

# Sustainability Governance

## RELEVANT TOPICS



Economic development and value for local areas



Ethics, fight against corruption and legal compliance



Human rights



# SUSTAINABILITY GOVERNANCE

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

In 2020 the Board of Directors updated its long-term (2035) and medium-term (2025) strategic planning, including sustainability objectives and targets (see page 29), also in relation to climate change and the Group's commitment to transparent reporting in this regard, with particular focus on the four areas outlined in June 2017 by the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board:

- **governance** – description of the role of the Iren corporate governance system in relation to climate change issues (see page 37);
- **strategy** – illustration of the main risks and opportunities relating to climate change, the different scenarios considered and the corporate strategy developed as the company's response to mitigate and adapt to the risks and to maximise the opportunities (see page 28);
- **risks** – description of the identification, assessment and management process for the risks and opportunities related to climate change adopted by the Group (see pages 44-50);
- **metrics and targets** – main metrics related to climate change used by the Group (see pages 74-92), as well as the main objectives set to promote a low carbon business model (see pages 29-30).

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

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

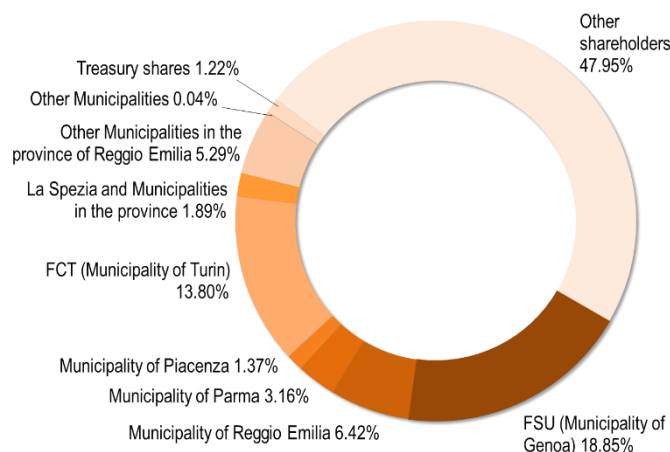
The **Control, Risk and Sustainability Committee** (see page 41) is responsible for examining the guidelines of the sustainability plan, assessing risks and evaluating economic, environmental and social performance, and supervising the implementation of the Sustainability Plan and the system for evaluating and improving the environmental, economic and social impact of the Group's activities.

For the integration and monitoring of ESG (Environment, Social, Governance) factors, from strategic planning to the management and monitoring of the Group's activities, the **ESG Strategic Integration Committee** was established in 2020 (see page 43). The Committee includes the Directors of the primary Staff and Business Unit functions, and operates in close relationship with the **Sustainable Finance Committee**, (see page 43) which is responsible for defining and managing the Group's sustainable finance framework.

## SHAREHOLDERS

At 31/12/2020, the most significant Group shareholders that hold a stake in Iren, directly or indirectly, are represented in the graph below.

IREN SHAREHOLDING STRUCTURE (% OF SHARE CAPITAL)



As of 31 December 2020, Iren's share capital is represented by 1,300,931,377 ordinary shares, of which:

- 640,568,694 ordinary shares with increased voting rights, conferring a total of 1,281,137,388 voting rights exclusively on the Shareholders' resolutions subject to increased voting rights (list pursuant to Article 6-bis, paragraph 1 of the Articles of Association);
- 660,362,683 ordinary shares without increased voting rights, conferring the equivalent number of voting rights on all Shareholders' resolutions other than those subject to increased voting rights.

The ordinary shares held, as of 31 December 2020, by the 91 parties to the Shareholders' Agreement among Iren's Public Shareholders (Finanziaria Sviluppo Utilities, Finanziaria Città di Torino Holding, Soci Emiliani and Soci Spezzini) are aimed at ensuring unity and stability of direction to the Company also through the use of the increased voting rights. These shares are divided as follows: 633,505,386 ordinary shares bound by the Voting Block, representing the same number of voting rights on Shareholders' resolutions other than those with an Increased Voting Right and 1,233,237,944 voting rights on Shareholders' resolutions with an Increased Voting Right. The

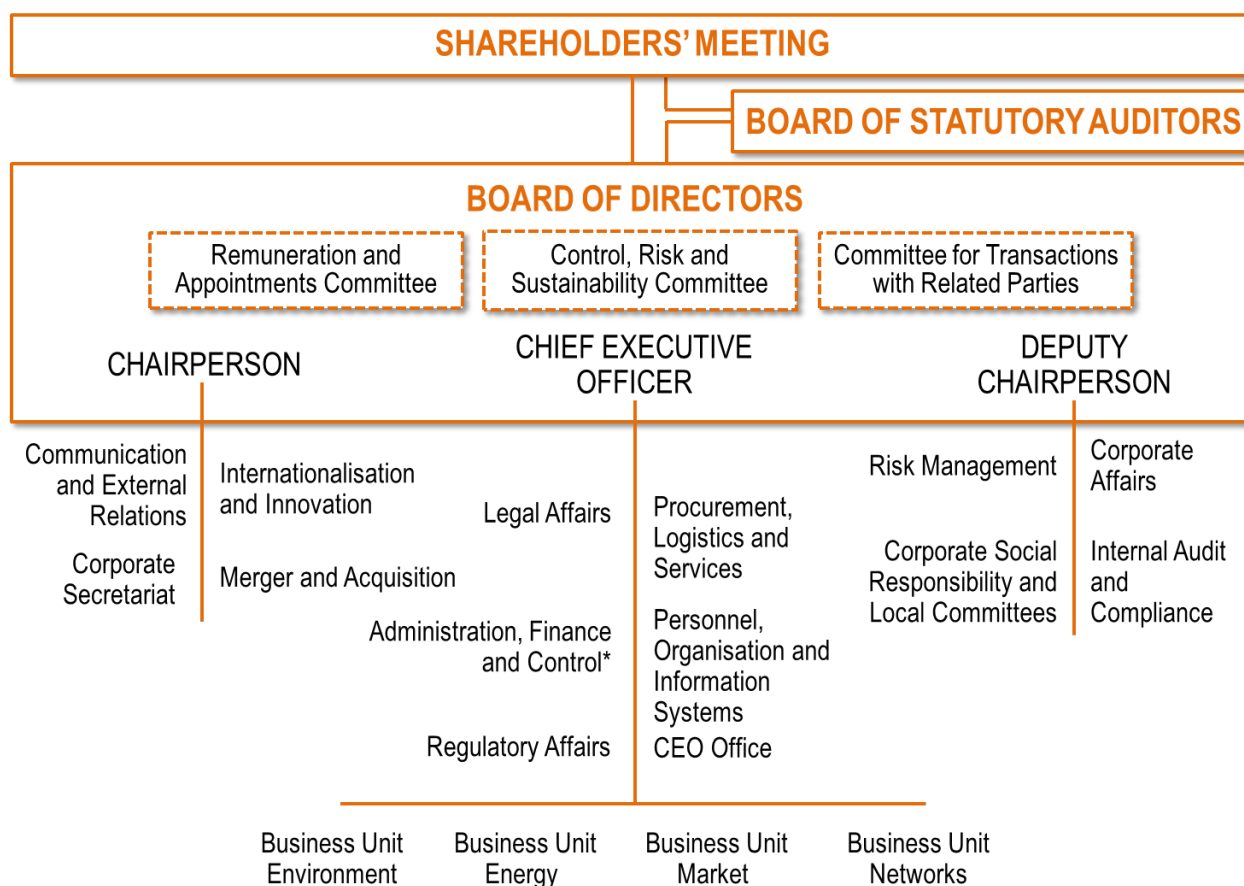
ordinary shares bound by the Voting Block established by the Shareholders' Agreement are 455,379,436, equal to 35% of Iren's share capital, and their respective circulation is restricted.

In 2020, Iren's shareholding structure was affected by the sale of share capital holdings (0.04%) by public shareholders. Besides, the number of voting rights conferred to the Shareholders' Agreement has changed as a result of the allocation, from 1 June 2020, of the Increased Voting Right to 20,415,981 shares held by 24 La Spezia Municipalities and, subsequently, from 1 September 2020, to one share held by Finanziaria Sviluppo Utilities. Finally, on 31 December 2020, the Municipality of Castelnovo né Monti joined the Shareholders' Agreement generating 257,298 ordinary shares. As

regards floating capital, retail shareholders hold more than 5% of the share capital, while the remainder is held by over 250 institutional investors. In 2020, as part of the share repurchase programme resolved upon by the Shareholders' Meeting, Iren purchased treasury shares amounting to 0.92% of the share capital.

The objective of sustainable success, introduced by the Corporate Governance Code for Listed Companies to which Iren has subscribed, is also based on the relationship with stakeholders, among which shareholders are significant. In order to improve interactions with shareholders, the BoD will carry out a functional study to evaluate an appropriate policy of dialogue with shareholders.

## CORPORATE GOVERNANCE



\*Includes Planning and Investor Relations

Iren Group's corporate governance is based on shared rules that inspire and direct strategies and activities. The instruments adopted guarantee respect for ethical values, principles and behaviours within an industrial model that plans for sustainable growth. The Board of Directors plays a central role in defining of the sustainability strategies, policies and objectives, including in relation to climate change, and monitoring the results. In order to ensure consistency between behaviours and strategies, the Group has adopted a system of internal rules that configure a corporate governance model based on the division of responsibilities and on a balanced relationship between management and control, which guarantees that risks and opportunities are duly taken into account in the relevant decision-making processes and contributes to spreading the corporate culture at all levels, increasing awareness among internal resources and

contractors that the Group plays a vital role in creating value for the community.

Iren has a traditional type of corporate governance system and conformed its model to the recommendations of the Corporate Governance Code for Listed Companies and the Consob Regulation on transactions with related parties by appointing three Internal Board Committees: Remuneration and Appointments Committee, Control, Risk and Sustainability Committee and Committee for Transactions with Related Parties.

### BOARD OF DIRECTORS

The Board of Directors (BoD) has full powers for the ordinary and extraordinary administration, implementation and achievement of the company business objectives, with the sole exclusion of powers which

by Law or by the Articles of Association are the responsibility of the Shareholders' Meeting. The BoD assesses the organisation's economic, environmental and social performance, any significant risks and opportunities, and its compliance with standards, codes of conduct and the principles declared during the approval of the strategic, business and financial planning documents and the Group's annual budget. The assessment of risks and social and environmental performance is carried out with the support of the Control, Risk and Sustainability Committee (see page 41). The BoD annually approves the Sustainability Report, which reports on the Group's environmental and social performance.

