.8 million and related mainly to corporate activities: information systems, vehicles and real estate services.

ENERGY BALANCES

Electricity balance sheet

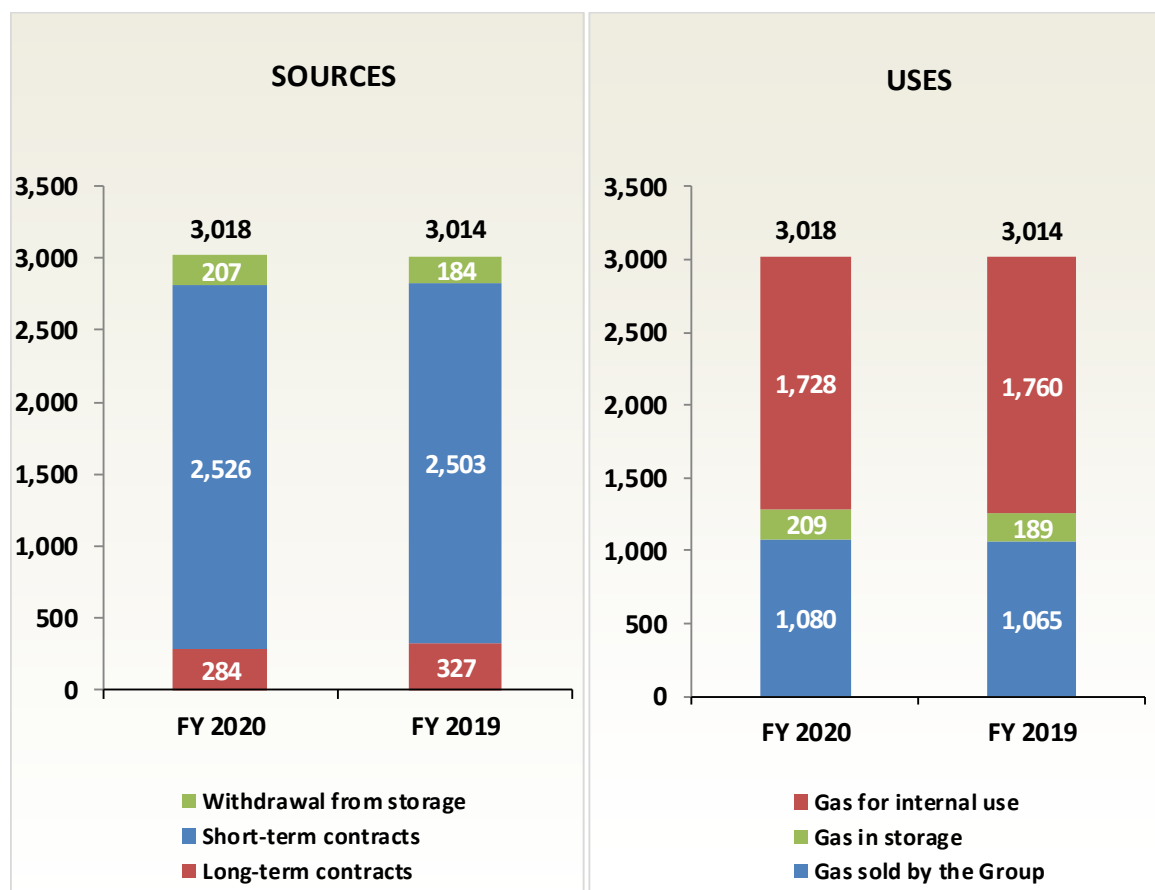
GWh	FY 2020	FY 2019	Changes %
SOURCES			
The Group's gross production	10,109.7	10,380.9	(2.6)
<i>a) Hydroelectric and other renewables</i>	1,315.7	1,352.4	(2.7)
<i>b) Cogeneration</i>	5,454.5	5,920.2	(7.9)
<i>c) Thermoelectric</i>	2,706.3	2,470.7	9.5
<i>d) Production from WTE plants and landfills</i>	633.2	637.6	(0.7)
Purchases from Acquirente Unico [Single Buyer]	410.5	457.6	(10.3)
Energy purchased on the Power exchange	6,308.4	7,706.0	(18.1)
Energy purchased from wholesalers and imports	494.6	587.8	(15.9)
Total Sources	17,323.2	19,132.3	(9.5)
USES			
Sales to protected market customers	371.8	414.5	(10.3)
Sales to end customers and wholesalers	6,924.1	9,037.0	(23.4)
Sales on the Power exchange and GSE	9,626.3	8,931.0	7.8
Pumping, losses and other	401.0	749.8	(46.5)
Total Uses	17,323.2	19,132.3	(9.5)



Gas balance sheet

Millions of m ³	FY 2020	FY 2019	Changes %
SOURCES			
Long-term contracts	284.4	327.4	(13.1)
Short-term contracts	2,526.2	2,503.0	0.9
Withdrawals from storage	207.1	183.8	12.7
Total Sources	3,017.7	3,014.2	0.1
USES			
Gas sold by the Group	1,080.4	1,065.2	1.4
Gas for internal use (1)	1,728.2	1,760.2	(1.8)
Gas in storage	209.0	188.8	10.7
Total Uses	3,017.7	3,014.2	0.1

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



FINANCIAL POSITION, RESULTS OF OPERATIONS AND CASH FLOWS OF IREN S.P.A.

Income statement

INCOME STATEMENT OF IREN S.p.A.

	thousands of €		
	FY 2020	FY 2019	Change %
Revenue			
Revenue from goods and services	218,968	198,929	10.1
Other income	12,964	14,712	(11.9)
Total revenue	231,932	213,641	8.6
Operating expenses			
Raw materials, consumables, supplies and goods	(12,313)	(13,579)	(9.3)
Services and use of third-party assets	(128,802)	(112,745)	14.2
Other operating expenses	(9,157)	(7,870)	16.4
Capitalised expenses for internal work	4,966	3,070	61.8
Personnel expense	(73,685)	(70,046)	5.2
Total operating expenses	(218,991)	(201,170)	8.9
Gross Operating Margin (EBITDA)	12,941	12,471	3.8
Depreciation, amortisation, provisions and impairment losses			
Depreciation and amortisation	(31,356)	(26,602)	17.9
Provisions for impairment of receivables	-	(350)	(100.0)
Other provisions and impairment losses	96	8,127	(98.8)
Total depreciation, amortisation, provisions and impairment losses	(31,260)	(18,825)	66.1
Operating result (EBIT)	(18,319)	(6,354)	(*)
Financial income and expenses			
Financial income	290,011	331,644	(12.6)
Financial expenses	(65,834)	(87,110)	(24.4)
Total financial income and expenses	224,177	244,534	(8.3)
Value adjustments on equity investments	-	-	-
Profit (loss) before tax	205,858	238,180	(13.6)
Income tax expense	4,205	3,234	30.0
Net profit (loss) from continuing operations	210,063	241,414	(13.0)
Net profit (loss) from discontinued operations	-	-	-
Net profit (loss) for the period	210,063	241,414	(13.0)

(*) Change of more than 100%

Revenue

Total revenue for Iren S.p.A. was € 231.9 million (upwards compared to the 213.6 million in 2019), primarily relating to *corporate* service activities provided to Group companies.

Operating expenses

Operating expenses amounted to € 219.0 million, upwards compared to the FY 2019 figure (201.1 million) due in particular to costs for services, attributable to the management of staff activities in favour of Group companies and, specifically, the management of information systems. This increase in the cost base is reflected in the revenue trend described above.

Other expenses are higher than in the previous year with reference to property taxes on the property complexes repurchased at the beginning of the year.

Depreciation, amortisation, provisions and impairment losses

Depreciation, amortisation, provisions and impairment losses amounted to 31.3 million euro.

Depreciation and amortization, which amounted to € 31.4 million, compared to € 26.6 million in the previous year, were up due to the effect of the *release of* recent significant investments in the IT area.

The item of net provisions is substantially nil; the net releases of the previous year, amounting to € 8.1 million, referred instead to the absence of risks for charges relating to office buildings rented from the real estate fund, subject to redemption at the beginning of 2020.

Financial income and expenses

The balance between financial income and expense was positive at 224.2 million euro.

Analysing the breakdown of the items, financial income, amounting to € 290.0, million, mainly includes dividends from subsidiaries of € 236.4 million (€ -30.1 million compared to 2019) and interest income on loans to subsidiaries, associates and joint ventures of € 52 million (€ -10.9 million compared to the previous year, which included throughout the period interest on the shareholders' loan to OLT Offshore LNG Toscana, subject to sale at the beginning of 2020).

Financial expense totalled € 65.8 million, consisting mainly of interest expense paid on long-term bonds (€ 54.7 million) and charges incurred to close out derivative positions that do not qualify for hedge accounting (€ 6.4 million). The significant decrease compared to the figure for 2019, i.e. 87.1 million, is attributable to the lower expenses for *liability* management operations, reinforced by the reduction in the average cost of financial debt and interest expense, of an accounting nature, related to existing *leases*.

Profit (loss) before tax

As a consequence of the trends illustrated above, the profit before tax was € 205.9 million, downwards compared to 238.2 million in 2019.

Income tax expense

Income taxes were positive (4.2 million euro), owing to a negative taxable income deriving from the non-taxability of 95% of the dividends received.

Net profit (loss) for the period

Including taxes for the year, there was a profit of 210.1 million euro.

Statement of Financial Position

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

	thousands of €		
	31.12.2020	31.12.2019	Change %
Non-current assets	2,793,166	2,770,445	0.8
Other non-current assets (liabilities)	(7,977)	(8,902)	(10.4)
Net Working Capital	(38,782)	61,576	(*)
Deferred tax assets (liabilities)	10,090	12,760	(20.9)
Provisions for risks and employee benefits	(32,485)	(37,411)	(13.2)
Assets (Liabilities) held for sale	240	240	-
Net invested capital	2,724,252	2,798,708	(2.7)
Equity	1,971,907	1,908,159	3.3
<i>Non-current financial assets</i>	<i>(2,225,873)</i>	<i>(1,810,266)</i>	23.0
<i>Non-current financial debt</i>	<i>3,490,489</i>	<i>2,835,231</i>	23.1
Non-current net financial debt	1,264,616	1,024,965	23.4
<i>Current financial assets</i>	<i>(819,208)</i>	<i>(621,458)</i>	31.8
<i>Current financial debt</i>	<i>306,937</i>	<i>487,042</i>	(37.0)
Current net financial debt	(512,271)	(134,416)	(*)
Net financial debt	752,345	890,549	(15.5)
Own funds and net financial debt	2,724,252	2,798,708	(2.7)

(*) Change of more than 100%

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

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

Non-current assets at 31 December 2020 amounted to € 2,793.1 million, up compared to 31 December 2019, when they were € 2,770.4 million. The increase (+22.7 million) was mainly due to the effect of the following determinants:

- technical investments in tangible and intangible fixed assets (+51.2 million), mainly relating to motor vehicles, property redevelopment and IT implementations, disposals (-2.3 million) and amortization (-31.4 million) for the period;
- the recognition of rights of use in application of IFRS 16 - *Leases* for € 5.2 million, mostly relating to lease contracts from Group companies for buildings used for management activities.

The decrease in Net Working Capital, which was negative at the end of 2020 (€ -38.8 million), is attributable primarily to the Group's VAT positions with its subsidiaries and, to a lesser extent, to trade receivables due from them in connection with the corporate services provided.

"Provisions for Risks and Employee Benefits" amounted to € 32.5 million and decreased by € 4.9 million compared to 31 December 2019, largely as a result of disbursements in the period of the provision set aside for early retirement of personnel.

Equity amounted to € 1,971.9 million, compared to the € 1,908.2 million of 31 December 2019 (€ +63.7 million). The change in the period mainly refers to net profit (+210.1 million), dividends paid (-119.5 million), actuarial losses (-1.0 million) and purchases of treasury shares (-25.6 million).

Net financial debt at year-end was € 752.3 million, an increase of 138.2 million compared to 31 December 2019 (-15.5%), mainly due to the performance of the net working capital. For more details please see the analysis of the statement of cash flows presented below.

CASH FLOW STATEMENT OF IREN S.P.A.

Change in net financial debt

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

	thousands of €		
	FY 2020	FY 2019	Change %
Starting Net Financial (debt)	(890,549)	(867,068)	2.7
Result for the period	210,063	241,413	(13.0)
Adjustments for non-financial transactions	(195,251)	(229,907)	(15.1)
Utilisations of employee benefits	(1,260)	(1,494)	(15.7)
Utilisations of provisions for risks and other charges	(5,200)	(8,557)	(39.2)
Change other non-current assets and liabilities	(924)	8,967	(*)
Other changes in capital	-	-	-
Taxes received (paid)	33,991	15,552	(*)
Operating cash flow before changes in NWC	41,419	25,974	59.5
Cash flows from changes in NWC	72,916	(9,421)	(*)
Operating cash flow	114,335	16,553	(*)
Investments in property, plant and equipment and intangible assets	(51,253)	(46,681)	9.8
Investments in financial assets	(50)	(50)	-
Proceeds from sale of investments and changes in assets held for sale	1,341	756	77.4
Change in company perimeter	-	-	-
Dividends received	236,437	266,515	(11.3)
Total cash flows from/(used in) investing activities	186,475	220,540	(15.4)
Free cash flow	300,810	237,093	26.9
Cash flows of equity capital	(145,098)	(118,048)	22.9
Other changes	(17,508)	(142,526)	(87.7)
Change in net financial (debt)	138,204	(23,481)	(*)
Closing Net financial (debt)	(752,345)	(890,549)	(15.5)

(*) Change of more than 100%

The change in financial debt derives from the following determinants:

- *operating cash flow* of € +114.3 million, influenced by the performance of net working capital;
- *cash flow from investing activities* (+186.5 million), which includes dividends received from subsidiaries and investments for the period;
- *cash flow from equity* amounting to -145.1 million, which includes dividends paid (-119.5 million) and the purchase of treasury shares (-25.6 million);
- the item "*Other changes*", amounting to -17.5 million, includes financial income and expenses received and paid, the change in the *fair value* of derivative instruments hedging interest rate risk and the effect of the recognition of new *lease* agreements falling within the scope of IFRS 16. The 2019 comparative figure of -142.5 million included, among other things, the effect of the first-time application of IFRS 16 (-93.8 million).

We can note finally that the statement of cash flows prepared according to the format of a change in cash and cash equivalents is presented in the Separate Financial Statements at 31 December 2020.

The table below reconciles equity and the result of the Parent Company Iren S.p.A. as at 31 December 2020 and 31 December 2019 with those of the consolidated financial statements.

	thousands of €	
31/12/2020	Shareholders' Equity	Result for the period
Shareholders' equity and profit for the year of the Parent Company	1,971,907	210,063
Difference between the carrying amount and value of equity-accounted associates	42,069	8,093
Higher value from consolidation compared to the carrying amount of consolidated equity investments	369,190	245,337
Elimination of dividends from subsidiaries/associates	-	(236,418)
Elimination of intra-group margins	(48,589)	2,003
Others	56,737	6,244
Equity and profit attributable to shareholders	2,391,314	235,322

“Elimination of intra-group margins” refers to the elimination of capital gains from the sale of business units or companies within the Group. In particular, it is worth noting the transaction related to the Genoa integrated water cycle carried out by the former AMGA (positive effect of € 2.5 million on the income statement and negative by € 31.3 million on Equity).

	thousands of €	
31/12/2019	Shareholders' Equity	Result for the period
Shareholders' equity and profit for the year of the Parent Company	1,908,159	241,413
Difference between the carrying amount and value of equity-accounted associates	36,695	4,121
Higher value from consolidation compared to the carrying amount of consolidated equity investments	361,667	244,449
Elimination of dividends from subsidiaries/associates	-	(266,513)
Elimination of intra-group margins	(50,908)	2,647
Others	32,160	10,461
Equity and profit attributable to shareholders	2,287,773	236,578

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD AND BUSINESS OUTLOOK

Acquisition of control of Futura

As part of the consolidation activities resulting from the acquisition of the Unieco Environment Division, on March 30, 2021, Iren Ambiente acquired from S.I.T. - Società Igiene Territorio S.p.A. an additional stake in Futura S.p.A., representing 20% of the share capital. The purchase price is € 1.1 million; as a result of the transaction, the Iren Group holds a total stake of 60%.

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

BUSINESS OUTLOOK

The Covid-19 pandemic will impact global economies throughout the year 2021 slowing the economic recovery. Therefore, the Iren Group will face a national scenario whose recovery in 2021 is still dependent on the spread of the virus and the consequent countermeasures which, especially in the first half of the year, when the vaccination campaign is still partial, will continue to have a negative impact on the economy.

Despite the difficult context, thanks to a resilient business profile with respect to the Covid-19 pandemic, the Group will continue to pursue its growth path as set out in the latest business plan, which calls for significant investments, especially in the Networks and Waste Management segments, in addition to investments to increase electricity generation capacity and extend the district heating network. The major investment plan in the regulated sectors to improve the quality of the service is therefore confirmed, especially in the water sector, where the goal is to increase purification capacity and reduce the use of the water resource. With regard to the Waste Management segment, investments will be aimed at building the waste treatment and disposal plants envisaged in the industrial plan and at increasing the quality of the service by extending door-to-door collection and punctual pricing.

Iren also confirms sustainability as one of its main strategic pillars thanks to the investments in projects linked to the Multi-circle Economy, equal to about 60% of the investments established in the industrial plan, such as material recovery, efficient use and protection of resources, combined with energy efficiency and reduction of greenhouse gas emissions.

Regarding the energy activities, in 2020 the Group implemented a series of actions that will mitigate the impact of volatility in energy prices thanks to a hedging policy implemented with the goal of stabilising margins.

Therefore, even in the difficult context determined by the continuation of the Covid-19 emergency, the Group confirms its profitability forecasts thanks to the aforementioned investments capable of sustaining organic growth, to a strong development of activities concerning energy efficiency projects in buildings, taking advantage of the opportunities offered by current regulations, and to a complete integration of the recently acquired companies in the Waste Management segment.

The outlook for profitability growth takes into account the continuation of the Covid-19 emergency, which the Group estimates will be resolved in the second half of the year, with a negative effect on EBITDA not exceeding € 10 million, additional provisions for bad debts not exceeding € 10 million, and the partial re-absorption, by € 40 million, of the negative effect on net working capital recorded in 2020.

FINANCIAL MANAGEMENT

General framework

After a long period of stability, the short-term part of the rate curve showed significant changes during 2020, with an upward peak in May (owing to uncertainties linked to the pandemic situation) followed by a downward phase.

In the meantime, the medium/long-term portion of the rates also fell sharply until the start of the *lockdown* period due to COVID-19, then rose sharply to subsequently fall gradually until the end of 2020; a strong bullish movement resumed in the new year.

The European Central Bank keeps rates unchanged since March 2016. The current rate is 0%.

Similarly, by examining the trend of the six-month Euribor rate, we note that the parameter, after having reached minimum levels at the beginning of March, increased rapidly due to uncertainties on the liquidity front of the market, followed by a subsequent progressive fall to the current level of -0,5%.

