CONSOLIDATED FINANCIAL STATEMENTS ACEA GROUP 2022

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LETTER TO SHAREHOLDERS

Dear Shareholders,

Last year was marked by changes in several different spheres, with positive developments, such as the abatement of the pandemic, which allowed a gradual return to normality, and negative ones, namely the effects of climate change, which manifested in another rise in average temperatures and a severe drought which, unfortunately, is happening again this year, and the war in Ukraine, which started last February and is still ongoing. These diverse aspects had consequences on various levels and can be summarised in a few salient points: the need to drive forward innovation, particularly with a view to optimising digitalisation, which has already improved the efficiency of many production and industrial processes with impacts on how labour is structured and positive effects on the work-life balance; the climate crisis, which has raised awareness of the fragility of the environment and the importance of the actions that must be adopted, highlighting the role of utilities in the management of a business that is closely linked to natural resources; and the growing complexity of the international scenario, which has sparked an energy crisis that requires the diversification of supply sources and an acceleration of the development of renewable resources in order to reach the climate neutrality targets adopted by the European Union. On this last point, Acea has already planned developments in energy production and, more generally, in the complex process of ecological transition, which also includes actions in the water sector and the circular economy. This commitment is reflected in the various classifications and ratings, one example being the Gaïa Rating, which assesses non-financial performance and the effective integration of sustainability policies in business governance.
Sustainability is once again at the heart of our business strategy, not only with a view to tackling emergencies or to prevent or mitigate other risks, but, above all, to respond to calls for an immediate future based on a profoundly different vision of development, a future characterised by a just transition founded on the constant evolution of social aspects. In this new environment, a business can only remain competitive by maturing and developing new skills and capabilities, and, in this regard, in 2022, the Acea Group confirmed its position as an industrial operator able to improve performance despite the challenging context. In fact, by increasing the focus on regulated markets, the Group saw growth in EBITDA, investments, and consolidated revenue.
Profit was influenced by external factors, such as the extraordinary windfall tax and the negative impacts of rising interest rates on financial management. Net of these effects, financial performance was generally in line with the previous year.
The company recorded positive performance thanks in particular to important actions taken in the last few months of the year, reducing costs, improving operating efficiency, and recovering margins. From a financial perspective, in early January, we successfully returned to the capital market with the issue of a Green Bond at the most competitive rates on the market.
In 2022, we continued our strong commitment to plan and implement relevant actions in the water sector, from reducing losses to developing strategic projects of national interest, such as the works to double the Peschiera aqueduct, which will secure water supplies in the capital city.
This commitment also extends to the energy sector, with the further development of photovoltaic power, natural gas distribution, the installation of smart meters and the strengthening of electricity grids, with major investments launched in view of the Jubilee. In the environment sector, the project to build a fourth waste-to-energy line at San Vittore — essential to completing the waste cycle in Lazio — was pursued. This project is joined by the recent presentation of our expression of interest in the waste-to-energy plant in Rome, which would give Acea the opportunity to optimise the Group's position in the sector and to make a tangible contribution to managing waste in the capital city. In 2022, Acea consolidated its position in the environmental sphere through various acquisitions and the development of waste treatment plants.
Meanwhile, Acea was awarded funding to develop projects as part of the NRRP, focusing mainly on water projects across nearly the entire area served by the Group.
All of these actions align with the sustainability strategy adopted by Acea and respond to the goals of the 2030 Agenda of the United Nations. The success of this strategy has been certified by improvements in various ratings, including the Standard Ethics Rating, as well as through the award of certifications: Acea was the first publicly traded Italian multiutility company to receive the UNI/PdR 125:2022 award from RINA, the only national standard on gender equality, and recently gained the Top Employers Italia 2023 certification for the second consecutive year in recognition of our HR policies and strategies.

The stability of our financial position, our excellent operating performance at Group level and the actions underway to optimise our organisational and financial management all point to a very positive outlook in the medium and long term, which, combined with the dedicated commitment of our valuable personnel, will enable the company to achieve increasingly ambitious goals.

Chairperson
Barbara Marinali

Managing Director
Fabrizio Palermo

GROUP STRUCTURE

THE GROUP STRUCTURE, IN THE VARIOUS BUSINESS SEGMENTS, COMPRISES THE FOLLOWING MAIN COMPANIES.

WATER

96% ACEA ATO2

98% ACEA ATO5

99% SARNESE VESUVIANO
- **37%** GORI

100% ACEA MOLISE

99% OMBRONE
- **40%** ACQUEDOTTO DEL FIORA

77% ACQUE BLU ARNO BASSO
- **45%** ACQUE

75% ACQUE BLU FIORENTINE
- **40%** PUBLIACQUA

48% G.E.A.L.

40% UMBRA ACQUE

35% INTESA ARETINA
- **46%** NUOVE ACQUE

58% Gesesa

51% ADISTRIBUZIONEGAS
- **55%** NOTARESCO GAS

38% ASM TERNI
- **99%** UMBRIADUE SERVIZI IDRICI
  - **40%** SERVIZIO IDRICO INTEGRATO

ENVIRONMENT

100% ACEA AMBIENTE
- **100%** DEMAP
- **90%** AS RECYCLING
- **80%** ISECO
- **60%** BERG
- **80%** CAVALLARI
- **60%** FERROCART
- **60%** MEG
- **70%** S.E.R. PLAST
- **51%** ACQUE INDUSTRIALI
- **85%** AQUASER
- **70%** TECNOSERVIZI
- **100%** ITALMACERO
- **100%** DECO
  - **100%** ECOLOGICA SANGRO

50% ECOMED

GENERATION

100% ACEA PRODUZIONE
- **100%** ECOGENA
- **49%** ENERGIA
- **100%** ACEA RENEWABLE
- **100%** ACEA SOLAR
  - **100%** SF ISLAND
  - **100%** ACEA RENEWABLE 2
  - **100%** FERGAS SOLAR 2
- **40%** ACEA SUN CAPITAL

ENERGY INFRASTRUCTURE

100% ARETI

COMMERCIAL AND TRADING

100% ACEA ENERGIA
- **50%** UMBRIA ENERGY
- **100%** ACEA INNOVATION

100% ACEA ENERGY MANAGEMENT

OVERSEAS

100% Acea INTERNATIONAL
- **100%** ACEA DOMINICANA
- **100%** ACEA PERÙ
- **61%** AGUAS DE SAN PEDRO
- **100%** CONSORCIO ACEA-ACEA DOMINICANA
- **44%** CONSORCIO AGUA AZUL

51% AGUAZUL BOGOTÀ

ENGINEERING AND SERVICES

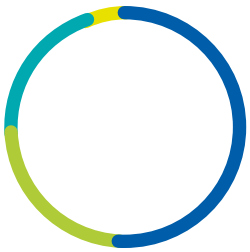
100% ACEA ELABORI
- **70%** SIMAM

100% TECHNOLOGIES WATER SERVICES

44% INGEGNERIE TOSCANE

INVESTOR RELATIONS

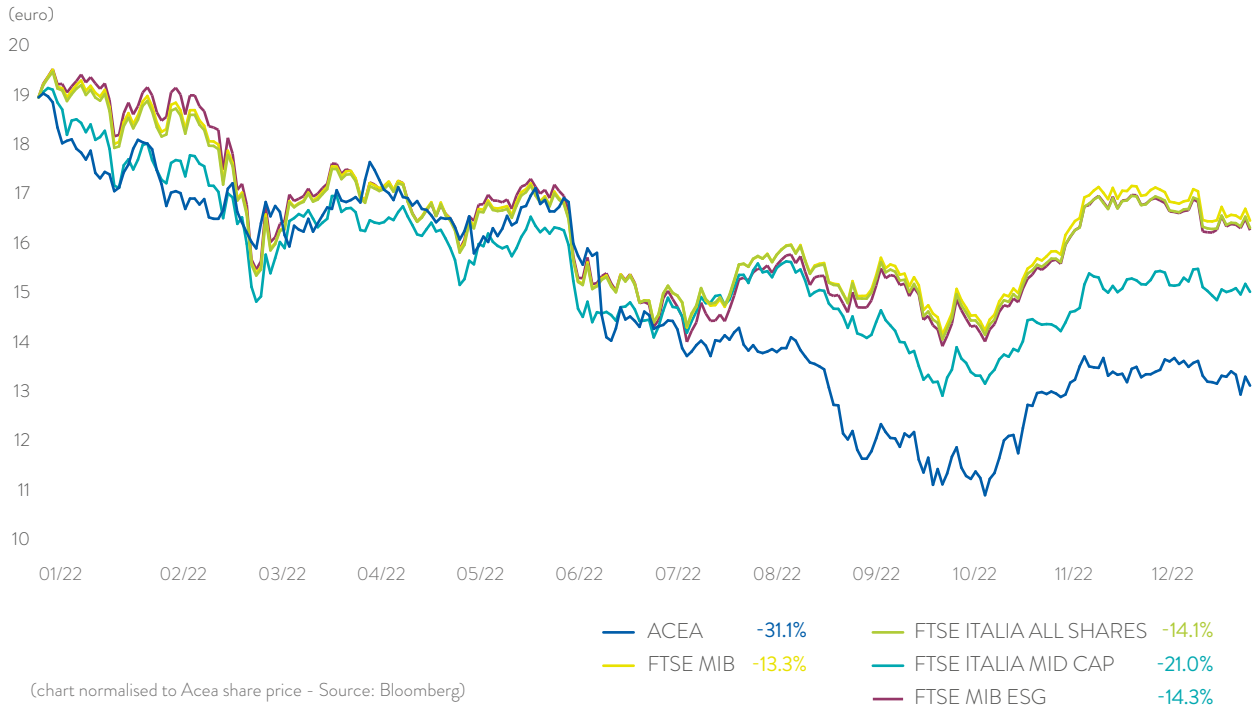
THE SHARE CAPITAL OF ACEA SPA AT 31 DECEMBER 2022 WAS MADE UP AS FOLLOWS.



51.00% Roma Capitale
23.33% Suez
20.22% Market
5.45% Caltagirone

Chart only shows equity investments of more than 3%, as confirmed by CONSOB data.

Acea SHARE PERFORMANCE IN2022



(chart normalised to Acea share price - Source: Bloomberg)

CORPORATE HIGHLIGHTS

WATER

NUMBER ONE OPERATOR
in Italy for water services

with about 9 million
residents served in Latium, Tuscany, Umbria, Campania and Molise

ENERGY INFRASTRUCTURE

ONE OF THE LEADING
energy distribution operators in Italy

with over 9 TWh
of energy distributed

GENERATION

ONE OF THE LEADING
Italian players in the energy generation from renewable sources

with about 600 GWh
of energy produced

COMMERCIAL AND TRADING

ONE OF THE LEADING
national players in the energy market

with about 8 TWh
of electricity sold

ENVIRONMENT

LEADING OPERATOR
in Italia nel Waste Management

with about 1.7 million tons of waste managed

OVERSEAS

PRESENT WITH
4 companies operating in water services

serving **10 million** residents in Latin America

ENGINEERING AND SERVICES

ONE OF THE LEADING
operators in Italy for Engineering services

395,162 drinking water analysis

177,311 waste water analysis

FINANCIAL HIGHLIGHTS

Figures in € million.

CONSOLIDATED REVENUES

EBITDA

EBIT

PROFIT BEFORE TAXES

NET PROFIT OF THE GROUP

GROUP INVESTMENTS

* net of financed investments.
** net of financed investments and net of investments in discontinued operations.

ACEA ORGANISATIONAL MODEL

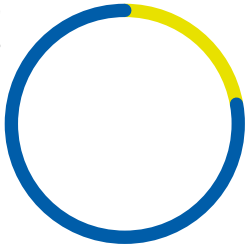
Acea adopts an operational model based on an organisational lay-out in line with the Strategic Business Plan consolidating its role to govern, guide and control the Holding not only with the current business portfolio focused on areas of greater value, but also on the strategic development of the Group in new business segments and territories. Acea's macrostructure is based around the corporate functions and seven industrial areas – Environment, Commercial and Trading, Water, Energy Infrastructure, Engineering and Services and Overseas.
The activities of each business segment are described below.

Figures are in € million.

EBITDA 2022
€ 1,305 mln

78% REGULATED ACTIVITIES

22% UNREGULATED ACTIVITIES



WATER

The Acea Group is the top Italian operator in the water sector serving 9 million people. The Group manages the integrated water service in Rome and Frosinone and in the respective provinces, as well as in other parts of Lazio, in Tuscany, Umbria, Campania and Molise. The Group is also present in Abruzzo, Molise and Campania in the natural gas distribution market, nel Comune di Pescara, in the Municipality of Pescara and in the provinces of L'Aquila, Chieti, Campobasso, Isernia and Salerno.

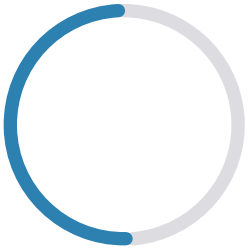
NUMBER ONE OPERATOR IN ITALY
- About 9 mln residents served and 704 million cubic meters of water supplied annually
- About 58,219 km of drinking water supply network and 23,667 km of sewer network managed

EBITDA +2.1%

2022 669
2021 655

INVESTMENTS +12.6%

2022 562*
2021 499*



51% **of consolidated EBITDA**

* net of financed investments.

ENERGY INFRASTRUCTURE

The Acea Group is a major operator in Italy with about 9.4 TWh of electricity distributed in Rome. The Group also manages the public and artistic lighting of the capital for a total of more than 204,676 lights. The Acea Group is committed to energy efficiency projects and the development of new technologies, such as smart grids and electric mobility, through particularly innovative pilot projects.

ONE OF THE LEADING OPERATORS IN ITALY

- Energy entered into areti network: 10.06 TWh
- Smart Meter 2G installed in 2022: 273,294
- Management of public and artistic lighting: 204.676 lights

27% of consolidated EBITDA

EBITDA -5.2%

INVESTMENTS -2.1%

ENVIRONMENT

The Acea Group is one of the main national operators with about 1,715 million tons of waste managed per year. Among the various treatment and disposal plants operated in 8 regions, there is a main waste-to-energy plant and the largest anaerobic digestion and composting plant in Lazio region. It is particularly focused on the development of investments in the waste-to-energy and in the waste recycling businesses, which is considered to have high potential, in line with the strategic objective of environmental and energy enhancement of waste, as well as its recovery and recycling in the plastics, paper and metals sectors and in the production of high-quality compost.

ONE OF THE LEADING OPERATORS IN ITALY

- Umbria, Latium, Tuscany, Piedmont, Valle d'Aosta, Veneto, Marche and Abruzzo
- 1,715 million tons of waste managed per year
- Electric energy transferred: 322 GWh
- Recovered/produced biogas: 28,754 kNm^3

8% of consolidated EBITDA

EBITDA +59.4%

INVESTMENTS +28.0%

COMMERCIAL AND TRADING

The Acea Group is one of the leading Italian players in the sale of electricity and offers innovative and flexible solutions for the supply of electricity and natural gas with the objective of consolidating its positioning as a dual fuel operator. It operates on the market segments of medium-sized enterprises and households with the objective of improving the quality of the services offered with particular regard to web and social channels. It supervises the Group's energy management policies. The Segment also has the objective of developing and searching for innovations and start–ups to launch testing projects in the technological field.

ONE OF THE LEADING OPERATORS IN ITALY

- Electricity sold: 7.7 TWh
- Free market customers: 0.54 million
- Protected market customers: 0.65 million
- Gas customers: 0.25 million

EBITDA +11.7%

INVESTMENTS +0.3%

7% of consolidated EBITDA

GENERATION

The Acea Group is one of the main national operators in the field of generation from renewable sources and is involved in energy efficiency projects and energy solutions in the business segment. It is particularly focused on finding innovative approaches to managing production assets and implementing new production capacity that reduces the Group's carbon footprint.

ONE OF THE LEADING OPERATORS IN ITALY

- Energy efficiency projects
- Hydroelectric power stations: 121.7 MW
- Thermoelectric power plants: 108.7 MW
- Photovoltaic power plants (included SPV): 101 MW
- Photovoltaic plants under development: 1,050 MW

EBITDA +12.9%

INVESTMENTS +30.4%

7% of consolidated EBITDA

** net of investments in discontinued operations.

OVERSEAS

The Acea Group manages water activities in Latin America and its objective is to make the most of development opportunities in other businesses related to those already held in Italy.
It is present in Honduras, Dominican Republic and Peru, serving approximately 10 million people. The activities are carried out in partnership with local and international partners, including through staff training and the transfer of know-how to local entrepreneurs.

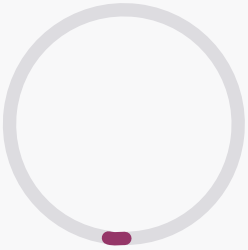
- Water management in Latin America

EBITDA +20.4%

2022 **33**
2021 **27**

INVESTMENTS +26.4%

2022 **6**
2021 **5**



2% **of consolidated EBITDA**

ENGINEERING AND SERVICES

The Acea Group has developed know-how at the forefront in the design, construction and management of integrated water systems: from the source to the pipelines, from distribution to the sewer network, and treatment. It develops applied research projects aimed at technological innovation in the water, environmental and energy sectors. Laboratory and engineering consultancy services are of particular importance. The Acea Group is also engaged in the design and creation of plants for the environment and for the treatment of water and waste.

- Laboratory analyses of drinking water: 395,162
- Laboratory analyses of waste water: 177,311
- Worksite inspections: 14,724

EBITDA -23.5%

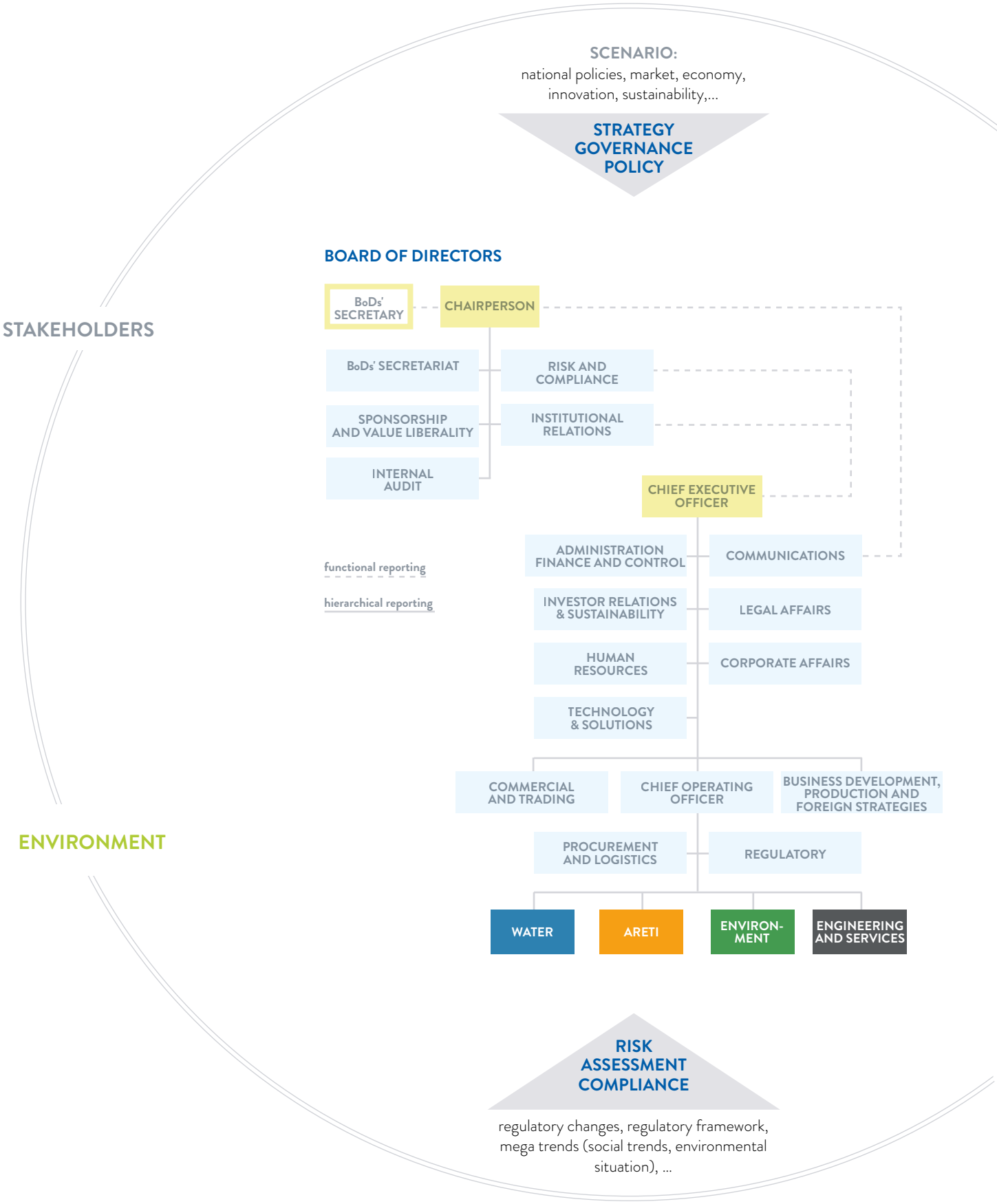
2022 **13**
2021 **17**

INVESTMENTS -41.2%

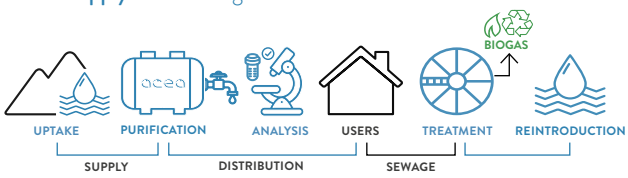
2022 **6**
2021 **10**

1% **of consolidated EBITDA**

BUSINESS MODEL

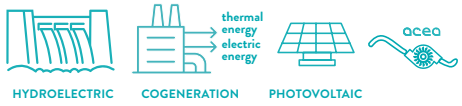


Water supply chain: integrated water services



The water supply chain: starting from a careful analysis of springs and groundwater and the potential impacts of operational processes thereupon – for example, by defining and monitoring water districts and preparing water balances to protect resources and balance their vital flows with the needs of human consumption, Acea checks and guarantees the quality of water during collection and distribution in compliance with the regulatory standards envisaged for end uses. The same care is devoted to wastewater collection and treatment phases and returning the resource to the environment in the best possible conditions for its natural cycle to resume. A huge effort has been made to increase the resilience of the water infrastructure, technological innovation applied to management (e.g. remote control, sensors, satellite monitoring, etc.) and the digitalisation of processes.

Energy supply chain: generation



Electricity production: through the business unit dedicated to production, Acea generates energy at hydroelectric power plants, thermoelectric power plants (high-yield cogeneration) and photovoltaic plants. In particular, Acea is strategically developing its position in the solar generation segment, including through partnership agreements with major financial operators to support the investment plan, with the aim of significantly increase the installed capacity in the medium term.

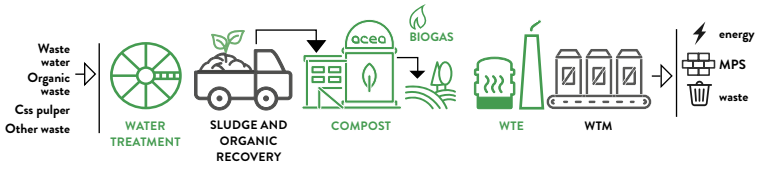
Energy supply chain: distribution

Electricity distribution: Acea supplies users with electricity thanks to a widespread distribution network that is constantly maintained, updated and developed according to resilience logics that support the growing electrification of consumption.
The digital and innovative development in the services, stimulated and required by a constantly evolving market, commits the Distributor to opt for smart city solutions, adopting a demand side management and energy efficiency outlook.

Energy supply chain: commodities and added value services

Sale of energy, gas and added-value services: commodities (energy and gas) are purchased via bilateral contracts or exchanges on market platforms (Electronic stock exchange) where Acea Energia supplies itself in order to resupply clients according to its commercial policies. The Company develops relations with customers, based on their type, through contact channels that are increasingly more innovative and digital. The promotion of commercial offers takes place through pull channels (shop, website, branches) as well as through sales agencies that are selected, trained and their commercial practices monitored. One area of incremental development of the sector companies involves the creation of smart services, such as electric mobility, residential energy requalification and widespread composting.

Environment supply chain: circular economy



Efficient use of waste and the circular economy: the environmental supply chain is active in efficiently using waste by reducing waste volumes, treatment, conversion into biogas, transformation into compost for agriculture and floriculture, waste-to-energy production and recycling into material that is reusable in production processes. In particular, with a view to circular economy, Acea exploits the integration into water activities to recover sludge from water purification and send it for treatment to become compost, also committing itself to the growth of its market position and operational capacity. The ongoing development involves the expansion of volumes and operating capacity, from selection to storage and treatment, as well as the types of material managed in the circuit of the circular economy (paper, iron, wood, liquid waste, plastic and metals) through the acquisition of new companies.

1

REPORT
ON OPERATIONS

HE SPACE CIN

CORPORATE BODIES

BOARD OF DIRECTORS

Barbara Marinali*	Chairperson
Fabrizio Palermo**	Chief Executive Officer
Alessandro Caltagirone	Director
Massimiliano Capece Minutolo Del Sasso	Director
Gabriella Chiellino	Director
Giovanni Giani***	Director
Liliana Godino	Director
Giacomo Larocca	Director
Francesca Menabuoni****	Director
Massimiliano Pellegrini*****	Director

BOARD OF STATUTORY AUDITORS****

Maurizio Lauri	Chairperson
Claudia Capuano	Standing Auditor
Leonardo Quagliata	Standing Auditor
Rosina Cichello	Alternate Auditor
Vito Di Battista	Alternate Auditor

FINANCIAL REPORTING MANAGER

Fabio Paris

AUDITING FIRM

PricewaterhouseCoopers SpA

*appointed by the Shareholders' Meeting on 27 April 2022
**resigned on 27 June 2022
***appointed by co-optation on 18 July 2022
****appointed on 26 September 2022
*****appointed on 17 February 2023

SUMMARY OF RESULTS

Income statement data

€ million	31/12/2022	31/12/2021	Change	% Change
Consolidated Net Revenue	**5,138.2**	**3,972.1**	**1,166.2**	**29.4%**
Consolidated Operating Costs	**3,861.1**	**2,737.0**	**1,124.1**	**41.1%**
Profit / (loss) from non-financial equity investments	27.9	21.0	6.8	32.5%
EBITDA	**1,305.0**	**1,256.1**	**48.9**	**3.9%**
Operating profit/(loss)	**565.9**	**581.1**	**(15.2)**	**(2.6%)**
Net profit/(loss)	**311.2**	**352.3**	**(41.2)**	**(11.7%)**
Profit/(Loss) due to third parties	*31.4*	*39.0*	*(7.6)*	*(19.5%)*
Net profit/(loss) attributable to the Group	**279.7**	**313.3**	**(33.6)**	**(10.7%)**

EBITDA

€ million	31/12/2022	31/12/2021	Change	% Change
Environment	101.6	63.7	37.9	59.4%
Commercial and Trading	90.0	80.5	9.5	11.7%
Overseas	33.0	27.4	5.6	20.4%
Water	669.0	655.3	13.7	2.1%
Energy Infrastructure	352.2	371.6	(19.4)	(5.2%)
Generation	89.8	79.5	10.3	12.9%
Engineering and services	13.2	17.3	(4.0)	(23.5%)
Corporate	(43.7)	(39.3)	(4.4)	11.3%
Total EBITDA	**1,305.0**	**1,256.1**	**48.9**	**3.9%**

Financial position data

€ million	31/12/2022	31/12/2021	Change	% Change
Net Invested Capital	7,194.9	6,504.9	690.1	10.6%
Net Financial Debt	(4,439.7)	(3,988.4)	(451.3)	11.3%
Consolidated Shareholders' Equity	(2,755.2)	(2,516.4)	(238.8)	9.5%

Investments

€ million	31/12/2022	31/12/2021	Change	% Change
Environment	46.2	36.1	10.1	28.0%
Commercial and Trading	49.6	49.4	0.2	0.3%
Overseas	5.8	4.6	1.2	26.4%
Water*	611.0	522.1	88.9	17.0%
Energy Infrastructure	268.8	274.5	(5.7)	(2.1%)
Generation**	30.3	39.4	(9.2)	(23.3%)
Engineering and services	5.8	9.9	(4.1)	(41.2%)
Corporate	32.7	34.4	(1.7)	(5.0%)
Total Investments	**1,050.1**	**970.4**	**79.7**	**8.2%**

*The figure for investments in the segment is shown gross of € 48.9 million for 2022 and € 22.8 million for 2021 which refer substantially to the investments financed.
** The value of investments in the area includes, for 2021, investments in discontinued operations for a value of € 16.0 million.

Net Financial Position

€ million	31/12/2022	31/12/2021	Change	% Change
Environment	351.5	320.1	31.4	9.8%
Commercial and Trading	(144.9)	(297.4)	152.5	(51.3%)
Overseas	(26.6)	(18.9)	(7.6)	40.3%
Water	1,796.2	1,681.4	114.8	6.8%
Energy Infrastructure	1,785.2	1,583.9	201.3	12.7%
Generation	160.5	237.0	(76.5)	(32.3%)
Engineering and services	24.0	28.1	(4.1)	(14.4%)
Corporate	471.6	443.1	28.5	6.4%
Total Net Financial Position	**4,417.5**	**3,977.2**	**440.4**	**11.1%**

SUMMARY OF OPERATIONS AND INCOME, EQUITY AND FINANCIAL PERFORMANCE OF THE GROUP

DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES

On 5 October 2015, ESMA (European Securities and Markets Authority) published its guidelines (ESMA/2015/1415) on criteria for the presentation of alternative performance measures which replace, as of 3 July 2016, the CESR/05-178b recommendations. These guidelines were transposed into our system with CONSOB Communication no. 0092543 dated 3 December 2015. In addition, on 4 March 2021 ESMA published the guidelines on the disclosure requirements deriving from the new Prospectus Regulation (Regulation EU 2017/1129 and Delegated Regulations EU 2019/980 and 2019/979), which update the previous CESR Recommendations (ESMA/2013/319, in the revised version of 20 March 2013). Starting from 5 May 2021, on the basis of CONSOB Call for Attention No. 5/21, the aforementioned ESMA Guidelines also replace the CESR Recommendation on debt. Therefore, under the new provisions, listed issuers will have to present, in the explanatory notes to their annual and semi-annual financial statements published from 5 May 2021 onwards, a new statement on debt to be drafted in accordance with the instructions in paragraphs 175 and following of the above ESMA Guidelines.

The content and meaning of the non-GAAP measures of performance and other alternative performance indicators used in these financial statements are illustrated below:

- For the Acea Group, the *EBITDA* is an operating performance indicator and from 1 January 2014 also includes the condensed result of equity investments in jointly-controlled entities for which the consolidation method changed when the international accounting standards IFRS 10 and IFRS 11 came into force. *EBITDA* is determined by adding Operating profit/loss (EBIT) to "Amortisation, depreciation, provisions and impairment", insofar as these are the main non-cash items;
- *financial debt* is represented and determined in accordance with the aforementioned ESMA guidelines and in particular paragraph 127 of the recommendations of document No. 319 of 2013, implementing Regulation (EC) 809/2004. This indicator is determined as the sum of short-term borrowings ("Short-term loans", "Current part of long-term loans" and "Current financial liabilities") and long-term borrowings ("Long-term loans") and the related derivative instruments ("Non-current financial liabilities"), net of "Cash and cash equivalents" and "Current financial assets";
- the *net financial position* is an indicator of the Acea Group's financial structure determined in continuation with previous years and used, as from this document, exclusively for information presented in the business areas in order to provide clear segment information that can be easily reconciled with the financial debt (ESMA) referred to above. This indicator is obtained from the sum of Non-current borrowings and Financial liabilities net of non-current financial assets (financial receivables and securities other than equity investments), Current financial payables and other Current financial liabilities net of current financial assets and Cash and cash equivalents;
- *net invested capital* is the sum of "Current assets", "Non-current assets" and Assets and Liabilities held for sale, less "Current liabilities" and "Non-current liabilities", excluding items taken into account when calculating the *net financial position*;
- *net working capital* is the sum of the current receivables, inventories, the net balance of other current assets and liabilities and current debts, excluding the items considered in calculating the *net financial position*.

INTRODUCTION

On 26 September, Fabrizio Palermo was appointed by the Board of Directors as the new Chief Executive Officer of Acea. Once he took office, Management prepared an action plan which strengthened the Groups results.

In the water sector, in November, Acea released the "doubling" project for Peschiera, one of ten works of national interest. The infrastructure has been operating without interruption for over 80 years and represents an essential structure for providing water services in the City of Rome. The creation of a parallel aqueduct means improving the security of the capital city's water supply and is a priority for Acea. Consequently, it has prepared a project, with an estimated cost of € 1.2 billion, of which € 700 million is covered by public resources allocated in the 2023 Stability Law.
Additionally, assignment of NRRP projects was opened up, mainly with reference to water, for around € 733 million total, in the areas of Lazio, Tuscany, Campania and Umbria, with a number of the tenders necessary for their execution, already begun in December. In particular, these projects call for actions to improve the efficiency of distribution networks, reduce the problem of dispersion, including digitising and monitoring networks, as well as modernising and creating new innovative treatment systems for processing wastewater sludge.

In the environmental area, in October, Acea received authorisation from the Lazio Region, initially requested on 20 August 2020, to improve the Waste to Energy Plant in San Vittore (prov. Frosinone). The project is fundamental in closing the waste cycle in Lazio and will improve waste-to-energy capacity by 186,000 tons per year, with an investment of over € 230 million.
In the same area, Acea has significantly increased its commitment to waste management in the City of Rome through direct treatment in its plants and logistics management relative to third-party plants, also located outside of Italy.

Acea has also further strengthened its position in central Italy, specifically:

- in Umbria, by creating a regional multiutility model through the aggregation of ASM Terni, a company which, among other things, offers waste selection, transport and collection services in the ITA 4 Umbria area;
- in Abruzzo, the Group completed the acquisition of Deco, a company which constructs and manages waste treatment plants. The scope of the business acquired in Abruzzo also includes a mechanical biological treatment plant, a photovoltaic plant, a biogas plant and two disposal plants;
- in Le Marche, Acea acquired Italmacero, a company offering mechanical treatment and recovery of separate urban and special non-hazardous waste, with a plant offering 13,000 tonnes of capacity;
- in the Province of Rome, Acea acquired a majority stake in Tecnoservizi, company offering mechanical treatment and recovery of separate urban and special non-hazardous waste, with a plant offering 210,000 tonnes of capacity.

On 1 March, Acea and a group of major domestic and international leaders in their respective sectors presented an indication of interest to participate in the tender for the assignment of the new Santa Palomba Waste to Energy Plant (prov. Rome).
With regard to public lighting and the electricity distribution grid, Acea was able to begin significant investments, also with an eye to the upcoming Jubilee, thanks to the renewed collaboration with the Municipality of Rome. In October, Acea completed a new high-voltage electrical line, south west of Rome, which strengthened the existing grid and will offer an estimated reduction in CO_2 production of almost 600,000 kg per year. Additionally, in late January, the Company launched an innovative metre in Rome which supports the balance between energy demand and supply.

The Group paid greater attention to managing costs and investments, establishing a timely revision of its procurement procedures to improve its competitive processes, allowing for a prompt reduction in costs and optimisation of investments and work orders. Additionally, lines of action were defined to contain credit risk, in part through prevention and managing the customer portfolio. These actions made it possible to contain costs while improving operating efficiency and recovering margins, with an overall benefit in the fourth quarter of around € 40 million, mitigating the extraordinary effects recognised in the same period, such as the increase in the extraordinary solidarity contribution pursuant to Article 37 of Decree Law 21/2022 ("extra-profit contribution") of around € 13 million, the increase in interest rates on financial management of around € 8 million and the increase in the impairment of receivables which with respect to the inertial scenario increased by around € 12 million.

Finally, in January 2023, Acea successfully returned to the equity market, completing the issue of two Green Bonds, for a total of € 700 million, at a rate of 3.875%, maturing in January 2031, further strengthening Acea's position as a sustainability leader.

SUMMARY OF RESULTS: ECONOMIC PERFORMANCE

Income statement data

€ million	2022	2021	Change	% Change
Revenue from sales and services	4,957.2	3,816.0	1,141.1	29.9%
Other revenue and proceeds	181.1	156.0	25.0	16.0%
Costs of materials and overhead	3,556.1	2,461.2	1,094.8	44.5%
Staff costs	305.1	275.8	29.2	10.6%
Profit / (loss) from non-financial equity investments	27.9	21.0	6.8	32.5%
EBITDA	**1,305.0**	**1,256.1**	**48.9**	**3.9%**
Amortisation, depreciation, provisions and impairment charges	739.2	675.0	64.2	9.5%
Operating profit/(loss)	**565.9**	**581.1**	**(15.2)**	**(2.6%)**
Financial operations	(85.7)	(85.9)	0.2	(0.2%)
Equity investments	17.8	7.8	10.0	128.2%
Profit/(loss) before tax	**497.9**	**503.0**	**(5.1)**	**(1.0%)**
Income tax	186.8	150.7	36.1	24.0%
Net profit/(loss)	**311.2**	**352.3**	**(41.2)**	**(11.7%)**
Profit/(Loss) due to third parties	31.4	39.0	(7.6)	(19.5%)
Net profit/(loss) attributable to the Group	**279.7**	**313.3**	**(33.6)**	**(10.7%)**

Compared to 31 December 2021 the following changes occurred in the consolidation scope:

- on 19 January 2022, the company AE Sun Capital was established, held for 40% by Acea Produzione and 60% by the investment fund Equitix Investment Management;
- on 20 January 2022, Acea Solar acquired 100% of the shares of the company SF Island with registered office in Acquapendente (Viterbo, Italy);
- on 8 February 2022, Acea Ambiente signed the deed of acquisition of 70% of the shares of S.E.R. Plast, a company operating in the recycling of plastic waste;
- at the end of March 2022, Acea finalised the sale of the photovoltaic holding company (Acea Sun Capital) to the British investment fund Equitix. The agreement for the transfer of assets was signed on 24 December 2021. With the closing of the operation, the newco AE Sun Capital Srl, 60% owned by Equitix and 40% by Acea Produzione, acquired from Acea Produzione the photovoltaic holding company of the Acea Group, the holder, through a number of vehicles, of a portfolio of photovoltaic plants, with a total installed capacity of 105 MW, of which 46 MW incentivised on the basis of different Energy Accounts and 59 MW for new construction already connected or being connected to the network.
- on 1 April 2022, a purchase agreement was signed by Adistribuzionegas for 30% of Romeo Gas as part of the sale by A2A of concessions for the natural gas distribution service;
- on 23 May 2022, Acea Ambiente signed the deed of acquisition for an additional 20% of the shares in Cavallari, brining its stake to 80%;
- on 30 June 2022, Acea Ambiente's acquisition of the business unit known as Polo Cirsu was signed after participation in the competitive bidding process begun with the notice of sale issued by the Court of Teramo. This business unit consists of (i) a landfill known as "Grasciano 1", completely depleted of authorised volumes, (ii) a landfill known as "Grasciano 2", consisting of an first lot of 234,000 m^3 and a second lot to be built, with an authorised volume of 246,000 m^3, and (iii) a recycling and composting plant and a platform to utilise separate waste;
- on 29 July 2022, Acea Solar signed the purchase of 17 vehicle companies in the Basilicata region (Poweris Group), each the holder of development projects for ground-mounted monoaxial photovoltaic plants. The total power is estimated at 338 MWp, with annexed storage systems for 170 MWp of power;
- on 1 September 2022, Acea Renewable 2 Srl and Fergas Solar 2 Srl were established, both 100% held by Acea Solar, to complete the transfer of photovoltaic assets for plants constructed in the industrial and agricultural area. The establishment of the two companies is part of the project to deconsolidate the photovoltaic segment, begun on 22 March 2022 and which calls for a second closing, involving the transfer of plants that will be connected and operating on the date of the transaction;
- on 1 October 2022, the partial demerger of Romeo Gas SpA was completed, implemented by assigning equity shares in favour of Adistribuzionegas Srl. The purpose of the operation is part of an overall corporate reorganisation to achieve more efficient management of gas distribution concessions;
- on 4 October 2022, Acea Ambiente signed the acquisition of 70% of the capital of Tecnoservizi Srl, a company that offers separate urban waste treatment and recovery services. The company's authorised capacity is treatment of 210,000 tonnes per year in the province of Rome, coming from separate waste of municipalities, entities and businesses;

- on 3 November 2022, Acea Ambiente, through its subsidiary Cavallari Srl, completed acquisition of 100% of Italmacero Srl, a company operating in the mechanical treatment and recovery of separate urban waste (mixed packaging, monomaterial fractions) and special non-hazardous waste;
- on 22 November 2022, the reverse merger by incorporation of AE Sun Capital with the subsidiary Acea Sun Capital was complete. The merger is part of an investment project involving the renewable energy sector and was implemented to achieve advantages through the unification of processes, structures, achieving synergies and economies of scale, as well as cost efficiencies;
- on 6 December 2022, the closing of the initial stage of the business combination with ASM Terni was signed, following the completion public procedure initiated by the latter. The operation is intended to create a single operator working in the integrated water cycle, environment and electricity and gas distribution and sales sectors, During the first half of 2023, a second closing is planned, which will lead to an increase in the equity investment held in ASM Terni. Therefore, Acea is the industrial partner to achieve the established objectives and fully consolidates the company based on the agreements signed, also in accordance with shareholders' agreements and by-laws;
- on 19 December 2022, DROPMI Srl was established, which carries out research and engineering for next-generation water metres which can operate and be monitored remotely, and also develops smart water solutions for the domestic and international markets.

Lastly, with reference to the 2021 financial year, it should be noted that:

- on 6 October 2021, the Consorcio Acea Lima Sur was established by Acea Perù (99%) and Acea Ato2 (1%) for the management of the water and sewer network in the Lima South zone, with a three-year contract;
- on 14 October 2021 Acea Ambiente acquired 60% of MEG, an operator active in Italy offering professional consultancy for the construction of municipal solid waste packaging treatment plants;
- on 30 November 2021 Acea Ambiente acquired 65% of Deco, a waste management company whose activities also include the construction and operation of relevant plants. The company also holds a 21.8% investment in Picena Ambiente and owns 100% of Ecologica Sangro, a company active in the integrated management of solid urban waste in the Frentano and Sangro Aventino district area. The company itself holds a 75% stake in the Ecofrentano consortium;
- on 22 December 2021 Acea Ambiente acquired 90% of AS Recycling, a company that is currently inactive but which will become a Corepla affiliated centre for secondary plastic SRF recycling (Breakdown of plastics into the various polymer categories for sorting).

The table below shows the main impact of the change in the consolidation scope at 31 December 2022 (gross of intercompany adjustments).

€ million	A.S. Recycling	Deco Group	MEG	Consorcio Lima Sur	Energy Box	Powertis Group	ASM Terni	Tecnoservizi/ Italmacero	S.E.R. Plast	SF Island	Total
Consolidated net revenue	0.0	53.6	12.2	7.8	(11.2)	0.0	8.3	5.8	5.6	0.0	**82.1**
Consolidated operating costs	0.1	44.7	10.6	6.1	(1.6)	0.0	7.0	4.8	4.8	0.1	**76.5**
EBITDA	(0.1)	8.9	1.6	1.7	(10.2)	(0.0)	1.3	1.0	0.9	(0.1)	**5.0**
Operating profit/(loss)	(0.2)	2.4	(0.3)	1.5	(1.4)	(0.0)	(0.1)	0.4	(0.7)	(0.1)	**1.5**
Profit/(loss) before tax	(0.2)	1.9	(0.3)	1.4	0.7	(0.0)	(0.3)	0.1	(0.8)	(0.3)	**2.2**

At 31 December 2022, revenue from sales and services came to € 4,957.2 million, up € 1,141.1 million (+29.9%) on the previous year, mainly due to the increase in revenue from electricity sales (+€ 812.4 million) primarily attributable to higher unit prices, offset, to a small extent, by lower quantities.
Electricity sales on the Free Market totalled 6,331 GWh with a 3.5% reduction on the previous year, while electricity sales on the Greater Protection Service totalled 1,411 GWh with a 16.7% decrease on an annual basis. This reduction was affected by the automatic assignment of "small" customers and "micro" enterprises to the Gradual Protection Service, created starting from 1 January 2021 and in part to the decrease in the number of customers.

Also contribution to the increase is **i)** revenue from sustainable development (+€ 90.2 million) deriving from Acea Innovation energy efficiency projects (+€ 36.6 million), revenue from income deriving from smart services (+€ 38.6 million) and income associated with trading of CO_2 emission rights by Acea Energia (+€ 14.2 million), **ii)** revenue from the integrated water service (+€ 74.9 million), mainly due to the increase in tariff revenue, for the most part attributable to GORI (+€ 45.9 million) and SII (+€ 9.8 million) with reference to pass-through items, mainly associated with greater energy costs and Acea Ato2 (+€ 15.4 million), **iii)** revenue from gas sales (+€ 77.0 million) mainly attributable to Acea Energia (+€ 55.2 million) and Umbria Energy (+€ 20.2 million) and significantly influenced by price increases, **iv)** revenue from waste delivery and landfill management (+€ 47.2 million), mainly due to the change in the scope of consolidation (+€ 58.7 million), partially offset by the reduction seen by Demap (-€ 4.2 million) as a consequence of lower quantities entering the plant, the reduction for Acea Ambiente (-€ 5.2 million) due to the combined effects of the tariff component and fewer deliveries to the San Vittore and Terni plant, **v)** revenue from services to customers (+€ 34.1 million) deriving in part from the increase in the change in inventories for SIMAM (+€ 7.7 million), higher fees for public lighting services provided for Rome Capital due to price trends for the energy component (+€ 17.2 million) and for the remaining part due to the change in the scope of consolidation (+€ 8.4 million), **vi)** revenue from foreign management (+€ 18.8 million) which mainly suffered from foreign exchange effects.
Lastly, these increases were offset by lower revenue from electricity

incentives (€ 16.8 million), mainly attributable to Acea Produzione, due to the price effect and lower volumes produced.

Other revenue shows an increase of € 25.0 million (+16.0%) compared to the previous year. This increase is due to opposing effects and was mainly influenced **i)** by payment of technical quality premiums for the companies in the water sector (+€ 26.9 million for line-by-line consolidated companies) for 2018-2019 (Resolution 183/2022/R/idr of 26 April 2022), **ii)** higher reimbursements for damages and penalties (+€ 3.5 million), **iii)** the positive effects of the resilience plan for € 3.3 million (Areti), higher revenue from regional contributions (+€ 4.6 million), mainly relative to Umbria Energy and SII, **iv)** higher revenue recorded by GORI (+€ 9.8 million), mainly due to the recognition of the tax credit consequent to energy cost increases, **v)** from lower contingent assets (-€ 11.8 million), mainly influenced by lower allocations of energy items relative to previous years for financial year 2021, **vi)** lower contributions recognised by Areti for the fund for energy and environmental services (CSEA), relative to energy efficiency certificates (-€ 9.3 million), determined by lower acquisitions made compared to the previous year and the determination of a lower contribution. Finally, the change in the scope of consolidation impacted the increase for a total of € 4.7 million.

External costs increased overall by € 1,094.8 million (+44.5%) compared to 31 December 2021. The change was mainly due to the following: **i)** higher costs for the procurement of electricity on the free market, on the gradual protection market (+€ 902.7 million) in line with the trend in revenue; **ii)** higher costs for to purchase materials (+€ 35.0 million) partly attributable to the change in scope (+€ 6.9 million) and partly to lower capitalised costs (+€ 16.1 million); **iii)** higher costs for services (+€ 139.7 million), of which € 40.7 million is attributable to the change in scope, € 32.4 million derives from e-efficiency projects, and € 18.1 million derives from smart service activities, in line with what is recognised in revenue, as well as higher costs for electricity consumption (€ 29.4 million), as a consequence of the previously cited increase in market prices; **iv)** higher costs to lease third-party assets, mainly attributable to the Parent Company and associated with higher costs for software application licenses for € 9.6 million.

The cost of labour increased compared to the previous year by € 29.2 million (10.6%), mainly influenced by the change in the scope of consolidation (+€ 12.8 million) and, for the remaining part, for the most part as a consequence of using less personnel on multi-year projects, the increase in salaries and wages deriving from new hires and stabilisation carried out in 2022, as an effect of higher payment components and adjustments to national collective labour contracts.

The average number of employees was 10,211 and increased by 948 compared to the previous year, owing mainly to the change in scope (+838 employees).

€ million	2022	2021	Change	% Change
Personnel costs including capitalised costs	499.1	469.1	30.0	6.4%
Costs capitalised	(194.0)	(193.3)	(0.8)	0.4%
Staff costs	**305.1**	**275.8**	**29.2**	**10.6%**

Income from equity investments of a non-financial nature represents the consolidated result according to the equity method included among the components forming the consolidated EBITDA of the strategic companies.

€ million	2022	2021	Change	% Change
EBITDA	**150.8**	**123.6**	**27.2**	**22.0%**
Amortisation, depreciation, provisions and impairment charges	(108.3)	(91.9)	(16.4)	17.8%
Equity investments	(3.2)	(2.5)	(0.7)	28.0%
Income tax	(11.5)	(8.2)	(3.3)	40.1%
Income from equity investments of a non-financial nature	**27.9**	**21.0**	**6.8**	**32.5%**

EBITDA for these companies increased by € 6.8 million, mainly from the increases recorded by Publiacqua (+€ 3.8 million) and Acque (+€ 2.1 million), partially due to lower amortisation/depreciation and partially due to contingent assets.
Group EBITDA rose from € 1,256.1 million at 31 December 2021 to € 1,305.0 million at 31 December 2022, recording an increase of € 48.9 million or 3.9%. The change in the consolidation scope (before intercompany elisions) accounts for € 5.0 million, owing mainly to the opposite effects deriving from the consolidation of the Deco Group (€ 9.0 million) and MEG (€ 1.6 million), Tecnoservizi (€ 0.9 million), Consorcio Lima Sur (€ 0.9 million), offset in part by the effects of the deconsolidation of the photovoltaic companies (€ 8.7 million) for the transfer of control of the holding company Acea Sun Capital and its subsidiaries (the so-called "Energy Box"). With the same scope, EBITDA grew by € 43.0 million and mainly derived from the following contrasting effects: **i) Environment Segment** +€ 25.6 million from the combined effects of the increase recorded by Acea Ambiente (+€ 30.7 million) due to greater margins generated from sales of electricity due to the positive effect of sales prices (+€ 27.0 million), mainly deriving from the Terni and San Vittore plants. These greater margins were only partially offset by lower volumes and higher costs for € 7.0 million. Also note the positive effects coming from the sale of CO_2 rights following resolution no. 66/22 with which the national committee for management of Directive 2003/87/EC and for support in the management of the project activities of the Kyoto Protocol, resolved in relation to the UL1 Plant in Terni, the revocation of authorisation to emit gas, all effective retroactively from 1 January 2021, with the consequence that the EUA quotas for 2021 were sold for a total amount of € 11.1 million and for € 2.5 million for 2022. The reduction of € 1.1 million recorded by Demap, due to lower margins generated following lower quantities entering the plant and, lastly,

the lower margins recorded by Berg (-€ 1.7 million) on liquid processing also contributed to the change; **ii) Generation Segment** +€ 21.6 million for higher revenue from electricity sales (+€ 51.8 million), following price increases on energy markets (+€ 298/MWh), partially offset by lower volumes produced (-95 GWh) compared to the previous year, as well as effects deriving from the Supports Decree Law on revenue from the Sant'Angelo power plant (-€ 18.3 million), the effects of the Financial Law (Law 197/2022) on revenue from renewable source power plants not already falling under the scope of the Supports Decree Law (-€ 2.2 million) and for higher revenue from district heating (+€ 4.4 million) due to higher prices compared to the previous year. These increases were offset by lower revenue for managing the electricity incentive payment (GRIN) for € 13.2 million, lower fees for the energy account (€ 3.0 million), lower margins deriving from PV plants following the transfer of certain plants to Acea Green at the end of 2021 and higher external costs (€ 17.3 million); **iii) Water Segment** +€ 12.4 million, mainly due to the payment of technical quality bonuses for 2018-2019 (+€ 26.9 million for fully-consolidated companies) only partially offset by non-existent liabilities deriving from tariff components of previous years recalculated when the 2020-2023 tariff was established (+€ 20.1 million) and, in part, by the lower margin recorded by GORI (-€ 8.5 million) as a consequence of non-recognition of the tariff, following the tariff update, mainly for the AMM.Fo.Ni. portion not recognised for investments for 2022 and 2023, and higher costs for sludge disposal and Acea Ato5 (-€ 3.6 million); **iv) Overseas Segment** +€ 3.9 million deriving, in part, from foreign exchange gains (€ 3.6 million) and for the rest from Acea Dominicana (+€ 0.7 million) for more reconnections following disconnections, as well as an increase in the number of users; **v) Commercial and Trading Segment** +€ 9.5 million due to the increase seen in the margin for energy efficiency activities and smart services totalling € 10.0 million; the energy margin fell slightly compared to the previous year; **vi) Engineering and Services Segment** -€ 4.0 million, attributable to Acea Elabori for € 1.4 million, consequent to the reduction in business and the margin due to tariff updates; margins also fell for Ingegnerie Toscane (€ 2.5 million) due to the Acque's internalisation, starting in the second half of 2022, of the loss research, remote control and SIT sectors; **vii) Corporate Segment** -€ 4.4 million due to higher costs incurred compared to the previous year, in particular with reference to ITS costs, only partially offset by greater chargebacks to Group companies; higher costs were also recorded for strategic consulting and higher personnel costs. Compared to the past year, there was a reduction in costs incurred for the COVID-19 emergency; **viii) Energy Infrastructure Segment** -€ 19.4 million due to the contrasting effects of energy balancing (-€ 26.0 million) due to the effects of the reduction in the WACC (from 5.9% to 5.2%) and the lower margin deriving from the open fibre contract. These effects were partially offset by higher revenue from effects associated with resilience (+€ 3.3 million) and lower costs for services and personnel. Additionally, there was an improvement in margins recorded for business linked to management of the public lighting service in the Municipality of Rome (+€ 3.3 million) due to the lower cost of personnel (grid-IP integration project), as well as in the increase in the fee for the Municipality of Rome.

EBIT amounted to € 565,9 million and decreased by € 15.2 million compared to the previous year. Below are details of the items influencing EBIT.

€ million	2022	2021	Change	% Change
Depreciation/amortisation and impairment losses	594.6	546.6	48.0	8.8%
Net write-downs (write-backs) of trade receivables	113.4	86.2	27.2	31.5%
Provisions and releases for risks and charges	31.2	42.1	(11.0)	(26.1%)
Amortisation, depreciation, impairment and provisions	**739.2**	**675.0**	**64.2**	**9.5%**

The increase in depreciation, amortisation and impairment (+€ 48.0 million) is mainly linked to investments in the period and the ongoing entry into operation of assets, with particular reference to companies in the water segment (+€ 36.7 million). For this item, the change in the consolidation scope is influenced by the opposing effects deriving from the increase in depreciation and amortisation in the environment segment (+€ 11.8 million), partially offset by the decrease in depreciation and amortisation in the generation segment (-€ 8.8 million) as a result of the cited sale transaction in March 2022. For more information, please see the section "Application of IFRS 5".

Impairment of receivables, although up compared to the previous year (+€ 27.1 million), maintained essentially the same impact in terms of total Group revenue (2.20% vs. 2.17%). This result, in the absence of any particular issues in amounts collected during 2022, is associated, beyond certain extraordinary items, with business growth and the introduction of a stress scenario for the main Group companies, in order to anticipate potential impairment of customer creditworthiness that may not be identified through current performance but derives from satellite models based on macroeconomic and business information.

Provisions made and released for risks and charges fell compared to the previous year (-€ 11.0 million), mainly due to the contrasting effects of **i)** lower provisioning done by Acea Energia (-€ 6.7 million), in part due to the release of the provision allocated for the AGCM sanction following the Lazio Regional Administrative Court ruling that cancelled the provision, due to the compliance of Acea Energia's actions with the reference regulations, as reconstructed by ARERA in its opinion issued as part of the proceedings (€ 2.6 million), **ii)** lower provisioning by Acea Ato2 (-€ 4.8 million) and by Acea Ato5 (-€ 2.6 million), and **iii)** greater provisioning by the parent company (+€ 4.1 million) for redundancy and mobility.

The result of financial operations shows net expenses of € 85.7 million, slightly down compared to 2021 as a consequence of the opposing effects deriving from the higher financial income from discounting recorded by GORI (+€ 11.0 million) due to the re-scheduling of debt associated with the Campania Region and from higher interest on receivables from customers (+€ 1.4 million), offset by higher expenses on commissions for receivables due to higher transfers in 2022 (+€ 9.0 million) mainly attributable to Areti. Also note higher interest on arrears (+€ 2.2 million) mainly attributable to Acea Energia and interest on bond loans and medium/long-term

debt (+€ 2.2 million). The average overall all-in cost of the Acea Group's debt stood at 1.44% compared to 1.42% the previous year.

Income and expense from equity investments show net income of € 17.8 million and mainly refer to the recognition of net capital gains, totalling € 16.4 million, following the disposal of a group of photovoltaic plants as part of the agreement signed with the British investment fund Equitix.

The estimate of fiscal charges amounted to € 186.8 million, compared to € 150.7 million in the previous year. The total increase of € 36.1 million derived partly from the extraordinary solidarity contribution set out by Article 37 of Law Decree 21/2022 (so-called excess profit contribution) for parties that produce electricity and are involved in the resale of electricity, methane and natural gas within national boundaries and by Article 1 of Law 197/2022. The total amount for the Group is € 38.5 million. The tax rate for 2022 was 37.6% (30.0% on 31 December 2021) considering the effect of the aforesaid contribution. The normalised tax rate was 29.8%.

The net profit attributable to the Group was € 279.7 million and showed a decrease of € 33.6 million compared to the previous year.

SUMMARY OF RESULTS: TRENDS IN FINANCIAL POSITION AND CASH FLOWS

Financial position data

€ million	31/12/2022	31/12/2021	Change	% Change
Non-current assets and liabilities	7,847.0	7,200.1	646.8	9.0%
Net working capital	(652.0)	(695.3)	43.3	(6.2%)
Net Invested Capital	7,194.9	6,504.9	690.1	10.6%
Net Financial Debt	(4,439.7)	(3,988.4)	(451.3)	11.3%
Total Shareholders' equity	**(2,755.2)**	**(2,516.4)**	**(238.8)**	**9.5%**

Non-current assets and liabilities

Compared to 31 December 2021, the non-current assets and liabilities increased by € 646.8 million (9.0%). The change refers to the effects of opposing trends, as follows: **i)** increase of fixed assets as a consequence of investments and acquisitions in the period net of depreciation and amortisation; **ii)** increase in equity investments mainly due to the results for the period and the change in scope due to the consolidation using the equity method for Acea Sun Capital and its subsidiaries and the photovoltaic companies of the Powertis Group; **iii)** decrease in other non-current assets mainly due to the deconsolidation of the photovoltaic companies, control of which was transferred to the British fund Equitix on 31 March 2022. At 31 December 2021, the item included the values of assets and liabilities held for sale (equal to € 168.4 million and € 47.4 million, respectively), in compliance with the provisions of international accounting standard IFRS 5 (for more information, please see the section "Application of IFRS 5"). The item "other non-current assets" was also affected by the net effect of the increase in long-term receivables due to tariff adjustments (+€ 26.8 million) and financial receivables for the fair value of hedging derivatives (+€ 13.7 million), net of the decrease in deferred tax assets (-€ 22.8 million); **iv)** the increase in the provision for risks, mainly as a consequence of the consolidation of ASM Terni (+€ 10.4 million) and the recognition of the post-mortem provisions for Acea Ambiente (formerly Polo Cirsu), Deco and Ecologica Sangro.

€ million	31/12/2022	31/12/2021	Change	% Change
Tangible/intangible fixed assets	7,383.0	6,705.2	677.8	10.1%
Equity investments	351.9	295.2	56.7	19.2%
Other non-current assets	844.6	969.6	(125.1)	(12.9%)
Employee severance indemnity and other defined-benefit plans	(113.0)	(120.2)	7.2	(6.0%)
Provisions for risks and charges	(218.0)	(193.3)	(24.7)	12.8%
Other non-current liabilities	(401.5)	(456.5)	54.9	(12.0%)
Non-current assets and liabilities	**7,847.0**	**7,200.1**	**646.8**	**9.0%**

The change in intangible fixed assets was mainly due to investments, which reached € 1,050.1 million, counterbalanced by depreciation,

amortisation and impairment, totalling € 594.6 million.

The investments made by each Industrial Area are shown below.

Investments

€ million	31/12/2022	31/12/2021	Change	% Change
Environment	46.2	36.1	10.1	28.0%
Commercial and Trading	49.6	49.4	0.2	0.3%
Overseas	5.8	4.6	1.2	26.4%
Water	611.0	522.1	88.9	17.0%
Energy Infrastructure	268.8	274.5	(5.7)	(2.1%)
Generation	30.3	39.4	(9.2)	(23.3%)
Engineering and Services	5.8	9.9	(4.1)	(41.2%)
Corporate	32.7	34.4	(1.7)	(5.0%)
Total investments	**1,050.1**	**970.4**	**79.7**	**8.2%**

The Environment Segment made investments of € 46.2 million, which increased by € 10.1 million compared to 31 December 2021. The investments of the segment refer mainly to Acea Ambiente (+€ 28.9 million) and regard plant improvements carried out at the plants in San Vittore and Aprilia, the WTE plant in Terni and the one in Monterotondo Marittimo; The investments made by Cavallari (+ € 2.9 million) for the purchase of an industrial shed and a shredder and the change in scope for € 8.3 million contributed to the increase. These increases were in part offset by lower investments recorded by Berg (-€ 1.2 million).

The Commercial and Trading Segment recorded investments of € 49.6 million, in line with 31 December 2021. Investments, mainly referring to Acea Energia, were related to the cost of acquiring new customers under the terms of IFRS 15 (€ 28.6 million) as well as implementation of the new CRM and significant improvements to the support systems for the management of Contact Centre processes and the analysis and monitoring of customer margins (€ 13.9 million). The e-mobility projects of Acea Innovation (€ 5.3 million) and Umbria Energy (€ 1.5 million) contributed to the investments of the Segment.

The Overseas Segment recorded investments of € 5.8 million, up compared to the previous year (+€ 1.2 million) and mainly relative to Aguas de San Pedro.

The Water Segment made total investments for € 611.0 million, an increase of € 88.8 million on the previous year. In particular, higher investments were made by Acea Ato2 (+€ 70.6 million), GORI (+€ 7.6 million), Acquedotto del Fiora (+€ 2.7 million) and SII (+€ 3.5 million). They refer mainly to extraordinary maintenance work, reconstruction, modernisation and expansion of plants and networks, the reclamation and expansion of water and sewer pipes of the various Municipalities and work on purification and transport plants (ducts and feeders). The change in the scope of consolidation mainly refers to ASM Terni, for € 1.8 million.

The Energy Infrastructure Segment contributed to total investments for € 268.8 million and recorded a decrease of € 5.7 million compared to the previous year. The investments refer mainly to Areti and are attributable to the expansion and upgrading of the HV, MV and LV grids, the mass replacement of 2G metering groups, work on the primary stations, secondary substations and meters, and remote control equipment as part of the grid "Adequacy and Safety" and "Innovation and Digitalisation" projects. This was all intended to improve the quality of the service and increase resilience. Intangible investments refer to projects for the re-engineering of information and commercial systems. The Public Lighting sector contributed for € 1.5 million (-€ 2.3 million compared to the previous year).

The Generation Segment made investments for € 30.3 million, down by € 9.2 million compared to 31 December 2021 due to lower investments recorded by Acea Produzione (-€ 7.3 million) and the photovoltaic segment (-€ 2.5 million).
Investments made by Acea Produzione mainly refer to work to upgrade hydroelectric plants, in particular Salisano and S. Angelo, as well as the expansion and restoration of the district heating grid in the Mezzocammino district in the southern area of Rome, and the upgrading and maintenance of photovoltaic plants. Investments in the photovoltaic area mainly refer to investments made by Acea Solar to build photovoltaic plants on agricultural and industrial land and investments made by the newly acquired SF Island.

The Engineering & Services Segment recognised investments for € 5.8 million, mainly attributable to Acea Elabori, down by € 4.1 million mainly due to fewer purchases of equipment and software.

The Corporate Segment made investments for € 32.7 million, down slightly compared to the previous year (-€ 1.7 million), mainly for software licences, IT and hardware development, as well as investments in the company offices.

Equity investments increased by € 56.7 million compared to 31 December 2021. The change is determined by the increase in the valuation of companies consolidated with the equity method (+€ 28.0 million), plus the change in the consolidation scope (+€ 24.6 million) due to the consolidation at equity of **(i)** Acea Sun Capital (€ 12.3 million) as of the end of March 2022, **(ii)** the photovoltaic companies acquired by the Powertis Group (€ 9.1 million), **(iii)** DROPMI, which researches and engineers next-generation water metres, and **(iv)** the stake held by ASM Terni of Umbria Distribuzionegas. The remaining change mainly refers to the effects of the distribution of dividends (-€ 3.4 million) and changes in OCI (+€ 6.5 million).
The stock of **employee severance indemnity and other defined benefit plans** reported a decrease of € 7.2 million, mainly due to

the increase in the rate used (from 1% at 31 December 2021 to 4% at 31 December 2022).

Provisions for risks and charges increased by € 24.7 million compared to the end of the previous year, mainly following consolidation of ASM Terni (+€ 10.4 million) and the recognition of the post mortem provisions of Acea Ambiente (formerly Polo Cirsu), Deco and Ecologica Sangro, represented in the table under the "Other Changes" column. Provisioning during the period mainly refers to provisions for redundancies and mobility (€ 20.2 million), provisioning for regulatory risks (€ 5.0 million), mainly for higher fees for the derivation of water for hydroelectric use coming from the Sangro, Aventino and Verde rivers to serve the S. Angelo Power Plant, requested from the Abruzzo Region for 2014-2021 and extra BIM (Bacino Imbrifero Montani) fees for the Nera and Aniene rivers (€ 3.3 million), in Acea Produzione, as well as provisioning for other risks (€ 7.3 million), mainly for Areti and associated with penalties, reserves for tenders, investigation rights for IP licenses and ARERA resolution 604/2021 (€ 4.7 million).
The details by nature of the provisions are presented below:

€ million	31/12/2021	Utilisations	Provisions	Release for excess provisions	Other changes	31/12/2022
Legal	16.3	(3.2)	3.0	(1.1)	(0.4)	14.6
Taxes	7.3	(0.8)	0.4	(1.1)	0.0	5.7
Regulatory risks	31.0	(1.8)	5.0	(2.6)	0.0	31.6
Investees	7.5	0.0	0.0	0.0	0.7	8.2
Contributory risks	1.1	(0.1)	0.6	(0.0)	0.0	1.5
Insurance deductibles	10.9	(2.2)	2.2	0.0	0.0	10.9
Other risks and charges	26.1	(3.1)	7.3	(3.3)	1.0	28.0
Total provision for risks	**100.1**	**(11.2)**	**18.4**	**(8.1)**	**1.2**	**100.4**
Early retirements and redundancies	27.5	(19.7)	20.2	0.0	0.0	28.0
Post mortem	53.1	(0.5)	0.3	0.0	15.3	68.3
Provision for expenses payable to others	12.6	(4.7)	0.6	(0.2)	12.9	21.2
Total provisions for expenses	**93.2**	**(24.8)**	**21.1**	**(0.2)**	**28.3**	**117.6**
Total provisions for risks and charges	**193.3**	**(36.0)**	**39.6**	**(8.4)**	**29.5**	**218.0**

Net working capital

The change in net working capital compared to 31 December 2021 is attributable mainly to an increase in current receivables of € 195.8 million, the increase in other current assets (€ 73.1 million) partially offset by the increase in current payables of € 166.4 million, and the increase of other current liabilities of € 77.3 million.

€ million	31/12/2022	31/12/2021	Change	% Change
Current receivables	**1,267.4**	**1,071.6**	**195.8**	**18.3%**
- *of which end users/customers*	*1,216.1*	*1,027.0*	*189.2*	*18.4%*
- *of which Roma Capitale*	*37.7*	*34.5*	*3.2*	*9.2%*
- *of which from subsidiaries and associates*	*13.7*	*10.2*	*3.5*	*33.9%*
Inventories	**104.5**	**86.4**	**18.1**	**20.9%**
Other current assets	**485.1**	**412.0**	**73.1**	**17.7%**
Current payables	**(1,850.0)**	**(1,683.6)**	**(166.4)**	**9.9%**
- *of which suppliers*	*(1,802.6)*	*(1,614.9)*	*(187.6)*	*11.6%*
- *of which Roma Capitale*	*(40.3)*	*(62.5)*	*22.1*	*(35.5%)*
- *of which from subsidiaries and associates*	*(7.1)*	*(6.2)*	*(0.9)*	*15.0%*
Other current liabilities	**(659.1)**	**(581.8)**	**(77.3)**	**13.3%**
Net working capital	**(652.0)**	**(695.3)**	**43.3**	**(6.2%)**

Receivables from users and customers, net of provisions for impairment of receivables, amounted to € 1,216.1 million and are up by € 189.1 million compared to 31 December 2021. Note: **i)** an increase in receivables in the **Commercial and Trading** segment of € 180.3 million, mainly attributable to Acea Energia (+€ 141.0 million) and Acea Innovation (+€ 38.2 million); **ii)** an increase in receivables in the **Generation** segment for € 2.3 million, mainly linked to Ecogena and Acea Produzione (+€ 2.1 million); **iii)** an increase in receivables in the **Environment** segment for € 5.7 million, mainly associated with the consolidation of Tecnoservizi (+€ 7.9 million) and S.E.R. Plast (+€ 1.1 million), as well as the increase seen by Deco (+€ 3.9 million) and Consorzio Ecologico del Frentano (+€ 1.9 million), partially offset by the reduction recorded by Acea Ambiente (-8,3 million) and Ecologica Sangro (-€ 1.5 million); **iv)** an increase in receivables for the **Overseas** segment of € 2.9 million mainly due to the increase in receivables for Consorcio Acea Lima Sur (+€ 0.8 million), Aguas

de San Pedro (+€ 0.6 million) and Acea Dominicana (+€ 0.5 million); **v)** a reduction for the **Engineering and Services** segment for € 0.8 million associated with the contrasting effects recorded by TWS (+€ 2.6 million) and SIMAM (-€ 3.9 million); **vi)** a reduction in the **Infrastructure and Energy** segment of € 7.5 million relative to Areti.

The provision for doubtful receivables amounted to € 615.3 million, up compared to 31 December 2021 (€ 595.2 million). Receivables totalling € 1,332.0 million were transferred without recourse during 2022, of which € 310.1 million to the Public Administration.

As regards relations with Roma Capitale, the net balance at 31 December 2022, as highlighted in the table below was € 1.7 million due to the Group (the payable balance at 31 December 2021 was € 32.2 million).
Trade and financial receivables recorded an overall increase of € 3.1 million compared to the previous year, mainly due to accrual in the period and collections. The main changes in the year are as follows:

- higher receivables of Acea Ato2 for the supply of water for € 51.3 million;
- higher receivables referable to the Public Lighting service for € 53.4 million;
- collection/offsetting of receivables relating to the Public Lighting service for € 56.5 million;
- collection/offset of receivables of Acea Ato2 for € 48.5 million.

Payables decreased by € 33.8 million compared to the previous year. The main changes during the period are as follows:

- higher payables due to the recognition of Acea dividends for 2021 for € 92.3 million;
- higher payables due to the recognition of Acea Ato2 dividends for 2021 for € 2.6 million;
- higher payables due to the recognition of the portion accrued related to the Acea Ato2 concession fee, for € 25.3 million;
- higher payables due to the recognition of the accrued portion relative to COSAP for € 1.7 million;
- payment of Acea share dividends for 2019 and 2020 for a total of € 56.5 million;
- payment of Acea Ato2 concession fees for 2018, 2020 and 2021 for a total of € 35.2 million;
- payment of Acea Ato2 share dividends for 2020, totalling € 2.2 million;
- payment of electricity surcharges prior to 2012 for Acea Energia, totalling € 7.7 million;
- payment by Areti of COSAP liabilities referring to 2017, 2018 and 2021 for a total of € 4.4 million;
- payment of Areti payables for road work totalling € 2.7 million;
- Acea paid Roma Capitale 50% of the 2021 dividends amount, equal to € 46.2 million;
- Areti paid various Rome Capitale municipalities the amounts due for road excavation permits for a total of € 14.9 million, as well as payment of the COSAP payable for € 1.7 million;
- Acea Ato2 through offsetting paid share dividends for the year 2021 totalling € 2.6 million.

With specific reference to just offsetting operations during the year, summarised above, below are details on the main operations by month:

- April 2022: offsetting of receivables for € 3.6 million for works relating to the Public Lighting service, offsetting Acea's share dividends for 2019;
- May 2022: offsetting of receivables for € 7.4 million for fees for the last quarter of 2021 for Public Lighting, offsetting Acea's share dividends for 2019;
- July 2022: offsetting of receivables for € 16.0 million related to the supply service against the Acea Ato2 concession fee for 2021;
- July - August 2022: offsetting of receivables for € 15.4 million for fees for September 2021 and the first quarter of 2022 for the Public Lighting services, as well as works also associated with the Public Lighting services against Acea share dividends for 2019;
- September 2022: offsetting of receivables for € 4.8 million relating to the water supply service against Acea Ato2's share dividends for 2020 and 2021;
- September 2022: offsetting of receivables for € 9.1 million for fees for 2022 for the Public Lighting Service, offsetting Acea's share dividends for 2019 and 2020;
- November 2022: offsetting of receivables for € 10.2 million for modernisation and extraordinary maintenance for 2021 for the Public Lighting grid offsetting Acea's share dividends for 2020;
- December 2022: offsetting of receivables for € 10.8 million for fees for the third quarter of 2022 for Public Lighting, offsetting Acea's share dividends for 2020;
- December 2022: collection of Acea Ato2 receivables for € 8.4 million relative to the water supply services.

Note that on 2 January 2023, Acea Ato2 paid the balance of the payable for the concession fee for 2021 (€ 2.3 million) and a portion of the payable for the concession fee for 2022, for € 6.1 million.

Recall that as part of the activities required for the first consolidation of the Acea Group in the 2018 Financial Statements of Roma Capitale, a round table was launched to reconcile the Roma Capitale receivables and payables. The Group companies chiefly concerned are Acea and Acea Ato2. After several meetings and communications, on 22 February 2019 the Technical Department of the Municipality (SIMU) in charge of the management of the contracts with the Acea Group communicated several objections relating to the supply of both works and services for the period 2008-2018. These objections were completely rejected by the Group. In order to arrive at a complete resolution of the differences, during 2019 a specific Joint Technical Committee was set up with the Acea Group. Following several meetings, on 18 October 2019, the Joint Technical Committee drew up a report on the closure of the work, highlighting the results that emerged and proposing a favourable restart of the ordinary execution of the mutual obligations between the Acea Group and Roma Capitale. As a first step after the completion of the work, the parties took steps to implement the results that emerged from the discussions, restarting the payment of their respective receivables and payables.
For the Public Lighting contract at the end of 2020 the AGCM made its position clear regarding the legitimacy of the existing contract, to this day a source of audits, works and joint investigation. Among other things, the measure also gave rise to audits on the congruity of the prices applied. In February 2021, following the aforesaid feedback and works, Roma Capitale confirmed the absolute congruity and convenience of the current economic terms with respect to the CONSIP parameters. Hence, again in 2021, while awaiting the conclusion and finalisation of these aspects,
Acea continued to provide the Public Lighting service. The service has therefore been invoiced and has partly already been paid by Roma Capitale, as seen in the data below:

- in 2020 at total of € 33.3 million of receivables referred to the aforementioned report were settled in the Group;

- during 2021, a new Public Lighting Technical Panel comprising Acea and Roma Capitale was established with the intention of continuing the resolution of issues preventing the liquidation of receivables. As a result of this work, Roma Capitale paid Acea the Public Lighting receivables for € 75.3 thousand through offsets;
- during 2022, settlement activities with Roma Capitale continued. Note that the Municipality liquidated receivables with Acea, again through offsetting, for a total of € 56.5 million, of which € 17.4 million relative to receivables already recognised in previous years.

Note that on 11 August 2022, the City Executive Committee with resolution no. 312 entitled "Public and artistic-monumental public lighting service for the entire municipal territory – Concessionaire: Acea SpA- Recognition of the perimeter of the payable situation and launch of the consequent procedures" recognised the perimeter of the Administration's payables to Acea and Areti in relation to the Public Lighting service as of 31 December 2021.
This resolution was published on the institutional website of Roma Capitale on 30 August 2022 and with reference to the same, dialogue is still in progress with Roma Capitale.

With reference to the Technical Panel for water use receivables for Acea Ato2, in December 2021 the Parties signed a Technical Report intended to overcome the issues and disputes which have been discussed since 2018, as also indicated in the Notes to the Financial Statements for previous years.
As of the reporting date of these financial statements, Roma Capitale still needs to liquidate most of the receivables reported in the Technical Report.

Note that in September 2022 the Consolidated Financial Statements of Roma Capitale as at 31 December 2021 were approved.

The following table presents an analysis of receivables and payables, including those of a financial nature, between Acea Group and Roma Capitale, as regards both net credit exposure and debt exposure, including financial items.

Receivables due from Roma Capitale

€ million	31/12/2022	31/12/2021	Change
Utility receivables	32.9	30.4	2.5
Provisions for impairment	(1.7)	(1.7)	0.0
Total receivables from users	***31.2***	***28.7***	***2.5***
Receivables for water works and services	3.8	2.3	1.5
Receivables for water works and services to be invoiced	0.6	2.0	(1.4)
Provisions for impairment	(2.2)	(2.2)	0.0
Receivables for electrical works and services	4.4	4.0	0.4
Receivables works and services - to be billed	0.2	0.0	0.2
Provisions for impairment	(0.3)	(0.3)	0.0
Total receivables for works	***6.5***	***5.8***	***0.7***
Total trade receivables	**37.7**	**34.5**	**3.2**
Financial receivables for Public Lighting services billed	135.1	117.1	18.0
Provisions for impairment	(58.0)	(30.2)	(27.8)
Financial receivables for Public Lighting services to be billed	36.3	49.0	(12.7)
Provisions for impairment	(5.4)	(28.3)	22.9
M/L term financial receivables for Public Lighting services	4.8	8.3	(3.5)
Total Public Lighting receivables	**112.8**	**115.9**	**(3.1)**
Total receivables	**150.5**	**150.4**	**0.1**

Payables due to Roma Capitale

€ million	31/12/2022	31/12/2021	Change
Electricity surtax payable	(5.5)	(13.2)	7.7
Concession fees payable	(27.6)	(37.5)	10.0
Other payables	(9.8)	(13.5)	3.7
Dividend payables	(105.9)	(118.4)	12.5
Total payables	**(148.8)**	**(182.6)**	**33.8**
Net balance receivables payables	**1.7**	**(32.2)**	**33.9**

Current payables rose due to the increase in the stock of trade payables (+ € 187.6 million). This effect is partially influenced by the change in the scope of consolidation (+€ 48.1 million), mainly due to consolidation of ASM Terni (+€ 41.5 million) and in part due to the increase seen by Acea Energia (+€ 42.9 million), Acea Ato2 (+€ 36.3 million) and Acea Innovation (+€ 22.8 million).

Other current assets and liabilities recorded an increase of € 73.1 million and € 77.3 million respectively compared to the previous year. More specifically, other assets increased due to: **i)** the increase in receivables due to the higher VAT payment relative to the parent company (+€ 15.3 million) and other receivables of Acea Ato2 (+€ 25.3 million), mainly associated with the contractual quality bonus for 2018 and 2019 and tariff adjustments for 2018-2022 that will be invoiced starting in 2024; **ii)** the increase in tax receivables linked to Umbria Energy (+€ 14.2 million) and Acea Innovation (+€ 5.0 million); **iii)** the increase in the value of derivatives receivable on commodities (+€ 9.6 million) due to the fair value change at the end of the period in question and the change in amounts hedged; **iv)** higher receivables due from the Equalisation Fund (+€ 19.4 million) mainly associated with Umbria Energy (+€ 7.6 million), ASM Terni (+€ 4.9 million) and Areti (+6.8 million). The cited increase was partially offset by a decrease in the receivables due from the Equalisation Fund recorded by Acea Energia and due to the settlement by CSEA of amounts due for 2021 and for determination of the amounts due for 2022, in part due to the electrical Social Bonus and in part due to the equalising effect (-€ 52.4 million). Also note greater accrued income and prepaid expenses (+€ 10.5 million), mainly relative to Acea Solar (+€ 5.4 million), Umbria Energy (+€ 2.3 million) and the parent company (+€ 1.6 million).

The increase in other current liabilities instead refers to: **i)** the increase in payables due to the Equalisation Fund associated with Acea Energia (+€ 43.6 million) due to imbalances in the equalisation system for the costs of purchasing and dispatching electricity for the enhanced protection service; **ii)** the increase in payables associated with the change in the consolidation scope (+€ 42.5 million), mainly linked to the consolidation of ASM Terni (+€ 38.7 million); **iii)** the increase in the payable due to GSE due to the Supports Decree Ter with reference to Acea Produzione (+€ 22.3 million), introduced by the government to contain energy price increases; **iv)** greater tax payables of € 18.4 million relative to Acea Produzione; **v)** the increase in accrued expenses and deferred income (+€ 25.4 million), mainly linked to Acea Ato2 (+€ 15.2 million), Umbria Energy (+€ 3.1 million) and S.E.R. Plast (+€ 1.5 million). The increase in other current liabilities is partially offset by the reduction in liabilities for "Passive derivative instruments on commodities", which decreased by € 43.0 million, mainly due to the change in the fair value measurement at the end of the period in question and the change in the amounts hedged.

Shareholders' equity

The shareholders' equity amounted to € 2,755.2 million. The changes, amounting to € 238.8 million, are detailed in the relevant table and are basically due to the distribution of dividends, the accrual of 2022 profits, the change in the cash flow hedge reserves and those formed by actuarial profits and losses as well as the change in the consolidation scope.

Net financial debt

Group **debt** recorded an overall increase of € 451.3 million, going from € 3,988.4 million at the end of 2021 to € 4,439.7 million at 31 December 2022.

€ million	31/12/2022	31/12/2021	Change	% Change
A) Cash	559.9	680.8	(120.9)	(17.8%)
B) Cash equivalents	0.0	0.0	0.0	n.s.
C) Other current financial assets	342.1	407.9	(65.9)	(16.1%)
D) Liquidity (A + B + C)	**902.0**	**1,088.8**	**(186.8)**	**(17.2%)**
E) Current financial debt	(165.4)	(173.6)	8.2	(4.7%)
F) Current portion of non-current financial debt	(454.0)	(111.6)	(342.4)	n.s.
G) Current financial debt (E + F)	**(619.4)**	**(285.2)**	**(334.2)**	**117.2%**
H) Net current financial debt (G + D)	**282.6**	**803.5**	**(521.0)**	**(64.8%)**
I) Non-current financial debt	(4,722.3)	(4,792.0)	69.7	(1.5%)
J) Debt instruments	0.0	0.0	0.0	n.s.
K) Trade payables and other non-current payables	0.0	0.0	0.0	n.s.
L) Non-current financial debt (I + J + K)	**(4,722.3)**	**(4,792.0)**	**69.7**	**(1.5%)**
Total financial debt (H + L)	**(4,439.7)**	**(3,988.4)**	**(451.3)**	**11.3%**

Non-current financial debt decreased by € 69.7 million compared with the end of the 2021 financial year. This change derives from a decrease in bond loans of € 307.5 million offset in part by an increase in payables for medium/long-term loans of € 204.1 million, as shown in the following table:

€ million	31/12/2022	31/12/2021	Change	% Change
Bonds	3,834.5	4,142.0	(307.5)	(7.4%)
Medium/long-term borrowings	814.4	610.3	204.1	33.4%
IFRS 16 financial payables	73.4	39.7	33.7	84.7%
Non-current financial debt	**4,722.3**	**4,792.0**	**(69.7)**	**(1.5%)**

Bonds of € 3,834.5 million at 31 December 2022 decreased by a total of € 307.5 million, mainly due to the reclassification into the short-term position of the 5-year bond issued by Acea on the Euro Medium Term Notes (EMTN) programme on 1 February 2018.
Medium/long-term loans of € 814.4 million recorded a total increase of € 204.1 million due mainly due to the Parent Company (+€ 211.4 million) for the disbursement in 2022 of € 250.0 million for the EIB loan signed in 2020.
The following table shows medium/long–term and short-term borrowings (excluding the portion due to application of IFRS 16) by term to maturity and type of interest rate.

€ million	Total residual debt	By 31/12/2023	From 31/12/2023 to 31/12/2027	After 31/12/2027
Fixed rate	292.6	32.6	149.7	110.4
Floating rate	461.0	92.3	171.6	197.1
Floating rate cash flow hedge	197.9	12.2	116.3	69.4
Total	**951.5**	**137.0**	**437.6**	**376.8**

The **fair value** of GORI hedging derivatives was a positive € 6.6 million (it was a negative € 0.1 million at 31 December 2021); the fair value of Acquedotto del Fiora hedging derivatives was a positive € 5.5 million (at 31 December 2021 it was a negative € 1.9 million), and that of SII was a positive € 1.6 million. Positive fair values are found under "Non-current financial assets" and are not considered in the balance of correlated loans.

The **short-term** component was a positive € 282.6 million and, compared to the end of 2021, worsened by € 521.0 million, generated for € 503.7 million by the Parent Company and by Adistribuzionegas for € 27.0 million, offset by Acea Produzione for € 10.7 million. The change in the parent company is mainly due to the reclassification into the short-term position of the 5-year bond issued by Acea on the Euro Medium-Term Notes (EMTN) programme on 1 February 2018, for € 300.0 million, lower short-term deposits for € 80 million and lower cash and cash equivalents equal to € 141.6 million.
Note that financial debt includes € 105.9 million in payables to Roma Capitale for dividends resolved to be distributed and does not include other payables of around € 57.5 million relating to share purchase options of the companies already held.

It is necessary to point out that the Group's sales companies are those most impacted by the macroeconomic scenario resulting from the Russia-Ukraine conflict. The increase in prices on the energy market produced an amplification of the time delay between collections from customers and payments to energy suppliers thus determining a higher absorption of working capital and generating a worsening effect on the Group's financial debt of approximately € 130.0 million which represents the net balance of the negative effects recorded mainly on Acea Energia and the positive ones recorded by Acea Produzione and Acea Ambiente.

At 31 December 2022, the Parent Company had unused committed credit lines of € 700.0 million and uncommitted lines of € 425.0 million, of which € 21.0 million used. No guarantees were granted in obtaining these lines.

Also note that, on 17 January 2023, relative to the € 5 billion Euro Medium-Term Notes (EMTN), Acea successfully completed placement of the Green Bond issued for a total of € 500 million (3.875% rate, maturity on 24 January 2031). Again with reference to the same programme, on 3 February, the Green bond issue previously issued was again opened (3.875% rate, maturity 24 January 2031) for € 200 million ("TAP Issue").

It must be noted that the long-term Ratings assigned to Acea by the International Ratings Agencies were:

- Fitch "BBB+";
- Moody's "Baa2"

REFERENCE CONTEXT

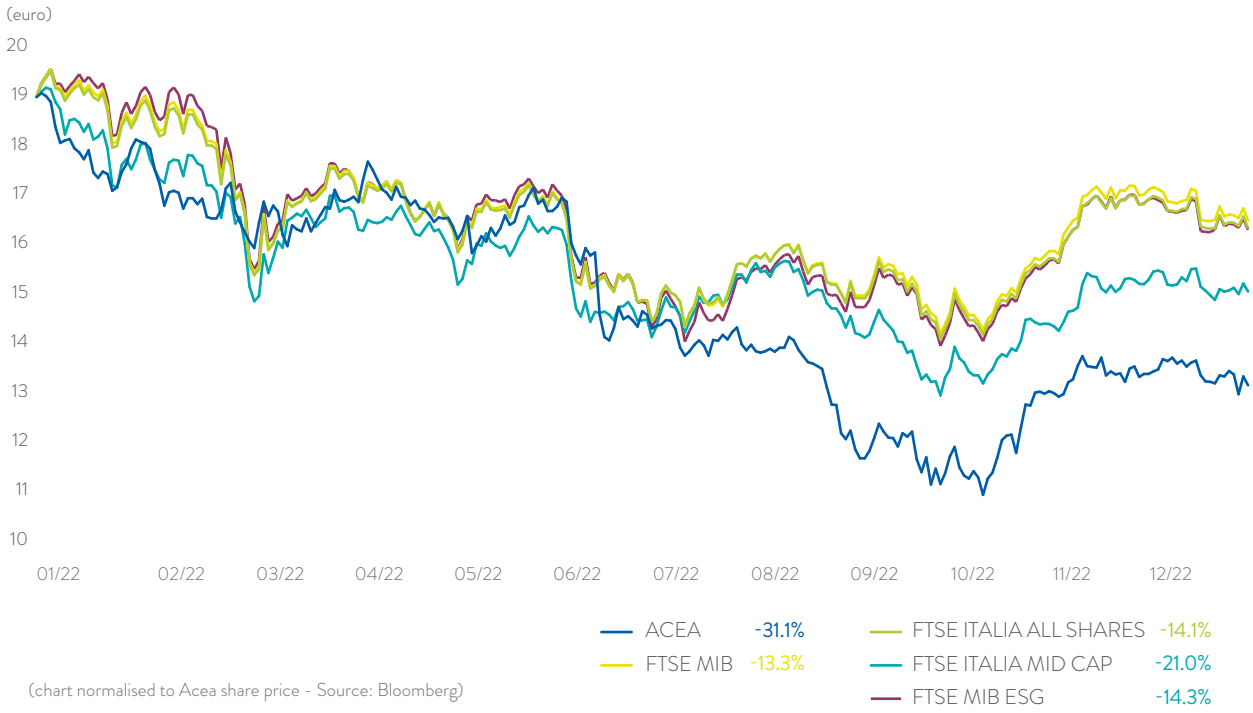
PERFORMANCE OF THE EQUITY MARKETS AND THE ACEA STOCK

In 2022, global equity markets saw a negative trend, in particular affected by the increase in energy prices, in part due to the war in Ukraine and the increase in raw material prices, which led to increased inflation and a weakening in the growth of global GDP.
The Italian stock market recorded negative numbers but recovered significantly in the fourth quarter. In fact, at the end of September the result was a loss of almost 25%, which was significantly less by the end of December (FTSE MIB -13.3%).

Acea stock closed at € 12.92 on 30 December 2022 (capitalisation: € 2,752 million), down 31.1% for the year, substantially in line with the trend for Italian local utilities. The high of € 18.84 was reached on 3 January, while the low of € 10.70 was recorded on 12 October. During 2022, the daily average volume was approximately 131,000 shares (substantially in line with 2021). Acea was added to the MIB ESG index on 19 December 2022.

(Source: Bloomberg)

The following normalised graph shows the performance of the Acea stock, compared to Stock Market indices.



(chart normalised to Acea share price - Source: Bloomberg)

	Change% at 31/12/2022 (compared to 31/12/2021)
Acea	**-31.1%**
FTSE Italia All Share	-14.1%
FTSE MIB	-13.3%
FTSE Italia Mid Cap	-21.0%
MIB ESG	-14.3%

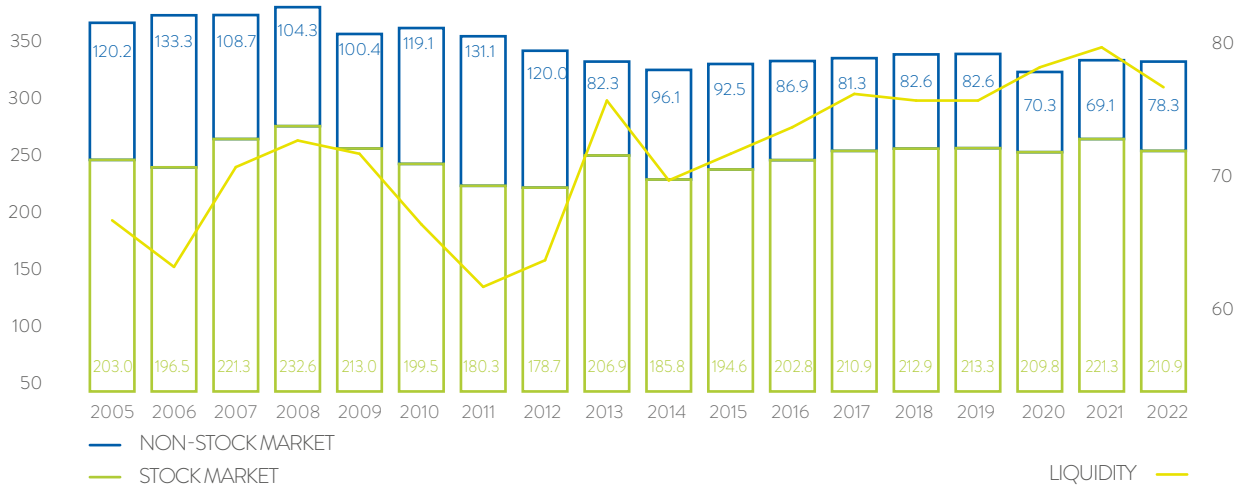
In 2022 around 110 studies/notes on the Acea stock were published.

ENERGY MARKET

Relative to the national electricity market, 2022 demand for electricity was 315,238 GWh (data: Terna), down by 1.3% compared to the previous year, confirming the downward trend already seen at the end of the third quarter, while the first six months of the year had seen an increase of 2% compared to the same period in 2021.
Energy production, less self-consumption and consumption by pumping (26,431 GWh, -3.4%), was at 245,872 GWh, down by 1.4% compared to 2021, covering 78% of the requirement, while the net amount was stable, totalling 42,935 GWh (+0.4%), contributing 13.6% to meeting demand. Production from just thermoelectric sources (168,024 GWh, +6.8%) satisfied 53.3% of demand, called on to offset the dramatic decrease in hydroelectric production, which had already fallen dramatically at the beginning of the year and was definitively weakened by the summer and autumn drought (29,663 GWh, -34.7%).
In the face of a slight decrease from geothermal sources (5,444 GWh, -1.5%), photovoltaic production (22,511 GWh) saw a significant increase in production compared to 2021 (+12.2%), while wind fell significantly in the last quarter, leading the annual figure to fall compared to the previous year (20,230 GWh, -2.9%). Note that, as of December 2022, the European Commission established a limit of € 180/MWh for revenue from these low-cost renewable sources, which therefore will not receive the higher price determined by the most costly source (gas) until June 2023, generating extra benefits for Member States that can be transferred to consumer bills.

In 2022, the average Single National Price (SNP) was € 303.95/MWh, up by 142% compared to the previous year. The dramatic increase in electricity prices in Italy during the summer was followed by a similarly large drop in autumn, to the extent that average prices in October and November were below pre-conflict levels, with the entire last quarter averaging € 243.83/MWh, substantially in line with the fourth quarter of 2021 (+0.8%) and half of the figure seen in the third quarter of 2022 (-48%).

DAM: Single National Price (SNP)



Source: Newsletter GME December 2022

With regard to natural gas, national demand in 2022 totalled 66,022 Msmc (data: Snam Rete Gas), a 10.2% drop compared to 2021, due to a generalised decline in all segments. Distribution (29,076 Msmc, -13.5%), which includes residential and SMEs, saw a partial decline in the spring/summer load for SMEs due to price increases, but above all due to a delay in the autumn increase in thermal load and a generalised lower use of district heating, due to above average temperatures and consumption containment measures as in Regulation EU 2022/1369 of 5 August. The industrial segment (11,985 Msmc, -14.3%) saw a progressive decrease in the load starting in the beginning of the year, accentuated by the summer when utility bills effectively forced companies to slow and/or halt production. The thermoelectric segment (24,961 Msmc, -3.6%), which rose during the first half of 2022, saw the trend reverse in the third quarter due to a massive switch from gas to coal for electricity production and the already cited drop in electricity demand, above all in the last quarter of the year.

TARIFFS FOR TRANSPORT SERVICES

2022 was the seventh year of the new regulatory period, the term of which has been increased from four to eight years (2016-2023) divided into two sub-periods.

The regulations are included in three Integrated Texts: "Integrated Text of provisions of the Authority for providing electricity transmission and distribution services (TIT)", Annex A to Resolution 568/2019/R/eel, the "Integrated Text of provisions of the Authority for providing the electricity metering service (TIME)"; Annex B to Resolution 568/2019/R/eel, and the "Integrated Text on provisions of the Authority on the economic conditions for providing connection services (TIC)", Annex C to Resolution 568/2019/R/eel, published on 27 December 2019.

For the distribution service, ARERA confirmed unbundling of the tariff applied to end customers (the so-called compulsory tariff) from the reference tariff for determination of the constraint on revenue permitted to each company (the reference tariff). The compulsory tariffs for the year 2022 were published with Resolution 621/2021/R/eel for the distribution and metering services for non-domestic customers, with Resolution 622/2021/R/eel for the provision of the transmission service, with Resolution 623/2021/R/eel for provision of the domestic customers network services on 28 December 2021.

The regulations in force in the previous regulatory sub-period include:

- regulatory lag and return on invested capital;
- extension of regulatory useful life;
- tariff adjustment criteria: distribution, sale, measurement.

With regard to the first point, ARERA confirmed the method for offsetting the regulatory lag, recognising new investments made for both Distribution and measurement (without backdating).

The criterion based on the increase in the remuneration rate of invested capital recognised for new investments, of 1% (of the year t-2) was replaced by the introduction of recognition in the capital base (so-called RAB) also of investments made in the year t-1, measured on the basis of pre-final data communicated to ARERA. This data will be used to determine the provisional tariffs of reference not yet published and will then be replaced by the final data to determine the definitive tariffs of reference published by February of the following year.

On 5 April 2022 ARERA published Resolution 153/2022/R/eel with which it determined the definitive tariffs of reference for distribution and metering services for the year 2021. On 3 May 2022, with Resolution 193/2022/R/eel, the provisional tariffs of reference for 2022 were published.

Note that, on 27 December 2022, the Authority established the transmission, distribution and metering tariffs for 2023, as well as dispatching fees (resolutions 719/2022/R/eel, 720/2022/R/eel, 721/2022/R/eel).

In the year t, the ARERA only recognises the remuneration of the invested capital concerning the assets which entered use in the year t-1, without recognising the relevant depreciation rates (which are still recognised in the year t-2).

In the new sub-period, ARERA confirmed the previously established regulatory useful life.

On 23 December 2021, ARERA published Resolution 614/2021/R/com, with which it set the criteria for determining the WACC for the 2022 – 2027 period and established the 2022 rate of return on invested capital for the electricity distribution and metering service at 5.2%.

In terms of operating costs, the new company-based tariff covers the specific costs by means of a national average cost adjustment coefficient, calculated by the ARERA on the basis of actual company costs and on the basis of scale variables.
These costs, when calculating the company-based tariff, according to the definitions of Resolution no. 568/2019, are supplemented by flat rate connection contributions acknowledged throughout Italy, and will be considered as other grants and no longer deducted from operating costs.
Furthermore, the flat rate connection contributions of each company are deducted directly from the invested capital considering them as equal to MV/LV assets.
Updating of the distribution reference tariff after the first year is individual and based on financial increases reported by the companies on the RAB databases. The updating criterion envisages that:

- the portion of the tariff covering operating costs will be updated using the price cap mechanism (with a productivity recovery target of 1.3%);
- the part covering the costs concerning the remuneration of the invested capital will be updated through the deflater of the fixed gross investments, the change in the volume of service provided, the gross investments that are operational and differentiated by level of voltage and rate of change connected to the increased remuneration recognised for incentivised investments;
- the part covering the depreciation will be updated through the deflater of the fixed gross investments, the change in volume of service provided, the rate of change connected to the reduction in the gross invested capital due to disposal, withdrawal and end of useful lifetime and the rate of change connected to the investments that are now operational.

As regards marketing, ARERA confirmed a single reference tariff that reflects both the costs for managing the network service and marketing costs, with recognition of the specific capital costs also for investments in marketing activities (single all-inclusive company tariff for the distribution and marketing service).
With regard to the transmission tariff, the ARERA confirmed the introduction of a binomial tariff (capacity and consumption) for high voltage customers, and the cost tariff structure for the transmission service to Terna (CTR), also introducing a binomial price. Given the two tariffs, the equalisation mechanism has been confirmed.
The general equalisation mechanisms for distribution and metering costs and revenue for the regulatory cycle in force are:

- equalisation of the revenues from the distribution service;
- equalisation of the revenues from the low-voltage metering service;
- equalisation of the transmission costs;
- equalisation of the value of the difference between effective losses and standard losses.

The purpose of equalising the revenues of the distribution service is to equalise the revenues deriving from the comparison between the revenues billed to users through the compulsory tariff and the distributor's allowed revenues, calculated through the company's tariff of reference.
With Resolution 568/2019, ARERA established that the equalisation of the revenues from distribution would be reduced by an amount equal to 50% of the net revenues from the use of the electrical infrastructure for purposes additional to the electric service, recorded at the end of year n-2 should the aforementioned net revenue exceed 0.5% of total recognised revenue.
The equalisation of the transmission costs has the objective of passing the distributor in terms of the cost recognised to Terna for the transmission service (CTR) with what was paid by the end customer based on the compulsory transmission tariff (TRAS).
With Resolution 449/2020/R/eel of 10 November 2020, the algorithm for calculating the ΔL equalisation relating to the value of the difference between the effective losses and the standard losses starting from the year 2019 was modified; the percentage factor applied for equalisation purposes for commercial losses of electricity on the networks with obligation to connect third parties for the "centre" zone and for the LV voltage level was modified, going from 2% to 1.83%. Table 4 of the TIS was also amended by the same Resolution with effect from 1 January 2021.
On 21 December 2021, ARERA published DCO 602/2021/R/eel in which it proposed, for the 2022-2023 two-year period, the revision of the conventional percentage factors for commercial losses to be applied to distribution companies for equalisation purposes and the revision of the conventional percentage loss factors to be applied for settlement of the dispatching service to end customers as from 1 January 2023. Distribution companies submitted their comments by 31 January 2022.
This consultation procedure concluded with the publication of Resolution 117/2022/R/eel of 22 March 2022, with which the Authority set the conventional percentage factors related to commercial losses to be applied to electricity for equalisation purposes equal to 1.77% in the Centre zone for 2022, and 1.72% in the Centre zone for 2023. It also introduced a cap on the PAU price to be applied, equal to the arithmetic average of the average annual PAUs in 2016 – 2021.
With a specific application to be presented by the end of May 2022, the resolution provides for recognition of network losses attributable to non-recoverable fraudulent withdrawals that manifest with exceptional amounts compared to the levels recognised conventionally. The recognition is provided for exclusively in the case of a negative net equalisation balance on the three years 2019-2021 and will have a value at the most equal to what is necessary to reduce this balance to zero. In addition, with an application to be presented by May 2024, the same recognition is envisaged related to the 2022-2023 two-year period. The application related to the recognition of losses in the 2019-2021 three-year period was submitted by Areti via certified email on 31 May 2022.
Equalisation of the purchase of electricity supplied for own use in transmission and distribution continues to be regulated in the new regulatory period.
In the new Transport Integrated Text, the ARERA has confirmed the mechanism of advance recognition on a two-monthly basis, of equalisation balances for revenue from the distribution service and transmission costs. With Determination 19/2020 of 13 November 2020, ARERA defined the operating methods of managing the general equalisation mechanisms, confirming the method of calculating the advances every two months.
On 31 May 2022, the CSEA published circular number 23/2022/ELT, which invited distributor companies to express their desire to participate or not in the equalisation mechanism for advances for 2022.
Areti sent the certified email on 1 June 2022.
The 2022 equalisation advances were communicated by CSEA on 22 June and the two-month advance equalled € 26.8 million.
Further impact on equalisation was linked to the fact-finding investigation launched with Resolution 58/2019/E/eel concerning the regulation of financial items relating to electricity destined for States included in Italian territory. The Authority, with Measure 491/2019/E/eel, ordered Areti to carry out – by 31 December 2019 – the actions necessary to properly define the dispatching point of export related to the electricity destined for dispatching

points of export and to obtain the measurement data of the electricity sold.
On 20 December 2019, the company stated that it had complied with the requirements.
The Authority decided that the elements acquired constituted a condition for the launch of a proceeding aimed at ascertaining any breaches on the subject of settling the economic items related to the electricity destined for the dispatching point of export.
In June 2020, Areti submitted its commitments in terms of the applicable regulation, which will be reviewed in light of the results communicated by the CSEA and approved by ARERA with Resolution 262/2021/E/eel. The relevant items will in any case be settled at the end of the penalty proceedings initiated with Determination 5/2020/eel.
On 5 April 2022, with Resolution 151/2022/S/eel, ARERA approved and published the proposal of commitments submitted by Areti. The following phases will follow:

- third parties can submit their comments by 7 May 2022;
- Areti can provide a response within 30 days of publication of any comments;
- final approval of the commitments with resolution, which will also specify the terms for the settlement of the financial items and the start date of the monitoring.

With resolution 355/2022/S/eel of 27 July 2022, ARERA approved the commitments proposed by Areti in the context of the sanction proceedings for violations of settlement of economic items relative to electricity destined for enclave states.
Finally, with Resolution 576/2021/R/eel, ARERA provided that for interconnection with the dispatching points of export:

- from 1 January 2022, only the variable components, expressed in c€/kWh, of the tariffs covering transport costs provided for in paragraph 15.1 of the TIT will be applied (currently, the fixed and variable components are both applied);
- from 1 April 2022, the imbalance price for non-enabled units (and no longer the DAM zonal price) will apply for the purpose of regulating actual imbalances);
- from 1 January 2023, uplift shall be applied to the energy actually withdrawn (currently not applied).

In the same measure, the Authority specifies that the entire band must no longer be used to define the dispatching points of export withdrawal schedule; the dispatching user must instead use its own best estimate of withdrawals. The delta between the value of the band and the programme must be treated as a programme imbalance and valued at PUN.
ARERA has confirmed the method of recognising the capital costs for low voltage electronic meters, for firms serving more than 100,000 points of delivery, based on criteria for determining the investments effectively made by the single firms and also retaining the measurement equalisation for the fifth regulatory cycle. The equalisation mechanism is intended to equalise the revenue from the comparison of the obligatory tariffs billed to end users and the revenue set in the reference tariff.
The tariffs hedging the measurement service are updated, as are those for the distribution service, using the price-cap mechanism for the part hedging the operating costs (with the goal of a 0.7% recovery of productivity) and with the deflater, variation in invested capital and rate of change of the volumes supplied for the part covering the invested capital and depreciation. The rate of remuneration of the measurement capital is the same as that for the distribution service.
Note that with Resolution no. 646/2016/R/eel of 10 November 2016, ARERA illustrated the methods for defining and awarding costs related to second generation (2G) smart metering systems for measuring low voltage electricity. On 8 March 2017, it published a release in which it updated the evaluation of the plan for entry into service of the 2G smart metering system prepared by e-distribuzione SpA. In order to present ARERA with an illustrative report on the commissioning plan of the 2G smart metering system, the company defined a project for the development of this system with the aim of replacing the current system of electronic meters.
Starting in 2017, ARERA established in the same resolution that for the annual updating of the return on invested capital and depreciation concerning effective low-voltage metering points, for each distribution firm, the maximum gross investment value recognisable per meter installed is 105% of the corresponding gross investment value per meter for the investments that came into operation in 2015.
On 20 March 2019, with the consultation document 100/2019/R/eel, the Authority introduced an update for the three-year period 2020-2022 of the provisions on the determination and recognition of costs relating to second generation (2G) smart metering systems. In particular, the proposals set out in the consultation document include:

- the possibility of setting obligations on the timing of commissioning of 2G systems together with the modulation of the "conventional plan" in order to reduce the risk of a "two-speed country"; the updating and simplification of the provisions relating to admission to the shortened programme for companies that launch their plan for commissioning 2G smart metering systems in that three-year period;
- the assessment of the provisions of Decree 93/2017 of the Minister for Economic Development concerning the periodic verification of electricity meters and the extra costs that could result from them;
- the possibility of introducing provisions to quantify the penalties to be applied in the event of non-compliance with the expected levels of performance of 2G smart metering systems.

This was followed by Resolution no. 306/2019/R/eel on 16 July, which confirmed the guidelines presented in the previous consultation document. Specifically:

- The Authority set 2022 as the deadline for the start of the plans for the commissioning of 2G systems and established that the mass replacement phase for the meters must be completed by 2026 (with a target of 95% of the meters included in the plan). Furthermore, in order to avoid the "two-speed country" risk, a new method of calculating the "conventional plan" was introduced for companies that have not yet submitted their rollout plan.
- Starting from the 4th year of each PMS2, penalties are introduced for failure to meet expected performance levels, with annual and multi-annual ceilings on penalties for greater protection of service users.
- The regulatory useful life of the asset categories relating to the low-voltage electricity metering service to be applied to investments in 2G smart metering systems is 15 years.
- The remuneration and depreciation of the invested capital are determined according to a fixed rate depreciation schedule. Depreciation schedule instalments are calculated as deferred annual instalments, considering a return time horizon consistent with the regulatory useful life.

On 20 September 2019, Areti sent the Authority the request for admission to the recognition of investments under the specific re-

gime together with the plan for the commissioning of the 2G smart metering system and the other documents required by Resolution no. 306/2019/R/eel. The documentation was made available on 23 September on the Areti website, and on 21 October a public session was held to present the Plan, during which the Company responded to the comments made by participants. On 20 December the Authority requested detailed information on the actual operating capital costs of Measure 1G and 2G set out in PMS2.
Resolution 213/2020/R/eel, which follows 177/2020/R/eel accompanied by CD 178/2020, provides for transitional amendments for the year 2020 to some of the directives for second generation (2G) smart metering systems for measuring low voltage electricity. In particular, in consideration of the COVID-19 health emergency and its impacts on the replacement of meters,
the Authority expressed the orientation to:

- waive – at least for 2020 – the upgrade criterion at the level of the Municipality or other significant territory;
- establish that the next PDFMs (Detailed plans for the mass phase), which must have a maximum quarterly frequency, can only have indicative value as long as the health emergency persists. Moreover, each PDFM must be published 15 days in advance of the beginning of the month in which mass replacements of meters are planned;
- suspend – at least for 2020 – the provisions on penalties for failure to achieve at least 95% of the progress (cumulative) envisaged by PMS2;
- suspend – for the year 2020 only – the application of the IQI (Information Quality Incentive) matrix, which defines the value of the incentives to be paid to companies for the different combinations of actual expenditures incurred and planned, since the comparison between actual costs and expected costs may be subject to factors that affect the comparison.

On 28 July 2020, with Resolution 293/2020/R/eel, the Authority approved the plan of commissioning of the 2G smart metering systems presented by Areti and determined the related conventional commissioning plan and the expenses envisaged for the plan for the purposes of recognition of the costs of capital.
ARERA also considers it appropriate to offer distribution companies the option of proposing the updating of their upgrade plan during 2021 to adjust for the effects of the epidemiological emergency. It is noted that on 31 March 2021, in consideration of the ongoing health emergency and need to further investigate the relevant impact, Areti announced its intention to collect additional information to assess whether it should update its PMS2 by 15 June 2021.
On 14 June 2021, Areti notified ARERA that it had promptly intervened, by adapting its processes and procedures so as to absorb the operational impact that had arisen during the health emergency period, and it that it had consequently not identified any effects that would require the plan to be revised. It is noted nonetheless that certain risks are present, including but not limited to the possible increase in asset costs due to raw materials becoming more expensive or the potential shortages in supplies due to the widespread slowdown in production worldwide. In this regard, note that the DSOs, through Utilitalia, are submitting to the Authority a number of requests intended to zero the bonus and penalty mechanisms for the years impacted by the scarcity of 2G meter supplies.
With Resolution 349/2021/R/eel of 3 August 2021, the Authority provided that, for the year 2021, in the case companies that had started PMS2 in previous years, the 2G meter limit below which penalties apply is 90% instead of 95% of the cumulative number of 2G meters provided for by PMS2 as at 31 December 2021. The Authority also resolved that for 2021, the criterion of implementation at municipal or other significantly relevant territorial level shall not apply.

On 23 March 2022, ARERA sent to Areti, via certified email, communication of the preliminary findings related to the effective capital cost of the investments in 2G smart metering systems incurred in 2020.
On 28 June 2022, the Authority published DCO 284/2022/R/eel which outlined the guidelines relating to the introduction of transitional changes to the provisions of the 2G Directives for 2022. These transitional changes were deemed necessary following the indirect effects of the COVID-19 pandemic which led to a severe lack of semiconductors at global level and which in turn, at the start of 2022, created significant limitations on the availability of 2G meters that had already been ordered by distribution companies.
With Resolution 280/2022/R/eel of 28 June 2022, ARERA initiated proceedings to update the guidelines for the recognition of second generation (2G) smart metering system costs applicable from 2023, currently defined by Resolution 306/2019/R/eel, providing for the conclusion of such proceedings by 31 December 2022.
On 28 June 2022, the Authority published DCO 284/2022/R/eel outlining its guidelines relating to the introduction of transitional changes to the provisions of the 2G Directives for 2022. These transitional changes were deemed necessary following indirect effects of the COVID-19 pandemic which led to a severe lack of semiconductors at global level, which in turn, at the start of 2022, created significant limitations on the availability of 2G meters that had already been ordered by distribution companies. In this DCO, ARERA also discussed the possible transitional derogation of the "operational" criteria for significantly relevant areas, examined possible transitional changes involving the preparation of detailed plans for the mass stage, discussed application methods for the Information Quality Incentive (IQI) matrices, illustrated possible transitional changes to the penalty rules for lack of progress in the operational plan and examined completion schedules for the mass stage of 2G smart metering operations. The interested DSOs were asked to send their comments by 29 July 2022.
Note that on 27 July 2022, the Authority published consultation document 360/2022/R/eel, illustrating guidelines relative to the extension of provisions on the implementation of second generation low voltage electricity smart metering systems. The deadline for submission of comments was 26 September 2022.
On 22 November 2022, following the consultation period begun with DCO 284/2022/R/eel, ARERA published resolution 601/2022/R/eel in which it introduced transitional changes to certain provisions for the second generation (2G) smart metering systems for low voltage electricity. In particular, it establishes: for 2022 and the first half of 2023, non-application of the "operational" criteria in any significantly relevant area; for 2022, provisions pursuant to article 18, paragraphs 1 and 3 of Annex A to resolution 306/2019/R/eel are suspended, relative to penalties for delays with respect to the forecasts for implementing the service and limited non-compliance with expected performance levels; the effects deriving from the planned and actual numbers of 2G metres for 2022 were sterilised.
Finally, with resolution 724/2022/R/eel, the Authority updated the 2G Directives for 2023-2025 establishing i) that annual accounting methods for physical progress be made systematic, with time frames similar to the accounting already established for economic and performance progress, ii) that the monitoring period for 2G

smart metering system performance be extended to 4 years, activating penalties only as of 1 January of the fifth year of PMS2, in light of the problems which arose relative to the COVID-19 health emergency and the significant limitations on availability of 2G components, iii) an obligation to promptly replace 1G metres with 2G metres for activation requests for collective self-consumption, and iv) a premium mechanism for accelerating PMS2 as an effect of public contributions.

The "Integrated Text on provisions of the Authority on the economic conditions for providing connection services (TIC)", Annex C to Resolution 568/2019//R/eel, governs the economic terms for the provision of connection services and specific services (transfers of network equipment requested by end users, contract transfers, disconnections, etc.) to passive users, essentially in line with the previous regulatory period.

The regulatory changes that have taken place since 1 January 2016 allow the distributor to affirm that the right to remuneration for invested capital arises, from an accounting point of view, at the same time as investments are made and the depreciation process is initiated in compliance with the accruals concept and the principle of correlation of costs and revenues. For this purpose, the remuneration of the investments (including of the related depreciation and amortisation) was calculated and recognised in the energy margin at the same time as they were made (so-called Regulatory Accounting).

Resolution 119/2022/R/eel of 22 March 2022 established the mechanism to reimburse electricity distributors for receivables not collected and not otherwise recoverable in relation to general system charges and network charges, outlining their conditions for access, quantification criteria of the eligible receivables, criteria for their recognition, operating methods as well as time frames for submitting applications and settlement of the amounts by CSEA. Furthermore, this measure repealed resolution 50/2018/R/eel of 1 February 2018.

Furthermore, note that with Resolution 35/2022/R/eel of 31 January 2022, ARERA arranged for the cancellation of the rates for general electricity system charges for Q1 2022 for all types of users, implementing the Supports *ter* Law Decree.

Note also the publication of DCO 615/2021/R/com of 23 December 2021, in which the Authority illustrates its thinking behind the main lines of action of the ROSS-BASE solution, namely the focus on total expenditure, overcoming the current cost recognition system, which considers operating costs and investments separately, in favour of an integrated approach that gives operators responsibility. In particular, the new integrated approach focuses on the following aspects: realistic forecasts and development plans, based on the future and actual needs of service customers; incentives to improve performance levels, in terms of efficiency, cost-effectiveness and quality of service; removal of any regulatory barriers to the development of innovative solutions. ARERA does not yet go into detail on the regulatory mechanisms that must be developed and which will come into force in 2024 for the electricity distribution and metering service, but it does intend to obtain an initial assessment from operators, end customers and other participants. Comments were sent by 31 January 2022.
On 12 July 2022, the Authority published DCO 317/2022/R/com, offering further clarifications and observations on the scope of application for the ROSS approach and the criteria used to determine the historic cost recognised under the ROSS BASE approach. Comments were sent by 14 September 2022.
On 25 October 2022, ARERA published resolution 527/2022/R/com, beginning a procedure to define the adjustment criteria based on the ROSS-complete model. By 31 December 2023 a framework resolution will be published, containing the general criteria for ROSS Complete adjustments and in 2024 specific sector provisions will be published for the various regulated services, which will contain methods and objectives for experiments.
In DCO 655/2022/R/com, ARERA published its final guidelines on the criteria for determining the cost recognised under the ROSS-base approach and a first draft of the TIROSS (Consolidated regulatory law on spending and service objectives for regulated infrastructure services in the electricity and gas sectors) for 2024-2031: the duration of the regulations contained in TIROSS is 8 years, while the duration of the regulatory period for each regulated service is 4 years. The DCO provides additional indications relative to determining the spending to be included in tariff recognition, on determining total efficiency recoveries and the treatment of capital spending existing as of the cut-off date. Distribution companies can submit their comments until 23 January 2023.
Finally, on 22 November 2022, the Authority published resolution 599/2022/E/com which began an audit campaign with reference to documents on the topic of accounting separation and declared investments for a sample of regulated companies in the electricity distribution and natural gas distribution and transport sectors for the years 2018-2021.

THE ITALIAN WASTE MANAGEMENT MARKET

The current situation of production and treatment capacity for waste in the traditional operational areas of the Acea Group and in the neighbouring areas shows a high "potential demand" for waste management (disposal in landfills, waste-to-energy, composting and biogas production, sludge and liquid waste treatment, recycling of mixed materials and production of Secondary Raw Materials). This is facilitated by a national regulatory framework that provides incentives and by the regulatory support of European directives on the recovery of materials and energy, as well as by the implementation of the European Union's policy guidelines on the circular economy (closing the loop), which are being implemented in Italy by virtue of a delegated law that has given the government the obligation to update environmental legislation adapting it to the new EU standards.
Opportunities for developing the sector are therefore highlighted, also facilitated by the availability of new technologies (for example in composting) and by possible forms of industrial integration with other operators.
Finally, the expansion of the potential for disposal/recovery of sewerage sludge – in the context of value added environmental services (sludge treatment, compost) – could lead to the completion of the integration with the Water business, in view of a complete management in-house of the entire supply chain.

WATER REGULATION

During 2022, the main activities of the Authority included the first application of the incentive mechanism for the regulation of the technical quality of the integrated water system, with the assign-

ment of operator bonuses and penalties related to performance in the 2018-2019 two-year period. In the reporting period, proceedings were also initiated for the quantitative assessments related to the 2020-2021 two-year period concerning the contractual quality (first two-year period of application) and the technical quality (second two-year period of application).
Following the definition of the criteria for the tariff update for the 2022-2023 two-year period in December 2021, in March the associated procedures and forms were made available, allowing for the tariff arrangements to be finalised by the area governing bodies (AGBs) and the operators. Subsequently, in May, the Authority introduced urgent measures in compliance with the orders of the Lombardy Regional Administrative Court (TAR) relating to the "extraordinary and documented extent of the increases in energy costs", reviewing the criteria for the two-year tariff update in order to ensure that the operators of the integrated water service had access to the resources needed to anticipate the expenses incurred for the purchase of electricity.
Note also the approval of the 2022-2025 Strategic Framework, containing the objectives that will guide the development of the regulation, in the sectors within the Authority's remit, for the next four years.
As part of its own institutional activities, we note the considerations and proposals presented by the Authority to the relevant bodies with regards to the so-called Competition Law, converted in the aforementioned Law 118 of 5 August 2022, "2021 Annual market and competition law", as well as the scheme in the Ministerial Decree implementing reform 4.1 of Italy's National Recovery and Resilience Plan (NRRP) and the scheme in the legislative decree to restructure regulations for local public services of economic relevance.
The main measures issued by ARERA during the reference period are analysed below.

TARIFF METHOD

Resolution 1/2022 – DSID of 18 March 2022: definition of the procedures for the collection of technical and tariff data as well as the standard forms for the report accompanying the works programme and the tariff provision update for the two-year period 2022-2023, pursuant to resolutions 917/2017/R/idr, 580/2019/R/idr and 639/2021/R/idr

With determination 1/2022 – DSID, the expiration of 30 April 2022 was re-established for AGBs to send the Authority the tariff data for the 2020-2023 period, also defining the associated forms (or the technical and tariff data collection file - RDT2022 - which also includes the project programme, strategic works plan and economic/financial plan, and the basic schedules for the accompanying reports respectively for the tariff data and quality objectives for 2022-2023, with the update of the project programme/strategic works plan).

Resolution 229/2022/R/idr of 24 May 2022: conclusion of the proceeding to review a number of criteria for the biennial update of the tariff arrangements for the integrated water service, in compliance with the orders of the Regional administrative court (TAR) for Lombardy, section one, nos. 373/2022, 383/2022, 384/2022, 385/2022 and 386/20

Following the aforesaid proceeding, launched with resolution 139/2022/R/idr of 30 March 2022 and continued with consultation 2022 184/2022/R/idr of 26 April 2022, the related urgent measures are introduced, intended to ensure the certainty of the system and the various interested parties. Specifically, and without prejudice to the provisions for the 2022-2023 tariff update set out by resolution 639/2021/R/idr, for the year 2022 provisions were made for the possibility to formulate a reasoned request for the activation of forms of financial advances to meet part of the expenses incurred for the purchase of electricity. The claim, formulated by the AGB by the deadline of 30 June 2022 at the request of the relevant operator faced with substantiated financial problems, is subject to a series of conditions, including having made recourse to the possibility of exploiting, for the year 2022, the additional forecast component set out by paragraph 20.3 of the MTI-3 and the assumption of the commitment to request from its suppliers instalment arrangements of the amounts due for the energy consumption relating to the months of May and June 2022, according to the provisions of Law Decree 21/2022. The value of the advance cannot exceed 35% of the cost component recognised for the electricity quantified for the purposes of updating the tariff arrangement for 2022. After verification of the conditions and correctness of the documentation submitted, the CSEA will pay the amounts by 31 July 2022, which the beneficiary operator must pay back by 31 December 2024. Furthermore, in the event of an effective cost for the purchase of electricity referring to 2021 that is higher than the one recognised in application of the rules set out by article 20 and paragraph 27.1 of the MTI-3, the EGA is given the power, at the request of the operator and for the purposes of maintaining the economic and financial balance of the management, to submitted a reasoned request for the recognition of additional costs in the context of the adjustment component relating to systemic changes and exceptional events (paragraph 27.1, letter f), MTI-3) referring to 2023; the request must be accompanied by an action plan to limit the cost of energy. With the subsequent Resolution 495/2022/R/idr of 13 October 2022 a second window was established (1 November - 30 November 2022) for presentation of requests to CSEA. Annually, starting in 2023, the Authority will publish the annual cost of the electricity supply sector, on the basis of specific investigations, in order to strengthen monitoring of the system.

Resolution 459/2022/R/idr of 27 September 2022: launch of proceeding for ex officio determination of the integrated water service tariffs, pursuant to authority resolution 580/2019/R/idr as updated by resolution 639/2021/R/idr, as well as the acquisition of additional fact-finding relative to cases of exclusion from the tariff update

This launches a proceeding to ex officio determine the tariff multiplier, for the years 2022 and 2023, for management involving the cases specified from under paragraph 5.8 of resolution 580/2019/R/idr (incomplete or lack of transmission to ARERA of information and data associated with tariff determination and obligatory accounting sources).
During the reference period for this report, the Authority also resolved to appeal certain Regional Administrative Court rulings that had ordered partial annulment of Authority resolution 643/2013/R/idr.

Resolution 112/2022/C/idr of 22 March 2022: appeal of rulings no. 460 and no. 461 of 24 February 2022 of the Regional administrative court of Lombardy, Milan, second section, on partial annulment of authority resolution 643/2013/R/idr

With this measure, ARERA resolves to file an appeal against the unfavourable terms of the aforesaid rulings of the Regional Administrative Court of Lombardy, which ordered the partial annulment

of resolution 643/2013/R/idr (Approval of the water tariff method and completion provisions – MTI). The points in question regard the definition of the adjustment components (use of the inflation rate rather than the financial charges effectively incurred), the methods of calculating the costs for electricity and the lack of consideration of the income from "Other water activities" in the formation of the invested capital.

Resolution 308/2022/C/idr of 12 July 2022: appeal of Lombardy, Milan Regional Administrative Court, second section rulings no. 892, 893, 904 and 933 of 2022 partially annulling Authority resolution 643/2013/R/idr

The resolution calls for submitting an appeal against the unfavourable portions of the rulings indicated in the title, which called for the partial annulment of resolution 643/2013/R/idr, approving the water tariff method (MTI), holding that these rulings can be rejected as they are based on an erroneous interpretation of the relevant facts and laws. The rulings were respectively issued with reference to appeals by Acea Ato2 SpA, Umbria Acque SpA, GORI and Acquedotto del Fiora SpA in relation to various elements of the MTI. The Milan Regional Administrative Court partially granted the appeals, limiting itself to acknowledging the claims relative to article 29 of Resolution 643/2013/R/idr in relation to definition of the adjustment component of the GRC.

TECHNICAL AND CONTRACTUAL QUALITY

Resolution 183/2022/R/idr of 26 April 2022: application of the incentive mechanism for regulation of the technical quality of the integrated water service (RQTI) for 2018-2019. Final results

The procedure, based on what is set out in the Methodological Note attached to Resolution 98/2022/R/idr of 8 March 2022, provides for the first-time application of the incentive mechanism for regulation of the technical quality of the integrated water system (RQTI) for the years 2018-2019. As announced by the press release published by the Authority on its website on 29 April 2022, the analysis of the data made it possible to codify the results achieved by 203 operators, which serve a total of 84% of the national population. The total amount of the bonuses for all stages was approximately 63.2 million euros for the year 2018 and 72.2 million euros for the year 2019, while the penalties (which, as envisaged by resolution 917/2017/R/idr, must be set aside and used for the achievement of the established objectives) amounted to approximately 3.9 million and 5.8 million respectively for 2018 and 2019. The 66 most important positions (the first 3 classified – for each indicator and as a whole – in 2018 and 2019, for the advanced and excellence assessment levels) were held by a total of 26 operators.

Note, in particular, the result achieved by Acea Ato2, which achieved the biggest improvement in terms of the M1-Water losses macro-indicator, achieving first place in Stage IV of the assessment (advanced assessment level for improvement objectives) for both years and the achievement of all the objectives envisaged for the remaining macro-indicators.

The total of the bonuses was the absolute highest overall, reaching approximately € 23.6 million for the two-year period in question.

The results were illustrated as part of a conference held in Milan on 15 June 2022, organised by the Water Systems Department of ARERA. The data were made available in the annexes to the aforementioned resolution 183/2022/R/idr, as well as through interactive journalism info data tools (interactive maps, illustrations and integrated text) provided on the Authority's website, which make it possible to visualise the technical quality performance of the individual Italian water operators.

As regards the data relating to 2021, ARERA opened with communication dated 1 February 2022 the data collection envisaged pursuant to article 77 of the regulation of the contractual quality of the integrated water service (RQSII – Annex A to resolution 655/2015/R/idr). The data requested also include those relating to the provision of the automatic indemnities envisaged as part of the regulation on arrears (REMSI – Annex A to resolution 311/2019/R/idr). The deadline for integrated water service operators to submit the data in the digital collection system was 15 March 2022, while for the subsequent verification by the area governing bodies (AGBs), the deadline was 26 April 2022, once operators had sent the final data.

On the other hand, in relation to the technical quality, with communication published on 17 March 2022, the Authority announced the upcoming opening of the "collection of technical quality data (RQTI) – monitoring" (RQTI 2022), as part of the collection "Tariffs and Technical Quality of Water Services", in the context of the proceedings initiated with resolution 107/2022/R/idr and aimed at carrying out the quantitative assessments envisaged by the technical quality incentive mechanism set out by resolution 917/2017/R/idr. The mandatory deadline for sending the data was set for 30 April 2022. The effective opening of the collection was then acknowledged with the communication published on 5 April 2022.

Resolution 231/2022/R/com of 31 May 2022: updating of the methods for checking commercial quality data for the distribution, measurement and sale of electricity and natural gas and for the contractual quality of the integrated water service

The measure concludes the procedure to update the verifications of the commercial and contractual quality data (opened with Resolution 571/2021/R/com and DCO consultation 572/2021/R/com), ordering the application of the "statistical method" also in execution of the "additional control" and even extending it to the TIQV.

Resolution 107/2022/R/idr of 5 March 2022 launch of the procedure for the quantitative assessments, for years 2020-2021, envisaged by the incentive mechanism for the technical quality of the integrated water service referred to in Title 7 of Annex A to Authority Resolution 917/2017/R/idr (RQTI)".

Similar to that established for contractual quality with resolution 69/2022/R/idr, a procedure was launched for quantitative assessments, for years 2020-2021, envisaged by the incentive mechanism for the technical quality of the integrated water service (Title VII of Annex A to resolution 917/2017/R/idr - RQTI). Similar to that already established in the context of resolution 69/2022/R/idr, the process will involved two phases:

- identification of the management set for which there is a complete set of information for the definition of the Stage III, IV and V rankings, as well as attribution of bonuses and penalties in all Stages. In the context of this group of operators, cases for exclusion from the incentive mechanism will be defined (non-validation of data sent by the EGA and transmission of 2019 data after 31 December 2020), as well as exclusion from bonuses (non-transmission of tariff establishment documents, non-payment of the UI2 equalisation component to the CSEA, information that is incomplete, inconsistent or lacking in the documents sent, specifying that, if the issues affect only the base year, exclusion from the bonuses refers solely to assessment

stages I, II and IV);
- assignment of penalties associated with stages I, II, III and IV for all management entities that did not send technical quality data for 2020-2021 by the due date established (subsequently identified as 30 April 2022 in a Communication dated 17 March 2022), also assessing them pursuant to Article 2, paragraph 20, letter c) of Law 481/95. Entities for which the convergence regulatory scheme has been adopted are excluded from application of penalties. During this phase, ARERA reserves the right, in cases of long-term inertia in complying with the requirements established in the regulation, to propose the suspension or termination of what was entrusted to an entity, if this does not compromise users' ability to use the service, pursuant to Article 3, paragraph 1, letter a) of the Prime Ministerial Decree of 20 July 2012.

The deadline for completion of the proceeding is 31 March 2023. Determination of the revenue portion of the UI2 component destined for bonuses is postponed for a subsequent provision, associated with the technical quality incentive mechanism for 2020 and 2021, also taking into account application of the similar contractual quality incentive mechanism.

Resolution 734/2022/R/idr of 27 December 2022: approval of the methodological note following the preliminary investigation results in the context of the proceeding for quantitative assessment called for by the integrated water service contractual quality incentive mechanism (RQSII) launched with Authority resolution 69/2022/R/idr

The proceeding approved the methodological note following the preliminary investigation results, involving:
- verification that the presuppositions exist for application of penalties applied in cases in which the data necessary for assessing contractual quality objectives is not sent;
- assessment of eligibility for the incentive mechanism in terms of compliance with the data transmission requirements to identify the starting levels, as well as the presence of any specific derogation requests;
- assessment of eligibility for bonuses with reference to the presence of a proposed MTI-3 regulatory scheme, validation activities for the AGBs and compliance equalisation component payment requirements;
- checks with regards to the consistency and congruence of the data supplied.

In particular, in correspondence to the types of issues identified, the consequent effects are indicated in terms of application of the incentive mechanism. The regulatory result may involve one or more macro-indicators, as well as one or more of the assessment stages; on the other hand, the penalties established for cases of non-transmission of the data required for assessment and for serious incompleteness of documentation, are applied with reference to all stages in the context of which, for each macro-indicator, the management entity involved is assessed. The checks carried out led to the identification of cases of missing documents, and incomplete or inconsistent data, requests for derogation of the incentive mechanism and the result of checks with reference to compliance with the conditions established for access to bonuses.

Resolution 64/2023/R/idr of 21 February 2023: launch of proceeding to define the water tariff method for the fourth regulatory period (MTI-4)

With this provision, ARERA launched the proceeding to define, for the fourth regulatory period, the MTI-4 tariff method to determine the integrated water service tariff for each of the individual services that comprise it, in compliance with the main EU and domestic regulatory sources.

Based on that noted by ARERA, the final provision will maintain stability in the general framework but, based on new evidence, additional mechanisms will be determined to:
- promote management efficiency (also in terms of energy consumption),
- strengthen measures to guide investment choices towards innovative and resilient solutions with lower environmental impact,
- extend the incentive measures already established in MTI-3 and further promote a reduction in the amount of sewage sludge disposed of in landfills,
- update the forecast system based on ex officio tariff determinations and exclusion from tariff updates,
- preserve the effectiveness of spending on water infrastructure investments, maintaining an integrated vision of the multiple funding sources available and strengthening measures intended to promote the effective implementation of planned investments,
- in general, ensure efficient financial sustainability of management, in an environment of close attention to the social sustainability of the tariffs paid by end users,
- update the basic schedules of the economic financial plans and schedules for projects, so that these are prepared consistently, taking minimum levels, indicators and standards of quality as established by the regulation into account, as well as determining methods for implementation of projects financed under the NRRP investment lines,
- take into account the regulation for the minimum content of calls for tender, to be defined following the proceeding launched with resolution 51/2023/R/idr.

With the provision, ARERA deemed it necessary to mitigate the effects of the extraordinary increase in costs to purchase electricity seen in 2022, by extending also to 2022 EE costs the possibility of making a justified request for recognition of additional costs to be added to the adjustment component "costs due to the occurrence of exceptional events" and measurement of the average cost for the 2022 electricity supply sector, equal to: € 0.2855/kWh.

SOCIAL WATER BONUS

Resolution 106/2022/R/com of 15 March 2022: simplified regulation for the recognition and payment of the social water bonus for 2021 and amendments to authority resolution 63/2021/R/com on communicating the outcome of the proceedings

The measure approves the simplified regulation for the recognition of the social water bonus for 2021, the first year to be paid to those entitled to it using the automatic recognition method, and makes amendments to resolution 63/2021/R/com on communicating the final outcome of the proceedings.

In the initial implementation of the automatic recognition system of the social bonuses for economic hardship, the start times were differentiated for the various sectors, due to the diversity and various degree of complexity of the processes envisaged for recognition of the subsidy; in particular, the process for the recognition of the social water bonus required further investigations and fulfilments, especially related to compliance with privacy regulations.