The BoD in office as at 31 December 2020 was appointed by the Shareholders' Meeting of 22 May 2019 and is composed of 15 Members. The Board of Directors, in addition to the provisions of the Shareholders' Agreement between Iren Public Shareholders, is appointed through the submission of lists to ensure the adequate presence of the less-represented gender (a minimum of six members), as well as Directors selected by minority shareholders.

The current BoD in April 2019 formulated its guidelines to the Shareholders on the qualitative-quantitative composition of the administrative body for the three years 2019-2021, providing indications on its size and of the Internal Board Committees and on the professional and managerial figures whose presence in the administrative body was considered appropriate (the document is available on the website [gruppoidren.it/assemblee/2019#r](http://gruppoidren.it/assemblee/2019#r)). On the qualitative side, the value of complementarity of experience and expertise, together with gender and age diversity, was taken into consideration for the Board's smooth functioning. In this regard, the current Board of Directors, in March 2020, amended the Articles of Association, bringing them into line with the new rules on compliance with gender quotas for the composition of the Board of Directors itself and of the Board of Statutory Auditors, which state that at least two-fifths of those elected should belong to the less-represented gender and that this criterion should be applied for six consecutive terms, starting from the first renewal of the bodies after 1 January 2020.

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

The Corporate Affairs and Organization Departments always check the overall consistency and correctness of the system.

The Board of Directors has resolved that the Corporate Social Responsibility Department, among others, reports to the Deputy

Chairperson. A Senior Manager shall be appointed the Manager of this Department.

The **assessment of the existence of the independence requirements** for Iren Directors is carried out by the BoD after appointment and, subsequently, on an annual basis (27 February 2020 for the reporting year). Based on the criteria defined by the Consolidated Law on Finance (TUF) and the Corporate Governance Code (January 2020 edition), the assessment is also carried out when circumstances regarding independence arise. The Board of Statutory Auditors checks the correct application of the verification criteria and procedures adopted by the BoD to assess the independence of its members and discloses the outcome of the audit to the market in the Corporate Governance Report or in the Auditors' Report to the Shareholders' Meeting.

The BoD establishes rules to ensure the transparency and substantial and procedural correctness of **related party** transactions and discloses them in the Report on Operations. The Board of Statutory Auditors oversees compliance with the adopted rules and refers to them in its Report to the Shareholders' Meeting. Stakeholders can view any conflicts of interest within the Board of Directors in the annual Report on Corporate Governance and Ownership Structure.

Iren's Board of Directors held 18 meetings in 2020. In addition to these, in continuity with previous years, meetings were organised in which the Chief Executive Officer, Business Unit Directors or Executives illustrated, also in several stages, the long-term strategic planning process, 2025 Business Plan, with a specific focus on sustainability objectives and targets of the Plan itself, as well as some of the Group's main initiatives. During each meeting of the Board of Directors, a constant data stream by the Internal Board Committees towards all Directors was ensured, guaranteeing the prompt notification of any critical areas identified.

As for the Covid-19 emergency, starting from the meeting held at the end of February 2020 – and therefore from the onset of the pandemic – and throughout the year, the parent company's Board of Directors was constantly informed and updated by the Chief Executive Officer on the organisational, technological, information and communication measures taken to deal with this emergency. This was done both from the standpoint of protecting the health and safety of personnel and in relation to the initiatives taken to ensure the continuity of the essential services managed and in general of company operations, minimising the risk of infection for employees and the community. During the year, disclosures also covered issues related to the activities of the four business operations, with particular emphasis on statutory and regulatory issues, human resource management, industrial relations and agreements with trade unions, customer management, procurement and, in general, short and medium-term economic and financial profiles and impacts. By receiving continuous information, also during the competent Internal Board Committees' meetings, Directors were able to express their considerations and suggestions, providing an essential contribution to the work carried out by the various Group structures.

Several in-depth seminars were also organised during the period, including those open to experts and external guests, during which they analysed the Group's contribution to the value creation for the areas in which it operates. Furthermore, participation in courses and conferences for Directors and the members of the Board of Statutory



Auditors was promoted and encouraged. All these initiatives represented important opportunities to provide training and information on economic, social and environmental aspects. Due to the health emergency, participation in almost all of these initiatives and activities took place remotely.

In line with the provisions of the Corporate Governance Code, at least once a year, the Board of Directors performs a **self-assessment of its own performance** and that of its Committees (so-called *board evaluation*) as well of their size and composition. Considering the Code's recommendations, the results of the Board of Directors' evaluation drew attention to critical areas, while the effectiveness of

corrective and improvement actions started previously and continued during 2020 was also assessed. Assessments of the Board's qualitative and quantitative characteristics were also introduced as part of the 2020 board evaluation activity.

To date, the BoD has not adopted a succession plan for Executive Directors, as prescribed by the rules regarding their appointment and replacement, which are provided for in the Articles of Association. Concerning the new Corporate Governance Code, the Board of Directors pointed out that the issue, from the point of view of contingency, could be the subject of possible in-depth analysis during 2021.

## COMPOSITION OF THE BOARD OF DIRECTORS AND INTERNAL COMMITTEES AS AT 31/12/2020

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

C = Chairperson; M = Member

## REMUNERATION AND APPOINTMENTS COMMITTEE (RAC)

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

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

bans on competition provided for by Article 2390 of the Italian Civil Code;

- performs enquiries into preparation of the plan for the succession of Executive Directors, if the BoD decides to adopt such a plan;
- supports the Board of Directors in the annual self-assessment activity.

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

The Committee is responsible for the preliminary assessment – with respect to the decisions of the Board of Directors – of the Annual Remuneration Report to be made available to the public before the annual Shareholders' Meeting called to approve the Financial Statements. The Report (to which reference should be made for further details) illustrates, among other things, the remuneration policy for members of the Board of Directors, the Board of Statutory Auditors and Senior Executives with strategic responsibilities and is aimed at increasing the knowledge and awareness of shareholders and, in general, of stakeholders and the market. The Chairperson of the Remuneration and Appointments Committee or another member of the Committee must be present at the annual Shareholders' Meeting called to approve the Financial Statements in order to inform shareholders of the methods by which the Committee performs its assigned duties. After the Shareholders' Meeting, the Remuneration and Appointments Committee analyses the voting results on the Report on Remuneration and Compensation Paid, examines any concerns arising at the Meeting and carries out assessments to review the Remuneration Policy adopted by the Group. The Shareholders' Meeting held on 29 April 2020 approved Section One of the Report on Remuneration and Compensation Paid and resolved to vote in favour of Section Two. The voting results are available on the Company's website.

#### REMUNERATION OF MEMBERS OF THE BOD AND SENIOR EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

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

The BoD decides, on the suggestion of the Remuneration and Appointments Committee and considering the opinion of the Board of Statutory Auditors, the framework and remuneration of the Directors holding specific office (Chairperson, Deputy Chairperson and Chief Executive Officer) and the remuneration for the participation of the Directors in the Committees established within the Board. The BoD also defines the objectives that determine the variable annual short-term component of the remuneration of the Chief Executive Officer and General Manager. The Chief Executive Officer determines, taking into account the remuneration policy's provisions, the remuneration of Senior Executives with strategic responsibilities, and defines the objectives to which the variable annual short-term component is correlated, involving the Company's Remuneration and Appointments Committee in the process to obtain its prior opinion.

The remuneration of Non-Executive Directors is not related to the economic results achieved, but commensurate with the commitment

required of each of them, bearing in mind their potential participation in one or more of the Committees within the Board of Directors.

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

Generally, without prejudice to compliance with the regulations in force, no indemnity is provided for directorship severance for Iren Directors. For the Chief Executive Officer and General Manager, compensation is envisaged in the event that the mandate is withdrawn without a legitimate cause or not renewed and, in view of the fixed-term management contract held with Iren, the treatment and severance indemnity established by law and the national collective labour agreement of reference apply.

For the Chief Executive Officer and Senior Executives with strategic responsibilities, the variable part of their remuneration is divided into two parts: short-term and long-term.

The **short-term variable remuneration component** – which, when all targets are achieved, reaches an average of about 37% of fixed remuneration – is based on an MbO (management by objectives) system that takes into consideration the Group's main objectives relating to economic, financial and operating performance, the main strategic projects and goals linked to ESG topics, through the introduction – for all Senior Executives with Strategic Responsibilities – of a performance indicator relating to relations with stakeholders and ESG matters (such as, for example, improving environmental performance, reducing the accident frequency rates, developing gender diversity). The scheme aims to prevent unsatisfactory results through the application of a "gate" condition related to the maintenance of the investment grade rating attributed by a leading rating agency. To make the incentives scheme more stimulating in the short term, for each performance indicator there is a fixed threshold of 70% of the objective with a target of 100% of the objective.

The objectives for senior managers, which are always defined in line with horizontal and vertical consistency at a Group level and within individual Business Units, also form the foundation of the management by objectives (MbO) system used for Senior and Junior Managers, assigned via cascading objectives.

The **long-term variable remuneration component** is cash-based, with amounts on an annual basis of up to 25% of fixed remuneration upon the achievement of all the targets that, in the current Long-Term Incentive Plan (LTI Plan) launched in 2019, are linked to the accomplishment of three economic goals (EBITDA, levered operating cash flow and cumulative investments) set out in the Group's Business Plan for the period 2019-2021, at the end of which payment may take place. The LTI Plan also provides an incremental mechanism in the event of significant overshooting of the operating cash flow target and decremental means linked to any failure to achieve sustainability and gender diversity objectives. Finally, the maintenance of the investment grade attributed by one of the three major rating agencies is provided for as a gate condition.

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

Exceptional exogenous factors, which occurred in the first half of 2020 as a result of the pandemic emergency, have led to additional constraints and difficulties in the business management, execution of

activities and implementation of projects, with the need to identify new working methods and tools, in a logic of flexibility and resilience. In relation to this situation, it was decided not to change the targets set in the short-term incentive system but to eliminate the minimum incentive threshold for all beneficiaries of this system in exchange for a 5% penalty to be applied on the target amount. It has also been envisaged that in 2022 – subject to the full achievement of the individual targets assigned for 2021 – a bonus equal to 50% of the difference between the percentage of actual achievement of the 2020 objectives and the 100% target for 2020 will be payable.

No entry bonuses or specific incentives at the moment of appointment/taking office are adopted. The severance indemnity and supplementary pensions for Senior Executives with strategic responsibilities are established by law and by the national collective labour agreement.