The quotations of fixed rates, reflected in the values of the IRS at 5 and 10 years, also fell at the beginning of 2020, which was then completely cancelled out by the rise caused by uncertainty and the crisis linked to the spread of Covid-19. Thanks mainly to the market interventions of the ECB, medium/long-term rates settled at negative levels, except for a recovery in the first months of the new year.

Activities performed

During 2020, activities aimed at consolidating the financial structure of the Iren Group continued. The development of funding needs is monitored through careful financial planning, which enables requirements for new financial resources to be anticipated, taking into account the repayments of outstanding loans, the development of debt, the investments, the trend in working capital and the balance of short-term and long-term sources.

The organisational model adopted by the Iren Group, with the goal of financial optimisation of the companies, provides for centralisation in Iren of treasury management, medium/long-term loan operations and financial risk monitoring and management. Iren has relations with the leading Italian and international banks, for the purpose of finding the types of loans best suited to its needs, and the best market conditions.

Turning to the transactions carried out in 2020 in more detail, it is noted that, as described in the "Significant events in the period", a loan agreement was signed in May with the new counterparty CEB (Council of Europe Development Bank) for € 80 million to support the investment plan in water infrastructures; also, in October, a new EIB "Green Energy" Loan agreement was signed for € 100 million to support the development and streamlining projects of the district heating network in the Turin area. In March, the "Electricity distribution networks" EIB loan for a total of € 75 million signed in March 2017 was also used in full.

Direct loans with EIB and CEB, with a duration of up to 16 years, not used and available, amount to a total of € 300 million.

With regard to market transactions, under the Euro Medium Term Notes (EMTN) Program of € 4 billion, a new bond issue for an amount of € 500 million, with an annual gross coupon of 1% and maturing on July 1, 2030, was completed at the end of June 2020, with a settlement date of July 1; in addition, on 10 December 2020, with a settlement date of 17 December, the issue of the 4th Green Bond for an amount of € 300 million, with an annual gross coupon of 0.25% and maturing on 17 January 2031, was completed. Both securities have a Fitch BBB rating and are listed on the regulated market of the Irish stock exchange, where the prospectuses have been filed, and on the ExtraMOT market of Borsa Italiana.

Within the Group, the debt position of Scarlino Energia, amounting to € 14 million, was included in the consolidation area while, for the purposes of optimisation, the debt positions of Asti Energia e Calore, I.BLU and the Unieco Environment Division, totalling € 33 million, were written off in advance.

The financial debt from loans (excluding the financial liabilities recognised in application of IFRS 16) at the end of the period was made up of 16% loans and 84% bonds.

As regards financial risks, the Iren Group is exposed to various types of risk, including liquidity risk, risks of changes in interest and exchange rates. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit risks of fluctuations in the interest rate. It is noted that during the period a new interest rate swap contract was entered into to hedge € 50 million of debt, maturing in 2028 and with deferred effect from December 2022; as part of the Liability Management activities, two interest rate swap contracts were terminated for a negative market value of € 5 million.

At year-end, the portion of floating rate debt not hedged by exchange rate derivatives was 4% of financial debt from loans, in line with the Iren Group’s objective of maintaining adequate protection against significant increases in interest rates.

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

The composition of financial debt from loans by maturity and rate type, compared with the situation at 31 December 2019, is shown in the chart below.



Rating

On 20 October 2020, Fitch confirmed for Iren and its *senior unsecured* issues the BBB rating, with stable outlook. The judgement is based mainly on the update of the business plan to 2025 which, in continuity compared to previous years, confirms the prevalence of regulated and semi-regulated activities (approximately 70% of Gross Operating Profit (EBITDA) at the end of the Plan). Fitch rates the company well positioned within its benchmark indices, with limited impact from the negative market effects of the coronavirus emergency.

To support the liquidity profile of the Group and the rating level, Iren has the aforementioned medium/long-term credit lines subscribed and available but not used for € 300 million and committed credit lines of the Sustainability linked revolving credit facility (RCF) which amounted to € 150 million at year-end and which are added to current liquid assets.

RISKS AND UNCERTAINTIES

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

For each of the following risk types:

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

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

The Group’s Enterprise Risk Management model also regulates the roles of the various parties involved in the risk management process, which is governed by the Board of Directors, and calls for specific Commissions to manage the financial, IT, credit and energy risks.

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

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

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

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

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

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

1. FINANCIAL RISKS

The Iren Group's business is exposed to various types of financial risks, including: liquidity risk, exchange rate risk and interest rate risk. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit exchange rate risk and interest rate risk.

a) Liquidity risk

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

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

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

b) Exchange rate risk

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

c) Interest rate risk

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

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

2. CREDIT RISK

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

In carrying on its business, the Group is exposed to the risk that the receivables may not be honoured on maturity with a consequent increase in their age and in insolvency up to an increase in receivables subject to arrangement procedures or unenforceable. This risk reflects, among other factors, also the current economic and financial situation.

To limit exposure to credit risk, a number of tools have been activated. These include analysing the solvency of customers at the acquisition stage through careful assessment of their creditworthiness, transferring the receivables of discontinued and/or active customers to external credit recovery companies and introducing new recovery methods for managing legal disputes. In addition, methods of payment through digital channels are offered to Customers.

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

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

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

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

Provisions set aside for impairment of receivables reflect, carefully and in accordance with the current legislation (applying the IFRS 9 method), the effective credit risks, and are determined on the basis of the extraction from databases of the amounts making up the receivable and, in general, assessing any changes in the said risk compared to the initial measurement and, in particular for trade receivables, estimating the related expected losses determined on a prospective basis, taking into due consideration the historical series. As mentioned, with regard to the Covid-19 emergency context, and with specific reference to the possible liquidity difficulties of the customer portfolio linked to the measures to combat the pandemic and the regulatory and corporate measures to mitigate the economic and social impact of the crisis, the Group increased the provision for bad and doubtful debts by € 25 million due to the assessment of expected losses, particularly in the electricity and gas sales and integrated water service sectors.

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

In addition, on a quarterly basis, the Risk Management Department collects and integrates the main data regarding the evolution of the Group companies' trade receivables, in terms of type of customers, status of the contract, business chain and *ageing* band. Credit risk is assessed both at the consolidated and at the Business Unit and company levels.

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

3. ENERGY RISK

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

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

For this purpose, the Group carries out planning of the production of its plants and purchases and energy and natural gas sales, in relation to both volumes and price formulae. The objective is to obtain sufficient stability in the margins through:

- for the electricity supply chain, the opportune balancing of internal production and energy from the futures market with respect to the demand coming from the Group's customers, with adequate recourse to the spot market;
- for the natural gas supply chain the priority of alignment of the indexing of the commodity in purchase and sale.

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

4. CLIMATE CHANGE RISKS

During the year, Iren Group included in its Enterprise Risk Management system a Policy dedicated to climate change risks, which are becoming increasingly important for organisations. Moreover, they affect the health of the planet, with estimates of significant effects already in the medium term. All companies, and in particular those operating in significantly exposed sectors such as Iren Group, must consider the analysis of

climate change risks as an emerging and determining factor in the definition of their medium and long-term strategies.

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

The document was written with the extensive involvement of the corporate functions involved in managing these risks, with which a Climate Change Risk Assessment was carried out, based on which the Policy was subsequently drafted.

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

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

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

5. TAX RISKS

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

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

The Group is committed to managing its tax affairs in accordance with all applicable laws and regulations. For this reason, Iren has adopted the TCF as an internal control system that defines the governance for the management of taxation and related risk in line with the principles of the company strategy and, in particular, the Tax Strategy.

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

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

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

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

The project to create a TCF aligned with the best practices in the field was concluded in 2020 with the submission of the application for access to the institution of Cooperative Compliance, a scheme between the Revenue Agency and large companies, introduced by Legislative Decree No. 128 of 5 August 2015 in order to promote the implementation of enhanced forms of communication and cooperation based on

mutual trust between tax authorities and taxpayers, and to encourage, in the common interest, the prevention and resolution of tax disputes.

6. OPERATIONAL RISKS

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

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

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

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

Along all the management phases, each risk is subjected on a continuous basis to a process of control and monitoring, which checks whether the treatment activities approved and planned have been correctly and effectively implemented, and whether any new operational risks have arisen. The process of managing operational risks is associated with a comprehensive and structured reporting system for presenting the results of the risk measurement and management activity. Each process stage is performed in accordance with standards and references defined at Group level. The Group's risk position is updated at least quarterly, indicating the extent and level of control of all risks monitored, including financial, IT, credit and energy risks. The risk reporting is sent to the top management and to the risk owners, who are involved in the management activity. The risk analysis also supports the preparation of planning tools.

In 2020, a project was carried out to revise the Group Risk Map, which, through interviews with the Risk Owners of Iren S.p.A. and the Group companies, and the subsequent sharing and fine-tuning of the results, led to the construction of a very detailed risk map that corresponds to the reality of the Group, with qualitative and quantitative assessments of each individual risk and with details of controls and mitigation actions existing or planned. The identified risks have been associated with the ESG (Environmental, Social and Governance) category to which they belong. It is noted that for each risk it was verified whether and how it had been impacted by Covid-19.

Of particular note are:

a. Legal and regulatory risks

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

b. Plant-related risks

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

c. IT Risks

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

To mitigate such risks, specific measures have been adopted, such as redundancies, highly-reliable systems and appropriate emergency procedures, which are periodically subject to simulations, to ensure their effectiveness. The Iren Group is also exposed to the risk of cyber attacks aimed both at acquiring sensitive data and at stopping operations, causing damage to plants and networks and compromising service continuity. Market benchmarks also show that attacks aimed at acquiring companies' and third-party data are increasingly frequent, with consequent civil liability and sanctions, including serious ones, and at acquiring industrial secrets. The perimeter security technologies have been updated. The data network has been further segregated according to the functional use; in addition a vulnerability management system has been introduced, and extended also to suppliers that process sensitive corporate data for various reasons. The support of an external Security Operation Centre (SOC) has been launched for 24h monitoring, with the use of Iren security platforms. Policies have been adopted to strengthen system access passwords, increase workstation security with the introduction of systems featuring behavioural analysis capabilities and automated and remote response execution. A Cyber Threat Intelligence (CTI) platform has also been introduced in order to capture evidence of attackers and threats potentially impacting corporate *assets*. On 23 January 2020, the Board of Directors of Iren S.p.A. approved the Cyber Risk Policy, which – similar to the other main risk Policies – provides for the convocation of specific Risk Commissions, the monitoring of performance indicators and dedicated reporting.

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

7. STRATEGIC RISKS

The Iren Group has adopted a Business Plan with a time horizon at 2025 which defines its strategic orientations and the related industrial objectives from which the economic and financial figures of reference derive. The said objectives refer to:

- a) making the Group's organisation and processes more efficient;
- b) development (investments in regulated and quasi-regulated sectors, increase of customer base, energy efficiency);
- c) consolidation of regulated sectors (renewal of concessions: gas distribution, integrated water cycle and environment sector);
- d) external growth;
- e) energy scenario;
- f) sustainability and ESG (Environment, Social, Governance) targets.

In application of the Group's policies, the Plan was subject to a *risk assessment* carried out by the Risk Management Department and to the related stress tests, which showed substantial resilience including when facing adverse events characterised by specific *sensitivities*. On the basis of the aforementioned project to revise the Risk Map, a specific Risk Map relating to the risks of the Industrial Plan was prepared in parallel with the *risk assessment*, with the same time horizon. The development of this Risk Map, together with the construction of quantitative stresses, constitutes an important point of integration with the Strategic Planning function. In addition to the risk analysis associated with the Plan, the Risk Management Department contributes *risk assessments* specific to *merger & acquisition* transactions and the main strategic plans concerning Iren Group.

TRANSACTIONS WITH RELATED PARTIES

The current TRP Procedure is published on Iren's website(www.gruppoiren.it) and was approved by the Board of Directors on 30 May 2019, subject to the favourable opinion of the Transactions with Related Parties Committee ("TRPC", entirely composed of independent Directors).

The above document was prepared implementing:

- the provisions regarding transactions with related parties set forth in article 2391-bis of the Italian Civil Code, as most recently amended by Legislative Decree No. 49 of 10 May 2019, concerned with *"Implementation of Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement"*;
- the Regulation containing provisions on related party transactions, adopted by Consob by Resolution No. 17221 of 12 March 2010 and subsequent amendments and additions. ("Consob Regulation"), considering the recommendations of Consob Communication no. DEM/10078683 of 24 September 2010 ("Consob Communication");
- the provisions of Article 114 of Legislative Decree No. 58 of 24 February 1998 (*"Testo Unico della Finanza"*/ TUF - Consolidated Law on Finance) and the provisions of Regulation (EU) no. 596/2014 on market abuse.

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

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

These, very briefly, provide for:

- a) identification of the perimeter of related parties;
- b) the definition of "transaction with related party";
- c) identification of cases of exclusion and of transactions "for small amounts";
- d) the procedures applicable to transactions of minor and major significance, as the case may be;
- e) the persons responsible for enquiries on transactions with related parties;
- f) the transactions for which the Shareholders' Meeting is responsible;
- g) the forms of disclosure.

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

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

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

There are currently monitored and studied, in order to put in place the appropriate and possible activities to adapt the corporate documents adopted in compliance with the regulations on related party transactions, prospective changes arising from (i) the transposition into Italian law of Directive 2017/828 of the European Parliament and of the Council of 17 May 2017, amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (so-called *Shareholder Rights Directive 2*), as well as (ii) the publication on 10 December 2020 of Consob Resolution No. 21624, entitled *"Amendments to the Regulation containing provisions on Related Party Transactions and the Regulation concerning rules implementing Legislative Decree No. 68 of 24 February 1998 on Markets, as amended"*, the amendments to which will become effective on 1 July 2021.

LEGISLATIVE FRAMEWORK

This chapter describes the main regulatory changes affecting the Group's sectors of operation. It also provides essential information on existing concessions and assignments.

ENERGY EFFICIENCY

Below is a summary of the main changes introduced by Legislative Decree No. 34 of 19 May 2020 (so-called "D.L. Rilancio"), following conversion Law no. 77 of 17 July 2020 on energy efficiency measures, insofar as they are of interest to the companies of the Iren Group and in particular to Iren Mercato and Iren Smart Solutions.

110% DEDUCTION

D.L. Rilancio, with the related conversion law, provides that the tax deduction will apply to the extent of 110 percent for expenses documented and borne by the taxpayer, incurred from 1 July 2020 until 31 December 2021, to be divided among parties entitled in five equal annual instalments. For interventions carried out by autonomous social housing institutes, the following provisions also apply to the expenses, documented and borne by the taxpayer, incurred until 30 June 2022.

Admitted interventions

The interventions for which, if the conditions are met, access is granted to the deduction to the extent of 110% are as follows:

- 1) interventions of thermal insulation of opaque vertical, horizontal and inclined surfaces affecting the building shell;
- 2) interventions on common areas of buildings for the replacement of existing winter air-conditioning systems with centralised systems for heating, cooling or the supply of sanitary hot water, whether condensation, heat pump or solar collectors and (exclusively for mountain municipalities not affected by the European infringement procedures for Italy's non-compliance with the obligations laid down in Directive 2008/50/EC) featuring connection to efficient district heating systems;
- 3) interventions on single-family buildings or building units located within multi-family buildings which are functionally independent and feature one or more independent accesses from the outside for the replacement of existing winter air conditioning systems with heating, cooling or hot sanitary water supply systems, whether they are condensation, heat pump or solar collectors;
In addition, exclusively for non-methane areas in municipalities not affected by the European infringement procedures for Italy's failure to comply with the obligations laid down in Directive 2008/50/EC, the deduction is obtainable with the replacement of existing plants with biomass boilers with emission performance values at least 5 star class and, for mountain municipalities not affected by the same European infringement procedures, featuring connection to efficient district heating systems;
- 4) all other energy efficiency interventions as per article 14 of Decree-Law No. 63 of 4 June 2013, converted, with amendments, by Law No. 90 of 3 August 2013, within the limits of expenditure foreseen, for each energy efficiency intervention, by the legislation in force, provided that they are carried out together with at least one of the interventions mentioned in the previous points;
If the building is subject to at least one of the constraints provided for by the code of cultural heritage and landscape or the relevant interventions are prohibited by building, urban planning and environmental regulations, the deduction applies to all the interventions referred to in this point, even if not carried out in conjunction with at least one of the interventions referred to in the previous points;
- 5) installation of grid-connected photovoltaic solar energy systems on buildings, provided that the installation of the systems is carried out jointly with one of the previous interventions;
- 6) simultaneous or subsequent installation of storage systems integrated into the solar photovoltaic systems facilitated, under the same conditions;
- 7) installation of infrastructure for recharging electric vehicles in buildings, provided that the installation is carried out in conjunction with one of the interventions referred to in the first three points.

Minimum requirements for access to the deduction

For the purposes of access to the deduction, the interventions must meet certain minimum requirements (provided by the decrees referred to in paragraph 3-ter of Article 14 of Decree-Law No. 63 of 4 June 2013, converted, with amendments, by Law No. 90 of 3 August 2013) and, as a whole, must ensure, the improvement of at least two energy classes of the building or building units located within multi-family buildings, or, if this is not possible, the achievement of the highest energy class, to be demonstrated by the energy performance certificate (E.P.C.), before and after the intervention, issued by a qualified technician in the form of the sworn statement.

Subjective scope

The provisions set out above apply to interventions carried out, among others:

- by residents;
- by individuals, outside the performance of business, arts and professions, on real estate units, which can benefit from the deductions referred to in the first four points for interventions carried out on the maximum number of two building units, without prejudice to the recognition of deductions for interventions carried out on the common parts of the building;
- by the Istituti Autonomi per le Case Popolari;
- by indivisible housing cooperatives;
- by non-profit organizations of social utility.

Finally, it is noted that the same provisions do not apply if the streamlining measures relate to stately homes, villas, castles and buildings of eminent artistic or historical value (A/1, A/8, A/9 categories).

OPTION FOR TRANSFER OR DISCOUNT

Individuals who incur, in 2020 and 2021, expenses for the following actions:

- 1) rehabilitation of the building heritage;
 - 2) energy efficiency;
 - 3) adoption of anti-seismic measures;
 - 4) recovery or restoration of the façade of existing buildings, including those of only cleaning or external painting;
 - 5) installation of photovoltaic systems;
 - 6) installation of electric vehicle recharging stations
- may opt, in lieu of direct use of the deduction due, alternatively:

- **for a contribution, in the form of a discount on the due payment**, up to a maximum amount equal to the consideration itself, advanced by the suppliers who carried out the work and recovered by them in the form of a tax credit, for an amount equal to the deduction due, with the option of subsequent transfer of the credit to other parties, including banks and other financial intermediaries;
- **for the assignment of a tax credit of the same amount**, with the option of subsequent assignment to other parties, including banks and other financial intermediaries.

For the purpose of exercising the option to transfer or discount the following must be met:

- 1) the visa of conformity of the data relating to the documentation that attests to the existence of the requirements that entitle to tax deduction issued by specifically indicated parties;
- 2) the communication of the data relating to the option exclusively by telematic means, also by making use of the parties issuing the compliance certificate (methods to be regulated by implementing measures);
- 3) asseveration (also for the purposes of the 110 per cent deduction).

The expenses incurred for the issue of certificates, asseverations and the conformity certificate are among the deductible expenses.