The social water bonus pertaining to 2021 will be granted to all households that already benefited in the same year from the social electricity bonus for economic hardship. Acquirente Unico, the op-

erator of the Integrated Information System (IIS), will send at least once a month to the water operators responsible for that area communications containing information about all the ISEE households that received the social electricity bonus for 2021. These communications will be sent starting from June 2022; transmission must take place following approval from the Authority of the related risk impact assessment.
Verification of compliance with the limitation of one social water bonus for 2021 is considered automatically fulfilled by the IIS operator when the information about the households to be subsidised is sent to the concerned territorial water managers; in the event that the ISEE household cannot be associated with a water supply, the concerned territorial water manager will assume that the aforesaid household is served by a shared apartment complex water supply.
The bonus may be calculated based on the standard household number that can be subsidised (standard domestic resident user with three members) if the water manager does not yet hold all the information and data required to identify the number of family members, or if the activities required to identify the number of family members and the quantification of the bonus according to this criterion do not allow for disbursement within the time frames envisaged (first day of the fourth month after the month of receipt of the information about the beneficiaries to be subsidised).
The payment will take place as a once-off contribution with a non-transferable bank draft to the declarant party of the DSU (single substitutive declaration), or other methods provided they guarantee the traceability and identification of the beneficiary; alternatively, for direct users, the social water bonus pertaining to 2021 can be paid by splitting the amount accrued into equal portions over several bills or in the first invoice thereafter, in any case in accordance with the envisaged deadline.
In relation to the data communication obligations, the water managers must send to ARERA and their area governing body (EGA) the data and information related to the social water bonus paid pertaining to 2021 by 31 March 2023, or in any case as part of the first report provided pursuant to paragraph 12.1 of the TIBSI, according to the operating methods defined by that Authority to ensure it is indicated separately.

Resolution 651/2022/R/com of 6 December 2022: simplified regulation for the recognition and payment of the social water bonus for 2021 and 2022 and amendments to Annex A to Authority resolution 554/2022/R/com

The resolution introduces a simplified regulation also for recognition of the water social bonus for the year 2022, to make the process of recognising the water subsidy for those with the right to the same less burdensome and faster. Additionally, the simplified regulation also applies to management of 2021 bonus requests, for all integrated water service managers for which, as of the date the provision was published, the Authority, in compliance with the regulations on personal data protection in effect, had not yet provided indications on sending the informational flows functional to recognition of the social water bonus for the years 2021 and 2022. Application of the ordinary regulations is planned as of 2023.

STRATEGIC FRAMEWORK 2022 - 2025

Resolution 2/2022/A of 13 January 2022: 2022-2025 strategic framework of the regulatory authority for energy, networks and environment

Following consultation 465/2021/A of 29 October 2021, in January ARERA approved its 2022-2025 Strategic Framework; the document establishes the objectives that will guide the development of the regulation, in the sectors within the Authority's remit, for the next four years.
As mentioned previously in the document, the strategic vision of the current Tenure is inspired by the need to guarantee all citizens have accessible energy and environmental services, including in economic terms, that are efficient and provided with increasing and convergent levels of quality, in the different areas of the country. At the same time, these services must be environmentally sustainable, integrated at European level, aligned with the principles of circular economy and contribute to the competitiveness of the national system.
In order to guide its strategic regulation towards social, economic and environmental sustainability objectives and increase its accountability towards stakeholders in this regard, the Authority then established that it would associate the objectives of the Strategic Framework with one or more Sustainable Development Goals of the Agenda 2030.
The Strategic Framework structure and contents – the latter subdivided into themes cutting across all segments with in-depth studies on individual sectors – are arranged on two levels: the strategic objectives and the intervention lines. The objectives embody the overall strategy based on the current and medium-term scenario, with reference to both the aspects cutting across all sectors (centrality of the consumer, system innovation, simplification, transparency and enforcement of the regulatory framework), and in the specific aspects of the Environment and Energy segment and comply with national and international legislation. The intervention lines outline the Authority's planned main measures and actions to achieve each strategic objective.

Resolution 203/2022/A of 10 May 2022: reporting of the activities carried out between 1 January and 31 December 2021 of the strategic framework of the regulatory authority for energy, networks and environment for the 2019-2021 three-year period

The document contains a report on the activities carried out by the Authority during 2021, in implementation of the objectives defined by the 2021 Strategic Framework. More specifically, it outlines the different measures characterising the 23 strategic objectives, breaking down the relevant interventions, grouped according to the three strategic areas (Transversal themes, Environment Segment and Energy Segment), each of which is broken down further into 3 strategic lines. Rules
With specific reference to the IIS, the report addresses various important aspects, such as the integration and updating of the rules for the management of relations between operators and users, the efficient development of infrastructure, the promotion of a clear and reliable governance framework.

BRIEFS AND REPORTS

Brief 82/2022/I/com of 4 March 2022: brief by the regulatory authority for energy, networks and environment on the draft law "annual law for the market and competition 2021" (as 2469) for the industry, commerce and tourism commission of the Italian Senate

The draft law containing the "Annual law for the market and competition 2021" (so-called Draft Competition Law), which at the time of approval of this brief was under initial review by the Industry, Commerce and Tourism Commission of the Italian Senate, contains a number of relevant provisions for the activity of the Authority, on

which the document presents observations and proposals. In particular, in terms of the integrated water service, the comments by ARERA focused on art. 6 which delegated powers to the Government to reorganise the local public services.
As regards the aspects associated with governance of the system, ARERA reported that the current approach of the Draft Law could cause critical issues such as harming the stability, clarity and certainty of an already consolidated sector regulation. The current regulatory approach of the water sector has indeed allowed for a significant increase in investments, which nearly quadrupled between 2012 and 2020, and an improvement in the quality of the service, against substantial stability of the tariffs for users; even the rate of execution of interventions increased from 50% for the period pre-regulation to over 90% at present. Therefore, there is no requirement for an overall reform, while it appears fundamental to consolidate the regulatory framework, including for the purposes of the effective implementation of the support tools envisaged for Italy's relaunch (NRRP). The Authority also believes that measures to overcome various issues which, located upstream of the regulation, generate critical issues in relation to the programming and management decisions of the integrated water service are a priority; in this context, new reorganisation measures could ensure technical support, in terms of organisation and specific know-how, for the territorial parties for which ongoing violations have been detected, from a publicly controlled company with experience in assistance projects for public administrations.
As regards the critical issues relating to management structures, a review of the current regulation could work in synergy with the measures already put into place by the Authority, to promote the aggregation of activities and the management of services, and to support the reorganisation of governance in the sector. In this sense, action is required to strengthen the governance, aimed at overcoming the critical issues found in a number of areas of the country (ongoing situations of no awarding of the service, shortcomings in the drafting and updating of the necessary deeds to adopt programming and management decisions, etc.); the proposal is to revisit the awarding regulation with a view to simplifying procedures, by introducing a mandatory deadline by which to conclude the processes of awarding contracts for the integrated water service and, in the event of inaction, require that the management be carried out temporarily, for a period potentially overlapping that of the implementation of the NRRP, by a company under entirely public control.

Report 39/2022/I/idr of 1 February 2022: fourteenth report pursuant to article 172, paragraph 3-bis of Legislative Decree no. 152 of 3 April 2006 on "environmental regulations"

The usual six-monthly monitoring of the local structures of the integrated water service showed a context of substantial stability, with the final completion of the process of local authorities joining the relevant area governing bodies (AGBs) in all territorial areas of the country and consolidation in the process of rationalising the number of OTAs, currently at 62; with reference to the second half of 2021, it showed a number of Regions (Lombardy, Campania) moving towards a structure of the territorial organisation of the integrated water service that was potentially smaller than the provincial area. At present, the priorities identified by the Authority are the completion of the processes initiated towards the full operation of the area governing bodies (AGBs), especially in some regional contexts, and the awarding of contracts for the integrated water service in all situations with no clearly outlined management worthy of protection based on current legislation, or with no single area operators identified.
The studies carried out by the Authority brought to light the permanence of potentially critical contexts, which impact upon the proper drafting and updating of the programming and management deeds of the integrated water service. In particular, they highlighted a water service divide, with situations, mainly in the South and Islands, with continuing inefficiencies and disruptions. However, the ongoing situations of inaction relating to the awarding procedures of the service may represent serious critical issues, especially in the contexts characterised by infrastructural shortcomings, which view the possible use of funds provided as part of the NRRP as an opportunity to improve the quality of the services provided.
The difficulties encountered in some contexts suggest evaluating the opportunity to simplify the awarding procedures (to strengthen the guarantee of the time frames and quality of the programmes), and to outline additional solutions to the external administration model (to strengthen the guarantee of the adoption of a structural and overall solution).

Opinion 273/2022/I/idr of 21 June 2022: opinion sent to the ministry of sustainable infrastructure and mobility on the draft ministerial decree implementing reform 4.1 of the national resilience and recovery plan (NRRP), regarding "legislative simplification and governance strengthening for investments in water supply infrastructure"

The Authority hereby issues a favourable opinion, with comments, on the draft decree sent by the MIMS pursuant to art. 1, paragraph 516-bis of Law 205/17 (as amended by Law Decree 121/21), intended to define the methods and criteria for drafting and updating the National Plan for Infrastructure Interventions and Safety in the Water Sector, and for its implementation in subsequent passages. The draft measure requires, in particular, that interventions aimed at mitigating the damage associated with the phenomenon of drought be considered a priority for inclusion in the plan, as well as the development and upgrading of water infrastructure, including in order to increase the resilience of the water systems to climate change and to reduce the dispersion of water resources. The MIMS must publish a yearly presentation of the proposals, with indication of their order of priority, compliance with the overarching planning, any use of co-financing or need for financing of the planning phases subsequent to transmission. These elements would constitute elements used to assess the interventions and formulate the proposed plan.
Of the observations formulated by ARERA, note in particular the request, with reference to the proposals of the regulated parties, to include among the elements to be acquired for the purpose of updating the plan and as assessment factors, the compliance of the operator's qualification to provide the service in accordance with current legislation, compliance with the obligations envisaged for the adoption and approval of the specific draft regulation and the absence of company crises that could compromise the continuation of the activity for which the financing is required.

Memo 348/2022/I/idr of 19 July 2022: ARERA memo on examination of resolutions on urgent initiatives to fight the water crisis (7-00848 on. Daga, on. Federico, 7-00861 on. Foti 7-00853, 7-00858 on. Pellicani and 7-00865 on. Spena)

The memo is intended to provide assistance to the Combined Environment and Agriculture Commissions of the Chamber of Deputies, while examining resolutions on urgent initiatives to fight the water crisis, focussing, in particular with regards to the integrated water service, on the following aspects:

- regulation of the technical quality of the integrated water ser-

vice: ARERA emphasised the positive impact seen in the first year of application to the SII, in terms of finalisation of investments and improvement at the level of macro-indicators, in particular focussing on aspects relative to water loss, highlighting that the progress achieved contributes to reducing the overall need for the resource. Therefore, it hopes that similar incentive mechanisms will be adopted to promote efficiency and improve quality also in various civil uses, such as irrigation and manufacturing;

- investment and governance; regulatory actions in the last decade have led to a significant increase in investment spending in the water sector, with a significant improvement in completion rates, supporting improvements in service quality combined with substantial stability in the tariffs paid by users. Nonetheless, persistent problems in various areas, suggests an urgent need, first of all, for reform that, in line with the reform 4.2 in Mission M2 C4 of the NRRP, intended to "guarantee full management capacity for integrated water services", is intended to overcome any continuing situations of inertia relative to procedures to assign the service. To that end, the Authority, with the aim of rapidly establishing management situations with the needed organisational and implementation capacities, proposes the introduction of simplifications to the assignment procedures and additional solutions with respect to the external administration model;
- additional support measures for water sector investments: the Authority's commitment to ensuring effective use of available public resources is referenced, together with the need to support the utmost simplification. Additionally, the potential of the Water Works Guarantee Fund is noted, as a synergistic tool complementary to the financing allocated under the National Recovery and Resilience Plan (NRRP);
- measures to support the efficient use of water resources, promoting development of reuse potential, in particular by strengthening reuse of waste water, both for agricultural and industrial purposes.

CONSUMER PROTECTION

Regarding changes to consumer protection made in 2022, note the publication of Brief 48/2022/I/com of 8 February 2022, relating to the ARERA hearing at the newly founded parliamentary commission of inquiry on consumer and user protection. During the hearing, the Authority illustrated the activities carried out in the respective sectors, in accordance with the mandate received from the Legislator, regarding the "promotion of the protection of the interests of users and consumers, taking account of related community legislation and the general policy guidelines formulated by the Government" (art. 1.1 of Law no. 481/1995); it also drew attention to the contingent situation characterised by the sharp rise in energy prices.
On 15 September 2022, the newly established parliamentary commission on inquiry on consumer and user protection approved the Report on its activities. The Commission met for the first time on 9 December 2021 and had a total of 32 meetings in plenary sessions, with the objective of analysing the phenomenon of consumer and user protection from various perspectives and with a multidisciplinary approach. During the meetings, various opinions were heard, from independent authorities, institutional entities and representatives of consumer associations. A presentation from the chairman of Acquirente Unico (A.U.) was also scheduled, on the subject of the current issue of price increases in electricity (+55) and gas (over 40%) bills, caused by the increased costs of raw materials and the pandemic; as this did not occur due to the early dissolution of the Chambers, the Commission was still able to acquire the speech prepared by A.U. for its files, a detailed illustration of how the electric, gas and water social bonuses function. The Commission ends by specifying that the battle for consumer rights should continue to be fought, without giving in to the temptation to implement a massive, and at times contradictory, combination of laws that risk being evaded from the start, as well as that of implementing invasive public projects that are later found to be ineffective and damaging to competitive and market dynamics. On the other hand, users need to be offered an increasingly vast toolkit of knowledge, education and information, including technological and legal tools (such as settlements) that are effective and accessible, to allow their rights to be enforced and recognised in reasonable timeframes.
For completeness of information, with resolution 58/2022/A of 15 February 2022, ARERA appointed the members of the Regulatory Commission and the members of the Conciliation Commission; in particular, as regards the appointment criteria of the Conciliation Commission, the draft agreement contained in resolution 464/2021/A established that the commission be formed of: a) a person external to the Authority appointed by the Board, with extensive and recognised experience and independence in the sector of labour law or in any case in the legal sector, with the role of Chair; b) the Director responsible for the management of the human resources department or another executive appointed by the Board; c) a trade union leader of a legitimately constituted trade union within the Authority or by another trusted person to assist the employee.
Also note the conclusion, positively for Acea Ato2, of the issue which arose in 2015, relative to a presumed violation of the Consumer Code by the entity. In 2015, the Antitrust Authority (AGCM) had issued a fine against Acea Ato2 of € 1.5 million. With judgement 5500 of 2022, published on 6 May 2022, the Lazio Regional Administrative Court cancelled this fine, partially accepting the appeal presented by Acea Ato2; in particular, according to the Regional Administrative Court, the behaviour carried out by the entity is in compliance with the professional due diligence required by ARERA, does not significantly impact consumer choices and, therefore, cannot be classified as improper commercial practices.
Finally, below is the data relative to the Annual Report on ARERA Conciliation Service activities, for the first half of 2022 (data updated to 14 October 2022). The Report shows that in the first half of 2022, 12,323 conciliation requests were submitted. Of these, 1,794 were related to the water sector, 6,155 to the electricity sector, 2,979 to the gas sector, 25 to the district heating sector with the remainder relating to Dual-Fuel and Prosumer customers. As regards the topics covered by the questions in the water sector, 71.7% concerned billing, 5.1% contracts, 4.6% metering, 3.8\% connections and work, 3.6% arrears and suspension, 1.6% technical quality and 1.4% contractual quality. The Regions with the highest number of applications are Sardinia, Abruzzo, Lazio, Campania and Basilicata, followed by Liguria, Calabria and Molise. At the end of the conciliation procedure (relating to all regulated sectors and not only the water sector), 4,332 customers were asked to take part in a satisfaction questionnaire; 96% of them said they were satisfied with the service received.

With reference to the main operator of the Acea Group in the Water Sector, note that at the 30 November 2022 meeting of the Conference of Mayors of OTA2 Central Lazio - Rome, with Reso-

lution 13-22 the regulatory scheme was adopted on updating the tariffs established for 2022-2023, based on ARERA resolutions ARERA 639/2021/R/idr and 229/2022/R/idr. Pending approval by the Authority, pursuant to paragraph 7.2 of ARERA resolution 580/2019/R/idr, the 2020-2023 tariff is applied, as approved by the Authority with resolution 197/2021/R/idr.

The tariff proposal adopted by the Conference of Mayors, the result of a joint process between Acea Ato2 and the Technical Operational Secretariat of the Conference of Mayors was approved in January 2023 by the Authority with resolution 11/2022/R/idr "Approval of the update to tariff provisions for the integrated water service for 2022 and 2023"; the main aspects follow:

- Confirmation of the placement of Scheme V within the regulatory scheme matrix pursuant to article 5 of Annex A to resolution 580/2019/R/idr (high investments with respect to the value of existing infrastructure and average per capita GRC higher than the average national value determined by ARERA), already approved with ARERA resolution 197/2021/R/idr;
- Works Programme for 2022-2023 of over € 805 million, equal to around € 110 per year per capita, up by around € 90 million with respect to that approved for 2020-2023; for the subsequent 2024-2032 period, an additional amount of around € 4,200 million is planned (€ 890 million more than that approved for 2020-2023);
- Confirmation of the theta tariff multiplier (to be applied to the tariff in force at 31/12/2019) of 1.139 for 2022 and of 1.202 for 2023, in line with that already approved in ARERA resolution 197/2021/R/idr;
- Confirmation of the value of the ψ parameter of 0.45 (the maximum value provided for in Resolution 580/209/R/idr is 0.8) for the purposes of determining the component for the financing in advance of new investments (FNInew);
- Use of the amount of the integrated water bonus for all of 2021 not utilised to reduce tariff adjustments for 2020 and 2021, specifically around € 6 million.

Additionally, at its meeting on 30 November 2022, the Conference of Mayors approved the implementation Regulation for the 2023 integrated water bonus (Resolution 11-22). As in previous years, the amount of the bonus is calculated as an expense (based on the tariffs in effect in the reference year) corresponding to the fixed and variable fees for aqueduct, sewer and purification for a consumer up to:

- 40 m^3 per year for every member of the household, for direct and indirect users with ISEE up to € 8,265;
- 20 m^3 per year for every member of the household, for direct and indirect users with:

a. ISEE indicator up to € 13,939.11 and household of up to 3 members;
b. ISEE indicator up to € 15,989.46 and household with 4 members;
c. ISEE indicator up to € 18,120.63 and household with 5 or more members.

Other events worthy of note in relation to Conference of Mayors resolutions are the update of the Services Charter (resolution 10-22 of 29 September 2022) and the User Regulations (resolution 12-22 of 30 November 2022), adjusted to current regulations.

Other significant events during the period include, following that established in the previously cited Law 152/2021 and the consequent regional laws, the significant push given to transfer integrated water services to the single manager for municipalities which, as of the first half of 2022, were still operating the service without a legal title in compliance with the current pro tempore regulations.

UPDATE ON APPEALS AGAINST THE ARERA TARIFF REGULATION

In 2013, Acea Ato2 filed an appeal against Resolution 585/2012 (MTT) and subsequent resolutions that amended and supplemented the contents (Resolutions 88/2013, 73/2013 and 459/2013). The appeal was partially upheld by the Regional Administrative Court of Lombardy 2528/2014, against which both Acea Ato2 and ARERA have appealed.

A partially favourable judgement, no. 8079/2020 16 December 2020:

- accepted OTA2's appeal related to non-recognition of the CCN in relation to other water activities, the only ground for the appeal that the Company had decided not to waive;
- rejected the Authority's appeal related to financial expenses on adjustments, with reference to which already the Lombardy Regional Administrative Court (RAC) had found in favour of OTA2;
- accepted the said Authority's appeal concerning the ground on non-enforceable receivables.

Still pending are the other appeals filed by Acea Ato2 with the Lombardy Regional Administrative Court against Resolution no. 643/2013/R//Idr(MTI), Resolution no. 664/2015/R/Idr(MTI-2) and Resolution no. 580/2019/R//Idr.

Relative to Resolution 643/2013, note that on 8 May 2014 the additional reasons for annulment of ARERA decisions 2 and 3 of 2014 were presented.

The ruling of the regional administrative court of Lombardy no. 892 of 20 April 2022 confirmed the guidelines already expressed by the Council of State in the cases on resolution 585/2012/R/idr relating:

- to the so-called "white water" for which the appealed resolution "does not impact in a broad sense on the ongoing management agreements";
- to mixed sewerage, stating that "in these cases, since it is not possible to quantify the volumes of water that flow into the sewerage networks from the various points of input, and therefore to break down the relative costs, it responds to economic rationality fees so that the tariffs also cover the costs deriving from the collection and treatment of white water";
- to the financial expenses on adjustments, for which it is confirmed that since the operator incurs an objective cost deriving from the fact that the level of the tariffs initially set by the area governing body is insufficient to cover the costs of the service, the recognition of this financial cost cannot be renounced. Due to this, the Authority must then provide, during determination of the adjustment, for a correction to cover the financial expense on adjustments. The regional administrative court rejected the reason concerning the provision of a cap on adjustments.

On 11 October 2022, appeals relative to resolution 643/13 were discussed, with the exception of that of Acea Ato2 as the individual to which it had been assigned was not available.

Relative to Ato2, with judgement 736 of 23 February 2023, the Council of State accepted ARERA's appeal with regards to the judgement of the Lombardy Regional Administrative Court Second Section, no. 892/2022, which had partially annulled the acts approving the Water Tariff Method (MTI) for the years 2014 and 2015, agreeing with the regulator with regards to non-payment of financial charges relative to adjustments. The second-level judge agreed with ARERA's arguments, as in the similar rulings already issued for the Authority's appeals against, among others, Acquedotto del Fiora, Umbra Acque, GORI and Publiacqua, deeming the regu-

lator's decision to base adjustments on "effective data and certificates relative to sales volumes" reasonable, while "the riskiness of the IWS's management activities is already considered in the "beta" tariff value, which was deemed reasonable by a verification body as part of the pursuit of the "full cost recovery" principle Additionally, the judgement establishes that "recognising financial charges also for adjustments (operating costs) would mean, in terms of profitability, attributing this component substantially the same treatment as investments (capital costs) which pursue a different purpose of improving the quality of the public service". Finally, the Council of State agreed with ARERA on the fact that the adjustments are already adjusted exclusively in relation to inflation, as already occurs in the other regulated sectors.
The Council of State also rejected the appellant's claims relative to the illegitimacy of the cap established for the theta multiplier with reference to the component of adjustments, in that the regulation already calls for the same to be exceed solely under certain conditions and based on a justified request presented by the Governing Body.
With regard to Resolution no. 664/2015, it should be noted that in February 2018 Acea Ato2 extended the appeal originally proposed, submitting additional grounds of appeal against ARERA Resolution no. 918/2017/R/idr (Biennial update of the tariff arrangements for the integrated water service) and against Annex A of Resolution no. 664/2015, as amended by the aforementioned Resolution no. 918/2017. As of today we are waiting for the hearing on the merits to be scheduled.
In February 2020, Acea Ato2 also challenged Resolution 580/2019/R/idr which approved the Tariff Method of the integrated water service for the third regulatory period (MTI-3), reiterating many of the reasons for previous appeals in tariff matters and introducing new ones related to specific aspects introduced for the first time with the new tariff methodology. Other subsidiaries and/or investees of the Acea Group that have challenged MTI-3 are Acea Ato5, Acea Molise and Gesesa (which had not previously challenged the resolutions relating to the TTM, MTI and MTI-2). Resolution 235/2020/R/idr for the adoption of urgent measures in the integrated water service, in the light of the COVID-19 emergency was also appealed. We are awaiting the scheduling of the hearing.
In February 2022, Acea Ato2 filed an appeal against resolution 639/2021/R/idr relating to the two-year tariff update for 2022 and 2023. The challenge of the provision, also carried out by the subsidiaries and/or investee companies of the Acea Group such as Acea Ato5, Acea Molise, Publiacqua, Acquedotto del Fiora, GORI, Gesesa, Umbra Acque and SII Terni, confirms many of the reasons already advanced against the previous tariff resolutions, adding new ones linked to the new regulation enunciated by ARERA. In relation to the reasons pertaining to the new provisions, note both the mechanism for recognition of the cost of energy, deemed inefficient to intercept the real contingent situation, as well as the provisions with which ARERA declared that it wishes to comply with the law of the Council of State on financial expenses on adjustments, treatment of the New Investments Fund and redefinition of the quota subject to reimbursement to users pursuant to Resolution no. 273/2013.

ELECTRICAL REGULATION

Biennial limitation

Article 1, paragraphs 4-10 of the 2018 Budget Law, introduced a two-year limitation on electricity supply contracts, initially establishing that end users were not eligible for this in the case of the failed or erroneous recording of consumption data, attributable to users. Paragraph 295 of Article 1 of the 2020 Budget Law eliminated this specification, establishing that the biennial limitation was also applicable in the case of confirmed responsibility on the part of the customer, and introducing objective liability in respect of the electricity chain operator, and in particular, the distributor, in its capacity as metering service operator, even without any liability or inefficiency in terms of its service provision. With Resolution **184/2020/R/com**, ARERA transposed the provisions of the 2020 Budget Law with reference to the case of exclusion from the biennial limitation in cases of failed or erroneous recording of the electricity metering data, arising from the confirmed responsibility of the end customer. On 27 July 2020, Areti and Acea Energia submitted an appeal to the Regional Administrative Court to have Resolution 184/2020/R/com cancelled. The appeal was accepted with the consequent cancellation of the resolution on the basis that the interpretation of the 2020 Budget Law had only referred to the duration of the limitation (two years instead of five years), without excluding the applicability of the general civil code regulations regarding limitation.

With Resolution **603/2021**, the Authority amended Resolution 569/2018/R/com on the billing of consumption dating back more than two years as a result of DCO 457/21, in order to comply with 14 June 2021 Rulings 1441, 1444 and 1449 of the Lombardy Regional Administrative Court. With this resolution, the Authority confirmed the distributor's obligation to notify the seller, via certified email (PEC) – contemporaneously with the metering or adjustment data referring to consumption dating back to a period more than two years back – the indication of the presumed existence or non-existence of causes hindering the accrual of the limitation period pursuant to the primary and general reference legislation. It also confirmed that the seller's information obligations vis-à-vis the end customer should be separated depending on whether or not there are any amounts on the invoice for which the limitation is contested. The Authority has also provided for a transitional phase, pending the implementation of the flows between the various entities in the chain and the IWT, which provides for the same information to be transmitted between the parties in a non-automated manner but with a defined time frame.
Following on from DCO 386/2021, the Authority published Resolution **604/2021/R/com**, which provides for:

- an annual compensation mechanism for the greater protection operator or the dispatching user associated with a withdrawal point, making it possible also to recover in the successive annual session any amounts not recovered in the reference annual session;
- a mechanism to make distribution companies liable, whereby from 2023 all electricity distribution companies will be required to pay a penalty to CSEA each year for recalculations invoiced in the previous year due to non-collection of actual readings or adjustments of actual metering amounts previously utilised, for the portion prior to 24 months of the date on which the data was made available.

Subsequently, with a precautionary ordinance, the Regional Administrative court suspended ARERA resolution 603/2021, limited to article 6.4 of the Annex to the same, that is the transitional regulations which require the distributor to respond within 7 days. The public hearing on the merits was set for 1 December 2022. With ordinance 4568/2022 of 13 October 2022, the Court of Bologna clarified that SME and large companies are excluded from the category of entities to which the biennial limitations apply for electricity and gas bills.

Measures to limit bill price increases

To limit the effects of the increased prices of gas/electricity in the last quarter of 2021, on 27 September, Decree Law 130/2021 (Bills Decree) was published in the Official Journal which, for the natural gas sector, reduced the VAT rate to 5 percent for methane gas utilised for fuel in civil and industrial uses relative to invoices issued for estimate or effective consumption in the months of October, November and December 2021. As for the electricity sector, the Bills Law Decree reduced the general system charges for all electricity users for the fourth quarter of 2021; in particular, it cancelled the general charges for LV domestic and non-domestic users with power available up to 16.5 kW. The Authority subsequently published Resolution **396/2021/R/com**, which implemented the provisions of the Bills Law Decree. In relation to electricity billing in the last quarter of 2021, the Authority cancelled the rates of the ASOS and ARIM tariff components for all domestic users and other LV users with power available up to 16.5 kW. In the natural gas sector, the measure cancelled the rates of the RE, RET, GS and GST tariff components for October, November and December 2021.

Resolution **396/2021/R/com** introduced an additional social bonus for the billing period from 1 October to 31 December 2021.

To combat the economic and humanitarian effects of the Ukraine crisis, in the 1st quarter of 2022 the Authority temporarily suspended the annual update for the social bonus. Hence the amounts of the 2021 bonus were confirmed, as well as the "extraordinary" bonus, already added in Q4 2021 and valid for the entire 1st quarter of 2022.

At the time of the hearings held in the Senate in the context of the conversion into law of Decree Law 21 of 21 March 2022 ("Price Cuts or Ukraine Decree"), the Authority, in **memorandum 166/2022**, again focussed on the issue of the social bonus, specifying that during 2022 these subsidies could give rise to needs of up to € 1.9 billion, against 540 million the previous year, with a consequent increase in the Arim tariff component. More specifically, for the period from 1 April 2022 to 31 December 2022, article 6 of Law Decree 21 of 21 March 2022 expands the family units that can access electricity and gas social bonuses, raising the ISEE indicator threshold from the current € 8,265 to € 12,000; measures already introduced by the government starting in the 4th quarter of 2021.

With Resolution 35/2022/R/eel, the Authority arranged for the cancellation of the rates for general electricity system charges for Q1 2022 for all types of users, implementing the Supports *ter* Law Decree. Starting on 1 January 2022, the resolution called for the elimination of the ASOS and ARIM tariff components for all users, supplementing what was already ordered in Resolution 635/2021 for Q1 2022.

On 18 March, Italian Law Decree 21 of 21 March 2022 was approved **(the "Price Cuts Law Decree").** Specifically, the decree establishes:

- an increase in tax credits on the cost of electricity and gas, already recognised in Italian Law Decree 17/2020. New tax credits are also established for other types of companies that utilise electricity and gas;
- an increase in the ISEE ceiling for access to the social bonus (from € 8 thousand to 12 thousand) for the period from 1 April to 31 December 2022. This includes approximately 1.2 million more families with respect to the previous provision;
- possible verification of price levels for widely used goods and services by the Guarantor to monitor the prices established in 2007 by the MED. The Guarantor may also request data, news and specific information from companies regarding the reasons that led to price changes. The results of the analysis are then made available to the Antitrust Authority (AGCM). If no response is received within 10 days of a request, an administrative fine is applied ranging from a minimum of € 500 to a maximum of € 5,000;
- holders of gas supply contracts for the Italian market must inform MiTE and ARERA of existing contracts and new contracts signed in the future, as well as amendments made to them;
- instalment arrangements for utility bills of up to two years, which can be requested by companies with registered offices in Italy and by end users of electricity and natural gas from their suppliers for energy consumption between May and June 2022, with the maximum number of monthly instalments not to exceed 24;
- electricity and gas resellers, including producers, must pay a sum in the form of an extraordinary contribution by 30 June 2022. The methods of payment are established through a provision issued by the Director of the Revenue Agency.

The taxable base for the extraordinary contribution consists of the increase in the balance between transactions receivable and transactions payable for the period from 1 October 2021 and 31 March 2022, with respect to the balance for the period from 1 October 2020 and 31 March 2021. The contribution is applied in the amount of 10% (subsequently increased to 25%) if this increase exceeds 5,000,000. The contribution is not due if the increase is less than 10 percent. There is also a ban on transfer to end users: for the period from 1 April to 31 December 2022, entities required to pay the contribution must inform the AGCM of the average purchase and sales prices for electricity, natural gas and methane by the end of each calender month, as well as those for petroleum products, related to the previous month. With assistance from the Guardia di Finanza (Finance Police), the Authority evaluates the data received and any spot checks done to determine whether the conditions for adopting measures exist.

On 1 March 2022, Italian Law Decree 17/2022 ("Energy Decree") was published in the Official Journal, containing tax provisions. In particular, for Q2 2022 the manoeuvre intended to attenuate the effects of the sharp increase in energy prices was repeated, by:

- eliminating general system charges for the electricity sector and reducing those for the gas sector;
- confirming 5% VAT for the natural gas sector;
- confirming the tax credit for energy intensive businesses;
- establishing a bonus for gas intensive businesses;
- introducing a tax credit for costs incurred by companies in Southern Italy with the aim of achieving higher energy efficiency and promoting self-production of energy from renewable sources.

Additionally, the Authority published **Memorandum 108/2022/I/com** with which it expressed its considerations on certain aspects of the draft law to convert Italian Law Decree 17 of 1 March 2022, containing "Urgent measures to contain the costs of electricity and natural gas, to develop renewable energy and relaunch industrial policies". The areas of greatest interest include:

- the elimination of system charges for electricity users for Q2 2022 and the reduction of VAT and general charges in the gas sector. ARERA emphasised that, with the additional outlay to cover this measure, the Government's mitigation actions have now exceeded a year and, substantially, implement a measure ARERA had been awaiting for some time - that is transferring general system charges to general taxes, which ensures greater equity in terms of contributions. The measure has positive effects on seller companies as it reduces the need to provide

financial guarantees. ARERA also noted that, throughout the period, the incentive system for renewable sources and other support mechanisms normally covered by general system charges were in any case handled using financial resources from the government budget, rather than from utility bills. The Authority proposed a programme to progressively make "structural" the covering of general system charges with resources not obtained through utility bills;
- strengthening security in terms of natural gas supplies at fair prices. In this area, ARERA hopes that all consumers can benefit from any gas acquired from the GSE with long-term purchase contracts and not transferred through procedures entrusted to the same GSE Group. ARERA hence suggests that this energy be sold to the market, with any amounts deriving from price differentials returned through specific fees;
- ARERA hopes that immediate and extraordinary action will be taken to increase the availability of additional gas volumes from gas pipeline interconnection points not connected to the European gas pipeline network and in LNG regasification terminals.

On 21 April 2022 the Law converting the Energy Law Decree was approved definitively; this contains urgent provisions to limit the costs of electricity and gas, develop renewable sources and relaunch industrial policies.

Subsequently the Authority published Resolution 141/2022/R/com with which, in relation to the second quarter of 2022 it cancels the general system charges and confirms the bonus and the supplementary component as already laid down for the first quarter.

ARERA published Resolution 188/2022/R/com with which, implementing what was provided for in article 6 of Italian Law Decree 21/2022 which raises for the period from 1 April 2022 to 31 December 2022 the ISEE threshold for accessing the bonus to € 12,000, defines preliminarily the technical methods for the information exchange by INPS to the Operator of the Integrated Information System (IIS). The resolution postpones to a possible subsequent measure, after conversion of the Law Decree into a law, the definition of the applicative methods for the disbursement of these social bonuses to the new right holders. The resolution identifies a new "benefit class", additional with respect to those already existing, corresponding to family units with an ISEE between € 8,265 and equal to or less than € 12,000, less than 4 children and which do not receive Citizenship Income/Citizenship Pension.

The **Decree Law of 17 May 2022** was published in the Official Journal, also known as the (Aid Decree Law), and took effect on 18 May. Art. 1 states that also for the third quarter of 2022 the benefits recognised on the basis of the ISEE value are to be redetermined by ARERA with a resolution to be adopted by 30 June 2022. Paragraph 2 specifies the offsets to be made by the end of December 2022.

Subsequently following Resolution 188/2022, with Resolution **245/2022/R/com** ARERA published further preliminary provisions in relation to article 6 of Italian Law Decree 21/22 converted with amendments into Italian Law no. 51 of 20 May 2022 which raises for the period from April to December 2022 the ISEE threshold for accessing the bonus to € 12,000. In particular, ARERA ruled that the perimeter of application of the aforementioned article 6 must be understood as extended to all DSUs (Dichiarazione Sostitutiva Unica - Single Substitutive Declaration) presented during the year 2022 and therefore also for family units that presented a DSU in the first quarter of 2022 (that is before the effects of the Law Decree). The bonus will be calculated automatically with reference to the new benefit classes.

Implementing the provisions of Italian Law Decree no. 80 of 30 June 2022, which lays down for the third quarter:
- the confirmation of the reduction to zero of the general system charges in the electricity sector;
- the confirmation of VAT on gas at 5% and the reduction of the general charges in the gas sector;
- the confirmation of the supplementary social bonus and the implementation of the new provisions for the whole of 2022;
- the identification of the GSE in "coordination" with Snam, as the subject of last instance for filling the gas storages and the expansion of the SACE guarantee to companies that store natural gas;

ARERA, with the quarterly update resolutions, adopted the measures that it was responsible for.

ARERA confirmed, also for the third quarter of 2022, the measures aimed at limiting the costs of electricity and natural gas. In particular, with Resolution 295/2022/R/com the reduction to zero of the general system charges in the electricity sector was confirmed.

Also note that **Decree Law 115/2022** was published in the Official Journal, containing "Urgent measures on energy, the water crisis, social and industrial policies" **(Aids-bis Decree Law),** converted to Law 142 of 21 September 2022 and published in the Official Journal on 21 September 2022. This Decree in particular establishes:
- renewal of the strengthening of electricity and gas social bonuses for the fourth quarter of 2022;
- definition of the scope of vulnerable customers in the gas sector and protection for these customers as of 1 January 2023;
- through 30 April 2023, suspension of the efficacy of any contractual clause that allows suppliers of electricity and natural gas to unilaterally change the general conditions of contracts relative to the definition of the price, even if the right of withdrawal for the counterparty is contractually established. With the subsequent Thousand Extensions Decree, this was extended through 30 June 2023, specifying, however, that the prohibition on changes the prices applied excludes the renewal of economic conditions which have expired;
- the extension for the fourth quarter of the reduction to zero of the general system charges in the electricity sector;
- reduction of VAT and general charges in the gas sector for the fourth quarter of 2022;
- the extension of the tax credit in favour of companies other than "energy intensive" and "gas intensive" ones, for the purchase of electricity and natural gas consumed in the third quarter of 2022, allowing beneficiaries, under certain conditions, to ask the vendor to calculate the increase in the cost of the energy component and the amount of the detraction due for the third quarter of 2022. Within ten days of the date on which the law converting the present decree takes effect, ARERA must define the content of the aforementioned communication and the penalties in the case of non-compliance by the vendor;
- doubling of the fine in the case of full or partial non-payment of the extraordinary contribution to combat high prices applied to energy sector operators, that is when made after 31 August for the advance (40%), and after 15 December 2022 for the balance (60%).

Subsequently, **Aid-Ter Decree Law (144/2022)** was issued, published in the Official Journal on 23 September 2022 and taking effect the next day. In particular, the Decree established:
- a tax credit with communication requirements for vendors: it will apply (i) to companies with available power equal to or greater than 4.5 kW, who are not energy intensive companies and will be equal to 30% of spending incurred to acquire the energy component, effectively utilised in the months of October and

November 2022 and (ii) to companies other than gas intensive ones and will be equal to 40% of spending incurred to purchase gas, consumed in the months of October and November 2022; again ARERA is responsible for issuing the communication within 10 days of the date on which the conversion law for the Decree Law takes effect;
- on the issue of excess profits, destination of the funds no longer to CSEA, to reduce electricity charges, but to the State, until the total amount of € 3,400 million is reached;
- a free government guarantee is envisaged for companies for the payment of bills for energy consumption issued in the months of October, November and December 2022.
- In the subsequent **Aid-Quater Decree Law** (which took effect on 19 November 2022 and was renamed **Energy Decree Law**) the following was envisaged:
- the extension of tax credit application also to December 2022 (excluded in the previous Decree Law);
- confirmation of the postponing to 10 January 2024 of the end of protection for domestic gas customers;
- the introduction of instalments (maximum 36) for companies with consumption between 1 October 2022 and 31 March 2023.

Social bonus

As provided for in Italian Law Decree 124/19, ARERA published Resolution 63/2021/R/com, subsequently supplemented by 257/2021/R/com, which governs the new method of disbursing the economic bonus from 2021. The new rules, coming in the wake of a series of focus groups and consultations organised by ARERA, allow final customers in difficult circumstances to automatically receive the discount in their bills without having to specifically apply for them.

The new bonus disbursement process gives a central role to INPS, which has to identify the benefit recipients, and to the IIS, which has to identify the supply to be supported and ensure that the benefit targets only the household and year in question.

The Authority also introduced a series of other measures to regulate the disbursement of the residual bonus accruals for 2020 and the disbursement of the recovery of the accruals, due for the first months of 2021 but still unpaid since the new rules only came into force for sales operators from 1 July 2021.

Intended to cap the supply spending increases expected in the 4th quarter of the year, the subsequent Resolution **396/2021/R/com** introduced an additional social bonus for the billing period from 1 October until 31 December 2021. With subsequent resolutions **635/2021/R/com**, **141/2022/R/com**, **295/2022/R/com** and **462/2022/R/com**, ARERA confirmed the supplementary social bonus for all of 2022. Finally, with resolution 380/2022/R/com, implementing the provisions of Decree Law 21/22 and Decree Law 50/22, as converted to law, ARERA approved the application methods for recognising electricity and gas bonuses for 2022 and retroactively introduced, starting in April, the new subsidy tier for incomes falling between € 8,265 and 12,000.

At the end of the year, with DCO **646/2022/R/com**, ARERA provided its guidelines on extending the range of beneficiaries (with a new ISEE threshold up to € 15,000) and graduation of the bonus in relation to the various ISEE thresholds for 2023, as envisaged in the most recent Budget Law.

Gradual protection service for micro-businesses

The Authority, with Resolution **208/2022/R/eel** defined the regulation of the Gradual Protection Service (GPS) for micro-businesses pursuant to Italian Law no. 124 of 4 August 2017 ("annual law for the market and competition") and the methods of assigning the same, in order to guarantee continuity of the supply to micro-businesses connected in low voltage that are without a contract at free market conditions starting from 1 January 2023.

The service involves:
- micro-businesses that fulfil cumulatively the following conditions:
  1. they have less than ten employees and an annual turnover of not more than € 2 million;
  2. they are holders of withdrawal points all connected in low voltage with contractually committed power of up to 15 kW;
- other final non-domestic customers different from the micro-businesses, in any case holders of withdrawal points all with contractually committed power of up to 15 kW.

The GPS is activated for the above customers which as of 1 January 2023 are not holders of a supply contract at free market conditions, including customers still supplied in greater protection. The first period of assignment of the GPS for micro-businesses has a duration of 4 years.

The structure of the economic conditions that will be applied to the customers is similar to that of the Gradual Protection Service for small businesses. The tender procedures will be performed according to the model of simultaneous iterative ascending auction, in which an auctioneer (Acquirente Unico) will be present and will indicate in each session and for each area (12 territorial areas) the current price (the current price is the price, expressed in euro cents/POD/year, announced in each session by the auctioneer, in exchange for which the active participants offer to provide the gradual protection service for micro-businesses in the territorial area). A maximum ceiling on the economic offer in €/MWh is provided for. This is differentiated for each territorial area, and will be made known at the same time as the results of the tender procedures, while a minimum limit is not provided for. In the case of persistent parity among several offers for a given territorial area, lots will be drawn electronically, preventing a single operator from obtaining by lot a plurality of territorial areas. The Authority ruled that each participant may be awarded a maximum number of 4 areas, corresponding to 35% of the total number of territorial areas. If there are no bids in the auctions, Acquirente Unico will hold a remedial auction removing the ceiling of awardable areas. The greater protection provider will be required to take charge of the service in the event of default of the operator selected in the tender or in the event of a tender without participants.

The GPS providers are required to present to the Authority a report, by 30/11/2022 from the publication of the results of the tender procedure, according to a standard model to demonstrate that they possess organisational resources and a corporate structure adequate for the purpose of providing the gradual protection service in the territorial areas assigned. This standard model was defined by Determination 2/2022-DMRT. The report must be periodically updated by 31 July 2023, 31 January 2024 and 31 January 2025

The timings for making available to participants in the tender procedures all the information necessary for formulating the offer and for performing the tender procedures are:
- by 14 June: Acquirente Unico will make the information available to participants with provincial details necessary for formulating the offer;
- by 30 May: Acquirente Unico will publish on its website the Regulation for the performance of the auctions;

- beginning of September: the date of the auctions will be defined by the SP in the Regulation so that a minimum interval of at least two and a half months will be guaranteed, with respect to the term within which the pre-procedure information is made available to participants (14 June).

As provided for in Annex B to Resolution 208/2022, on 30 May 2022 the Regulation and the related annexes governing the competitive procedures for assigning the gradual protection service for micro-businesses was published on Acquirente Unico's website.
By 10 June 2022 Acea Energia presented an application for participation and on 14 June 2022 Acquirente Unico made available the pre-procedure information.

Acquirente Unico noted its admission to the tender procedure by 8 July 2022. The auctions were to have been held from 12 to 16 September, but, following the hacker attack on the SP's systems, the Authority was forced to postpone, holding them between 21 and 25 November 2022. With resolution 586/2022 published on 18 November 2022, ARERA postponed the activation date for the GPS for the micro enterprises to 1 April 2023, clarifying that, until 31 March 2023, micro enterprises will continue to be served under enhanced protection.
On 16 December, Acquirente Unico published the results of the tender procedure to identify the operators of the Gradual Protection Service for micro enterprises from 1 April 2023-31 March 2027; Acea Energia was awarded area no. 11, including Avellino, Barletta-Andria, Benevento, Brindisi, Trani, Foggia, Lecce, the municipality of Naples and Salerno.

Provisions for strengthening the disclosure obligations of the commercial conduct code to the advantage of final customers in the retail market

As pre-announced with Consultation Document 564/2020/R/com, the Authority with Resolution **426/2020/R/com** provided for the strengthening of the information obligations of electricity and natural gas suppliers to the advantage of final customers in LV and/or with total natural gas consumption of not more than 200,000 Sm^3, in both the pre-contractual stage and the contractual stage, through the revision of the commercial conduct code. Among the main changes the Authority provided for the introduction of a data sheet that summarises the contents of the contract and the new summary price indicators, provided for in order to facilitate the comparison between commercial offers; in addition the Authority provided for the sending of a specific communication in the case of changes in the automatic economic conditions. These changes were to have taken effect as of 1 July 2021. However, following the extension request put forward by the trade associations, with resolution **97/2021/R/eel** the Authority deferred to 1 October 2021 the efficacy of articles 13 and 14 of Annex A to resolution 426/2020/R/com, leaving unchanged the date of 1 July 2021 for the efficacy of the new measures introduced in the pre-contract stage.
With resolution **176/2022/R/gas**, the Authority established that, for calculating annual spending expenses for customers in the natural gas sector, pursuant to Article 17 of the Commercial Conduct Code, as well as estimated annual spending for natural gas offers on the Offer Portal, until 30 June 2022, with reference to Q4 2022 and Q1 2023, the values of the CRC component for the winter period (1 October 2021–31 March 2022) will continue to be used, pursuant to resolution 133/2021/R/gas and that the new values for the CRC component pursuant to the present resolution will be used as of 1 July 2022.
This past 30 June, the Authority published **Resolution 289/2022/R/com** which provides for both the adjustment of the Commercial Conduct Code to the provisions of Italian Legislative Decree 210/2021 for supplies of electricity on the subject of contractual rights of final customers and the monthly updating of the spending estimate of offers at variable price and of the protection services present in the Comparability Sheets for supplies of electricity and natural gas. The provisions will come into force on 1 October 2022. Specifically:

- with reference to art. 5, paragraph 6, of Italian Legislative Decree 210/21 on the subject of methods for communicating withdrawal on the part of the final customer, not amend the regulation owing to the compliance of the said regulation with the aforesaid provisions;
- with reference to the provisions of article 5, paragraph 8, of Italian Legislative Decree 210/21, supplement the supply contract and the Summary Sheet, in the part related to the methods and terms for payment of the bills, introducing the reference to the current legislation so as to make explicit and transparent the information for the final customer in relation also to any charges connected with a chosen method of payment observing the criteria of the primary legislation;
- with reference to the provisions of article 5, paragraph 11, of Italian Legislative Decree 210/21 supplement the content of the section "Complaints, dispute resolution and the consumer's rights " in the "Other information" box of the Summary Sheet adding the information on the rights connected with the universal public service obligations of electricity sellers;
- with reference to the provisions of article 7, paragraph 5, of Italian Legislative Decree 210/21, on the subject of informing the final customer of the possibility for electricity sellers to impose on final customers the payment of a sum of money in the case of early withdrawal from a temporary or fixed-price electricity supply contract observing the application criteria provided for in Italian Legislative Decree 210/21 itself, provide further details on the subject, in the light of the contrary observations received from the consumers' associations that expressed the need to provide final customers with an informative framework as transparent, clear and comprehensible as possible on the option for the seller to demand payment of a sum of money in the case of early withdrawal from a temporary or fixed-price electricity supply contract and the related criteria;
- with reference to the change in the calculation of the annual spending estimate of offers at variable price, including protection services, on the Offers Portal, confirm the monthly and no longer quarterly update of the forward indices. In order to guarantee the maximum consistency between the Authority's Offers Portal and the informative material delivered by sellers to final customers at the pre-contractual stage provide for a monthly frequency of updating the annual spending estimate of the protection services. On this point ARERA accepted partially the operators' observations providing for a term of 7 working days instead of the 5 working days originally suggested from the publication of the said estimate for updating the Comparability Sheets to be delivered to final customers.

Network losses

With Resolution 449/2020/R/eel the Authority amended the regulation on network losses for the three years 2019-2021:

- reducing the commercial loss factor recognised in LV which for Areti goes down from 2% to 1.83% valid from the equalisation accruing to 2019 and, as a consequence, the percentage of standard loss to be applied to withdrawals of LV final customers which, from 1 January 2021, goes down from 10.4% to 10.2%;

- awarding the DSOs, for the three years 2019-2021, an equalisation amount equal to the lower between the value obtained counting the energy lost with the selling price to higher protection providers (PAU) differentiated by month and by band and that obtained from the annual average PAU;
- it does not introduce the process of ensuring greater efficiency of commercial losses for DSOs;
- it introduces a mechanism for recognising fraudulent non-recoverable withdrawals based on requests from the companies, to be presented in 2022 with reference to 2019-2021, after verification of the existence of specific requirements, including having an overall net result for equalisation during 2019-2021 to be paid by the company. This amount represents the maximum amount that can be recognised to the DSO if the request is accepted by ARERA.

On 31 May 2022 Areti presented to the Authority an application for recognition of the 2019-2021 network losses attributable to non-recoverable fraudulent withdrawals, under the terms of art. 31 of the TIV.

The Authority published **resolution 117/2022/R/eel**, which fine-tuned the regulations for adjusting electricity losses on transmission and distribution grids for 2022-2023, confirming the desire anticipated in DCO 602/2021/22l of establishing a process to improve the efficiency of commercial losses but, however, making them more precautionary, with a 4% reduction for 2022 and 2023, bringing the percentages to:

- 1.77% in the Centre zone for 2022;
- 1.72% in the Centre zone for 2023.

A price control mechanism is introduced; this is to be used to determine the loss delta in each of the two years and, for only 2022, it provides for a guarantee clause to protect distributor companies which recognises an equalisation equal to the maximum between zero and the result that would be obtained using the conventional percentage loss factors applied for the three years 2019-2021, if the total economic result equal to the difference between the equalisation balance and the revenues obtained from the tariff regulation of the reactive energy pursuant to paragraph 24.2 of the TIT is positive (net debt position).

The Authority also extends the mechanism for recognising "non-recoverable" fraudulent withdrawals also to the years 2022 and 2023. The conventional percentage standard loss factor to be applied to the electricity withdrawn at the withdrawal points on the low voltage grids is finally set, starting from 1-Jan-2023, at 10%.

Continuity of the service

With the Integrated Text on output-based regulation in force from 1 January 2020, the Authority introduced the possibility for the DSOs to present regulatory experiments to improve the service quality in particularly critical contexts. A specific feature of these experiments is the suspension of the penalties for the experimental period and their non-retroactive application if the target levels for the indicators of number and duration of interruptions without notice, set by the current regulations, are achieved.

In this context, Areti presented its proposal, outlining a process for improving the technical quality indicators different from that defined by the ordinary regulation. This proposal was approved by the Authority with Determination 20/2020 of 20 November 2020.

Very briefly, the measure postpones to 2024 the calculation of the bonuses and penalties for the entire four-year period 2020-2023 and provides for the activation of an additional bonus mechanism if the target proposed at 2023 is achieved and the effective annual levels achieved are better than those proposed in the experimentation. Two specifications:

- the total bonus obtained cannot be more than that achievable in the ordinary regulation;
- in the event of non-achievement of the improvement commitment indicated, Areti must pay any penalties that it would have incurred in the four-year period, in the absence of an extension.

The Authority published resolution 409/2022/R/com with which it approved an inspection program for 3 electricity distribution companies, with regard to continuity of service, to be implemented by 31 December 2022.

The distribution companies to be inspected will be selected from among those that have not been subject to an audit in the last 5 years for the distribution service continuity incentive mechanism and with relevant geographical areas in a position for the 2021 bonus, for incentive regulations on the average number and duration of interruptions (the audit methods are defined in the annexed document).

Energy efficiency certificates and tariff contribution awarded to distributors

On 14 July 2020, Resolution 270/2020/R/efr was published; this contained the new rules for defining the tariff contribution to cover the costs incurred by DSOs with regard to obligations arising from the mechanism of energy efficiency certificates. The measure confirms the value of the cap on the tariff contribution of € 250/EEC and introduces, starting from the current obligation year, a consideration additional to this contribution, to be awarded to each distributor for each EEC used to comply with its obligations. On the one hand, ARERA repeats that it considers the cap an instrument necessary to limit the changes in market prices, on the other, it considers opportune to provide for an additional consideration in support of distributors in the light of the economic losses that they are forced to incur owing to the scarcity of EECs available. On 13 October 2020 the Company presented an appeal for cancellation of the resolution.

The resolution, in addition, introduced the possibility of requesting from CSEA the extraordinary consideration in advance of 18% of the specific target for the 2019 obligation year, in order to finance distributors which having already acquired EECs at the beginning of the period, then suffered the negative effects of the extensions of the end date of the obligation year laid down in the Italian Relaunch Law Decree (30 November 2020). Areti submitted an application on 31 August 2020.

In December 2020, Resolution 550/2020/R/efr confirmed the value of 250 €/EEC for the tariff contribution awarded for the 2019 obligation year and fixed at 4.49 €/EEC the value of the additional consideration.

In view of the continuous increase in prices once again during the first half of 2021, the main sector associations sent a letter to the MiTE, urging the adoption of urgent measures, especially regarding the correction for the current year, and reimbursement of the extra costs.

On 31 May 2021, the Decree of the Ministry for the Ecological Transition was published in the Official Gazette, containing the "Determination of national energy saving targets that could be pursued by electricity and gas distribution companies for 2021-2024 (so-called white certificates)". The Decree extended the expiry of the obligation year 2020 to 16 July 2021, and the Authority subsequently published Determination 6/2021-DMRT, whereby it determined the primary energy saving obligations for electricity and natural gas distributors for the obligation year 2020, setting Areti an obligation of 54,848 white certificates.

On 3 August 2021, the Authority issued Resolution **358/2021/R/efr**, with which it confirmed the cap at 250 €/EEC and the additional unit fee at 10 €/EEC. In view of the extension of the deadline for the 2020 obligation year to 16 July 2021 and the regulatory uncertainty still existing in the run up to this deadline, the Authority published Resolution **547/2021/R/efr** in which it confirmed its intentions stated in DCO **359/2021/R/efr**. In particular, the Authority established that electricity and natural gas distributors will be granted an exceptional additional component of 7.26 €/EEC for each certificate delivered at the end of the 2020 obligation year, applicable to their own specific target for that obligation year and to any remaining portions of the targets for the 2018 and 2019 obligation years, but not beyond the threshold of their own updated specific target. The exceptional component was envisaged to cover the extra costs incurred by operators for the difficulties in procuring the EEC needed for the upcoming target deadlines. The Authority published determination **16/2021 – DMRT** with which it defined the 2021 EEC obligation for the Company, totalling 16,580 EECs, as well as determination **7/2022 – DMRT** which defines the 2022 EEC obligation, totalling 27,881 EECs.

Examination of the financial items relating to electricity destined for the states enclaved in the Italian state

Pursuant to resolution **58/2019/E/eel**, the Authority initiated a fact-finding investigation in relation to Acea Energia with the aim of acquiring information and useful data concerning the management of the financial items relating to electricity destined for the enclaved states.

In accordance with this Resolution and pending the conclusion of the aforementioned investigation, the Authority has specified to the CSEA that it should proceed on a transitional basis and subject to adjustment with the equalisation of the costs incurred by Acea Energia for 2017 for the purchase and dispatching of electricity intended for standard-offer-market customers.

With Resolution **180/2019/C/eel**, the Authority decided to challenge the extraordinary appeal brought by the Azienda Autonoma di Stato per i Servizi Pubblici della Repubblica di San Marino for the annulment of Resolution **670/2018/R/eel** (which updated the transmission tariffs for the year 2019) and Resolution 58/2019/R/eel.

Pending the conclusion of the investigation, the Authority asked CSEA – on a temporary basis and subject to adjustment – to suspend any disbursements relating to the equalisation of the costs incurred by Acea Energia for 2018 for the purchase and dispatching of electricity intended for standard-offer-market customers.

With Resolution **491/2019/E/eel**, the Authority closed the preliminary investigation by instructing Acea Energia and Areti on the actions to be taken by the end of 2019. Acea Energia informed the Authority that it had complied with the requirements. Resolution 491/2019/E/eel, moreover, gave a mandate (i) to Terna, the relevant distribution companies and CSEA to recalculate the charges for withdrawals by the enclaved states by applying the criteria highlighted in the preliminary findings attached to the same resolution (ii) to the Director of the Sanctions and Commitments Department of the Authority for the documents resulting from the evidence found. As a result of this, with subsequent Determination 5/2020/eel, ARERA initiated two sanction proceedings against Acea Energia and Areti, respectively. On 12 June 2020, Acea Energia sent ARERA its proposal of commitments, including waiver of the amount receivable accrued in relation to the system, payment of compensation to ARERA and the obligation to send two-monthly reporting for a period of ten years.

With Resolution **262/2021**, ARERA partially amended the methods for carrying out the recalculation activities indicated in Resolution 491/2019 and CSEA then sent the definitive recalculations to Acea Energia on 12 July 2021. Subsequently, the Authority published its resolution **150/2022/S/eel** with which it provisionally accepted the proposal of commitments submitted by Acea Energia. Then began the phase during which third parties could submit their comments, to which Acea Energia must respond. After this phase, ARERA will publish the resolution of final approval of the commitments, thus ending the sanctioning procedure. We await the decision on the final acceptance of the commitments.

With Resolution **576/2021** ARERA amended the regulation concerning the financial items relating to electricity destined for the enclaved states, with the aim of bringing it into line with the principles of national regulation. In particular, the Authority intervened on transmission and transport fees, on dispatching and on the regulation of imbalances.

On 1 August 2022, resolution **354/2022** was published, definitively accepting the commitments presented by Acea Energia and for which compliance is mandatory by 31 October 2022. Acea Energia fulfilled its commitments by the indicated date and sent a report to the Authority by 30 November 2022.

ENVIRONMENTAL REGULATION

Following consultation document 351/2019, on 31 October 2019 ARERA approved Resolution 443/19 containing the first integrated waste management service tariff method 2018-2021.

With reference to the WTM – Waste Tariff Method, the new rules define TARI fees to be applied to users in 2020-2021, the criteria for the costs recognised in the current two-year period 2018-2019 and the reporting obligations.

As in other sectors subject to regulation, the new waste tariff method refers to ex-post data referring to certain accounting sources (financial statements) for the year Y-2 and applied to year Y (including indications of adjustments that permeate the entire algebraic structure of the method) and no longer to forecast data.

The new ARERA method applies a hybrid approach, borrowed from other service regulations like electricity and gas, with a different treatment of capital costs and operating costs. Namely:

- Capital costs recognised according to a regulation scheme of the rate-of-return type;
- Operating costs with the application of incentive regulation schemes and the definition of efficiency targets on a multi-annual basis.

Furthermore, as already anticipated in the consultations, the method calls for tariff limits to revenue growth in addition to the introduction of four different schemes that can be adopted by local authorities and operators with respect to the objectives of improving service. More specifically, the method regulates the phases of the integrated waste service as identified: street sweeping and washing, collection and transport, treatment and recovery, treatment and disposal of municipal waste, tariff management and user relations.

In this first definition of the tariff method, ARERA maintained the algebraic structure of the method established by Italian Presidential Decree 158/1999, including tariff factors corresponding to additional components for the determination of the fees, some of which are as follows:

- limit to the overall growth of tariff revenues, with the introduction of a limit factor for annual variation that also takes into account efficiency gains and productivity recovery;
- an asymmetric approach that takes into account in the meas-

urement and in the calculations of the single cost components: 1. service improvement objectives established at a local level and 2. the possible extension of the operational perimeter; these parameters determine the positioning of the individual operation within a tariff matrix, as follows;
- sharing factor in relation to revenues from the sale of material and energy from waste (between 0.3 and 0.6), and in relation to CONAI revenues (between 0.1 and 0.4);
- introduction of an adjustment component for both variable and fixed costs, defined as the difference between the revenues relating to the variable and/or fixed cost components for the year Y-2 – as redefined by the Authority – compared to the tariff revenues calculated for the year Y-2. In the recognition of 2018-2019 efficient costs, this component is modulated through a coefficient of gradation and provides for the payment for the recovery of any deviations through a number of instalments, up to 4;
- introduction of two different rates of return on net invested capital (WACC) for the service of the integrated waste cycle and a differentiated rate of return for the enhancement of current assets. Regarding the WACC of the integrated waste cycle for the period 2020-2021, it is defined as 6.3%. To this value is added a 1% increase to cover the costs arising from the time lag between the year of recognition of investments (Y-2) and the year of tariff recognition (Y), known as the time lag.

In order to take account of the different initial territorial conditions, as previously with the water sector, the Regulator has introduced a methodology that defines the criteria for the quantification of tariffs within an asymmetrical regulation, where there are four different types of tariff schemes under which each competent entity can identify the most effective solution depending on its objectives of quality improvement and management development currently applicable to operators in the first part of the integrated waste service chain, in particular to the phases of sweeping and washing roads and collection and transport.
The EFP (Economic and Financial Plan) remains the tool of reference for the development of the integrated cycle and for the calculation of TARI tariffs and is prepared by the "integrated waste system operator", where it is also the Municipality, while "the operators who manage parts of the supply chain make their data available to those who prepare the EFP for the correct elaboration of the entire Plan".
With regard to the Integrated Text TITR - 444/2019/R/rif - Provisions on transparency in the management of urban and similar waste, it is specified that this text defines the provisions on transparency of the management of urban and similar waste for the regulatory period 1 April 2020 - 31 December 2023. The scope of the intervention includes the minimum information to be made available by the integrated cycle manager through websites, the minimum information to be included in collection documents (payment notice or bill) and individual communications to users concerning significant changes in operations.
With Resolution **138/21**, ARERA started the procedure for updating the WTM (the "WTM-2"), which will be effective from 2022 and in which also establishes the methodology for defining the so-called "gate tariffs", which will have a direct impact on the operation of some of the Company's plants.
With Determination **01/DRIF/2021**, the Authority began collecting data on treatment plants in the unseparated waste chain (D10 and R1 incinerators, mechanical/mechanical-biological treatment, and landfills). The Company duly responded within the required deadline.
Consultation Document 196/21 on gate tariffs was also published, offering clarification on the regulatory scope envisaged by the Authority: ARERA is therefore currently inclined towards including all the plants that manage urban waste, with the exception of those that are "connected with recycling chains, focused on materials recovery, managed by chain consortia (funded by contributions from member companies) or by other entities, and with whom municipalities may sign specific agreements to cover the charges incurred for separate waste collection".
With resolution 363/2021/R/rif, the Authority approved the new Waste Tariff Method (MTR-2) containing the method for determining tariff revenues for delivery of the integrated urban waste management service, or the individual services that constitute it (such as the recovery/disposal service, carried out directly by the Company), applicable to the years 2022-2025. In this context, the establishment of the criteria for the determination of treatment plant access tariffs, but only for plants identified as "minimum plants" in the context of area planning. Managers of these minimum plants must, therefore, prepare the Economic Financial Plan for 2022-2025 in line with the indications found in the aforementioned MTR-2 and, pursuant to article 7 of resolution 363/2021/R/rif, send them to the relevant bodies for validation; these latter then send them to ARERA for verification of regulatory consistency with the documents and subsequent approval of the tariffs. Plants not classified as "minimum" (known as "additional") are instead subject to regulations regarding transparency of operating information.

Resolution 459/2021/R/rif subsequently completed the tariff regulatory framework, containing the values of parameters to determine capital use costs (i.e. planned inflation rate and the vector expressing the deflator for gross fixed investments for the MTR-2 period of application), as well as resolution 68/2022/R/rif which established, for managers providing processing activities in a non-integrated form, a WACC value of 6%.
Pursuant to the ARERA regulations, tariff determination constitutes a constraint for plant revenues, through the application of a corrective factor to the fees applied in the last year prior to the start of regulation (2021). This factor (tau) is also constrained by the application of a maximum limit on the annual increase in fees (as a function of scheduled inflation and the technological characteristics of the plant).
For the plants in San Vittore del Lazio, Aprilia and Orvieto, Acea Ambiente sent the documentation required under ARERA 01/DRIF/2022 to the relevant bodies, in particular the Economic Financial Plan and the relative accompanying report, and is awaiting definitive approval of the tariffs pursuant to article 7 of resolution 363/2021/R/rif.
At present, analysis meetings with AURI are in progress for the EFPs for the Orvieto plant and with the Region of Lazio for the San Vittore and Aprilia plants, noting the cost items in the EFPs may be subject to adjustment by the relevant entity based on specific assessments. While awaiting tariff approval, revenues in the 2022 financial statements were calculated utilising market tariffs de facto corresponding with the best possible estimates at present.

With determination **01/DRIF/2022** of 22 April 2022, ARERA approved the basic schemes for the documents making up the tariff proposal that managers of "minimum" plants submit to the relevant bodies, consisting of the GBOTAs or the Region. In particular, reference is made to the EFP and the Report accompanying the same.
In 2022, following the sector scheduling documents published by the relevant bodies, in application of the ARERA regulations pur-

suant to resolution 363/2021/R/rif, Acea Ambiente implemented preparatory activities to comply with regulatory activities for plants classified as "minimum" and, subsequently, sent the documents required under Determination 01/DRIF/2022.
Please see the individual sections on the Orvieto, San Vittore del Lazio. Aprilia and Sabaudia plants for information on their identification as "minimum" plants for the purposes of local planning and the current activities to validate the documents sent by the relevant entities.
Also note other activities carried out by ARERA during the year:

- with consultation document 611/2022/R/rif the introduction of equalisation systems was proposed in the waste sector, in particular associated with respect for the waste hierarchy (and recovery of accidentally fished waste); with this mechanism, which is pass-through for plant managers, an economic incentive would be applied for deliveries with respect to recovery of materials or energies, supported by penalties applied to deliveries to landfills;
- with Resolution 413/2022/R/rif a proceeding was launched, also envisaged in the 2022 Competition Law, to define adequate technical and quality standards to carry out disposal and recovery activities. Subsequently, with Resolution 732/2022/R/rif, the proceeding was combined with the one launched with Resolution 364/2021/R/rif (to determine efficient costs for separate waste collection, transport, sorting and other preliminary operations) and extended to 30 June 2023;
- with consultation document 643/2022/R/rif, published as part of the procedure began with resolution 362/2020/R/rif, the initial guidelines were issued for the preparation of a basic service contract scheme to govern relations between awarding entities and managers of urban waste management services.

On 24 and 27 February, decisions 486/2023 and 501/2023 were respectively published, and on 6 March 2023, decision 557/2023, with which the Regional Administrative Court of Lombardy, Milan, First Section, in part annulled resolution 363/2021/R/rif. Specifically, the Regional Administrative Court found that ARERA's identification of "minimum" plants fell outside of the government's area of responsibility, consequently granting Regions powers not due to them and inverting the proper direction of the scheduling process.
On 7 March 2023, ARERA published resolution 91/2023/C/rif which states that it will appeal, with a request for precautionary suspension, the decisions of the Regional Administrative Court of Lombardy, in that in the Authority's opinion, "the referenced decisions [...] are based on an erroneous interpretation of the relevant factual and legal elements".

As far as the publication of the four European directives is concerned, they provide for amendments to six European directives on waste, namely:

- Directive 2018/851/EU, amending the so-called mother directive on waste 2008/98/EC;
- Directive 2018/850/EU, amending the landfill directive 1999/31/EC;
- Directive 2018/852/EU, amending the packaging directive 94/62/EC;
- Directive 2018/849/EU, amending the directive on end-of-life vehicles 2000/53/EC, the directive on batteries and storage 2006/66/EC and the directive on waste electrical and electronic equipment, the so-called WEEE 2012/19/EU.

In short, the primary new development that these measures bring to environmental legislation concerns the percentages of separate collection to be achieved in the coming years, in particular up to 2035 (though establishing intermediate steps from 2020 to 2030 and from 2030 to 2035), namely:

- urban solid waste: the target is to recycle at least 65% by 2035, with intermediate stages of 55% by 2025 and 60% by 2030;
- packaging: the goal is to recycle at least 65% by 2025 and 70% by 2030;
- landfills: the objective is to limit the entry of waste into landfills to a maximum of 10% by 2035. To this end, Member States must endeavour to ensure that by 2030 all waste suitable for recovery or recycling – in particular municipal waste – is not landfilled, with the exception of waste for which land filling is the best environmental option. On the subject of landfills, the introduction of article 15-ter to the 1999 directive established that the Commission shall adopt implementing acts to determine the method to be used to determine the permeability coefficient of landfills locally and throughout the area. And the introduction of article 15-quater confers on the Commission the task of adopting implementing acts to develop a criterion for waste sampling (until the concrete enactment of this new method, Member States use the national systems currently in place);
- separate collection of household waste: important changes are foreseen for the separate collection of household waste, such as textile waste, organic waste and hazardous household waste, not always collected separately at this time;
- waste prevention measures: the directives state explicitly that Member States must take a series of measures to prevent the production of waste upstream, such as domestic composting and the use of materials obtained from organic waste, to encourage the production and marketing of goods and components suitable for multiple use, and to provide financial incentives to encourage such virtuous behaviour.
- These targets may be revised in 2024 (especially in view of the fact that they are considered excessively ambitious for some States that, for example, currently frequently use landfills). In this sense, the legislature therefore stated that, recognising the significant differences in treatment between different States, it will be possible to grant an extension up to a maximum of 5 years for States that in 2013 prepared for reuse and recycled less than 20% of urban waste or landfilled more than 60% of urban waste).
- In compliance with the above European Delegation Act, the following acts have been approved: Legislative Decree 116/2020 on waste and packaging, Legislative Decree 118/2020 on waste batteries and accumulators (RPA) and waste electrical and electronic equipment (WEEE), Legislative Decree 119/2020 on end-of-life vehicles and Legislative Decree 121/2020 on landfills.

Finally, the rewording of article 6 of Directive 98/2008/EC on the cessation of the qualification of waste (End of Waste) deserves a brief comment. In particular, with the new amending resolution, the European law requires Member States to take appropriate measures to ensure that where a substance or article meets the requirements for End of Waste it cannot be classified as waste.
More specifically, having regard to the competence of the European Commission to define the general criteria for the uniform application of End of Waste conditions, it is established that if the latter does not do so for certain types of waste, Member States may establish detailed EoW criteria for certain types of waste that must take into account all the substance's or object's possible adverse effects on the environment and human health and meet the EoW requirements of the directive. Such decisions must be notified to the Commission by the Member State.

Moreover, the same resolution also states that Member States may decide on a case-by-case basis or take appropriate measures to verify that certain wastes have ceased to be such under the conditions set out in the directive, where necessary reflecting the EU EoW criteria and taking into account limit values for pollutants and all possible adverse effects on the environment and human health. Such decisions taken on a case-by-case basis need not be notified to the Commission.
Finally, on the subject of EoW, note the amendment approved on 6 June 2019 and included in the Reopen Building Sites Decree (Decree Law 32/2019, converted with Law 1248). In particular, the rule establishes that pending the adoption of one or more decrees containing the EoW criteria for specific types of waste, ordinary permits for waste recovery plants must be granted on the basis of the criteria indicated in the measures governing simplified waste recovery (Ministerial Decree 5 February 1998, Ministerial Decree 161/2002 and Ministerial Decree 269/2005) "for the parameters indicated therein, for the parameters relating to the type, origin and characteristics of waste, recovery activity and characteristics of what is obtained from these activities". Ordinary permits must, on the other hand, identify the necessary conditions and requirements "regarding the quantities of waste admissible to the facility and to be subjected to recovery operations".
The Ministry of the Environment (now the Ministry for the Ecological Transition) is authorised to issue specific guidelines "by decree not of a regulatory nature" for the uniform application of the regulations throughout the country.

SCENARIO OF REFERENCE FOR ESG (ENVIRONMENTAL, SOCIAL, GOVERNANCE) ASPECTS

Sustainable development

The war in progress in Ukraine has once again demonstrated the interconnectedness of the global situation, with effects felt throughout the world. In the energy arena, as is well known, extreme consequences were seen following the block in supplies, which provided a push to reopen plants utilising polluting energy sources. The European Union reacted with the REPower EU plan, with the aim of reducing dependence on fossil fuels coming from abroad and accelerating the green transition. The situation in 2022 had a major impact on energy costs for businesses and families, with public institutions preparing protective responses.
In terms of climate, data from the EU Copernicus observatory saw extreme climate events, record temperatures and rising greenhouse gases globally in 2022. In Europe, continuing high temperatures had repercussions for agriculture, river transport and energy management. Extreme drought conditions also led to an increased risk of fires, which led to an unusually high number of episodes in southwest Europe.
The global and national institutional initiatives implemented should be viewed and evaluated in this context. COP27 on the climate, held in Egypt, and COP15 on biodiversity, in Montreal, had objectives which included expanded protected areas and regenerating damaged ecosystems (30% by 2030). Domestically, note the constitutional reform of articles 9 and 41 and the National Climate Change Adaptation Plan.
During the year, Europe adopted certain specifications and significant provisions with regards to corporate sustainability. The Corporate Sustainability Reporting Directive, was published in the EU Official Journal, an update of the Non-Financial Reporting Directive of 2014, which expands the range of companies subject to reporting requirements and introducing significant changes, for example double materiality, preparation of new standards and the inclusion of a disclosure in the Report on Operations. Institutional work on the Directive continued relative to corporate due diligence requirements on environmental protection and human rights within the value chain, which in December led the EU Council to adopt guidelines on the subject. Regulation 2020/852 ("EU Taxonomy") included in 2022 activities associated with nuclear energy and fossil fuel gasses among those potentially environmentally sustainable, governing the criteria for technical screening. Additionally, in the second year of application, it calls for reporting by companies of correlated economic KPIs in addition to allowable activities to those aligned.

Standards in the reference markets at a local, national and supra-national level

The regulatory context of the Acea Group is wide-ranging and articulated according to the specificity of the businesses handled and the variety of the frameworks within which the legal and regulatory disciplines intervene, which affect the business operations, from administrative authorisation profiles to those protecting the market and competition. Added to such aspects are the specific features of being a listed Company, with the related legal impacts, for example, in terms of regulating communications to the market.
As already noted, tensions on the energy market and the continued COVID-19 health emergency marked the year, above all due to the systemic effects of high energy and raw materials prices, which led to specific legislative actions, initiated by the Draghi government and continued by the new one, aimed at mitigating their effects.
The various provisions (Decree Law 21/2022 "Price Cuts Decree Law"; Decree Law 50/2022 "Aid Decree Law"; 2023 Budget Law) that were implemented to govern the solidarity contributions mechanism borne by entities in the energy sector to limit the effects of high prices for businesses and consumers are also framed in this way.
Also associated with the extraordinary energy situation and significant for its impacts on energy companies, are the provisions on excess profits and suspension of unilateral changes to electricity and gas supply contracts. Relative to the former, Decree Law 4/2022, "Supports-ter Decree Law" established compensation mechanisms for producers using renewable sources which, under certain conditions, can lead to excess profits to be paid to the GSE; relative to the latter, Decree Law 115/2022, "Aid-bis Decree Law" called for companies to halt unilateral changes to energy supply contracts with regards to definition of prices, and the subsequent Decree Law 198/2022, "Thousand Extensions Decree Law" extended the period of validity (30 June), excluding application for expiring contracts.
In 2022, consultation for implementation of Directive (EU) 2020/2184 was requested, on the quality of water destined for human consumption, following which the Council of Ministers in December approved the preliminary examination the Legislative Decree for implementation. Important changes include the revision of regulations intended to protect human health from negative effects deriving from contamination of water intended for human consumption, guaranteeing "health and cleanliness", also through revision of the relevant parameters and values, definition of hygiene requirements for materials coming into contact with potable water, the introduction of a risk measurement and management approach that is more effective in terms of preventive health, environmental protection and control over water intended for human consumption, also with regard to costs and allocation of resources, strength-

ening the role of the Water Safety Plans (WSP), and improvement of equitable access for all to safe potable water and public information on water intended for human consumption.
In 2022, the delegated law on restructuring regulations for local public services was implemented with Legislative Decree 201/2022, which restructured the regulations, included among the objectives of the National Recovery and Resilience Plan (NRRP), to promote competitive dynamics that help improve the quality of public services and the results of management in the interest of citizens and users.
Also worthy of note is the preliminary approval on 16 December 2022 by the Council of Ministers of the Legislative Decree scheme to renew the Public Contract Code, intended to simplify regulations relative to public tenders and concessions to ensure efficient realisation of the same. The Code will apply to new proceedings starting on 1 April 2023. From 1 July 2023, abrogation of the previous Code is envisaged (Legislative Decree 50 of 18 April 2016) and application of the new norms, also for proceedings in progress.

Environmental and energy impacts

The natural environment is the scenario where the activities of the Group are performed and is to be preserved with a responsible and efficient use of resources, protecting sources, safeguarding the natural areas where the plants and service networks encroach, mitigating the physical and the external impacts generated in the ecological context of the operating processes.
In November 2022, COP27 was held in Sharm el-Sheikh. Negotiations were focussed on five themes: decarbonisation, climate adaptation, nature, food and water. The Conference ended with the issuing of the Sharm el-Sheikh Implementation Plan. This agreement maintains that ratified in the Glasgow Climate Pact (COP26), which included the commitment by signatory countries to keep global temperatures below an increase of 1.5°C with respect to pre-industrial levels and highlighted the need for a transition to a system based on renewable sources, with a reduction in the use of fossil fuels. Efforts to gradually eliminate coal were encouraged, favouring low-emission sources and promoting the elimination of fossil fuel subsidies. At the national level (Nationally Determined Contributions - NDC), countries which have not yet presented their decarbonisation commitments were encouraged to do so, while those that already have were asked to update them by the end of 2023. The main change involves the introduction of the "loss and damage" principle, which calls for the payment of indemnities to the most vulnerable developing countries for climate damage suffered. This principle will be implemented through the establishment of a specific Fund.
With reference to the issue of greenhouse gas emissions, again in 2022 Acea participated in the Carbon Disclosure Project – CDP, receiving a B grade and positioning the Company in the Management class. In 2022, in addition to publishing its first 2021 Climate Disclosure, based on the TCFD recommendations, Acea moved forward with a new project intended to enrich the identification of risks and medium/long-term climate scenario analysis.

Climate change

Sensitivity to the evolution of climate change and its effects on the businesses managed is a well-established theme at international level, which is also reflected in a greater demand for information in the annual financial report. Although there is no international accounting standard governing how the impacts of climate change are to be considered in the preparation of financial statements, the IASB has issued certain documents to support IFRS-adopters in meeting this stakeholder disclosure requirement. Similarly, ESMA, in its European Common Enforcement Priorities, highlighted that issuers should consider climate risks in the preparation of IFRS financial statements to the extent that they are significant regardless of whether or not these risks are explicitly provided for in the relevant accounting standards.
The Acea Group describes its considerations on actions associated with mitigation of climate change effects, as well as adaptation to climate change in its non-financial statement (prepared in compliance with the GRI Standard which also includes the information called for under Regulation 2020/852 in relation to the two climate objectives mitigation and adaptation). In this context, considering the sectors of activity in which the Group operates through its investees, the Acea Group, in continuing to define updated future plans that are currently being developed and prepared, has identified certain risks arising from the current process of mitigation and adaptation.
The following is a summary of the considerations made by management with reference to the aspects considered significant for the purposes of preparing the financial statements in the sectors of activity in which it operates.
With reference to the short term, the management does not detect any significant specific impacts deriving from climate-related risks, to be considered in the application of the accounting standards. In all the relevant sectors of activity, the Group pursues excellence in service provision; this entails an ongoing commitment to the development of adequate infrastructures and the evolution of their management, with the application of technological innovation and digitalisation, as well as the preservation and protection of water resources, the development of electricity generation capacity from renewable sources, the energy efficiency of production processes, the pursuit of a circular economy approach and the implementation of controls on commodities supplied to customers.
With reference to the medium/long term, the management, while continuing to define updated development plans which are currently being prepared, does not foresee any further specific considerations to be taken into account in the application of the accounting standards for the preparation of the financial statements.
It should be noted that the assessment and, more specifically, the quantification of climate-related risks requires the application of climate scenario analyses — an activity that the Group has launched, publishing its Acea Group Climate Disclosure 2021 in June 2022, based on the TCFD recommendations. However, it is also exposed to assumptions about highly uncertain future developments, such as future technological developments, government actions, regulatory initiatives or even developments in international political balances.
For the principal sectors in which the Group operates, actions to contain risks linked to climate change have been made concrete through investments in infrastructure to prevent and/or mitigate the impacts arising primarily from physical risks.
Management has assessed that these investments do not reduce or modify the expectation of the economic benefits associated with the use of the assets recorded under tangible fixed assets, as they have regulatory relevance and are therefore subject to specific reimbursement mechanisms. Therefore, a critical review of the useful life of fixed assets on the balance sheet was not necessary.
With specific reference to the sale of commodities, the Group monitors the useful life of the customer base and the related accounting assessments as a potential effect of reputational risk.
With reference to the existence of risks of asset impairment, management has considered that, although actions to mitigate/adapt to

climate risk entail the need to plan maintenance/evolution of plants in order to guarantee the quality of service, the safety of managed assets and the maintenance of their performance - these activities are in any case considered within the scope of the cash flow forecast used as the basis for determining value in use.
Finally, it is highlighted that legislation introduced in response to climate change could result in new obligations that did not previously exist.
Trends in raw material purchase costs along with hedging derivatives require a careful policy of monitoring requirements and price hedging. Trends in the cost of commodities as a result of the effects of climate change could make certain sales contracts costly. In addition, the unavailability of commodities could make cash flow hedges from highly probable future transactions ineffective.
Finally, with particular reference to regulated sectors, the presence of chronic physical risks could lead to a reduction in service quality resulting in liabilities for penalties.

The Russia-Ukraine War

The conflict between Russia and Ukraine has generated serious repercussions not only at the humanitarian level, but also at the economic level, with a considerable impact on the global financial markets. The consequent sanctions imposed by governments all over the world on the Russian economy and the countermeasures adopted by Russia contributed to the strong upward pressure on raw material prices (with particular reference to energy, metals and agricultural products) and the significant difficulties in trade activities at the international level.
The notable increase in inflation generated by the conflict leads us to consider a probable change in the monetary policy of the main central banks around the world towards greater restrictiveness and austerity, as done by the ECB in relation to the increase in interest rates and the purchase of the public debt of the Member States. This change of direction generates inevitably an increase in financial interest rates, to consequently impact the real economy, the investments made by individual companies, their production levels and the employment rate.
It is therefore clear that the effects of the conflict on the global economic-financial conditions can be seen not only in companies whose investments or operating activities are mainly located in Russia, Belarus and/or Ukraine or that maintain commercial relationships with third companies operating in these countries, but all companies, as they find themselves in a greatly weakened economic-financial environment with rising interest rates.
It is necessary to note that on this point the ESMA Public Statement of 28 October 2022 deals with the effects of the Russian invasion of Ukraine on 2022 financial statements prepared following the standard IAS34. The Statement therefore has the objective of providing to the administrative and control bodies of regulated companies a series of recommendations on the process of producing the accounting disclosure, with particular emphasis on the controls necessary to check for any impairment (*impairment tests*) of non-financial assets.
The Statement stresses that the change of strategic, commercial and financial approach of companies following the conflict increased considerably the risk of significant impacts on the carrying amount of balance sheet assets and liabilities. The Statement therefore suggests reviewing and possibly updating the considerations made for the year-end financial statements, in particular the assumptions and the hypotheses on which the calculation of the prospective flows is based and the other elements that contribute to the estimate of the recoverable value.
The ESMA then recalls that in order to assess the existence of possible indications of impairment of non-financial assets included in the scope of IAS 36 (Impairment Testing), it is necessary to consider all the information sources, of both an external and an internal nature, to assess whether the effects of the invasion of Ukraine by Russia represent possible indications of impairment of the said assets. The Statement also stresses that the considerable increase in the general level of uncertainty caused by the conflict requires a careful assessment (in the context of estimating the recoverable value using the Value in Use method) of the forecast financial data used. To this end, the ESMA believes that, according to the type of asset to be tested and the related level of risk, it may be necessary to develop multiple scenarios around the forecast data considered, supported by reasonable and realistic parameters and estimation inputs. Again in this sense, there must in any case be consistency between the forecast data used and the assumptions associated with the same for the value checks, and between the choices and strategic plans formulated by companies following the conflict.
With reference to the discount rate used for the estimate of the recoverable value, the Statement stresses and recalls that the same must reflect the current market conditions and the specific risk characteristics associated with the specific assets subject to impairment tests (excluding the risk of assets already reflected in the forecast flows). The Statement stresses finally that the risks associated with the phenomena of rising market interest rates and the inflation rate could have an impact also on the discount rate to be used for the purpose of estimating the recoverable value of the assets to reflect the said phenomena, unless the said risks are already reflected in the calculation of the forecast flows used.

Development and technological innovation

The Innovation Model calls for development of national and international partnerships, with players in the innovation ecosystem active in sectors of strategic interest to the Group, to activate privileged channels of access to ideas, business and technological opportunities, academic research and identify new talents to innovate business, processes and corporate products.
In this context, worthy of note are, for example, the continuation of Acea's participation in Zero Accelerator, to support the best innovative start-ups and SME developing technological projects and solutions in the greentech sector, as well as the House of Emerging Technologies in Rome, the first permanent living lab for ideas relating to the future Rome Smart City. Also in its relations with public entities collaborative initiatives are promoted to share research and innovation commitments. This includes, for example, the Acea Elabori Labsharing project developed in cooperation with ENEA, intended to take advantage of their respective assets and share laboratories technologies and high level know how to support environmental research and monitoring through an approach open to innovation and sustainability.
In 2022, Acea launched and inaugurated, through its partner Mind the Bridge, an Innovation Antenna in Silicon Valley with the aim of creating relationships between the company, its business units and innovators in Silicon Valley, intercepting emerging technology with a significant impact on the sectors in which the Group conducts business.
Acea also works with the academic world and with specific Observatories, such as the Observatories for Digital Innovation, Startup Intelligence and Space Economy, all belonging to the Politecnico di Milano.

Development of personnel

For every organisation people represent a fundamental asset to remain competitive in a changing economic and social context. Acea listens to the needs of its people and develops a People Strategy, structured into projects and initiatives.

Every year Acea prepares an Equality & Care Plan that identifies goals and associated projects for diversity and inclusion and corporate welfare. In 2022, the Group developed an Equality, Diversity and Inclusion Policy and established an Equality, Diversity and Inclusion Committee, which will guide the process of cultural evolution to promote and disseminate a corporate culture on the subject. It also appointed an Equality, Diversity and Inclusion Manager, responsible for coordinating activities to prepare and monitoring an operating plan for the initiatives, also to support the Committee. Acea SpA also obtained gender parity certification, UNI/PdR 125:2022. Also note that in 2022 Acea was included by the *Financial Times* and Statista in the list of "Europe's Diversity Leaders 2023". Finally, for the second consecutive year, Acea obtained Top Employers Italy Certification, official recognition of corporate excellence in terms of HR policies and strategies, as well as implementation of the same.

Acea has developed an integrated corporate welfare system, based on listening to employees and their needs and structure around six fundamental pillars: health, psycho/physical well-being, family, reconciliation measures, economic assistance and complementary social security. Numerous initiatives have been implemented to support these pillars, including preventive medicine campaigns, support services for psycho/physical well-being and support for parents. These areas are shared with a Bilateral Committee, consisting of representatives from Group companies and the Unions.

As part of its training processes, the Group has established the Acea Business School Academy that provides courses on managerial, position, governance and digital issues, serving the entire group and designed with qualified partners (universities, business schools, research centres, etc.). Additionally, investment in digital skills continued in 2022.

Sustainable management of the supply chain

Aware of the positive contribution that sustainable supply chain management can offer to protecting the environment, Acea is committed to defining purchasing methods that include intrinsic characteristics of the products and aspects of the process that limit environmental impact and foster initiatives aimed at minimising waste, reusing resources and protecting the social aspects involved in the procurement of goods, services and works. In tackling this green procurement issue, Acea has been using the minimum environmental criteria in force for several years, including non-compulsory bonus aspects in its tender procedures.

Acea recognises the value of the companies in its supply chain that have chosen to be certified in the quality, environment, safety and energy schemes and has launched initiatives to develop and promote companies that demonstrably apply sustainability criteria, invest in safety training for their workers and use environmentally friendly means to carry out their activities.

Acea carries out second party audits on its suppliers to raise awareness and support continuous improvement of the supply chain. The direct involvement of suppliers and the opportunities for discussion created during periodic audits make it possible to measure the level of awareness of emerging sustainability issues and provide an opportunity to jointly consider paths to improvement. Additionally, Acea has established contractual standards that expressly require adhesion to and compliance with both the Organisational Control Model 231 (if suppliers have not already provided themselves with one), and the Antitrust and Consumer Protection Regulation Compliance Manual - General Principles, as well as the Anti-corruption Policy adopted by Acea.

As part of increased monitoring of its supply chain, in 2022 Acea extended the Group Vendor Rating system, which includes a bonus indicator for aspects associated with social and environmental sustainability (Ecovadis), as a tool for analysing, assessing and monitoring supplier performance. In 2022, the number of suppliers evaluated with Ecovadis increased significantly.

Also note that following the increase in the costs of construction materials seen in the last year, in Decree Law 50 of 17 May 2022 legislators took action to attenuate negative effects on the economic system. In particular, the Decree Law establishes the possibility for contractors to request an increase in the prices agreed upon at the time of the tender from the contracting entity, while the contracting entity can request access to a specifically established national fund for a precise amount to cover the greater cost. In the case that requests exceed the amount of the fund, these will be divided proportionally among the eligible. Access to the Fund for price adjustments of works not financed, entirely or partially, by NRRP/PNC resources can be obtained with reference to the SALs for work carried out between 1 January 2022 and 31 July 2022 and/or 1 August and 31 August 2022.

Health and safety in the workplace

Safety as a strategy, not to be observed only for compliance purposes, is based on the desire to promote the widespread dissemination of a safety culture, involving all employees, and on the possibility of measuring and monitoring results. To this end, Acea runs awareness-raising campaigns on the issue and has adopted an advanced risk assessment model and implemented control and mitigation measures. Acea has also launched a number of initiatives to raise awareness of and involvement in the issues discussed above with its contractors and sub-contractors, key business partners throughout the entire value chain. A Group RSPP Coordination Committee is active, with the aim of sharing the results of safety performance, experiences, good practices and sustainable solutions to prevent accidents in the company. The Group has adopted the H&S (Health and Safety) Dashboard as a tool to obtain data on workplace health and safety performance. It is updated constantly with graphs that improve analysis of the data provided by the companies of the Group.

In line with Law 4 of 15 January 2021 and the requirement to protect the psycho/physical health of its employees in the workplaces envisaged under article 28 of Legislative Decree 81/08, Acea guarantees an inclusive, integrated and centred approach to gender perspectives to prevent and eliminate violence in the workplace. In this sense, the Risk Assessment Document was updated and supplemented with regards to this aspect, with more specific risk assessments for all homogeneous groups and identification of measures intended to prevent and, if necessary, contain the risk in workplaces.

The Coronavirus Prevention Committee has been active since 2020, the Group body responsible for carefully monitoring the epidemiological situation and developments in the emergency situation, evaluating the most appropriate actions in the exclusive interest of health, safety and prevention for all employees of the Acea Group.

TREND OF OPERATING SEGMENTS

ECONOMIC RESULTS BY SEGMENT

The results by segment are shown on the basis of the approach used by the management to monitor Group performance in the financial years compared in observance of IFRS 8 accounting standards. Note that the results of the "Other" segment include those deriving from Acea corporate activities as well as inter-sectoral adjustments.

	31/12/2022												
						Energy Infrastructure				Other			
€ million	Environment	Commercial and Trading	Overseas	Water	Generation	areti	IP Adjustments		Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
Revenues	342	3,160	95	1,374	175	551	55	0	606	118	152	(857)	5,166
Costs	241	3,070	62	705	85	200	54	0	254	104	196	(857)	3,861
EBITDA	**102**	**90**	**33**	**669**	**90**	**351**	**1**	**0**	**352**	**13**	**(44)**	**0**	**1,305**
Depreciation/ amortisation and impairment losses	43	68	14	400	15	148	2	0	150	9	40	0	739
Operating profit/(loss)	**59**	**22**	**19**	**269**	**75**	**203**	**(1)**	**0**	**202**	**4**	**(84)**	**0**	**566**
Capex	46	50	6	611	30	267	2	0	269	6	33	0	1,050

The revenue in the above table includes the condensed result of equity investments (of a non-financial nature) consolidated using the equity method. The Water Segment also includes the financial statements of companies in the gas distribution segment in Abruzzo and the newly consolidated ASM Terni.

	31/12/2021												
						Energy Infrastructure				Other			
€ million	Environment	Commercial and Trading	Overseas	Water	Generation	areti	IP Adjustments		Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
Revenues	235	2,078	77	1,238	126	585	41	0	626	112	140	(639)	3,993
Costs	171	1,998	50	583	47	210	44	0	254	95	180	(639)	2,737
EBITDA	**64**	**81**	**27**	**655**	**80**	**375**	**(3)**	**0**	**372**	**17**	**(39)**	**0**	**1,256**
Depreciation/ amortisation and impairment losses	31	66	11	348	30	152	2	0	154	7	28	0	675
Operating profit/(loss)	**33**	**15**	**16**	**308**	**49**	**222**	**(5)**	**0**	**217**	**11**	**(67)**	**0**	**581**
Capex	36	49	5	522	39	271	4	0	275	10	34	0	970

OPERATING SEGMENTS

Acea's macro structure is organised in corporate functions and seven operating segments: Water, Energy Infrastructure, Generation, Commercial and Trading, Environment, Overseas and Engineering and Services.

WATER

Integrated Water Service in Italy
Gas distribution

GENERATION

Electricity **generation**
Cogeneration
Photovoltaic

COMMERCIAL AND TRADING

Energy management
Sale of electric energy and gas
Energy efficiency for home clients

ENERGY INFRASTRUCTURE

Distribution and Measure
Public Lighting

OVERSEAS

Development of initiatives outside of Italy

ENVIRONMENT

Sludge management
Treatment, recycling, waste-to-energy and **waste** disposal
Management of **recyclable plastics**

INGENEERING AND SERVICES

Laboratory analysis
Engineering & internal **consultancy**

ENVIRONMENT

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Operating data

	U.M.	2022	2021	Change	% Change
WTE conferment	kt	390	412	(23)	(5.5%)
Landfilled waste	kt	52	41	11	25.7%
Conferments to composting plants	kt	195	209	(14)	(6.6%)
Conferments to selection plants	kt	208	237	(29)	(12.1%)
Intermediated waste	kt	166	155	11	7.1%
Liquids treated at plants	kt	323	426	(103)	(24.2%)
M&A conferments	kt	381	35	346	n.s.
Net electricity sold	GWh	322	328	(6)	(1.9%)
Waste produced	kt	457	222	235	105.7%

Economic and financial results

€ million	2022	2021	Change	% Change
Revenues	342.4	234.7	107.7	45.9%
Costs	240.8	170.9	69.8	40.8%
EBITDA	101.6	63.7	37.9	59.4%
Operating profit/(loss)	58.5	32.5	26.0	80.0%
Average workforce	875	615	260	42.2%
Capex	46.2	36.1	10.1	28.0%
Net Financial Position	351.5	320.1	31.4	9.8%

EBITDA

€ million	2022	2021	Change	% Change
EBITDA – Environment Segment	101.6	63.7	37.9	59.4%
EBITDA – Group	1,305.0	1,256.1	48.9	3.9%
Percentage	7.8%	5.1%	2.7 pp	

The Environment Segment closed 2022 with an EBITDA of € 101.6 million, up by € 37.9 million (+ 59.4% over the previous year). This increase is partially attributable to the change in the scope of consolidation (+ € 12.3 million), mainly due to consolidation of the **Deco** Group (+ € 8.8 million) and **MEG** (+ € 1.6 million), acquired at the end of 2021, the consolidation of **Tecnoservizi** and **Italmacero** (+ € 1.0 million), **S.E.R. Plast** (+€ 0.9 million) and the increase seen by **Acea Ambiente** (+€ 30.7 million) as a consequence of greater margins generated by the transfer of electricity, deriving from the positive effect of the sales prices (+€ 27.0 million) mainly due to the Terni and San Vittore plants. These higher margins were only partially offset by lower volumes and higher costs for € 7.0 million and, above all, the positive effects coming from the sale of CO_2 rights following resolution no. 66/22 with which the national committee for management of directive 2003/87/EC and for support in the management of the project activities of the Kyoto Protocol, resolved in relation to the UL1 Plant in Terni, the revocation of authorisation to emit gas, all effective retroactively from 1 January 2021, with the consequence that the EUA quotas related to the year 2021 were sold for a total amount of € 11.1 million. This change was also impacted by the reduction recorded by **Demap** of € 1.1 million due to lower margins generated by the smaller quantities entering the plant, as a direct consequence of the fire at the end of 2021. Finally, note the lower margins recorded by **Berg** (-€ 1.7 million) for processing of liquids.

The average number of employees at 31 December 2022 was 875, an increase of 260 employees compared with 31 December 2021, due mainly to the change in the consolidation scope (+246 employees) and for the remainder to **Acea Ambiente** (+15 employees).

The investments of the Area came out at € 46.2 million (+€ 10.1 million compared to 31 December 2021) and refer mainly to the investments made by **Acea Ambiente** (€ 28.9 million) for system improvements carried out at the San Vittore and Aprilia plants, at the WTE plant in Terni and the one in Monterotondo Marittimo.

The increase was also due to investments made by **Cavallari** (+€ 2.9 million) for the purchase of an industrial shed. The remaining increase is mainly attributable to the change in scope (+€ 8.3 million). These increases were partly offset by the lower investments recorded by **Berg** (-€ 1.2 million) due to investments made during 2021 related to the construction of a concentrator.

The net financial position is € 351.5 million, up with respect to 31 December 2021 by € 31.4 million, for the most part due to effects of M&A operations carried out by **Acea Ambiente** which consequently saw its net financial position worsen by € 15.8 million. Part of this change is also due to the effects of the change in the scope of consolidation (+€ 12.9 million), particularly with reference to **Tecnoservizi** and **S.E.R. Plast** which respectively made negative contributions of € 8.5 million and € 5.3 million.

SIGNIFICANT EVENTS FOR THE 2022 FINANCIAL YEAR

As regards the single local units, it should be noted that:

Terni (UL1): throughout 2022, the contractual planning for the delivery of pulper waste guaranteed the fuel requirements for the entire period. We can note that, with Resolution no. 66/22 of 24 March 2022, the National Committee for Management of Derivative 2003/87/EC and for support in the management of the project activities of the Kyoto Protocol resolved to revoke the authorisation to emit gas for the plant (authorisation number 1711) with retroactive effectiveness from 1 January 2021. Therefore, the Company sold all the CO_2 quotas accruing to financial year 2021 already credited to the Company's proprietary account equal to a total of 128,858 and those optioned for financial year 2022 of 30,000.

Paliano (UL2): in execution of the planning authorisation for the demolition of the treatment plant and the buried tanks issued by the Municipality of Anagni, in September 2020, and following the update of the final project authorised by the Municipality of Anagni with Determination no. 1003 of 16 September 2020, on 26 April 2021, the work resumed for the demolition of the treatment plant, the buried tanks and the former mineralised water production building. Demolition of the former treatment plant is complete, with a specific measure for closing the work by the Director of Works on 25 February 2022.

San Vittore del Lazio (UL3): the waste-to-energy plant is destined for the production of electricity from renewable sources, and in particular from SRF (Solid Recovered Fuel) produced by the treatment of urban waste from the territory of the Lazio Region. The San Vittore del Lazio plant is now the only waste-to-energy plant on a regional scale and represents a strategic terminal for the waste chain.
During the year, lines 1, 2 and 3 of the plant guaranteed regular operation in terms of operating hours.
Regarding the disposal/recovery of waste produced in the waste-to-energy process, the Company signed, for 2022 as well, the related conferment contracts, which guarantee operations of the three lines continuously. The expected performance of the plant during the period in question, both in terms of waste treatment and production of electricity, were affected by adverse weather conditions recorded in the first half of the year together with work planned in relation to the line 2 turbo-generator and to improvements of performance of line 1.
From March 2020 to present, in the context of the COVID-19 health emergency, with order no. Z00015 of 25 March 2020, the Lazio Region established that Acea Ambiente, in relation to the plant in question, was to receive and launch combustion, for lines 2 and 3, in addition to SRF, of unseparated urban waste originating from the homes of individuals who had tested positive for SARS-Cov-2, who were self-isolating or subject to mandatory quarantine. To launch the activities ordered by the Lazio Region, specific commercial contracts were prepared with the suppliers and specific procedures were created for the management of the receipt, storage and supply operations for waste contaminated with COVID-19 sent for thermal destruction.
Following the presentation on 7 August 2020 of the request for authorisation to build the fourth line, the Region of Lazio issued the following authorisation provisions: **i)** E.D. G09041 of 12/07/2022 Positive Environmental Impact Assessment, **ii)** E.D. G14621 26/10/2022 Integrated Environmental Authorisation and **iii)** E.D. G14844 28/10/2022 Single Regional Authorisation Provision. Additionally, with Regional Decree 290 of 12 May 2022, the Region of Lazio approved the documentation on PRGR implementation status and the identification of "minimal" and "intermediate" end of cycle plants. The San Vittore del Lazio plant was identified as a "minimal" plant as it has reached its authorised capacity (including, among other things, the Fourth Line). In the light of this, almost all incoming flows will begin to be regulated by the Authority, which will also determine the tariff to apply based on the ARERA stability method. In compliance with the same, assessments and numerical processing is currently under way to prepare the EFP, which will obviously include preliminary analysis as it is the first year of implementation. Given the aforementioned classification of this plant as "minimal", relative to the request sent by the Region of Lazio to managers of these types of plants, in October 2022 the Company prepared and submitted the Economic Financial Plan for 2022-2025.
Subsequently, the Region requested specialised technical support from a consulting company to begin validation of the EFPs and organised an initial meeting for 22 December. At present, approval of the tariffs from the relevant bodies is awaited, pursuant to ARERA regulations (see article 7 of resolution 363/2021/R/rif). Finally, note that on 1 July 2021, 25 October 2021, 10 January 2022 and 24 January 2022 the Services Conference met. The last session ended with the expression of the environmental compatibility with prescriptions for the project, deferring to the subsequent Environmental Impact Assessment measure, the subject of a specific Management Determination, not yet issued.

Orvieto (UL4): with the Resolution of the Executive Committee of the Umbria Region no. 2 of 5 January 2022 – "Regional strategic landfills; need for disposal and technical and operational specifications for their rational use. Guidelines while awaiting the approval of the Integrated Waste Management Plan" it was laid down that, given a maximum total volume foreseen for expansion of the three regional landfills, the Orvieto Landfill is considered expandable residually with respect to those located in Belladanza and Borgogiglione. A response was made immediately to this resolution disputing its content and proceeding on 1 February 2022 to the application for expansion, which, however, was followed by a communication from the Region indicating the inadmissibility of the application under the terms of the aforementioned resolution. This resolution was appealed in February 2022 to the Umbria Regional

Administrative Court. This was followed by further communication, as well as a meeting with the Region in the context of the technical panel also established with the aforementioned resolution 2/2022.
We can note that with Resolution no. 600 of 15 June 2022 the Executive Committee of the Umbria Region pre-adopted the Proposed Regional Integrated Waste Management Plan (PRGR). The Region intends to approve it by the end of the current year. Acea Ambiente presented its opinions on 19 August 2022, which were partially accepted.
The Plan was adopted by the Umbria Regional Council with Regional Decree 1135 of 2 November 2022 after the positive completion of the VAS.
Currently, it appears the PAUR has only been completed for the Belladanza landfill, while the proceeding for the Borgogiglione site has begun. Hence, on 7 December, the Company requested the procedure be reactivated but on 21 December the Region responded that the request could not be accepted and was filed. Acea Ambiente is preparing another response.
In addition, the tariff system applicable for 2022 still has to be defined in consideration of the uncertainties associated with the regulation system managed by ARERA. Precisely on this subject the Umbria Region issued DGR no. 375 of 27 April 2022 identifying the plants necessary for the closure of the waste cycle. In particular, the Orvieto plants were identified as "minimum" for the TMB plant, part of the composting, part of the landfill; additional (that is at market) for the remaining unrestricted volumes. As a consequence of the aforesaid DGR, AURI, as the subject responsible for receiving and transmitting the PEFs, with a note ref. 5514 of 17 June 2022 requested the transmission of the financial plans within 3 weeks and convened a meeting on 28 June 2022. On 18 November, the Company sent AURI the documentation called for under article 7 of the ARERA resolution and, in particular the EFP and accompanying report. The documentation was subsequently supplemented on 13 December and approval of the tariffs from the relevant bodies is awaited, pursuant to ARERA regulations (see article 7 of resolution 363/2021/R/rif).

Monterotondo Marittimo (UL5): on 27 August 2020, in accordance with the deadline envisaged by the calendar approved by the Tuscany Region, the Company submitted a request to review the Integrated Environmental Authorisation for its adjustment to the BAT Conclusions for waste treatment plants (as per Commission Implementing Decision (EU) 2018/1147 of 10 August 2018 of the European Commission). In any case, the new IEA, by virtue of the achievement of the Environmental Management System certification to UNI EN ISO 14001 level, authorised the plant for a duration of 12 years. In June 2022, an audit occurred for EMAS registration of the location, which was completed successfully and followed by investigatory activities with ISPRA still in progress. Obtaining EMAS registration will make it possible to further increase the duration of the IEA up to 16 years and further reduce the value of the financial guarantees.

Sabaudia (UL6): with regard to the composting section of the Sabaudia plant, the Integrated Environmental Authorisation issued by the Lazio Region on 1 December 2008 is still being renewed. In any case the IEA was formally extended by the Lazio Region pending the conclusion of the authorisation process. On 9 January 2020 the Lazio Region accepted the request for unification of the Integrated Environmental Authorisation (IEA) proceedings and at the same time requested, of only the part of Environmental Impact Assessment (EIA), an update of the documentation, which was promptly sent.
The tender procedure was completed and the aforementioned works for the adaptation of the plant to the requirements of the Consorzio di Bonifica Agro Pontino were assigned following verification of the adequacy of the tenders. The works were handed over to the company on 24 June 2020 and completed on 10 March 2021. As it stands, part of the works (demolition and reconstruction of a roof) has not been possible to execute because it was subject to the issue by the Municipality of Sabaudia, which has been sent several formal requests, of an amnesty which must be followed by a planning authorisation.
At present, the final investigation by the Municipality for the amnesty permit is still pending. To that end, on 7 September 2022, the Company sent the documentation requested by the Municipality and also made the required payments.
It is therefore hoped that the municipal procedure will be completed quickly and the authorisation procedure for the Region of Lazio will be reactivated to define the VIA and review the IEA. Additionally, with Regional Decree 290 of 12 May 2022, the Region of Lazio approved the documentation on PRGR implementation status and the identification of "minimal" and "intermediate" end of cycle plants. The Sabaudia plant was classified as "minimal" for the full capacity of the composting section. However, given the current authorisation halt, the Region of Lazio was informed that the plant is currently suspended in terms of arrivals, and, hence, the EFP for determination of the tariff was not prepared. While awaiting an even partial return to activity, all Sabaudia Plant operating personnel have been transferred to the Aprilia composting plant.

Aprilia (UL7): the plant is authorised for operation with an Integrated Environmental Authorisation issued by the Lazio Region with DD no. G00101 of 12 June 2021.
It is worth recalling that starting from May 2021 and then from 2 July 2021, following the verification of the prescriptions and forecast contained in the settlement agreement with TME, the plant is under the total management of Acea Ambiente. We expect the possibility of functional approval testing of the plant during the second half of 2022.
In the period considered the plant operated continuously, except for the normal anomalies that can occur in a plant of this size. One difficulty in particular is noted: of obtaining on the market OFMSW in quantity adequate for the saturation of the plants. This besides is widespread also among other plants for treatment of the organic fraction. Further technical studies and assessments were also carried out on the performance of the evaporation section needed for treatment of liquid digestate, including important maintenance work. As of today the line guarantees good performance but a treatment technology has been identified and is considered fundamental to implement, in addition to the aforesaid evaporator, so as to guarantee the constant operating continuity without being constrained also by the availability of external treatment plants. The executive project for the works are being prepared so as to begin the tender procedure, construction and start up of the systems section during 2023.
With Regional Decree 290 of 12 May 2022, the Lazio Region approved the documentation on PRGR implementation status and the identification of "minimal" and "intermediate" end of cycle plants. The Aprilia plant was identified as "minimal", as it has reached its authorised capacity. In light of this, almost all incoming flows would be directly regulated directly by the Authority, which would also determine the tariff to apply based on the methods established by ARERA.

Chiusi: the company carries out purification, treatment and intermediation of liquid waste in the plants located in Le Biffe, Pianino and ex Comova. The plant was authorised based on Integrated Environmental Authorisation issued with Directorial Decree 16494 of 18 August 2022, valid until 18 August 2034, for an authorised amount of 99,900 tons/year.
After a long investigation, the review of the environmental authorisation was finally completed successfully and, at the same time, the go-ahead was received to upgrade and modernise the chemical/physical waste pre-treatment section.
In 2022, maintenance was carried out to ensure adequate residual treatment capacity in the suspended biomass biological segment and make it more efficient in terms of electricity consumption. Replacement of the bed of oxygenators of the second oxidation reactor allowed a significant economic saving. Similarly, evident increased oxidative capacity for the segment made it possible to begin treatment of a waste flow in line with expectations.

Aquaser: mainly operates, as a joint venture, as a waste intermediary with its Customers/Shareholders belonging to the Acea Group. During the period of reference, the company consolidated its market position by strengthening its transport activities through the acquisition of vehicles and personnel that now allow the management, at least partially, of the corresponding services.
Aquaser currently wholly or partially performs the service of loading, transport and recovery/disposal of waste from water purification for the companies of the Acea Group. It also manages individual orders related to the service of loading, transportation and recovery/disposal of waste or soil improvers for the company Acea Ambiente, as well as other ancillary activities on behalf of third-party customers (mainly transport services). The recovery activities are carried out through energy recovery, conditioning or composting plants of third parties, and in part at the plants of the parent company, while disposal activities are almost all carried out at incineration, treatment plants/landfills of third parties both domestic and abroad. In 2022, the Company began planning services for customers mainly consisting of Integrated Water Service managers within the Acea Group, on the basis of contracts governing relations between the parties, most of which multi-year.

Iseco: operates in the water business, whose main activities are the management, maintenance and construction of plants, and the Milk - Dairy Business, whose main activities are the production of whey powder and the sale of related products for zootechnical and food use and the processing of seroderivatives on behalf of third parties.
During the year, the Company regularly and effectively carried out the services called for in the management contracts signed with all the areas of operations in the Valle d'Aosta region, with good operating margins also as an effect of complementary management activities, waste transport and extraordinary and specialist maintenance, for the most part internalised and carried out by company personnel. Construction work on the district treatment plant in Donnas was completed, entrusted to the Company as principal of a temporary consortium and the entity responsible for installing the electromechanical works and future management of the plant.
In terms of activities in the seroderivative dairy business, over the years the Company has developed high level specialisation in production cycles to transform seroderivatives from milk to higher added value products destined for human consumption.

Acque Industriali: through the management of specific platforms, provides intermediation and liquid waste treatment services to private companies operating both regionally and nationally, as well as activities collateral to those of the integrated water cycle consisting mainly in the recovery and disposal of biological sludge.
The Company designs and builds plants mainly related to the treatment of wastewater and sludge and waste in general, as well as to the treatment of atmospheric emissions, following up with their subsequent ordinary and extraordinary management, as well as carrying out design, direction and execution of works in the field of environmental clean-up of polluted sites, mainly in the industrial sector. It also performs research and development in the sectors of reference in partnership with research bodies at both a regional and national level.
The plants owned by the Company ensure solely purification pre-treatments involving chemical/physical actions, lacking biological action sections and, therefore, make it possible to respect the tabular limits under the law only on the condition that derogations can be obtained relative to multiple parameters in table 3 of annex 5 to part III of Legislative Decree 152/06, as amended. Hence, these must necessarily be updated in line with new provisions and technical rules. Until the investigations for authorisation reviews have been completed, the new operating conditions will not be known and, when necessary, the systems improvements judged essential to adjust the plants to the new provisions will not have been implemented, meaning the full nominal quantity of waste established in the authorisations cannot be accepted.
In particular, recall that waste brokerage activities, based on the specific know-how of the Company, its in-depth understanding of the reference markets and the quality and extent of its contact network, support combining growing demand for transfer spaces coming from customers and the supply of waste reception from a limited number of companies, mainly located in central/northern Italy, and can be a useful tool to support waste treatment plants in the Area.
In 2022, intense discussions were carried out with the associated company Acque SpA, which identifies the Company as the strategic instrument for improvement of the environmental offer of the territory, in relation to the treatment of liquid waste and coordination of the management of industrial discharges into public sewers, enhancing its mission in the industrial ecology sector, and its marked vocation to provide public utility services complementary to those offered by the operator of the integrated water service.
In relation to what is stated above, the total flow conferred to the platforms was 49,110 tons, less than the previous year. The modest result was greatly conditioned by the low rainfall of the period and by the consequent high concentration of landfill leachates.
To mitigate the effects of the difficult trend related to the management of liquid waste treatment plants, an impulse was given to the waste intermediation activity and to the management of industrial waste water treatment plants of third parties. Waste brokering business saw volumes of 37,272 tons.

Demap: carries out its activity in the field of sorting plastic packaging from urban waste collection. It is one of the 33 or so Forced Selection Centres (FSCs) that have an agreement with the Corepla Consortium, established by law pursuant to Italian Legislative Decree 22/97 and now regulated by Italian Legislative Decree 152/06, responsible for achieving the recycling and recovery targets for plastic packaging of consumed products.
Separate collection of plastic packaging is regulated at a national level by a framework agreement between Anci and Conai and by the technical annexes concluded between Anci and the individual value chain consortia which, in the case of plastic packaging, provide that

collection may be transferred to the sorting centre either selectively (mono-material collection) or jointly (multi-material collection). Demap carries out its business in compliance with current regulations and is authorised under Italian Legislative Decree 152/06 with procedure issued by the Province of Turin no. 133-25027/2010 of 23 June 2010.

Berg: operates in the environmental services sector and in particular in the treatment of liquid and solid waste. Pursuant to Article 2428 of the Italian Civil Code, activities are carried out at the Frosinone plant, where Hazardous and Non-Hazardous Liquid and Solid Waste is Stored and Treated. In terms of authorisation, the plant has an Integrated Environmental Authorisation issued by the Lazio Region with Executive Resolution B0201/09 of 30 January 2009, expiring on 30 January 2025 (duration of 16 years by virtue of the site's EMAS registration). In May 2021, in accordance with the deadline envisaged by the calendar approved by the Lazio Region, the Company submitted a request to review the Integrated Environmental Authorisation for its adjustment to the BAT Conclusions for waste treatment plants (as per Commission Implementing Decision (EU) 2018/1147 of 10 August 2018 of the European Commission). Note that also for the activities performed, the Company continues to implement all initiatives necessary for workplace safety, in line with relevant laws and in respect of the provisions found in the Integrated Environmental Authorisation document. BERG holds not just Quality certifications (ISO 9001) but also Environmental (ISO 14001 and ISO 45001) and consequently received the "Certificate of Excellence" which strengthens all three individual certifications. Also note that the company has received EMAS certification of the Environmental Report.

Cavallari: operates at five sites (Ostra, Castelplanio, Fabriano, Falconara Marittima and Corinaldo, all in the province of Ancona) with activities structured in different market contexts in the areas of selection, treatment, recovery and sending urban waste for recycling, from separate collection and waste produced in industrial, commerce and artisanal contexts. One of the main sectors for the Company is the secondary selection of polymers deriving from separate collection of plastic as the Ostra plant is one of the 30 national centres affiliated with the Corepla Consortium, with the Coripet and with the other EPR systems, responsible for performing the forced selection activities by polymer and by colour of the plastic deriving from urban separate waste collection.
Another important area in which the Company began and has subsequently developed excellent skills is the selection and utilisation of industrial waste (multimaterial). This market segment is still today one of the main ones of the company's business. The Company is also the plant of reference for management of ELTs (End-of-Life Tyres); for this market the Company holds the leadership for the entire Regions of Marche and Umbria.
Note that on 3 November 2022, Cavallari acquired 100% of the share capital of Italmacero Srl, a company that selects and recovers paper, cardboard and other non-hazardous waste (plastic, wood, iron). The Falconara location is authorised to accept around 13 kton/year, of which 3.6 kton/year for recovery operations.

Ferrocart: operates in the environmental sector and, in particular, in the transport, recovery and initial recycling of special and urban waste. The waste treated is mainly paper, plastic, wood, metal and large waste and it is a point of reference in the territory, being a platform for the main consortia of the chain such as Comieco (National Consortium for the recovery and recycling of cellulose-based packaging), Corepla (National Consortium for the recovery and recycling of plastic packaging), Rilegno (National Consortium for the recovery and recycling of wood packaging), Ricrea (National Consortium for the recovery and recycling of steel packaging) and Cial (National Consortium for the recovery and recycling of aluminium packaging). Additionally, it operates with the largest entities, both public and private, performing the activity of recovering waste deriving from the separate collections of the surrounding municipalities and has among its customers the largest private companies in the area.
On 6 December 2022, in the context of a public procedure launched by ASM Terni to identify an economic operator to strengthen and extend its strategic development lines, which was awarded to Acea SpA which had participated on its own account and that of other Group companies, including Acea Ambiente Srl, the latter transferred its 60% equity investment in Ferrocart to ASM Terni.

Deco operates in the waste sector in Abruzzo and is engaged in the design, construction and management of plants for the treatment, disposal and recovery of municipal solid waste and plants for energy recovery from renewable sources. The scope of the business includes: a Mechanical-Biological Treatment (MBT) plant with an authorised capacity of 270,000 tons/year, a photovoltaic plant, a biogas plant and two disposal plants. the Company also holds 100% of **Ecologica Sangro**, a company operating in Abruzzo in the sector of integrated management of solid urban waste.
The technical and commercial actions continuously carried on by the company in searching, in Italy and abroad, for solutions to utilise the SRF produced made it possible to offset the constant cost increases recorded at other final destination plants and to optimise the production mix of the various areas of the company's activity.
The Company's MBT plant, owing to its strategic location, is one of the plants of reference in support of the waste emergency of Campania and the City of Rome. In addition, owing to the waste emergency of the City of Rome, the Lazio Region has asked the Abruzzo Region to sign an interregional agreement that would permit a limited circulation of untreated and unseparated between the two regions, enabling the plants in Abruzzo to makes themselves available for the treatment of waste produced in the bordering region.
The mechanical biological waste treatment plant which also sends it for recovery through production of solid recovered fuel (SRF) had treated, at 31 December 2022, around 242 thousand tons, in line with the business plan.
The treatment potential of the plant, which is doubtless higher, was in any case limited by difficulty in finding locations to transfer the final landfill waste portion (around 35% of incoming material) due to a lack of large landfills in the region.
Note that with service contracts signed on 23 November 2022 between Acea Ambiente and its subsidiary Deco, the latter was assigned activities functional to operating the CIRSU technological hub, destined for the receipt, treatment, recovery and disposal of solid urban waste, consisting of movable assets, real estate, plants and landfills, including the landfill known as "Grasciano 2". With Region of Abruzzo determination DPC026/306 of 13 December 2022, Deco obtained the transfer of the Integrated Environmental Authorisations previously held by Acea Ambiente, which had become the owner of the hub after awarding of the competitive sales procedure held by the Court of Teramo as part of the bankruptcy proceeding for CIRSU.
As of 16 January 2023, deliveries to the Grasciano 2 landfill began.
To deal with logistical needs of the TMB plant in Chieti, the Compa-

ny received authorisation to manage an R13 storage in the Municipality of Ortona, to guarantee the needed flexibility for shipments abroad of Solid Recovered Fuel produced by the plant. On 23 January 2023, Acea Ambiente acquired from Rem SpA the remaining 35% of the share capital of Deco, becoming its sole shareholder.

MEG: located in San Giovanni Ilarione in the province of Verona, it manages, recovers and recycles waste coming from collection.
The Company processes and recycles mixed plastics (Corepla and CORIPET circuit) for production of secondary raw materials and solid recovered fuel with a capacity of around 55,000/tons per year. In particular, the Company utilises mechanical, manual and washing treatments for incoming plastics with the aim of producing secondary raw materials, as well as recovering: plastic packaging, plastic urban waste from separate collection, plastics and rubber coming from industrial activity. The Company works in the plastic recovery sector, with many relationships with consortia in the chain, both for selection activities and subsequent recycling. It also designs and constructs selection and recycling plants, regularly providing maintenance for the same plants for many players, above all in central-northern Italy. The San Giovanni Ilarione plant has continued to regularly provide the services called for the in the contracts signed both with consortia in the chain and with transporters of incoming materials. A sharp increase in requests for the material produced has been recorded with an increase in the number of customers interested in increasing the level of recycled material in the production chains. In the first half of 2022, the plant underwent technical upgrading work, which enabled the creation of a new treatment line (gravimetric separator) with the production of both pellets and flakes. The new line immediately guaranteed the expansion of the market of reference and a natural diversification.

AS Recycling: a company that is currently inactive but which will become a Corepla affiliated centre for secondary plastic selection FSC (Breakdown of plastics into the various polymer categories for sorting).

S.E.R. Plast: during February 2022, Acea Ambiente acquired 70% of the equity of this company which operates in the sector of recovery and sending for recycling of plastic waste for the production of Secondary Raw Materials. In particular, the Company subjects the plastic waste on input, coming from the urban and industrial circuit, to mechanical processes of separation, shredding, automatic selection, washing and granulation. The Company is located in Cellino Attanasio in the province of Teramo. We can note that during the first half of 2022, the Company's plant underwent technical upgrading work, which made it possible to complete the installation of a number of production lines to expand the activity, increasing the quantities of materials processed, and thus increasing the range of products offered, guaranteeing an expansion of the relevant market.

Tecnoservizi: in October, Acea Ambiente acquired 70% of Tecnoservizi Srl, which provides collection, treatment and collection services for separate and unseparated waste, representing a stable and consolidated reference point for over 25 years, in the delicate system of the urban and special waste cycle in the Region of Lazio, serving as a platform for the main consortia. The Company provides its services in the sectors of recovery and initial recycling of industrial and civil waste, hospital liquid and solid waste, urban waste and special waste; the waste treated mainly include construction waste, health waste, paper, multimaterial, wood, metal and large waste. The Company has an authorised treatment capacity of 210 thousand tons per year and operates in the province of Rome, performing activity of transport and disposal and recovery of urban, special hazardous and non-hazardous waste, such as paper, plastic, wood, glass, metal etc. coming from the separate collection of Municipalities, Bodies and Industries.
Financial year 2022 saw significant oscillations in the relevant market values, both with regards to raw materials and sales of secondary raw materials. The construction sector also saw large oscillations with trends that became more regular only at the end of the year. These conditions subsequently impacted final disposal locations, with rises in transfer prices until the end of August. In any case, the execution and increase in services with major industrial companies, both public and private, continued to be guaranteed, also through participation in public tenders for services.

Italmacero: the Company offers mechanical processing and recovery of separate urban waste (mixed packaging, monomaterials) and non-hazardous special waste. The Company is the owner of a plant in the area of North Ancona, with an authorised capacity of 13 thousand tons.

COMMERCIAL AND TRADING

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Operating data

	U.M.	2022	2021	Change	% Change
Electrical energy sold - Free	GWh	6,331	6,562	(231)	(3.5%)
Electrical energy sold - Protected	GWh	1,411	1,694	(283)	(16.7%)
Electricity - Free market customers (P.O.D.)	No./1,000	535	488	47	9.7%
Electrical energy - No. protected market customers (P.O.D.)	No./1,000	647	700	(54)	(7.7%)
Gas sold	MSmc	208	214	(6)	(2.7%)
Gas - No. free market customers	No./1,000	248	228	20	8.8%

Economic and financial results

€ million	2022	2021	Change	% Change
Revenues	3,159.7	2,078.3	1,081.3	52.0%
Costs	3,069.7	1,997.8	1,071.9	53.7%
EBITDA	90.0	80.5	9.5	11.7%
Operating profit/(loss)	22.0	14.6	7.4	51.0%
Average workforce	445	427	18	4.3%
Capex	49.6	49.4	0.2	0.3%
Net Financial Position	(144.9)	(297.4)	152.5	(51.3%)

EBITDA

€ million	2022	2021	Change	% Change
EBITDA – Commercial and Trading Segment	90.0	80.5	9.5	11.7%
EBITDA – Group	1,305.0	1,256.1	48.9	3.9%
Percentage	6.9%	6.4%	0.5 pp	

The Segment, responsible for the management and development of electricity and gas sales and related customer relationship activities as well as the Group's energy management policies, closed 2022 with an EBITDA of € 90.0 million, an increase of € 9.5 million compared to 2021.

The increase is mainly due to **Acea Innovation** (+€ 5.8 million) because of higher margins on energy efficiency activities and **Acea Energia** (+€ 3.6 million) because of the combined effect of the higher margins on smart services (+€ 4.2 million) and higher revenue for penalties, fines and contingent assets (+€ 4.3 million) influenced by the recognition of a contingent liability the previous year (+€ 2.1 million) generated by CSEA's redetermination, in line with what ARERA ordered, of calculations to settle economic items for electricity intended for enclave countries within Italy, partially offset by higher operating costs (+€ 4.3 million) due to higher costs for call centre services (+€ 1.4 million) and personnel expense (+€ 2.9 million). The energy margin fell slightly compared to the previous year (-€ 0.8 million).

With regard to the effects on the primary margin, the decrease recorded by **Acea Energia** derives from opposing effects. In detail, the energy margin related to the **free market** recorded a worsening of € 30.4 million compared to 31 December 2021, reflecting a sharp drop in margins in both market segments, *Retail* (-33%) and *e-Business* (-35%). The performance of the Business segment was also affected by a reduction of consumption (-7%), despite the increase in the number of customers (+15%).
The energy margin for the **protected market** fell by € 1.0 million compared to 31 December 2021 due to the natural turnover of customers (approximately -8%) who choose to take up offers on the Free Market and a general drop in consumption (-8%).
The **gas market** generated a reduction in margins of € 7.8 million compared to 31 December 2021, as a result of the reduction in the unit margin in the Retail sector (-26%), which was affected also by lower consumption in general (-3%) despite the growth of the Customer Base (+3%).
The energy margin concerning the energy flow **optimisation activity** was positive and amounted to € 42,6 million (€ 4.1 million at 31 December 2021), up thanks to a context of extraordinarily high prices and characterised by strong volatility, which also affected a number of operations in hedging derivatives closed in advance to enable better optimisation of the flows. This margin also includes activities of buying, selling, exchanging and trading electricity, heat, natural gas, methane and other fuels and energy carriers, from any source produced or acquired, for own use or for third parties.

Operating profit increased by € 7.4 million, also influenced by higher margins, greater provisioning for doubtful receivables (+€ 4.9 million), mainly associated with Acea Energia, net of the reimbursement received from the distributor (€ 1.8 million) and higher amortisation/depreciation (+€ 3.8 million), for the most part attributable to the costs to acquire new customers pursuant to IFRS 15. This change was offset by the item provisions for risks, with a positive balance deriving from the net effect generated by (i) releases carried out during the year totalling € 2.7 million, of which € 2.6 million relative to the effects of the Lazio Regional Administrative Court ruling 15322/2022 which in part annulled the Antitrust Authority's provision adopted at the end of proceeding PS9354, reducing the fine from € 3.6 million to € 1.0 million and (ii) provisioning of € 1.2 million, of which estimated supplemental and performance bonuses to be paid to agents for € 0.9 million and provisioning for isopensions of € 0.3 million.

With reference to the workforce, the average number at 31 December 2022 stood at 445 employees, slightly up compared to 31 December 2021 by 18 employees. This change is primarily attributable to **Acea Energia** (+10 units) and to **Acea Innovation** (+7 units).

Investments by the Segment amounted to € 49.6 million, a small increase of € 0.2 million compared to 31 December 2021. The total investments, mainly referring to **Acea Energia,** were mostly related to the cost of acquiring new customers under the terms of IFRS15 (€ 28.6 million) as well as the significant improvements to the support systems for the management of Contact Centre processes and the analysis and monitoring of customer margins (€ 13.9 million). The e-mobility projects (€ 5.4 million) developed by **Acea Innovation** also contributed to the investments of the Segment.

The net financial position as at 31 December 2022 was positive by € 144.9 million, worse by € 152.5 million compared to 31 December 2021. The changes are mainly attributable to **Acea Energia** (+ €118.7 million) and **Acea Innovation** (+€ 28.7 million) and mainly derive from operating cash flow dynamics.

SIGNIFICANT EVENTS FOR THE 2022 FINANCIAL YEAR

Energy Management

Acea Energia carries out the necessary "Energy Management" activities for the Group's operations, with particular regard to sales and production activities. The Company also liaises with the Energy Market Operators (EMO) and with Terna. In relation to the institutional entity Terna, the Company is the input Dispatch User for Acea Produzione and other companies in the Group. It performed the following main activities in the period:

- the optimisation and assignment of electricity produced by the Tor di Valle and Montemartini thermoelectric plants and by the S. Angelo hydroelectric plant;
- the negotiation of fuel procurement contracts for the power generating plants;
- the procurement of natural gas and electricity for the sales company to sell to end customers;
- the optimisation of the supply portfolio for the procurement of electricity and management of the Energy segment companies' risk profile.

At 31 December 2022 Acea Energia had purchased electricity from the market for a total of 8,240 GWh, of which 5,828 GWh through bilateral contracts and/or intercompany contracts and 2,412 GWh through Borsa, for resale to end customers of the free market and for the optimisation of energy flows and the purchasing portfolio.

Electricity distribution

With regard to the sales market, service quality on the retail portfolio is continuing to improve.
In 2022, electricity was sold on the standard-offer market for a total of 1,391 GWh, with a 17.9% reduction on a trend basis. The number of withdrawal points totalled 661,231 (719,380 at 31 December 2021). The sale of electricity on the free market amounted to 5,986 GWh for Acea Energia and 345 GWh for Umbria Energy, for a total of 6,331 GWh, with a decrease compared to the same period last year of 3.5%. Resales on the wholesale market came to 1,571 GWh, also due to the effect of energy produced by Acea Group production plants. The average number of withdrawal points in the period totalled 502,403 (478,127 at 31 December 2021).
In addition, Acea Energia and the other sales companies of the Group sold 208 million Sm^3 of gas to end customers and wholesalers which involved an average of 233,101 re-delivery points for the period, while at 31 December 2021 they were 226,687.

Commercial agreements

On 18 January 2022, Acea Energia and WindTre announced the extension of their cooperative agreement for electricity and gas supply, promoting and commercialising the WindTre Electricity & Gas Powered by Acea Energia offer, throughout Italy. After a gradual launch of the service in 2021, with 12 Italian regions involved, at present more than 2 thousand WindTre sales points are able to distribute solutions for electricity and gas supplies. The electricity offered in the WindTre Electricity & Gas Power by Acea Energia solutions is 100% obtained from renewable sources.
On 18 May 2022, the new advertising campaign WindTre Electricity & Gas Powered by Acea Energia debuted on TV.

With regard to the proceedings started by the **Antitrust Authority** and **ARERA**, the main updates are described below:

Proceeding PS9354 of the Antitrust Authority (AGCM)

On 13 July 2015, AGCM communicated the start of an investigation proceeding (PS/9354) relative to Acea Energia SpA, citing the following actions:

- "payment requests in invoices of amounts allegedly erroneous, anomalous and/or incorrectly estimated";
- "receivables of significant amounts accrued with reference to customers in the case of prolonged delays in the issuing of invoices or adjustments occurring multiple years after consumption";
- "payment requests in invoices already paid by the customer".

On 20 November 2015, AGCM rejected the commitments filed by Acea Energia and, on 13 June 2016, informed the Company of a fine provision totalling € 3.6 million. On 9 September 2016, Acea Energia SpA appealed this provision with the Regional Administrative Court. Following the appeal, on 13 September 2016, Acea Energia SpA sent AGCM the report containing the initiatives taken in line with the instructions contained in the fine provision, specifying that the actions did not constitute agreement with the provision and, in February 2017, paid the fine to AGCM, again specifying that the payment did not constitute, in any way, agreement with the provision or renunciation of the legal action taken. On 7 December 2017, AGCM sent a communication acknowledging the actions to comply with the fine provision, holding them substantially adequate.

Finally, on 26 November 2018 the Authority sent a communication of compliance relative to the provision adopted on 13 June 2016. On 12 November 2021 the Company filed a request to set a date for the hearing pursuant to article 82 of the Code of Administrative Process with Section I of the Lazio Regional Administrative Court. On 18 November 2022, the Lazio Regional Administrative Court partially annulled the provision, reducing the fine from € 3.6 million to € 1.0 million. The deadline for an appeal pending (18 February 2022). On 15 February 2023, the Authority provided notification of its appeal of the Lazio Regional Administrative Court Section I ruling of 18 November 2022, no. 15322, adopted at the end of the procedure 10090/2016. At present, the possibility of a loss is assessed as possible. Therefore, a release of € 2.6 million was carried out.

Fact finding investigation on economic items relating to electricity for enclave states within Italy: with Resolution 576/2021 ARERA reformed the regulation concerning financial items relating to electricity destined for enclave states, with the aim of bringing it into line with national regulatory principles. In particular, the Authority intervened on transmission and transport fees, on dispatching and on the regulation of imbalances. On 1 August 2022, resolution 354/2022 was published, definitively accepting the commitments presented by Acea Energia, and for which compliance is mandatory by 31 October 2022. Acea Energia fulfilled its commitments by the indicated date and sent a report to the Authority by 30 November 2022.

Proceeding PS12106 of the Antitrust Authority (AGCM): on 3 March 2022 the Company received a communication in which AGCM indicated that at its meeting on 1 March 2022 it had arranged for the filing of the application for intervention, as the Company had ceased the possible incorrect commercial conduct identified in the communication of 18 October 2021, relative to representation of all the fees due from customers for electricity and gas supplies.

