

Compliance



NOTE ON METHODOLOGY

The Iren S.p.A. 2020 Sustainability Report, referring to the period 1 January – 31 December 2020, also constitutes a Consolidated Non-Financial Statement (NFS), pursuant to Italian Legislative Decree 254/2016.

The document was prepared, under the coordination of the Corporate Social Responsibility and Local Committees Department, in accordance with the Global Reporting Initiative (GRI) Standard: Comprehensive Option and the Electric Utilities Supplement – G4 Sector Disclosure. This Report adopts, one year in advance, Standard 306 “Waste” published in 2020.

The Sustainability Report also contains the indicators needed to report on the projects financed by the Green Bonds issued by the Iren Group (see page 66).

The document provides extensive information on the management of the Covid-19 crisis and the resulting impacts, in relation to Consob’s Call for Attention (no. 1 of 16/2/2021). The relevant information is highlighted with dotted lines to the side.

The data are reported through the “Sustainability Report – NFS” application, which facilitates the tracking, verification and approval of all required data.

The Sustainability Report/NFS is prepared annually by Iren Group under the coordination of the Corporate Social Responsibility and Local Committees Department (the 2019 Report was published in April 2020) and approved by the Board of Directors together with the draft of the Statutory Financial Statements and the Consolidated Financial Statements.

The Sustainability Report/NFS 2020 was approved by the Board of Directors, along with the draft of the Consolidated Financial Statements, on 25 March 2020, assessing its completeness and consistency with the topics identified in the materiality matrix.


The document was audited by the appointed auditor PricewaterhouseCoopers S.p.A. pursuant to Italian Legislative Decree 254/2016 based on the principles and indications contained in ISAE3000 (International Standard on Assurance Engagements 3000 – Revised) of the International Auditing and Assurance Standards Board (IAASB).

PricewaterhouseCoopers S.p.A. is also the company appointed to perform the legal audit of Iren’s Consolidated Financial Statements.

UNITED NATIONS GLOBAL COMPACT: COMMUNICATION ON PROGRESS

Since 2020, Iren has been a member of the United Nations Global Compact (UNGC), recognizing consistency between the ten principles supported by the United Nations with the “Global Compact”, the UN Sustainable Development Goals, the Group’s values and strategies. In view of the commitments entered in joining the UNGC, Iren Group’s Sustainability Report represents Communication on Progress to report to all stakeholders on the activities undertaken and

the results achieved in implementing the 10 principles of the Global Compact.



COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

THE 10 PRINCIPLES OF THE GLOBAL COMPACT

HUMAN RIGHTS 			
1. RESPECT and support the protection of internationally proclaimed human rights	2. ENSURE not to be complicit in human rights abuses		
LABOUR 			
3. UPHOLD the freedom of association and the effective recognition of the right to collective bargaining	4. ELIMINATE all forms of forced and compulsory labour	5. ABOLISH effectively child labour	6. ELIMINATE all forms of discrimination in respect of employment and occupation
ENVIRONMENT 			ANTI-CORRUPTION 
7. SUPPORT a precautionary approach to environmental challenges	8. UNDERTAKE initiatives to promote greater environmental responsibility	9. ENCOURAGE the development and diffusion of environmentally friendly technologies	10. WORK AGAINST corruption in all its forms, including extortion and bribery