## ■ CONTROL, RISK AND SUSTAINABILITY COMMITTEE

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

The BoD, pursuing the priority objective of creating value in the medium-long term, defines the nature and the level of risk compatible with the Company's strategic objectives, evaluating the suitability of the organisational structure with particular reference to the internal control and risk evaluation system. In performing this role, the BoD is assisted by the Control, Risk and Sustainability Committee, which provides a preliminary opinion on the fulfilment of the duties assigned to the latter concerning internal control, risk management and sustainability. The Board of Statutory Auditors also monitors the effectiveness of the internal control and risk management system. The CRSC is also called upon to:

- assess, together with the Financial Reporting Manager and having consulted with the external auditor and the Board of Statutory Auditors, the proper use of the accounting principles and their consistency for the purpose of drafting the Consolidated Financial Statements;
- express opinions on specific aspects relative to identifying the main corporate risks (in particular, specific aspects relative to Risk Policies, the identification of the main company risks and the Audit Plan, as well as in regards the guidelines of the internal control and risk management system);
- express preliminary opinions with respect to resolutions of the BoD on a series of issues, including the appointment/revocation and remuneration of the Manager of the Internal Audit Unit;
- examine the periodic reports on the assessment of the internal control and risk management system and those of particular relevance drafted by the Internal Audit Unit;
- monitor the autonomy, adequacy, effectiveness and efficiency of the Internal Audit Unit;
- request that the Internal Audit Unit carry out checks on specific operating areas, providing simultaneous communication to the Chairperson of the Board of Statutory Auditors;

- report to the BoD, at least every six months, upon approval of the annual and interim Financial Report, on its activity and on the adequacy of the internal control and risk management system;
- through suitable preliminary activities, support the assessments and decisions of the Board of Directors relating to the management of risks arising from detrimental acts of which it has become aware;
- monitor sustainability policies and compliance with the conduct principles adopted by the Company and its subsidiaries;
- examine the issues under enquiry in terms of long-term sustainability of the basic principles and guidelines of strategic planning, of the Business Plan and of short-term planning, supervising the methods for implementing the same;
- assess, together with the Corporate Social Responsibility and Local Committees and having consulted the external auditor, the correct use of the standards adopted in order to draft the non-financial information provided for by the legislations in force;
- supervise the system for assessing and improving the environmental, economic and social impacts deriving from the business activities in the local areas;
- examine the periodic reports on the implementation of the structured comparison measures with stakeholders in the local areas where the Group operates, in particular through Local Committees, and those concerning consistency with corporate social responsibility issues of cultural activities and promotion of the Group's image.

The CRSC convenes, on an at least half-yearly basis, the Risk Management Manager and the other control departments for the Group risk report. The Committee also requests in-depth analysis on specific matters and commissions detailed analyses on certain risks or projects of a strategic nature; in 2020, it demanded a risk assessment of the Business Plan to 2025 for which the Risk Management Department constructed a quantitative stress test and a specific Risk Map relating to the risks of the Business Plan, in line with the revision of the Group Risk Map, which is an essential factor of integration with the Strategic Planning department for which further development is planned in future years.

M&A transactions and other initiatives of a strategic nature, assessed during the year, were also subject to detailed analysis, with a particular focus on the impact of these transactions on the Group's sustainability goals.

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

## ■ COMMITTEE FOR TRANSACTIONS WITH RELATED PARTIES

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

The Procedure for transactions with related parties of Iren Group, approved by the Board of Directors and revised in 2019 (available on the Group website), identifies three types of transaction: greater importance, lesser importance, and transactions of small amounts – and lays out procedural and transparency conditions according to the type of transaction.

Iren has also established the Evaluation Commission for Transactions with Related Parties (composed of the Managers of the Administration, Finance and Control, Legal and Corporate Affairs, Risk Management and Corporate Responsibility Departments and, depending on the transaction in question, the First-Level Managers involved), with the function of permanently monitoring the process of evaluating transactions and filtering between management and the parties responsible for investigating transactions (typically, the CTRP). The procedure attributes a central role to the CTRP and, in order to guarantee the double requirement of independence and non-relation in the individual transaction to be investigated of the members of the CTRP, outlines the mechanisms for identifying any persons responsible, as an alternative, for the investigation.

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

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

## BOARD OF STATUTORY AUDITORS

Iren's Board of Statutory Auditors in office as of 31 December 2020 was appointed by the Shareholders' Meeting of 19 April 2018 (for three years until approval of the Company's Financial Statements as of 31 December 2020) and is composed of 3 Standing Auditors and 2 Supplementary Auditors.

### Composition as of 31/12/2020

Michele Rutigliano	(Chairperson)
Simone Caprari	(Standing Auditor)
Cristina Chiantia	(Standing Auditor)
Donatella Busso	(Supplementary Auditor)
Marco Rossi	(Supplementary Auditor)

The Articles of Association establish the appointment of the Board of Statutory Auditors through the submission of the lists in order to

guarantee an adequate presence of the less-represented gender within the Board.

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

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

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

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

## GOVERNANCE OF GROUP COMPANIES

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

Iren's Chief Executive Officer appoints the CEOs of the aforementioned companies, while the Chairperson, Directors and members of the Boards of Statutory Auditors are proposed by the Iren



BoD. The appointed persons are primarily and predominantly selected from Group personnel (Directors of the parent company, Senior Executives or Managers of Group companies, with suitable professional profiles), or persons external to the Group with experience and expertise appropriate to the role in question. One member of the Iren Board of Statutory Auditors must be present on the company Boards of Statutory Auditors.

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

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

The drafting of sustainability policies and conduct principles to be adopted at a Group level are the responsibility of the Board of Directors of the parent company, in order to ensure the creation of value over time for shareholders and all other stakeholders, in addition to the definition of a sustainability plan (strategic priorities, commitments and objectives) for the development of the Group.

## ESG STRATEGIC INTEGRATION COMMITTEE AND SUSTAINABLE FINANCE COMMITTEE

The integration and monitoring of ESG (Environment, Social, Governance) factors, from strategic planning to the management and monitoring of the Group's activities, is entrusted to the **ESG Strategic Integration Committee**, set up in 2020, to ensure:

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

The Committee, which meets at least quarterly, is composed of: Administration, Finance and Control Manager, Procurement, Logistics and Services Manager, Manager of CEO Office, Communications Manager, Corporate Social Responsibility and Local Committees Manager, Head of Personnel, Organisation and Information Systems

Manager, Risk Management Manager, Head of Finance and Credit Policy, Head of Investor Relations and Head of Planning and Control. The Committee is expected to involve the Managers of the BUs and other Departments in a targeted manner and ensure the mainstreaming of ESG factors at all Group levels.

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

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

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

## CSR DEPARTMENT AND LOCAL COMMITTEES

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

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

# RISK MANAGEMENT SYSTEM

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

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

- appoints and dismisses, upon proposal of the Deputy Chairperson (competent Delegated Body), in agreement with the Chairperson, subject to the approval of the Control, Risk and Sustainability Committee and subject to the opinion of the Board of Statutory Auditors, the Head of the Internal Audit Unit ensuring that they are provided with the adequate resources for the fulfilment of their responsibilities and defines their remuneration in line with company policies.

Iren's Board of Directors, through the CRSC, convenes the Risk Management Manager and the other control departments on at least a half-yearly basis for a report on Group risks in which the Risk Map is presented with the main risks in terms of impact and probability and any mitigation actions. In 2020, the Risk Management Department launched a project for the substantial revision of the Group's Risk Map, which led to the construction of a very detailed risk map, with qualitative and quantitative assessments of each risk and details of the controls and mitigation actions in place or planned.

The outcome of the Internal Audits, any critical issues detected and the status of measures implemented following the recommendations issued in the audits of previous years (follow-up) are reported in the Internal Audit Manager's six-monthly Report presented to the Risk, Control and Sustainability Committee, pursuant to the Corporate Governance Code for Listed Companies. In turn the Committee, on the basis of the information received, reports every six months to the BoD pointing out the critical areas identified and expressing its opinion of the Internal Control System.

With regard to any critical issues identified, the Head of Internal Audit prepares timely reports on particularly significant events for the Chairpersons of the Board of Statutory Auditors, the Control, Risk and Sustainability Committee and the Board of Directors.

## RISK MANAGEMENT

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



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

*Risk governance  
is a strategic tool for  
sustainable development*

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

The Enterprise Risk Management system focuses in particular on the management of:

- **financial risks** related to liquidity, interest rates, exchange rates and spreads;
- **credit risks**, related to events that may negatively affect the achievement of credit management objectives;
- **IT risks (cyber risks)**, attributable to threats that undermine cyber security, in particular data integrity, confidentiality and availability;
- **energy risks**, attributable to the supply of gas for the thermoelectric generation and the commercialisation of electricity and gas, as well as the hedging derivatives markets;
- **climate change risks**, which include risks due to the transition to a low-carbon economy (transition risks) and physical risks that may arise from catastrophic environmental events (acute risks) or from medium- to long-term changes in environmental patterns (chronic risks);
- **tax risks**, which can be traced back to the risk of operating in violation of tax regulations or in contrast with the principles and purposes of the tax system;

- **operational risks** relating to asset ownership, the exercise of business activities, processes and procedures. Also included are the rules and regulatory risks, whose impact on the business is monitored on an ongoing basis;
- **reputational risks** related to the impacts of any *malpractices* on stakeholders.