In order to render the measures operational, the following will have to be issued within 30 days from the date when the law comes into force:

- an Order of the Director of the Revenue Agency;
 - an implementing decree of the MISE,
- which will define the modalities of credit assignment and invoice discounting.

Finally, it is noted that the 2020 Budget Law has, among other things:

- extended to 31 December 2020 the expiry date of existing tax deductions for expenses relating to energy requalification interventions for buildings;
- extended to 31 December 2020 the deadline for the 50% deduction for interventions aimed at recovering the building heritage, including interventions aimed at energy saving, with particular regard to the installation of systems based on the use of renewable energy sources, including photovoltaics;
- introduced the so-called "bonus façades", a deduction of 90% of the expenses incurred for the renovation of the external façades of buildings.

AWARD AND PERFORMANCE OF ELECTRICITY DISTRIBUTION SERVICES

Network Code (CADE) and general system expenses

By Resolution No. 490/2020/R/eel of 24 November 2020, the Authority made urgent additions to complete the regulations of the Standard Network Code for the electricity transmission service in force as of 1 January 2021, in particular on the actions to be taken by distribution companies to adjust insurance sureties and on the procedure for payment defaults in the presence of a mixed guarantee (rating with traditional guarantee).

By Resolution No. 583/2020/R/eel of 22 December 2020, the Authority confirms with additions the interventions approved by Resolution 490/2020/R/eel.

Finally, by Consultation No. 445/2020/R/eel of 3 November 2020, the Authority published the final guidelines referring to the mechanism for recognizing any failure to collect the tariff components covering general system charges, as part of the procedure for compliance with administrative justice rulings, as per Resolution No. 109/2017/R/eel of 3 March.

The objective is to implement measures aimed, on the one hand, at guaranteeing the system and end customers with respect to the economic consequences of possible defaults by sales operators and, on the other, at ensuring the soundness and reliability of the relevant processes. Alongside the strengthening of instruments to guarantee the solidity of operators, the Authority also intended to strengthen control in order to contain their exposure, making the most of the new opportunities offered by tools such as the Integrated Information System and the timely availability of measurement data, while reducing the costs that ultimately weigh on end customers.

In summary, the main lines of action comprise:

- a) the development of instruments aimed at assessing the financial soundness of operators and their solvency in making payments to the system, also in order to provide useful elements for updating the lists of authorised sellers (Vendors Register), as well as the ability of these parties to manage the processes and services characteristic of the activity, in particular those with immediate repercussions on customers;
- b) the development of systems of minimum guarantees and mechanisms for the recovery of vendor insolvencies - with particular reference to the quotas relating to general system charges in the electricity sector - aimed at guaranteeing revenue requirements for general interest purposes (such as the promotion of RES) and, at the same time, minimising recourse to end customers for the coverage of insolvencies from end customers themselves. These measures are based on encouraging all parties in the electric power industry to manage credit efficiently, while maintaining the current collection methods and leaving the role of sellers and distributors unchanged.

AWARD AND PERFORMANCE OF WASTE MANAGEMENT SERVICES

With regard to the sector under review, the financial year was affected by the following measures:

1) COMMUNITY LEGISLATION

EU Council Decision 2020/1421/EU on the position to be adopted on behalf of the EU concerning the amendments to the Annexes to the European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR) and to the Regulations annexed to the European Agreement concerning the International Carriage of Dangerous Goods by Inland Waterways (ADN).

EU Commission Regulation 2020/2174/EU on shipments of waste.

EU Council Decision 2020/1829/EU on the submission, on behalf of the European Union, of proposals to amend the Basel Convention on the control of cross-border movements of hazardous wastes and their disposal.

EU Council Decision 2020/2053/EU on the system of own resources of the European Union repealing Decision 2014/335/EU and establishing a uniform rate of levy on the weight of non-recycled plastic packaging waste.

EU Commission Regulation 2020/2151/EU lays down provisions on harmonised technical marking specifications for sanitary towels, tampons and tampon applicators, wet wipes, tobacco products and cups and glasses (reduction of the percentage impact of certain single-use plastic products under Directive 2019/904/EU).

EU Commission Decision 2021/19/EU establishes a common methodology and format for the provision of re-use information in accordance with Directive 2008/98/EC of the European Parliament and of the Council.

2) NATIONAL LEGISLATION

D.M. 21 April 2020 (End of waste, REcer institution)

was published in the Official Gazette of 5 June, 21 April 2020, concerning "Modalities for the organization and operation of the national registry for the collection of authorisations issued and the outcomes of simplified procedures concluded for the performance of recovery operations" (REcer for simplicity), as required by the TUA.

The measure consists of eight articles and an annex, and sets out how the national register is to operate, be organised and transmit data. Specifically, the REcer uses the telematic platform "Monitor-piani" established by the Ministry of the Environment at the National Register of Environmental Managers where the competent authorities must enter the data of authorizations and the results of simplified procedures using the procedure made available on the web portal of the platform and indicated in Annex 1 of the Decree.

The main feature of this tool is to render the data available to the public administrations that request it in order to carry out their institutional tasks and to the competent authorities that request it also, in order to be evaluated in the preliminary investigation of the procedures aimed at issuing the authorizations referred to in Article 184-ter, paragraph 3, of Legislative Decree 152/2006.

The information contained in the national register can also be used by the Ministry of the Environment for the preliminary investigations aimed at defining the specific criteria for the cessation of waste status, as well as to request ISPRA to activate specific control procedures.

The actual operation of the REcer will be communicated with a specific link on the website of the Ministry of the Environment and, until the register is effective, the transmission of authorizations will in any case be carried out in compliance with the procedures set out in Legislative Decree of 3 April 2006 (the "Consolidated Environment Act"), No. 152, and the Law of 2 November 2019 converting, with amendments, Decree-Law No. 101 of 3 September 2019.

Law No. 40 of 5 June 2020 (Conversion law of the so-called D.L. "Liquidità")

On 7 June 2020, the Conversion Law No. 40 of 5 June 2020, of Decree-Law No. 23 of 8 April 2020 (so-called "D.L. Liquidità") concerning "*Urgent measures on access to credit and tax obligations for companies, special powers in strategic sectors, as well as interventions on health and work, extension of administrative and procedural deadlines*".

This measure also contains a number of rules affecting the environment, particularly with regard to the management of medical waste. Specifically, it establishes that up to thirty days after the declaration of the end of the state of health emergency, medical waste with only infectious risk subject to the sterilization process in public and private health facilities shall be subject to the legal regime of municipal waste.

Therefore, medical waste with an infectious risk from private and public healthcare facilities may, if sterilised in line with the procedures referred to in the regulation, be temporarily managed as urban waste.

D.L. No. 76 of 16 July 2020 (so-called "Decreto Semplificazioni")

The Decree contains important innovations regarding EIA, decontamination and green new deal. Specifically, Articles 12 and 13, included in Chapter I of Title II "Procedural simplifications", provide for significant changes to speed up the time required for the Conferences of Services and indicate the date of 31 December 2020 as the deadline for public administrations, and entities to reduce the duration of the procedures for which they are responsible.

Chapters II and III of Title IV are dedicated, respectively, to "Simplifications in environmental matters" and "Simplifications in the field of the green new deal". Among the most significant innovations are those concerning environmental impact assessment procedures, interventions and works at sites subject to reclamation and against hydrogeological instability, renewable energy sources, and financing for the green new deal.

Law No. 77 of 17 July 2020 (Conversion law of the so-called "Decreto Rilancio")

Other provisions of an environmental nature (contained in Chapter VII - Environmental Measures) include: Support for environmental economic zones, Protection of marine ecosystems, Urgent EIA measures - where the abolition of the Via-Vas Technical-Institutional Committee has been confirmed, Sustainable mobility. In addition, it provides for the introduction of Guidelines by the Ministry of the Environment on the measures to be applied for the waste management of disposable masks and gloves.

The conversion law also confirmed the postponement to 1 January 2021 of the provisions on the so-called "plastic tax".

D.M. Environment 5 August 2020

Restriction of certain hazardous substances in electrical and electronic equipment (EEE).

Legislative Decree No. 116 of 3 September 2020, concerning "Implementation of Directives 2018/851/EU and 2018/852/EU". Specifically, it intervenes and modifies the following issues and institutions:

- Extended producer responsibility;
- Priorities and prevention;
- Preparation for reuse, recycling and recovery;
- Organic waste;
- Definitions;
- Municipal and special waste and classification;
- By-products;
- End Of Waste;
- Exclusions - mowing and pruning;
- Temporary storage;
- Responsibility of waste producer and disposal;
- MUD (consolidated environmental declaration form), FIR, Registers;
- Post Sistri traceability;
- Intermodal transport;
- National waste management programme;
- National waste management planning;
- Separate collection measures;
- Packaging;
- Penalties.

Legislative Decree No. 121 of 3 September 2020, concerning "Implementation of Directive (EU) 2018/850/EU, amending Directive 1999/31/EC on the landfill of waste".

The decree introduces new organic regulations on the transfer of waste to landfills, making changes to Legislative Decree No. 36 of 13 January 2003.

Specifically, it provides for the progressive reduction of the use of landfills, until the target of no more than 10% of municipal waste by 2035 has been reached, new and uniform calculation methods to measure the achievement of the targets, as well as the prohibition of landfilling waste from separate collection and intended for recycling or preparation for reuse, or in any case (from 2030) suitable for recycling or other recovery.

There are also other important new developments with regard to the following topics:

- eligibility conditions: a specific list of EER codes not eligible for landfill in the presence of chemical-physical characteristics that render them unsuitable is introduced and the general exclusion criteria are updated; exemptions from pre-treatment are inserted for waste from separate collection "for which landfilling produces the best environmental result" (which could be detailed in future regulatory interventions); the Regions are granted the power to define the eligibility of specific waste streams without prior treatment in the presence of well-defined technical (product analysis, IRDP) and management (separate collection) conditions;
- risk analysis: the new Annex 7, which defines the "Information on waste to be included in the permit application for subcategories of non-hazardous waste landfills" details the contents, objectives and methods for carrying out the risk analysis;
- acknowledgement, checks and controls: it is foreseen that sampling and analytical determinations must be carried out by "independent and qualified persons and institutions, through accredited laboratories;
- authorizations and new construction criteria: important innovations in these areas, applicable - by express legal provision - to newly constructed landfills as well as to the construction of new lots in existing landfills for which authorization applications were submitted after the date on which Legislative Decree 121/2020 comes into force.

Legislative Decree no. 118 of 3 September 2020, concerning "Implementation of Directive 2018/849/EU on waste electrical and electronic equipment (WEEE)".

Specifically, the frequency with which the MATTM must send the EU Commission the report containing information, including circumstantial estimates on the quantities, by weight, of electrical and electronic equipment (EEE) placed on the market and waste electrical and electronic equipment (WEEE) collected separately and exported, as well as information relating to the collection and recycling of exhausted batteries and accumulators, is reduced from three years to one.

With regard to photovoltaics, paragraph 1 of the Legislative Decree provides that the financing of the management of WEEE deriving from photovoltaic EEE is the responsibility of the producers.

Law no. 126 of 13 October 2020, (Law converting the so-called "D.L. Agosto")

In particular, the conversion law confirms the amendment to art. 7-quinquies of Legislative Decree no. 36/2003 thus correcting the erroneous references to the tables and annexes provided by Legislative Decree no. 121/2020 on landfills.

In addition, during the conversion, two paragraphs were added to art. 51, which legitimise (for a limited period) the production of PET bottles without observance of the minimum percentage of 50% of virgin polymer.

MEF Directorial Decree 21 October 2020

Concerning the modalities for the unified payment, for the years 2021 et seq, of the tax on waste (TARI) and the tax for the exercise of the functions of environmental protection and hygiene (TEFA) through the PagoPa platform.

DPCM 11 December 2020

It contains the revision of the methodology of the standard requirements of the Municipalities of the Regions with ordinary statute for the waste disposal service.

Resolution No. 22 of 22 December 2020 of the Register of Environmental Managers

Provides that the persons registered in categories 4 and 2-bis of the Register for the activity of collection and transport of special non-hazardous waste identified by the EER codes and descriptions contained in Annex L-quater produced by the activities reported in Annex L-quinquies, attached to Part IV of Legislative Decree 152/2006, can carry out the collection and transport of this waste if it becomes urban after 31 December 2020, until the modalities of adaptation of the respective registration measures have been defined.

D.L. 31 December 2020, No. 183 - Urgent provisions regarding the extension of legislative terms (so-called "Decreto Milleproroghe")

The measure did not provide for any extensions in relation to the application of the provisions on the classification of waste. The most important term subject to deferral was instead that, until 31 December 2021, of the new labelling obligations for packaging subject to collection, reuse and recovery.

3) REGIONAL LEGISLATION

At territorial level, the three regions corresponding to the Group's main areas of activity (Emilia Romagna, Liguria, and Piedmont) issued numerous acts in 2020 on environmental matters and, more specifically, on the management and planning of the waste cycle. The main measures concerned sector measures related to the health emergency resulting from the spread of Covid-19, including specific extensions and derogations functional to the continuity of the services provided.

MAJOR HYDROELECTRIC SHUNT CONCESSIONS

L.R. Region of Piedmont No. 26/2020 "*Allocation of large derivations for hydroelectric use*", introduced the discipline of the annual fee for concessions of large derivations for hydroelectric purposes applicable from 2021 and to be paid in two semi-annual instalments. This law was submitted by the Government to the Constitutional Court through an appeal for conflict of attributions, still pending.

In implementation of Article 21 of RL 26/2020, the Piedmont Region approved the Regional Regulation No. 5/R of 18 December 2020 on the regulation of fees. Iren Energia has indicated that it does not believe that the new regulations are legitimate and does not intend to comply with them.

In implementation of Article 17 of RL 26/2020, the Piedmont Region also approved Regional Regulation No. 6/R of 18 December 2020 on the subject of the obligation to supply energy free of charge from large hydroelectric derivation plants.

CONCESSIONS AND ASSIGNMENTS OF THE IREN GROUP

HYDROELECTRIC PRODUCTION

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

Region	Plant	Nominal power (MW)	Expiry
Piedmont	Po Stura - San Mauro	5.58	31/12/2010
Piedmont	Pont Ventoux - Susa	47.42	13/12/2034
Piedmont	Agnel - Serrù - Villa	12.53	31/12/2010
Piedmont	Bardonetto - Pont	8.92	31/12/2010
Piedmont	Ceresole - Rosone	32.92	31/12/2010
Piedmont	Telessio - Eugio - Rosone	26.10	31/12/2010
Piedmont	Rosone - Bardonetto	9.71	31/12/2010
Piedmont	Valsoera - Telessio	1.76	31/12/2010
Campania	Tusciano	8.49	31/03/2029
Campania	Tanagro	12.84	31/03/2029
Campania	Bussento	17.06	31/03/2029
Campania	Heat	3.27	31/03/2029

NATURAL GAS DISTRIBUTION

Genoa area

The natural gas distribution service in the area of the Municipality of Genoa and neighbouring municipalities is carried out by IRETI. These concessions are currently operating under the *extended* regime pending the launch of public invitations to tender.

Emilia Romagna area

The natural gas distribution service in the Emilia provinces is managed by IRETI. It is noted that the existing credit lines are subject to *extension* pending the call for public tenders.

Other geographical areas

The Group also operates in numerous other areas throughout Italy through assignments or concessions given to mixed capital companies in which IREN Group companies have a direct or indirect investment. These concessions are currently operating under the *extended* regime pending the launch of public invitations to tender.

The main assignments and concessions are:

- Province of Ancona / Macerata - ASTEA S.p.A. (in which a 21.32% stake is held by the Consorzio GPO, 62.35% of which IRETI controls in turn): Municipalities of Osimo (AN), Recanati (MC), Loreto (AN) and Montecassiano (MC) assignment expired on 31 December 2010 and under *prorogatio* regime;
- Municipality of Vercelli and other municipalities in the Province - ASM Vercelli S.p.A. (formerly ATENA S.p.A., 60% owned by IRETI): the 1999 concession expired on 31 December 2010 and is being *extended*;
- Province of Livorno - ASA S.p.A. (in which IRETI has a 40% stake); Provinces of Livorno, Castagneto Carducci, Collesalvetti, Rosignano Marittimo and San Vincenzo – assignment expired on 31 December 2010 and under *prorogatio* regime;

ELECTRICITY

IRETI manages the public service of electricity distribution in the City of Turin on the basis of a ministerial concession. This concession expires on 31 December 2030. IRETI also distributes electricity in the Municipality of Parma, with the same expiry date.

Through local mixed companies, the Iren Group also distributes Electricity in the following main areas:

- Municipality of Vercelli, with the subsidiary ASM Vercelli S.p.A., which manages in the City the public electricity distribution service on the basis of a ministerial concession, which expires on 31 December 2030;
- Le Marche area, with DEA S.p.A., controlled by ASTEA S.p.A., manages the public electricity distribution service in the municipalities of Osimo (AN), Recanati (MC) and Polverigi (AN), with expiry on 31 December 2030.

DISTRICT HEATING

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

- Municipalities of Turin and Moncalieri (TO);
- Municipality of Nichelino (TO);
- Beinasco (TO);
- Reggio Emilia;
- Parma;
- Piacenza;
- Genoa;
- Rivoli;
- Collegno;
- Grugliasco (through NOVE, a company in which Iren Energia holds a 49% interest).

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

INTEGRATED WATER SERVICE

Liguria area

IRETI S.p.A. holds the management assignment for the integrated water service in the 67 municipalities of the Province of Genoa, serving a total of 880,000 residents. The assignment was granted by Decision no. 8 of the Genoa ATO Authority on 13 June 2003 and will expire in 2032.

The integrated water service in the territory of the Municipalities of the Province of Genoa is managed by IRETI through the safeguarded operators. The authorised and/or safeguarded companies of the Iren Group that perform the function of operating manager are Iren Acqua S.p.A. (60% owned by IRETI), Iren Acqua Tigullio S.p.A. (66.55% controlled by Iren Acqua) and AMTER S.p.A. (49% owned by Iren Acqua).

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

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

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

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

Emilia Romagna area

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

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

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

On 3 December 2019, ATERSIR published in the Official Journal of the European Union the Call for Tenders, concerning "Restricted procedure for the selection of the operating private partner of the company to be established to which the concession of the integrated water service for the Province of Reggio Emilia will be entrusted".

Main elements:

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

As regards the Management model, it provides - from the corporate point of view - for the incorporation of a limited-liability company, to be called "Azienda Reggiana per la Cura dell'Acqua" (Reggian Company for Water Treatment), abbreviated to ARCA. The private partner - selected with the dual-purpose procedure - will hold 40% of the share capital of the company in question, while AGAC Infrastrutture S.p.A. will be the public partner with 60% of the shares.

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

The tender procedure, having passed the pre-qualification stage, is currently underway.