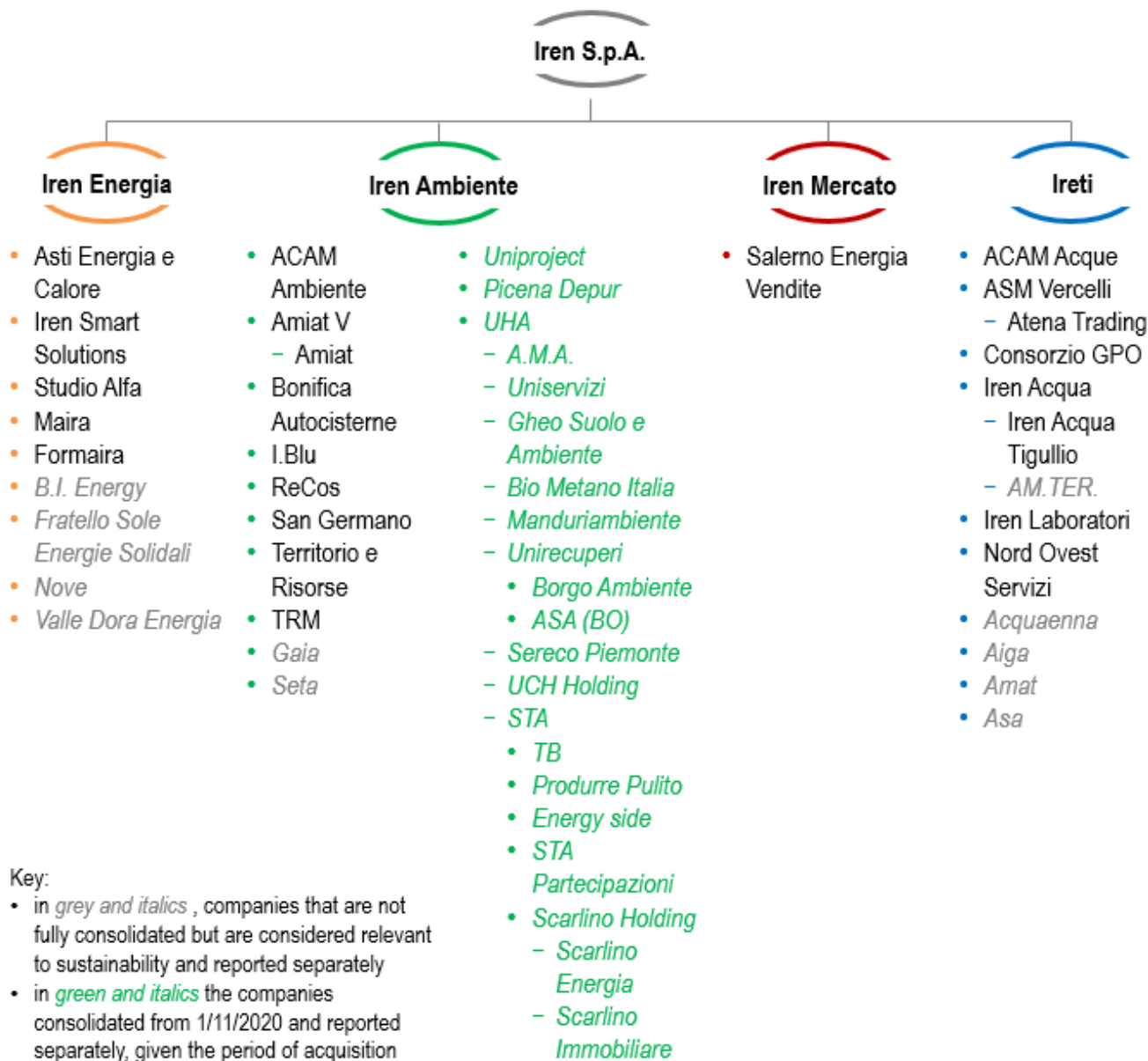
The compliance schedule (see page 148) shows the link between the GRI standards and the 10 Principles of the United Nations Global Compact and the 17 Goals of the UN 2030 Agenda (SDGs), allowing for an integrated reading of the information provided in this Report.

REPORTING BOUNDARY

The scope of reporting for the preparation of the Sustainability Report/NFS is indicated in the table below and takes into consideration:

- all of the fully consolidated companies of the Iren Group, with the exception of those in liquidation as at 31/12/2020, inactive, sold or destined to be transferred;
- the companies acquired by the Unieco Environment Division (shown in green italics in the table below) for which it was decided to adopt the prevailing policy, represented in Assonime Circular no. 13 of 12 June 2017, of starting to consolidate non-financial information from 1/1/2021, providing a separate section in this document with a summary qualitative and quantitative description of these companies (see page 148);
- the qualitative and quantitative information for certain companies not fully consolidated (indicated in grey italics in the table below) are given separately in the “Companies Outside the Reporting Boundary” section (see page 23). They are considered significant due to the equity interest held, the business managed and governance.

The following sociogram shows the reporting boundary adopted in this document.



Compared to 2019, changes to the reporting boundary concern:

- the **admission** into the Group's scope of consolidation of the companies Asti Energia e Calore and Nord Ovest Servizi (consolidated from 1 July 2020), I.Blu (consolidated from 1 August 2020), Uniproject, Picena Depur, UHA and its 18 subsidiaries, reported in the previous organisational chart, (consolidated from 1 November 2020);
- the **merger by incorporation** of CMT and Ferrania Ecologia into Iren Ambiente (effective 1 January and 1 April 2020 respectively), of Coin Consultech into Studio Alfa (effective 1 October 2020), of Spezia Energy Trading into Iren Mercato (effective 1 January 2020) and of Busseto Servizi into Ireti (effective 1 January 2020);
- the **divestment** of Olf Offshore LNG Toscana from 26 February 2020;

- the **inclusion among the unconsolidated** and separately reported **companies**, for significance for sustainability purposes, of the investee company Nove acquired as of 1 May 2020.

Any limitations regarding the boundary of the Sustainability Report/NFS are duly indicated, as well as any restatements of the data related to the previous two-year period. It should be noted that, generally, the data referring to certain companies reported in this document for 2020 refer to the consolidation period of these companies by Iren Group, and in particular:

- Asti Energia e Calore and Nord Ovest Servizi from 1 July to 31 December 2020;
- I.Blu from 1 August to 31 December 2020.

In order to guarantee the reliability of the information provided, the Report includes directly measurable quantities, thus limiting the use of estimates as much as possible. Estimated quantities are indicated as such. The calculations are based on the best information available or on sample surveys.

GRI INDEX – LINK WITH ITALIAN LEGISLATIVE DECREE 254/2016, SDGs AND PRINCIPLES OF THE UN GLOBAL COMPACT (UNGC)

Reference notes:

- in the column “Italian L. D. 254/16” are the GRI standard indicators that provide information related to the provisions of the Italian regulations on non-financial reporting;
- the “UNGC” column shows the link with the 10 principles of the United Nations Global Compact. The dark-background number indicates the UNGC principle (see page 146) directly related to the specific indicator; the number on a light background indicates the indirectly related principle;
- the “SDGs” column shows how the disclosures in the GRI Standards relate to the 17 Sustainable Development Goals of the 2030 Agenda, whose number is given, according to the framework developed by GRI in the document “Linking the SDGs and the GRI Standards”.