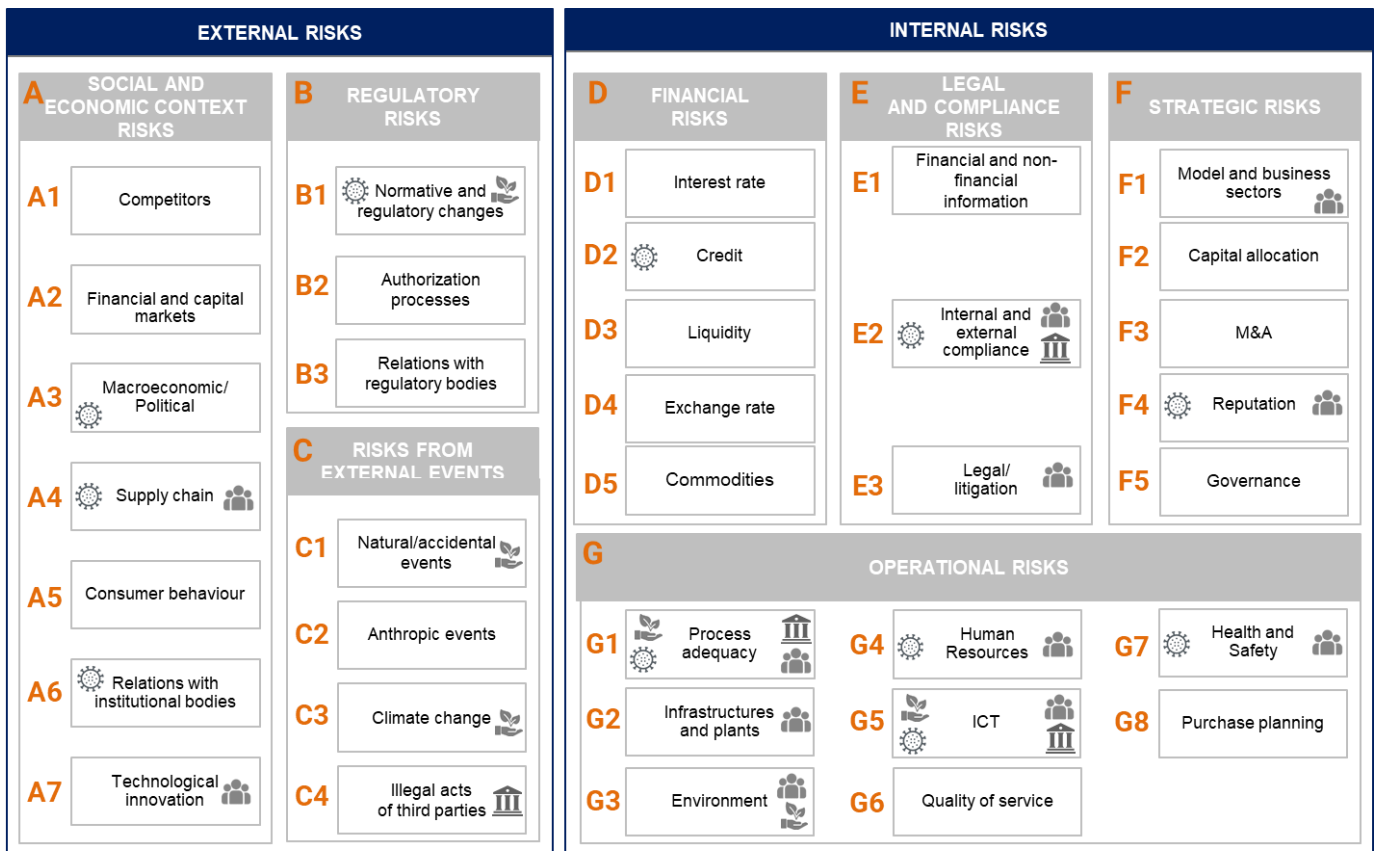
Specific policies have been defined for each type of risk with the primary goal of meeting strategic guidelines, the organisational/managerial principles, the macro processes and techniques necessary for active management of the related risks.

The Group's risk policies will be updated annually.

In 2020, the Iren's Board of Directors, who is responsible for approving substantial changes, approved the Cyber Risk Policy, the Climate Change Risk Policy and the Tax Control Model, while the other policies underwent some substantial revisions to adapt them to the current organisational models and the evolution of risk factors.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISKS

For each risk category conceived in the risk model – which in 2020 was the subject of a major revision project as part of the review of the Group risk map – environmental, social and governance (ESG) impacts are assessed, including those arising from the Covid-19 emergency, as shown in the map below.



Risk category impacted by Covid-19

ESG categories: Governance Risks Environmental Risks Social Risks

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

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

Priority topics (reference to the Group risk map)	Risk factors / Opportunities	Management methods
<b>Economic development and value for local areas</b>  <b>(F, A, B)</b>	<ul style="list-style-type: none"> <li>Failure to meet the targets set out in the Business Plan and consequent negative impacts (operational, economic and reputational)</li> <li>Reduction in value distributed to stakeholders</li> <li>Negative ratings or downgrading in ratings</li> <li>Ineffective performance communication</li> <li><i>Business opportunities related to energy and environmental transition and technological and digital evolution</i></li> <li><i>Access to sustainable finance instruments</i></li> </ul>	<ul style="list-style-type: none"> <li>Planning and monitoring of Business Plan targets and sustainable finance instruments</li> <li>ERM system (Financial Risk Policy, Credit Risk Policy)</li> <li>Structured financial management for return on investment</li> <li>Structured traditional investor relationship system and ESG</li> <li>Adoption of sustainable finance instruments</li> <li>Transparent performance communications</li> <li>Medium and/or long-term objectives for management</li> </ul>
<b>Competitiveness on the market</b>  <b>(F, A, B, E2)</b>	<ul style="list-style-type: none"> <li>Failure to meet the targets set out in the Business Plan and consequent negative impacts (operational, economic and reputational)</li> <li>Loss of growth opportunities in business sectors</li> <li>Commercial practices inconsistent with the existing legal/regulatory framework</li> <li><i>Business opportunities related to energy and environmental transition and technological and digital evolution</i></li> </ul>	<ul style="list-style-type: none"> <li>Planning and monitoring of Business Plan targets</li> <li>Code of Ethics</li> <li>ARERA Code of Business Conduct</li> <li>ERM System</li> </ul>
<b>Innovation and smart cities</b>  <b>(F, A7)</b>	<ul style="list-style-type: none"> <li>Failure to meet the targets set out in the Business Plan and consequent negative impacts (operational, economic and reputational) also on accessibility to sustainable finance instruments</li> <li>Delay in technological change</li> <li><i>Accelerating digital transformation</i></li> <li><i>Business opportunities related to energy and environmental transition and technological evolution</i></li> <li><i>Participation in local systems to build resilient cities</i></li> </ul>	<ul style="list-style-type: none"> <li>Planning and monitoring of Business Plan targets and sustainable finance instruments</li> <li>Group innovation plan and related investments</li> </ul>
<b>Efficient and reliable services</b>  <b>Management of emergencies</b>  <b>(G1, G3, G4, G5, G8, E3, F4)</b>	<ul style="list-style-type: none"> <li>Failure to meet the targets set out in the Business Plan and consequent negative impacts (operational, economic and reputational) also on accessibility to sustainable finance instruments</li> <li>Malfunctions or business interruption of plants, networks and services</li> <li>Damage to third parties (persons and/or property) attributable to activities carried out by the Group</li> <li>Accidental spills impacting on soil or water</li> <li>Cyber risk or inadequacy of the ICT system</li> <li>Non-compliance in the processing of personal data</li> <li>Legal proceedings brought by consumers</li> </ul>	<ul style="list-style-type: none"> <li>Planning and monitoring of Business Plan targets and sustainable finance instruments</li> <li>ERM system (Operational Risk Policy, Climate Change Risk Policy and Cyber Risk Policy)</li> <li>Service and plant monitoring tools, remotely controlled systems for the safety of networks and plants</li> <li>Business continuity plan</li> <li>Emergency management planning</li> <li>Annual customer satisfaction surveys and identification of improvement actions</li> <li>Insurance plans</li> <li>27001 certification</li> <li>Personal data processing management system</li> </ul>
<b>Circular economy: management, sorted waste collection and reuse of waste</b>  <b>(C3, E2, F1, F4, G3, G6, A4)</b>	<ul style="list-style-type: none"> <li>Failure to meet the targets set out in the Business Plan and consequent negative impacts (operational, economic and reputational) also on accessibility to sustainable finance instruments</li> <li>Impacts inconsistent with circular economy directives or negative environmental, health and safety impacts with consequent negative reputational and economic impacts</li> <li>Loss of environmental authorisations</li> <li>Incorrect handling of waste by employees or suppliers</li> <li><i>Favourable regulatory framework</i></li> <li><i>Growth opportunities in the domestic market</i></li> <li><i>Increased consumer awareness</i></li> </ul>	<ul style="list-style-type: none"> <li>Planning and monitoring of Business Plan targets and sustainable finance instruments</li> <li>ERM system (Operational Risk Policy and Climate Change Risk Policy)</li> <li>Certified Management System (risk assessment, containment measures and third-party audits)</li> <li>Adoption of best available technologies</li> <li>Organisational model 231</li> <li>Procedures: Environmental analysis, special waste management</li> <li>Environmental authorisations</li> <li>Requirements in the specifications regarding the tracing of waste and timely checks</li> <li>Qualification and monitoring of suppliers</li> <li>Audit of the most significant and potentially sensitive contracts concerning environmental protection</li> <li>Medium- and/or long-term objectives for management</li> </ul>