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

ATO	REGIME	STIPULATION DATE	EXPIRY DATE
<i>Genoa area</i>	ATO/operator agreement	16-4-2004/5-10-2009	31/12/2032
<i>Reggio Emilia</i>	ATO/operator agreement	30/06/2003	31/12/2011 (*)
<i>Parma</i>	ATO/operator agreement	27/12/2004	30/06/2025
<i>Piacenza</i>	ATO/operator agreement	20/12/2004	31/12/2011 (*)
<i>Vercelli</i>	ATO/operator agreement	13/03/2006	31/12/2023
<i>La Spezia</i>	ATO/operator agreement	20/10/2006	31/12/2033

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

Other geographical areas

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

- ATO Toscana Costa – ASA S.p.A. (in which IRETI has a 40% stake) Integrated water service in the Municipality of Livorno and other municipalities in the Province;
- Ambito Territoriale Marche Centro, Macerata (ATO3) - ASTEA S.p.A. (21.32% owned by Consorzio GPO, which is in turn 62.35% controlled by IRETI) only for the municipalities of Recanati, Loreto, Montecassiano, Osimo, Potenza Picena and Porto Recanati;
- Municipality of Ventimiglia: AIGA S.p.A. (in which IRETI has a 49% stake);
- Municipality of Imperia: AMAT S.p.A. (in which IRETI has a 48% stake);
- Alessandria ATO: ACOS S.p.A. (in which IRETI has a 25% stake) for the Municipality of Novi Ligure; Cuneo ATO: Mondo Acqua S.p.A. (in which IRETI has a 38.5% stake) – manages the Municipality of Mondovì and 7 other municipalities in the Cuneo area.

Finally, it should be recalled that on 30 December 2016 IRETI acquired from Società Acque Potabili S.p.A. of Turin a business unit related to the management of the integrated water service in various Municipalities in northern Italy. Several of these managements, outside the Group's territories of reference, have been gradually sold to third parties. At 31 December 2020 IRETI is still responsible for the management in the Municipalities of Costigliole Saluzzo, Racconigi, Ceresole d'Alba, Sanfrè and Montà, all in the province of Cuneo, and Gazzuolo and Viadana in the province of Mantua. Negotiations for the sale of these operations are expected to take place in 2021.

ENVIRONMENTAL SERVICE MANAGEMENT

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

ATO	REGIME	STIPULATION DATE	EXPIRY DATE
<i>Reggio Emilia</i>	ATO/operator agreement	10/06/2004	31/12/2011 (*)
<i>Parma</i>	ATO/operator agreement	27/12/2004	31/12/2014 (*)
<i>Piacenza</i>	ATO/operator agreement	18/05/2004	31/12/2011 (*)
<i>Turin</i>	ATO/operator agreement	21/12/2012	30/04/2033 (*)
<i>Vercelli (Municipality)</i>	Municipality/operator agreement	22/01/2003	31/12/2028
<i>Other Municipalities in the Vercelli area (except Borgosesia)</i>	Procurement contract with C.O.Ve.Va.R.	1 February 2011	31/01/2019
<i>La Spezia (Municipality)</i>	Municipality/operator agreement	10/06/2005	31/12/2028 (collection and sweeping) 30/12/2043 (waste disposal)

(*) Service extended until new agreements are defined

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

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

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

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

On 19 June 2020, the session was held for the evaluation of the anomaly threshold of the offer, and the awarding commission - departing from a first expressed orientation, in that the current legislation (Legislative Decree 50/2016, Article 97, paragraph 3) does not provide for verification obligations on the part of the Commissioning Body where the number of admitted bids is less than three - considered that Iren Ambiente's bid, exceeding the aforementioned 4/5 of the maximum score obtainable, was to be subject to the procedure.

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

ATERSIR is also proceeding with the verification of the possession of the general capacity requirements pursuant to art. 80 paragraph 3 of the Legislative Decree 50/2016 and anti-mafia checks.

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

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

Services provided to the Municipality of Turin

Iren Smart Solutions is party to the following conventions:

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

With regard to the assignments of the management service of municipal thermal systems and of the management service of electrical and special systems of municipal buildings, expiring on 31 December 2020, the Municipality, by Executive Resolution of 24 December 2020, has extended the deadline to 30 June 2021. At the end of 2020, Iren Smart Solutions submitted a new *project financing* proposal pursuant to Article 183 paragraph 15 of the Public Contracts Code for the assignment of the service and, with a Resolution of the Municipal Council of 15 December 2020, the proposal was declared of public interest; Iren Smart Solutions was therefore identified as the promoter.

2020 REGULATORY MEASURES

Measures following the Covid-19 emergency

Before expounding upon the most significant regulatory measures issued in 2020, it is worth noting that, following the health emergency, many regulatory measures were enacted, particularly in the area of energy infrastructures, concerning both organizational aspects (interruption of non-essential activities for safety and continuity of service during the most acute phases) and economic-financial support measures (deferment of vendor payments, measures in favour of low-voltage users, etc.). In addition, with Resolution 432/2020/R/con ARERA introduced extraordinary measures regarding *output-based* regulation of electricity and gas distribution services.

The main regulatory measures referred to financial year 2020 with the greatest impact for the energy businesses of the Iren Group are presented below.

GAS

Gas Energy Management

Resolution 96/2020/R/eel - Revision of the methods for allocating costs relating to the mechanism of energy efficiency certificates and application of the RE and RET tariff components.

The Resolution in question provided for the return (total or partial based on the type of plant, pure thermoelectric or cogeneration) was provided in particular for thermoelectric producers who withdraw natural gas for the production of electricity to be fed into the grid, of the quotas of the aforementioned tariff components to cover the TEE mechanism. The amounts of the tariff components in question will be made explicit by the Authority from 1 July 2021.

Gas transport tariffs

The Lazio Regional Administrative Court, by way of judgement no. 440/2020, annulled Del. ARERA No. 575/2017/R/gas that had determined the transportation tariffs for the transitional period in the 2018-2019 years. The Authority has appealed to the Council of State.

By sentence no. 33/2021 the Lombardy Regional Administrative Court also repealed Del. ARERA 114/2019 which established the tariff regulation for the natural gas transportation and metering service for the 2020-2023 period. ARERA also appealed this ruling to the Council of State.

Gas Networks

Resolution 13/2020 - Recognition of the operating expenses for the natural gas metering system, related to remote reading/remote management systems and to the concentrators, incurred by natural gas distributor companies that have adopted buy solutions

The recent resolution 13/2020 defined the procedures for submitting applications for the tariff recognition of remote reading/remote management and concentrator operating costs incurred in the years 2017 and 2018 (by 30 September 2020) and 2019 by 22 January 2021, consistently with the methods of recognition of eligible costs clarified with the previous resolution 537/2109/R/gas.

Consultation Document 39/2020/R/gas - pilot projects to optimise the management and innovative use of gas transmission and distribution networks

The consultation, which ended in April 2020, aims to promote (with a contribution in addition to that provided by the tariffs) actions for the optimization of distribution / transport networks or that seek their more efficient use, which will take the form of three project areas:

- 1) methods and tools for the optimised management of networks (bi-directional networks through the construction of bi-REMI substations, management methods for the use of networks in storage function with dynamic pressure management, methods and tools for the reduction of gas losses from networks);
- 2) innovative uses of existing infrastructure (capacity to accommodate renewable gas or hydrogen, *power-to-gas* and *power-to-hydrogen* applications and possible related activities for carbon capture/sequestering and/or use);

- 3) technological/managerial innovation interventions on networks (methods and tools aimed at digitizing networks and business processes, introduction of innovative technologies or innovative uses of existing technologies).

Consultation Document 545/2020/R/gas - criteria for the decommissioning of traditional meters replaced with smart meters and determination of the amount to recover lost depreciation on class G4/G6 meters

Specifically, it states:

- that the recovery of lost depreciation (IRMA) on class G4/G6 meters resulting from the change in useful life takes place over 5 years;
- that IRMA constitutes a tariff receivable from the system, so it can be transferred for valuable consideration to the incoming operator in the event of the award of tenders;
- the guidelines in relation to the criteria for divestment for regulatory purposes of traditional meters of class up to G6, establishing that divestments relating to meters are conventionally deducted from the stratification of historical gross values starting from the values of gross fixed assets relating to the oldest assets.

Consultation Document 312/2020/R/gas - Incentive criteria for aggregations between natural gas distribution companies - Final guidelines

The Regulator believes that it is important to encourage the growth in size of companies, so as to improve the achievement of economies of scale in the natural gas distribution sector and accelerate the process of convergence towards efficient levels of unit costs recognised in the ultimate interest of end users of the service.

The Authority's orientation is to introduce an incentive for aggregation, expressed in €/PdR, to meet the following characteristics:

- apply only to aggregations involving at least one small- or at least one medium-sized enterprise;
- is differentiated according to the size of enterprises and the impact on the degree of concentration in ATEMs;
- is not applicable in the event that the aggregation involves companies serving more than 500,000 RTPs, or in the event that the resulting entity is a company serving less than 50,000 RTPs, or in the event of supra-threshold transactions not yet authorized by AGCM, or sub-threshold transactions leading to the elimination of a potential competitor for the ATEM tender or in which the resulting entity would hold a market share above a pre-established threshold (approximately 80%).

ARERA also provides for the introduction of a corrective element that takes into account the competitive effects on ATEMs:

- maximum in cases where the aggregated unit reaches a size relevant to the tender (approximately greater than 20%) and not prevalent (approximately less than 50-60%) in at least one ATEM in which the pre-aggregated companies operate;
- lowest, or nil, in cases where either the aggregate unit nevertheless remains irrelevant to the tender or assumes a predominant size that is undesirable from a competitive point of view.

Resolution 562/2020/R/com - Provisions on the recognition of costs incurred by electricity and natural gas distribution companies for the rebranding and related communication policies (debranding)

By this resolution, the Authority ordered the recognition of the costs incurred by electricity and gas distribution companies for the change of brand and related communication policies.

Resolution 380/2020/R/com - Initiation of proceedings for the adoption of measures concerning the methods and criteria for determining and updating the rate of return on invested capital in the electric power and gas sectors for the second regulatory period

The Authority has anticipated that, in general, there will be substantial continuity in the regulatory model adopted in the previous regulatory period, with refinements on the level of gearing, the beta parameter and the cost of debt.

ELECTRICITY

D.L. Milleproroghe 2020

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

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

The resolution in question provides that in the first phase of application (1 January 2021 - 30 June 2021) the Gradual Protection Service is temporarily entrusted to the local exercising higher protection that will provide it according to methods defined by the Authority (contractual conditions similar to PLACET, financial terms and conditions calculated on ex-post NSP). In the second phase (1 July 2021 - 30 June 2024) the service will be entrusted to operators selected through competitive procedures: these will be double round auctions, with access to the second round reserved for the two best bidders and with *Cap* and *Floor* for the assignment of lots of users in the SME segment divided into homogeneous territorial areas in terms of number, power used, and unpaid ratio. An antitrust cap exists on the volume that can be awarded (35% of the total amount in the tender). In addition to SMEs and micro-enterprises, the service will also benefit points with a power output of more than 15 kW (pursuant to Resolution 604/2020).

Decree 162/2019 (converted by Law no. 8 of 28 February 2020), concerning "Urgent provisions regarding the extension of legislative terms, the organisation of public administrations, as well as technological innovation"

The decree, provides that, pending the full transposition of EU Directive 2018/2001 on the promotion of the use of energy from renewable sources (so-called RED II) - and in partial and early implementation of the provisions contained therein - it is permitted to activate collective self-consumption from renewable sources, or to create renewable energy communities, dictating the relative regulations.

Appropriate measures governed (i) the regulation of financial items related to shared electricity (Del. ARERA no. 318/2020/R/eel) as well as (ii) the incentive tariff for the remuneration of renewable source plants included in configurations for collective self-consumption and in renewable energy communities (MD MiSE of 16 September 2020).

DISTRICT HEATING

Resolution 537/2020/E/tlr - Extension to the district heating and cooling sector of the system of safeguards for the handling of complaints and the out-of-court settlement of disputes by customers and end users in the regulated sectors

The Italian Regulatory Authority for Energy, Networks and Environment (ARERA) is gradually extending to the district heating and cooling sector the system of protections for handling complaints and the out-of-court settlement of disputes by customers and end users (currently "fully operational" for the energy sectors and, on the basis of "transitional rules", for the water sector). This is with a view to harmonisation between the regulated sectors, to the benefit of the customers and users themselves.

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

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

ELECTRICITY NETWORKS

Electricity distribution and metering tariffs

Resolution 190/2020/R/eel - changes to the tariffs of non-domestic low voltage users for May - July 2020

The resolution implements the decrease in the fixed components of transmission, distribution and metering tariffs and general charges provided for by art. 30 of the "Rilancio" Decree. Specifically, it established that low voltage non-domestic customers with power of more than 3 kW were to be given a discount for the May-June-July quarter:

- reset the power quota to zero;
- applied only a fixed fee of reduced amount (as if the supply were at 3 kW), without reducing the power actually available.

The "Ristori" Decree extended this intervention on fixed fees and power for non-domestic users over 3 kW extended to 2021, but only if certain requirements are met (assignment of a specific ATECO code and active VAT number as of 25 October 2020). It will be up to ARERA to define the timing and application methods.

Resolution 461/2020/R/eel - reinstatement to distributors of charges otherwise not recoverable due to failure to collect network service tariffs

Anticipated by Resolution 568/2019, 461/2020 introduced in favour of DSOs a mechanism for the reinstatement of network charges not collected in the 2016-2019 period by sellers with a transportation contract terminated for at least 6 months. In general, the conditions are similar to the rules already defined for the mechanism of reintegration of general system charges (del. 50/2020), with the specific introduction of a 10% deductible. DSOs could submit a petition for an interim reinstatement by 7 December 2020, and will be able to submit a petition for full reinstatement by 30 June 2021.

Resolutions 500/2020 and 563/2020 – resilience plan of DSOs

The recent resolution 500/2020, contains the set of actions to increase the resilience of the electricity distribution grids in relation to the 2020-2022 plans eligible for bonus and/or penalty of the main DSOs, including IRETI.

Subsequent resolution 563/2020 recognized the major DSOs for awards/penalties for interventions completed in 2019. Specifically for the group, IRETI was awarded a prize of approximately € 1 million.

WASTE

During 2020, Resolution 443/2019/R/RIF was supplemented by various provisions, drafted both to meet the needs derived from the health emergency from Covid-19 and for the necessary update of the Waste Tariff Method (WTM) for the purposes of preparing the 2021 Economic and Financial Plan (EFP).

The main measures taken are listed below:

Resolution 57/2020/R/RIF containing procedural simplifications relating to the regulation of tariffs for the integrated waste service and initiation of proceedings to verify the regulatory consistency of the relevant decisions of the competent local authority.

Determination 2/DRIF/2020 containing clarifications on the Waste Tariff Method, the procedures for the transmission of the Economic-Financial Plans as well as indications on the valuation of incentives deriving from Renewable Energy Sources, for the purposes of determining revenues, as per regulation prior to the WTR.

Resolution 102/2020/R/RIF: request for data from operators for measures to mitigate the effects of health emergencies on users and on the economic-financial balance of operators, to ensure continuity of essential services and to define methods for dealing with additional charges on operators. The likely postponement of the treatment adjustment is also reported.

Resolution 158/2020/R/RIF concerning new tariff measures in favour of Non-Domestic Users affected by *lockdown* and of Disadvantaged Domestic Users.

Resolution 238/2020/R/RIF (approved downstream of a consultation process): the measure amends some parts of Resolution 443/2019 relating to the WTR, introducing some elements of flexibility for the Territorial Competent Bodies aimed at mitigating the effects of the health emergency on users and operators. Specifically, the following have been introduced:

- a) an additional target 19 that takes into account the costs arising from the COVID-19 pandemic;
- b) additional forecast-related components (some for 2020 only, and others for 2021);
- c) the annual portion of the adjustment relating to the difference between the costs determined for 2019 and the costs resulting from the 2020 Economic and Financial Plan approved, by 31 December 2020, in application of the WTM (recoverable over three years);
- d) the possibility, also for the waste sector, of accessing CSEA funding aimed at supporting the financial advance resulting from the application of the facilities provided by Resolution 158/2020; this option, subject to some conditionalities on ETC and beneficiary operators, can be requested by the ETC itself by 30 September 2020, indicating the beneficiary operators; CSEA verifies and, if positive, disburses the amounts requested by 31 October 2020. By subsequent resolution 299/2020/R/RIF, these terms were then deferred, maintaining the possibility of disbursement of the amounts by 2020.

Resolution 493/2020/R/RIF updating Resolution 443/2019 on the Waste Tariff Method for the purpose of preparing the 2021 Economic and Financial Plan.

Specifically, the measure contains:

- the updating of the inflation rate and the deflator;
- the extension of the emergency measures related to the COVID-19 emergency to 2021;
- time frame: the 2021 Economic and Financial Plan must be sent to ARERA by the Territorial Administration within 30 days of the adoption of municipal resolutions, or by the deadline set by the relevant state regulations (30 January 2021).

In addition, in view of the extension of the health emergency, the national legislator has provided for the allocation of funds to cover the **shortfall in TARI revenues**, both through DL Rilancio and DL Agosto:

- non-repayable appropriations intended to compensate for the loss of revenue for the Municipalities and municipalities in the red zones, which can also be used for TARI purposes (€ 17.6 million have been allocated for the Province of Piacenza);
- increase in the Fund for Local Authorities for 2020.

Finally, it is worth noting the **transposition of the European directives of the "Circular Economy Package"** through the approval in August 2020 of the subsequent four legislative decrees concerning waste and packaging, waste batteries, accumulators and WEEE, the management of end-of-life vehicles and landfills. The main innovations concern the new definition of urban waste with qualitative assimilation criteria, the introduction of a National Waste Management Plan and the reform of the Extended Producer Responsibility system.

WATER SERVICE

Resolution 186/2020 and Resolution 221/2020 - Implementation of the provisions of Law 160/2019

Law No. 160 of 27 December 2019, concerning "State budget for the FY 2020 and multi-year budget for the 2020-2022 three-year period" supplemented the regulatory framework with respect to the two-year statute of limitations and certain aspects of arrears management.

Consequently, ARERA has provided:

- by resolution 186/2020 of 26 May to incorporate the new provisions relating to the two-year statute of limitations, providing for the overriding of the distinction, previously provided for by Article 1(5) of the 2018 Budget Law, between cases in which the delay in billing of amounts referring to consumption dating back more than two years is attributable to the responsibility of the operator and those in which the delay is presumably attributable to the end user;
- by way of Resolution 221/2020 of 16 June, to amend and supplement the provisions introduced by REMSI (regulation of arrears in the IWT), providing in particular that 1) the payment reminder must be sent to the end user exclusively by registered letter with acknowledgement of receipt or certified email, 2) the deadline by which the end user is required to settle outstanding past payments may not be less

than the 40 calendar days provided for by current legislation, calculated from the time the user receives the communication containing the payment reminder.

Resolution 235/2020 - Implementation of urgent measures in the Integrated Water Service in light of the Covid-19 emergency

In relation to the health emergency, the Authority, following the collection of information and a consultation document, adopted urgent measures aimed at mitigating the effects of the COVID-19 emergency on the economic and financial balance of management, and on the conditions under which services are provided, guaranteeing the continuity of essential services, creating the conditions for relaunching investment expenditure and strengthening the social sustainability of the tariffs applied to users.