Indicator	It. L.D. 254/16	UNGC	SDGs	Page/Notes
102 – General disclosure (2016 standard)				
Organisational profile				
102-1	Name of the organisation	•		Cover, 146
102-2	Activities, brands, products and services	•		14, 20-25
102-3	Location of headquarters	•		Back cover
102-4	Locations of operations	•		16
102-5	Ownership and legal form	•		14, 36
102-6	Markets served	•		16, 20-25, 101-108
102-7	Scale of the organisation	•		13, 20-22, 60, 83-86, 101, 127, 143-144, Consolidated Financial Statements
102-8	Information on employees and other workers	•	6	8, 10
102-9	Supply chain	•		119-124
102-10	Significant changes to the organisation and its supply chain	•		17-19, 36-37, 147
102-11	Precautionary principle or approach (Risk Management)	•	3 7	44-50
102-12	External initiatives	•		55-56, 94
102-13	Membership of associations	•		117-118
Strategy				
102-14	Letter to the stakeholders	•		4-5
102-15	Key impacts, risks and opportunities	•		31-34, 45-50, 74-80
Ethics and Integrity				
102-16	Values, principles, standards and norms of behavior	•	10	16
102-17	Mechanisms for advice and concerns about ethics	•	10	16
Governance				
102-18	Governance structure	•		Report on Corporate Governance 37-43
102-19	Delegation process for economic, environmental and social issues	•		38
102-20	Executive-level responsibility for economic, environmental, and social topics	•		38
102-21	Consulting stakeholders on economic, environmental and social topics	•		16
102-22	Composition of the highest governance body and its committees	•		5, 16
102-23	Chairperson of the highest governance body	•		16
102-24	Nominating and selecting the highest governance body	•		5, 16
102-25	Conflicts of interest	•		16
102-26	Role of highest governance body in setting purpose, values, and strategy	•		14-15, 28-34, 36
102-27	Collective knowledge of highest governance body	•		38
102-28	Evaluating the highest governance body's performance	•		38
102-29	Identifying and managing economic, environmental, and social impacts	•		16
102-30	Effectiveness of risk management processes	•		8-11, 36, 37, 44-50, 56-58
102-31	Review of economic, environmental, and social topics	•		41, 44-50
102-32	Highest governance body's role in sustainability reporting	•		8-11, 36, 41, 45-50
102-33	Communicating critical concerns	•		8, 36, 146
102-34	Nature and total number of critical concerns	•		38, 44
102-35	Nature and total number of critical concerns	•		51
102-35	Remuneration policies	•		40-41
102-36	Process for determining remuneration	•		40-41

Indicator	It. L.D. 254/16	UNGC	SDGs	Page/Notes
102-37	Stakeholders' involvement in remuneration		16	40
102-38	Annual total compensation ratio			129
102-39	Percentage increase in annual total compensation ratio			129
Stakeholder engagement				
102-40	List of stakeholder groups	•		8, 56-58
102-41	Collective bargaining agreements	•	③ ⑥	8
102-42	Identifying and selecting stakeholders			8, 56
102-43	Approach to stakeholder engagement	•		8, 55-58, 117-119
102-44	Key topics and concerns raised			8-11, 57-58
Reporting practices				
102-45	Entities included in the Consolidated Financial Statements	•		147
102-46	Defining Report content and topic boundaries	•		8-11
102-47	List of material topics	•		9-11
102-48	Restatement of information	•		74, 75, 97
102-49	Changes in reporting			8-9
102-50	Reporting period	•		146
102-51	Date of most recent Report			146
102-52	Reporting cycle	•		146
102-53	Contact point for questions about Sustainability Report			159
102-54	Claims of reporting in accordance with the GRI Standards	•		146
102-55	GRI content index	•		148-152
102-56	External assurance	•		146, 154
103 – Management approach (2016 standard)				
103-1	Explanation of material topic and its Boundary	•		8-11
103-2	The management approach and its components	•	① ⑧	(see the topics shown in italics)
103-3	Evaluation of the management approach	•		(see the topics shown in italics)
	<i>Economic and value development for local areas</i>			11, 29-30, 31, 60-64, 80, 123-124
	<i>Competitiveness on the market</i>			11, 29-30, 31, 98-100
	<i>Innovation and smart cities</i>	•		11, 32, 68-70
	<i>Energy efficiency, renewable sources and district heating</i>	•		9, 22, 32, 74, 87-89, 105, 108
	<i>Sustainable use of water resources</i>	•		9, 31, 75, 81-82, 83-84
	<i>Biodiversity</i>	•		10, 90-92
	<i>Emissions</i>	•		9, 32, 77-79, 80-82
	<i>Circular economy: management, sorted waste collection and reuse of waste</i>	•		10, 32, 76-77, 84-86
	<i>Responsible management of business segments</i>	•		11, 32, 79-80, 80-82, 88-89, 105-107, 115-116
	<i>Sustainable management of the supply chain</i>	•		11, 34, 119-124
	<i>Employment, development of human resources and welfare</i>	•		10, 34, 123, 126-134, 136-138, 143-144
	<i>Industrial relations</i>	•		10, 34, 138-139
	<i>Occupational health and safety</i>	•		10, 34, 123, 139-143
	<i>Diversity and inclusion</i>	•		10, 34, 134-135
	<i>Human rights</i>	•		10, 52-53, 120-122, 130-131
	<i>Development of local communities</i>	•		10, 33, 108-114, 115-117
	<i>Environmental education</i>	•		10, 34, 114-115
	<i>Internal and external communication</i>	•		10, 33, 96-98, 119, 133-134
	<i>Service levels, customer focus and changes in customer expectations</i>	•		10, 33, 94-108, 115-117
	<i>Efficient and reliable services</i>	•		10, 32, 60-61, 79-80, 81, 83-89, 101-108
	<i>Management of emergencies</i>	•		10, 117
	<i>Dialogue with Public Authorities</i>	•		11, 33, 117-119
	<i>Ethics, fight against corruption and legal compliance</i>	•		11, 51-52, 55, 64, 65, 92, 100, 124, 139
Specific standards – Economic area				
201 – Economic performance (2016 standard)				
201-1	Direct economic value generated and distributed		⑦ ⑧	8, 9
201-2	Financial implications and other risks and opportunities due to climate change		⑦ ⑧	13
201-3	Defined benefit plan obligations and other retirement plans		⑦ ⑧	128, Consolidated Financial Statements
201-4	Financial assistance received from Government		⑦ ⑧	63

