



LETTER TO STAKEHOLDERS

Dear Shareholders and Stakeholders,

Iren Group has integrated the principles of sustainability into its growth strategy to the point of making them the guiding star for its future development.

Naturally, the plan to integrate ESG criteria - Economic, Environmental and Social - into the life of the company is represented by the decision to unite in this letter the presentation of the results of both the Annual Report 2020 and the Sustainability Report 2020 with the aim of ensuring an integrated reading for all the Group's stakeholders.

Attention to the principles of sustainability and the important path of growth and efficiency achieved in recent years have allowed the Group to face 2020 – a year like no other, marked by the Covid-19 pandemic – with extreme flexibility. In just a few weeks, Iren was able to rethink its approach to work and to the provision of essential services, ensuring full operational continuity to 4.6 million Italians in the areas in which it operates.

The ability to adapt to a new scenario and the resilience demonstrated, together with the dedication and sense of responsibility of our employees, are the most valuable result that 2020 has brought to Iren Group.

In fact, 2020 was a testament to Iren's extraordinary ability to adapt, its economic and financial solidity and the managerial and industrial excellence achieved by our Group in recent years. A stability which enables us to also tackle emergency situations, like the one we are experiencing in this historical moment and which compels each of us toward the search for new horizons and new strategies.

In 2020, the Group turned 10 years old, an occasion celebrated with a new visual identity and a new logo that will accompany the Group's growth throughout Italy in the coming years. In these 10 years, Iren has established itself as one of the most important multi-utilities in the country, serving more than 440 municipalities for a total of more than 4.6 million inhabitants, placing itself as the 2nd multi-utility both for regions covered by the services and for number of clients served. The Group is also the 1st Italian multi-utility for growth in employees, which have reached more than 8,650, with a continuous and constant upward trend over the last five years.

These figures are a snapshot of a Group that, even today, has reached national dimensions and requires us to think and act as a large company in the country while maintaining, and where possible further strengthening, our deep territorial roots.

A growth that is also due to two important extraordinary operations, valued at approximately € 200 million; the acquisition of the companies of the former Environment Division of UNIECO and of I.BLU. The incorporation of these companies has allowed the Group to further strengthen its position in the environmental sector and to become the leading operator in the plastics chain in Italy, highlighting, once again, the national dimensions reached by Iren.

The energy transition is a subject which the new Draghi government has chosen to foster through a dedicated ministry – is significantly changing our business. We will be increasingly called upon to respond to the challenges of our time, such as climate change, infrastructure obsolescence, security, energy transition, resource consumption, mobility, integrated services, investment attraction and competitiveness.

Thanks to our assets and the path of growth in terms of skills and size that we have undertaken, we are ready to play a leading role in the energy sector. To this end, we have started to design our future with the Industrial Plan to 2025, which projects the growth of the Group throughout the country and the affirmation of Iren's leadership in sustainability through the development of the "multicircle economy". The Plan represents our long-term industrial vision, focused on the conscious and efficient use of resources in all areas of business.

A decisive and enabling factor in the Group's development will be the investment of € 3.7 billion, planned over the next five years, € 2.1 billion of which will be allocated to the multicircle economy, which applies the concept of circular economy to all our businesses – from the production of energy from renewable sources to the waste cycle, from the management of water to green mobility – a concept that is strongly ingrained in our DNA.

With the multicircle economy, the Group wants to take the concept of circular economy to a new level, linking energy production, energy efficiency, the waste cycle and water resource management. The objective is to multiply the value created in all the areas in which Iren is present. In the territories served, the Group boasts a percentage of differentiated waste collection of 69.3% compared to a national average of 61.3%, not to mention an average of water network losses that are more than 10 percentage points lower than the national average, avoiding 2.7 million tonnes of CO₂ emissions every year.

The Group contributes to the reduction of pollution through national leadership in district heating and with 3/4 of energy production from green or high efficiency sources; to the development of electric mobility through the electrification of the corporate fleet, shared mobility solutions and the creation of related infrastructure; energy saving through the maintenance and requalification of buildings through the development of efficiency solutions; innovation and digitalization, for which 300 million euros of investments have been earmarked over the next 5 years, with particular attention to the Corporate Venture Capital project that sees us as the first multi-utility in supporting innovative start-ups in the cleantech sector.