Proceeding PS12458 of the Antitrust Authority (AGCM): on 18 October 2022, the Company received a communication in which AGCM requested information about so-called "*unilateral contract amendments*".
On 4 November 2022, the Company provided a response to AGCM relative to the requested information and, on 12 December 2022, held it expedient to send a second communication with further details to demonstrate the compliance of its actions with that established in article 3 of the Aid-bis Decree Law.
That being established, on 13 December 2022, AGCM informed Acea Energia of the start of a proceeding, giving the Company 20 days to file written memos and documents (a deadline reduced to 7 days with reference to memos and documents relative to the adoption of provisional suspension measures for the commercial practices, pursuant to article 8, paragraph 3 of the Regulation).
Additionally, to acquire further information useful for assessing the stated commercial practice, AGCM asked Acea Energia to provide, within 20 days of the receipt of the cited communication, additional information regarding communications of unilateral changes/renewals carried out by the Company.
On the same date, the Authority also informed the Company of a precautionary provision, with which it ordered that:

- Acea Energia provisionally suspend application of the new economic conditions indicated in its communications of a proposed unilateral change to the contract sent prior to 10 August 2022 or in communications proposing renewal of economic conditions sent after 10 August 2022, confirming through 30 April 2023 the supply conditions previously applied, and individually informing the consumers interested in the previous communications, and in the same form, application of the previous supply conditions or, in the case in which the deadline for completion of the new communications had not yet expired, the inefficacy of the proposed changes;
- Acea Energia communicated individually and with the same form, to consumers who had exercised the right of withdrawal following the communication of the proposed unilateral change sent prior to 10 August 2022 or of renewal of economic conditions sent after the same date, the possibility of returning to receive supplies under the previous economic conditions;
- Acea Energia informed the Authority that it had carried out the suspension provision and the relative methods within 5 days of receiving the communication on 13 December 2022, sending a detailed report illustrating the initiatives taken in compliance with that ordered under a) and b);
- that the interested party could, within 7 days of notification of the provision of 13 December 2022, present written memos and documents, to confirm the aforementioned measures.

Acea Energia, given the serious and irreparable harm deriving from implementation of the aforementioned provision, promptly appealed the same with the Lazio Regional Administrative Court, filing an appeal on 15 December 2022 to request annulment through precautionary suspension of the efficacy.
In any case, on 19 December 2022 Acea Energia sent AGCM the report on compliance with the measures ordered by the Authority and, on 20 December 2022, filed a written memo, to provide further clarifications on the lack of any illegal action and reserving the right to formulate further defensive arguments during the course of the proceeding.
Subsequently, two significant changes occurred in the jurisprudential and legislative situation:

- on 22 December 2022, the Council of State issued an ordinance, in relation to another market operator which, similar to Acea Energia, had been affected by a precautionary provision involving a possible violation of article 3 of the Aid-bis Decree Law, subsequently appealed, accepting the precautionary request put forward by the same and partially suspending the provision in question. In truth, this latter, in the Judge's opinion, contains a generalised order to suspend any change in supply contracts, also affecting contractual renewals predetermined in the exercising of negotiating freedom, based on an "inadmissible expansive interpretation of national provisions limiting market freedom to situations not expressly envisaged (extending the fines to actions not envisaged in the provision)". Further, the Council of State suspended the provision appealed by the operator in the portion in which it affects temporary contracts or contracts with expiration dates predetermined by economic conditions of dates prior to 30 April 2023, as in this case the question is not the exercising of *ius variandi* but a contractual renewal freely agreed upon by the parties;
- on 29 December 2022 Decree Law 198/2022 ("Thousand Extensions Decree") was published in the Official Journal, which amended article 3 of the Aid-bis Decree Law, extending the suspension deadline for efficacy of unilateral changes to 30 June 2023 and expressly excluding from the scope of applicability "contractual clauses that allow electricity and natural gas suppliers to update the economic contractual conditions upon expiration of the same, in compliance with the terms of prior

notification contractually established and without prejudice to the counterparty's right of withdrawal".

As a consequence of the cited jurisprudential and legislative changes, on 30 December 2022 AGCM adopted a second precautionary proceeding relative to Acea Energia with which, partially revoking the provision adopted on 12 December 2022, it confirmed solely the portion of the same which ordered that the Company:

- provisionally suspend application of the new economic conditions indicated in its communications of a proposed unilateral change to the contract sent prior to 10 August or in communications proposing renewal of economic conditions sent after 10 August, for those regarding permanent contracts in which the expiration of the same was not specifically identified or in any case able to be predetermined, confirming through 30 April 2023 the supply conditions currently applied, and individually informing the consumers interested in the previous communications, and in the same form, application of the previous supply conditions or, in the case in which the deadline for completion of the new communications had not yet expired, the inefficacy of the proposed changes;
- individually communicate with the same form to consumers who had exercised the right to withdrawal following the communication of a proposed unilateral change sent prior to 10 August or the renewal of economic conditions sent after the same date, regarding permanent contracts for which the expiration of economic supply conditions was not specifically identified or in any case able to be predetermined the possibility of returning to the supply under the previous economic conditions until the effective expiry or until 30 April 2023.

In consideration of the stated AGCM provision, Acea Energia introduced additional justifications for the appeal as part of the case already pending with the Lazio Regional Administrative Court, with the aim of requesting annulment. Finally, note that while the case is pending with the Lazio Regional Administrative Court, Acea Energia sent AGCM, on 16 January 2023, a response to the request for information contained in the provision of 12 December 2022, as well as a new report on compliance with the measures requested by the Authority with the provision of 29 December 2022, restating the full compliance of its actions with respect to that contained in article 3 of the Aid-bis Decree Law, as also confirmed by the clarification made by the legislators through article 11, paragraph 8 of Decree Law 198 of 2022 (Thousand Extensions).

On 6 February 2023, AGCM filed a memo with the court, to which Acea Energia responded with another memo filed on 11 February 2022. In consideration of the proposed additional arguments, the public hearing for discussion of the appeal was held on 22 February 2023 and the results are awaited.

Regional Administrative Court of Lazio, Proceedings listed with case no. 7436/2022: Petition to suspend and cancel (Art. 56 of the Code of Administrative Procedure) the Revenue Agency Director's decision of 17 June 2022 (no. 221978/2022) concerning "Definition of the requirements, reporting criteria and mode of payment of the extraordinary contribution pursuant to Art. 37 of Law Decree No. 21 of 21 March 2022. Definition of the terms for the exchange of information with the Finance Police": in a petition filed on 27 June 2022, Acea Energia challenged the Revenue Agency's decision **no. 221978/2022** of 17 June 2022, which is the regulatory and administrative measure identifying the criteria and terms for payment of the extraordinary contribution to counter rising utility bills, introduced in Art. 37 of Law Decree No. 21 of 21 March 2022, converted into Law No. 51 on the 20 May 2022 (also known as the "Ukraine *bis*" or "Price Cuts" Decree).

With a Decree on 28 June 2022, the Regional Administrative Court rejected the requests for monocratic precautionary measures presented by the Company, setting the hearing for discussion before the Board for 19 July; at that time, the Board, accepting AE's requests and those of the other operators present mainly in the oil sector, set the hearing for the discussion of the merits, together with the current precautionary requests, for 8 November.

On 16 November 2022, the Regional Administrative Court issued judgement 15217 with which it declared its lack of jurisdiction. Acea Energia has appealed the decision to the Council of State with a hearing scheduled for 14 March 2023. At present no further information is available.

OVERSEAS

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Operating data

	U.M.	2022	2021	Change	% Change
Water volumes	Mm^3	42	41	1	2.9%
Volumes fed into the grid	Mm^3	76	77	(1)	(0.2%)
Number of customers (user accounts served)	No.	123,433	122,308	1,125	0.9%

Economic and financial results

€ million	2022	2021	Change	% Change
Revenues	95.1	77.1	18.0	23.3%
Costs	62.1	49.7	12.4	24.9%
EBITDA	33.0	27.4	5.6	20.4%
Operating profit/(loss)	19.4	16.4	3.0	18.4%
Average workforce	2,474	2,238	236	10.5%
Capex	5.8	4.6	1.2	26.4%
Net Financial Position	(26.6)	(18.9)	(7.6)	40.2%

EBITDA

€ million	2022	2021	Change	% Change
EBITDA – Overseas Segment	33.0	27.4	5.6	20.4%
EBITDA – Group	1,305.0	1,256.1	48.9	3.9%
Percentage	2.5%	2.2%	0.3 pp	

The Segment currently includes the water companies that manage the water service in Latin America. Specifically:

- Aguas de San Pedro (Honduras), 60.65% owned by the Group as of October 2016, when it was consolidated using the line-by-line method. The Company serves its customers in San Pedro Sula;
- Acea Dominicana (Dominican Republic), wholly owned by the Group, provides the service to the local Municipality known as CAASD (Corporation Aqueducto Alcantariado Santo Domingo);
- AguaAzul Bogotà (Colombia), of which the Group holds 51%, is consolidated on the basis of the equity method with effect from the 2016 financial statements as a result of a change in the composition of the Board of Directors;
- Consorcio Agua Azul (Peru) is controlled by the Group which owns 44% and provides the water and discharge service in the north of the city of Lima;
- Acea Perù is wholly owned by Acea International and was established on 28 June 2018. This company was established with the specific intent to manage the aqueduct service in the city of Lima through consortia;
- Consorcio Servicio Sur controlled by Acea International (50%), by Acea Ato2 (1%) and by local partners Conhydra, Valio and India overall equal to 49%. The Consorcio was established on 5 July 2018 with the specific aim of managing the corrective maintenance service for the drinking water and sewerage systems of the Directorate of Services Sur of Lima (Peru). The Consorcio's activities ended during 2021 and it is currently in liquidation;
- Consorcio Acea controlled by Acea Perù (99%) and Acea Ato2 (1%), established on 15 December 2020. Consorcio Acea signed a three-year contract for the management of pumping stations for drinking water in Lima Centro;
- Consorcio Acea Lima Norte controlled by Acea Perù (99%) and Acea Ato2 (1%), established on 5 January 2021. Consorcio Acea Lima Norte signed a three-year contract for maintenance of the water and sewerage network in the northern zone of Lima.
- Consorcio Acea Lima Sur controlled by Acea Perù (99%) and Acea Ato2 (1%), established on 6 October 2021. Consorcio Acea Lima Norte signed a three-year contract for corrective maintenance of the water and sewerage network in the Sud di Lima zone.

The Segment ended 2022 with EBITDA of € 33.0 million, which is up by € 5.6 million. This increase is partially due to foreign exchange gains (+€ 3.6 million), with the remainder mainly linked to greater margins deriving from consolidation of **Consorcio Acea Lima Sur** (+€ 1.7 million) and **Aguas de San Pedro** (+€ 1.6 million) for more reconnections following disconnections, as well as an increased number of users.

The average number of staff was 2,474, an increase of 236 people deriving from the contrasting effects of (i) an increase due to con-

solidation of **Consorcio Acea Lima Sur** (+213 units) and (ii) a decrease due to **Consorcio Servicio Sur** (-101 units) as a consequence of the end of the management of the water and sewer network of the Sur di Lima Directorate of Services.

Investments during the year totalled € 5.8 million, an increase (+€ 1.2 million) compared to the previous year, mainly associated with **Aguas de San Pedro**.
The net financial position at 31 December 2022 was positive at € 26.6 million, an improvement of € 7.6 million compared to 31 December 2021. This change is mainly linked to **Aguas de San Pedro** and **Consorcio Agua Azul**. The change is also due to foreign exchange effects (€ 3.0 million).

SIGNIFICANT EVENTS FOR THE 2022 FINANCIAL YEAR

No significant events are reported during 2022.

WATER

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Operating data

	U.M.	2022	2021	Change	% Change
Water volumes	Mm^3	521	532	(11)	(2.2%)
Energy consumed	GWh	767	726	41	5.6%
Sludge disposed of	kt	191	209	(17)	(8.3%)

Economic and financial results

€ million	2022	2021	Change	% Change
Revenues	1,374.4	1,237.9	136.5	11.0%
Costs	705.4	582.6	122.8	21.1%
EBITDA	669.0	655.3	13.7	2.1%
Operating profit/(loss)	268.7	307.7	(39.0)	(12.7%)
Average workforce	3,891	3,475	416	12.0%
Capex	611.0	522.1	88.9	17.0%
Net Financial Position	1,796.2	1,681.4	114.8	6.8%

EBITDA

€ million	2022	2021	Change	% Change
EBITDA – Water Segment	669.0	655.3	13.7	2.1%
EBITDA – Group	1,305.0	1,256.1	48.9	3.9%
Percentage	51.3%	52.2%	(0.9 pp)	

The EBITDA for the Segment stood at € 669.0 million at 31 December 2022, an increase of € 13.7 million compared to 31 December 2021 (+ 2.1%).
The increase is due in great part to **Acea Ato2** (+€ 15.7 million), as a consequence of greater tariff revenue (+€ 14.8 million) and the recognition of bonuses for technical quality of € 23.7 million (total for the segment: € 26.9 million) for the years 2018-2019 (Resolution 183/2022/R/idr of 26 April 2022). These increases were partially offset by non-existent liabilities (+€ 20.1 million) deriving from tariff components relative to 2020 recognised at the time of the biennial update of the tariffs established for 2020-2023 in an amount lower than what was recognised in the respective financial statements, in particular, with reference to the RCARC[1] component, as well as for the period 21 July–31 December 2011 and the negative adjustment which arose during the biennial update of the tariffs established for 2020–2023, following less utilisation of the integrated water bonus by users suffering economic difficulties (as a type of subsidy) compared to what was recognised in the tariff in 2021.
This increase was also offset by **GORI** (-€ 8.5 million) as a consequence of higher costs for sludge disposal and for non-recognition of tariffs following the tariff update, mainly with reference to the AMM.Fo.Ni. portion not recognised for investments in 2022 and 2023 and **Acea Ato5** (-€ 3.6 million).
The water companies' contribution to EBITDA, valued at equity, amounting to € 25.6 million, has risen by € 8.9 million mainly due to the effect of the increases posted by **Publiacqua** (+ € 3.8 mil-

1 Pursuant to that established in paragraph 27-bis, letter a, of MTI-3, recovery of the difference between that recognised in the relevant tariffs established, in application of the rules for calculating "Net capital invested by the SII manager", pursuant to article 11 of the MTT, and that resulting from determining the "offset portion of net working capital", *CCN2012* and *CCN2013*, pursuant to paragraphs 11.2 and 11.3 of the MTT, also considering in the calculation amounts relative to revenues and costs of activities associated with the water service, as well as those classifiable under "Other water activities" defined in paragraph 1.1 of the MTT.

lion) and by **Acque Group** (+ € 1.7 million), attributable in part to the lower depreciation and in part to the non-recurring gains. The contribution to EBITDA of the companies valued at shareholders' equity is detailed below:

€ million	2022	2021	Change	% Change
Publiacqua	8.6	4.7	3.8	80.8%
Acque Group	11.3	9.4	1.9	20.1%
Umbra Acque	3.3	1.6	1.7	108.4%
Nuove Acque and Intesa Aretina	0.5	0.7	(0.2)	(32.0%)
Geal	1.1	0.2	0.9	n.s.
Romeo Gas	0.8	0.0	0.8	n.s.
Total	**25.6**	**16.7**	**8.9**	**53.1%**

The quantification of the revenues deriving from management of the integrated water service is the consequence of application of the new water tariff method for the third regulatory period (MTI-3), as approved by the Authority (ARERA) with Resolution no. 580/2019/R/idr of 27 December 2019, taking into account the approval of the 2022-2023 tariff provisions which occurred in the meantime. For more details, please see the section "Progress of the procedure for approving tariffs" in this document.

The operating profit was affected by the increase in depreciation and amortisation (+€ 36.7 million) mainly attributable to **Acea Ato2** (+€ 20.0 million), **GORI** (+€ 3.3 million) and **Acquedotto del Fiora** (+€ 3.2 million) due mainly to the investments made during 2021 and 2022 and to the entry into operation of investments previously in progress, as well as higher write-downs (+€ 22.6 million) attributable mostly to **Acea Ato2** (+€ 5.3 million) and **GORI** (+€ 12.8 million). This change was offset by the reduction in provisioning (-€ 6.7 million), mainly attributable to **Acea Ato2** (-€ 4.9 million).

The average number of staff at 31 December 2022 was 3,891 people, an increase compared to the figure at 31 December 2021 of 416 people mainly attributable to consolidation of **ASM Terni** (+364).

Investments by the Segment amounted to € 611.0 million, an increase of € 88.8 million compared to the previous year. The increase is due to greater investments made by **Acea Ato2** (+€ 70.6 million), **GORI** (+€ 7.6 million), **Acquedotto del Fiora** (+€ 2.7 million) and **SII** (+€ 3.5 million). The investments of the Segment refer mainly to extraordinary maintenance work, reconstruction, modernisation and expansion of plants and networks, the reclamation and expansion of water and sewer pipes of the various Municipalities and work on purification and transport plants (ducts and feeders).

The net financial position for the Segment at 31 December 2022 was € 1,796.2 million, worse by € 114.8 million compared to 31 December 2021. These changes are mainly attributable to the increase recorded by **Acea Ato2** and is associated with the investments in the period, and the trends of the operating cash flow.

SIGNIFICANT EVENTS FOR THE 2022 FINANCIAL YEAR

Lazio - Campania area

Acea Ato2

The Integrated Water Service in OTA2 Central Lazio - Rome started on 1 January 2003. The management of the OTA Municipalities took place gradually and the Municipalities currently managed are 89 compared to 113 of the entire OTA. As a result of Art. 22 of Law 233 of 29 December 2021 converting Law Decree 152 of 6 November 2021 containing "Urgent provisions on the implementation of the National Recovery and Resilience Plan (NRRP) and for the prevention of Mafia infiltration", it was established that paragraph 2-bis of Article 147 of Legislative Decree 152/2006 would now include the following: "2-ter By 1 July 2022, the independent water service operators for which the Area Governing Body has not yet given an opinion on the meeting of the safeguarding criteria indicated in paragraph 2-bis, subparagraph b), will be included in the single management system identified by the same body. By 30 September 2022, the governing body will allocate to the single operator all the management entities not exempted under the above mentioned subparagraph 2-bis".
For this reason there has been an acceleration of the acquisition process for the 14 municipalities in which the drinking water service was not managed: Agosta, Anguillara Sabazia, Anticoli Corrado, Ardea, Campagnano di Roma, Canale Monterano, Cerreto Laziale, Civitella San Paolo, Labico, Ladispoli, Licenza, Roviano, Sant'Angelo Romano and Trevi nel Lazio. However, not all of the Municipalities have allowed preparatory activities for the acquisition to commence. Hence, on 7 June 2022 the Lazio Region issued 4 resolutions to exercise its substitute powers pursuant to article 153, paragraphs 1 and 172, paragraph 4 of Legislative Decree 152/2006, as amended, to transfer the integrated water service to the sole manager of OTA2, by appointing an acting commissioner for the following Municipalities: Anticoli Corrado, Cerreto Laziale, Licenza, Trevi nel Lazio. In the third quarter of 2022, effective 30 September 2022, all the municipalities envisaged under Law 29 December 2021 were acquired, thereby completing the acquisition of the SII for 89 municipalities.
Hence, the overall situation was unchanged and, at 31 December 2022, can be summarised as follows:

Acquisition situation	No. of municipalities
Municipalities fully acquired into the Integrated Water Service	89
Municipalities partially acquired, for which Acea Ato2 provides one or more services:	17
Municipalities to be acquired	7

* Municipalities with less than 1,000 inhabitants which had the right to express their will in accordance with paragraph 5 of Legislative Decree 152/06.

Also for the Valmontone purification service, which was managed by the associated company Acea Molise as the protected entity, the relative transfer deed was signed, as the service was returned to the Municipality which will then transfer it to Acea Ato2 after the latter carries out revamping work on the purification plant.

Additionally, in the fourth quarter of 2022 the transfer deed for Acea Ato2 and Acea Ato5 was signed for the sewer service managed by the "Co.R.Ec.Alt." Consortium, finally resolving a long-standing issue that had made it impossible to complete the acquisition for management of a part of the network for the Municipalities of Anguillara Sabazia and Trevi nel Lazio, as well as that of the Municipality of Piglio, in OTA5. The transfer will be completed after already planned revamping work is finished.

The Company provides the full range of drinking water distribution services (collection, abstraction, retail and wholesale distribution). Water is drawn from springs on the basis of long-term concessions. Water sources supply drinking water to approximately 3,900,000 residents in Rome and Fiumicino and in more than 61 Municipalities in the Lazio region, via five aqueducts and a system of pressurised pipes.
Three further sources of supply provide non-drinking water used in the sprinkler system of Rome.

In order to safeguard the sources of supply and implement an increasingly sustainable management of water resources, in 2022 the Company completed its study of the quantity of potential groundwater resources and the possible impacts related to the withdrawal of water, by monitoring meteorological and climate variables and implementing appropriate interpretative models. Under the Collaboration Agreement with the National Research Council's Institute for Water Research (Italian acronym: CNR-IRSA), the Company has continued work on developing a software program to model the availability of water resources over time, and to elaborate early warning systems to identify water shortages. With reference to the distribution networks, the campaign to reduce physical and commercial losses and improve network efficiency has continued. In particular, in 2022:

- although the summer season was particularly dry, with water resources below the 25th percentile of observed historic series, the efficiency initiatives implemented by the Manager made it possible to significantly reduce withdrawals from the environment and consequently limit supply problems. In fact, only the municipality of Percile, which was also recently acquired, made use of nocturnal water shifts;
- the districting of a further 1,373 km of the water network was completed. The districting of the networks, namely the delimitation of the distribution districts (or measurement districts), has the purpose of making the network operation more efficient, controlling in detail the level of the losses in the individual districts and guiding the instrumental research activities for their reduction. Overall, at 31 December 2022, there are approximately 12,967 km of districted water pipes with continuous remote monitoring;
- the search for hidden leaks was carried out through a punctual and systematic analysis of the networks according to the anomalies emerging from the monitoring of the water districts implemented;
- pressure regulator devices have been installed in order to actively manage water pressure and reduce pipe bursts across the distribution network; one such device is the regulation hub at Colle Oppio (Rome), which has improved the efficiency of the water service across a wide area of Rome's 1st municipal district;
- implementation of remote monitoring of meters installed at supply sources continued, with the aim of optimising the quality of process measurement and the timeliness of measurement acquisition for the purpose of preparing a correct water balance;
- actions aimed at ensuring the administrative regularisation of cases of unlawful withdrawals, supplies not reactivated, contracts not correctly transferred from previous managements, etc., continued, including with the use of new strategies.

With reference to the purification segment, at 31 December 2022, Acea Ato2 manages over 7,000 km of sewer networks (of which 6,447 mapped on GIS), 653 sewerage pumping stations - of which 178 in the Roma Capitale area - and a total of 161 waste treatment plants (of which 31 in the Roma Capitale area following the disposal of Parco della Tiburtina), for a total quantity of treated water equal to 578.2 Mmc (data referring to managed treatment plants only at 31 December 2022).

Note that Resolution 183/2022/R/idr of 26 April 2022 defined the incentive mechanism for regulation of the technical quality of the integrated water service (RQTI) for 2018-2019, which for Acea Ato2 amounted to € 23.6 million and was received during 2022.

Note that with reference to public financing envisaged in the National Recovery and Resilience Plan (NRRP), deriving from Ministerial Decree 517 of 16 December 2021, issued by the Ministry of Infrastructure and Sustainable Mobility, which calls for projects on potable water and/or irrigation supply systems to optimise and complete water infrastructure for the derivation, storage and discharge of the resource, with the am of improving climate change resilience, improving the security of existing infrastructure and reducing water waste, Acea Ato2 is identified as the Implementing Party for the 4 financed sub-projects, as reported below, for a total of € 150 million:

1. New Marcio Acquedotto – I lot for € 57 million;
2. Doubling VIII Sifone Tratto Casa Valeria – Ripoli Tunnel Exit € 41 million;
3. Monte Castellone – Colle S. Angelo (Valmontone) Pipeline € 29 million;
4. Ottavia – Trionfale Supply System € 23 million.

Acea Ato5

Acea Ato5 provides integrated water services on the basis of a thirty-year agreement signed on 27 June 2003 by the company and the Frosinone Provincial Authority (representing the Authority for the OTA comprising 86 Municipalities). In return for being awarded the concession, Acea Ato5 pays a fee to all the municipalities based on the date the related services are effectively acquired.
The management of the integrated water service in the OTA 5 region - Southern Lazio - Frosinone involves a total of 86 Municipalities (the management of the Municipality of Paliano still remains to be acquired, while the Municipalities of Conca Casale and Rocca d'Evandro are "outside the scope") for a total population of about 489,000 inhabitants, a population served of 455,164 inhabitants, with a service coverage equal to approximately 93% of the territory. The number of users is 200,091.
The drinking water system comprises supply, abstraction and distribution plants and networks that use 7 main sources from which an equal number of aqueduct systems originate.
The sewerage and treatment system comprised a network of sewers and collectors connected to waste water treatment terminals. There are 232 sewerage pumping stations managed by the Company and 127 treatment plants, including the "inaccessible" plants and those outside the OTA (Rocca d'Evandro and Conca Casale).
In 2022, the digitisation of the networks of the managed area continued, with the inclusion of data in the GIS - Geographic Infor-

mation System. According to the 2019-2022 plan for significant activities, as at 31 December 2022 the size of the water network is 6,170 total km (1,207 km supply + 4,963 km distribution).

With regard to the acquisition of the systems relating to management in the Municipality of Paliano, the SII is currently still managed by AMEA, in which the Municipality of Paliano is an investor. Relative to this management, in November 2018 the Council of State issued a definitive judgement on the appeal filed by the Municipality of Paliano against the Regional Administrative Court judgement 6/2018, which accepted the Company's appeal relative to the Municipality, to obtain annulment of the provision with which the Municipality rejected the transfer of service. Hence, with judgement 6635/2018, the Council of State rejected the appeal presented by the Municipality of Paliano and confirmed the Latina Regional Administrative Court's decision, noting that the protective regime in favour of AMEA was "circumscribed to a period of three years starting from the signing of the Management Agreement between OTAA 5 and Acea Ato5. This term was to expire in 2006, after which date the management by AMEA was considered without title".
Since Acea Ato5 has so far failed to initiate compliance proceedings with a view to verifying the voluntary compliance of the Municipality, which is suitable for preventing the possible appointment of an acting commissioner as has already happened in similar cases, a series of meetings have taken place at the Operational Technical Secretariat of OTAA 5 Lazio Meridionale - Frosinone aimed at seeking an amicable settlement of the dispute and at initiating the preparatory activities for the transfer to Acea Ato5 of the management of the IWS in the Municipality of Paliano. In this perspective, the Parties – with deeds of 26 November 2018 and 29 November 2018 – performed the update of the previous survey of networks and existing plants in the Municipality of Paliano, necessary for the management of the SII, subsequently updated in 2020 and 2021, also identifying necessary projects for the work in terms of purification and sewage.
The Parties subsequently held other meetings, together with the Operational Technical Secretariat of OTA5, in order to define not only the technical scope but also the administrative and commercial scope in order to finalise the transfer of the Management of the Water Service of the Municipality of Paliano to Acea Ato5. The fact that not all required information has been received and disputes relative to the methods used to transfer the infrastructure and management of the SII have been documented in notes sent between the parties and in reports sent to the Operational Technical Secretariat and the Lazio Region, with the latter asked to begin commissioner proceedings to apply the substitute powers pursuant to article 172, paragraph 4 of Legislative Decree 152/2006, as amended.
With regard to the Municipality of Atina, whose management of the IWS has been transferred to Acea Ato5 as of 19 April 2018, it should be noted that Municipal Council Resolution no. 14 of 17 April 2019, by which the Municipality resolved to "establish the sub/optimal territorial area called Atina Territorial Area 1, with reference to optimal territorial area no. 5, for the continuity of the autonomous and direct management of the water service pursuant to art. 147, paragraph 2 bis of Italian Legislative Decree no. 152/2006, declaring the Integrated Water Service a 'local public service without economic importance".
OTAA 5 appealed the above resolution before the Lazio Regional Administrative Court - Latina Section - also serving the Company and the Lazio Region.
As far as Acea Ato5 is concerned, while the legal action taken by the AGB is suitable to protect the interests of the Company, it has deemed it appropriate to file suit.
On 1 June 2021 with Note no. 2241/2021 the Lazio region also expressed itself on the subject, repeating the unacceptability of the Municipality's request for recognition of the Atina 1 Sub Area within the Optimal Territorial Area 5 Frosinone, because this would be contrary to the current national and regional legislation (Italian Legislative Decree No. 152 of 3 April 2006, and Regional Law no. 6 of 22 January 1996). The Municipality therefore continues to have the obligation to award in free concession of use to the operator of the integrated water service the water infrastructures it owns, as provided for in art. 153 paragraph 1 of Italian Legislative Decree 152/2006.
For Acea Ato5, Resolution 183/2022/R/idr of 26 April 2022 also defined the incentive mechanism for the regulation of the technical quality of the integrated water system (RQTI) for the years 2018-2019, which generated the recognition of a bonus amounting to € 0.7 million and penalties of € 0.17 million.

With regard to significant events that took place during the year, it should be noted that:

Appeal to the Lazio – Latina Regional Administrative Court (docket no. 308/2021 section I) for the annulment of Resolution no.1 of 10 March 2021
Acea Ato5 has petitioned the Latina division of the Regional Administrative Court of Lazio, requesting the application of appropriate precautions and the cancellation of Deliberation No. 1 of 10 March 2021 (published on 18 March 2021) containing the tariff decisions for 2020-2023 made pursuant to ARERA Deliberation No. 580/2019/R/idr "Approval of the Water Tariff Method for the third regulatory period MTI-3 " as amended - in which the OTA 5 Conference of Mayors approved the IWS (integrated water services) tariff for the 2020-2023 regulatory period. Specifically, the operator challenged the part of the Deliberation that rejected the justified requests for recognition of the increased cost of adapting to the service quality standards (OpexQC), recognition of the higher costs of arrears (COmor) and the part that postponed the recognition of the adjusting payments due to the operator (RcTOTa) to future regulatory periods and to the end of the concession (on the Residual Value - RV at the end of the concession).
At the hearing on 26 May 2021, the Regional Administrative Court, recognising that the matter was highly complex and required further analysis, set the trial for 15 December 2021. On 21 December 2021, the Lazio Regional Administrative Court - Latina Section with Sentence No 691/2021 deemed the appeal inadmissible. The Company appealed to the Council of State with a hearing set for 10 March 2022, at the end of which the Board rejected the appeal and adjourned the case for a decision. The Company prepared a request for withdrawal. The date for the hearing on the merits has not yet been set.

Injunction order for payment of € 10,700,000 and counter-claim by OTAA 5 for concession fees
On 28 February 2017, sentence no. 304/2017 of the Court of Frosinone was published, related to civil judgement RG 1598/2012, pending between Acea Ato5 and the Optimal Territorial Area Authority no.5.
Indeed we recall that the Company had acted, in 2012, with the proposition of a monitory action intended for the recovery of its credit (for the amount of € 10,700,000.00) arising from the Set-

tlement Agreement signed with the Area Authority on 27 February 2007, in implementation of the resolution of the Mayors' Conference no.4 of 27 February 2007 relating to recognition of higher operating costs incurred in the three-year period of 2003-2005 in the start-up phase of the Concession.
The Area Authority had opposed the injunction, disputing the existence of the credit and the validity of the Transaction on the presumption that the same had been replaced by the annulment by own determination of Resolution no. 4/2007 (made as a result of subsequent Resolution of the Mayors' Conference no. 5/2009). Furthermore, the same Area Authority had disputed the legitimacy of the Transaction, since, in its words, the same had been adopted in violation of the regulations in force pro-tempore and specifically the Normalised Method as per Italian Ministerial Decree 1.08.1996. Finally, the Area Authority – in formulating an objection to the injunction order, for the substantial reasons mentioned above – had also filed a counter-claim intended to obtain the payment from the Company of the concession fees related to the 2006-2011 period and quantified as € 28,699,699.48.
In this context, the Court of Frosinone, with sentence no. 304/2017:

- rejected the grounds for opposition formulated by the Area Authority, highlighting, on the one hand, that the annulment, by own determination, of Resolution 4/2007 (as a result of subsequent Resolution no. 5/2009) had no effect on the underlying private relationship, and therefore on the validity of the Settlement Agreement of 27 February 2007; on the other hand, that the Transaction did not violate the Normalised Method since the so-called "price cap" principle is only valid for any tariff increases;
- annulled the injunction order on the assumption of the nullity of the Resolution of the Mayors' Conference no. 4/2007 and of the Settlement Agreement adopted by the Area Authority in violation of the public regulations requiring the identification of the financial coverage of the act itself;
- rejected the requests prepared subordinately (in the event that the Settlement Agreement had been declared invalid) by Acea Ato5 defence attorneys, intended to obtain recognition of the credit by the Area Authority;
- referred the case for pre-trial examination as regards the counter-claim formulated by the Area Authority, which, it is useful to note, in its closing briefs nevertheless recognised the successful payment, by the Operator, of a large part of its debt, describing the existence of a residual credit of approximately € 7,000,000.00. At the hearing on 17 November 2017, the following documents were filed on behalf of Acea Ato5: copy of the transfer of 31 July 2017 for € 2 million; copy of the transfer of 4 October 2017 for € 2,244,089.20 and the Acea Memo dated 16 November 2017. With reference to the latter memo, the following were highlighted:
  a. the commitment of Acea Ato5 to pay € 1,370,000 by December 2017;
  b. the dispute of any other indebtedness regarding concession fees.

In response to production of the above documents, the counterparty – initially convinced to recognise the sums of the transfers of 31 July 2017 and 4 October 2017 as contributing to the sums due by Acea Ato5 for the Concession Fee – acknowledged the production of the documents, declaring the requirement, including due to the content of the Memo dated 16 November 2017, to "refer" to OTAA 5. In light of the above, the Judge, having acknowledged the counterparty request, postponed the hearing to 27 February 2018.
During the aforesaid hearing, documents were submitted attesting to the latest payments by Acea Ato5 in favour of OTAA5.
Consequently, the Company – through its lawyers – described that:

a. in response to the commitment to pay € 1,370,000 by December 2017 – Acea Ato5 paid:
   - € 1,287,589.00 on 5 January 2018, directly to OTAA 5;
   - € 85,261.93 on 22 November 2017 to the Consorzio Valle del Liri (as part of the larger payment of € 178,481.68 in execution of the settlement agreement of which said Area Authority is part, in which, under art.2.1, it was acknowledged that the payment of € 178,481.68 would count towards the 2010-2011-2012-2013-2016 fees); for a total of € 1,372,850.93;
b. with these latest payments, Acea Ato5 has fully paid the entire concession fee related to the 2006-2012 period: the above is also expressed by Executive Resolution of the TOS no. 88 of 8 November 2017. In particular, express recognition is given of the fact that "in response to established and/or subsequent payments of the concession fee by the Operator, it has to date paid up to the year 2012".

At the outcome of the aforementioned hearing, the new Judge who took charge of the case, having noted the discrepancies that emerged in the respective accounts of Acea Ato5 and OTAA 5, granted a postponement to 4 May 2018, inviting the parties to clarify the reasons for such discrepancies and specifying that if they could not the court would appoint an expert to do so. At this hearing there was a further postponement until 21 September 2018.
At this meeting, in light of the Conciliation Panel established on 11 September 2018 with OTAA 5 – pursuant to art. 36 of the Management Agreement to which the question concerning the determination of concession fees was also referred, among others – the Parties asked the judge for a postponement, the hearing being scheduled for 15 February 2019, then postponed to 17 September 2019. At this hearing there was a postponement until 20 December 2019. The proceedings were first postponed to 17 March 2020, then automatically postponed to 11 September 2020 and then to 15 December 2020. The case was further postponed to 12 February 2021, then again to 26 March 2021. At the hearing on 27 April 2021, the Judge reserved judgement on the technical expert and, on 30 April 2021, set the date to appoint the expert for 11 May 2021 and, subsequently, the launch of the expert appraisals for 26 May 2021. The technical expert's report was to be submitted by 10 November 2021 and the technical expert's examination was set for the hearing on 30 November 2021. At the subsequent hearing of 15 December 2021, the Company formalised a settlement proposal, in order to settle the dispute amicably. This proposal was evaluated by the Mayors' Conference of OTAA 5. The judge set the date of 12 April 2022 for the hearing of the final arguments and then adjourned the case to a later hearing on 31 May 2022. At that hearing, the court acknowledged the rejection by OTAA 5 of the settlement proposed by the Company and set the parties a period of time by which to file their final arguments, adjourning the matter for a decision.

In connection with these proceedings, the appeal must be considered against judgement no. 304/2017 of the Court of Frosinone that revoked the court order of € 10,700,000, initially issued by said Court.
The first hearing was automatically postponed to 11 May 2018. On this occasion the Court, having heard the respective positions of the parties, postponed the case to 20 November 2020 for the oral

discussion and the ruling of the sentence pursuant to art. 281 sexies of the code of civil procedure. The proceedings were postponed to 30 June 2021. At the hearing on 30 June 2021, the Court of Appeal adjourned the matter firstly until 6 July 2022, and then until 10 May 2023.
The Company did not consider cancelling the receivable or setting aside any risk provisions for two reasons:

- the issue in question, which relates to the recognition of the amount owed by the Operator (of € 10,700,00.00) in connection with the 2007 settlement, the subject of sentence no. 304/2017 of the Court of Frosinone, appealed by Acea Ato5 to the Court of Appeal of Rome (RG no. 6227/2017), was referred to the Conciliation Board for further investigation, including legal matters;
- The legal assessments made by the lawyers illustrate, on the one hand, the validity of the appeal and, on the other hand, the fact that the nullity of the transaction does not per se determine the non-existence of the receivable.

The validity of the appeal and of the decision not to cancel the receivable were further confirmed by the conclusions of the Conciliation Board, established by the Area Authority and the Operator, in accordance with the provisions of article 36 of the Management Agreement, in order to reach a settlement of the various disputes pending between the parties.
At the hearing on 6 July 2022, the Court of Appeals adjourned the hearing ex officio to 10 May 2023.
In the Conciliation Proposal sent to the parties on 26 November 2019, previously approved by the Board of Directors of the Company on 19 December 2019 and currently being examined by the Mayors' Conference of OTAA5, the Conciliation Board has in fact, among other things:

- ascertained the existence of significant differences between the concession fees approved in the various tariff arrangements and the amounts to be paid to the Municipalities. In the opinion of the Board, the actual existence of such differences leads one to believe that Resolution no. 4/2007 of the Area Authority was based on credible elements, also found afterwards, where it identified the "savings on the concession fees to be paid to the Municipalities" (which could constitute the financial funding to pay a loan stipulated by the Area Authority) as the financial coverage for the payment to the Operator of the sums envisaged in the settlement. This conclusion, highlighting the plausibility of the sources of coverage identified by the Area Authority to finance the settlement, confirms the validity of the appeal filed by the Company against sentence no. 304/2017, by which the Court of Frosinone declared the nullity of Resolution no. 4/2007 of the Area Authority and of the settlement agreement precisely because of the alleged failure to identify the related financial coverage in violation of the disclosure regulations, since the reference to "unspecified savings on the concession fees to be paid to Municipalities" was not considered adequate and sufficient;
- considered that there are valid and grounded reasons to grant the Operator's request for recognition of higher operating costs incurred in the three-year period 2003-2005 to the reduced extent agreed to by the parties in the settlement, thus confirming the existence of the corresponding receivable in the Company's financial statements.

Updating of the concession fee
With Resolution no. 1 of 26 March 2018, Conference of Mayors ordered that the payment of the instalments of loans taken out by Municipalities, from the second half of 2013 until the end of the Concession, shall be disbursed directly by the Operator. Consequently, with the tariff update ordered on 1 August 2018, by immediately implementing the provisions made by ARERA contained in the sanctioning measure DSAI/42/2018/idr, with regard, among other things, to the fees relating to unmanaged Municipalities, the mortgage component of the Concession Fee was adjusted in 2019 by adding the amount of the same specified in the annex to aforesaid Resolution no. 1 of 26 March 2018. No adjustment of the mortgage component was implemented for the years 2012-2018, as Resolution no. 1 of 26 March 2018 did not imply any change to the amount of the mortgage component approved in the various tariff provisions. In addition, any recalculation of loan costs (MTp) must be approved by the Conference of Mayors and must be included in the Economic and Financial Plan (EFP) of the next tariff update in view of the fact that, even at the time of approval of the tariff update 2018-2019, approved by the Conference of Mayors on 1 August 2018, nothing was established regarding the fees for the above years.
For the reasons set out below, the Company did not consider that the obligation to pay this difference to the Area Authority had failed, and therefore it did not reduce the provisions in its financial statements for concession fees:

- The aforementioned Resolution of the Conference of Mayors has made no provision for the difference;
- In compliance with the regulations in force, the quantification of the concession fees is the exclusive responsibility of the Area Authority and therefore any recognition of the difference (with consequent extinction of the relative obligation) can only take place following the revision of the tariffs for the years 2012-2018 and the relative Economic and Financial Plan (EFP) by the Area Authority;
- When reviewing the tariffs for the two-year period 2018-2019 and the related EFP, the Area Authority implemented the reduction in concession fees only as from 2018 (with a substantial reduction of about € 1,658 thousand in 2018), leaving those for the 2012-2018 years unchanged;
- For the 2013 financial year, the AGB had issued invoices to the Company for the difference between the concession fee resulting from the relevant tariff and the charges for the loans that the Operator had paid to the municipalities based on the aforementioned Resolution;
- The exact quantification of the concession fees for the aforementioned years and the assessment of their reallocation and treatment for tariff purposes was an open issue for both parties, so much so that it was referred to the Conciliation Board established between OTAA 5 and the Operator, in accordance with the provisions of art. 36 of the Agreement.

It should also be noted that since it is a so-called "pass-through cost" in the tariff definition, i.e. charged as a tariff without any economic return for the Operator (a sort of collection on behalf of third parties), its effect is substantially neutral in the Operator's financial statements: it is recorded as revenue and at the same time and in equal measure as a cost. For this reason, even if the Company mistakenly did not fulfil its obligation to pay the difference and recognised out-of-period income as an adjustment to the amount due for the concession fee, it would have had to recognise out-of-period income of the same amount following a reduction in the adjustments for the years 2012-2018, with clear economic effects that are insignificant from both a statutory and fiscal point of view.
It should be noted that on 27 November 2019 the aforementioned Conciliation Board submitted to the Company and to the Area Authority a specific Conciliation Proposal, with an attached deed

still to be signed. In these documents, the Conciliation Board has, among other things, put forward a proposal to reduce the tariff adjustments claimed by the Operator by the difference of € 12,798 thousand between the concession fees approved in the various tariff arrangements for the years 2012-2018 and the amounts to be paid directly to the municipalities on the basis of Resolution no. 1 of 26 March 2018. This proposal for allocation to offset existing receivables confirms the Operator's indebtedness of this difference, corroborating the Company's decision not to release the related liabilities in its financial statements.

Conciliation Board with OTAA 5

With regard to relations with OTAA 5, the Company has tried to reach a settlement of the various disputes pending against the Area Authority, convinced of the need to put an end to a very long season of clear conflict between the Granting Body and the Licensee Company, culminating with the resolution passed by the Conference of Mayors of OTA5 aimed at the termination of the Management Agreement that forced the Company to appeal to the Latina Regional Administrative Court that annulled the above resolution.

In this context, in recent years and especially during 2018 an enormous effort has been made – including organisational efforts – to reconstruct the relations between the Company, the Area Authority and the individual Municipal Administrations of OTA5.

Similarly, the possibility of establishing a Conciliation Board with the Area Authority has therefore become concrete, with the aim of settling the main issues still in dispute by the parties.

In this regard, on 11 September 2018 OTAA5 and the Company signed report no.1 in which the parties expressed their mutual willingness to open a Conciliation Board on the various disputes pending between them.

Also in the same minutes, the Parties shared the rules of operation of the Conciliation Board and the criteria for the appointment of that Board and, in particular, each party appointed its own member. The Chairperson of the Conciliation Board was selected by the Prefect of Frosinone, at the joint request of the parties, and was jointly appointed on 16 May 2019. The Board officially took office on 27 May 2019, thus starting the 120-day period within which it had to arrive at a proposal for an amicable settlement of the issues submitted for its assessment. On 17 September 2019, the Conciliation Board announced that it had completed the preliminary work on all the items assigned to the roundtable. However, it noted that due to the number and complexity of the issues under examination, a considerable amount of work was required to prepare a document presenting a comprehensive and reasoned conciliation proposal. It therefore requested and obtained from the parties an extension of 30 days from 24 September 2019.

Following a detailed and in-depth investigation, the Conciliation Board prepared a draft of the Conciliation Proposal, presented to the parties' legal counsel at the meeting held on 11 November 2019. At that meeting, the Parties invited the Board to draw up a draft of the Conciliation that would take into account the report illustrated in that meeting, as well as the proposals made by the Operator, to be submitted for examination and approval to the relevant Bodies.

On 27 November 2019, the Conciliation Board submitted the final Conciliation Proposal to the Parties together with the draft of the Conciliation Deed, which each party will be free to accept or reject, i.e. to accept it in full or even only in part. As a matter of fact, the aim and underlying criterion of the assessments of the Board include the formulation of a unified conciliation proposal, capable of creating balance between the respective positions and interests of the parties, minimising the negative impacts on users and on the service tariff and which will allow for the establishment of a more pleasant atmosphere in relations between the Operator, the Area Authority and the users of OTAA5, overcoming the previous period characterised by conflict, which also caused serious detriment to the Operator in its relations with users.

Specifically, with reference to the individual mutual claims referred for its assessment, the solutions proposed by the Conciliation Board in the aforesaid Conciliation Proposal are as follows:

- judgement pending with the Court of Frosinone, docket number 1598/2012, relating to the 2006-2011 licence fees - the Board of Arbitrators would propose recognition of the debt owed by the Manager for the requested amount of € 1,750,000; it should be noted that this amount is to be understood as an additional recognition with respect to the amount indicated in the settlement proposal made in the context of the aforementioned pending proceedings - see the description in the preceding paragraph "Injunction order for € 10,700,000 and counter-claim OTAA 5 concession fees";
- quantification of the concession fee relative to the period 2012-2018, and the linked destination of any economies for a total of € 12,798,930.00 - the Board proposes, also taking into account the regulatory guidelines provided by ARERA, that these are taken out of the tariff adjustments in favour of the Operator;
- recognition of the amount owed by the Operator (€ 10,700,00.00) - the Board proposes recognition of this credit in favour of the Operator;
- compensation of damages suffered by Acea Ato5 against delayed delivery of services by the Municipalities of Cassino, Atina and Paliano - the Board holds the Operator's claim to be founded but, in consideration of the difficulty in quantifying the damage suffered and with an eye to amicable settlement, proposes that the Operator renounces this claim with regards to the Area Authority;
- compensation of damages for the lack of handover of the ASI and Cosilam plants, assessed in the amount of € 2,855,000.00 - the Board holds that the requirements to dispute a deed which is now final are not met; nonetheless, the Operator will renounce the claim against recognition of the credit for € 10,700,000.00;
- recognition of penalties totalling € 10,900,000.00 applied by OTAA 5 against the Operator and annulled by the Latina Regional Administrative Court by judgement no. 638/2017; Although the Operator has substantially renounced the application of the said penalties related to the period 2014-2015, the Board proposes partial acceptance of the Area Authority's claim for a total amount of € 4,500,000. In relation to this point, the Conciliation Proposal provides for an irrevocable commitment to make investments, in the territory of the OTA5, of an amount corresponding to the quantification made by the Conciliation Board, with no tariff recognition and therefore at the total expense of the Operator;
- recognition of interest on the delayed payment of concession fees on the part of Acea Ato5, assessed in the amount of € 650,000.00 - the Board proposes recognition of this claim;
- request for an Operator repayment plan in relation to the Area Authority for debt positions relating to the concession fee for 2013/2018 which, at 30 June 2019, amount to around € 10,167,000; the Board proposes offsetting this debt by the recognition of a credit of € 10,700,000;
- discounting of the Adjustments 2006/2011, and for 2014, 2015, 2016 and 2017, assessed in the amount of € 1,040,000.00 - the Board proposes recognition of this credit in favour of the

Operator;
- non-invoicing of adjustments 2006/2011, due to the adjustment of 2012 volumes, assessed in the amount of € 1,155,000 - the Board proposes recognition of this claim in favour of the Operator.

The "Conciliation Proposal" and the draft "Conciliation Deed" were approved by the Company's BoD at a meeting held on 19 December 2019. On 4 February 2020, the Company informed the TOS of OTAA 5, with note no. 53150/20, that on 19 December 2019 the BoD approved the Conciliation Proposal formulated by the Conciliation Board and the draft of the Conciliation Deed between OTAA 5 and Acea Ato5 and that, moreover, the Chairperson was given a mandate to sign the Conciliation Deed, confirming in particular the commitment to carry out interventions for a total amount of € 4,500,000 without any tariff recognition, in conciliation and for the reasons set out above.
However, in light of the conduct throughout the conciliation process, and in particular during the final meeting held on 11 November 2019 in which the Conciliation Board explained the Conciliation Proposal to the legal representatives of the parties and as the Company's Board of Directors had already approved the related Conciliation Deed on 19 December 2019 and then communicated this decision to OTAA 5 on 4 February 2020, the Company believed that as at 31 December 2019 an implicit obligation had already arisen for the commitments envisaged in the Conciliation Deed, and in particular for the aforementioned commitment to carry out interventions in the territory without any tariff recognition, having already created a valid expectation in the OTAA 5 Area Authority and in the municipalities of the territory that the Company intends to honour these commitments and bear the related charges. When the Company was preparing its financial statements for 2019, based on the information available, considering the approval of the Conciliation Deed by the Conference of Mayors to be probable and consequently also considering the related implied obligation to be likely, the Company decided to allocate a provision for risks for € 4,500,000.
To date, the Conference of Mayors has not yet been scheduled for final approval of the two documents. Specifically, it should be noted that the Mayors' Conference on 28 October 2021 resolved that the approval of the Conciliation Deed could only be considered upon the outcome of, at least, the preliminary phase of the Criminal Proceeding 2031/2016 pending before the Court of Frosinone. Subsequently, on 26 January 2022, the OTS of OTAA 5 sent the Company a letter ordering it to set up an interest-bearing escrow account within 15 days at the latest, into which the sum of € 12.8 million relating to the aforementioned savings on concession fees for the period 2012-2018, as quantified in the joint report of 29 April 2019 attached to the work of the conciliation roundtable, which - according to the OTS - was allegedly invoiced by the Manager, would be transferred. The Company acknowledged this letter on 10 February 2022, pointing out, among other things, that the Conciliation Board itself in its report, with specific reference to the savings on the 2012-2018 licence fees, had clarified that "these sums can only be considered virtually and abstractly (and not also in actual financial terms) as being available to the Manager" and that they would indeed represent a suitable financial source to cover the debt of € 10,7 million owed to the Manager or, alternatively, - as proposed in the draft conciliation agreement - to reduce the total amount of the tariff adjustments still due to the Manager, which far exceed the amount in question.
However, the Company is willing to set up a round table to discuss the matter further and find the most suitable solution to reconcile their mutual interests.
In view of the foregoing and pending the examination of the Conciliation Proposal by the Conference of Mayors of OTAA 5, the Company considers the draft Conciliation approved by the Board of Directors of Acea Ato5 at the meeting of 19 December 2019, as a still valid reference in relation to the overall composition of the issues submitted by the parties to the Conciliation Board and, therefore, considers that the same continues to represent - to the extent of the net amount of € 4.5 million to be paid to the AGB under it - an implicit obligation that can be enforced against it. Therefore, the provision for risks originally recorded in the financial statements as at 31 December 2019 is deemed to be reconfirmed when preparing the Company's 2022 financial statements.
As further confirmation of the continuing validity of the Conciliation Proposal between the parties, it should be noted that on 1 February 2022, the AGB requested the payment of the invoices for concessionary charges issued with reference to the years 2019-2022 and not those issued with reference to the years 2012-2018, which were the subject of the Conciliation Board meeting.
The Company responded to this reminder with three separate letters sent on 3 February 2022, 17 February 2022 and, most recently, on 2 March 2022, in which, respectively, it disputed the amounts of some of the invoices requested by the AGB (the amounts of which do not match those of the invoices in its possession), it put forward a proposal for a payment by instalment plan and reiterated, however, that this instalment proposal is not an alternative to the Conciliation Board, nor does it change its content in any way, but only concerns the settlement of the portion of debts referring to the 2019-2021 period.

In a letter of 29 April 2022, the TOS repeated its claims about the concessionary charges and called a meeting for 6 May 2022. On 9 May 2022, the meeting between the parties took place, who agreed on the need to begin technical talks to analyse all the outstanding issues.
The technical panel updated the information on the economies for mortgages already identified in the context of the work of the Conciliation Board, also discounting the fees due from the Manager and reconciling invoices issued and already paid by the latter. Subsequently, with a note issued in December 2022, the Operational Technical Secretariat requested an urgent meeting to deal with the issue of concession fees not yet paid and, more generally, the amount due to the Manager from the Entity. During these meetings, held in the second half of December 2022, the Operational Technical Secretariat presented the problems deriving from the evaluation of its 2021 financial statements. In response to this note, in a note dated 23 December 2022, the Company indicated its continued situation of uncertainty due to the non-approval of tariffs by ARERA within the established schedule. At present, there are no further updates.

Criminal proceeding no. 3910/18
With regard to criminal proceeding no. 3910/18 rgnr of the Public Prosecutor in the Court of Frosinone, on 2 January 2019 a preventive seizure decree was issued on 18 December 2018 by the Judge for Preliminary Investigations at the Court of Frosinone as part of criminal proceedings no. 3910/18 rgnr, pending for the alleged violation of art. 4 of Italian Legislative Decree 74/2000 (inaccurate declaration). Pursuant to the aforementioned provision, the preventive seizure of financial resources in the accounts held in the name of Acea Ato5 up to a value of € 3,600,554.51 was ordered. On 11 January 2019, a request for a review was filed,

whose discussion hearing was scheduled for 1 February 2019 before the Court of Frosinone, as a unified bench. At the outcome of the aforementioned hearing in the Council Chamber, the Court of Frosinone upheld the proposed re-examination request and, as a result, cancelled the preventive seizure decree, ordering the restitution to the person entitled thereto. Based on the aforementioned restitution order, the Company sent a formal request to the Single Justice Fund for the restitution of the sums released. To date, the restitution procedure has been resolved with the release of the sums by the Single Justice Fund. This case was combined with criminal proceeding no. 2031/16 rgnr.
At the same time, however, a court summons had been sent to a former Executive of the Company. At the hearing set for the discussion of the preliminary matters and for the opening statement of the proceedings itself, it will be recorded that the facts of the count of indictment are the same as those for which criminal proceeding rgnr 2031/2016 is pending.
The first evidentiary hearing was held on 19 October 2021. The case was adjourned until 16 November 2021, for the lifting of the reservation imposed by the court in view of the plea of lack of territorial jurisdiction made by the plaintiff's counsel. The preliminary issue was rejected and postponed to 19 April 2022 and then until after the hearing on 27 September 2022 to examine the documents indicated in the Public Prosecutor's list. This hearing was further postponed for the same impending to 21 February 2023 and subsequently to 19 September 2023 to examine the accused and two defence witnesses and to 3 October 2023 to complete the examination of the defence witnesses.

ARERA sanctioning measure concerning IWS tariff regulation
With determination no. DSAI/42/2018/idr of 21 May 2018, ARERA started a sanctioning procedure regarding the tariff regulation of the integrated water service, the result of the audit carried out by the ARERA in collaboration with the Special Energy Unit and the water system of the Guardia di Finanza from 20 to 24 November 2017 at the Company's offices.
On 4 July 2019, ARERA published Resolution 253/2019/S/idr of 25 June 2019 imposing administrative fines on Acea Ato5, pursuant to article 2, paragraph 20, letter c) of Italian Law 481/95, for a total amount of € 955,000.00 for violations alleged in Determination DSAI/42/2018/idr.
On 3 October 2019 the Company filed an appeal with the Lombardy Regional Administrative Court against the aforesaid measure to have it thrown out, and to have the amount of the fine reviewed. Moreover, following the submission of the appeal, the Company sent a specific request to the Authority asking for details of the timing of the approval procedures for the 2016-2019 tariffs, as well as the 2018-2019 update.
Regarding the appeal in question, there is no information as of today regarding the setting of the hearing. In any case, also because of the penalty payment reminder sent by ARERA on 16 October 2019, the Company paid the entire penalty imposed on it.

AGCM sanctioning measure - Proceeding PS9918
On 5 July 2018, in implementation of the Resolution adopted by the Italian Antitrust Authority on 27 June 2018, an audit took place at the registered office of the Company following the initiation of the proceeding pursuant to art. 27, paragraph 3 of Italian Legislative Decree no. 206 of 2005, as well as pursuant to art. 6 of the "Regulation on preliminary investigations concerning misleading and comparative advertising, unfair commercial practices, violations of consumer rights in contracts and unfair terms" (hereinafter Regulation). The proceedings were opened in response to reports made to the Authority by the Consumer Associations CO.DI.CI. and Federconsumatori Frosinone regarding alleged incorrect and aggressive behaviour towards consumers and small businesses by Acea Ato5 in the period January 2015 - June 2018.
On 20 February 2019, the AGCM, with regard to the PS/9918 proceeding, announced that it had extended the deadline for the conclusion of the proceeding to 23 May 2019.
On 28 February 2019 the AGCM announced that it had extended the deadline for the conclusion of the preliminary phase of procedure PS/9918 – set at 20 March 2019 – with the simultaneous clarification of the high charges against the Company. In particular, the Authority abandoned some of the initial disputes, confirming instead that it had detected some critical issues concerning: (i) initiation of collection procedures pending complaint for the period prior to the corporate procedure of 2018; (ii) consumption limitations, for the period prior to the change made in January 2019 to the procedure implemented by the Company with regard to the limitation period; (iii) management of hidden water losses. On 20 March 2019 the Company filed a defence brief and supporting documentation.
On 4 July 2019, the Authority notified the Company of the sanctioning measure with a pecuniary administrative sanction totalling € 1.0 million was imposed. On 3 October 2019 the Company filed an appeal with the Lazio Regional Administrative Court – registered under docket no. RG 12290/2019 section I – against the aforesaid sanctioning measure, requesting its cancellation with precautionary suspension. In the Chamber of Council of 6 November 2019 to discuss the request for precautionary suspension, the Regional Administrative Court of Lazio issued Order no. 7223 with which it rejected the application for precautionary suspension.
The decision of the Regional Administrative Court does not address the individual grounds of the appeal, which will only be ruled on at the hearing, yet to be scheduled. In particular, according to the administrative judge "with regard to the extent of the financial penalty imposed and the feared consequences on the business activity, it does not appear to be extremely serious and urgent as per art. 119, paragraph 4 of the Italian Criminal Code for the granting of the requested precautionary protection, also taking into account the fact that the claimant company is in any case entitled to file a request for payment in instalments".
In view of the aforesaid decision, since the Company has the power to do so, on 3 December 2019 the Company submitted to the Authority a request for payment in instalments, which the Authority accepted on 21 January 2020.
On 26 February 2020, a request for information was received from the Italian Competition Authority pursuant to art. 3, paragraph 2 of the "Regulation on preliminary investigations concerning misleading and comparative advertising, unfair trade practices, violation of consumer rights in contracts, violation of the prohibition of discrimination and unfair terms" regarding the effectiveness of the measures put in place by Acea Ato5 following sanction no. 27798 of 5 June 2019, adopted at the outcome of the PS9918 preliminary investigation procedure.
In particular, with reference to the July-December 2019 and January-February 2020 periods, the Authority requested specific information about:

a. the number of claims received, distinguishing and specifying the reason for each individual claim;
b. number of claims accepted and number of claims rejected;
c. number of payment reminders and disconnection notices sent to the users;

d. number of executive procedures begun to collect overdue amounts;
e. number of water service disconnections carried out, indicating the reasons and the procedures followed.

On 17 March 2020, the Company responded to the aforementioned request, highlighting the improved pro-consumer management of the relationship with users.
In particular, the evidence submitted confirmed that:

- No requirements had been imposed by the Authority with regard to the verification referred to in Sanction Order no. 27798 of 5 June 2019. In fact, the Company had already improved its performance of the activities in question during the audit;
- The Company had for some time already implemented or modified its procedures – in compliance with current sector legislation – in order to best meet the changing needs of consumers, also to take into account the regulatory measures recently adopted by ARERA.
- In light of these considerations and taking into account the data available to date, no relevant findings emerged with regard to the requests made by the Authority. At present, there are no updates nor have additional requests been received from the Authority.

Criminal proceeding no. 2031/2016
With regard to criminal proceeding no. 2031/2016 concerning the financial years 2015, 2016 and 2017, on 4 January 2019 the current Chairperson of the Company was served with an invitation to appear in person subject to investigation and information of guarantee for alleged offences attributable to false financial statements and false corporate communications. This measure also affected the Chairpersons of the Company and the representatives of the control bodies in office in those financial years. The preliminary hearing was held on 26 October 2021, adjourned to 15 November 2021, in order to assess the admission of civil parties and then adjourned to 13 December 2021 for the same obligations and then to 10 January 2022, in order to dissolve the reservation on the admission of civil parties. After lifting the reservation, the investigating judge made an order accepting all the parties allegedly damaged by the crime in dispute, apart from Free Monte and Codici Onlus. After action was taken by several civil parties, Acea Ato5 and OTA5 Lazio Meridionale Frosinone were also summonsed in civil proceedings, for the charges ascribed to the defendants.
In light of this, the hearing was adjourned until 18 February 2022, when Acea Ato5 filed an appearance as a civil party. The judge then adjourned the case until 14 March 2022 to allow the Public Prosecutor and the civil parties to file counter-claims on the plea lack of territorial jurisdiction made by the defendants' counsel.
In an order dated 14 March 2022 the judge rejected the plea of lack of jurisdiction and adjourned the case to a hearing on 28/03/2022, when the defendants would be called. The preliminary hearing was then adjourned until 29 April 2022 for the Public Prosecutor's indictment and for the examination of the civil parties and the party held liable. The judge also set two other dates (23 May 2022 and 27 June 2022) for a hearing of all the defence arguments. The hearing for discussions was postponed to 19 September 2022 and then further postponed, first to 14 November 2022 and subsequently to 10 February 2023.
Following the hearing on 10 February 2023, the judge of the Court of Frosinone, accepting the Company's requests, ruled that the case could not proceed against the directors of Acea Ato5 given a lack of grounds for the crimes of:

1. Fraud in public services (water service tariffs);
2. Impeding public tenders - Disruption of freedom in the choice of the contracting party;
3. Embezzlement.

The Judge also declared their lack of jurisdiction, referring to the Court of Rome the crimes of:

1. Fraudulent financial statements;
2. Inhibiting the exercising of the functions of the authority;
3. Tax crimes with reference to income taxes.

Civil judgment RG 4164/2013 (Opposition to the injunction of the Municipality of Fiuggi)
With Injunction No 1131/13, No rg 1966/2013, issued by the Court of Frosinone on 25 July 2013, the Municipality of Fiuggi was ordered to pay to Acea Ato5 the sum of € 185,685.00 for outstanding invoices relating to the supply of water to users attributable to the Municipality.
The Municipality of Fiuggi served a writ of summons opposing said injunction, requesting the revocation of the same and, by way of counterclaim, the condemnation of Acea to pay the Municipality of Fiuggi the sum of € 752,505.86 by way of loan instalments accrued and unpaid from 2009 to 1 August 2013, as well as subsequent accruals and maturities, plus interest until payment in full, and to order Acea Ato5 to reimburse the Municipality of Fiuggi all the expenses that, due to the lack of timely intervention by the obligated water operator, were incurred by the Municipality.
The Municipal Administration also requested that Acea Ato5 be sentenced to pay compensation to the Municipality of Fiuggi for the pecuniary and non-pecuniary damages suffered and to be suffered, leaving the quantification to a designated expert. A designated expert was therefore ordered to verify and quantify the claims of the parties.
Pending the proceedings, the parties entered into negotiations with a view to verifying the possibility of settling the dispute amicably. At present, the proposals put forward by the counterparty are not deemed acceptable, therefore, whilst not ruling out the possibility of reaching an agreement, it was deemed appropriate to reconsider the continuation of the proceedings.
Following the filing of the expert's report, which was contested in every aspect by the Company, an additional investigation was carried out and the related activities were scheduled. The case is pending before the Court of Frosinone No 4164/2013.
At the hearing of 2 March 2021, the designated expert was examined and the Judge, lifting the reservation, adjourned the case for the definition of conclusions to the hearing of 11 March 2022.
The dispute was settled by the parties in an agreement signed on 30 December 2021. The objection to the injunction order will be suspended until the parties' fulfilment of their commitments has been verified. The opposition proceedings will firstly be adjourned in order to allow verification of compliance, and will only be closed after the due and proper performance of the settlement agreement pursuant to Art. 309 of the Code of Civil Procedure. As a result, the Company has decided to set aside these sums in a provision for risks, in order to cover any costs deriving from the agreement. The case was thus adjourned until 17 March 2023 in order to verify compliance with the obligations of the settlement agreement.

See also the additional information contained in the paragraph "Information on services under concession" and with reference to the proceedings Italian Legislative Decree no. 231/2001 in the paragraph "Major Risks and Uncertainties".

Tax audit

On 7 March 2018 the Guardia di Finanza - Economic and Financial Police Unit of Frosinone - Section for the Protection of Public Finance commenced a general tax audit of the Company. The audit was concluded on 25 October 2018 with the drafting of the PVC (Audit Report) that alleged substantial violations of income taxes and IRAP by the Company in the 2013 tax year.

On 24 December 2018 the Company produced and filed with protocol no. 77899 its own Observations regarding the PVC, drawn up according to article 12, paragraph 7 of Italian Law no. 212 dated 27 July 2000.

On 3 January 2019, the Inland Revenue – Provincial Department of Frosinone – Control office, notified the Company of assessment notice no. TKO0C6M02152/2018, with which the tax return was adjusted for IRAP for the 2013 tax period for an amount payable by the company of € 591 thousand for taxes, net of fines and interest. The findings identified derive from application of articles 5 and 25 of Italian Legislative Decree 446/97 and in particular relate to an undue downward variation due to the use of a risk provision, the omitted accounting/declaration of positive income components as well as the undue deduction of negative income elements related to default interest. The Company appealed against the said assessment before the Provincial Tax Commission of Frosinone. Based on the assessments of its tax advisors, the Company has not identified any particular risk with regard to this audit.

In any case, taxes were paid on a provisional basis pending the trial, the hearing for which was held on 3 July 2019. On 23 October 2019 sentence no. 475/1/2019 was filed by the Provincial Tax Commission of Frosinone rejecting the appeal filed by the Company against the administrative fine imposed by the Revenue Agency for violations ascertained by the Guardia di Finanza for 2013. The Company challenged the aforementioned judgement and filed an appeal before the Regional Tax Commission.

It is noted that the findings for IRES purposes relating to the aforementioned tax assessment report have been the subject of a separate assessment as described below.

It should also be noted that the audit continued for the tax years 2014-2018, ending with the drafting of a further tax assessment report on 30 October 2019.

As a result of the tax audit carried out, the tax authorities found that the company had committed a series of substantial violations with regard to IRES and IRAP for the tax periods from 2014 to 2017. With reference to the findings related to the lack of jurisdiction disputed for 2015, supported by its tax advisors, having carried out the appropriate assessments of the risk profiles related to the aforementioned findings, the Company allocated a provision for tax risks for approximately € 701 thousand, whereas, with reference to the other findings, supported by the opinion of its tax advisors, the Company believes that there is a risk of losing the case in the "remote" tax proceedings.

Also in relation to the aforementioned last PVC, the Company submitted specific comments and also requested the cancellation in self-protection of what is subject to adjustment for 2013.

Nevertheless, on 31 December 2019, the following were served by the Revenue Agency:

- notice of assessment no. TKQ0E6M01680 regarding IRES for 2013, for an amount of € 3.1 million for taxes, net of penalties and interest;
- notice of assessment no. TKQ0C6M01854 regarding IRAP for 2014, for an amount of € 0.9 million for taxes, net of penalties and interest;
- notice of assessment no. TKQ0E6M01853 regarding IRES for 2014 for an amount of € 5.2 million for taxes, net of penalties and interest.

The notices of Ires assessment were served to the Parent Company Acea as consolidating company. The companies filed an appeal before the Provincial Tax Commission of Frosinone on 28 February 2020. With regard to the findings contested in said notices of assessment, supported by the opinion of their tax advisors the Companies consider the Inland Revenue's requests to be completely groundless.

The PTC of Frosinone accepted the company's defensive arguments and cancelled the notices related to IRES years 2013 and 2014 and IRAP year 2014 ordering the Agency to pay the costs.

The Revenues Agency lodged an appeal. The Company entered an appearance at second instance by filing counterarguments. The case is pending as a hearing is still to be fixed.

On 23 December 2021, the following were served by the Revenues Agency:

- notice of assessment no. TKQ0E6M00539 regarding IRES for 2016 for an amount of € 1.3 million for taxes, net of penalties and interest;
- notice of assessment no. TKQ0E6M00541 regarding IRAP for 2016, for an amount of € 0.2 million for taxes, net of penalties and interest;
- On 28 December 2021, the following were served by the Revenues Agency:
- notice of assessment no. TKQ0E6M00387 regarding IRES for 2015, for an amount of € 1.5 million for taxes, net of penalties and interest;
- notice of assessment no. TKQ0E6M00521 regarding IRAP for 2015 for an amount of € 0.3 million for taxes, net of penalties and interest;

The notices of Ires assessment were served to the Parent Company Acea as consolidating company.

The Company appealed the verification notice with the Provincial Tax Commission of Frosinone within the deadline of 60 days from the date of notification of the aforementioned notices of assessment, jointly and severally with the parent company Acea SpA. Supported by the opinion of its tax advisors, the Company believes that there is a risk of losing the case in the "remote" tax proceedings. The hearing relative to the aforementioned IFES rulings was set for 27 September 2022. An additional hearing has been set for 14 February 2023. The decision of the Tax Court is awaited.

AGCM feedback on purification and charge of sewerage and purification fees

On 13 March 2020, a request was received from the AGCM for information pursuant to art. 3, paragraph 2 of the "Regulation on preliminary investigations concerning misleading and comparative advertising, unfair commercial practices, violation of consumer rights in contracts, violation of the prohibition of discrimination and unfair terms", with specific reference to the application of the tariff for purification services in the territory of the municipality of Vicalvi and the other municipalities managed by Acea Ato5.

This request stemmed from the clarification note sent by the Municipality of Vicalvi at the beginning of 2020 and recalled by the same Authority in which it was asked to justify this attribution in view of the fact that only Imhoff tanks are used in the municipal territory and there are no purification plants.

Specifically, the Authority asked to know:

- details of the municipalities in which no purification service is offered;
- the number of users residing there who are charged for the pu-

rification service;
- any initiatives taken for the activation of new and/or additional treatment plants, specifying the date of their entry into operation.

In this regard, having to deal with the exceptional operational difficulties related to the extraordinary emergency situation created following the spread of COVID-19, which inevitably affected the timing of the collection of the requested information and the preparation of the subsequent response – whose deadline was set at 2 April 2020 – it was considered appropriate to request an extension of the deadline to 30 April 2020.
On 30 April 2020 the Company responded to the request for information received from the Antitrust Authority regarding the application of the tariff for purification services in the territory of the Municipality of Vicalvi and the other municipalities managed by Acea Ato5, with note no. 0141201/20.
In particular, with regard to users residing in the municipalities not currently served by purification who are charged for the aforementioned service, equal to 387 users (out of approximately 17,028), the Company replied to the Authority that it would promptly return this charge and exempt the aforementioned users from the purification portion of the tariff. The return has been arranged automatically and regardless of any petition or request by users, and even in the absence of any report about the lack of a purification system available to the users, in accordance with the provisions of the ruling of the Constitutional Court no. 335/2008.
Subsequently, the Company acknowledged the numerous initiatives currently under way to ensure the operation of treatment plants located in the municipalities not yet served, also on the basis of specific commitments made with Optimal Territorial Area Authority no. 5 and included in the Works Programme (WP).
Finally, with specific reference to the position of the Municipality of Vicalvi, the Company has provided the necessary clarification regarding the charge made to users residing in the aforementioned municipality of the tariff relating to the purification service, specifying that this charge is legitimate due to the presence in the municipal territory of Imhoff tanks, delivered to the Company at the time of the transfer of the IWS, which are in fact, both at an operational and regulatory level, purification plants, so much so that the costs of managing them have been recognised and approved by OTAA 5 in the 2016-2019 tariff preparation.
The above demonstrates that, unlike what was stated by the Municipality of Vicalvi, the provision of a charge in the tariff for the costs of managing Imhoff tanks – through the tariff item relating to the purification service applied to users whose discharges flow into such system – is entirely lawful, and as recognised by the Operational Technical Secretariat of OTAA 5 it is consistent not only with the tariff method approved by ARERA with Resolution no. 580/2019/idr, but also and above all with the principles affirmed by the Constitutional Court with judgement no. 335 of 2008, according to which the tariff, as a contractual consideration, must "express the industrial cost of the water service represented by the integration of collection, supply, distribution, collection and purification services".
At present, there are no updates nor have additional requests been received from the Authority.

With reference to **progress of the procedure for approving the water tariffs for OTAA 5**, at present water tariffs for the 2012-2015 period have been approved by ARERA (Resolution 51/2016/R/Idr of 11 February 2016).
In fact, recall that the water tariffs are established by the governing bodies for the area, or by other competent entities identified in regional law, and then sent to ARERA for approval. In the case of inaction by governing bodies for the area, the Operator may take the initiative.

Regulatory period 2016 - 2019
With Resolution 664/2015/R/Idr of 28 December 2015, ARERA approved the Tariff Method for the second regulatory period "MTI-2", defining the rules for calculating costs included in tariff recognition, as well as identifying the reference macroeconomic parameters and those associated with the division of risk in regulation of the water sector. After publication of MTI-2, the Company continued to provide the Area Authority with information and clarifications useful for preparation of the 2016-2019 tariff. Despite the sending of these documents, the Area Authority did not prepare any tariff proposals for the 2016-2019 period. Therefore, seeing the inaction of the Area Authority, on 30 May 2016 the Company sent to the OTAA 5, via certified email, cc'ing ARERA, the tariff request pursuant to art. 7, para. 7.5 of Resolution 664/2015. With a note ref. no. 19984/P of 13 July 2016, ARERA convened the Area Governing Body and the Operator for a meeting on 19 July 2016. After this meeting, and based on the tariff preparation carried out by the OTAA 5 TOS, the Conference of Mayors was convened for 29 July 2016. This Conference also did not lead to any tariff decision. Responding to the tariff request made by the Operator on 30 May 2016, ARERA sent OTAA 5, on 16 November 2016, a formal warning to take action, within 30 days, to make the tariff decisions for which it was responsible for the second regulatory period 2016 - 2019, noting that, after this deadline the Operator's request would be understood to have been accepted and would be sent to the Authority for evaluation in the subsequent 90 days. After the warning from ARERA, on 13 December 2016 OTAA 5 approved the tariff proposal.
At present, definitive approval by ARERA is awaited.

Two-year update 2018-2019
With Resolution 918/2017/R/Idr of 27 December 2018, ARERA created regulations for the two-year update to tariffs for the integrated water service.
Implementing this regulatory framework, on 1 August 2018 the Conference of Mayors of OTAA 5 formalised approval of the tariff multiplier for the years 2018 and 2019 in the maximum amount established under the Tariff Method, 8%, through Resolution no. 7, without prejudice to the study done by ARERA for the change in the theta which determines tariff changes exceeding the limit established in MTI-2. Additionally, with Resolution 8 of 1 August 2018, the Conference of Mayors approved, pursuant to art. 3, para. 1, of Resolution ARERA of 28 September 2017, 665/2017/R/Idr, the new tariff structure (TICSI).
As described in detail below, note that on 21 May 2018, with Resolution DSAI/42/2018/IDE of 21 May 2018, ARERA began a sanctioning procedure relative to the Company, which ended with the application of a fine, in relation to a series of findings relative to tariff adjustment for the integrated water service for the years 2012-2018 (hence also regarding tariffs also approved by the Authority itself, 2012-2015).
In any case, at the time of the 2018-2019 tariff update approved by the OTAA 5 Conference of Mayors on 1 August 2018, the appropriate adjustments were made based on that indicated by the Regulatory Authority in the context of the aforementioned sanctioning procedure.
At present, approval by ARERA is awaited.
It should nonetheless be specified that article 15, para. b) of Reso-

lution ARERA 918/2017/R/Idr of 27 December 2017 establishes that Operators are required to apply, after preparation of the two-year update by the Area Governing Bodies, and until approval by the Authority, the tariff update prepared by the Governing Bodies, in compliance with the price limit pursuant to par. 3.2 of Resolution 664/2015/R/idr.
Additionally, during October 2019, the Company sent a specific request to the Authority asking for details of the timing of the approval procedures for the 2016-2019 tariffs, as well as the 2018-2019 update.
To that end, below is that clarified by ARERA in its Communication of 5 February 2020, which states: *"With reference to the two-year update proposals for the tariff structure for 2018-2019, sent to the Area Governing Bodies pursuant to Resolutions 917/2017/R/idr and 918/2017/R/idr, but not yet involved in specific approvals by the Authority, it is clarified that:*

- the Authority will complete the investigations intended to ascertain the consistency of the relevant technical and tariff data, in the context of the verifications on the specific regulatory structures proposed for the third regulatory period (2020-2023), in observance of the MTI-3 water tariff method, pursuant to Resolution 580/2019/R/idr;
- for the two-year period 2018-2019 the tariff determinations adopted by the competent entities remain valid, which will be assessed by the Authority as part of the quantification of the adjustment components referred to in article 27 of MTI-3 when approving the new regulatory framework."

Regulatory period 2020-2023

With Resolution 580/2019/R/Idr of 27 December 2019, ARERA approved the Tariff Method for the third regulatory period "MTI-3", defining the rules for calculating costs included in tariff recognition, as well as identifying the reference macroeconomic parameters and those associated with the division of risk in regulation of the water sector. After publication of MTI-3, the Company provided the Area Authority with data, information and clarifications useful for preparation of the 2020-2023 tariff. Despite the sending of these documents, the Area Authority did not prepare the tariff proposals for the 2020-2023 period by the deadline set in the regulations in effect (31 July 2020). Therefore, seeing the inaction of the Area Authority, on 15 December 2020 the Company sent to the OTAA 5 and to ARERA, via certified email, the tariff request pursuant to art. 5, para. 5.5 of Resolution 580/2019.
On 10 March 2021, the OTAA Conference of Mayors approved the proposed tariff for 2020-2023, with resolution 1/2021.
This is in contrast with the tariff adjustment request, prepared by the Operator pursuant to art. 5, para. 5.5 of resolution ARERA 580/2019/R/idr, containing the regulatory framework for the 2020-2023 third regulatory period and showing significant differences for the 2020-2023 period, with reference to **operating costs** and the **tariff multiplier**.
With reference to **operating costs** note that the lack of recognition by OTAA 5 of the operating costs suffered by the Operator, documented in the requests presented during the preparatory work for the tariff structure, definitively formalised by the Operator in the tariff update request sent on 15 December 2020, was not adequately justified and technically represented in the Technical Report issued by OTAA 5 and accompanying its tariff proposal. Hence at present the Operator is not aware of the reasons these costs were excluded from the tariff recognition approved by OTAA 5 on 10 March 2021.
Following the tariff scenario approved by the aforementioned Resolution, the company has put in place two separate actions:

- an appeal against this resolution is before the Latina Regional Administrative Court (docket No. 308/2021 section 1);
- submission of the request for economic-financial rebalancing (in accordance with the provisions of Articles 9 and 10 of the Standard Agreement approved by the Regulatory Authority for Energy, Networks and Environment by resolution 656/2015/idr).

With reference to the first initiative, for more details, please see the section **Appeal to the Lazio Regional Administrative Court - Latina (RG. 308/2021 section I) for the annulment of Resolution no.1 of 10 March 2021.**
With reference to the request for rebalancing, containing an illustration of the causes and the extent of the economic and financial imbalance in the management of the IWS of OTA5 and the proposal of the rebalancing measures assumed, including the request for access to the financial equalisation measures, the OTAA 5 Operational Technical Secretariat responsible for transmitting the request to ARERA began the necessary checks in 2021, making use of qualified external consultants.

Nonetheless, OTAA5 did not approve the rebalancing request sent by the Company by the deadlines established in the regulation. With reference to the reproposal of the rebalancing request by the Company, see that described below.

Two-year update 2022-2023

With Resolution 639/2021/R/Idr of 30 December 2021, ARERA created regulations for the two-year update to tariffs for the integrated water service.
After publication of the stated resolution, the Company provided the Area Authority with data, information and clarifications useful for preparation of the tariff update 2022-2023. Despite the sending of these documents, the Area Authority did not prepare the tariff proposals for the 2022-2023 period by the deadline set in the regulations in effect (30 April 2022). Therefore, seeing the inaction of the Area Authority, on 30 November 2022 the Company sent to the OTAA 6 and to ARERA, via certified email, the tariff request pursuant to art. 6, para. 6.3 of Resolution 580/2019/R/idr.
On 22 December 2022, ARERA sent OTAA 5 a formal warning to take action, within 30 days, to make the tariff decisions for which it was responsible for the regulatory period 2020 - 2023, noting that, after this deadline the Operator's request would be understood to have been accepted and would be sent to the Authority for evaluation in the subsequent 90 days.
The Conference of Mayors approved the tariff update for the regulatory period 2022-2023 on 11 January 2023, with resolution 1/2023.
With respect to the Company's proposal sent to ARERA on 30 November 2022, following inaction by the Area Governing Body, note:

- non-recognition of the component covering the cost for arrears (COmor) for € 7.5 million;
- a reduction of both the Foni component of € 4.3 million and the OpMis component for around € 1.6 million.

With respect to the biennial update 2022-2023, at present an appeal has not been submitted to the Lazio Regional Administrative Court given the now well-established tendency of administrative judges regarding the internal procedural nature of the GBOTA resolutions on tariffs and the pending appeal to the Council of State.
Both for the Economic Financial Plan approved with resolution 1/2021 and that approved with resolution 1/2023 certain considerations should be reiterated.

Specifically, the stated Economic Financial Plans:

- do not set a certain date for the billing of the past tariff adjustments amounting to around € 50 million (of a total of € 124 million at 31 December 2022, which totalled € 101 million at 31 December 2021);
- call for invoicing of around € 51 million only after the start of 2023 (one year recovered with respect to the 2020-2023 EFP, which called for invoicing starting in 2024), not in a single solution, but made over time;
- do not recognise operating costs of € 3.3 million for the years 2020-2021, resulting in a financial loss for 2021 of the corresponding amount and of € 4.5 million for 2022-2023;
- sets a tariff change that is incompatible with the level of investment and operating costs over the Plan time period, as it does not take into account the financial deficit created for the operator from the previous tariff orders.

In support of the activities carried out and with a view to ensuring economic and financial sustainability, the Manager, on 14 February 2022 with note ref. 47536/2022, submitted to EGATO5 the request for valorisation of the additional component of a forecast nature (Op EE exp, a) to be included in the cost component for electricity (COEE a) pursuant to article 4, paragraph 4.3, of the ARERA resolution 639/2021/R/idr, in order to anticipate at least in part the effects of the growth trend in the cost of electricity.

Finally, on 26 July 2022, the OTS of the Area Authority sent a certified email containing the Deliberation No. 4 of the Mayors' Conference (20 July 2022), concerning "*Recognition of loan instalments for the integrated water service to be refunded to the Municipalities - Art. 13 (2) of the Management Agreement, deed no. 7205 of 27/06/2023*". In accordance with point 4) of that Deliberation, the OTS has sent a list of the instalments of the loans covered by the Area Authority, supplementing the list contained in Deliberation No. 1/2018 made by the Conference of Mayors, and indicating that the new instalments would be included in the cost component on the next available tariff update. Note that the EGA implemented this adjustment in the tariff provision approved on 11 January 2023 with resolution no. 1/2023. Additionally, on 28 July 2022 the Company thus made an application to view all the documents needed to identify the loans recognised in Deliberation 4) made by the Mayors' Conference, as reported by the OTS, following which no response has been received.

The delayed financial coverage described above is also aggravated by the dragging out of the process by which ARERA approves the tariffs for 2016-2019 and the 2018-2019 update. Consequently, although the Mayors' Conference has authorised the GRC for 2016-2019, 2020-2023 and 2022-2023 to cover the allowable costs (albeit for a lower amount compared to 2020-2023 and 2022-2023), the operator is exposed to the uncertainty surrounding the billing of the past adjustments, which are needed to maintain financial equilibrium over the short-term and also in the medium-long term.

In view of the restrictions imposed by ARERA's tariff method, particularly with regard to the two-year time lag in recognising the allowable costs on the tariff, in the current tariff plan for 2020-2023 and 2022-2023 the AAT05 Mayors' Conference has not guaranteed the funding needed in order for the operator to cover its financial commitments, specifically the plan for repayment of the debt and water service management costs deriving from OTAA 5's previous violations of the tariff approvals.

In view of the financial imbalance created, on 16 June 2022 the parent Acea SpA authorised the capitalisation of Acea Ato5 by waiving its claims to: the non-financial items (trade and other) due as of 31 December 2021, the overdue capital portion of the interest-bearing loan and the portion of interest due as of 31 December 2021, for a total of € 96,337,589.84. It also restructured the liability on the interest-bearing shareholder loan by waiving the interest accruing from year to year and the capital line, which year on year will become due in 2022, 2023 and 2024 if the Company requests it and if the uncertain conditions remain.

The capitalisation operation performed by the parent Acea SpA is intended to re-establish financial equilibrium, thanks to the reduction in the stock of accounts payable to the parent company and to the significantly positive effects on NFP, thus freeing up financial resources to be allocated gradually to paying off prior trade payables to third-party suppliers.

Additionally, the directors of Acea Ato5 continued to adopt actions to improve the company's financial position, including the following:

- the rescheduling of past debts through the signing of repayment plans with both third parties and intra-group counterparties that envisage payments over periods longer than 12 months;
- actions to improve efficiency in credit management with the aim of reducing collection times for utility invoices and, consequently, improving collection percentages;
- continuation of actions to contain operating costs as a consequence of the lower revenues coming from the Economic Financial Plan approved by the OTAA 5 Conference of Mayors;
- the continuation of an appeal against Deliberation No. 1 made by the Conference of Mayors, approving the tariff proposal for 2020-2023;
- continuation of dialogue with the Area Authority to define reciprocal items, by reconfirming the validity of the settlement proposal adopted by the Conciliation Board established with the Area Authority and its specific content, as well as defining a repayment plan with the OTS for the items excluded by the Conciliation Board, compatible with the current tariff situation;
- the reproposing of a new economic/financial rebalancing request as established in the regulations (based on that indicated in articles 9 and 10 of the Standard Agreement approved by the Regulatory Authority for Energy, Networks and Environment in resolution 656/2015/idr), illustrating the causes and extent of economic/financial imbalance in OTA5's management of the IWS and the proposing of hypothesised rebalancing measures, including a request to access financial equalisation measures.

With the actions taken, the Company has succeeded in managing the financial situation already highlighted in the 2021 budget, partially mitigating the financial imbalance. Nonetheless, as a consequence of the approval of the 2022-2023 tariff update, the directors of Acea Ato5 confirmed the ongoing significant uncertainties about the subsidiary as a going concern, such as, in particular, the greater use of reverse factoring, the favourable outcome of the Technical Panel with the Area Authority intended to define the mutual items and the approval of the new request for economic/financial rebalance currently being prepared for reproposal by the company.

Nevertheless, the Directors have maintained the going-concern assumption in the preparation of the financial statements, considering that the actions to taken to preserve continuity, which have been further reinforced by the decisions of Acea SpA, will be enough to allow the ordinary management of the business. They are also confident that the tariff proceedings described above, and the ARERA tariff approvals, will be concluded as envisaged, within a reasonable period of time.

Acea Molise

Acea Molise manages the Integrated Water Service in the following multi-regional and multi-area contexts:

- Molise Region: direct management of the Integrated Water Service in the municipality of Termoli (single OTA);
- Lazio Region: the services covered are as follows:
- direct management of the Integrated Water Service of the Municipality of Campagnano di Roma (OTA 2 Lazio);
- operation of the purification plant in the Municipality of Valmontone (OTA 2 Lazio).

Water management activities carried out in the Lazio Region ended in 2022 due to the natural expiration of the relative contracts and, therefore, sub-entry and transfer procedures were begun for the Systems and networks of the Municipalities of Campagnano di Roma and Valmontone for the new manager Acea Ato2 SpA.
With regards to management of the Integrated Water Service in the Municipality of Termoli, the concession expired on 31 December 2021 but it was again assigned to the Company in 2022, following the awarding of the Project Financing tender issued by the Municipality in February, for "Assignment of execution of projects to protect the territory and water and to improve the integrated water service in the Municipality of Termoli - Public Private Partnership - Project Finance with right of preemption for the promoter (article 183, paragraph 15, Legislative Decree 50/2016)".

Municipality of Termoli: the management of the IWS in the Municipality of Termoli has been technically extended until 30 June 2022, pending the conclusion of the call for tenders concerning the "Entrusting of the implementation of measures to protect the territory and water and to improve the integrated water service in the Municipality of Termoli - Public Private Partnership - Project Finance with right of pre-emption of the promoter (Art. 183, paragraph 15, Italian Legislative Decree No. 50/2016)".
Despite the fact that Acea Molise was the promoter of the Project Finance with the right of pre-emption, on viewing the qualifications for the tender, the Company realised that it did not possess all of the required qualification requirements. Therefore, consideration was given to the opportunity to still participate in the tender and submit an improved offer (losing the right of pre-emption) with the pooling of TWS (Acea group) and third-party operators of Acea's liking. In addition to broadening requirements, this solution would allow for significant group synergies.
On 29 March 2022, the Board of Directors of the parent company Acea SpA (sole shareholder of Acea Molise) gave a favourable opinion to the Company's request to participate in the tender called by the Municipality of Termoli (with the pooling of TWS and third-party operators), and at the same time resolved on the relevant financial support, up to a maximum amount of € 5 million.
Following this, on 30 March 2022, the Board of Directors of Acea Molise, having taken note of the resolution of the partner Acea SpA, also expressed its favourable opinion to participate in the tender with the establishment of pooling.
On 31 March 2022, Acea Molise, in collaboration with the Group Tenders unit, submitted, through a platform made available by the Municipality of Termoli contracting station, an improved offer, investments side, in relation to the tender documents.
The Central Single Contracting Authority met on 19 May 2022, with a note ref. 32122, and communicated the completion of the works by the tender commission with the proposal of awarding the Project Financing in favour of Acea Molise. With Executive Resolution no. 1089 dated 20 May 2022, the contract in question was finally awarded to Acea Molise.
The award of the Project Financing tender called by the municipality of Termoli therefore allows the company to continue with good reason in the management of the integrated water service in that municipality, pending regional decisions by the single area operator.
At present, there is evidence of the approval of the Regional Area Plan in January 2022, defined by the EGAM in cooperation with Sogesid (100% held by the Ministry of Economy and Finance), updated in June 2022. Also in June 2022, representatives of the Molisani Municipalities and Azienda Speciale Molise Acque, established a limited liability consortium known as Gestione Risorse Idriche Molisane Scarl (hereafter "GRIM") fully publicly owned and subsequently (on 29 June 2022), EGAM assigned management of the Integrated Water Service of the single OTA of Molise to GRIM.
Finally, on 26 July 2022, EGAM sent ARERA the regulatory convergence scheme to establish the 2022-2023 tariffs for GRIM and, at the same time, in the commitments plan, established that *"by 2022, almost all the municipalities (134 of 135) in the provinces of Campobasso and Isernia will fall under sole management, with the exception of the municipality of Termoli, which, currently managed by Acea Molise Srl, will enter sole management at the end of 2023*" (ARERA resolution of 6 September 2022 416/2022/R/idr).
Despite the establishment of the Single Manager for the Molisano Area - GRIM, on 3 August 2022 Acea Molise signed an Agreement with the Municipality of Termoli that legitimises the Company to continue full management of the Integrated Water Service in the Municipality of Termoli for an additional 15 years, until 2037, without prejudice to the possibility of early withdrawal (article 6.2 of the Agreement), if the Sole Manager in the Molisano Area identified by EGAM explicitly asks Acea Molise to sub-enter the service.
At present, GRIM has not presented a formal request to Acea Molise to sub-enter as manager of the integrated water service in the Municipality of Termoli and until the expiration of the Agreement pursuant to article 6.2, Acea Molise must comply fully and entirely with the obligations of the Agreement signed on 3 August 2022.
Nevertheless, developments are awaited regarding the decisions of the Molise Region and the EGAM regarding the operational mode of management of the integrated water service in the Molisano area: through total in-house management or with the (hoped-for) help of a private partnership.

Municipality of Campagnano di Roma: the concessionary management of the drinking water distribution service of the Municipality of Campagnano, entrusted in 1991 and extended in 2000 to the entire Integrated Water Service, expired on 31 December 2020 and has been extended until 31 December 2021, pending the ratification by the Regional Council of the move of the Municipality of Campagnano di Roma from OTA1 North Lazio-Viterbo to OTA2 Central Lazio-Rome.
On 14 July 2021, the Regional Council of the Lazio Region, by Resolution no. 10, ratified the transfer of the Municipality of Campagnano di Roma, from OTA1 North Lazio-Viterbo to OTA2 Central Lazio-Rome, an area whose single operator is the company Acea Ato2. During the second half of 2021, a series of meetings took place with the municipality and the Acea Ato2 Area Operator to define the handover of the integrated water service.
Despite the commitment of the parties involved in the management transition, on 14 December 2021, with a letter ref. 37728, the Mayor of the Municipality of Campagnano di Roma, due to the complexity of the procedural process, both administrative and technical, for joining OTA2, asked Acea Molise if it could continue the management of the integrated water service of the same Municipality, for an additional year, and therefore until 31 December

2022, as a reasonably estimated term for the conclusion of the management transition to Acea Ato2. At the same time, he asked Acea Molise for its availability, as of 1 January 2022, to also operate the municipal arsenic treatment plant (Water purifier station) upon tariff adjustment.
On 20 December 2021, with a letter ref. 24984. Acea Molise expressed its willingness both to continue the municipal integrated water service for an additional year and to expand its scope of management by taking over the Water purifier station.
In the initial months of 2022, a series of coordination meetings were immediately scheduled with the Municipality of Campagnano (Granting Body), Acea Molise (outgoing Manager), Acea Ato2 (incoming Manager), e OTAA2 (relevant Area Body). The schedule agreed upon by the Parties set 30 September 2022 as the date to transfer management.
Parallel to technical activities to return the network and plants and administrative activities required for the transfer of commercial accounts, all the preparatory activities were prepared for determination of the Residual Value to be paid by the incoming Manager (Acea Ato2) to the outgoing Manager (Acea Molise) in line with regulations.
The OTAA2 Technical Operational Secretary (TOS), at the Conference of Mayors, with Resolution 9/2022 of 29 September 2022, recognised for Acea Molise, as the residual value of the outgoing manager, solely the corresponding value of the residual RAB (investments not yet recognised in the tariff), postponing measurement of regulatory adjustments to any amendments/additions made by ARERA.
On 30 September 2022, the transfer of management for the Municipality of Campagnano di Roma from Acea Molise to Acea Ato2 was finalised, and in order to not lose the right to recognition of regulatory adjustments, the Company invited the interested parties (OTAA1 Lazio Nord-Viterbo and the Municipality of Campagnano) to promptly send the information necessary for approval of the tariff update for 2022-2023 and the relevant provisions associated with the same, so they could be promptly sent to TOS OTAA2 Rome and ARERA, as well as definition of the Residual Value, including Adjustments, for Acea Molise as the outgoing manager.

Municipality of Valmontone: the management contract for the Kennedy Treatment Plant in Valmontone expired at the end of April 2022, but the parties agreed on a three month extension, to allow the Company to complete the work associated with waste disposal. On 29 April 2022, Acea Molise and the Municipality of Valmontone signed specific Technical Regulations to govern reciprocal technical/economic relations during the three month extension. After the maintenance work agreed on was complete, management of the Kennedy Treatment Plant was returned to the Municipality of Valmontone (prov. Rome) on 31 July 2022, with the simultaneous definitive conclusion of all contractual obligations.

GORI
The Company manages the Integrated Water Service for the "Sarnese-Vesuviano" District Area of the Campania Region (which comprises 59 Municipalities of the Province of Naples and 17 Municipalities of the Province of Salerno), for a total of 76 Municipalities (however, the Municipalities of Calvanico and Roccapiemonte in the Province of Salerno are managing their water services, not having yet ensured the start of IWS management by the company). The award of the aforesaid IWS management lasting thirty years and starting from 1 October 2002 (and expiring in 2032) was finalised with the signing of a specific agreement with the granting authority Sarnese-Vesuviano Area Authority (now replaced by the Campania Water Authority as per Law 15/2015 of the Campania Region) on 30 September 2002.
Established pursuant to regional law 15/2015, the Sarnese-Vesuviano District of the Campania Region covers an area of approximately 900 square km with a population of approximately 1,411,416 inhabitants. (last Istat figure Year 2020)
A total of 5,227 km of water network is currently managed, consisting of 867 km of primary abstraction network and 4,360 km of distribution network, and a 2,697 km drainage system.
GORI currently manages 13 water sources, 114 wells, 201 tanks, 118 water pumping stations, 201 wastewater pumping stations and 12 waste treatment plants.

Operating Agreement between Campania Region, the Campania Water Authority and GORI
On 8 November 2018, an Operating Agreement was entered into between the Campania Region, the Campania Water Authority and GORI ("Operating Agreement") aimed at the complete implementation of the Integrated Water Service in the Sarnese-Vesuviano District area within a framework of economic-financial equilibrium of the management for its entire residual duration. As a result of the Operating Agreement:

I. the Regional Works (various major IWS infrastructure falling within the territory of the Sarnese-Vesuviano District Area, managed for a long period by the Campania Region and by the latter transferred to the manager GORI from 2019-2021) were transferred to the manager GORI through a concession, based on the provisions of the current IWS Management Agreement for the OTA;
II. on 18 July 2019, a long-term loan agreement was signed with a pool of banks, with an availability period of 4 years, a ten-year term and a final maturity for repayment on 31 December 2029 and
III. to guarantee the economic and financial balance of management of the IWS for the OTA and bankability of the project, GORI and the Campania Region signed two additions to the Operating Agreement, specifically:
    1. Additional Act no. 1 of 20 November 2020, which postponed instalments of the repayment plans for the debt accrued by GORI relative to the Region for supplies of "wholesale water" and the "waste water collection and purification" service, rescheduling instalments due in 2025 (€ 1.7 million), in 2026 (€ 3.5 million) and 2027 (€ 6.7 million), respectively to 2029, 2030 and 2031;
    2. Additional Act no. 2 of 10 August 2022, which postponed until 2030 payment of the instalments of the same repayment plan for €103.0 million.

It should be specified that Additional Act no. 1 and Additional Act no. 2 were signed in consideration of the social/economic problems associated with the COVID-19 health emergency and the exceptional increases in the purchase prices of construction materials and energy products which have significant impacts on the financial requirements of operators in the water services sector.

Confirmation of the regulatory framework for 2012-2015 - Definition of previous items prior to 2012 - Update of the regulatory framework for 2022-2023

On 10 August 2022 the Executive Committee of the Campania Water Authority (CWA) definitively approved, with resolution 36/2022, the biennial update of the regulatory framework for 2022-2023 for the manager GORI, based on the criteria defined by the Authority in resolution 580/2019/R/idr, as supplemented by 639/2021/R/idr and 229/2022/R/idr; on 5 October 2022, the CWA offices sent ARERA the update of the regulatory framework using the IT procedure.

The update of the regulatory framework approved by the CWA for 2022-2023 saw an increase in the theta of 2.4 for the year 2022 and a theta of 1 for 2023, confirming for both years the values of the tariff increases approved with the previous resolution of the Executive committee, no. 35/2021, which had approved the regulatory framework for 2020-2023 pursuant to ARERA resolution 580/2019/R/idr di ARERA. This tariff update also implemented the provisions issued at the same time by the CWA in relation to "previous items" (reviewed and redetermined pursuant to the CWA Executive Committee resolution 35 of 10 August 2022) and the "tariff update" subject to a review procedure by ARERA pursuant to the Council of State decision 5309/2021 (specifically with reference to the CWA Executive Committee resolution 34 of 10 August 2022), as better indicated below, while also taking into account the provisions of the additional acts to the Operating Agreement (i.e. additional act no. 1 and additional act no. 2). In particular, in relation to the cited Executive Committee resolution 34 of 10 August 2022, relative to the *"Council of State decision 5309/2021. ARERA resolution 247/2022/R/Idr. Determinations on tariff rates relative to the manger GORI SpA for the years 2012 and 2013. Sarnese Vesuviano District Council Resolution 6 of 2 August 2022*", note that, as a consequence of Council of State decision 5309/2021, it was established that ARERA had seen to the renewal of the investigation underlying the tariff decisions approved by the same Authority with resolution 104/2016/R/idr containing *"Approval, for the purposes of evaluating adjustments in the context of the tariff method for the second regulatory period MTI-2, of tariff rates relative to the Sarnese-Vesuviano optimal territory area for 2012-2015"*. Consequently, with resolution 373/2021/R/idr of 7 September 2021 (and other subsequent resolutions regarding the deadline for completion and other methods) the proceeding to renew the aforementioned investigation was begun and subsequent other resolutions extended the deadline for completion and provided instructions on the methods to implement the actions required of the CWA and other interested entities. Hence, as anticipated, in its cited resolution 34 of 10 August 2022, the CWA Executive Committee certified that the conditions had been met (efficacy and implementation of the Area Plan) for confirmation of that approved by the then operational Extraordinary Commissioner of the Sarnese-Vesuviano Area Authority with resolution 17/2013, relative to both years 2012 and 2013 for GORI, the tariff multipliers (theta) in the amount of 6.5% and the Operator Guaranteed Revenue Constraint (GRC) for 2012 and 2013. Consequently, with resolution 457/2022/R/idr *"Conclusion of the procedure to comply with Council of State decision 5309/2021 on tariff regulation for the integrated water service"*, ARERA completed the procedure begun with resolution 373/2021/R/idr on the basis of the new information, data and documents produced by the Campania Water Authority and confirmed the tariff decision made with resolution 104/2016/R/idr, thereby confirming the values of the theta multiplier and quantification of the adjustments.

Additionally, the Water Authority Executive Committee, with resolution 35 of 10 August 2022, definitively approved previous items prior to 2012 for a total of € 115,000,000; more specifically, the accuracy of the calculation of Previous Items prior to 2012 as approved by the former Extraordinary Commissioner of the Sarnese-Vesuviano Area Authority was confirmed, in the amount of € 122,495,027, then reduced to € 115,000,000 as a consequence *"... of the economic/financial benefits that may derive from Additional Act no. 2, as well as other possible economic benefits deriving from possible management efficiencies for the IWS in the remaining period expiring in 2032"*. To that end, note that, as anticipated, with the Additional Act no. 1 and Additional Act no. 2, the Campania Region and GORI partially amended the GORI repayment plan with reference to the Region, as established in the Operating Agreement, postponing to 2030 payment of the instalment for €103 million.

The aim was to in this way pursue the achievement of the objectives established in the Operating Agreement, specifically: **i)** realising the necessary scheduled investments, **ii)** guaranteeing economic/financial balance for the integrated water service manager, **iii)** ensuring and maintaining the bankability of the project.

Revenues as of 31 December 2022, which total € 254.0 million, were determined on the basis of the regulatory scheme approved by the Campania Water Authority with Resolution 36/2022, in compliance with ARERA Resolution 580/2019/R/idr, subsequently supplemented by ARERA Resolution 639/2021, with which the Authority defined the criteria for the two-year update (2022-2023) of the tariff arrangements for the Integrated Water Service.

Verification of parameters to identify the regulatory quadrant and the presence of OPnew relative to systematic changes in operator activities in the "presence of the supply of a new service (e.g. purification or sewers for an operator whose management was previously limited to aqueduct services or, in other cases, in the presence of expansion with an upstream supply chain), pursuant to article 18.2, 18.3, letter c) and 18.4 of Annex A to resolution ARERA 580/2019/R/idr as subsequently amended and integrated, determined placement in the VI regulatory quadrant. Nonetheless, as already noted, in order to guarantee the social sustainability of the tariff, while respecting economic/financial balance in managing the IWS, Campania Water Authority resolved on a tariff increase lower than the maximum limit allowed under the regulatory method MTI-3.

It should also be noted that, for the calculation of the Guaranteed Revenue Constraint (GRC) as at 31 December 2022, the constraint component relating to the Opsocial supplementary water bonus, pertaining to the year 2022, has been set equal to zero because, although it has been recognised within the regulatory framework approved by the CWA, a specific deliberative act is actually missing; while the Opsocial component related to the years 2020 and 2021 (not recognised in the respective financial statements) was considered in the calculation of the Constraint, as resolved by the Executive Committee of the Campania Water Authority in Resolution no. 2 of 05 May 2022, by which it approved the criteria for the allocation of the supplementary water bonus for the 2020-2021 two-year period.

The purely regulatory components COfanghi and COEE were also considered.

The OpexQC and OpexQT components were calculated in the amount of what was requested in the related cost recognition requests, within the limit of what was recognised in 2019.

Additionally, the component relative to the corrective factor for adjustments was calculated, pursuant to paragraph 27-bis 2 MTI-3 with application of the return rate for fixed assets Kd to adjustments recognised for years 2012 and 2013.

The OPnew included in the calculation were quantified in the same manner as in previous years, and therefore, on the basis of the full cost recovery principle, the costs effectively incurred on plants transferred at 31 December 2022 are covered, as demonstrated in the accounting documents.

At 31 December 2022, the works transferred to the Operator are: Waterworks at Mercato Palazzo with transfer in October 2016, waterworks at Boscotrecase and Cercola with transfer in March 2018, waterworks in the Nolana area with transfer in September 2018, waterworks at Campitelli and Boccia a Mauro to complete the Vesuvius area with transfer in December 2018, the Angri Wells Field with transfer in February 2019, the Nolana Area treatment plant with transfer in March 2019, the completion of the Sarnese Area with transfer in April 2019, the Medio Sarno 2 treatment plant with transfer in July 2019, the transfers relating to the Medio Sarno 3 treatment plant and the Sorrentine Peninsula water area in December 2019, the transfer of the Foce Sarno treatment plant in December 2020, and finally the transfer of the Alto Sarno treatment plant in January 2021.
External operating costs Opexend were defined based on what is established in article 17.1 of Annex A to resolution ARERA 580/2019/R/idr as subsequently amended and integrated, when measures were introduced to incentivise efficient behaviour by operators; to that end, calculation of the per capita level of operating costs incurred by GORI in 2016 placed GORI in class B1 of the regulatory matrix pursuant to article 17.1 of resolution ARERA 580/2019/R/idr, while calculation of estimated operating costs, using the statistical model found in article 17.2 of Annex A to resolution ARERA, transformed into per capita terms, placed the operator in Cluster A of the regulatory matrix. Therefore, GORI was placed in quadrant 4 of the regulatory matrix. The Opexend thus defined, adjusted by the inflation coefficient provided by the Authority as part of the 2022-2023 two-year regulatory update, amount to € 74.8 million.
The GRC was also updated pursuant to art. 27.1 of Annex A of ARERA Resolution no. 580/2019/R/idr as subsequently amended and integrated which envisages that, for the purposes of determining the GRC for the 2020-2023 regulatory period, some cost items (electricity cost, balance of payments and penalties, Authority contribution, cost of wholesale supplies, activity costs connected to the IWS due to systemic changes in the conditions of the service or to the occurrence of exceptional events) are subject to a final assessment, as adjustment components (Rc), relative to the year (a-2).
With regard to the calculation of the Constraint for the costs for wholesale water services by the Campania Region at 31 December 2022, the tariff approved by the CWA by Resolution no. 7 of 26 February 2021 was considered. This determines the 2020-2023 regulatory scheme for the proposed wholesale water tariff for the "Campania Region" operator and is equal to € 0.20452/m^3, with the application, for the year 2022, of a theta equal to 1.060 (6% increase).
The pertinent cost at 31 December 2022 on the COws relating to regional water supplies, according to the principle of full cost recovery, was approximately € 6.9 million, entered for the same amount in GRC and in the related costs.
As regards the COws of the collection and purification service, here again they were calculated starting from the quantification of the recognised costs which, to determine the relevant costs at 31 December 2022, according to the full cost recovery principle, amounted to approximately € 7.4 million. Reference was made to the tariff for wastewater collection and purification services, equal to 0.310422 €/m^3, (as a result of application of the ARERA 338/2015/R/idr resolution to the regional tariffs for wholesale services, recognised by the Parties within the minutes of the meeting of 4 March 2016 between the Campania Region, the Area Authority and GORI), applying it to volumes treated by the regional plants. Additionally, again with reference to the collection and purification service, adjustments were made in relation to decreases in the cost with reference to prior years for a total amount of -2 million.
Finally, it should be noted that the Government, with a series of Decree Laws, most recently Decree Law 144/2022, known as the Aid-Ter Decree, introduced a series of measures to support companies handle the energy crisis and associated cost increases.
Among the measures introduced by the Government is the establishment of a tax credit for companies for the purchase of electricity which, in the case the company is not energy intensive (the case of the Integrated Water Service Managers) is equal to 30% of the expense incurred to acquire the energy component, if the price of the same in the third quarter 2022 is more than 30% higher than the third quarter of 2019.
Quantification of the tax credit, calculated for invoices effectively incurred and relative to April-November, is equal to around € 9.2 million and was recognised at 31 December 2022 under the item "Other revenue" in the income statement.
In the relevant GRC at 31 December 2022, to avoid double coverage of the cost of electricity, the quantification of the tax credit was taken into account through an adjustment of revenue (GRC) by an equal amount (- € 9.2 million), allocated to the item "Exceptional events".
Also note that on 13 October 2022, ARERA, with resolution 495/2022/R/idr "*Reopening the terms for financial advances aimed at mitigating the effects of the growth in electricity costs on managers of the integrated water service*", called for a second window within which government entities in the area, based on a request by the relevant manager, could present a justified request to CSEA (by 30 November 2022) to activate types of financial advances, introduced with resolution 229/2022/R/idr, associated with the obtaining of resources to handle part of the expenses incurred to purchase electricity. The requirements being met, GORI presented the request to the Campania Water Authority on 8 November 2022 to request from CSEA a financial advance in the amount of € 11,842,336.80 (that is in the maximum amount, 0.35 x **COEE** 2022).
Based on the request presented by GORI, the Campania Water Authority Executive Committee, in resolution 76 of 29 November 2022, decided to ask CSEA to activate the financial advance methods introduced with ARERA resolution 229/2022/R/Idr, associated with obtaining resources to handle part of the expenses incurred to purchase electricity for the manager GORI SpA; on 30 November 2022, the Campania Water Authority sent CSEA the Financial Advance Request for the manager GORI SpA, in the amount requested by the Manager, specifically €11,842,336.80. As established in resolution 495/2022/R/idr, the advance was disbursed by CSEA by 31 December 2022, specifically on 27 December 2022 and the Manager must see "*to the return to CSEA of the sums advanced in two instalments of equal amount (in relation to the capital portion) maturing respectively on 31 December 2023 and 31 December 2024. The instalments are increased by interest applied to the remaining capital and calculated based on the interest rate applied, equal to that obtained by CSEA for its own liquid assets held with its bank.*"

A case pending before the Council of State concerning an appeal brought by the Municipalities of Angri (SA), Casalnuovo di Napoli (NA), Roccapiemonte (SA), Roccarainola (NA) and Scisciano (NA), for amendment of the sentence of the Regional Administrative Court of Lombardy, Milan office no. 1619/2018 of 29 June 2018, which rejected the appeal for the annulment of the ARERA resolution 104/2016/R/idr of 10 March 2016 approving the 2012-2015 Regulatory Framework of the Sarnese-Vesuvian District

Following Council of State decision 5309 of 13 July 2021, ARERA renewed the administrative proceeding, seeing to a new review and investigation with regards to the effective implementation of the Area Plan after 2009 for "quantification of tariffs" and adopting as a final provision for the proceeding, resolution 457/2022/R/idr "*Conclusion of the proceeding to comply with the Council of State decision 5309/2021 on tariff regulation for the integrated water service*", with which it confirmed the tariff decision made in resolution 104/2016/R/idr and, therefore, confirmed the values of the theta multiplier and quantification of adjustments.

Cases pending before the Regional Administrative Court of Campania, Naples office, initiated with an appeal filed by the Municipalities of Nocera Inferiore (SA), Roccapiemonte (SA), Roccarainola (NA), Casalnuovo di Napoli (NA), Scisciano (NA) and Lettere (NA), for the annulment of the resolutions of the Extraordinary Commissioner of the Sarnese-Vesuviano Area Authority No 19/2016 of 08/08/2016 (with which the preparation of the 2016-2019 Regulatory Framework of the Sarnese-Vesuviano District area of the Campania Region was approved pursuant to ARERA Resolution 664/2015/R/idr and subsequent amendments and additions) and No 39/2018 of 17/07/2018 (with which the update of said Regulatory Framework was approved)

The Municipalities in question have appealed before the RAC of Campania, Naples office, the Resolution of the Extraordinary Commissioner of the Sarnese-Vesuviano Area Authority No 19/2016 of 08 August 2016 with which the 2016-2019 Regulatory Framework was set out and the resolution of the same Extraordinary Commissioner No 39/2018 of 17 July 2018 with which the aforesaid Regulatory Framework was updated. Both cases concerning resolution 19/2016 (RG 5192/16) and Resolution no. 39/2018 (RG 4698/18), were suspended awaiting the results of the case pending at the Council of State brought by the Municipalities of Angri (SA), Roccapiemonte (SA), Roccarainola (NA), Casalnuovo di Napoli (NA) and Scisciano (NA), for the revision of the judgement of the Lombardy RAC, Milan office, No 1619 of 29 June 2018 which confirmed the legitimacy of ARERA Resolution 104/2016/R/idr approving the 2012-2015 Regulatory Framework of the Sarnese-Vesuviano District area. To that end the Campania Regional Administrative Court, Naples, in a closed session on 12 October 2022, initially declared the appeals could not move forward, as the determinations in question had been absorbed and superseded by the new provisions illustrated above, issued on tariff regulation by the CWA and ARERA and due to the consequential need to revalue the tariffs relative to the period being examined (2016-2019).

Case pending before the Council of State regarding appeal brought by GORI for the reform of the rulings of the Regional Administrative Court of Campania, Naples office, Nos 4846/2015, 4848/2015, 4849/2015 and 4850/2015 relating to the recognition of prior year items prior to 2012 for tariff adjustments approved by the granting authority, the Sarnese-Vesuviano Area Authority (the predecessor of the Campania Water Authority)

The Company charged user accounts the 2014 tariff component, referred to as "Recovery of items prior to 2012", in accordance with the provisions of the Resolution of the Extraordinary Commissioner of the Sarnese-Vesuviano Area Authority No 43 of 30 June 2014, as amended by Resolution No 46 of 3 July 2014 (tariff provision in turn adopted pursuant to Article 31 of Annex A of AEEGSI Resolution No 643/2013/R/idr. and on the basis of the resolution of the Assembly of Mayors of the Sarnese-Vesuvian Area Authority No 5 of 27 October 2012). Various parties, including Municipalities, associations and user accounts proposed legal action to formally request the annulment, with precautionary suspension, of the resolutions in question, while in a civil context annulment was requested of the invoices containing the adjustment amount. In particular, note that 7 appeals were filed with the Campania Regional Administrative Court, Naples, and 4 extraordinary appeals with the Head of State. Furthermore, the Federconsumatori Campania association challenged Resolution no. 14 of 29 June 2015 of the Extraordinary Commissioner of the Sarnese-Vesuviano Area Authority, and the Municipality of Angri and 11 other Municipalities of OTA 3 challenged the Resolution of the Commissioner no. 15 of 30 June 2015 with additional grounds. Section I of the Regional Administrative Court of Campania - Naples, on 15 October 2015, issued sentences 4846/2015, 4848/2015, 4849/2015 and 4850/2015, accepting the appeals presented by the Federconsumatori Campania association and by the Municipalities of Angri, Naples and Nocera Inferiore, declared annulment of commissioner Resolutions no. 43 of 30 June 2014 and no. 46 of 3 July 2014 regarding the determination and approval of tariff adjustments for the period 2003-2011 and the collection methods. Specifically, the Regional Administrative Court maintained that these resolutions were adopted in complete absence of validity, given that the Extraordinary Commissioner, from 21 July 2013 (and, therefore, six months after his appointment on 21 January 2013), would have no longer been in office and, therefore, would no longer held powers from this date. The Regional Administrative Court did not therefore comment on the legitimacy or lack thereof of the tariff adjustments, limiting itself to identifying the lack of power of the Commissioner and consequent annulment of the provisions established after 21 July 2015, on the basis of an interpretation of the regulations which was not shared by the Area Authority and GORI. In any case, with the new regional law no. 15 of 02 December 2015, any doubt regarding interpretation was eliminated, considering that art. 21, paragraph 9 clarified, also for the purposes of correct interpretation of the regulations indicated in the Regional Administrative Court judgement, that: "the powers of the Commissioners appointed for the liquidation of the abolished Area Authorities and for performance of the functions described in Italian Legislative Decree 152/2006, in compliance with the content of article 1, paragraph 137 of regional law no. 5 of 6 May 2013 (Provisions for the preparation of the 2013 annual financial statements and 2013-2015 statements of the Campania Region – 2013 regional financial law) cease to apply after six months from the date of entry into force of this law". Furthermore, paragraph 9-bis of art. 21 established that "When this law is first implemented, the acts adopted by the Commissioners appointed for the liquidation of the abolished Area Authorities in

tariff matters and tariff adjustments in implementation of AEEGSI Resolution no. 643/2013 and for which appeals before administrative courts are pending, are ineffective until the definitive decisions adopted by the Campania Water Authority to be constituted, having consulted the competent District Council": in other words, having ascertained as a result of paragraph 9 of art. 21 the powers of the Extraordinary Commissioner of the Sarnese-Vesuviano Area Authority to have legitimately adopted the measures regarding tariff adjustments, it has nevertheless been provided that for said tariff adjustments the Campania Water Authority, as the new granting/regulatory authority and assignee of the Extraordinary Commissioner, must make new and definitive decisions. Further, as already noted above, the Campania Water Authority Executive Committee approved resolution 35 on 10 August 2022, definitively approving the previous items prior to 2012 for a total of € 115,000,000. Based on this last aspect and the fact that ARERA, in resolution 457/2022/R/idr, had confirmed the tariff decision made with resolution 104/2016/R/idr (thereby confirming the values of the theta multiplier and quantification of the adjustments), based on a request from GORI, the Council of State set the date for the discussion on the merits for 28 March 2023.
Finally, with reference to the NRRP note that 3 project proposals have been developed and submitted for financing which refer to the Nocera Superiore and Scafati area. Through a Ministerial Decree, the final list was approved for proposals eligible for financing, based on which two out of the three proposals were deemed eligible and able to be financed. With reference to the Nolana area, five projects for the Sarno Protocol were submitted for financing coming from the NRRP for sewage and water treatment.

Gesesa

Gesesa manages the Integrated Water Service in 22 Municipalities in the province of Benevento for a total resident population of 117,593 inhabitants spread over an area of about 710 square kilometres with a water infrastructure of about 1,547 km, a sewerage network of 553 km and about 332 plants managed. The total number of user accounts amounts to 57,470, for which 2022 consumption has been estimated at about 7.7 million cubic metres of water.
The sewerage service is provided to approximately 80% of users while the purification service reaches about 40% of users. Regional Law 15 of 2 December 2015, in effect as of 22 December 2015, established the Campania Water Authority (CWA), to which "all local entities must obligatorily adhere" if falling within territory of the region. CWA's responsibilities can be summarised as follows: (i) selecting the management model, (ii) approving the tariff proposal for the integrated water service, (iii) assigning this service to "third party" manager entities, based on indications received from each district council and (iv) monitoring these operations. This is without prejudice to any substitute and supervisory powers over the activities of the CWA held by the Campania Region.
To achieve greater management efficiency and improved service quality for users, the area of the regional OTA was divided into five district areas, including Calore-Irpino, which includes all the management entities within the province of Benevento. With Regional Council resolution 434 of 3 August 2022, the Campania Regional Council acknowledged resolution 26 of 27 July 2022 of the Campania Water Authority Executive Committee and amended the composition of the single regional OTA district areas, subdividing the Calore Irpino district area into two separate district areas: Irpino and Sannita.
On 5 October 2022, with the appointment of the District Council, the district area became fully functional and at its first meeting on 25 October 2022, "selected the type of management pursuant to article 14, paragraph 1, letter b) of Regional Law 15/2015", resolving, among other things:

- that management of the IWS in the Sannita District Area would be entrusted to a mixed public/private company, as a solution able to combine the interests of the Municipalities with the need to have private capital for the start-up phase of the new manager and to carry out the planned projects, as well as the know how of an industrial operator that already has significant experience in the integrated water service sector;
- for the purposes of the previous point, to express the guideline that the offices of the CWA prepare the planning documents for the IWS relative to the Sannita District area, taking into account the Council's wish that the sole management of the service be entrusted to a mixed public/private capital company, reserving the relative majority for the Municipalities of the Province of Benevento, reserving for the private shareholder to be selected through a dual purpose tender, a portion of the share capital equal to a maximum of 49%, in compliance with article 17 of Legislative Decree 175/2016, and reserving for the public part an absolute majority of the shareholding structure.

At present the CWA is proceeding with activities to prepare the dual purpose call for tender to identify the private shareholder:

1. Definition of the area plan for the Sannita District;
2. Establishment of the in house company for the Municipalities of the Province of Benevento which will hold a majority of the share capital of the mixed company to be established;
3. Determination of the sub-entry value (residual value of investments + tariff adjustments to be invoiced) that the private shareholder must pay Gesesa.

After various conversations, the CWA set the end of March as the date for completing the activities above and 2023 as a deadline for completing the consequent tender. Subsequently, all tender activities will be begun, which will lead to the identification of the private shareholder and the consequential activities to arrive at the entrusting of the IWS to a new manager. The CWA will ensure that all of this is completed during 2023.
With regards to approval of the proposed tariffs in progress, note that despite the activities implemented by the company, the request made to ARERA to exercise substitute powers and the consequent formal warning sent by the Authority to the CWA to resolve the breaches associated with the same, the CWA has not yet approved the biennial proposed updates for 2018-2019 nor the update for the third regulatory period, 2020-2023. Additionally, during the year the Company prepared its final data for the years 2020 and 2021 and the Works Programme to prepare the proposed tariff revision with definition of the GRCs and Thetas for 2022-2023, revising the investment programme for 2020-2023, pursuant to ARERA resolutions 580/2019/R/idr and 639/2021/R/idr. All the documentation produced was validated by the CWA on 7 November 2022 and the proposed tariff 2022-2023 is awaiting approval by the Campania Water Authority.
As a result of the above, the items of the financial statements concerned – in particular revenues and related customer receivables – were updated and recognised in 2022 on the basis of the new Guaranteed Revenue Constraint ("GRC") forecast for 2021 and the calculation tool prepared for the 2022-2023 biennial adjustments, awaiting approval by the relevant entities.
On 28 February 2023, the company formally asked ARERA to exercise its substitute powers to approve the 2022-2023 tariff update, sending a formal warning to the CWA to approve the regulatory scheme submitted.

In relation to proceeding 231 associated with the company, note progress in the criminal proceeding 5548/2016, with a preventive seizure of 12 water treatment plants managed by Gesesa and appointment of a Judicial Administrator.
Following the proceeding above, an independent proceeding was begun involving the position of the company relative to which action was taken with regards to certain crimes contemplated under Legislative Decree 231 of 2001.
On 15 November 2021, the Judge of the Court of Benevento issued a preventive seizure order relative to Gesesa, executed on 29 November 2021, in that the Benevento Public Prosecutor had charged Gesesa, in terms of liability pursuant to Legislative Decree 231 of 2001, all the crimes contemplated by the stated Legislative Decree, which real persons had already been charged with. That being established, with regards to the merits, based on the accusations summarised above, the Judge granted preventive seizure as requested by the Public Prosecutor, in the amount of € 78,210,529.00, relative to Gesesa. Given the unfounded nature of the accusations and the abnormality of the measures applied, through its trusted attorneys Gesesa appealed the seizure order. On 22 December 2021, the Benevento Court of Appeal granted the appeal presented by the company and fully annulled the seizure ordered by the Judge. This annulment was not appealed and, therefore, this decision became final.
On 25 January 2022, notification was received that the investigations of the Company had been completed and on 17 June 2022 notification was received by the real persons and the company of the provision requesting indictment; the date for the preliminary hearing, initially set for 23 January 2023, has been postponed to 26 June 2023 due to the absence of the relevant judge.
That being established, note that the company, pursuant to article 17 of Legislative Decree 231/2001, has begun actions to verify any risks and identify possible improvements that have allowed it to align its control system with the requirements of the law. These improvements have given rise to an action plan to revise and strengthen the internal control system.
In particular, with regards to the plants subject to preventive seizure, following a virtuous path of more than two years, with total outlays of € 891,060.34 by the Company, to implement the upgrading projects requested by the Judicial Administrator, the upgrading activities were effectively completed for the plants subject to seizure.
Following these activities, the Judicial Administrator, with a specific Report filed with the relevant Prosecutor, acknowledged the conclusion of the same with a satisfactory completion of the newly functional plants. In the light of this report, with a provision of 9 September 2022, the Public Prosecutor's Office deemed as "ceased the requirements that gave rise to the appointment of the Judicial Administration for the operation of the purification plants", while it did not hold the requirements for release from seizure of the same yet met, with a provision of 14 September 2022 the Judge consequently ordered termination of Judicial Administration and confirming seizure with the right to use the treatment plants by Gesesa. Four months have now passed since this provision without any major issues being identified in the management of the stated plants. Gesesa has decided to send a request to release the seizure of the purification plants in question. This will be presented no later than the end of February.
With regard to any risks concerning the final outcome of the proceedings, the Directors, also on the basis of the opinion of the appointed lawyers, according to whom it is currently not possible to formulate forecasts concerning the duration, outcome and potential risk for the Company deriving from the completion of the legal process, believe that, at the stage of the proceedings, it is not possible to make a forecast of the liabilities that could arise for the Company as a result of the development of the further stages of the aforementioned proceedings.
Finally, with reference to the sanction proceedings under DSAI/26/2018/idr, on 21 June, the Authority issued Resolution 262/2022/S/idr - Imposition of pecuniary administrative fines for violation of IWS tariff regulation, imposing a fine totalling € 83,700. The Company paid the fine in 2022.

Tuscany - Umbria Area

Acque

The management agreement, which came into force on 1 January 2002 with a 20-year duration (expiry is now in 2031), was signed on 21 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of Ato2, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 57 Municipalities. In return for award of the concession, Acque pays a fee to all the Municipalities, including accumulated liabilities incurred under previous concessions awarded.
With Resolution no. 6/2018 of 22 June 2018 concerning the "Update of the tariff structure 2018-2019", the Executive Council of the Tuscan Water Authority modified, with the same tariff multipliers, the composition of the 2016 and 2017 tariffs approved by AIT Resolution no. 32/2017 of 5 October 2017 providing for a remodulation of the recovery of tariff adjustments for approximately € 9.7 million in the period 2022-2023. With the same Resolution the Executive Council of the Tuscan Water Authority approved the 2018-2019 tariff proposal, the update of the works programme, the updating of the economic and financial plan and the extension of the duration of the concession of service from the previous deadline of 31 December 2026 to the new deadline of 31 December 2031. On 9 October 2018 with Resolution no. 502/2018/R/idr ARERA approved the tariff proposal.
The new Tariff plan with the end of the concession on 31 December 2031, compared to the previous plan with the end of the concession on 31 December 2026, contains the forecast of greater investments in service infrastructure and more contained tariff increases.
Finally, it is noted that on 24 January 2019, with the submission of the required documentation, with the termination of the previous loan and the related hedging contracts and with the stipulation of the new interest rate hedging contracts, the suspensive conditions were met and, therefore, the new loan agreement became effective. The new loan was established with a pool of banks and envisages two lines of credit: **i)** Term Line of € 200.0 million disbursed in a single use and with final single maturity of 29 December 2023 and, **ii)** RCF Line equal to € 25.0 million payable in one or more uses within the period of use and final maturity on 29 December 2023. This line must be used exclusively to meet the financial needs of the Company for its ordinary business.
At the same time the new loan agreements were entered into, 6 new interest rate hedging contracts were entered into. These new contracts envisage the Company's semi-annual payment of a fixed rate to the counterparties starting from 24 January 2019 and in correspondence with a payment by the counterparties to Acque of a variable rate.
The 2020-2023 tariff arrangement was approved by ARERA on 28 September 2021 by Resolution no. 404/ 2021/R/idr. The Contractual and Technical Quality Macro-indicator targets for the year 2020 and 2021 and the Tariff Multiplier Values for the years 2020

- 2023 were also approved. The submission of preparatory data for the two-year tariff review is currently underway.
As is known, with Resolution 639/2021, ARERA recalculated the WACC for the years 2022 and 2023.
For the same level of investment, this will result in a decrease in the Financial and Tax Charges recognised and this decrease is partially offset by the revaluation of the RAB due to the deflator.
With Resolution no. 183/2022/R/idr of 26 April 2022, the final results from the application of the incentive mechanism for regulation of the technical quality of the IWS (RQTI) for the years 2018 - 2019 were published. The Company was granted bonuses of € 341 thousand for 2018 and € 382 thousand for 2019 for the M1 Macro-indicator, which CSEA has already paid on 2 June 2022.
Additionally with CD Resolution 14/2022 of 25 November 2022, AIT approved the biennial tariff update for 2022 and 2023. The main elements of the revision are:

- Tariffs: the thetas previously approved for years 2022 and 2023 were confirmed; slight increase in thetas for 2024-2031;
- Tariff adjustments: increase of around € 8 million with a slight anticipation in recovery of the same (by 2024 instead of by 2025);
- Plan of Works 2020-2031: increase of around € 76 million net (from € 800 million to € 875 million) and € 114 million gross, for more maintenance and replacement projects; partial rescheduling of framework agreement projects and adaptations for regional laws on EU/NRRP infractions. Also note a reduction on the part of AIT for IT projects.

For both years 2022 and 2023 the electricity anticipation component OPexp EE was inserted.
On 24 November 2022 EGA was set the request for activating types of financial advances associated with obtaining resources to handle expenses incurred to acquire electricity, in turn presented to ARERA/CSEA, pursuant to that established in ARERA resolutions ARERA 580/2019/R/idr, 639/2021/R/idr and 229/2022/R/idr. The amount requested, the maximum Acque could request, was € 5,055,080. On 29 December 2022, CSEA disbursed the advance which must be repaid in two instalments of equal amount: the first by 31 December 2023 and the second by 31 December 2024.
It should be noted that in relation to the average defined cost for electricity, the Company appears to have purchased at an average cost below the defined threshold, thus being entitled to full recognition of the adjustment.
Finally, it should be noted that as of 1 January 2022, Acque has taken over from Acque Toscane in the management of the water service in the municipalities of Montecatini and Ponte Buggianese.

Publiacqua
The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 20 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of OTA 3, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 49 Municipalities, of which 6 managed via agreements inherited from the previous operator, Fiorentinagas. In return for awarding the concession, the Operator pays a fee to all the Municipalities, including accumulated liabilities incurred prior to the awarding of the related contracts.
Note that on 26 June 2020, the AIT approved the tariffs for the third regulatory period (2020-2023) and promptly sent the tariff proposal to ARERA. Substantially, the regulatory Economic and Financial Plan (EFP) highlights a tariff trend, and consequently a Guaranteed Revenue Constraint (GRC), that is constant over time, with application only of annual inflation.
On 16 February 2021, with Resolution No 59/2021/R/idr, ARERA approved the specific regulatory framework containing the tariff provisions for 2020-2023 pursuant to Authority Decision of 27 December 2019, 580/2019/R/idr and related Annex A, containing "2020-2023 Water Tariff Method MTI-3". Also note that on 31 March 2021, following ARERA resolution 59/2021, the agreement which approved the extension of the concession to 31 December 2024 was signed with the AIT.
Following the start of the tariff update process for the 2022-2023 two-year period, Publiacqua sent all the data to the AIT for approval of the tariff provision. The AIT approved the same in February.
Finally, note that in Q4 2022 activities with the AIT involved various aspects of regulation. After Publiacqua sent the proposed Addendum to the Single Regulation in May, with the technical schedules and prices for services, dialogue with AIT led, as stated previously, to approval of the tariffs for 2022-2023.

Acquedotto del Fiora
Based on the agreement signed on 28 December 2001, the operator (AdF) is to supply integrated water services on an exclusive basis in OTA 6, consisting of public services covering the collection, abstraction and distribution of water for civil use, sewerage and waste water treatment. The term of the Management Agreement is 25 years from 1 January 2002 and in 2020 was extended until 2031.
With regard to provisions of interest to AdF, based on that established in the cited ARERA resolution, on 14 December 2022, based on the actual data collected referring to the years 2020 and 2021 and the Investment Plan, the Tuscan Area Governing Body (AIT) approved the tariff revision proposal, setting the GRC and the Theta for 2022-2023 and also redesigning the entire tariff profile until the end of the IWS concession (AIT Executive Council Resolution 17/2022 of 14 December 2022). This tariff proposal was then sent to ARERA for final ratification.
The revenues and GRC recognised in the 2022 financial statements are based on the cited AIT resolution, currently being verified and validated by ARERA for final ratification.

Umbra Acque
On 26 November 2007, Acea was definitively awarded the contract in the context of the tender procedure launched by the Area Authority for OTA 1 Perugia for selection of the private minority industrial partner of Umbra Acque SpA (expiry of the concession originally set for 31 December 2027 and which following the Assembly of Mayors of the AURI with resolution 10 of 30 October 2020 was extended to 31 December 2031). The entry into the capital of the company (with 40% of the shares) took place with effect from 1 January 2008. The company performed its activities in all 38 Municipalities constituting OTAs 1 and 2.
As of 31 December 2022, the rate applied to users was determined on the basis of Water Tariff Method 3 (MTI-3) under Resolution no. 36/2021/R/idr of 2 February 2021 with which ARERA approved the preparation of the 2020-2023 tariff update previously approved by the Assembly of Mayors of the AURI with Resolution no. 10 of 30 October 2020, which,for 2022, provide a theta of 1.105 and an increase of 5.24% compared to 2021, also due to the billing of GRC adjustments for 2018. This increase for 2022 was confirmed with the AURI Assembly of Mayors resolution 10 of 25 October 2022, "Updating tariff provisions for 2022-2023" and subsequently with ARERA resolution 63/2023/R/idr of 21 February 2023. The average tariff €/m^3 was approximately € 3.08 at 31

December 2022. The number of users served was approximately 236 thousand units (+0.5% compared to 31 December 2021). With reference to volumes, on the basis of the estimates made, approximately 28.2 million cubic metres of water were distributed, in line with 2021. As invoicing operations were not yet complete when these final figures were compiled, cubic metres distributed but not yet invoiced were estimated and the relevant rate determined based on historic values and prospective measurements.
When assessing the revenues for GRC in 2022, the company carried out a full adjustment of electricity costs incurred, in consideration of:

- article 1.1, letter c) of ARERA resolution 229/2022/R/idr of 24 May 2022;
- ARERA resolution 64/2023/R/idr of 23/02/2023 which in its initial clauses confirms the possible repetition of that established relative to 2021 in paragraph 1.1, letter c) of the cited resolution 229/2022/R/idr;
- ARERA's acknowledgement in resolution 63/2023/R/idr of 21 February 2023, approving the "Update of the tariff provisions for 2022-2023", of the insertion in the 2022/2031 Tariff Profile of the estimate of the adjustment component relative to 2022 and 2023 fully covering the greater costs incurred (around € 50 million total) and EGA's commitment to present a justified request for recognition of the additional electricity costs for 2022/2023 in the context of quantifying the adjustment component "costs (...) for the occurrence of exceptional events".