Indicator	It. L.D. 254/16	UNGC	SDGs	Page/Notes
202 – Market presence (2016 standard)				
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	⑥	1, 5, 8	129
202-2	Proportion of senior management hired from the local community	⑥	8	61, 127
203 – Indirect Economic impacts (2016 standard)				
203-1	Infrastructure investments and services supported		5, 9, 11	60, 80, 114
203-2	Significant indirect economic impacts		1, 3, 8	61, 68-70
204 – Procurement practices (2016 standard)				
204-1	Proportion of spending on local suppliers		8	123-124
205 – Anti-Corruption (2016 standard)				
205-1	Operations assessed for risks related to corruption	• ⑩ ⑩	16	51-52
205-2	Communication and training about anti-corruption policies and procedures	• ⑩ ⑩	16	50-52
205-3	Confirmed incidents of corruption and actions taken	• ⑩ ⑩	16	52
206 – Anticompetitive behaviours (2016 standard)				
206-1	Legal actions for anticompetitive behavior, anti-trust, and monopoly practices		16	100
207 – Taxes (2019 standard)				
207-1	Approach to tax		10, 17	62-64
207-2	Tax governance, control and risk management		10, 17	62-64
207-3	Stakeholder engagement and management of concerns related to tax		10, 17	62-64
207-4	Country-by-country reporting		10, 17	Single jurisdiction: Italy For items i, ii, iii, information in this Report. For items iv and vi to x, information in the Consolidated Financial Statements.
Specific standards – Environmental area				
301 – Materials (2016 standard)				
301-1	Materials used by weight or volume	• ⑦ ⑧ ⑨	6, 8, 12	80, 105
301-2	Recycled input materials used	• ⑦ ⑧ ⑨	8, 12	Not applicable due to the characteristics of the materials used
301-3	Reclaimed products and their packaging materials	• ⑦ ⑧ ⑨	8, 12	Not applicable in relation to Group activities
302 – Energy (2016 standard)				
302-1	Energy consumption within the organisation	• ⑦ ⑧ ⑨	7, 8, 12, 13	74, 82
302-2	Energy consumption outside of the organisation	• ⑦ ⑧ ⑨	7, 8, 12, 13	82-83
302-3	Energy intensity	• ⑦ ⑧ ⑨	7, 8, 12, 13	Ratio between direct energy consumption and energy produced (TOE/MWh): 0.135
302-4	Reduction of energy consumption	• ⑦ ⑧ ⑨	7, 8, 12, 13	32, 79-80, 87-89
302-5	Reductions in energy requirements of products and services	• ⑦ ⑧ ⑨	7, 8, 12, 13	88-89
303 – Water and effluents (2018 standard)				
303-1	Interactions with water as a shared resource	⑦ ⑧ ⑨	6, 12	75, 83
303-2	Management of water discharge related impacts	• ⑦ ⑧ ⑨	6	75, 83-84
303-3	Water withdrawal	• ⑦ ⑧ ⑨	6	75, 83 According to the World Resources Institute's 'Aqueduct Water Risk Atlas' analysis, withdrawals, discharges and consumption did not take place in water-stressed areas
303-4	Water discharge	• ⑦ ⑧ ⑨	6	75, 83-84 According to the World Resources Institute's 'Aqueduct Water Risk Atlas' analysis, withdrawals, discharges and consumption did not take place in water-stressed areas
303-5	Water consumption	• ⑦ ⑧ ⑨	6	75 According to the World Resources Institute's 'Aqueduct Water Risk Atlas' analysis, withdrawals, discharges and consumption did not take place in water-stressed areas
304 – Biodiversity (2016 standard)				
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	• ⑦ ⑧	6, 14, 15	90-92
304-2	Significant impacts of activities, products, and services on biodiversity	• ⑦ ⑧	6, 14, 15	90-92
304-3	Habitats protected or restored	• ⑦ ⑧	6, 14, 15	90-92