The above shows how sustainability permeates Iren's actions in all the business areas in which it operates. Sustainability that goes well beyond the commitment on the environmental front, integrating ESG criteria into the life of the company. This is demonstrated by the 99% of employees with permanent or apprenticeship contracts, 88% of them engaged in training activities, the presence of more than 2,000 women in the Group and a strong focus on gender equality, which has been recognised by inclusion in the Bloomberg Gender Equality Index.

To all our stakeholders, we demonstrate constant attention to the areas in which we operate: 180 thousand people participated in Eduiren environmental education projects, 53 projects carried out by Iren's sustainability Local Committees, 60% of the value of purchase orders were placed with local suppliers.

Iren Group wants to progress within an internationally recognized framework and guidelines, such as those of the United Nations Global Compact, to which it renews in 2021 its commitment to respect its fundamental principles, and the Sustainable Development Goals of the 2030 Agenda.

The results achieved in 2020 confirm the growth of the Group, which closed the year with revenues of € 3.7 billion, EBITDA of € 927 million, up 1.1% compared with last year, and Group net profit of € 235 million, in line with last year. Of particular note are the investment figures, which grew by 30.7% compared to 2019 and amounted to € 685 million, of which € 350 million were allocated to projects related to the multicircle economy. These investments made it possible to achieve the planned strategic objectives, support the economies and induced activities of the territories severely affected by the pandemic and propel Iren with a leading role in the post-emergency recovery programme that will involve the country.

Key factors like the efficient management of the Group in terms of size and economic-financial indicators, the development of skills and quality of services, the utmost attention to sustainability and care for internal resources and clients, have enabled us to achieve the results we are presenting for the approval of the Shareholders, as well as to propose a dividend of 9.5 c€ per share at the Shareholders' Meeting, up 2.7% compared to 2019.

Also on behalf of the Board of Directors, we extend our gratitude to all the women and men of Iren Group for their expertise and the commitment they show every day in their work, which have led to our achieving these results. Thank you, today more than ever, for the dedication and responsibility with which you have and continue to guarantee the supply of essential services for our community, efficiently as always and with innovative methods compared to the past and, in many cases, reconciling family life and work, especially during this difficult scenario. We would like to thank our Shareholders and Stakeholders for the encouragement they provide us in pursuing sustainable development and the members of the Board of Directors and the Board of Statutory Auditors for their decisive contribution to the growth of the Company.

Chairperson
Renato Boero



Deputy Chairperson
Moris Ferretti



Chief Executive Officer
Massimiliano Bianco



2020 Highlights

Value	Sustainable resources	Iren People
€ 3,725 million in revenues	2.7 million tonnes of CO ₂ avoided	99% of employees with a permanent or apprenticeship contract
€ 685.2 million in investments	743,000 TOE saved	612 new hires
€ 1,421 million of added value distributed	73% electricity produced from renewables and high-efficiency cogeneration	3,166 employees in smart working
€ 0.095 of proposed dividend per share	69.3% of sorted waste collection (national average 61.3%)	2,089 women working in the Group 40% of the Board of Directors is composed of females
4 Green Bonds for € 1,800 million invested in 44 environmental sustainability projects	33.3% water network leaks (national average 43.7%)	88% of employees involved in training activities
€ 8.8 million in research and innovation projects	2.9% electricity grid losses (national average 6.4%)	24.5 average annual training hours per employee

Customers Communities

+3.4% retail energy customers

82 active branches
3.3 million responses to call centres

92% of customers expressed overall satisfaction with the quality of services

+28% customers registered for online services

98.8% gas networks,
100% district heating networks and **35%** electricity substations inspected

over **794,600** parameters analysed on drinking water and wastewater

€ 1,280 million of orders issued to suppliers

60% of the value of the order to local suppliers

24 social cooperatives working with Iren

1,060 hours of training to third party companies

2,162 suppliers involved in the sustainability profiles survey

17 national and international associations and networks related to sustainability in which the Group participates

179,280 people involved in **71** Eduiren environmental education projects

New Eduiren tools for distance learning

254 projects supported in favour of communities

53 projects carried out by Iren Local Committees for sustainability

2 Startups supported in the fields of robotics applied to waste and circular economy

€ 20 million over three years for the "Iren Up" corporate venture capital programme

IREN FOR SUSTAINABLE DEVELOPMENT

Iren has always been committed to ensuring the economic, social and environmental sustainability of its business, a way of doing business that finds its foundation in the Group's business model and Strategic Plan, which includes a solid commitment to the 2030 Agenda for Sustainable Development Goals (SDGs), reinforced by the choice to join the United Nations Global Compact, made in 2020.