Specifically, the Authority has provided:

- a) postponement of the deadlines for tariff and technical quality obligations: the deadline for concluding data collection for the assessment of the achievement of the 2018-2019 technical quality objectives and for the transmission of the proposed 2020-2023 tariff scheme is postponed to July;
- b) elements of flexibility regarding the mechanism for assessing contractual and technical quality performance: the contractual and technical quality objectives for 2020 and 2021 are assessed cumulatively on a two-year basis;
- c) derogations regarding the acquisition of measurement data and determinations relating to industrial waste water authorised for discharge into the public sewer system;
- d) measures aimed at protecting the economic-financial balance of operations, envisaging: i) adjustment of the rate of recognition of financial charges for ordinary work in progress; ii) the possibility for EGA to recognise forecast costs linked to Covid-19, subject to adjustment, as well as deferment costs to cover the lengthening of collection times; iii) potential adjustment of the tariff recognition of arrears costs for the two-year period 2022 and 2023, if findings emerge to this effect;
- e) measures to strengthen social sustainability: subject to an agreement between the EGA and the operator, the right is granted to defer over time the recognition of costs that contribute to an increase in the tariff with respect to 2019.

OTHER GENERAL MATTERS

Incentives

Resolution No. 270-550/2020/R/efr - Revision of the tariff contribution to be recognized to distributors under the energy efficiency certificates mechanism in execution of Lombardy Regional Administrative Court ruling No. 2538/2019

The resolution, among other things:

- confirms the *cap* to the tariff contribution (TC) of € 250/EEC;
- introduces an additional fee (AF) of up to € 10/EEC paid to the principal distributor to address shortages of securities on the market;
- by virtue of the extensions granted in view of the epidemiological emergency, distributors will be able to ask the CSEA for an extraordinary advance payment valued at 250 €/EEC to the extent of 18% of the 2019 target (200 €/EEC on future obligations).

Lastly, Resolution No. 550/2020 defined the reference level of the TC and the AF for the 2019 compulsory year as € 250/ EEC and € 4.49/ EEC, respectively

Update of GSE obligations

As a result of the Resolution of the Council of Ministers of 31 January 2020, the GSE provided, among other things, for the extension by a total of 366 days of the deadlines for the entry into operation of plants eligible for incentives under Ministerial Decree FER 2016.

Short limitation

Resolution 184/2020 - billing of amounts referring to consumption exceeding two years

Resolution 569/2018/R/COM had governed the protection of small end customers in cases of billing for consumption that dates back more than two years, providing for specific information obligations of sellers, methods to help them contest the statute of limitations, and forms for submitting and handling any complaints.

These rules distinguished, as provided for in the 2018 Budget Law, cases in which the billing delay was presumably attributable to seller and/or distributor responsibility from those in which the end customer was presumably responsible.

The recent resolution 184/2020 now implements the repeal - made by the Budget Law 2020 - of the point of the Budget Law 2018 on the inapplicability of protections in case of failure/erroneous detection of consumption data resulting from ascertained responsibility of the user.

As a result, from 1 January 2020, small end-user electricity/gas customers and water service users can in any case challenge the statute of limitations for consumption invoiced more than 2 years prior, regardless of the party responsible.

In detail, Resolution 184/2020:

- shall apply from the first useful billing cycle after 28 May 2020;
- shall maintain any actions already commenced by Sellers for invoices issued on or after 1 January 2020;
- requires sellers and operators to adjust the information to customers and users included in the invoice and to inform customers and users of the possibility to object to amounts older than two years by providing a special form.

Consultation Document 330/2020/R/com - Measures for the implementation of the provisions of Law 205/2017 regarding the two-year statute of limitations in relation to the electricity and gas settlement

In the consultation document, the Authority sets out guidelines on:

- 1) Amendments and/or additions to be made to the regulations governing the physical and financial items involved in dispatching(*settlement*) when the two-year statute of limitations affects different operators in the wholesale electric power and natural gas markets;
- (2) the arrangements for offsetting charges arising from exceptions to the two-year limitation period.

The statute of limitations may be invoked as a result, in the case of the electricity sector, of adjustments resulting from the occurrence of late adjustments and, in the case of the gas sector, of the new availability of measurement data replacing estimates or adjustments of actual measurement data previously used. Only these cases, in fact, reverberate upstream in the chain.

In case of enforcement of the short statute of limitations by the end customer, the vendor compensates for the missed receipts by reimbursing the distributor who is penalized for delays in the transmission of measurement data that exceed 24 months by feeding a fund managed by CSEA.

PERSONNEL

As at 31 December 2020 the Iren Group had 8,680 employees, up compared to 8.102 employees as at 31 December 2019, as the table below shows, divided into Holding and first-level companies and related subsidiaries.

Company	Workforce at 31.12.2020	Workforce at 31.12.2019
Iren S.p.A.	1,063	1,060
IRETI and subsidiaries	2,154	2,150
Iren Ambiente and subsidiaries	4,065	3,508
Iren Energia and subsidiaries	874	875
Iren Mercato and subsidiaries	524	509
Total	8,680	8,102

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

- the acquisition, in August 2020, by Iren Ambiente of the company I.Blu for a total of 291 resources;
- the acquisition, in November 2020, of Unieco Environment Division for a total of 217 resources;
- the company San Germano due to the launch/conclusion of contracted services, including seasonal work;
- continuation of the generational turnover plan, with a considerable number of recruitments on the labour market.

ORGANISATION AND IT SYSTEMS

Organisational Development

During 2020, activities continued to support acquisitions and corporate rationalisations and to improve operations and competitiveness, in accordance with the Group's organisational model.

In this context, the structure of the Organisation has been redesigned, attributing to it all the activities of management and coordination of transversal projects and Change Management, and seeking greater synergies with the activities related to certified management systems.

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

- a complex programme continued with the aim of redesigning the entire customer management and relation process, from the first contact to invoicing, entitled "Market Transformation Programme";
- in the Networks Business Unit, the project for the use of a new *Asset Management* system and an *Asset and Work Force Management (AM-WFM)* system was extended to the other companies belonging to Ireti; the "IrenWay" project continued, with the aim of creating a new and single technical-commercial information system for the management of the Gas and Electricity distribution service and the Integrated Water Cycle;
- in the context of the Waste Management Business Unit, important progress was made on the "Just Iren" project, which provides for the creation of a new management, operational and IT model capable of optimising the management of the waste collection, sweeping and conferment process, facilitating also the interaction with Customers/Citizens and with local authorities to which the service is provided;
- with regard to transversal projects, the "Digital Workplace" project was launched, aimed at allowing all Group employees to easily access information and collaborate safely and efficiently both in the office and remotely;
- testing of the *agile* method continued as part of the "Digital Factory" program (consisting of several projects developed with the Business Units and some Central Departments) and of the *lean* method to support process streamlining and improve business performance;
- The first phase of the project to define the model of corporate roles and the subsequent mapping of the entire Group organisation was also completed.

The beginning of the pandemic constituted a sort of *stress test* of the change paths that had been set in motion, forcing the acceleration of the spread of remote work and the general adoption of new working methods (such as, for example, the "departure from home" for the staff of the operating teams), based on the one hand on the empowerment and greater autonomy of people, and on the other on a different leadership system, a topic with respect to which an innovative training path for managers was launched.

Thanks to the foundations laid in advance both on an organisational and technological level and on a cultural level, and to the specific measures adopted to prevent and counter contagion taking into account the different operating situations that characterise the Group, notwithstanding some slowdowns during the *lockdown* months, all the organisational development programmes, as described above, continued successfully and no significant drops in productivity were noted.

It is clear that it is now necessary to consolidate the new manners of working that have been experimented, identifying new forms of monitoring activities and maximising their value for both people and companies, avoiding the risks of loss of relationships and cohesion that remote working puts at risk, and redesigning work spaces.

Information Technology

2020 saw the continuation and/or completion of important projects which are strategic for the Group, as presented below.

In general, besides the necessary adjustments, the computerisation and digitalisation plan provided for in the Business Plan is in the implementation stage, with a significant increase in investments and operating costs for sustaining the process of transformation, security, and development of the Group. In 2020 the incorporations/corporate mergers were also supported, proceeding to the integration or standardisation of the systems starting from the administrative-management area.

In order to support this change and achieve the expected results, among other things, the Information Systems Function was reorganized, the Solution Market and Networks structures were strengthened, internal service levels were improved and numerous projects were launched.

At the level of transversal initiatives on the Infrastructure front, we note in particular projects related to:

- Digital Workplace with the completion of the move of company mailboxes to the cloud and the start of the migration of company PCs to the new model office;
- the extension of smart working in order to enable people to work remotely considering the health emergency;
- the new enterprise wide area network in order to increase resilience and speed (ongoing).
- IT/OT network segregation to increase IT security in compliance with new NIS regulations (in progress);
- the unification of call center platforms for emergency response (Networks BU);
- network virtualization with the implementation of a solution that increases enterprise security over infrastructure and enables operations automation;
- raising the level of protection of servers and clients through the implementation of behavioural analysis tools that make it possible to recognise improper or malicious actions in addition to what is already detected by traditional antivirus (in progress).

With regard to the Corporate area, the main projects carried out in 2020 were:

- The expansion of the functionality of the Performance and Recruiting system, Success Factor, through the adoption of a module for centralised personnel management;
- The introduction of the Real Estate Platform for the digitalization of Property Management processes in the broader context of Facility, to be continued in 2021 with Building Maintenance & Construction;
- Consolidation of the integration platform for Market Transformation projects and Iren Way as the new corporate communication bus.

Finally, numerous initiatives were carried out in the AFC area, including the introduction of VIM (Vendor Invoice Management) for the automatic reconciliation of supplier invoices and an application for Tax Framework Control.

With regard to the Energy BU, in 2020, the main areas that underwent significant improvements in ICT terms were:

- the District Heating Area, through the introduction of a portal for the management and operation of substations, as well as technical and commercial quality management solutions in compliance with ARERA indications;
- Thermoelectric Area, where a tool for document (technical) management was introduced for the Turbigo power plant.

With respect to the Market BU, several functional releases were made in 2020 in connection with the "Market Transformation" program and the migration of most electric power and natural gas customers to the new Customer Relationship Management and billing platforms. The year also saw the release of the new Iren You app for customers, on which the "PSD2" digital payment channels were enabled. The Transformation programme will continue in 2021 with the migration of business customers in the electricity and gas and water markets. In 2020, a new project was also launched that will lead to the release of the new Energy Trading & Risk Management and Forecasting Energy cloud platform, which will be able to manage and optimise Iren's portfolio.

With regard to the Networks BU, the release of the new Asset and Work Force Management (WFM) system was completed also for the electric power distribution business, thus completing the program implemented for the different business lines. The activities related to the "Iren Way" project continued, aimed at revising and standardising the processes and information systems supporting the technical-commercial activities of network management; at the beginning of October, the first release for the GAS stream occurred; the activities related to the EE and Water streams continue.

In November 2020, the activities related to the PMS2 project (smart meter 2G EE) were started, whose release is expected in November 2021, in conjunction with the release of Iren Way's EE stream. Finally, the "Geolren" project concerning the unification of cartography was released in early November 2020.

For the Waste Management BU the activities linked to the "Just Iren" programme continued. This programme provides for the complete redesign of the application map starting from the sector of collection and sweeping and of the activities related to the relationship with Municipalities and citizens. In May 2020, functionality for AMIAT's environmental services and weight management was released. On the other hand, the activities for the release of Just Iren for Iren Ambiente continue.

During 2020, the systemic integrations into Iren Ambiente of the companies Ferrania and CMT were also completed. The integration of UNIECO and I.Blu is underway.

Two main initiatives were carried out in the ICT Governance area:

- IT Iren Now, completed in December, relating to the complete revision and digitalization of IT Service management processes on the Service Now platform, with the aim to:
 - rationalise and accelerate user support and service management processes;
 - facilitate the request for IT assistance;
 - gain greater control over the ICT architecture, thanks to the complete visibility of the infrastructure and the relationships between its various components;
 - manage the integrity of the End to End service, given the growing demand for ICT services that are always available and flexible to frequent changes.
- ISO 27001: in July 2020, the project for UNI CEI EN ISO/IEC 27001:2013 certification was completed, concerning "Provision of ICT services (application and infrastructure design, maintenance of application and infrastructure systems, management of supporting assets) provided to Iren S.p.A.", obtaining the relative certificate; in June 2020, the project was also started for the extension of the certification scope to other Group companies.

2020 also saw a series of project initiatives aimed at raising the level of security against cyber events and threats; in addition to the actions undertaken in the area of 27001 certification, the most significant are:

- Segregation of authentication systems to the enterprise network domain;
- Adoption of a Threat Intelligence platform for cyber threat analysis;
- Implementation of an Endpoint Detection and Response platform for workstations;
- Introduction of a network traffic analysis tool to detect possible malicious actions (in progress);
- Introduction of dual factor authentication for system access (in progress);
- Adoption of a tool for the management of privileged users (in progress).

QUALITY, ENVIRONMENT AND SAFETY

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

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

The Values on which the Iren Group is based, at the general level, are:

- belonging;
- responsibility;
- customer satisfaction;
- teamwork;
- change and flexibility;
- employee development and support;
- sustainability;
- transparency.

These Values are indicated and translated in the QAS Policy into the following basic principles of the Certificate System:

- satisfaction of all the parties involved;
- environmental safeguarding and rational use of natural resources;
- health and safety of the personnel;
- sustainable development;
- information security;
- responsibility and cooperation with the community;
- efficiency of the services;
- attention to and governance of risks, with continual analysis of the context of the organisation and the needs and expectations of the parties involved;
- respect for and enhancement of people;
- innovation and change;
- supply and contract quality;
- constant improvement.

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

The Parent Company, the first level companies (with the exception of Iren Mercato as it is a commercial company) and the investees AMIAT, ACAM Ambiente, RECOS, ACAM Acque, ASM Vercelli and San Germano are certified according to the international standard ISO 14001 (Environment).

In addition, Iren Energia and Iren Smart Solutions are certified in accordance with the standard ISO 50001 for Energy Efficiency; Iren Smart Solutions is, in addition, certified in relation to UNI 11352 (for Energy Service Companies) and F-GAS. Finally, Iren Mercato is certified in accordance with the Certiquality 66 Technical Document in relation to the Sale of Green Energy, and has acquired, in 2020, the Certification of conformity RINA no. TRAC_EE 001 for "System for Tracking Characteristics of Electricity from Renewable Sources", Document ST TRAC_EE.

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

All audits carried out by the Certification Bodies at the Group companies in 2020 ended with a positive result confirming the maintenance of the Certifications in possession of the single companies. In addition, all BS OHSAS 18001 Certifications due to expire in 2020 have been renewed with a move to ISO 45001.

Finally, during 2020 Iren S.p.A. acquired the ISO 27001 (Information Security) certification.

RESEARCH AND DEVELOPMENT

In the Iren Group technological innovation is central in strategic decisions and in defining the products and services offered by the Group.

The Business Plan to 2025 confirms the centrality of innovation in the Iren Group's Vision which will be expressed in the development of all the sectors in which it operates with the objective of making IREN an example of excellence and innovation in the multi-utility sector. Specifically, the Industrial Plan outlines a strong development plan in support of the circular economy, according to a "multicircle" approach involving all the sectors in which the group is active. From this perspective, the main innovation activities underway within the Group are aimed at researching and adopting technologies and processes to support the sustainable development of the reference businesses.

The main research, development and innovation lines on which the Iren Group is investing regard:

- energy efficiency divided into several levels and *assets* (customer, building, urban agglomerate, public lighting systems, energy assets of the Group);
- study of new systems for the recovery of energy losses and an increase in the efficiency of the plants;
- solutions for the production of renewable hydrogen and for the production of synthetic methane combined with the capture of carbon dioxide;
- thermal energy and electricity storage systems;
- study of business models and analysis of platforms for the implementation of Energy Communities;
- processes aimed at maximising the recovery of energy and materials from different waste fractions, separately and not separately collected;
- automation and robotics in waste treatment plants, to support operational staff;
- Internet of Things ("IoT"), home automation and data intelligence ICT tools;
- optimised management of the integrated water cycle (districtualisation, identification and reduction of network leaks) and instruments in support of sensors in the field;
- detection and removal of pathogens in water samples;
- systems for the quantitative reduction and recovery of material and/or energy from sludge deriving from waste water treatment processes;
- innovative solutions connected with electric mobility;
- "smart safety" systems for assisting staff or signalling potential risk situations;
- "industry 4.0" solutions in support of the personnel involved in plant operation and maintenance activities, for predictive maintenance and monitoring in the field.

Iren manages the innovation processes through an *open innovation* model and, in keeping with this model, it has in progress fruitful collaborations with Universities, Research Centres, Innovation Hubs and innovative start-ups. Additionally, it takes an active part in working groups and associations on specific research and development and promotes events such as conferences, workshops and *hackathons*. 2020 was characterised both by the continuation of technical activities related to the Group's various co-financed projects and by the development, also in partnership with innovative companies and start-ups, of internal technological projects on the basis of planning which, starting from an analysis of the long-term scenario, is aimed at offering the Group the tools needed to seize the opportunities and mitigate the risks deriving from evolution of the markets in which it operates.

"IREN UP", an innovative *Corporate Venture Capital* program with the aim of supporting the highest potential Italian startups in the *cleantech* sector, has been further structured during 2020. The program provides an unprecedented package of customized services including testing, technical support, legal advice, market testing, commercial and industrial agreements. During 2020, IREN UP completed two *corporate venture* transactions. The first transaction concerned a startup operating in the field of applied robotics and specifically in the waste sector. The second initiative relates to the circular economy and concerned investing, in early 2021, in an innovative company that deals with recycling applied to the polyurethane supply chain.

In addition, scouting activities and participation in events of the innovation ecosystem continued, enabling the identification of new investment targets for 2021.

Public *open innovation* events decreased during 2020 due to the Covid-19 emergency, which limited the ability to interact with the innovation ecosystem using traditional tools. Despite this difficulty IREN was able to support the 2020 edition of Innovation 4 Change by promoting a *challenge* focused on new business models connected to citizens' energy communities.

COMPLETED AND ONGOING FUNDED RESEARCH PROJECTS

Also in 2020 IREN contributed to the creation of important innovation projects co-financed with public funds for research. On this point, the main projects underway are presented below. The total investment for the IREN Group is approximately 8.8 million euro, of which around half being financed. In relation to these amounts, the expense incurred during the year was approximately € 1,200,000, of which approximately € 730,000 covered by loans.

The projects in progress in 2020 are presented below:

Recovery of material from WEEE R1/R2 (Ministry of the Environment Call for Tenders)

The project has as its main objective the development of technologies with high replicability and rapidly transferable to the industrial world, aimed at optimising the management of waste electrical and electronic equipment (WEEE), and in particular the recovery of polyurethane from refrigerators (WEEE R1) as secondary raw material and optimisation of the separation of cement from the carcass of washing machines (WEEE R2). During 2020, Iren Ambiente and AMIAT, partners in the project, contributed to the development of the technical-economic feasibility analysis for the implementation of a refining line for polyurethane produced by the treatment of WEEE R1.