Priority topics (reference to the Group risk map)	Risk factors / Opportunities	Management methods
<b>Energy efficiency, renewable sources and district heating</b>  <b>(B1, C1, C3, F1, G3)</b>	<ul style="list-style-type: none"> <li>• Failure to meet the targets set out in the Business Plan and consequent negative impacts (operational, economic and reputational) also on accessibility to sustainable finance instruments</li> <li>• Impacts inconsistent with directives and guidelines on energy efficiency and production from renewable sources, resulting in negative economic and reputational impacts</li> <li>• Shortage of water resources affecting hydropower generation</li> <li>• Reduction in demand for district heating caused by the rise in average temperatures</li> <li>• Extreme natural phenomena that may cause impacts on assets or the district heating network</li> <li>• Changes in the legislative/regulatory framework regarding incentives for energy efficiency measures</li> <li>• <i>Growth opportunities in the energy efficiency sector</i></li> <li>• <i>Evaluation of possible external growth lines in the renewables sector</i></li> <li>• <i>Extendability of district heating systems in new geographical areas</i></li> </ul>	<ul style="list-style-type: none"> <li>• Planning and monitoring of Business Plan targets and sustainable finance instruments</li> <li>• ERM system (Operational Risk Policy and Climate Change Risk Policy)</li> <li>• Certified Management System (risk assessment, containment measures and third-party audits)</li> <li>• Procedures: Environmental analysis</li> <li>• Temperature monitoring</li> <li>• Adoption of state-of-the-art technologies</li> <li>• Maintenance plans, including predictive plans</li> <li>• Use of materials and components less subject to climate change</li> <li>• Medium and/or long-term objectives for management</li> </ul>
<b>Sustainable use of water resources</b>  <b>(C3, F1, G1, G3, G6)</b>	<ul style="list-style-type: none"> <li>• Failure to meet the targets set out by the regulations and the Business Plan and consequent negative impacts (operational, economic and reputational) also on accessibility to sustainable finance instruments</li> <li>• Negative impacts on environment, health and safety with consequent negative reputational and economic impacts</li> <li>• Interruptions to the integrated water service</li> <li>• Failure to meet regulatory water quality levels for distributed and discharged water</li> <li>• Accidental spills impacting groundwater and surface water bodies</li> <li>• Extreme or chronic natural phenomena that may cause impacts on assets or networks</li> <li>• Shortage of water resources due to droughts and, in the longer term, climate change</li> <li>• <i>Access to reward systems linked to improved environmental performance</i></li> <li>• <i>Reduction of energy consumption related to the reduction of water resource leaks in the network</i></li> </ul>	<ul style="list-style-type: none"> <li>• Planning and monitoring of Business Plan targets and sustainable finance instruments</li> <li>• Investment plan for network replacement and division of the network into districts</li> <li>• ERM system (Operational Risk Policy and Climate Change Risk Policy)</li> <li>• Certified Management System (risk assessment, containment measures and third-party audits)</li> <li>• Procedures: Environmental analysis, Management and control of water withdrawals and discharges, Management of accidental spills of hazardous and/or polluting substances</li> <li>• Water resources monitoring plans with targets on water resource withdrawn</li> <li>• Water conservation strategies</li> <li>• Temperature monitoring</li> <li>• Adoption of state-of-the-art technologies</li> <li>• Maintenance plans, including predictive plans</li> <li>• Medium- and/or long-term objectives for management</li> </ul>
<b>Emissions</b>  <b>(C3, E2, G1, G2, G3, A4)</b>	<ul style="list-style-type: none"> <li>• Failure to meet the targets set out in the Business Plan and consequent negative impacts (operational, economic and reputational) also on accessibility to sustainable finance instruments</li> <li>• Negative impacts on environment, health and safety with consequent negative reputational and economic impacts</li> <li>• Unintentional exceeding of emission thresholds provided for by environmental authorisations or regulations</li> <li>• Loss of environmental certifications</li> <li>• Tightening of emission constraints and need for adaptation of processes/plants</li> <li>• Errors/omissions in the design/permit/implementation activities with subsequent impairment of plant operating continuity</li> </ul>	<ul style="list-style-type: none"> <li>• Planning and monitoring of Business Plan targets and sustainable finance instruments</li> <li>• ERM system (Operational Risk Policy and Climate Change Risk Policy)</li> <li>• Certified Management System (risk assessment, containment measures and third-party audits)</li> <li>• Organisational model 231</li> <li>• Procedures: Environmental analysis, Management of emissions from waste-to-energy plants and thermoelectric power stations, Management of emergencies aimed at returning within certain time-scales to the established emission thresholds, Management and maintenance of vehicle fleets</li> <li>• Adoption of best available technologies</li> <li>• Continuous emission monitoring systems and real-time connection with control bodies</li> <li>• Periodic audits by control bodies</li> <li>• Improvement plans and related investments</li> <li>• Environmental authorisations</li> <li>• Medium and/or long-term objectives for management</li> </ul>
<b>Responsible management of business segments</b>  <b>(G1, G3, G7, F4)</b>	<ul style="list-style-type: none"> <li>• Noise pollution related to the Group's activities</li> <li>• Odour emissions into the atmosphere</li> <li>• Generation of electromagnetic fields</li> </ul>	<ul style="list-style-type: none"> <li>• ERM system (Operational Risk Policy and Climate Change Risk Policy)</li> <li>• Certified Management System (risk assessment, containment measures and third-party audits)</li> <li>• Adoption of best available technologies</li> <li>• Environmental authorisations</li> </ul>

Priority topics (reference to the Group risk map)	Risk factors / Opportunities	Management methods
<b>Biodiversity</b>  <b>(C1, C3, E2, G1, G3)</b>	<ul style="list-style-type: none"> <li>Natural/accidental event affecting minimum vital water flow mechanisms according to regulations</li> <li>Possible gaps in monitoring the biodiversity impact of plants, activities or services</li> <li>Accidental spills impacting biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Business Plan</li> <li>ERM System</li> <li>Certified Management System (risk assessment, containment measures and third-party audits)</li> <li>Biodiversity policy</li> <li>Procedures: Environmental analysis</li> <li>Mapping of the Group's plants and networks for biodiversity impacts assessment (to be completed)</li> <li>Plant equipment and monitoring systems to minimize possible impacts on biodiversity</li> <li>Contingency plans</li> <li>Collaboration with local protection agencies, institutions and associations</li> </ul>
<b>Sustainable management of the supply chain</b>  <b>(A4, F4, G1)</b>	<ul style="list-style-type: none"> <li>Qualification in the Register of a supplier not complying with the Group's quality/sustainability standards</li> <li>Occupational accidents and work-related illness of employees of third-party companies</li> <li>Non-compliance with health and safety regulations by suppliers, including in relation to pandemic events</li> <li>Violation of the Code of Ethics and current regulations by suppliers</li> <li>Supplier behaviours that disregard the values of diversity and inclusion</li> <li>Supplier behaviours that do not comply with the Group's environmental regulations and policies</li> </ul>	<ul style="list-style-type: none"> <li>Code of Ethics</li> <li>Questionnaire for supplier qualification</li> <li>Score for qualification in the Supplier's Register</li> <li>Monitoring of potentially sensitive contracts concerning environmental protection and health and safety at work</li> <li>Supply chain monitoring on workers' rights</li> <li>Supply chain monitoring on human rights</li> <li>Contracts that enhance the work of disadvantaged personnel</li> <li>Contractual clauses with suppliers on Code of Ethics and social criteria</li> </ul>
<b>Service levels offered, customer focus and changes in customer expectations</b>  <b>(G1, G6, E3, F4, A4)</b>	<ul style="list-style-type: none"> <li>Loss of customers</li> <li>Errors in service charges and credit management</li> <li>Reduction in customer satisfaction levels</li> <li>Delays/defaults by suppliers in the execution of outsourced activities</li> <li>Non-compliance with customer protection protocols and regulations</li> <li>Failure or improper management of customer relations</li> <li>Disputes with customers, Consumer Associations/Class action suits</li> <li>Loss of ISO 9001 certification and the subsequent inability to participate in tenders</li> </ul> <p>• <i>Market share development</i></p>	<ul style="list-style-type: none"> <li>Business Plan and related investments for service quality</li> <li>Code of Ethics</li> <li>Certified Management System (risk assessment, containment measures and third-party audits)</li> <li>ERM System</li> <li>Multi-channel CRM and caring initiatives</li> <li>Specific agreements with consumer organisations and constant monitoring of relations</li> <li>Protocols and regulations concerning customer protection via specific processes and procedures</li> <li>Annual customer satisfaction surveys and identification of improvement actions</li> <li>Monitoring activities and definition of corrective actions in case of claims/complaints</li> <li>Service charters and service specifications</li> <li>Joint conciliation</li> <li>Medium and/or long-term objectives for management</li> </ul>
<b>Employment, development of human resources and welfare</b>  <b>(E3, G4, F4)</b>	<ul style="list-style-type: none"> <li>Failure to meet Business Plan targets</li> <li>Loss of key skills</li> <li>Loss of talent</li> <li>Slowdown/interruption of operations and/or impairment of service quality level due to lack of personnel</li> <li>Outsourcing policies not adequately managed</li> <li>Labour disputes</li> <li>Sanctions and fines for non-compliance with labour laws</li> <li>Lack of attention to employees' well-being</li> <li>Poor work-life balance</li> </ul> <p>• <i>Improving the internal climate</i></p> <p>• <i>Favourable legislative framework for better corporate welfare</i></p>	<ul style="list-style-type: none"> <li>Planning and monitoring of Business Plan targets</li> <li>Code of Ethics</li> <li>Certified Management System (risk assessment, containment measures and third-party audits)</li> <li>Talent acquisition initiatives</li> <li>Compensation &amp; benefits policies</li> <li>Corporate retention and welfare programmes</li> <li>Monitoring of labour law developments and specific audits on regulatory compliance</li> <li>Procedures: Personnel recruitment and selection; Training and education</li> <li>Guidelines: Definition of key resources; Management by objectives; Economic and professional development</li> <li>Internal communication</li> <li>Career planning and merit enhancement systems</li> <li>Welfare plan</li> <li>Medium and/or long-term objectives for management</li> </ul>