A way of doing business that guarantees long-term resilience and reacting quickly and effectively to exogenous phenomena of unprecedented magnitudes, such as the socio-economic crisis resulting from the Coronavirus spread.

IREN AND THE GLOBAL GOALS

For the preparation of the Group's Strategic Plan (see page 28), an assessment was made of the SDGs to which Iren contributes and can contribute most in the future. All 17 SDGs were analysed, with their relative targets, and the areas of the Group activity that contribute to their achievement were identified, enabling the selection of 9 Priority Objectives that were assumed in the Strategic Plan, and are highlighted below, to which Objective 17, considered a tool for achieving the other objectives, is added in a transversal manner.

SUSTAINABLE DEVELOPMENT GOALS



Even for those Objectives not selected as priorities, Iren Group can have an impact on their implementation. For this reason, the materiality analysis highlighted how the priority topics impact all SDGs (see page 9) and the contents of this document contribute to providing an exhaustive information framework on them, as highlighted in the reconciliation table on page 148.

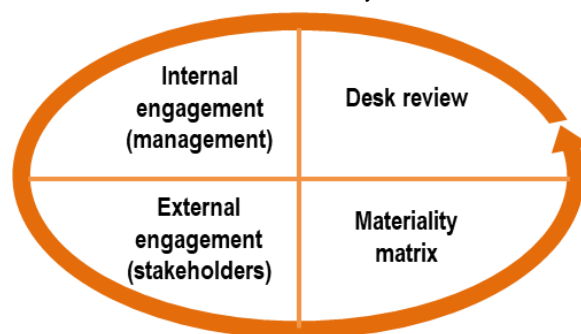
MATERIALITY ANALYSIS

The SDGs, therefore, are central to the materiality analysis through which Iren and its stakeholders attribute an assessment to topics considered priorities for the Group's strategic development and for reporting in this Sustainability Report.

Materiality underlines the connection of priority topics with the Group's strategy and ensures that the expectations of different stakeholders are considered.

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

- **desk review:** identification of the spectrum of potentially significant topics through the analysis of Italian Legislative Decree 254/2016, GRI standards and other publications, domestic and international sustainable development targets, the principles of the United Nations Global Compact, the Group's Mission, Memorandum and Strategic Plan and related sustainability objectives, the Group's financial and sustainability reporting, previous materiality analyses, customer satisfaction surveys, risk analysis, media analysis, and relevant sustainability issues for peers and competitors;
- **internal engagement:** sharing and assessing potentially significant topics by the top line of the Group's management in order to identify priority topics for Iren;
- **external engagement:** sharing and assessing potentially significant topics by Iren Local Committees in order to focus interests and identify priority economic, social and/or environmental topics for stakeholders. The 98 associations/institutions that compose the Local Committees are representative of the main categories of stakeholders of Iren Group: consumers/customers, employees, suppliers, institutions, shareholders, environment, local communities, NGOs, world of research and universities, future generations. The stakeholder engagement activities allowed Iren to conduct the materiality analysis, also taking into account the principles of the United Nations Global Compact;
- development of the **materiality matrix**, which defines the priority topics, and approval of the results of the materiality analysis by the Board of Directors on 19 January 2021.



In 2020, the work of internal and external engagement led to the definition of 23 topics, compared to 28 topics in the previous year, reflecting a different articulation of these topics, in order to make them even more consistent in terms of priorities, without reducing their content value.

For example, the topic "Impacts on local areas (suppliers)" has been included in the topic "Value and economic development for local areas", which is considered a significant and integral aspect. For the same reasons, the topic "Construction site management" has been incorporated into the topic "Responsible management of business segments", just as the topic "Marketing policies" has been incorporated into the topic "Service levels, customer focus and changes in customer expectations". Again, for the sake of consistency and coherence, the topics "Employment, development of human resources and welfare" and "Ethics, fight against corruption and legal compliance" have been merged, while the topic "Diversity and inclusion" has been explained separately.

The 2020 matrix, therefore, albeit outlined differently, presents a substantial confirmation of the topics identified in 2019, which obtain ratings above the materiality threshold (2.0) both by management and by stakeholders.

The materiality matrix, provided below, highlights the priority topics and establishes them in relation to the strategic pillars of Iren Group, intersecting them with the topics indicated in the Italian Legislative Decree 254/2016 and additional topics deemed relevant by the Group and its stakeholders.