It should be highlighted that, with Directorial Decree 1 of 10 January 2023, the General Directorate for Dams of the Ministry of Infrastructure and Transport, € 25 million was assigned to the Districting project for the distribution network, to reduce losses in the area managed by Umbra Acque, for a total value of € 52 million. Implementation of the project is planned for 2023-2025, with the final objective of achieving an overall 30% decrease in losses.
Finally, note that ARERA Resolution 183/2022/idr/R awarded the Company a bonus of € 1,532 thousand for the results achieved in Technical Quality in the 2018-2019 two-year period. The bonus was received in the month of June.
Note that in 2022 the Company was forced to incur greater costs for raw materials, in particular electricity, which reached unprecedented heights, as well as for materials for investment projects and management activities. These increases had significant negative impacts on the company's liquidity, which consequently saw cash requirements higher than expected. In implementing all the actions useful for guaranteeing economic and financial balance and business continuity, the company utilised all the extraordinary tools and measures made available by legislators and authorities, including use of the MIMS compensation fund (requests presented for a total amount of € 1,378 thousand), a financial advance of 35% of the cost established in the current Tariff Plan for 2022 by CSEA equal to € 5,193 thousand (see ARERA resolution 229/2022/R/idr) and electricity tax credits established in the Aid Decrees, acquired in 2022 for a total of € 3,042 thousand and recovered through offsetting in the income tax declarations for payment of contributions, taxes and VAT.

Geal

The Company manages the Integrated Water Service in the Municipality of Lucca in accordance with the Management Agreements with the local authority expiring on 31 December 2025, updated during 2013 to take into account the memorandum of understanding signed with the AIT on 29 November 2011 and in 2016 pursuant to ARERA Resolution no. 656/2015.
Relative to 2020-2023, the rules defining the tariff were initially determined by ARERA resolution 580 of 27 December 2019. During 2020, implementing that resolution and based on data provided by the Company, AIT approved the tariff provision with Resolution 4 of 28 September 2020, confirmed by ARERA with its resolution 265 of 22 June 2021. This established a tariff increase of 6.2% for each year.
Relative to the biennial update of the plan, ARERA approved the revision criteria with resolution 639 of 30 December 2021, which in particular established (i) supplementation of the investment schedule documents, taking into account those in the process of being approved under the NRRP, (ii) recalculation of certain tariff components in relation to the result of disputes on the rules used to determine tariffs in previous years, and (iii) the application of a new forecasting mechanism that moves forward the recognition of greater electricity costs in the tariff that can be foreseen based on market trends. Implementing the resolution above, the Company provided ITA all the data necessary by the deadline, including management, economic and investment data, as well as data on commercial and technical quality. Subsequently, AIT approved the tariff provision for GEAL with Executive Council resolution 5 of 31 May 2022, confirming the proposed tariff increases.
ARERA is still in the process of approving the above, which were sent by AIT in June 2022.
It should be noted that ARERA, with Resolution no. 183/2022/idr/R, awarded the Company a bonus of € 2.805 million (Acea share € 1.346 million) already paid for the results achieved in Technical Quality in the 2018-2019 two-year period.

Servizio Idrico Integrato Terni ScpA

The Optimal Territorial Area Authority no. 2 Umbria (OTA Umbria 2), awarded to SII Terni ScpA from 1 January 2002, the date on which the Convention was signed, for the duration of thirty years, the management of the Integrated Water Service (water supply, sewerage and treatment, hereinafter IWS) in the 32 municipalities of the Province of Terni (today Sub-area no. 4 of the Umbria AURI). The Terni Area covers an area of 1,953 square km, 93% of which is hills and 7% mountains. With the exception of the industrial areas of Terni and Narni, the land is prevalently used for forest and agriculture. The resident population served amounts to approximately 220,000 inhabitants. Users served total around 121 thousand and the water network covers 2,602 km.
Pursuant to ARERA Resolution 639/2021 for the two-year update (2022-2023) of tariff arrangements, the Company supplied and submitted to AURI the data collection for 2020 and 2021, completed with the applications for the recognition of the Rcarc, Opmis, Opsocial and OpexQC components. At the same time, it has produced what is required to allow AURI to formulate a reasoned request to the CSEA for the activation of forms of financial advances related to the procurement of resources to meet part of the expenses incurred for the purchase of electricity in accordance with ARERA Resolution 229/2022. With resolution 12 of 25 October 2022, AURI approved the update to the tariff provision for 2022-2023, establishing full recovery of the greater cost for electricity supplies in compliance with the cap on tariff increases. This was achieved through utilisation of the adjustment component "costs (...) for the occurrence of exceptional events" which will begin to influence tariffs starting in 2024. To achieve this result, the IWS prepared and sent to EGA, in October, the energy efficiency plan prepared in accordance with the guidelines in ARERA resolution 229/22. Thanks to ARERA resolution 495/22 of 13 October, with

which the Authority called for a second window within which relevant government entities, upon a request by the relevant operator, could send a justified request to CSEA to activate types of financial advances, introduced with resolution 229/2022/R/idr, associated with obtaining resources to handle expenses incurred to purchase electricity, AURI presented the relative request for disbursement of the financial advance established in the amount of 35% of the cost of electricity in the tariff for 2022. On 29 December 2022, CSEA disbursed € 2.5 million in favour of the IWS which must be repaid in two annual instalments (December 2023 and December 2024).
During 2022, the Company amended the Regulations for the drinking water distribution service and the Service Charter to accommodate the new features of ARERA Resolution 609/2021, mainly concerning the treatment of hidden leaks compared to the procedures adopted so far. This revision was approved by the Consumer Council at its meeting on 15 June 2022.
Finally, on 25 October 2022, AURI approved the 2022-2023 update. Following this approval, ARERA approved the 2022-2023 update with resolution 78/2023/R/Idr of 28 February 2023.

ASM Terni

On 6 December 2022, the closing of the initial stage of the business combination with ASM Terni was signed, following the completion public procedure initiated by ASM.
The Company operates directly or through its investees in the integrated water service sector, in electricity production and distribution, in gas distribution and environmental services. ASM Terni is part of a temporary consortium with the National Services Consortium for collection and road sweeping activities.

Progress of the procedure for approving the tariffs

The following table shows the updated situation of the procedure for approving IWS tariff provisions for Group companies relating to the 2016-2019 regulatory period, the 2018-2019 two-year tariff update, and tariff provisions for 2020-2023, as well as the two-year tariff update for 2022-2023.

Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023	Approval status two-year update 2022-2023
Acea Ato2	On 27 July 2016, the AGB approved the tariff inclusive of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/idr. The ARERA then approved them in Resolution 674/2016/R/idr, with some changes compared to the AGB's proposal; quality bonus confirmed.	The Conference of Mayors approved the tariff update on 15 October 2018. On 13 November 2018, ARERA approved the 2018-2019 tariff update with Resolution 572/2018/R/idr. On 10 December 2018, the Conference of Mayors adopted the provisions of the ARERA Resolution.	On 27 November 2020, the AGB approved the tariff for the 2020-2023 regulatory period with Resolution no. 6/2020 ARERA approved the 2020-2023 tariffs on 12 May 2021 with resolution 197/2021/R/idr	Following the formal warning of 18 October 2022 sent by ARERA, the Conference of Mayors approved the 2022-2023 tariffs on 30 November 2022. ARERA approval arrived with resolution 11/23 of 17 January 2023.
Acea Ato5	Tariff proposal submitted by the Operator on 30 May 2016, with request for recognition of the $Opex_{qc}$. ARERA warned the AGB on 16 November 2016 and the EGA approved the tariff proposal on 13 December 2016, rejecting, among others, the request for recognition of the $Opex_{qc}$. Approval by ARERA is awaited.	The Conference of Mayors approved the 2018-2019 tariff update on 1 August 2018. ARERA has not yet given its approval.	On 14 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/idr MTI-3 of 27 December 2019. On 10 March 2021, the OTAA Conference of Mayors approved the proposed tariff for 2020-2023, with resolution 1/2021. ARERA has not yet given its approval. The Manager appealed against this resolution to the Regional Administrative Court, which rejected the appeal. The Company appealed to the Council of State and submitted an application for economic and financial rebalancing.	Following the formal warning sent by ARERA on 29 November 2022, EGA approved the 2022-2023 tariff proposal on 11 January 2023. ARERA has not yet given its approval. Activities to update the rebalancing request are in progress.
GORI	On 1 September 2016, the Extraordinary Commissioner of the AGB approved the tariff with $Opex_{qc}$ as of 2017. Approval by ARERA is awaited. With Resolution 247 of 31 May 2022, ARERA ordered CWA to employ and submit - within 90 days - specific determinations regarding tariff arrangements for the years 2012 and 2013. The measure at the same time extends the deadline for the conclusion of the proceedings to 30/09/2022, for the renewal of the contradictory preliminary investigation underlying the tariff determinations in Resolution 104/2016 (2012-2013 and 2014-2015)	On 17 July 2018 the Extraordinary Commissioner of the AGB approved the 2018-2019 tariff update. ARERA has not yet given its approval.	On 18 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/idr MTI-3 of 27 December 2019. Following a warning from ARERA, the CWA (Campania Water Authority) with a resolution dated 12 August 2021, approved the 2020-2023 tariff proposal. ARERA has not yet proceeded with approval.	On 10 August 2022 with resolution no. 35 the CWA approved the two-year update 2022-2023 including the earlier items prior to 2012. Approval by ARERA is awaited.
Acque	On 5 October 2017, the AIT approved the tariff with recognition of the $Opex_{qc}$. Approved by ARERA on 9 October 2018 (as part of the approval of the 2018-2019 update).	On 22 June 2018 the AIT Executive Council approved the 2018-2019 tariff update and, at the same time, the request to extend the duration of the 5-year contract, that is until 31 December 2031. With Resolution 502 of 9 October 2018, ARERA approved the 2018-2019 tariff update.	On 18 December 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 7. ARERA approval arrived with resolution 404/2021/R/idr of 28 September 2021.	AIT approved the 2022-2023 update on 25 November 2022. Approval by ARERA is awaited.

Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023	Approval status two-year update 2022-2023
Publiacqua	On 5 October 2016, the AIT approved the tariff with recognition of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/idr. On 12 October 2017, with resolution 687/2017/R/idr ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	On 7 December 2018 the AIT approved the 2018-2019 tariffs with the extension of the 3-year concession. ARERA approved the 2020-2023 tariff provisions and the 2018-2019 two-year update with Resolution 59/2021 of 16 February 2021.	On 26 June 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 3. ARERA approved the 2020-2023 tariff provisions with Resolution 59/2021 of 16 February 2021.	The AIT Executive Council approved the update for 2022-2023 on 22 February 2023. Approval by ARERA is awaited.
Acquedotto del Fiora	On 5 October 2016, the AIT approved the tariff with recognition of the $Opex_{qc}$. On 12 October 2017, with resolution 687/2017/R/idr, ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	The AIT Board of Directors approved the 2018-2019 tariff update in the session of 27 July 2018. Pending approval by ARERA, the AIT Board of Directors also approved the application to extend the concession to 31 December 2031, submitted by the Company in April 2019 and approved by the AIT Executive Council on 1 July 2019. The updated tariff proposal was then presented to extend it to 2031, which in any case confirmed the tariff increase (theta) and the Guaranteed Revenue Constraint (GRC) for the years 2018 and 2019, already approved by the AIT with its Resolution of July 2018. ARERA approved the two-yearly update (with a small correction of the recognised OpexQC) and the extension of the concession with Resolution no. 465 of 12 November 2019.	On 26 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 6. ARERA provided approval with resolution 84/2021/R/idr of 2 March 2021	AIT approved the 2022-2023 update on 14 December 2022. Approval by ARERA is awaited.
Geal	On 22 July 2016, the AIT approved the tariff with recognition of the $Opex_{qc}$. On 26 October 2017, with resolution 726/2017/R/idr ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	On 12 July 2018 ARERA approved the 2018-2019 tariff update proposed by AIT.	On 28 September 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 4, updated with Resolution nos. 13 and 14 of 30 December 2020. ARERA provided approval with resolution 265/2021/R/idr of 22 June 2021.	On 31 May 2022, the AIT, with Resolution no. 5, approved the tariff arrangement to apply for the years 2022 and 2023. Approval by ARERA is awaited.

Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023	Approval status two-year update 2022-2023
Acea Molise	Following Resolution no. 664/2015/R/idr, both for the Municipality of Campagnano di Roma (RM) and the Municipality of Termoli (CB), Municipalities where Crea Gestioni offers the IWS, neither the Granting Body nor the Area Authority of reference submitted a tariff proposal for the regulatory period 2016-2019, so the Company independently submitted tariff proposals. Currently approval by the ARERA is still pending.	The Company has submitted the data to the competent parties/AGB in order to update the 2018-2019 tariff. For the management of the IWS in the Municipality of Campagnano di Roma (RM), given the inaction of the designated parties the Company filed an application with ARERA in early January 2019 for a tariff adjustment in 2018-2019, also revising the 2016-2019 proposal. ARERA has not yet pronounced or issued a warning to the AGB and/or to the competent parties. For the management of the IWS in the Municipality of Termoli (CB), with a Resolution dated 17 December 2019 the Municipal Council of Termoli approved the alignment of the pre-existing Agreement to the Agreement template, extending its expiry to 31 December 2021, and confirmed the tariff increase (theta) and the Guaranteed Revenue Constraint (GRC) for 2018 and 2019, also revising the 2016-2019 proposal. ARERA has not yet given its approval.	The Municipality of Termoli approved the tariff provisions for 2020-2023 on 4 February 2021. These were sent by the EGAM on 4 March 2021. For the Municipality of Campagnano, the Operator sent the tariff provisions to ARERA on 30 March 2021 in accordance with the provisions under art. 5.5 of Resolution 580/2019/R/idr.	Currently being defined with EGAM
Gesesa	On 29 March 2017 with Resolution no. 8 of the Extraordinary Commissioner the OTAA1 approved the tariff provisions for the years 2016-2019. Currently approval by the ARERA is still pending.	The Company submitted the documentation relating to the 2018-2019 tariff review to the Area Authority and the preliminary investigation by the technical offices of the competent AGB (EIC-Campania Water Authority) was completed at the end of February 2020. The final approval of the EIC Executive Committee has not yet been given.	On 29 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/idr MTI-3 of 27 December 2019. The CWA convened the District Council for 22 July 2021 (findings report on checking of the minutes of 31/7/20) following the warning from ARERA received on 2 July 2021. In February 2022, a new District Council was appointed, which has not yet expressed a position on the tariff arrangements.	Currently being defined with the CWA Executive Council.
Nuove Acque	On 22 June 2018, the AIT Executive Council approved the rates	On 16 October 2018 with Resolution 520 ARERA approved the 2018-2019 tariff update proposed by the AIT.	On 27 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 5. ARERA provided approval with resolution 220/2021/R/idr of 25 May 2021	With resolution 12/2022 of 29 July 2022, the AIT Executive Council approved the tariff provisions for 2022 – 2023. ARERA provided approval with resolution 535/2022 of 25 October 2022.

Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023	Approval status two-year update 2022-2023
Umbra Acque	On 30 June 2016, the AGB approved the tariff with recognition of the $Opex_{qc}$. The ARERA then approved them in Resolution 764/2016/R/idr dated 15 December 2016.	In its session of 27 July 2018, the AURI Assembly approved the 2018-2019 tariff update. The ARERA approved the 2018-2019 tariffs with Resolution no. 489 of 27 September 2018	AURI approved the 2020-2023 tariff provisions with Resolution no. 10 of 30 October 2020. ARERA approved the same with Resolution 36/2021 of 2 February 2021.	On 25 October 2022, AURI approved the 2022-2023 update. Following this approval, ARERA approved the 2022-2023 update with resolution 63 of 21 February 2023.
SII Terni ScapA	On 29 April 2016, with Resolution no. 20, AURI approved the tariff multiplier for the 2016-2019 four-year period and with determination no. 57 it approved the adjustment for previous items. ARERA approved the 2016-2019 tariff provisions with resolution 290/2016 of 31 May 2016.	With resolution of the Board of Directors of AURI no. 64 of 28-12-2018, approval was given to the 2018-2019 two-year update. ARERA approved the biennial adjustment 2018-2019 with its resolution of 20 September 2018 464/2018.	AURI approved the 2020-2023 tariff structure with the resolution by the Assembly of Mayors 12 of 30 October 2020. ARERA provided approval with resolution 553/2020 of 15 December 2020.	On 25 October 2022, AURI approved the 2022-2023 update. Following this approval, ARERA approved the 2022-2023 update with resolution 78 of 28 February 2023.

REVENUE FROM THE INTEGRATED WATER SERVICE

The table below indicates for each Company in the Water Segment the amount of revenue for 2022 valued on the basis of the new MTI–3 Tariff Method. The data also include the adjustments of passing items and the FoNI component. Also note that following publication of resolution 64/2023 on "Launch of proceeding to define the water tariff method for the fourth regulatory period (MTI-4)" for 2024-2027, with reference to costs for electricity purchases incurred in 2022, the possibility to resubmit the justified request for recognition of these costs will be established for 2022 as well.

Company	Revenues from IWS (pro quota values in € million)	FoNI (pro quota values in € million)
Acea Ato2	692.1	FNI = 51.9 AMMFoNI = 18.1
Acea Ato5	78.9	AMMFoNI = 4.6
GORI	254.4	-
Acque	71.4	FNI = 1.3 AMMFoNI = 4.8
Publiacqua	98.3	AMMFoNI = 16.1
AdF	113.5	AMMFoNI = 13.1
Gesesa	15.4	-
Nuove Acque	8.8	AMMFoNI = 1.6
Geal	8.7	AMMFoNI = 1.3
Acea Molise	6.4	-
IWS	47.7	-
Umbra Acque	40.6	AMMFoNI = 1.7

ENERGY INFRASTRUCTURES

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Operating data

	U.M.	2022	2021	Change	% Change
Electricity distributed	GWh	9,355	9,172	183	2.0%
No. of customers	No./1,000	1,653	1,647	6	0.4%
Km of grid (MV/LV)	Km	31,768	31,160	608	2.0%
2G metering groups	No.	273,294	316,176	(42,882)	(13.6%)

Economic and financial results

€ million	2022	2021	Change	% Change
Revenues	606.5	626.0	(19.5)	(3.1%)
Costs	254.3	254.4	(0.1)	0
EBITDA	352.2	371.6	(19.4)	(5.2%)
Operating profit/(loss)	201.9	217.4	(15.6)	(7.2%)
Average workforce	1,262	1,275	(13)	(1.0%)
Capex	268.8	274.5	(5.7)	(2.1%)
Net Financial Position	1,785.2	1,583.9	201.3	12.7%

EBITDA

€ million	2022	2021	Change	% Change
EBITDA – Energy Infrastructure Segment	352.2	371.6	(19.4)	(5.2%)
EBITDA – Group	1,305.0	1,256.1	48.9	3.9%
Percentage	27.0%	29.6%	(2.6 pp)	

The EBITDA for the segment at 31 December 2022 was € 352.2 million, showing a decrease of € 19.4 million compared to 31 December 2021. EBITDA for **areti** fell by € 20.8 million as a consequence of the contrasting effects deriving from lower revenues (-€ 31.1 million), mainly due to energy balancing (the reduction totals € 26.0 million), the effect of the reduction in the WACC (from 5.9% to 5.2%) and the lower margin coming from the open fibre contract. These effects were partially offset by greater revenues for effects associated with resilience (+€ 3.3 million) and lower costs for services and personnel.
With reference to the energy balance, at 31 December 2022, **areti** had distributed 9,355 GWh to end customers, up by 2.0% with respect to the previous year.
EBITDA of **public lighting**, equal to € 0.8 million, recorded an improvement of € 3.8 million compared to 31 December 2021 due to lower personnel expenses (grid integration project - IP) and an increase in the fee charged to the Municipality of Rome (due to energy price increases).

The average number of employees fell slightly compared to the previous year (-13 units).

Operating profit decreased by € 15.6 million compared to 31 December 2021 and was affected by lower write-downs in the period (-€ 0.3 million) and lower depreciation/amortisation and provisioning (-€ 3.6 million) owing to the combined effect of lower amortisation of software due to the end of the useful life of the investments made in previous periods and lower allocations to the provision for risks and impairment of receivables due from users.

Investments amounted to € 268.8 million, a decrease of € 5.7 million compared to the previous year, and refer mainly to the expansion and upgrading of the HV, MV and LV grids, the mass replacement of 2G metering groups, work on the primary substations, secondary substations and meters, and remote control equipment as part of the grid "Adequacy and Safety" and "Innovation and Digitalisation" projects. Intangible investments refer to projects for the re-engineering of information and commercial systems. The **public lighting** sector contributed for € 1.6 million, down by € 2.3 million compared to the previous year.

The net financial position stood at € 1,785.2 million as at 31 December 2022, showing an increase of € 201.3 million compared to 31 December 2021, mainly due to operating cash flow dynamics.

SIGNIFICANT EVENTS FOR THE 2022 FINANCIAL YEAR

GALA

With Resolution 50/2018/R/eel of 1 February 2018, the Authority approved a mechanism for recognising charges otherwise not recoverable due to the failure to collect general system charges.

At 31 December 2022 the total receivables accrued by the Company amounted to € 68.9 million, including billed interest.
Currently, also taking into account the changes in the regulatory framework deriving from the approval of the mechanism for reimbursing general expenses accrued over time, the reduction in the value of the Areti receivable from Gala was prudentially determined.
On 22 March 2022, Resolution no. 119/2022/R/eel was published, containing the provisions related to the unified mechanism to reimburse electricity distributors for receivables not collected and not otherwise recoverable in relation to general system charges (OGdS) and network charges (OdR). This Resolution, which repeals Resolution 50/2018/R/eel, sought to standardise the methods for requesting general system charges and network charges as part of a single application, the deadline for which is set for the first year of entry into force of such mechanism on 31 July 2022. Some of the most important developments introduced include the possibility to also request in the application receivables related to the specific tariff fee (CTS) from inadequate MV end users, since this is a fee pertaining to the transport service. The application related to this mechanism was presented by 31 July 2022. Thanks to this mechanism it will therefore be possible to recover an additional portion of the Gala receivable, the amount of which is still to be determined.

Technological innovation projects

2G digital meter project

In an increasingly advanced technological and energy context, the "2G Digital Meter" project was launched by Areti with the aim of replacing the first-generation electricity meter system with the 2G Smart Metering system in compliance with the requirements of ARERA Resolution 306/2019/R/eel.
Following the selection procedure of the supplier of the field equipment (meters and concentrators) and the related Central Purchasing System (Management Centre) concluded in September 2019 with the publication of the award and subsequent submission to ARERA of the Request for Authorisation to Recognise Investments (RARI), which were followed in 2020 by preliminary activities related among other things to the assessment of the suitable actions to counter the spread of the COVID-19 epidemic, ARERA with Resolution no. 293/2020 of 28/7/2020 approved Areti's PMS2, as per the latest revision presented on 14 July 2020 and set the date for initiation of Areti's PMS2 as 1 January 2020, admitting the investments regarding the 2G smart-metering system of Areti to the scheme for specific recognition of capital costs, starting from the same date.
At 31 December 2022, installations completed totalled around 12,600 concentrators, meaning the perimeter of activity has substantially been achieved, as well as around 648,000 metres, with continued delays with respect to the goals set in the RARI, already noted in previous quarters. This slowdown was caused by reduced availability of equipment and can be quantified at 23% based on 2022 and about 10% on a cumulative 2020-2022 basis.
At the beginning of 2022, equipment supplier Gridspertise srl announced that it was unable to meet its planned meter delivery schedule for 2022, due to unavailability of electronic components in the international market. A reduction in delivery of between 20% and 50% was assumed. As of 30 June 2022, the reduction in deliveries stood at 30% for the most critical equipment (2G Single-phase meters). Although Areti was able to offset this reduction in the first quarter of 2022 with available inventories, starting in April it was forced to reduce the number of monthly installations.
To ensure compliance with the new measurement processes and the operation of the new technology (concentrators and electronic meters), a complex evolution of the Areti application map was required. In addition to the introduction and integration of a new system for remote management and remote reading of the second-generation field equipment (Beat Suite), it was necessary to make changes to the main applications related to logistics and warehouse processes, field processes (replacement of the concentrator and first generation meter), commercial systems (development and management of the PDFM system), integration systems (middleware) and WFM and mobile systems, in addition to the development of a new metering acquisition, validation and publication system.
In particular, the progress of the development activities of the application map allowed for the release of all the functions planned for the wave date of 30 June. Further milestones will follow in the course of 2022 to release integration and optimisation features in addition to what has already been implemented in the new application map.
Since May 2021, the new corporate website was published online containing a large section dedicated to the new 2G digital meter.
The activities dedicated to the refinement of the new operational and managerial reporting continued, as did the adjustment of the existing reporting. At the same time, data are being made available for the analytics systems with a view to monitoring the new processes for measurement and mitigation of risks to the regularity of the metering service.

areti's single EData Lake

During the first half of 2021, the analysis environment of data for the distribution business was further extended. The calculation infrastructure operates in the Google Cloud environment. Activities run from the definition of a data model to the process of releasing it to an analysis environment, including infrastructure management.
As for data integration, to date the following are available:

- 1G remote management system, both for LANDIS and EMO meters
- Company Electric GIS mapping system
- Company IP GIS mapping system
- Integrated Low Voltage Network Survey in all tabular areas
- SAP (IS-U and MDM)
- TESS system (commercial quality).
- RadarMeteo weather data recorded and forecasts.
- SAP PM
- SAP MM
- SAP IS-U PDFM
- Remote management system
- Remote control system: load profiles at 10 minutes
- ORBT history (selection of several tabular areas)
- NPC Geocall system (selection of several tabular areas)

Further data integration is ongoing according to the priorities dictated by the business, with reference to the 2G Management Centre.

Network diagnostics and monitoring project

The project is divided into three main lines of action:

- Primary station diagnostics
- Substation diagnostics
- Overhead line diagnostics
- Public Lighting Monitoring

1. Primary station diagnostics with UGV Drones
The project involves the development of an UGV (Unmanned Ground Vehicle) prototype for autonomous or remotely piloted inspection of primary stations. The autonomus UGV drone has sensors for detecting environmental parameters (temperature sensors, partial discharges, cameras) and sensors for moving autonomously in the environment (lidar, GPS and cameras). It executes inspection plans independently and can be remotely controlled for targeted security checks and operations. The system may also transmit inspection information to an operator located at a location other than the place of operation.
During 2022, testing of the Control Room and new features for improved on-board sensor management resulting from the first trial was completed, and the first rounds of experimental inspections in consultation with the Network were initiated.

2. Substation diagnostics (CS-Plus)
The project involves testing an integrated IoT solution for remote monitoring, diagnostics and management services: e.g., environmental parameters, digital access management, etc.
During 2022, inspections aimed at extending the testing of the solution to 50 critical facilities were initiated. An integration interface was also engineered for simplification and standardisation of field assembly of the solution. The planned IoT services are: 1. access control, 2. Environmental temperature monitoring, 3. Transformer temperature monitoring, 4. Humidity monitoring, 5. Flood Monitoring.

3. Overhead line diagnostics
The project involves the combination of periodic analyses of satellite images using artificial intelligence algorithms (developed to detect man-made and/or vegetation interference) and targeted inspections with drones to enable a continuous monitoring of overhead lines.
During 2020, the platform for management of the process was developed and went live and operation of the process itself was launched. The process was found to be highly innovative both by the Politecnico di Milano university Drone observatory and Space Economy observatory.
During 2022, the plan to inspect MV and LV overhead lines carried out exclusively with drones in a mixed Engineering-Development/Network team was initiated. Developments are also underway to integrate the GIMMI satellite analysis platform with the SAP system and the development of an evolved Media Data Storage to build an integrated and easily searchable repository for all information collected from field inspections.
Finally, during 2022, the first BVLOS experimental flight was carried out. The experiment, which involved Enac and Anav, provided for a remotely controlled flight beyond the visual line of sight over the HV lines in the Marcigliana area. The trial aims to enable new remote and automated inspection methodologies on overhead power lines in non-highly populated settings.

4. Public Lighting Monitoring:
The project called for the launch of two POCs to verify the possibility of identifying lighting points in the territory and thereby determine the accuracy of the GSI database, identifying switched off lighting points taking advantage of new technology.
- SAT Analysis POC: calls for the use of satellite images and IA analysis to identify lighting points and switched off lights.
- IA Rounds POC: calls for the use of rounds done through video detection from vehicles and IA to identify lighting points and switched off lights.

During 2022, the SAT Analysis POC was completed, confirming the efficacy of the solution to obtain a census of all lighting points. However, it was found not to be suitable for identifying turned off lighting points.

Development of areti telecommunications network
In 2022, the TLC project involved:
- the continuation of activities to build a high-speed and high-reliability fibre-optic network that will link all primary substations, which constitute the main backbone of the telecommunications network and from which all smart-grid services will be launched, and the linking of around 150 substations via fibre optic. This network will ensure security and reliability in the transmission of information between the centre and the periphery useful to allow the proper operation of Operation Technology systems and network management systems, also the remote control of equipment installed in substations and, where possible, the metering points and other types of sensors in order to convey to the central systems all the information acquired through sensors and field equipment. This network will also allow implementation of advanced automation for substations linked by fibre optic, in order to significantly improve the quality of the electricity service;
- the connection and migration of services in 19 primary and 1 secondary substations;
- the activation of the 4G mobile radio link in approximately 1,500 secondary substations;
- the activation of advanced automation for resilience in 5 sections;
- the activation of advanced FO/4G automation in approximately 100 backbones;
- the activation of LV remote control in approximately 300 secondary substations.

By 2024, all primary substations are planned to be linked via fibre optics (owned or IRU) and approximately 6,000 secondary substations are planned to be connected to the main network (fibre optics/4G), which will substantially reduce the impact on the territory of maintenance activities by reducing inconvenience to the public.
During 2022, the project saw:
- the commissioning of 12 supply and installation sections between aggregation nodes;
- the connection of 21 primary substations and 1 secondary substation and migration of services to 10 primary substations;
- the continuation of the implementation of 4G mobile radio links, both to speed up the deployment of advanced automation services in secondary substations in addition to those that will be reached by fibre optics (secondary access substations) and to continue with the transition of existing 2G/3G mobile radio links to 4G connection technology;
- the activation of 4G mobile radio connections in 1,550 secondary substations;
- the activation of fibre-optic remote control in 82 secondary substations;
- the activation of fibre optic/4G advanced automation in 53 medium voltage backbones;
- the activation of remote control of low-voltage circuit breakers in 153 secondary substations.

Public Lighting

As at 31 December 2022, extraordinary maintenance, modernisation and safety activities agreed to with Roma Capitale continued regularly, thus creating new lighting points as part of the lighting re-engineering and development projects, integrating operational activities through the ordinary and extraordinary maintenance activities provided for in the plan, which have characterised and consolidated various proposals for intervention for the improvement and renovation of systems and, consequently, the quality of the service offered. A portion of public lighting systems requires action to verify safety conditions and, when necessary, adjustment works to restore them to full efficiency; this work is necessarily part of a multi-year programme falling under the contract period. Regarding the Public Lighting Service, following the opinion given by the AGCM (Antitrust Authority) in Bulletin no. 49 of 14 December 2020, Roma Capitale began checking the conditions of congruity and economic convenience of the performance terms pursuant to the service contract between the Administration and Acea SpA (and through it areti) compared with the terms pursuant to the CONSIP Luce 3 Convention and, in addition, on the basis of the positions expressed by the AGCM in the said opinion, expressed queries over the legitimacy of the award to Acea SpA. On 8 February 2021, with a note ref. DG 1585/2021, Roma Capitale communicated the results of the said checks, affirming definitively "the congruity and convenience of the economic terms currently in being with respect to the qualitative and economic parameters of the CONSIP Luce 3 convention" and confirming "the correctness of the prices applied for the public lighting service", overcoming definitively all reserves on the congruity of the prices charged in the context of the contractual relationship in being between RC and Acea SpA. In the same note, the Administration therefore ordered the restart of the procedures for payment of Acea/Areti's ascertained receivables in relation to the service contract. We can note that the said communication regards the correctness of the prices charged, without affecting the Administration's intention, already manifested, to terminate the relationship with Acea to call for tenders and thus make a new award for the service.

GENERATION

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Operating data

	U.M.	2022	2021	Change	% Change
Energy produced (hydro+thermal)	GWh	504	599	(95)	(15.9%)
of which hydro	*GWh*	*330*	*428*	*(98)*	*(22.9%)*
of which thermal	*GWh*	*174*	*172*	*3*	*1.5%*
Energy produced - photovoltaic	GWh	92	71	21	29.3%
Energy produced - cogeneration	GWh	32	40	(7)	(18.5%)

Economic and financial results

€ million	2022	2021	Change	% Change
Revenues	175.3	126.3	49.0	38.8%
Costs	85.4	46.8	38.7	82.7%
EBITDA	89.8	79.5	10.3	12.9%
Operating profit/(loss)	75.3	49.4	26.0	52.6%
Average workforce	92	88	4	4.6%
Capex	30.3	39.4	(9.2)	(23.3%)
Net Financial Position	160.5	237.0	(76.5)	(32.3%)

EBITDA

€ million	2022	2021	Change	% Change
EBITDA – Generation Segment	89.8	79.5	10.3	12.9%
EBITDA – Group	1,305.0	1,256.1	48.9	3.9%
Percentage	6.9%	6.3%	0.6 pp	

EBITDA at 31 December 2022 was € 89.8 million, showing an increase of € 10.3 million with respect to 31 December 2021, mainly attributable to **Acea Produzione** (+€ 22.9 million) due to the combined effect of: **i)** greater electricity sales revenue (+€ 51.8 million), consequent to the increase of prices on energy markets (+€ 298/MWh), partially offset by lower volumes produced (-95 GWh) with respect to the previous year and the effects of the Supports Decree Law on revenues for the Sant'Angelo plant (-€ 18.3 million), as well as effects generated by the Financial Law (Law 197/2022) on revenues from renewable source plants not already falling under the scope of the Supports Decree Law (-€ 2.2 million); **ii)** greater revenue from district heating (+€ 4.4 million) due to higher prices with respect to the previous year; **iii)** lower revenues for management of electricity incentive payments (GRIN) (€ 13.2 million); **iv)** lower energy account fees (€ 3.0 million), for lower margins from PV plants following the transfer of certain plants to Acea Green at the end of 2021 and **v)** higher external costs (€ 17.3 million).
EBITDA for the **photovoltaic** segment recorded a decrease of € 12.6 million, and was affected mainly by the change in the consolidation scope resulting from the acquisitions made at the end of 2021 and during 2022 and the transfer of control of a photovoltaic holding company of the Acea Group (Acea Sun Capital) and its subsidiaries to the newco AE Sun Capital (subsequently merged with Acea Sun Capital), 40% owned by Acea Produzione and 60% by Equitix.

The average workforce fell slightly (- 4 units) compared to the previous year; note that the photovoltaic companies do not have employees.

Investments amounted to € 30.3 million and decreased by € 9.2 million compared to the previous year due to the combined effect of lower investments recorded by **Acea Produzione** (- € 7.3 million) and the **photovoltaic** segment (- € 2.5 million).
The investments by Acea Produzione refer mainly to the upgrading work on the hydroelectric plants, the extension and restoration of the district heating grid in the Mezzocammino district in the south of Rome and the construction of photovoltaic parks (Monte Mario); investments in the photovoltaic segment refer mainly to the investments made by Acea Solar for the construction of photovoltaic plants on both agricultural and industrial land and the investments by the newly acquired SF Island.

At 31 December 2022, the net financial position stood at € 160.5 million and showed an improvement of € 76.5 million compared to 31 December 2021, mainly attributable to the aforementioned transaction to sell the majority stake in Acea Sun Capital.

SIGNIFICANT EVENTS FOR THE 2022 FINANCIAL YEAR

Production of electricity

The production system of Acea Produzione currently consists of a series of generation plants with total installed capacity of 229.2 MW, composed of five hydroelectric plants (three located in Lazio, one in Umbria and one in Abruzzo), photovoltaic plants, two mini hydro" plants, Cecchina and Madonna del Rosario, two thermoelectric power stations, Montemartini and Tor di Valle; the latter consists of a modern high-efficiency cogeneration plant, replacing the previous combined-cycle plant; the plant was launched for commercial operation on 9 July 2021, allowing the Company to meet the commitments made by Acea Produzione under the capacity market auction award for the 2022 - 2037 period. The power plant in its current configuration consists of three high-efficiency natural gas-fired engines each with an electrical output of 9.5 MW, for a total of 28.5 MW, as well as three integration boilers and 6 storage tanks. In addition to selling electricity to the market during the most profitable hours, the plant provides electricity in SEU to the total electricity users of the adjoining Rome South Treatment Plant and the thermal energy necessary for the supply of district heating service in the districts of Torrino Sud, Mostacciano and Mezzocammino in the Municipality of Rome.
The Company is proceeding with the authorisation process for the installation of 2 new cogeneration units, with a capacity of 1.5 MW each, which will be powered by the biogas coming from the Rome South Treatment Plant and will produce electricity to be fed into the grid and thermal energy that will be supplied to the treatment plant and partly fed into the district heating grid.
Activities to improve the quality of the district heating service continue, with extraordinary maintenance of the district heating grid involving both the renovation of the delivery substations and the replacement of several important sections of piping. In particular, the doubling of the section of piping from the Tor di Valle power plant was commissioned. With reference to the activities put in place to meet the requirements introduced by ARERA relating to technical quality, a toll-free number dedicated to emergency reports was established and the new GIS platform was put online, which enables management, monitoring and reporting of technical interventions carried out on the district heating grid.
In addition to the production assets described above, Acea Produzione owns photovoltaic plants with an installed capacity of 3.1 MWp.
In 2022, the Company generated a volume of 442.4 GWh through the directly owned power plants. During the period, the Company's production was subdivided into hydroelectric plant production of 326.7 GWh, production from mini-hydro plants of 3.2 GWh, thermoelectric production of 109.6 GWh and photovoltaic production of 2.9 GWh.
With regard to district heating, the Company, through the cogeneration module of the Tor di Valle power plant, supplied heat to the Torrino Sud and Mostacciano districts (located in the south of Rome) for a total of 63.9 GWht, for a total of 3,581 utilities served (194 condominiums and 3,387 real estate units).

Co-generation

The operational management of Ecogena focuses mainly on three areas: **i)** consulting in the Esco sector and provision of services related to obligations to increase the energy efficiency of third parties (inside or outside of the Acea Group); **ii)** the supply of energy services through the management of cogeneration (or trigeneration) plants and district heating networks and the sale of energy produced to Customers; and **iii)** the coordination of Group companies with regard to energy-efficiency projects.
The Ecogena's production system as at 31 December 2022 consists of a set of cogeneration plants, whose total electrical, thermal and cooling capacity has been reduced as a result of the conclusion in 2021 of the two contracts, decreasing from a total installed electrical capacity of 4 MW to an overall electrical capacity of 1.86 MW. This amount includes the installed capacity related to the second cogenerator mounted at Europarco in 2021, which began operating at the beginning of 2022.

The plants held by the company are entirely located in the Lazio region, some of which are combined with district heating grids. As at 31 December 2022, the Company had achieved a production volume of around 5.2 GWh (electricity), 16.5 GWh (thermal) and 10.6 GWh of refrigeration. Compared with the previous year, thermal energy sold to customers is lower, refrigeration energy is in line, and electricity is up due in part to the activation of the second cogenerator at Europarco.
With reference to the Europarco trigeneration plant, the process of activating and issuing the electrical workshop license for the second 400 kW cogenerator at the site was completed at the beginning of the year. It should be noted that in March 2022, an agreement was signed with Cinecittà Parchi to change the deadline for dismantling to 31 January 2023 for the cogeneration plant. Dismantling of the thermal and refrigeration plants was completed.
With regard to the air conditioning system at Acea's data processing centre (Cedet), checks and fine-tuning were carried out on the new more efficient system. The last report on the actual energy savings achieved was sent to the Customer and confirmed compliance with the energy performance guaranteed in the Energy Performance Contract (savings of 308 MWh with reference to the year from July 2020 - June 2021). The final consumption of the plant with improved efficiency showed an energy saving of 30% compared to the previous use of the plant.
As part of the activities carried out by Ecogena for Acea Innovation, pertaining to the project for the design, permitting and construction of a charging infrastructure for electric vehicles, it should be noted that the installation activities of "WAVE I" of the project have been almost completed, while some installations remain to be completed on locations that have suffered delays due to authorisation in relation to SIMU (infrastructure department of the Municipality of Rome) in the RM V Municipality (for the issuance of licenses). On the other hand, work continues for WAVE II on the ninety-two authorised projects, a good portion of which are completed and others in the process of being completed, as scheduled.
The project documentation required for the WAVE III Services Conference authorisation was also completed and submitted and 51 of 74 projects have been authorised.
With regards to efficiency for residential buildings through tax deductions (ecobonus and earthquake bonus) and in the context of the cooperation developed between Acea Innovation (owner of the business line) and Ecogena, a reduction was seen in the scope of the initiatives identified commercially which did not lead to contracts with end users due to difficulties faced by Acea Innovation receiving loans from the banking system. From an operational point of view, 2022 saw the completion of projects begun in 2021 and additional projects were launched, completing the scope of the work orders (condominiums in Ostia Ovindoli, Gallo and Piccinni) already contracted by Acea Innovation.
In the area of cogeneration, in December 2021, a new contract was signed for energy service through the construction of a 2 MWe plant. In 2022, contracts were signed for construction of the plant and in March the authorisation process began to build the plant in the Province of Varese. The services conference was completed successfully in September 2022 and in October work began, which was still in progress at 31 December 2022.

Energy Box transaction – Photovoltaic plants
As described in detail in the section on "*Assets held for sale*", at the end of 2021, Acea and Equitix signed an agreement to sell the company that holds the stakes in the companies that own the photovoltaic plants (Acea Sun Capital), to a newly created company to which Acea's photovoltaic assets already in operation or being connected to the grid in Italy have been transferred.

Piana di Santa Chiara Photovoltaic Plant
In June Acea, through the associate AE Sun Capital, inaugurated the largest photovoltaic plant in Basilicata in the "Piana di Santa Chiara" district in the Municipality of Ferrandina, in the province of Matera. The plant is developed on land with a total area of approximately 40 hectares and has an installed capacity of approximately 20 MW, for an annual production of approximately 36 GWh, equivalent to more than 1,830 equivalent hours/year, corresponding to 15 thousand tons of avoided CO2 emissions per year, and is capable of supplying enough energy to meet the annual needs of more than 10,000 households.

Ottana Industrial Area Photovoltaic Plant
In July Acea Solar obtained an "Environmental Impact Assessment" and "Single Authorisation" from the Sardinia Region for the construction of a photovoltaic plant in the industrial area of Ottana, in the municipality of Bolotana (NU). The plant will have an installed capacity of approximately 85 MW. It is scheduled to come into operation in the first half of 2024.

Acquisition of new photovoltaic companies
During 2022, acquisitions of companies in the photovoltaic sector continued. Specifically, at the end of July, through the subsidiary Acea Solar, 17 companies of the Powertis Group were acquired; these companies have photovoltaic development projects for approximately 340 MW in Basilicata. These companies are consolidated using the equity method.

ENGINEERING AND SERVICES

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Operating data

	U.M.	2022	2021	Change	% Change
Total number of analyses	No.	1,017,004	1,098,505	(81,501)	(7.4%)
Total number of samples	No.	34,012	37,126	(3,114)	(8.4%)
Number of projects	No.	75	74	1	0.9%
Number of EPC work sites	No.	31	35	(4)	(11.4%)

Economic and financial results

€ million	2022	2021	Change	% Change
Revenues	117.6	111.9	5.7	5.1%
Costs	104.4	94.7	9.7	10.3%
EBITDA	13.2	17.3	(4.0)	(23.5%)
Operating profit/(loss)	3.7	10.5	(6.8)	(64.7%)
Average workforce	456	441	15	3.4%
Capex	5.8	9.9	(4.1)	(41.2%)
Net Financial Position	24.0	28.1	(4.1)	(14.4%)

EBITDA

€ million	2022	2021	Change	% Change
EBITDA – Engineering and Services Segment	13.2	17.3	(4.0)	(23.5%)
EBITDA – Group	1,305.0	1,256.1	48.9	3.9%
Percentage	1.0%	1.4%	(0.4 pp)	

EBITDA for the segment at 31 December 2022 came to € 13.2 million, down by €4.0 million with respect to the previous year. This change is attributable to **Acea Elabori** for € 1.4 million as a consequence of the reduction in business and the margin due to tariff updates, to **Ingegnerie Toscane** for € 2.5 million due to internalisation of leak search, remote control and SIT by Acque starting in the second half of 2022, and to **TWS** for € 0.5 million, as a consequence of lower margins following application of tariff discounts for a reduction in total infra group investment costs and greater costs for the introduction of new professional positions associated with construction site safety.

The average workforce at 31 December 2022 stood at 456 and was up compared to 31 December 2021 (441 employees). This increase is mainly attributable to **Acea Elabori** (+12 units) and **SIMAM** (+5 units), partially offset by **TWS** (-2 units).

Investments amounted to € 5.8 million, down by € 4.1 million, in relation to **Acea Elabori**, mainly due to fewer purchases of equipment and software.

The net financial position at 31 December 2022 was € 24.0 million, an improvement of € 4.1 million compared to 31 December 2021. The change is due to the dynamics of operating cash flow.

SIGNIFICANT EVENTS FOR THE 2022 FINANCIAL YEAR

No significant events were reported during 2022.

CORPORATE

OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

Economic and financial results

€ million	2022	2021	Change	% Change
Revenues	152.2	140.2	12.0	8.5%
Costs	195.9	179.5	16.4	9.1%
EBITDA	(43.7)	(39.3)	(4.4)	11.3%
Operating profit/(loss)	(83.7)	(67.4)	(16.3)	24.2%
Average workforce	717	704	13	1.8%
Capex	32.7	34.4	(1.7)	(5.0%)
Net Financial Position	471.6	443.1	28.5	6.4%

EBITDA

€ million	2022	2021	Change	% Change
EBITDA – Corporate Segment	(43.7)	(39.3)	(4.4)	11.3%
EBITDA – Group	1,305.0	1,256.1	48.9	3.9%
Percentage	(3.3%)	(3.1%)	(0.2 pp)	

Corporate closed at 31 December 2022 with negative EBITDA of € 43.7 million, worse by € 4.4 million than the figure for 2021. The change is due to the combined effect of higher costs, particularly IT costs, offset only partly by the higher chargebacks to Group companies. Strategic consulting and higher personnel expenses contributed to the increase in costs; the latter are due essentially to the trend in numbers and contractual adjustments offset in part by higher capitalised costs. We can note compared to the previous year a reduction in costs incurred for the COVID-19 emergency.

EBIT was negative at € 83.7 million, € 16.3 million worse than the previous year as a result not only of the reduction in EBITDA described above but also of higher amortisation and depreciation relating to IT projects that came into operation in the last months of last year and in the first months of the current year, as well as higher provisions for redundancies and mobility. Greater amortisation includes that relative to IT investments for application development.

The average workforce at 31 December 2022 stood at 717, an increase of 13 compared to 2021 (704 units).

Investments amounted to € 32.7 million at 31 December 2022 (€ 34.4 million at 31 December 2021) and mainly refer to software licenses, hardware, IT development and investments in company offices.

The net financial position at 31 December 2022 was € 471.6 million and recorded an increase compared to the end of financial year 2021 of € 28.5 million, which derived from the cash needs of Group companies and corporate.

SIGNIFICANT EVENTS FOR THE 2022 FINANCIAL YEAR

No significant events were reported during the year.

SIGNIFICANT EVENTS DURING THE YEAR AND AFTER

Acea Gaïa Rating confirms Acea's growth on the sustainability indicators

Gaia Rating gave Acea a score of 82 out of 100 in its overall assessment of ESG performance. Acea recorded a score increase for the fourth consecutive year, confirming its position among the best-performing companies in terms of sustainability.

Acea improves its position in the Bloomberg Gender-Equality Index (GEI) 2022

In 2022, Acea also confirms its presence in the "Bloomberg Gender-Equality Index" (GEI), an international index that measures companies' performance on gender equality through five criteria: female leadership, equal pay, inclusive culture, policies against sexual harassment, brand positioning as a pro-women company.
The Group, included in the index for the third consecutive time, obtained a score of 80.67 (on a scale of 0-100) this year, placing it well above the averages for the utility sector (71.21) and the sample analysed (71.11), with a significant improvement of 10.18 points compared to the 2021 result.

Acea finalises the closing of the operation for the sale to Equitix of a majority stake in the newco that will manage the photovoltaic assets

On 22 March, Acea finalised the agreement with the British investment fund Equitix for the sale of a majority stake in a photovoltaic holding company (Acea Sun Capital) of the Acea Group, in which the photovoltaic assets of Acea already in operation or being connected to the network in Italy were transferred. The agreement for the transfer of the assets had already been signed on 24 December 2021. Following the closing of the transaction, the newco AE Sun Capital Srl (subsequently merged in Acea Sun Capital through a reverse merger), 60% owned by Equitix and 40% by Acea Produzione, acquired from Acea Produzione the photovoltaic holding company of the Acea Group, the holder, through a number of vehicles, of a portfolio of photovoltaic plants, with a total installed capacity of 105 MW, of which 46 MW incentivised on the basis of different Energy Accounts and 59 MW for new construction already connected or being connected to the network.

Acea signs final agreements for the design and marketing of the digital metering systems of the water service

Following on from the information disclosed to the market on 6 December 2021, on 29 March 2022, Acea and Suez signed the final contractual agreements for the creation of a joint venture for the design of an advanced smart metering system for the water service and its subsequent production and marketing in Italy and abroad on the basis of a specific commercial partnership.

Acea finalises the acquisition by the consortium, formed of Ascopiave, Acea and Iren, of a number of A2A concessions in the context of gas distribution

On 1 April, the consortium formed of Ascopiave (58%), Acea (28%) and Iren (14%) finalised the agreement with the A2A Group for the acquisition of a number of assets in the natural gas distribution service. The scope of activities covered by the transaction includes approximately 157 thousand users, distributed in 8 Italian Regions, belonging to 24 ATEMs, for about 2,800 km of network. Acea's perimeter of interest consists of concessions in 5 ATEMs, including 2 in Abruzzo, 2 in Molise and 1 in Campania, for a total of approximately 30,700 grid points. The Enterprise Value is € 35.8 million.

ARERA publishes the first Technical Quality analysis of the water service in Italy: years 2018-2019

For the first time in Italy, the water service was measured and judged, attributing rewards and penalties to managers, for results achieved and consolidated in 2018 and 2019. The ranking was published by ARERA with resolution 183/2022/R/idr and concludes the first two years of application of the incentive mechanism.
Water losses, service interruptions, quality of the water supplied, adequacy of the sewer system, quality of treated water and disposal of sludge are the 6 macro-indicators based on which each of the water service operators were analysed and ranked (for the first two-year period, interruptions were excluded from the incentive mechanism).
The complex data analysis system – launched in 2018 by ARERA with the resolution on the Technical Quality Regulation for the integrated water system (RQTI) – made it possible to codify the results achieved during these years by 203 operators, covering 84% of the nation's population. By analysing the data received up to 17 July 2020, the Authority was able to assign a bonus to those that reached, maintained and improved the pre-established objectives and a penalty to others.
For the Acea Group, the net amount came to around € 29 million.

The Shareholders' Meeting approves the Financial Statements as at 31 December 2021 and approves the payment of a dividend of € 0.85 per share

On 27 April, the Acea SpA Shareholders' Meeting approved the Financial Statements and presented the Consolidated Financial Statements at 31 December 2021, which showed a net profit, following allocations to third parties, of € 313.3 million. The Consolidated Non-Financial Statement pursuant to Italian Legislative Decree 254/2016 was also presented to the Shareholders (2021 Sustainability Report).

The Meeting also approved the allocation of profit for the year as proposed by the Board of Directors and the distribution of the dividend. The total dividend (coupon no. 23) of € 180,665,720.95, equal to € 0.85 per share, will be paid starting from 22 June 2022 with coupon detachment on 20 June and record date 21 June.
The Shareholders' Meeting appointed the new Board of Statutory Auditors that will remain in office for three years and until the approval of the 2024 Financial Statements. The members of the supervisory body were elected through list voting, according to the methods established under articles 15 and 22 of the Articles of Association. In the new Board of Statutory Auditors, Maurizio Lauri (Chairperson), Claudia Capuano and Leonardo Quagliata were elected as standing auditors; Rosina Cichello and Vito Di Battista as alternate auditors.
Pursuant to art. 15.4 of the Articles of Association, the Shareholders' Meeting, at the proposal submitted by shareholder Suez International SAS, also appointed Francesca Menabuoni as Director, who will remain in office until the expiry of the current Board of Directors, i.e. with the approval of the Financial Statements as at 31 December 2022.

Acea publishes the first Green Bond Report

On 13 May, the first Green Bond Allocation & Impact Report for the years 2019 and 2020 was published, concerning the green format bond loan for a total amount of € 900 million under the € 5 billion EMTN program, and divided into two series, one of which is for the amount of € 300 million, with an interest rate of 0% and maturity in 2025, and another for the amount of € 600 million, with an interest rate of 0.25% and maturity in 2030, issued as part of the Acea Group's Green Financing Framework for financing projects related to water resource protection, energy efficiency, development of the circular economy, and increased energy production from renewable sources.

Acea and NTT DATA introduce the Waidy® Management System

On 15 June, Acea and NTT DATA Italy introduced the Waidy® Management System (WMS), the native cloud solution for water resource protection, designed to optimise water management in networks, at the launch event for the two Italian Google Cloud regions.

Resignation of board member Giovanni Giani and appointment by co-optation of a new board member

On 27 June, Acea received the resignation, with immediate effect, from the position of board member of Giovanni Giani, appointed on the list presented by the shareholder Suez during the Shareholders' Meeting of 29 May 2020. The decision to resign is motivated by other professional commitments. On 18 July, Acea's Board of Directors co-opted Massimiliano Pellegrini as a new non-executive Director.

Acea inaugurates the largest photovoltaic plant in Basilicata

On 27 June, Acea inaugurated the largest photovoltaic plant in Basilicata at "Piana di Santa Chiara" in the municipality of Ferrandina, in the province of Matera, built by Acea Solar and now owned by Acea Sun Capital (60% Equitix and 40% Acea Produzione). The plant is developed on land with a total area of approximately 40 hectares and has an installed capacity of approximately 20 MW, for an annual production of approximately 36 GWh, equivalent to more than 1,830 equivalent hours/year, corresponding to 15 thousand tons of avoided CO2 emissions per year, and is capable of supplying enough energy to meet the annual needs of more than 10,000 households. The plant sells the energy produced directly to the market and was awarded the tender issued by Terna in relation to the "Capacity Market," with a total "committed capacity" of 3 MW for which it will receive a fixed annual fee for the next 15 years.

Acea grows waste treatment and storage business in Abruzzo with acquisition of "Polo Cirsu"

On 30 June, Acea was awarded, through its subsidiary Acea Ambiente, the business unit called "Polo Cirsu" (located in Località Casette di Grasciano Notaresco - Teramo), following participation in the competitive bidding process called by the notice of sale of the Court of Teramo - Bankruptcy CIRSU SpA Reg. Bankruptcy No. 91/2015. At the outcome of the same, Acea Ambiente was the highest bidder for an amount of € 19,100,000. The business unit consists of the landfill named "Grasciano 1", completely depleted in authorised volumes, the new landfill named "Grasciano 2" consisting of a first lot of 234,000 m^3 and a second lot to be built, with an authorised volume of 246,000.00 m^3, a recycling and composting plant and a platform for the utilisation of waste from separate waste collection and durable goods.

Standard Ethics improves outlook from "stable" to "positive"

On 5 July, Standard Ethics upgraded Acea's outlook from "stable" to "positive" and confirmed the "Corporate Rating" at "EE".

Fitch Ratings confirms Acea's "BBB+" rating and "stable" outlook

On 6 July, Fitch Ratings confirmed its Long-Term Issuer Default Rating (idr) for Acea of "BBB+" with "Stable" outlook, and the Short-Term idr of "F2". The Long-Term Senior Unsecured Rating of "BBB+" was also confirmed. The rating reflects Acea's strategic focus in regulated activities, along with prudent management of energy hedges and the solid level of available liquidity.

Acea: Appointment by co-optation of the director Massimiliano Pellegrini

On 18 July the Board of Directors, on a proposal by the Appointments and Remuneration Committee and with a resolution approved by the Board of Statutory Auditors, appointed by co-optation, under the terms of Art. 2386 of the Italian Civil Code and Art. 15 of the By-Laws, Massimiliano Pellegrini as a new non-executive Director of the Company, replacing Giovanni Giani who resigned on 27 June 2022.

Acea: Sardinia's largest photovoltaic plant authorised with a capacity of 85 MW

On 19 July, Acea Solar, a wholly owned subsidiary of Acea Produzione, obtained an "Environmental Impact Assessment" and "Single Authorisation" from the Region of Sardinia for the construction of a photovoltaic plant in the industrial area of Ottana, in the municipality of Bolotana (NU). The plant will have an installed capacity of approximately 85 MW. It is scheduled to come into operation in the first half of 2024. The site, the largest in Sardinia and among the largest in Italy, covering approximately 140 hectares, will be connected to the high-voltage grid at Terna's new power station called "Ottana 2," built within the same industrial area. Furthermore, the project includes the implementation of a 10 MWh energy storage

system that will deliver electricity during the phases of the day when generation from renewable sources is reduced. The system as a whole will contribute to the stability of the grid and the supply of 170 GWh/year of electricity, equivalent to the annual needs of approximately 50,000 households and corresponding to more than 70 thousand/ton of CO_2 avoided per year, compared with equivalent production from fossil fuels.

Acea: new "Sustainability Rating Linked" credit line agreed

Acea agreed with Cassa Depositi e Prestiti a new revolving "Sustainability Rating Linked" credit line of € 200 million with a duration of 3 years, connected to two sustainability rating targets in the Environment Social and Governance (ESG) area. The pricing of the new credit line is, in fact, linked to the objectives of the ratings that will be assigned by Standard Ethics and by EticaNews. In 2022 the independent agency Standard Ethics confirmed the Group's corporate rating at "EE" (investment grade) and raised Acea's Outlook from "Stable" to "Positive". Again in 2022 Acea obtained from EticaNews the "Integrated Governance Index" (IGI) score of 60.45 (scale 0-100), coming 16th out of the total of 86 candidates and being included in the "Leader ESG Identity" category.

Moody's confirms Acea's rating at "Baa2" and changes the outlook from "stable" to negative following the change in the outlook of the sovereign rating assigned to Italy

On 9 August, following the declarations on the outlook of the rating assigned to Italian sovereign debt of Friday 5 August 2022, Moody's communicated that Acea's outlook had been changed to "negative" from "stable". At the same time, Moody's confirmed the long-term issuer rating and the senior unsecured rating at the level "Baa2", the Baseline Credit Assessment at the level "baa2", and also the "(P)Baa2" level assigned to the EMTN programme. According to the Rating Agency, the change in the outlook of a set of Italian companies, including Acea, reflects these companies' exposure to the drop in the quality of the sovereign creditworthiness. However, Acea's ratings remain a notch above those of the Italian government, in virtue of the quality of the diversified business portfolio and the Group's strategic focus on regulated activities.

Acea: Communications of the shareholder Roma Capitale and launch of the statutory and corporate procedures for replacement of the Chief Executive Officer

On 23 September, the Board of Directors of Acea acknowledged (a) the communication of the shareholder Roma Capitale of 20 September 2022, with which the latter formulated a request for replacement of the company head and (b) the subsequent communication of the shareholder Roma Capitale, regarding the indication of Mr Fabrizio Palermo as candidate for the position of member of the Board of Directors and next Chief Executive Officer of Acea.
The Board also acknowledged the launch of the enquiry activities by the Company's competent structures regarding the consensual termination of the relationship with Mr Giuseppe Gola and the entry of the candidate, Mr Fabrizio Palermo, under the terms of art. 2386 of the Italian Civil Code, observing the current provisions of the laws and by-laws.
For the purposes of performing and defining the aforesaid enquiry activities and the consequent adoption of the decisions it is responsible for, the Board of Directors was therefore convened again for Monday 26 September.

Acea: Agreement for the consensual termination of the relationships between Mr Giuseppe Gola and the company Acea SpA. Fabrizio Palermo new Chief Executive Officer

On 26 September, the Board of Directors of Acea completed enquiry activities and approved the terms and conditions of the agreement for the consensual dissolution of the relationships in being with Mr Giuseppe Gola, which the latter accepted. On the basis of this Mr Gola renounced with immediate effect, the positions of Director, Chief Executive Officer and Strategies, Production and Foreign Manager, and all delegations and powers conferred on him and all other positions held on behalf of the Company and/or the Group. The termination agreement, in accordance with what is indicated in the policy on the subject of remuneration approved by the Company's Shareholders' Meeting this past 27 April (The "Remuneration Policy"), provides for the payment to Mr Gola of the maximum amounts provided for in the "Executive Exodus Management" Policy, approved by the Board of Directors of Acea with resolution no. 33 of 21 December 2011, which makes reference to the national collective bargaining agreement for Executives of Public Utility Service Companies.
On the same date the Board of Directors also appointed by co-optation, under the terms of Art. 2386 of the Italian Civil Code and Art. 15 of the By-Laws, on a proposal by the Appointments and Remuneration Committee and with a resolution approved by the Board of Statutory Auditors, Mr Fabrizio Palermo as a new Director of the Company. Mr Fabrizio Palermo was appointed by the Board of Directors the new Chief Executive Officer of Acea and, as such, he is without the requisites of independence provided for in the legislation and in the Corporate Governance Code. In line with the previous structure, Mr Fabrizio Palermo was given all the powers for the ordinary administration of the Company, with the exclusion, as well as those that cannot be delegated under the terms of the law and the by-laws, of specific attributions that the Board reserved for its own competence.

Acea Ambiente: the agreement for the acquisition of 70% of Tecnoservizi signed

On 4 October Acea Ambiente, a company fully controlled by Acea SpA, completed the acquisition of 70% of the capital of Tecnoservizi Srl, a company operating in the mechanical treatment and recovery of separate urban waste (mixed packaging, monomaterial fractions) and special non-hazardous waste. The Company acquired has an authorised treatment capacity of 210 thousand tons per year and operates in the province of Rome, performing activity of transport and disposal and recovery of urban, special hazardous non-hazardous waste, such as paper, plastic, wood, glass, metal etc. coming from the separate collection of Municipalities, Bodies and Industries.
The economic value of the transaction, in terms of Enterprise Value for 100% of the company is about € 21 million. The price paid for the acquisition was € 5.2 million and a further portion for the balance of the price, of € 1.6 million, will be paid in the second half of 2025. The EBITDA expected in full operation on an annual basis is approximately € 4 million.

Acea Ambiente: the agreement for the acquisition of 100% of Italmacero signed

On 3 November, Acea Ambiente, a company fully controlled by Acea SpA, through its subsidiary Cavallari, completed the acquisition of the entire capital of Italmacero Srl, a company operating in the mechanical treatment and recovery of separate urban waste (mixed packaging, monomaterial fractions) and special non-hazardous waste. The company is the owner of a plant in the area of North Ancona, with an authorised capacity of 13 thousand tons. The price paid for the acquisition was € 1.2 million.

Areti: New high-voltage electricity line in south Rome, the 150 kV grid upgraded

The Acea Group, through Areti, the company that operates the electricity distribution grids in Rome, has created a new high-voltage electricity line serving the areas of Selvotta, Castel Romano, Laurentina and Vitinia. The infrastructure, which replaces the old plants of the south-west quadrant of the Capital, upgrades the grid in the zone, which goes from a voltage level of 60 kV to 150 kV.

Acea number one among Italian utilities and a leader in Europe for Diversity and Inclusion Policies

The Acea Group was included by the *Financial Times and Statista* in its list of "Europe's Diversity Leaders 2023". In its fourth edition this year, "Europe's Diversity Leaders" selects 850 employers who have demonstrated notable leadership in diversity and inclusion, based on the experiences of over 100,000 employees interviewed throughout Europe.
Acea is number one among Italian public service companies and in 14th place among the 42 Italian companies. The Acea Group has always worked to promote inclusion and to take advantage of diversity. In fact, it recently adopted an Equality, Diversity and Inclusion Policy, in a document updated annually, prepared and monitored by the relevant organisational structures.

Acea and ASM Terni create a multiutility in Umbria, working in integrated water services, electricity and gas distribution and sales and waste management

On 6 December, the closing of the initial stage of the business combination with ASM Terni was confirmed, following the completion public procedure initiated by the latter. This operation is of significant strategic value and intended to create an integrated multiutility in Umbria, offering electricity and gas distribution and sales, waste management and integrated water cycle services. Acea's entry into the share capital of ASM Terni involves two distinct stages. Note that the Antitrust Authority (AGCM) resolved to not begin the investigation of the operation, given that it does not establish or strengthen a dominant position and the Umbria Financial Court gave the operation a go ahead. This meant the two conditions precedent established for carrying out the initial stage of the operation were met.

Acea joins the MIB ESG index

Euronext announced that as of 19 December Acea is part of the MIB ESG index for environmental sustainability, the first Environmental, Social and Governance (ESG) index dedicated to Italian blue-chip companies, designed to identify major listed issuers with excellent ESG practices. The methodology used for the index creates a list of the best companies in terms of ESG criteria, selected from among the most liquid Italian companies, excluding those involved in activities not compatible with ESG investments.

Acea obtains gender parity certification

Acea was the first listed Italian multiutility to obtain UNI/PdR 125:2022 certification from RINA, accredited by Accredia, the only national standard on gender parity, also identified in the National Recovery and Resilience Plan.
Recognition certifies the company's commitment to the areas of equity, diversity and inclusion, as well as its ability to adopt concrete measures to reduce gender disparities with respect to opportunities for growth, wage parity, protecting parents and work/life balance. UNI/PdR 125:2022 defines guidelines to support female empowerment within company growth paths.

Acea one of the Top Employers Italia 2023

For the second consecutive year, the Acea Group has obtained Top Employers Italia Certification, official recognition of corporate excellence in HR policies and strategies and implementation of the same, with the aim of contributing to the well-being of people, improve the environment and the world of work. Certification is issued for companies that achieve and meet the high standards required in the HR Best Practices Survey.

Acea: successful placement of a € 500 million Green Bond and subsequent 200 million TAP issue

On 17 January 2023 Acea, following the Board of Directors resolution of 13 January 2023 and the completion of bookbuilding activity, successfully completed placement of a Green Bond issued for a total of € 500 million, at a rate of 3.875% and maturing on 24 January 2031.
The issue, falling under the Green Financing Framework and the € 5 billion Euro Medium Term Notes (EMTN) programme, based on the Base Prospectus supplemented on 13 January 2023, was a great success, receiving more than 3 times the amount offered from primary investors coming from numerous geographic areas, mainly in the green sector.
The profits will be used to finance specific projects with sustainability goals. In particular, those relative to resilience of the electricity distribution grid, energy efficiency, electric mobility, development of the circular economy, increasing energy produced from renewable sources and protection of water resources. The issue is intended exclusively for institutional investors in the Euromarket.
On 3 February 2023 Acea successfully completed the reopening of the Green bond issue carried out on 17 January 2023 (rate 3.875%, maturity 24 January 2031) for an amount of € 200 million ("TAP Issue"). The TAP Issue received requests equal to over 1.5 times the amount offered. The securities, with a minimum unit of € 100,000 and a rate of 3.875%, were placed at an issue price of 100.368%, implying a return of 3.820% or 105 basis points above the midswap rate, offering a further improvement on the already very satisfactory terms of the original issue.

Acea reaches 100% of Deco: the remaining 35% of the company acquired, the main operator in the Abruzzo environmental sector

On 23 January 2023, Acea acquired the remaining 35% of Deco's share capital, a company operating in the waste sector in Abruzzo in which it already held a 65% stake (see the press release of 20 September 2021), with the closing of the acquisition occurring in November 2021. The company designs, constructs and manages plants for the treatment, disposal and recovery of municipal solid waste and plants for energy recovery from renewable sources.

Acea: Michaela Castelli resigns from the position of Chairman for personal reasons

Acea notes that, on 14 February 2023, the lawyer Michaela Castelli resigned with immediate effect from her position as Director and Chairman of the Acea SpA Board of Directors.

Barbara Marinali appointed as the new Chairman of the Board of Directors

On 17 February 2023, the Acea SpA Board of Directors, on a proposal by the Appointments and Remuneration Committee and with a resolution approved by the Board of Statutory Auditors, appointed by co-optation, under the terms of Art. 2386 of the Italian Civil Code and Art. 15 of the By-Laws, Barbara Marinali as a new non-executive Director of the Company, replacing Michaela Castelli who resigned on 14 February 2023. The Board of Directors also appointed Barbara Marinali as the Chairman of the Board of Directors.

Acea: indication of interest in the Rome waste to energy plant presented

Acea Ambiente, a subsidiary of Acea, responded on 1 March to the public notice issued by the Municipality of Rome to find economic operators interested in presenting project financing proposals for assignment of the systems hub concession relative to the design, authorisation, construction and management of a waste to energy plant and correlated ancillary systems.
Acea Ambiente presented its indication of interest with other national and international partners, including Hitachi Zosen Inova, Vianini Lavori and Suez, following favourable determinations by the relevant corporate bodies of Acea Ambiente and Acea (also pursuant to the provisions of the Acea Group Related Party Transactions Procedure).

MAIN RISKS AND UNCERTAINTIES

Due to the nature of its business, the Group is potentially exposed to various types of risks, mainly from natural events, climatic changes and financial market risks (external risks) and operational and environmental risks specific to each business sector, Information Technology and Human Resources (internal risks). In order to manage these risks, analyses and monitoring are carried out by each company as part of a structured and coordinated process implemented at a Group level through the integration of two complementary approaches (Enterprise Risk Management and continuous risk management), aimed at assessing and treating the risks of the entire organisation in an integrated logic, consistent with its risk appetite, with the aim of providing management with the information needed to make the most appropriate decisions to achieve strategic and business objectives, to safeguard, grow and create value for the company.
As part of the Enterprise Risk Management Framework, Group companies, also availing themselves of the support and assistance of Acea SpA's Risk & Compliance Department, periodically carry out risk assessment activities in a structured manner, with the aim of identifying and assessing the main risks that may significantly affect the achievement of business objectives. In this way, a representation of the evolution of the Group's overall risk profile is achieved, through the mapping and prioritisation of the main risks to which the Group is exposed and the identification of optimal methods for managing them, by preparing a mitigation strategy and monitoring its implementation. In the monitoring phase, Group companies ensure the management of identified risk scenarios, including through the implementation of specific response actions identified to reduce their potential effects.
Due to the continuation of the international geopolitical and economic crisis in 2022, with impacts on several aspects of the real economy, it was deemed expedient to evaluate more frequently the risk scenarios to which the Acea Group is exposed,
also to facilitate adequate monitoring and possible refinement of the planned responses.
Among the tools available to the Group, the Key Risk Indicators (KRI) Framework makes it possible to assess changes in the organisation's exposure to "operational" risks through the identification, regular updating and integrated reading of "sentinel" metrics.
In order to contain these types of risks, the Group has implemented mitigation and monitoring as summarised below at both a corporate and business sector level.
For Risk Mitigation long ago the Acea Group introduced the development and adoption of a Group Insurance Plan based on the following pillars:

- Third Party Liability;
- Property Damage;
- Employee benefits.

More specifically, the first two pillars transfer the economic and/or asset risk deriving from civil liability – in all its general, professional, environmental and cyber forms – and from events (accidental, culpable or malicious) affecting the Group's physical and production assets.
The third pillar, on the other hand, aside from transferring economic and financial risk, implements a corporate welfare measure guaranteeing and paying the employees of the Acea Group significant financial support – both to those directly concerned and to those who may be entitled – in case of serious traumatic events related to both the professional and private spheres.
Still on the subject of *risk mitigation*, most of the companies of the Acea Group have adopted and maintain an Integrated Quality, Environment, Safety and Energy Management System (hereinafter the "System"), which complies with UNI ISO 9001:2015 (Quality), UNI ISO 14001:2015 (Environment), UNI ISO 45001:2018 (Safety) and UNI ISO 50001:2018 (Energy), certified by an accredited external body, as a tool for the prevention of accidents, diseases and pollution, as well as a measure to promote and support the efficiency and effectiveness of the company's processes, including energy processes, and to achieve continuous improvement in the performance of the System itself and work management.
It should be noted that the main risks and uncertainties that could cause significant effects on the Acea Group's economic, equity and

financial situation present at the time this current Report on Operations was prepared are identified and that, given the continued uncertainties with reference to the international situation, and that any updates will be made when necessary.

COMPETITIVE-REGULATORY RISKS

Regulatory evolution risk

As is well known, the Acea Group operates mainly in regulated markets and the requirements and obligations that characterise them (as well as changes in the rules of operation of these markets) can significantly affect the results and performance of operations. In particular, several Group companies manage the Integrated Water Service in their respective Territorial Areas, which is known to be a sector receiving an increasing level of attention from lawmakers and the Sector Authority (ARERA). The Group is therefore exposed to the evolution of the relevant legal/regulatory frameworks in the areas served.

In this regard, it should be noted that following the extension of ARERA's regulatory and control powers to waste management, Companies in the Environment Segment are also exposed to potential risks arising from changes in the regulatory framework.

These risks are mitigated by careful monitoring of regulatory developments, interacting with the relevant bodies and participating in association and institutional meetings carried out by the competent business structures in synergy with the Group's organisational structures. These structures monitor regulatory developments in terms of providing support in the preparation of comments in the response to the Consultation Paper, in line with the interests of Group companies, and guidance for the consistent application of regulations in corporate procedures and within the electricity, gas, water and environment businesses.

Political, social and macroeconomic context risk

In providing services to its customers, the Acea Group is very attentive to the expectations and choices of its institutional, regional and central counterparts. On the other hand, most of its activities are in any case sensitive to the economic and structural dynamics experienced by the economic and productive fabric of the respective regions.

In this sense, the main factors influencing the Group's performance include changes in the political, social and macroeconomic context of reference. These uncertainties can have an impact on the achievement of economic/financial objectives and investments, as well as on the implementation of major works, whose timing can be influenced by changes in government structures at both a central and local level.

With regard to the development initiatives envisaged in the Business Plan in the Environment Segment (growth through M&A and construction of greenfield plants), there is a risk deriving from the failure of the competent authorities to issue permits.

The Group has historically focused on guaranteeing levels of excellence in the technical and commercial quality of the services provided, including through dialogue models that are increasingly attentive to the needs expressed by its stakeholders in order to put in place virtuous dynamics in relations with its customers, also with regard to payment habits. In this regard, it should be noted that the Group is also subject to the risk of deterioration of its credit positions, particularly in connection with the provision of the Integrated Water Service, with consequences on the exposure of working capital. This risk is managed proactively by the relevant structures of the individual companies, applying specific Group Credit Policies and with the support of the Parent Company's relevant organisational structures.

In relation to the international geopolitical crisis arising from the Russia-Ukraine conflict, there are difficulties and uncertainties when assessing the effects and repercussions that could arise from the continuation of this international crisis. Risk analysis done during the year in any case indicated an increase in risk in certain areas for Acea Group business (e.g. commodity prices, supply chains, etc.), which are discussed in more detail in the paragraphs below and are all involved in specific response actions and monitoring.

Management is currently engaged in monitoring the situation on international markets and will continue its analysis of commodity price trends over the coming months as well as the trend of receivables that however do not represent critical elements at the moment. With reference to raw materials, in addition to monitoring balances on the basis of fixed and variable price sales forecasts, Group companies only use high-standing counterparties that meet the requirements of their own commodity and counterparty risk procedures. With regard to the short and medium-term effects of a financial nature, the Group is carrying out appropriate monitoring activities in order to take timely action. It should be noted that Acea Group has no direct relations with companies under Russian, Ukrainian or Belarusian law that are in any way affected by the conflict. Given the situation of absolute uncertainty, the Acea Group will reflect in the Business Plan any impacts that are currently undetermined. As previously illustrated, the effects of the conflict on the global economic-financial conditions can be seen not only in companies whose investments or operating activities are mainly located in Russia, Belarus and/or Ukraine or that maintain commercial relationships with third companies operating in these countries, but all companies, as they find themselves in a greatly weakened economic-financial environment with rising interest rates.

Acea Group therefore conducted an analysis of the market and of possible different scenarios, thereby developing an econometric model for estimating the existing relationships between the main economic-financial data relevant to Acea's various companies and plants, with particular reference to margins, and the main macroeconomic variables. The main stages of the analysis focused on identifying possible alternative scenarios, collecting and analysing data on all Group companies and plants, and finally, based on the scenarios developed and the estimated model, forecasting the possible future performance of Acea financials. From the analyses conducted, there is no statistical evidence from the current macroeconomic environment of significant impacts on Acea's various businesses.

NATURAL RISKS

For the Acea Group, due to the nature and location of its business lines, the main issues related to climate change could arise in operational, regulatory and legal areas, with potential repercussions on finances as well. As far as the first aspect is concerned, chronic meteorological events like the reduction of rainfall can have negative impacts on both hydroelectric energy production and the reduction of the availability of drinking water to be distributed, with among other things an increase in energy consumption for the withdrawal of water from less favoured sources. On the other hand, extreme phenomena such as storms can lead to the risk of lightning strikes, blackouts or, for the water network, overflow of drains connected to the wastewater systems and turbidity of the water sources. Moreover, from a regulatory and legal point of view, these climatic effects can have an impact on the consequent provision of the service in accordance with the regulations in force, with consequent financial penalties. The implications of regulatory actions on CO_2 emission allowances, renewable sources, taxes and energy efficiency certificates could be very significant, with possible financial impacts.

Some of the risk that the Group must deal with includes possible impacts deriving from unpredictable natural phenomena (e.g. earthquakes, floods and landslides) and/or from cyclical or permanent climatic changes on the networks and plants managed by Acea Group companies. The first types of risks are addressed through the implementation of structured tools for the governance of assets, specific to each business area (e.g. Water Safety Plan within the IWS; constant monitoring of the reservoirs, also carried out in collaboration with the competent Ministry, in the field of dam management), as well as with projects, some of national scope, aimed at increasing the resilience of the infrastructure in the various regions (e.g. the project to double the Peschiera-Le Capore aqueduct). The residual portion of risks from natural events is covered by the Group's insurance programme mentioned on the previous pages.
The natural environment is the scenario where the activities of the Group are performed and is to be preserved with a responsible and efficient use of resources, protecting sources, safeguarding the natural areas where the plants and service networks encroach, mitigating the physical and the external impacts generated in the ecological context of the operating processes.
In November 2022, COP27 was held in Sharm el-Sheikh. Negotiations were focussed on five themes: decarbonisation, climate adaptation, nature, food and water. The Conference ended with the issuing of the Sharm el-Sheikh Implementation Plan. This agreement maintains that ratified in the Glasgow Climate Pact (COP26), which included the commitment by signatory countries to keep global temperatures below an increase of 1.5°C with respect to pre-industrial levels and highlighted the need for a transition to a system based on renewable sources, with a reduction in the use of fossil fuels. Efforts to gradually eliminate coal were encouraged, favouring low-emission sources and promoting the elimination of fossil fuel subsidies. At the national level (Nationally Determined Contributions - NDC), countries which have not yet presented their decarbonisation commitments were encouraged to do so, while those that already have were asked to update them by the end of 2023. The main change involves the introduction of the "loss and damage" principle, which calls for the payment of indemnities to the most vulnerable developing countries for climate damage suffered. This principle will be implemented through the establishment of a specific Fund.
With reference to the issue of greenhouse gas emissions, again in 2022 Acea participated in the Carbon Disclosure Project – CDP, receiving a B grade and positioning the Company in the Management class. In 2022, in addition to publishing its first 2021 Climate Disclosure, based on the TCFD recommendations, Acea moved forward with a new project intended to enrich the identification of risks and medium/long-term climate scenario analysis. This important result has further stimulated the Acea Group to progressively align with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), not only in its metrics and targets, but also in its governance and risk and opportunity management, as a useful tool for improving its strategy for mitigating and adapting to future scenarios.

OPERATIONAL RISKS

Regulatory compliance risk

The nature of the business exposes the Acea Group to the risk of non-compliance with consumer-protection regulations pursuant to Italian Legislative Decree no. 206/2005, i.e. the risk mainly connected to the commission of consumer offences/unfair commercial practices or misleading advertising (through activities like omission of relevant information, dissemination of untrue information/forms of undue influence, unfair terms in commercial relations with consumers), as well as the risk of non-compliance with regulations for the protection of competition, i.e. the risk associated mainly with the prohibition of companies to establish restrictive agreements and to abuse their dominant position in the market (through activities such as market allocation, manipulation of tender procedures, restrictive agreements and other types of anti-competitive agreements, exchange of commercial/competitive information that potentially constitutes the creation of a cartel).
Acea adopted a specific Antitrust Compliance Programme and appointed a Holding Antitrust Officer. The main objective of the programme is to strengthen internal controls aimed at preventing the violation of regulations through the implementation of regulatory and organisational instruments, as well as through a more widespread dissemination of the culture of respect for the principles of fair competition and consumer rights. The main Group companies adopted the Antitrust Compliance Programme in line with the indications of the Holding Company, and set up organisational structures in which Company Antitrust Officers were appointed, given the task of managing the activities to adapt the Programme to the individual companies and supervise its implementation and maintenance.
Regulatory risks also include all non-conformities, with particular regard to the environmental impact of Acea Group (generated for example by the activities of production and / or treatment of urban waste and waste, and of health and safety at work, mitigated through the adoption of certified management systems, respectively UNI EN ISO 14001: 2015 and ISO 45001:2018), which may result in the application of administrative and / or criminal penalties, including those of a disqualifying nature.
Following the introduction of some crimes that expand the catalogue of predicate offences capable of triggering the responsibility of the Bodies pursuant to Italian Legislative Decree 231/2001, the Acea Group has started the progressive updating of the companies' respective organisational models, starting with that of Acea SpA. In addition, preparations have begun for updating the Model for the law converting Italian Law Decree no. 124/2019 of 17 December 2019 that came into force on 25 December 2019, which introduced some tax crimes among the predicate offences pursuant to

Italian Legislative Decree 231/01, and Italian Legislative Decree 75 of 14 July 2020 transposing the "PIF Directive".
As part of the general Group Whistleblowing Procedure aimed at regulating the system with which anyone can make voluntary and discreet whistleblowing reports, guaranteeing the confidentiality of the identity of the whistleblower and thus protecting him/her from any retaliation, the rules governing Whistleblowing relating to unlawful conduct have been updated, also pursuant to Italian Legislative Decree 231/01 and/or violations of the 231 Model, expanding the possible channels of communication to include a specific IT platform, accessible by everyone (employees, third parties, etc.) on the website of each Group Company, and by employees of the Italian Companies of the Group having access to the company's Intranet.
It should be noted that some consolidated companies (Areti, Acea Ato2, Acea Elabori and Acea Ambiente), as more fully illustrated in the related financial statements, are subject to investigations or proceedings that relate to significant cases pursuant to Italian Legislative Decree no. 231/01 concerning safety and/or the environment. There are also complaints for corporate offences relating only to Acea Ato5, related to investigations and proceedings for significant cases pursuant to Italian Legislative Decree 231/01 concerning the environment and corporate crimes. In particular, with regard to corporate offences, case 2031/16 relates to financial years 2015, 2016 and 2017 and alleges that the crimes of accounting fraud and filing fraudulent financial statements were committed by the Chairpersons of the Company and the representatives of the supervisory body of this company. During 2020, notification was received that the preliminary investigations had been completed, pursuant to art. 415 bis.
On the basis of the information currently available, taking into account the operational autonomy of the companies with respect to the parent company Acea, any responsibilities that may be ascertained upon the final outcome of the aforementioned proceedings are exclusively attributable to the companies themselves, without any repercussions on the Parent Company or other companies of the Group that are not involved.
Finally, other additional regulatory risks that may potentially be of particular relevance for the Acea Group include those arising from the Privacy Regulation (EU) 2016/679 GDPR.
The Acea Group's compliance programme has made it possible to define and implement a Privacy Governance Model that is valid for the Group, taking the Parent Company as a privileged area of observation in its role as the linchpin of the system and supplier of services and/or centralised activities, looking at the Companies with a logic of priority at the core processes of each business area. The online training programme offered using an e-learning platform has been extended to Companies to provide a *first layer* of compliance with the obligation for Data Controllers to instruct data processing personnel, providing them with training on individual corporate processes as well as a particular focus on cross-cutting procedures (HR, Legal, etc.).
Corporate working groups have been set up to customise the Group Model in the individual companies, with effects on the implementation and/or fine-tuning of processes having a high impact on privacy, and initiatives have also been carried out to test compliance solutions already adopted.

Commercial and Trading Segment

With reference to the Commercial and Trading segment, the companies of the segment, in carrying out their sales activities on the electricity and gas free market, are fully exposed to the risk deriving from competition. In particular, there is the risk connected with potential economic and financial damage due to the progressive concentration of the electricity and gas market, i.e. the reduction in the number of competitors and the increase in their respective market shares, which would penalise the positioning of sales companies on the market (market share too low for the same number of customers), in the event of failure to align with the growth trend of the main competitors. This in particular in the case that a reduction in the prices of the reference commodity occurred, which could lead to exposure for a significant portion of the customer base to aggressive policies from the main competitors. Companies in this segment are also exposed to the risk of potential economic/financial impacts due to partial efficacy of commercial initiatives, intended to strengthen and increase the customer base and the margins of the companies.
Furthermore, with reference to commodities, there is the risk connected with potential economic and financial damage due to the impact of changes in the macroeconomic context, including sudden changes such as the COVID-19 pandemic or the so-called energy crunch phenomenon, which would lead, in the first case, to a reduction in the consumption of commodities by business customers and, in the second case, to phenomena of extreme volatility in commodity prices, with negative consequences on trade dynamics.
Regarding the Electricity Service for the standard-offer market, there is risk connected to development of the relevant regulatory framework, which could have a significant impact on the growth of the customer base, due to the disadvantageous position compared with other operators, as the mix of power customers of the Group companies, compared with that of the main competitors, is unbalanced in favour of the Electricity Service for the standard-offer market. This situation carries the risk of Acea Energia being penalised due to: (i) the inability to perform and commercial activity with regard to customers of the Electricity Service for the standard-offer market; (ii) being conditioned by tariffs regulated by revenues and margins of the Electricity Service for the standard market; (iii) exposure of a significant portion of its customer base to the impacts of policies that were adopted with a view to moving away from the Electricity Service for the standard market.
In the context of Acea Energia's operating activities which, as a commercial company, are the single point of contact for end customers, both for the electricity and gas free market and for the Electricity Service for the standard-offer market, there is risk linked to the possibility of inadequate levels of performance on the part of Distributors, with consequent impacts on the sales company.
In order to ensure the success of the development initiatives envisaged in the Business Plan, the Segment companies have launched change management projects, mitigating the risks associated with the non-involvement of all personnel (staff and line personnel, managers and others).
The Segment Companies also have typical business risks deriving from an efficient and effective management of billing and credit collection procedures, where it is affected by the sub-optimal performance of electricity and gas distributors.
Information about commodity price risk and the control tools adopted is provided in the financial risks section.

Energy Infrastructure Segment

Areti, making use also of the support and assistance of the Acea SpA Risk & Compliance Unit in managing the process and of the instruments of the Enterprise Risk Management system implemented in the corporate Group, carries out periodically and in a structured way an activity of identifying and assessing the main risks

that can have a significant impact on the achievement of the business objectives deriving from the strategic, industrial, financial and sustainability plans.
In this regard, in compliance with the provisions of the Group Regulatory System, at the Board of Directors' meeting held on 10 May 2022, the company approved the "LG_RM01_v.2.0 QASE" - Group Enterprise Risk Management Governance Guidelines" approved by the Board of Directors of Acea on 14 March 2022, which regulate the roles, responsibilities of the parties involved and control activities related to Enterprise Risk Management (ERM).
In order to react promptly to the strong contextual changes (internal and external) that occurred, an infra-annual Risk Assessment was carried out in June, which, starting with the risk scenarios already identified, focused on new risk factors and how they might affect the risk profile.
We can note the risks associated with the following projects with a great impact on the territory:

- Resilience Plan (investments of the network assets);
- Replacement of first-generation electronic meters with those of the second generation.

The risks refer generically to all the unknowns and to the possible problems that may arise during implementation of projects that are so articulated and extended over time (some provided for beyond the period of the Plan), also in consideration of the commitments made with ARERA; reference is therefore made to the possible critical issues associated with the work done on network infrastructures (authorisations from third-party bodies, procurement of materials, availability of firms, planning of activities, etc.) which assume greater significance for the number and concentration of the same.
Finally, Areti has adequately mitigated the risk to "typical" business areas like the integrity of its assets, adequate health and safety at work and its exposure to counterparties such as key suppliers and significant debtors and end customers for the technical services rendered.
Finally, with reference to the technical quality of the distribution service, required activities are under way to achieve the objectives indicated in the regulatory experiment approved by ARERA with determination 20/20 of 20/11/20 which establishes a commitment for Areti to achieve the quality levels already envisaged for the present by 2023, against non-disbursement of penalties that should be paid annually based on that established in the current mechanism.

Generation Segment

The main operational risks associated with the Segment's business may relate to property damage (damage to assets, adequacy of suppliers, negligence), personal injury and damage arising from information systems and external events.
Acea Produzione, in order to cope with any operational risks, has taken steps, since the start of its activity, to sign policies with leading insurance institutions for property damage, third party liability, employee accident policy and finally, in view of the health emergency still in progress, to activate a COVID-19 insurance policy.
Acea Produzione pays particular attention to the training of its employees, through in-person, virtual and on-line training courses, in order to make field operators and all corporate management responsible for working safely, respecting the environment and ecosystems, with ethical appropriateness and with a view to eco-sustainability.
Acea Produzione also develops and defines internal organisational procedures aimed at describing the activities and business processes of production sites/operating units where it specifies the matrix of responsibility and the context and the applicable legislation of reference; In addition, it draws up its own operating instructions for the field, which show how recurring maintenance work is to be carried out, relating the technical operating specifications to the safety guidelines to be used in operations.
The above is also realised through the implementation of an Integrated Environment and Safety Management System (hereinafter SYSTEM), adopted pursuant to ISO 14001:2015 and ISO 45001:2018, certified by an accredited external control body. The aforementioned SYSTEM was extended to ISO9001:2015 for specific corporate processes, by reaching the reference STAGE 1, which will be completed in the first half of 2023.
SYSTEM is intended to be a tool to:

- protect health and safety in the workplace and throughout the supply chain;
- protect the environment and biodiversity in ecosystems of interest;
- promote rational and knowledgeable use of energy sources and raw materials;
- promote a culture of quality and energy savings;
- achieve customer satisfaction;
- ensure continuous and proactive dialogue with other interested parties.

All this is specifically outlined in the SYSTEM policy, as declared and adopted by the companies in the Segment.

Acea Ambiente

The Terni and San Vittore del Lazio plants were involved in optimisation and revamping projects that present the risks typically related to the construction of complex industrial infrastructure (construction and performance defects).
The Orvieto plants, and more recently Aprilia and Monterotondo, have completed major upgrading of their recovery processes for composting purposes, while the Sabaudia and Chiusi plants are undergoing major expansion and upgrading work that is currently being authorised (Sabaudia) or has just been authorised (Chiusi).
With regard to the management phase, the possible discontinuity of the waste-to-energy activities carried out in the Terni and San Vittore del Lazio plants and the waste treatment activities carried out by the other plants, if connected to the production of electricity under incentive programmes and the provision of public services, could have significant negative repercussions. This, both from an economic point of view and with respect to responsibility towards public and private suppliers. In this context, therefore, where not planned, a plant shutdown creates a concrete risk of failure to achieve the objectives of the industrial activity.
The waste-to-energy plants, as well as waste treatment plants to a lesser extent, are characterised by a high level of technical complexity, which requires the management of qualified resources and organisational structures with a high level of know-how. Therefore, there are specific risks with regard to the continuity of technical performance of the plants, as well as connected to the possible exodus of professional skills (not easily available on the market) having specific managerial skills in this area.
These risks have been mitigated by implementing specific maintenance and management programmes and protocols, drawn up partly on the basis of the experience acquired in plant management. Moreover, the plants and the related activities are designed to handle certain types of waste. The failure of incoming material to meet the necessary specifications could lead to concrete operational problems, sufficient to compromise the operational continuity of the plants and give rise to risks of a legal nature.

For this reason, specific procedures have been adopted for monitoring and controlling incoming materials via spot checks and the analysis of samples pursuant to legislation in force.

Information Technology risks

For years now Acea has followed a development path focused on the use of new technologies as a driving force for the operational efficiency, safety and resilience of its industrial assets. The main business processes are now all supported by the use of advanced information systems, implemented and managed by the Group's centralised departments to support the operations of the various companies. In this sense, the Group is therefore exposed to the risks of the adequacy of the IT infrastructure to the current or future needs of the various businesses, as well as to the risks of unauthorised access to the data processed using IT procedures, with or without intent, and in any case inappropriate or not in compliance with current regulations. Acea manages these risks with the utmost attention through specific corporate compliance structures coordinated by specialised Group safeguards.

As far as cyber security of systems, infrastructure, networks and other electronic devices is concerned within the scope of the services provided or the respective Group Companies, the current procedural and technological safeguards of the Companies themselves are implementing all the necessary actions to align their cyber security posture with the main national and international industry standards in order to increase their resilience to risks of this nature, possible repercussions in terms of business interruption and regulatory non-compliance. Technological and organisational measures have been implemented with the aim of:

- managing the threats to the organisation's network infrastructure and information systems in order to ensure a level of security appropriate to the existing risk;
- Preventing accidents and minimising their impact on the security of the network and information systems used to provide services, so as to ensure their continuity.

To that end, note that on 2 February 2023 Acea was the victim of a Ransomware hacker attack, which affected all Corporate IT services. Essential services (including electricity and water distribution) were not impacted; with reference to work stations, only a few units were compromised, thanks to the anti-malware technology installed. Concurrent with analysis, existing security measures were strengthened and recovery was begun, including restoration of full backups, which led to a gradual recovery of functioning for all systems/services. The event involved the compromising of the company's non-structured data repository with an impact on availability. Together with internal analysis, an investigation by the Public Prosecutor of Rome was launched and is still under way, utilising the bodies of the CNAIPIC Postal Police - PG to analyse the incident. The checks and analysis in progress in any case excluded any adjustments to the data and information supplied for preparation of the Acea Group's financial statements at 31 December 2022.

MARKET RISK

The Group is exposed to various market risks with particular reference to the risk of price/volume oscillations for commodities being bought and sold, interest rate risks and foreign exchange risks to a lesser extent. To reduce exposure to within the defined limits, the Group enters into contracts drawn up on the basis of the typologies offered by the market.

The **Market risk** is the risk concerning the unexpected effects on the value of the portfolio of assets due to changes to the market conditions.

Commodity risk

In this context, reference is made to the Price Risk and Volume Risk cases as defined:

- **Price risk**: risk linked to the change in commodities prices due to the difference in the price indices for purchases and sales of Electricity, Natural Gas and EUA Environmental Certificates;
- **Volume risk**: the risk linked to changes in the volumes effectively consumed by clients compared to the volumes envisaged in the sales contracts (sale profile) or, in general, the balancing of positions in the portfolios.

Through the activities carried out by the Commodity Risk Control Unit of the Finance Unit within the Administration, Finance and Control department, Acea SpA ensures the analysis and measurement of exposure to market risks, interacting with the Energy Management Unit of Acea Energia, verifying compliance with the limits and criteria adopted by the General Risk Management of the Commercial and Trading Sector and by the Administration, Finance and Control Department in line with the Acea "Guidelines for the Internal Control and Risk Management System" and Acea "Guidelines for Risk Management For Commodity Trading in Futures Markets", approved by the Board of Directors on 14 March 2022, as well as the specific procedures. The analysis and management of risks is carried out according to a second-level control process that involves the execution of activities throughout the year with different frequency by type of limit (annual, monthly and daily), carried out by the Commodity Risk Control Unit and by risk owners.

Specifically:

- Every year, the measures of the risk indicators, i.e. the limits in force, must be reviewed and respected in the management of the risks;
- Every day, the Commodity Risk Control Unit is responsible for verifying the exposure to market risks of the companies in the Commercial and Trading Industrial Segment and for verifying compliance with the defined limits.

The reports are sent to the Top Management on a daily and monthly basis. When requested by the Internal Control System, Commodity Risk Control prepares the information requested and available to the system in the format appropriate to the procedures in force and sends it to Acea's Internal Audit Unit.

The risk limits of the Commercial and Trading Sector are defined in such a way as to:

- minimise the overall risk of the entire segment;
- guarantee the necessary operating flexibility in the provisioning of commodities and hedging;
- reduce the possibility of over-hedging deriving from the variation in expected volumes for the definition of hedges;
- The management and mitigation of commodity risk are functional to achieving the economic and financial objectives of Acea Group, as indicated in the budget, in particular:
- to protect the primary margin against unforeseen and unfavourable short-term shocks in the energy market which affect revenues or costs;
- to identify, measure manage and represent exposure to risks;
- to reduce risks through the preparation and application of adequate internal controls, procedures, information systems and expertise.

Commodity trading on futures markets is intended to satisfy expected needs deriving from electricity and gas sales contracts relative to end customers.
The risk hedging strategy adopted by the Commercial and Trading Industrial Area also aims to minimise the risk associated with the volatility of the Income Statement deriving from the variability of market prices and ensure correct application of the Hedge Accounting (in accordance with current International Accounting Standards) to all derivative financial instruments used for such purpose.
As regards the commitments undertaken by the Acea Group to stabilise the cash flow from purchases and sales of electricity, it should be noted that all of the ongoing hedging operations are recorded in the accounts using the flow hedge method, as far as the effectiveness of hedging can be demonstrated. The financial instruments used are of the swap and contracts for difference (CFD) type, or other instruments aimed at hedging commodity price risk.
The evaluation of risk exposure involves the following activities:

- recording of all transactions involving physical quantities carried out in special books (known as Commodity Books) differentiated according to the purpose of the activity (Sourcing on wholesale markets, Portfolio Management, Sale to end customers within and outside the Acea Group) and commodities (e.g., Electricity, Gas and EUA);
- daily checks on observance of limits applicable to the various Commodity Books.

The activity performed by the Commodity Risk Control Unit provides for daily codified checks on compliance with risk procedures and limits (also for purposes of compliance with Law 262/05) and reports to the Top Management any discrepancies detected during the phases of checks, so that measures can be adopted to be within the established limits.

Interest rate risk

The Acea Group's approach to managing interest rate risk, which takes the structure of assets and the stability of the Acea Group's cash flows into account, has essentially been targeted, up to now, at hedging funding costs and stabilising cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving from ordinary activities.
The Acea Group's approach to managing interest rate risk is, therefore, prudent and the methods used tend to be static in nature.
In particular, for static management (to be opposed to the dynamic one) we mean a type of management of interest rate risk that does not provide for daily operations on the markets but an analysis and control of the position carried out periodically on the basis of specific needs. This type of management therefore involves daily activity in the markets, not for trading purposes but in order to hedge the identified exposure in the medium/long term.
Acea has, up to now, opted to minimise interest rate risk by choosing a mixed range of fixed and floating rate funding instruments.
As it is known, fixed rate funding protects a borrower from cash flow risk in that it stabilises the financial outflows in the income statement, whilst heightening exposure to fair value risk in terms of changes in the market value of the debt.

Foreign exchange risk

The Group is not particularly exposed to this type of risk, which is concentrated in the conversion of the financial statements of its overseas subsidiaries.
As regards the 20 billion Yen Private Placement, the exchange rate risk is hedged through a cross currency swap described in the section on interest rate risk.

Liquidity risk

The Group policy for managing liquidity risk, for both Acea and its subsidiaries, involves the adoption of a financial structure which, coherent with business objectives and within the limits defined by the Board of Directors, guarantees a suitable liquidity level that can meet short/medium-term financial requirements, while maintaining an appropriate balance between maturity and composition of debt, also taking into account the challenging objectives set out in the Business Plan in terms of developing new M&A initiatives. The various elements of uncertainty faced by the Group include the potential economic, financial and reputational impacts associated with the closing of or failure to close the aforementioned transactions. The Acea Group has therefore adopted an articulated and structured assessment process for these risks, carried out in close coordination between the companies and the Parent Company's organisational controls of the individual types of risk.
The liquidity risk management process, which uses financial planning tools for outflows and receipts implemented at the level of the individual companies under the coordination of specific Group oversight, aimed at optimising the management of treasury hedges and to monitor the trend of consolidated financial debt, is carried out both through cash pooling management both through the support and assistance provided to the subsidiaries and associated companies with which there is no centralised finance contract.

Credit risks

Credit risk is associated with the possibility that a commercial counterparty is non-compliant, not honouring their commitments in line with the methods and schedules contractually established. This type of risk is managed by the Acea Group through specific procedures, prepared in line with the Group's Credit Policy and with appropriate mitigation actions.
The Credit Check system, which has been operating in unregulated markets for several years and with which all new mass market and small business customers are checked through customised scorecards, is integrated with user management system.
Scorecards, updated based on the most recent collection experiences, began use at the beginning of 2022 and were adjusted during the year in line with the changed reference scenario.
The assessment of Large Business customers is managed through an approval workflow with decision-making bodies consistent with the level of exposure expected from the supply. The models and tools for managing Large Business customers were also optimised during 2022.
The dynamic management of recovery strategies is carried out in the billing system for active customers, based on their relative payment habits (performance scorecard) and through a dedicated management system for those discontinued.

The structures of the individual companies responsible for credit management are coordinated by Acea's Corporate Credit unit, which guarantees end-to-end control of the entire process.
The mass management of active and inactive receivables of a limited amount was carried out by the operating companies, leaving to the holding company the activity of disposing of non-performing receivables through disposal operations, as well as the management of inactive customers with significant amounts due. As a result of these interventions, in recent years the Acea Group significantly improved its collections capacity both in terms of electricity sales and the water supply business.
2022, despite the changed macroeconomic scenario and the significant growth in energy prices, did not show any particular criticality in the generation of cash flows, with the exception of the moderate increase in instalment requests (mainly resulting from ARERA resolutions or legal provisions) for Acea Energia, characterised in any case by a term limited to a few months and a low level of default.
With reference to calculating the provision for doubtful receivables for the electricity and gas sales company, more exposed to market changes, it was deemed expedient to raise the impairment percentages relative to upcoming invoices and the receivable relative to the Large Business customers deemed most risky, also in the presence of substantially regular payments, using statistical models based on macroeconomic figures and data supplied from external info providers. Also for Areti and the main companies in the water segment, to determine the provision for doubtful receivables corrections were introduced using "satellite models" intended to incorporate potential risks deriving from possible deterioration of collection performance.
Consistent with the above, the level of attention on the Group's credit risk has been increased with the initiation and/or strengthening of working groups aimed at the most effective prevention and mitigation actions of the same.
As in previous years, this year the Group has also set up non-recourse, revolving and spot transactions, of receivables from private customers and public administrations. This strategy exposes the Group to the risks involved in closing or failing to close these operations, and on the other hand allows the full derecognition of the corresponding assets subject to disposal from the financial statements since all the risks and benefits associated with them have been transferred.
Trade receivables are shown in the financial statements net of any impairment; it is held that the value shown expresses an accurate representation of the presumed realisable value of total trade receivables.

Risks relating to the rating

Access to the capital market and other forms of funding and the related costs, depends amongst other things on the Group's credit rating.
A reduction in the credit rating by rating agencies could represent a limiting factor for access to the capital market and increase collecting costs with the consequent negative effects on the equity, economic and financial standing of the Group.
Acea's current rating is shown in the following table.

Company	M/L Term	Short Term	Outlook	Date
Fitch	BBB+	F2	Stable	05/07/2022
Moody's	Baa2	n.a.	Negative	09/08/2022

BUSINESS OUTLOOK

In a context that remains complex, mainly due to the effects of the war in Ukraine and its effects on the economy and society, as well as the negative impacts of volatility on the energy market, 2022 results have recorded solid growth. However, net profit in 2022 was influenced by external factors, mainly taxation of excess profits and the increase in interest rates for financial management.
The Group paid greater attention to managing costs and investments. Acea established prompt revision of its procurement procedures to improve its competitive processes, allowing for a prompt reduction in costs and optimisation of investments and work orders. Additionally, lines of action were defined to contain credit risk, in part through prevention and managing the customer portfolio.
All of the actions implemented made it possible to strengthen the Group's position as an operator with a strong industrial vocation, maintaining a solid financial structure and generating positive impacts on the Group's economic and operating performance.
With reference to the Water segment, Acea released the doubling project for Peschiera, one of the ten works deemed of national interest. This € 1.2 billion project, of which € 700 million covered through public resources allocated in the 2023 Stability Law, will make secure the water supplies for the capital city. Additionally, the assignment of NRRP projects was unblocked for € 733 million, to implement works in the areas of Lazio, Tuscany, Campania and Umbria.
In the environmental area, in October, Acea received authorisation from the Lazio Region, initially requested on 20 August 2020, to improve the Waste to Energy Plant in San Vittore (province of Frosinone). The project is fundamental in closing the waste cycle in Lazio and will improve waste-to-energy capacity by 186,000 tons per year, with an investment of over € 230 million. On 1 March, Acea and a group of major domestic and international leaders in their respective sectors presented an indication of interest to participate in the tender for the assignment of the new Santa Palomba Waste to Energy Plant (province of Rome).
With regards to public lighting and the electricity distribution grid, Acea was able to begin significant investments, also with an eye to the upcoming Jubilee, thanks to the renewed collaboration with the Municipality of Rome. In late January an innovative metre was launched in Rome, which supports the balance between energy demand and supply.
Debt at 31 December 2022 involves a fixed rate for 84%, so as to guarantee protection from any future increases in interest rates and from financial or credit volatility, as well as to guarantee adequate coverage of the financial requirements the Group will have. In 2023 the issue of two Green Bonds was successfully completed for a total of € 700 million, at a rate of 3.875% and maturing on 24 January 2031, further strengthening Acea's position as a sustainability leader.

RESOLUTIONS REGARDING THE RESULT FOR THE YEAR AND THE DISTRIBUTION TO SHAREHOLDERS

Dear Shareholders,

In inviting you to approve the financial statements we are submitting to you, we propose to allocate the profit for the year ended 31 December 2022, equal to € 206,735,269.29, as follows:

- € 10,336,763.46, equal to 5% of profit, to the legal reserve,
- distribution of a total dividend of € 180,665,720.95 to shareholders, corresponding to a dividend of € 0.85 per share;
- € 15,732,784.87 carried forward.

The total dividend (coupon no. 24) of € 180,665,720.95, equal to € 0.85 per share, will be paid starting from 21 June 2023 with coupon detachment on 19 June 2023 and record date 20 June 2023.
On the date of approval of the financial statements, treasury shares amounted to no. 416,993.

Acea SpA
The Board of Directors

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FINANCIAL STATEMENTS

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FORM AND STRUCTURE

GENERAL INFORMATION

The financial statements of Acea SpA for the year ended 31 December 2022 were approved by resolution of the Board of Directors on 8 March 2023, which authorised their publication. Acea is an Italian public limited company, with a registered office in Italy, Rome, Piazzale Ostiense 2, whose shares are traded on the Milan Stock Exchange.

COMPLIANCE WITH IAS/IFRS

The financial statements have been drafted in accordance with the International Financial Reporting Standards (IFRS) effective on the date of drafting the financial statements, approved by the International Accounting Standards Board (IASB) and adopted by the European Union, consisting of the International Financial Reporting Standards (IFRS), by the International Accounting Standards (IAS) and by the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), collectively referred to as "IFRS" and pursuant to art. 9 of Italian Legislative Decree no. 38/05.
Acea SpA adopts the international accounting standards, International Financial Reporting Standards (IFRS), with effect from the financial year 2006, with transition date to the IFRS at 1 January 2005. The latest financial statements drafted according to the Italian accounting standards refer to the financial year ended on 31 December 2005.

BASIS OF PRESENTATION

The Financial Statements for the year ended on 31 December 2022 consist of the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity — all drafted according to the provisions of IAS 1 — as well as the Explanatory and Supplementary Notes, drafted in accordance with applicable IAS/IFRS provisions.
It is specified that the Income Statement is classified based on the nature of the costs, the Balance Sheet and Financial Position based on the liquidity criterion with the subdivision of items between current and non-current, while the Cash Flow Statement is presented using the indirect method.
The Acea SpA Financial Statements are prepared using the going concern assumption. In fact, in the Company's assessment there are no significant uncertainties regarding the company as a going concern (as defined in paragraph 25 of IAS 1).
The financial statements for the year ended on 31 December 2022 have been drafted in Euro and all amounts are rounded to thousands of Euro unless otherwise indicated.

ALTERNATIVE PERFORMANCE MEASURES

On 5 October 2015, ESMA (European Securities and Markets Authority) published its guidelines (ESMA/2015/1415) on criteria for the presentation of alternative performance measures which replace, as of 3 July 2016, the CESR/05-178b recommendations. These guidelines were transposed into our system with CONSOB Communication no. 0092543 dated 3 December 2015. In addition, on 4 March 2021 ESMA published the guidelines on the disclosure requirements deriving from the new Prospectus Regulation (Regulation EU 2017/1129 and Delegated Regulations EU 2019/980 and 2019/979), which update the previous CESR Recommendations (ESMA/2013/319, in the revised version of 20 March 2013). Starting from 5 May 2021, on the basis of CONSOB Call for Attention No. 5/21, the aforementioned ESMA Guidelines also replace the CESR Recommendation on debt. Therefore, under the new provisions, listed issuers will have to present, in the explanatory notes to their annual and semi-annual financial statements published from 5 May 2021 onwards, a new statement on debt to be drafted in accordance with the instructions in paragraphs 175 and following of the above ESMA Guidelines.
Financial debt is represented and determined in accordance with what is indicated in the aforementioned ESMA guidelines and in particular in paragraph 127 of the recommendations contained in document no. 319 of 2013, implementing Regulation (EC) 809/2004. This indicator is determined as the sum of short-term borrowings ("Short-term loans", "Current part of long-term loans" and "Current financial liabilities") and long-term borrowings ("Long-term loans") and the related derivative instruments ("Non-current financial liabilities"), net of "Cash and cash equivalents" and "Current financial assets".

USE OF ESTIMATES AND ASSUMPTIONS

Drafting of the Financial Statements, in application of the IFRS, requires the making of estimates and assumptions that affect the values of revenues, costs, assets and liabilities in the financial statements and information on potential assets and liabilities reference date. The main sources of uncertainty that could have an impact on the evaluation processes are also considered in making these estimates. The actual amounts may differ from such estimates.
The estimates were used in the assessment of the impairment test, to determine some sales revenues, for provisions for risks and charges, the allowance for doubtful accounts and other provisions for depreciation, amortisation, valuations of derivative instruments, employee benefits. and taxes. The estimates and assumptions are reviewed periodically, and the effects of each change are immediately recorded in the Income Statement.

The estimates also took into account assumptions based on the parameters and market and regulatory information available at the time the financial statements were drafted. Current facts and circumstances influencing the assumptions on future development and events may change due to the effect, for example, of changes in market trends or the applicable regulations that are beyond the control of the Company. These changes in assumptions are also reflected in the financial statements when they occur.

In addition, it should be noted that certain estimation processes, particularly the more complex such as the calculation of any impairment of non-current assets, are generally performed in full only when drafting the annual financial statements, unless there are signs of impairment that call for immediate impairment testing.
For more information on the methods in question, please refer to the following paragraphs.

ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The most significant principles and criteria are explained below.

NON-CURRENT ASSETS DESTINED FOR SALE

Non-current assets (and discontinued operations groups) classified as held for sale are valued at the lower of their previous carrying amount and market value less costs to sell.
Non-current assets (and disposal groups) are classified as held for sale when it is expected that their carrying amount will be recovered through a sale transaction rather than their use in the company's operations. This condition is met only when the sale is highly probable, the asset (or group of assets) is available for immediate sale in its current conditions and the Management has made a commitment to the sale, which must take place within twelve months from the date of classification in this item.

EXCHANGE DIFFERENCES

The functional and presentation currency adopted by Acea SpA and by subsidiaries in Europe is the Euro (€). Transactions in foreign currencies are initially recognised at the exchange rate in force on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies were reconverted into the functional currency at the exchange rate prevailing at the balance sheet date. All exchange differences are recorded in the Income Statement of the financial statements, with the exception of differences deriving from loans in foreign currency that have been entered into to hedge a net investment in a foreign company. These differences are recognised directly in equity until the net investment is disposed of and at that time any subsequent exchange rate difference is recognised in the Income Statement. The tax effect and receivables attributable to the exchange differences deriving from this type of loan are also attributed directly to equity. Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate in force on the date of initial recognition of the transaction. Non-monetary items recorded at fair value are converted using the exchange rate on the date of calculation of this value.

The currency used by Latin American subsidiaries is the official currency of their country. On the balance sheet date, the assets and liabilities of these companies are converted into the presentation currency adopted by Acea SpA using the exchange rate in effect on the balance sheet date, and their Income Statement is converted using the average exchange rate for the year or the exchange rates prevailing on the date of execution of the relevant transactions. Differences in translation emerging from the different exchange rates used for the income statement with respect to the balance sheet are recorded directly in equity and are shown separately in one of its specific reserves. At the time of disposal of a foreign economic entity, the accumulated foreign exchange differences recorded in the shareholders' equity in a specific reserve will be recognised in the Income Statement.

REVENUE RECOGNITION

In accordance with the provisions of IFRS15 "Revenue from contracts with customers", revenues are recognised for an amount that reflects the consideration to which the entity believes it is entitled in exchange for the transfer of goods or services to the customer. The fundamental steps in accounting for revenues are:

- identify the commercial contract, defined as a (written or verbal) agreement between two or more parties which results in rights and obligations with the customer having the right to legal protection;
- identify the separately identifiable obligations to do something (also "performance obligations") contained in the contract;
- determine the price of the transaction, as the fee the enterprise expects to receive for the transfer of assets or the performance of services to the customer, in accordance with the techniques in the Standard and depending on the possible presence of financial and variable components;
- allocate a price to each performance obligation;
- to recognize the revenue when the revenue obligation is fulfilled by the entity, allowing for the fact that the services may not be provided at a specific time, but over a period of time.

Revenues are measured by Acea SpA at the fair value of the consideration received or receivable, based on the type of operation,

taking into account the value of any commercial discounts, returns and rebates granted.

FINANCIAL INCOME

Income is recognised on the basis of interest accrued on the net value of the relevant financial assets using the effective interest rate (rate that exactly discounts estimated future cash flows at the net carrying amount of the asset). Interest is recorded as an increase in the financial assets shown in the financial statements.

DIVIDENDS

These are recognised when the unconditional right of shareholders is established to receive payment. They are classified in the income statement under the item Investment income.

CONTRIBUTIONS

Contributions obtained for investments in plants, both by public bodies and by private third parties, are recognised at fair value when there is a reasonable certainty that they will be received and that expected conditions will be met. Contributions received for specific plants whose value is recorded under fixed assets are recorded (using the indirect method) among other non-current liabilities and progressively released to the Income Statement in constant instalments over a period equal to the useful life of the reference asset.
Operating grants (granted for the purpose of providing immediate financial assistance to the company or as compensation for expenses and losses incurred in a previous year) are recognised in full in the Income Statement when the conditions for recognition are met.

CONSTRUCTION CONTRACTS IN PROGRESS

Construction contracts in progress are assessed on the basis of the contractual fees accrued with reasonable certainty, according to the percentage of completion criterion (the so-called cost to cost), so as to attribute the revenues and the economic result of the contract to the individual financial years in proportion to the progress of the works. The positive or negative difference between the value of the contracts and the advances received is recorded respectively in the assets or in the liabilities side of the balance sheet.
Contract revenues, in addition to contractual fees, include variants, price revisions and recognition of incentives to the extent that they are likely to represent actual revenues and if these can be determined reliably. Ascertained losses are recognised regardless of the progress of orders.

COSTS RELATED TO BORROWING

Costs related to the assumption of loans directly attributable to the acquisition, construction or production of assets that necessarily require a significant period of time before being ready for use or sale, are included in the cost of these assets, up until where they are ready for use or sale. The proceeds from the temporary liquidity investment obtained from the aforementioned loans are deducted from capitalised interest. All other charges of this nature are recognised in the Income Statement when they are incurred.

EMPLOYEE BENEFITS

Benefits guaranteed to employees disbursed at the time of or after termination of the employment relationship through defined benefit and defined contribution programmes (including: severance indemnity -TFR, extra months, tariff subsidies, as described in the notes) or other long-term benefits are recognised in the period during which the rights to these accrue. The valuation of the liability is carried out by independent actuaries. These funds and benefits are not funded. The cost of benefits envisaged by the various plans is determined separately for each plan using the actuarial valuation method of the unit credit projection, making the actuarial valuations at the end of each year.
Profits and losses deriving from the actuarial calculation are recorded in the statement of comprehensive income, then in a specific Shareholders' equity Reserve, and are not subsequently charged to the Income Statement.
Expenses deriving from retirement incentives for employees who took part in the "Isopensione" Plan and which meet the criteria defined in the Group's Plan were recognised in a specific Provision. The Group takes the place of the reference national insurance institutions. In particular, the Provision was created to pay pension instalments due to early pensioners, as well as to pay presumed contributions during the period needed to achieve the right to the relative social security payments through the national insurance institutions.

TAXES

Income taxes for the year represent the sum of current taxes (as per tax consolidation) and deferred taxes.
Current taxes are based on the taxable results for the year. Taxable income differs from the results reported in the Income Statement because it excludes positive and negative components that will be taxable or deductible in other financial years and also excludes items that will never be taxable or deductible. The liability for current taxes is calculated using the rates in force or in fact in force at the balance sheet date as well as taxation instruments allowed by tax legislation (national tax consolidation, taxation for transparency).
Deferred taxes are the taxes that are expected to be paid or recovered on temporary differences between the book value of assets and liabilities in the financial statements and the corresponding tax value used in the calculation of the taxable income, recorded according to the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, while deferred tax assets are recognised to the extent where it is probable that there will be future taxable results that allow the use of deductible temporary differences.
The carrying amount of deferred tax assets is revised at each balance sheet date and reduced to the extent that, based on the plans approved by the Board of Directors, the existence of sufficient taxable income is not considered likely to allow all or partly the recovery of these assets.
Deferred taxes are calculated based on the tax rate that is expected to be in effect at the time the asset is realised or the liability is relieved. Deferred taxes are charged directly to the Income State-

ment, with the exception of those relating to items recognised directly in equity, in which case the relevant deferred taxes are also recognised in equity.

TANGIBLE ASSETS

Tangible assets are recognised at cost, including ancillary costs directly attributable and necessary for putting the asset into service for the use for which it was purchased, net of the relevant accumulated depreciation and any accumulated impairment losses.
The cost includes the costs of the dismantling and removal of the assets and the costs of reclamation of the site on which the tangible assets stand, if they comply with the provisions of IAS 37. Assets composed of components of a significant amount with a different useful life.
The costs for improvements, modernisation and transformation that increase the value of tangible assets are recognised as assets when it is probable that they will increase the expected future economic benefits of the asset.
Land, whether free of construction or annexed to civil and industrial buildings, is not depreciated as it has an unlimited useful life.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset by applying the following percentage rates:

	Economic-technical depreciation rate	
Description	**Min**	**Max**
Instrumental systems and equipment	1.25%	6.67%
Non-instrumental systems and equipment	4%	
Instrumental industrial and commercial equipment	2.5%	6.67%
Non-instrumental industrial and commercial equipment	6.67%	
Other capital goods	12.50%	
Other non-capital goods	6.67%	19%
Instrumental vehicles	8.33%	
Non-instrumental vehicles	16.67%	

Systems and equipment under construction for production purposes are recorded at cost, net of write-downs for losses in value. The cost includes any professional fees and, for some assets, financial charges capitalised in accordance with the Company's accounting policies. The depreciation of these assets, as for all other assets, begins when the assets are ready for use. For some types of complex goods for which long-lasting functional tests are required, the suitability for use is attested by the positive passing of these tests. Tangible assets are subjected annually to a recoverability analysis in order to detect any loss in value: this analysis is carried out at the level of individual tangible assets or, possibly, at the level of the cash-generating unit. Assets held as financial leases are depreciated in relation to their estimated useful life as for assets held as property or, if lower, based on the expiry dates of leases. Profits and losses deriving from the sale or disposal of assets are determined as the difference between the sale revenue and the net book value of the asset and are recorded in the Income Statement for the year.

REAL ESTATE INVESTMENTS

Real estate investments, represented by properties held for rental and / or capital appreciation, are recorded at purchase cost including negotiation costs net of the relevant accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The percentages applied are between a minimum of 1.67% and a maximum of 11.11%. Real estate investments are eliminated from the financial statements when they are sold or when the investment property is permanently unusable and no future economic benefits are expected from its possible sale. The sale of real estate which results in the leaseback of the assets is recorded on the basis of the substantial nature of the transaction considered as a whole. In this regard, reference is made to what has been explained regarding Leases. Any profit or loss deriving from the elimination of an investment property is recorded in the Income Statement in the year in which the elimination takes place.

INTANGIBLE ASSETS

Intangible assets refer to assets without physical substance, that can be identified, are controlled by the company and are able to produce future economic benefits. Intangible assets acquired separately are capitalised at cost, while those acquired through business combinations are capitalised at the fair value defined on the purchase date. After the first entry into the category of intangible assets, the cost criterion applies. The useful life of intangible assets can be qualified as definite or indefinite. Intangible assets with an indefinite useful life are subjected annually to a recoverability analysis in order to detect any loss in value: this analysis is carried out at the level of the individual intangible asset or, possibly, at the level of the cash-generating unit. The useful life is reviewed annually and any changes, where possible, are made by means of analytical tables. Gains or losses deriving from the disposal of an intangible asset are determined as the difference between the disposal value and the carrying amount of the asset and are recorded in the Income Statement at the time of disposal.

BRANDS

Brands, as distinctive markers for a company, are an emblem, name or sign and can be registered if they meet the requirements of novelty, originality and legality. They are recognised under intangible assets and initially recognised at acquisition cost, amortised at constant rates over their useful lives. Costs incurred for internal creation of brands are not capitalised and hence must be allocated to the income statement.

RIGHTS OF USE OF INTELLECTUAL PROPERTY

Costs relative to this item refer to the purchase and implementation of software to support the development of IT platform management systems, corporate security and administrative management. They are included under intangible assets and are amortized on the basis of a period of presumed usefulness of three / five years.

RIGHT OF USE

This item contains assets relative to application of international accounting standard IFRS16, issued in January 2016 and in effect as of 1 January 2019, which replaced the previous standard on leasing, IAS17 and its interpretations, identifying criteria for recognition, measurement and presentation, as well as the information to be provided with reference to leasing contracts. IFRS16 marks the end of the distinction in terms of classification and accounting treatment of operating leases (with off-balance sheet disclosures) and finance leases (recognised in the financial statements). Rights of use for leased assets and the commitment made result from financial data in the financial statements (IFRS16 applies to all transactions involving a right of use, regardless of the contractual form, i.e. lease, rental or hire purchase). The standard introduces the concept of control to the definition used, in particular, to determine whether a contract is a lease. IFRS16 requires a lessee to verify whether it has the right to control the use of a given asset for a specified period of time. There is no accounting symmetry with the lessor, which continues to apply a separate accounting treatment depending on whether the contract is an operating lease or a finance lease (on the basis of current guidelines). On the basis of this new model, the lessee shall recognise:

- in the balance sheet, the assets and liabilities for all leases that have a term exceeding 12 months, unless the underlying asset has a modest value;
- in profit or loss, depreciation of the leased assets separately from interest on the related liabilities.

For the first-time adoption of the principle, the transition approach used by the Acea Group was the modified retrospective approach, and therefore the contracts whose leases — including renewals — will end within 12 months from the date of first application will not be included. The Group has also used the possibility envisaged by the principle of not accounting separately for the "non-lease" component of mixed contracts, therefore choosing to treat these contracts as a "lease". For payable discounting purposes, the Group has used an IBR calculated based on a risk-free rate with a maturity equal to the residual duration for each contract plus the credit spread assigned to Acea SpA by Moody's. Finally, it should be noted that there are no significant differences between the commitments arising from lease contracts discounted at the same rate and the value recognised in accordance with IFRS16.

IMPAIRMENT

Goodwill and other assets with an indefinite useful life are not amortised on a straight-line basis, but are tested for impairment at least once a year by the individual Cash Generating Units (CGUs) or groups of CGUs to which assets with an indefinite useful life can be reasonably allocated, in accordance with Group procedures. The Company analyses the CGUs of the Group identified using its procedure, based on the impairment procedure. The test consists of a comparison between the carrying amount of the asset and its estimated value in use - VIU. Given the nature of the activities carried out by the Acea Group, the method of determining the VIU is carried out by discounting the expected cash flows from use and, if significant and reasonably determinable, from disposal at the end of the useful life. However, where there is evidence of a reliable fair value (price traded in an active market, comparable transactions, etc.) the Group assesses the adoption of this value for impairment testing. Cash flows are determined on the basis of the best information available at the time of the estimate, which can be inferred through the combined use of the financial method and sensitivity analyses. The determination of the VIU is carried out using the financial method (Discounted Cash Flow - DCF) which considers the ability to produce cash flows as the fundamental element for the valuation of the entity of reference. The application of the financial method to determine the value in use of a CGU involves estimating the present value of net operating cash flows for tax purposes. If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be lower than the relative book value, it is reduced to the lower recoverable value. An impairment loss is immediately recognised in the Income Statement, unless the asset is represented by land or buildings other than real estate investments recorded at revalued values, in which case the loss is recognised in the respective revaluation reserve. When an impairment no longer exists, the carrying amount of the asset (or cash-generating unit), with the exception of goodwill, is increased to its new estimated recoverable amount. The reversal must not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment charge been recognised for the asset in prior periods. The reversal of an impairment charge is recognised immediately as income in the income statement, unless the asset is carried at a revalued amount, in which case the reversal is recognised in the revaluation reserve. Where an impairment charge is recognised in the income statement, it is included among amortisation, depreciation and impairment charges.

EQUITY INVESTMENTS

Investments in subsidiaries and associates are recorded in the balance sheet at the adjusted cost of any impairment losses on the individual equity investments. The cost of acquisition or subscription, for those relating to contributions, corresponds to the value determined by the experts in the estimate pursuant to art. 2343 of the Italian Civil Code. The excess of the acquisition cost compared to the share of the investee's shareholders' equity expressed at current values is recognized as goodwill. Goodwill is included in the carrying amount of the investment and is subject to impairment tests and possibly written down. Losses in value are not subsequently restored if the reasons for such devaluation cease to exist. Losses on equity investments relating to the amount exceeding the amount of shareholders' equity are classified in the provision for risks and charges even if there is a credit exposure and until the eventual formal waiver of the receivable. Charges for settlement of equity investments are recognised through the valuation of the investments themselves regardless of the allocation of charges in the financial statements of investee companies. Investments in other companies, constituting non-current financial assets and not destined for trading activities, are measured at fair value if they can be determined: in this case, gains and losses deriving from the fair value measurement are booked directly to equity until the moment of the sale, when all the accumulated profits and losses are charged to the profit and loss account for the period. Investments in other companies for which fair value is not available are recorded at cost, written down for any permanent losses in value. Dividends are recognised in the Income Statement when the right to receive payment is established only if they derive from the distribution of profits subsequent to the acquisition of the investee company. If, however, they derive from the distribution of reserves of the investee prior to the acquisition,

these dividends are recorded as a reduction in the cost of the investment itself.

TREASURY SHARES

The purchase cost of treasury shares is recognised as a decrease in equity. The effects of any subsequent transactions on these shares are also recognised directly in equity.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised when Acea SpA becomes part of the instrument's contractual clauses.

FINANCIAL ASSETS - DEBT INSTRUMENTS

As a function of the features of the instrument and the business model used for its management, financial assets, which represent debt instruments, are classified in the following three categories: **i)** financial assets measured at amortised cost; **ii)** financial assets measured at fair value through other comprehensive income (hereafter, also OCI), **iii)** financial assets measured at fair value through profit and loss. Initial recognition is at fair value. For trade receivables without a significant financial component, the initial recognition value is represented by the transaction price. Subsequent to initial recognition, financial assets that generate contractual cash flows exclusively representing capital and interest payments are valued at amortised cost if held for the purpose of collecting contractual cash flows (so-called "hold to collect" model). According to the amortised cost method, the initial recognition value is subsequently adjusted to take into account capital repayments, any write-downs and the amortisation of the difference between the repayment amount and the initial recognition value. Amortisation is based on the effective internal interest rate, which represents the rate that makes the present value of expected cash flows and the initial book value equal at the time of initial recognition. Receivables and other financial assets measured at amortised cost are presented in the Balance sheet net of the related provision for bad debts. The financial assets representing debt instruments whose business model envisages both the possibility of collecting contractual cash flows and the possibility of realising capital gains on disposal (so-called "hold to collect and sell" business model) are valued at fair value with allocation of the effects to OCI (hereinafter also FVTOCI). In this case, changes in the fair value of the instrument are recognised under shareholders' equity among other components of comprehensive income. The cumulative amount of changes in fair value recognised in the shareholders' equity reserve that includes the other components of the overall profit is reversed in the income statement when the instrument is derecognised. Interest income calculated using the effective interest rate, exchange rate differences and write-downs is recognised in the income statement. A financial asset representing a debt instrument that is not valued at amortised cost or at the FVTOCI is valued at fair value with the effects being charged to the income statement (hereinafter FVTPL). This category includes financial assets held for trading purposes. When the purchase or sale of financial assets takes place according to a contract that envisages the settlement of the transaction and the delivery of the asset within a specified number of days, established by the market control bodies or by market conventions (e.g. purchase of securities on regulated markets), the transaction is recognised on the date of settlement. The financial assets sold are derecognised when the contractual rights associated with obtaining the cash flows associated with the financial instrument expire or are transferred to third parties.

WRITE-DOWNS OF FINANCIAL ASSETS

The assessment of the recoverability of the financial assets representing debt instruments not valued at fair value with effects on the income statement is made on the basis of the so-called "Expected credit loss model". In particular, expected losses are generally determined based on the product of: **i)** the exposure owed to the counterparty net of the relative mitigating factors (so-called "Exposure at Default"); **ii)** the probability that the counterparty does not comply with its payment obligation ("Probability of Default"); **iii)** the estimate in percentage terms of the amount of credit that will not be able to be recovered in the event of a default ("Loss Given Default"), based on past experience and possible recovery actions that can be taken (e.g. out-of-court actions, legal disputes, etc.). In this regard, the internal ratings already used for the assignment have been adopted to determine the probability of default of the counterparties. For counterparties represented by State Entities and in particular for the National Oil Companies, the probability of default – essentially represented by the probability of late payment – is determined using as input the country risk premiums implemented for the purposes of determining the WACC for the impairment of non-financial assets. For retail customers not having internal ratings, the assessment of expected losses is based on a provision matrix, constructed where appropriate by grouping the clustered receivables to which write-down percentages apply based on the experience of previous losses, adjusted where necessary to take account of forecast information regarding the credit risk of the counterparty or of clusters of counterparties.

Financial assets related to agreements for services under concession

With reference to the application of IFRIC12 to the public lighting service concession, Acea has adopted the Financial Asset Model, recognising a financial asset to the extent that it has an unconditional contractual right to receive future cash flows.

CASH AND CASH EQUIVALENTS

This item includes cash and bank current accounts and deposits repayable on demand or very short term and other highly liquid short-term financial investments, which are readily convertible into cash and are subject to a non-significant risk of changes in value.

Financial liabilities

Financial liabilities other than derivative instruments — including financial payables, trade payables, other payables and other liabilities — are initially recognised at the fair value less any costs associated with the transaction. Subsequently they are recognised at amortised cost using the effective interest rate for discounting purposes, as illustrated in the previous point "Financial assets". Financial liabilities are eliminated when they are extinguished or when the obligation specified in the contract is fulfilled, cancelled or expired.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset in the balance sheet when there is a currently exercisable legal right to offset, and the intention is to settle the relationship on a net basis (i.e. to sell the asset and simultaneously settle the liability).

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments, including implicit ones (Embedded derivatives) are assets and liabilities recognised at fair value according to the criteria specified in the point below, "Valuation at fair value". As part of the risk management strategy and objectives, qualification of transactions as hedges requires: **i)** verification of the existence of an economic relationship between the hedged item and the hedging instrument that can offset the related changes in value, and that this capacity to offset is not affected by the level of counterparty credit risk; **ii)** the definition of a hedge ratio consistent with risk management objectives, within the defined risk management strategy, where necessary making the appropriate rebalancing actions. Changes in risk management objectives, the absence of the conditions specified above for the classification of transactions as hedges or the implementation of rebalancing operations results in the total or partial prospective discontinuation of the hedge. When hedging derivatives cover the risk of changes in the fair value of the hedged instruments (fair value hedge; for example, hedging of the fair value variability of fixed rate assets/liabilities), derivatives are recognised at fair value with the effects allocated in the income statement. Similarly, the hedged instruments in the income statement reflect the changes in fair value associated with the hedged risk, regardless of the provision of a different valuation criterion generally applicable to the type of instrument. When derivatives hedge the risk of changes in the cash flows of the hedged instruments (cash flow hedge; e.g. hedging of the variability of the cash flows of assets/liabilities due to fluctuations in interest rates or exchange rates), the changes in the fair value of derivatives considered to be effective are initially recognised in the shareholders' equity reserve relating to the other components of comprehensive income, and subsequently recognised in the income statement consistent with the economic effects produced by the hedged transaction. In the case of hedging of future transactions that involve the recognition of a non-financial asset or liability, the accumulated changes in the fair value of hedging derivatives, recognised in equity, are recognised as an adjustment to the carrying amount of the asset./non-financial liability subject to hedging (so-called basis adjustment). The ineffective portion of the hedge is recorded in the income statement item "Financial (costs)/income". Changes in the fair value of derivatives that do not meet the conditions to be qualified as hedges, including any ineffective components of hedging derivatives, are recognised in the income statement. In particular, changes in the fair value of non-hedging derivatives on interest rates and currencies are recognised in the income statement item "Financial (costs)/income". Embedded derivatives — embedded in financial assets — are not subject to separate accounting. In these cases, the entire hybrid instrument is classified according to the general criteria for the classification of financial assets. Embedded derivatives incorporate within financial liabilities and/or non-financial assets are separated from the main contract and recognised separately if the embedded instrument: **i)** meets the definition of a derivative; **ii)** as a whole it is not valued at fair value with the effects being charged to the income statement (FVTPL); **iii)** if the characteristics and risks of the derivative are not strictly linked to those of the main contract. Verification of the existence of embedded derivatives to be separated and valued separately is carried out when the company enters into the contract, and subsequently if there are changes in the terms of the contract that lead to significant changes in the cash flows generated by that contract.