SATURNO (Bioeconomic Technological Platform – Piedmont Region Call for Tenders)

The project provides for the validation, on an industrial platform, of the conversion of the organic fraction of waste and of the CO₂ of vehicle exhausts and industrial production, into biofuels and *biochemicals*; specifically, the project provides for use of the organic fraction of waste of municipal origin, normally converted into thermal energy, electricity, bio-methane and compost, through the extraction of substances with high value added such as hydrogen, carboxylic acids, biofertilisers, and biostimulants.

IREN is involved in the project together with its associate GAIA, where tests will be carried out on the separation and treatment of bio-plastics separated from the OFMSW (Organic Fraction of Municipal Solid Waste); IREN is also involved in the development of the Business Plan for the SATURNO integrated biorefinery, which will be tested and validated during the project.

During 2020, IREN began collecting and processing experimental data in order to set up the activities for developing the Business Plan; it also collaborated in the activities related to the quantification/characterization of the extraneous fraction (with particular reference to plastics) present in the FORSU from separate waste collection.

OnlyPlastic (RFCS - 2019)

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

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

PolynSPIRE (Horizon 2020)

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

CHESTER (Horizon 2020)

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

IREN is involved in the project as district heating network operator and has provided operational data of electricity and heat production of the Turin plants and district heating network demand as input to the CHEST system model. IREN supervises the development phases of the system components and control infrastructure and during 2020 has started the analysis of market opportunities arising from the exploitation of the CHEST system in its plants.

Energy Shield (Horizon 2020)

The project intends to develop an integrated cyber security platform, usable by all actors of the energy chain (Transmission System Operators, Distributors, Aggregators, Producers) to prevent future attacks and learn how to defend yourself by analyzing past attacks.

IREN participates as a Distributor (through IRETI) supporting the partners in the definition of the specific *cyber security* instruments, preparing a feasibility test (on paper) and possibly an “offline” field test applied to one or more subsystems of the network (remote control, SCADA, *smart meters*, supporting TLC networks etc.). During 2020, testing of the functionality of the “*security culture framework and tool*” was conducted for field-tested and/or evaluated use cases.

IREN and IRETI have interacted with partners/technology providers for the development of the different software that will make up the integrated platform.

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

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

EVERYWH2ERE (Horizon 2020)

The objective of the project is to develop an electric generator with “plug and play” fuel cells, easy to transport around the city for temporary electrical power in various sectors (building sites, music festivals, temporary events, exhibition centres) and able to guarantee high levels of reliability and safety as well as a reduction in emissions compared to traditional generators.

The IREN Group, as a third party of Environment Park, will test a hydrogen *skid*, currently installed at the Friem headquarters in Segrate (Milan), for electricity production during events/trade fairs (Uninterruptible Power Supply (UPS)/mobile generator mode). During 2020, IREN has identified events related to the city of Turin during which to test the *skid* and current business models and authorization parameters for the future marketability of the developed solutions.

INCIT-EV (Horizon 2020)

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

IREN and IRETI will play a central role in the development of the pilot project in the Caio Mario interchange car park in Turin, which intends to test a system of DC columns (both slow and fast recharging), directly connected to the DC power supply of the trams. During 2020, IREN participated in the definition of the specifications of the *decision support system* related to private electric mobility, in the measurement campaigns for the preliminary setup of the Turin Pilot and will coordinate the partners involved in the definition of the specifications for the construction of the conversion cabin.

PLANET (Horizon 2020)

The project aims at developing technologies and analysing the regulatory constraints for taking synergistic advantage of the distribution networks (electricity, gas and heat). During the project storage and conversion technologies have been modelled; *multi-grid* intelligent automated management systems have been simulated; new *business models* have been created; energy conversion systems have been tested in a physical pilot.

During 2020 IREN designed and installed a pilot heat pump system that can be managed remotely, to integrate the heating and cooling system, at a building it manages in Turin. The aim of the experimentation was to test in the field the joint management of energy vectors for the activation of demand flexibility strategies with a view to providing ancillary services to the electricity grid. The heat pump was tested in the winter heating season to balance load imbalances or participate in ancillary electricity markets, while optimizing the building's energy needs and flexibility measures required by the electrical grid.

PUMP-HEAT (Horizon 2020)

The project has the objective of increasing the flexibility of conventional fossil source plants, in particular combined cycles, in order to satisfy the ever-increasing needs of the network to offset the demand fluctuations deriving from renewable sources. The project investigates the combination of heat pumps with cogenerative combined cycle and conventional combined cycle plants; the combination with systems for heat and cold storage is also analysed. Specifically, in 2020, the heat pump and the phase change thermal storage system were delivered to the IREN plant in Moncalieri (TO). The activities for the integration of the pilot plant with one of the two combined cycles are currently being completed, with the aim of testing the technologies studied and developed during the project.

STORE&GO (Horizon 2020)

The STORE&GO project, concluded in February 2020, tested 3 innovative *Power to Gas* (P2G) systems located in Germany, Switzerland and Italy, in order to identify and overcome the technical, economic, social and legal barriers associated with the technology for converting electricity into chemical energy, in the form of hydrogen molecules or synthetic methane. The project aimed to evaluate the possibility of integrating the P2G *storage* system within cutting-edge energy production and distribution systems. IREN's role regarded the study of the technical/economic possibilities of integrating P2G technology into thermoelectric production systems.

5G-Solutions (Horizon 2020)

The objective of the 5G-Solutions project, launched in 2019, is to test, in different field tests, the functioning, potential and limits of the 5G network, con particular attention to assessing the performance indicators defined by the standardisation bodies responsible. These tests will involve the following verticals: Factories of the Future, Smart Energy, Smart Cities, Smart Ports, Media & Entertainment.

IREN participates in the activities of the "Energy" vertical, assessing the benefits related to integration and use of the 5G network (and of its main characteristics of speed, limited latency and high reliability) in the cases of use of *Demand Side Management* at industrial level and of Smart Charging of electrical vehicles.

In 2020, the locations of the pilots have been defined: the parking lot of IREN headquarters in Turin (Martinetto) for the use cases on *smart mobility* and, in synergy with the PLANET project pilot, a building of the City of Turin equipped with a prototype Heat Pump for the use cases on *Demand Side Management*. The software infrastructure for the control and monitoring of the case studies has been defined and developed in *Beta* version. Finally, a first prototype of the hardware that will control the heat pump remotely has been developed, and 5G connectivity tests with proprietary VPN have been performed.

Evolution2G (EMEurope Call 2016)

The "eVolution2G" project, which began in June 2018, is intended to study in depth and test directly in the field the Vehicle to Grid (V2G) concept, that is a system in which electric vehicles have a balancing role on electricity grids. The main innovations of the project are based on:

- Development of an EMCS (*Energy Management and Control System*) prototype, for data management according to the various subjects involved, with a view to improving the balance of the electricity network;
- Tests on prototypes of V2G recharging solutions, at both the domestic level and the public/urban level. IREN has equipped itself with 2 bi-directional DC prototype columns and has carried out several experimental tests related to different usage scenarios (i.e. vehicle charging, powering a stand-alone house, using the car battery to power the grid).

WaterTech (MIUR)

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

In 2020, the loan agreement was signed and research activities on water and wastewater systems continued.

WATERSPY – High performance, compact, portable photonic device for pervasive water quality analysis (H2020)

The WATERSPY project is developing and defining a method for detecting the presence of heterotrophic bacteria in aqueous matrices such as *Escherichia Coli*, *pseudomonas aeruginosa* and salmonella. The instrument, developed at the prototype level for use in the field at water service supply sources (artificial lakes) and in the distribution network, provides for a stage of pre-concentration which enables the bio-sensor to bind the bacteria onto a surface which is subsequently analysed using laser technology. The project ended formally at the end of February 2020.

MARILIA - MARA-BASED INDUSTRIAL LOW-COST IDENTIFICATION ASSAYS (H2020)

The MARILIA project, started in September 2020, aims to develop, from Technology Readiness Level 2/3 to 5, a new low-cost, high-sensitivity, expeditive test for the detection of pathogens in water samples, but potentially applicable also in other sectors such as food, health, agriculture. The objective is to validate the test at laboratory level, developed for the identification of a set of bacteria (to be identified with the contribution of IREN), laying the foundations for a subsequent *deployment* in the field by introducing a significant streamlining in terms of speed and cost compared to current analytical practices. In the first four months of activity IREN, with the collaboration of IRETI and IREN Laboratories, participated in the definition of the specifications of the sensor that will be developed according to the needs of the end-users (analysis laboratories, water service managers and control bodies).

PRELUDE (Horizon 2020)

The objective of the project, awarded in 2020, is to test, in several pilot projects in Europe, solutions in the field of innovative management of buildings and plants, *free-running mode*, self-consumption and integration of renewable sources. From the technological point of view, PRELUDE intends to integrate multiple physical and mathematical models developed by the partners, databases of the different pilots and monitoring and control systems of the *assets* of the pilot projects in a single modular/*middleware* platform that is based on FusiX (metadata infrastructure and DSS - *Decision Support System*), developed by partner EMTECH in previous EU projects. IREN and IREN Smart Solutions participate in the project as coordinators of the Italian Pilot by installing in some apartments different levels of sensors, implementation and direct feedback on the inhabitants.

RES-DHC (Horizon 2020)

The objective of the project, also awarded in 2020, is to create tools to support regulators and *stakeholders* in increasing the use of renewables in district heating and cooling systems. Programmatic and techno-economic assessment tools, actions to improve policies and regulatory *frameworks*, and innovative dissemination and communication means will be tested in 6 European pilot projects with the aim of validating their benefits and preparing a set of tools for future energy projects.

IREN and IREN Energia participate in RES-DHC to test the *tools* and skills of the partners on studies/projects for the renewal of existing TLR networks or new expansion projects, with the primary objective of improving the way in which the Group's innovative district heating 4.0 projects are planned, communicated and accepted. During 2020, a screening of projects in line with the project goals was started (on the basis of the outcome a stakeholder group will be formed) and the *dissemination plan* valid for Italy was defined.

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

The project aims to increase the levels of redundancy, security and interoperability of the equipment for the Safety of workers, integrating them with a wireless LoRa infrastructure and a new generation DLT patent able to certify in a standardized and anonymized way on blockchain networks the data from field sensors in order to ensure the appropriate level of neutrality needed for operational, regulatory, insurance and legal use. The project, started in late 2020, will develop a solution that will be tested on a portion of TRM's plant and on a portion of the City of Turin's hillside where IREN operators handle waste collection.

OTHER INNOVATION ACTIVITIES

During 2020, alongside the financed projects, IREN launched approximately 40 initiatives and self-financed projects, which engaged resources internal and external to the company. In particular, as regards external collaborations, IREN activated multiple research contracts with Italian Universities which regarded aspects such as the design and testing of innovative plant solutions in support of the IREN businesses, the creation of models and the identification of new processes and services.

A number of significant self-financed projects are presented below:

Water

Research activities continued for optimisation of water pipeline networks during the year.

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

In addition IREN benefited from the results of an important research project aimed at improving the ARERA technical quality indicators in the integrated water cycle sector, for the purpose of responding to the needs of competitiveness and efficiency required by the new Regulation of the Technical Quality of the Integrated Water Service supporting the adoption of innovation in the planning of Investments.

In the water sector, following the patent filing of the technological core that demonstrated the feasibility of the acoustic telemetry technique, in 2020, it carried out the design of the components of the system with acoustic modems by experimenting them on portions of the network made in the laboratory (bed test) and in the field.

Activities connected with research on new technologies to be applied to purification processes also continued, with the aim of reducing the production of surplus sludge and recovering material and deriving energy with the objective of reducing total operating costs. In this area, the Group continued to collaborate with startups and research entities, with the goal of assessing the yields and applicability of innovative processes such as hydrolysis, gasification or biotechnological processes for the extraction of high-value compounds, such as biopolymers. With regard to gasification, an in-depth study was conducted to assess the feasibility and methods of applying the process to the sludge line of the Group's purification plants.

In 2020, IREN Group continued its research activities with the aim of standardizing the procedure for sampling and managing odorigenic emissions.

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

Projects included in the AMGA Foundation's research programme

During the year, IREN continued its collaboration in the context of research projects funded by the AMGA Foundation relating to economic and regulatory issues and technical-scientific aspects related to water, energy and environmental resources. Further projects will be identified and selected in a research call that the Foundation will issue this year.

Among these, we note the research on:

- Applicability of *Landfill Mining* to old landfill sites in Italy;
- MYRAEE - *MYco* Recovery of Electrical and Electronic Equipment;
- Nanocatalysers based on manganese oxides for sustainable energy production (*Mn4Energy*);
- Comparative assessment of biogas cleaning and *upgrading* processes;
- Markets in search of regulation: tenders for gas distribution concessions;

- Optimal methods of managing urban drainage systems based on innovative monitoring of rainfall using *IoT low-power wide-area network technology*;
- The economic, environmental and organisational performance of the Italian water sector;
- Reuse of purified wastewater: analysis of the hygienic-sanitary impact;
- Regulation of water and environmental services, analysis of factors that determine operating and capital costs, and possible impacts on price recognition models:
- Energy markets and consumer *switching*: the drivers and the potentially effective intervention tools;
- Proposed actions for the removal of emerging pollutants and micropollutants in water treatment plants. Conventional and innovative processes;
- National guidelines for the sustainability of third-sector entities (TSEs) with particular reference to energy and water;
- Behavioural economy and energy market;
- Cost-benefit analysis in the *energy* field (reference to no-dig);
- Cost characteristics and economies of scale in the waste management sector;
- Application of WSP to the water service: methodological and informative aspects for the stakeholders involved;
- Development and validation of procedures for the assessment of the input of biomethane into distribution networks;
- Resilience indicators in water distribution systems with respect to climatic and socio-economic changes;
- Models for the forecasting and management of damage to networks in the case of floods. The project was launched in 2017.

Environment

During 2020, the first part of a research and experimentation activity was completed which concerns a reaction for the immobilization of CO₂ deriving from combustion processes in solid state matrices, using reactions that make use of extractable acids and/or analogues from vegetable substances. After the definition of yields and reaction kinetics, the activity continued with the support of an industrial partner for the realization of a first prototype of the system.

A feasibility study was also developed on the integration of innovative solutions for the decarbonisation of combustion plants, with particular reference to the conversion of carbon dioxide-rich flows into molecules with high added value, such as methane, making use of systems for the production of thermal energy and electricity from renewable sources. Specifically, the TRM waste-to-energy plant was considered as a *use case*.

In 2020, the research activity continued; this regards the use that can be made of bottom and fly ashes produced by the Group's incineration plants. Specifically, the activities carried out, which involved universities and industry, focused on evaluating the industrial applicability of the processes previously studied at laboratory level (carbonation, washing).

In the early months of 2020, the activities connected with the research grant for the exploitation of mixed plastics from WEEE were concluded, in which the possibility of their use in cement mixtures or in bitumen, as a partial replacement for aggregates, was studied and explored in depth.

With regard to the treatment of WEEE, a feasibility study has been developed in 2020 with annexed field tests of a robotic system based on artificial vision for the automation of the disassembly process (currently mainly manual) of LCD screens at the end of their useful life treated at the TBD plant in Volpiano (TO). The activity ended with the preliminary design of a semi-automated robotic line to be installed at the above-mentioned plant, which is expected to be completed in 2021.

Lastly, a feasibility and technological *scouting* study concerning innovative processes for the production of biopolymers and bio-composites from organic vegetable waste, including OFMSW, and for the valorisation of digestate/compost through the extraction and production of fertilised products in compliance with the new European regulations was completed in 2020.

Energy

Industry 4.0 Innovation

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

During 2020, testing activities using drones for inspections of dams, reservoirs and rocky slopes continued. In addition, some IREN Energia employees were trained in the use of drones and joined external personnel during inspection activities. All the data acquired over the years is now available on a cloud platform. The prototype rover for the inspection of bypass tunnels has been completed and tested in an operational environment: once industrialised, the robot will be able to travel through the tunnels acquiring images and 3D mapping, communicating with the outside world via a wireless network during inspection. Again, in the hydroelectric sector tests are continuing on the use, in an operating context, of smart glasses systems in order to enable interaction between the operating field and the control room and real-time data communication. Training days were organised for maintenance staff.

In 2020, in the colder months, the experimental technique of monitoring district heating networks by air was once again used. Thanks to the use of a high-resolution thermographic camera, mounted on an aircraft, it was possible to fly, in a winter night, over the city of Turin and identify using thermal image processing software the water and heat leaks of the network.

In the district heating field, instead, an experimental activity was completed for the remote monitoring of the environmental parameters of the network valve chambers, considered confined spaces, making use of a connectivity technology capable of sending the data to a centralised database and analysing this information. The goal of the project is to increase operator safety and provide additional information useful for planning maintenance activities in such spaces.

Other innovations in the energy field

In the research area, during the year, IREN:

- carried out, in collaboration with the Department of Energy of the Polytechnic of Turin and Environment Park, some feasibility studies of solutions for the production of hydrogen from renewable sources and synthetic fuels, exploiting the flow of carbon dioxide from processes of capture from fumes or upgrade of biogas into biomethane. During the study, the use of these energy carriers for local public mobility was evaluated. In this context, IREN is also active in bodies and associations for the promotion and regulation of hydrogen development;
- analysed solutions for the recovery of geothermal heat and waste heat in combination with metropolitan transport networks.
- transformed a portion of the uncovered parking lot of the Martinetto headquarters into an experimental laboratory for testing *smart lighting* systems. In this area, innovative lighting fixtures from different manufacturers were installed in 2020. They are equipped with sensors capable of processing external stimuli (radar, presence sensors) and can be controlled remotely via a platform capable of integrating inputs from different databases;
- launched research to estimate the impacts of public and private electric mobility on Turin's electricity distribution network, with the aim of supporting decisions on network development;
- launched a project for the development of solutions to support renewable energy communities for which Italian regulations are currently being published, anticipating part of the transposition of the European RED-II directive, and set up a pilot to test technologies currently on the market;
- completed studies on fourth generation district heating networks powered by renewable sources or heat pumps, as well as feasibility studies for the reconstruction of existing networks;
- continued the *LoRa* Castellarano project, which has provided with the implementation of *IoT* connectivity network based on *LoRaWAN* communication protocol to cover the city of Castellarano. The aim of the project is to test typical smart city solutions starting from the *assets* managed by IREN, such as the gas distribution network, the drinking water network, the waste collection, up to additional services for citizens, such as monitoring weather conditions, noise, parking and comfort conditions of some buildings owned by the Municipality.

Corporate Venture Capital – IREN UP

During 2020, numerous activities were carried out in the context of the *Corporate Venture Capital* programme. First of all, a transaction was completed with a *startup* active in the field of robotics applied to the *waste* sector. Iren Group has secured potential entry into the *equity* of the innovative company on favourable terms in the next investment round.

At year-end, an investment agreement was concluded with an innovative Piedmontese company operating in the polyurethane recycling chain; the operation also includes a commercial agreement that will guarantee the Group an additional solution for the disposal of certain types of waste.

In the second half of 2020, the Group participated in institutional events and collaborations, such as the National Innovation Award (NIA) and Techstars, which allowed it to continue its scouting activities for new startups, identifying possible new investment targets for 2021.

During the year, the management of the investee companies continued, verifying the achievement of *milestones* and signing supplementary agreements, to extend certain option rights.