Indicator	It. L.D. 254/16	UNGC	SDGs	Page/Notes
304-4 IUCN Red List species and national conservation lists species with habitats in areas affected by operations	•	⑦ ⑧	6, 14, 15	91-92
305 – Emissions (2016 standard)				
305-1 Direct GHG emissions (Scope 1)	•	⑦ ⑧ ⑨	3, 12, 13, 14, 15	77, 82
305-2 Energy direct GHG emissions (Scope 2)	•	⑦ ⑧ ⑨	3, 12, 13, 14, 15	77-78
305-3 Other indirect GHG emissions (Scope 3)	•	⑦ ⑧ ⑨	3, 12, 13, 14, 15	77-78
305-4 GHG emissions intensity	•	⑦ ⑧ ⑨	13, 14, 15	Ratio of Scope 1 + Scope 2 emissions to energy produced (tCO ₂ /MWh): 0.37
305-5 Reduction of GHG emissions	•	⑦ ⑧ ⑨	13, 14, 15	80-82
305-6 Emissions of ozone-depleting substances (ODS)	•	⑦ ⑧ ⑨	3, 12	79
305-7 Nitrogen oxides (NO _x), sulphur oxides (SO _x) and other significant air emissions	•	⑦ ⑧ ⑨	3, 12, 14, 15	79, 82
306 – Waste (2020 standard)				
306-1 Waste generation and significant waste-related impacts	•	⑦ ⑧	3, 6, 11, 12	76, 84-86
306-2 Management of significant waste-related impacts	•	⑦ ⑧	3, 6, 11, 12	76
306-3 Waste generated	•	⑦ ⑧	3, 11, 12	76
306-4 Waste diverted from disposal	•	⑦ ⑧	3, 11, 12	76, 84, 86
306-5 Waste directed to disposal	•	⑦ ⑧	3, 11, 12	77, 86
307 – Environmental compliance (2016 standard)				
307-1 Non-compliance with environmental laws and regulations	•	⑦ ⑧	16	92
308 – Supplier environmental assessment (2016 standard)				
308-1 New suppliers that were screened using environmental criteria	•	⑧		121-122
308-2 Negative environmental impacts in the supply chain and actions taken	•	⑧		120, 121-122
Specific standards – Social area				
401 – Employment (2016 standard)				
401-1 New employee hires and employee turnover	•	⑥	5, 8, 10	128, 144
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	•	⑥	3, 5, 8	129-130
401-3 Parental leave	•	⑥	5, 8	135
402 – Labor/Management relations (2016 standard)				
402-1 Minimum notice periods regarding operational changes	•	③	8	139
403 – Occupational health and safety (2018 standard)				
403-1 Occupational health and safety management system		③	8	123, 129-142
403-2 Hazard identification, risk assessment, and incident investigation		③	8	123, 129, 140-141
403-3 Occupational health services		③	8	123, 141
403-4 Worker participation, consultation, and communication on occupational health and safety	•	③	8, 16	123, 140
403-5 Worker training on occupational health and safety		③	8	123, 142
403-6 Promotion of worker health		③	3	123, 137, 138
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		③	8	Not applicable in relation to Group activities
403-8 Workers covered by an occupational health and safety management system		③	8	123, 140
403-9 Work-related injuries	•	③	3, 8, 16	123, 140-141, 142, 144
403-10 Work-related ill health	•	③	3, 8, 16	123, 141 Data pertaining to Group employees
404 – Training and education (2016 standard)				
404-1 Average hours of training per year per employee	•	⑥	4, 5, 8, 10	132-133
404-2 Upgrading employee skills and transition assistance programmes	•	⑥	8	126, 130-133
404-3 Percentage of employees receiving regular performance and career development reviews	•	⑥	5, 8, 10	129-131
405 – Diversity and equal opportunity (2016 standard)				
405-1 Diversity of governance bodies and employees	•	⑥	5, 8	39, 128, 135, 143-144
405-2 Ratio of basic salary and remuneration of women to men		⑥	5, 8, 10	135, 144 Data on remuneration is not available as it was partly paid in the following financial year
406 – Non-discrimination (2016 standard)				
406-1 Incidents of discrimination and corrective actions taken	•	⑥	5, 8	10, 52, 100, 120, 134-135
407 – Freedom of association and collective bargaining (2016 standard)				
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	•	① ③	8	122
408 – Child labor (2016 standard)				
408-1 Operations and suppliers at significant risk for incidents of child labor	•	① ⑤	8, 16	52-53, 120
409 – Forced or compulsory labor (2016 standard)				