VALUATION AT FAIR VALUE

The fair value is the consideration that can be received for the sale of an asset or that can be paid for the transfer of a liability in a regular transaction between market operators at the valuation date (e.g. exit price). The fair value of an asset or liability is determined by adopting the valuations that market operators would use in determining the price of the asset or liability. The fair value measurement also assumes that the asset or liability is exchanged in the main market or, in the absence thereof, in the most advantageous market the company has access to. The determination of the fair value of a non-financial asset is made considering the ability of market operators to generate economic benefits by using this asset in its highest and best use or by selling it to another participant in the market able to use it, maximising its value. The determination of the highest and best use of the asset is made from the point of view of market operators even in the case where the company intends to use it differently. It is assumed that the company's current use of a non-financial asset is its highest and best use unless the market or other factors suggest that a different use by market operators is able to maximise its value. The valuation of the fair value of a liability, both financial and non-financial or of a capital instrument, takes into account the quoted price for the transfer of an identical or similar liability or equity instrument. If this quoted price is not available, the valuation of the corresponding asset held by a market operator at the valuation date is considered. The fair value of financial instruments is determined considering the credit risk of the counterparty of a financial asset (so-called "Credit Valuation Adjustment" - CVA) and the risk of default by the entity itself, with reference to a financial liability (so-called "Debit Valuation Adjustment" - DVA). In determining fair value, a hierarchy of criteria is defined based on the origin, type and quality of the information used in the calculation. This classification aims to establish a hierarchy in terms of reliability of the fair value, giving precedence to the use of observable market parameters that reflect the assumptions that market participants would use in the valuation of the asset/liability.

The fair value hierarchy has the following levels:

- level 1: inputs represented by quoted prices (unmodified) in active markets for identical assets or liabilities that can be accessed on the valuation date;
- level 2: inputs other than the prices included in level 1 that are directly or indirectly observable for the assets or liabilities to be valued;
- level 3: unobservable inputs for the asset or liability. In the absence of available market quotations, the fair value is determined using valuation techniques appropriate to the individual cases that maximise the use of relevant observable inputs, minimising the use of unobservable inputs.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are made when Acea has to meet a current obligation (legal or implicit) deriving from a past event, where it is probable that an outlay of resources will be required to satisfy the obligation and a reliable estimate can be made on the amount of the obligation. The provisions are allocated based on the Management's best estimate for the costs required to fulfil the obligation at the balance sheet date and if the effect is significant. When the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the provision is determined by discounting the expected future cash flows at the average rate of the company's debt taking into account the risks associated with the obligation. The increase in the provision associated with the passage of time is recognised in the income statement under the item "Financial income/(charges)". If the debt is related to the dismantling and/or renovation of material assets, the initial fund is reported as an offset to the asset it refers to; its incidence on the Income Statement takes place through the process of amortisation of the material fixed asset to which the obligation refers.

ACCOUNTING STANDARDS, AMENDMENTS, INTERPRETATIONS AND IMPROVEMENTS APPLIED AS OF 1 JANUARY 2022

"Amendment to IFRS3 Business Combinations"

Issued on 14 May 2020, it updates the reference in IFRS3 to the Conceptual Framework in the revised version, without entailing changes to the provisions of the standard.

"Amendment to IAS 16 Property, Plant and Equipment"

Issued on 14 May 2020, it does not allow deducting the amount received from the sale of goods produced before the asset was ready for use from the cost of the fixed asset. These sales revenues and related costs are recognised in the income statement. Amendments to IAS 16 are effective from the financial years beginning on or after 1 January 2022.

"Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets"

Issued on 14 May 2020, it clarifies which cost items must be considered to assess whether a contract will result in a loss. In this regard, the "cost needed to fulfil" the contract includes the costs related directly to the latter, comprising: a) the incremental costs needed to fulfil said contract (for example, labour and direct raw materials) and b) the breakdown of the other costs directly related to fulfilling the contract (for example, the breakdown of the amortisation/depreciation rate for fixed assets, plants and machinery used to fulfil said contract and others).

"Annual Improvements 2018-2020"

Issued on 14 May 2020, it includes amendments to:

- IFRS1 First-time Adoption of International Financial Reporting Standards, where a subsidiary that applies paragraph D16 of IFRS1 is allowed to recognise cumulative conversion differences using the amounts recognised by its parent at the date of transfer of the parent company;
- IFRS9 Financial Instruments, which provides clarification on which fees to include in the ten per cent test in section B3.3.6 when assessing whether to eliminate a financial liability;
- IAS 41 Agriculture, where, in order to ensure consistency with the requirements of IFRS13, the paragraph under which entities did not include tax cash flows in the measurement of the fair value of a biological asset using the present value technique is deleted.
- the Illustrative Examples accompanying IFRS16 Leases, eliminating Illustrative Example 13 in order to avoid confusion regarding the treatment of lease incentives due to how the incentives were illustrated in that example.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE AFTER CLOSURE OF THE YEAR AND NOT ADOPTED IN ADVANCE BY THE GROUP

"Amendments to IFRS17 Insurance contracts: Initial Application of IFRS17 and IFRS9 - Comparative Information"

Issued on 9 December 2021, it allows for use of the transitional option relative to comparative information on financial assets upon first time application of IFRS17. The option allows entities to reclassify, in comparative information and individually, all financial instruments that fall under the scope of the standard, to avoid accounting mismatches with respect to the classification envisaged under international accounting standard IFRS9. The amendments are applicable from the financial years beginning 1 January 2023. Early application is permitted.

"Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current"

Issued on 23 January 2020, it provides clarifications on the classification of liabilities as current or non-current. Amendments to IAS 1 are effective from the financial years beginning 1 January 2023.

"Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

Issued on 7 May 2021, their purpose is to make uniform the methods with which entities account for deferred taxes on operations such as leasing and the dismantling costs. The main change regards the introduction of an exception to the initial recognition exemption (IRE) of deferred taxation for assets and liabilities provided for in IAS 12. Specifically the exception provides for the non-applicability of the exemption of IAS 12 for initial recognition of all operations that originate equal or offset temporary differences. Limiting the exemption to only initial recognition, the impact will be a gradual improvement and comparability of the information for the benefit of users of the financial statements with reference to the fiscal impacts of leasing operations and to dismantling costs. The amendments are applicable from the financial years beginning 1 January 2023. Early application is permitted.

"IFRS17 Insurance Contracts"

On 18 May 2017, the IASB issued IFRS17 "Insurance Contracts" which defines the accounting of insurance contracts issued and reinsurance contracts held. The provisions of IFRS17 that establish the criteria for recognition, measurement, presentation and disclosure of insurance contracts, supersede those currently provided for in IFRS4 "Insurance Contracts" and have as their objective to guarantee to users of the financial statements to assess the effect that these contracts have on the financial position, the results and the cash flows of companies. The standard is to be applied for financial years that begin on 1 January 2023.

"Amendments to IFRS16 Leases: Lease Liability in a Sale and Leaseback"

Issued on 22 September 2022, its purpose is to clarify the impact that a sale and leaseback transaction could have on a financial liability that involves variable payments not linked to indices or rates. The main change in the subsequent measurement of the financial liability regards the determination of the "lease payments" and of the "revised lease payments" so that, following a leaseback transaction a the seller-lessee does not recognise any profit or loss related to the right of use that it holds. The purpose of the amendment is to avoid the accounting of profits and losses, related to the right of use recognised, following events that entail a remeasurement of the payable (for example a change in the leasing contract or in its duration). Any profits and losses deriving from the partial or total termination of a leasing contract continue to be recognised for the part of right of use terminated. The amendments are applicable from 1 January 2024 with possibility of early application.

"Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies"

Issued on 12 February 2021, they require companies to provide relevant information about the accounting standards applied and suggest to avoid or limit unnecessary information. Amendments to IAS 16 are effective from the financial years beginning 1 January 2023.

"Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates"

Issued on 12 February 2021, they clarify, including through a number of examples, the distinction between estimate changes and accounting standard changes. The distinction is relevant since estimate changes are applied prospectively to future transactions and events, while accounting standard changes are generally applied retroactively. The amendments are applicable from the financial years beginning 1 January 2023. Earlier application is permitted.

INCOME STATEMENT

Ref. note	€	2022	Of which related party transactions	2021	Of which related party transactions	Change
1	Revenue from sales and services	191,611,338	191,604,070	160,125,381	160,125,381	31,485,958
2	Other revenue and proceeds	18,803,427	8,926,370	12,486,057	9,260,368	6,317,370
	Net revenues	**210,414,765**	**200,530,440**	**172,611,438**	**169,385,748**	**37,803,327**
3	Staff costs	63,845,418	0	61,862,387	0	1,983,031
4	Costs of materials and overhead	185,119,951	67,661,283	153,456,601	49,877,016	31,663,350
	Operating costs	**248,965,369**	**67,661,283**	**215,318,988**	**49,877,016**	**33,646,381**
	EBITDA	**(38,550,604)**	**132,869,157**	**(42,707,550)**	**119,508,732**	**4,156,946**
5	Net write-downs (write-backs) of trade receivables	188,019	0	24,270	0	163,749
6	Depreciation, amortisation and provisions	45,928,818	0	29,944,261	0	15,984,557
	Operating profit/(loss)	**(84,667,441)**	**132,869,157**	**(72,676,081)**	**119,508,732**	**(11,991,360)**
7	Financial income	89,303,287	87,162,632	90,390,382	89,597,598	(1,087,096)
8	Financial charges	(67,575,778)	(1,633,491)	(60,090,159)	1,181,938	(7,485,618)
9	Profit/(Loss) on equity investments	258,169,402	258,169,402	213,791,145	213,791,145	44,378,257
	Profit/(loss) before tax	**195,229,470**	**476,567,701**	**171,415,287**	**424,079,413**	**23,814,183**
10	Income tax	(11,505,799)	(100,587,879)	(5,624,678)	(99,067,413)	(5,881,121)
	Net profit/(loss)	**206,735,269**	**577,155,580**	**177,039,965**	**523,146,826**	**29,695,304**

STATEMENT OF COMPREHENSIVE INCOME

€ thousand	2022	2021	Change
Net profit/(loss) for the period	**206,735**	**177,040**	**29,695**
Provision for exchange rate difference	10,348	5,715	4,633
Tax on exchange rate difference	(2,484)	(1,372)	(1,112)
Gains/losses from exchange rate difference	**7,865**	**4,344**	**3,521**
Effective portion of gains/(losses) on hedging instruments ("cash flow hedges")	3,782	1,268	2,514
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	(908)	(304)	(603)
Profit/(loss) from the effective portion on hedging instruments, net of tax	**2,874**	**963**	**1,911**
Actuarial profit/(loss) on staff benefits included in the Shareholders' Equity	(3,259)	317	(3,576)
Tax effect on the other actuarial profit/(loss) on staff benefits	964	(94)	1,057
Actuarial profit/(loss) on defined benefit pension plans, net of tax	**(2,295)**	**224**	**(2,519)**
Total of the comprehensive income components, net of tax	**8,444**	**5,531**	**2,913**
Total comprehensive profit/(loss)	**215,179**	**182,570**	**32,608**

All components are reclassifiable in the income statement.

STATEMENT OF FINANCIAL POSITION

Ref. note	ASSETS €	31/12/2022	Of which related party transactions	31/12/2021	Of which related party transactions	Change
11	Tangible fixed assets	114,345,128	0	109,998,020	0	4,347,108
12	Real estate investments	2,255,615	0	2,313,973	0	(58,358)
13	Intangible fixed assets	92,196,660	0	50,024,832	0	42,171,829
14	Rights of use	8,469,822	0	13,713,354	0	(5,243,532)
15	Equity investments in subsidiaries and associates	2,059,276,845	0	1,967,610,627	0	91,666,218
16	Other equity investments	2,350,061	0	2,350,061	0	0
17	Deferred tax assets	13,453,405	0	15,936,874	0	(2,483,469)
18	Financial assets	3,547,241,204	3,538,039,094	3,381,710,587	3,381,496,732	165,530,617
19	Other non-current assets	208,031	0	0	0	208,031
	NON-CURRENT ASSETS	**5,839,796,772**	**3,538,039,094**	**5,543,658,328**	**3,381,496,732**	**296,138,444**
20.a	Trade receivables	149,228,675	148,311,002	179,359,457	178,870,393	(30,130,782)
20.b	Other current assets	52,764,394	17,614,932	34,243,368	10,794,407	18,521,026
20.c	Current tax assets	9,221,644	0	5,763,984	0	3,457,660
20.d	Current financial assets	667,282,749	472,146,361	656,858,285	382,044,891	10,424,464
20.e	Cash and cash equivalents	299,918,068	0	441,537,965	0	(141,619,897)
20	**CURRENT ASSETS**	**1,178,415,530**	**638,072,295**	**1,317,763,059**	**571,709,691**	**(139,347,529)**
	TOTAL ASSETS	**7,018,212,302**	**4,176,111,389**	**6,861,421,387**	**3,953,206,423**	**156,790,915**

Ref. note	LIABILITIES €	31/12/2022	Of which related party transactions	31/12/2021	Of which related party transactions	Change
21.a	Share capital	1,098,898,884	0	1,098,898,884	0	0
21.b	Legal reserve	147,500,875	0	138,648,876	0	8,851,998
21.c	Other reserves	91,953,742	0	83,510,169	0	8,443,573
	Retained earnings/(losses)	145,563,757	0	158,041,511	0	(12,477,754)
	Profit (loss) for the year	206,735,269	0	177,039,965	0	29,695,304
21	**Shareholders' equity**	**1,690,652,526**	**0**	**1,656,139,405**	**0**	**34,513,121**
22	Staff termination benefits and other defined benefit plans	21,900,859	0	20,334,441	0	1,566,418
23	Provisions for risks and charges	17,381,138	0	15,024,375	0	2,356,763
24	Borrowings and financial liabilities	4,404,758,960	103,760,000	4,518,587,572	116,730,000	(113,828,612)
25	Other liabilities	31,714,037	31,115,294	2,292,157	0	29,421,880
	NON-CURRENT LIABILITIES	**4,475,754,993**	**134,875,294**	**4,556,238,545**	**116,730,000**	**(80,483,551)**
26.a	Borrowings	572,823,648	211,353,727	393,135,128	323,877,941	179,688,519
26.b	Payables to suppliers	233,199,222	104,651,289	222,153,522	106,226,888	11,045,700
26.c	Other current liabilities	45,781,912	21,753,194	33,754,786	9,442,477	12,027,126
26	**CURRENT LIABILITIES**	**851,804,782**	**337,758,210**	**649,043,437**	**439,547,306**	**202,761,345**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**7,018,212,302**	**472,633,503**	**6,861,421,387**	**556,277,306**	**156,790,915**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ thousand	Share capital	Legal reserve	Demerged capital gains reserve	Reserve for exchange differences	Valuation reserve for financial instruments	Reserve for actuarial gains or losses	Other miscella-neous reserves	Profit (loss) accumulated	Profit (loss) for the year	Total Share-holders' Equity
Balance as at 31 December 2021	**1,098,899**	**138,649**	**102,567**	**9,397**	**(19,099)**	**(9,734)**	**379**	**158,042**	**177,040**	**1,656,139**
Balance at 1 January 2022	**1,098,899**	**138,649**	**102,567**	**9,397**	**(19,099)**	**(9,734)**	**379**	**158,042**	**177,040**	**1,656,139**
Income statement profit	0	0	0	0	0	0	0	0	206,735	**206,735**
Other comprehensive income (loss)	0	0	0	7,865	2,874	(2,295)	0	0	0	**8,444**
Total comprehensive income (loss)	**0**	**0**	**0**	**7,865**	**2,874**	**(2,295)**	**0**	**0**	**206,735**	**215,179**
Allocation of result for 2021	0	8,852	0	0	0	0	0	168,188	(177,040)	**0**
Distribution of dividends	0	0	0	0	0	0	0	(180,666)	0	**(180,666)**
Balance as at 31 December 2022	**1,098,899**	**147,501**	**102,567**	**17,262**	**(16,225)**	**(12,029)**	**379**	**145,564**	**206,735**	**1,690,653**

€ thousand	Share capital	Legal reserve	Demerged capital gains reserve	Reserve for exchange differences	Valuation reserve for financial instruments	Reserve for actuarial gains or losses	Other miscella-neous reserves	Profit (loss) accumulated	Profit (loss) for the year	Total Share-holders' Equity
Balance as at 31 December 2020	**1,098,899**	**129,761**	**102,567**	**5,053**	**(20,062)**	**(9,958)**	**379**	**159,207**	**177,761**	**1,643,607**
Balance at 1 January 2021	**1,098,899**	**129,761**	**102,567**	**5,053**	**(20,062)**	**(9,958)**	**379**	**159,207**	**177,761**	**1,643,607**
Income statement profit	0	0	0	0	0	0	0	0	177,040	**177,040**
Other comprehensive income (loss)	0	0	0	4,344	963	224	0	0	0	**5,531**
Total comprehensive income (loss)	**0**	**0**	**0**	**4,344**	**963**	**224**	**0**	**0**	**177,040**	**182,570**
Allocation of result for 2020	0	8,888	0	0	0	0	0	168,873	(177,761)	**0**
Distribution of dividends	0	0	0	0	0	0	0	(170,038)	0	**(170,038)**
Balance as at 31 December 2021	**1,098,899**	**138,649**	**102,567**	**9,397**	**(19,099)**	**(9,734)**	**379**	**158,042**	**177,040**	**1,656,139**

CASH FLOW STATEMENT

Rif, note	€ thousand	31/12/2022	Of which related parties	31/12/2021	Of which related parties	Change
	Cash flow from operating activities					
	Profit before tax	**195,229**		**171,415**		**23,814**
6	Depreciation/amortisation and impairment losses	36,514		24,659		11,854
5-9	Revaluations/Impairment charges	11,801		3,361		8,440
22	Increase/(decrease) in provisions for liabilities	2,357		(1,179)		3,535
21	Net change in the provision for employee benefits	4,586		(1,506)		6,091
7-8-9	Net financial interest	(291,510)		(247,428)		(44,082)
	Income taxes paid	(91,135)		(112,634)		21,499
	Cash flow generated by operating activities before changes in working capital	**(132,158)**	**0**	**(163,310)**	**0**	**31,152**
20	Increase/Decrease in receivables included in current assets	(24,396)	(23,739)	(42,832)	21,558	18,436
24.b	Increase/Decrease in payables included in the working capital	16,368	(16,179)	3,566	0	12,801
	Change in working capital	**(8,028)**	**(39,918)**	**(39,266)**	**21,558**	**31,237**
	Change in other assets/liabilities during the period	70,672	0	63,617	0	7,056
	Total cash flow from operating activities	**(69,514)**	**(39,918)**	**(138,959)**	**21,558**	**69,445**
	CASH FLOW FROM INVESTMENT ACTIVITIES					
11-12	Purchase/(sale) of tangible fixed assets	(12,016)		(14,839)		2,822
13	Purchase/(sale) of intangible fixed assets	(58,807)		(23,437)		(35,370)
15-16	Equity investments	(5,239)		(129,765)		124,526
	Collections/(payments) deriving from other financial investments	(220,852)	246,644	(589,531)	582,025	368,679
	Dividends received	268,362	268,362	217,128	217,128	51,234
	Interest income received	92,955	0	94,200	0	(1,245)
	Total cash flow from investment activities	**64,404**	**515,006**	**(446,243)**	**799,153**	**510,646**
	CASH FLOW FROM FINANCING ACTIVITIES					
23	Repayment of mortgages and medium/long-term borrowings	(59,081)		(207,222)		148,141
23	Provision of mortgages/other medium/long-term loans	250,000	(12,970)	1,016,730	116,730	(766,730)
25.a	Decrease/Increase in other financial debts	(122,536)	112,524	(54,305)	(68,550)	(68,231)
	Interest expense paid	(70,988)		(63,831)		(7,157)
	Dividends paid	(133,904)	(133,904)	(83,137)	(83,137)	(50,767)
	TOTAL CASH FLOW FROM FINANCING ACTIVITIES	**(136,509)**	**(34,350)**	**608,235**	**(34,956)**	**(744,744)**
	Net cash flow for the period	**(141,620)**	**480,656**	**23,033**	**764,197**	**(164,653)**
	Net opening balance of cash and cash equivalents	**441,538**		**418,505**		**23,033**
	Cash availability from acquisition	**0**		**0**		**0**
	Net closing balance of cash and cash equivalents	**299,918**		**441,538**		**(141,620)**

NOTES TO THE INCOME STATEMENT

REVENUES

1. Revenue from sales and services – € 191,611 thousand

Revenues from sales and services are as follows:

€ thousand	2022	2021	Change
Revenue from customer services	**49,593**	**32,375**	**17,217**
Public Lighting - Rome	49,585	32,368	17,217
Other revenue	7	7	0
Revenues from intragroup services	**142,019**	**127,750**	**14,269**
Intragroup service contracts	103,061	96,119	6,942
Other intragroup services	38,958	31,631	7,327
Revenue from sales and services	**191,611**	**160,125**	**31,486**

The increase in revenues from customer services of € 17,217 thousand is attributable to the rise in the consideration for the public lighting service performed in the Municipality of Rome. The increase can be traced to the increase in the fee for the electricity component, due to market trends, in part offset by the reduction in extraordinary maintenance and the creation of new plants. The extraordinary maintenance, modernisation and safety activities were carried on according to what was agreed with Roma Capitale.

Revenues from intragroup services recorded an overall increase of € 14,269 thousand. This change is due to a new contract taking effect for IT services rendered for Group companies (-€ 6,942 thousand) and the recognition of income relative to multi-year rights of use for licenses acquired or developed by Acea (+ € 8,024 thousand).

Please see the subsequent section on "Relations with Roma Capitale" for more information on the Public Lighting contract.

2. Other revenue and income – € 18,803 thousand

This item shows an increase of € 6,317 thousand compared to the value of 31 December 2021. The increase originated from the combined effect of several phenomena presented in the table below. The item "Other revenue" includes € 3,015 thousand in revenue from the recognition of tax credits linked to the increase in electricity and gas costs.

€ thousand	2022	2021	Change
Non-recurring gains	4,875	1,779	3,096
Other revenue	5,191	1,878	3,313
Refunds for damages, penalties, collateral	65	36	29
Regional grants	4	183	(179)
Seconded personnel	4,764	4,901	(138)
Real estate income	1,276	1,150	126
Recharged cost for company officers	2,629	2,559	70
Other revenue and proceeds	**18,803**	**12,486**	**6,317**

COSTS

3. Personnel costs – € 63,845 thousand

€ thousand	2022	2021	Change
Personnel costs including capitalised costs	71,132	68,526	2,606
Staff employed in projects	(747)	(4,159)	3,412
Costs capitalised for personnel	(6,540)	(2,504)	(4,035)
Staff costs	**63,845**	**61,862**	**1,983**

The change in personnel costs, including capitalised costs of € 2,606 thousand derives in part from the trend in average outstanding amounts, as also highlighted in the table below, as well as from contractual adjustments.
The cost of personnel is netted, not only of capitalised costs of € 6,540 thousand (+ € 4,035 thousand compared to 2021) but also of € 747 thousand (+ € 3,412 thousand compared to 31 December 2021) representing the total amount of personnel costs used in the IT projects for all group companies participating in the "communion" of the residual portion of the Template contract still in effect.

The following table shows the average and final number of employees by category, compared to the previous year.

	Average number of employees			End-of-period composition		
€ thousand	2022	2021	Change	2022	2021	Change
Senior executives	53	53	(1)	53	51	2
Middle managers	180	167	12	188	179	9
Clerical staff	464	463	0	461	452	9
Blue-collar workers	21	21	0	21	21	0
Total	**717**	**704**	**13**	**723**	**703**	**20**

4. Costs of materials and overheads – € 185,120 thousand

Compared to 31 December 2021, total external costs increased by € 31,663 thousand. The following is the composition and changes in external costs by nature.

€ thousand	2022	2021	Change
Materials	3,105	3,084	21
Services and contract work	161,352	139,596	21,756
Cost of leased assets	13,517	3,331	10,186
Other operating costs	7,145	7,445	(300)
Costs of materials and overhead	**185,120**	**153,457**	**31,663**

€ thousand	2022	2021	Change
Technical and administrative Services (including consulting and collaborations)	43,168	40,191	2,976
Contract work	9,877	9,123	754
Disposal and transport of sludge, slag, ash and waste	89	77	11
Other services	10,265	9,321	945
Personnel services	5,359	6,401	(1,042)
Insurance costs	1,650	1,047	603
Electricity, water and gas consumption	37,313	20,031	17,282
Intragroup services and otherwise	19,669	19,108	561
Telephone and data transmission costs	1,524	1,216	308
Postal expenses	568	647	(79)
Maintenance fees	10,172	10,616	(445)
Cleaning, transport and porterage costs	4,406	4,432	(26)
Advertising and sponsorship costs	6,765	7,368	(604)
Corporate bodies	978	991	(13)
Bank charges	1,321	1,120	201
Travel and accommodation expenses	306	143	163
Seconded personnel	7,851	7,645	206
Printing expenses	73	119	(46)
Services and contract work	**161,352**	**139,596**	**21,756**

€ thousand	2022	2021	Change
Rent charges	429	187	241
Other rentals and fees (use of third party assets)	13,089	3,143	9,945
Cost of leased assets	**13,517**	**3,331**	**10,186**

€ thousand	2022	2021	Change
Taxes and duties	2,035	2,124	(90)
Damages and outlays for legal disputes	161	242	(81)
Contributions paid and membership fees	2,197	2,517	(320)
General expenses	2,054	2,084	(31)
Contingent liabilities	700	478	222
Other operating costs	**7,145**	**7,445**	**(300)**

Relative to the € 31,663 thousand increase in external costs, the following contributed to the result:

- greater costs for consulting and administrative services for € 2,934 thousand, including strategic projects;
- increase in electricity consumption for € 17,282 thousand, of which € 15,350 thousand relative to the Roma Capitale Public Lighting Service. These increases can be traced to trends in energy market prices;
- lower costs for personnel services of € 1,042 thousand, due to the combined effect of lower management costs for the Piazzale Ostiense vaccine hub (-€ 1,794 thousand) and higher training costs (+€ 427 thousand);
- greater costs for user licenses for software applications for € 9,582 thousand.

Note that other leases and fees essentially refer to software licenses as well as various leases, including vehicles and other equipment not falling under the scope of IFRS16.

Please note that, pursuant to article 149-*duodecies* of the CONSOB Issuer Regulations, the fees accrued by the PwC Auditing Company are shown in the table below.

€ thousand	Audit -related services	Audit services	Non-audit services	Total
Acea SpA	**125**	**195**	**232**	**552**

Please note that the above fees refer to assignments for the year 2022 entrusted up to 31 December 2022.

5. Net write-downs (write-backs) of trade receivables – € 188 thousand

The balance of the account consists of the provisions set aside for the impairment of financial receivables from Sienergia and trade receivables due from Ecomed and Coema. Writedowns associated with third party customers total € 32 thousand.

6. Depreciation, amortisation and provisions – € 45,929 thousand

€ thousand	2022	2021	Change
Depreciation and amortisation	36,514	24,659	11,854
Provisions	9,415	5,285	4,130
Depreciation, amortisation and provisions	**45,929**	**29,944**	**15,985**

Amortisation and depreciation totalled € 36,514 thousand and refer for € 28,842 thousand to intangible assets, for € 7,691 thousand to property, plant and equipment and for € 4,981 thousand to the application of IFRS16. The increase in total amortisation and depreciation, equal to € 11,854 thousand, can be attributed for € 11,024 thousand to intangible assets. Of these, € 7,203 thousand refers to licenses and IT development granted for use to subsidiaries and associated companies based on the new contract which replaced the previous Template, with the remaining portion associated with IT projects which began operating between the end of the last year and the start of the current one, in addition to new development.

Allocations to the provision for risks amount to € 1,207 thousand, net of releases. The following are their composition by nature and their effects:

€ thousand	2022	2021	Change
Legal Risks provision	974	930	45
Fee risks provision	138	4	133
Tenders and supplies provision	111	17	94
Provisions for risks	**1,223**	**951**	**272**
Early retirements and redundancies provision	8,208	4,519	3,688
Expenses provision	**8,208**	**4,519**	**3,688**
Total Provisions	**9,431**	**5,470**	**3,961**
Release of risks provisions, release of fees provisions	(16)	(185)	169
Total	**9,415**	**5,285**	**4,130**

With respect to the previous year, an overall increase was seen in the provisioning, mainly due to greater allocations for early retirements and redundancies. The amount of provisioning for legal disputes remained substantially unchanged.
For further details, please see the information provided in the paragraph "*Update on major disputes and litigation*" in this document.

7. Financial income – € 89,303 thousand

€ thousand	2022	2021	Change
Interest on financial receivables	83,987	86,748	(2,761)
Bank interest income	251	34	218
Interest on other receivables	1,874	759	1,114
Financial income from discounting to present value	246	325	(79)
Other Income	2,946	2,525	421
Financial income	**89,303**	**90,390**	**(1,087)**

The € 1,087 thousand reduction in financial income is due to the combined effect of higher interest totalling € 1,114 thousand on short-term deposits and current accounts, offset by lower interest income on loans and revolving credit lines provided to group companies for € 2,761 thousand.

8. Financial costs – € 67,576 thousand

€ thousand	2022	2021	Change
Cross Currency Swap Expense (Income)	4,592	4,749	(157)
Interest on bonds	55,818	54,395	1,423
Interest on medium/long-term borrowings	7,740	1,477	6,262
Interest on short-term debt	176	248	(72)
Default interest and interest on deferred payments	206	25	181
Interest cost net of actuarial gains and losses	239	68	171
IFRS 16 financial charges	274	372	(98)
Other financial charges	223	31	191
Foreign exchange gains (losses)	(1,692)	(1,276)	(416)
Financial charges	**67,576**	**60,090**	**7,486**

The € 7,486 thousand increase in financial expense mainly derives from greater interest on bond loans (€ 1,423 thousand) and on medium/long-term loans (+ € 6,262 thousand), partially offset by exchange gains of € 1,726 thousand, relative to valuation of Acea International using the exchange rate. The change in interest on bond loans is due to greater interest on variable rate bond loans.
The change in interest on medium/long-term loans, totalling € 6,262 thousand, is due for € 3,024 thousand to the medium/long-term loan stipulated with Acea Energia and for € 2,793 thousand to medium/long-term loans. The change in the latter is due for € 1,865 thousand to new disbursements in 2022.

With reference to the average cost of Acea's debt, there was a decrease compared to the previous year, having risen from 1.17% in 2021 to 1.24% in 2022.

9. Income / Expenses from equity investments – € 258,169 thousand

Income net of equity investment expense comes to € 258,169 thousand, an increase of € 44,378 thousand (previously € 213,791 thousand at 31 December 2021). It is composed as summarised in the following table.

€ thousand	2022	2021	Change
Acea Ato2	70,805	60,830	9,975
Acque Blu Arno Basso	0	497	(497)
Acque Blu Fiorentine	4,774	10,912	(6,138)
Acea International	2,704	1,471	1,233
areti	125,362	117,242	8,120
Acea Energia	10,127	6,593	3,534
Acea Produzione	29,099	1,547	27,553
Aquaser	43	2,306	(2,263)
Intesa Aretina	0	162	(162)
Acea Ambiente	12,854	3,070	9,784
Ingegnerie Toscane	68	91	(23)
Acea Elabori	12,526	12,408	118
Ombrone	1,420	0	1,420
Dividends	**269,782**	**217,128**	**52,654**
Other income from equity investments	0	1,766	(1,766)
(Costs) of equity investments in subsidiaries and associated companies	(11,613)	(5,103)	(6,510)
Profit/(Loss) on equity investments	**258,169**	**213,791**	**44,378**

The change can be attributed to greater dividends from investees, offset by greater costs for impairment, specifically € 7,585 thousand for the equity investment in Acea Ato5 and € 4,028 thousand for that in Umbriadue. Please see that found in the item Equity investments in subsidiaries and associates.

10. Income taxes – -€ 11,506 thousand

Total taxes amount to -€ 11,506 thousand (€ 5,625 thousand at 31 December 2021). In particular, the tax calculation is affected by the tax law applicable to the tax treatment of the collected dividends, the provisions for the provision for risks, as well as the deductibility of the interest expense of Acea for the Group tax consolidation. Income taxes for the year have an impact on the pre-tax result of 5.89%.
The balance consists of the algebraic sum of the following items.

Current taxes

Current taxes amounted to € 89,026 thousand (€ 92,691 thousand as at 31 December 2021) and refer to consolidated IRES calculated on the sum of taxable income and tax losses of the companies consolidated on a tax basis and IRAP.
It should be noted that this effect is cancelled by the recognition of income deriving from the attribution of the taxable income of the companies participating in the tax consolidation.
This effect is summarised in the table below what shows the reconciliation between the theoretical and actual rates.

Deferred taxes

Net deferred tax assets decreased taxes by € 1,182 thousand (€ 809 thousand at 31 December 2021) and consisted of the algebraic sum of provisions (€ 4,468 thousand) mainly on the provision for risks, the allowance for doubtful receivables, depreciation and amortisation, as well as provisions for defined benefit plans and utilisations (€ 3,286 thousand). Deferred tax liabilities increased by € 1,238 thousand and relate only to provisions.

Charges and income from tax consolidation

These amount to € 100,588 thousand (€ 99,067 thousand as at 31 December 2021) and represent the positive balance between the tax charges that the Parent Company has towards tax consolidation companies against the transfer of tax losses (€ 5,033 thousand) and the tax income recorded as a counterpart of the taxable income transferred to the consolidated company (€ 105,621 thousand).
The compensation for the loss, as per the general consolidation regulation, is determined by applying the current IRES rate to the amount of the tax loss transferred.

The table below shows the reconciliation between the theoretical and actual tax rates.

	2022	%	2021	%
Pre-tax result of continuing operations	**195,229**		**171,415**	
Expected tax charge at 24% on profit before tax	46,855	24.00%	41,140	24.00%
Permanent differences *	(58,259)	(29.84%)	(46,764)	(27.28%)
IRES for the period	(11,506)	(5.89%)	(5,625)	(3.28%)
IRAP for the period	0	0.00%	0	0.00%
Taxes on the operating income of continuing operations	**(11,506)**	**(5.89%)**	**(5,625)**	**(3.28%)**

* They mainly include the taxed portion of dividends.

NOTES TO THE BALANCE SHEET - ASSETS

NON-CURRENT ASSETS – € 5,839,796,772

11. Tangible fixed assets – € 114,345 thousand

This item shows an increase of € 4,347 thousand compared to the value of 31 December 2021. The change mainly refers to the net effect caused by investments, totalling € 12,016 thousand, and depreciation which amounted to € 7,633 thousand.

Investments during the period include the Telecontrol devices of the public lighting network in Rome, created by Acea at the request of Roma Capitale in fulfilment of the service contract.
The other investments mainly relate to extraordinary maintenance on the offices used for business activities, including the sport club, in addition to the investments relating to the hardware required for technological development projects for the improvement and evolution of the IT network.

The table below summarises the changes occurred in the year.

€ thousand	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Investments in progress	Total property, plant and equipment
Initial historic cost	**105,898**	**38,854**	**13,865**	**64,047**	**3,551**	**226,215**
Investments/Acquisitions	660	2,923	0	714	7,720	12,016
Divestments/Disposals	(9)	(22)	0	(5)	0	(36)
Other changes	0	54	0	67	(122)	(1)
Final historic cost	**106,549**	**41,810**	**13,865**	**64,823**	**11,148**	**238,194**
Initial provision for amortisation/ depreciation	**(26,667)**	**(21,767)**	**(13,340)**	**(54,443)**	**0**	**(116,217)**
Depreciation/amortisation and impairment losses	(1,996)	(3,195)	(236)	(2,206)	0	(7,633)
Divestments/Disposals	0	0	0	0	0	0
Final provision for amortisation/depreciation	**(28,662)**	**(24,962)**	**(13,576)**	**(56,649)**	**0**	**(123,849)**
Net closing balance	**77,886**	**16,848**	**289**	**8,174**	**11,148**	**114,345**

12. Real estate investments – € 2,256 thousand

These amount to € 2,256 thousand, recording a reduction of € 58 thousand due to the depreciation of the year and consist mainly of land and buildings not used for production and held for rental purposes.

13. Intangible fixed assets – € 92,197 thousand

The change, a total of € 42,172 thousand, mainly refers to the net effect between investments, € 58,807 thousand, and amortisation which amounted to € 23,842 thousand.

Investments mainly concerned the purchase and development of software to support the development of systems for managing IT platforms, corporate security and administrative management. Note that € 40,043 thousand refers to IT licenses and development granted for use to subsidiaries and associates based on the new contract that replaced the previous "communion" Template. As part of this operation, note that other changes includes € 8,277 thousand to repurchase portions of licenses following the termination of the "communion" regime, with only a residual portion still operating. Please see that found in the "Related Party Disclosure".

Below is a summary of the changes occurred during the period:

€ thousand	Patent rights	Investments in progress	Total intangible fixed assets
Net opening balance	44,591	5,434	50,025
Investments/acquisitions	53,952	4,854	58,807
Divestments/disposals	(495)	(640)	(1,135)
Other changes	11,080	(2,738)	8,342
Depreciation and amortisation	(23,842)	0	(23,842)
Net closing balance	**85,287**	**6,910**	**92,197**

14. Right of use – € 8,470 thousand

This item includes rights to use the assets of others which, as of 1 January 2019, are recognised as leased assets and amortised over the duration of the contracts, after application of the new international standard IFRS16. At 31 December 2022 the net book value of these assets was € 8,470 thousand.

€ thousand	31/12/2022	31/12/2021	Change
Land and buildings	7,165	12,571	(5,405)
Cars and motor vehicles	1,304	1,148	157
Other	0	(5)	5
Total	**8,470**	**13,713**	**(5,244)**

The table below shows the changes during the year:

€ thousand	Land and buildings	Cars and motor vehicles	Other	Total
Opening balance	**12,571**	**1,148**	**(5)**	**13,713**
New contracts	281	869	198	1,349
Remeasurement	(1,618)	0	(187)	(1,806)
Reclassifications/Other changes	104	67	24	194
Depreciation	(4,172)	(780)	(29)	(4,981)
Total	**7,165**	**1,304**	**0**	**8,470**

There are also no guarantees on residual value, variable payments and leases not yet signed to which Acea has committed itself for a significant amount.
Finally, it should be noted that costs relating to short-term leases and assets of modest value are recognised in the income statement item "leases and rentals" in line with the requirements of IFRS16 and in continuity with previous years.

15. Investments in subsidiaries and associates – € 2,059,277 thousand

An increase of € 91,666 thousand was seen with respect to 31 December 2021, as follows:

€ thousand	31/12/2022	31/12/2021	Change
Shares held in subsidiaries	2,033,815	1,944,626	89,189
Shares held in associates	25,461	22,984	2,477
Equity Investments in subsidiaries and associates	**2,059,277**	**1,967,611**	**91,666**

Investments in subsidiaries

Changes for 2022 are summarised below.

€ thousand	Historical cost	Reclassifications and other changes	Write-ups/ Write-downs	Disposals	Net value
Values at 31 December 2021	**3,345,940**	**(374,890)**	**(64,955)**	**(961,469)**	**1,944,626**
2022 changes:					
- changes in share capital	99,076	0	0	0	99,076
- acquisitions/formations	0	0	0	0	0
- disposals/distributions	0	0	0	0	0
- reclassifications and other changes	0	0	0	0	0
- write-downs/write-ups	0	0	(9,887)	0	(9,887)
Total changes in 2022	**99,076**	**0**	**(9,887)**	**0**	**89,189**
Values at 31 December 2022	**3,445,017**	**(374,890)**	**(74,842)**	**(961,469)**	**2,033,815**

The changes occurred involve:

- € 99,076 thousand is related to the following operations;
  i) € 96,338 thousand refers to recapitalisation through the establishment of an equity reserve to cover losses for the year through remission of Acea Ato5 trade and financial receivables;
  ii) € 2,739 thousand refers to the share capital increase for Adistribuzionegas;

- -€ 9,887 thousand is related to the following operations:
  i) -€ 7,585 thousand is related to the write-down of the equity investment in Acea Ato5;
  ii) -€ 4,028 thousand refers to the impairment of the equity investment in Umbriadue following the signing of the first share capital increase for ASM Terni with a value of € 471 thousand, by transferring the units representing the equity investment in Umbriadue;
  iii) € 1,726 thousand refers to the adjustment made to the exchange rate for the equity investment in Acea International SA.

For purposes of verifying the recoverable value of investments, the impairment test was carried out, pursuant to IAS 36, substantially on all its direct and indirect subsidiaries.

Below is the methodology used, as well as comments on the results of the sensitivity and impairment tests carried out. The impairment procedure for equity investments compares the carrying amount of the investment with its recoverable value, identified as the higher of value in use and fair value, net of selling costs.
The value in use represents the present value of expected cash flows that are expected to derive from the continuous use of all assets relating to the investment. The fair value, net of sales costs, represents the amount obtainable from the sale in a free transaction between knowledgeable and willing parties.

The 2022 impairment process provides the estimate of an interval relative to the recoverable value of individual investments in terms of value in use in methodological continuity with respect to the previous year, or through the financial method that recognises the ability to generate cash flows the essential element for assessing the reference entity. For the purpose of discounting operating cash flows, the weighted average cost of post-tax capital (WACC) is used. The estimate of the recoverable value of the equity investments is hence expressed in terms of value in use.
The application of the financial method for determining the recoverable value and the subsequent comparison with the respective accounting values, therefore entailed, for each equity investment subject to impairment testing, estimating the post tax WACC, the value of operating cash flows taken from the Business Plan approved by the Board of Directors, updated when necessary, to take into account regulatory developments and events occurring between the date of approval for the Business Plan and that of this financial statements by the Acea SpA Board of Directors, and the value of the terminal value (TV) and, in particular, the growth rate used to project flows beyond the plan horizon, the value of the net financial position (NFP) and any surplus assets/liabilities (SA).

The main assumptions which determined cash flows and test results were the following:
- the development of revenues for regulated businesses was drawn up on the basis of tariff trends resulting from national regulation and/or agreements with the regulatory authorities;
- the dynamics of the prices of electricity and gas sold and purchased on the free market were developed on the basis of energy scenarios developed in line with the current market situation.
- the evolution of the Group's costs over the course of the plan was developed by formulating "natural" forecasts.

Terminal value is calculated:
- for Acea Produzione (Generation Segment) using the residual value corresponding to the net invested capital at the end of the plants' useful life;
- for the Environment and Overseas Segments, respectively, considering the residual value corresponding to the net invested capital at the end of the plants' useful life and of the concession;
- for areti (Energy Infrastructure Segment): considering the current value of the RAB at the expiry of the concession calculated according to the regulations for the fifth regulatory period;
- for the Water Segment: considering the current value of the RAB and Net Working Capital at the end of the concession;
- for the Commercial and Trading Segment normalised cash flows were estimated with a steady state hypothesis without real growth.

Finally, the flows determined as above were discounted using the post-tax WACC determined using an unconditional approach or using the regulatory WACC for regulated business.
Market WACC are rising due to the most recent monetary policies and uncertainties due to the continuation of the Ukraine war, while those handled in accordance with the respective regulatory periods are in line with respect to those of the previous year.

Below the assumptions used in the tests and estimates for Terminal Value are summarised:

Sector	Recoverable value	WACC	Terminal value	Cash flow period
Water	Value in use	4.7%	NIC at the end of the concession, including the Regulatory Asset Base (RAB)	End of the concession
Gas	Value in use	5.3%	Terminal value equal to RAB	End of the concession
Energy Infrastructure	Value in use	5.0%	Regulatory Asset Base (RAB)	End of the concession
Commercial and Trading	Value in use	7.2%	Perpetuity	Until 2024
Generation	Value in use	6.5%	NIC/perpetuity at the end of the plants' useful life	Useful life of plants/end of concession
Engineering and Services	Value in use	4.7%	NIC at the end of the plants' useful life	End of Water Segment Facilities concession
Overseas	Value in use	8.0%/11.7%	NIC at the end of the concession	End of the concession
Environment	Value in use	6.6%	NIC at the end of the plants' useful life	Plants' useful life

Additionally, with regards to that issued by ESMA, referenced by CONSOB and better clarified in the guidelines in the OIV discus-

sion paper on development of impairment tests for non-financial assets (IAS 36) following the war in Ukraine, Acea has developed risk analysis using quantitative instruments, including application of an econometric model to estimate the relation between the main economic/financial amounts of interest to the various companies and plants of Acea, and in particular the margins and main macroeconomic variables, as well as Monte Carlo analysis useful to understanding the relationships between individual key variables and supporting the definition of possible alternative scenarios and, more generally, the level of volatility in forecasts. In addition to the impairment indicated above, there were also possible losses identified only under certain scenarios which, from a statistical point of view are not "more likely than not" but for which it was still held appropriate to monitor developments. Specifically, the CGUs in question are Acquedotto del Fiora, Adistribuzionegas, Acea Molise, Ecogena, Energia, Meg and the plants of Monterotondo (Acea Ambiente), Tor di Valle (Acea Produzione) and Porta di Roma (Ecogena).

It should also be noted that as a result of the approval of the 2022-2023 tariff update, the directors of Acea Ato5 confirmed the ongoing significant uncertainties about the subsidiary as a going concern, such as, in particular, the greater use of reverse factoring, the favourable outcome of the Technical Panel with the Area Authority intended to define the mutual items and the approval of request for economic/financial rebalance currently being prepared for reproposal by the company. Also see that described in the section "Trend of operating segments - Industrial segment - Water" in the Report on Operations.

In the face of the financial imbalance which arose with the approval of the recent tariff provisions, further aggravated by the national energy situation, the administrations of the subsidiaries continued to adopt actions to improve the financial positions of their companies, including:

- the rescheduling of past debts through the signing of repayment plans with both third parties and intra-group counterparties that envisage payments over periods longer than 12 months;
- actions to improve efficiency in credit management with the aim of reducing collection times for utility invoices and, consequently, improving collection percentages;
- continuation of actions to contain operating costs as a consequence of the lower revenues coming from the Economic Financial Plan approved by the OTAA 5 Conference of Mayors;
- the continuation of an appeal against Deliberation No. 1 made by the Conference of Mayors, approving the tariff proposal for 2020-2023;
- continuation of dialogue with the Area Authority to define reciprocal items, by reconfirming the validity of the settlement proposal adopted by the Conciliation Board established with the Area Authority and its specific content, as well as defining a repayment plan with the OTS for the items excluded by the Conciliation Board, compatible with the current tariff situation;
- the reproposing of a new economic/financial rebalancing request as established in the regulations (based on that indicated in articles 9 and 10 of the Standard Agreement approved by the Regulatory Authority for Energy, Networks and Environment in resolution 656/2015/R/idr), illustrating the causes and extent of economic/financial imbalance in ATO5's management of the IWS and the proposing of hypothesised rebalancing measures, including a request to access financial equalisation measures.

The main reason behind the impairment is substantially the financial deficit generated for the manager by the previous tariff provisions, in particular due to non-recognition of certain invoicing dates for previous adjustments, as well as non-recognition of costs and tariff changes not compatible with the level of investments and operating expenses over the period of the plan, at times leading to legal disputes not yet resolved, in addition to the Conciliation Board established with the Area Authority in previous years and at present in stasis while awaiting the results of criminal proceeding 2031/2016, aspects which have penalised the work capital profile in the first years of the plan. No proposal for payment of financial debts was provided for in relation to Acea.
In consideration of the imbalance determined by the recent tariff provisions, the Company's Directors have approved a multi-year economic/financial plan established for the impairment test which, in particular, reflects the content of the new request for economic/financial rebalancing currently being prepared by the Company, pursuant to that established in the water tariff regulations.

In particular, beyond the relevant assumptions indicated, the additional main assumptions that were used to determine cash flows, consistent with the structure of the stated rebalancing request, the results of the impairment test are as follows:

- development of revenues determined based on the tariff trends deriving from national regulations and/or agreements with the area authorities, as well as estimates of adjustment items, in the absence of contributions;
- recognition of the arrears tariff component (Cmor) at 7.1% for 2023-2025 and 2028-2033 and equal to the real unpaid ratio in 2026-2027;
- operating efficiency over the course of the plan equal to € 4.4 million starting in 2024;
- price trends for electricity and gas sold and purchased on the free market developed on the basis of the 2023 budget approved by the Company and energy scenarios developed in line with the current market situation;
- invoicing of tariff adjustments by the concession deadline, with the exception of tariff increase limits established under the regulations.

Given the various variables which affect the Company's economic/financial plan, sensitivity analysis was done based on whether the efficiency objectives are achieved, as established in the subsidiary's new business plan, and on whether the tariff component for arrears is recognised. Below are the results of the sensitivity analysis, nothing that the "basic case" for the impairment test coincides with the situation highlighted in orange which envisages 100% of cost savings objectives are achieved (€ 4.4 million starting in 2024) and recognition of the arrears component at 7.1% in the years 2023-2025 and 2028-2033; in the years 2026-2027, the hypothesis is recognition equal to the real unpaid ratio.

To that end, if on one hand achieving the cost savings objectives is held probable in consideration of the operating efficiency margin which can still be achieved with the actions partially already implemented by management in recent years, on the other recognition of the stated arrears levels is also deemed probable pursuant to that established in the current regulations (article 28.3, Annex A, ARERA resolution 580/2019/R/idr), given that it is necessary to maintain economic/financial balance for management. In fact, Acea Ato5 confirmed this need:

- in the tariff proposal annexed to the formal warning sent to ARERA on 30 November 2022;

- in the rebalancing request presented on 13 December 2021, the terms of which passed without results due to inaction by the Area Authority;
- in the rebalancing request currently being updated.

Therefore, given the circumstances, a scenario worse that the assessments made and summarised in the base case identified cannot be hypothesised, given that in the case the aforementioned recognition goals are not achieved, the Area Authority cannot avoid identifying alternative methods, including the request to access financial balancing measures called for in the regulations, in order to guarantee the required economic/financial balance for the Manager and regular management of the service.

	Cost efficiency hypotheses (not pass through) vs. base 2022								
€ thousand	0.0	1.0	2.0	3.0	4.0	4.4	5.0	6.0	7.0
Cmor recognition hypotheses 3%	-53.5	-49.9	-46.3	-42.7	-39.1	-37.7	-35.6	-32.0	-28.4
Cmor recognition hypotheses 7.1%	-37.4	-33.8	-30.2	-26.6	-23.0	-21.6	-19.5	-15.9	-12.3
Cmor recognition hypotheses equal to real unpaid *	-23.3	-19.8	-16.2	-12.6	-9.0	-7.6	-5.4	-1.9	1.7

* In the years 2026-2027, realignment to 7.1% starting from 2028 until 2033.

Shares held in affiliate companies

These amounted to € 25,461 thousand and changed in 2022 for:

- € 2,565 thousand following the establishment of the DropMI joint venture by Acea and Suez International SAS which will research, engineer and develop water metres and more generally, smart water solutions for the domestic and international water markets;
- - € 37 thousand adjustment to the exchange rate of the company Aguazul Bogotà.

The changes occurred during the year are shown in the table below.

€ thousand	Historical cost	Reclassifications and other changes	Write-ups/ Write-downs	Disposals	Net value
Values at 31 December 2021	**96,135**	**13,600**	**(80,889)**	**(5,861)**	**22,984**
2022 changes:					
- changes in share capital	0	0	0	0	0
- acquisitions/formations	2,565	0	0	0	2,565
- disposals/distributions	0	0	0	0	0
- reclassifications and other changes	0	(51)	0	0	(51)
- write-downs/write-ups	0	0	(37)	0	(37)
Total changes in 2022	**2,565**	**(51)**	**(37)**	**0**	**2,477**
Values at 31 December 2022	**98,700**	**13,549**	**(80,926)**	**(5,861)**	**25,461**

16. Other equity investments – € 2,350 thousand

Other equity investments refer to investments in equity securities that do not constitute control, association or joint control. They remained unchanged during 2022.

17. Deferred tax assets – € 13,453 thousand

These decreased by € 2,483 thousand compared to 31 December 2021. The following table shows the changes and the balance as at 31 December 2022, distinguishing the Assets for Prepaid Taxes from the Provision for Deferred Taxes.

With regard to the recoverability of deferred tax assets, it must be noted that the valuation of deferred tax assets was carried out on the basis of Acea's business plans and, with regard to the time scale, considering a reasonable estimate of the reversal period.

€ thousand	31/12/2021	Changes in the period: IRES/ IRAP uses	Changes in SE	IRES/IRAP advances	31/12/2022
Prepaid taxes					
Remuneration of BoD members	15	0		6	21
Provision for liabilities and charges	3,900	(2,167)	0	2,789	4,522
Provision for doubtful accounts	14,526	(414)	0	805	14,916
Depreciation and amortisation of tangible and intangible assets	496	(75)	0	349	771
Defined benefit plans/defined contribution	3,871	(562)	964	518	4,791
Others	6,221	(68)	(908)	0	5,245
Total	**29,029**	**(3,286)**	**0**	**4,468**	**30,267**
Deferred taxes			**56**		
Deferred taxes on dividends	18	0	0	17	35
Depreciation and amortisation of tangible and intangible assets	145	0	0	39	185
Defined benefit plans/defined contribution	179	0	0	0	179
Others	12,749	0	2,484	1,182	16,415
Total	**13,092**	**0**	**2,484**	**1,238**	**16,814**
Net total	**15,937**	**(3,286)**	**(2,484)**	**3,230**	**13,453**

18. Non-current financial assets – € 3,547,241 thousand

These saw an increase of € 165,531 thousand compared to 31 December 2021 (then € 3,381,711 thousand).
Below is the detailed table:

€ thousand	31/12/2022	31/12/2021	Change
Financial receivables from Roma Capitale	4,815	8,286	(3,471)
Receivables from subsidiaries and associates for loans	3,533,224	3,361,891	171,333
Other receivables due from others	9,202	11,534	(2,332)
Financial assets	**3,547,241**	**3,381,711**	**165,531**

The item **Financial receivables from Roma Capitale** shows a decrease of € 3,471 thousand and refers to investments in the public lighting service, such as plant redevelopment, energy saving, regulatory compliance and technological innovation, which will be paid to Acea, equal to the tax depreciation, beyond the year 2023, in accordance with what was agreed in the Supplementary Agreement to the service contract signed on 15 March 2011.

Financial receivables from subsidiaries and associates increased by € 171,333 thousand compared to 31 December 2021.

During 2022, note:

- the decrease in the long-term portion of the Acea Ato5 loan, equal to € 33,831 thousand, due for € 25,000 thousand to its remission as a consequence of the recapitalisation of the Company with the establishment of an equity reserve to cover losses for the year;
- the shareholders loan to Acea Molise was reclassified to the long-term, for a total of € 4,870 thousand, given that an extension on the repayment due date was granted to the same;
- the shareholders loan granted to TWS was repaid in advance, equal to € 4,000 thousand.

These receivables are considered entirely recoverable.

€ thousand	31/12/2022	31/12/2021	Change
Receivables for centralised treasury relationships, non-current portion	3,354,512	3,149,951	204,561
Receivables for medium/long-term loans	178,712	211,940	(33,228)
Acea Ato5	153,912	187,742	(33,831)
Acea Molise	4,870	0	4,870
Ecomed	33	33	0
Technologies for Water Service	0	4,000	(4,000)
Umbriadue Servizi Idrici	19,897	20,165	(268)
Receivables from subsidiaries and associates for loans	**3,533,224**	**3,361,891**	**171,333**

The item **Receivables from others**, amounting to € 9,202 thousand, is composed of € 8,202 thousand from the application of the financial asset model envisaged by IFRIC 12 regarding services under concession. This receivable represents all the investments made up to 31 December 2010 related to the service itself. The item includes € 654 thousand relative to non-current prepaid expenses for up front fees relative to committed lines.

19. Other non-current assets – € 208 thousand

This item includes prepaid expenses relative to the long-term portion of user licenses and maintenance fees for IT infrastructure, pertaining to subsequent years.

20. Current assets – € 1,178,416 thousand

These recorded a decrease of € 139,620 thousand (€ 1,317,763 thousand as at 31 December 2021) and are broken down as follows.

20.a - Trade receivables – € 149,229 thousand

These saw a decrease of € 30,131 thousand compared to 31 December 2021 (then € 179,359 thousand). Below is their composition:

€ thousand	31/12/2021	31/12/2020	Change
Trade receivables	1,239	544	695
Receivables due from the Parent Company Roma Capitale	21	30	(9)
Receivables from subsidiaries and associates	147,969	178,785	(30,816)
Trade receivables	**149,229**	**179,359**	**(30,131)**

Trade receivables

These amounted to € 1,239 thousand net of the allowance for doubtful receivables amounting to € 2,156 thousand and increased by € 695 thousand.
Receivables included under this item refer to positions accrued in respect of private and public entities for services rendered.

Provision for doubtful debts

These totalled € 2,156 thousand, up by € 32 thousand compared to 31 December 2021. The estimate of the amounts considered non-collectable is estimated based on the provisions of IFRS9, or, through the application of the expected credit loss model for the evaluation of the recoverability of the financial assets based on a predictive approach, based on the prediction of the counterparty's default (so-called probability of default) and of the ability to recover if the default event occurs (so-called loss given default).

Receivables due from the parent company - Roma Capitale

The following table shows together the amounts resulting from the relations with Roma Capitale, both with regard to the borrowing and lending due within and beyond the following year, including items of a financial nature.

€ thousand	31/12/2022	31/12/2021	Change
Receivables for services invoiced	5	5	0
Receivables for services to be invoiced	16	25	(9)
Total trade receivables	**21**	**30**	**(9)**
Financial receivables for Public Lighting services billed	135,127	117,133	17,994
Provision for doubtful debts	(57,994)	(28,298)	(29,696)
Financial receivables for Public Lighting services to be billed	36,274	48,981	(12,707)
Provision for doubtful debts	(5,380)	(30,152)	24,772
M/L term financial receivables for Public Lighting services	4,815	8,286	(3,471)
Total financial receivables for Public Lighting	**112,842**	**115,949**	**(3,108)**
Total receivables	**112,862**	**115,979**	**(3,117)**
Dividend payables	(105,942)	(116,220)	10,277
Other payables	(2,707)	(1,895)	(812)
Total payables	**(108,649)**	**(118,114)**	**9,466**
Total net balance receivables payables	**4,214**	**(2,135)**	**6,349**

As regards **relations with Roma Capitale**, the net balance at 31 December 2022 was € 4,214 thousand receivable by the Group (at 31 December 2021 the amount was a payable of € 2,135 thousand).

Trade and financial receivables recorded an overall decrease of € 3,117 thousand compared to the previous year, mainly due to accrual in the period and collections/compensations.

The main changes are listed below:

- higher receivables referable to the Public Lighting service for € 53,408 thousand;
- in April, receivables relative to work carried out for the public lighting service of € 3,636 thousand were offset with Acea stock dividends relative to the year 2019;
- in May, receivables relative to fees for the last quarter of 2021 for public lighting of € 7,424 thousand were offset with Acea

stock dividends relative to the year 2019;
- in July and August, receivables relative to fees for September 2021 and the first quarter of 2022, as well as for work again linked to the public lighting service, totalling € 15,335 thousand, were offset with Acea stock dividends relative to the year 2019;
- in September, receivables relative to fees for public lighting in 2022 of € 9,096 thousand were offset with Acea stock dividends relative to the years 2019 and 2020;
- in November, receivables relative to modernisation and extraordinary maintenance in 2021 for the public lighting network of € 10,242 thousand were offset with Acea stock dividends relative to the year 2020;
- in December, receivables relative to fees for the third quarter of 2022 for the public lighting service of € 10,780 thousand were offset with Acea stock dividends relative to the year 2020.

Financial payables due to Roma Capitale decreased by a total of € 10,277 thousand due to the combined effect of offsets/payments for € 56,572 thousand plus the recognition of the new residual debt for Acea's stock dividends for the year 2021 for € 46,160 thousand.

Recall that as part of the activities required for the first consolidation of the Acea Group in the 2018 Financial Statements of Roma Capitale, a round table was launched to reconcile the Roma Capitale receivables and payables. After several meetings and communications, on 22 February 2019 the Technical Department of the Municipality (SIMU) in charge of the management of the contracts with the Acea Group communicated several objections relating to the supply of both works and services for the period 2008-2018. These objections were completely rejected by the Group. In order to arrive at a complete resolution of the differences, during 2019 a specific Joint Technical Committee was set up with the Acea Group. Following several meetings, on 18 October 2019, the Joint Technical Committee drew up a report on the closure of the work, highlighting the results that emerged and proposing a favourable restart of the ordinary execution of the mutual obligations between the Acea Group and Roma Capitale. As a first step after the completion of the work, the parties took steps to implement the results that emerged from the discussions, restarting the payment of their respective receivables and payables.

At the end of 2020, relative to the public lighting contract, AGCM indicated the direct entrusting of the service was legitimate, and audits, work and joint investigations of the same are in progress. Additionally, among other things the provision gave rise to the audit on the congruity of the prices applied. In February 2021, following the aforesaid feedback and works, Roma Capitale confirmed the absolute congruity and convenience of the current economic terms with respect to the CONSIP parameters. Therefore, also during 2021, while awaiting the conclusion and finalisation of these aspects, Acea regularly continued to provide the Public Lighting service. The service was hence invoiced and has in part already been paid by Roma Capitale. During 2022, reconciliation activities continued, based on which Roma Capitale liquidated receivables due to Acea again through offsetting for a total of € 56,516 thousand, of which € 17,389 thousand relative to receivables already recognised in previous years.
We can note that on 11 August 2022, the City Executive Committee with resolution no. 312 entitled "Public and artistic-monumental public lighting service on the entire municipal territory – Concessionaire: Acea SpA- Recognition of the perimeter of the payable situation and launch of the consequent procedures" recognised the perimeter of the Administration's payables to Acea/areti in relation to the Public Lighting service as of 31 December 2021. This resolution was published on the institutional website of Roma Capitale on 30 August 2022 and with reference to the same, dialogue is still in progress with Roma Capitale.

As of the reporting date of these financial statements, Roma Capitale still needs to liquidate most of the receivables underlying the Technical Report.

Please note that during September 2022, the Consolidated Financial Statements of Roma Capitale at 31 December 2021 were approved.

Receivables from subsidiaries and associates
Receivables from subsidiaries and associates total € 147,969 thousand and fell by € 30,816 thousand compared to the previous year. These mainly refer to services rendered in the context of various services contracts. The difference is due to invoicing and collection trends. Below is their composition:

€ thousand	31/12/2022	31/12/2021	Change
Acea Ato2	32,833	26,329	6,504
Acea Ato5	5,552	54,404	(48,853)
areti	28,327	30,161	(1,834)
Acea Energia	19,062	16,580	2,482
Acea Produzione	3,154	4,114	(960)
Gesesa	8,760	7,847	913
GORI	6,403	2,606	3,798
Acea Molise	8,063	6,647	1,416
Acea Elabori SpA	2,987	4,446	(1,460)
Sarnese Vesuviano	789	813	(24)
Acea Ambiente	6,294	5,719	574
Acea Dominicana	72	72	0
Aquaser	142	(180)	322
Acque Industriali	921	1,452	(531)
Umbriadue Servizi Idrici	716	625	91
Ecogena	83	82	1
Acea International	18	18	0
Acea Innovation	552	496	56
Acquedotto del Fiora	7,500	5,892	1,608
Acea Perù	135	135	0
Acea Liq. and Lit.	48	(1)	49
Publiacqua	4,878	3,946	932
Umbra Acque	4,192	2,670	1,522
Acque	2,893	1,573	1,320
Ingegnerie Toscane	417	358	59
Geal	18	3	14
Coema	137	205	(68)
Integrated Water Service	298	119	179
Marco Polo	1,236	1,236	0
Other	1,490	416	1,073
Total	**147,969**	**178,785**	**(30,816)**

20.b - Other current assets – € 52,764 thousand

These recorded an increase of € 18,521 thousand and are made up as follows.

€ thousand	31/12/2022	31/12/2021	Change
Receivables due to the transferee Area Laurentina	0	6,446	(6,446)
Other receivables	238	219	18
Receivables from national insurance institutions	324	289	35
Receivables due to severance pay for individual transfers	1,952	1,945	7
Advances to suppliers and deposits with third parties	298	239	59
Other tax receivables	25,271	8,823	16,448
Accrued income and prepaid expenses	7,144	5,543	1,600
Tax consolidation receivables due from subsidiaries	17,539	10,739	6,800
Other current assets	**52,764**	**34,243**	**18,521**

The change mainly derives from greater VAT receivables equal to € 15,330 thousand and tax consolidation of € 6,800 thousand, offset by the collection of the receivable due from Milano '90 for the via Laurentina area from the third party garnishee in the amount of € 6,446 thousand (for more information, please see the disclosure found in the section on the main legal disputes).

Receivables from national insurance institutions and for severance indemnities (TFR) for individual terminations include receivables

generated by the return of Marco Polo to the facility management sector for amounts due to employees. Accrued income and prepaid expenses mainly include the portion of user licences accruing to subsequent years, fees for IT infrastructure maintenance and IT services, insurance contracts and insurance premiums.

20.c - Current tax assets – € 9,222 thousand

The item increased by € 3,458 thousand, mainly due to higher IRES receivables for advances paid.

€ thousand	31/12/2022	31/12/2021	Change
IRAP receivables	31	31	0
IRES receivables	9,191	5,733	3,458
Current tax assets	**9,222**	**5,764**	**3,458**

20.d - Current financial assets – € 667,283 thousand

These recorded an increase of € 10,424 thousand and can be broken down as follows. From this year non-current financial assets include the portion of current accounts related to revolving loan lines destined by the subsidiaries to non-current assets. The data of 2020 have therefore been made pro-forma for a better representation.

€ thousand	31/12/2022	31/12/2021	Change
Financial receivables from the Parent Company Roma Capitale	108,026	107,664	363
Financial receivables from subsidiaries and associates	364,120	274,381	89,739
Financial receivables from third parties	195,137	274,814	(79,677)
Total current financial assets	**667,283**	**656,858**	**10,424**

Receivables from parent companies - Roma Capitale

These amount to a total of € 108,026 thousand and refer to receivables due from Roma Capitale relating to the Public Lighting Service Contract as anticipated in the section of this document "Trade receivables from Roma Capitale".

Receivables from subsidiaries and associates

These amount to € 364,120 thousand (€ 274,381 thousand at 31 December 2021) and are composed as follows:

€ thousand	31/12/2022	31/12/2021	Change
Receivables from cash pooling relationships	246,125	155,532	90,594
Accrued current financial assets on loans and cash pooling relationships	84,762	94,577	(9,815)
Receivables from subsidiaries for loans	27,816	20,320	7,496
Other receivables from subsidiaries	2,906	1,486	1,420
Receivables for commissions on guarantees given	2,510	2,466	44
Financial receivables from subsidiaries and associates	**364,120**	**274,381**	**89,739**

The change with respect to the end of the previous year is mainly due to the decrease in the current portion of balances in the current accounts with group companies which adhered to a revolving type loan, covering working capital and investment requirements and due to the reduction in associated accrued income, mainly due to the reduction in interest rates.
An increase was recorded in receivables from subsidiaries for loans of € 7,496 thousand due for € 4,870 thousand to the reclassification to short-term of shareholders loans to Acea Molise expiring on 31 January 2022.

Receivables from others

These amounted to a total of € 195,137 thousand and decreased compared to 31 December 2021 by € 79,677 thousand owing to the decrease in short-term deposits which went up from € 270,000 thousand to € 190,000 thousand.

€ thousand	31/12/2022	31/12/2021	Change
Receivables for managing the Public Lighting service	3,181	3,775	(594)
Receivables on short-term deposits	190,000	270,000	(80,000)
Financial accrued income	1,080	765	315
Receivables from SEIN from Liquidation of Acea Ato5 Servizi	274	274	0
Other receivables	602	0	602
Financial receivables from third parties	**195,137**	**274,814**	**(79,677)**

20.e - Cash and cash equivalents – € 299,918 thousand

These recorded a decrease of € 141,620 thousand (€ 441,538 as at 31 December 2021) and represent the balance of bank and postal current accounts opened at the various credit institutions as well as at Ente Poste.

NOTES TO THE BALANCE SHEET – LIABILITIES

21. SHAREHOLDERS' EQUITY – € 1,690,653 THOUSAND

€ thousand	31/12/2022	31/12/2021	Change
Share capital	1,098,899	1,098,899	0
Legal reserve	147,501	138,649	8,852
Reserve for own shares	0	0	0
Other reserves	91,954	83,510	8,444
Retained earnings/(losses)	145,564	158,042	(12,478)
Profit (loss) for the year	206,735	177,040	29,695
Shareholders' Equity	**1,690,653**	**1,656,139**	**34,513**

Shareholders' equity increased by € 34,513 thousand compared to 31 December 2021. This change is mainly due to the profit reported in the year and to the effects generated by the allocation of the result achieved in 2021 equal to € 0.85 per share, as well as the changes in other reserves.

The composition and changes per item are shown below:

21.a - Share capital – € 1,098,899 thousand

This amounts to € 1,098,899 thousand and is represented by 212,964,900 ordinary shares with a par value of € 5.16 each, as shown in the Shareholders' Register. The share capital is subscribed and paid-up in the following manner:

- Roma Capitale: 108,611,150 for a total nominal value of € 560,434 thousand,
- Market: 103,936,757 shares for a total par value of € 536,314 thousand.
- Treasury Shares: 416,993 ordinary shares with a total nominal value of € 2,151 thousand.

21.b - Legal reserve – € 147,501 thousand

It includes 5% of the profits of the previous financial years as required by article 2430 of the Italian Civil Code.
At 31 December 2022 there was an increase of € 8,852 thousand compared to the previous year, due to the allocation of profit achieved in 2021.

21.c - Other reserves – € 91,954 thousand

The composition of the Item and the changes for the period are provided below:

€ thousand	31/12/2022	31/12/2021	Change
Extraordinary reserve	180	180	0
Demerged capital gains reserve	102,567	102,567	0
Reserve for exchange differences	17,262	9,397	7,865
Valuation reserve for financial instruments	(16,225)	(19,099)	2,874
Reserve for actuarial gains and losses	(12,029)	(9,734)	(2,295)
Other miscellaneous reserves	198	198	0
Other reserves	**91,954**	**83,510**	**8,444**

The reserve for differences in exchange records an increase of € 7,865 thousand and represents the effect of the valuation at the exchange rate on 31 December 2022 of the private placement in YEN stipulated in 2010.

The cash flow hedge reserve is negative and stands at € 16,225 thousand. This reserve includes € 3,333 thousand for the negative difference deriving from the delta of conversion rates between that provided for in the hedging contract and that recorded on the adjustment date of the bond (3 March 2010).

The table below shows available and unavailable reserves.

	31/12/2022				
				Summary of use made in the previous three years	
€ thousand	Amount	Possibility of use	Distributable portion	Loss coverage	Other reasons
Capital reserves					
Reserve deriving from the ARSE spin-off	6,569	A, B, C	6,569		
Profit reserves from the Income Statement					
Legal reserve	147,501	A, B	147,501		
Extraordinary reserve	180	A, B, C	180		
Demerged capital gains reserve	102,567	A, B, C	102,567		
Retained earnings/(losses)	145,564	A, B, C	145,564		13,643
Profit reserves from O.C.I.					
Valuation reserve for financial instruments	(16,225)		(16,225)		
Reserve for exchange differences	17,262		17,262		
Reserve for actuarial gains and losses	(12,029)		(12,029)		
Other reserves					
Greater cost paid, intragroup acquisitions	(5,652)		(5,652)		
IAS reserve	(719)		(719)		
Reserve for own shares	3,853	Guarantee of treasury shares	3,853		
Total	**388,872**		**388,872**		
Non-distributable share			133,991		
Residual distributable portion			254,881		

Key: A = *capital increase* – B = *to cover losses* – C = *distribution to shareholders*

Reserve for own shares

Pursuant to art. 2428 of the Italian Civil Code, there are 416,993 treasury shares in the portfolio, with a nominal value of € 5.16 each (€ 2,152 thousand in total) and correspond to 0.196% of the share capital.

The reserve for treasury shares in portfolio amounted to € 3,853 thousand at 31 December 2022. The amount of the reserve coincides with the value of shares in the portfolio accounted for as a reduction of the Shareholders' Equity in accordance with IAS32.

CURRENT LIABILITIES – € 851,804,782 THOUSAND

22. Employee severance indemnity and other defined benefit plans – € 21,901 thousand

It increased by € 1,566 thousand and reflects severance indemnities and other benefits to be paid subsequently to the performance of the work activity to employees. Within the obligations that make up this item, we need to highlight the defined contribution plans and defined benefit plans. The following table shows the composition:

€ thousand	31/12/2022	31/12/2021	Change
- Employee severance indemnities (TFR)	4,577	5,863	(1,286)
- Pegaso Fund	0	0	0
Employee severance indemnity	**4,577**	**5,863**	**(1,286)**
- Extra months	1,015	1,332	(317)
Extra months	**1,015**	**1,332**	**(317)**
- LTIP plans	1,736	858	877
Long-Term Incentive Plans (LTIP)	**1,736**	**858**	**877**
Benefits due at the time of termination of employment	**7,327**	**8,053**	**(726)**
- Employees tariff subsidy	868	1,107	(239)
- Managers tariff subsidy	90	96	(6)
- Pensioners tariff subsidy	10,299	7,363	2,937
Tariff subsidies	**11,257**	**8,566**	**2,691**
Post-employment benefits	**11,257**	**8,566**	**2,691**
- Isopensione fund	3,316	3,715	(399)
Isopensione (early retirement)	**3,316**	**3,715**	**(399)**
Staff termination benefits and other defined benefit plans	**21,901**	**20,334**	**1,566**

With regard to the calculation method, it must be noted that the benefits due at the time of termination of the employment relationship are determined according to actuarial criteria; with reference to post-employment benefits, the calculation is based on the "projected unit credit method" which is based on assessments that express corporate liability as the current average value of future benefits, pro rated based on the service provided by the employee at the time calculation with respect to that corresponding at the time of payment of the service.
The change is affected **i)** by the provisions for the period, **ii)** by the outflows that occurred during the period and **iii)** by the decrease in the rate used for the valuation of the liabilities.
In particular, with regard to the economic-financial scenario, the discounting rate used for the valuation was of 4.00% against a rate used last year of 1.00%.
As required by paragraph 78 of IAS 19, the interest rate used to determine the current value of the obligation was determined with reference to the yield on the valuation date of securities of primary companies in the financial market to which Acea belongs and to the return on outstanding government bonds on the same date with a duration comparable to the residual duration of the collective of workers analysed; it must be noted that, due to internal consistency of assessment and alignment with the requirements of IAS 19, the same technical bases have been maintained for the various types of plans.

Furthermore, the parameters used for the evaluation are shown below:

	31/12/2022	31/12/2021
Discount Rate	3.95%	1.00%
Revenue growth rate (average)	2.67%	1.59%
Long-term inflation	2.50%	1.75%

With regard to the measurement of the Group Employee Benefits (Employee severance indemnity (TFR), Monthly bonuses, tariff subsidies for current and retired staff) a sensitivity analysis was performed to assess the changes in the liability resulting from both positive and negative shifts of the rate curve (+0.5% shift /-0.5% shift). The results of this analysis are summarised below.

	Discount Rate	
Plan type - € thousand	**-0.5%**	**+0.5%**
Employee severance indemnities (TFR)	(177)	188
Tariff subsidies	(335)	353
Extra months	(39)	42
LTIP	(13)	13

Furthermore, a sensitivity analysis was performed related to the age of the group, hypothesizing a group one year younger than the actual one.

Plan type - € thousand	-1 year of age
Employee severance indemnities (TFR)	43
Tariff subsidies	(548)
Extra months	75

Sensitivity analyses were not performed for other variables such as, for example, inflation rate.

23. Provision for risks and charges – € 17,381 thousand

The table below details the composition by nature and the changes compared to the end of the previous year:

€ million	31/12/2021	Uses	Provisions	Release for Excess Provisions	Reclassifications/ Other changes	31/12/2022
Legal	2,701	(539)	974	0	0	3,136
Investees	5,570	0	0	0	(51)	5,520
Contributory risks	738	(130)	138	(16)	0	730
Other risks and charges	930	0	111	0	0	1,041
Total provision for risks	**9,939**	**(669)**	**1,223**	**(16)**	**(51)**	**10,427**
Early retirements and redundancies	5,085	(6,339)	8,208	0	0	6,954
Total provisions for expenses	**5,085**	**(6,339)**	**8,208**	**0**	**0**	**6,954**
Total provisions for risks and charges	**15,024**	**(7,008)**	**9,431**	**(16)**	**(51)**	**17,381**

The main changes concerned:

- the provisions for risks associated with legal disputes utilised for € 539 thousand owing to unfavourable judgements. Further provisions were also set aside during the year for € 974 thousand;
- the provision set aside for redundancy and mobility plans used for € 6,339 thousand as the relevant procedures have been completed. Additionally, € 8,208 thousand was set aside for the same plan, including future isopension retirement plans.

For further details, see the information provided in the section "*Update on major disputes and litigation*".

24. Non-current borrowings and financial liabilities - € 4,404,759 thousand

The breakdown is as follows:

€ thousand	31/12/2022	31/12/2021	Change
Bonds	3,834,453	4,141,952	(307,500)
Medium/long-term borrowings	462,202	250,816	211,385
Medium/long-term borrowings from subsidiaries	103,760	116,730	(12,970)
IFRS 16 financial payables	4,344	9,089	(4,745)
Borrowings and financial liabilities	**4,404,759**	**4,518,588**	**(113,829)**

Medium and long-term bonds

Bonds amounted to € 3,834,453 thousand (€ 4,141,952 thousand at 31 December 2021) and refer to the following:

- **€ 599,513 thousand** (including the long-term portion of contract related costs) relating to the 10-year fixed rate bond issued by Acea in July 2014 as part of the Euro Medium Term Notes (EMTN) programme. The bonds, which have a minimum denomination of € 100,000 and expire on 15 July 2024, pay an annual gross coupon of 2.625% and were placed at an issue price of 99.195%. The effective gross yield at maturity is equal to 2.718%, corresponding to a yield of 128 basis points above the 10-year midswap rate. The bonds are governed by English law. The settlement date was 15 July 2014. Interest accrued during the period amounted to € 15,750 thousand;
- **€ 496,944 thousand** (including the long-term portion of costs attached to the contract) relating to the 10-year fixed-rate bond for a total of € 500,000 thousand issued by Acea in October 2016 under the EMTN programme. The bonds, which have a minimum denomination of € 100,000.00 and expire on 24 October 2026, pay an annual gross coupon of 1% and were placed at an issue price of 98.377%. The bonds are governed by English law. The settlement date was 24 October 2016. Interest accrued during the period amounted to € 5,000 thousand;

- € 142,416 thousand relating to the Private Placement which, net of the Fair Value of the hedge, a negative € 18,015 thousand, amounted to **€ 160,430 thousand**. This fair value is allocated to a specific equity reserve. A suitable exchange reserve includes the exchange rate difference, a negative € 22,713 thousand, of the hedged instrument calculated on 31 December 2022. The exchange rate at the end of 2022 stood at € 140.41 against € 130.90 at 31 December 2021. Interest accrued during the period amounted to € 3,633 thousand. This is a private bond (Private Placement) for an amount of 20 billion Japanese Yen with a maturity of 15 years (2025). The Private Placement was underwritten entirely by a single investor (AFLAC). Coupons are paid on a semi-annual basis every 3 March and 3 September applying a fixed rate in Yen of 2.5%. At the same time, a cross currency transaction was carried out to transform the Yen currency into Euro and the Yen rate applied in a fixed rate in Euro. The cross-currency transaction requires the bank to pay Acea, with a deferred semi-annual maturity, 2.5% out of 20 billion Japanese Yen, while Acea must pay the bank the coupons on a quarterly postponed basis at a fixed rate of 5.025%. The loan agreement and the hedging contract contain an option, respectively, for the investor and the agent bank, connected to the trigger rating: the debt and its derivative can be recalled in their entirety in the event that Acea's rating falls below the level of investment grade or in the event that the debt instrument loses its rating. At the end of the year the conditions for the possible exercise of the option did not occur;
- **€ 693,953 thousand** (including the long-term portion of costs associated with the contract), relating to the 9.5-year fixed rate (1.5%) bond issued by Acea on 1 February 2018 under the EMTN programme. Interest accrued during the period amounted to € 10,500 thousand;
- **€ 495,905 thousand** (including the long-term portion of costs associated with the contract), relating to the 9.5-year fixed rate (1.75%) bond issued by Acea on 23 May 2019 under the EMTN programme. Interest accrued during the period amounted to € 8,750 thousand;
- **€ 496,597 thousand** (including the long-term portion of costs associated with the contract) relating to the 9-year 0.50% rate bond issued by Acea on 29 January 2020 under the EMTN programme. Interest accrued during the period amounted to € 2,500 thousand;
- **€ 299,770 thousand** (including the long-term portion of costs associated with the contract) related to the newly issued Green Bond maturing on 28 September 2025, with an interest rate of 0%;
- **€ 591,339 thousand** (including the long-term portion of costs associated with the contract) relative to the newly issued Green Bond maturing on 28 July 2030 with an interest rate of 0.25%. Interest accrued during the period amounted to € 1,500 thousand.

The decrease compared to 31 December 2021 refers for € 299,975 thousand (including the long-term portion of the costs associated with the conclusion) relating to the reclassification into the short-term position of the bond loan on 1 February 2018 with a maturity of 5 years at a variable rate (Euribor 3 months +0.37%) under the EMTN programme. Interest accrued during the year amounted to € 1,436 thousand.

The following is a summary including the short-term portion:

€ thousand	Gross payables *	FV hedging instrument	Interest accrued **	Total
Bonds:				
Issued in 2014	598,588.5	0.0	7,335.6	605,924
Private Placement issued in 2014	142,396.0	18,014.8	609.8	161,021
Issued in 2016	495,885.4	0.0	945.2	496,831
Issued in 2018	992,242.5	0.0	6,902.1	999,145
Issued in 2019	495,013.5	0.0	5,345.9	500,359
Issued in 2020	495,960.4	0.0	1,849.3	497,810
Issued in 2021	889,684.0	0.0	645.2	890,329
Total	**4,109,770**	**18,015**	**23,633**	**4,151,418**

* Including amortised cost.
** Including deferrals on hedging instruments.

Medium/long-term borrowings

These amount to € 462,202 thousand and show a total increase of € 211,385 thousand and represent the payable for the portion of the instalments not yet repaid at 31 December 2022 and expiring beyond twelve months. The increase mainly refers to the disbursement of the new EIB loan in two tranches, equal to € 250,000, with value date of 13 June 2022.

The main mortgages, whose values as at 31 December 2022 are shown below including the short-term portions amount to a total of € 501,460 thousand and are described below:

- loan stipulated on 25 August 2008 for an amount of € 200,000 thousand for the investment plan in the water sector (Acea Ato2) with a duration of 15 years. At 31 December 2022 this loan amounted to € 7,509 thousand and is internally allocated to the short-term position. The first tranche of € 150,000 thousand was disbursed in August 2008 and the interest rate is equal to the 6-month Euribor plus a spread of 7.8 basis points. In 2009, a second tranche was disbursed for an amount of € 50,000 thousand, which provides for an interest rate equal to the 6-month Euribor plus a spread of 0.646%, with a maturity of 15 June 2019. The latter was extinguished early in March 2018;
- loan contracted by the EIB on 23 December 2014 of € 200,000 thousand, aimed at supporting the needs of the multi-year investment plan in the water area. The interest rate is

variable with maturity in June 2030. The residual amount of the loan at 31 December 2022 amounts to € 83,449 thousand;
- financing contracted with the EIB on 2 May 2017 for € 200,000 thousand as part of the Network Efficiency III Project. The interest rate is variable. The loan repayment plan envisages a period of pre-amortisation up to 15 June 2021 and amortisation in constant semi-annual instalments up to 31 December 2030. The residual amount of the loan at 31 December 2022 amounts to € 160,195 thousand;
- the new medium/long-term loan signed in 2020 and disbursed to Acea SpA on 30 July 2022, in two tranches equal to € 250,000 thousand, by the European Investment Bank, with reference to the Acea Ato2 investment programme for 2019-2022. At 31 December 2022, the first loan tranche of € 125,000 thousand accrued interest at a fixed rate, while the second tranche, also equal to € 125,000 thousand, accrues interest at a variable rate. Both loans mature in June 2037.

The table below provides details of the loans by type of interest rate and by maturity. It must be noted that the table also shows the short-term portion by 31 December 2023 of € 39,258 thousand.

€ thousand	31/12/2022	By 31/12/2023	From 31/12/2023 to 31/12/2027	After 31/12/2027
Loans:				
- fixed rate	125,129	133	17,044	107,953
- floating rate	376,330	39,125	141,478	195,728
Total	**501,460**	**39,258**	**158,522**	**303,680**

For information on financial instruments at the reporting date please refer to the paragraph "*Supplementary information on financial instruments and risk management policies*".

Medium/long-term borrowings from subsidiaries

On 20 December 2021 a contract was concluded for a loan from Acea Energia to Acea SpA. This was disbursed in a single amount with maturity 31 December 2031 and amortising repayment in six-monthly constant instalments. Below are details of the ageing, including the short-term portion.

€ thousand	Total residual debt	By 31/12/2023	Due from 31/12/2023 to 31/12/2027	After 31/12/2027
Loans:				
- fixed rate	116,735	12,975	51,880	51,880
Total	**116,735**	**12,975**	**51,880**	**51,880**

IFRS16 financial payables

This item includes the financial payable deriving from the adoption of IFRS16, the long-term portion of which amounts to € 4,345 thousand. The short-term portion instead amounts to € 4,500 thousand. The cash flows broken down by maturity to which Acea is potentially exposed are shown below:

€ thousand	Within 12 months	Within 24 months	Within 5 years	Residual debt
IFRS 16 liabilities	**4,500**	**7,146**	**8,707**	**8,845**

25. Other non-current liabilities – € 31,714 thousand

The item of € 31,714 thousand (€ 2,292 thousand at 31 December 2021) includes the non-current portion of accrued expenses related to multi-annual user licences and development granted to subsidiaries and associates.

26. CURRENT LIABILITIES – € 851,805 THOUSAND

These amounted overall to € 851,805 thousand and decreased overall by € 202,761 thousand.

€ thousand	31/12/2022	31/12/2021	Change
Current financial payables	572,824	393,135	179,689
Payables to suppliers	233,199	222,154	11,046
Tax payables	0	0	0
Other current liabilities	45,782	33,755	12,027
Current liabilities	**851,805**	**649,043**	**202,761**

26.a - Financial payables – € 572,824 thousand

These rose by € 179,689 thousand and are composed as follows:

€ thousand	31/12/2022	31/12/2021	Change
Payables to banks for short-term credit lines	91	176	(85)
Payables to banks for loans	39,258	46,105	(6,847)
Short-term bonds	316,965	15,945	301,020
Payables to the Parent Company Roma Capitale	108,466	117,906	(9,440)
Payables to subsidiaries and associates	102,887	205,972	(103,084)
Payables to third parties	655	1,830	(1,174)
IFRS 16 financial payables within one year	4,500	5,202	(701)
Current financial payables	**572,824**	**393,135**	**179,689**

The decrease of € 6,847 thousand in payables to banks for loans refers to the residual portion of the loan stipulated on 25 August 2008, maturing in 2023.

The short-term position for bonds increased by € 301,020 thousand due to the reclassification into the short-term position of the 5-year bond issued by Acea on the Euro Medium Term Notes (EMTN) programme on 1 February 2018, which matures at the beginning of February 2023.

Financial payables due to Roma Capitale decreased by a total of € 9,440 thousand mainly due to the combined effect of offsets/payments for € 56,572 thousand plus the recognition of the new debt for Acea's stock dividends for the year 2021 for € 92,319 thousand, paid in the amount of 50% (€ 46,160 thousand).

The changes concerning payables to subsidiaries and associates mainly relate to centralised treasury transactions, which fell by € 103,084 thousand due to the lower financial exposure recorded during the year by some Group companies.
Other financial payables essentially include the short-term portion and the accrued expenses related to the loan disbursed by Acea Energia to Acea SpA.

The following is a breakdown by type of debt due to investee companies:

€ thousand	31/12/2022	31/12/2021	Change
Payables for cash pooling relationships	89,862	192,995	(103,134)
Other financial payables	13,026	12,976	50
Payables to subsidiaries and associates	**102,887**	**205,972**	**(103,084)**

This item includes the short-term portion of IFRS16 financial payables, equal to € 4,500 thousand (€ 5,202 thousand at 31 December 2021).

26.b - Trade payables – € 233,199 thousand

Results are as follows.

€ thousand	31/12/2022	31/12/2021	Change
Payables to suppliers	129,040	116,406	12,634
Payables to the parent company	182	208	(26)
Payables to subsidiaries and associates	103,977	105,540	(1,563)
Payables to suppliers	**233,199**	**222,154**	**11,046**

Payables to third-party suppliers show an increase of € 12,634 thousand and the balance is shown below:

€ thousand	31/12/2022	31/12/2021	Change
Payables due to invoices received	75,934	67,488	8,446
Payables due to invoices to be received	53,106	48,918	4,188
Payables to suppliers	**129,040**	**116,406**	**12,634**

With regard to payables to suppliers for invoices received for € 75,934 thousand, it must be noted that the expired component amounts to € 21,815 thousand, the remaining amount is due within the next twelve months.

Relative to relations with **subsidiaries and associates**, note a € 1,563 thousand decrease with respect to 31 December 2021, essentially relative to areti for fees relative to the Public Lighting service. Details by counterparty are provided in the following table:

€ thousand	31/12/2022	31/12/2021	Change
Acea Ato2	795	634	161
Acea Ato5	68	257	(190)
Acea Energia	12,490	9,199	3,291
Acea Produzione	58	80	(22)
areti	89,950	94,617	(4,667)
Acea Elabori	166	94	72
Acea Ambiente	48	49	(1)
GORI	44	99	(55)
Ecogena	25	19	6
Gesesa	48	0	48
Other	284	491	(207)
Total	**103,977**	**105,540**	**(1,563)**

26.c - Other current liabilities – € 45,782 thousand

The increase of € 12,027 thousand is due for € 11,756 thousand to the short-term portion of accrued expenses relative to multi-year user rights for licenses and developments granted to subsidiaries and associates, through application of the new contract which took effect on 1 January 2022.

€ thousand	31/12/2022	31/12/2021	Change
Payables to social security institutions	3,877	3,775	102
Accrued expenses and deferred income	12,812	1,056	11,756
Tax consolidation payables to subsidiaries	9,120	9,437	(317)
Payables due to personnel	10,211	9,554	657
Payables to Equitalia	61	63	(2)
Other current liabilities	9,701	9,870	(169)
Other current liabilities	**45,782**	**33,755**	**12,027**

For greater clarity, it must be noted that payables with a due maturity of more than five years are not recorded in the financial statements, other than those already indicated with respect to the item "Loans".

INFORMATION ON RELATED PARTIES

ACEA AND ROMA CAPITALE

The controlling entity holds an absolute majority with 51% of Acea's shares.
There are commercial relations between Acea and Roma Capitale, as the company provides services to the Municipality with regard to maintenance and upgrading of public lighting systems.
With regard to the public lighting service, we inform you that it is provided exclusively in the Rome area. As part of the thirty-year free grant issued by the Municipality of Rome in 1998, the economic terms of the services subject to the concession are currently governed by a service contract between the parties in force since May 2005 and until the concession expires (31 December 2027), pursuant to the supplementary agreement signed between Acea and Roma Capitale on 15 March 2011 modified in June 2016 with a private deed aimed at regulating commitments and obligations deriving from the implementation of the LED Plan.

The additions of the supplementary agreement of 2011 concern the following aspects:

- alignment of the duration of the service contract to the expiry of the concession (2027), given the mere accession function of the contract to the agreement;
- periodic updating of the fee components related to electricity consumption and maintenance;
- annual increase in the lump-sum payment for the new lighting points installed.

Furthermore, the investments required for the service may be **i)** applied for and funded by the Municipality or **ii)** financed by Acea. In the former case, such works will be paid based on a price list agreed by the parties (and subject to review every two years) and will result in a percentage decrease in the ordinary fee. In the latter case, the Municipality is not bound to pay a surcharge; however, Acea will be awarded all or part of the savings expected in both energy and economic terms according to pre-established methods.
On the due or early termination date Acea is entitled to an indemnity corresponding to the residual book value of the assets that will be paid by the Municipality or the incoming operator upon express provision of this obligation in the call for tenders for the selection of the new operator.
Finally, the contract establishes a list of events which represent just cause for early revocation of the concession and/or termination of the contract by the parties. Of these events, that relative to newly arising requirements linked to the public interest appears relevant, expressly included under that established by article 23-*bis* of Italian Decree Law 112/2008, abrogated after the referendum of 12 and 13 June 2011, which determines for Acea the right to an indemnity commensurate with the discounted product of a defined percentage of the annual contractual amount and the number of years remaining until the natural expiry of the concession.
The supplementary agreement, exceeding the materiality thresholds defined by the Company in relation to Transactions with Related Parties, was submitted to the analysis of the Board of Directors and obtained approval at the meeting on 1 February 2011, after obtaining the favourable opinion by the Committee for Transactions with Related Parties.

Reciprocal claims and liabilities — with reference to payment methods and terms — are governed by individual contracts:

a. for the public lighting service contract the payment is expected within sixty days from the submission of the invoice and, in the event of delayed payment, the legal rate is applied for the first sixty days and then the default rate as established from year to year by a special decree of the Minister of Public Works in agreement with that of the Minister of Economy and Finance,
b. for all other service contracts the payment deadline for Roma Capitale with reference to service contracts is sixty days from receipt of the invoice and in the event of late payment, the parties have agreed to apply the official discount rate in force over time.

The private agreement signed in June 2016 between Acea and Roma Capitale regulated commitments and obligations deriving from the implementation of the LED Plan modifying art. 2.1 of the Supplementary Agreement signed in 2011.
More specifically, the agreement provides for the installation of 186,879 fittings (which became 182,556 at the request of Roma Capitale), in the number of 10,000 per month starting thirty days after the signing of the agreement; the price was set at € 48 million for the entire Led Plan. The amount is to be paid in the amount of 10% in advance and the remaining part on the basis of specific bimonthly progress certificates, which must be paid by Roma Capitale within thirty days following the closing of the progress certificate for 80%, and within fifteen days after verification of the same progress certificate for the remaining 15%. The agreement also provides for incentive/penalty mechanisms based on higher/lower than planned installations every two months and for a reduction of the fee paid by Roma Capitale to the extent of 50% of the economic value of Energy Efficiency bonds due to Acea for the LED Project.
As a result of the implementation of the LED Plan, the parties partially modified the price list and the composition of the fee for the management of the service.
New constructions and investments contribute to the increase in the lump-sum payment due to the annual rate calculated according to the mechanism of tax depreciation envisaged for the plants underlying the specific intervention and to the percentage reduction of the ordinary rent due from Roma Capitale whose amount is defined in the technical-economic project document.
A variable interest rate is envisaged to remunerate the invested capital.
With regards the extent of the relationship between Acea and Roma Capitale, reference must be made to what has been explained and commented on receivables and payables to the parent company in note no. 19.c of this document.
We can inform you finally that, as regards the Public Lighting Service, following the opinion given by the AGCM (Antitrust Authority) in Bulletin no. 49 of 14 December 2020, Roma Capitale began checking the conditions of congruity and economic convenience of the performance terms pursuant to the service contract between the Administration and Acea SpA (and for it Areti) compared

with the terms pursuant to the CONSIP Luce 3 Convention and, in addition, on the basis of the positions expressed by the AGCM in the said opinion, expressed perplexities on the legitimacy of the award to Acea SpA itself. On 8 February 2021, with a note ref. DG 1585/2021, Roma Capitale communicated the results of the said checks, affirming definitively "the congruity and convenience of the economic terms currently in being with respect to the qualitative and economic parameters of the CONSIP Luce 3 convention" and confirming "the correctness of the prices applied for the public lighting service", overcoming definitively all reserves on the congruity of the prices charged in the context of the contractual relationship in being between Roma Capitale and Acea SpA. In the same note, the Administration therefore ordered the restart of the procedures for payment of Acea's ascertained receivables in relation to the service contract. We can note that the said communication regards the correctness of the prices charged, without affecting the Administration's intention, already manifested, to terminate the relationship with Acea to call for tenders and thus make a new award for the Public Lighting service.

Also note that on 11 August 2022, the City Executive Committee with resolution no. 312 entitled "Public and artistic-monumental public lighting service on the entire municipal territory — Concessionaire: Acea SpA — Recognition of the perimeter of the payable situation and launch of the consequent procedures" recognised the perimeter of the Administration's payables to Acea and areti in relation to the Public Lighting service as of 31 December 2021. This resolution was published on the institutional website of Roma Capitale on 30 August 2022 and with reference to the same, dialogue is still in progress with Roma Capitale.
We can inform you finally that while awaiting the conclusion and definition of all the aspects regarding the service, Acea continued the Public Lighting service proceeding regularly to the invoicing and the related collections as described at length in the Notes to the Statements in the paragraph on Relations with Roma Capitale.

From the point of view of economic relations, instead, the costs and revenues at 31 December 2022 are summarised below with reference to the most significant transactions.

	Revenues		Costs	
€ thousand	2022	2021	2022	2021
Public Lighting Service contract	49,157	30,385	78	77
Revenue from real. plants on request	429	1,983	0	0
Total	**49,585**	**32,368**	**78**	**77**

ACEA AND THE ROMA CAPITALE GROUP

Even with companies, special companies or institutions controlled by Roma Capitale, Acea has commercial relations.

The following table shows information on entries with the companies of the Roma Capitale Group.

Roma Capitale Group	31/12/2022			
€ thousand	Payables	Costs	Receivables	Revenues
Ama SpA	130	579	44	17
Fondazione Cinema per Roma	122	122	0	0
Fondazione Teatro dell'Opera	0	15	0	0
Total	**252**	**719**	**44**	**17**

ACEA AND ITS SUBSIDIARIES

Finance relationship

Acea SpA, in its function as an industrial holding company, defines the strategic objectives at the Group and subsidiary level and coordinates its activities.
As part of the centralised management of financial services, the parent company Acea has long since adopted a Group inter-company treasury system, including an inter-company finance relationship, making it available to many Group companies with which a special multi-year inter-company finance contract was signed.
The intercompany finance contracts were renewed on 1 January 2020. Based on this contract, Acea makes available a medium-term revolving loan, known as the "Intercompany Finance Line", up to a predetermined credit limit for financing the financial needs for **i)** working capital requirements and **ii)** the execution of investments.
In addition, Acea makes credit lines available to its own companies for signature, for an amount equal to the Plafond for bank guarantees or through the direct issuing of corporate guarantees for an amount equal to the Plafond for Corporate Guarantees.
The operation of this contract provides that in a permanent and daily manner each company, holder of specific peripheral bank current accounts, daily credit or debit the Parent Bank's current account to zero the balance on its current accounts.
In the case of a daily intercompany balance due by currency, the companies pay interest expense to the Parent Company calculated, for each year, on the basis of a market interest rate, defined as the sum of: Cost of funding, the average weighted interest rate paid by the Acea Group on the market the previous year and Incremental Risk, the risk differential between the Acea Group and individual companies participating in the contracts. For 2022, the interest rate applied falls between a minimum of 1.82% and a maximum of 2.73%, while in 2021, the rate applied fell between a minimum of 2.12% and a maximum of 2.98%.
In the case of a daily intercompany credit balance by currency, Acea recognises calculated interest rates for each quarter by applying the

interest rate resulting from the arithmetic average of the "3 month EURIBOR" rates (source Bloomberg) in the previous quarter.
Contractual terms applied are, with the same credit standing and type of financial instrument, in line with those resulting from the reference market, also supported by the evidence of a benchmark developed by a leading consulting firm.

The new contracts saw revisions made to the following conditions:
- the duration is 30 years or until the expiry of concessions for companies with regulated business (Acea Ato2 and areti);
- revision of the total rate calculation method for the use of the Intercompany Finance Line;
- revision of the method for calculating the rates applied on bank and corporate guarantees;
- regular annual update of economic conditions based on the previous year's financial statements.

In 2022, the scope of current Treasury Contracts was expanded through the granting of a line for insurance sureties.

Commercial relationship

Acea also provides subsidiaries and associated companies with administrative, financial, legal, logistics, management and technical services in order to optimise the resources available within the Company and to optimally use existing know-how in a logic of affordability. These services are governed by specific service contracts.
As of 1 January 2020, and for three years, the new service contracts for 2020-2022 took effect. The methodology used to determine the unit price is the Cost Plus Method, which calls of the identification of a shared base cost, to which is applied a mark-up on internal costs (subject to market benchmarks by a major consulting company) and, subsequently, divided up between the various beneficiaries of the services through allocation keys which are compliant and consistent, in line with what third parties would do. These contracts are compliant for regulatory purposes and of the Organisation, management and control model and envisage SLAs (Service Level Agreements) with a view to improving the level of service offered, to relate to relevant KPIs (Key Performance Indicators).

As of 1 January 2022, replacing the Template project "communion" system, Acea and its subsidiaries signed a new contract for Acea to supply assets and IT services from a specific catalogue, ranging from supplying software licenses and developments relative to which Acea transfers multi-year user rights through a license, to sales of hardware infrastructure. As part of this contract, Acea manages the operating, application management and maintenance of software and hardware falling under the contract and IT security services.
In any case, a portion of the Template contract is still operational for a residual portion of the "communion" that is still undivided.

Finally, during 2022 Acea continued to develop a series of software programmes made available only to the companies located within the Water Area through the signing of specific contracts providing for a consideration user licences and the related maintenance release and ordinary maintenance services.

The contractual terms applied are, for the same type of service rendered, in line with those resulting from the market.

ACEA AND THE MAIN COMPANIES OF THE CALTAGIRONE GROUP

As of the end of financial year 2022, there were the following financial relationships with the companies of the Caltagirone Group and Acea SpA.

	31/12/2022			
€ thousand	Payables	Costs	Receivables	Revenues
Piemme SpA - Concessionaria di pubblicità SpA	51	103	0	0
Total	**51**	**103**	**0**	**0**

ACEA AND THE MAIN COMPANIES OF THE SUEZ GROUP

As of the end of financial year 2022, there were the following financial relationships with the companies of the Suez Group.

Impact on the statement of financial position

	31/12/2022			
€ thousand	Payables	Costs	Receivables	Revenues
Suez International Sas	0	0	242	242
Total	**0**	**0**	**242**	**242**

The table below shows the impact of transactions with related parties on the statement of financial position, the income statement and the cash flow statement.

Impact on the statement of financial position

€ thousand	31/12/2022	Of which related party transactions	% impact	31/12/2021	Of which related party transactions	% impact
Non-current financial assets	3,547,241	3,538,039	100%	3,381,711	3,381,497	100%
Trade receivables	149,229	148,311	99%	179,359	178,870	100%
Other current assets	52,764	17,615	33%	34,243	10,794	32%
Current financial assets	667,283	472,146	71%	656,858	382,045	58%
Borrowings and financial liabilities	(4,404,759)	(103,760)	2%	(4,518,588)	(116,730)	3%
Other non-current liabilities	(31,714)	(31,115)	98%	(2,292)	0	0%
Current financial payables	(572,824)	(211,354)	37%	(393,135)	(323,878)	82%
Payables to suppliers	(233,199)	(104,651)	45%	(222,154)	(106,227)	48%
Other current liabilities	(45,782)	(21,753)	48%	(33,755)	(9,442)	28%

Impact on the economic results

€ thousand	2022	Of which related party transactions	% impact	2021	Of which related party transactions	% impact
Revenue from sales and services	191,611	191,604	100%	160,125	160,125	100%
Other revenue and proceeds	18,803	8,926	47%	12,486	9,260	74%
Costs of materials and overhead	185,120	67,661	37%	153,457	49,877	33%
Financial income	89,303	87,163	98%	90,390	89,598	99%
Financial charges	(67,576)	(1,633)	2%	(60,090)	1,182	-2%
Profit/(Loss) on equity investments	258,169	258,169	100%	213,791	213,791	100%
Income tax	(11,506)	(100,588)	874%	(5,625)	(99,067)	1761%

Impact on the Cash Flow Statement

€ thousand	2022	Of which related party transactions	% impact	2021	Of which related party transactions	% impact
Cash flow from operating activities	(69,514)	(39,918)	57%	(138,959)	21,558	-16%
Cash flow of asset investment/disinvestment	64,404	515,006	800%	(446,243)	799,153	-179%
Cash flow from financing activities	(136,509)	(34,350)	25%	608,235	(34,956)	-6%

LIST OF TRANSACTIONS WITH RELATED PARTIES

During 2022, a major operation was approved between Acea, the first party, and Nuova Suez and Suez International SAS ("Suez International", fully and directly held by Nuova Suez), the second party, to design a cutting edge intelligent metering system for the water service ("smart meter") and subsequent production and commercialisation in Italy and abroad, through a specific commercial partnership between Acea and Suez International.

UPDATE ON MAJOR DISPUTES AND LITIGATION

ACEA SPA - MILANO '90

This issue concerns the failure to pay sums due for the balance of the sale price of the area in the Municipality of Rome with access from via Laurentina No. 555, formalised with a deed dated 28 February 2007 and with a subsequent supplementary deed of 5 November 2008. With the said supplementary deed, the parties agreed to change the fee from € 18 to € 23 million, while eliminating the earn out, setting 31 March 2009 as the payment deadline.
Given the purchaser's failure to act, the procedure to collect the amounts due was initiated by preparing a notice pay addressed to Milano '90 and through application for an injunction order which, on 28 June 2012, was granted in a temporarily enforceable form.
Therefore, in November 2012, Acea served a garnishment order to the company Milano '90 for the forced recovery of the amounts claimed.
Milano '90 opposed the aforementioned injunction - also requesting the condemnation of Acea for the restitution of sums paid as a price and compensation for damages - obtaining the suspension of its provisional execution. Consequently, the enforcement procedure was in turn suspended.
By judgement no. 3258, published on 13 February 2018, the Court of Rome rejected the opposition and confirmed the court order in full, sentencing Milano '90 to pay for the costs of the dispute.

Appeal decision

On 26 April 2018, Milano '90 appealed, and with a decision issued 23 June 2022, the Court of Appeal of Rome fully confirmed the sentence of the first instance judge and sentenced the counterparty to pay the litigation costs.

Executive procedure

Following the favourable ruling of first instance, on 27 March 2018 Acea filed the application for resumption of the executive procedure in relation to Milano '90 and the third parties attached. Following the decision with regards to the third party garnishee, on 25 March 2022 the sums assigned to Acea were paid.

ACEA SPA - TRIFOGLIO SRL

The complex dispute consists of a case filed as a plaintiff and also a case appearing as a defendant, joined in 2015 before the Judge with whom the case filed as a plaintiff was pending.
Case filed as a claimant: this issue concerns the breach by Trifoglio of its obligation to pay the balance of the amount due (€ 10.3 million), pursuant to the sale contract regarding the so-called Autoparco property, which should have been paid on 22 December 2011.
In consideration of Trifoglio's breach, a notice was served aimed at giving notice to sign a deed to voluntarily terminate the sale agreement of 22 December 2010, and then to file an appeal pursuant to art. 702-bis of the Code of Civil Procedure at the Court of Rome. ATAC Patrimonio filed a claim for the termination of the sale agreement of 22 December 2010 for the portion for which it is responsible.
Cases as a defendant: Trifoglio has notified Acea and ATAC Patrimonio a writ of summons aimed at assessing the invalidity of the deed of purchase and sale and recognition of compensation for damages in the amount of approximately € 20 million.
By judgement no. 11436/2017 of 6 June 2017, the Court of Rome declared the nullity of the contract of purchase and sale, substantively upholding the petition of Acea aimed at having the contract wound up with Trifoglio and recovering ownership of the area, arranging for the return to Trifoglio of the deposit-price received (Euro 4 million); it also rejected the request for compensation for damages made by Trifoglio and excluded any liability of Acea with regards to the truthfulness of the contractual guarantees offered to Trifoglio. On 8 August 2017, Trifoglio appealed and in a decision issued 5 July 2022, the Court of Appeal of Rome confirmed the ineffectiveness of the sales contract stipulated between Acea SpA and Trifoglio Srl on 22 December 2010, and fully rejected the claim for compensation of Trifoglio Srl.
Specifically, the panel reformed the first instance sentence in the part in which it officially found the nullity of the sales contract, but in any case declared the ineffectiveness of the same, confirming Acea's obligation to repay the advance — price received (equal to € 4 million), a sum already paid in implementation of the first aid sentence. The proceeding has now been concluded.

ACEA SPA - FORMER COS RULINGS

The COS dispute concerns the ascertainment of the illegality of the contract between Almaviva Contact (formerly COS) and Acea and the consequent right of its workers to be recognised as having a subordinate employment relationship with Acea.
It should be noted that the majority of the cases in which Acea was unsuccessful were settled, and that of the six claimants only two were brought before the Court of Cassation by Acea to assess the existence of a claim (the assessment of the right to establish a relationship). These judgements were settled by dismissal orders – made on 2 and 10 July 2019 – of Acea's application. The establishment of the employment contract between Acea and the opposing parties as from 2004 is therefore confirmed.
The claimants - who have claimed the remuneration differences for lack of performance - have therefore started to work concretely starting from February 2020.

Quantification judgements

Based on the above-mentioned judgements concerning the *an debeatur*, the six workers who won their cases (i.e. with whom a subordinate employment relationship with Acea was established) have over time initiated actions quantifying their claims, requesting to pay the wages due as a result of the established relationship and regarding different periods of accrual of the receivables. Below, specifically.
Salary differences in relation to the period 2008/2014. In 2015, six separate quantification judgements were introduced by the aforementioned workers in relation to the wage differences matured between 2008 and 2014. The judge, having gathered the ap-

peals, rejected them with a sentence of 3 June 2015 against which an appeal was lodged by the counterparties.
In December 2020 conciliation of the dispute with one of the six workers was reached, while the appeal, continued for the other 5 applicants, ended with a partially unfavourable sentence handed down on 26 October 2022, as a result of which Acea paid, subject to repetition, the amounts due by way of wage and social security differences as well as interest and monetary revaluation.
Acea appealed to the Supreme Court against this ruling, currently awaiting a hearing.
Salary differences in relation to the period 2014/2019. In the years 2020 and 2022, four workers were notified as many monitoring judgements aimed at also obtaining the wages not received in relation to the 2014-2019 time segment.
With reference to the injunctions received in 2020, after the opposition to the same was rejected, the workers' requests were accepted. Therefore, in April 2022 Acea paid the salary differences and accessories recognised and also filed an appeal.
As regards to the appeals notified in 2022, both judgements are ritually opposed.
Finally, note the introduction in July 2022 of an appeal pursuant to art. 414 c.p.c. by a fifth worker, whose requests were granted in a decision issued in December 2022.

ACEA SPA - MUNICIPALITY OF BOTRICELLO

In 1995, the Municipality of Botricello transferred management of its integrated water service to a temporary grouping of businesses, which later established itself as a consortium, known as Hydreco Scarl. In 2005, the Municipality sued, in the Court of Catanzaro, the company Hydreco Scarl and its component companies, including Sigesa SpA (which transferred its rights to Acea SpA), to obtain reimbursement of the fees due for administration for the period from 1995-2002, quantified in the amount of € 946,091.63, plus damages, interest and revaluation.
The companies disputed the Municipality's claim and filed a counter-claim for non adjustment of tariffs and loss of earnings due to the early revocation of the service. During the case an expert was called upon, who recognised a balance due to the Municipality of around € 230 thousand. Nonetheless, the Court, with judgement 1555 of 29 October 2015, ordered the companies to jointly pay € 946,091.63, plus interest and revaluation of the payable accrued, rejecting the counter-claims. The losing parties filed separate appeals and, with an ordinance of 27 March 2018, the Catanzaro Court of Appeals suspended execution of the appealed judgement, based on the validity of the arguments made in the appeal document. However, with judgement 677 of 6 June 2020, the appeals were rejected.
Acea filed an appeal with the Court of Cassation. The date for the hearing has not yet been set.

ACEA SPA AND ARETI SPA - MP 31 SRL (FORMERLY ARMOSIA MP SRL)

This is an opposition proceeding filed against the injunction issued by the Court of Rome against areti, in the amount of € 226,621.34, requested by Armosia MP by way of lease payments for the months of April-May-June of 2014 in relation to the property in Rome - Via Marco Polo 31. The injunction was declared provisionally enforceable by order of 8 July 2015.
In the hearing on 17 February 2016, the Judge adjoined this case with the other pending before the Court of Rome, taken by Acea and areti (transferee of the lease contract) in order to obtain the termination of the lease contract. In this latter case, MP 31 has also filed an unconventional remand for compensation for the damages incurred in consideration of the degrading condition of the building when it was released by areti. With a sentence dated 27 November 2017 the Court upheld the application of MP 31 against areti, condemning it to the payment of the previous rent in the amount of € 2,759,818.76 plus interest from the individual deadlines, as well as the payment of the rent up to contract expiry (29 December 2022). As a result, there are no further charges to the company.
Acea filed an appeal, served on 2 January 2018.
The hearing to discuss the appeal judgement has been postponed several times and is currently set for 11 May 2023.

ACEA SPA AND ACEA ATO2 SPA - CO.LA.RI.

With a writ of summons served on 23 June 2017, the Consortium Co.La.Ri. and E. Giovi Srl — respectively the manager of the Malagrotta landfill (prov. Rome) and the executor — summoned Acea and Acea Ato2 to obtain payment for the portion of the tariff for accessing the landfill, to be allocated to cover the thirty-year costs to manage the same, as established in Italian Legislative Decree 36/2003, alleged to be due for the depositing of waste during the contractual period from 1985-2009.
The main request stands at over € 36 million for the entire period of contract validity. Subordinately, in the event that the law disposing the tariff is considered by the judge to be applicable retroactively, the plaintiffs request the recognition of the right to receivables of approximately € 8 million for the period March 2003 - 2009, and the ascertainment, by expert appraisal, of the receivables for the previous period 1985-2003.
The first hearing, initially set for 23 February 2018, was postponed to 8 October 2018 to add the dispute against the Optimal Territorial Area Authority 2 Central Lazio - Rome.
The hearing for the clarification of the conclusions was set for 22 March 2021 and, on that occasion, the judge, taking into account the notes filed by the parties, granted further postponements for the same impending. At the hearing on 26 April 2022 an exception was also raised concerning the lack of active standing for Co.La.Ri and E. Giovi due to the commissioning of the Malagrotta landfill (in relation to the reclamation and post-operational activities) ordered in the Prime Ministerial Decree of 18/02/2022. We are currently awaiting the dissolution of the reserve by the Judge on the requests of the parties.

GALA'S CITATION TO ARETI, ACEA ENERGIA SPA AND ACEA SPA

By means of a summons served in March 2018, GALA requested the Court of Rome to declare the invalidity of some clauses of the transport contract stipulated with areti in November 2015 and the consequent invalidity/ineffectiveness of the termination of the contract by areti, ordering the latter to pay the corresponding damage, for a total of over € 200,000,000.00.

GALA also requested that the behaviour of areti and other defendant companies — Acea SpA and Acea Energia SpA — be declared acts of unfair competition, condemning them to pay the corresponding damages.
The companies of the Acea group that were sued acted within the terms of the law, denying the opposing claims and requesting their rejection.
In addition, as a counter-claim, areti has requested to declare the contract legitimately terminated, as well as to ascertain and declare the non-fulfilment of GALA of the payment and guarantee obligations assumed under the transport contract with consequent order to pay the related amount, plus interest and without prejudice to the additional amounts being accrued.
The case is currently pending before the XVII civil section of the Court of Rome and at the hearing for specification of the conclusions on 9 December 2021 the decision was withheld, with terms granted for the closing briefs. Oral arguments were heard in April 2022 and the final decision is awaited.

AGCM PROCEEDING A/513 - ACEA SPA, ACEA ENERGIA SPA AND ARETI SPA

On 8 January 2019, the Antitrust Authority notified Acea SpA, Acea Energia SpA and areti SpA of the final order for Proceeding A/513.
With this order, the Authority ruled that the aforementioned Group companies had committed an abuse of a dominant position – qualified as very serious and of duration quantified in 3 years and 9 months – consisting in the adoption of a broad exclusionary strategy realised through the illegitimate use of a series of prerogatives possessed solely by virtue of its position as an integrated operator in distribution, in order to compete with its competitors in the acquisition of electricity sales contracts in free market conditions.
In view of the gravity and duration of the infringement, the Authority ordered Acea SpA, Acea Energia SpA and areti SpA to pay an overall pecuniary administrative fine of € 16,199,879.09.
Fully convinced of the illegitimacy of this measure, two administrative appeals were filed before the Lazio Regional Administrative Court, one brought by Acea Energia and the other by Acea SpA. With separate judgements on 17 October 2019 the appeals were accepted and, as a result, the sanction was cancelled.
With appeals served on 17 January 2020, the AGCM filed an appeal before the Council of State. The group companies concerned lodged a cross appeal, and a hearing has yet to be scheduled.

The Directors consider that the settlement of the ongoing dispute and other potential disputes should not create any additional charges for Acea, with respect to the amounts set aside. These allocations represent the best estimate possible based on the elements available today.

ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

CLASSES OF FINANCIAL INSTRUMENTS

The following table shows the breakdown of financial assets and liabilities required by IFRS9 based on the categories defined by IAS 39.

€ thousand	FVTPL	FVTOCI	Amortised cost	Balance sheet value	Explanatory Notes
Non-current assets	**2,350**	**0**	**3,547,241**	**3,537,324**	
Equity investments	2,350	0	0	2,350	16
Financial assets	0	0	3,547,241	3,547,241	18
Current assets	**0**	**0**	**862,132**	**844,593**	
Trade receivables	0	0	149,229	149,229	20
Current financial assets	0	0	667,283	667,283	20
Other current assets	0	0	45,621	45,621	20
Non-current liabilities	**0**	**160,430**	**4,136,224**	**4,296,655**	
Bonds	0	160,430	3,674,022	3,834,453	24
Payables to banks	0	0	462,202	462,202	24
Current liabilities	**0**	**0**	**834,492**	**825,996**	
Short-term bonds	0	0	316,965	316,965	26
Payables to banks	0	0	39,349	39,349	26
Other financial payables	0	0	212,009	212,009	26
Trade payables	0	0	233,199	233,199	26
Other liabilities	0	0	32,970	19,973	26

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of securities not listed on an active market is determined using the valuation models and techniques prevailing on the market or using the price provided by several independent counterparties.
The fair value of medium / long-term financial receivables and payables is calculated on the basis of the risk-less and risk-less adjusted rates. It must be noted that for trade receivables and payables with contractual expiry within the financial year, the fair value has not been calculated as their book value approximates the same.
In addition, fair value is not calculated when the fair value of financial assets and liabilities cannot be objectively determined.

TYPES OF FINANCIAL RISKS AND RELATED HEDGING ACTIVITIES

Foreign exchange risk

Acea is not particularly exposed to this type of risk which is concentrated on the conversion of the financial statements of foreign subsidiaries.
As regards the 20 billion Yen Private Placement, the exchange rate risk is hedged through a cross currency swap described in the section on interest rate risk.

Liquidity risk

Acea's liquidity risk management policy is based on ensuring the availability of significant bank lines of credit. Such lines exceed the average requirement necessary to fund planned expenditure and enable the Group to minimise the risk of extraordinary outflows. In order to minimise liquidity risk, the Group has adopted a centralised treasury management system, which includes the most important Group companies, and provides financial assistance to the companies (subsidiaries and associates) not covered by a centralised finance contract.

At 31 December 2022 the Parent Company has uncommitted credit lines of € 425 million, of which € 21 million utilised. No guarantees were granted in obtaining these lines. In the event of the drawdown of these types of facilities, Acea would pay an interest rate equal to the Euribor at one, two, three or six months (depending on the chosen period of use), in addition to a spread that, in some cases, may vary according to the rating assigned to the parent company.
At 31 December 2022 the Parent Company had unused committed credit lines of € 700.0 million and uncommitted lines of € 425.0 million, of which € 21.0 million used. No guarantees were granted in obtaining these lines.
Acea also has committed revolving lines for € 700 million, with an average maturity of around 3.9 years. Additionally, on 30 July 2020 Acea signed a new direct unsecured loan contract with the European Investment Bank for a total up to € 250 million, entirely utilised as at 31 December 2022. At the end of the year the Parent Company has commitments in short-term deposit transactions for an amount of € 190 million.
Please note that the EMTN Programme approved and established in 2014 for an initial amount of € 1.5 billion, adjusted upwards for a total of € 5 billion in 2021, was available in a residual amount of € 1 billion at 31 December 2022. Note that in the first two months of 2023, Acea placed bonds totalling € 700 million.

Interest rate risk

The Acea Group's approach to managing interest rate risk, which takes the structure of assets and the stability of the Group's cash flows into account, has essentially been targeted, up to now, at hedging funding costs and stabilising cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving from ordinary activities.
The Group's approach to managing interest rate risk is, therefore, prudent and the methods used tend to be static in nature.
In particular, for static management (to be opposed to the dynamic one) we mean a type of management of interest rate risk that does not provide for daily operations on the markets but an analysis and control of the position carried out periodically on the basis of specific needs. This type of management therefore involves daily activity in the markets, not for trading purposes but in order to hedge the identified exposure in the medium/long term.
Acea has, up to now, opted to minimise interest rate risk by choosing a mixed range of fixed and floating rate funding instruments.
As it is known, fixed rate funding protects a borrower from cash flow risk in that it stabilises the financial outflows in the income statement, whilst heightening exposure to fair value risk in terms of changes in the market value of the debt. An analysis of the consolidated debt position shows that the risk Acea is exposed to is mainly in the form of fair value risk, being composed of hedged fixed rate borrowings (85%) as at 31 December 2022, and to a lesser extent to the risk of fluctuations in future cash flows.

Acea is consistent with its decisions regarding interest rate risk management that essentially aims to both control and manage this risk and optimise borrowing costs, taking account of Stakeholders' interests and the nature of the Group's activities, and based on the prudence principle and best market practices. The main objectives of these guidelines are as follows:

- identifying, from time to time, the optimal combination of fixed and variable rates,
- to pursue a potential optimisation of borrowing costs within the risk limits established by governance bodies and in accordance with the specific nature of the business,
- to manage derivatives transactions solely for hedging purposes, should Acea decide to use them, in respect of the decisions of the Board of Directors and, therefore, the approved strategies and taking into account (in advance) the impact on the income statement and Statement of Financial Position of said transactions, giving preference to instruments that qualify for hedge accounting (typically cash flow hedges and, under given conditions, fair value hedges).

A cross currency plain vanilla swap operation is in being as of 31 December 2022 on Acea. This was entered into in 2010 to transform into euro the currency of the Private Placement (yen) and the yen rate applied into a fixed rate in euro.
The derivative instrument contractualised by Acea listed above is of the non-speculative type and the fair value, calculated according to the bilateral method, is a negative € 18.0 million (a negative € 21.8 million at 31 December 2021).

The fair value of medium/long-term debt is calculated on the basis of the risk-free and the risk-adjusted interest rate curves.

€ thousand	Amortised cost (A)	Risk-less FV (B)	Delta (A – B)	risk adjusted FV (C)	Delta (A – C)
Bonds	4,151,418	3,829,231	322,187	3,729,684	421,735
- fixed rate	125,129	114,563	10,566	105,814	19,315
- floating rate	376,330	371,965	4,365	356,931	19,400
Total	**4,652,878**	**4,315,760**	**337,118**	**4,192,428**	**460,449**

This analysis was also carried out with the risk adjusted curve, i.e. a curve adjusted for the level of risk and the business sector of Acea. A curve populated with fixed rate bonds denominated in EUR, issued by domestic companies in the public utilities sector with a composite rating ranging from BBB+ and BBB- was used.
A sensitivity analysis has been carried out on medium/long-term financial liabilities using stress testing, thus applying a constant spread over the term structure of the risk-free interest rate curve.
This makes it possible to evaluate the impact on fair value and on future cash flows for both the individual instruments in the portfolio and the overall portfolio.

The following table shows the overall fair value changes of the debt portfolio based on parallel shifts (positive and negative) between -1.5% and +1.5%.

Constant spread applied	Changes in present value (€ million)
(1.5%)	(419.2)
(1.0%)	(316.4)
(0.5%)	(216.9)
(0.3%)	(168.4)
n.s.	0.0
0.25%	(73.7)
0.50%	(27.5)
1.00%	62.7
1.50%	150.1

With regard to the type of hedging of which the fair value is determined and with reference to the hierarchies required by the IASB, it should be noted that, since these are composite instruments, the level is type 2 and that during the period there were no reclassifications from or to other levels of fair value as defined by IFRS13.

COMMITMENTS AND CONTINGENCIES

These amounted to € 810,600 thousand and increased by € 34,890 thousand compared to 31 December 2021 (€ 775,710 thousand).

ENDORSEMENTS AND SURETIES ISSUED AND RECEIVED

These have a negative net balance of € 29,340 thousand, as the endorsements and sureties issued amounted to € 21,630 thousand while those received amounted to € 50,969 thousand.
These saw an increase of € 5,017 thousand compared to the end of the previous year. The change is due to the release of bank sureties issued in favour of INPS as part of the isopension programmed for € 1,346 thousand and the release of an insurance guarantee for participation in the IIS management tender issued by the province of Piacenza for € 3,978 thousand.

LETTERS OF PATRONAGE ISSUED AND RECEIVED

The balance is positive for € 586,930 thousand, consisting of letters of patronage issued for € 587,133 thousand and letters of patronage received for € 203 thousand.
During the year they underwent an overall reduction of € 28,168 thousand.

The main changes concerned:
- the increase in guarantees given to various traders in favour of Acea Energia for € 93,000 thousand;
- the release of guarantees given in favour of banks and financial institution relative to photovoltaic companies for € 27,554 thousand;
- the overall reduction in guarantees in favour of various companies in compliance with the obligations established in electricity transport contracts on the account of Acea Energia, for a total of € 17,976 thousand;
- the release of a surety in favour of Fergas Solar in the interest of Acea Produzione, guaranteeing a contract to purchase energy produced by Fergas Solar for € 5,014 thousand;
- the decrease in the guarantee in favour of CDDPP (€ 24,458 thousand) on the account of areti.

THIRD-PARTY ASSETS UNDER CONCESSION

These amount to € 86,077 thousand and have not changed since 31 December 2021 and refer to assets related to Public Lighting.

RESOLUTIONS REGARDING THE RESULT FOR THE YEAR AND THE DISTRIBUTION TO SHAREHOLDERS

Dear Shareholders,

In inviting you to approve the financial statements we are submitting to you, we propose to allocate the profit for the year ended 31 December 2022, equal to € 206,735,269.29, as follows:

- € 10,336,763.46, equal to 5% of profits, to the legal reserve,
- distribution of a total dividend of € 180,665,720.95 to shareholders, corresponding to a dividend of € 0.85 per share;
- € 15,732,784.87 carried forward.

The total dividend (coupon no. 24) of € 180,665,720.95, equal to € 0.85 per share, will be paid starting from 21 June 2023 with coupon detachment on 19 June 2023 and record date 20 June 2023.

On the date of approval of the financial statements, treasury shares amounted to no. 416,993.

Acea SpA

The Board of Directors

ANNEXES TO THE EXPLANATORY NOTES OF WHICH THEY FORM AN INTEGRAL PART

ANNEX 1:
FINANCIAL DEBT AT 31 DECEMBER 2022

ANNEX 2:
CHANGES OF INVESTMENTS AT 31 DECEMBER 2022

ANNEX 3:
SIGNIFICANT NON-RECURRING TRANSACTIONS PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

ANNEX 4:
POSITIONS OR TRANSACTIONS DERIVING FROM UNUSUAL AND/OR ATYPICAL OPERATIONS

ANNEX 5:
SEGMENT INFORMATION (IFRS8)

ANNEX 1 – FINANCIAL DEBT AT 31 DECEMBER 2022

€ thousand	31/12/2022	Of which related party transactions	31/12/2021	Of which related party transactions	Change
A) Cash	299,918	0	441,538	0	(141,620)
B) Cash equivalents	0	0	0	0	0
C) Other current financial assets	667,283	472,146	656,858	382,045	10,424
D) Liquidity (A + B + C)	**967,201**	**472,146**	**1,098,396**	**382,045**	**(131,195)**
E) Current financial debt	(216,600)	(211,354)	(331,085)	(323,878)	114,485
F) Current portion of non-current financial debt	(356,223)	0	(62,050)	0	(294,173)
G) Current financial debt (E + F)	**(572,824)**	**(211,354)**	**(393,135)**	**(323,878)**	**(179,689)**
H) Net current financial debt (G + D)	**394,377**	**260,793**	**705,261**	**58,167**	**(310,884)**
I) Non-current financial debt	(4,404,759)	(103,760)	(4,518,588)	(116,730)	113,829
J) Debt instruments	0	0	0	0	0
K) Trade payables and other non-current payables	0	0	0	0	0
L) Non-current financial debt (I + J + K)	**(4,404,759)**	**(103,760)**	**(4,518,588)**	**(116,730)**	**113,829**
Total financial debt (H + L)	**(4,010,382)**	**157,033**	**(3,813,326)**	**(58,563)**	**(197,055)**
Long-term financial receivables*	3,547,241	3,538,039	3,381,711	3,381,497	165,531
Net Financial Position	**(463,141)**	**3,695,072**	**(431,616)**	**3,322,934**	**(31,525)**

* We can note that the item in reconciliation refers to intra-group financial receivables deriving mainly from relationships related to intercompany financing contracts.

ANNEX 2 – CHANGES IN HOLDINGS AS AT 31 DECEMBER 2022

		Changes in the period					
€ thousand	31/12/2021	Acquisitions	Disposals	Reclassifications	Increases/ Decreases	Write-downs/ Losses/ Revaluations	31/12/2022
Subsidiaries							
areti SpA	683,861	0	0	0	0	0	683,861
Acea Ato2 SpA	585,442	0	0	0	0	0	585,442
Acea Elabori SpA	7,209	0	0	0	0	0	7,209
Acea Energia SpA	277,164	0	0	0	0	0	277,164
Acea Ato5 SpA	20,166	0	0	0	96,338	(7,585)	108,918
Consorcio Acea - Acea Domenicana	43	0	0	0	0	0	43
Acque Blu Arno Basso SpA	14,663	0	0	0	0	0	14,663
Ombrone SpA	19,383	0	0	0	0	0	19,383
Acque Blu Fiorentine SpA	43,911	0	0	0	0	0	43,911
Acea Ambiente Srl	39,151	0	0	0	0	0	39,151
Aquaser Srl	61	0	0	0	0	0	61
Acea Molise Srl	2,874	0	0	0	0	0	2,874
Agile Academy Srl (formerly Parco della Mistica)	2	0	0	0	0	0	2
Sarnese Vesuviano Srl	21,410	0	0	0	0	0	21,410
Acea Liquidation and Litigation Srl	8,341	0	0	0	0	0	8,341
Acea Produzione SpA	173,206	0	0	0	0	0	173,206
Acea Energy Management Srl	50	0	0	0	0	0	50
Acea International SA	19,104	0	0	0	1,726	0	20,829
Hydreco Scarl in liquidation	0	0	0	0	0	0	0
UmbriaDue Servizi Idrici Scarl	4,499	0	0	(471)	0	(4,028)	0
ASM Terni SpA	0	0	0	471	0	0	471
TWS SpA	64	0	0	0	0	0	64
Adistribuzionegas Srl (formerly Alto Sangro Distribuzione Gas Srl)	24,023	0	0	0	2,739	0	26,761
Total - subsidiaries	**1,944,626**	**0**	**0**	**0**	**100,802**	**(11,613)**	**2,033,815**

		Changes in the period					
€ thousand	31/12/2021	Acquisitions	Disposals	Reclassifications	Increases/ Decreases	Write-downs/ Losses/ Revaluations	31/12/2022
Associates							
Aguazul Bogotà SA	333	0	0	0	(37)	0	296
Ecomed Srl	118	0	0	(51)	0	0	67
Umbra Acque SpA	6,851	0	0	0	0	0	6,851
Ingegnerie Toscane Srl	58	0	0	0	0	0	58
Intesa Aretina Scarl	11,505	0	0	0	0	0	11,505
Geal SpA	3,788		0	0	0	0	3,788
Umbria Distribuzione Gas SpA	318	0	0	0	0	0	318
Marco Polo SpA in liquidation	0	0	0	0	0	0	0
Citelum Napoli Pubblica Illuminazione Scarl	0	0	0	0	0	0	0
Sienergia SpA in liquidation	0	0	0	0	0	0	0
DI.T.N.E. Scarl	12	0	0	0	0	0	12
DropMI Srl	0	2,565	0	0	0	0	2,565
Total - associates	**22,984**	**2,565**	**0**	**(51)**	**(37)**	**0**	**25,461**

		Changes in the period					
€ thousand	31/12/2021	Acquisitions	Disposals	Reclassifications	Increases/ Decreases	Write-downs/ Losses/ Revaluations	31/12/2022
Other companies							
Polo Tecnologico Industriale Romano SpA	2,350	0	0	0	0	0	2,350
WRC Plc	0	0	0	0	0	0	0
Total - Other companies	**2,350**	**0**	**0**	**0**	**0**	**0**	**2,350**

ANNEX 3 – SIGNIFICANT NON-RECURRING TRANSACTIONS PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

It must be noted that no non-recurring significant transactions were carried out during the period.

ANNEX 4 – POSITIONS OR TRANSACTIONS DERIVING FROM UNUSUAL AND/OR ATYPICAL OPERATIONS

Pursuant to the Consob Communication of 28 July 2006, it should be noted that during 2022 Acea SpA has not performed atypical and/or unusual transactions, as defined by the Communication itself.