The research and analysis of startups at national level in 2020 produced contacts with more than 400 startups, of which approximately ten are in an advanced stage of expounding their dossiers.

IREN AND SUSTAINABILITY

Sustainability is at the centre of the agenda of the Iren Group which, as well as taking it on as a pillar of strategic development, reports policies and performance on it with particular regard to environmental and social issues, to those relating to the personnel, to human rights, and to combating active and passive corruption.

These issues, together with others identified as priorities by the materiality analysis, carried out with the involvement of stakeholders, are reported and analysed in the Sustainability Report of the Iren Group, which also fulfils the function of Consolidated Non-Financial Statement (DNF) required by Legislative Decree 254/2016. A significant function that underlines how the strategic approach to social responsibility is becoming increasingly important in the long term for the competitiveness of companies, and that strengthens the Group's orientation both in terms of information transparency and in considering sustainability a strategic lever for growth.

The Industrial Plan to 2025, which confirms the strategy undertaken in previous years, renders concrete form to the Group's vision and mission and defines the following strategic lines: customers/citizens, growth, technological evolution and efficiency, sustainability, people, digitalisation. The commitments and targets defined in these areas represent Iren's contribution to the objectives of the UN 2030 Agenda and to the 10 principles of the UN Global Compact, and render the Sustainability Report/Non-financial Statement - to which reference is made pursuant to Legislative Decree 254/2016 - a tool for monitoring operations, economic, environmental and social impacts.

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

OTHER INFORMATION

Protection of natural persons with reference to personal data

During 2020, for Iren S.p.A. and for the main Group companies, the activity of adapting, monitoring and implementing the existing Group Privacy System, in compliance with the regulatory principles referred to in EU Regulation 679/16 (GDPR) and the national legislation in force (Legislative Decree 196/2003 and subsequent amendments, supplementary measures issued by the Privacy Guarantor, etc.) was carried out. The GDPR substantially changed the concept of Privacy with the objective of strengthening the rights of individuals to personal data protection, introducing among other things, the concepts of privacy *by design* and *by default* and of *accountability*, thus obliging Companies to set up their Privacy right from the start, adopting the best solutions in order to minimise personal data processing.

The project launched, developed starting from 2017 and in the following years, led to the identification of the Data Protection Officer (DPO) of Iren S.p.A. in the figure of the 231 System Compliance and Privacy Manager, subsequently designated by the Data Controller (CEO of Iren S.p.A.). The same then gave instructions, in the context of the activity of management and coordination of the subsidiaries, to the Data Controllers of these companies, that they were to appoint as DPO the same person chosen for the Parent Company.

Subsequently all the Data Controllers of the main Group Companies therefore designated as DPO the Parent Company DPO and made the relevant communication to the Supervisory Authority.

In 2020, activities to adapt and monitor the Group's Privacy System led, among other things, to the implementation of a special tool for managing the Group's Privacy System, the publication of procedures containing rules of conduct to be implemented by staff, the conduct of detailed training activities (both online in e-learning mode, aimed at the entire company population, and in attendance - remotely - on specific procedures), and constant support for business structures on all issues relating to the processing of personal data.

The Processing Registers, provided for under the terms of art. 30 GDPR are also constantly updated. These documents, revised annually, are provided for in the legislation for the purpose of providing full knowledge of the existing processing, identifying, among other things, a number of elements of particular significance such as data processed, conservation times, risk levels, etc.

Control of companies abroad

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

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

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

INFORMATION ON CORPORATE GOVERNANCE

INTRODUCTION

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

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

- FSU - FCT Agreement- so-called Parti Emiliane – Soci Spezzini, effective as of 5 April 2019.
This agreement (hereinafter also the “Shareholders' Agreement”) is attributable to a blocking and voting syndicate with the purpose of guaranteeing the development of the Company, of its investees and of its business, and of ensuring unity and stability of guidance, also through the use of the instrument of increased votes, and, specifically: (i) determining methods of consultation and joint decision-making regarding certain resolutions of the Company’s Shareholders’ Meeting; and (ii) setting certain limits on the circulation of the shares contributed.
The Agreement has a duration of 3 years and will be tacitly renewed, subject to the option to withdraw with the methods and in the terms pursuant to the Agreement, for a further 2 years; subsequently, any further renewal must be agreed in advance in writing.
- Emilian Parties *Sub*-Agreement in effect as of 5 April 2019.
This agreement is intended, among other things, to determine the respective rights and obligations, in order to (i) ensure uniformity of conduct and rules on decisions that must be taken by the Emilian parties in the context of what is provided for in the FSU-FCT-Emilian Parties-La Spezia Shareholders Agreement; provide for further commitments in order to guarantee the development of the Company, of its investees and of its business, and of ensuring to the same unity and stability of guidance; (iii) attribute a right of pre-emption in favour of the signatories in the event of sale of the Company’s shares other than shares covered by the Block Syndicate under the terms of the Agreement; and (iv) confer on the Municipality of Reggio Emilia an irrevocable mandate to exercise on behalf of the signatories the rights attributed to these latter under the terms of the Agreement.
The Emilian Parties *Sub*-Agreement has a duration of 3 years and will be tacitly renewed, subject to the option to withdraw with the methods and under the terms pursuant to the *Sub* Agreement, for 2 additional years; subsequently, any further renewal must be agreed in advance in writing.
- FSU – FCT *Sub*-Agreement in effect as of 17 July 2018.
This agreement is attributable to a blocking and voting syndicate with the purpose of ensuring that, following the Demerger, FCT and FSU will exercise jointly the powers of voting and indicating candidates for IREN’s company officers, in substantial compliance with what is provided for in the Articles of Association of FSU current up to the date of the Demerger; all this, in the context and with the necessary observance of the Shareholders' Agreement, so that the provisions regarding FSU in this Shareholders' Agreement are passed on jointly, without a break, to FSU and FCT, which will act as a single party in relation to the other signatories, in accordance with what is provided for in the *Sub*-Agreement.
The FSU-FCT *Sub*-Agreement has a duration of 3 years from the date of effectiveness of the Demerger and is renewed automatically on expiry for a period of a further 2 years, subject to withdrawal to be communicated at least 6 months before expiry.

During FY 2020, the structure of IREN's public ownership structure changed as follows:

- 2 Subscribers sold on the market a total of 119,000 shares contributed to the FSU - FCT - Emilian Parties - Spezzini Shareholders Agreement;
- the number of voting rights conferred to the FSU - FCT- Parti Emiliane - Spezzini Shareholders Agreement as a result of the allocation of the Increased Vote for 20,415,981 shares held by 24 Spezzini Shareholders as of 1 June 2020 and, subsequently on 1 September 2020, for 1 share held by FSU;
- an Emilian Shareholder joined the FSU - FCT- Parti Emiliane - Soci Spezzini Agreement by contributing 257,298 ordinary shares.

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

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

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

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

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

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

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

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

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

By resolution of the Board of Directors meeting of 22 May 2019, the newly appointed Chairperson, Renato Boero, was conferred powers, delegated powers and responsibilities in relation to communication and external relations, institutional relations (including relations with Regulators, Regions and Local Authorities), and *mergers & acquisitions*.

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

The Chief Executive Officer, Massimiliano Bianco, was given powers, delegated powers and responsibilities in relation to administration, finance and control (including *investor relations*); personnel, organisation and information systems; procurement, logistics and services; legal affairs; Energy, Market, Networks and

Waste Management *business units*, as well as expansive entrustment of duties and powers of representation.

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

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

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

In accordance with the provisions of the CONSOB Regulation and of current TRP Procedure, with a resolution passed at the meeting on 22 May 2019 (amended with a resolution passed on 30 May 2019), the Board of Directors also appointed the Independent Directors’ Committee for dealing with Transactions with Related Parties, named the Committee for Transactions with Related Parties (hereinafter also “CTRP”).

BOARD OF DIRECTORS

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

The composition is as follows:

Office	Name and Surname	Place of birth	Date of birth
Chairperson of the Board of Directors	Renato Boero	Turin (TO)	09/03/1962
Deputy Chairperson	Moris Ferretti	Reggio Emilia	28/05/1972
CEO and General Manager	Massimiliano Bianco	Gioia del Colle (BA)	30/08/1971
Director	Sonia Maria Margherita Cantoni	Milan	16/02/1958
Director	Pietro Paolo Giampellegrini	Massa (MS)	14/11/1968
Director	Enrica Maria Ghia	Rome	26/11/1969
Director	Sonia Maria	Genoa	30/07/1965
Director	Francesca Grasselli	Reggio Emilia	13/06/1979
Director	Maurizio Irrera	Turin	17/09/1958
Director	Cristiano Lavaggi	Carrara (MS)	08/08/1975
Director	Ginevra Virginia Lombardi	Viareggio (LU)	04/07/1966
Director	Giacomo Malmesi	Parma	29/10/1971
Director	Gianluca Micconi	Ponte dell’Olio (PC)	19/03/1956
Director	Tiziana Merlinò	Finale Ligure (SV)	08/06/1974
Director	Licia Soncini	Rome	24/04/1961

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

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

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

During FY 2020 the IREN Board of Directors held 19 meetings.

As at 31 December 2020, in the Board of Directors, consisting of 15 directors, 9 of possess the requirements of independence both under the terms of the combined provisions of arts 147-ter, paragraph 4, and 148, paragraph 3, of the Consolidated Law on Finance, and under the terms of art. 7 of the Code.

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

As at 31 December 2020, the Independent Directors met twice, under the terms of Recommendation no. 5 of the Code. During the FY 2020, an additional meeting was held which was attended by the Executive Directors in addition to the Independent Directors.

The Company has set up a short-term bonus system (MBO) for the Chief Executive Officer and General Manager of the Parent Company and the Group's Executives with Strategic Responsibilities: the targets are set respectively by the Company's Board of Directors and Chief Executive Officer and General Manager – after an opinion of the Company's Remuneration and Appointments Committee – on an annual basis and, if achieved, for the amount established at the end of an enquiry carried out by the Committee, give the right to receive the related bonus (after a resolution of the Board of Directors, as regards the figure of the Chief Executive Officer and General Manager).

During the meeting on 27 November 2018, the Company's Board of Directors, on the basis of the inquiry carried out by the Remuneration and Appointments Committee, approved the 2019-2021 Long-Term Monetary Incentive Plan for the Group's Key Management Personnel and other resources (the so-called "Key Resources") who can contribute in a significant way to achieving the targets in the 2018-2023 Business Plan (as approved by the Board of Directors on 26 September 2018). On 2 July 2019, considering the enquiry carried out by the Company's Remuneration and Appointments Committee, also in performing the duties pursuant to the TRP Procedure, the Iren Board of Directors approved the acceptance by Mr Massimiliano Bianco (Chief Executive Officer and General Manager of the Company), of the 2019-2021 Long-Term Monetary Incentive Plan.

For more information on the remuneration policy, please see the Report on the policy on the subject of 2021 remuneration and on fees paid for FY 2020 made available to the shareholders, in observance of the terms provided for in the current legislation, in view of the Shareholders' Meeting called to approve the Financial Statements as at 31 December 2020.

As envisaged in the Italian Civil Code, directors with an interest in a given transaction must report such interest beforehand. On this point, with a resolution passed on 30 May 2019, the current text of IREN's Procedure for Transactions with Related Parties was approved by the Board of Directors.

REMUNERATION AND APPOINTMENTS COMMITTEE

The Board of Directors set up within it a Remuneration and Appointments Committee (hereinafter also "RAC"), composed of non-executive directors, most of whom independent, from among whom the Board of Directors appointed the Chairperson. The Committee has the preliminary, proposing and consultative functions towards the Board of Directors, as per the Code as well as the Policies and Procedures approved by the Board of Directors of IREN S.p.A. on 1 August 2018 (and of which the RAC in office took note in the first meeting following the appointment), *as follows*:

- a) to formulate proposals to the Company's Board of Directors on the definition of the policy on remuneration of Directors and Key Management Personnel of the IREN Group (top management, as defined in the Code), in compliance with the current legislation and having regard to the criteria recommended by the Code, after interaction with the Company's Control, Risk and Sustainability Committee, as regards the risk profiles;
- b) to submit for the approval of the Company's Board of Directors the annual Report on the policy on the subject of remuneration and on fees paid prepared under the terms of art. 123-ter of the Consolidated Law on Finance, for its presentation to the Shareholders' Meeting called for approval of the annual financial statements;
- c) to assess periodically the adequacy, overall consistency and actual application of the policy *under a) above*, availing itself, in this last regard, of the information provided by the competent delegated bodies and formulating proposals on the subject to the Board of Directors;

- d) to present proposals or express opinions to the Company's Board of Directors on the remuneration of executive directors and other directors who hold special positions and establishing *performance* objectives relating to the short and medium/long-term variable component connected with this remuneration;
- e) to monitor the application of the decisions adopted by the said Board by verifying, in particular, the actual achievement of the short- and medium/long-term *performance* targets pursuant to *point d) above*;
- f) to formulate proposals to the Company's Board of Directors on the remuneration of the members of the Committees set up within the Board itself;
- g) to establish the annual board evaluation procedure ("*board evaluation*") on the operation of the Board itself and of its Committees and on their size and composition, also taking into account elements such as the professional characteristics, experience, including managerial, and gender of its members, and their seniority in office; specifically, after coordination with the Chairperson of the Board of Directors, the Committee identifies the subjects with which the assessment is concerned and, having regard to the *best practices*, also availing itself of the assistance of an expert consultant in the sector;
- h) taking into account the results of the *board evaluation* as in *point g) above*, to formulate opinions to the Board of Directors on the subject of the dimensions and composition of the same and of its Committees (including the requisites of professionalism, integrity and independence of the related members) and to express recommendations on the professional and *managerial* figures whose presence on the Board of Directors is considered opportune, so that the Board of Directors can express its guidance to the shareholders before the appointment of the new administrative body;
- i) to express recommendations to the Board of Directors as regards the maximum number of appointments as Director or Statutory Auditor in other listed companies in regulated markets (including abroad), in financial, banking and insurance companies or in large companies, compatible with an effective fulfilment of the appointment as Director of IREN S.p.A. taking into consideration the participation of the Directors in the Committees set up within the Board;
- j) to express recommendations to the Board of Directors on any problematic cases connected with application of the prohibition on competition provided for in relation to Directors in art. 2390 of the Italian Civil Code;
- k) in line with the current with statutory provisions, to propose candidates to the Board of Directors for the position of Director in the cases of co-option *pursuant to* Article 2386 paragraph 1 of the Italian Civil Code, if it is necessary to replace Independent Directors, ensuring observance of the prescriptions on the minimum number of independent directors and on the quotas reserved for the less represented gender;
- l) to carry out the enquiry on preparation of the plan for the succession of the Executive Directors, if the Board of Directors decides to adopt this plan;
- m) to report, through its Chairperson, on the most significant questions examined by the Committee on the occasion of the first useful meeting of the Board of Directors of IREN;
- n) to report on the methods of performing its duties to the Shareholders' Meeting called for approval of the annual financial statements, through its Chairperson or another member indicated by the same.

No Director shall take part in meetings of the Committee in which proposals are formulated to the Company's Board of Directors on their remuneration, unless the proposals regard all the members of the Committees set up within the administrative body.

In performing its duties, the Committee has the right to accede to the information and corporate units necessary for it to carry out its tasks, and to avail itself of external consultants, under the terms laid down by the Board of Directors.

In the case of operations regarding the remuneration of the Directors of the Company and the Key Management Personnel of the IREN Group, the Committee also performs the duties of the Committee of independent directors responsible for the examination and enquiry pursuant to the current TRP Procedure, limited to cases in which its composition makes it possible to meet the minimum requisites of independence and non-relatedness of its members required by the CONSOB T.R.P. Regulation.

With resolutions passed on 22 and 30 May 2019, IREN's Board of Directors identified, as members of the Remuneration and Appointments Committee for the three years 2019-2021, the following Directors:

- Pietro Paolo Giampellegrini, recognising that he possessed adequate knowledge and experience on the subject of remuneration policies;

- Maurizio Irrera, recognising that he possessed adequate knowledge and experience on the subject of remuneration policies;
- Francesca Grasselli, recognising that she possesses adequate knowledge and experience on financial matters and remuneration policies.

On 30 May 2019, Iren S.p.A.'s Board of Directors appointed as President of the Remuneration and Appointments Committee att. Pietro Paolo Giampellegrini, in possession of the requisites of independence under the terms of arts 147-ter, paragraph 4, and 148, paragraph 3, Consolidated Law on Finance, and under the terms of Recommendation no. 7 of the Code.

In FY 2020 the Remuneration and Appointments Committee met 11 times (of which once jointly with the Control, Risk and Sustainability Committee), preparing proposals and opinions recorded in the minutes of the Committee meetings. The Committee meetings held during the year were attended by at least one Statutory Auditor of the Company, as per the Committee Regulations.

CONTROL, RISK AND SUSTAINABILITY COMMITTEE

In accordance with what is established by the Code, the Board of Directors set up within it a Control, Risk and Sustainability Committee (hereinafter also "CRSC"), composed, as of today, of four non-executive Directors, most of whom independent, from among whom the Board of Directors appointed the Chairperson.

The Control, Risk and Sustainability Committee performs the general task of supporting, through adequate preliminary activities, the assessments and decisions of the Board of Directors relating to the internal control and risk management system, as well as those concerning approval of the periodic reports of both a financial and a non-accounting nature.

It is assigned the functions set out in the Code as well as in the Regulation approved by the Board of Directors of IREN S.p.A. on 5 April 2019 (and which the CRSC in office acknowledged in the first meeting following its appointment), *as follows*:

- to assess, together with the Financial Reporting Manager, and after consulting the independent auditors and the Board of Statutory Auditors, the proper use of accounting standards, and in the case of Groups, their uniformity for the purpose of drafting the Consolidated Financial Statements;
- to express opinions on specific aspects related to identifying the main business risks (in particular, on specific aspects related to the *Risk Policies*, identifying the main business risks and the *Audit Plan*, and on Guidelines for the internal control and risk management system);
- to examine the periodic reports, concerning the evaluation of the internal control and risk management system, and those of particular significance drafted by the *Internal Audit* Unit;
- to monitor the independence, adequacy, effectiveness and efficiency of the *Internal Audit* function;
- to request that the *Internal Audit* function carry out checks on specific operational areas, communicating simultaneously with the Chairperson of the Board of Statutory Auditors;
- to report to the Board, at least every six months, on the occasion of approval of the annual and interim Financial Report, on its activity and on the adequacy of the internal control and risk management system;
- to support, with adequate enquiries, the assessments and decisions of the Board of Directors in relation to the management of risks deriving from detrimental events of which the Board of Directors has become aware;
- to examine the risk analysis carried out (a) with reference to the multi-annual Business Plan of the IREN Group, prior to its approval by the Board of Directors; (b) with reference to the strategic initiatives, including the *merger & acquisition* operations, carried out by the Company and/or by the subsidiaries, if they fall within the scope of Iren's Board of Directors;
- to express to the Board of Directors of the Company its prior opinion on the proposal related (a) to the appointment and dismissal of the Manager of the *Internal Audit* unit; (b) to the adequacy of the resources assigned to the same for performing his or her duties; (c) to the definition of the related remuneration in keeping with the corporate policies;

- in agreement with the Remuneration and Appointments Committee, prior to its approval by the Board of Directors, to examine the Company's policy for the remuneration of the Directors and Key Management Personnel of the Group, with a particular *focus* on the risk profiles.