MATERIALITY MATRIX AND PRIORITY TOPICS









The priority topics are developed within the chapters of the Sustainability Report/NFS. To facilitate the interpretation of the document, the material topics covered are indicated at the beginning of each chapter.

For each topic in the matrix, the materiality connotations and correlation with the UN Sustainable Development Goals (SDGs) by

2030 and the UN Global Compact (UNGC) principles are highlighted below.

Concerning the 9 SDGs considered priorities (see page 8), the Group has defined specific objectives and targets in its 2025 Business Plan, which are described in more detail on pages 29-30.

 <p>Energy efficiency, renewable sources and district heating</p>		<p>Iren Group has set out important goals in its development plan aimed at preserving natural resources, particularly energy resources, and reducing emissions, thanks to the extension of district heating systems and electricity generation from renewable or similar sources. Furthermore, Iren guarantees high levels of energy efficiency in the management of its activities and proposes energy efficiency solutions to customers.</p>
 <p>Sustainable use of water resources</p>		<p>The goals outlined in the Group's Business Plan include the rational use and protection of water resources; consequently, the Group has defined targets regarding the quantity of water resources withdrawn and the quality of waste returned to the environment, representing key factors for sustainable management.</p>
 <p>Emissions</p>		<p>Within its strategic guidelines, Iren Group has emphasised its commitment to consistently reducing its atmospheric emissions, specifically, it has defined objectives to reduce CO₂ emissions and increase the amount of CO₂ avoided by using renewable sources, district heating and obtaining energy from waste.</p>



	Circular economy: management, sorted waste collection and reuse of waste		<p>Iren Group manages its own waste and the waste managed on behalf of local communities with the aim of reducing its production and increasing recovery and production of energy from waste, according to the principles of prevention, sustainability and safety. Dialogue and a constant flow of information on the topic with institutions and residents are essential, as is the training provided in collaboration with schools and universities.</p>
	Biodiversity		<p>To protect biodiversity and habitats, as well as entering into partnerships with regulatory bodies, institutions and associations, Iren Group has developed a policy to ensure that the activities that take place in protected areas are compatible and sustainable for the environment and maintain its natural balance.</p>
	Environmental education		<p>Iren Group believes that education is the most effective and strategic way to foster a culture of sustainability and innovation. Informed residents contribute significantly to improving the social and environmental impact of services, directing them towards new strategies. This is why Iren invests in initiatives consistent with the Global Compact principles, in its relationship with schools and universities, to prepare for the future.</p>
	Development of local communities		<p>Iren Group identifies the focus for progress and the creation of shared value in the current and future local areas of reference. Improving people's quality of life, making businesses more competitive, looking to the growth of local areas through the eyes of change and making development and sustainability a single value. Iren Group's vision is to make this future a reality.</p>
	Employment, development of human resources and welfare		<p>Maintaining adequate employment levels, skill coverage and development and the quality of employment are essential for pursuing Group's strategies, which, also in terms of jobs, support the Global Compact principles. Investment in developing internal skills and enhancing the value of human resources is a fundamental element of the pact between the company and the individual, along with the efforts to reconcile life and work needs and improve the working environment's quality. The aim is to work as a team, to add value to the outcome of individual work and increase a feeling of belonging, creating a shared social ground, cultural, professional and intellectual.</p>
	Industrial relations		<p>The topic contributes to creating the best conditions for guaranteeing Iren Group the development of a business model that aims to involve and enhance human resources, in order to increase efficiency, quality of services and capacity to address market challenges with innovative solutions. Therefore, industrial relations must be developed according to a participatory, non-confrontational model, while respecting the various roles.</p>
	Occupational health and safety		<p>Consolidating a culture of risk prevention and assessment is a top priority for Iren Group which aims to ensure the health and safety of its workers and to improve the working environment, also with a view to increasing employees' motivation and engagement and guarantee the continuity of production processes.</p>
	Diversity and inclusion		<p>Diversity and inclusion are among the key objectives to support the Group's growth strategy. The diversity of people, together with a culture of inclusion, brings a wealth of contributions and ideas that can strengthen decision-making processes, efficiency and collaboration. Diversity and inclusion are an integral part of the Group's Code of Ethics and a determining factor in its growth model.</p>
	Human rights		<p>Iren Group supports the principles of the UN Global Compact on the subject and considers the UN Universal Declaration of Human Rights, the International Labour Conventions and Recommendations of the International Labour Organisation and the Earth Charter to be fundamental points in the definition of its values. The Group condemns any form of discrimination and promotes the respect and dignity of all individuals. The suppliers' system is managed with same principles and is also constantly monitored on these aspects.</p>
	Internal and external communication		<p>The knowledge of the mission, values, policies and sustainable growth objectives of Iren Group, together with the capacity to listen, are crucial for the true involvement of human resources in developmental challenges. External communication is the primary vehicle for relations and transparency with stakeholders in order to provide information on the economic, environmental and social impacts of the Group, in a prompt and timely manner.</p>
	Management of emergencies		<p>The prompt and proper management of critical situations or natural disasters is fundamental for guaranteeing safety and support to communities, also during events that fall outside the operational context of Iren Group. In line with this principle, Iren provides its support during natural disasters also on the national territory.</p>
	Efficient and reliable services		<p>Improving the efficiency of all services is important both in terms of the quality offered to residents and to ensure the proper use of resources, the reduction of environmental impacts, as well as reducing the Group's operating expenses. Continuity and reliability of service are constantly strived for to comply with legislation and also on a voluntary basis.</p>
	Service levels offered, customer focus and changes in customer expectations		<p>High-quality levels and service innovation to meet new and emerging customer demands are a guarantee for Iren's long-term development. The Group's mission is to offer its customers and areas the best integrated management of energy, water and environmental resources, with innovative and sustainable solutions, to produce value over time. Innovative offers are changing Iren's role, shifting it from a simple energy supplier to an expert in services with high added value, while at the same time increasing customer satisfaction and loyalty. Innovation, agility, smartness, fairness, and transparency inspire the Group to improve its relationship with its customers continuously.</p>