ANNEX 5 – SEGMENT INFORMATION (IFRS8)

€ thousand	Public Lighting	Corporate	Total continuing operations	Discontinuing operations	Total
Tangible fixed assets	10,275	104,070	114,345	0	114,345
Real estate investments	0	2,256	2,256	0	2,256
Intangible fixed assets	0	92,197	92,197	0	92,197
Rights of use	0	8,470	8,470	0	8,470
Equity investments in subsidiaries and associates	0	2,059,277	2,059,277	0	2,059,277
Other equity investments	0	2,350	2,350	0	2,350
Deferred tax assets	0	13,453	13,453	0	13,453
Financial assets	13,237	3,534,004	3,547,241	0	3,547,241
Other non-current assets	0	208	208	0	208
Non-current assets	**23,512**	**5,816,285**	**5,839,797**	**0**	**5,839,797**
Trade receivables	2,524	146,704	149,229	0	149,229
Other current assets	0	52,764	52,764	0	52,764
Current tax assets	0	9,222	9,222	0	9,222
Current financial assets	111,208	556,075	667,283	0	667,283
Cash and cash equivalents	0	299,918	299,918	0	299,918
Current assets	**113,732**	**1,064,683**	**1,178,416**	**0**	**1,178,416**
Non-current assets destined for sale	0	0	0	0	0
Total assets	**137,244**	**6,880,968**	**7,018,212**	**0**	**7,018,212**

€ thousand	Public Lighting	Corporate	Total continuing operations	Discontinuing operations	Total
Share capital	0	1,098,899	1,098,899	0	1,098,899
Legal reserve	0	147,501	147,501	0	147,501
Other reserves	0	91,954	91,954	0	91,954
Retained earnings/(losses)	0	145,564	145,564	0	145,564
Profit (loss) for the year	0	206,735	206,735	0	206,735
Shareholders' Equity	0	1,690,653	1,690,653	0	1,690,653
Staff termination benefits and other defined benefit plans	0	21,901	21,901	0	21,901
Provisions for risks and charges	0	17,381	17,381	0	17,381
Borrowings and financial liabilities	0	4,404,759	4,404,759	0	4,404,759
Other liabilities	0	31,714	31,714	0	31,714
Non-current liabilities	**0**	**4,475,755**	**4,475,755**	**0**	**4,475,755**
Borrowings	2,524	570,299	572,824	0	572,824
Payables to suppliers	100,491	132,708	233,199	0	233,199
Tax payables	0	0	0	0	0
Other current liabilities	0	45,782	45,782	0	45,782
Current liabilities	**103,016**	**748,789**	**851,805**	**0**	**851,805**
Liabilities closely associated with assets held for sale	0	0	0	0	0
Total liabilities and shareholders' equity	**103,016**	**6,915,197**	**7,018,212**	**0**	**7,018,212**

€ thousand	Public Lighting	Corporate	Total continuing operations	Discontinuing operations	Total
Revenue from sales and services	49,663	141,948	191,611	0	191,611
Other revenue and proceeds	0	18,803	18,803	0	18,803
Net revenues	**49,663**	**160,752**	**210,415**	**0**	**210,415**
Staff costs	0	63,845	63,845	0	63,845
Costs of materials and overhead	51,773	133,347	185,120	0	185,120
Operating costs	**51,773**	**197,192**	**248,965**	**0**	**248,965**
EBITDA	**(2,110)**	**(36,440)**	**(38,551)**	**0**	**(38,551)**
Net write-downs (write-backs) of trade receivables	0	188	188	0	188
Depreciation, amortisation and provisions	2,055	43,874	45,929	0	45,929
Operating profit/(loss)	**(4,165)**	**(80,502)**	**(84,667)**	**0**	**(84,667)**
Financial income	601	88,702	89,303	0	89,303
Financial charges	(223)	(67,353)	(67,576)	0	(67,576)
Profit/(Loss) on equity investments	0	258,169	258,169	0	258,169
Profit/(loss) before tax	**(3,787)**	**199,017**	**195,229**	**0**	**195,229**
Income tax	0	(11,506)	(11,506)	0	(11,506)
Net result of continuing operations	**(3,787)**	**210,522**	**206,735**	**0**	**206,735**
Net profit/(loss) from discontinued operations					
Net profit/(loss)	**(3,787)**	**210,522**	**206,735**	**0**	**206,735**

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

(in accordance with art. 153 of Italian Legislative Decree 58/1998)

Dear Shareholders,

The Board of Statutory Auditors (hereinafter also referred to as "the Board") of ACEA S.p.A. (hereinafter also referred to as "Acea" or "Company") is required to report to the Shareholders' Meeting on the supervisory activities carried out during the year and on the omissions and reprehensible facts identified pursuant to art. 153 of Italian Legislative Decree no. 58/1998 (hereinafter also "TUF").
The Board may also make comments and proposals regarding the financial statements, their approval and the matters within its remit.
Since its appointment by the Shareholders' Meeting of 27 April 2022, the Board has carried out its institutional duties in compliance with the Italian Civil Code, the TUF and Italian Legislative Decree 39/2010 (Consolidated Law on Independent Auditing), the rules of the by-laws and the regulations issued by the Authorities performing supervisory and audit activities in relation to the Company, also taking into account the principles of conduct of listed companies recommended by the National Council of Chartered Accountants and Accounting Experts.
In particular, the Board of Statutory Auditors monitored:

- compliance with the law and the By-Laws, compliance with the principles of correct administration and the functionality and adequacy of the organisational structure, the internal control and risk management system and the administrative-accounting system;
- the adequacy of the instructions given to Subsidiaries, also pursuant to Article 114, paragraph 2 of the Consolidated Finance Act;
- the procedures for the concrete implementation of the corporate governance rules provided for in the Corporate Governance Code, issued by the Corporate Governance Committee of Borsa Italiana S.p.A., which the Company has adopted;
- the compliance of the Procedure on transactions with Related Parties, approved by the Board of Directors, with the principles pursuant to Consob Resolution no. 17221 of 12 March 2010, as amended, and observance of the said Procedure (updated following the changes introduced by Consob with Resolution no. 21624 of 10 December 2020);
- the existence of the requisites of suitability in relation to its representatives, in application of the current legislation on the subject;
- the criteria and practices used to assess the independence of members of the Board of Directors;
- the observance of the legal and regulatory rules related to the process of forming the Financial Statements and preparing the non-financial declaration pursuant to Italian Legislative Decree no. 254/2016.

Furthermore, in its capacity as Internal Control and Audit Committee, the Board of Statutory Auditors performed the functions envisaged by Art. 19 of Italian Legislative Decree no. 39/2010.
This report provides information on the activities carried out by the Board of Statutory Auditors of Acea S.p.A. in the year ended 31 December 2022.

In the light of the foregoing, the information contained in Consob Communication 1025564/2001 and subsequent amendments and additions is provided below.

Appointment of the Board of Statutory Auditors

The undersigned Board of Statutory Auditors was appointed at the Shareholders' Meeting held on 27 April 2022 for three financial years until the approval of the Financial Statements at 31 December 2024.
The Board of Statutory Auditors in office at the date of this report is composed of Maurizio Lauri (Chairperson), Claudia Capuano and Leonardo Quagliata.

Self-assessment of the Board of Statutory Auditors

Upon taking office, the Board assessed its composition, deeming it to be adequate, verifying in particular compliance with the requirements of independence, professionalism, integrity, diversity, skill and limits to the number of positions held.
The members of the Board have also stated that they have the time necessary for the complexity of their duties.
A similar overall assessment was also conducted in 2023 in the Board's annual self-assessment. When these activities had been completed, based on the information in its possession, the information requested and acquired, as well as the declarations made by the individual members, the Board therefore verified and confirmed that all its members continue to have:

- the independence requisites provided for both in the law (Art. 148, paragraph 3 of the TUF) and in the Corporate Governance Code for statutory auditors of listed companies;
- the requisites of professionalism, expertise and experience in accordance with the provisions of the Regulation containing rules for the establishment of the requisites of professionalism and integrity of the members of the Board of Statutory Auditors of listed companies;
- the requisites provided for in Art. 22 of the Articles of Association under the terms of which "The Board of Statutory Auditors shall consist of three effective members and two alternates, all meeting the requirements foreseen by the Law, all applicable regulations, and the Voluntary Code of Conduct for Publicly Traded Companies". On the same occasion it was also verified that each member of the Board of Statutory Auditors continues to comply with the provisions of the applicable laws and regulations (art. 148-bis of the TUF and art. 144-duodecies to 144-quinquiesdecies of the Issuers Regulations) with regard to the limits on the number of posts held.

Moreover, also in accordance with the provisions of art. 19 of Italian Legislative Decree 39/2010, it was verified that the members of

the Board, as the Internal Control and Audit Committee, as a whole are competent in the sector the Company operates in.

Activities and Organisation of the Board of Statutory Auditors

During 2022, the Board of Statutory Auditors carried out the activities it was responsible for, holding 25 meetings.
The Board of Statutory Auditors attended all the meetings of the Board of Directors and internal committees: the 15 meetings of the Administrative Body, the 10 meetings of the Control and Risks Committee, 11 meetings of the Nominations and Remuneration Committee, 8 meetings of the Committee for the Region, 11 meetings of the Related Party Transactions Committee and 8 meetings of the Ethics and Sustainability Committee.
In addition, the Board of Statutory Auditors attended the Shareholders' Meeting held on 27 April 2022 in ordinary session, at which the Shareholders could attend exclusively through their designated representative, pursuant to Article 106 of Decree Law 18/2020, later converted into Law 27/2020, the effectiveness of which was extended by Decree Law no. 228 of 30 December 2021, converted, with amendments, by Law no. 15 of 25 February 2022 until 31 July 2022.
During the Board of Directors meeting, the Board of Statutory Auditors obtained information pursuant to Article 150, paragraph 1 of the TUF on activities carried out and Acea's most significant economic, financial and equity transactions carried out during the year by the Company and its subsidiaries.
Based on the information acquired through its supervisory activities, the Board has not become aware of any transactions that were not based on the principles of correct administration, resolved and carried out in breach of the law and the by-laws, not in the interest of Acea, in contrast with resolutions passed by the Shareholders' Meeting, manifestly imprudent or reckless, lacking the necessary information in case of Directors' interests or compromising the integrity of the company's assets.
The Board oversaw the Board of Directors' decision-making procedures and verified that the management decisions were compliant with the applicable regulations (substantive legitimacy), adopted in the interest of the Company, compatible with the Company's resources and assets and adequately supported by information, analysis and verification processes.

Transactions of particular significance

The most significant transactions carried out by the Acea Group during 2022 are specified in the documentation submitted to the Shareholders' Meeting, to which reference should be made.
The Board considers it helpful to note the special macroeconomic and geopolitical environment in 2022 brought on by the Russia-Ukraine conflict, the particular volatility of energy market commodities, inflationary dynamics, and interest rate dynamics.
In this regard, the Board has paid particular attention, as indicated in the rest of the Report, in its supervisory activities, to the numerous documents, guidelines, references and recommendations issued one after the other by the Regulatory Authorities (with particular reference to CONSOB) and by other supranational institutions (such as ESMA) aimed at providing guidelines to ensure correct and transparent application of what is provided for in the financial reporting standards in the particular context which characterises this period.
The figures in the separate and consolidated financial statements submitted for your approval show the continuation of significant economic margin capacity. However, in this context characterised by significant uncertainty in how the main macroeconomic variables will change, the Board recommends continued and constant attention to the overall evolution of the group's net financial position.
In the opinion of the Board, the corporate strategy must continue to define a balance between the needs for growth in corporate margins (in regulated activities strongly influenced by the size of investments put in place) and the needs related to maintaining a prudent financial balance.

Atypical or unusual operations

The documents submitted for your approval, the information received during the meetings of the Board of Directors and the meetings of the internal Board Committees, that received from the Chairperson and the Chief Executive Officer, the management, the Boards of Statutory Auditors of directly controlled companies and the independent auditing firm PwC S.p.A. (hereinafter also referred to as "PwC"or "Audit firm") did not reveal the existence of atypical and/or unusual transactions, including intra-group transactions or transactions with related parties.

Intergroup or related-party transactions

Significant intercompany or related-party transactions are set out in the documents submitted for your approval, to which we refer.
In particular, during 2022, the Board of Directors approved, with the favourable opinion of the Related-Party Transactions Committee, a major transaction between Acea, the first party, and Nuova Suez and Suez International (fully and directly held by Nuova Suez), the second party, to design a cutting-edge, smart metering system for the water service (so-called "smart meter") and subsequent production and commercialisation in Italy and abroad through a specific commercial partnership between Acea and Suez International.
In 2023, the Board of Directors, with the favourable opinion of the Board of Statutory Auditors as the Equivalent Internal Control of the Related-Party Transactions Committee, approved the submission by the Acea Group, with a temporary grouping of companies that includes Hitachi Zosen Inova, Vianini Lavori and Suez, of a proposal, pursuant to the exploratory notice published by Roma Capitale on 1 December 2022, for the concession of a plant hub for the recovery of the fraction of unsorted waste produced by the city of Rome, qualified as a major transaction.
Also in 2023, the Board of Directors, with the favourable opinion of the Board of Statutory Auditors as the Equivalent Internal Control of the Related-Party Transactions Committee, approved the renewal of the partnership with the Rome Opera Theatre Foundation, qualified as a minor transaction.

Supervisory activities pursuant to the Consolidated Law on Statutory Audits

The Board of Statutory Auditors, identified by the Consolidated Law on Auditing as the "Committee for Internal Control and Statutory Audit", oversaw:

- the financial reporting process;
- the effectiveness of internal control, internal auditing and financial reporting risk management systems;
- the statutory audit of annual accounts and consolidated accounts;
- the independence of the external auditor (hereinafter also "au-

ditor", "external auditor" or "audit firm"), in particular as regards the provision of non-audit services.

The Board examined the reports prepared by the independent auditing firm, whose activity supplements the general framework of the control functions established by the regulations with regard to the financial and non-financial reporting process.
The Acea Shareholders' Meeting appointed PwC to audit the accounts for the period 2017-2025, including the Independent audit of the consolidated and separate financial statements, the limited audit of the condensed separate financial statements at 30 June and the audit of the separate annual accounts of Group companies that fall within the scope of unbundling regulations.
Furthermore, the Audit Firm was awarded the endorsement assignment pursuant to Article 3 of Legislative Decree 254/2016, with reference to the Non-Financial Statement.
In the light of the current rules, the Audit Firm issued today, under the terms of Article 14 of Italian Legislative Decree no. 39/2010, the Auditing Report on the Separate and Consolidated Financial Statements for the year to 31 December 2022. The form and contents of the Auditing Report are compliant with the amendments made to Italian Legislative Decree no. 39/2010 by Italian Legislative Decree no. 135/2016.
The Audit Firm issued these Reports without findings and with some informational references, for which one should refer to the financial statement documents submitted to the Shareholders' Meeting.
The Audit firm, in addition,

i) issued a judgement which states that the Reports on Operations that accompany the separate and consolidated Financial Statements – as well as some specific information contained in the "Report on Corporate Governance and Shareholding Structure" indicated in article 123-bis, paragraph 4, of the Consolidated Finance Act (for which the Directors are responsible) – are consistent with the Financial Statements and are prepared in compliance with the applicable legal provisions;
ii) checked that the Directors had prepared the "Report on the Remuneration Policy and on Remuneration Paid", as provided for in article 123-ter, paragraph 8-bis of the Consolidated Finance Act;
iii) declared, as regards significant errors in the Reports on Operations, on the basis of the knowledge and understanding of the business and of the related context acquired during the auditing activity, that it had nothing to report.

The Audit Firm has also certified that it has carried out the audit procedures set forth in Auditing Standard SA (Italy) 700B for the purpose of expressing an opinion on whether the annual financial statements and consolidated financial statements comply with the provisions of European Commission Delegated Regulation (EU) 2019/815 on regulatory technical standards relating to the specification of the European Single Electronic Format (ESEF) to the annual financial statements and consolidated financial statements, to be included in the annual financial report (the "Delegated Regulation"). These procedures did not reveal any non-compliance with the Delegated Regulation.
For details on the key aspects of the auditing please see the content of the Reports issued by PwC, published together with the separate and consolidated Financial Statements.
The Audit firm also issued to the Board of Statutory Auditors, under the terms of article 11 of Regulation (EU) no. 537/2014, the Report to the Internal Control and Audit Committee (the so-called "Additional Report"), with which it illustrated:

i) the main aspects of the auditing;
ii) the levels of significance for the consolidated financial statements and for the separate financial statements;
iii) the audit plan;
iv) the scope and method of consolidation;
v) the audit methodology and measurement methods applied in the consolidated and separate financial statements;
vi) the areas of focus related to the consolidated and separate financial statements;
vii) the activities carried out by the audit team.

The Report does not indicate significant deficiencies identified in the Internal Control System with respect to the financial reporting process. The Board was informed of certain shortcomings and/or areas for potential improvement in the Internal Control System in relation to the financial reporting process, assessed by the Auditor as "not significant".
The main subject areas dealt with during the exchanges of information carried on with PwC were related to:

- the reconciliation of the receivable and payable items in relation to Roma Capitale. In this context the Board recommends that the management should continue in the constant attention to precise observance, in relations with Roma Capitale, of the practices and conditions applied in transactions with non-related parties. The financial statement documents show that, on 11 August 2022, with resolution no. 312 entitled "Public and artistic-monumental public lighting service on the entire municipal territory – Concessionaire: ACEA S.p.A.- Recognition of the perimeter of the payable situation and launch of the consequent procedures", the City Executive Committee recognised the scope of the Administration's payables to Acea/areti in relation to the Public Lighting service as of 31 December 2021. This resolution was published on the institutional website of Roma Capitale on 30 August 2022. Regarding the aforementioned resolution, discussions are still ongoing between Acea's management and Roma Capitale aimed at defining Acea's overall credit position in terms of the public shareholder in relation to the contract governing the public lighting service;
- the purchase price allocation referable to the companies included in the consolidation scope. During the last few years the Acea Group, in keeping with its business plan, has implemented a series of activities aimed at expanding the Group in its operating sectors. In particular, the transactions concerned both acquisitions and the revision of shareholders' agreements of associated companies that led to their inclusion in the consolidation scope. Following the acquisition of control, and for the purposes of the consolidated financial statements, the Company is required within the term of 12 months from the event to allocate the purchase price on the basis of what is prescribed by IFRS3.

In accordance with the recommendations of the joint Bank of Italy - CONSOB - ISVAP document no. 4 of 3 March 2010, the impairment test procedure governed by IAS 35 received the favourable opinion of the Control and Risks Committee and was approved by the Board of Directors-
The Board of Statutory Auditors checked the adequacy, from the methodological point of view, of the impairment testing process to which the accounting assets involved are subjected.
The Company appointed an external entity to verify all the substantial elements in the impairment process for this test and this did not find any critical aspects to be noted in the present report.
This independent advisor showed how, in carrying out the impair-

ment test as of 31 December 2022, Acea used the forecasts formulated in the last business plan approved at the Board of Directors' meeting, updated where necessary by Management, to take into account regulatory and/or management changes that had occurred in the meantime. For companies subject to concessions, the company's whole life plans for the duration of the concession were used inertially.
With regard to that issued by ESMA, referenced by CONSOB, and reported in the guidelines of the OIV discussion paper on the development of the impairment test for non-financial assets (IAS 36) following the war in Ukraine, the independent advisor confirmed how Acea has developed a risk analysis with methodologies appropriate to industry best practices.
The results of the impairment test show some overall impairments at the level of the consolidated and separate financial statements, including a number of situations that are identified as requiring monitoring, which are presented in the documents submitted for your approval, to which we refer.
While the market capitalisation of Acea is higher than the value of the Group's shareholders' equity, a second-level impairment test was in any case also carried out.
The Board of Statutory Auditors also acquired information from the Auditing Firm with reference to the activities performed during the auditing procedures relating to:

- ATO 5 S.p.A. – where the significant issues relate to the exact quantification of the 2012- 2017 concession fees, the treatment for tariff purposes of the differences compared to the fees allocated in the tariff in previous years, the quantification of payables for 2006-2011 concession fees, the tax, administrative and regulatory proceedings in process and the approval by the area authority of a tariff related to the biennial update 2022-2023; In this context, the directors of ACEA Ato5 confirmed the presence of significant uncertainties that could give rise to significant doubts about the company's ability to continue as a going concern, with particular reference to the outcome of the Technical Panel with the Area Authority aimed at defining the mutual items and the positive acceptance of the application for economic/financial rebalancing presented on 13 December 2021, currently being prepared for re-submission by the company. Faced with the situation of financial imbalance that has arisen, and without prejudice to the actions by Acea aimed at securing the subsidiary, the directors of the subsidiary have, nevertheless, initiated a series of actions aimed at improving its financial position, including the rescheduling of past debts by signing repayment plans with third-party and intercompany counterparties, which provide for payments over periods of more than 12 months, and rescheduling debts arising in 2022 through the systematic use of Reverse Factoring with positive effects on working capital. Significant uncertainties regarding business continuity, such that the independent auditing firm is unable to express an opinion on the subsidiary's separate financial statements, have also resulted in an impairment requirement, as represented in the financial statement documents submitted for your approval, to which we refer;
- DEMAP SpA - where the fire that occurred in 2021 involving the plants and the recent authorisation granted to a competitor company for a plant located in the same area, with such characteristics to allow it a favourable competitive environment, have led to a redesign of the corporate business plan so as to give rise to an impairment of the investment and consequent assessments, which are ongoing, in relation to the strategic developments of the investment.

The Board of Statutory Auditors, in addition, acquired information with reference to the process of adjusting the calculation of the Provisions for Impairment of Receivables launched by Acea through the creation of models compliant with the methodologies provided for in IFRS9 (simplified method). The Board was also informed that, due to the current macroeconomic environment, Acea deemed it appropriate to incorporate a corrective factor in the credit risk assessment to anticipate a possible deterioration in the creditworthiness of the counterparties in the portfolio.
The financial statement documents show the effects of the solidarity contributions introduced by Article 37 of Decree Law 21/2022 and Law 197/2022, paragraphs 115 to 119, as well as those resulting from the specific measure introduced by Decree Law no. 4 of 27 January 2022, converted into Law no. 25 of 28 March 2022 (the so-called DL Sostegni ter), in Article 15-bis, aimed at guaranteeing assistance in containing high energy costs from operators producing renewable energy.
We can inform you that, with reference to financial year 2021, the Board forwarded during 2022 to the Board of Directors the PwC's Additional Report accompanied by its own observations.
The Board of Statutory Auditors examined the declaration on the independence of the auditing firm, pursuant to article 17 of Italian Legislative Decree 39/2010, which does not describe situations which would have compromised its independence or reasons for incompatibility under the terms of articles 10 and 17 of the same decree and of the related implementing provisions.
The Board of Statutory Auditors also acknowledged the Transparency Report prepared by the Auditing Firm, published on its website pursuant to article 13 of Regulation EU 537/2014.
To this end, during the year and in compliance with the referenced provisions on audits, the Board approved in advance - after the related checks regarding potential risks for independence and the safeguarding measures adopted - the appointments for activities other than the independent audit conferred on PwC and the companies within its network.
On the basis of the information acquired, the Board notes that, during 2022, the PwC network, in addition to the audit assignments provided for by the shareholders' resolution, was paid a fee for other non-audit or audit-related services amounting to € 605 thousand.
On this point, monitoring was also begun with the aim of verifying observance of the quantitative limits on the fees for non-auditing appointments provided for in article 4 of the aforementioned European Regulation. The Board attests that the limit was amply observed.
The external auditor periodically met with the Board of Statutory Auditors in accordance with the provisions of art. 150, paragraph 3 of the TUF for the purpose of exchanging reciprocal information, and did not bring to the attention of the Board any acts or facts considered reprehensible or irregularities that required the formulation of specific reports pursuant to art. 155, paragraph 2 of the TUF.

Supervision of the financial disclosure process

The Board of Statutory Auditors held periodic meetings with the Financial Reporting Manager (hereinafter "Reporting Manager"), appointed under the terms of Italian Law 262/2005, during which it did not report significant shortcomings in the operating and control processes that could have affected the adequacy and effective application of the administrative-accounting procedures for the purpose of correct economic and financial presentation in compliance

with the accounting standards.
This presentation is confirmed by what is stated in the "Report on the Financial Reporting Manager's activities for the purposes of issuing the declaration provided for in art. 154-bis of the Consolidated Finance Act on the annual financial report at 31 December 2022".
For the purposes of attestation of the separate and consolidated financial statements, the Reporting Manager operated according to what is defined in the "Acea Group Management and Control Model pursuant to Italian Law 262/05" (hereinafter also "262 Model"), approved by the ACEA's Board of Directors and by the Boards of Directors of the companies "relevant for 262 purposes".
The successful implementation of controls in administrative and financial procedures, ascertained by the process and risk owner and the control owner through the information system as part of the Group's internal Certification Process, is corroborated by the implementation of an independent test Plan defined by the Reporting Manager, aimed at ensuring that the controls are effectively implemented and are effective with respect to the target set.
From the examination of the certificates made through the information system, the Financial Reporting Officer highlighted that an adequate and operational Internal Control System has emerged, with some areas for improvement, for which specific project activities are planned.
From the examination of the certificates carried out by the Companies through the information system, the Financial Reporting Officer therefore stated in the annual report that the Group's control system inherent in financial reporting is "standardised" (i.e., adequate, operational and documented).
As a result, ACEA's Financial Reporting Officer concluded that they could sign, without objection, the attestation of ACEA's separate and consolidated financial statements as at 31 December 2022.
The Reporting Manager also confirmed that he had financial autonomy, to be exercised in harmony with the Company's general guidance and observing the existing procedures, discussed with the delegated administrative body on approval of the annual budget; on this point he specified that the budget available in 2022 was adequate and was used to provide operational support for the management of the 262 Model and to perform auditing activities on the effective operation of the Internal Control over Financial Reporting System.
In the light of the information received and the documents examined, having noted the activities under way, also considering the support provided to the Reporting Manager by the Internal Audit Function, which has specialist IT skills available to verify the design and functioning of the IT General Controls, the Board of Statutory Auditors has no observations to make to the Shareholders' Meeting on the functioning and adequacy of the administrative accounting system.

Supervision of the non-financial reporting process

In the context of the performance of the functions attributed to it, the Board of Statutory Auditors supervised – among other things meeting periodically with the structure responsible and discussing with the Auditing Firm – the observance of the rules contained in Italian Legislative Decree no. 254 of 30 December 2016, in particular with reference both to the preparation process and to the contents of the Non-Financial Statement.
The 2022 Sustainability Report/NFS has been prepared in accordance with the updated and current version of the Global Reporting Initiative (GRI Standard). The document includes the disclosures required by EU Regulation 2020/852 (Taxonomy), as indicated with reference to its second year of application: eligibility and alignment of environmentally sustainable activities for the first two environmental objectives (climate change mitigation and adaptation).
To that end, having examined the declaration made by the Auditing Firm pursuant to article 3, paragraph 10 of Italian Legislative Decree 254/2016 and the declaration made by the same relative to Report on the Consolidated Financial Statements pursuant to article 4 of the CONSOB Regulation implementing the above Decree, the Board did not identify any issues of non-compliance and/or breach of the reference regulations.
The attestation includes a limitation of scope with reference to the recent EU taxonomy of sustainable activities.
The Board of Statutory Auditors examined, to the extent of its responsibility, the process that led to the definition and, consequently, to the identification of the corporate scope for the consolidated non-financial statement for financial year 2022. The Board also acquired from the competent internal structures information on the materiality analysis.
The Board of Statutory Auditors notes that the sustainability management events assume today great significance, in a perspective integrated with the economic and financial data, in the light of the evolutions of the competitive and legislative context and the requirements of the investors, institutions and stakeholders.
Consistent with this is, therefore, a course of action aimed at planning and achieving sustainability targets, in coordination with the business planning process, the implementation of a performance management system, integrating the ESG targets into it, and the definition of an enterprise risk management system with the purpose of integrating the ESG risks into the taxonomy of the risks in question.
Consistent with this approach, the Board of Statutory Auditors, while positively acknowledging the activities concluded and/or being completed, has formulated the recommendation to promote all the necessary initiatives (also involving training and information) to strengthen the related internal control system (internal control system for non-financial reporting), to be developed in line with what has already been done with reference to the internal control system concerning the reporting of financial data.
As part of the initiatives to strengthen ACEA Group's Sustainable Corporate Governance, the Ethics and Sustainability Committee has expressed its interest in requesting support to update the regulations governing its own duties and those of the Board of Directors in line with regulatory developments (CSRD, EFRAG, CSDD) and leading practices in the ESG field.

Supervision of the adequacy of the internal control system, risk management and organisational structure

Internal Control System

The Board of Statutory Auditors, in noting the findings of the Corporate Governance Report on the adequacy and effective functioning of the Internal Control and Risk Management System ("ICRMS"), reviewed the 2022 Reports of the Internal Audit Function, the Control and Risks Committee, the 231 Supervisory Body, and the second-level control entities inherent in the Risk & Compliance Function.
In particular, the Board of Statutory Auditors points out that during the year:

- the necessary functional and informative liaison was maintained with the Control and Risks Committee, the Oversight Committee and the Heads of the Internal Audit and Risk & Compliance Functions on the methods of carrying out the assessment and control tasks entrusted to them, relating to the adequacy, full operation and effective functioning of the internal control and risk management system, as well as the results of the audits performed by the Internal Audit Function in accordance with the audit plan approved by the Board of Directors, the results of the risk assessment carried out by the Risk Management Function and the results of the activities pertaining to the second-level control entities of the Risk & Compliance Function;
- it noted that the Control and Risks Committee issued the relevant opinions, as required by the Code of Conduct for Listed Companies, without finding any critical issues to be included in this report.

The Manager of the Internal Audit Function periodically updated the Board on the activities carried out and the main results of the audits performed, communicating the corrective actions identified and discussed with the Company's management, indicating implementation deadlines and specific implementation responsibilities, subject to periodic monitoring by the Internal Audit Function.
On the basis of the audit activities carried out, information exchanges between the Internal Audit Function and the second-level control entities, ongoing planning activities, and discussions held with the Control and Governance Bodies, the Manager of the Internal Audit Function reported that there were no elements that emerged such that the Internal Control and Risk Management System was inadequate, not operational, or inconsistent with the current Guidelines.
This assessment of the Internal Control and Risk Management System takes into account not only the individual areas for improvement identified during the audits performed, but also the projects launched by the Company and nearing completion, aimed both at strengthening the structural components of the Internal Control and Risk Management System and at incorporating these elements into the more general organisational and corporate governance structures.
The testing activities aimed at ensuring that the key automatic controls, in the context of the administrative and accounting procedures, work correctly and are effective with respect to the objective set, had positive results, despite there being some areas for improvement related to IT governance and to the definition of an SoD (segregation of duties) matrix.
The audits carried out by the Internal Audit Function highlighted the absence of critical aspects that could adversely affect the reliability of the Internal Control and Risk Management System as a whole, also the residual situations in which the internal regulatory system has not yet been updated with respect to the best practices used.
Discussions held during the year with the managers of the second level control entities of the Risk & Compliance Function, and their reports, show an adequate resilience of the internal control and risk management system, highlighting some aspects for improvement already included in the improvement planning activities in progress.
The overall analysis of the aforementioned findings shows that no situations were found in operations that would undermine the resilience of the internal control and risk management system adopted by Acea and its subsidiaries, which was therefore declared to be functioning, adequate and consistent with the current Guidelines, despite the fact that there are some planning activities attributable to components of the same that were not finalised in 2022.
In particular, attention should be drawn to those aspects, which, in the short term, must be fully defined as they are necessary for the planned evolution of the Control Model.
We refer to the need to complete the planning activities associated with implementing the Group Regulations, updating the Internal Control System Guidelines to account for the intervening changes in Acea's organisational structure, as well as preparing the Governance Guidelines, with the appropriate definition of the related information flows, implementing the Guidelines on Anti-Corruption, Antitrust and Regulatory Compliance and completing the SoD project with the adoption of the related Policy.
The Internal Audit Manager informed the Board that the functional hierarchical positioning, the constant dialogue and the exchange of information with the company's top management, the board committees and the control bodies ensured that the Function had full access to all the useful information for performance of its duties, full independence and autonomy of judgement.
With reference more in general to the management of remedial actions and, in particular, in relation to observance of the deadlines for finalising the activities, the Board requested ever-greater empowerment of the structures that are owners of the actions and greater incisiveness of the Corporate Internal Control Functions in requesting closure of objections.
As part of its required supervisory activities, the Board of Statutory Auditors also considered the contents of the information exchanges and periodic reports of the Manager of the Integrated Certification Systems Unit of Acea.
Most of the companies of the ACEA Group have adopted and maintain an Integrated Quality, Environment, Safety and Energy Management System (hereinafter the "System"), which complies with UNI ISO 9001:2015 (Quality), UNI ISO 14001:2015 (Environment), UNI ISO 45001:2018 (Safety) and UNI ISO 50001:2018 (Energy), certified by an accredited external body, as a tool for the prevention of accidents, diseases and pollution, as well as a measure to promote and support the efficiency and effectiveness of the company's processes, including energy processes, and to achieve continuous improvement in the performance of the System itself and work management.
The Manager showed how all audits related to the maintenance of existing certifications for 2022 ended with positive results. Activities are in progress with the aim of obtaining 37001 certification in the anti-corruption field. Overall, no significant critical issues were found as a result of the audits.
Similarly, the Board of Statutory Auditors monitored issues related to work safety in the Acea Group through information exchanges and analysis of periodic reports by the Head of the Prevention and Protection Service. The activities carried out by the latter and the documentation they have acquired, confirm the existence of an effective occupational safety management system in place, with no significant critical issues to be included in this report.
The Board also ensured, through information exchanges, and the analysis of periodic reports, with the Data Protection Officer (hereinafter "DPO"), that the Company has implemented the measures envisaged by the Privacy Authority and acts in substantial compliance with the provisions of EU Regulation no. 679 of 27 April 2016 ("GDPR"), of Italian Legislative Decree no. 196 of 30 June 2003, as amended by Italian Legislative Decree no. 101 of 10 August 2018 and other applicable regulations on the protection of personal data.
The DPO reported on the Group's privacy governance framework, implemented through the adoption of the Privacy Governance Guidelines. This is a model that is applicable for the Group, which has taken the Parent Company as the privileged field of observa-

tion, in its role as the linchpin of the system and supplier of services and/or centralised activities, looking at Companies with a logic of priority at the core processes of each business area. The project is inclusive, among other things, of the DPIA - Data Protection Impact Assessment activity.
The DPO highlighted how the Risk & Compliance Function has developed and adopted a Controls Framework for Governance and Monitoring (second level) of Privacy Security Measures that aims to monitor and control regulatory, sanction and business risks inherent in the areas of Cyber and Data Protection.
The DPO then described the gradual and continuous improvement in GDPR compliance within the Group, with some areas for improvement, for which they reported the necessary project activities initiated.
The Board of Statutory Auditors reaffirms that it considers the protection of personal data held by the Acea Group to be a founding value of the corporate identity, and as such it must necessarily become a constituent element of the management of the company's processes and procedures at all levels, with a widespread awareness among employees of the importance of what is needed for this purpose.
The Board met the manager of the Regulatory Function who has activated, among other things, a regulatory compliance project in order to oversee the management of regulatory risks, the completion and implementation of which the Board considers hugely significant for achieving an overall assurance of compliance for the company bodies.
With reference to the antitrust compliance programme, the information exchange and analysis of reports rendered by the antitrust manager showed that, following the first phase of implementation, the various components of the model aimed at preventing, managing, and mitigating risks arising from potential anticompetitive behaviour or in violation of consumer rights theoretically realisable within the scope of the company's business, have been further developed. In this context, the Antitrust Compliance and Consumer Protection Guidelines were defined, with which Acea, as the Group's Holding Company, aimed to provide the Companies falling within the scope of applicability of the Programme with guidelines for the implementation, each according to its own specificities, of the Antitrust Compliance Model, within a single common framework. Similarly, the Organisational Regulations for Antitrust Compliance and Consumer Protection have been updated, by which the responsibilities and duties of Acea's Antitrust Representative (Holding Company Antitrust Representative) and Company Antitrust Representative are identified.
In a notice dated 13 December 2022, the Antitrust Authority ("AGCM") commenced proceedings against Acea Energia S.p.A. ("Acea Energia"), alleging the existence of an unfair commercial practice due to the way the Company implemented Article 3 of Legislative Decree no. 115 of 9 August 2022 (so-called "DL Aiuti bis"), also formulating a request for information in relation to the Company. In this regard, please refer to the information given in the financial statements documents submitted to the Shareholders' Meeting.

This risk was qualified as possible on the basis of the assessments carried out by the assigned lawyers regarding the risk of losing the case, thus making it unnecessary to make any kind of provision in the financial statements.
The exchange of information and analysis of the periodic reports prepared by the Ethics Officer, responsible for monitoring observance of the values of transparency, legality, fairness and ethical integrity in relations with employees, suppliers, customers and all stakeholders, as well as the management of an open, transparent and confidential system that allows anyone to contact this Ethics Officer and report alleged violations of the Code of Ethics ("Whistleblowing" system), the law, the internal rules governing the Group's activities and any conduct in breach of the principles of conduct that the Acea Group has given itself, highlighted how the Ethics Officer, in agreement with the Ethics and Sustainability Committee, had commenced a review of the Code of Ethics that led to the adoption in 2022 of a new Code of Ethics, replacing the 2018 Code.
In their periodic reporting, the Ethics Officer described how a number of reports were received in 2022, some of which were not relevant. Those that were relevant were all analysed, some of these were dismissed as unsubstantiated or judged to be unfounded, and for others, enhanced controls of corporate procedures were ordered.
During an informational exchange with the Board, the Ethics Officer also noted that they had analysed an anonymous letter received from the Company's Chairperson, which qualified as a whistleblowing notification, and had dismissed it as it was judged to be devoid of circumstantial evidence. Following further reports on the matter in the press, the Ethics Officer received a board mandate, issued in consideration of the Ethics and Sustainability Committee's recommendations in agreement with the Board of Statutory Auditors, to carry out the in-depth investigations deemed appropriate. The Board of Statutory Auditors therefore continues to await the outcome of the ongoing investigations.
The Board of Statutory Auditors indicated that it would be advisable to consider a different composition of the Ethics Officer, aimed at strengthening the presence of external members from outside the Company.
The Board of Statutory Auditors also ensured a continual exchange of information with the Oversight Committee.
They showed how the current Organisational Model is being revised through an in-depth process of new analysis of the risks associated with the company's processes, with the aim of updating it to include the additional offences recently introduced in Legislative Decree 231/2001 and to enhance and reflect in the Model the changes that have taken place in terms of organisational structures, governance and the internal control system.
They also described how work is ongoing to resolve the areas of improvement identified with reference to the model currently in place.
The Board of Statutory Auditors, in agreement with the Oversight Committee, has recommended, in this regard, the conclusion of Model updating activities and corrective actions referring to the areas of improvement identified with reference to the model currently in force with absolute timeliness, with particular reference to the aspects of improvement inherent in the purchasing procedure.
In order to mitigate the risk of corruption, Acea has initiated a planning process to obtain ISO 37001 certification under which Anti-Corruption Guidelines have been defined. The Board of Auditors considers the timely completion of the initiated project to be relevant.
Taking into account:

- guiding, control and monitoring activities for second level controls carried out by company structures other than those in which the risks are managed;
- that the discussions held during the year with the managers of the 2nd level audits and their reports show adequate resilience of the system and highlight aspects for improvement already included in the planning activities in progress;
- the structure, functioning and results of activities carried out by

the Internal Audit Function;
- that the audits carried out by the Internal Audit Function highlighted the absence of critical aspects that could adversely affect the reliability of the system as a whole, also the residual situations in which the internal regulatory system has not yet been updated with respect to the best practices;
- that the reports reviewed showed that, as part of the monitoring of a number of significant processes in the control system, the various extraordinary phenomena were analysed and verified without any irregularities emerging as a result of such activities;
- that the testing activities aimed at ensuring that the key automatic controls, in the context of the administrative and accounting procedures, work correctly and are effective with respect to the objective set, had positive results, despite there being areas for improvement related to IT governance and to the definition of an SoD matrix;
- interactions and information exchanges with the Boards of Statutory Auditors of subsidiaries, the Oversight Committee, the Financial Reporting Officer, the Control and Risks Committee, or the Audit Firm;
- ongoing project activities aimed at realising the identified improvement actions of the Internal Control and Risk Management System.

We conclude by highlighting how, even if the residual corrective actions identified in the context of the audit activities conducted in recent years, which to date have not yet been completed, will find their definition only through the completion of the updating of the corporate regulatory system and in the various projects underway, the overall analysis of the information analysed by the Board shows that the residual design gaps highlighted in the activities of the corporate control bodies have not generated, in operations, situations such as to undermine the resilience of the internal control and risk management system adopted by Acea and its subsidiaries, which is therefore functioning, adequate and consistent with the current Guidelines, despite the fact that there are a number of project activities attributable to components of the same that have not been finalised in 2022 and whose timely completion is recommended.

Risk Management System

The exchange of information and the reports rendered by the risk management structure represented the results of the Group's risk assessment process for the purpose of identifying and analysing the main risk scenarios relevant for the Group, highlighting any response strategies prepared by the management to reduce the risks to a severity level considered acceptable and in keeping with the business plan objectives.
Said risk assessment methodology requires that the analysis and assessment be carried out according to and consistent with the 2020-2024 Business Plan (and any subsequent updates).
The information rendered showed that the Group's risk profile remained in a largely constant trend, both in terms of the evolution of risk scenarios by severity and distribution scenarios by Business Line, demonstrating the Group's substantial resilience to changing conditions in the external environment (e.g., pandemic, war, commodity price volatility, inflation, cyber attack).
The Risk Management Function stated that it was able to note the full implementation of the mitigation actions identified to limit the risk scenarios as proposed by the management in the risk assessment phase.
The Company also defined a Framework of Key Risk Indicators, aimed at enabling quantitative monitoring over time of exposure to the risks identified at the Group level. The Board recommends that said periodic monitoring be shared not only with management but also with corporate bodies in periodic information reports.
Similarly risk identification and assessment activities were implemented both in the processes aimed at acquiring businesses (risk analysis, both during the preliminary and Due Diligence stages with regard to the company to be acquired, for the purpose of supporting corporate decision-making with risk-informed analysis, developed in an integrated manner, strengthening assessments of extraordinary transactions by acquiring useful data and information about the complexity and costs of the post-closing integration plan for companies acquired by the Acea system) and in the planning and budgeting processes.
The Company also approved an update of the Risk Policy (which governs the roles and responsibilities of the subjects involved and the control activities relating to Enterprise Risk Management) to include in it what is related to the process aimed at definition and analysis by the Board of Directors of a Group Risk Appetite Framework (currently still limited to qualitative assessments of consistency of the risk scenarios, net of the mitigation actions identified by the management, with the corporate objectives).
During the previous year a commodity risk management policy was also approved (with particular reference to the activities involving the energy market), of great importance given the risks connected with the volatility of energy commodities, and of which the Board of Statutory Auditors recommends continual and constant application with a view to prudence.
In this regard, management confirmed that the activities carried out by the Commodity Risk Control Unit of the Finance Function within the Administration, Finance and Control Department ensures the analysis and measurement of exposure to market risks, interacting with the Energy Management Unit of Acea Energia, verifying compliance with the limits and criteria adopted by the General Risk Management of the Commercial and Trading Sector and by the Administration, Finance and Control Department in accordance with the guidelines for the management of the risk related to commodity trading activities on futures markets.
Activities are still in progress with the aim of developing the risk scenarios identified in an overall taxonomy of business risks to be combined with the related risk owners and the business processes assigned as their responsibility, both at the corporate level and at the level of the various corporate businesses.
As also the activities aimed at identifying the Key Risk Indicators to be included in the Risk Appetite Framework so as to develop the current assessments by the Board of Directors, of a qualitative type, into an overall system of quantitatively defined limits as a framework of reference for the management's operations.
Lastly the Board of Statutory Auditors reaffirms its conviction that, given that the Acea Group has a significant presence in the management of regulated infrastructures of strategic significance for the supply of essential public services to the communities of reference in which it operates, and has developed significant planning initiatives pertaining to said strategic infrastructures, it is necessary that planning and execution activities be developed with considerable attention to the implications related to maintaining the Group's net financial position over time, compatible with the reference economic and equity situation.

Organisational Structure

The Board of Statutory Auditors examined the documentation concerning the overall organisational structure of Acea. The Board therefore noted the existence of:

- an organisational chart and related company documentation detailing the roles and responsibilities of the organisational structures;
- a system of delegations exercised in accordance with the roles and powers assigned to each of the functions/committees involved;
- corporate regulations for the exercise of governance by Acea as part of its functions of guidance, coordination and control of the Group's legal entities;
- company regulations for the performance of the activities of each managerial function.

The Board was informed about the activities carried out in 2022 to update the group regulatory system.
Similar attention should be paid to the necessary development of the ACEA Group's organisational model and the method of making use of the management and coordination powers and duties held by the Parent Company.
An extensive review of the information analysed by the Board did not reveal any situations that would undermine the effectiveness of the organisational structures, which are therefore adequate for the Company's operations, despite the fact that the aforementioned planning activities are still in progress.

We can note also that the Board of Statutory Auditors believes that the qualitative and quantitative adequacy of the corporate structures must be guaranteed and assessed also considering the presence of (or the possibility/opportunity of strengthening and/or implementing) IT supports and automation processes that improve their efficiency and operating quality.

Remuneration policies

The Board of Statutory Auditors acknowledged that the Board of Directors approved, insofar as it was responsible under the terms of current legislation, the Report on the remuneration policy and on the remuneration paid to the Group's personnel including the section "2022 Remuneration Policy" and the section "Remuneration paid" as well as the related Illustrative Report to the Shareholders' Meeting to which the documents will be submitted.
The Policy prepared for 2022 confirms substantially the arrangement of financial year 2021, taking into consideration the contents of the 2022–2024 Strategic Plan approved by the Board of Directors.
The Board of Statutory Auditors considered commendable, among other things,

- as regards performance targets, the setting of ESG targets related to the implementation of what is provided for on this point in the Strategic Plan;
- the adoption of the principles and recommendations provided for on the subject of remuneration policies in the Corporate Governance Code. In particular, the Policy is functional to pursuance of the company's sustainable success.

The remuneration policy defines the criteria and guidelines for remunerating members of the Board of Directors, including Executive Directors and Directors with special, for Executives with Strategic Responsibilities and for members of the Company's Board of Statutory Auditors, over a period of time coinciding with the financial year in course.
The document was prepared in compliance with the new regulatory framework (art. 123-ter of the Consolidated Finance Act), revised at a primary level by Italian Legislative Decree 49/2019, containing the provisions required for the implementation of Directive (EU) 2017/828 of the European Parliament and Council of 17 May 2017 ("SHRD II"), which amends Directive 2007/36/EC ("SHRD"), as regards encouraging the long-term commitment of shareholders.
Additionally, it was prepared in compliance with the contents of CONSOB resolution 21623 of 11 December 2020, which implemented what is provided for in the SHRD II.

Corporate Information System

The Board of Statutory Auditors also paid particular attention to the various initiatives launched by the Acea Group with regard to development of the corporate information system and the protection of business continuity, with a particular focus on cybersecurity issues.
The Board has always paid specific attention to the Group's Information Technology system and to its overall evolution, to be considered of essential importance in support of the business and control activities, in order to avoid the adoption of contingency actions of an organisational kind, with impacts in terms of both economic and human resources.
More in detail, we can state also that the Board has stressed the importance of paying particular attention to the strengthening of Cybersecurity, providing for actions to: (i) increase the security of the most-exposed areas (for example the Cloud, Online Services, Third Parties), (ii) develop solutions aimed at managing security incidents, at Business Continuity and at Crisis Management, (iii) consolidating the data protection solutions (classification, encryption, masking, tracing) in accordance with the General Data Protection Regulation and Privacy rules.
Further highlighting the importance of that described above, it should be noted that, in February 2023, Acea was the victim of a ransomware attack. At present, an investigation by the Public Prosecutor of Rome is under way, utilising the bodies of the CNAIPIC Postal Police - PG to analyse the incident. The Financial Reporting Officer stated that the event did not require any adjustments to the figures or information provided for the preparation of Acea Group's consolidated financial statements and financial statements as of 31 December 2022.
Noting how Acea was able to limit the damage created by the ransomware attack thanks to the protection system implemented, the Control and Risks Committee, together with the Board of Statutory Auditors, nevertheless recommended the relevant structures to:
- promote specific training for the Group's employees on cybersecurity, also considering the opportunity to conduct an audit aimed specifically at clarifying the current level of training on the subject and identifying possible improvement actions;
- prepare, as soon as possible, a cybersecurity framework policy/guideline for approval by the Board of Directors;
- provide for escalation mechanisms to ensure adequate reporting to corporate bodies should events of such magnitude occur, possibly regulating them within the above policy/guideline
The Board recommended also the adoption of suitable initiatives with a view to continual improvement and strengthening of the governance model and oversight of IT risks, the technological infrastructure, the IT architecture, the data architecture and the IT operating model, in order to increase further the level of oversight

of the systems and the quality of the services provided and to guarantee the maximum levels of security of the information system.

Further activities of the Board of Statutory Auditors and disclosure required by Consob

On 23 September 2022, the Board of Directors of Acea acknowledged (a) the communication of the shareholder Roma Capitale of 20 September 2022, with which the latter formulated a request for replacement of the company head and (b) the subsequent communication of the shareholder Roma Capitale, regarding the indication of Fabrizio Palermo as candidate for the position of member of the Board of Directors and next Chief Executive Officer of Acea. The Board also acknowledged the launch of the enquiry activities by the Company's competent structures regarding the consensual termination of the relationship with Mr Giuseppe Gola and the entry of the candidate, Mr Fabrizio Palermo, under the terms of art. 2386 of the Italian Civil Code, observing the current provisions of the laws and by-laws.
On 26 September 2022, the Board of Directors of Acea completed enquiry activities and approved the terms and conditions of the agreement for the consensual dissolution of the relationships in being with Mr Giuseppe Gola, which the latter accepted. On the basis of this Mr Gola renounced with immediate effect, the positions of Director, Chief Executive Officer and Strategies, Production and Foreign Manager, and all delegations and powers conferred on him and all other positions held on behalf of the Company and/or the Group. The termination agreement, in accordance with what is indicated in the policy on the subject of remuneration approved by the Company's Shareholders' Meeting (the Remuneration Policy) provided for the recognition in favour of Giuseppe Gola of the maximum amounts provided for in the "Executive Exodus Management" Policy, approved by the Board of Directors of Acea with resolution no. 33 of 21 December 2011, which makes reference to the national collective bargaining agreement for Executives of Public Utility Service Companies. On the same date the Board of Directors also appointed by co-optation, under the terms of Art. 2386 of the Italian Civil Code and Art. 15 of the By-Laws, on a proposal by the Appointments and Remuneration Committee and with a resolution approved by the Board of Statutory Auditors, Mr Fabrizio Palermo as a new Director of the Company. Fabrizio Palermo was therefore appointed by the Board of Directors as the new Chief Executive Officer of Acea.
On 17 February 2023, the ACEA Board of Directors, on a proposal by the Appointments and Remuneration Committee and with a resolution approved by the Board of Statutory Auditors, appointed by co-optation, under the terms of Art. 2386 of the Italian Civil Code and Art. 15 of the By-Laws, Barbara Marinali as a new non-executive Director of the Company, replacing Michaela Castelli who resigned on 14 February 2023, appointing her as Chairperson of the Board of Directors.
The documents submitted for your approval include the report prepared by Acea's Board of Directors pursuant to Article 125-ter of Italian Legislative Decree no. 25 of 24 February 1998, as subsequently amended and supplemented ('TUF') and Article 72 of the Regulations adopted by CONSOB Resolution no. 11971 of 14 May 1999, as subsequently amended and supplemented (the 'Issuer Regulations'), in line with the indications contained in Form 3 of Annex 3A to the Issuer Regulations, which aims to illustrate the proposed amendments to the By-Laws as per item 1 on the agenda of the Extraordinary Shareholders' Meeting of the Company.
These proposals were developed by the Board of Directors with the threefold purpose of: (a) expanding the quantitative composition of the current Board to ensure, among other things, better structure of the positions and functions within the management body, also taking into account the requirements to effectively perform administrative functions and monitor management and for balanced composition of board committees; (b) ensuring that the minimum number of independent directors is identified by making explicit reference to the recommendations provided by the new Corporate Governance Code — as well as the relevant provisions of the law — which states that, in large companies with concentrated ownership, i.e. Acea, at least one third of the members of the board of directors must meet the independence requirements; (c) aligning the number of independent directors to be included in the lists of candidates for the renewal of the management body with the expansion of the quantitative composition of the board of directors, coordinating the related provisions on the placement of these directors on the list.
In relation to the aforementioned proposed amendments, the Board of Directors has assessed, including with support from its advisors, the lack of grounds to exercise the right of withdrawal envisaged by current laws and the full legitimacy to proceed with a single Shareholders' Meeting to amend the Articles of Association and renew the Board of Directors — on the basis of the new wording of Article 15 of the Articles of Association, subject to relative approval — with efficacy upon registration of the resolution amending the Articles of Association with the competent Business Register.
As required by art. 149 of the TUF, in the performance of its duties the Board of Statutory Auditors:

- Over saw the processes of effective implementation of the corporate governance regulations provided under the codes of conduct drawn up by regulated market management or by category associations with which Acea S.p.A. declares its compliance. Pursuant to art. 123-bis of the Consolidated Finance Act and art. 144-decies of the Issuers Regulation, Acea S.p.A. prepared the annual "Report on Corporate Governance and Ownership Structures". The Board of Statutory Auditors has verified that the Report on Corporate Governance and Shareholdings contains all the information required by Article 123-bis of the TUF as well as other disclosures made in compliance with the regulations governing issuers listed on regulated markets;
- It monitored the adequacy of the instructions given to subsidiaries pursuant to art. 114, paragraph 2 of the TUF. While appreciating the efforts made, the Board of Statutory Auditors nevertheless recommended to the relevant corporate functions of the parent company to direct the subsidiaries' boards of directors to fully approve and adopt all Group policies. To this end, the Board of Statutory Auditors recommended that any differences in interpretation and application made by the subsidiaries be carefully monitored, also calling for the completion of internal regulations through the issue of specific operating instructions;
- It exchanged information with the Boards of Statutory Auditors of directly controlled companies as required by art. 151, paragraph 2, of the TUF. In order to allow for this exchange of information, a questionnaire was sent to all the control bodies of the subsidiaries concerning the supervisory activities carried out by them during 2022. From the analysis of these questionnaires, which were completed and returned by the control bodies of the subsidiaries, as well as the meetings held with some of the subsidiaries' boards of statutory auditors, no issues were raised or facts emerged worthy of note in this report. For directly controlled foreign companies, the supervisory activities of the Board were developed with the cooperation of the Internal Audit Function.

On 16 February 2023, the Board of Statutory Auditors received a cautionary written communication from the control body, phrased pursuant to Article 2408 of the Italian Civil Code with reference to certain events that appeared in the press concerning the Company's Chief Executive Officer. In this regard, the Board of Statutory Auditors notes, as previously represented in this report, that discussions have already been promptly initiated with the relevant internal structures, which have been asked to carry out the in-depth investigations required to provide the necessary information that will be rendered to the Control Body upon completion, by the structures concerned, of the activities underway. The Board reserves the right to present its considerations and proposals, if any, upon the outcome of the aforementioned activities.
During the course of the financial year, the Board of Statutory Auditors issued opinions and expressed the observations that current legislation assigns to its remit.
In addition, the Board of Statutory Auditors reports:

- that it acknowledged that the Board of Directors has positively assessed the adequacy of its size, composition and operation, also in light of the results of the self-assessment that was performed with the support of an external consultant with the required requisites of independence;
- that the Board of Directors has approved a Policy for managing discussions with institutional investors, and all shareholders and bondholders of Acea;
- that the Board of Directors, in view of the upcoming renewal of the Company's Administrative Body, has drawn up qualitative and quantitative guidelines regarding the composition of the Board of Directors that the Shareholders' Meeting is called upon to elect, to which reference should be made;
- that, aside from board meetings, it attended off-site meetings and induction sessions;
- to have verified that its members meet the same independence requirements as those required of Directors in accordance with the recommendations of the Borsa Italiana Corporate Governance Code;
- that it found the correct application of the criteria and practices for ascertaining the requisites used by the Board of Directors to assess the independence of its members on an annual basis.

No separate meeting of the independent directors was held during the year, as they considered it unnecessary in view of the quality of the information received from the delegated bodies and their active participation in the Board of Directors and in the Board Committees. At present, the requirements of the Corporate Governance Code for Listed Companies for the establishment of the position of lead independent director are not met, given that the Chairperson of the Board of Directors does not hold the position of Chief Executive Officer and does not have a controlling interest in the company.
The Board of Statutory Auditors verified full compliance with obligations regarding regulated information, inside information or information required by the Regulatory Authorities.
The Board also received adequate reporting, with reference to the provisions of Articles 15 et seq. of the Market Regulations, regarding subsidiaries incorporated and regulated by the laws of non-EU countries from the Internal Audit Function, which conducted an analysis of entity-level ontrols from which it concluded that the control environment was substantially adequate to the requirements of the aforementioned Article 15.
The Board of Statutory Auditors noted that the Company has not been notified of any complaints to the Court under Article 2409, Paragraph 1 of the Italian Civil Code, nor has the Board had to make any complaints under Article 2409, Paragraph 7 of the Italian Civil Code. The Board did not have to intervene due to omissions of the Administrative Body pursuant to Article 2406 of the Italian Civil Code and did not make any reports to the Administrative Body pursuant to and in accordance with Article 25-octies of Legislative Decree 14/2019.
As a result of the supervisory activities carried out by the Board of Statutory Auditors, no reprehensible facts, omissions or irregularities have emerged that should be included in this Report.
The Board of Statutory Auditors does not deem it necessary to exercise the right to make proposals to the Shareholders' Meeting pursuant to art. 153, paragraph 2, of the TUF.

Conclusions

In view of all the above, considering the content of the reports prepared by the external auditor, acknowledging the declarations issued jointly by the Chief Executive Officer and the Financial Reporting Manager, to the extent of its remit the Board of Statutory Auditors has not found any reasons preventing the approval of the proposal for the separate financial statements at 31 December 2022 and the dividend distribution formulated by the Board of Directors.

Rome, 28 March 2023

The Board of Statutory Auditors

Maurizio Lauri
Claudia Capuano
Leonardo Quagliata

Independent auditor's report

In accordance with article 14 of Legislative Decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537/2014

Acea SpA

Financial statements as of 31 December 2022

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Acea SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Acea SpA (the Company), which comprise the statement of financial position as of 31 December 2022, the income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matters

We draw your attention to paragraph "Trend of operating segments – Operating Segment - Water and Operating Segment – Environment" of the report on operations and to paragraph "Investments in subsidiaries and associates" of the notes to the financial statements which describe:

- With specific reference to the subsidiary Acea Ato 5 SpA, the continuation of (i) the financial imbalance arisen from the most recent tariff provisions approved by the Area Authority with the consequent confirmation of the existence of material uncertainties that may cast significant doubts on the subsidiary's ability to continue as a going concern, as well as (ii) further uncertainties related to the ongoing tax litigation and the complex in and out of court legal dispute with the Area Authority related to the termination of the concession agreement, the approval of the tariffs, the contractual penalties charged to the company for alleged non-fulfilments, the recognition of receivables related to higher operating costs incurred in the 2003-2005 period (as per the settlement agreement of 27 February 2007) and the determination of the concession fees;

- the complex regulatory measures, with particular reference to what lies behind the approval process of water and waste tariffs.

Moreover, we draw attention to paragraphs "Information on Related parties" and "Receivables due from the Parent Company - Roma Capitale" of the notes to the financial statements, as well as to paragraph "Relations with Roma Capitale" included in section "Summary of results" of the Report on Operations, where the directors described the relations with Roma Capitale and in particular the current discussions on the recognition of the Administration's payable to Acea/areti with reference to the public lighting service.

Our opinion is not qualified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Recoverability of the value of investments in subsidiaries and associates *Note 15 to the financial statements "Investments in subsidiaries and associates"* The Company recognised in the financial statements as of 31 December 2022 investments in subsidiaries and associates for an amount equal to Euro 2,059 million. Annually, the Company, in accordance with a specific internal policy, verifies the presence, if any, of impairment losses of investments in subsidiaries and associates in compliance with	We performed our audit procedures in order to evaluate if the method to estimate the recoverable amount used by the Company was consistent with what is envisaged by IAS 36 and by the evaluation practice, verifying the appropriateness of the types of cash flows used, their consistency with the Group's Business Plan and the mathematical accuracy of the quantification of the recoverable amount.

IAS 36 "*Impairment of assets*", comparing their book value with their estimated recoverable amount measured through the Discounted Cash Flow method (impairment test). Such verification is carried out on the main investments apart from the presence of any impairment indicators emerged during the year.
The impairment test was carried out on the basis of the cash flows under the 2020-2024 Business Plan of the Group approved by the Board of Directors on 27 October 2020 and updated, where necessary, to take account of the regulatory developments and the events occurred between the date of approval of the Plan and the date of approval of the financial statements.

With reference to the financial statements for the year ended 31 December 2022, the Company's management had recourse to an external expert to perform the impairment testing.

As part of our audit activities, we paid particular attention to the risk that there could be impairment losses in the abovesaid investments, inasmuch as the process for the estimate of their recoverable amount is particularly complex and based on valuation assumptions affected by future economic, financial and market conditions which are hard to forecast.

In particular, with reference to the investee companies in relation to which impairment indicators were found (so-called Trigger events), we:

- verified the reasonableness of the main assumptions underlying the projected cash flows and the discount rates used to perform the impairment test (also through a comparison with the budget data deriving from external information sources, if available);
- compared the forecasts of the prior years with the corresponding final data and finally we verified the sensitivity analyses performed by the Company on investee companies, with particular reference to the subsidiary Acea Ato5 in relation to the uncertainties connected thereto.

As part of our audit activities, we were also supported by the PwC network experts in valuations.

Moreover, we assessed the independence, technical capabilities and objectivity of the external experts who were tasked by the Company management with carrying out the impairment tests.

Finally, we examined the adequacy and completeness of the disclosures provided by the directors in the notes to the financial statements in relation to the above-described matters.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of

accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 27 April 2017, the shareholders of Acea SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Acea SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the financial statements as of 31 December 2022, included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the financial statements as of 31 December 2022 have been prepared in XHTML format in compliance with the provisions of the Commission Delegated Regulation.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998

The directors of Acea SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Acea SpA as of 31 December 2022, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, with the financial statements of Acea SpA as of 31 December 2022 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Acea SpA as of 31 December 2022 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Rome, 28 March 2023

PricewaterhouseCoopers SpA

Signed by

Luigi Necci
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

CERTIFICATION OF SEPARATE FINANCIAL STATEMENTS

(in accordance with art. 154-*bis* of Legislative Decree 58/98)

(Translation from the original Italian text)

1. The undersigned, Fabrizio Palermo, as Chief Executive Officer, and Fabio Paris, as Executive Responsible for Financial Reporting of the company Acea S.p.A., taking also account of provisions envisaged by Art. 154-*bis*, paragraphs 3 and 4, of the Legislative Decree no. 58 of 24 February 1998, hereby certify:
   - the consistency to the business characteristics and
   - the effective application

of the administrative and accounting procedures for preparing the separate financial statements at 31 December 2022.

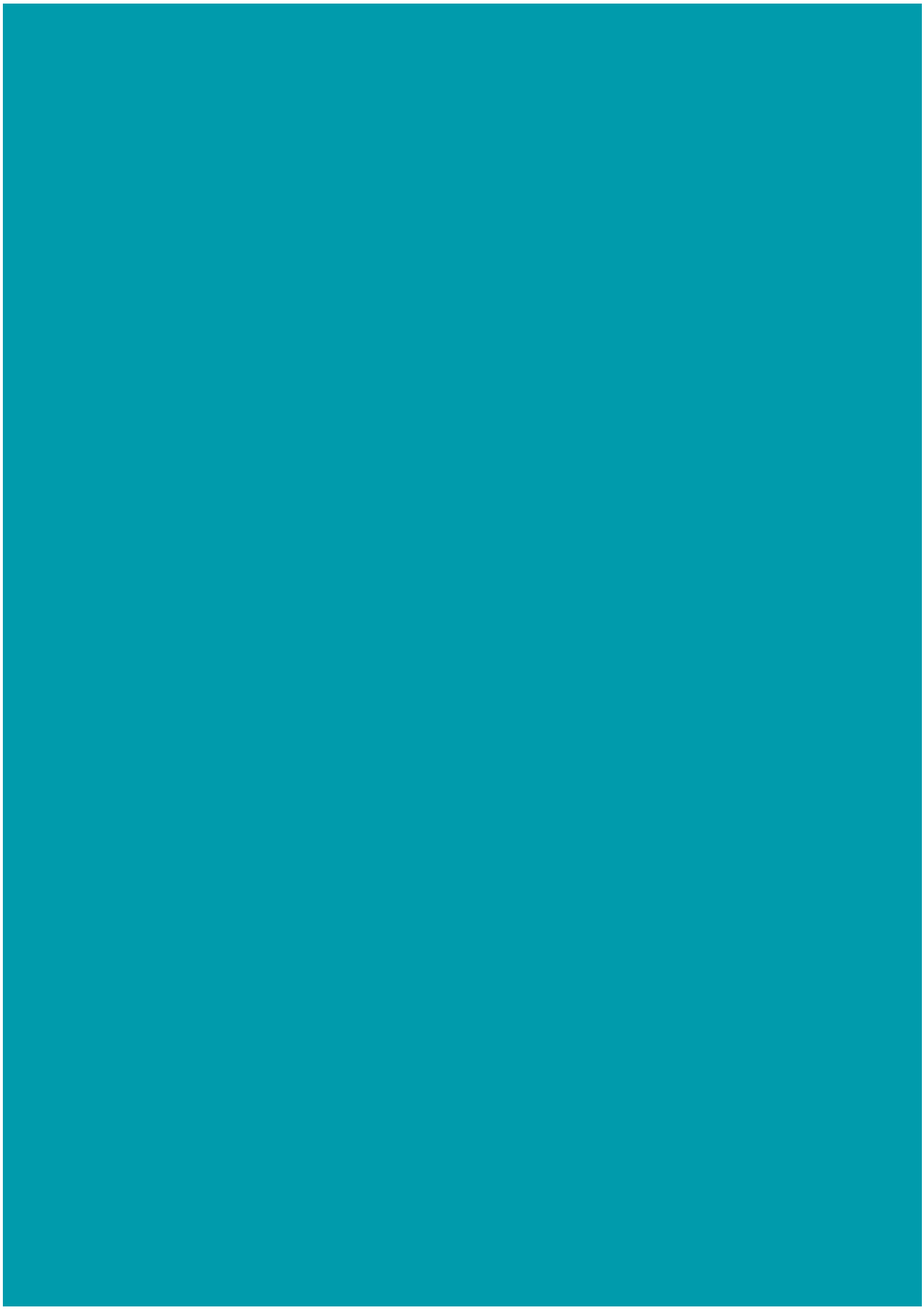
2. To this purpose, no significant issues were recorded.

3. It is also certified that:
   3.1 the separate financial statements:
      a) were drawn up in compliance the applicable international accounting standards recognised in European Community in accordance with EC regulation 1606/2002 of the European Parliament and the Council, of 19 July 2002,
      b) are consistent with the underlying accounting books and records,
      c) provide a true and correct view of the operating results and financial position of the issuer,
   3.2 the report on operations includes a reliable analysis of the operational performance and result, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 08 March 2023

signed by: Fabrizio Palermo, The CEO
signed by: Fabio Paris, The Executive Responsible for Financial Reporting

This report has been translated into the English language solely for the convenience of international readers



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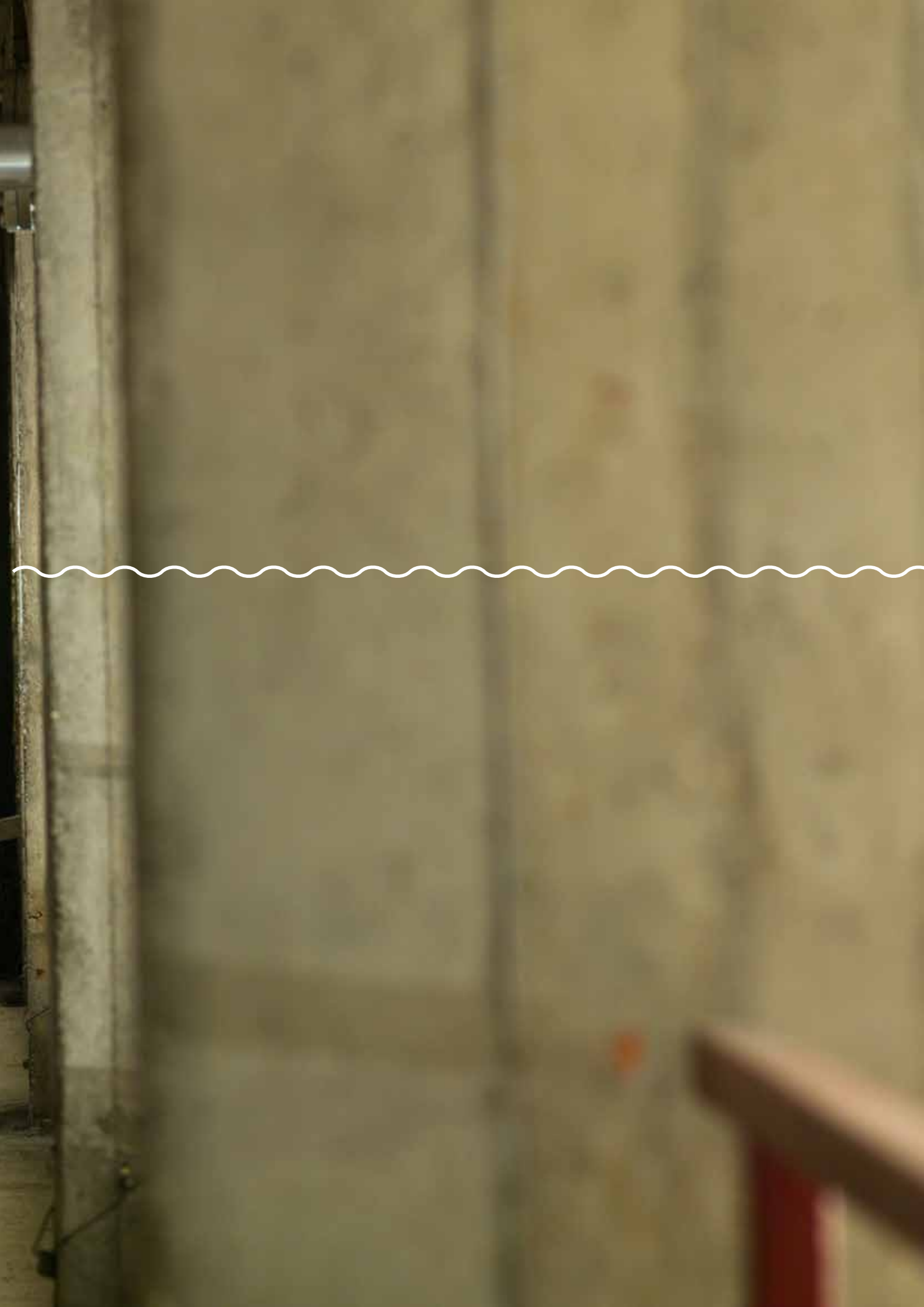
CONSOLIDATED FINANCIAL STATEMENTS



FORM AND STRUCTURE

GENERAL INFORMATION

The Consolidated Financial Statements at 31 December 2022 of the Acea Group were approved by Board of Directors' resolution on 8 March 2023, which also authorised their publication. The Parent Company Acea is an Italian joint-stock company, with its registered office in Rome, at Piazzale Ostiense 2 and whose shares are traded on the Milan Stock Exchange. The Acea Group's principal operating segments are described in the Report on Operations.

COMPLIANCE WITH IAS/IFRS

These Condensed Financial Statements have been prepared in compliance with the international accounting standards in effect on the date of the financial statements, approved by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set forth in art. 6 of the regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and pursuant to art. 9 of Italian Legislative Decree 38/2005.
The international accounting standards include the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretations Committee (SIC), collectively the "IFRS".

BASIS OF PRESENTATION

These consolidated financial statements consist of the consolidated income statement, the comprehensive consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement and the statement of changes in consolidated shareholders' equity. The Report also includes notes prepared under the IAS/IFRS currently in effect. The consolidated income statement is classified according to the nature of the costs, the items of the consolidated balance sheet according to the criterion of liquidity, with the items classified as current and non-current, while the consolidated cash flow statement is presented using the indirect method.
The Consolidated Financial Managements are prepared using the going concern assumption and there are no significant uncertainties about the company as a going concern (as defined in paragraph 25 of IAS 1).
The Consolidated Financial Statements are presented in Euros and all amounts are rounded off to the nearest thousand Euros unless otherwise indicated.
The figures in these Consolidated Financial Statements are comparable to those in the previous year.

DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES

On 5 October 2015, ESMA (European Securities and Markets Authority) published its guidelines (ESMA/2015/1415) on criteria for the presentation of alternative performance measures which replace, as of 3 July 2016, the CESR/05-178b recommendations. These guidelines were transposed into our system with CONSOB Communication no. 0092543 dated 3 December 2015. In addition, on 4 March 2021 ESMA published the guidelines on the disclosure requirements deriving from the new Prospectus Regulation (Regulation EU 2017/1129 and Delegated Regulations EU 2019/980 and 2019/979), which update the previous CESR Recommendations (ESMA/2013/319, in the revised version of 20 March 2013). Starting from 5 May 2021, on the basis of CONSOB Call for Attention No. 5/21, the aforementioned ESMA Guidelines also replace the CESR Recommendation on debt. Therefore, under the new provisions, listed issuers will have to present, in the explanatory notes to their annual and semi-annual financial statements published from 5 May 2021 onwards, a new statement on debt to be drafted in accordance with the instructions in paragraphs 175 and following of the above ESMA Guidelines.

The content and meaning of the non-GAAP measures of performance and other alternative performance indicators used in these financial statements are illustrated below:

- for the Acea Group, the *EBITDA* is an operating performance indicator and from 1 January 2014 also includes the condensed result of equity investments in jointly-controlled entities for which the consolidation method changed when the international accounting standards IFRS10 and IFRS11 came into force. *EBITDA* is determined by adding Operating profit/loss (EBIT) to "Amortisation, depreciation, provisions and impairment", insofar as these are the main non-cash items;
- *Financial debt* is represented and determined in accordance with the aforementioned ESMA guidelines and in particular paragraph 127 of the recommendations of document No. 319 of 2013, implementing Regulation (EC) 809/2004. This indicator is determined as the sum of short-term borrowings ("Short-term loans", "Current part of long-term loans" and "Current financial liabilities") and long-term borrowings ("Long-term loans") and the related derivative instruments ("Non-current financial liabilities"), net of "Cash and cash equivalents" and "Current financial assets";
- the *net financial position* is an indicator of the Acea Group's financial structure determined in continuation with previous years and used, as from this document, exclusively for information presented in the business areas in order to provide clear segment information that can be easily reconciled with the financial debt (ESMA) referred to above. This indicator is obtained from the sum of Non-current borrowings and Financial liabilities net of non-current financial assets (financial receivables and securities other than equity investments), Current financial payables and

other Current financial liabilities net of current financial assets and Cash and cash equivalents;
- *net invested capital* is the sum of "Current assets", "Non-current assets" and Assets and Liabilities held for sale, less "Current liabilities" and "Non-current liabilities", excluding items taken into account when calculating the *net financial position*;
- *net working capital* is the sum of the current receivables, inventories, the net balance of other current assets and liabilities and current debts, excluding the items considered in calculating the *net financial position*.

USE OF ESTIMATES AND ASSUMPTIONS

Drafting of the Consolidated Financial Statements, in application of the IFRS, requires the making of estimates and assumptions that affect the values of revenues (including the estimate of the GRC), costs, assets and liabilities in the financial statements and information on contingent assets and liabilities at the reference date. The main sources of uncertainty that could have an impact on the evaluation processes are also considered in making these estimates.
The actual amounts may differ from such estimates. Estimates are used to determine some sales revenues, provisions for risks and charges, provisions for impairment of receivables and other provisions for depreciation, amortisation, valuation of derivatives, employee benefits and taxes. The estimates and assumptions are reviewed periodically, and the effects of each change are immediately recorded in the Income Statement.
The estimates also took into account assumptions based on the parameters and market and regulatory information available at the time the financial statements were drafted. Current facts and circumstances influencing the assumptions on future development and events may change due to the effect, for example, of changes in market trends or the applicable regulations that are beyond the control of the Company. These changes in assumptions are also reflected in the financial statements when they occur.
In addition, it should be noted that certain estimation processes, particularly the more complex such as the calculation of any impairment of non-current assets, are generally performed in full only when drafting the annual financial statements, unless there are signs of impairment that call for immediate impairment testing. For more information on the methods in question, please refer to the following paragraphs.

EFFECTS OF THE SEASONALITY OF TRANSACTIONS

For the type of business in which it operates, the Acea Group is not subject to significant seasonality. Some specific operating segments, however, can be affected by uneven trends that span an entire year.

CONSOLIDATION POLICIES, PROCEDURES AND SCOPE

CONSOLIDATION POLICIES

Subsidiaries

The scope of consolidation includes the Parent Company Acea and the companies over which it directly or indirectly exercises control or when the Group is exposed or entitled to variable returns deriving from the relationship with the investee and has the capacity to influence its returns through the exercise of its power over the investee. Power is defined as the capacity to manage the significant activities of the subsidiary by virtue of existing substantial rights.
Subsidiaries are consolidated from the date on which control is effectively transferred to the Group and are de-consolidated from the date on which control is transferred out of the Group.
According to accounting standard IFRS10, control is obtained when the Group is exposed or has the right to variable performance deriving from relations with the subsidiary and is able, through exercising power over the subsidiary, to influence its performance. Power is defined as the capacity to manage the significant activities of the subsidiary by virtue of existing substantial rights.
The existence of control does not depend exclusively on possession of the majority of the voting rights, but on the substantial rights of the investor over the investee. Consequently, the opinion of the management team is required to assess specific situations leading to substantial rights attributing to the Group the power to manage the significant activities of the subsidiary so as to influence its performance.
In order to assess the requirement of control, the management team analyses all facts and circumstances, including agreements with other investors, the rights deriving from other contracts and potential voting rights (call option, warrant, put option assigned to minority stakeholders, etc.). These other facts and circumstances may be particularly significant in the assessment, especially if the Group holds less than the majority of the voting rights or similar rights in the subsidiary.
The Group reviews the existence of control over a subsidiary when the facts and circumstances indicate that there has been a change in one or more elements considered in verifying its existence. Lastly, it must be noted that in assessing the existence of the control requirements, no situations of de facto control were encountered.
Changes in the possession quota of equity investments in subsidiaries that do not imply the loss of control are recorded as capital transactions adjusting the quota attributable to the stakeholders of the Parent Company and that of third parties to reflect the change

in the quota owned. The eventual difference between the amount received or paid and the corresponding fraction of the shareholders' equity acquired or sold is recorded directly in the consolidated shareholders' equity. When the Group loses control, any residual equity investment in the company previously controlled is re-measured at fair value (with counterpart in the income statement) on the date on which control is lost. Also, the quota of the OCI of the subsidiary over which control is lost is dealt with in the accounts as if the Group has directly disposed of the relevant assets or liabilities. Where there is loss of control of a consolidated company, the Consolidated Financial Statements include the results for the part of the reporting period in which the Acea Group had control.

Joint ventures

A joint venture is a contractual arrangement in which the Group and other parties jointly undertake a business activity, i.e. a contractually agreed sharing of control whereby the strategic, financial and operating policy decisions can only be adopted with unanimous consent of the parties sharing control. The Consolidated Financial Statements include the Group's share of the income and expenses of jointly controlled entities, accounted for using the equity method.
According to IFRS11, a joint venture is an arrangement over which one or more parties have joint control. Joint control is held when unanimous consent or that of at least two of the parties to the arrangement is required for decisions concerning the significant activities of the joint venture. A joint agreement can either be a joint venture or a joint operation. A joint venture is a joint control arrangement in which the parties holding joint control have all the rights over the net assets of the arrangement. On the other hand, a joint operation is a joint control arrangement in which the parties holding joint control have rights to the assets and obligations for the liabilities in the arrangement.
To determine the existence of joint control and the type of joint arrangement, the opinion of the management team is required, which must assess the rights and obligations deriving from the arrangement. To this end, the management team considers the structure and legal form of the arrangements, the terms agreed between the parties in the contractual agreement and, if significant, other facts and circumstances. The Group reviews the existence of joint control when facts and circumstances indicate that there has been a change in one or more elements previously considered in verifying the existence of joint control and the type of joint control.

Associates

An associate is a company over which the Group exercises significant influence, but not control or joint control, through its power to participate in the financial and operating policy decisions of the associate. The Consolidated Financial Statements include the Group's share of the results of associates at Net equity, unless they are classified as held for sale, from the date it begins to exert significant influence until the date it ceases to exert such influence.
In determining the existence of significant influence, the opinion of the management team is required, which must assess all facts and circumstances.
The Group reviews the existence of significant influence when facts and circumstances indicate that there has been a change in one or more elements previously considered in verifying the existence of significant influence.
When the Group's share of an associate's losses exceeds the carrying amount of the investment, the interest is reduced to zero and any additional losses must be covered by provisions to the extent that the Group has legal or implicit loss cover obligations to the associate or in any event to make payments on its behalf. Any excess of the cost of the acquisition over the Group's interest in the fair value of the associate's identifiable assets, liabilities and contingent liabilities at the date of the acquisition is recognised as goodwill. Goodwill is included in the carrying amount of the investment and is subject to impairment test together with the value of the investment.

CONSOLIDATION PROCEDURES

General procedure

The financial statements of the Group's subsidiaries, associates and joint ventures are prepared for the same accounting period and using the same accounting standards as those adopted by the Parent Company. Consolidation adjustments are made to align any dissimilar accounting policies applied.
All Intragroup balances and transactions, including any unrealised profits on Intragroup transactions, are eliminated in full. Unrealised losses are eliminated unless costs cannot be subsequently recovered.
The carrying amount of investments in subsidiaries is eliminated against the corresponding share of the shareholders' equity of each subsidiary, including any adjustments to reflect fair values at the acquisition date. Any positive difference is treated as "goodwill", while any negative difference is recognized through profit or loss at the acquisition date.
The minority interest in the net assets of consolidated subsidiaries is shown separately from shareholders' equity attributable to the Group. This interest is calculated on the basis of the percentage interest held in the fair value of assets and liabilities recognised at the original date of acquisition and in any changes in shareholders' equity after that date. Losses attributable to the minority interest in excess of their portion of shareholders' equity are subsequently attributed to shareholders' equity attributable to the Group, unless the minority has a binding obligation to cover losses and is able to invest further in the company to cover the losses.

Business combinations

Acquisitions of subsidiaries are accounted for under the acquisition method. The cost of the acquisition is determined as the sum of the fair value, at the date of exchange, of the assets acquired, the liabilities incurred or acquired, and the financial instruments issued by the Group in exchange for control of the acquired company.
The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS3 are accounted for at fair value on the date of acquisition, with the exception of non-current assets (or disposal groups), which are classified as held for sale under IFRS5 and accounted for at fair value net of costs to sell.
If the business combination is achieved in stages, the fair value of the investment previously held has to be re-measured and any resulting gain or loss is recognised in profit or loss.
The purchaser has to recognise any contingent consideration at fair value, on the date of acquisition. The change in fair value of the contingent consideration classified as asset or liability is recognised

according to the provisions included in IFRS9, in the income statement or among the other components of the comprehensive income statement.
The costs directly attributable to the acquisition are included in the income statement.
The purchase cost is allocated by recording the identifiable assets, liabilities and contingent liabilities of the acquisition at fair value on the date of acquisition. Any positive excess between the payment transferred, valued at fair value on the date of acquisition, and the amount of any minority interest, with respect to the net value of the amounts of the identifiable assets and liabilities of the acquisition valued at fair value is recorded as goodwill or, if negative, in the Income Statement,.
For every business combination, the purchaser must value any minority stake in the acquired entity at fair value or in proportion to the share of the minority interest in net identifiable assets of the acquired entity.
It is specified that the price allocation process is provisionally allocated to assets and liabilities and definitively accounted for within 12 months from the date of acquisition as required by IFRS3.

Business combinations involving solely entities under common control

Business combinations which involve companies which are, definitively, under the control of the same company or the same companies both before and after the combination, and this control is not temporary, are classified as "Business Combinations of entities under common control". These are excluded from the scope of application of IFRS3, nor are they governed by other IFRS. In the absence of a relevant accounting standard, the selection of the accounting standard for these transactions, relative to those for which a significant influence on future cash flows cannot be demonstrated, is guided by the principle of prudence, which leads to the application of the criteria of continuity of values for the net assets acquired. Assets are recognised at the book values found in the accounts of the companies acquired (or that of the selling company) prior to the transaction or, alternatively, the values found in the consolidated financial statements of the common parent company. Particularly with reference to the above transactions, relative to the sale of a business unit, treatment of the difference between the contractually defined payment and the accounting value of the business transferred is differentiated as a function of the equity investment relationships between the entities involved in the transfer. Relative to transfers of business units under common control, on the other hand, regardless of the pre-existing investment relationship, the transferring entity must recognise the business transferred at its historic accounting value, increasing its shareholders' equity by the same amount; the receiving entity must symmetrically recognise the equity investment in the transferring entity for an amount equal to the increase in the shareholders' equity of the latter. This accounting treatment makes reference to that proposed by Assirevi in its Preliminary Guidelines on IFRS (OPI no. 1 Revised) - "Accounting treatment of business combinations of entities under common control in annual and consolidated financial statements", issued in October 2016.

Consolidation procedure for assets and liabilities held for sale (IFRS5)

Non-current assets and liabilities are classified as held for sale, in accordance with the provisions of IFRS5.

Treatment of put options for shares of subsidiaries

Based on the provisions established under standard IAS 32, paragraph 23, a contract which contains a requirement for an entity to acquire shares for cash or against other financial assets, gives rise to a financial liability for the current value of the price to exercise the option. Therefore, if the entity does not have the unconditional right to avoid the payment of cash or other financial instruments if and when a put option is exercised on shares of subsidiaries, it must recognise this debt. All subsequent changes are recognised in the Income statement. The same accounting treatment applies when, in addition to a put option, there is also a symmetrical call option, referred to as "symmetrical put and call options related to non-controlling interest". The Group considers shares subject to put options (or to symmetrical put and call options) already acquired, in cases in which the economic benefits and risks linked to actual ownership of the shares does not remain with minority shareholders. Therefore, in these circumstances, it does not recognise the interests held by minority shareholders in the consolidated financial statements.

Consolidation of foreign companies

The financial statements of investee companies operating in currencies other than the Euro, which is the functional currency of the Parent Company Acea, are converted into Euro by applying the exchange rate at the end of the period to the assets and liabilities, and the average exchange rates for the period to income statement items and to the cash flow statement.

The exchange differences arising from the translation of the financial statements of investee companies operating in currencies other than the Euro are recognised directly in equity and are shown separately in a specific reserve of; this reserve is reversed to the income statement at the time of complete disinvestment or loss of control, joint control or significant influence over the investee company. In the case of partial disposal:

- without loss of control, the share of the exchange differences relating to the shareholding sold is attributed to the shareholders' equity pertaining to minority interests;
- without loss of joint control or significant influence, the portion of exchange differences relating to the shareholding sold is recognised in the income statement.

SCOPE OF CONSOLIDATION

The Acea Group's Consolidated Financial Statements include the financial statements of the Parent Company, Acea, and the financial statements of the Italian and foreign subsidiaries, for which, in accordance with the provisions of IFRS10, there is exposure to the variability of returns and of which a majority of voting rights in the ordinary meetings is held, either directly or indirectly, and consequently the ability to influence the investee returns by exerting management power. Furthermore, the companies on which the Parent Company exercises joint control with other shareholders are consolidated using the equity method.

Compared to 31 December 2021 the following changes occurred in the consolidation scope:

- on 19 January 2022, the company AE Sun Capital was established, held for 40% by Acea Produzione and 60^ by the investment fund Equitix Investment Management;
- on 20 January 2022, Acea Solar acquired 100% of the shares of the company SF ISLAND with registered office in Acquapendente (Viterbo, Italy);
- on 8 February 2022, Acea Ambiente signed the deed of acquisition of 70% of the shares of S.E.R. Plast, a company operating in the recycling of plastic waste;
- at the end of March 2022, Acea finalised the sale of the photovoltaic holding company (Acea Sun Capital) to the British investment fund Equitix. The agreement for the transfer of assets was signed on 24 December 2021. With the closing of the operation, the newco AE Sun Capital Srl, 60% owned by Equitix and 40% by Acea Produzione, acquired from Acea Produzione the photovoltaic holding company of the Acea Group, the holder, through a number of vehicles, of a portfolio of photovoltaic plants, with a total installed capacity of 105 MW, of which 46 MW incentivised on the basis of different Energy Accounts and 59 MW for new construction already connected or being connected to the network;
- on 1 April 2022, a purchase agreement was signed by Adistribuzionegas for 30% of Romeo Gas as part of the sale by A2A of concessions for the natural gas distribution service;
- on 23 May 2022, Acea Ambiente signed the deed of acquisition for an additional 20% of the shares in Cavallari, brining its stake to 80%;
- on 30 June 2022, the acquisition by Acea Ambiente of the business unit known as Polo Cirsu was signed after participation in the competitive bidding process begun with the notice of sale issued by the Court of Teramo. This business unit consists of: **i)** a landfill known as "Grasciano1", completely depleted of authorised volumes; **ii)** a landfill known as "Grasciano2", consisting of an first lot of 234,000 m^3 and a second lot to be built, with an authorised volume of 246,000 m^3; **iii)** a recycling and composting plant and a platform to utilise separate waste;
- on 29 July 2022 Acea Solar signed for the purchase of 17 vehicle companies in the Basilicata region (Powertis Group), each the holder of development projects for monoaxial ground-mounted photovoltaic plants. The total power is estimated at 338 MWp, with annexed storage systems for 170 MWp of power;
- on 1 September 2022, Acea Renewable 2 Srl and Fergas Solar 2 Srl were established, both 100% held by Acea Solar to complete the transfer of photovoltaic assets for plants constructed in the industrial and agricultural area. The establishment of the two companies is part of the project to deconsolidate the photovoltaic segment, begun on 22 March 2022, and which calls for a second closing, involving the transfer of plants that will be connected and operating on the date of the transaction;
- on 1 October 2022, the partial demerger of Romeo Gas SpA was completed, implemented through the assignment of equity shares in favour of Adistribuzionegas Srl. The purpose of the operation is part of an overall corporate reorganisation to achieve more efficient management of gas distribution concessions;
- on 4 October 2022, Acea Ambiente signed the acquisition of 70% of the capital of Tecnoservizi Srl, a company that offers separate urban waste treatment and recovery services. The company's authorised capacity is treatment of 210 thousand tonnes per year in the province of Rome, coming from separate waste of Municipalities, entities and businesses;
- on 3 November 2022, Acea Ambiente, through its subsidiary Cavallari Srl, completed acquisition of 100% of Italmacero Srl, a company operating in the mechanical treatment and recovery of separate urban waste (mixed packaging, monomaterial fractions) and special non-hazardous waste;
- on 22 November 2022, the reverse merger by incorporation of AE Sun Capital with the subsidiary Acea Sun Capital was complete. The merger is part of an investment project involving the renewable energy sector and was implemented to achieve advantages through unification of processes, structures, achieving synergies and economies of scale, as well as cost efficiencies;
- on 6 December 2022, the closing of the initial stage of the business combination with ASM Terni was signed, following the completion public procedure initiated by the latter. The operation is intended to create a single operator working in the integrated water cycle, environment and electricity and gas distribution and sales sectors;
- on 19 December 2022, DropMI Srl was established, which carries out research and engineering for next generation water metres, that can operate and be monitored remotely, and also develops smart water solutions for the domestic and international markets.

UNCONSOLIDATED EQUITY INVESTMENTS

Tirana Acque Scarl in liquidation, 40% owned by Acea, is recognised at cost. The subsidiary, entirely written off, is excluded from the consolidation scope as it is not operational and its relevance in qualitative and quantitative terms is not significant.

ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

CURRENCY CONVERSION

Transactions in foreign currencies are initially recognised at the exchange rate in force on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies were converted into the functional currency at the exchange rate prevailing at the balance sheet date. All exchange differences are recorded in the Income Statement of the Consolidated Financial Statements, with the exception of differences deriving from loans in foreign currency that have been entered into to hedge a net investment in a foreign company. These differences are recognised directly in equity until the net investment is disposed of and at that time any subsequent exchange rate difference is recognised in the Income Statement. The tax effect and receivables attributable to the exchange differences deriving from this type of loan are also attributed directly to equity.
Non-monetary assets and liabilities denominated in foreign currency and recorded at historical cost are converted using the exchange rate in force on the date of initial recognition of the transaction. Non-monetary assets and liabilities denominated in foreign currencies and recognized at fair value are converted using the exchange rate on the date of determination of this value. Any emerging exchange differences are reflected in the income statement.
Non-monetary items recorded at fair value are converted using the exchange rate on the date of calculation of this value.

REVENUE RECOGNITION

In accordance with the provisions of IFRS15 "Revenue from contracts with customers", revenues are recognised for an amount that reflects the consideration to which the entity believes it is entitled in exchange for the transfer of goods or services to the customer. The fundamental parts for accounting purposes are:

- identify the commercial contract, defined as a (written or verbal) agreement between two or more parties which results in rights and obligations with the customer having the right to legal protection;
- identify the separately identifiable obligations to do something (also "performance obligations") contained in the contract;
- determine the price of the transaction, as the fee the enterprise expects to receive for the transfer of assets or the performance of services to the customer, in accordance with the techniques in the Standard and depending on the possible presence of financial and variable components;
- allocate a price to each performance obligation;
- to recognize the revenue when the revenue obligation is fulfilled by the entity, allowing for the fact that the services may not be provided at a specific time, but over a period of time.

Revenues are valued at the fair value of the consideration received or receivable, taking into account the value of any commercial discounts, returns and rebates granted by the Group. Specifically:

- **revenues from the sale and transport of electricity and gas** are recognised at the time the service is supplied or supplied, even if they are not invoiced, and are determined by adding estimates calculated on the basis of pre-established reading calendars. These revenues are calculated on the basis of the provisions of the law, of the resolutions of the Authority for electricity and gas and the water system in force during the period, also taking into account the pro tempore equalisation measures in force; it should be noted that with reference to the valorisation of revenues from the transport of electricity, if the admission of investments in tariffs that establishes the right to payment for the operator is virtually certain already in the year in which they are realized, the corresponding revenues they are ascertained on an accrual basis regardless of how they will be financially recognized as a result of ARERA Resolution 654/2015;
- **the revenues of the integrated water service** are determined on the basis of the Water Tariff Method (MTI-3), valid for the determination of the tariffs for the years 2020-2023, approved with Resolution no. 580/2019/R/idr (MTI-3) of 30 December 2019, Determination 1/2020-DSIS of 29 June 2020 and subsequent modifications by ARERA. Based on the interpretation of the legal nature of the tariff component, Fo.NI. (New Investments Fund) is entered among the revenues for the year the relative amount due to the Water Companies where expressly recognized by the Area Authorities which establish the intended use.

The adjustment for the so-called pass-through items is also entered among the revenues of the year (i.e. electricity, wholesale water) of which the aforementioned resolution provides specific details as well as any adjustment relating to costs pertaining to the Integrated Water System incurred for the occurrence of exceptional events (i.e. water and environmental emergencies) if the preliminary investigation for their recognition gave positive results.

CONTRIBUTIONS

Contributions obtained for investments in plants, both by public bodies and by private third parties, are recognised at fair value when there is a reasonable certainty that they will be received and that expected conditions will be met.
Water connection fees are recorded among other non-current liabilities and released to the income statement over the life of the investment to which they refer, if related to an investment, and fully recognized as income if they are related to costs incurred.

Operating grants (granted for the purpose of providing immediate financial assistance to the company or as compensation for expenses and losses incurred in a previous year) are recognised in full in the Income Statement when the conditions for recognition are met.

CONSTRUCTION CONTRACTS IN PROGRESS

Construction contracts in progress are assessed on the basis of the contractual fees accrued with reasonable certainty, according to the percentage of completion criterion (the so-called cost to cost), so as to attribute the revenues and the economic result of the contract to the individual financial years in proportion to the progress of the works. The positive or negative difference between the value of the contracts and the advances received is recorded respectively in the assets or in the liabilities side of the balance sheet. Contract revenues, in addition to contractual fees, include variants, price revisions and recognition of incentives to the extent that they are likely to represent actual revenues and if these can be determined reliably. Ascertained losses are recognised regardless of the progress of orders.

EMPLOYEE BENEFITS

Benefits guaranteed to employees disbursed at the time of or after termination of the employment relationship through defined benefit and defined contribution programmes (including: severance indemnity -TFR, extra months, tariff subsidies, as described in the notes) or other long-term benefits are recognised in the period during which the rights to these accrue. The valuation of the liability is carried out by independent actuaries. These funds and benefits are not funded.
The cost of benefits envisaged by the various plans is determined separately for each plan using the actuarial valuation method of the unit credit projection, making the actuarial valuations at the end of each year.
Profits and losses deriving from the actuarial calculation are recorded in the statement of comprehensive income, then in a specific Shareholders' equity Reserve, and are not subsequently charged to the Income Statement.
Expenses deriving from retirement incentives for employees who took part in the "Isopensione" Plan and which meet the criteria defined in the Group's Plan were recognised in a specific Provision. The Group takes the place of the reference national insurance institutions. In particular, the Provision was created to pay pension instalments due to early pensioners, as well as to pay presumed contributions during the period needed to achieve the right to the relative social security payments through the national insurance institutions.

FINANCIAL INCOME

Income is recognised on the basis of interest accrued on the net value of the relevant financial assets using the effective interest rate (rate that exactly discounts estimated future cash flows at the net carrying amount of the asset). Interest is recorded as an increase in the financial assets shown in the financial statements.

DIVIDENDS

These are recognised when the unconditional right of shareholders is established to receive payment. They are classified in the income statement under the item investment income.

COSTS RELATED TO BORROWING

Costs related to the assumption of loans directly attributable to the acquisition, construction or production of assets that necessarily require a significant period of time before being ready for use or sale, are included in the cost of these assets, up until where they are ready for use or sale. The proceeds from the temporary liquidity investment obtained from the aforementioned loans are deducted from capitalised interest. All other charges of this nature are recognised in the Income Statement when they are incurred.

TAXES

Income taxes for the year represent the sum of current taxes (as per tax consolidation) and deferred taxes.
Current taxes are based on the taxable results for the year. Taxable income differs from the results reported in the Income Statement because it excludes positive and negative components that will be taxable or deductible in other financial years and also excludes items that will never be taxable or deductible. The liability for current taxes is calculated using the rates in force or in fact in force at the balance sheet date as well as taxation instruments allowed by tax legislation (national tax consolidation, taxation for transparency).
Deferred taxes are the taxes that are expected to be paid or recovered on temporary differences between the book value of assets and liabilities in the financial statements and the corresponding tax value used in the calculation of the taxable income, recorded according to the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, while deferred tax assets are recognised to the extent where it is probable that there will be future taxable results that allow the use of deductible temporary differences. These assets and liabilities are not recognized if the temporary differences derive from goodwill or from initial recognition (not in business combination transactions) of other assets or liabilities in transactions that have no influence on the accounting result or on the taxable result.
Deferred tax liabilities are recognized on the taxable temporary differences relating to investments in subsidiaries, associates and joint ventures, with the exception of cases in which the Group is able to control the cancellation of such temporary differences and it is probable that the latter will not they will cancel in the foreseeable future.
The carrying amount of deferred tax assets is revised at each balance sheet date and reduced to the extent that, based on the plans approved by the Board of Directors of the Parent, the existence of sufficient taxable income is not considered likely to allow all or partly the recovery of these assets.
Deferred taxes are calculated based on the tax rate that is expected to be in effect at the time the asset is realised or the liability is relieved. Deferred taxes are charged directly to the Income Statement, with the exception of those relating to items recognised directly in equity, in which case the relevant deferred taxes are recognised in equity.

TANGIBLE ASSETS

Tangible assets are recognised at historical cost, including ancillary costs directly attributable and necessary for putting the asset into service for the use for which it was purchased, net of the relevant accumulated depreciation and any accumulated impairment losses. The cost includes the costs of the dismantling and removal of the assets and the costs of reclamation of the site on which the tangible assets stand, if they comply with the provisions of IAS 37. The corresponding liability is recognized in the liability item for risks and charges. Assets composed of components of a significant amount with a different useful life.
The costs for improvements, modernisation and transformation that increase the value of tangible assets are recognised as assets when it is probable that they will increase the expected future economic benefits of the asset.
Land, whether free of construction or annexed to civil and industrial buildings, is not depreciated as it has an unlimited useful life.
Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Systems and equipment under construction for production purposes or for purposes yet unknown are recorded at cost, net of write-downs for losses in value. The cost includes any professional fees and, where applicable, capitalised financial charges. The depreciation of these assets, as for all other assets, begins when the assets are ready for use. For some types of complex goods for which long-lasting functional tests are required, the suitability for use is attested by the positive passing of these tests. Profits and losses deriving from the sale or disposal of assets are determined as the difference between the sale revenue and the net book value of the asset and are recorded in the Income Statement for the year.

REAL ESTATE INVESTMENTS

Real estate investments, represented by properties held for rental and / or capital appreciation, are recorded at purchase cost including negotiation costs net of the relevant accumulated depreciation and any impairment losses.
Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Real estate investments are eliminated from the financial statements when they are sold or when the investment property is permanently unusable and no future economic benefits are expected from its possible sale.
The sale of real estate which results in the leaseback of the assets is recorded on the basis of the substantial nature of the transaction considered as a whole. In this regard, reference is made to what has been explained regarding Leases.
Any profit or loss deriving from the elimination of an investment property is recorded in the Income Statement in the year in which the elimination takes place.

INTANGIBLE ASSETS

Intangible assets refer to assets without identifiable physical substance, controlled by the company and capable of producing future economic benefits, as well as the goodwill purchased for consideration. Intangible assets acquired separately are capitalised at cost, while those acquired through business combinations are capitalised at the fair value defined on the purchase date. After the first entry into the category of intangible assets, the cost criterion applies. The useful life of intangible assets can be qualified as definite or indefinite.
Goodwill and intangible assets with an indefinite useful life are not amortised. The recoverability of their carrying value is reviewed at least annually and whenever events or changes in circumstances indicate that the carrying value may be reduced. In contrast, depreciation of the useful life is calculated at constant rates based on the estimated useful life, which is reviewed annually and any changes, where possible, are made with prospective applications. Depreciation begins when the intangible asset is available for use.
Gains or losses deriving from the disposal of an intangible asset are determined as the difference between the disposal value and the carrying amount of the asset and are recorded in the Income Statement at the time of disposal.

Goodwill

Goodwill deriving from business combinations (including but not limited to, the acquisition of subsidiaries, jointly controlled entities or the acquisition of business units or other extraordinary transactions) represents the excess of the cost acquisition of the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly-controlled entity at the acquisition date compared to the Group's share of the fair value. Goodwill is recognised as an asset and reviewed annually to verify that it has not suffered any loss in value. If there is joint control, or even affiliated, the goodwill of investments recognised according to the equity method remains implicit in the value of the investment.
The losses in value are recorded immediately in the income statement and are not subsequently restored.
At the acquisition date, any emerging goodwill is allocated to each of the independent cash generating units that are expected to benefit from the synergistic effects deriving from the acquisition. Any loss in value is identified through assessments that refer to the capacity of each unit to generate cash flows to recover the part of goodwill allocated to it. In the event that the recoverable amount by the cash-generating unit is lower than the assigned load value, the relative loss in value is recorded.
In the event of the sale of a subsidiary or jointly controlled entity, the amount not yet amortized of the goodwill attributable to them is included in the determination of the gain or loss on disposal.

Concessions

This item includes the value of the concession right to the assets consisting of water and purification plants that were transferred. This value refers to state property belonging to the so-called "accidental state" of water and sewage treatment and is systematically amortised based on the residual duration of the concession. It should be noted that the residual depreciation period is in line with the average duration of the operations entrusted with a public procedure.

Infrastructure law

In line with the provisions of IFRIC 12 "Service Concession Arrangements", based on the intangible asset model the Group reports the total amount of the physical infrastructure supplied for the management of the water service, since the service concession contract does not give the concessionaire the right to control the use of the public service infrastructure but rather allows access to the management of the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.

In fact, the aforementioned interpretation requires the registration of a single intangible asset representing the concessionaire's right to charge the fee to users of the public service instead of the takeover of the physical infrastructure for the management of the service.
The amount also includes the capitalisation of the margin resulting from investments.

Rights of use of intellectual property

Costs related to this item are included under intangible assets and are amortized on the basis of a period of presumed usefulness of three/five years.

Right of use

This item contains assets relative to application of international accounting standard IFRS16, issued in January 2016 and in effect as of 1 January 2019, which replaced the previous standard on leasing, IAS 17 and its interpretations, identifying criteria for recognition, measurement and presentation, as well as the information to be provided with reference to leasing contracts. IFRS16 marks the end of the distinction in terms of classification and accounting treatment of operating leases (with off-balance sheet disclosures) and finance leases (recognised in the financial statements).
The right to use the leased asset ("Right of Use") and the commitment made result from financial data in the financial statements (IFRS16 applies to all transactions involving a right of use, regardless of the contractual form, i.e. lease, rental or hire purchase). The standard introduces the concept of control to the definition used, in particular, to determine whether a contract is a lease. IFRS16 requires a lessee to verify whether it has the right to control the use of a given asset for a specified period of time.

There is no accounting symmetry with the lessor, which continues to apply a separate accounting treatment depending on whether the contract is an operating lease or a finance lease (on the basis of current guidelines). On the basis of this new model, the lessee shall recognise:

- in the balance sheet, the assets and liabilities for all leases that have a term exceeding 12 months, unless the underlying asset has a modest value;
- in profit or loss, depreciation of the leased assets separately from interest on the related liabilities.

For the first-time adoption of the principle, the transition approach used by the Acea Group was the modified retrospective approach, and therefore the contracts whose leases – including renewals – will end within 12 months from the date of first application will not be included. The Group has also used the possibility envisaged by the principle of not accounting separately for the non-lease component of mixed contracts, therefore choosing to treat these contracts as a lease.
For payable discounting purposes, the Group has used an IBR calculated based on a risk-free rate with a maturity equal to the residual duration for each contract plus the credit spread assigned to Acea SpA by Moody's. Finally, it should be noted that there are no significant differences between the commitments arising from lease contracts discounted at the same rate and the value recognised in accordance with IFRS16.

IMPAIRMENT

Goodwill and other assets with an indefinite useful life are not amortised on a straight-line basis, but are tested for impairment at least once a year by the individual Cash Generating Units (CGUs) or groups of CGUs to which assets with an indefinite useful life can be reasonably allocated, in accordance with Group procedures. The Company analyses the CGUs of the Group identified using its procedure, based on the impairment procedure.
The test consists of a comparison between the carrying amount of the asset and its estimated value in use - VIU. Given the nature of the activities carried out by the Acea Group, the method of determining the "VIU" is carried out by discounting the expected cash flows from use and, if significant and reasonably determinable, from disposal at the end of the useful life. However, where there is evidence of a reliable fair value (price traded in an active market, comparable transactions, etc.) the Group assesses the adoption of this value for impairment testing.
Cash flows are determined on the basis of the best information available at the time of the estimate, which can be inferred through the combined use of the financial method and sensitivity analyses.
The determination of the "VIU" is carried out using the financial method (Discounted Cash Flow - DCF) which considers the ability to produce cash flows as the fundamental element for the valuation of the entity of reference. The application of the financial method to determine the value in use of a CGU involves estimating the present value of net operating cash flows for tax purposes.
If the recoverable amount of an asset (or of a cash-generating unit) is estimated to be lower than the relative book value, it is reduced to the lower recoverable value. An impairment loss is immediately recognised in the Income Statement, unless the asset is represented by land or buildings other than real estate investments recorded at revalued values, in which case the loss is recognised in the respective revaluation reserve.
When an impairment no longer exists, the carrying amount of the asset (or cash-generating unit), with the exception of goodwill, is increased to its new estimated recoverable amount. The reversal must not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment charge been recognised for the asset in prior periods. The reversal of an impairment charge is recognised immediately as income in the income statement, unless the asset is carried at a revalued amount, in which case the reversal is recognised in the revaluation reserve.
Where an impairment charge is recognised in the income statement, it is included among amortisation, depreciation and impairment charges.

EMISSION ALLOWANCES, GREEN CERTIFICATES AND WHITE CERTIFICATES

Different accounting policies are applied by the Group to allowances or certificates held for own use in the "Industrial Portfolio", and those held for trading purposes in the "Trading Portfolio".
Surplus allowances or certificates held for own use, which are in excess of the company's requirement in relation to the obligations accruing at the end of the year, are accounted for at cost in other

intangible assets. Allowances or certificates assigned free of charge are accounted for at a zero value.
Given that these are assets for instant use, they are not amortised but are tested for impairment. The recoverable amount is the higher of the asset's value in use and its market value.

The burden resulting from the fulfilment of the energy efficiency obligation is estimated on the basis of the average purchase price for the contracts entered into, taking into account the certificates in the portfolio at the financial statements date; a provision for liabilities is allocated for the negative difference between the said burden and the contribution estimated pursuant to AEEGSI Resolution 13/2014/R/efr, to be paid at the time the certificates are delivered in fulfilment of the obligation.

Allowances or certificates held for trading in the "Trading Portfolio" are accounted for in inventories and measured at the lower of purchase cost and estimated realisable value, based on market trends.
Allowances or certificates assigned free of charge are accounted for at a zero value. Market value is established on the basis of any spot or forward sales contracts already signed at the end of the reporting period, or otherwise on the basis of market prices.

INVENTORIES

Warehouse stock is valued as the difference between costs and net value of earnings. Costs include direct materials and, where applicable, direct labour, general production expenses and other costs sustained to bring the stock to its current conditions and location. Cost is calculated using the moving weighted average method. The net value of earnings is estimated sales price minus estimated costs for completion and estimated costs necessary to execute the sale.
Devaluations of warehouse stock, according to its nature, are made through allocation funds, written in the balance sheet reducing assets entries, i.e. item by item, offsetting variations of leftover stock in the Income Statement.

FINANCIAL INSTRUMENTS

Financial assets and liabilities refer to the moment in which the Group became party to the instrument's contractual provisions.

Financial assets - debt instruments

As a function of the features of the instrument and the business model used for its management, financial assets, which represent debt instruments, are classified in the following three categories: **i)** financial assets measured at amortised cost; **ii)** financial assets measured at fair value through other comprehensive income (hereafter, also OCI), **iii)** financial assets measured at fair value through profit and loss.
Initial recognition takes place at fair value. For trade receivables without a significant financial component, the initial recognition value is represented by the transaction price.
Subsequent to initial recognition, financial assets that generate contractual cash flows exclusively representing capital and interest payments are valued at amortised cost if held for the purpose of collecting contractual cash flows (so-called "hold to collect" model). According to the amortised cost method, the initial recognition value is subsequently adjusted to take into account capital repayments, any write-downs and the amortisation of the difference between the repayment amount and the initial recognition value.
Amortisation is based on the effective internal interest rate, which represents the rate that makes the present value of expected cash flows and the initial book value equal at the time of initial recognition.
Receivables and other financial assets measured at amortised cost are presented in the balance sheet net of the related provision for bad debts.
The financial assets representing debt instruments whose business model envisages both the possibility of collecting contractual cash flows and the possibility of realising capital gains on disposal (so-called "hold to collect and sell" business model) are valued at fair value with allocation of the effects to OCI (hereinafter also FVTOCI).
In this case, changes in the fair value of the instrument are recognised under shareholders' equity among other components of comprehensive income. The cumulative amount of changes in fair value recognised in the shareholders' equity reserve that includes the other components of the overall profit is reversed in the income statement when the instrument is derecognised. Interest income calculated using the effective interest rate, exchange rate differences and write-downs is recognised in the income statement.
A financial asset representing a debt instrument that is not valued at amortised cost or at the FVTOCI is valued at fair value with the effects being charged to the income statement (hereinafter FVTPL). This category includes financial assets held for trading purposes.
When the purchase or sale of financial assets takes place according to a contract that envisages the settlement of the transaction and the delivery of the asset within a specified number of days, established by the market control bodies or by market conventions (e.g. purchase of securities on regulated markets), the transaction is recognised on the date of settlement.
The financial assets sold are derecognised when the contractual rights associated with obtaining the cash flows associated with the financial instrument expire or are transferred to third parties.

Write-downs of financial assets

The assessment of the recoverability of the financial assets representing debt instruments not valued at fair value with effects on the income statement is made on the basis of the so-called "Expected credit loss model".
In particular, expected losses are generally determined based on the product of: **i)** the exposure owed to the counterparty net of the relative mitigating factors (so-called "Exposure at Default"); **ii)** the probability that the counterparty does not comply with its payment obligation ("Probability of Default"); **iii)** the estimate in percentage terms of the amount of credit that will not be able to be recovered in the event of a default ("Loss Given Default"), based on past experience and possible recovery actions that can be taken (e.g. out-of-court actions, legal disputes, etc.).
In this regard, the internal ratings already used for the assignment have been adopted to determine the probability of default of the counterparties. For counterparties represented by State Entities and in particular for the National Oil Companies, the probability of default – essentially represented by the probability of late payment

– is determined using as input the country risk premiums implemented for the purposes of determining the WACC for the impairment of non-financial assets.
For retail customers not having internal ratings, the assessment of expected losses is based on a provision matrix, constructed where appropriate by grouping the clustered receivables to which write-down percentages apply based on the experience of previous losses, adjusted where necessary to take account of forecast information regarding the credit risk of the counterparty or of clusters of counterparties.

Financial assets related to agreements for services under concession

With reference to the application of IFRIC12 to the public lighting service concession, Acea has adopted the Financial Asset Model, recognising a financial asset to the extent that it has an unconditional contractual right to receive cash flows. In addition, the Group reports revenues on the contract for construction and improvement services, both for the part carried out internally by the Group and for the part of Third Parties. The margin recorded is accounted for according to the provisions of IFRS15 and amortised over the residual duration of the concession.

Cash and cash equivalents

This item includes cash and bank current accounts and deposits repayable on demand or very short term and other highly liquid short-term financial investments, which are readily convertible into cash and are subject to a non-significant risk of changes in value.

FINANCIAL LIABILITIES

Financial liabilities other than derivative instruments – including financial payables, trade payables, other payables and other liabilities – are initially recognised at the fair value less any costs associated with the transaction. Subsequently they are recognised at amortised cost using the effective interest rate for discounting purposes, as illustrated in the previous point "Financial assets".
Financial liabilities are eliminated when they are extinguished or when the obligation specified in the contract is fulfilled, cancelled or expired.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset in the balance sheet when there is a currently exercisable legal right to offset, and the intention is to settle the relationship on a net basis (i.e. to sell the asset and simultaneously settle the liability).

Derivative financial instruments and hedge accounting

Derivative financial instruments, including implicit ones (Embedded derivatives) are assets and liabilities recognised at fair value according to the criteria specified in the point below, "Valuation at fair value".
As part of the risk management strategy and objectives, qualification of transactions as hedges requires: **i)** verification of the existence of an economic relationship between the hedged item and the hedging instrument that can offset the related changes in value, and that this capacity to offset is not affected by the level of counterparty credit risk; **ii)** the definition of a hedge ratio consistent with risk management objectives, within the defined risk management strategy, where necessary making the appropriate rebalancing actions. Changes in risk management objectives, the absence of the conditions specified above for the classification of transactions as hedges or the implementation of rebalancing operations results in the total or partial prospective discontinuation of the hedge.
When hedging derivatives cover the risk of changes in the fair value of the hedged instruments (fair value hedge; e.g. hedging of the variability of the fair value of fixed rate assets/liabilities), the derivatives are recognised at fair value with the allocation of effects in the income statement. Similarly, the hedged instruments in the income statement reflect the changes in fair value associated with the hedged risk, regardless of the provision of a different valuation criterion generally applicable to the type of instrument.
When derivatives hedge the risk of changes in the cash flows of the hedged instruments (cash flow hedge; e.g. hedging of the variability of the cash flows of assets/liabilities due to fluctuations in interest rates or exchange rates), the changes in the fair value of derivatives considered to be effective are initially recognised in the shareholders' equity reserve relating to the other components of comprehensive income, and subsequently recognised in the income statement consistent with the economic effects produced by the hedged transaction. In the case of hedging of future transactions that involve the recognition of a non-financial asset or liability, the accumulated changes in the fair value of hedging derivatives, recognised in equity, are recognised as an adjustment to the carrying amount of the asset./non-financial liability subject to hedging (so-called basis adjustment).
The ineffective portion of the hedge is recorded in the income statement item "Financial (costs)/income".
Changes in the fair value of derivatives that do not meet the conditions to be qualified as hedges, including any ineffective components of hedging derivatives, are recognised in the income statement. In particular, changes in the fair value of non-hedging derivatives on interest rates and currencies are recognised in the income statement item "Financial (costs)/income".
Embedded derivatives – embedded in financial assets – are not subject to separate accounting. In these cases, the entire hybrid instrument is classified according to the general criteria for the classification of financial assets.
Embedded derivatives incorporate within financial liabilities and/or non-financial assets are separated from the main contract and recognised separately if the embedded instrument: **i)** meets the definition of a derivative; **ii)** as a whole it is not valued at fair value with the effects being charged to the income statement (FVTPL); **iii)** if the characteristics and risks of the derivative are not strictly linked to those of the main contract. Verification of the existence of embedded derivatives to be separated and valued separately is carried out when the company enters into the contract, and subsequently if there are changes in the terms of the contract that lead to significant changes in the cash flows generated by that contract.

Valuation at fair value

The fair value is the consideration that can be received for the sale of an asset or that can be paid for the transfer of a liability in a regular transaction between market operators at the valuation date (i.e. exit price).
The fair value of an asset or liability is determined by adopting the valuations that market operators would use in determining the price of the asset or liability. The fair value measurement also assumes that the asset or liability is exchanged in the main market or, in the absence thereof, in the most advantageous market the company

has access to.
The determination of the fair value of a non-financial asset is made considering the ability of market operators to generate economic benefits by using this asset in its highest and best use or by selling it to another participant in the market able to use it, maximising its value. The determination of the highest and best use of the asset is made from the point of view of market operators even in the case where the company intends to use it differently. It is assumed that the company's current use of a non-financial asset is its highest and best use unless the market or other factors suggest that a different use by market operators is able to maximise its value.

The valuation of the fair value of a liability, both financial and non-financial or of a capital instrument, takes into account the quoted price for the transfer of an identical or similar liability or equity instrument. If this quoted price is not available, the valuation of the corresponding asset held by a market operator at the valuation date is considered. The fair value of financial instruments is determined considering the credit risk of the counterparty of a financial asset (so-called "Credit Valuation Adjustment" - CVA) and the risk of default by the entity itself, with reference to a financial liability (so-called "Debit Valuation Adjustment" - DVA). In determining fair value, a hierarchy of criteria is defined based on the origin, type and quality of the information used in the calculation. This classification aims to establish a hierarchy in terms of reliability of the fair value, giving precedence to the use of observable market parameters that reflect the assumptions that market participants would use in the valuation of the asset/liability. The fair value hierarchy has the following levels:

- level 1: inputs represented by quoted prices (unmodified) in active markets for identical assets or liabilities that can be accessed on the valuation date;
- level 2: inputs other than the prices included in Level 1 that are directly or indirectly observable for the assets or liabilities to be valued;
- level 3: unobservable inputs for the asset or liability. In the absence of available market quotations, the fair value is determined using valuation techniques appropriate to the individual cases that maximise the use of relevant observable inputs, minimising the use of unobservable inputs.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are made when the Group has to meet a current obligation (legal or implicit) deriving from a past event, where it is probable that an outlay of resources will be required to satisfy the obligation and a reliable estimate can be made on the amount of the obligation.
The provisions are allocated based on the Management's best estimate for the costs required to fulfil the obligation at the balance sheet date, and if the effect is significant.
When the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the provision is determined by discounting the expected future cash flows at the average rate of the company's debt taking into account the risks associated with the obligation; the increase in the provision associated with the passage of time is recognised in the Income Statement under the item "Financial income/(charges)".
If the debt is related to the dismantling and/or renovation of material assets, the initial fund is reported as an offset to the asset it refers to; its incidence on the Income Statement takes place through the process of amortisation of the material fixed asset to which the obligation refers.

NON-CURRENT ASSETS DESTINED FOR SALE

Non-current assets held for sale, disposal groups and discontinued operations whose carrying amount will be recovered mainly through sale rather than through continual use, are measured at the lower of their net carrying amount and the fair value net of costs to sell.
In particular, by disposal group is meant a set of directly related assets and liabilities held for sale in the context of a single operation. Discontinued operations consist, instead, of a significant component of the group, such as an important autonomous business unit or geographical area of activity or a subsidiary acquired exclusively with a view to resale.
This condition is met only when the sale is highly probable, the asset (or group of assets) is available for immediate sale in its current conditions and the Management has made a commitment to the sale, which must take place within twelve months from the date of classification in this item.
Assets and liabilities directly related to non-current assets held for sale, disposal groups and discontinued operations, in line with what is provided for in the international accounting standards, are accounted for in two specific items of the balance sheet, that is, assets held for sale and liabilities closely associated with assets held for sale.
In addition, from the date on which the changed destination of the assets has been resolved, depreciation and amortisation are no longer calculated and the measurement of such assets is made at the lower between historical cost, decreased by the related accumulated depreciation or amortisation, and the estimated realisable value.

ACCOUNTING STANDARDS, AMENDMENTS, INTERPRETATIONS AND IMPROVEMENTS APPLIED AS OF 1 JANUARY 2022

"Amendment to IFRS3 Business Combinations"

Issued on 14 May 2020, it updates the reference in IFRS3 to the Conceptual Framework in the revised version, without entailing changes to the provisions of the standard.

"Amendment to IAS 16 Property, Plant and Equipment"

Issued on 14 May 2020, it does not allow deducting the amount received from the sale of goods produced before the asset was ready for use from the cost of the fixed asset. These sales revenues and related costs are recognised in the income statement. Amendments to IAS 16 are effective from the financial years beginning on or after 1 January 2022.

"Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets"

Issued on 14 May 2020, it clarifies which cost items must be considered to assess whether a contract will result in a loss. In this regard, the "cost needed to fulfil" the contract includes the costs related directly to the latter, comprising: a) the incremental costs needed to fulfil said contract (for example, labour and direct raw materials) and b) the breakdown of the other costs directly related to fulfilling the contract (for example, the breakdown of the amortisation/depreciation rate for fixed assets, plants and machinery used to fulfil said contract and others).

"Annual Improvements 2018-2020"

Issued on 14 May 2020, it includes amendments to:

- IFRS1 First-time Adoption of International Financial Reporting Standards, where a subsidiary that applies paragraph D16 of IFRS1 is allowed to recognise cumulative conversion differences using the amounts recognised by its parent at the date of transfer of the parent company;
- IFRS9 Financial Instruments, which provides clarification on which fees to include in the ten per cent test in section B3.3.6 when assessing whether to eliminate a financial liability;
- IAS 41 Agriculture, where, in order to ensure consistency with the requirements of IFRS13, the paragraph under which entities did not include tax cash flows in the measurement of the fair value of a biological asset using the present value technique is deleted.
- The Illustrative Examples accompanying IFRS16 Leases, eliminating Illustrative Example 13 in order to avoid confusion regarding the treatment of lease incentives due to how the incentives were illustrated in that example.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE AFTER CLOSURE OF THE YEAR AND NOT ADOPTED IN ADVANCE BY THE GROUP

"Amendments to IFRS17 Insurance contracts: Initial Application of IFRS17 and IFRS9 - Comparative Information"

Issued on 9 December 2021, it allows for use of the transitional option relative to comparative information on financial assets upon first time application of IFRS17. The option allows entities to reclassify, in comparative information and individually, all financial instruments that fall under the scope of the standard, to avoid accounting mismatches with respect to the classification envisaged under international accounting standard IFRS9. The amendments are applicable from the financial years beginning 1 January 2023. Early application is permitted.

"Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current"

Issued on 23 January 2020, it provides clarifications on the classification of liabilities as current or non-current. Amendments to IAS 1 are effective from the financial years beginning 1 January 2023.

"Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

Issued on 7 May 2021, their purpose is to make uniform the methods with which entities account for deferred taxes on operations such as leasing and the dismantling costs. The main change regards the introduction of an exception to the initial recognition exemption (IRE) of deferred taxation for assets and liabilities provided for in IAS 12. Specifically the exception provides for the non-applicability of the exemption of IAS 12 for initial recognition of all operations that originate equal or offset temporary differences. Limiting the exemption to only initial recognition, the impact will be a gradual improvement and comparability of the information for the benefit of users of the financial statements with reference to the fiscal impacts of leasing operations and to dismantling costs. The amendments are applicable from the financial years beginning 1 January 2023. Early application is permitted.

"IFRS17 Insurance Contracts"

On 18 May 2017, the IASB issued IFRS17 "Insurance Contracts" which defines the accounting of insurance contracts issued and reinsurance contracts held. The provisions of IFRS17 that establish the criteria for recognition, measurement, presentation and disclosure of insurance contracts, supersede those currently provided for in IFRS4 "Insurance Contracts" and have as their objective to guarantee to users of the financial statements to assess the effect that these contracts have on the financial position, the results and the cash flows of companies. The standard is to be applied for financial years that begin on 1 January 2023.

"Amendments to IFRS16 Leases: Lease Liability in a Sale and Leaseback"

Issued on 22 September 2022, its purpose is to clarify the impact that a sale and leaseback transaction could have on a financial liability that involves variable payments not linked to indices or rates. The main change in the subsequent measurement of the financial liability regards the determination of the "lease payments" and of the "revised lease payments" so that, following a leaseback transaction a the seller-lessee does not recognise any profit or loss related to the right of use that it holds. The purpose of the amendment is to avoid the accounting of profits and losses, related to the right of use recognised, following events that entail a remeasurement of the payable (for example a change in the leasing contract or in its duration). Any profits and losses deriving from the partial or total termination of a leasing contract continue to be recognised for the part of right of use terminated. The amendments are applicable from 1 January 2024 with possibility of early application.

"Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies"

Issued on 12 February 2021, they require companies to provide relevant information about the accounting standards applied and suggest to avoid or limit unnecessary information. Amendments to IAS 16 are effective from the financial years beginning 1 January 2023.

"Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates"

Issued on 12 February 2021, they clarify, including through a number of examples, the distinction between estimate changes and accounting standard changes. The distinction is relevant since estimate changes are applied prospectively to future transactions and events, while accounting standard changes are generally applied retroactively. The amendments are applicable from the financial years beginning 1 January 2023. Earlier application is permitted.

CONSOLIDATED INCOME STATEMENT

Ref. Note	€ thousand	2022	Of which related party transactions	2021	Of which related party transactions	Change
1	Revenue from sales and services	4,957,179		3,816,030		1,141,149
2	Other revenue and proceeds	181,066		156,032		25,035
	Consolidated net revenue	**5,138,245**	**148,412**	**3,972,061**	**101,556**	**1,166,183**
3	Staff costs	305,066		275,819		29,247
4	Costs of materials and overhead	3,556,055		2,461,216		1,094,840
	Consolidated operating costs	**3,861,121**	**65,557**	**2,737,035**	**52,416**	**1,124,086**
5	Net Income/(Expense) from commodity risk management	0		0		0
6	Profit/(loss) from non-financial equity investments	27,897		21,048		6,849
	EBITDA	**1,305,021**	**82,855**	**1,256,075**	**49,140**	**48,946**
7	Net write-downs (write-backs) of trade receivables	113,370		86,207		27,164
8	Depreciation, amortisation and provisions	625,799		588,768		37,031
	Operating profit/(loss)	**565,851**	**82,855**	**581,101**	**49,140**	**(15,249)**
9	Financial income	25,962	1,117	11,491	7,142	14,471
10	Financial charges	(111,670)	(66)	(97,388)	12	(14,282)
11	Profit/(Loss) on equity investments	17,793		7,798		9,995
	Profit/(loss) before tax	**497,937**	**83,906**	**503,002**	**56,293**	**(5,065)**
12	Income tax	186,777		150,662		36,115
	Net profit/(loss)	**311,160**	**83,906**	**352,340**	**56,293**	**(41,180)**
	Net profit/(loss) from discontinued operations			0		
	Net profit/(loss)	**311,160**	**83,906**	**352,340**	**56,293**	**(41,180)**
	Profit/(loss) due to third parties	**31,435**		**39,030**		**(7,595)**
	Net profit/(loss) attributable to the Group	**279,725**		**313,309**		**(33,585)**
13	**Earnings (loss) per share attributable to Parent Company's shareholders**					
	- *Base*	*1.31348*		*1.47118*		*(0.15770)*
	- *Diluted*	*1.31348*		*1.47118*		*(0.15770)*
	Profit (loss) per share attributable to the shareholders of the Parent Company net of treasury shares					
	- *Base*	*1.31605*		*1.47406*		*(0.15801)*
	- *Diluted*	*1.31605*		*1.47406*		*(0.15801)*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand	2022	2021	Change
Net profit/(loss) for the period	**311,160**	**352,340**	**(41,180)**
Gains/losses from the conversion of financial statements in foreign currency	**6,524**	**2,124**	**4,400**
Provision for exchange rate difference	10,348	5,715	4,633
Tax on exchange rate difference	(2,484)	(1,372)	(1,112)
Gains/losses from exchange rate difference	**7,865**	**4,344**	**3,521**
Effective portion of gains/(losses) on hedging instruments ("cash flow hedges")	79,696	30,157	49,539
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	(21,744)	(8,297)	(13,447)
Profit/(loss) from the effective portion on hedging instruments, net of tax	**57,952**	**21,861**	**36,092**
Actuarial profit/(loss) on staff benefits included in the Shareholders' equity	6,409	4,666	1,742
Tax effect on the other actuarial profit/(loss) on staff benefits	(1,842)	(1,358)	(484)
Actuarial profit/(loss) on defined benefit pension plans, net of tax	**4,567**	**3,309**	**1,258**
Total of the comprehensive income components, net of tax	**76,908**	**31,637**	**45,271**
Total comprehensive profit/(loss)	**388,067**	**383,976**	**4,091**
Total comprehensive income (loss) attributable to:			
- Group	348,319	342,865	5,455
- Third parties	39,748	41,111	(1,364)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Ref. Note	ASSETS € thousand	31/12/2022	Of which with related parties	31/12/2021	Of which with related parties	Change
14	Tangible fixed assets	3,144,250		2,938,530		205,720
15	Real estate investments	2,256		2,314		(58)
16	Goodwill	255,048		251,477		3,570
17	Concessions and rights on infrastructure	3,470,906		3,048,190		422,715
18	Intangible fixed assets	420,191		411,607		8,584
19	Copyright	90,397		53,096		37,301
20	Equity investments in unconsolidated subsidiaries and associates	348,885		292,239		56,646
21	Other equity investments	3,007		2,980		27
22	Deferred tax assets	179,823		202,606		(22,783)
23	Financial assets	30,531	4,865	22,549	8,319	7,982
24	Other non-current assets	615,144		576,065		39,078
	Non-current assets	**8,560,435**	**4,865**	**7,801,652**	**8,319**	**758,783**
25	Inventories	104,507		86,406		18,101
26	Trade receivables	1,267,445	61,714	1,071,644	51,601	195,802
27	Other current assets	458,780		387,813		70,967
28	Current tax assets	26,296		24,183		2,114
29	Current financial assets	342,085	117,998	407,944	113,981	(65,858)
30	Cash and cash equivalents	559,908		680,820		(120,912)
	Current assets	**2,759,022**	**179,712**	**2,658,809**	**165,582**	**100,213**
31	Non-current assets destined for sale	19,076		168,425		(149,350)
	TOTAL ASSETS	**11,338,533**	**184,578**	**10,628,886**	**173,901**	**709,646**

Ref. Note	LIABILITIES AND SHAREHOLDERS' EQUITY € thousand	31/12/2022	Of which with related parties	31/12/2021	Of which with related parties	Change
	Share capital	1,098,899		1,098,899		0
	Legal reserve	147,501		138,649		8,852
	Other reserves	27,743		(123,433)		151,176
	Retained earnings/(losses)	737,400		696,547		40,853
	Profit (loss) for the year	279,725		313,309		(33,585)
	Total Shareholders' equity for the Group	**2,291,268**		**2,123,971**		**167,296**
	Third parties Shareholders' Equity	463,975		392,449		71,526
32	**Total Shareholders' equity**	**2,755,243**		**2,516,420**		**238,822**
33	Staff termination benefits and other defined benefit plans	112,989		120,150		(7,162)
34	Provisions for risks and charges	218,025		193,318		24,706
35	Borrowings and financial liabilities	4,722,263		4,791,979		(69,716)
36	Other non-current liabilities	399,628		409,064		(9,435)
	Non-current liabilities	**5,452,905**		**5,514,512**		**(61,607)**
37	Borrowings	619,418	108,523	285,222	120,137	334,196
38	Payables to suppliers	1,849,980	41,985	1,683,563	51,965	166,417
39	Tax payables	26,810		18,962		7,847
40	Other current liabilities	632,259		562,806		69,453
	Current liabilities	**3,128,466**	**150,508**	**2,550,553**	**172,102**	**577,914**
41	Liabilities closely associated with assets held for sale	1,919		47,402		(45,483)
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**11,338,533**	**150,508**	**10,628,886**	**172,102**	**709,646**

CONSOLIDATED CASH FLOW STATEMENT

Ref. Note	€ thousand	31/12/2022	Of which related parties	31/12/2021	Of which related parties	Change
	Cash flow from operating activities					
	Profit before tax	**497,937**		**503,002**		**(5,065)**
8	Depreciation/amortisation and impairment losses	594,636		546,626		48,010
6-7	Revaluations/Impairment charges	67,680		57,360		10,320
34	Increase/(decrease) in provisions for liabilities	14,167		(3,706)		17,873
33	Net change in the provision for employee benefits	(19,158)		(7,004)		(12,154)
	Net financial interest	85,708		85,897		(189)
	Income taxes paid	(178,506)		(180,117)		1,611
	Cash flow generated by operating activities before changes in working capital	**1,062,464**	**0**	**1,002,058**	**0**	**60,406**
26-27	Increase/Decrease in receivables included in current assets	(247,714)	(35,924)	(184,891)	(14,707)	(62,824)
38-40	Increase/Decrease in payables included in the working capital	137,721	10,522	68,010	58,974	24,111
25	Increase/Decrease in inventories	(15,497)		7,209		(22,707)
	Change in working capital	**(125,490)**	**(25,401)**	**(109,672)**	**44,267**	**(61,419)**
	Change in other assets/liabilities during the period	(210,271)		(136,125)		(28,447)
	Cash flow from operations of Disposal Groups/Assets held for sale	*0*		*3,259*		*(3,259)*
	Total cash flow from operating activities	**726,703**	**(25,401)**	**759,521**	**44,267**	**(32,719)**
	CASH FLOW FROM INVESTMENT ACTIVITIES					
	Purchase/sale of tangible fixed assets	(350,085)		(626,507)		276,422
	Purchase/sale of intangible fixed assets	(700,218)		(354,759)		(345,458)
20-21	Equity investments	110,108		(90,048)		200,058
	Collections/payments deriving from other financial investments	44,819	(10,586)	1,340	(100)	43,479
	Dividends received	3,381	3,381	7,423	6,915	(4,041)
	Interest income received	29,243		14,511		14,732
	Cash flow from investments of Disposal Groups/Assets held for sale	*0*		*(3,189)*		*3,189*
	TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES	**(862,752)**	**(7,205)**	**(1,051,231)**	**6,815**	**188,381**

Ref. Note	€ thousand	31/12/2022	Of which related parties	31/12/2021	Of which related parties	Change
	Cash flow from financing activities					
37	Repayment of mortgages and medium/long-term borrowings	(73,287)		(233,995)		160,708
37	Provision of mortgages/other medium/long-term loans	250,000		902,500		(652,500)
35	Decrease/Increase in other financial debts	92,441	9,359	(146,968)	259,963	239,409
	Interest expense paid	(114,121)		(100,752)		(13,370)
	Dividends paid	(146,238)	(146,238)	(96,743)	(131,833)	(49,495)
	Cash flow from loans of Disposal Groups/Assets held for sale	*0*		*0*		*0*
	TOTAL CASH FLOW FROM FINANCING ACTIVITIES	**8,795**	**(136,879)**	**324,042**	**128,130**	**(315,247)**
	Cash flow for the period	**(127,254)**	**(169,485)**	**32,332**	**179,212**	**(159,586)**
	Net opening balance of cash and cash equivalents	680,820		642,209		38,611
	Cash availability from acquisition	6,342		18,652		(12,310)
	Net closing balance of cash and cash equivalents	**559,908**		**693,193**		**(133,285)**
	Cash and cash equivalents at the end of the year Disposal Groups/ Assets held for sale	0		12,374		(12,374)
	Cash and cash equivalents at the end of the year Continuing Operations	**559,908**		**680,820**		**(120,912)**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ thousand	Share capital	Legal reserve	Valuation reserve for employee defined benefit plans net of tax effect	Financial derivative fair value reserve net of tax effect	Exchange difference reserve	Other reserves	Profit (loss) for the year	Total Shareholders' equity for the Group	Third parties Shareholders' equity	Total Shareholders' equity
Balance at 1 January 2022	**1,098,899**	**138,649**	**(18,234)**	**(4,754)**	**2,048**	**594,055**	**313,309**	**2,123,971**	**392,449**	**2,516,420**
Income statement profit	0	0	0	0	0	0	279,725	**279,725**	31,435	311,160
Other comprehensive income (loss)	0	0	3,876	50,175	14,544	0	0	**68,595**	8,313	76,908
Total comprehensive income (loss)	**0**	**0**	**3,876**	**50,175**	**14,544**	**0**	279,725	**348,319**	**39,748**	**388,067**
Allocation of result for 2021	0	8,852	0	0	0	304,457	(313,309)	**0**	0	0
Distribution of dividends	0	0	0	0	0	(180,666)	0	**(180,666)**	(11,992)	(192,658)
Change in consolidation scope	0	0	29	(596)	0	(2,211)	0	**(2,777)**	43,843	41,066
Other changes	0	0	0	0	0	2,420	0	**2,420**	(73)	2,348
Balance as at 31 December 2022	**1,098,899**	**147,501**	**(14,329)**	**44,825**	**16,592**	**718,056**	**279,725**	**2,291,268**	**463,975**	**2,755,243**

€ thousand	Share capital	Legal reserve	Valuation reserve for employee defined benefit plans net of tax	Financial derivative fair value reserve net of tax effect	Exchange difference reserve	Other reserves	Profit (loss) for the year	Total Shareholders' equity for the Group	Third parties Shareholders' equity	Total Shareholders' equity
Balance at 1 January 2021	**1,098,899**	**129,761**	**(21,419)**	**(25,197)**	**(3,918)**	**504,257**	**282,446**	**1,964,829**	**358,429**	**2,323,258**
Income statement profit	0	0	0	0	0	0	313,309	**313,309**	39,030	352,340
Other comprehensive income (loss)	0	0	3,185	20,407	5,964	0		**29,556**	2,081	31,637
Total comprehensive income (loss)	**0**	**0**	**3,185**	**20,407**	**5,964**	**0**	313,309	342,865	**41,111**	**383,976**
Allocation of result for 2020	0	8,888	0	0	0	273,558	(282,446)	**0**	0	0
Distribution of dividends	0	0	0	0	0	(170,038)	0	**(170,038)**	(13,606)	(183,645)
Change in consolidation scope	0	0	0	35	0	(35)	0	**0**	(9,026)	(9,026)
Other changes	0	0	0	0	2	(13,687)	0	**(13,685)**	15,541	1,856
Balance as at 31 December 2021	**1,098,899**	**138,649**	**(18,234)**	**(4,754)**	**2,048**	**594,055**	**313,309**	2,123,971	**392,449**	**2,516,420**

NOTES TO THE CONSOLIDATED INCOME STATEMENT

CONSOLIDATED NET REVENUE

As at 31 December 2022 these amounted to € 5,138,245 thousand (€ 3,972,061 thousand at 31 December 2021), recording an increase of € 1,166,183 thousand compared to the previous year:

€ thousand	2022	2021	Change	% change
Revenue from sales and services	4,957,179	3,816,030	1,141,149	29.9%
Other revenue and proceeds	181,066	156,032	25,035	16.0%
Consolidated net revenue	**5,138,245**	**3,972,061**	**1,166,183**	**29.4%**

1. Revenue from sales and services – € 4,957,179 thousand

This item registered a total increase of € 1,141,149 thousand (+29.9%) compared to the previous financial year, which closed with € 3,816,030 thousand. The composition of the item is shown below.