The Committee also provides the Board of Directors with its prior opinion on proposals related: (a) to the appointment and dismissal of the Manager of the *Internal Audit* unit; (b) to the adequacy of the resources assigned to the same for performing his or her duties; (c) to the definition of the related remuneration in keeping with the corporate policies;

The Board of Directors of Iren S.p.A. also attributed to the Control, Risk and Sustainability Committee the functions of consultation and proposal in relation to the administrative body on the subject of sustainability *listed below*:

- to express opinions to the Board of Directors of the Company on (a) the definition of "sustainability" policies and principles of conduct, in order to ensure the creation of value over time for the shareholders and for all the other stakeholders; (b) the definition of a sustainability plan (strategic priorities, commitments and objectives) for the development of the economic, environmental and social responsibility of the Group;
- to supervise the "sustainability" policies and observance of any principles of conduct adopted on the subject by the 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;
- to assess, together with the competent Group Unit and after consulting the Independent Auditors, the proper use of the standards adopted for the purposes of preparing the non-accounting disclosures provided for in the current legislation;
- supervise the system for assessing and improving the environmental, economic and social impacts deriving from the business activities in the local areas;
- to examine the periodic reports on the implementation of the structured methods of discussion with *stakeholders* in the local areas in which the Group operates, also through instruments such as Local Committees, and those on the consistency with the *corporate social responsibility* questions of the Group's cultural and image promotion activities.

In performing its duties, the Committee has the right to accede to the information and corporate units necessary for it to carry out its tasks, and to avail itself of external consultants, under the terms laid down by the Board of Directors.

With resolutions passed on 22 and 30 May 2019, Iren's Board of Directors identified as members of the Control, Risk and Sustainability Committee for the three years 2019-2021, the following Directors:

- Giacomo Malmesi, recognising that he possessed adequate experience on strategic planning processes and aspects of corporate social responsibility;
- Sonia Maria Margherita Cantoni, recognising that she possessed adequate experience on assessment of functioning processes of complex organisations, on strategic planning processes, on strategic risk management, on aspects of corporate social responsibility and on guidance and assessment of environmental aspects;
- Enrica Maria Ghia, recognising that she possessed adequate experience regarding assessment of functioning processes of complex organisations, of strategic planning processes, of strategic risk management, of aspects of corporate social responsibility and of guidance and assessment of environmental aspects;
- Cristiano Lavaggi, recognising that he possessed adequate experience regarding the analysis of accounting and financial disclosures and aspects of corporate social responsibility.

On 30 May 2019, Iren S.p.A.'s Board of Directors appointed as President of the Remuneration and Appointments Committee att. Giacomo Malmesi, in possession of the requirements of independence under the terms of arts 147-*ter*, paragraph 4, and 148, paragraph 3, Consolidated Law on Finance, and under the terms of Recommendation no. 7 of the Code.

During 2020, the Audit, Risk and Sustainability Committee held 15 meetings (of which one jointly with the Remuneration and Appointments Committee and one jointly with the Board of Statutory Auditors). As per the recommendations of the Code, all the meetings of the Committee were attended by the President of the Board of Statutory Auditors and/or another/other statutory auditor(s) designated.

TRANSACTIONS WITH RELATED PARTIES COMMITTEE

In accordance with what is established by the current TRP Procedure, the Board of Directors set up a specific Transactions with Related Parties Committee (“TRPC”).

The TRPC consists of four Directors in possession of the requirements of independence provided for in Arts 147-ter, paragraph 4 and 148, paragraph 3 of the Consolidated Law on Finance and the additional requirements set forth in Recommendation no. 7 of the Code. In order to guarantee the double requisite of independence and non-relatedness in each transaction to be examined, in the context of the current TRP Procedure mechanisms were put in place to identify any subjects responsible, as an alternative, for the enquiry.

Specifically, without prejudice to the competence of the RAC in the case of transactions related to the remuneration of the Company’s Directors and the Group’s Key Management Personnel, it is envisaged that:

- if possible, the TRPC is expanded to include other independent Directors, “*unrelated to the transaction under review*” who are members of the Company’s Board of Directors, attributing to same administrative body the task of identifying a Sub-Committee composed of three Independent Directors unrelated to the individual transaction with Related Party under review;
- if there is not even one member of the TRPC or of the Board of Directors in possession of the aforementioned requisites of independence and non-relatedness, the task of the enquiry will be given, as Alternative Overseers to (a) the Company’s Board of Statutory Auditors or (b) an Independent Expert appointed by the Company’s Board of Directors.

With resolutions passed on 22 and 30 May 2019, the Board of Directors identified, as members of the Committee for Transactions with Related Parties for the three years 2019-2021, the following Directors:

- Licia Soncini;
- Alessandro Giglio;
- Giacomo Malmesi;
- Ginevra Virginia Lombardi;

all in possession of the requirements of independence under the terms of the provisions of the Consolidated Law on Finance, and pursuant to Recommendation no.7 of the Code.

On 29 May 2019, the TRPC appointed Licia Soncini as its President..

In 2020, the TRPC met 11 times preparing, among other things, opinions that are recorded in the minutes of the Committee’s meetings. The meetings of the Committee were attended by the Chairperson of the Board of Statutory Auditors and/or another/other statutory auditor(s) designated by him.

BOARD OF STATUTORY AUDITORS

As of today, the Board of Statutory Auditors is composed of three statutory auditors and two supplementary auditors¹ with a three-year term of office expiring on the date of the shareholders’ meeting called to approve the financial statements in their last year of office; they can be re-elected.

On 19 April 2018, the Shareholders’ Meeting appointed the members of the Supervisory Board; their term expires upon approval of these 2020 financial statements.

The composition is as follows:

¹ The Shareholders’ Meeting of Iren S.p.A. held on 5 April 2019 (extraordinary part) resolved to amend, *inter alia*, art. 27, paragraph 1, of the Company’s Articles of Association, with reference to the number of standing members of the Board of Statutory Auditors, which increases from the current three to five. This provision will apply as of the 2021-2023 mandate.

Office	Name and Surname	Place of birth	Date of birth
Chairperson	Michele Rutigliano	Milan	06/10/1953
Standing Auditor	Cristina Chiantia	Turin	07/05/1975
Standing Auditor	Simone Caprari	Reggio Emilia	10/01/1975
Supplementary Auditor	Donatella Busso	Savigliano (CN)	30/06/1973
Supplementary Auditor	Marco Rossi	Piacenza	05/01/1978

Arts 27 et seq. of the Articles of Association, to which reference should be made, establish list voting as the method for appointing the Board of Statutory Auditors.

The members of the Board of Statutory Auditors attend the shareholders' meetings and meetings of the Board of Directors. The presence of at least one member of the Board of Statutory Auditors at Board of Directors' meetings ensures that the Board of Statutory Auditors remains informed of activities conducted by the company and on the transactions of greatest economic, financial and equity significance performed by the company and its subsidiaries, particularly transactions in which the directors have an interest.

As indicated *above*, in accordance with the indications of the Code, the meetings of the Committees set up within the Board of Directors held during the FY 2020, were attended by the President of the Board of Statutory Auditors and/or another/other statutory auditor(s) designated.

In carrying out its supervisory activities on the adequacy of the internal control and risk management system, the Board of Statutory Auditors has established an information flow with the *Internal Audit* Function and the *Risk Management* Department of the Company.

Furthermore, in its capacity as the "Internal Control and Risk Management Committee" and in coordination with the Company's Administration, Finance and Control Department, the Board of Statutory Auditors monitored, inter alia, (i) the financial reporting process, (ii) the legal audit of the Company's Financial Statements and of the Consolidated Financial Statements, and (iii) the verification of the independence of the Audit Company.

In 2020, the Board of Statutory Auditors held 11 meetings. The outcome of the supervisory activities of the Board of Statutory Auditors is shown in the report to the Shareholders' Meeting prepared pursuant to Article 153 of the Consolidated Law on Finance and annexed to the these financial statements.

Financial Reporting Manager

Massimo Levrino (Manager of the Administration, Finance and Control Department)

Independent Auditors

PricewaterhouseCoopers S.p.A. was appointed by the Shareholders' Meeting of 14 May 2012 to audit the Company's accounts for the 2012-2020 nine-year period. With the approval of the financial statements for the year ended December 31, 2020, this audit engagement ends.

As is known, on the recommendation of the Board of Statutory Auditors, in its capacity as the "Internal Control and Audit Committee", the Shareholders' Meeting, held on 22 May 2019, has already appointed KPMG S.p.A. to audit the financial statements of IREN S.p.A. for the nine-year period 2021-2029. This resolution was taken at the end of an articulated selection procedure which was carried out in accordance with the provisions of Article 16 of Regulation (EU) 537/2014 (the "*Tender Process*").

Subsequently, on 25 November 2019, the Parent Company and KPMG signed a Framework Agreement containing terms and conditions (technical and financial) for the performance, for the 2021-2029 nine-year period by KPMG S.p.A. of (i) the activity of legal audit of Iren's financial statements, and (iii) the activity of legal audit of the financial statements of the consolidated companies included in the scope of the *Tender Process* (the "*Framework Agreement*"). Moreover, the same Framework Agreement contains (technical and economic) terms and conditions for carrying out the limited review activity of the DNF of the Iren Group for the three-year period 2021-2023, with an option to renew for two further three-year periods.

The Shareholders' Meetings of each consolidated company included in the *Tender Process*, on the basis of a reasoned proposal from their respective Boards of Statutory Auditors, have therefore appointed KPMG S.p.A. to audit their accounts for the 2021-2023 three-year period (with an option to renew for two additional three-year periods), in accordance with the terms and conditions of the Framework Agreement. After the signing of the Framework Agreement, the dynamism that has characterised the Group in the last period, both in terms of growth through external lines and in terms of internal reorganisation, has given

rise to situations such as to entail changes to the original *audit scope* entrusted by Iren to KPMG S.p.A. for the nine-year period 2021-2029. More precisely it is: (i) the expansion of the scope of Iren's subsidiaries (direct and indirect) which, at the end of this year, includes entities not envisaged in the *Tender Process* concluded in 2019; (ii) changes in the size or legal *status* of some consolidated companies, already included in the *audit scope*, which could affect the terms and conditions of the audit appointments already conferred on KPMG S.p.A. by these companies.

Given the changes that have occurred *in the meantime*, it has become necessary to amend the Framework Agreement. This intervention is permitted by Article 5 of the Framework Agreement, which expressly regulates the procedures and terms for amending the Agreement itself in connection with changes both with reference to the characteristics of the companies subject to legal audit and with reference to the list of companies directly and indirectly controlled by Iren. The Company, also in the name and on behalf of the companies directly and indirectly controlled by Iren, and KPMG S.p.A. will therefore finalise, by the approval of the 2020 financial statements, an *Addendum* to the Framework Agreement, aimed at: (i) extending the statutory audit that KPMG S.p.A. is required to perform, starting from 2021, to the financial statements of companies consolidated in the *medium term* following the single group auditor approach that was the basis for the *Tender Process*; (ii) adjusting the terms and conditions of certain statutory audit engagements already assigned to KPMG S.p.A.

More specifically, in relation to the above-mentioned growth in size of the Group and the changes in size or legal *status* undergone by the companies referred to *above*, the increase in *audit* services provided for in the *Addendum* to the Framework Agreement concerns the following activities: (i) Statutory audit of the financial statements of subsidiaries, (ii) Statutory audit of the consolidated financial statements of Iren Group, (iii) Limited audit of the consolidated half-yearly report of Iren Group, (iv) Limited audit of the half-yearly report of subsidiaries and (v) Limited audit of the DNF of Iren Group.

The increase in consideration recognised for the entire Iren Group, in compliance with the indications of art. 5 of the Framework Agreement, amounts respectively, in yearly terms, to: € 348,958.15, plus VAT, with respect to the activities indicated at points (i) through (iv); and € 12,213.42, plus VAT, with respect to the activity indicated at point (v).

Maximum number of positions held in other companies

According to the Code, the directors ensure adequate time availability for the diligent fulfilment of the tasks assigned to them. Furthermore, the Board of Directors, on the basis of the commitment required of the directors for the execution of their office in Iren, can express their orientation regarding the maximum number of offices in the management or control bodies in other listed companies or companies of significant size which can be considered compatible with the effective execution of the office of director of the company, taking into account the commitment deriving from the role held, as well as the participation of the Directors in the Committees established within the Board. To this end it may propose to the Shareholders to introduce into the Articles of Association particular rules aimed at regulating consistently the appointment of directors.

In the current context, the Remuneration and Appointments Committee and the Board of Directors of the Company did not consider it necessary to make this provision, considering that the number of positions currently held by members of the *board* in other companies is compatible with the fulfilment of the commitment as Director of IREN S.p.A.

Directors responsible for the Internal Control and Risk Management System

By resolution of 4 June 2019, having regard to the allocation of powers, the Board of Directors of Iren identified, as Directors in charge of the internal control and risk management system (hereinafter "ICRMS Directors"), Eng. Renato Boero (Chairperson), Massimiliano Bianco (Chief Executive Officer and General Manager), and Moris Ferretti (Deputy Chairperson), each with regard to their respective functions and powers².

Each ICRMS Director, with reference to the areas falling under their responsibility, and in compliance with the delegated powers, is vested with the functions indicated *below*:

- to identify the main business risks, taking into account the characteristics of the activities performed by Iren S.p.A. and by its subsidiaries and check that the same are submitted periodically to examination by the Board of Directors; in more detail, in the current *governance* system, the ICRMS Director with

² With reference to Recommendation 32, letter b), of the new Code, since the Board's term of office is ongoing and also in light of what was highlighted in the Q&A to the Code, the Board of Directors deemed it appropriate to refrain from making decisions. Any different assessment is referred to the Board of Directors to be appointed for the 2022-2024 three-year period.

delegated powers on the subject of *Risk Management*, in agreement with the other ICRMS Directors, as far as each is responsible, also submits to examination by the Board of Directors the *Risk Policies* and the *Audit Plan*;

- to put into practice the guidelines defined by the Board of Directors, dealing with the planning, creation and management of the internal control and risk management system and checking constantly its adequacy and effectiveness;
- to adapt this system to changes in the operating conditions and the legislative and regulatory framework;
- to request that the Internal Audit Unit perform audits on specific operating areas and on compliance with the internal rules and procedures in the execution of business operations, communicating this at the same time to the Chairperson of the Board of Directors, to the President of the Control, Risk and Sustainability Committee and to the President of the Board of Statutory Auditors;
- to report promptly to the Control, Risk and Sustainability Committee (or to the Board of Directors) on the problems and critical issues that have emerged in performance of his or her work or which he or she has in any case been informed, so that the Committee (or the Board) may take the opportune initiatives.

Supplementing the above, the ICRMS Director with delegated powers on the subject of *Risk Management* (in the current system, this is the Deputy Chairperson), in agreement with the Chairperson (who, equally, holds the position of ICRMS Director), proposes to the Control, Risk and Sustainability Committee, for the relevant opinion, and to the Board of Directors, for the related decision, the appointment, dismissal and remuneration of the Manager of the *Internal Audit* unit.

Requisites of directors

All members of the Company's Board of Directors in office possess the requirements of integrity, pursuant to Article 147-*quinquies* of the Consolidated Law on Finance. As at 31 December 2020, the Directors Sonia Maria Margherita Cantoni, Pietro Paolo Giampellegrini, Enrica Maria Ghia, Alessandro Giglio, Francesca Grasselli, Ginevra Virginia Lombardi, Giacomo Malmesi, Gianluca Micconi, and Licia Soncini are also in possession of the requirements of independence provided for in the provisions of the Consolidated Law on Finance (acc. to Arts 147-*ter*, paragraph 4, and 148, paragraph 3, Consolidated Law on Finance), and in Art. 7 of the Code according to the *Corporate Governance* solutions adopted by IREN S.p.A.

Organisational model under the terms of Italian Legislative Decree 231/2001

Iren and the main Group companies have adopted Organisation, Management and Control Models under the terms of Italian Legislative Decree No. 231/2001 with the objective of creating a structured and organic system of procedures and control activities aimed at preventing, as far as possible, conduct that can entail committing the crimes contemplated by Italian Legislative Decree 231/2001. Alongside the Organisation, Management and Control Model, Iren S.p.A. has adopted, with a resolution of the Board of Directors of 10 December 2010, also the Code of Ethics. This document has been updated several times over the years and was approved in its current version by the Board of Directors on 18 December 2020.

During 2020, the Holding and the main Group Companies continued the Project for substantial revision and updating of the Organisation, Management and Control Models in order to guarantee their constant consistency with the organisational changes that had occurred and with the introduction by the legislator of new offences, so that they maintain over time their effective ability to prevent 231 offences from being committed. The updated 231ies Models were subsequently submitted to the Supervisory Bod, presented to the Boards of Directors of the individual companies for approval, and published in their entirety on the companies' intranet sites. Iren and the main companies in the Group have established, by a resolution of the Board of Directors, a Supervisory Body pursuant to art. 6 of Legislative Decree. 231/2001, with the task of supervising the functioning of and compliance with the model and ensuring that it is updated. In 2019, the Board of Directors of Iren S.p.A. confirmed the sitting as a united bench of its Supervisory Body appointing three external professionals with legal, corporate governance, organisational, economic and financial skills, with the objective of meeting the requirements of autonomy, independence and professionalism required by law. The Board of Directors also appointed a Contact Person within the OC in order to ensure the coordination and continuity of action of the Committee itself and the constant identification of a reference in the Company. IREN S.p.A.'s Supervisory Body, availing itself of the competent corporate units, performs checks on areas of activity considered at risk under the terms of Italian Legislative Decree 231/2001, and half-yearly reports to the Board of Directors on its activities and findings. If it is considered necessary, the Supervisory Body expresses suggestions aimed at improving the system for controlling the activities and monitors its implementation.

Both the general part of the Model and the Code of Ethics are available on the Company's website.

PROPOSALS OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS' MEETING

PROPOSALS RELATING TO THE AGENDA ITEMS “Financial Statements as at 31 December 2020; Report on Operations, Report of the Board of Statutory Auditors and of the Independent Auditors” and “Proposal for allocation of the profit, relevant and ensuing deliberations”

Dear Shareholders,

in relation to the above, we propose that you:

- approve the Financial statements of Iren S.p.A. at 31 December 2020 and the Director's Report prepared by the Board of Directors;
- approve the proposed allocation of the profit for the year, € 210,063,019.55, as follows:
 - € 10,503,150.98, 5% of the profit for the year, to the legal reserve;
 - a maximum of € 123,588,480.82 as dividend to Shareholders, corresponding to € 0.095 for each of the maximum no. of 1,300,931,377 ordinary shares constituting the Company's share capital, noting that treasury shares, if any, will not benefit from the dividend; the dividend will be paid starting from 23 June 2021, ex-dividend date 21 June 2021, and record date 22 June 2021;
 - to a specific retained earnings reserve, the remaining amount of at least € 75,971,387.75.

Reggio Emilia, 25 March 2021

On behalf of the Board of Directors

Chairperson
Renato Boero