Indicator	It. L.D. 254/16	UNGC	SDGs	Page/Notes
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	•	① ④	8	52-53, 120
410 – Security practices (2016 standard)				
410-1 Security personnel trained in human rights policies or procedures	•	① ② ③ ④ ⑤ ⑥	16	Not applicable in relation to Group activities
411 – Rights of indigenous peoples (2016 standard)				
411-1 Incidents of violations involving rights of indigenous peoples	•	①	2	Not applicable given the location of the Group's activities
412 – Human rights assessment (2016 standard)				
412-1 Operations that have been subject to human rights reviews or impact assessments	•	① ② ④ ⑤ ⑥		52-53
412-2 Employee training on human rights policies or procedures	•	① ② ④ ⑤ ⑥		52-53
412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	•	① ② ④ ⑤ ⑥		52-53, 120, 122, 129
413 – Local communities (2016 standard)				
413-1 Operations with local community engagement, impact assessments, and development programmes	•	①		56-58, 108-116
413-2 Operations with significant actual and potential negative impacts on local communities	•	①	1, 2	115-116
414 – Supplier social assessment (2016 standard)				
414-1 New suppliers that were screened using social criteria	•	① ② ⑥	5, 8, 16	124
414-2 Negative social impacts in the supply chain and actions taken	•	① ② ⑥	5, 8, 16	120-122
415 – Public policy (2016 standard)				
415-1 Political contributions	•		16	119
416 – Customer health and safety (2016 standard)				
416-1 Assessment of health and safety impacts of product and service categories	•			95-96, 115-117
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	•		16	100, 115-116
417 – Marketing and labelling (2016 standard)				
417-1 Requirements for product and service information and labelling	•		12	Not applicable in relation to Group activities
417-2 Incidents of non-compliance concerning product and service information and labelling	•		16	100
417-3 Incidents of non-compliance concerning marketing communications	•		16	100
418 – Customer privacy (2016 standard)				
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	•		16	100
419 – Socio-economic compliance (2016 standard)				
419-1 Non-compliance with laws and regulations in social and economic area	•	⑩ ⑩	16	64-65, 116, 124, 139
Electric Utilities Supplement				
EU-1 Installed capacity	•			20
EU-2 Net energy output	•			20, 87-89
EU-3 Number of customers	•			20-21, 101
EU-4 Length of transmission and distribution networks	•			20, 21, 102
EU-5 Compliance with the Kyoto Protocol	•			Level of compliance: 4.2%
EU-10 Planned capacity	•			60
EU-11 Average output of heat production plants	•			Cogeneration, boilers and thermoelectric plants: 64.2%; waste-to-energy plants: 73.2%
EU-12 Transmission and distribution losses as a percentage of total energy	•			102
EU-13 Habitats restored (offsetting)	•			91
EU-15 Percentage of employees eligible to retire in the next 5 to 10 years	•			128
EU-17 Hours worked by contractor and subcontractor employees	•			122
EU-18 Health and safety training programmes carried out for contractor and subcontractor employees	•			123
EU-22 Number of people physically or economically displaced and compensation	•			116
EU-25 Number of injuries and fatalities to the public involving Company assets	•			116
EU-26 Percentage of population not served in the electricity distribution area	•			The Group serves the entire population of the local areas in which it manages the service
EU-27 Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime	•			102
EU-28 Power outages: average number of interruptions per LV customer (N1)	•			102
EU-29 Power outages: cumulative downtime (D1)	•			102
EU-30 Average plant availability factor	•			Cogeneration plants: 54.6% Waste-to-energy plants: 90.5%

RECONCILIATION BETWEEN PRIORITY TOPICS AND GRI STANDARDS

Priority topics	Indicators
Economic development and value for local areas	102-15; 103-1; 103-2; 103-3; 201-1; 201-2; 201-4; 202-2; 203-1; 203-2; 204-1; 207-1; 207-2; 207-3; 207-4
Competitiveness on the market	102-15; 103-1; 103-2; 103-3; 203-1; 206-1
Innovation and smart cities	103-1; 103-2; 103-3; 203-2
Energy efficiency, renewable sources and district heating	102-15; 103-1; 103-2; 103-3; 302-1; 302-2; 302-3; 302-4; 302-5
Sustainable use of water resources	102-15; 103-1; 103-2; 103-3; 303-1; 303-2; 303-3; 303-4; 303-5
Circular economy: management, sorted waste collection and reuse of waste	102-15; 103-1; 103-2; 103-3; 306-1; 306-2; 306-3; 306-4; 306-5
Emissions	102-15; 103-1; 103-2; 103-3; 305-1; 305-2; 305-3; 305-4; 305-5; 305-6; 305-7
Biodiversity	103-1; 103-2; 103-3; 304-1; 304-2; 304-3; 304-4
Responsible management of business segments	102-15; 103-1; 103-2; 103-3; 301-1; 306-3
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REPORT OF THE INDEPENDENT AUDITORS



Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018

To the Board of Directors of Iren SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have undertaken a limited assurance engagement on the consolidated non-financial statement of Iren SpA and its subsidiaries (the "Group") for the year ended 31 December 2020 prepared in accordance with article 4 of the Decree, and approved by the Board of Directors on 25 March 2021 (the "NFS").

Responsibilities of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016, and updated to 2020, by the GRI - Global Reporting Initiative (the "GRI Standards"), and with the "G4 Sector Disclosure – Electric Utilities" defined in 2013 (the "G4 Sector Disclosure"), indicated at paragraph "Note on methodology" of the NFS, identified by them as the reporting standards.

The Directors are also responsible, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated or faced by the Group.

The Board of Statutory auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

PricewaterhouseCoopers SpA

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Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree, with the GRI Standards and with the G4 Sector Disclosure. We conducted our work in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In detail, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standard adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with the information reported in the Group's consolidated financial statements;
4. understanding of the following matters:
 - business and organisational model of the Group with reference to the management of the matters specified by article 3 of the Decree;
 - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
 - key risks generated and/or faced by the Group with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;



5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.