€ thousand	2022	2021	Change	% change
Revenue from electricity sales and services	2,956,818	2,144,449	812,368	37.9%
Revenue from gas sales	228,254	151,247	77,007	50.9%
Revenue from electricity incentives	6,292	23,130	(16,838)	(72.8%)
Revenue from the Integrated Water Service	1,202,854	1,127,987	74,868	6.6%
Revenue from overseas water services	94,458	75,692	18,766	24.8%
Revenue from waste disposal and landfill operations	189,550	142,383	47,167	33.1%
Revenue from customer services	153,487	119,410	34,077	28.5%
Connection fees	28,990	25,428	3,562	14.0%
Revenues from sustainable development	96,476	6,303	90,173	n.s.
Revenue from sales and services	**4,957,179**	**3,816,030**	**1,141,149**	**29.9%**

Revenue from electricity sales and services

Amounted to € 2,956,818 thousand and are broken down as follows:

€ thousand	2022	2021	Change	% change
Electricity and heat generation	12,837	7,464	5,374	72.0%
Electricity sales	2,571,259	1,528,001	1,043,258	68.3%
Transport and metering of energy	362,615	602,149	(239,534)	(39.8%)
Sale of energy from Waste-to-Energy and biogas	1,979	1,581	397	25.1%
Cogeneration	8,128	5,255	2,873	54.7%
Revenue from electricity sales and services	**2,956,818**	**2,144,449**	**812,368**	**37.9%**

The main change refers to the sale of electricity (+€ 1,043,258 thousand) as a consequence of the higher unit prices, partly offset by the lower quantities. Electricity sales on the Free Market totalled 6,331 GWh with a 3.5% reduction on the previous year, while electricity sales on the Greater Protection Service totalled 1,411 GWh with a 16.7% decrease on an annual basis. This reduction was affected by the automatic assignment of "small" customers and "micro" enterprises to the Gradual Protection Service, created starting from 1 January 2021 and in part to the decrease in the number of customers.

Revenue from gas sales

These amounted to € 228,254 thousand, recording an increase of € 77,007 thousand compared to 31 December 2021, due to higher unit prices.

Revenue from electricity incentives

These revenues amounted to € 6,292 thousand and showed a decrease of € 16,838 thousand compared to the previous year. The decrease is mainly attributable to Acea Produzione (-€ 13,243 thousand) referring to the decrease in revenue from the Incentive Management Recognition (GRIN), due to the effects of pricing and volumes.

Revenue from the Integrated Water Service

As mentioned in the section of the Report on Operations to which reference should be made for more detailed information, revenue from the Integrated Water Service is almost exclusively generated by the companies managing the service in Lazio and Campania. The revenue totals €1,202,854 thousand, up by € 74,868 thousand (+6.6%) with respect to the previous year (the figure was € 1,127,987 thousand) mainly due to greater revenues from pass-through items, mainly associated with greater energy costs. The composition of the item is shown below:

€ thousand	2022	2021	Change	% change
Revenue from water sales	702,412	731,162	(28,750)	(3.9%)
Revenue from water purification sales	298,998	279,902	19,096	6.8%
Revenue from sewerage sales	116,754	114,799	1,955	1.7%
Other revenue	84,690	2,124	82,567	n.s.
Revenue from the Integrated Water Service	**1,202,854**	**1,127,987**	**74,868**	**6.6%**

The quantification of the revenues deriving from management of the integrated water service is the consequence of application of the new water tariff method for the third regulatory period (MTI-3), as approved by the Authority (ARERA) with Resolution no. 580/2019/R/idr of 27 December 2019.

Revenue from overseas water services

These revenues are equal to € 94,458 thousand and show an increase of € 18,776 thousand compared to the previous year (€ 75,692 thousand as at 31 December 2021). The change was influenced in large part by the positive exchange effect.

Revenue from waste disposal and landfill operations

These revenues amounted to € 189,550 thousand and showed an increase of € 47,167 thousand compared to the previous year. The breakdown of the item is shown below:

€ thousand	2022	2021	Change	% change
Revenue from waste disposal and transport	18,689	9,697	8,992	92.7%
Revenues from street sweeping and collection	3,455	0	3,455	n.s.
Revenue from selection and processing	32,629	26,160	6,469	24.7%
Revenue from landfill management and transport	30,902	37,833	(6,932)	(18.3%)
Revenue from sludge recovery	16,159	18,084	(1,925)	(10.6%)
Revenue from conferment of biomasses	87,716	50,608	37,108	73.3%
Revenue from waste disposal and landfill operations	**189,550**	**142,383**	**47,167**	**33.1%**

The increase recorded was mainly due to the change in the consolidation scope (+€ 58,684 thousand), as a result of the consolidation of the Deco Group, MEG, S.E.R. Plast and Tecnoservizi. This increase was offset by lower revenues recorded by Demap (-€ 4,242 thousand) due to lower quantities entering the plant and higher costs, as a direct consequence of the effects of the fire at the end of the previous year.

Revenue from customer services

These amounted to € 153,487 thousand (€ 119,410 thousand at 31 December 2021) and increased by € 34,077 thousand. The changes can be represented as follows:

Public Lighting - Rome	2022	2021	Change	% change
Public Lighting - Rome	49,585	32,368	17,217	53.2%
Work for third parties	68,905	62,074	6,830	11.0%
Inter-company services	7,793	2,657	5,137	193.3%
Photovoltaic	2	143	(141)	(98.3%)
GIP revenue	6,417	6,251	166	2.7%
Change in inventories	20,784	15,917	4,867	30.6%
Revenue from customer services	**153,487**	**119,410**	**34,077**	**28.5%**

The increase is partly attributable to the change in scope for +€ 8,392 thousand, the increase in SIMAM inventories for € 7,677 thousand and the higher revenue realised in respect of the public lighting contract with the Municipality of Rome for € 17,217 thousand, due to price trends associated with the energy component.

Connection fees

These amounted to € 28,990 thousand and increased (+€ 3,562 thousand) compared to 31 December 2021.

€ thousand	2022	2021	Change	% change
Water connection fees	3,882	3,905	(23)	(0.6%)
Electricity market connection fees	19,867	14,743	5,124	34.8%
Ancillary revenue	5,241	6,780	(1,539)	(22.7%)
Connection fees	**28,990**	**25,428**	**3,562**	**14.0%**

Revenues from sustainable development

These totalled € 96,476 thousand, up by € 90,173 thousand with respect to the previous year, due to the increase in sales of installation and assistance to customers for activities and services with reference to energy efficiency and smart services projects.

2. Other revenue and income – € 181,066 thousand

This item increased by € 25,035 thousand compared to 31 December 2021, when the figure was € 156,032 thousand. The following table shows a breakdown of this item:

€ thousand	2022	2021	Change	% change
Contributions from Entities for Energy Efficiency Certificates	4,714	14,007	(9,293)	(66.3%)
Non-recurring gains	40,018	51,849	(11,831)	(22.8%)
Other revenue	69,820	22,957	46,863	n.s.
Refunds for damages, penalties, collateral	14,092	10,636	3,455	32.5%
Feed-in tariff	6,015	17,751	(11,735)	(66.1%)
Regional grants	17,903	13,310	4,593	34.5%
Income from end users	63	212	(149)	(70.4%)
Seconded personnel	513	558	(45)	(8.0%)
Real estate income	1,004	1,625	(621)	(38.2%)
IFRIC12 margin	18,344	18,609	(265)	(1.4%)
Gains on asset disposals	4,351	269	4,082	n.s.
Recharged cost for company officers	654	707	(53)	(7.5%)
Premiums for continuity of service	165	464	(299)	(64.5%)
Revenue for disconnections and connections	3,411	3,077	334	10.9%
Other revenue and proceeds	**181,066**	**156,032**	**25,035**	**16.0%**

The increase is mainly attributable to the following offsetting effects:

- other revenues (+€ 46,863 thousand) mainly due to the recognition of technical quality bonuses for companies in the water sector (+€ 26,923 thousand) for the years 2018-2019 (Resolution 183/2022/R/idr of 26 April 2022) and bonuses for projects to increase the resilience of the electricity distribution service (+€ 3,309 thousand);
- reimbursement for damages and penalties (+€ 3,455 thousand) mainly attributable to Demap (+€ 2,703 thousand) due to an insurance payment linked to the fire the previous year and Acea Energia (+€ 1,317 thousand) above all for application of penalties and fines charged to suppliers for non-compliances and/or delays with respect to contractual conditions;
- greater regional contributions (+€ 4,593 thousand) mainly due to higher operating grants received by Umbria Energy and IWS;
- greater revenues recorded by GORI (+€ 9,802 thousand), mainly deriving from the recognition of the tax credit associated with high energy prices;
- lower energy account contributions (- € 11,735 thousand) mainly due to the deconsolidation of the photovoltaic companies (- € 7,954 thousand) and Acea Produzione (- € 1,929 thousand) as a consequence of lower production volumes for energy generated from renewable sources;
- lower contingent assets (- € 11,831 thousand) influenced by lower allocations of energy items relative to previous years with respect to financial year 2021 (- € 23,039 thousand), partially offset set by greater contingent assets deriving from tariff components for 2021 recognised at the time of the biennial update of the 2020-2023 tariff provisions, in an amount exceeding that recognised in the respective financial statements, particularly with reference to the additional component for the cost of exceptional events and a request for users suffering economic problems to access the integrated water bonus (as a subsidy), notably lower than that allocated in the tariff by the Conference of Mayors for the years 2020 and 2021;
- lower contributions to Cassa per i Servizi Energetici e Ambientali recognised relative to energy efficiency certificates (- € 9,293 thousand for areti, due to lower acquisitions made with respect to the previous year and valuation of a lower contribution.

Finally, note that the change in the scope accounted for € 4,695 thousand of the increase.

CONSOLIDATED OPERATING COSTS

At 31 December 2022 operating costs amounted to € 3,861,121 thousand (€ 2,737,035 thousand at 31 December 2021), recording an increase of € 1,124,086 thousand (+ 41.1% compared to the previous year). The breakdown is as follows:

€ thousand	2022	2021	Change	% change
Staff costs	305,066	275,819	29,247	10.6%
Costs of materials and overhead	3,556,055	2,461,216	1,094,840	44.5%
Consolidated Operating Costs	**3,861,121**	**2,737,035**	**1,124,086**	**41.1%**

3. Personnel costs – € 305,066 thousand

€ thousand	2022	2021	Change	% change
Personnel costs including capitalised costs	499,105	469,102	30,003	6.4%
Costs capitalised	(194,039)	(193,282)	(756)	0.4%
Staff costs	**305,066**	**275,819**	**29,247**	**10.6%**

The increase in the cost of labour, gross of capitalised costs, is € 30,003 thousand and was in part influenced by the change in the scope of consolidation (+€ 12,800 thousand) and, for the remaining part, for the most part as a consequence of lower use of personnel on multi-year projects, the increase in salaries and wages deriving both from new hires and stabilisation carried out in 2022, as an effect of the increase in payment components and adjustment of national collective labour contracts. Capitalised costs were in line with the previous year, increasing slightly by € 756 thousand.

The following tables show the average and actual number of staff by operating segment compared to the same period of the previous year.

Average number of employees

	31/12/2022	31/12/2021	Change	% change
Environment	875	615	260	42.2%
Commercial and Trading	445	427	18	4.3%
Overseas	2,474	2,238	236	10.5%
Water	3,891	3,475	416	12.0%
Energy Infrastructure	1,262	1,275	(13)	(1.0%)
Generation	92	88	4	4.6%
Engineering and Services	456	441	15	3.4%
Corporate	717	704	13	1.8%
Total	**10,211**	**9,263**	**948**	**10.2%**

End-of-period composition

	31/12/2022	31/12/2021	Change	% change
Environment	881	746	135	18.1%
Commercial and Trading	456	430	26	6.0%
Overseas	2,583	2,188	395	18.1%
Water	3,963	3,484	479	13.7%
Energy Infrastructure	1,287	1,264	23	1.8%
Generation	97	89	8	9.0%
Engineering and Services	465	444	21	4.7%
Corporate	723	703	20	2.8%
Total	**10,455**	**9,348**	**1,107**	**11.8%**

4. Costs of materials and overheads – € 3,556,055 thousand.

This item shows an overall increase of € 1,094,840 thousand (+44.5% compared to 31 December 2021).

€ thousand	2022	2021	Change	% change
Electricity, gas, fuel	2,644,092	1,741,401	902,691	51.8%
Materials	126,697	91,690	35,007	38.2%
Services and contract work	576,958	437,233	139,726	32.0%
Concession fees	67,693	66,768	925	1.4%
Cost of leased assets	41,692	26,424	15,267	57.8%
Other operating costs	98,924	97,701	1,223	1.3%
Costs of materials and overhead	**3,556,055**	**2,461,216**	**1,094,840**	**44.5%**

Electricity, gas and fuel

€ thousand	2022	2021	Change	% change
Electricity and gas purchases and transportation	2,637,274	1,723,784	913,490	53.0%
White certificates	889	9,291	(8,402)	(90.4%)
Green certificates and CO_2 rights	5,929	8,326	(2,397)	(28.8%)
Electricity, gas, fuel	**2,644,092**	**1,741,401**	**902,691**	**51.8%**

The increase in costs to purchase and transport electricity and gas (+€ 902,691 thousand) is in line with the increase in revenues seen in the same sectors, consistent with that already described in detail in relation to price trends.

On the other hand, the reduction in white certificates is due to lower acquisitions of EECs due to lower obligations set by ARERA and the amount of EECs already in the areti portfolio (-€ 8,020 thousand).

Materials

The cost of materials amounted to € 126,697 thousand and represents the cost of materials used net of capital expenditure, as shown in the table below.

€ thousand	2022	2021	Change	% change
Purchase of materials	183,507	149,842	33,665	22.5%
Change in inventories	5,092	19,822	(14,730)	(74.3%)
Costs capitalised	(61,901)	(77,974)	16,072	(20.6%)
Materials	**126,697**	**91,690**	**35,007**	**38.2%**

The increase seen in the item is influenced in part by the change in the perimeter (+€ 6,876 thousand) and in part by lower capitalised costs (+€ 16,072 thousand); this increase was offset by the decrease in inventories, mainly attributable to areti and linked to the required execution of activities.

Services and contract work

These amounted to € 576,958 thousand and increased by a total of € 139,726 thousand (the figure was € 437,233 thousand at 31 December 2021). They can be represented as follows:

€ thousand	2022	2021	Change	% change
Technical and administrative Services (including consulting and collaborations)	73,696	63,441	10,255	16.2%
Contract work	139,422	79,594	59,829	75.2%
Disposal and transport of sludge, slag, ash and waste	102,597	75,666	26,931	35.6%
Other services	77,921	67,272	10,649	15.8%
Personnel services	21,566	21,948	(382)	(1.7%)
Insurance costs	15,370	13,104	2,267	17.3%
Electricity, water and gas consumption	59,858	30,475	29,383	96.4%
Internal use of electricity	10,639	6,917	3,723	53.8%
Intragroup services and otherwise	16,328	19,788	(3,460)	(17.5%)
Telephone and data transmission costs	7,001	6,090	912	15.0%
Postal expenses	3,321	3,242	80	2.5%
Maintenance fees	12,016	14,306	(2,290)	(16.0%)
Cleaning, transport and porterage costs	7,493	7,195	297	4.1%
Advertising and sponsorship costs	15,847	15,152	695	4.6%
Corporate bodies	4,475	3,910	565	14.5%
Meter readings	3,754	4,270	(517)	(12.1%)
Bank charges	3,716	3,202	515	16.1%
Travel and accommodation expenses	2,020	1,356	664	49.0%
Seconded personnel	(234)	35	(268)	n.s.
Printing expenses	148	270	(122)	(45.0%)
Services and contract work	**576,958**	**437,233**	**139,726**	**32.0%**

The increase is attributable to the change in scope which accounted for €40,676 thousand of it. The remaining portion of the increase is mainly due to greater costs for energy efficiency (+€ 32,388 thousand) and smart services (+€ 18,055 thousand) projects, in line with that seen in revenues, as well as greater costs for electricity and gas consumption (+€ 29,383 thousand) essentially due to increased market prices.

Concession fees

Concession fees totalled € 67,693 thousand, in line with the previous year and referring to companies that manage Area Authorities under concession in Lazio and Campania. The table below shows the breakdown by Company:

€ thousand	2022	2021	Change	% change
Other	25	98	(73)	(74.5%)
Adistribuzionegas	2,842	2,787	55	2.0%
Notaresco Gas	93	93	0	0.0%
Acea Ato2	50,677	49,957	720	1.4%
Acea Ato5	3,847	3,496	351	10.0%
Acea Molise	53	52	2	3.1%
Gesesa	369	380	(11)	(2.9%)
GORI	2,420	2,439	(19)	(0.8%)
Acquedotto del Fiora	4,823	4,831	(7)	(0.1%)
Integrated Water Service	2,543	2,636	(93)	(3.5%)
Total	**67,693**	**66,768**	**925**	**1.4%**

For other information regarding the concessions, reference should be made to the information in the specific section entitled "*Service concession report*".

Cost of leased assets

The item amounted to € 41,692 thousand, increasing by € 15,267 thousand compared to the previous year (€ 26,424 thousand at 31 December 2021); the increase is mainly attributable to the Parent Company, linked to higher costs for IT application licences for € 9,582 thousand.
In line with IFRS16, this item contains costs relating to short-term leases and leases of modest value.

Other operating costs

These amounted to € 98,924 thousand at 31 December 2022, an increase of € 1,223 thousand. The table below provides details of this item by type:

€ thousand	2022	2021	Change	% change
Taxes and duties	17,003	12,536	4,467	35.6%
Damages and outlays for legal disputes	8,371	8,233	139	1.7%
Contributions paid and membership fees	5,779	5,586	193	3.5%
Losses on receivables	71	71	(1)	(0.8%)
General expenses	20,892	21,782	(890)	(4.1%)
Contingent liabilities	46,808	49,492	(2,685)	(5.4%)
Other operating costs	**98,924**	**97,701**	**1,223**	**1.3%**

The change is mainly due to the increase seen in the item taxes and duties (+€ 4,467 thousand), influenced for the most part by the change in scope (+€ 3,712 thousand), offset by lower contingent liabilities (-€ 2,685 thousand) due to the counterbalancing effect of lower non-existent liabilities recognised by Acea Energia (-€ 24,661 thousand), mainly deriving from the recognition in the previous year of liability items deriving from the redetermination by CSEA, in line with that ordered by ARERA, of calculations to adjust items for electricity destined for enclave countries in Italy, partially offset by greater non-existent liabilities recorded by Acea Ato2 in 2021 (€ 19,993 thousand) linked to tariff components for the year 2020 recognised, at the biennial update of the 2020-2023 provisions, in an amount less than that recognised in the respective financial statements, particularly with reference to the RCARC component introduced in compliance with certain Council of State decisions on tariff calculation rules relative to the years 2012 and 2013, as well as 21 July-31 December 2011 and the negative adjustment, which arose at the biennial adjustment of the 2020-2023 tariff provisions, consequent to lower utilisation of the supplemental water bonus by users suffering economic problems (as a subsidy) with respect to that recognised in the tariff in 2021.

5. Net Revenue/(Costs) from commodity risk management – € 0 thousand

At 31 December 2022, the Group had not subscribed to derivatives to hedge trading operations.

6. Income/(Expenses) from equity investments of a non-financial nature – € 27,897 thousand

This item represents the consolidated result according to the equity method that is included among the EBITDA components of strategic companies. The breakdown of this item is detailed below:

€ thousand	2022	2021	Change	% change
EBITDA	150,838	123,613	27,225	22.0%
Amortisation, depreciation, impairment and provisions	(108,323)	(91,916)	(16,407)	17.8%
Profit/(Loss) on equity investments	0	1	(1)	(100.0%)
Financial operations	(3,163)	(2,472)	(691)	28.0%
Taxes	(11,454)	(8,177)	(3,277)	40.1%
Income from equity investments of a non-financial nature	**27,897**	**21,048**	**6,849**	**32.5%**

EBITDA for these companies increased by € 27,225 thousand, while income from equity investments rose by € 6,849 thousand, mainly due to the increases recorded by Publiacqua (+€ 3,826 thousand) and Acque (+€ 2,142 thousand), partially due to lower amortisation/depreciation and partially due to contingent assets. The companies' assessments are detailed below.

€ thousand	2022	2021	Change	% change
Powertis Group	(7)	0	(7)	n.s.
Energy	395	271	124	45.6%
Acea Green	21	0	21	n.s.
Acea Sun Capital Group	977	664	312	47.0%
Ecomed	0	(14)	14	(100.0%)
Romeo Gas	760	0	760	n.s.
Acque	11,062	8,920	2,142	24.0%
Intesa Aretina	(423)	(369)	(54)	14.5%
Geal	1,104	206	898	n.s.
Nuove Acque	926	1,109	(183)	(16.5%)
Publiacqua	8,560	4,734	3,826	80.8%
Acque Servizi	251	502	(251)	(49.9%)
Umbra Acque	3,320	1,593	1,727	108.4%
Ingegnerie Toscane	950	3,432	(2,482)	(72.3%)
Total	**27,897**	**21,048**	**6,849**	**32.5%**

7. Net write-downs (write-backs) of trade receivables – € 113,370 thousand

This item increased by € 27,164 thousand compared to 31 December 2021. Impairment maintained essentially the same impact in terms of total Group revenues (2.20% vs. 2.17%); this result, in the absence of any particular issues in amounts collected during 2022, is associated, beyond certain extraordinary items, with business growth and the introduction of "stress scenario" for the main Group companies, in order to anticipate potential impairment of customer creditworthiness that may not be identified through current performance but derives from "satellite models" based on macroeconomic and business information.

8. Depreciation, amortisation and provisions – € 625,799 thousand

Compared to 31 December 2021 we can note an increase of € 37,031 thousand; the details are presented below:

€ thousand	2022	2021	Change	% change
Depreciation/amortisation and impairment losses	594,636	546,626	48,010	8.8%
Provisions	31,163	42,142	(10,979)	(26.1%)
Depreciation, amortisation and provisions	**625,799**	**588,768**	**37,031**	**6.3%**

Depreciation/amortisation and impairment losses

The € 48,010 thousand increase in depreciation, amortisation and impairment, of € 19,902 thousand, breaks down as follows:

€ thousand	2022	2021	Change	% change
Depreciation	171,213	162,090	9,122	5.6%
Amortisation	420,857	380,567	40,290	10.6%
Impairment losses	2,566	3,968	(1,402)	(35.3%)
Depreciation/amortisation and impairment losses	**594,636**	**546,626**	**48,010**	**8.8%**

The increase in this item relates to investments in the period and the ongoing entry into operation of assets with particular reference to the water segment (+€ 30,975 thousand). In this item, the change in the consolidation scope is influenced by the opposing effects deriving from the increase in depreciation and amortisation in the environment segment (+€ 11,577 thousand) partially offset by the decrease in depreciation and amortisation in the generation segment (-€ 8,761 thousand) as a result of the sale transaction in March 2022 (for more information please see the relevant section).
It should be noted that the item relating to intangible amortisation also includes the effect deriving from the application of IFRS16, which amounted to € 16,453 thousand.

Provisions

Net of sums released, provisions amounted to € 31,163 thousand and are divided by type as follows:

€ thousand	2022	2021	Change	% change
Legal risks provision	2,975	4,216	(1,241)	(29.4%)
Tax provision	409	195	214	109.7%
Regulatory risks provision	4,995	5,326	(331)	(6.2%)
Fee risks provision	555	11	544	n.s.
Tenders and supplies provision	403	518	(115)	(22.1%)
Insurance deductibles provision	2,174	2,498	(323)	(12.9%)
Other risks and charges provision	6,922	7,299	(376)	(5.2%)
Provisions for risks	**18,435**	**20,063**	**(1,628)**	**(8.1%)**
Early retirements and redundancies provision	20,206	21,735	(1,530)	(7.0%)
Post mortem provision	288	(140)	428	n.s.
Provision for expenses payable to others	602	5,400	(4,798)	(88.9%)
Expenses provision	**21,095**	**26,995**	**(5,900)**	**(21.9%)**
Total provisions	**39,530**	**47,058**	**(7,528)**	**(16.0%)**
Release of risks provisions, release of fees provisions	**(8,367)**	**(4,916)**	**(3,451)**	**70.2%**
Total	**31,163**	**42,142**	**(10,979)**	**(26.1%)**

For more details please see note 34 "Provisions for risks and charges".

9. Financial income – € 25,962 thousand

€ thousand	2022	2021	Change	% change
Interest on financial receivables	71	173	(101)	(58.7%)
Bank interest income	307	62	245	n.s.
Interest on trade receivables	10,213	8,811	1,402	15.9%
Interest on other receivables	1,883	945	938	99.2%
Financial income from discounting to present value	11,240	324	10,915	n.s.
Income from fair value hedges measurement	452	790	(337)	(42.7%)
Other income	1,796	386	1,410	n.s.
Financial income	**25,962**	**11,491**	**14,471**	**125.9%**

Financial income, totalling € 25,962 thousand, saw an increase of € 14,471 thousand with respect to the previous year, mainly due to greater financial income from discounting recorded by GORI (+€ 10,682 thousand) due to the rescheduling of debt relative to the Campania Region and for greater interest on receivables due from customers (+€ 1,402 thousand).

10. Financial costs – € 111,670 thousand

€ thousand	2022	2021	Change	% change
Costs (Income) on Interest Rate Swaps	5,445	6,006	(561)	(9.3%)
Interest on bonds	55,823	54,401	1,422	2.6%
Interest on medium/long-term borrowings	18,345	16,190	2,155	13.3%
Interest on short-term debt	3,951	2,971	980	33.0%
Default interest and interest on deferred payments	4,173	1,966	2,207	112.3%
Interest cost net of actuarial gains and losses	1,324	456	868	190.5%
Factoring fees	14,236	5,248	8,988	171.3%
Discounting charges	3,747	3,766	(20)	(0.5%)
IFRS16 financial charges	2,211	2,518	(307)	(12.2%)
Other financial charges	1,390	3,245	(1,854)	(57.1%)
Interest payable to end users	608	1,003	(395)	(39.4%)
Foreign exchange gains (losses)	416	(382)	798	n.s.
Financial charges	**111,670**	**97,388**	**14,282**	**14.7%**

Financial charges, totalling € 111,670 thousand, rose by € 14,282 thousand and the change is mainly attributable to greater fees deriving from greater transfers carried out in 2022 (+€ 8,988 thousand), greater interest on arrears (+€ 2,207 thousand) for the most part attributable to Acea Energia and interest on bonds and medium/long-term debt (+€ 2,155 thousand).

The average overall all-in cost of the Acea Group's debt stood at 1.44% compared to 1.42% the previous year.

11. Income and costs from Equity Investments – € 17,793 thousand

€ thousand	2022	2021	Change	% change
Income from equity investments in associates	18,007	8,393	9,614	114.6%
Costs of shares in related companies	(214)	(594)	381	(64.0%)
Profit/(Loss) on equity investments	**17,793**	**7,798**	**9,995**	**128.2%**

Revenue from equity investments refers to consolidation according to the net worth method of some Group companies primarily Agua Azul Bogotà. Additionally, note that the item includes recognition of net capital gains of € 16,372 thousand recognised following the sale of a group of photovoltaic systems as part of the agreement signed with the British investment fund Equitix; for more details, please see the section on IFRS3.

12. Income tax – € 186,777 thousand

Estimated tax expenses for the period were € 186,777 thousand, compared to € 150,662 thousand of the previous year. The breakdown is essentially as follows:

- current taxes: € 144,983 thousand (€ 153,416 thousand at 31 December 2021);
- extraordinary solidarity contribution: pursuant to art. 37 of Italian Law Decree 21/2022 and article 1 of Law 197/2022 (so-called excess profit contribution) relative to parties that produce electricity and are involved in the resale of energy within the national boundaries: The amount due from the Group is € 38,517 thousand;
- net deferred tax liabilities/(assets): € 1,256 thousand (-€ 1,398 thousand at 31 December 2021).

The increase in absolute value of taxes recorded during the period is the direct consequence of the establishment in 2022 of the "excess profit contribution". The table below shows the breakdown of taxes and the correlated percentage weight calculated on consolidated profit before tax.

€ thousand	2022	%	2021	%
Profit before tax from continuing and discontinued operations	497,937		503,002	
Expected tax charge at 24% on profit before tax	119,505	24.0%	120,720	24.0%
Net deferred taxes	1,256	0.3%	(1,398)	(0.3%)
Permanent differences	(8,835)	(1.8%)	(7,760)	(1.5%)
IRES for the period	111,926	22.5%	111,562	22.2%
RAP (regional income tax)	36,334	7.3%	39,100	7.8%
Solidarity contributions pursuant to art. 37 of Decree Law 21/2022 and Law 197/2022	38,517	7.7%	0	n.s.
Total taxes	**186,777**	**37.5%**	**150,662**	**30.0%**

The tax rate for the year is 37.5% (30.0% at 31 December 2021), whereas the normalised tax rate (less the solidarity contribution) is 29.8%.

13. Earnings per share

Earnings per share are calculated by dividing profit for the year attributable to Acea by the weighted average number of Acea shares outstanding during the year, excluding treasury shares. The weighted average number of shares outstanding was € 212,547,907 at 31 December 2022. Diluted profit per share is calculated dividing profit for the financial year attributable to Acea by the weighted average number of Acea shares in circulation during the year, excluding treasury shares, increased by the number of shares which could potentially be put in circulation. At 31 December 2022 there were no shares that could potentially be put into circulation and, accordingly, the weighted average number of shares for the calculation of basic earnings per share coincides with the weighted average number of shares for the calculation of diluted earnings per share.
Earnings per share, determined in accordance with IAS 33, are shown below:

	31/12/2022	31/12/2021	Change
Net profit attributable to the Group (€/000)	279,725	313,309	(33,585)
Net profit attributable to ordinary equity holders of the Group (€/000) (A)	279,725	313,309	(33,585)
Weighted average number of ordinary shares for the purpose of determining earnings per share			
- basic (B)	212,548	212,548	0
- basic (C)	212,548	212,548	0
Earnings per share (€)			
- basic (A/B)	1.31605	1.47406	(0.15801)
- diluted (A/C)	1.31605	1.47406	(0.15801)

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

At 31 December 2022 these amounted to € 11,338,533 thousand (€ 10,628,886 thousand at 31 December 2021), recording an increase of € 709,646 thousand or 6.7% from the previous year; they are broken down as follows.

€ thousand	31/12/2022	31/12/2021	Change	% change
Non-current assets	8,560,435	7,801,652	758,783	9.7%
Current assets	2,759,022	2,658,809	100,213	3.8%
Non-current assets destined for sale	19,076	168,425	(149,350)	(88.7%)
Total Assets	**11,338,533**	**10,628,886**	**709,646**	**6.7%**

Non-current assets – € 8,560,435 thousand

14. Property, plant and equipment – € 3,144,250 thousand

The incidence of the infrastructure used for the distribution and generation of electricity amounts to 79.1% of property, plant and equipment, € 2,485,410 thousand.

The remaining 20.9% refers to:
- facilities belonging to the Environment Segment companies for € 340,105 thousand;
- infrastructures related to the Parent Company for € 104,070 thousand;
- infrastructures related to the Energy Segment for € 159,297 thousand;
- infrastructure related to the Overseas Segment for € 35,764 thousand;
- facilities belonging to the Engineering and Services Area for € 10,607 thousand.

€ thousand	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Investments in progress	Assets to be relinquished	Total property, plant and equipment
Initial historic cost	594,397	3,689,148	1,096,033	195,507	82,776	10,938	5,668,800
Assets held for sale	0	(6,142)	0	0	(5,767)	0	(11,908)
Investments/Acquisitions	16,572	172,394	77,727	13,790	62,031	2,840	345,354
Disposals/Sales	(404)	(14,547)	(25,734)	(932)	(2,982)	(669)	(45,268)
Changes in consolidation scope	30,728	210,053	7,624	7,220	(7,990)	0	247,636
Other changes	9,966	(170,787)	(20,505)	(13,776)	(29,819)	931	(223,989)
Final historic cost	**651,258**	**3,880,120**	**1,135,146**	**201,810**	**98,250**	**14,040**	**5,980,623**
Initial amortisation provision	(177,726)	(1,992,535)	(413,377)	(140,591)	0	(6,040)	(2,730,269)
Depreciation and amortisation	(13,738)	(94,910)	(49,603)	(12,316)	0	(588)	(171,155)
Assets held for sale	0	225	0	0	0	0	225
Investments/Acquisitions	0	0	0	0	0	0	0
Disposals/Sales	8	8,157	24,637	715	0	525	34,042
Changes in consolidation scope	(9,399)	(120,711)	(4,508)	(5,636)	0	0	(140,254)
Other changes	5,712	143,787	8,969	12,565	0	4	171,038
Final amortisation provision	**(195,142)**	**(2,055,987)**	**(433,881)**	**(145,263)**	**0**	**(6,100)**	**(2,836,373)**
Net carrying amount	**456,116**	**1,824,133**	**701,264**	**56,546**	**98,250**	**7,940**	**3,144,250**

Investments totalled € 345,354 thousand. These refer mainly to those made by:

- areti for € 231,378 thousand for the renewal and upgrading of the HV, MV and LV grids, the mass replacement of 2G metering groups, work on the primary stations, secondary substations and meters, and remote control equipment;
- Acea Ambiente for € 26,137 thousand for plant improvements carried out at the plants in San Vittore and Aprilia, the WTE plant in Terni and in Monterotondo Marittima;
- Acea Produzione for € 9,721 thousand, mainly for the extraordinary maintenance work at the Tor di Valle and Montemartini thermal power stations, for the requalification work on the substations of the S. Angelo, Salisano and Orte Power Stations and for the extension and restoration of the district heating network in the territory of Mezzocammino in the south of Rome;
- Acea Solar for € 15,175 thousand for the construction of photovoltaic plants on both agricultural and industrial land;
- Acea for € 12,016 thousand mainly for extraordinary maintenance at offices housing company activities.

The change in the scope of consolidation increased property, plant and equipment by € 107,832 thousand and mainly refers to the acquisitions of ASM Terni (€ 72,459 thousand), the business unit of Romeo Gas incorporated in Adistribuzionegas as of 1 October 2022 (€ 22,162 thousand), Tecnoservizi (€ 5,601 thousand) and S.E.R. Plast (€ 3,785 thousand).
Other changes refer to reclassifications due to the commissioning of assets under construction and disposals and disinvestments of assets.

15. Real estate investments – € 2,256 thousand

Real estate Investments primarily include land and buildings not used in operations and held for rental. The decrease of € 58 thousand compared to last year derives from depreciation.

16. Goodwill – € 255,048 thousand

At 31 December 2022 goodwill amounted to € 255,048 thousand (€ 251,477 thousand at 31 December 2021). The change compared to 31 December 2021 refers mainly to the definitive and provisional allocation of the price paid for the Business Combinations for new acquisitions. For more details please see the specific section.
Goodwill is attributed to CGUs that benefit from the synergies deriving from the acquisition. The table below shows the goodwill per CGU aggregated according to the Group's industrial segments.

€ thousand	31/12/2021	Definitive allocation	Exchange delta	Provisional allocation	Other changes	31/12/2022
Environment	84,729	(406)	0	3,601	(8,700)	79,224
Commercial and Trading	47,716	0	0	0	0	47,716
Generation	91,618	0	0	0	0	91,618
Water and Gas	7,506	0	0	8,437	0	15,942
Overseas	4,312	0	639	0	0	4,951
Engineering and Services	15,597	0	0	0	0	15,597
Goodwill	**251,477**	**(406)**	**639**	**12,038**	**(8,700)**	**255,048**

In order to verify the book value of the CGUs, as part of the impairment procedure the Group provides an estimate of an interval relating to the recoverable value of the assets in terms of value in use ("VIU"), in continuity with the previous year, i.e. using the Discounted Cash Flow (DCF) method, which identifies the ability to generate cash flows as the fundamental element for the purposes of assessing the entity of reference. For the purpose of discounting operating cash flows, the weighted average cost of post-tax capital is calculated.
The application of the financial method for determining the recoverable value and the subsequent comparison with the respective accounting values, therefore entailed, for each CGU subject to impairment testing, estimating the post tax WACC, the value of operating cash flows taken from the Business Plan approved by the Board of Directors, updated to take into account regulatory developments between the date of approval for the Business Plan and that of this financial statements by the Acea SpA Board of Directors, and the value of the terminal value (TV) and, in particular, the growth rate used to project flows beyond the plan horizon, the value of the net financial position (NFP) and any surplus assets/liabilities (SA).

The main assumptions which determined cash flows and test results were the following:

- the development of revenues for regulated businesses was drawn up on the basis of tariff trends resulting from national regulation and/or agreements with the regulatory authorities;
- the dynamics of the prices of electricity and gas sold and purchased on the free market were developed on the basis of energy scenarios developed in line with the current market situation;
- the evolution of the Group's costs over the course of the plan was developed by formulating "natural" forecasts.

Terminal value is calculated:

- for Acea Produzione (Generation Segment) using the residual value corresponding to the net invested capital at the end of the plants' useful life;
- for the Environment and Overseas Segments, respectively, considering the residual value corresponding to the net invested capital at the end of the plants' useful life and of the concession;
- for areti (Energy Infrastructure Segment): considering the current value of the RAB at the expiry of the concession calculated according to the regulations for the fifth regulatory period;
- for the Water Segment: considering the current value of the RAB and Net Working Capital at the end of the concession;
- for the Commercial and Trading Segment normalised cash flows were estimated with a steady state hypothesis without real growth.

Finally, the flows determined as above were discounted using the post-tax WACC determined using an unconditional approach or

using the regulatory WACC for regulated business.
Market WACC are rising due to the most recent monetary policies and uncertainties due to the continuation of the Ukraine war, while those handled in accordance with the respective regulatory periods are in line with respect to those of the previous year.
Below the assumptions used in the tests and estimates for Terminal Value are summarised:

Sector	Recoverable value	WACC	Terminal value	Cash flow period
Water	Value in use	4.7%	NIC at the end of the concession, including the Regulatory Asset Base (RAB)	End of the concession
Gas	Value in use	5.3%	Terminal value equal to RAB	End of the concession
Energy Infrastructure	Value in use	5.0%	Regulatory Asset Base (RAB)	End of the concession
Commercial and Trading	Value in use	7.2%	Perpetuity	Until 2024
Generation	Value in use	6.5%	NIC/perpetuity at the end of the plants' useful life	Useful life of plants/end of concession
Engineering and Services	Value in use	4.7%	NIC at the end of the plants' useful life	End of Water Segment Facilities concession
Overseas	Value in use	8.0%/11.7%	NIC at the end of the concession	End of the concession
Environment	Value in use	6.6%	NIC at the end of the plants' useful life	Plants' useful life

Additionally, with regards to that issued by ESMA, referenced by CONSOB and better clarified in the guidelines in the OIV discussion paper on development of impairment tests for non-financial assets (IAS 36) following the war in Ukraine, Acea has developed risk analysis using quantitative instruments, including application of an econometric model to estimate the relation between the main economic/financial amounts of interest to the various companies and plants of Acea, and in particular the margins and main macroeconomic variables, as well as Monte Carlo analysis useful to understanding the relationships between individual key variables and supporting the definition of possible alternative scenarios and, more generally, the level of volatility in forecasts. In addition to the impairment indicated above, there were also possible losses identified only under certain scenarios which, from a statistical point of view are not "more likely than not" but for which it was still held appropriate to monitor developments. Specifically, the CGUs in question are Acquedotto del Fiora, Adistribuzionegas, Acea Molise, Ecogena, Energia, MEG and the plants of Monterotondo (Acea Ambiente), Tor di Valle (Acea Produzione) and Porta di Roma (Ecogena). The results of the impairment test indicated total writedowns of € 14,400 thousand, with € 8,600 thousand relative to the Environment CGU and € 5,803 thousand to the Acea Ato5 CGU. With reference to this latter, also note that as a consequence of the approval of the 2022-2023 tariff update, the directors of Acea Ato5 confirmed the ongoing significant uncertainties about the subsidiary as a going concern, such as, in particular, the greater use of reverse factoring, the outcome of the Technical Panel with the Area Authority intended to define the mutual items and the acceptance of the new request for economic/financial rebalance currently being prepared for reproposal by the company. Also see that described in the section "Trend of operating segments - Industrial segment - Water" in the Report on Operations.

In the face of the financial imbalance which arose with the approval of the recent tariff provisions, further aggravated by the national energy situation, the administrations of the subsidiaries continued to adopt actions to improve the financial positions of their companies, including:

- the rescheduling of past debts through the signing of repayment plans with both third parties and intra-group counterparties that envisage payments over periods longer than 12 months;
- actions to improve efficiency in credit management with the aim of reducing collection times for utility invoices and, consequently, improving collection percentages;
- continuation of actions to contain operating costs as a consequence of the lower revenues coming from the Economic Financial Plan approved by the OTAA5 Conference of Mayors;
- the continuation of an appeal against Deliberation No. 1 made by the Conference of Mayors, approving the tariff proposal for 2020-2023;
- continuation of dialogue with the Area Authority to define reciprocal items, by reconfirming the validity of the settlement proposal adopted by the Conciliation Board established with the Area Authority and its specific content, as well as defining a repayment plan with the OTS for the items excluded by the Conciliation Board, compatible with the current tariff situation;
- the reproposing of a new economic/financial rebalancing request as established in the regulations (based on that indicated in articles 9 and 10 of the Standard Agreement approved by the Regulatory Authority for Energy, Networks and Environment in resolution 656/2015/idr), illustrating the causes and extent of economic/financial imbalance in OTA5's management of the IWS and the proposing of hypothesised rebalancing measures, including a request to access financial equalisation measures.

The main reason behind the impairment is substantially the financial deficit generated for the manager by the previous tariff provisions, in particular due to non-recognition of certain invoicing dates for previous adjustments, as well as non-recognition of costs and tariff changes not compatible with the level of investments and operating expenses over the period of the plan, at times leading to legal disputes not yet resolved, in addition to the Conciliation Board established with the Area Authority in previous years and at present in stasis while awaiting the results of criminal proceeding 2031/2016, aspects which have penalised

the work capital profile in the first years of the plan. No proposal for payment of financial debts was provided for in relation to Acea.
In consideration of the imbalance determined by the recent tariff provisions, the Company's Directors have approved a multi-year economic/financial plan established for the impairment test which, in particular, reflects the content of the request for economic/financial rebalancing currently being prepared by the Company, pursuant to that established in the water tariff regulations.

In particular, beyond the relevant assumptions indicated, the additional main assumptions that were used to determine cash flows, consistent with the structure of the stated rebalancing request, the results of the impairment test are as follows:

- development of revenues determined based on the tariff trends deriving from national regulations and/or agreements with the area authorities, as well as estimates of adjustment items, in the absence of contributions;
- recognition of the arrears tariff component (Cmor) at 7.1% for 2023-2025 and 2028-2033 and equal to the real unpaid ratio in 2026-2027;
- operating efficiency over the course of the plan equal to € 4.4 million starting in 2024;
- price trends for electricity and gas sold and purchased on the free market developed on the basis of the 2023 budget approved by the Company and energy scenarios developed in line with the current market situation;
- invoicing of tariff adjustments by the concession deadline, with the exception of tariff increase limits established under the regulations.

Given the various variables which affect the Company's economic/financial plan, sensitivity analysis was done based on whether the efficiency objectives are achieved, as established in the subsidiary's new business plan, and on whether the tariff component for arrears is recognised. Below are the results of the sensitivity analysis, nothing that the "basic case" for the impairment test coincides with the situation highlighted in orange which envisages 100% of cost savings objectives are achieved (€ 4.4 million starting in 2024) and recognition of the arrears component at 7.1% in the years 2023-2025 and 2028-2033; in the years 2026-2027, the hypothesis is recognition equal to the real unpaid ratio.

To that end, if on one hand achieving the cost savings objectives is held probable in consideration of the operating efficiency margin which can still be achieved with the actions partially already implemented by management in recent years, on the other recognition of the stated arrears levels is also deemed probable pursuant to that established in the current regulations (article 28.3, Annex A, ARERA resolution 580/2019/R/idr), given that it is necessary to maintain economic/financial balance for management. In fact, Acea Ato5 confirmed this need:

- in the tariff proposal annexed to the formal warning sent to ARERA on 30 November 2022;
- in the rebalancing request presented on 13 December 2021, the terms of which passed without results due to inaction by the Area Authority;
- in the rebalancing request currently being updated.

Therefore, given the circumstances, a scenario worse that the assessments made and summarised in the base case identified cannot be hypothesised, given that in the case the aforementioned recognition goals are not achieved, the Area Authority cannot avoid identifying alternative methods, including the request to access financial balancing measures called for in the regulations, in order to guarantee the required economic/financial balance for the Manager and regular management of the service.

	Cost efficiency hypotheses (not pass through) vs. base 2022								
€ thousand	**0.0**	**1.0**	**2.0**	**3.0**	**4.0**	**4.4**	**5.0**	**6.0**	**7.0**
Cmor recognition hypotheses 3%	-52.4	-48.8	-45.1	-41.5	-37.9	-36.4	-34.2	-30.6	-27.0
Cmor recognition hypotheses 7.1%	-36.0	-32.4	-28.8	-25.1	-21.5	-20.0	-17.9	-14.2	-10.6
Cmor recognition hypotheses equal to real unpaid *	-21.8	-18.2	-14.5	-10.9	-7.3	-5.8	-3.6	0.0	3.7

* In the years 2026-2027, realignment to 7.1% Starting from 2028 until 2033.

17. Concessions and Rights on Infrastructure – € 3,470,906 thousand

This item mainly refers to the Water Services and essentially includes:

- the values of concessions received from the Municipalities (€ 102,946 thousand);
- the overall amount of all tangible infrastructures for the management of water and gas distribution services (€ 3,249,916 thousand), in accordance with IFRIC12.

Concessions refer for € 79,576 thousand to the thirty-year concession from Roma Capitale on the assets consisting of water and sewage treatment facilities, and to the right arising from taking over the management of the integrated water service in the Municipality of Formello. Rights are amortised on the basis, respectively, of the remaining term of the concession signed between Acea and Roma Capitale and the term of the Management Agreement signed by the Mayors in Ato2. The balance is completed by the thirty-year concession for the management of the integrated water service of the city of San Pedro Sula in Honduras for a total amount of € 5,295 thousand and the Consorcio Agua Azul for € 11,504 thousand.

Capital expenditure for the period relating to Infrastructure rights amounted to € 568,404 thousand and mainly refers to:

- Acea Ato2 for € 435,606 thousand for the modernisation, expansion and reclamation of the water and sewerage pipes of the various municipalities; to the extraordinary maintenance of the water centres of the treatment plants and to the actions aimed at reducing water leaks;
- Acea Ato5 for € 32,595 thousand for the replacement, maintenance and expansion of water supplies and sewerage pipes and of water treatment plants;
- GORI for € 68,360 thousand, for the replacement of the water pipelines as well as for the extraordinary maintenance of the works for the water and sewerage service;
- AdF for € 35,591 thousand, mainly due to reclamation and extraordinary maintenance, optimisation of networks/plants and new works, as well as the increased efficiency for the networks;
- SII for € 14,304 thousand mainly for modernisation and expansion of the infrastructures, and for reordering and improvement of the waste collection and treatment system.

The item **Other changes** mainly includes reclassifications as assets previously in progress began operating and the combination of infrastructure for the gas distribution service belonging to Adistribuzionegas.

18. Intangible fixed assets – € 420,191 thousand

The item has a net book value as at 31 December 2022 of € 420,191 thousand and can be represented as follows:

€ thousand	Patent rights	Other intangible fixed assets	Contract Costs	Investments in progress and advances	Total
Net opening balance	**203,466**	**131,729**	**46,107**	**30,305**	**411,607**
Depreciation/amortisation and impairment losses	(60,961)	(18,531)	(21,369)	0	(100,860)
Assets held for sale	0	0	0	0	0
Investments/Acquisitions	67,440	33,236	1,414	11,679	113,770
Disposals/Sales	(553)	(95)	0	(1,185)	(1,833)
Changes in consolidation scope	112	2,994	0	1,352	4,457
Other changes	8,975	(19,779)	30,657	(26,802)	(6,950)
Net closing balance	**218,479**	**129,554**	**56,809**	**15,348**	**420,191**

The item saw a decrease of € 8,584 thousand, deriving from investments incurred during the period (€ 113,770 thousand), net of amortisation and reductions in value (€ 100,860 thousand) and reclassifications.

Investments for the period are mainly attributable to:

- areti for € 35,866 thousand for charges incurred for the re-engineering of the information and commercial distribution systems and for the harmonisation of systems to support measurement activities;
- Acea Energia for € 42,433 thousand, for the most part associated with the costs of acquiring new customers pursuant to IFRS15 (€ 28,564 thousand) and implementation of the new CRM, as well as improvements made to the invoicing, credit and decision-making support systems for development and progressive projects linked to integrating systems on the new CRM platform;
- the Parent Company for € 22,227 thousand for the purchase and implementation of software to support the development of IT platform management systems, the corporate security and the administrative management.

19. Right of use – € 90,397 thousand

This item includes rights of use on assets of others which are recognised as leased assets and are therefore amortised over the duration of the contracts in line with the international standard IFRS16. As at 31 December 2022 the net book value of these assets is € 90,397 thousand and the nature of these assets can be represented as follows:

€ thousand	31/12/2022	31/12/2021	Change	% change
Land and buildings	67,150	36,415	30,734	84.4%
Cars and motor vehicles	9,440	6,154	3,286	53.4%
Machinery and equipment	11,453	8,599	2,854	33.2%
Distribution cabins	1,877	1,864	14	0.7%
Other	477	63	414	n.s.
Total	**90,397**	**53,096**	**37,301**	**70.3%**

The book value of the assets consisting of the right of use at 31 December 2022 for each class of underlying asset and the related changes in the period are shown below:

€ thousand	Land and buildings	Cars and motor vehicles	Machinery and equipment	Distribution cabins	Other	Total
Opening balances	**36,415**	**6,154**	**8,599**	**1,864**	**63**	**53,096**
Acquisitions	804	3,908	3,161	0	122	7,994
New contracts	42,959	4,164	1,399	258	604	49,385
Remeasurement	(3,623)	(290)	466	(5)	(169)	(3,621)
Depreciation	(9,406)	(4,497)	(2,172)	(239)	(143)	(16,456)
Total	**67,150**	**9,440**	**11,453**	**1,877**	**477**	**90,397**

The increase of € 37,301 thousand is mainly due to the signing of new contracts in 2022, mainly with reference to surface rights for the photovoltaic companies.
With regard to extension or termination options, it should be noted that for regulated businesses, with regard to contracts relating to concession activities, the estimated term for contract renewals is the year of the end of the concession itself. There are also no guarantees on residual value, variable payments and leases not yet signed, for a significant amount, to which the Group has committed itself.

Finally, it should be noted that costs relating to short-term leases and assets of modest value are recognised in the income statement item "leases and rentals" in line with the requirements of IFRS16 and in continuity with previous years.

20. Equity investments in unconsolidated subsidiaries and associates – € 348,885 thousand

Company name € thousand	31/12/2021	Changes in con-solidation scope	Gains/losses from valuation of shareholders' equity	Increase/ Decrease for dividends	Currency translation differences	OCI	Other changes and reclassifi-cations	31/12/2022
Acque Group	107,651	0	11,314	1,564	0	2,170	1,978	124,677
GEAL	8,063	0	1,104	29	0	16	76	9,288
Nuove Acque and Intesa Aretina	12,871	0	504	(427)	0	161	(29)	13,079
Publiacqua	110,455	0	8,560	(2,345)	0	189	991	117,850
Umbra Acque	21,225	0	3,320	132	0	2,405	366	27,447
Ingegnerie Toscane	13,478	109	950	(2,400)	0	29	(2,568)	9,597
Energy	12,920	0	395	0	0	0	0	13,316
Belaria	0	(58)	58	0	0	0	0	0
Picena Ambiente	3,088	0	0	0	0	0	0	3,088
Acea Sun Capital	0	12,294	939	52	0	1,565	1,229	16,079
Romeo Gas	0	(760)	760	0	0	0	0	0
Powertis Group	0	9,103	(7)	0	0	0	0	9,096
Aguazul Bogotà	1,022	0	145	0	(214)	0	(128)	825
Other equity investments	1,466	3,884	0	0	0	0	(808)	4,541
Total	**292,239**	**24,571**	**28,042**	**(3,395)**	**(214)**	**6,536**	**1,106**	**348,885**

The changes that occurred during the period refer primarily to the valuation of the results of companies consolidated using the equity method, which have a positive impact on the Income Statement for a total of € 28,042 thousand. These valuations are mainly reflected in the item "Income/(Expenses) from equity investments of a non-financial nature" and the rest in the item "Income/Expenses from equity investments". The remaining change is attributable to the change in scope (+€ 24,571 thousand) for the consolidation of Acea Sun Capital as of the end of March 2022 and the photovoltaic companies of the Powertis Group, as well as changes in other comprehensive income (+€ 6,536 thousand).

	31/12/2022						
€ thousand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Valuation of companies using the equity method	Net Financial Position
Acque	244,400	42,352	(43,716)	(122,628)	(78,535)	(11,062)	(88,032)
Acque Servizi	823	6,629	(1,004)	(2,616)	(10,833)	(251)	908
Acea Sun Capital Group	100,810	10,103	(64,757)	(9,808)	(9,380)	(939)	(40,416)
Powertis Group	2,281	1,027	(7)	(55)	(4)	7	333
Intesa Aretina	13,188	308	0	(96)	0	423	192
DropMI	2,565	0	0	0	0	0	0
Ecomed	3	361	(20)	(420)	0	0	157
Energia	6,386	914	0	(779)	(1,547)	(395)	140
Geal	19,633	5,196	(9,009)	(6,130)	(11,820)	(1,104)	(3,030)
Ingegnerie Toscane	1,482	10,332	(521)	(5,233)	(9,691)	(950)	(1,139)
Nuove Acque	18,438	5,772	(7,635)	(2,739)	(9,343)	(926)	(3,096)
Publiacqua	220,777	68,285	(77,452)	(92,395)	(109,401)	(8,560)	(58,011)
Umbria Distribuzione Gas	5,499	4,734	(3,147)	(5,255)	0	0	63
Umbra Acque	75,171	19,158	(44,196)	(24,254)	(46,951)	(3,320)	(22,564)

	31/12/2021						
€ thousand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenues	Valuation of companies using the equity method	Net Financial Position
Acque	239,699	34,904	(128,900)	(40,174)	(76,549)	(8,920)	(90,064)
Intesa Aretina	12,232	279	0	(59)	0	369	205
Belaria	3,228	856	(3,535)	(412)	(747)	(664)	(3,250)
Ecomed	3	361	(20)	(420)	0	14	157
Energia	4,973	1,504	0	(493)	(1,635)	(271)	1,154
Geal	20,461	5,757	(10,773)	(6,888)	(9,562)	(206)	(4,904)
Ingegnerie Toscane	1,614	11,627	(611)	(5,180)	(11,980)	(3,432)	(1,139)
Nuove Acque	17,907	5,857	(7,799)	(2,895)	(9,591)	(1,109)	(3,799)
Publiacqua	234,879	53,942	(129,806)	(46,308)	(105,261)	(4,734)	(76,312)
Acque Servizi	777	8,262	(872)	(4,152)	(11,235)	(502)	(671)
Umbra Acque	68,648	11,476	(45,290)	(14,857)	(33,875)	(1,593)	(21,995)

21. Other equity investments – € 3,007 thousand

These total € 3,007 thousand (they were € 2,980 thousand at 31 December 2021) and are composed of investments in shareholder securities that do not represent control, association or joint control.

22. Deferred tax assets – € 179,823 thousand

At 31 December 2022, deferred tax assets, net of deferred tax liabilities, amounted to € 179,823 thousand (€ 202,606 thousand at 31 December 2021). Deferred tax assets are mainly made up of the following: **i)** € 36,725 thousand for the provision for tax risks (€ 36,854 thousand as at 31 December 2021); **ii)** € 68,543 thousand to impairment of receivables (€ 68,367 thousand as at 31 December 2021); **iii)** € 136,519 thousand for the amortisation/depreciation of intangible assets and property, plant and equipment (€ 129,434 thousand as at 31 December 2021); **iv)** € 12,725 thousand to defined benefit and defined contribution plans (€ 11,097 thousand as at 31 December 2021); **v)** € 9,100 thousand to the fair value measurement of commodities and other financial instruments (€ 10,008 thousand as at 31 December 2021).

Provisions for deferred taxes include in particular the deferred taxes tied to differences existing between the economic-technical amortisation rates applied to depreciable assets and tax portions. Uses in the period totalling € 11,935 thousand and allocations amounting to € 35,355 thousand contributed to this item.

The following table details the changes in this item.

	31/12/2021				31/12/2022		
€ thousand	Balance	Changes in consolidation scope	Adjustments and reclassifications	Changes in shareholders' equity	Uses	IRES/IRAP provisions	Balance
Prepaid taxes							
Tax losses	105	0	(0)	0	(38)	0	67
Remuneration of BoD members	45	0	0	0	(16)	33	61
Provisions for risks and charges	36,854	0	(0)	268	(10,648)	10,252	36,725
Impairments of receivables and equity investments	68,367	678	(678)	1,647	(12,132)	10,661	68,543
Depreciation and amortisation	129,434	4,014	67	2,974	(13,743)	13,772	136,519
Defined benefit and defined contribution plans	11,097	(149)	152	182	(898)	2,341	12,725
Tax assets on consolidation adjustments	4	0	0	3	(1)	(3)	3
Fair value commodities and other financial instruments	10,008	0	0	(908)	0	0	9,100
Others	58,399	1,444	(1,444)	1,867	(7,344)	3,567	56,489
Total	**314,312**	**5,987**	**(1,902)**	**6,032**	**(44,820)**	**40,623**	**320,232**
Deferred taxes							
Depreciation and amortisation	48,765	5,255	(8,937)	16,460	(8,798)	6,225	58,969
Defined benefit and defined contribution plans	22,687	624	(624)	1,019	(12)	484	24,178
Fair value commodities and other financial instruments	10,615	0	0	17,632	(1,099)	15	27,164
Others	29,640	0	0	244	(2,026)	2,240	30,098
Total	**111,707**	**5,879**	**(9,562)**	**35,355**	**(11,935)**	**8,965**	**140,409**
Net	**202,606**	**108**	**7,660**	**(29,323)**	**(32,885)**	**31,658**	**179,823**

The Group recognised deferred tax assets based on earnings forecasts in the Group's business plans, which confirm the probability that sufficient future taxable profit will be available against which all of the deferred tax assets recognised in the financial statements can be recovered.

23. Non-current financial assets – € 30,531 thousand

These amounted to € 30,531 thousand (€ 22,549 thousand at 31 December 2021) and recorded an increase of € 7,982 thousand, mainly attributable to Acquedotto del Fiora (+€ 5,462 thousand), GORI (+€ 6,580 thousand) and IWS (+€ 1,644 thousand) due to recognition of the positive fair value of derivatives used to cover existing bank loans, offset partially by the parent company (-€ 5,803 thousand) in relation to the public lighting service, including re-qualification of systems, energy saving, legislative compliance and technological innovation, which will be paid to Acea, for an amount equal to the fiscal amortisation, after financial year 2023, in accordance with what is agreed in the Supplementary Agreement to the service contract signed on 15 March 2011.

24. Other non-current assets – € 615,144 thousand

Other non-current assets at 31 December 2022 are composed as follows:

€ thousand	31/12/2022	31/12/2021	Change	% change
Other receivables, receivables from subsidiaries	15,155	1,813	13,342	n.s.
Advances and deposits	2,110	948	1,161	122.5%
Other receivables	0	27	(27)	n.s.
Long-term receivables for tariff adjustments	469,552	443,001	26,552	6.0%
Long-term receivables for regulatory lag	114,947	116,712	(1,765)	(1.5%)
Accrued income and prepayments	13,380	13,564	(184)	(1.4%)
Other assets	**615,144**	**576,065**	**39,078**	**6.8%**

This item includes long-term receivables for tariff adjustments for € 469,552 thousand (€ 443,001 thousand at 31 December 2021) of the water companies, while € 114,947 thousand (€ 116,712 thousand at 31 December 2021) represents the long-term portion of the receivables registered in areti for regulatory lag.

Current assets - € 2,759,022 thousand

€ thousand	31/12/2022	31/12/2021	Change	% change
Inventories	104,507	86,406	18,101	20.9%
Trade receivables	1,267,445	1,071,644	195,802	18.3%
Other current assets	458,780	387,813	70,967	18.3%
Current tax assets	26,296	24,183	2,114	8.7%
Current financial assets	342,085	407,944	(65,858)	(16.1%)
Cash and cash equivalents	559,908	680,820	(120,912)	(17.8%)
Current assets	**2,759,022**	**2,658,809**	**100,213**	**3.8%**

25. Inventories – € 104,507 thousand

The item inventories amounted to € 104,507 thousand (€ 86,406 thousand at 31 December 2021) and shows an increase of € 18,101 thousand, attributable mainly to SIMAM (+€ 8,085 thousand), areti (+€ 3,194 thousand) and Acea Innovation (+€ 1,673 thousand). The change in the scope of consolidation contributed € 3,183 thousand to the increase, mainly through consolidation of ASM Terni (+€ 2,034 thousand).

26. Trade Receivables – € 1,267,445 thousand

These amounted to € 1,267,445 thousand, recording an increase of € 195,802 thousand compared to 31 December 2021, when the figure was € 1,071,644 thousand. The breakdown for the item is provided below:

€ thousand	31/12/2022	31/12/2021	Change	% change
Trade receivables	1,216,099	1,026,971	189,128	18.4%
Receivables due from the Parent Company	37,652	34,472	3,180	9.2%
Receivables from subsidiaries and associates	13,694	10,201	3,493	34.2%
Trade receivables	**1,267,445**	**1,071,644**	**195,802**	**18.3%**

Trade receivables

These amounted to € 1,216,099 thousand, an increase of € 189,128 thousand compared to 31 December 2021 and are represented as follows:

€ thousand	31/12/2022	31/12/2021	Change	% change
Receivables due from end users for bills issued	362,675	366,296	(3,621)	(1.0%)
Receivables due from end users for bills to be issued	641,181	503,261	137,920	27.4%
Receivables due from non-user customers for bills issued	158,456	103,152	55,304	53.6%
Receivables due from non-user customers for bills to be issued	53,729	54,203	(474)	(0.9%)
Other current receivables and assets	59	59	0	0
Trade receivables	**1,216,099**	**1,026,971**	**189,128**	**18.4%**

Receivables are shown net of the Provision for doubtful receivables, which at 31 December 2022 amounted to € 615,539 thousand and increased by € 20,367 thousand compared to the previous year, mainly due to greater provisioning (GORI +€ 12,752 thousand, Acea Ato2 +€ 5,255 thousand), partially offset by uses during the period, also due to the effects of the sale of non-performing receivables, which amounted to € 34,342 thousand at 31 December 2022.

The performance of receivables, both gross and net of the provision for the impairment of receivables, is shown below.

	31/12/2022			31/12/2021			Change		
€ million	Gross receivables (A)	Provision for write-downs (B)	Net receivables	Gross receivables (C)	Provision for write-downs (D)	Net receivables	Gross receivables (A – C)	Change Provision for write-downs (B – D)	Net receivables
Environment	77,302	(3,001)	74,301	73,335	(4,762)	68,573	3,968	1,760	5,728
Corporate	3,512	(2,156)	1,356	2,758	(2,124)	634	754	(32)	722
Commercial and Trading	632,226	(145,883)	486,342	479,144	(173,095)	306,048	153,082	27,212	180,294
Overseas	32,652	(21,540)	11,113	26,478	(18,341)	8,137	6,174	(3,199)	2,975
Generation	27,513	(5,901)	21,612	25,162	(5,893)	19,269	2,351	(8)	2,343
Water	831,301	(344,260)	487,041	782,980	(301,359)	481,620	48,322	(42,901)	5,421
Engineering and Services	8,781	(1,099)	7,682	9,537	(1,073)	8,464	(756)	(26)	(782)
Energy Infrastructure	218,351	(91,699)	126,653	222,751	(88,525)	134,226	(4,400)	(3,173)	(7,573)
Total	**1,831,638**	**(615,539)**	**1,216,099**	**1,622,144**	**(595,173)**	**1,026,971**	**209,495**	**(20,367)**	**189,128**

Environment
These totalled € 74,301 thousand, up by € 5,728 thousand compared to 31 December 2021. The increase is in large part due to the change in the scope of consolidation (+€ 8,969 thousand), mainly due to consolidation of Tecnoservizi (+€ 7,885 thousand) and S.E.R. Plast (+€ 1,084 thousand). Also note the increase recorded by Deco (+€ 3,920 thousand) and the reduction of Acea Ambiente (- € 8,265 thousand).

Commercial and Trading
Receivables in this segment amounted to € 486,342 thousand and are primarily generated by the sale of electricity to the protected and free markets and by gas sales. The increase compared to 31 December 2021 was € 180,294 thousand, mainly attributable to Acea Energia (+€ 141,039 thousand) and Acea Innovation (+€ 38,186 thousand), partially offset by the reduction in receivables recognised by Cesap vendita gas (- € 1,881 thousand). In 2022, Acea Energia transferred receivables without recourse for a total of € 522,707 thousand and Acea Innovation transferred public administration receivables for € 10,344 thousand.

Overseas
Totalling € 11,113 thousand, increasing by € 2,975 thousand, partly due to effect of currency exchanges compared to 31 December 2021.

Water
These totalled € 487,041 thousand, recording an increase of € 5,421 thousand compared to 31 December 2021. The increase is mainly due to the consolidation of ASM Terni (+€ 51,683 thousand) partially offset by AdF (-€ 18,086 thousand), GORI (-€ 12,219 thousand), Acea Ato5 (-€ 6,182 thousand), IWS (-€ 3,873 thousand) and Adistribuzionegas (-€ 2,015 thousand). These decreases are attributable to water companies, linked to the effects of the transactions to dispose of non-performing receivables carried out during 2022. In particular, during the period Acea Ato2 receivables were assigned without recourse for a total of € 387,151 thousand, of which € 28,541 thousand due from the public administration, Acea Ato5 receivables for € 2,218 thousand and GORI receivables for € 14,444 thousand, of which € 6,680 thousand from the public administration.

Energy Infrastructure
These stand at € 126,653 thousand with a decrease of € 7,573 thousand compared to 31 December 2021, almost entirely attributable to areti. In 2022, areti receivables totalling € 395,763 thousand were transferred without recourse, € 264,486 thousand to the Public Administration.

Generation
These totalled € 21,612 thousand, up by € 2,343 thousand compared to 31 December 2021. The change refers mainly to Acea Produzione for € 1,343 thousand and to Ecogena for € 795 thousand.

Engineering and Services
These totalled € 7,682 thousand, a decrease of € 782 thousand compared to 31 December 2021, mainly due to SIMAM (+€ 3,874 thousand, only partially offset by TWS (+€ 2,644).

Parent Company
These totalled € 1,356 thousand, recording an increase of € 722 thousand compared to 31 December 2021.

Receivables due from the Parent Company Roma Capitale
As regards relations with Roma Capitale, the net balance at 31 December 2022 was € 1,714 thousand receivable for the Group (the payable balance at 31 December 2021 was € 32,177 thousand).

Trade and financial receivables recorded an overall increase of € 3,108 thousand compared to the previous year, mainly due to accrual in the period and collections. The main changes in the year are as follows:

- higher receivables for Acea Ato2 for the supply of water for € 51,292 thousand;
- higher receivables referable to the Public Lighting service for € 53,408 thousand;
- collection/offset of receivables of Public Lighting for € 56,516 thousand;

- collection/offset of receivables of Acea Ato2 for € 48,506 thousand.

Payables decreased by € 33,819 thousand compared to the previous year; the main changes during the period are as follows:
- higher payables due to the recognition of Acea stock dividends for 2021 for € 92,319 thousand;
- higher payables due to the recognition of the Acea Ato2 concession fee for 2022 for € 25,276 thousand;
- higher payables due to the recognition of Acea Ato2 stock dividends for 2021 for € 2,596 thousand;
- higher payables due to the recognition of the accrued portion for the Cosap debt of € 1,688 thousand;
- payment of Acea share dividends for 2019 and 2020 for a total of € 56,541 thousand;
- payment of Acea Ato2 concession fees for 2018, 2020 and 2021 for a total of € 35,246 thousand;
- payment of Acea Ato2 share dividends for 2020, totalling € 2,230 thousand;
- payment of the Acea Energia payable for electricity surcharges prior to 2012 totalling € 7,658 thousand;
- payment by areti of Cosap liabilities referring to 2017, 2018 and 2021 for a total of € 4,423 thousand;
- payment of areti payables for road expansion work "Protocollo di Via Tiburtina" for € 2,701 thousand;
- Acea paid Roma Capitale 50% of the 2021 dividends amount, equal to € 46,160 thousand;
- areti paid various municipalities the amounts due for road excavation permits for a total of € 14,868 thousand, as well as the Cosap payable for € 1,688 thousand;
- Acea Ato2 through offsetting paid share dividends for the year 2021 totalling € 2,596 thousand.

With specific reference to just offsetting operations during the year, summarised above, below are details on the main operations by month:
- April 2022: offsetting of receivables for € 3,636 thousand for works relating to the Public Lighting service, offsetting Acea's share dividends for 2019;
- May 2022: offsetting of receivables for € 7,424 thousand for fees for the last quarter of 2021 for Public Lighting, offsetting Acea's share dividends for 2019;
- July 2022: offsetting of receivables for € 16,043 thousand related to the supply service against the Acea Ato2 concession fee for 2021;
- July-August 2022: offsetting of receivables for € 15,335 thousand for fees for September 2021 and the first quarter of 2022 for Public Lighting, as well as works also associated with the Public Lighting services against Acea share dividends for 2019;
- September 2022: offsetting of receivables for € 4,830 thousand relating to the water supply service against Acea Ato2's share dividends for 2020 and 2021;
- September 2022: offsetting of receivables for € 9,096 thousand for fees for the current year for the Public Lighting Service, offsetting Acea's share dividends for 2019 and 2020;
- November 2022: offsetting of receivables for € 10,242 thousand for modernisation and extraordinary maintenance for 2021 for the Public Lighting grid offsetting Acea's share dividends for 2020;
- December 2022: offsetting of receivables for € 10,780 thousand for fees for the third quarter of 2022 for Public Lighting, offsetting Acea's share dividends for 2020;
- December 2022: collection by Acea Ato2 of receivables for € 8,427 thousand for water supply services.

Note that on 2 January 2023, Acea Ato2 paid the balance of the payable for the concession fee for the year 2021 (€ 2,283 thousand) and a portion of the payable for the concession fee for 2022, for € 6,144 thousand.

Recall that as part of the activities required for the first consolidation of the Acea Group in the 2018 Financial Statements of Roma Capitale, a round table was launched to reconcile the Roma Capitale receivables and payables. The Group companies chiefly concerned are Acea and Acea Ato2. After several meetings and communications, on 22 February 2019 the Technical Department of the Municipality (SIMU) in charge of the management of the contracts with the Acea Group communicated several objections relating to the supply of both works and services for the period 2008-2018. These objections were completely rejected by the Group. In order to arrive at a complete resolution of the differences, during 2019 a specific Joint Technical Committee was set up with the Acea Group. Following several meetings, on 18 October 2019, the Joint Technical Committee drew up a report on the closure of the work, highlighting the results that emerged and proposing a favourable restart of the ordinary execution of the mutual obligations between the Acea Group and Roma Capitale. As a first step after the completion of the work, the parties took steps to implement the results that emerged from the discussions, restarting the payment of their respective receivables and payables.
For the Public Lighting contract at the end of 2020 the AGCM made its position clear regarding the legitimacy of the existing contract, to this day a source of audits, works and joint investigation. Among other things, the measure also gave rise to audits on the congruity of the prices applied. In February 2021, following the aforesaid feedback and works, Roma Capitale confirmed the absolute congruity and convenience of the current economic terms with respect to the CONSIP parameters. Hence, again in 2021, while awaiting the conclusion and finalisation of these aspects,

Acea continued to provide the Public Lighting service. The service has therefore been invoiced and has partly already been paid by Roma Capitale, as seen in the data below:
- in 2020 at total of € 33,300 thousand of receivables referred to the aforementioned report were settled in the Group;
- during 2021 a new Public Lighting Technical Panel comprising Acea and Roma Capitale was set up with the intention of continuing the resolution of issues preventing the liquidation of receivables. As a result this work, Roma Capitale paid Acea the Public Lighting receivables for € 75,300 thousand through offsets;
- during 2022, settlement activities with Roma Capitale continued. Note that the Municipality liquidated receivables with Acea, again through offsetting, for a total of € 56,500 thousand, of which € 17,400 thousand relative to receivables already recognised in previous years.

Note that on 11 August 2022, the City Executive Committee with resolution no. 312 entitled "Public and artistic-monumental public lighting service on the entire municipal territory – Concessionaire: Acea SpA – Recognition of the perimeter of the payable situation and launch of the consequent procedures" recognised the perimeter of the Administration's payables to Acea/areti in relation to the Public Lighting service as of 31 December 2021.

This resolution was published on the institutional website of Roma Capitale on 30 August 2022 and with reference to the same, dialogue is still in progress with Roma Capitale.

With reference to the Technical Panel for water use receivables for Acea Ato2, in December 2021 the Parties signed a Technical Report intended to overcome the issues and disputes which have been discussed since 2018, as also indicated in the Notes to the Financial Statements for previous years.
As of the reporting date of these financial statements, Roma Capitale still needs to liquidate most of the receivables underlying the Technical Report.

Note that in September 2022 the Consolidated Financial Statements of Roma Capitale as at 31 December 2021 were approved.

The following table presents an analysis of receivables and payables, including those of a financial nature, between Acea Group and Roma Capitale, as regards both net credit exposure and debt exposure, including financial items.

Receivables due from Roma Capitale € thousand	**31/12/2022 (A)**	**31/12/2021 (B)**	**Change (A – B)**
Utility receivables	32,936	30,427	2,509
Provisions for impairment	(1,747)	(1,749)	2
Total receivables from users	**31,189**	**28,678**	**2,511**
Receivables for water works and services	3,804	2,325	1,479
Receivables for water works and services to be invoiced	574	1,971	(1,397)
Provisions for impairment	(2,191)	(2,191)	0
Receivables for electrical works and services	4,360	3,990	370
Receivables works and services - to be billed	242	25	217
Provisions for impairment	(326)	(326)	0
Total receivables for works	**6,463**	**5,793**	**670**
Total trade receivables	**37,652**	**34,472**	**3,180**
Financial receivables for Public Lighting services billed	135,127	117,133	17,994
Provisions for impairment	(57,994)	(30,152)	(27,842)
Financial receivables for Public Lighting services to be billed	36,274	48,981	(12,707)
Provisions for impairment	(5,380)	(28,298)	22,918
M/L term financial receivables for Public Lighting services	4,815	8,286	(3,471)
Total Public Lighting receivables	**112,842**	**115,949**	**(3,108)**
Total Receivables	**150,494**	**150,421**	**73**

Payables due to Roma Capitale € thousand	**31/12/2022**	**31/12/2021**	**Change**
Electricity surtax payable	(5,495)	(13,153)	7,658
Concession fees payable	(27,559)	(37,533)	9,974
Other payables	(9,784)	(13,463)	3,679
Dividend payables	(105,942)	(118,450)	12,508
Total payables	**(148,779)**	**(182,598)**	**33,819**
Net balance receivables payables	**1,714**	**(32,177)**	**33,892**

Receivables from Subsidiaries and Associates

€ thousand	**31/12/2022**	**31/12/2021**	**Change**	**% change**
Receivables from associates	2,721	1,542	1,179	76.5%
Receivables from jointly controlled entities	10,973	8,659	2,314	26.7%
Receivables from subsidiaries and associates	**13,694**	**10,201**	**3,493**	**34.2%**

Trade receivables from jointly-controlled companies mainly refer to receivables from companies consolidated using the equity method. These receivables total € 13,694 thousand and increased by € 3,493 thousand, partially due to the change in the scope (+€ 1,531 thousand).

27. Other current assets - € 458,780 thousand

€ thousand	31/12/2022	31/12/2021	Change	% change
Receivables from others	343,117	292,288	50,830	17.4%
Accrued income and prepaid expenses	34,364	23,847	10,516	44.1%
Payables arising from commodity derivatives	81,298	71,678	9,621	13.4%
Other current assets	**458,780**	**387,813**	**70,967**	**18.3%**

Receivables from others

These amounted to a total of € 343,117 thousand and were made up as follows:

€ thousand	31/12/2022	31/12/2021	Change	% change
Receivables due from the Equalisation Fund	53,117	95,887	(42,770)	(44.6%)
Receivables from Equalisation Fund for tariff Contribution from cancellation	5,300	6,667	(1,367)	(20.5%)
Other receivables from Equalisation fund	14,274	6,451	7,823	121.3%
Regional grants receivable	2,514	2,514	0	0
Receivables from Equitalia	122	122	0	0
Security deposits	5,032	3,803	1,229	32.3%
Receivables from social security institutions	3,180	3,134	46	1.5%
Receivables from individual transfers	2,584	2,190	394	18.0%
Suppliers' advances	20,877	9,625	11,253	116.9%
Receivables due from Municipalities	11,519	10,813	705	6.5%
Receivables from Factor from the sale	(825)	(840)	15	(1.8%)
Receivables for accrued Green Certificates	6,137	6,975	(838)	(12.0%)
Receivables from OTAAs	6,740	5,058	1,682	33.3%
Receivables from staff	55	49	7	13.3%
Receivables due to the transferee Area Laurentina	0	6,446	(6,446)	(100.0%)
Receivables for advances to employees	822	616	207	33.6%
Other tax receivables	89,804	36,177	53,627	148.2%
Other receivables	121,864	96,602	25,262	26.2%
Receivables from others	**343,117**	**292,288**	**50,830**	**17.4%**

The increase of € 55,104 thousand derives **i)** from the change in scope for € 8,227 thousand, mainly due to the consolidation of ASM Terni (+€ 4,947 thousand, Sf Island (+€ 1,733 thousand) and S.E.R. Plast (+€ 1,475 thousand); **ii)** the increase in other tax receivables (+€ 53,627 thousand) mainly relative to greater VAT payments made by the parent company for € 15,330 thousand and greater tax receivables for Umbria Energy (+€ 14,183 thousand), Acea Energia (+€ 6,544 thousand) and Acea Innovation (+€ 5,009 thousand); **iii)** the increase in other receivables for € 25,262 thousand, mainly due to Acea Ato2, relative to the contractual quality bonus for the years 2018 and 2019 and tariff adjustments for years 2018-2022 that will be invoiced starting in 2024; to areti for € 8,172 thousand in part due to the effect of the electric Social Bonus, established and governed by the Authority, which led to the recognition of a receivable from the Equalisation Fund (Cassa Conguaglio) for energy and environmental services for the CCE and CCF components; to Adistribuzionegas for € 9,432 thousand; **iv)** greater receivables from the Equalisation Fund mainly associated with areti (+€ 4,220 thousand) and **v)** greater advances to suppliers paid by Acea Innovation for € 11,030 thousand deriving from the start of energy efficiency activities. The increase was partially offset by the **i)** lower receivable due to Acea Energia from the Cassa per Servizi Energetici (- € 52,403 thousand) due to the adjustment of amounts due for the 2021 and determination of amounts due for 2022 **ii)** collection of the receivable due form Milano '90 for the via Laurentina area from the third party garnishee. For more information please see the disclosure on the main legal disputes.

Accrued income and prepaid expenses

These amounted to € 34,364 thousand (€ 23,847 thousand at 31 December 2021) and refer mainly to rent on public land, lease payments and insurance, as well as the portion of user licences accruing to subsequent years and IT infrastructure maintenance fees.

Active derivative instruments on commodities
Active derivative instruments on commodities represent the valuation of hedging derivatives on commodities, entirely referring entirely to Acea Energia and amounting to € 81,298 thousand, up on the € 9,621 thousand at 31 December 2021 due to the change in the fair value measurement at the end of the period in question and the change in the quantities hedged. For these transactions classified as cash flow hedges, changes in fair value were recognised, limited only to the effective portion, in a specific equity reserve called "cash flow hedge reserve" through the statement of comprehensive income. There were no changes in fair value referable to the ineffective portion to be recognised in the income statement.
We note that among the "Other current liabilities" the item "Current derivative instruments" is recognised for € 1,572 thousand.

28. Current tax assets – € 26,296 thousand

These amounted to € 26,296 thousand (€ 24,183 thousand at 31 December 2021) and include IRAP and IRES receivables.

29. Current financial assets – € 342,085 thousand

€ thousand	31/12/2022	31/12/2021	Change	% change
Financial receivables from the Parent Company Roma Capitale	108,026	107,664	363	0.3%
Financial receivables from jointly controlled subsidiaries and associates	12,502	2,568	9,934	n.s.
Financial receivables from third parties	218,891	295,412	(76,522)	(25.9%)
Securities	2,667	2,300	367	15.9%
Current financial assets	**342,085**	**407,944**	**(65,858)**	**(16.1%)**

Financial receivables from the Parent Company Roma Capitale
These totalled € 108,026 thousand, up by € 363 thousand compared to 31 December 2021. They represent the unconditional right to receive cash flows in line with the methods and timing envisaged in the service agreement for public lighting management. Further details are provided in the note "*Receivables due from the Parent Company Roma Capitale*".

Financial receivables from jointly controlled subsidiaries and associates
These amounted to € 12,502 thousand and increased by € 9,934 thousand compared to 31 December 2021, mainly due to the residual credit to AE Sun Capital being recognised with Acea Produzione for the sale in the context of the Energy Box operation (€ 9,963 thousand).

Financial receivables from third parties
These amounted to € 218,891 thousand (€ 295,412 thousand at 31 December 2021) and are made up of short-term deposit lines of the Parent Company for € 190,000 thousand (€ 270,000 at 31 December 2021).

30. Cash and cash equivalents – € 559,908 thousand

The balance at 31 December 2022 of bank current accounts and postal accounts, opened with the various banks and BancoPosta by the consolidated companies amounted to € 559,908 thousand. A breakdown and changes in this item by operating segment are shown in the table below:

€ thousand	31/12/2022	31/12/2021	Change	% change
Bank and postal deposits	541,481	666,245	(124,764)	(18.7%)
Cheques	9,614	6,421	3,193	49.7%
Cash and similar items of value on hand	8,813	8,154	659	8.1%
Cash and cash equivalents	**559,908**	**680,820**	**(120,912)**	**(17.8%)**

31. Non-current assets held for sale – € 19,076 thousand

At 31 December 2022, "Non-current assets held for sale" amounted to € 19,076 thousand (€ 168,425 thousand at 31 December 2021) and refer to the reclassification of assets destined for sale pursuant to IFRS5 in the context of the disposal of majority stakes relative to photovoltaic assets. For more information please see the paragraphs with the details.

LIABILITIES

At 31 December 2022 these amounted to € 8,583,290 thousand (€ 8,112,466 thousand at 31 December 2021), recording an increase of € 470,824 thousand (5.8%) over the previous year, and are broken down as follows:

€ thousand	31/12/2022	31/12/2021	Change	% change
Non-current liabilities	5,452,905	5,514,512	(61,607)	(1.1%)
Current liabilities	3,128,466	2,550,553	577,914	22.7%
Liabilities closely associated with assets held for sale	1,919	47,402	(45,483)	(96.0%)
Total liabilities	**8,583,290**	**8,112,466**	**470,824**	**5.8%**

32. Shareholders' equity – € 2,755,243 thousand

At 31 December 2022, shareholders' equity amounted to € 2,755,243 thousand (€ 2,516,420 thousand at 31 December 2021). Changes in shareholders' equity during the period are shown in the specific statement.

Share capital

This amounts to € 1,098,899 thousand, represented by 212,964,900 ordinary shares with a par value of € 5.16 each, as shown in the Shareholders' Register. The share capital is subscribed and paid-up in the following manner:

- **Roma Capitale: 108,611,150** ordinary shares for a total par value of € 560,434 thousand;
- **Market: 103,936,757** shares for a total par value of € 536,314 thousand;
- **Treasury shares: 416,993** for a total par value of € 2,151 thousand.

Legal reserve

The legal reserve includes 5% of the profits from previous years, in accordance with article 2430 of the Italian Civil Code, and it refers to the legal reserve of the parent company amounting to € 147,501 thousand.

Other reserves and retained earnings

At 31 December 2022, these amounted to € 765,143 thousand against € 573,114 thousand at 31 December 2021. In addition to the allocation of the previous year's result, the change of € 192,029 thousand derives mainly from: **i)** distribution of dividends of the parent company for € 180,666 thousand; **ii)** increase in cash flow hedges of financial instruments and commodities for € 49,579 thousand; **iii)** increase of € 3,905 thousand in actuarial gains and losses reserves; **iv)** increase in the exchange rate reserve for € 14,544 thousand.

At 31 December 2022 Acea held 416,993 treasury shares to be used for future medium/long-term incentive schemes. At this time there are no medium/long-term share-based payment schemes planned.

Third parties shareholders' equity

This amounted to € 463,975 thousand, an increase of € 71,526 thousand. The change between the two periods in question, in addition to the change in the portion of profits due to third parties, is mainly due to the change in the scope (+€ 43,834 thousand) mainly influenced by the consolidation of ASM Terni (+€ 38,526 thousand), allocations (+€ 4,720 thousand) based on the IFRS3 (please see the specific section for more information) and shareholder payments for Adistribuzionegas share capital increase (+€ 2,361 thousand). This increase was partially offset by the reduction deriving from exercising the option to purchase an additional 20% of Cavallari shares (-€ 3,894 thousand).

Non-current liabilities – € 5,452,905 thousand

€ thousand	31/12/2022	31/12/2021	Change	% change
Staff termination benefits and other defined benefit plans	112,989	120,150	(7,162)	(6.0%)
Provisions for risks and charges	218,025	193,318	24,706	12.8%
Borrowings and financial liabilities	4,722,263	4,791,979	(69,716)	(1.5%)
Other non-current liabilities	399,628	409,064	(9,435)	(2.3%)
Non-current liabilities	**5,452,905**	**5,514,512**	**(61,607)**	**(1.1%)**

33. Employee severance indemnity and other defined benefit plans – € 112,989 thousand

At 31 December 2022, this item amounted to € 112,989 thousand (€ 120,150 thousand as at 31 December 2021) and represents termination and other benefits payable to employees on retirement or termination of employment.
The following table shows the change in actuarial liabilities during the period.

€ thousand	31/12/2022	31/12/2021	Change	% change
- Employee severance indemnities (TFR)	56,624	62,262	(5,637)	(9.1%)
- Pegaso Fund	45	51	(6)	(11.9%)
Employee severance indemnity	**56,669**	**62,313**	**(5,644)**	**(9.1%)**
- Extra months	6,679	8,989	(2,310)	(25.7%)
Extra months	**6,679**	**8,989**	**(2,310)**	**(25.7%)**
- LTIP plans	1,736	858	877	102.2%
Long-Term Incentive Plans (LTIP)	**1,736**	**858**	**877**	**102.2%**
Benefits due at the time of termination of employment	**65,084**	**72,160**	**(7,077)**	**(9.8%)**
- Employees tariff subsidy	5,287	6,895	(1,608)	(23.3%)
- Managers tariff subsidy	152	163	(11)	(6.9%)
- Pensioners tariff subsidy	18,715	14,526	4,189	28.8%
Tariff subsidies	**24,154**	**21,584**	**2,570**	**11.9%**
Post-employment benefits	**24,154**	**21,584**	**2,570**	**11.9%**
- Isopensione fund	23,751	26,406	(2,655)	(10.1%)
Isopensione (early retirement)	**23,751**	**26,406**	**(2,655)**	**(10.1%)**
Staff termination benefits and other defined benefit plans	**112,989**	**120,150**	**(7,162)**	**(6.0%)**

In addition to the provision which, pursuant to the revised legislation on Termination Benefits, consists of the employee termination benefits accrued until 31 December 2006, the change reflects the revised discount rate used for the valuation according to IAS 19.
As required by paragraph 78 of IAS 19, the interest rate used to calculate the present value of the obligation was based on returns, at the end of the reporting period, on securities of major companies listed on the same financial market as Acea, and on returns on government bonds in circulation at the same date that have terms to maturity similar to the residual term of the liability for the workforce in question.

As regards the economic and financial scenario, the following table shows the main parameters used for the evaluation.

	31/12/2022	31/12/2021
Discount rate	4.0%	1.0 %
Revenue growth rate (average)	3.0%	1.6 %
Long-term inflation	3.0%	1.0%

With regard to the measurement of the Group Employee Benefits (Employee severance indemnity (TFR), Monthly bonuses, tariff subsidies for current and retired staff) a sensitivity analysis was performed to assess the changes in the liability resulting from both positive and negative shifts of the rate curve (+0.5% shift /-0.5% shift). The results of this analysis are summarised below.

	Discount Rate	
Type of plan - € million	**+0.5%**	**-0.5%**
Employee severance indemnities (TFR)	(1.9)	3.5
Tariff subsidies	(0.1)	0.1
Extra months	(0.0)	0.0
LTIP	(0.0)	0.0

Furthermore, a sensitivity analysis was performed related to the age of the group, hypothesizing a group one year younger than the actual one. Sensitivity analyses were not performed for other variables such as, for example, inflation rate.

Type of plan - € million	**-1 year of age**
Employee severance indemnities (TFR)	1.4
Tariff subsidies	(0.1)
Extra months	0.5

34. Provisions for risks and charges – € 218,025 thousand

At 31 December 2022, the provision for risks and charges amounted to € 218,025 thousand (€ 193,318 thousand at 31 December 2021) and is allocated to hedge among other things probable liabilities that may derive from ongoing legal disputes, on the basis of what is stated by internal and external lawyers, without considering those that could be successful and those that could be lost being assessed exclusively as possible.

When calculating the size of the provisions, account is taken both of the estimated costs that may derive from litigation or other disputes arising during the year and an update of estimates of the potential liabilities deriving from the litigation involving the Company in previous years.

The following table shows a breakdown of provisions and movements in the period:

€ million	31/12/2021	Uses	Provisions	Release for excess provisions	Reclassifications/Other changes	31/12/2022
Legal	16,319	(3,162)	2,975	(1,130)	(427)	14,575
Taxes	7,255	(796)	409	(1,132)	0	5,738
Regulatory risks	30,961	(1,806)	4,995	(2,600)	0	31,550
Investees	7,490	0	0	0	677	8,167
Contributory risks	1,117	(130)	555	(16)	2	1,528
Insurance deductibles	10,863	(2,156)	2,174	0	0	10,881
Other risks and charges	26,075	(3,110)	7,326	(3,266)	979	28,004
Total provision for risks	**100,080**	**(11,160)**	**18,435**	**(8,144)**	**1,231**	**100,443**
Early retirements and redundancies	27,493	(19,677)	20,206	0	16	28,038
Post mortem	53,149	(477)	288	0	15,308	68,267
Provision for expenses payable to others	12,596	(4,674)	631	(224)	12,947	21,277
Total provisions for expenses	**93,238**	**(24,827)**	**21,125**	**(224)**	**28,270**	**117,582**
Total provisions for risks and charges	**193,318**	**(35,987)**	**39,559**	**(8,367)**	**29,502**	**218,025**

The increase with respect to the previous year is mainly due to consolidation of ASM Terni and the recognition of post mortem provisions for Deco and Ecologico Sangro and in Acea Ambiente for the acquisition of the former Polo Cirsu business unit. Provisioning during the period mainly refers to provisions for redundancies and mobility (€ 20,206 thousand), provisioning for regulatory risks (€ 4,995 thousand), mainly for higher fees for the derivation of water for hydroelectric use coming from the Sangro, Aventino and Verde rivers to serve the S. Angelo Power Plant, requested from the Abruzzo Region for 2014-2021 and extra BIM (Bacino Imbrifero Montani) fees for the Nera and Aniene rivers (€ 3,296 thousand), in Acea Produzione, as well as provisioning for other risks (€ 7,326 thousand), mainly for Areti and associated with penalties, reserves for tenders, investigation rights for IP licenses and ARERA resolution 604/2021 (€ 4,700 thousand).

Acea considers that the settlement of ongoing disputes and other potential disputes should not create any additional charges for Group companies, with respect to the amounts set aside, which represent the best estimate possible on the basis of elements available as of today.

For further information please refer to the section “Update on major disputes and litigation”.

35. Non-current borrowings and financial liabilities – € 4,722,263 thousand

€ thousand	31/12/2022	31/12/2021	Change	% change
Bonds	3,834,453	4,141,952	(307,500)	(7.4%)
Medium/long-term borrowings	814,422	610,298	204,125	33.4%
IFRS16 financial payables	73,388	39,729	33,659	84.7%
Borrowings and financial liabilities	**4,722,263**	**4,791,979**	**(69,716)**	**(1.5%)**

The figures in the table include the fair value, at 31 December 2022, of hedging instruments entered into and certain Group companies which are shown separately from the hedged instrument in the table below.

€ thousand	Hedged instrument	Derivative fair value	31/12/2022	Hedged instrument	Derivative fair value	31/12/2021
Bonds	3,816,438	18,015	3,834,453	4,120,169	21,783	4,141,952
Medium/long-term borrowings	814,422	0	814,422	608,398	1,900	610,298
Non-current borrowings and financial liabilities	**4,630,860**	**18,015**	**4,648,875**	**4,728,566**	**23,683**	**4,752,250**

Medium and long-term bonds

Bonds amounted to € 3,834,453 thousand at 31 December 2022 (€ 4,141,952 thousand at 31 December 2021) and refer to the following:

- **€ 599,513 thousand** (including the long-term portion of contract related costs) relating to the 10-year fixed rate bond issued by Acea in July 2014 as part of the Euro Medium Term Notes (EMTN) programme. The bonds, which have a minimum denomination of € 100,000 and expire on 15 July 2024, pay an annual gross coupon of 2.625% and were placed at an issue price of 99.195%. The effective gross yield at maturity is equal to 2.718%, corresponding to a yield of 128 basis points above the 10-year midswap rate. The bonds are governed by English law. The settlement date was 15 July 2014. Interest accrued during the period amounted to € 15,750 thousand;
- **€ 496,944 thousand** (including the long-term portion of costs attached to the contract) relating to the 10-year fixed-rate bond issued for a total of € 500,000 thousand issued by Acea in October 2016 under the EMTN programme. The bonds, which have a minimum denomination of € 100,000.00 and expire on 24 October 2026, pay an annual gross coupon of 1% and were placed at an issue price of 98.377%. The bonds are governed by English law. The settlement date was 24 October 2016. Interest accrued during the period amounted to € 5,000 thousand;
- € 142,416 thousand relating to the Private Placement which, net of the Fair Value of the hedge, a negative € 18,015 thousand, amounted to **€ 160,430 thousand**. This fair value is allocated to a specific equity reserve. A suitable exchange reserve includes the exchange rate difference, a negative € 22,713 thousand, of the hedged instrument calculated on 31 December 2022. The exchange rate at 30 December 2022 amounted to € 140.41 against € 130.90 at 31 December 2021. Interest accrued during the period amounted to € 3,633 thousand. This is a private bond (Private Placement) for an amount of 20 billion Japanese Yen with a maturity of 15 years (2025). The Private Placement was underwritten entirely by a single investor (AFLAC). Coupons are paid on a semi-annual basis every 3 March and 3 September applying a fixed rate in Yen of 2.5%. At the same time, a cross currency transaction was carried out to transform the Yen currency into Euro and the Yen rate applied into a fixed rate in Euro. The cross-currency transaction requires the bank to pay Acea, with a deferred semi-annual maturity, 2.5% out of 20 billion Japanese Yen, while Acea must pay the bank the coupons on a quarterly postponed basis at a fixed rate of 5.025%. The loan agreement and the hedging contract contain an option, respectively, for the investor and the agent bank, connected to the trigger rating: the debt and its derivative can be recalled in their entirety in the event that Acea's rating falls below the level of investment grade or in the event that the debt instrument loses its rating. At the end of the year the conditions for the possible exercise of the option did not occur;
- **€ 693,953 thousand** (including the long-term portion of costs associated with the contract), relating to the 9.5-year fixed rate (1.5%) bond issued by Acea on 1 February 2018 under the EMTN programme. Interest accrued during the period amounted to € 10,500 thousand;
- **€ 495,905 thousand** (including the long-term portion of costs associated with the contract), relating to the 9.5-year fixed rate (1.75%) bond issued by Acea on 23 May 2019 under the EMTN programme. Interest accrued during the period amounted to € 8,750 thousand;
- **€ 496,597 thousand** (including the long-term portion of costs associated with the contract) relating to the 9-year 0.50% rate bond issued by Acea on 29 January 2020 under the EMTN programme. Interest accrued during the period amounted to € 2,500 thousand;
- **€ 299,770 thousand** (including the long-term portion of costs associated with the conclusion) related to the newly issued Green Bond maturing on 28 September 2025, with an interest rate of 0%;
- **€ 591,339 thousand** (including the long-term portion of costs associated with the contract) relative to the newly issued Green Bond maturing on 28 July 2030 with an interest rate of 0.25%. Interest accrued during the period amounted to € 1,500 thousand.

The decrease compared to 31 December 2021 refers for € 299,975 thousand (including the long-term portion of the costs associated with the conclusion) relating to the reclassification into the short-term position of the bond loan on 1 February 2018 with a maturity of 5 years at a variable rate (Euribor 3 months + 0.37%) under the EMTN programme. Interest accrued during the period amounted to € 1,436 thousand.

The following is a summary of the bonds, including the short-term portion:

€ thousand	Gross Payables *	FV hedging instrument	Interest accrued **	Total
Bonds:				
Issued in 2014	598,588.5	0.0	7,335.6	605,924
Private Placement issued in 2014	142,396.0	18,014.8	609.8	161,021
Issued in 2016	495,885.4	0.0	945.2	496,831
Issued in 2018	992,242.5	0.0	6,902.1	999,145
Issued in 2019	495,013.5	0.0	5,345.9	500,359
Issued in 2020	495,960.4	0.0	1,849.3	497,810
Issued in 2021	889,684.0	0.0	645.2	890,329
Total	**4,109,770.2**	**18,014.8**	**23,633.2**	**4,151,418**

* Including amortised cost.
** Including deferrals on hedging instruments.

Medium/long–term borrowings (including short-term portions)
These amounted to € 951,468 thousand (€ 705,968 thousand at 31 December 2021) and can be broken down as follows: **i)** payable for capital portions of instalments coming due within the year for € 137,046 thousand (€ 95,671 thousand at 31 December 2021); **ii)** the portions relative to the same loans expiring after the year for € 814,422 thousand (at 31 December 2021 these were € 610,298 thousand).
The increase, which refers to the parent company for € 211,385 thousand, is relative for € 250,000 thousand to the disbursement of the loan obtained from the European Investment Bank in 2020.
The following table shows medium/long–term borrowings by maturity and type of interest rate:

€ thousand	31/12/2022	By 31/12/2023	From 31/12/2023 to 31/12/2027	After 31/12/2027
Bonds:				
- fixed rate	292,609	32,571	149,656	110,382
- floating rate	460,956	92,250	171,635	197,071
- floating rate cash flow hedge	197,903	12,225	116,304	69,374
Total	**951,468**	**137,046**	**437,595**	**376,827**

The **fair value** of GORI hedging derivatives was a positive € 6,579 thousand (it was a negative € 100 thousand at 31 December 2021); the fair value of Acquedotto del Fiora hedging derivatives was a positive € 5,462 thousand (at 31 December 2021 it was a negative € 1,900 thousand), and that of SII was a positive € 1,643 thousand. Positive fair values are found under "Non-current financial assets" and hence at 31 December 2022 are not considered in the balance of correlated loans.

The Group's main medium/long–term borrowings are subject to covenants to be complied with by the borrowing companies in accordance with normal international practices.
In particular, the loan taken out by areti is subject to a financial covenant. On this point we can note that while awaiting the formalisation of the correct and updated interpretation of the method of calculating the financial parameter, Acea and Cassa Depositi e Prestiti agreed, in a Letter of Consent signed on 18 February 2022, to change, limited to the Company and not to the Consolidation, the threshold value of the same going from 0.65 to 0.75, with effect starting from the financial statements at 31 December 2021 and until expiry of the loan contract.

The loan agreements entered into by the Parent Company envisage:
- standard Negative Pledge and Acceleration Events clauses;
- clauses requiring compulsory credit rating monitoring by at least two major agencies;
- clauses requiring the company to maintain a credit rating above certain levels;
- the obligation to arrange insurance cover and maintain ownership, possession and usage of the works, plant and machinery financed by the loan through to the maturity date;
- periodic reporting requirements;
- clauses giving lenders the right to call in the loans on the occurrence of a certain event (i.e. serious errors in the documentation provided when negotiating the agreement, default on repayments, the suspension of payments, etc.), giving the bank the right to call in all or a part of the loan.

During the year there was no evidence that any of the covenants had not been complied with.

The table below shows the fair value of borrowings broken down by type of loan and interest rate as at 31 December 2022. The fair value of medium and long-term debt is calculated on the basis of the risk-free and the risk-adjusted interest rate curves. As regards the type of hedge for which the fair value is calculated and with reference to the hierarchies required by the IASB, given that they are composite instruments, they are categorised as level 2 in the fair value hierarchy.

Loans € thousand	Amortised cost (A)	Risk-less FV (B)	Delta (A – B)	Risk adjusted FV (C)	Delta (A – C)
Bonds	**4,151,418**	**3,829,231**	**322,187**	**3,729,684**	**421,735**
- fixed rate	292,609	298,315	3,295	278,563	14,046
- floating rate	460,956	456,889	4,068	441,686	19,270
- floating rate cash flow hedge	197,903	203,445	(5,542)	198,444	(542)
Total	**5,102,886**	**4,778,879**	**324,007**	**4,648,377**	**454,510**

IFRS16 financial payables

This item includes the long-term portion of the financial payable deriving from the impact of IFRS16 amounting to € 73,388 thousand, of which the short-term portion amounts to € 16,507 thousand. The cash flows the Group is potentially exposed to are shown below, broken down by maturity date:

€ thousand	Within 12 months	Within 24 months	Within 5 years	After 5 years	Total
IFRS16 liabilities	16,507	10,874	19,257	43,257	**89,895**

It should be noted that the debt is discounted using a risk-free rate with a maturity equal to the residual duration for each contract, plus the credit spread assigned to Acea by Moody's.

36. Other non-current liabilities – € 399,628 thousand

€ thousand	31/12/2022	31/12/2021	Change	% change
Advances received	160,550	167,342	(6,792)	(4.1%)
Water and electrical connection fees	47,895	46,397	1,498	3.2%
Capital grants	147,465	152,646	(5,181)	(3.4%)
Accrued expenses and deferred income	43,718	42,678	1,040	2.4%
Other non-current liabilities	**399,628**	**409,064**	**(9,435)**	**(2.3%)**

Advances from end users and customers

The item advances includes: **i)** the amount of the security deposits and consumption advances of the water companies and **ii)** the amount of the deposits concerning the liabilities for advances on electricity consumption paid by the customers of the standard market and interest-bearing under the conditions envisaged by the rules of the ARERA (resolution no. 204/99).

€ thousand	31/12/2022	31/12/2021	Change	% change
Advances from users	6,007	9,277	(3,270)	(35.2%)
User guarantee deposits	139,266	147,040	(7,774)	(5.3%)
Advances from other customers	15,278	11,025	4,252	38.6%
Advances received	**160,550**	**167,342**	**(6,792)**	**(4.1%)**

Capital grants and water connection fees

Water connection contributions amounted to €47,895 thousand (€ 46,397 thousand at 31 December 2021), while plant contributions amounted to € 147,465 thousand (€ 152,646 thousand at 31 December 2021).

These payments on behalf of plants registered in the liabilities annually are attributed by share to the profit and loss account in relation to the duration of the investment to which the issuance of the contribution is connected. The amount recognised as income is determined on the basis of the useful life of the asset to which it refers.

Current liabilities – € 3,128,466 thousand

€ thousand	31/12/2022	31/12/2021	Change	% change
Borrowings	619,418	285,222	334,196	117.2%
Payables to suppliers	1,849,980	1,683,563	166,417	9.9%
Tax payables	26,810	18,962	7,847	41.4%
Other current liabilities	632,259	562,806	69,453	12.3%
Current liabilities	**3,128,466**	**2,550,553**	**577,914**	**22.7%**

37. Financial payables – € 619,418 thousand

€ thousand	31/12/2022	31/12/2021	Change	% change
Payables to banks for short-term credit lines	8,008	4,800	3,207	66.8%
Payables to banks for loans	137,046	95,671	41,375	43.2%
Short-term bonds	316,965	15,945	301,020	n.s.
Payables to the controlling shareholder Municipality of Rome	108,466	120,137	(11,670)	(9.7%)
Payables to subsidiaries and associates	68	13	55	n.s.
Payables to third parties	32,358	34,691	(2,333)	(6.7%)
IFRS16 financial payables within one year	16,507	13,965	2,541	18.2%
Borrowings	**619,418**	**285,222**	**334,196**	**117.2%**

Payables to banks for short-term credit lines
These amounted to € € 8,008 thousand (€ 4,800 thousand at 31 December 2021), showing an increase of € 3,207 thousand, mainly attributable to the change in the scope of consolidation (+€ 4,872 thousand).

Payables to banks for loans
These amounted to € 137,046 thousand (€ 95,671 thousand at 31 December 2021), and refer to the current portion of bank loans falling due within twelve months. The change of € 41,375 thousand is in part due to the change in scope (+€ 5,125 thousand), with the remaining portion due to Adistribuzionegas (+€ 32,830 thousand) in relation to the loan taken out to acquire the Romeo Gas business unit.

Short-term bonds
These amounted to € 316,965 thousand (€ 15,945 thousand at 31 December 2021). The increase in short-term bonds is due to reclassification into the short-term position of the 5-year bond issued by Acea under the Euro Medium Term Notes (EMTN) programme on 1 February 2018, which matures at the beginning of February 2023.

Payables to the controlling shareholder Municipality of Rome
These amounted to € 108,466 thousand (€ 120,137 thousand at 31 December 2021) and recorded a decrease of € 11,670, resulting from the combined effect of the resolution of the Parent Company's dividends, offset by the payment/collection of dividends during the period.

Payables to subsidiaries and associates
These amounted to € 68 thousand and increased by € 55 thousand, compared to 31 December 2021.

Payables to third parties
These amounted to € 32,358 thousand (€ 34,691 thousand at 31 December 2021). The item can be represented as follows:

€ thousand	31/12/2022	31/12/2021	Change	% change
Dividends payable to shareholders	939	330	609	184.7%
Financial payables due to factoring	22,536	27,586	(5,050)	(18.3%)
Other financial payables	8,882	6,775	2,107	31.1%
Payables to third parties	**32,358**	**34,691**	**(2,333)**	**(6.7%)**

IFRS16 financial payables within one year
These payables, totalling € 16,507 thousand (€ 13,965 thousand at 31 December 2021), represent the short-term portion of the financial debt at 31 December 2022 recorded following the application of the IFRS16 international standard. For additional information refer to note 35.

38. Trade payables – € 1,849,980 thousand

€ thousand	31/12/2022	31/12/2021	Change	% change
Payables to suppliers	1,802,577	1,614,938	187,638	11.6%
Payables to the parent company	40,313	62,462	(22,149)	(35.5%)
Payables to subsidiaries and associates	7,090	6,163	927	15.0%
Payables to suppliers	**1,849,980**	**1,683,563**	**166,417**	**9.9%**

Payables to suppliers

Payables to suppliers amounted to € 1,802,577 thousand. The decrease of € 187,638 thousand is in part due to the change in the scope of consolidation (+€ 48,115 thousand) with the remaining portion mainly attributable to Acea Energia (+€ 42,936 thousand) mainly due to the increase in energy and gas prices, as well as an increase in volumes acquired, and to Acea Ato2 (+€ 36,320 thousand) and Acea Innovation (+€ 22,752 thousand) in relation to the increase in smart services.

The Group has entered into factoring agreements, typically in the reverse factoring technical form. On the basis of the contractual structures in place the supplier has an option sell, at its discretion, the receivables from the company to a lending bank. In some cases, the payment deadline set in the invoice is further deferred by agreement between the supplier and the Group; these delays are granted against payment of a fee.

If the payment has been deferred, a quantitative analysis is performed aimed at verifying whether the change of contractual terms is material; this is made through a quantitative test in accordance with the provisions of IAS 39 AG62. In this context, the relationships for which the primary obligation with the supplier is maintained and the deferral of the payment deadline, if granted, does not involve a substantial change in payment terms, retain their nature and are therefore classified as trade payables.

Trade payables due to the Parent Company Roma Capitale

These amounted to € 40,313 thousand (€ 62,462 thousand at 31 December 2021) and are commented on with the trade receivables in paragraph 26 of these Notes.

Trade payables due to subsidiaries and associates

Trade payables to subsidiaries and associates amounted to € 7,090 thousand (€ 6,163 thousand at 31 December 2021) and include payables to companies consolidated using the equity method. The increase is due to the change in scope following the consolidation of ASM Terni.

39. Tax payables – € 26,810 thousand

These amounted to € 26,810 thousand (€ 18,962 thousand at 31 December 2021) and include the IRAP and IRES tax payable. The increase is due to the payable for extraordinary solidarity contributions pursuant to article 37 of Decree Law 21/2022 not yet paid (€ 18,366 thousand) partially offset by lower IRES and IRAP payables (-€ 10,519 thousand).

40. Other current liabilities – € 632,259 thousand

These are equal to € 632,259 thousand and are represented as follows:

€ thousand	31/12/2022	31/12/2021	Change	% change
Payables to social security institutions	32,112	28,519	3,593	12.6%
Accrued expenses and deferred income	83,846	58,421	25,426	43.5%
Other current liabilities	514,729	431,313	83,416	19.3%
Payables from commodity derivatives	1,572	44,553	(42,981)	(96.5%)
Other current liabilities	**632,259**	**562,806**	**69,453**	**12.3%**

Payables to social security institutions

These amounted to € 32,112 thousand and increased by € 3,593 thousand compared to 31 December 2021, influenced in large part by the change in the scope of consolidation (+€ 1,577 thousand).

Accrued expenses and deferred income

This item amounted to € 83,846 thousand (€ 58,421 thousand at 31 December 2021). The change in the scope contributed to this increase for € 3,091 thousand.

Other current liabilities

These amounted to € 514,729 thousand, an increase of € 83,416 thousand compared to 31 December 2021. The entry is made up as follows:

€ thousand	31/12/2022	31/12/2021	Change	% change
Payables to Equalisation Fund	84,520	78,521	5,999	7.6%
Payables to Municipalities for concession fees	64,740	63,223	1,516	2.4%
Payables for collections subject to verification	20,385	21,464	(1,079)	(5.0%)
Payables due to personnel	56,561	52,662	3,898	7.4%
Other payables to Municipalities	32,941	28,004	4,937	17.6%
Payables to Equitalia	2,095	2,098	(2)	(0.1%)
Welfare contribution payables	119	961	(842)	(87.7%)
Payables for environmental premium art. 10 of ATI4 agreement of 13/08/2007	677	496	181	36.6%
Payables to end users for refund of Tariff Component as per referendum outcome	14	14	0	0.1%
Other tax payables	64,307	84,184	(19,878)	(23.6%)
Other payables	188,371	99,686	88,685	89.0%
Other current liabilities	**514,729**	**431,313**	**83,416**	**19.3%**

The increase of € 83,416 thousand is due to the change in the scope for € 37,375 thousand and also the recognition by Acea Produzione of the payable due to GSE for the Supports Ter Decree (+€ 22,325 thousand).

Payables from commodity derivatives

Passive derivatives on commodities represent the valuation of derivatives hedging commodities and refer entirely to Acea Energia. For more information please see note 27.

41. Liabilities closely associated with assets held for sale – € 1,919 thousand

At 31 December 2022, "Liabilities closely associated with assets held for sale" amounted to € 1,919 thousand and refer to the reclassification of liabilities closely associated with assets held for sale held for sale in terms of IFRS5; reference is made to the specific paragraph for more information.

COMMITMENTS AND CONTINGENCIES

ENDORSEMENTS, SURETIES AND GUARANTEES

At 31 December 2022, these totalled € 632,577 thousand (€ 450,575 thousand at 31 December 2021), recording an increase of € 182,002 thousand.

The balance is made up of:

- € 78,959 thousand for guarantees in the interest of Acea Energia relative to the electricity and gas dispatching and transport service;
- € 20,000 thousand for the Sole Purchaser and in the interests of Acea Energia as a back-to-back guarantee relating to the electricity sale agreement signed between the parties;
- € 53,666 thousand in the form of a guarantee issued by Acea to Cassa Depositi e Prestiti in relation to refinancing of the loan issued to areti. This is a sole guarantee giving the lender first claim and covering all obligations linked to the original loan (€ 493 million). The sum of € 53,666 thousand refers to the guaranteed portion exceeding the loan originally disbursed (€ 439 million);
- € 37,586 thousand issued by insurance companies on behalf of Acea Ambiente in relation to waste collection plants, waste recovery plants with electricity production and to the Umbria region for the management of operational and post-operative activities of the landfill (€ 23,750 thousand);
- € 8,336 thousand released by banks on the account of Acea Ambiente in favour of the Umbria Region for management of the Orvieto landfill;
- the guarantee of € 238,000 thousand for various traders in the interest of Acea Energia as a back-to-back guarantee on electricity and gas trading transactions;
- € 15,443 thousand for the guarantees issued for areti in favour of Terna relative to the electricity transmission service contract;
- € 2,701 thousand for the bank guarantee issued in favour of Roma Capitale in relation to the "Progetto Tecnologico" contract for the construction of the new multi-service pipe network of Via Tiburtina and adjacent streets, in the interest of areti;
- € 4,000 thousand relating to the bank guarantee issued for Roma Natura in connection with works to upgrade the network in the Marcigliana Reserve;
- € 6,887 thousand relative to Acea Ato5 and in particular the obligatory surety required under article 31 of the Technical Specifications, issued by UniCredit to OTAA, calculated on 10% of the three-year average of the Financial-Tariff Plan of the OTAA Area Plan, which during 2019 was extended until 28 February 2023 with the amount adjusted through a new issue for the difference;
- € 38,500 thousand for the issuing of a back to back guarantee in favour of a pool of banks providing financing for the Acquedotto del Fiora;
- € 2,565 thousand for a surety to the Area Authority to guarantee the obligations deriving from the management of the Integrated Water Service of the subsidiary GORI SpA;
- € 52,591 thousand for bank sureties issued in favour of INPS as part of the Isopensione programme;
- € 10,392 thousand for five bank sureties issued in favour of SEDAPAL for the management of the pumping stations in the city of Lima and for maintenance of the water and sewerage network in the North zone, for the maintenance and management of wastewater treatment plants in Lima North-East zone;
- € 21,823 thousand for various guarantees associated with the authorisation request to build and manage photovoltaic parks;
- € 6,496 thousand issued by insurance companies on behalf of Deco relating to the landfill and waste treatment plant.

BUSINESS COMBINATIONS

Below are the Business Combination, for which recognition using the acquisition method is to be considered definitive.

MEG acquisition

On 14 October 2021 Acea Ambiente acquired 60% of MEG, an operator active in Italy offering professional consultancy for the construction of municipal solid waste packaging treatment plants.

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS3 according to the acquisition method and the related results are to be deemed definitive.

	MEG		
Net assets acquired € thousand	**IAS/IFRS Financial Statements**	**Adjusted fair value**	**Fair value**
Tangible fixed assets	5,611	0	5,611
Intangible fixed assets	473	3,989	4,462
Equity investments	0	0	0
Warehouse inventories	549	0	549
Deferred taxes	0	(1,113)	(1,113)
Trade receivables	1,911	0	1,911
Other receivables	1,267	0	1,267
Financial receivables	0	0	0
Cash and cash equivalents	708	0	708
Employee severance indemnity and other defined benefit plans	(112)	0	(112)
Provisions for risks and charges	(76)	0	(76)
Current tax assets/liabilities	0	0	0
Trade payables	(2,768)	0	(2,768)
Other payables	(1,022)	0	(1,022)
Other financial liabilities	(2,704)	0	(2,704)
Payables to banks	(497)	0	(497)
Allocated goodwill	0	0	0
Net balance	**3,341**	**2,876**	**6,217**
- *of which attributable to third parties*			*(2,487)*
Goodwill			2,704
Net value acquired			**6,434**
Net cash outflow for the acquisition			**(6,434)**
Cash and cash equivalents acquired			708
Repayment of financial payables			0
Payables to banks			(497)
Net cash flow			**(6,223)**

Deco Group acquisition

On 30 November 2021, through Acea Ambiente the Group acquired 65% of Deco, which in turn owns 100% of Ecologica Sangro, in turn, holding 75% of the Consorzio Servizi Ecologici del Frentano. The Deco Group is the main private operator in the environment sector in the Abruzzo Region and operates in the construction of disposal and energy recovery plants, producing energy from landfill gas, producing secondary solid fuel and photovoltaic energy as well as providing reclamation and soil bioengineering services and works. It is noted that a second closing is already expected in January 2023, to acquire the remaining 35%. There are no conditions or clauses precedent that could make the acquisition reasonably uncertain. Therefore it is considered that as of now all the risks and benefits have been transferred to Acea Ambiente for the 100% equity investment. Consequently, in line with international accounting standards, the shareholding was fully consolidated, with the recognition of the estimated debt of around € 33,954 thousand.
The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS3 according to the acquisition method and the related results are to be deemed definitive.

	Deco Group		
Net assets acquired € thousand	**IAS/IFRS Financial Statements**	**Adjusted fair value**	**Fair value**
Tangible fixed assets	23,133	0	23,133
Intangible fixed assets	1,018	56,207	57,225
Equity investments	3,151	0	3,151
Warehouse inventories	667	0	667
Deferred taxes/Tax credits	332	(16,199)	(15,867)
Trade receivables	7,801	0	7,801
Other receivables	17,235	0	17,235
Financial receivables	2,979	0	2,979
Cash and cash equivalents	17,965	0	17,965
Employee severance indemnity and other defined benefit plans	(340)	0	(340)
Provisions for risks and charges	(38,433)	0	(38,433)
Current tax assets/liabilities	0	0	0
Trade payables	(5,518)	0	(5,518)
Other payables	(3,530)	0	(3,530)
Other financial liabilities	(13,503)	0	(13,503)
Payables to banks	(202)	0	(202)
Allocated goodwill	0	0	0
Net balance	**12,756**	**40,008**	**52,764**
- *of which attributable to third parties*			*0*
Goodwill			43,162
Net value acquired			**95,926**
Net cash outflow for the acquisition			**(95,926)**
Cash and cash equivalents acquired			17,965
Repayment of financial payables			0
Payables to banks			(202)
Net cash flow			**(78,163)**

The assets allocated refer to the TMB Integrated Environmental Authorisation for Deco, whereas the goodwill is attributable to Deco for € 31,673 thousand and Ecologica Sangro for € 11,489 thousand.

SF Island acquisition

On 24 January 2022, Acea Solar acquired 100% of SF Island with registered office in Acquapendente (Viterbo, Italy), which at the acquisition date held 4 authorisations for approximately 3.96 MWp and 11 projects pending authorisation for approximately 86.9 MWp.

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS3 according to the acquisition method and the related results are to be deemed definitive.

	SF Island		
Net assets acquired € thousand	**IAS/IFRS Financial Statements**	**Adjusted fair value**	**Fair value**
Tangible fixed assets	0	0	0
Intangible fixed assets	6	948	954
Equity investments	0	0	0
Warehouse inventories	0	0	0
Deferred taxes	0	(289)	(289)
Trade receivables	0	0	0
Other receivables	119	0	119
Financial receivables	0	0	0
Cash and cash equivalents	5	0	5
Employee severance indemnity and other defined benefit plans	0	0	0
Provisions for risks and charges	0	0	0
Current tax assets/liabilities	0	0	0
Trade payables	(0)	0	(0)
Other payables	(118)	0	(118)
Other financial liabilities	0	0	0
Payables to banks	0	0	0
Allocated goodwill	0	0	0
Net balance	**12**	**659**	**671**
- *of which attributable to third parties*			*0*
Goodwill			0
Net value acquired			**671**
Net cash outflow for the acquisition			**(671)**
Cash and cash equivalents acquired			5
Repayment of financial payables			0
Payables to banks			0
Net cash flow			**(666)**

AS Recycling acquisition

On 22 December 2021 Acea Ambiente acquired 90% of AS Recycling, a company that is currently inactive but which will become a Corepla affiliated centre for secondary plastic SRF recycling (Breakdown of plastics into the various polymer categories for sorting).

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS3 according to the acquisition method and the related results are to be deemed definitive.

	AS Recycling		
Net assets acquired € thousand	**IAS/IFRS Financial Statements**	**Adjusted fair value**	**Fair value**
Tangible fixed assets	954	0	954
Intangible fixed assets	1,512	0	1,512
Equity investments	0	0	0
Warehouse inventories	0	0	0
Deferred taxes	0	0	0
Trade receivables	0	0	0
Other receivables	141	0	141
Financial receivables	0	0	0
Cash and cash equivalents	2	0	2
Employee severance indemnity and other defined benefit plans	0	0	0
Provisions for risks and charges	0	0	0
Current tax assets/liabilities	0	0	0
Trade payables	(677)	0	(677)
Other payables	(464)	0	(464)
Other financial liabilities	0	0	0
Payables to banks	0	0	0
Allocated goodwill	0	0	0
Net balance	**1,468**	**0**	**1,468**
- *of which attributable to third parties*			*(147)*
Goodwill			1,522
Net value acquired			**2,843**
Net cash outflow for the acquisition			**(2,843)**
Cash and cash equivalents acquired			2
Repayment of financial payables			0
Payables to banks			0
Net cash flow			**(2,840)**

S.E.R. Plast acquisition

On 8 February 2022, Acea Ambiente signed the deed of acquisition of 70% of the shares of S.E.R. Plast, a company operating in the recycling of plastic waste.

The operation was recognised to comply with the Purchase Price Allocation required by the international accounting standard IFRS3 according to the acquisition method and the related results are to be deemed definitive.

	S.E.R. Plast		
Net assets acquired € thousand	**IAS/IFRS Financial Statements**	**Adjusted fair value**	**Fair value**
Tangible fixed assets	3,785	0	3,785
Intangible fixed assets	1,808	10,815	12,623
Equity investments	23	0	23
Warehouse inventories	463	0	463
Deferred taxes	(242)	(3,115)	(3,357)
Trade receivables	659	0	659
Other receivables	1,582	0	1,582
Financial receivables	0	0	0
Cash and cash equivalents	436	0	436
Employee severance indemnity and other defined benefit plans	(92)	0	(92)
Provisions for risks and charges	0	0	0
Current tax assets/liabilities	0	0	0
Trade payables	(1,853)	0	(1,853)
Other payables	(1,725)	0	(1,725)
Other financial liabilities	(3,391)	0	(3,391)
Payables to banks	(708)	0	(708)
Allocated goodwill	0	0	0
Net balance	**745**	**7,700**	**8,445**
- *of which attributable to third parties*			*(2,534)*
Goodwill			270
Net value acquired			**6,181**
Net cash outflow for the acquisition			**(6,181)**
Cash and cash equivalents acquired			436
Repayment of financial payables			0
Payables to banks			(708)
Net cash flow			**(6,453)**

BUSINESS COMBINATION – PROVISIONAL ACCOUNTING (IFRS3 – PAR. 45)

Acquisition of ASM Terni

On 6 December 2022, the closing of the initial stage of the business combination with ASM Terni was signed, following the completion public procedure initiated by the latter. The operation is intended to create a single operator working in the integrated water cycle, environment and electricity and gas distribution and sales sectors.

The entry of Acea into the ASM Terni share capital involves two distinct stages. The first stage involves the signing of the tranche of the ASM Terni share capital increase, through the transferring of an equity investment as below:

- the Parent Company, TWS and Acea Molise transferred the equity investments held in UmbriaDue Servizi Idrici Scarl overall held at 99.4%;
- Acea Ambiente transferred the 60.0% equity investment held in Ferrocart Srl.

Therefore, Acea is the industrial partner to achieve the established objectives and fully consolidates the company based on the agreements signed, also in accordance with shareholders' agreements and by-laws.
The transaction is currently being analysed and the difference that emerges from the consolidation is recognised in goodwill while awaiting definitive allocation.

€ thousand	
Net balance	**72,410**
- *of which attributable to third parties*	*(44,916)*
Goodwill/(Badwill)	851
Net value acquired	**28,344**
Net cash outflow for the acquisition	**(28,344)**
Cash and cash equivalents acquired	2,266
Loan disbursement	0
Payables to banks	(11,223)
Net cash flow	**(37,301)**

Acquisition of Tecnoservizi

On 4 October 2022, Acea Ambiente signed the acquisition of 70% of the capital of Tecnoservizi Srl, a company that offers separate urban waste treatment and recovery services. The company's authorised capacity is treatment of 210 thousand tonnes per year in the province of Rome, coming from separate waste of municipalities, entities and businesses.

The transaction is currently being analysed and the difference that emerges from the consolidation is recognised in goodwill while awaiting definitive allocation.

€ thousand	
Net balance	**6,737**
- *of which attributable to third parties*	*(2,021)*
Goodwill/(Badwill)	1,595
Net value acquired	**6,311**
Net cash outflow for the acquisition	**(6,311)**
Cash and cash equivalents acquired	1,522
Loan disbursement	0
Payables to banks	(2,203)
Net cash flow	**(6,993)**

Acquisition of Italmacero

On 3 November 2022, Acea Ambiente, through its subsidiary Cavallari Srl, completed acquisition of 100% of Italmacero Srl, a company operating in the mechanical treatment and recovery of separate urban waste (mixed packaging, monomaterial fractions) and special non-hazardous waste.

The transaction is currently being analysed and the difference that emerges from the consolidation is recognised in goodwill while awaiting definitive allocation.

€ thousand	
Net balance	**1,146**
- *of which attributable to third parties*	*0*
Goodwill/(Badwill)	615
Net value acquired	**1,761**
Net cash outflow for the acquisition	**(1,761)**
Cash and cash equivalents acquired	928
Loan disbursement	0
Payables to banks	0
Net cash flow	**(833)**

Acquisition of Romeo Gas Business Unit

On 1 October 2022, the partial demerger of Romeo Gas SpA was completed, implemented by assigning equity shares in favour of Adistribuzionegas Srl. The purpose of the operation is part of an overall corporate reorganisation to achieve more efficient management of gas distribution concessions.

The transaction is currently being analysed and the difference that emerges from the consolidation is recognised in goodwill while awaiting definitive allocation.

€ thousand	
Net balance	**29,984**
- *of which attributable to third parties*	*0*
Goodwill/(Badwill)	7,090
Net value acquired	**37,074**
Net cash outflow for the acquisition	**(37,074)**
Cash and cash equivalents acquired	0
Loan disbursement	0
Payables to banks	0
Net cash flow	**(37,074)**

Acquisition of former Cirsu Business Unit

On 30 June 2022, through its subsidiary Acea Ambiente, the Group was awarded the business unit called "Polo Cirsu" (located in Località Casette di Grasciano Notaresco - Teramo), following participation in the competitive bidding process called with a notice of sale of the Court of Teramo. The business unit consists of the landfill known as Grasciano 1, completely depleted of authorised volumes, and the new landfill known as Grasciano 2. Possession of the same occurred after the authorisations were transferred at the end of 2022.

The transaction is currently being analysed and the difference that emerges from consolidation is provisionally recognised allocated to authorisation.

€ thousand	
Net balance	**37,425**
- *of which attributable to third parties*	*0*
Goodwill/(Badwill)	(10,044)
Net value acquired	**27,381**
Net cash outflow for the acquisition	**(27,381)**
Cash and cash equivalents acquired	0
Loan disbursement	0
Payables to banks	0
Net cash flow	**(27,381)**

APPLICATION OF THE IFRS5 STANDARD

An agreement was signed on 23 December 2021 with the British investment fund Equitix for the sale of photovoltaic plants held by the Acea Group for a total of approximately 105 MW.
The Consolidated Financial Statements for the Acea Group at 31 December 2021 recognised the assets and liabilities inherent to the agreement as a Disposal Group, measured and recorded in the Balance Sheet according to the provisions under the international IFR5 standard.

The agreement was then finalised on 22 March 2022 with the transfer of Acea Sun Capital to the Newco AE Sun Capital, held for 40% by Acea Produzione and for 60% by Equitix; the transfer resulted in the handover of the plants already connected to the network, whereas in terms of the agreements, the transfer of the plants undergoing completion or connection is subject to obtaining the connection certificate. These plants are held by Acea Solar and Acea Renewable and are included in this Report in line with the provisions of IFRS5 and in line with what was reported in the 2021 Consolidated Financial Statements, namely:

- the measurement of such assets was made at the lower between historical cost, decreased by the related accumulated depreciation or amortisation, and the estimated realisable value;
- the assets and liabilities closely associated with the group held for sale were measured and presented in the balance sheet in two specific items of the financial situation ("assets held for sale" and "liabilities closely associated with assets held for sale"). Neither IFRS5 nor IAS 1 provide indications on the methods of presenting transactions between Continuing and Discontinued Operations. The method chosen led to presenting the reclassification of the asset and liability financial balances with the values net of the elimination of intragroup transactions;
- the economic items were presented in continuity with the previous year; from the date on which the changed destination of the assets has been resolved, depreciation and amortisation are no longer calculated.

The contribution of the operation to the equity situation of the Acea Group (in €/million) as at 31 December 2022 is presented below:

ASSETS	Effect of application of IFRS5
Non-current assets	17.4
Current assets	1.7
Non-current assets destined for sale	**19.1**

LIABILITIES	Effect of application of IFRS5
Non-current liabilities	0.0
Current liabilities	1.9
Liabilities closely associated with assets held for sale	**1.9**

Furthermore, with regard to the transfer of Acea Sun Capital and its subsidiaries, it is noted that the economic items of the first three months were presented in continuity with the previous year (line-by-line consolidation including intercompany elimination) and from the date on which the changed destination of the assets has been resolved, depreciation and amortisation were no longer recognised. The transaction was recognised considering the entire scope of the sale, with a sales price of € 196.7 million, recognising a net capital gain in the income statement for the entire transaction (limited to the minority interest portion) for € 17.7 million.

SERVICE CONCESSION ARRANGEMENTS

The Acea Group operates water, environmental and public lighting services under concession. It also manages the selection, treatment and disposal of urban waste produced in Municipalities in Optimal Territorial Area 4 Ternano - Orvietano through Acea Ambiente.

As for the water segment, the Acea Group provides the Integrated Water Service (IWS) under a concession arrangement in the following regions:

- Lazio, where Acea Ato2 SpA and Acea Ato5 SpA provide services in the provinces of Rome and Frosinone, respectively;
- Campania, where GORI SpA provides services in the area of the Sorrento Peninsula and Capri island, the Vesuvio area, the Monti Lattari Area, as well as in the hydrographic basin of the Sarno river;
- Tuscany, where the Acea Group operates in the province of Pisa, through Acque SpA, in the province of Florence, through Publiacqua SpA, in the provinces of Siena and Grosseto, through Acquedotto del Fiora SpA in the province of Arezzo through Nuove Acque SpA and in the province of Lucca and periphery through GEAL SpA;
- Umbria, where the Group operates in the province of Perugia through Umbra Acque SpA, and Terni through SII ScpA.

The Group is also in charge of several former CIPE services in the province of Benevento with Gesesa SpA and in the municipalities of Termoli and Campagnano with Acea Molise SpA.
Finally, it is to be noted that since 2019, the Acea Group also distributes gas in Abruzzo, in the provinces of Pescara and Aquila.
For additional information on the legislative and regulatory framework, please refer to the Report on Operations.