Innovation and smart cities



The aim of the Group's approach to innovation is to improve service quality, building relationships between material infrastructures and human capital, both intellectual and social, thanks to the use of new technologies, in order to improve quality of life and meet the needs of residents, companies and institutions. All actions are strongly focused on the local areas in which the Group operates, collaborating with local communities to develop smart cities.



Responsible management of business segments



Iren Group invests to guarantee security, continuity, health and business sustainability, aware of the responsibility that energy and environmental service management entails, for the present and for the future of communities and local areas. The commitment is aimed at developing initiatives and the ability to use the available time, money and resources appropriately, taking the social and environmental impact of business actions into consideration.



Economic development and value for local areas



This is a cornerstone of Iren's strategy, which aims to create value for shareholders and stakeholders. The economic development of the Group is crucial for growth and competitiveness, as well as for the significant economic, social and environmental impacts that it generates for communities in terms of the added value distributed, job creation, investments in the local area, returns and resource generation for local administrations. The contribution of all participants in the processes – employees as well as suppliers – is essential to guarantee positive outcomes that contribute to growth and local development.



Competitiveness on the market



The Group's growth strategy is heavily focused on customers and the development of new integrated services in order to anticipate responses to market trends, with great attention to personnel skills and process efficiency. Technological innovation, sustainability of resources, energy transition and digitalisation are the main drivers that Iren Group uses to compete on the market and increase its market share.



Sustainable management of the supply chain



Iren Group aims to build a system of correct and transparent relationships with suppliers, which are based on clear rules and shared values that are key to maintaining the quality of service levels, environmental protection and safety of workers and communities. The Group considers enhancing categories of suppliers that guarantee jobs for disadvantaged people to be important and consistent with its mission.



Ethics, fight against corruption and legal compliance



The Group's Code of Ethics defines the general principles on relations with the various stakeholders, the conduct criteria and the control system for compliance with the Code of Ethics to maintain and strengthen trust with the stakeholders. Compliance management is an integral part of ethics both in a proactive way – to anticipate scenarios and regulatory developments, effectively assess risks and provide contributions to improve the regulatory framework of the sector – and in a preventive way: for this reason, concurrently with the Code of Ethics, Iren Group has adopted the Organisational Model 231 to prevent the commission of crimes, including corruption, which is also considered relevant in light of the requirements of the Global Compact. Training and raising the awareness of personnel are the keys to consolidating an ethical culture that can tangibly influence the Group's development opportunities.



Dialogue with Public Authorities



Relations and dialogue with Public Authorities, and more generally, with institutional entities at both local and national level, play a critical role for the Group's activities and for addressing and outlining governance strategies in relation to energy and the environment sector, producing impacts for local areas and for the entire country that are increasingly efficient and sustainable. Dialogue is therefore constant, in line with respective roles.