Priority topics (reference to the Group risk map)	Risk factors / Opportunities	Management methods
<b>Industrial relations</b>  (G4, F4, A6)	<ul style="list-style-type: none"> <li>Disruption of relations with trade unions and the subsequent negative operational and reputational impact</li> <li>Slowdown/interruption of operations due to workers' strikes (e.g. on the occasion of renewal of the collective agreement, business transformation, organizational changes, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Management of industrial relations articulated on 3 levels: Group, Company, local areas</li> <li>Studies for the renewal of the reference National Collective Labour Agreements and participation in their work at national level</li> </ul>
<b>Occupational health and safety</b>  (G7, F4, E2, E3)	<ul style="list-style-type: none"> <li>Occupational accidents and work-related illness of employees</li> <li>Epidemic events affecting workers' health</li> <li>Civil and/or criminal liability of persons covered by Italian Legislative Decree 81/08</li> <li>Loss of ISO 18001 certification and the subsequent loss of the INAIL award</li> <li>Non-compliance with health and safety standards</li> <li>Negative operational, economic and reputational impact related to the failure to protect the health and safety of workers</li> <li><i>Technological innovations that make operations safer</i></li> </ul>	<ul style="list-style-type: none"> <li>Planning and monitoring of Business Plan targets</li> <li>Code of Ethics</li> <li>Prevention and protection service</li> <li>Specific personnel training</li> <li>ERM system</li> <li>Certified Management System (risk assessment, containment measures and third-party audits)</li> <li>Procedures: Management of occupational health and safety aspects; PPE management; Management of accidents and injuries; Protection of the health and safety of pregnant workers, those who have recently given birth and those who are breastfeeding</li> <li>Emergency management planning</li> <li>Health monitoring plans</li> <li>Insurance plans</li> <li>Organisational model 231 and information flows to the Health and Safety Supervisory Bodies</li> <li>"Near miss" analysis and subsequent actions</li> <li>Medium and/or long-term objectives for management</li> </ul>
<b>Diversity and inclusion</b>  (G4, F4)	<ul style="list-style-type: none"> <li>Failure to meet Business Plan targets</li> <li>Collective/individual policies/behaviours that disregard the values of diversity and inclusion</li> <li>Advertising content perceived as discriminatory</li> </ul>	<ul style="list-style-type: none"> <li>Planning and monitoring of Business Plan targets</li> <li>Code of Ethics</li> <li>Diversity management programmes and initiatives</li> <li>"Futuro D" Project</li> <li>Hiring of disadvantaged personnel</li> <li>Medium and/or long-term objectives for management</li> </ul>
<b>Human rights</b>  (G4, F4, E3)	<ul style="list-style-type: none"> <li>Violation of conduct criteria of the Code of Ethics and current regulations by employees</li> <li>Discriminatory actions against customers and employees</li> <li>Violation of the rights of people with disabilities</li> <li>Violation of the rights of employees and contractors in the supply chain</li> <li>Negative operational, economic and reputational impacts of human rights violations</li> </ul>	<ul style="list-style-type: none"> <li>Code of Ethics</li> <li>System for reporting to the Supervisory Bodies</li> <li>National Collective Labour Agreements</li> <li>Service charters</li> <li>Removal of architectural barriers in Group buildings</li> <li>Accessibility of services for people with disabilities</li> </ul>
<b>Dialogue with Public Authorities</b>  (A6, F4)	<ul style="list-style-type: none"> <li>Disruption of relations with Public Authorities with subsequent negative reputational impact</li> <li>Ineffective communication with institutions</li> <li>Disputes with Public Authorities</li> <li>Commission of offences against the Public Administration</li> </ul>	<ul style="list-style-type: none"> <li>Code of Ethics</li> <li>Organisational model 231</li> <li>Organisational and managerial oversight</li> <li>Local Committees</li> </ul>
<b>Development of local communities</b>  <b>Environmental education</b>  (A6, A7, F1, F4)	<ul style="list-style-type: none"> <li>Disruption of relations with the representative subjects of the local areas with subsequent negative reputational impact</li> <li>Negative perception by the community related to the presence of Group's plants or managed activities</li> <li>Lack of perception of the Group's investments for the development/modernisation of regional infrastructures</li> <li><i>Next Generation EU investment plan</i></li> <li><i>Policy and legislative framework increasingly oriented towards sustainable development</i></li> <li><i>Participation in national and international networks for sustainable development</i></li> </ul>	<ul style="list-style-type: none"> <li>Business Plan and related investments for regional infrastructures</li> <li>Structured communication plans on strategies, objectives, plants and services</li> <li>Local Committees</li> <li>Edulren educational programme</li> <li>Sustainability awareness programmes</li> <li>Monitoring activities and definition of corrective actions in case of claims/complaints</li> <li>Procedures: Sponsorship management, Media Relations management</li> <li>Plants open to visitors</li> </ul>
<b>Ethics, fight against corruption and legal compliance</b>  (E2, E3, F4)	<ul style="list-style-type: none"> <li>Commission of offences related to Italian Legislative Decree 231/2001</li> <li>Non-compliance with tax regulations</li> <li>Company's administrative responsibility for violation of rules and regulations</li> <li>Criminal liability of management for violation of regulations</li> <li>Violation of the Code of Ethics conduct criteria</li> <li>Negative operational, economic and reputational impact deriving from conduct contrary to company ethics, rules and regulations</li> </ul>	<ul style="list-style-type: none"> <li>ERM system (Tax Risk Policy/Tax Control Model)</li> <li>Organisational model 231</li> <li>Code of Ethics</li> <li>Internal Audit Plan</li> <li>Supervisory Bodies</li> <li>Employee training on Model 231 and Code of Ethics</li> <li>Procedures: Whistleblowing</li> <li>Sanctioning system</li> </ul>

Priority topics (reference to the Group risk map)	Risk factors / Opportunities	Management methods
<b>Internal and external communication</b>  <b>(E1, E2, F4, F5)</b>	<ul style="list-style-type: none"> <li>• Ineffective communication with local communities and institutions resulting in negative reputational impact</li> <li>• Infringement of confidentiality or abuse of privileged information</li> <li>• Errors/omissions in the contents of a product/service communication campaign</li> <li>• Ineffective communication towards employees</li> <li>• Violation of the Code of Ethics conduct criteria</li> <li>• <i>Brand promotion</i></li> </ul>	<ul style="list-style-type: none"> <li>• Structured communication plans on strategies, objectives, plants and services</li> <li>• Code of Ethics</li> <li>• Employee training on Code of Ethics</li> <li>• Procedures: Management of Media Relations, Whistleblowing, Internal dealing, Management of relevant and privileged information, Internal management and external communication of relevant information and/or privileged information</li> <li>• Sanctioning system</li> </ul>

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

## GOVERNANCE TOOLS

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

### CODE OF ETHICS

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

In December 2020, Iren's Board of Directors approved the updating of the Code of Ethics, intending to keep it dynamically aligned with the Group's organisational changes and regulatory developments, with particular regard to the Italian Legislative Decree 231/2001. The Code of Ethics also focuses on the need for sustainable development, considered fundamental by Iren Group, which believes that behaviours are becoming increasingly ethical and equitable starting from the pursuit of social, economic and environmental sustainability.

Iren Group strives to disseminate and promote awareness of the Code of Ethics to its employees and everyone who works for the Group. To this end, 535 employees were involved in training activities on the Code in 2020 and, following the update of the Code at the end of the year, specific training for employees and dissemination, for all recipients, through the widest channels available, including the websites of Group Companies, the Intranet, notice boards and the suppliers portal, is planned for 2021.

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

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

Senior Executives and Managers of company bodies and department undertake to disseminate the knowledge and sharing of the rules of the Code of Ethics, to make employees and collaborators follow them, to encourage and protect reports of possible violations, and promptly report any acceptance, taking the immediate and essential corrective actions required by the situation.

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

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



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

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

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

In 2020, the Group received one report of a violation of the Code of Ethics which, after the preliminary investigation carried out, was not found to be justified.

## ORGANISATIONAL MODEL 231

Iren and the Group's main Companies have adopted organisation, management and control Models pursuant to Italian Legislative Decree 231/2001 (Model 231), which configure a structured and organic system of control activities and procedures to prevent, where possible, conduct that could constitute the commission of the crimes covered under the Italian Legislative Decree 231/2001, which also include crimes related to corruption.

In 2020, the project continued to revise and update Models 231 maintained by the holding company and the main Group Companies to ensure that they are consistent over time with the organisational changes that have taken place and effectively introduce new criminal offences by the legislator.

The revision of the Models is carried out following a risk self-assessment methodology consisting of the identification and self-assessment being conducted by management ("risk owners") in processes, sub-processes or activities at risk of 231-related crimes, also assessing potential risk, the control level and the remaining risk of each sensitive activity.

Management submitted the updated Models 231 to the Supervisory Bodies, approved by the Companies' Boards of Directors and published on the Company Intranet, informing all employees that they are required to consult the Model and adopt behaviours that comply with its provisions.

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

Each recipient of the Model 231 is required to report any breaches or suspected breaches of the Code of Ethics or the control principles outlined in the Model (so-called whistleblowing). For this purpose, the Group adopted a procedure for handling reports to the Supervisory Body of the Model 231 that governs how reports are communicated and regulates the tasks and verification activities performed by the person receiving the report. Reports are always handled (for some companies also through the "Comunica Whistleblowing" IT tool) in compliance with the confidentiality of the whistleblower's identity and the principles and provisions of the Organisational Model 231. The Group promotes the whistleblowing procedures through specific training, also with a view to developing a positive corporate culture.

Any reports received from internal and external parties during the period about alleged breaches of the Model or Code of Ethics are discussed in the Supervisory Body's half-yearly report to the BoD.

In 2020, a report was made to one of Iren Group's Supervisory Bodies. The report was processed and managed in compliance with the provisions of the Procedure for the management of whistleblowing reports to the Supervisory Body of suspected breaches to the Organisational Model 231.

## SUPERVISORY BODIES

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

## CORRUPTION PREVENTION

In the performance of its activities, Iren Group Companies manage relations with the public administrations and with third parties, regulated by the principles established by the Code of Ethics and the Model 231, which provide the guidelines and codes of conduct that aim to prevent, insofar as possible, the commission of offences pursuant to the Decree. Company processes are also regulated by specific procedures defining roles, responsibilities and methods of control, establishing the traceability of processes and the clarity of

authorisations to ensure transparency and honesty in company's activities.

In 2020, the Supervisory Body completed the project to update the parent company's Model 231. This project included mapping processes and the self-assessment of activities at risk of 231-related crimes. The project identified processes and company areas "sensitive" to the potential risk of committing the offences indicated in the Decree within the activities carried out by the company. In particular, sensitive activities at risk of corruption were identified, for which suitable internal rules were provided to supplement the Code of Ethics (general control principles and specific conduct and control protocols), such as, but not limited to:

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

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

The audit activities concerning the issue of corruption fall into the context of broader audit activities regarding the internal control system of processes with a view to preventing the most significant risks.

As part of the audits carried out, the adequacy of the internal control system is assessed regarding the most significant risks; by way of example, in 2020, audits were carried out on the following processes: management of sponsorships, qualification of suppliers, management of declarations to the Customs and Monopolies Agency, management of research and innovation projects and related calls for tenders, management of Iren Local Committees.

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

The training activities of the parent company involve the members of the Board of Directors, First-Level Managers and Managers of the Business Units in specific classroom sessions.

The training for executives, junior managers and office workers is delivered through e-learning sessions that are updated and renewed periodically following changes to legislation. This enables all personnel to be reached quickly, with the possibility of target-based

profiling and the attribution of the entire course or individual training modules depending on the previous training level of the individual person. The frequency and content of the training activities are designed to provide a full understanding of the Decree and awareness of the Model. Training is mandatory and controls are in place to verify participation and learning.

Based on the policy adopted, employee training activities were planned for the year, which saw 2,129 hours of training provided to 523 employees and will continue in 2021.

Training on anti-corruption policies and procedures	2020	2019	2018
<b>Total trained employees</b>	<b>523</b>	<b>22</b>	<b>362</b>
<b>Trained employees by qualification</b>	no. %	no. %	no. %
Executives	7 7.6	16 16.7	4 4.4
Junior managers	26 8.4	1 0.3	38 13.0
White collars	490 13.8	5 0.1	305 9.4

In 2020, the Group identified a training company, highly specialized in e-learning, intending to create by the first half of 2021 a new course, to be distributed to all employees (excluding blue collars) of the Group's consolidated companies for asynchronous distance learning, with updated content concerning Models 231 and accompanied by interviews with Group employees. The course also includes a section dedicated to the updated contents of the Code of Ethics for all employees.