In detail, we held meetings and interviews with the management of Iren SpA and with the personnel of Iren Ambiente SpA, Ireti SpA and Iren Energia SpA, and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at a holding level,
 - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify its consistency with available evidence;
 - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the companies Iren SpA, Iren Ambiente SpA, Ireti SpA, Iren Energia SpA and for the waste-to-energy plant Tecnoborgo (Piacenza) and the thermoelectric plant of Moncalieri (Torino), which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out meetings and interviews during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Iren Group for the year ended 31 December 2020 is not prepared, in all material respects, in accordance with articles 3 and 4 of the Decree, with the GRI Standards and with the G4 Sector Disclosure.

Genoa, 14 April 2021

PricewaterhouseCoopers SpA

Signed by

Andrea Manchelli
(Partner)

Paolo Bersani
(Authorized signatory)

This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2020 translation.

GLOSSARY

A

ARERA (formerly AEEGSI Electricity, Gas and Water Authority): Italian Regulatory Authority for Energy, Networks and Environment.

ARPA: Regional Environmental Protection Agency.

ASPP: Prevention and Protection Service Officer.

ATERSIR: Territorial Agency of Emilia-Romagna for Water and Waste Services.

B

BEST AVAILABLE TECHNIQUES (BAT): best available technologies for pollution prevention and control.

BIOGAS: formation of gas, by anaerobic fermentation in the presence of microorganism bacteria, of waste or sludge from urban water treatment; the methane contained in the biogas can be used for energy production.

BOD: the term BOD (biochemical oxygen demand) refers to the amount of oxygen consumed during a given time, at a given temperature, to decompose organic substances in water through the action of bacteria (cellular respiration). A high biochemical oxygen demand is the index of an intense bacterial activity for organic decomposition and highlights the presence of organic pollution. This is an indirect measure of pollutant load. Its value is expressed in %.

C

CLEANTECH: any process, product or service that reduces negative environmental impacts through significant improvements in energy efficiency, sustainable use of resources or environmental protection activities.

CO: carbon monoxide.

CO₂: carbon dioxide.

COD: the term COD (chemical oxygen demand) means the amount of oxygen necessary for the complete oxidation of organic and inorganic compounds present in a water sample. It is an index measuring the degree of pollution of water by oxidisable substances, mainly organic. Its value is expressed in %.

CODE OF ETHICS: a document that defines the principles, behaviours, commitments, and ethical responsibilities that must be complied with by directors, employees, and collaborators in all company activities.

COGENERATION: simultaneous production of electrical and thermal energy.

CORPORATE GOVERNANCE: set of rules according to which companies are managed and controlled.

CSR: Corporate Social Responsibility (CSR).

D

DISTRICT HEATING: remote transmission of heat by circulating water in two pipes, one supplying hot water and one returning colder water.

E

EIA: Environmental Impact Assessment.

EIB: European Investment Bank, an institution of the European Union for financing investments in support of the Union's policy objectives.

E-LEARNING: learning through multimedia courses that can be used mainly remotely through online systems.

ELECTRICITY SERVICES PROVIDER (GSE): Joint-Stock Company (Article 3 of Italian Legislative Decree 79/99) whose shares are held by the Ministry of the Treasury, which provides incentives for the production of electricity from renewable and similar sources and is responsible for the qualification of renewable source plants and their production.

EMAS (ENVIRONMENTAL MANAGEMENT AND AUDIT SCHEME):

environmental management and audit scheme according to EU Regulation 761/2001.

EMISSION TRADING SYSTEM (ETS): flexible mechanism, provided for in the Kyoto agreements, for trading emission rights between countries or companies in relation to their respective greenhouse gas emission reduction targets.

END CUSTOMER: natural or legal person who purchases electricity exclusively for his/her own use.

ENERGY EFFICIENCY CERTIFICATES (EEC) (also known as White Certificates): energy savings certificates for which electricity and gas distributors with a customer base of more than 50,000 are required. EECs are valid for five years and are issued by the GME (Decree of the Ministry of Productive Activities dated 20/7/04, in agreement with the Minister for the Environment and Protection of the Land).

ENERGY SERVICE COMPANY (ESCO): companies that carry out interventions aimed at improving energy efficiency, assuming the risk of the initiative and freeing the final customer from any organisational and investment burden.

ETHICAL INDEXES: indexes that monitor the performance of a selection of companies according to economic, ethical, environmental and social criteria.

G

GAS TURBINE: a machine that converts the energy possessed by the steam generated in a boiler or by geothermal steam into the mechanical energy of a rotating axis.

GIGAJOULE (GJ): unit of measurement of energy (of any nature) adopted in the international system (3.6 GJ corresponds to 1 GWh).

GIGAWATT (GW): unit of measurement of power (of any nature) equal to one million kilowatts.

GIGAWATT-HOUR (GWh): unit of measurement of energy (of any nature) equal to one million kilowatt-hours.

GREEN BOND: bond instruments whose proceeds are used exclusively to finance or refinance all or part of projects/activities with a clear positive impact on the environment (Eligible Projects/Activities).

GREEN CERTIFICATES: annual certificates issued by the GSE certifying the production from renewable sources of 1 MWh of energy. Since 2002 (Decree 79/99) producers and importers have been obliged to feed energy from renewable sources into the grid in quantities equal to a percentage of the total electricity from conventional sources produced or imported in the previous year (net of exports, self-consumption by power stations and cogeneration).

GREENHOUSE GASES: gases that do not allow the dispersion of heat from the earth and therefore produce overheating of the atmosphere. In addition to those of natural origin, the main anthropogenic greenhouse gases are carbon dioxide, methane, chlorofluorocarbons and nitrogen oxides.

GROSS PRODUCTION: electrical energy produced during the period of time considered, measured at the terminals of the electric generator.

H

HSR: Workers' Health and Safety Representative.

HV: high voltage, i.e. 132 kV, 220 kV and 380 kV.

HYDROELECTRIC: a system that transforms the potential energy of water into electrical energy. Hydroelectric plants may be of the flowing water, basin and reservoir type.

I

IEA: Integrated Environmental Authorisation.

K

KILOCALORIE (kcal): unit of measurement of heat (thermal energy). One kcal is the amount of heat required to raise the temperature of one kilogram of water by one degree centigrade.

KILOVOLT (kV): unit of measurement of voltage equal to 1,000 Volts.

KILOWATT (kW): unit of measurement of power (of any kind) equal to 1,000 Watts.

KILOWATT-HOUR (kWh): unit of measurement of energy (of any kind) equal to 1,000 Watts for one hour.

L

LANDFILL MINING: excavation of waste deposited in landfills and its subsequent treatment for the inertisation of hazardous fractions and the separation and selection of the different components (fine material, recoverable fractions and residues), intended for separate management.

LV: low voltage, i.e. 220/380 V.

M

MbO: Management by Objectives

MEGAWATT (MW): unit of measurement of power (of any kind) equal to one million Watts.

MEGAWATT-HOUR (MWh): unit of measurement of energy (of any kind) equal to one thousand kilowatt-hours.

MV: medium voltage, i.e. voltages between 1 and 30 kV.

N

NET PRODUCTION: gross production minus consumption for services required to operate the generating group.

NOTCH: level in the rating measurement scale.

NO_x: nitrogen monoxide.

O

OHSAS 18001 (Occupational Health & Safety Assessment Series): is an international reference standard for the certification of an occupational health and safety management system (standard valid until 13/03/2021 – some Group companies are currently in the process of transitioning to the new ISO 45001 standard).

OPTIMAL TERRITORIAL AREA (ATO): the Optimal Territorial Area (Law 36794) determines the regional level of the organisation of the Integrated Water Service; the Regional Law defines its boundaries.

P

PAI: Integrated Environmental Centre.

POWER EXCHANGE: virtual place where supply and demand meet for the purchase and sale of wholesale electricity. The economic management of the Power Exchange is entrusted to the GME (Article 5 of Italian Legislative Decree 79/99).

PPE: Personal Protective Equipment.

PPS: Prevention and Protection Service.

PRODUCTION CAPACITY: estimated energy that can be produced by each individual producer.

R

RAD: Risk Assessment Document

RENEWABLE ENERGY: energy sources not subject to depletion (sun, wind, water resources, geothermal resources, tides, wave motion and biomass).

RENEWABLE SOURCES: non-fossil sources (wind, solar, geothermal, wave motion, tidal power, hydraulics, biomass, landfill gas, residual gas from treatment and biogas processes) pursuant to Article 2 of the RES Decree.

REVAMPING: renovation of obsolete industrial plants.

RSPP: Prevention and Protection Service Officer.

RSU: Unitary Union Representative Body

S

SDGs: Sustainable Development Goals – are a set of 17 goals, to be achieved by 2030, defined by the United Nations Organization.

SECONDARY SOLID FUEL (SSF): fuel derived from non-hazardous waste.

SERVICE CHARTER: a document setting out the quality standards for company services.

SM³: standard cubic meter.

SMART METERING: systems enabling remote reading and management of electricity, gas and water meters.

SOCIAL COOPERATIVES: enterprises (Law 381/91) which have the aim of “pursuing the general interest of the community for human promotion and social integration of residents” through the management of services and the carrying out of activities aimed at the employment of disadvantaged people.

SOFT SKILLS: cognitive, interpersonal and communication skills, which differ from the technical skills and abilities related to specific roles.

SST: the term SST (Solidi Sospesi Totali – Total Suspended Solids) means the sum of suspended solids and filterable solids. It represents the total substances present in a wastewater sample after drying at 105°C. The value is expressed in %.

STAKEHOLDERS: parties who interact with the company and can influence or be influenced by the company's activities.

SUSTAINABLE DEVELOPMENT: long-term economic development through low environmental impact and good relations with the social community.

T

TERAWATT-HOUR (TWh): one billion kilowatt-hours.

TERNA: operator that manages the networks for the national electricity.

THERMOELECTRIC: plant for the production of electrical energy from fossil fuels.

TOE (tonnes of oil equivalent): equivalent to the primary fossil energy replaced, i.e. the amount of fuel otherwise needed to produce the same amount of energy.

TOTAL POWER: sum of the electrical or thermal power. of the various producers installed at the same plant.

U

UNI EN ISO 9001: international technical standard for the certification of quality management systems.

UNI EN ISO 14001: international technical standard for the certification of environmental management systems.

UNI EN ISO 45001: international technical standard for the certification of occupational health and safety management systems.

V

VOLT: unit of measurement of electrical voltage.

W

WATT: unit of measurement of electrical power.

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