Reports on training are regularly sent to the Supervisory Bodies.

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

In 2020, no confirmed instances of corruption were reported within Group Companies.

## PROTECTION OF HUMAN RIGHTS

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

The Group operates mainly in Italy, where a complex system of laws contributes to preventing the risk of human rights violations. Nevertheless, the Group considers the UN Universal Declaration of Human Rights, the International Labour Conventions and Recommendations issued by the ILO (International Labour Organization) and the Earth Charter drawn up by the Earth Council, along with the principles of the UN Global Compact that Iren has adopted since 2020, and the UN Sustainable Development Goals, to be essential points in defining its values.

Acknowledging the absolute value of the fundamental principles of the Constitution of the Italian Republic, Iren Group, in its own Code of Ethics, considers respect for the dignity of people and the

condemnation of any discrimination – trade union, political, religious, racial, language or gender discrimination – as central, with the promotion of an inclusive culture at all levels. These principles, set out in the Code of Ethics and aimed at combating all violations of human rights, translate into the rejection of all forms of forced labour or employment of irregular staff, of negotiations or assignments that might violate or contradict the fundamental principles underlying the respect for human dignity, and in our commitment to not collaborate with partners that violate these principles, with particular reference to the exploitation of child labour and the protection of the primary guarantees of all workers.

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

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

Also in 2020, in the non-recurring operations aimed at the acquisition of companies/shares, the Group carried out, with the support of specifically appointed advisors, the appropriate due diligence activities aimed, among other things, at verifying the application of labour and occupational safety laws provided for by Italian legislation.

In order to share its ethical values and conduct principles with its stakeholders, the Group has prepared, in addition to the Code of Ethics, social standards on human rights and working conditions along the supply chain.

In 2020, a fourth analysis was carried out on suppliers through a questionnaire to ascertain the human rights policies adopted by companies that hold active contracts with the Group (see page 121 for more details).

Of the 2,162 supplier companies that responded (38% of the total), 50% have human rights policies in place that fall, in order of priority, into the following areas:

- equal opportunities and equal treatment irrespective of race, gender, language, religion, nationality, political opinion, sexual orientation, social status, disability, age or other condition of the individual that is not connected to the requirements for carrying out their job;
- formal reporting systems that allow workers to report human rights breaches, ensuring the protection of the reporter's identity;
- checking of the age of employees during the hiring process, including by recruitment companies;

- training to raise awareness and prevent discrimination;
- measures to integrate employees;
- formal control systems to ensure that the company does not request that its employees deposit money, identity documents or credit cards during the hiring process.

Furthermore, 15% of those who responded to the questionnaire stated that there is an employee within their organisation who is officially responsible for human rights issues. Finally, a single case of complaint or legal action for discriminatory practices was detected among the responding suppliers.

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

## QSE CERTIFIED SYSTEM

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

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

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



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

## MAIN CERTIFICATIONS

	ISO 9001 (Quality)	OHSAS 18001/ ISO 45001 (Safety)	ISO 14001 (Environment)	ISO 27001 (Information Security)	EMAS	UNI 11352 (ESCo)	ISO 50001 (energy efficiency)	ISO 17025 (Laboratories)
Iren	•	•	•	•				
Iren Ambiente	•	•	•		• (3 sites)			
Iren Energia	•	•	•		• (4 sites)	•	•	
Ireti	•	•	•					
Iren Mercato	•	•						
Acam Acque	•	•	•					
Acam Ambiente	•	•	•					
Amiat	•	•	•					•
ASM Vercelli	•	•	•					
Atena Trading	•	•						
Bonifica Autocisterne	•							
I.Blu	•	•	•					
Iren Acqua	•	•	•					
Iren Acqua Tigullio	•	•	•					
Iren Laboratori	•	•	•					•
Iren Smart Solutions	•	•	•			•	•	
ReCos	•	•	•					
Salerno Energia Vendite	•							
San Germano	•	•	•					
Studio Alfa	•							•
Territorio e Risorse	•		•					
TRM	•	•	•		• (1 site)			

In 2020, Iren acquired ISO 27001 certification for information security. In addition, Iren Smart Solutions is F-GAS certified, while Iren Mercato, already certified in accordance with the Certiquality Technical Document no. 66 regarding the sale of green energy, in 2020, also earned the ST TRAC\_EE compliance certification for the tracking system of the characteristics of energy from renewable sources, which is a tool to provide customers with a guarantee of the origin of the “green” electricity sold. Finally, I.Blu and Studio Alfa have SA 8000 and IQNET SR 10 certifications respectively for Social Responsibility management.

All the audits carried out by the Certification Bodies at the Group Companies in 2020 were successfully completed, confirming the certifications held, and saw the renewal of BS OHSAS 18001 certifications expiring during the year with the transition to ISO 45001 certification, which replaced 18001 certification. During the year, the actions planned to achieve the defined objectives were also implemented:

- acquisition of QSE certifications by Acam Acque, Acam Ambiente and ReCos;
- acquisition of the RINA Compliance Certification for the tracking system of the characteristics of electricity from renewable sources, ST TRAC\_EE document, by Iren Mercato;
- acquisition of ISO 9001, ISO 14001 and EMAS certifications for TRM, as well as maintenance of OHSAS 18001 certification;

- maintenance of QSE certifications for all Group Companies and ISO 50001 certification (energy efficiency) for Iren Energia and Iren Smart Solutions;
- maintenance of the Multi-site Accreditation for Iren Laboratori;
- maintenance of EMAS registrations for Iren Ambiente;
- maintenance of the certification for the sale of electricity produced solely from renewable sources, in compliance with the Certiquality Technical Document no. 66, by Iren Mercato;
- maintenance of ESCO (UNI 11352) and F-Gas Certifications of Iren Smart Solutions.

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

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

- the development of the production of energy from renewable sources or similar and district heating, together with the adoption of the best plant technologies to guarantee a reduced environmental impact;
- the improvement of the use of water resources, in terms of withdrawal, use, release and discharge;



- the renovation of the urban wastewater treatment systems and search for the best technologies in order to improve the quality of effluents and minimising odorous emissions;
- the correct management of obligations concerning special waste in the production, storage, transport and disposal and/or final recovery stages;
- the spread of information on the impacts on the external environment through specific publications, such as the Sustainability Report and Environmental Declarations.

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

- completion of the implementation of the new development method of the Environmental Analysis of sites, plants and processes at all Group companies with ISO 14001 certification;
- mapping of environmental obligations for Group Companies;
- monitoring environmental performance through the use of indicators for significant environmental aspects;
- analytically testing the impact on the environment, with particular reference to atmospheric emissions, air quality, water discharges, special waste, acoustic emissions and electromagnetic fields;
- conducting specific internal audits aimed at verifying the correct management of the environmental problems connected with company plants;
- fulfilling administrative obligations, with particular regard to the monitoring and control activities associated with the Integrated Environmental Authorisations (I.P.P.C. Directive) and the emission of greenhouse gases (Emission Trading System), for the plants concerned.

## LEGAL COMPLIANCE

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

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

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

The Group concentrates its activities on the active and proactive monitoring of regulatory developments relevant to all the business sectors in which it operates, participating in consultations, hearings before Chambers (both directly and through the trade associations it subscribes to) and promoting direct meetings with the authorities

involved. In particular, the topics observed in the various sectors are summarised below:

- **energy business** – market reform/updating (capacity market, MSD revision and expansion, adjustments on imbalances), regulation of district heating, reform of the Energy Efficiency Certificates mechanism, hydroelectric concessions for large-scale diversions, incentives for energy efficiency programmes, regulation of energy communities, development of projects involving hydrogen technology;
- **market business** – reform of protected market, revision of sale components (electricity and gas), reform of gas balancing, transport and settlement, regasification (combined capacity and storage auctions, tariffs for the actual recognition of costs incurred and revenue coverage factor);
- **environment business** – urban waste collection tariff regulation, transparency regulation, provisions on urban waste collection service levels, support for incentives for renewable sources and biomethane, monitoring of the legislative framework of reference (Italian Ministerial Decree on sewage sludge, Italian Ministerial Decree on biomethane, implementation of EU Directive on the circular economy with particular reference to the waste assimilation criteria, shared responsibility of the producer, the reform of consortium system and the restructuring of skills), service tenders;
- **networks business** – concerning all network services (water, gas and electricity distribution) tariff regulation for cost coverage and technical and commercial/contractual quality regulation, smart meters and their technological evolutions, non-payment, resilience, safety obligations, tenders for service assignment; specific to electricity and gas distribution: smart grid, network code and national equalisation.

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

Furthermore, the Legal Affairs Department studies provisions related to the sectors in which the Group operates, provides support and legal advice to all the structures of the parent company and Business Units and participates in working groups on the topics that involve the parent company or Business Units.

## CODES OF CONDUCT

Iren has long adopted the Corporate Governance Code for Listed Companies recommendations (July 2018 edition) prepared by the Italian Committee for Corporate Governance.

In December 2020, the Board of Directors resolved to adopt the new Code (called the "Corporate Governance Code"), approved by the Italian Committee for Corporate Governance on 31 January 2020, and approved a document highlighting the Iren's governance solutions concerning the provisions of the new Code.

The Company will implement the Code's recommendations as of 1 January 2021, disclosing them to the market in the 2021 Report on Corporate Governance and Ownership Structure.

Iren Group operates in full compliance with the Code of Business Conduct for the sale of electricity and natural gas and, in general, with the standards issued by ARERA (the Italian Regulatory Authority for Energy, Networks and Environment).

Furthermore, in the management of activities, the service charters regulate the action to achieve high quality and efficiency standards in terms of continuity and customer relations.

#### IREN GROUP SERVICE CHARTERS

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

In 2021, Iren signed the Joint Conciliation protocol with 19 National Consumer Associations on behalf of Iren Mercato, Ireti, Iren Acqua, Iren Acqua Tigullio. In February 2018, the Iren Joint Conciliation Body was recognised by ARERA (Regulatory Authority for Energy, Networks and Environment) as an ADR (Alternative Dispute Resolution) Body, and was extended, in early 2019, to the customers of Atena Trading and Acam Acque. In 2020, the Iren Joint Conciliation Body continued its activities, providing – in collaboration with other ADR Bodies of the main utilities and multi-utilities in the energy and water sector – refresher courses for conciliators of Consumer Associations and training courses for new conciliators of the same, on the energy and water sector.

As for the ARERA conciliation service for the Single Buyer, which is compulsory from July 2019 for Ireti, they confirmed in 2020 that most of the Group's other water operators (Iren Acqua, Iren Acqua Tigullio, Acam Acque) were willing to adopt all conciliation requests received through the service.

During the year, the service, activated by Iren Mercato in the last quarter of 2019 and dedicated to reports from consumer associations, was also consolidated, structured through a dedicated email box, a dedicated number and the possibility of setting up meetings at the counters for specific practices; in particular, periodic meetings were held with the territorial offices of the associations for the analysis of the reports received.

## STAKEHOLDER ENGAGEMENT

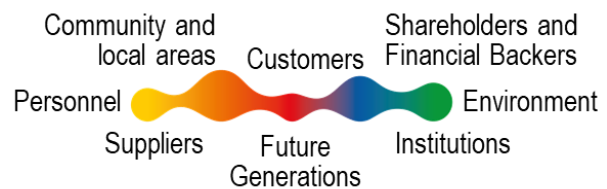
Iren Group is committed to creating, strengthening and expanding its relationships with its stakeholders to guarantee them ample space for discussion and dialogue. The criteria for stakeholder engagement are aimed at inclusion, transparency, fairness, focus on ethical, environmental and social issues and consistency with the activities of the Group. Dialogue is based on the principles of inclusiveness, materiality and compliance laid down in the AccountAbility1000

standard in order to address and responsibly respond to issues and impacts.

The objective of long-term sustainable success, referred to in the Corporate Governance Code, which Iren has adopted with effect from 1 January 2021, is also based on the relationship established with its stakeholders. With this in mind, Iren Group ensures the widest and most timely circulation of information to its stakeholders, shareholders, institutional investors and intermediaries operating on the financial market, to enable them to exercise their rights in an informed manner, and during 2021 the Board of Directors of Iren will carry out the most appropriate functional assessments to adopt a formalised policy of dialogue with shareholders and other relevant stakeholders of the Group.

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

#### MAIN STAKEHOLDER CATEGORIES OF IREN GROUP



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

Iren has consolidated a process involving stakeholders present in the Local Committees in the materiality analysis (see page 8) to share and assess the priority topics for strategic development and report its performance through the Sustainability Report.

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

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

For a broader discussion on sustainability topics, in 2020, Iren held in-depth meetings with the Local Committees, participated in seminars and conferences, produced specific publications and took part in a series of streaming talks “The value of the multicircle economy for the sustainable development of the country”, in which the study by The European House Ambrosetti was presented, which showed how Iren is the first Italian multi-utility in terms of development and integration of the principles of the circular economy in the various areas of activity, according to our multi-business approach in which different activities share the value of responsibility in the use of resources.

In order to guarantee broad and transparent information, every year the Sustainability Report is presented to stakeholders and published on the Group’s website and also in 2020 Iren managed internal and external communication activities to deepen the commitment that the Group puts in place to guarantee environmental, social and economic sustainability to its stakeholders.

## IREN LOCAL COMMITTEES

Iren Local Committees are bodies, set up in 2014, to strengthen and make the dialogue with stakeholders systematic, as well as to guarantee deeper roots in local communities, thanks to participatory planning actions and moments of consultation on aspects such as

environmental and social sustainability, innovation and the quality of the services provided by the Group. In order to guarantee and broaden the widespread involvement, the Committees use the [www.irencollabora.it](http://www.irencollabora.it) on-line platform, where all citizens can make proposals and suggestions directly on the issues dealt with by the Committees, with the aim of generating concrete and tangible projects. The information flow produced by the platform is also a valuable source that inspires Iren to adopt innovative service strategies and anticipate the needs of the local areas. Specific working groups are established within the individual Committees aimed at the development of the projects presented within the Committees or on the [irencollabora.it](http://www.irencollabora.it) platform. During 2020, despite the difficult situation caused by the pandemic, 56 meetings of Committees and working groups were held, mostly remotely, and, as of December 2020, there were 1,780 registered profiles and 93 active projects on the platform.

Through Local Committees, stakeholders can also draw the Group’s attention to issues concerning the company’s services, as well as environmental and social sustainability topics. The Deputy Chairperson of Iren, who is a member of the Local Committees, reports regularly to the Control, Risk and Sustainability Committee and the Board of Directors, on the trend of the activities and the discussion and planning activities carried out within the Committees.

## PRIORITY TOPICS AND STAKEHOLDER ENGAGEMENT INITIATIVES

Stakeholders	Priority topics	Engagement initiatives
<b>Customers</b> (retail and business customers, public administrations and consumer associations)	<ul style="list-style-type: none"> <li>Quality and reliability of services</li> <li>Online and mobile services</li> <li>Innovative services</li> <li>Transparent communications</li> <li>Tariffs</li> <li>Credit management</li> <li>Sustainable development</li> </ul>	<ul style="list-style-type: none"> <li>Front offices and call centres</li> <li>Transparent billing</li> <li>Website, app, social media</li> <li>Customer satisfaction surveys</li> <li>Security initiatives</li> <li>Innovative services and sustainable use of resources</li> <li>Meetings and framework agreements with associations</li> <li>Credit management protocols</li> <li>Social tariffs</li> <li>Joint conciliation protocols</li> <li>Guides on how to interpret utility bills</li> <li>Code of Ethics</li> <li>Materiality analysis</li> <li>Iren Local Committees</li> </ul>
<b>Personnel</b> (employees, collaborators and Trade Unions)	<ul style="list-style-type: none"> <li>Health and Safety</li> <li>Enhancement of skills</li> <li>Remuneration</li> <li>Training</li> <li>Internal communication</li> <li>Welfare</li> <li>Diversity and inclusion</li> <li>Sustainable development</li> </ul>	<ul style="list-style-type: none"> <li>Training and assessment</li> <li>Reward &amp; Performance Management</li> <li>“Iren4Digital” project</li> <li>Internal mobility</li> <li>“Irenfuturo” Portal</li> <li>Work Life Balance</li> <li>Corporate Welfare programme</li> <li>Initiatives to support employees’ children</li> <li>“Health at the heart” (“Al cuore della salute”) project</li> <li>Initiatives to promote gender diversity</li> <li>Incentivised termination of employment</li> <li>“New graduate-hires”, “Welcome Day”, “On-Boarding” projects</li> <li>Smart Working</li> <li>Industrial relations and trade union agreements</li> <li>Code of Ethics</li> <li>Materiality analysis</li> <li>Iren Local Committees</li> </ul>
<b>Suppliers</b> (individuals, supplier categories and trade associations)	<ul style="list-style-type: none"> <li>Supply chain management</li> <li>Transparent communications</li> <li>Contractual conditions</li> <li>Payments</li> <li>Sustainable development</li> </ul>	<ul style="list-style-type: none"> <li>Procurement portal and Supplier Register</li> <li>Training/information for third party companies</li> <li>CSR survey for suppliers</li> <li>Code of Ethics</li> <li>Materiality analysis</li> <li>Iren Local Committees</li> </ul>
<b>Shareholders and Financial Backers</b>	<ul style="list-style-type: none"> <li>Corporate Governance</li> <li>Transparent communications</li> <li>Share performance</li> <li>Bond issues</li> <li>M&amp;A transactions</li> <li>Economic/financial results</li> <li>Rating</li> <li>Sustainable development</li> </ul>	<ul style="list-style-type: none"> <li>Roadshows and webcasting</li> <li>Communication of results and possible future risks</li> <li>Adoption of disclosure policies</li> <li>Inclusion in ethical indices</li> <li>ESG Rating</li> <li>Sustainable Financing Committee</li> <li>Business Plan to 2025</li> <li>Shareholders’ Meeting</li> <li>Calendar of corporate events</li> <li>Participations in round tables and events</li> <li>Code of Ethics</li> <li>Materiality analysis</li> <li>Local Committees</li> </ul>

Stakeholders	Priority topics	Engagement initiatives
<b>Institutions, Local Areas and the Community</b> (citizens, associations, NGOs, Local and Governmental Authorities, Regulatory Authorities and Bodies)	<ul style="list-style-type: none"> <li>• Attention to the local area</li> <li>• Smart City</li> <li>• Dialogue and involvement</li> <li>• Creation of value for the local areas</li> <li>• Transparent communications</li> <li>• Investments and support for local initiatives</li> <li>• Sustainable development</li> </ul>	<ul style="list-style-type: none"> <li>• Notification of opinions and documents</li> <li>• Participation in meetings with Institutions</li> <li>• Surveys and questionnaires</li> <li>• Conferences, seminars and workshops</li> <li>• Subsidy plans for communities affected by emergencies</li> <li>• Collaboration in projects by Institutions</li> <li>• Plant visits (virtual tours)</li> <li>• Local Committees and "Irencollabora.it" platform</li> <li>• Code of Ethics</li> <li>• Materiality analysis</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>• Water network leaks</li> <li>• Quality and efficiency of treatment systems</li> <li>• Gas distribution network efficiency</li> <li>• Energy generation</li> <li>• Emissions</li> <li>• Energy saving</li> <li>• Sustainable mobility</li> <li>• Waste management</li> <li>• Environmental, social and economic sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Development of renewables</li> <li>• Energy savings and efficiency projects/services</li> <li>• District heating development</li> <li>• Increase in the capacity to dispose of special waste</li> <li>• Systems to increase separate waste collection</li> <li>• Obtaining energy from waste</li> <li>• Reduction of water network leaks</li> <li>• Containment of atmospheric emissions</li> <li>• IrenGo and Iren Plus</li> <li>• RES-DHC project</li> <li>• Incit-Ev project</li> <li>• Awareness raising on environmental issues</li> <li>• Biodiversity policy</li> <li>• Code of Ethics</li> <li>• Materiality analysis</li> <li>• Local Committees</li> </ul>
<b>Future Generations</b> (school/university, research centres, incubators)	<ul style="list-style-type: none"> <li>• Smart City</li> <li>• Demand Side Management Programmes</li> <li>• Innovative services</li> <li>• Reduction of impacts</li> <li>• Climate change</li> <li>• Environmental, social and economic sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Educational programmes in schools (EduIren) and universities</li> <li>• Guided tours (virtual tours)</li> <li>• Partnerships, projects and investments for research and innovation</li> <li>• Iren Up</li> <li>• Framework agreements with Universities and research centres</li> <li>• Training and recruitment agreements with universities and business schools</li> <li>• Materiality analysis</li> <li>• Local Committees</li> </ul>