PUBLIC LIGHTING - ROME

The service is carried out by the Parent Company based on a deed of concession issued by Roma Capitale for a period of thirty years (from 1 January 1998). No fee was paid for this concession, which is implemented through a special service agreement, which given its concessionary nature, expires on the same date of the concession (2027).
The service agreement envisages, among other clauses, an annual update of the fee concerning consumption of electricity and maintenance and the annual increase of the lump-sum fee in relation to the new lighting installed.
Furthermore, the investments required for the service may be **i)** applied for and funded by the Municipality or **ii)** financed by Acea. In the former case, such works will be paid based on a price list agreed by the parties (and subject to review every two years) and will result in a percentage decrease in the ordinary fee. In the latter case, the Municipality is not bound to pay a surcharge; however, Acea will be awarded all or part of the savings expected in both energy and economic terms according to pre-established methods.
Upon natural or early expiry — also due to cases envisaged under Law Decree no. 138/2011 — Acea will be awarded an allowance corresponding to the residual carrying amount, that will be paid by the Municipality or the incoming operator if this obligation is expressly set out in the call for tenders for the selection of the new operator.
Lastly, the contract sets out a list of events that represent a reason for advance revocation of the concession and/or termination of the contract by the will of the parties. Among these events, reference is made to newly arising needs linked with public interests, according to which Acea has the right to receive an allowance according to the product, that is discounted based on the percentage of the annual contractual amount and the number of years until expiry of the concession.
On the basis of the number of public lighting plants as at 31 December 2009, the supplemental agreement establishes the ordinary annual fee as € 39.6 million, including all costs relative to the provision of electricity to supply the plants, ordinary operations and ongoing and extraordinary maintenance.
In June 2016, Acea and Roma Capitale signed a private agreement aimed at regulating commitments and obligations arising from the implementation of the LED Plan and, consequently, amending article 2.1 of the Supplementary Agreement signed in 2011.
More specifically, the agreement provides for the installation of 186,879 fittings (which became 182,556 at the request of Roma Capitale), in the number of 10,000; the price was set at € 48.0 million for the entire LED Plan.
As a result of the implementation of the LED Plan, the parties partially amended article 2.1 of the 2011 Supplementary Agreement with reference to the price list and the composition of the service management fee.
As regards the Public Lighting Service, following the opinion given by the AGCM (Antitrust Authority) in Bulletin no. 49 of 14 December 2020, Roma Capitale began checking the conditions of congruity and economic convenience of the performance terms pursuant to the service contract between the Administration and Acea SpA (and through it areti) compared with the terms pursuant to the CONSIP Luce 3 Convention and, in addition, on the basis of the positions expressed by the AGCM in the said opinion, expressed queries over the legitimacy of the award to Acea SpA. On 8 February 2021, with a note ref. DG 1585/2021, Roma Capitale communicated the results of the said checks, affirming definitively "the congruity and convenience of the economic terms currently in being with respect to the qualitative and economic parameters of the CONSIP Luce 3 convention" and confirming "the correctness of the prices applied for the public lighting service", overcoming definitively all reserves on the congruity of the prices charged in the context of the contractual relationship in being between Roma Capitale and Acea SpA. With the same note, which, in any event, does not affect the Administration's intention to issue a new call for tenders in order to re-tender the service, the Administration therefore ordered the resumption of the procedures for the payment of Acea's ascertained receivables in relation to the Service Contract. Following this intention, Roma Capitale, in July 2021, undertook to settle the acknowledged receivables and to adopt resolutions for the acknowledgement of the off-balance-sheet payable in relation to the receivables which cannot be settled immediately. Although there are still some receivable items in dispute, following the discussions of July 2021 and up to November 2021, a large part of the outstanding amount relating to previous years was paid by Rome Capital and the verification and comparison activities with

the Municipality of Rome continued. These comparisons led Roma Capitale to pay Acea further collections relating mainly to current receivables. Hence during 2022 reconciliation activities occurred with reference to credit items and, again through offsetting, € 56.5 million was liquidated.
Also note that on 11 August 2022, the City Executive Committee with resolution no. 312 entitled "Public and artistic-monumental public lighting service on the entire municipal territory — Concessionaire: Acea SpA — Recognition of the perimeter of the payable situation and launch of the consequent procedures" recognised the perimeter of the Administration's payables to Acea and areti in relation to the Public Lighting service as of 31 December 2021. This resolution was published on the institutional website of Roma Capitale on 30 August 2022 and with reference to the same, dialogue is still in progress with Roma Capitale.
We can inform you that while awaiting the conclusion and definition of all the aspects regarding the service, Acea continued the Public Lighting service proceeding regularly to the invoicing as described at length in the Notes to the Statements in the paragraph on Relations with Roma Capitale.
Finally, please note that during September 2022, the Consolidated Financial Statements of Roma Capitale at 31 December 2021 were approved.

INTEGRATED WATER SERVICE

Lazio - Acea Ato2 SpA (OTA2 - Central Lazio - Rome)

The Integrated Water Service in OTA2 Central Lazio - Rome started on 1 January 2003. The management of the OTA Municipalities took place gradually and the Municipalities currently managed are 89 compared to 113 of the entire OTA. Compared to the previous year, it should be noted that on 14 July 2021 with Regional Council Resolution no. 10, which followed Regional Executive Resolution no. 752 of 3 November 2020 on the same subject, Optimal Territorial Area no. 2, Central Lazio-Rome, was modified including in it the Municipality of Campagnano di Roma, which previously belonged to OTA no. 1 North Lazio-Viterbo. In this way the total number of Municipalities of OTA2 went up from 112 to the current 113. In the second quarter of 2022, from 1 April 2022 the acquisition of the drinking water and sewerage service for Marano Equo completed the acquisition of the IWS for that municipality, taking the total number of integrated municipal water services to 81.

At the 30 November 2022 meeting of the Conference of Mayors of OTA2 Central Lazio - Rome, with Resolution 13-22 the regulatory scheme was adopted on updating of the tariffs established for 2022-2023, based on ARERA resolutions ARERA 639/2021/R/idr and 229/2022/R/idr. Pending approval by the Authority, pursuant to paragraph 7.2 of ARERA resolution 580/2019/R/idr, the 2020-2023 tariff is applied, as approved by the Authority with resolution 197/2021/R/idr.

The tariff proposal adopted by the Conference of Mayors, the result of a joint process between Acea Ato2 and the Technical Operational Secretariat of the Conference of Mayors was approved in January 2023 by the Authority with resolution 11/2022/R/idr "Approval of the update of tariff provisions for the integrated water service for 2022 and 2023"; the main aspects follow:

- confirmation of the placement of Scheme V within the regulatory scheme matrix pursuant to article 5 of Annex A to resolution 580/2019/R/idr (high investments with respect to the value of existing infrastructure and average per capita GRC higher than the average national value determined by ARERA), already approved with ARERA resolution 197/2021/R/idr;
- Works Programme for 2022-2023 of over € 805 million, equal to around € 110 per year per capita, up by around € 90 million with respect to that approved for 2020-2023; for the subsequent 2024-2032 period, an additional amount of around € 4,200 million is planned (€ 890 million more than that approved for 2020-2023);
- confirmation of the theta tariff multiplier (to be applied to the tariff in force at 31 December 2019) of 1.139 for 2022 and of 1.202 for 2023, in line with that already approved in ARERA resolution 197/2021/R/idr;
- confirmation of the value of the "psi" parameter of 0.45 (the maximum value provided for in Resolution 580/209/R/idr is 0.8) for the purposes of determining the component for the financing in advance of new investments (FNInew);
- use of the amount of the integrated water bonus for all of 2021 not utilised to reduce tariff adjustments for 2020 and 2021, specifically around € 6 million.

Additionally, at its meeting on 30 November 2022, the Conference of Mayors approved the implementation Regulation for the 2023 integrated water bonus (Resolution 11-22). As in previous years, the amount of the bonus is calculated as an expense (based on the tariffs in effect in the reference year) corresponding to the fixed and variable fees for aqueduct, sewer and purification for a consumer up to:

- 40 m^3 per year for every member of the household, for direct and indirect users with ISEE up to € 8,265;
- 20 m^3 per year for every member of the household, for direct and indirect users with:
  1. ISEE indicator up to € 13,939.11 and household of up to 3 members;
  2. ISEE indicator up to € 15,989.46 and household with 4 members;
  3. ISEE indicator up to € 18,120.63 and household with 5 or more members.

Other events worthy of note in relation to Conference of Mayors resolutions are the update of the Services Charter (resolution 10-22 of 29 September 2022) and the User Regulations (resolution 12-22 of 30 November 2022), adjusted to current regulations. Other significant events during 2022 include, following that established in the previously cited Law 152/2021 and the consequent regional laws, the significant push given to transfer integrated water services to the single manager for municipalities which, as of the first half of 2022, were still operating the service without a legal title in compliance with the current pro tempore regulations.

With determination 1/2022 – DSID, the expiration of 30 April 2022 was re-established for EGAs to send the Authority the tariff data for the 2020-2023 period, also defining the associated forms (or the technical and tariff data collection file — RDT2022 — which also includes the project programme, strategic works plan and economic/financial plan, and the basic schedules for the accompanying reports respectively for the tariff data and quality objectives for 2022-2023, with the update of the project programme/strategic

works plan).
Following the proceeding launched with resolution 139/2022/R/idr of 30 March 2022 and continued with consultation 184/2022/R/idr of 26 April 2022, the related urgent measures are introduced, intended to ensure the certainty of the system and the various interested parties.
Specifically, and without prejudice to the provisions for the 2022-2023 tariff update set out by resolution 639/2021/R/idr, for the year 2022 provisions were made for the possibility to formulate a reasoned request for the activation of forms of financial advances to meet part of the expenses incurred for the purchase of electricity. The claim, formulated by the AGB by the deadline of 30 June 2022 at the request of the relevant operator faced with substantiated financial problems, is subject to a series of conditions, including having made recourse to the possibility of exploiting, for the year 2022, the additional forecast component set out by paragraph 20.3 of the MTI-3 and the assumption of the commitment to request from its suppliers instalment arrangements of the amounts due for the energy consumption relating to the months of May and June 2022, according to the provisions of Law Decree 21/2022. The value of the advance cannot exceed 35% of the cost component recognised for the electricity quantified for the purposes of updating the tariff arrangement for 2022. After verification of the conditions and correctness of the documentation submitted, the CSEA will pay the amounts by 31 July 2022, which the beneficiary operator must pay back by 31 December 2024. Furthermore, in the event of an effective cost for the purchase of electricity referring to 2021 that is higher than the one recognised in application of the rules set out by article 20 and paragraph 27.1 of the MTI-3, the EGA is given the power, at the request of the operator and for the purposes of maintaining the economic and financial balance of the management, to submitted a reasoned request for the recognition of additional costs in the context of the adjustment component relating to systemic changes and exceptional events (paragraph 27.1, letter f), MTI-3) referring to 2023; the request must be accompanied by an action plan to limit the cost of energy. With the subsequent Resolution 495/2022/R/idr of 13 October 2022 a second window was established (1 November - 30 November 2022) for presentation of requests to CSEA. Annually, starting in 2023, the Authority will publish the annual cost of the electricity supply sector, on the basis of specific investigations, in order to strengthen monitoring of the system.

As of the date of this report, the appeals filed by Acea Ato2 with the Lombardy Regional Administrative Court against Resolution no. 643/2013/R/Idr (MTI), Resolution no. 664/2015/R/Idr (MTI-2) and Resolution no. 580/2019/R/Idr are still pending.
Relative to Resolution 643/2013, note that on 8 May 2014 the additional reasons for annulment of ARERA decisions 2 and 3 of 2014 were presented.

The ruling of the regional administrative court of Lombardy no. 892 of 20 April 2022 confirmed the guidelines already expressed by the Council of State in the cases on resolution 585/2012/R/idr relating:

- to the so-called "white water" for which the appealed resolution "does not impact in a broad sense on the ongoing management agreements";
- to mixed sewerage, stating that "in these cases, since it is not possible to quantify the volumes of water that flow into the sewerage networks from the various points of input, and therefore to break down the relative costs, it responds to economic rationality fees so that the tariffs also cover the costs deriving from the collection and treatment of white water";
- to the financial expenses on adjustments, for which it is confirmed that since the operator incurs an objective cost deriving from the fact that the level of the tariffs initially set by the area governing body is insufficient to cover the costs of the service, the recognition of this financial cost cannot be renounced. Due to this, the Authority must then provide, during determination of the adjustment, for a correction to cover the financial expense on adjustments. The regional administrative court rejected the reason concerning the provision of a cap on adjustments.

On 11 October 2022, appeals relative to resolution 643/13 were discussed, with the exception of that of Acea Ato2 as the individual to which it had been assigned was not available.
Relative to Acea Ato2, with judgement 736 of 23 February 2023, the Council of State accepted ARERA's appeal with regards to the judgement of the Lombardy Regional Administrative Court Second Section, no. 892/2022, which had partially annulled the acts approving the Water Tariff Method (MTI) for the years 2014 and 2015, agreeing with the regulator with regards to non-payment of financial charges relative to adjustments. The second level judge agreed with ARERA's arguments, as in the similar rulings already issued for the Authority's appeals against, among others, Acquedotto del Fiora, Umbra Acque, GORI and Publiacqua, deeming the regulator's decision to base adjustments on "effective data and certificates relative to sales volumes" reasonable, while "the riskiness of the IWS's management activities is already considered in the "beta" tariff value, which was deemed reasonable by a verification body in function of the pursuit of the "full cost recovery" principle Additionally, the judgement establishes that "recognising financial charges also for adjustments (operating costs) would mean, in terms of profitability, attributing this component substantially the same treatment as investments (capital costs) which pursue a different purpose of improving the quality of the public service". Finally, the Council of State agreed with ARERA on the fact that the adjustments are already adjusted exclusively in relation to inflation, as already occurs in the other regulated sectors.
The Council of State also rejected the appellant's claims relative to the illegitimacy of the cap established for the theta multiplier with reference to the component of adjustments, in that the regulation already calls for the same to be exceed solely under certain conditions and based on a justified request presented by the Governing Body.
With regard to Resolution no. 664/2015, it should be noted that in February 2018 Acea Ato2 extended the appeal originally proposed, submitting additional grounds of appeal against ARERA Resolution no. 918/2017/R/idr (biennial update of the tariff arrangements for the integrated water service) and against Annex A of Resolution no. 664/2015, as amended by the aforementioned Resolution no. 918/2017. As of today we are waiting for the hearing on the merits to be scheduled.
In February 2020, Acea Ato2 also challenged Resolution 580/2019/R/idr which approved the Tariff Method of the integrated water service for the third regulatory period (MTI-3), reiterating many of the reasons for previous appeals in tariff matters and introducing new ones related to specific aspects introduced for the first time with the new tariff methodology. Other subsidiaries and/or investees of the Acea Group that have challenged MTI-3 are

Acea ato5, Acea Molise srl and Gesesa (which had not previously challenged the resolutions relating to the TTM, MTI and MTI-2). Resolution 235/2020/R/idr for the adoption of urgent measures in the integrated water service, in the light of the Covid-19 emergency was also appealed). We are awaiting the scheduling of the hearing.
In February 2022, Acea Ato2 filed an appeal against resolution 639/2021/R/Idr relating to the two-year tariff update for 2022 and 2023. The challenge of the provision, also carried out by the subsidiaries and/or investee companies of the Acea Group such as Acea Ato5, Acea Molise, Publiacqua, Acquedotto del Fiora, GORI, Gesesa, Umbra Acque and SII Terni, confirms many of the reasons already advanced against the previous tariff resolutions, adding new ones linked to the new regulation enunciated by ARERA. In relation to the reasons pertaining to the new provisions, note both the mechanism for recognition of the cost of energy, deemed inefficient to intercept the real contingent situation, as well as the provisions with which ARERA declared that it wishes to comply with the law of the Council of State on financial expenses on adjustments, treatment of the New Investments Fund and redefinition of the quota subject to reimbursement to users pursuant to Resolution no. 273/2013.

The quantification of the revenues deriving from management of the integrated water service is the consequence of the application of the new water tariff method (MTI-3), as approved by the Authority (ARERA) with Resolution no. 580/2019/R/idr of 27 December 2019. In particular, the aforesaid revenues are consistent with the biennial update of the 2020-2023 tariff arrangement approved by the Mayors' Conference of OTA2 on 30 November 2022 and subsequently by ARERA on 17 January 2023.
The revenues of the period amounted to € 692.1 million: they include the estimate of adjustments to pass-through items, the FoNI component of € 70.0 million (€ 52.0 million for the FNI component and € 18.0 million for the Amm.Foni).

Lazio – Acea Ato5 SpA (OTA5 - Southern Lazio - Frosinone)

Acea Ato5 provides integrated water services on the basis of a thirty-year agreement signed on 27 June 2003 by the company and the Frosinone Provincial Authority (representing the Authority for the OTA comprising 86 Municipalities). In return for being awarded the concession, Acea Ato5 pays a fee to all the municipalities based on the date the related services are effectively acquired.
The management of the integrated water service in the OTA5 region - Southern Lazio - Frosinone involves a total of 86 Municipalities (the management of the Municipality of Paliano still remains to be acquired, while the Municipalities of Conca Casale and Rocca D'Evandro are "outside the scope") for a total population of about 489,000 inhabitants, a population served of 455,164 inhabitants, with a service coverage equal to approximately 93% of the territory. The number of users is 200,091.

With regard to the acquisition of the systems relating to management in the **Municipality of Paliano**, the SII is currently still managed by AMEA, in which the Municipality of Paliano is an investor. Relative to this management, in November 2018 the Council of State issued a definitive judgement on the appeal filed by the Municipality of Paliano against the Regional Administrative Court judgement 6/2018, which accepted the Company's appeal relative to the Municipality, to obtain annulment of the provision with which the Municipality rejected the transfer of service. Hence, with judgement 6635/2018, the Council of State rejected the appeal presented by the Municipality of Paliano and confirmed the Latina Regional Administrative Court's decision, noting that the protective regime in favour of AMEA was "circumscribed to a period of three years starting from the signing of the Management Agreement between OTAA5 and Acea Ato5; this term was to expire in 2006, after which date the management by AMEA was considered without title".
Since Acea Ato5 has so far failed to initiate compliance proceedings with a view to verifying the voluntary compliance of the Municipality, which is suitable for preventing the possible appointment of an acting commissioner as has already happened in similar cases, a series of meetings have taken place at the Operational Technical Secretariat of OTAA5 Lazio Meridionale - Frosinone aimed at seeking an amicable settlement of the dispute and at initiating the preparatory activities for the transfer to Acea Ato5 of the management of the IWS in the Municipality of Paliano. In this perspective, the Parties — with deeds of 26 November 2018 and 29 November 2018 — performed the update of the previous survey of networks and existing plants in the Municipality of Paliano, necessary for the management of the SII, subsequently updated in 2020 and 2021, also identifying necessary projects for the work in terms of purification and sewage.
The Parties subsequently held other meetings, together with the Operational Technical Secretariat of OTA5, in order to define not only the technical scope but also the administrative and commercial scope in order to finalise the transfer of the Management of the Water Service of the Municipality of Paliano to Acea Ato5. The fact that not all required information has been received and disputes relative to the methods used to transfer the infrastructure and management of the SII have been documented in notes sent between the parties and in reports sent to the Operational Technical Secretariat and the Lazio Region, with the latter asked to begin commissioner proceedings to apply the substitute powers pursuant to article 172, paragraph 4 of Legislative Decree 152/2006, as amended.
With regard to the **Municipality of Atina**, whose management of the IWS has been transferred to Acea Ato5 as of 19 April 2018, it should be noted that Municipal Council Resolution no. 14 of 17 April 2019, by which the Municipality resolved to "establish the sub/optimal territorial area called Atina Territorial Area 1, with reference to optimal territorial area no. 5, for the continuity of the autonomous and direct management of the water service pursuant to art. 147, paragraph 2-*bis* of Italian Legislative Decree no. 152/2006, declaring the Integrated Water Service a 'local public service without economic importance".
OTAA5 appealed the above resolution before the Lazio Regional Administrative Court — Latina Section — also serving the Company and the Lazio Region.
As far as Acea Ato5 is concerned, while the legal action taken by the AGB is suitable to protect the interests of the Company, it has deemed it appropriate to file suit.
On 1 June 2021 with Note no. 2241/2021 the Lazio region also expressed itself on the subject, repeating the unacceptability of the Municipality's request for recognition of the Atina 1 Sub Area within the Optimal Territorial Area 5 Frosinone, because this would be contrary to the current national and regional legislation (Italian Legislative Decree no. 152 of 3 April 2006, and Regional Law no. 6 of 22 January 1996). The Municipality therefore continues to have

the obligation to award in free concession of use to the operator of the integrated water service the water infrastructures it owns, as provided for in art. 153 paragraph 1 of Italian Legislative Decree 152/2006.
With reference to **Tariffs**, on 10 March 2021, the Conference of Mayors for Optimal Territorial Area Authority no. 5 - Southern Lazio (hereafter, "OTAA5"), approved the Tariff Structure for the regulatory period 2020-2023 with resolution 1/2021.
This is in contrast with the tariff adjustment request, prepared by the Operator pursuant to art. 5, para. 5.5 of resolution ARERA 580/2019/R/idr, containing the regulatory framework for the 2020-2023 third regulatory period and showing significant differences for the 2020-2023 period, with reference to **operating costs** and the **tariff multiplier**.

With reference to **operating costs** note that the lack of recognition by OTAA5 of the operating costs suffered by the Operator, documented in the requests presented during the preparatory work for the tariff structure, definitively formalised by the Operator in the tariff update request sent on 15 December 2020, was not adequately justified and technically represented in the Technical Report issued by OTAA5 and accompanying its tariff proposal. Hence at present the Operator is not aware of the reasons these costs were excluded from the tariff recognition approved by OTAA5 on 10 March 2021.

Following the tariff scenario approved by the aforementioned Resolution, the company has put in place two separate actions:
- an appeal against this resolution is before the Latina Regional Administrative Court (docket no. 308/2021 section 1);
- submission of the request for economic-financial rebalancing (in accordance with the provisions of Articles 9 and 10 of the Standard Agreement approved by the Regulatory Authority for Energy, Networks and Environment by resolution 656/2015/idr).

With reference to the first initiative, the Regional Administrative Court rejected the appeal on the grounds of lack of jurisdiction. The Company appealed to the Council of State with a hearing set for 10 March 2022, at the end of which the Board rejected the appeal and adjourned the case for a decision. The Company prepared a request for withdrawal. The date for the hearing on the merits has not yet been set. On the other hand, with reference to the request for rebalancing, containing an illustration of the causes and the extent of the economic and financial imbalance in the management of the IWS of Ato5 and the proposal of the rebalancing measures assumed, including the request for access to the financial equalisation measures, the OTAA5 Operational Technical Secretariat responsible for transmitting the request to ARERA began the necessary checks in 2021, making use of qualified external consultants.
Nonetheless, OTAA5 did not approve the rebalancing request sent by the Company by the deadlines established in the regulation.
With Resolution 639/2021/R/Idr of 30 December 2021, ARERA created regulations for the two-year update to tariffs for the integrated water service.
After publication of the stated resolution, the Company provided the Area Authority with data, information and clarifications useful for preparation of the tariff update 2022-2023. Despite the sending of these documents, the Area Authority did not prepare the tariff proposals for the 2022-2023 period by the deadline set in the regulations in effect (30 April 2022). Therefore, seeing the inaction of the Area Authority, on 30 November 2022 the Company sent to the OTAA6 and to ARERA, via certified email, the tariff request pursuant to art. 6, para. 6.3 of Resolution 580/2019/R/idr.

On 22 December 2022, ARERA sent OTAA5 a formal warning to take action, within 30 days, to make the tariff decisions for which it was responsible for the regulatory period 2020-2023, noting that, after this deadline the Operator's request would be understood to have been accepted and would be sent to the Authority for evaluation in the subsequent 90 days.

The Conference of Mayors approved the tariff update for the regulatory period 2022-2023 on 11 January 2023, with resolution 1/2023.

With respect to the Company's proposal sent to ARERA on 30 November 2022, following inaction by the Area Governing Body, note:
- non-recognition of the component covering the cost for arrears (COmor) for € 7.5 million;
- a reduction of both the FoNI component of € 4.3 million and the OpMis component for around € 1.6 million.

With respect to the biennial update 2022-2023, at present an appeal has not been submitted to the Lazio Regional Administrative Court given the now well-established tendency of administrative judges regarding the internal procedural nature of the EGATO resolutions on tariffs and the pending appeal to the Council of State.
Both for the Economic Financial Plan approved with resolution 1/2021 and that approved with resolution 1/2023 certain considerations should be reiterated.

Specifically, the stated Economic Financial Plans:
- do not set a certain date for the billing of the past tariff adjustments amounting to around € 50 million (of a total of € 124 million at 31 December 2022, which totalled € 101 million at 31 December 2021);
- call for invoicing of around € 51 million only after the start of 2023 (one year recovered with respect to the 2020-2023 EFP, which called for invoicing starting in 2024), not in a single solution, but made over time;
- do not recognise operating costs of € 3.3 million for the years 2020-2021, resulting in a financial loss for 2021 of the corresponding amount and of € 4.5 million for 2022-2023;
- sets a tariff change that is incompatible with the level of investment and operating costs over the Plan time period, as it does not take into account the financial deficit created for the operator from the previous tariff orders.

In support of the activities carried out and with a view to ensuring economic and financial sustainability, the Manager, on 14 February 2022 with note ref. 47536/2022, submitted to EGATO5 the request for valorisation of the additional component of a forecast nature (Op EE exp.a) to be included in the cost component for electricity (COEE a) pursuant to article 4 , paragraph 4.3, of the ARERA resolution 639/2021/R/idr, in order to anticipate at least in part the effects of the growth trend in the cost of electricity.

This delayed financial coverage is also aggravated by the dragging out of the process by which ARERA approves the tariffs for 2016-2019 and the 2018-2019 update. Consequently, although the Mayors' Conference has authorised the GRC for 2016-2019, 2020-2023 and 2022-2023 to cover the allowable costs (albeit for a lower amount compared to 2020-2023 and 2022-2023), the operator is exposed to the uncertainty surrounding the billing of the past adjustments, which are needed to maintain financial equilibrium over the short-term and also in the medium-long term.
In view of the restrictions imposed by ARERA's tariff method, particularly with regard to the two-year time lag in recognising the allowable costs on the tariff, in the current tariff plan for 2020-2023 and 2022-2023 the AAT05 Mayors' Conference has not guaranteed the funding needed in order for the operator to cover its financial commitments, specifically the plan for repayment of the debt and water service management costs deriving from OTAA5's previous violations of the tariff approvals.
In view of the uncertain regulatory situation surrounding the Company, on 16 June 2022 the parent Acea, SpA authorised the capitalisation of Acea Ato5 by waiving its claims to: the non-financial items (trade and other) due as of 31 December 2021, the overdue capital portion of the interest-bearing loan and the portion of interest due as of 31 December 2021, for a total of € 96,337,589.84. It also restructured the liability on the interest-bearing shareholder loan by waiving the interest accruing from year to year and the capital line, which year on year will become due in 2022, 2023 and 2024 if the Company requests it and if the uncertain conditions remain.
The capitalisation operation performed by the parent Acea SpA is intended to re-establish financial equilibrium, thanks to the reduction in the stock of accounts payable to the parent company and to the significantly positive effects on NFP, thus freeing up financial resources to be allocated gradually to paying off prior trade payables to third-party suppliers.

Additionally, the directors of Acea Ato5 continued to adopt actions to improve the company's financial position, including the following:

- the rescheduling of past debts through the signing of repayment plans with both third parties and intra-group counterparties that envisage payments over periods longer than 12 months;
- actions to improve efficiency in credit management with the aim of reducing collection times for utility invoices and, consequently, improving collection percentages;
- continuation of actions to contain operating costs as a consequence of the lower revenues coming from the Economic Financial Plan approved by the OTAA5 Conference of Mayors;
- the continuation of an appeal against Deliberation no. 1 made by the Conference of Mayors, approving the tariff proposal for 2020-2023;
- continuation of dialogue with the Area Authority to define reciprocal items, by reconfirming the validity of the settlement proposal adopted by the Conciliation Board established with the Area Authority and its specific content, as well as defining a repayment plan with the OTS for the items excluded by the Conciliation Board, compatible with the current tariff situation;
- the reproposing of a new economic/financial rebalancing request as established in the regulations (based on that indicated in articles 9 and 10 of the Standard Agreement approved by the Regulatory Authority for Energy, Networks and Environment in resolution 656/2015/idr), illustrating the causes and extent of economic/financial imbalance in Ato5's management of the IWS and the proposing of hypothesised rebalancing measures, including a request to access financial equalisation measures. The request is currently being updated.

With the actions taken, the Company has succeeded in managing the financial situation already highlighted in the 2021 budget, partially mitigating the financial imbalance. Nonetheless, as a consequence of the approval of the 2022-2023 tariff update, the directors of Acea Ato5 confirmed the ongoing significant uncertainties about the subsidiary as a going concern, such as, in particular, the greater use of reverse factoring, the favourable outcome of the Technical Panel with the Area Authority intended to define the mutual items and the approval of the request for economic/financial rebalance currently being prepared for reproposal by the company.
Nevertheless, the Directors have maintained the going-concern assumption in the preparation of the financial statements, considering that the actions to taken to preserve continuity, which have been further reinforced by the decisions of Acea SpA, will be enough to allow the ordinary management of the business. They are also confident that the tariff proceedings described above, and the ARERA tariff approvals, will be concluded as envisaged, within a reasonable period of time.
Revenues for the integrated water service are determined on the basis of the new water tariff method (MTI-3), as approved by the Authority (ARERA) with its resolution 580/2019/R/idr of 27 December 2019 and resolution 1/2023 of the Conference of Mayors of Ato5 and amount to € 78.9 million, including the estimate of adjustments for pass through items and the FoNI component of € 4.6 million.
Tariff adjustments amount to € 99.7 million based on the recalculation carried out as a result of the credit adjustment for bills to be issued to users after the audit carried out by ARERA for 2012-2018 and the subsequent tariff update of 1 August 2018 by the AGB.

With regard to **relations with OTAA5**, the Company has tried to reach a settlement of the various disputes pending against the Area Authority, convinced of the need to put an end to a very long season of clear conflict between the Granting Body and the Licensee Company, culminating with the resolution passed by the Conference of Mayors of OTA5 aimed at the termination of the Management Agreement that forced the Company to appeal to the Latina Regional Administrative Court that annulled the above resolution.
In this context, in recent years and especially during 2018 an enormous effort has been made — including organisational efforts — to reconstruct the relations between the Company, the Area Authority and the individual Municipal Administrations of Ato5.
Similarly, the possibility of establishing a Conciliation Board with the Area Authority has therefore become concrete, with the aim of settling the main issues still in dispute by the parties.
In this regard, on 11 September 2018 OTAA5 and the Company signed report no.1 in which the parties expressed their mutual willingness to open a Conciliation Board on the various disputes pending between them.

Also in the same minutes, the Parties shared the rules of operation of the Conciliation Board and the criteria for the appointment of that Board and, in particular, each party appointed its own member. The Chairperson of the Conciliation Board was selected by the Prefect of Frosinone, at the joint request of the parties, and was jointly appointed on 16 May 2019. The Board officially took office on 27 May 2019, thus starting the 120-day period within which it had to arrive at a proposal for an amicable settlement of the issues submitted for its assessment. On 17 September 2019, the Conciliation Board announced that it had completed the preliminary work on all the items assigned to the roundtable. However, it noted that due to the number and complexity of the issues under examination, a considerable amount of work was required to prepare a document presenting a comprehensive and reasoned conciliation proposal. It therefore requested and obtained from the parties an extension of 30 days from 24 September 2019.
Following a detailed and in-depth investigation, the Conciliation Board prepared a draft of the Conciliation Proposal, presented to the parties' legal counsel at the meeting held on 11 November 2019. At that meeting, the Parties invited the Board to draw up a draft of the Conciliation that would take into account the report illustrated in that meeting, as well as the proposals made by the Operator, to be submitted for examination and approval to the relevant Bodies.
On 27 November 2019, the Conciliation Board submitted the final Conciliation Proposal to the Parties together with the draft of the Conciliation Deed, which each party will be free to accept or reject, i.e. to accept it in full or even only in part. As a matter of fact, the aim and underlying criterion of the assessments of the Board include the formulation of a unified conciliation proposal, capable of creating balance between the respective positions and interests of the parties, minimising the negative impacts on users and on the service tariff and which will allow for the establishment of a more pleasant atmosphere in relations between the Operator, the Area Authority and the users of OTAA5, overcoming the previous period characterised by conflict, which also caused serious detriment to the Operator in its relations with users.

Specifically, with reference to the individual mutual claims referred for its assessment, the solutions proposed by the Conciliation Board in the aforesaid Conciliation Proposal are as follows:

- judgement pending with the Court of Frosinone, docket number 1598/2012, relating to the 2006-2011 licence fees — the Board of Arbitrators would propose recognition of the debt owed by the Manager for the requested amount of € 1,750,000; it should be noted that this amount is to be understood as an additional recognition with respect to the amount indicated in the settlement proposal made in the context of the aforementioned pending proceedings - see the description in the preceding paragraph "Injunction order for € 10,700,000 and counterclaim OTAA5 concession fees";
- quantification of the concession fee relative to the period 2012-2018, and the linked destination of any economies for a total of € 12,798,930.00 — the Board proposes, also taking into account the regulatory guidelines provided by ARERA, that these are taken out of the tariff adjustments in favour of the Operator;
- recognition of the amount owed by the Operator (€ 10,700,00.00) — the Board proposes recognition of this credit in favour of the Operator;
- compensation of damages suffered by Acea Ato5 against delayed delivery of services by the Municipalities of Cassino, Atina and Paliano - the Board holds the Operator's claim to be founded but, in consideration of the difficulty in quantifying the damage suffered and with an eye to amicable settlement, proposes that the Operator renounces this claim with regards to the Area Authority;
- compensation of damages for the lack of handover of the ASI and Cosilam plants, assessed in the amount of € 2,855,000.00 — the Board holds that the requirements to dispute a deed which is now final are not met; nonetheless, the Operator will renounce the claim against recognition of the credit for € 10,700,000.00;
- recognition of penalties totalling € 10,900,000.00 applied by OTAA5 against the Operator and annulled by the Latina Regional Administrative Court by judgement no. 638/2017; Although the Operator has substantially renounced the application of the said penalties related to the period 2014-2015, the Board proposes partial acceptance of the Area Authority's claim for a total amount of € 4,500,000. In relation to this point, the Conciliation Proposal provides for an irrevocable commitment to make investments, in the territory of the Ato5, of an amount corresponding to the quantification made by the Conciliation Board, with no tariff recognition and therefore at the total expense of the Operator;
- recognition of interest on the delayed payment of concession fees on the part of Acea Ato5, assessed in the amount of € 650,000.00 — the Board proposes recognition of this claim;
- request for an Operator repayment plan in relation to the Area Authority for debt positions relating to the concession fee for 2013/2018 which, at 30 June 2019, amount to around € 10,167,000; the Board proposes offsetting this debt by the recognition of a credit of € 10,700,000;
- discounting of the Adjustments 2006/2011, and for 2014, 2015, 2016 and 2017, assessed in the amount of € 1,040,000.00 — the Board proposes recognition of this credit in favour of the Operator;
- non-invoicing of adjustments 2006/2011, due to the adjustment of 2012 volumes, assessed in the amount of € 1,155,000 — the Board proposes recognition of this claim in favour of the Operator.

The "Conciliation Proposal" and the draft "Conciliation Deed" were approved by the Company's BoD at a meeting held on 19 December 2019. On 4 February 2020, the Company informed the OTS of OTAA5, with note no. 53150/20, that on 19 December 2019 the BoD approved the Conciliation Proposal formulated by the Conciliation Board and the draft of the Conciliation Deed between OTAA5 and Acea Ato5 and that, moreover, the Chairperson was given a mandate to sign the Conciliation Deed, confirming in particular the commitment to carry out interventions for a total amount of € 4,500,000 without any tariff recognition, in conciliation and for the reasons set out above.
However, in light of the conduct throughout the conciliation process, and in particular during the final meeting held on 11 November 2019 in which the Conciliation Board explained the Conciliation Proposal to the legal representatives of the parties and as the Company's Board of Directors had already approved the related Conciliation Deed on 19 December 2019 and then communicated this decision to OTAA5 on 4 February 2020, the Company believed that as at 31 December 2019 an implicit obligation had already arisen for the commitments envisaged in the Conciliation Deed,

and in particular for the aforementioned commitment to carry out interventions in the territory without any tariff recognition, having already created a valid expectation in the OTAA5 Area Authority and in the municipalities of the territory that the Company intends to honour these commitments and bear the related charges. When the Company was preparing its financial statements for 2019, based on the information available, considering the approval of the Conciliation Deed by the Conference of Mayors to be probable and consequently also considering the related implied obligation to be likely, the Company decided to allocate a provision for risks for € 4,500,000.
To date, the Conference of Mayors has not yet been scheduled for final approval of the two documents. Specifically, it should be noted that the Mayors' Conference on 28 October 2021 resolved that the approval of the Conciliation Deed could only be considered upon the outcome of, at least, the preliminary phase of the Criminal Proceeding 2031/2016 pending before the Court of Frosinone.
Subsequently, on 26 January 2022, the OTS of OTAA5 sent the Company a letter ordering it to set up an interest-bearing escrow account within 15 days at the latest, into which the sum of € 12.8 million relating to the aforementioned savings on concession fees for the period 2012-2018, as quantified in the joint report of 29 April 2019 attached to the work of the conciliation roundtable, which — according to the OTS — was allegedly invoiced by the Manager, would be transferred. The Company acknowledged this letter on 10 February 2022, pointing out, among other things, that the Conciliation Board itself in its report, with specific reference to the savings on the 2012-2018 licence fees, had clarified that "these sums can only be considered virtually and abstractly (and not also in actual financial terms) as being available to the Manager" and that they would indeed represent a suitable financial source to cover the debt of € 10,7 million owed to the Manager or, alternatively, — as proposed in the draft conciliation agreement — to reduce the total amount of the tariff adjustments still due to the Manager, which far exceed the amount in question.
However, the Company is willing to set up a round table to discuss the matter further and find the most suitable solution to reconcile their mutual interests.
In view of the foregoing and pending the examination of the Conciliation Proposal by the Conference of Mayors of OTAA5, the Company considers the draft Conciliation approved by the Board of Directors of Acea Ato5 at the meeting of 19 December 2019, as a still valid reference in relation to the overall composition of the issues submitted by the parties to the Conciliation Board and, therefore, considers that the same continues to represent — to the extent of the net amount of € 4.5 million to be paid to the AGB under it — an implicit obligation that can be enforced against it. Therefore, the provision for risks originally recorded in the financial statements as at 31 December 2019 is deemed to be reconfirmed when preparing the Company's 2022 financial statements.
As further confirmation of the continuing validity of the Conciliation Proposal between the parties, it should be noted that on 1 February 2022, the AGB requested the payment of the invoices for concessionary charges issued with reference to the years 2019-2022 and not those issued with reference to the years 2012-2018, which were the subject of the Conciliation Board meeting.
The Company responded to this reminder with three separate letters sent on 3 February 2022, 17 February 2022 and, most recently, on 2 March 2022, in which, respectively, it disputed the amounts of some of the invoices requested by the AGB (the amounts of which do not match those of the invoices in its possession), it put forward a proposal for a payment by instalment plan and reiterated, however, that this instalment proposal is not an alternative to the Conciliation Board, nor does it change its content in any way, but only concerns the settlement of the portion of debts referring to the 2019-2021 period.

In a letter of 29 April 2022, the OTS repeated its claims about the concessionary charges and called a meeting for 6 May 2022. On 9 May 2022, the meeting between the parties took place, who agreed on the need to begin technical talks to analyse all the outstanding issues.
The technical panel updated the information on the economies for mortgages already identified in the context of the work of the Conciliation Board, also discounting the fees due from the Manager and reconciling invoices issued and already paid by the latter.
Subsequently, with a note issued in December 2022, the Operational Technical Secretariat requested an urgent meeting to deal with the issue of concession fees not yet paid and, more generally, the amount due to the Manager from the Entity. During these meetings, held in the second half of December 2022, the Operational Technical Secretariat presented the problems deriving from the evaluation of its 2021 financial statements. In response to this note, in a note dated 23 December 2022, the Company indicated its continued situation of uncertainty due to the non-approval of tariffs by ARERA within the established schedule. At present, there are no further updates.
Also see that described in the section "Trend of operating segments - Industrial segment - Water" in the Report on Operations.

In reference to additional cases related to legal disputes, filed or being filed, see the "Update on major disputes and litigation" section of this document".

Acea Molise

Acea Molise Srl manages the Integrated Water Service in the following multi-regional and multi-area contexts:

- Molise Region: direct management of the Integrated Water Service in the municipality of Termoli (single OTA);
- Lazio Region: the services covered are as follows:
  - direct management of the Integrated Water Service of the Municipality of Campagnano di Roma (OTA2 Lazio);
  - operation of the purification plant in the Municipality of Valmontone (OTA2 Lazio).

Water management activities carried out in the Lazio Region ended in 2022 due to the natural expiration of the relative contracts and, therefore, sub-entry and transfer procedures were begun for the Systems and networks of the Municipalities of Campagnano di Roma and Valmontone for the new manager Acea Ato2 SpA.
With regards to management of the Integrated Water Service in the Municipality of Termoli, the concession expired on 31 December 2021 but it was again assigned to the Company in 2022, following the awarding of the Project Financing tender issued by the Municipality in February, for "Assignment of execution of projects to protect the territory and water and to improve the integrated water service in the Municipality of Termoli - Public Private Partnership - Project Finance with right of preemption for the promoter (article 183, paragraph 15, Legislative Decree 50/2016)".

Municipality of Termoli: the management of the IWS in the Municipality of Termoli has been technically extended until 30 June 2022, pending the conclusion of the call for tenders concerning the "Entrusting of the implementation of measures to protect the territory and water and to improve the integrated water service in the Municipality of Termoli – Public Private Partnership – Project Finance with right of pre-emption of the promoter (art. 183, paragraph 15, Italian Legislative Decree no. 50/2016)".
Despite the fact that Acea Molise was the promoter of the Project Finance with the right of pre-emption, on viewing the qualifications for the tender, the Company realised that it did not possess all of the required qualification requirements. Therefore, consideration was given to the opportunity to still participate in the tender and submit an improved offer (losing the right of pre-emption) with the pooling of TWS (Acea group) and third-party operators of Acea's liking. In addition to broadening requirements, this solution would allow for significant group synergies.
On 29 March 2022, the Board of Directors of the parent company Acea SpA (sole shareholder of Acea Molise) gave a favourable opinion to the Company's request to participate in the tender called by the Municipality of Termoli (with the pooling of TWS and third-party operators), and at the same time resolved on the relevant financial support, up to a maximum amount of € 5 million.
Following this, on 30 March 2022, the Board of Directors of Acea Molise, having taken note of the resolution of the partner Acea Spa, also expressed its favourable opinion to participate in the tender with the establishment of pooling.
On 31 March 2022, Acea Molise, in collaboration with the Group Tenders unit, submitted, through a platform made available by the Municipality of Termoli contracting station, an improved offer, investments side, in relation to the tender documents.
The Central Single Contracting Authority met on 19 May 2022, with a note ref. 32122, and communicated the completion of the works by the tender commission with the proposal of awarding the Project Financing in favour of Acea Molise. With Executive Resolution no. 1089 dated 20 May 2022, the contract in question was finally awarded to Acea Molise.
The award of the Project Financing tender called by the municipality of Termoli therefore allows the company to continue with good reason in the management of the integrated water service in that municipality, pending regional decisions by the single area operator.
At present, there is evidence of the approval of the Regional Area Plan in January 2022, defined by the EGAM in cooperation with Sogesid (100% held by the Ministry of Economy and Finance), updated in June 2022. Also in June 2022, representatives of the Molisani Municipalities and Azienda Speciale Molise Acque, established a limited liability consortium known as Gestione Risorse Idriche Molisane Scarl (hereafter "GRIM") fully publicly owned and subsequently (on 29 June 2022), EGAM assigned management of the Integrated Water Service of the single OTA of Molise to GRIM.
Finally, on 26 July 2022, EGAM sent ARERA the regulatory convergence scheme to establish the 2022-2023 tariffs for GRIM and, at the same time, in the commitments plan, established that *"by 2022, almost all the municipalities (134 of 135) in the provinces of Campobasso and Isernia will fall under sole management, with the exception of the municipality of Termoli, which, currently managed by Acea Molise Srl, will enter sole management at the end of 2023*" (ARERA resolution of 6 September 2022 416/2022/R/idr).
Despite the establishment of the Single Manager for the Molisano Area - GRIM, on 3 August 2022 Acea Molise signed an Agreement with the Municipality of Termoli that legitimises the Company to continue full management of the Integrated Water Service in the Municipality of Termoli for an additional 15 years, until 2037, without prejudice to the possibility of early withdrawal (article 6.2 of the Agreement), if the Sole Manager in the Molisano Area identified by EGAM explicitly asks Acea Molise to sub-enter the service.
At present, GRIM has not presented a formal request to Acea Molise to sub-enter as manager of the integrated water service in the Municipality of Termoli and until the expiration of the Agreement pursuant to article 6.2, Acea Molise must comply fully and entirely with the obligations of the Agreement signed on 3 August 2022.
Nevertheless, developments are awaited regarding the decisions of the Molise Region and the EGAM regarding the operational mode of management of the integrated water service in the Molisano area: through total in-house management or with the (hoped-for) help of a private partnership.

Municipality of Campagnano di Roma: the concessionary management of the drinking water distribution service of the Municipality of Campagnano, entrusted in 1991 and extended in 2000 to the entire Integrated Water Service, expired on 31 December 2020 and has been extended until 31 December 2021, pending the ratification by the Regional Council of the move of the Municipality of Campagnano di Roma from OTA1 North Lazio-Viterbo to OTA2 Central Lazio-Rome.
On 14 July 2021, the Regional Council of the Lazio Region, by Resolution no. 10, ratified the transfer of the Municipality of Campagnano di Roma, from OTA1 North Lazio-Viterbo to OTA2 Central Lazio-Rome, an area whose single operator is the company Acea Ato2. During the second half of 2021, a series of meetings took place with the municipality and the Acea Ato2 Area Operator to define the handover of the integrated water service.
Despite the commitment of the parties involved in the management transition, on 14 December 2021, with a letter ref. 37728, the Mayor of the Municipality of Campagnano di Roma, due to the complexity of the procedural process, both administrative and technical, for joining OTA2, asked Acea Molise if it could continue the management of the integrated water service of the same Municipality, for an additional year, and therefore until 31 December 2022, as a reasonably estimated term for the conclusion of the management transition to Acea Ato2. At the same time, he asked Acea Molise for its availability, as of 1 January 2022, to also operate the municipal arsenic treatment plant (Water purifier station) upon tariff adjustment.
On 20 December 2021, with a letter ref. 24984. Acea Molise expressed its willingness both to continue the municipal integrated water service for an additional year and to expand its scope of management by taking over the Water purifier station.
In the initial months of 2022, a series of coordination meetings were immediately scheduled with the Municipality of Campagnano (Granting Body), Acea Molise (outgoing Manager), Acea Ato2 (incoming Manager), e OTAA2 (relevant Area Body). The schedule agreed upon by the Parties set 30 September 2022 as the date to transfer management.
Parallel to technical activities to return the network and plants and administrative activities required for the transfer of commercial accounts, all the preparatory activities were prepared for determination of the Residual Value to be paid by the incoming Manager (Acea Ato2) to the outgoing Manager (Acea Molise) in line with

regulations.
The OTAA2 OTS, at the Conference of Mayors, with Resolution 9/2022 of 29 September 2022, recognised for Acea Molise, as the residual value of the outgoing manager, solely the corresponding value of the residual RAB (investments not yet recognised in the tariff), postponing measurement of regulatory adjustments to any amendments/additions made by ARERA.
On 30 September 2022, the transfer of management for the Municipality of Campagnano di Roma from Acea Molise to Acea Ato2 was finalised, and in order to not lose the right to recognition of regulatory adjustments, the Company invited the interested parties (OTAA1 Lazio Nord-Viterbo and the Municipality of Campagnano) to promptly send the information necessary for approval of the tariff update for 2022-2023 and the relevant provisions associated with the same, so they could be promptly sent to STO OTAA2 Rome and ARERA, as well as definition of the Residual Value, including Adjustments, for Acea Molise as the outgoing manager.

Municipality of Valmontone: the management contract for the Kennedy Treatment Plant in Valmontone expired at the end of April 2022, but the parties agreed on a three month extension, to allow the Company to complete the work associated with waste disposal. On 29 April 2022, Acea Molise and the Municipality of Valmontone signed specific Technical Regulations to govern reciprocal technical/economic relations during the three month extension. After the maintenance work agreed on was complete, management of the Kennedy Treatment Plant was returned to the Municipality of Valmontone (prov. Rome) on 31 July 2022, with the simultaneous definitive conclusion of all contractual obligations.

Campania - GORI SpA (Sarnese Vesuviano)

GORI provides integrated water services in 76 Municipalities in the provinces of Naples and Salerno, on the basis of a thirty-year agreement signed on 30 September 2002 by the company and the Sarnese Vesuviano Area Authority. GORI pays a fee to the grantor of the concession (the Sarnese Vesuviano Area Authority), based on the date the right to manage the related services is effectively acquired. The area of operations has remained unchanged compared to the previous year, since the process of acquiring management is now complete. In fact, 76 Municipalities are managed, i.e. all those falling under OTA3 in the Campania Region.

2020-2023 Regulatory Framework

On 10 August 2022 the Executive Committee of the Campania Water Authority (CWA) definitively approved, with resolution 36/2022, the biennial update of the regulatory framework for 2022-2023 for the manager GORI, based on the criteria defined by the Authority in resolution 580/2019/R/idr, as supplemented by 639/2021/R/idr and 229/2022/R/idr; on 5 October 2022, the CWA offices sent ARERA the update of the regulatory framework using the IT procedure.
The update of the regulatory framework approved by the CWA for 2022-2023 saw an increase in the theta of 2.4 for the year 2022 and a theta of 1 for 2023, confirming for both years the values of the tariff increases approved with the previous resolution of the Executive committee, no. 35/2021, which had approved the regulatory framework for 2020-2023 pursuant to ARERA resolution 580/2019/R/idr di ARERA; this tariff update also implemented the provisions issued at the same time by the CWA in relation to "previous items" (reviewed and redetermined pursuant to the CWA Executive Committee resolution 35 of 10 August 2022) and the "tariff update" subject to a review procedure by ARERA pursuant to the Council of State decision 5309/2021 (specifically with reference to the CWA Executive Committee resolution 34 of 10 August 2022), as better indicated below, while also taking into account the provisions of the additional acts to the Operating Agreement (i.e. additional act no. 1 and additional act no. 2). In particular, in relation to the cited Executive Committee resolution 34 of 10 August 2022, relative to the *"Council of State decision 5309/2021. ARERA resolution 247/2022/R/Idr. Determinations on tariff rates relative to the manger GORI SpA for the years 2012 and 2013. Sarnese Vesuvian District Council Resolution 6 of 2 August 2022*", note that, as a consequence of Council of State decision 5309/2021, it was established that ARERA had seen to the renewal of the investigation underlying the tariff decisions approved by the same Authority with resolution 104/2016/R/idr containing *"Approval, for the purposes of evaluating adjustments in the context of the tariff method for the second regulatory period MTI-2, of tariff rates relative to the Sarnese-Vesuvian optimal territory area for 2012-2015"*. Consequently, with resolution 373/2021/R/idr of 7 September 2021 (and other subsequent resolutions regarding the deadline for completion and other methods) the proceeding to renew the aforementioned investigation was begun and subsequent other resolutions extended the deadline for completion and provided instructions on the methods to implement the actions required of the CWA and other interested entities. Hence, as anticipated, in its cited resolution 34 of 10 August 2022, the CWA Executive Committee certified that the conditions had been met (efficacy and implementation of the Area Plan) for confirmation of that approved by the then operational Extraordinary Commissioner of the Sarnese Vesuvian Area Authority with resolution 17/2013, relative to both years 2012 and 2013 for GORI, the tariff multipliers (theta) in the amount of 6.5% and the Operator Guaranteed Revenue Constraint (GRC) for 2012 and 2013. Consequently, with resolution 457/2022/R/idr *"Conclusion of the procedure to comply with Council of State decision 5309/2021 on tariff regulation for the integrated water service"*, ARERA completed the procedure begun with resolution 373/2021/R/idr on the basis of the new information, data and documents produced by the Campania Water Authority and confirmed the tariff decision made with resolution 104/2016/R/idr, thereby confirming the values of the theta multiplier and quantification of the adjustments.
Additionally, the Water Authority Executive Committee, with resolution 35 of 10 August 2022, definitively approved previous items prior to 2012 for a total of € 115,000,000; more specifically, the accuracy of the calculation of Previous Items prior to 2012 as approved by the former Extraordinary Commissioner of the Sarnese Vesuvian Area Authority was confirmed, in the amount of € 122,495,027, then reduced to € 115,000,000 as a consequence *"... of the economic/financial benefits that may derive from Additional Act no. 2, as well as other possible economic benefits deriving from possible management efficiencies for the IWS in the remaining period expiring in 2032"*. To that end, note that, as anticipated, with the Additional Act no. 1 and Additional Act no. 2, the Campania Region and GORI partially amended the GORI repayment plan with reference to the Region, as established in the Operating Agreement, postponing to 2030 payment of the instalment for € 103 million.

The aim was to in this way pursue the achievement of the objectives established in the Operating Agreement, specifically: **i)** realising the necessary scheduled investments, **ii)** guaranteeing economic/financial balance for the integrated water service manager, **iii)** ensuring and maintaining the bankability of the project.
Revenues as of 31 December 2022, which total € 254.0 million, were determined on the basis of the regulatory scheme approved by the Campania Water Authority with Resolution 36/2022, in compliance with ARERA Resolution 580/2019/R/idr, subsequently supplemented by ARERA Resolution 639/2021, with which the Authority defined the criteria for the two-year update (2022-2023) of the tariff arrangements for the Integrated Water Service.
Verification of parameters to identify the regulatory quadrant and the presence of OPnew relative to systematic changes in operator activities in the "presence of the supply of a new service (e.g. purification or sewers for an operator whose management was previously limited to aqueduct services or, in other cases, in the presence of expansion with an upstream supply chain), pursuant to article 18.2, 18.3, letter c) and 18.4 of Annex A to resolution ARERA 580/2019/R/idr as subsequently amended and integrated, determined placement in the VI regulatory quadrant. Nonetheless, as already noted, in order to guarantee the social sustainability of the tariff, while respecting economic/financial balance in managing the IWS, Campania Water Authority resolved on a tariff increase lower than the maximum limit allowed under the regulatory method MTI-3.
It should also be noted that, for the calculation of the Guaranteed Revenue Constraint (GRC) as at 31 December 2022, the constraint component relating to the Op_{social} supplementary water bonus, pertaining to the year 2022, has been set equal to zero because, although it has been recognised within the regulatory framework approved by the CWA, a specific deliberative act is actually missing; while the Op_{social} component related to the years 2020 and 2021 (not recognised in the respective financial statements) was considered in the calculation of the Constraint, as resolved by the Executive Committee of the Campania Water Authority in Resolution no. 2 of 5 May 2022, by which it approved the criteria for the allocation of the supplementary water bonus for the 2020-2021 two-year period.
The purely regulatory components CO_{fanghi} and CO_{EE} were also considered.
The $Opex_{QC}$ and $Opex_{QT}$ components were calculated in the amount of what was requested in the related cost recognition requests, within the limit of what was recognised in 2019.
Additionally, the component relative to the corrective factor for adjustments was calculated, pursuant to paragraph 27-*bis* 2 MTI-3 with application of the return rate for fixed assets Kd to adjustments recognised for years 2012 and 2013.
The OPnew included in the calculation were quantified in the same manner as in previous years, and therefore, on the basis of the full cost recovery principle, the costs effectively incurred on plants transferred at 31 December 2022 are covered, as demonstrated in the accounting documents.

At 31 December 2022, the works transferred to the Operator are: Waterworks at Mercato Palazzo with transfer in October 2016, waterworks at Boscotrecase and Cercola with transfer in March 2018, waterworks in the Nolana area with transfer in September 2018, waterworks at Campitelli and Boccia a Mauro to complete the Vesuvius area with transfer in December 2018, the Angri Wells Field with transfer in February 2019, the Nolana Area treatment plant with transfer in March 2019, the completion of the Sarnese Area with transfer in April 2019, the Medio Sarno 2 treatment plant with transfer in July 2019, the transfers relating to the Medio Sarno 3 treatment plant and the Sorrentine Peninsula water area in December 2019, the transfer of the Foce Sarno treatment plant in December 2020, and finally the transfer of the Alto Sarno treatment plant in January 2021.
External operating costs $Opex_{end}$ were defined based on what is established in article 17.1 of Annex A to resolution ARERA 580/2019/R/idr as subsequently amended and integrated, when measures were introduced to incentivise efficient behaviour by operators; to that end, calculation of the per capita level of operating costs incurred by GORI in 2016 placed GORI in class B1 of the regulatory matrix pursuant to article 17.1 of resolution ARERA 580/2019/R/idr, while calculation of estimated operating costs, using the statistical model found in article 17.2 of Annex A to resolution ARERA, transformed into per capita terms, placed the operator in Cluster A of the regulatory matrix. Therefore, GORI was placed in quadrant 4 of the regulatory matrix. The Opexend thus defined, adjusted by the inflation coefficient provided by the Authority as part of the 2022-2023 two-year regulatory update, amount to € 74.8 million.
The GRC was also updated pursuant to art. 27.1 of Annex A of ARERA Resolution no. 580/2019/R/idr as subsequently amended and integrated which envisages that, for the purposes of determining the GRC for the 2020-2023 regulatory period, some cost items (electricity cost, balance of payments and penalties, Authority contribution, cost of wholesale supplies, activity costs connected to the IWS due to systemic changes in the conditions of the service or to the occurrence of exceptional events) are subject to a final assessment, as adjustment components (Rc), relative to the year (a-2).
With regard to the calculation of the Constraint for the costs for wholesale water services by the Campania Region at 31 December 2022, the tariff approved by the CWA by Resolution no. 7 of 26 February 2021 was considered. This determines the 2020-2023 regulatory scheme for the proposed wholesale water tariff for the "Campania Region" operator and is equal to € 0.20452/m^3, with the application, for the year 2022, of a theta equal to 1.060 (6% increase).
The pertinent cost at 31 December 2022 on the COws relating to regional water supplies, according to the principle of full cost recovery, was approximately € 6.9 million, entered for the same amount in GRC and in the related costs.
As regards the CO_{ws} of the collection and purification service, here again they were calculated starting from the quantification of the recognised costs which, to determine the relevant costs at 31 December 2022, according to the full cost recovery principle, amounted to approximately € 7.4 million. Reference was made to the tariff for wastewater collection and purification services, equal to 0.310422 €/m^3, (as a result of application of the ARERA 338/2015/R/idr resolution to the regional tariffs for wholesale services, recognised by the Parties within the minutes of the meeting of 4 March 2016 between the Campania Region, the Area Authority and GORI), applying it to volumes treated by the regional plants.
Additionally, again with reference to the collection and purification service, adjustments were made in relation to decreases in the cost with reference to prior years for a total amount of -2 million.
Finally, it should be noted that the Government, with a series of

Decree Laws, most recently Decree Law 144/2022, known as the Aid-Ter Decree, introduced a series of measures to support companies handle the energy crisis and associated cost increases.
Among the measures introduced by the Government is the establishment of a tax credit for companies for the purchase of electricity which, in the case the company is not energy intensive (the case of the Integrated Water Service Managers) is equal to 30% of the expense incurred to acquire the energy component, if the price of the same in the third quarter 2022 is more than 30% higher than the third quarter of 2019.
Quantification of the tax credit, calculated for invoices effectively incurred and relative to April-November, is equal to around € 9.2 million and was recognised at 31 December 2022 under the item "Other revenue" in the income statement.
In the relevant GRC at 31 December 2022, to avoid double coverage of the cost of electricity, the quantification of the tax credit was taken into account through an adjustment of revenue (GRC) by an equal amount (-€ 9.2 million), allocated to the item "Exceptional events".
Also note that on 13 October 2022, ARERA, with resolution 495/2022/R/idr "*Reopening the terms for financial advances aimed at mitigating the effects of the growth in electricity costs on managers of the integrated water service*", called for a second window within which government entities in the area, based on a request by the relevant manager, could present a justified request to CSEA (by 30 November 2022) to activate types of financial advances, introduced with resolution 229/2022/R/idr, associated with the obtaining of resources to handle part of the expenses incurred to purchase electricity. The requirements being met, GORI presented the request to the Campania Water Authority on 8 November to request from CSEA a financial advance in the amount of € 11,842,336.80 (that is in the maximum amount, 0.35 x **COEE** 2022).
Based on the request presented by GORI, the Campania Water Authority Executive Committee, in resolution 76 of 29 November 2022, decided to ask CSEA to activate the financial advance methods introduced with ARERA resolution 229/2022/R/Idr, associated with obtaining resources to handle part of the expenses incurred to purchase electricity for the manager GORI SpA; on 30 November 2022, the Campania Water Authority sent CSEA the Financial Advance Request for the manager GORI Spa, in the amount requested by the Manager, specifically € 11,842,336.80.
As established in resolution 495/2022/R/idr, the advance was disbursed by CSEA by 31 December 2022, specifically on 27 December 2022 and the Manager must see "*to the return to CSEA of the sums advanced in two instalments of equal amount (in relation to the capital portion) maturing respectively on 31 December 2023 and 31 December 2024. The instalments are increased by interest applied to the remaining capital and calculated based on the interest rate applied, equal to that obtained by CSEA for its own liquid assets held with its bank.*"

Campania – Gesesa SpA (OTA1 - Calore Irpino)

Gesesa manages the Integrated Water Service in 22 Municipalities in the province of Benevento for a total resident population of 117,593 inhabitants spread over an area of about 710 square kilometres with a water infrastructure of about 1,547 km, a sewerage network of 553 km and about 332 plants managed. The total number of user accounts amounts to 57,470, for which 2022 consumption has been estimated at about 7.7 million m^3 of water.
The sewerage service is provided to approximately 80% of users while the purification service reaches about 40% of users. Regional Law 15 of 2 December 2015, in effect as of 22 December 2015, established the Campania Water Authority (CWA), to which "all local entities must obligatorily adhere" if falling within territory of the region. CWA's responsibilities can be summarised as follows: **i)** selecting the management model, **ii)** approving the tariff proposal for the integrated water service, **iii)** assigning this service to "third party" manager entities, based on indications received from each district council and **iv)** monitoring these operations. This is without prejudice to any substitute and supervisory powers over the activities of the CWA held by the Campania Region.
To achieve greater management efficiency and improved service quality for users, the area of the regional OTA was divided into five district areas, including "Calore-Irpino", which includes all the management entities within the province of Benevento. With Regional Council resolution 434 of 3 August 2022, the Campania Regional Council acknowledged resolution 26 of 27 July 2022 of the Campania Water Authority Executive Committee and amended the composition of the single regional OTA district areas, subdividing the Calore Irpino district area into two separate district areas: Irpino and Sannita.

On 5 October 2022, with the appointment of the District Council, the district area became fully functional and at its first meeting on 25 October 2022, "selected the type of management pursuant to article 14, paragraph 1, letter b) of Regional Law 15/2015", resolving, among other things:

- that management of the IWS in the Sannita District Area would be entrusted to a mixed public/private company, as a solution able to combine the interests of the Municipalities with the need to have private capital for the start-up phase of the new manager and to carry out the planned projects, as well as the know how of an industrial operator that already has significant experience in the integrated water service sector;
- for the purposes of the previous point, to express the guideline that the offices of the CWA prepare the planning documents for the IWS relative to the Sannita District area, taking into account the Council's wish that the sole management of the service be entrusted to a mixed public/private capital company, reserving the relative majority for the Municipalities of the Province of Benevento, reserving for the private shareholder to be selected through a dual purpose tender, a portion of the share capital equal to a maximum of 49%, in compliance with article 17 of Legislative Decree 175/2016, and reserving for the public part an absolute majority of the shareholding structure.

At present the CWA is proceeding with activities to prepare the dual purpose call for tender to identify the private shareholder:

- definition of the area plan for the Sannita District;
- establishment of the in house company for the Municipalities of the Province of Benevento which will hold a majority of the share capital of the mixed company to be established;
- determination of the sub-entry value (residual value of investments + tariff adjustments to be invoiced) that the private shareholder must pay Gesesa.

After various conversations, the CWA set the end of March as the

date for completing the activities above and 2023 as a deadline for completing the consequent tender. Subsequently, all tender activities will be begun, which will lead to the identification of the private shareholder and the consequential activities to arrive at the entrusting of the IWS to a new manager. The CWA will ensure that all of this is completed during 2023.
With regards to approval of the proposed tariffs in progress, note that despite the activities implemented by the company, the request made to ARERA to exercise substitute powers and the consequent formal warning sent by the Authority to the CWA to resolve the breaches associated with the same, the CWA has not yet approved the biennial proposed updates for 2018-2019 nor the update for the third regulatory period, 2020-2023. Additionally, during the year the Company prepared its final data for the years 2020 and 2021 and the Works Programme to prepare the proposed tariff revision with definition of the GRCs and Thetas for 2022-2023, revising the investment programme for 2020-2023, pursuant to ARERA resolutions 580/2019/R/idr and 639/2021/R/idr. All the documentation produced was validated by the CWA on 7 November 2022 and the proposed tariff 2022-2023 is awaiting approval by the Campania Water Authority.
As a result of the above, the items of the financial statements concerned — in particular revenues and related customer receivables — were updated and recognised in 2022 on the basis of the new Guaranteed Revenue Constraint ("GRC") forecast for 2021 and the calculation tool prepared for the 2022-2023 biennial adjustments, awaiting approval by the relevant entities.
On 28 February 2023, the company formally asked ARERA to exercise its substitute powers to approve the 2022-2023 tariff update, sending a formal warning to the CWA to approve the regulatory scheme submitted.

In relation to proceeding 231 associated with the company, note progress in the criminal proceeding 5548/2016, with a preventive seizure of 12 water treatment plants managed by Gesesa and appointment of a Judicial Administrator.
Following the proceeding above, an independent proceeding was begun involving the position of the company relative to which action was taken with regards to certain crimes contemplated under Legislative Decree 231 of 2001.
On 15 November 2021, the Judge of the Court of Benevento issued a preventive seizure order relative to Gesesa, executed on 29 November 2021, in that the Benevento Public Prosecutor had charged Gesesa, in terms of liability pursuant to Legislative Decree 231 of 2001, all the crimes contemplated by the stated Legislative Decree, which real persons had already been charged with. That being established, with regards to the merits, based on the accusations summarised above, the Judge granted preventive seizure as requested by the Public Prosecutor, in the amount of € 78,210,529.00, relative to Gesesa. Given the unfounded nature of the accusations and the abnormality of the measures applied, through its trusted attorneys Gesesa appealed the seizure order. On 22 December 2021, the Benevento Court of Appeal granted the appeal presented by the company and fully annulled the seizure ordered by the Judge. This annulment was not appealed and, therefore, this decision became final.
On 25 January 2022, notification was received that the investigations of the Company had been completed and on 17 June 2022 notification was received by the real persons and the company of the provision requesting indictment; the date for the preliminary hearing, initially set for 23 January 2023, has been postponed to 26 June 2023 due to the absence of the relevant judge.
That being established, note that the company, pursuant to article 17 of Legislative Decree 231/2001, has begun actions to verify any risks and identify possible improvements that have allowed it to align its control system with the requirements of the law. These improvements have given rise to an action plan to revise and strengthen the internal control system.
In particular, with regards to the plants subject to preventive seizure, following a virtuous path of more than two years, with total outlays of € 891,060.34 by the Company, to implement the requalification projects requested by the Judicial Administrator, the requalification activities were effectively completed for the plants subject to seizure.
Following these activities, the Judicial Administrator, with a specific Report filed with the relevant Prosecutor, acknowledged the conclusion of the same with a satisfactory completion of the newly functional plants. In the light of this report, with a provision of 9 September 2022, the Public Prosecutor's Office deemed as "ceased the requirements that gave rise to the appointment of the Judicial Administration for the operation of the purification plants", while it did not hold the requirements for release from seizure of the same yet met, with a provision of 14 September 2022 the Judge consequently ordered termination of Judicial Administration and confirming seizure with the right to use the treatment plants by Gesesa. Four months have now passed since this provision without any major issues being identified in the management of the stated plants. Gesesa has decided to send a request to release the seizure of the purification plants in question. This will be presented no later than the end of February.
With regard to any risks concerning the final outcome of the proceedings, the Directors, also on the basis of the opinion of the appointed lawyers, according to whom it is currently not possible to formulate forecasts concerning the duration, outcome and potential risk for the Company deriving from the completion of the legal process, believe that, at the stage of the proceedings, it is not possible to make a forecast of the liabilities that could arise for the Company as a result of the development of the further stages of the aforementioned proceedings.
Finally, with reference to the sanction proceedings under DSAI/26/2018/idr, on 21 June, the Authority issued Resolution 262/2022/S/idr — Imposition of pecuniary administrative fines for violation of IWS tariff regulation, imposing a fine totalling € 83,700. The Company paid the fine in 2022.

Tuscany - Acque SpA (OTA2 - Basso Valdarno)

The management agreement, which came into force on 1 January 2002 with a 20-year duration (expiry is now in 2031), was signed on 21 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of OTA2, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 57 Municipalities. In return for award of the concession, Acque pays a fee to all the Municipalities, including accumulated liabilities incurred under previous concessions awarded.

With Resolution no. 6/2018 of 22 June 2018 concerning the "Update of the tariff structure 2018-2019", the Executive Council of the Tuscan Water Authority modified, with the same tariff multipliers, the composition of the 2016 and 2017 tariffs approved by AIT Resolution no. 32/2017 of 5 October 2017 providing for a remodulation of the recovery of tariff adjustments for approximately € 9.7 million in the period 2022-2023. With the same Resolution the Executive Council of the Tuscan Water Authority approved the 2018-2019 tariff proposal, the update of the works programme, the updating of the economic and financial plan and the extension of the duration of the concession of service from the previous deadline of 31 December 2026 to the new deadline of 31 December 2031. On 9 October 2018 with Resolution no. 502/2018/R/idr ARERA approved the tariff proposal.
The new Tariff plan with the end of the concession on 31 December 2031, compared to the previous plan with the end of the concession on 31 December 2026, contains the forecast of greater investments in service infrastructure and more contained tariff increases.
Finally, it is noted that on 24 January 2019, with the submission of the required documentation, with the termination of the previous loan and the related hedging contracts and with the stipulation of the new interest rate hedging contracts, the suspensive conditions were met and, therefore, the new loan agreement became effective. The new loan was established with a pool of banks and envisages two lines of credit: **i)** Term Line of € 200.0 million disbursed in a single use and with final single maturity of 29 December 2023 and, **ii)** RCF Line equal to € 25.0 million payable in one or more uses within the period of use and final maturity on 29 December 2023. This line must be used exclusively to meet the financial needs of the Company for its ordinary business.
At the same time the new loan agreements were entered into, 6 new interest rate hedging contracts were entered into. These new contracts envisage the Company's semi-annual payment of a fixed rate to the counterparties starting from 24 January 2019 and in correspondence with a payment by the counterparties to Acque of a variable rate.
The 2020 - 2023 tariff arrangement was approved by ARERA on 28 September 2021 by Resolution no. 404/ 2021/R/idr. The Contractual and Technical Quality Macro-indicator targets for the year 2020 and 2021 and the Tariff Multiplier Values for the years 2020 - 2023 were also approved. The submission of preparatory data for the two-year tariff review is currently underway.
As is known, with Resolution 639/2021, ARERA recalculated the WACC for the years 2022 and 2023.
For the same level of investment, this will result in a decrease in the Financial and Tax Charges recognised and this decrease is partially offset by the revaluation of the RAB due to the deflator.
With Resolution no. 183/2022/R/idr of 26 April 2022, the final results from the application of the incentive mechanism for regulation of the technical quality of the IWS (RQTI) for the years 2018 - 2019 were published. The Company was granted bonuses of € 341 thousand for 2018 and € 382 thousand for 2019 for the M1 Macro-indicator, which CSEA has already paid on 2 June 2022.

Additionally with CD Resolution 14/2022 of 25 November 2022, AIT approved the biennial tariff update for 2022 and 2023. The main elements of the revision are:

- tariffs: the thetas previously approved for years 2022 and 2023 were confirmed; slight increase in thetas for 2024-2031;
- tariff adjustments: increase of around € 8 million with a slight anticipation in recovery of the same (by 2024 instead of by 2025);
- Plan of Works 2020-2031: increase of around € 76 million net (from € 800 million to € 875 million) and € 114 million gross, for more maintenance and replacement projects; partial rescheduling of framework agreement projects and adaptations for regional laws on EU/NRRP infractions. Also note a reduction on the part of AIT for IT projects.

For both years 2022 and 2023 the electricity anticipation component OPexp EE was inserted.
On 24 November 2022 EGA was set the request for activating types of financial advances associated with obtaining resources to handle expenses incurred to acquire electricity, in turn presented to ARERA/CSEA, pursuant to that established in ARERA resolutions ARERA 580/2019/R/idr, 639/2021/R/idr and 229/2022/R/idr. The amount requested, the maximum Acque could request, was € 5,055,080. On 29 December 2022, CSEA disbursed the advance which must be repaid in two instalments of equal amount: the first by 31 December 2023 and the second by 31 December 2024.
It should be noted that in relation to the average defined cost for electricity, the Company appears to have purchased at an average cost below the defined threshold, thus being entitled to full recognition of the adjustment.
Finally, it should be noted that as of 1 January 2022, Acque has taken over from Acque Toscane in the management of the water service in the municipalities of Montecatini and Ponte Buggianese.

Tuscany - Publiacqua SpA (OTA3 - Medio Valdarno)

The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 20 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of OTA3, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 49 Municipalities, of which 6 managed via agreements inherited from the previous operator, Fiorentinagas. In return for awarding the concession, the Operator pays a fee to all the Municipalities, including accumulated liabilities incurred prior to the awarding of the related contracts.
Note that on 26 June 2020, the AIT approved the tariffs for the third regulatory period (2020-2023) and promptly sent the tariff proposal to ARERA. Substantially, the regulatory Economic and Financial Plan (EFP) highlights a tariff trend, and consequently a Guaranteed Revenue Constraint (GRC), that is constant over time, with application only of annual inflation.
On 16 February 2021, with Resolution no. 59/2021/R/idr, ARERA approved the specific regulatory framework containing the tariff provisions for 2020-2023 pursuant to Authority Decision of 27 December 2019, 580/2019/R/idr and related Annex A, containing "2020-2023 Water Tariff Method MTI-3". Also note that on 31 March 2021, following ARERA resolution 59/2021, the agreement which approved the extension of the concession to 31 December 2024 was signed with the AIT.

Following the start of the tariff update process for the 2022-2023 two-year period, Publiacqua sent all the data to the AIT for approval of the tariff provision. The AIT approved the same in February.
Finally, note that in Q4 2022 activities with the AIT involved various aspects of regulation. After Publiacqua sent the proposed Addendum to the Single Regulation in May, with the technical schedules and prices for services, dialogue with AIT led, as stated previously, to approval of the tariffs for 2022-2023.

Tuscany - Acquedotto del Fiora SpA (OTA6 - Ombrone)

Based on the agreement signed on 28 December 2001, the operator (AdF) is to supply integrated water services on an exclusive basis in OTA6, consisting of public services covering the collection, abstraction and distribution of water for civil use, sewerage and waste water treatment. The term of the Management Agreement is 25 years from 1 January 2002 and in 2020 was extended until 2031.
With regard to provisions of interest to AdF, based on that established in the cited ARERA resolution, on 14 December 2022, based on the actual data collected referring to the years 2020 and 2021 and the Investment Plan, the Tuscan Area Governing Body (AIT) approved the tariff revision proposal, setting the GRC and the Theta for 2022-2023 and also redesigning the entire tariff profile until the end of the IWS concession (AIT Executive Council Resolution 17/2022 of 14 December 2022). This tariff proposal was then sent to ARERA for final ratification.
The revenues and GRC recognised in the 2022 financial statements are based on the cited AIT resolution, currently being verified and validated by ARERA for final ratification.

Toscana - GEAL SpA (OTA1 - Toscana Nord)

The Company manages the Integrated Water Service in the Municipality of Lucca in accordance with the Management Agreements with the local authority expiring on 31 December 2025, updated during 2013 to take into account the memorandum of understanding signed with the AIT on 29 November 2011 and in 2016 pursuant to ARERA Resolution no. 656/2015. With regard to tariffs, it should be noted that ARERA approved the plan for the four-year period 2016-2019 with Resolution no. 726 of 26 October 2017 and approved the related update with Resolution no. 387 of 12 July 2018, also incorporating the request made by GEAL for the recognition of the OpexQT component for € 180,000/year. Regarding the four-year period 2020-2023, on the basis of the rules established by ARERA Resolution no. 580 of 27 December 2019, GEAL provided all documentation required for preparation of the new plan in the initial months of 2020, in line with the deadlines set by the AIT. On the basis of this data and the verifications carried out jointly by the Company and ARERA, the tariff provisions for the years 2020-2023 was prepared, and subsequently approved with AIT Resolution no.4 of 28 September 2020. The dynamics of tariff increases planned for the four-year period 2020-2023 are the same as those approved by ARERA in 2018, even though the new rules of the MIT-3 have imposed new limits on operators. We can note that with ARERA Resolution no. 265 of 22 June 2021, the tariff structure for 2020-2023 was approved. In particular, this resolution confirmed the increases envisaged by AIT Resolution no. 4 of 28 September 2020, equal to 6.2% for each of the 4 years. Finally, it should be noted that on 31 May 2022, the AIT, with Resolution no. 5, approved the tariff arrangement to apply for the years 2022 and 2023. The document, as per good practice, has been brought to the attention of ARERA for final approval of the tariffs. It should be noted that ARERA, with Resolution no. 183/2022/idr/R, awarded the Company a bonus of € 2.805 million (Acea share € 1.346 million) already paid for the results achieved in Technical Quality in the 2018-2019 two-year period.

Umbria - Umbra Acque SpA (OTA1 - Umbria 1)

On 26 November 2007, Acea was definitively awarded the contract in the context of the tender procedure launched by the Area Authority for OTA1 Perugia for selection of the private minority industrial partner of Umbra Acque SpA (expiry of the concession originally set for 31 December 2027 and which following the Assembly of Mayors of the AURI with resolution 10 of 30 October 2020 was extended to 31 December 2031). The entry into the capital of the company (with 40% of the shares) took place with effect from 1 January 2008. The company performed its activities in all 38 Municipalities constituting OTAs 1 and 2.
As of 31 December 2022, the rate applied to users was determined on the basis of Water Tariff Method 3 (MTI-3) under Resolution no. 36/2021/R/idr of 2 February 2021 with which ARERA approved the preparation of the 2020-2023 tariff update previously approved by the Assembly of Mayors of the AURI with Resolution no. 10 of 30 October 2020, which,for 2022, provide a theta of 1.105 and an increase of 5.24% compared to 2021, also due to the billing of GRC adjustments for 2018. This increase for 2022 was confirmed with the AURI Assembly of Mayors resolution 10 of 25 October 2022, "Updating tariff provisions for 2022-2023" and subsequently with ARERA resolution 63/2023/R/idr of 21 February 2023. The average tariff €/m^3 was approximately € 3.08 at 31 December 2022. The number of users served was approximately 236 thousand units (+0.5% compared to 31 December 2021). With reference to volumes, on the basis of the estimates made, approximately 28.2 million m^3 of water were distributed, in line with 2021. As invoicing operations were not yet complete when these final figures were compiled, cubic metres distributed but not yet invoiced were estimated and the relevant rate determined based on historic values and prospective measurements.

When assessing the revenues for GRC in 2022, the company carried out a full adjustment of electricity costs incurred, in consideration of:

- article 1.1, letter c) of ARERA resolution 229/2022/R/idr of 24 May 2022;
- ARERA resolution 64/2023/R/idr of 23/02/2023 which in its initial clauses confirms the possible repetition of that established relative to 2021 in paragraph 1.1, letter c) of the cited resolution 229/2022/R/idr;
- ARERA's acknowledgement in resolution 63/2023/R/idr of 21 February 2023, approving the "Update of the tariff provisions for 2022-2023", of the insertion in the 2022/2031 Tariff Profile of the estimate of the adjustment component relative to 2022 and 2023 fully covering the greater costs incurred (around € 50 million total) and EGA's commitment to present a justified request for recognition of the additional electricity costs for 2022/2023 in the context of quantifying the adjustment component "costs (...) for the occurrence of exceptional events".

It should be highlighted that, with Directorial Decree 1 of 10 January 2023, the General Directorate for Dams of the Ministry of Infrastructure and Transport, € 25 million was assigned to the Districting project for the distribution network, to reduce losses in the area managed by Umbra Acque, for a total value of € 52 million. Implementation of the project is planned for 2023-2025, with the final objective of achieving an overall 30% decrease in losses.
Finally, note that ARERA Resolution 183/2022/R/idr awarded the Company a bonus of € 1,532 thousand for the results achieved in Technical Quality in the 2018-2019 two-year period. The bonus was received in the month of June.
Note that in 2022 the Company was forced to incur greater costs for raw materials, in particular electricity, which reached unprecedented heights, as well as for materials for investment projects and management activities. These increases had significant negative impacts on the company's liquidity, which consequently saw cash requirements higher than expected. In implementing all the actions useful for guaranteeing economic and financial balance and business continuity, the company utilised all the extraordinary tools and measures made available by legislators and authorities, including use of the MIMS compensation fund (requests presented for a total amount of € 1,378 thousand), a financial advance of 35% of the cost established in the current Tariff Plan for 2022 by CSEA equal to € 5,193 thousand (see ARERA resolution 229/2022/R/idr) and electricity tax credits established in the Aid Decrees, acquired in 2022 for a total of € 3,042 thousand and recovered through offsetting in the income tax declarations for payment of contributions, taxes and VAT.

Umbria - SII ScpA (OTA2 - Umbria 2)

The Optimal Territorial Area Authority no. 2 Umbria (OTA Umbria no. 2), awarded to SII ScpA from 1 January 2002, the date on which the Convention was signed, for the duration of thirty years, the management of the Integrated Water Service (water supply, sewerage and treatment, hereinafter IWS) in the 32 municipalities of the Province of Terni (today Sub-area no. 4 of the Umbria AURI). The Terni Area covers an area of 1,953 km^2, 93% of which is hills and 7% mountains. With the exception of the industrial areas of Terni and Narni, the land is prevalently used for forest and agriculture. The resident population served amounts to approximately 220,000 inhabitants. Users served total around 121 thousand and the water network covers 2,602 km.
Pursuant to ARERA Resolution 639/2021 for the two-year update (2022-2023) of tariff arrangements, the Company supplied and submitted to AURI the data collection for 2020 and 2021, completed with the applications for the recognition of the Rcarc, Opmis, Opsocial and OpexQC components. At the same time, it has produced what is required to allow AURI to formulate a reasoned request to the CSEA for the activation of forms of financial advances related to the procurement of resources to meet part of the expenses incurred for the purchase of electricity in accordance with ARERA Resolution 229/2022. With resolution 12 of 25 October 2022, AURI approved the update to the tariff provision for 2022-2023, establishing full recovery of the greater cost for electricity supplies in compliance with the cap on tariff increases. This was achieved through utilisation of the adjustment component "costs (...) for the occurrence of exceptional events" which will begin to influence tariffs starting in 2024. To achieve this result, the IWS prepared and sent to EGA, in October, the energy efficiency plan prepared in accordance with the guidelines in ARERA resolution 229/22. Thanks to ARERA resolution 495/22 of 13 October, with which the Authority called for a second window within which relevant government entities, upon a request by the relevant operator, could send a justified request to CSEA to activate types of financial advances, introduced with resolution 229/2022/R/idr, associated with obtaining resources to handle expenses incurred to purchase electricity, AURI presented the relative request for disbursement of the financial advance established in the amount of 35% of the cost of electricity in the tariff for 2022. On 29 December 2022, CSEA disbursed € 2.5 million in favour of the IWS which must be repaid in two annual instalments (December 2023 and December 2024).
During 2022, the Company amended the Regulations for the drinking water distribution service and the Service Charter to accommodate the new features of ARERA Resolution 609/2021, mainly concerning the treatment of hidden leaks compared to the procedures adopted so far. This revision was approved by the Consumer Council at its meeting on 15 June 2022.
Finally, on 25 October 2022, AURI approved the 2022-2023 update. Following this approval, ARERA approved the 2022-2023 update with resolution 78/2023/R/Idr of 28 February 2023.

Progress of the procedure for approving the tariffs

The following table shows the updated situation of the procedure for approving IWS tariff provisions for Group companies relating to the 2016-2019 regulatory period, the 2018-2019 two-year tariff update, and tariff provisions for 2020-2023, as well as the two-year tariff update for 2022-2023.

Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023	Approval status two-year update 2022-2023
Acea Ato2	On 27 July 2016, the AGB approved the tariff inclusive of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/idr. The ARERA then approved them in Resolution 674/2016/R/idr, with some changes compared to the AGB's proposal; quality bonus confirmed.	The Conference of Mayors approved the tariff update on 15 October 2018. On 13 November 2018, ARERA approved the 2018-2019 tariff update with Resolution 572/2018/R/idr. On 10 December 2018, the Conference of Mayors adopted the provisions of the ARERA Resolution.	On 27 November 2020, the AGB approved the tariff for the 2020-2023 regulatory period with Resolution no. 6/2020. ARERA approved the 2020-2023 tariffs on 12 May 2021 with resolution 197/2021/R/idr.	Following the formal warning of 18 October 2022 sent by ARERA, the Conference of Mayors approved the 2022-2023 tariffs on 30 November 2022. ARERA approval arrived with resolution 11/23 of 17 January 2023.
Acea Ato5	Tariff proposal submitted by the Operator on 30 May 2016, with request for recognition of the Opexqc. ARERA warned the AGB on 16 November 2016 and the EGA approved the tariff proposal on 13 December 2016, rejecting, among others, the request for recognition of the Opexqc. Approval by ARERA is awaited.	The Conference of Mayors approved the 2018-2019 tariff update on 1 August 2018. ARERA has not yet given its approval.	On 14 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/idr MTI-3 of 27 December 2019. On 10 March 2021, the OTAA Conference of Mayors approved the proposed tariff for 2020-2023, with resolution 1/2021. ARERA has not yet given its approval. The Manager appealed against this resolution to the Regional Administrative Court, which rejected the appeal. The Company appealed to the Council of State and submitted an application for economic and financial rebalancing.	Following the formal warning sent by ARERA on 29 November 2022, EGA approved the 2022-2023 tariff proposal on 11 January 2023. ARERA has not yet given its approval. Activities to update the rebalancing request are in progress.
GORI	On 1 September 2016, the Extraordinary Commissioner of the AGB approved the tariff with Opexqc as of 2017. Approval by ARERA is awaited. With Resolution 247 of 31 May 2022, ARERA ordered CWA to employ and submit - within 90 days - specific determinations regarding tariff arrangements for the years 2012 and 2013. The measure at the same time extends the deadline for the conclusion of the proceedings to 30/09/2022, for the renewal of the contradictory preliminary investigation underlying the tariff determinations in Resolution 104/2016 (2012 - 2013 and 2014 - 2015)	On 17 July 2018 the Extraordinary Commissioner of the AGB approved the 2018-2019 tariff update. ARERA has not yet given its approval.	On 18 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/idr MTI-3 of 27 December 2019. Following a warning from ARERA, the CWA (Campania Water Authority) with a resolution dated 12 August 2021, approved the 2020-2023 tariff proposal. ARERA has not yet proceeded with approval.	On 10 August 2022 with resolution no. 35 the CWA approved the two-year update 2022-2023 including the earlier items prior to 2012. Approval by ARERA is awaited.
Acque	On 5 October 2017, the AIT approved the tariff with recognition of the Opexqc. Approved by ARERA on 9 October 2018 (as part of the approval of the 2018-2019 update).	On 22 June 2018 the AIT Executive Council approved the 2018-2019 tariff update and, at the same time, the request to extend the duration of the 5-year contract, that is until 31 December 2031. With Resolution 502 of 9 October 2018, ARERA approved the 2018-2019 tariff update.	On 18 December 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 7. ARERA approval arrived with resolution 404/2021/R/idr of 28 September 2021.	AIT approved the 2022-2023 update on 25 November 2022. Approval by ARERA is awaited.
Publiacqua	On 5 October 2016, the AIT approved the tariff with recognition of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/idr. On 12 October 2017, with resolution 687/2017/R/idr ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	On 7 December 2018 the AIT approved the 2018-2019 tariffs with the extension of the 3-year concession. ARERA approved the 2020-2023 tariff provisions and the 2018-2019 two-year update with Resolution 59/2021 of 16 February 2021.	On 26 June 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 3. ARERA approved the 2020-2023 tariff provisions with Resolution 59/2021 of 16 February 2021.	The AIT Executive Council approved the update for 2022-2023 on 22 February 2023. Approval by ARERA is awaited.

Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023	Approval status two-year update 2022-2023
Acquedotto del Fiora	On 5 October 2016, the AIT approved the tariff with recognition of the OpexQC. On 12 October 2017, with resolution 687/2017/R/idr, ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	The AIT Board of Directors approved the 2018-2019 tariff update in the session of 27 July 2018. Pending approval by ARERA, the AIT Board of Directors also approved the application to extend the concession to 31 December 2031, submitted by the Company in April 2019 and approved by the AIT Executive Council on 1 July 2019. The updated tariff proposal was then presented to extend it to 2031, which in any case confirmed the tariff increase (theta) and the Guaranteed Revenue Constraint (GRC) for the years 2018 and 2019, already approved by the AIT with its Resolution of July 2018. ARERA approved the two-yearly update (with a small correction of the recognised OpexQC) and the extension of the concession with Resolution no. 465 of 12 November 2019.	On 26 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 6. ARERA provided approval with resolution 84/2021/R/idr of 2 March 2021.	AIT approved the 2022-2023 update on 14 December 2022. Approval by ARERA is awaited.
Geal	On 22 July 2016, the AIT approved the tariff with recognition of the OpexQC. On 26 October 2017, with resolution 726/2017/R/idr ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	On 12 July 2018 ARERA approved the 2018-2019 tariff update proposed by AIT.	On 28 September 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 4, updated with Resolution nos. 13 and 14 of 30 December 2020. ARERA provided approval with resolution 265/2021/R/idr of 22 June 2021.	On 31 May 2022, the AIT, with Resolution no. 5, approved the tariff arrangement to apply for the years 2022 and 2023. Approval by ARERA is awaited.
Acea Molise	Following Resolution no. 664/2015/R/idr, both for the Municipality of Campagnano di Roma (RM) and the Municipality of Termoli (CB), Municipalities where Crea Gestioni offers the IWS, neither the Granting Body nor the Area Authority of reference submitted a tariff proposal for the regulatory period 2016-2019, so the Company independently submitted tariff proposals. Currently approval by the ARERA is still pending.	The Company has submitted the data to the competent parties/AGB in order to update the 2018-2019 tariff. For the management of the IWS in the Municipality of Campagnano di Roma (RM), given the inaction of the designated parties the Company filed an application with ARERA in early January 2019 for a tariff adjustment in 2018-2019, also revising the 2016-2019 proposal. ARERA has not yet pronounced or issued a warning to the AGB and/or to the competent parties. For the management of the IWS in the Municipality of Termoli (CB), with a Resolution dated 17 December 2019 the Municipal Council of Termoli approved the alignment of the pre-existing Agreement to the Agreement template, extending its expiry to 31 December 2021, and confirmed the tariff increase (theta) and the Guaranteed Revenue Constraint (GRC) for 2018 and 2019, also revising the 2016-2019 proposal. ARERA has not yet given its approval.	The Municipality of Termoli approved the tariff provisions for 2020-2023 on 4 February 2021. These were sent by the EGAM on 4 March 2021. For the Municipality of Campagnano, the Operator sent the tariff provisions to ARERA on 30 March 2021 in accordance with the provisions under art. 5.5 of Resolution 580/2019/R/idr.	Currently being defined with EGAM.

Company	Approval status (up to MTI-2 "2016-2019")	Two-year update status (2018-2019)	Approval status MTI-3 2020-2023	Approval status two-year update 2022-2023
Gesesa	On 29 March 2017 with Resolution no. 8 of the Extraordinary Commissioner the OTAA1 approved the tariff provisions for the years 2016-2019. Currently approval by the ARERA is still pending.	The Company submitted the documentation relating to the 2018-2019 tariff review to the Area Authority and the preliminary investigation by the technical offices of the competent AGB (EIC-Campania Water Authority) was completed at the end of February 2020. The final approval of the EIC Executive Committee has not yet been given.	On 29 December 2020, the Operator submitted a tariff updated request pursuant to article 5, paragraph 5.5 of ARERA Resolution 580/2019/R/idr MTI-3 of 27 December 2019. The CWA convened the District Council for 22 July 2021 (findings report on checking of the minutes of 31/7/20) following the warning from ARERA received on 2 July 2021. In February 2022, a new District Council was appointed, which has not yet expressed a position on the tariff arrangements.	Currently being defined with the CWA Executive Council.
Nuove Acque	On 22 June 2018, the AIT Executive Council approved the rates.	On 16 October 2018 with Resolution 520 ARERA approved the 2018-2019 tariff update proposed by the AIT.	On 27 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 5. ARERA provided approval with resolution 220/2021/R/idr of 25 May 2021.	With resolution 12/2022 of 29 July 2022, the AIT Executive Council approved the tariff provisions for 2022 – 2023. ARERA provided approval with resolution 535/2022 of 25 October 2022.
Umbra Acque	On 30 June 2016, the AGB approved the tariff with recognition of the OpexQC. The ARERA then approved them in Resolution 764/2016/R/idr dated 15 December 2016.	In its session of 27 July 2018, the AURI Assembly approved the 2018-2019 tariff update. The ARERA approved the 2018-2019 tariffs with Resolution no. 489 of 27 September 2018.	AURI approved the 2020-2023 tariff provisions with Resolution no. 10 of 30 October 2020. ARERA approved the same with Resolution 36/2021 of 2 February 2021.	On 25 October 2022, AURI approved the 2022-2023 update. Following this approval, ARERA approved the 2022-2023 update with resolution 63 of 21 February 2023.
SII Terni ScapA	On 29 April 2016, with Resolution no. 20, AURI approved the tariff multiplier for the 2016-2019 four-year period and with determination no. 57 it approved the adjustment for previous items. ARERA approved the 2016-2019 tariff provisions with resolution 290/2016 of 31 May 2016.	With resolution of the Board of Directors of AURI no. 64 of 28-12-2018, approval was given to the 2018-2019 two-year update. ARERA approved the biennial adjustment 2018-2019 with its resolution of 20 September 2018 464/2018.	AURI approved the 2020-2023 tariff structure with the resolution by the Assembly of Mayors 12 of 30 October 2020. ARERA provided approval with resolution 553/2020 of 15 December 2020.	On 25 October 2022, AURI approved the 2022-2023 update. Following this approval, ARERA approved the 2022-2023 update with resolution 78 of 28 February 2023.

Revenue from the Integrated Water Service

The table below indicates for each Company in the Water Segment the amount of revenue for 2022 valued on the basis of the new MTI–3 Tariff Method. The data also include the adjustments of passing items and the FoNI component. Also note that following publication of resolution 64/2023 on "Launch of proceeding to define the water tariff method for the fourth regulatory period (MTI-4)" for 2024-2027, with reference to costs for electricity purchases incurred in 2022, the possibility to resubmit the justified request for recognition of these costs will be established for 2022 as well.

Company (pro quota values in € million)	Revenue from the IWS	FoNI
Acea Ato2	692.1	FNI = 51.9 AMMFoNI = 18.1
Acea Ato5	78.9	AMMFoNI = 4.6
GORI	254.4	-
Acque	71.4	FNI = 1.3 AMMFoNI = 4.8
Publiacqua	98.3	AMMFoNI = 16.1
AdF	113.5	AMMFoNI = 13.1
Gesesa	15.4	-
Nuove Acque	8.8	AMMFoNI = 1.6
Geal	8.7	AMMFoNI = 1.3
Acea Molise	6.4	-
IWS	47.7	-
Umbra Acque	40.6	AMMFoNI = 1.7

RELATED PARTY TRANSACTIONS

ACEA GROUP AND ROMA CAPITALE

Trading relations between Acea Group companies and Roma Capitale include the supply of electricity and water and provision of services to the Municipality.
Among the principal services are the management, maintenance and upgrading of public lighting facilities and, with regard to environmental–water services, the maintenance of fountains and drinking fountains and the additional water service, as well as contract work.
Such relations are governed by appropriate service contracts and the supply of water and electricity is conducted by applying the tariffs in force on the market adjusted to the supply conditions.
Acea and Acea Ato2, respectively, provide public lighting and integrated water services under the terms of two thirty–year concession agreements. Further details are provided in the section "Service concession report".
For further information regarding relations between the Acea Group and Roma Capitale, reference should be made to the disclosures regarding receivables and payables from and to the Parent Company in note 26 of this document.
The following table shows details of the main revenues and costs at 31 December 2022 of the Acea Group (compared to those of the previous year) deriving from the most significant financial relations.

€ thousand	31/12/2022	31/12/2021
Revenues		
Supply of fresh water	48,318	41,244
Supply of electricity	332	94
Public Lighting Service contract	49,585	32,368
Public Lighting contract interest	5,380	6,338
Water maintenance service contract	50	170
Monumental fountain service contract	50	170
Costs		
Concession fee	26,337	26,337
Lease fees	112	111
Taxes and duties	3,696	2,967

Reference should be made to note 25.b for details on the impact of these transactions, while the table below summarises the changes in receivables and payables.

€ thousand	31/12/2021	Collections/ payments	Accruals 2021	31/12/2022
Receivables	150,421	(105,798)	105,870	150,494
Payables	(182,598)	159,765	(125,946)	(148,779)

Also see that indicated in the "Relations with Roma Capitale", in the "Summary of Results" section within the Report on Operations.

ACEA GROUP AND ROMA CAPITALE GROUP

The Acea Group also maintains trading relations with other companies, special companies and entities owned by Roma Capitale, mainly concerning the supply of electricity and water.
The supply of services to entities owned by the Roma Capitale Group is also conducted by applying the tariffs in force on the market adjusted to the supply conditions. The prices applied to sales of electricity to free market users are in line with the sales policies of Acea Energia.
The following table shows the most significant amounts of revenues, costs, receivables and payables deriving from relations between the Acea Group and entities owned by the Roma Capitale Group.

Roma Capitale Group	Trade payables	Costs	Trade receivables	Revenues
AMA SpA	166	1,371	4,528	4,915
ATAC SpA	88	68	6,207	1,388
Assicurazioni di Roma - Mutua Assicuratrice Romana	(0)	211	9	7
Total	**254**	**1,650**	**10,744**	**6,311**

ACEA GROUP AND MAIN CALTAGIRONE GROUP COMPANIES

The Acea Group companies maintain trading relations that mainly concern the supply of electricity and water.
The supply of services to entities owned by this company is conducted by applying the tariffs in force on the market adjusted to the supply conditions. The prices applied to sales of electricity to free market users are in line with the sales policies of Acea Energia.
The following table shows amounts relative to the most significant economic and equity relationships between the Acea Group and the main associated companies in the Caltagirone Group at 31 December 2022.

€ thousand	Revenues	Costs	Receivables	Payables
Caltagirone Group	147	103	79	58

ACEA GROUP AND SUEZ ENVIRONMENT COMPANY SA GROUP

There were no relations with companies in the Suez Group as at 31 December 2022. It must also be noted that the financial balances described above do not include relations with companies in the Group consolidated under the equity method., which are included in the financial statements.

€ thousand	Revenues	Costs	Receivables	Payables
Suez Environment Company SA Group	(248)	1,178	242	1,178

List of significant related party transactions

During 2022, a major operation was approved between Acea, the first party, and Nuova Suez and Suez International SAS ("Suez International", fully and directly held by Nuova Suez), the second party, to design a cutting edge intelligent metering system for the water service ("smart meter") and subsequent production and commercialisation in Italy and abroad, through a specific commercial partnership between Acea and Suez International.

The table below shows the percentage weight of transactions with related parties on the statement of financial position, the income statement and the cash flow statement.

Impact on the Statement of Financial Position € thousand	31/12/2022	Of which with related parties	Impact	31/12/2021	Of which with related parties	Impact
Financial assets	30,531	4,865	15.9%	22,549	8,319	36.9%
Trade receivables	1,267,445	61,714	4.9%	1,071,644	51,601	4.8%
Current financial assets	342,085	117,998	34.5%	407,944	113,981	27.9%
Trade payables	1,862,709	41,985	2.3%	1,683,563	51,965	3.1%
Borrowings	619,418	108,523	17.5%	285,222	120,137	42.1%

Impact on the Income Statement € thousand	31/12/2022	Of which with related parties	Impact	31/12/2021	Of which with related parties	Impact
Consolidated net revenue	5,140,692	148,412	2.9%	3,972,061	101,556	2.6%
Consolidated operating costs	3,863,568	65,557	1.7%	2,737,035	52,416	1.9%
Total financial (costs)/income	(85,708)	1,051	(1.2%)	(85,897)	7,142	(8.3%)

Impact on the Cash Flow Statement € thousand	31/12/2022	Of which with related parties	Impact	31/12/2021	Of which with related parties	Impact
Increase in receivables included in the working capital	(247,714)	(10,113)	4.1%	(184,891)	(14,707)	8.0%
Increase/decrease in payables included in the working capital	127,769	(9,980)	(7.8%)	90,810	58,974	64.9%
Collections/payments deriving from other financial investments	72,190	(563)	(0.8%)	1,340	(100)	(7.4%)
Dividends received	3,381	3,381	100.0%	7,423	6,915	93.2%
Decrease/increase in other short-term borrowings	84,249	(11,614)	(13.8%)	(146,968)	(44,792)	30.5%
Dividends paid	(143,195)	(143,195)	100.0%	(96,743)	(131,833)	136.3%

UPDATE ON MAJOR DISPUTES AND LITIGATION

TAX ISSUES

Tax audit of SAO (now incorporated into Acea Ambiente)

In October 2008, the Revenue Agency notified the company with two notices of assessment which reassessed, inter alia, the tax reports for the tax years 2003 and 2004 with regard to the IRES tax. The alleged irregularities arise from the application of article 14, paragraph 4-bis of Law no. 537 of 24 December 1993.

The appeals filed by the Company were merged by the Tax Commission of Terni which, in the month of May 2009, upheld the application for suspension filed by SAO and in November 2009 stayed the proceedings by raising the issue of the constitutionality of Article 14, paragraph 4-*bis* of Law no. 537 of 24 December 1993, upon which the tax assessment was based.

By decision of March 2011 the Constitutional Court dismissed the constitutionality issue and remanded the proceedings to the Tax Commission of Terni. In January 2013, the Commission upheld the appeals filed by SAO and ordered the Agency Revenue to pay 50% of the legal costs incurred by the Company.

By judgement 419/04/14 issued on 24 February 2014, filed in July 2014, the Regional Tax Commission of Umbria rejected the appeal filed by the Revenue Agency, ordering it to pay the legal costs. On 21 September 2015, the company received from the State Attorney General the appeal filed by the Revenue Agency with the Court of Cassation against the cited judgement 419/04/14: SAO (now Acea Ambiente) filed its appearance with a defence statement and simultaneous conditional cross-appeal, on 28 October 2015. Currently no date has been fixed for the hearing before the Supreme Court of Cassation.

In addition to the above, in November 2008, the Revenue Agency notified the company, and the former Parent Company EnerTAD SpA, with a notice of assessment that reassessed the IRES tax due for the 2004 tax period, establishing an additional tax charge of € 2.3 million for taxes, net of penalties, where applicable. The alleged irregularities arise from the application of article 14, paragraph 4-*bis* of Law no. 537 of 24 December 1993.

The Company's defence arguments were upheld by both the Provincial and the Regional Tax Commission. In February 2013, the Revenue Agency appealed to the Supreme Court of Cassation and the company filed its appearance.

The Court of Cassation with judgements no. 29153/21 and no. 29400/21, overturning completely the rulings of the Tax Commissions, cancelled the appealed judgements and sent the case back to the RTC of Umbria for a new examination of the disputes.

On 5 December 2021, proceedings resumed for Court of Cassation decision 29153/21 of 20 October 2021 and Court of Cassation decision 29400/21 of 21 October 2021 (our ref. no. 2715-01/02); section 1 of the second level Tax Court of Umbria, with decisions 80/2023 and 81/2023, ruled as follows: "*Lifting its reservation, the Court rejects the Revenue Agency's appeal and orders it to pay court costs*".

For the sake of completeness, we also mention that in January 2009, the company challenged the decision ref. no. 2008/27753 of 27 November 2008 by which the Revenue Agency suspended the payment of a VAT refund claimed by the Company for the 2003 tax year. This refund amounting to € 1.3 million, was recognized by the tax authorities, but it was suspended as a precautionary measure due to the above mentioned tax assessments. The Tax Commission, with Ruling issued following the hearing held in March 2010, upheld the appeal lodged by the company, thus cancelling the cited measure against the aforementioned ruling. The Court of Cassation with judgement no. 33284/21 of 11 November 2021, accepted the appeal presented by the Revenues Agency against the judgement of Sect. no. 4 of the Umbria RTC no. 52/04/12 of 26 March 2012, which had cancelled the measure with which the Office ordered the suspension of disbursement of the VAT rebate related to the 2003 tax period.

It should be noted that the receivable concerning the above VAT refund was sold for valuable consideration in July 2010. The buyer lodged an appeal, simultaneously requesting discussion at a public hearing for the cancellation of measure 73747/2011 by which the Terni Provincial Department of the Revenue Agency declared the sale of said VAT credit from SAO to said assignee to be unacceptable. By ruling no. 52/04/12 issued on 3 October 2011 and filed on 26 March 2012, the Perugia Regional Tax Commission rejected the appeal filed by the Tax Authorities, with reimbursement of costs. The Revenues Agency lodged an appeal to the Court of Cassation. With judgement no. 29050/21 of 20 October 2021 the Court of Cassation rejected completely the appeal presented by the Revenues Agency.

Tax audit of areti

In the Report on Findings (PVC) concerning the general inspection for 2010, am assessment was also made for the years from 2008 to 2012 on the taxation treatment of some items that were previously inspected and had a multi-annual validity.

On the basis of the notification made in the PVC, the Lazio DRE - Major Taxpayers' Office served five notifications of assessment concerning VAT for 2009, 2011, 2012, 2013 and 2014.

With regard to the notices relating to 2009, 2011 and 2012, the Regional Tax Commission considered the company's reasons valid and annulled the notices of assessment, and the litigation is now pending before the Court of Cassation. With relative to the year 2013, the CTR granted the Office's appeal. The term to file an appeal with the Court of Cassation was 27 March 2023, extended to 27 December 2023, pursuant to the 2023 Budget Law. With reference to the notice of findings for 2014, with decision 4293/2022, the CTP

granted the Company's appeal. The Office has appealed the same and the company appeared as appropriate.
On the basis of another report, the Company received notices of assessment for the years 2011 to 2014 concerning the IRAP treatment of tariff benefits granted to employees and former employees. Relative to the year 2011, the CTR, confirming the first level decision, annulled the notice. With an ordinance filed on 31 May 2022, the Court of Cassation rejected the Attorney General's appeal which can therefore be considered concluded. With reference to 2012, with decision 3612/2022, filed on 12 August 2022, the judges granted the Office's appeal. The deadline for filing an appeal for the Court of Cassation was 28 February 2023, extended to 28 November 2023, pursuant to the 2023 Budget Law. For 2013, with decision 5567/2022 the CTR rejected the Company's appeal. The deadline for the appeal was to be 1 June 2023, but is extended to 1 March 2024 pursuant to the 2023 Budget Law. For the year 2014, the CTP rejected the appeal with decision 12424/16/2021. The company appealed this decision in line with the law. At present the date for the hearing has not yet been set.

Tax disputes/lawsuits with ARSE

In January 2016, ARSE, a company at the time already closed due to complete spin-off, was informed of a notification of liquidation of the complementary register fee concerning the requalification of the conferment transaction and subsequent transfer of the equity investment in Apollo Srl, a company in the photovoltaic segment. The tax demanded, including interest, amounts to € 672 thousand.
On 7 March 2016, the beneficiaries of the ARSE – Acea SpA, Acea Liquidation e Litigation (ex Elga Sud) and Acea Produzione – believe the notification of liquidation is groundless as regards both the obvious technicalities in terms of its form and as regards the dispute involved in the notification.
On 15 January 2018, the hearing for discussion was held before the Provincial Tax Commission of Rome. By judgement no. 1926/15/2018 deposited on 22 January 2018, the judges cancelled the notice of assessment challenged. On 5 June 2018 the Office filed an appeal against the above judgement; the companies joined the proceedings in the second instance, filing counterarguments on 7 August 2018. The hearing was held on 9 June 2022 and the CTR, in decision 3450/2022, rejected the Office's appeal, with legal expense reimbursement. The deadline for the Office to file an appeal with the Court of Cassation was 27 February 2023, extended to 27 November 2023, pursuant to the 2023 Budget Law.

Tax audit of Acea Ato5

On 7 March 2018 the Guardia di Finanza — Economic and Financial Police Unit of Frosinone — Section for the Protection of Public Finance commenced a general tax audit of the Company. The audit was concluded on 25 October 2018 with the drafting of the PVC (Audit Report) that alleged substantial violations of income taxes and IRAP by the Company in the 2013 tax year.
On 24 December 2018 the Company produced and filed with protocol no. 77899 its own Observations regarding the PVC, drawn up according to article 12, paragraph 7 of Italian Law no. 212 dated 27 July 2000.
On 3 January 2019, the Inland Revenue – Provincial Department of Frosinone – Control office, notified the Company of assessment notice no. TKO0C6M02152/2018, with which the tax return was adjusted for IRAP for the 2013 tax period for an amount payable by the company of € 591 thousand for taxes, net of fines and interest. The findings identified derive from application of articles 5 and 25 of Italian Legislative Decree 446/97 and in particular relate to an undue downward variation due to the use of a risk provision, the omitted accounting/declaration of positive income components as well as the undue deduction of negative income elements related to default interest. The Company appealed against the said assessment before the Provincial Tax Commission of Frosinone. Based on the assessments of its tax advisors, the Company has not identified any particular risk with regard to this audit.
In any case, taxes were paid on a provisional basis pending the trial, the hearing for which was held on 3 July 2019. On 23 October 2019 sentence no. 475/1/2019 was filed by the Provincial Tax Commission of Frosinone rejecting the appeal filed by the Company against the administrative fine imposed by the Revenue Agency for violations ascertained by the Guardia di Finanza for 2013. The Company challenged the aforementioned judgement and filed an appeal before the Regional Tax Commission.
It is noted that the findings for IRES purposes relating to the aforementioned tax assessment report have been the subject of a separate assessment as described below.
It should also be noted that the audit continued for the tax years 2014-2018, ending with the drafting of a further tax assessment report on 30 October 2019.
As a result of the tax audit carried out, the tax authorities found that the company had committed a series of substantial violations with regard to IRES and IRAP for the tax periods from 2014 to 2017. With reference to the findings related to the lack of jurisdiction disputed for 2015, supported by its tax advisors, having carried out the appropriate assessments of the risk profiles related to the aforementioned findings, the Company allocated a provision for tax risks for approximately € 701thousand, whereas, with reference to the other findings, supported by the opinion of its tax advisors, the Company believes that there is a risk of losing the case in the "remote" tax proceedings.
Also in relation to the aforementioned last PVC, the Company submitted specific comments and also requested the cancellation in self-protection of what is subject to adjustment for 2013.

Nevertheless, on 31 December 2019, the following were served by the Revenue Agency:

- notice of assessment no. TKQ0E6M01680 regarding IRES for 2013, for an amount of € 3.1 million for taxes, net of penalties and interest;
- notice of assessment no. TKQ0C6M01854 regarding IRAP for 2014, for an amount of € 0.9 million for taxes, net of penalties and interest;
- notice of assessment no. TKQ0E6M01853 regarding IRES for 2014 for an amount of € 5.2 million for taxes, net of penalties and interest.

The notices of Ires assessment were served to the Parent Company Acea as consolidating company. The companies filed an appeal before the Provincial Tax Commission of Frosinone on 28 February 2020. With regard to the findings contested in said notices of assessment, supported by the opinion of their tax advisors the Companies consider the Inland Revenue's requests to be completely groundless.

The PTC of Frosinone accepted the company's defensive arguments and cancelled the notices related to IRES years 2013 and 2014 and IRAP year 2014 ordering the Agency to pay the costs.
The Revenues Agency lodged an appeal. The Company entered an appearance at second instance by filing counterarguments. The case is pending as a hearing is still to be fixed.

On 23 December 2021, the following were served by the Revenues Agency:
- notice of assessment no. TKQ0E6M00539 regarding IRES for 2016 for an amount of € 1.3 million for taxes, net of penalties and interest;
- notice of assessment no. TKQ0E6M00541 regarding IRAP for 2016, for an amount of € 0.2 million for taxes, net of penalties and interest;

On 28 December 2021, the following were served by the Revenues Agency:
- notice of assessment no. TKQ0E6M00387 regarding IRES for 2015, for an amount of € 1.5 million for taxes, net of penalties and interest;
- notice of assessment no. TKQ0E6M00521 regarding IRAP for 2015 for an amount of € 0.3 million for taxes, net of penalties and interest;

The notices of Ires assessment were served to the Parent Company Acea as consolidating company.
The Company appealed the verification notice with the Provincial Tax Commission of Frosinone within the deadline of 60 days from the date of notification of the aforementioned notices of assessment, jointly and severally with the parent company Acea SpA. Supported by the opinion of its tax advisors, the Company believes that there is a risk of losing the case in the "remote" tax proceedings. The hearing relative to the aforementioned IFES rulings was set for 27 September 2022. An additional hearing has been set for 14 February 2023. The decision of the Tax Court is awaited.

Customs audits of Umbria Energy SpA

In 2016, the Terni Customs Office, after completing an audit at the company relative to declarations of energy consumption for the years 2010 to 2012, issued a series of provisions in the form of payment orders and deeds issuing fines in the amount of € 1,410 thousand for the Province of Perugia and of € 862 thousand for the Province of Terni.
The Office claimed taxes had not been paid (excise and additional electricity taxes) and errors in the completion of consumption declarations.
The company promptly challenged these provisions with the relevant institutions.
In 2017, the Perugia Provincial Tax Commission rejected the appeal submitted by the Company arguing the substantive relevance of the conduct upheld and declared that in the event of any billing adjustments, the procedure to be applied is that of submitting a formal request for reimbursement to the Office in accordance with art. 14 of the Environment Act. The relevant sentences were promptly appealed by the Company and the corresponding judgements are currently pending before the Perugia CTR, which has postponed the proceedings to be rescheduled.
With regard to the deeds challenged by the Company relating to the electricity injected for consumption in the province of Terni for the year 2010, the decision of appeal, while confirming the decision of the first instance with regard to the tax due, found that the obligation of the Office to recalculate the penalty was justified. The ruling was promptly appealed by both the Company and the Customs Agency and the relevant case is currently pending before the Supreme Court of Cassation.
Management carried out the appropriate provisioning, reflecting the level of risk to which the Company is exposed on the basis of the opinion issued by an external professional, appointed to defend the Company.
At 31 December 2022, as there are no new elements that could change the assessment of the risk inherent in the dispute in question, the provision of € 1.0 million has been kept unchanged with respect to the previous year.

OTHER ISSUES

Acea Ato5 - Injunction order for payment of € 10,700,000 and counterclaim to OTAA5 for concession fees

With regard to the € 10,700,000 receivables for higher costs incurred in the 2003-2005 period, pursuant to the Settlement agreement of 27 February 2007, on 14 March 2012, Acea Ato5 lodged an appeal for an injunction order concerning the receivables recognised by the OTAA to the company.
Accepting the appeal, the Court of Frosinone issued Injunction Order no. 222/2012, enforceable immediately, notice of which was served to the Area Authority on 12 April 2012.
By notice dated 22 May 2012, the OTAA sent notice of its opposition to the injunction order, requesting the cancellation of the order and, as a precautionary measure, the suspension of its provisional enforcement. Moreover, as a counter-claim, it submitted a claim for the payment of concession fees totalling € 28,699,699.48.
Acea Ato5 appeared before the court in the proceedings against the injunction order, challenging the adversary's demands and in turn formulating a counter-claim for the payment of the entire amount of higher costs incurred by the Operator and originally requested, totalling € 21,481,000.00.
Following the hearing on 17 July 2012, the Judge – in an Order filed on 24 July – suspended the temporary enforcement of the injunction order, and postponed to a later date the discussion of the merits of the issue.
The judge also rejected the request for an order of payment of the concession fees submitted by the OTAA.
During the hearing on 21 November 2014, the judge withdrew the reservations on the motions for admission of evidence filed by the parties and fixed the hearing for the final statements on 15 November 2016. During the hearing, the judge granted the terms for the conclusions and replies and deferred the decision on the case.

The Court of Frosinone, with sentence no. 304/2017:
- rejected the grounds for opposition formulated by the Area Authority, highlighting, on the one hand, that the annulment, by own determination, of Resolution 4/2007 (as a result of subsequent Resolution no. 5/2009) had no effect on the underlying private relationship, and therefore on the validity of the Settle-

ment Agreement of 27 February 2007; on the other hand, that the Transaction did not violate the Normalised Method since the so-called "price cap" principle is only valid for any tariff increases;
- annulled the injunction order on the assumption of the nullity of the Resolution of the Mayors' Conference no. 4/2007 and of the Settlement Agreement adopted by the Area Authority in violation of the public regulations requiring the identification of the financial coverage of the act itself;
- rejected the requests prepared subordinately (in the event that the Settlement Agreement had been declared invalid) by Acea Ato5 defence attorneys, intended to obtain recognition of the credit by the Area Authority;
- referred the case for pre-trial examination as regards the counter-claim formulated by the Area Authority, which, it is useful to note, in its closing briefs nevertheless recognised the successful payment, by the Operator, of a large part of its debt, describing the existence of a residual credit of approximately € 7,000,000.00. At the hearing on 17 November 2017, the following documents were filed on behalf of Acea Ato5: copy of the transfer of 31 July 2017 for € 2 million; copy of the transfer of 4 October 2017 for € 2,244,089.20 and the Acea Memo dated 16 November 2017. With reference to the latter memo, the following were highlighted:
  a. the commitment of Acea Ato5 to pay € 1,370,000 by December 2017;
  b. the dispute of any other indebtedness regarding concession fees.

In response to production of the above documents, the counterparty — initially convinced to recognise the sums of the transfers of 31 July 2017 and 4 October 2017 as contributing to the sums due by Acea Ato5 for the Concession Fee — acknowledged the production of the documents, declaring the requirement, including due to the content of the Memo dated 16 November 2017, to "refer" to OTAA5. In light of the above, the Judge, having acknowledged the counterparty request, postponed the hearing to 27 February 2018. During the aforesaid hearing, documents were submitted attesting to the latest payments by Acea Ato5 in favour of OOTA5.

Consequently, the Company — through its lawyers — described that:
- in response to the commitment to pay € 1,370,000 by December 2017 — Acea Ato5 paid:
  - € 1,287,589.00 on 5 January 2018, directly to OTAA5;
  - € 85,261.93 on 22 November 2017 to the Consorzio Valle del Liri (as part of the larger payment of € 178,481.68 in execution of the settlement agreement of which said Area Authority is part, in which, under art. 2.1, it was acknowledged that the payment of € 178,481.68 would count towards the 2010-2011-2012-2013-2016 fees); for a total of € 1,372,850.93;
- with these latest payments, Acea Ato5 has fully paid the entire concession fee related to the 2006-2012 period: the above is also expressed by Executive Resolution of the OTS no. 88 of 8 November 2017. In particular, express recognition is given of the fact that "in response to established and/or subsequent payments of the concession fee by the Operator, it has to date paid up to the year 2012".

At the hearing of 17 November 2017, the Judge, having acknowledged the counterparty request, postponed the hearing to 27 February 2018. At the outcome of the aforementioned hearing, the new Judge who took charge of the case, having noted the discrepancies that emerged in the respective accounts of Acea Ato5 and OTAA, granted a postponement to 4 May 2018, inviting the parties to clarify the reasons for such discrepancies and specifying that if they could not the court would appoint an expert to do so. At this hearing there was a further postponement until 21 September 2018.
At this meeting, in light of the Conciliation Panel established on 11 September 2018 with OTAA5 — pursuant to art. 36 of the Management Agreement to which the question concerning the determination of concession fees was also referred, among others — the Parties asked the judge for a postponement, the hearing being scheduled for 15 February 2019, then postponed to 17 September 2019. At this hearing there was a postponement until 20 December 2019. The proceedings were first postponed to 17 March 2020, then automatically postponed to 11 September 2020 and then to 15 December 2020. The case was further postponed to 12 February 2021, then again to 26 March 2021. At the hearing on 27 April 2021, the Judge reserved judgement on the technical expert and, on 30 April 2021, set the date to appoint the expert for 11 May 2021 and, subsequently, the launch of the expert appraisals for 26 May 2021. The technical expert's report was to be submitted by 10 November 2021 and the technical expert's examination was set for the hearing on 30 November 2021. At the subsequent hearing of 15 December 2021, the Company formalised a settlement proposal, in order to settle the dispute amicably. This proposal will be evaluated by the Mayors' Conference of OTAA5. The judge set the date of 12 April 2022 for the hearing of the final arguments and then adjourned the case to a later hearing on 31 May 2022. At that hearing, the court acknowledged the rejection by OTAA5 of the settlement proposed by the Company and set the parties a period of time by which to file their final arguments, adjourning the matter for a decision. We can note that negotiations are underway between the parties.
In connection with these proceedings, the appeal must be considered against the judgement of the Court of Frosinone that revoked the Court Order of € 10,700,000, initially issued by said Court. The Court, after hearing the respective positions of the parties, adjourned the case to 20 November 2020 for the oral discussion and the delivery of the judgement pursuant to art. 281 *sexies* of the code of civil procedure. The case was then further postponed after a request by the parties, to 6 July 2022.

The Company did not consider cancelling the receivable or setting aside any risk provisions for two reasons:
- the issue in question, which relates to the recognition of the amount owed by the Operator (of € 10,700,00.00) in connection with the 2007 settlement, the subject of sentence no. 304/2017 of the Court of Frosinone, appealed by Acea Ato5 SpA to the Court of Appeal of Rome (RG no. 6227/2017), was referred to the Conciliation Board for further investigation, including legal matters;
- The legal assessments made by the lawyers illustrate, on the one hand, the validity of the appeal and, on the other hand, the fact that the nullity of the transaction does not per se determine the non-existence of the receivable.

The validity of the appeal and the decision not to cancel the receivable were further confirmed by the conclusions of the Conciliation Board, established by the Area Authority and the Operator, in accordance with the provisions of article 36 of the Management Agreement, in order to reach a settlement of the various disputes pending between the parties.

In its Conciliation Proposal sent to the parties on 27 November 2019 and currently being examined by the OTAA5 Conference of Mayors, the Conciliation Board has in fact, among other things:

- ascertained the existence of significant differences between the concession fees approved in the various tariff arrangements and the amounts to be paid to the Municipalities. In the opinion of the Board, the actual existence of such differences leads one to believe that Resolution no. 4/2007 of the Area Authority was based on credible elements, also found afterwards, where it identified the "savings on the concession fees to be paid to the Municipalities" (which could constitute the financial funding to pay a loan stipulated by the Area Authority) as the financial coverage for the payment to the Operator of the sums envisaged in the settlement. This conclusion, highlighting the plausibility of the sources of coverage identified by the Area Authority to finance the settlement, confirms the validity of the appeal filed by the Company against sentence no. 304/2017, by which the Court of Frosinone declared the nullity of Resolution no. 4/2007 of the Area Authority and of the settlement agreement precisely because of the alleged failure to identify the related financial coverage in violation of the disclosure regulations, since the reference to "unspecified savings on the concession fees to be paid to Municipalities" was not considered adequate and sufficient;
- considered that there are valid and grounded reasons to grant the Operator's request for recognition of higher operating costs incurred in the three-year period 2003-2005 to the reduced extent agreed to by the parties in the settlement, thus confirming the existence of the corresponding receivable in the Company's financial statements.

Criminal proceeding no. 2031/2016

With regard to criminal proceeding no. 2031/2016 concerning the financial years 2015, 2016 and 2017, on 4 January 2019 the current Chairperson of the Company was served with an invitation to appear in person subject to investigation and information of guarantee for alleged offences attributable to false financial statements and false corporate communications. This measure also affected the Chairpersons of the Company and the representatives of the control bodies in office in those financial years. The preliminary hearing was held on 26 October 2021, adjourned to 15 November 2021, in order to assess the admission of civil parties and then adjourned to 13 December 2021 for the same obligations and then to 10 January 2022, in order to dissolve the reservation on the admission of civil parties. The Preliminary Hearing Judge, having withdrawn the reservation, issued an order whereby, with the exception of the associations "Free Monte" and "Codici Onlus", all the parties allegedly harmed by the facts of the crime against the defendants were admitted.
Finally, at the instigation of several civil parties, the citation of Acea Ato5 and Ato5 Lazio Meridionale Frosinone as civilly liable was authorised. Ordered to be postponed until 18 February 2022. During the course of the hearing, Acea Ato5 was presented as the party liable under civil law, and the judge adjourned the hearing until 14 March 2022 to allow the Public Prosecutor and the civil parties to respond to the territorial jurisdiction issue put forward by the defendants' defense.
At the hearing of 14 March 2022, the judge of the preliminary hearing rejected the question of territorial jurisdiction and adjourned the hearing to 28 March 2022 for the continuation.

Following the hearing held on 10 February 2023, the Judge for the Preliminary Hearing declared a lack of jurisdiction for the Court of Frosinone, in favour of the Court of Rome, to ascertain the following crimes:

1. Fraudulent financial statements;
2. Inhibiting the exercising of the functions of the public supervisory authority;
3. Tax crimes with reference to income taxes.

Following the Judge's declaration of a lack of jurisdiction, with a term of 90 days to file the reasoning, the transfer of the documents to the public prosecutor's office at the Court of Rome was ordered, so that they could proceed with the relevant determinations.
For all the other crimes, the Judge for the preliminary hearing issued a decision to not proceed, due to a lack of grounds.

Acea Ato5 - Lazio Regional Administrative Court appeal of contract termination

With regard to the matter of the termination of the Management Agreement, we are awaiting rulings on the appeals filed by several Municipalities of the Ato5 against sentence no. 638/2017 by which the Lazio Regional Administrative Court — detached section of Latina upheld the appeal filed by the Company against Resolution no. 7 of 13 December 2016 of the Conference of Mayors that ordered the resolution, annulling the measure.
It should be noted that the aforementioned appeals do not present any arguments of particular novelty or relevance with respect to what has already been submitted for the examination of the Court of First Instance, nor have the appellants proposed an application for interim relief. In any case, the Company filed the formal documents for both disputes, for which as of today there is no information regarding the scheduling of the hearing.

Acea Ato5 - Municipality of Atina - City Council Resolution no. 14 of 17 April 2019

Following the transfer of the management of the IWS of the Municipality of Atina to Acea Ato5, on 19 April 2018, the Municipality decided to "establish the optimal territorial sub/area called Atina Territorial Area 1, with reference to the optimal territorial area no. 5, for the continuity of the autonomous and direct management of the water service pursuant to art. 147 paragraph 2 bis of Italian Legislative Decree 152/2006, declaring the Integrated Water Service "local public service without economic importance" (Municipal Council resolution no. 14 of 17 April 2019).
OTAA5 appealed the above resolution before the Lazio Regional Administrative Court — Latina Section — also serving the Company and the Lazio Region.
As far as Acea Ato5 is concerned, while the legal action taken by the AGB is suitable to protect the interests of the Operator, the Company has deemed it appropriate to file suit and is waiting for

the hearing to be set.
On 1 June 2021 with Note no. 2241/2021 the Lazio region also expressed itself on the subject, repeating the unacceptability of the Municipality's request for recognition of the Atina 1 Sub Area within the Optimal Territorial Area 5 Frosinone, because this would be contrary to the current national and regional legislation (Italian Legislative Decree No. 152 of 3 April 2006, and Regional Law no. 6 of 22 January 1996). The Municipality therefore continues to have the obligation to award in free concession of use to the operator of the integrated water service the water infrastructures it owns, as provided for in art. 153 paragraph 1 of Italian Legislative Decree 152/2006.

Acea Ato5 - Municipality of Anagni - Appeal to the Lazio Regional Administrative Court - Latina Section - cancellation of order to demolish treatment plant, Municipality of Anagni, San Bartolomeo district

On 4 November 2021, with Executive Order no. 236/2021 the Municipality of Anagni ordered the demolition and removal of the Treatment Plant located in the San Bartolomeo district (Anagni) and the consequent restoration of the original condition of the places as they were before the work began. The local Council alleges that the said infrastructure was created in breach of art. 10 of Italian Presidential Decree 380/2001, given that the work is said to have been done without planning permission, and in breach of art. 24 of Italian Presidential Decree 327/2021, given the non-definition of the expropriation order with the due notification procedures. In addition, according to the Council the plant occupies an area covered by the constraint for sites of national interest (Hydrographic basin of the River Sacco). Against this measure the Company presented an application for access to the records, which was rejected by the Municipality.
At the same time the Company lodged an appeal with the Lazio Regional Administrative Court (RAC) – detached section of Latina - in order to obtain, as a precautionary measure, the suspension of the effectiveness of the measure appealed against and, on the merits, the acceptance of the application for access to the records and the cancellation of the executive order. With an order of 14 January 2022 the Lazio RAC accepted the precautionary application and set the hearing of the merits for January 2023. At the hearing held on 11 January 2023, the Regional Administrative Court, based on a request by both parties, further postponed it to 10 May 2023.

Civil judgment RG 4164/2013 (Opposition to the injunction of the Municipality of Fiuggi)

With Injunction No 1131/13, no. rg 1966/2013, issued by the Court of Frosinone on 25 July 2013, the Municipality of Fiuggi was ordered to pay to Acea Ato5 the sum of € 185,685.00 for outstanding invoices relating to the supply of water to users attributable to the Municipality.
The Municipality of Fiuggi served a writ of summons opposing said injunction, requesting the revocation of the same and, by way of counterclaim, the condemnation of Acea to pay the Municipality of Fiuggi the sum of € 752,505.86 by way of loan instalments accrued and unpaid from 2009 to 1 August 2013, as well as subsequent accruals and maturities, plus interest until payment in full, and to order Acea Ato5 to reimburse the Municipality of Fiuggi all the expenses that, due to the lack of timely intervention by the obligated water operator, were incurred by the Municipality.
The Municipal Administration also requested that Acea Ato5 be sentenced to pay compensation to the Municipality of Fiuggi for the pecuniary and non-pecuniary damages suffered and to be suffered, leaving the quantification to a designated expert. A designated expert was therefore ordered to verify and quantify the claims of the parties.
Pending the proceedings, the parties entered into negotiations with a view to verifying the possibility of settling the dispute amicably. At present, the proposals put forward by the counterparty are not deemed acceptable, therefore, whilst not ruling out the possibility of reaching an agreement, it was deemed appropriate to reconsider the continuation of the proceedings.
Following the filing of the expert's report, which was contested in every aspect by the Company, an additional investigation was carried out and the related activities were scheduled. The case is pending before the Court of Frosinone no. 4164/2013.
At the hearing of 2 March 2021, the designated expert was examined and the Judge, lifting the reservation, adjourned the case for the definition of conclusions to the hearing of 11 March 2022.
The dispute was settled by conciliatory agreement on 30 December 2021; the judgement will remain suspended in order to verify the fulfilment of the commitments undertaken. The Company has made the provision in the financial statements consistent with the settlement agreement reached on a prudent basis so as to ensure coverage of any costs arising from the agreement. The case was thus adjourned until 17 March 2023 in order to verify compliance with the obligations of the settlement agreement.

Class Actions pursuant to art. 140-*bis* of Italian Legislative Decree 206/2005

On 17 May 2019 a summons was served initiating a class action under the terms of art. 140-*bis* of Italian Legislative Decree 206 of 2005 before the Court of Rome.
This is a case to which the Company is paying the maximum attention, taking into account the specific nature of the proceeding and the circumstance that, recently, two class actions brought by users against Acqualatina and Abbanoa were judged to be admissible.

The case RG. no. 33344/2019 — which originates substantially from the Cassino No Acea Committee — was launched against the company in the interest of 729 users, in order to:

- ascertain the non-existence/nullity of contracts in being between the users and the Operator;
- ascertain the illegitimate application of the *pro die* method;
- declare not payable the sums requested for previous items;
- have the Company ordered to return any sums received.

The case was initially adjourned to 19 March 2020 to discuss the admissibility of the action initiated by the plaintiff parties and subsequently adjourned *ex officio*, most recently to 1 March 2021.
At the hearing on 1 March 2021 - in which the admissibility of the action was discussed - the Court granted a deadline for briefs and on 5 November 2021 the Civil Court of Rome adopted a measure with which it declared inadmissible the class action brought by the No Acea Committee. The Committee subsequently filed an appeal with the Court of Appeal, with the

hearing set for 4 April 2022. On 17 February 2023 the Rome Court of Appeal published an ordinance which, revising the previous Court of Rome Ordinance, declared the eligibility of the class action filed by the No Acea di Cassino Committee and referred the case to the Court of Rome for the decision on the merits.

Acea SpA - Milano '90

This issue concerns the failure to pay sums due for the balance of the sale price of the area in the Municipality of Rome with access from via Laurentina No. 555, formalised with a deed dated 28 February 2007 and with a subsequent supplementary deed of 5 November 2008. With the said supplementary deed, the parties agreed to change the fee from € 18 to € 23 million, while eliminating the earn out, setting 31 March 2009 as the payment deadline.

Given the purchaser's failure to act, the procedure to collect the amounts due was initiated by preparing a notice pay addressed to Milano '90 and through application for an injunction order which, on 28 June 2012, was granted in a temporarily enforceable form.

Therefore, in November 2012, Acea served a garnishment order to the company Milano '90 for the forced recovery of the amounts claimed.

Milano '90 opposed the aforementioned injunction — also requesting the condemnation of Acea for the restitution of sums paid as a price and compensation for damages — obtaining the suspension of its provisional execution. Consequently, the enforcement procedure was in turn suspended.

By judgement no. 3258, published on 13 February 2018, the Court of Rome rejected the opposition and confirmed the court order in full, sentencing Milano '90 to pay for the costs of the dispute.

Appeal Decision

On 26 April 2018, Milano '90 appealed, and with a decision issued 23 June 2022, the Court of Appeal of Rome fully confirmed the sentence of the first instance judge and sentenced the counterparty to pay the litigation costs.

With an appeal to the Court of Cassation notified on 21 September 2022, Milano '90 appealed the decision issued by the Rome Court of Appeal. Acea SpA filed a cross-appeal by the deadline and is waiting for the date of the hearing to be set.

Executive procedure

Following the favourable ruling of first instance, on 27 March 2018 Acea filed the application for resumption of the executive procedure in relation to Milano '90 and the third parties attached. Following the decision with regards to the third party garnishee, on 25 March 2022 the sums assigned to Acea were paid.

Acea SpA - Trifoglio Srl

The complex dispute consists of a case filed as a plaintiff and also a case appearing as a defendant, joined in 2015 before the Judge with whom the case filed as a plaintiff was pending.

Case filed as a claimant: this issue concerns the breach by Trifoglio of its obligation to pay the balance of the amount due (€ 10.3 million), pursuant to the sale contract regarding the so-called Autoparco property, which should have been paid on 22 December 2011.

In consideration of Trifoglio's breach, a notice was served aimed at giving notice to sign a deed to voluntarily terminate the sale agreement of 22 December 2010, and then to file an appeal pursuant to art. 702-*bis* of the Code of Civil Procedure at the Court of Rome. ATAC Patrimonio filed a claim for the termination of the sale agreement of 22 December 2010 for the portion for which it is responsible.

Cases as a defendant: Trifoglio has notified Acea and ATAC Patrimonio a writ of summons aimed at assessing the invalidity of the deed of purchase and sale and recognition of compensation for damages in the amount of approximately € 20 million.

By judgement no. 11436/2017 of 6 June 2017, the Court of Rome declared the nullity of the contract of purchase and sale, substantively upholding the petition of Acea aimed at having the contract wound up with Trifoglio and recovering ownership of the area, arranging for the return to Trifoglio of the deposit-price received (€ 4 million); it also rejected the request for compensation for damages made by Trifoglio and excluded any liability of Acea with regards to the truthfulness of the contractual guarantees offered to Trifoglio. On 8 August 2017, Trifoglio appealed and in a decision issued 5 July 2022, the Court of Appeal of Rome confirmed the ineffectiveness of the sales contract stipulated between Acea SpA and Trifoglio Srl on 22 December 2010, and fully rejected the claim for compensation of Trifoglio Srl.

Specifically, the panel reformed the first instance sentence in the part in which it officially found the nullity of the sales contract, but in any case declared the ineffectiveness of the same, confirming Acea's obligation to repay the advance — price received (equal to € 4 million), a sum already paid in implementation of the first aid sentence. The proceeding has now been concluded.

Acea SpA - Former COS rulings

The COS dispute concerns the ascertainment of the illegality of the contract between Almaviva Contact (formerly COS) and Acea and the consequent right of its workers to be recognised as having a subordinate employment relationship with Acea.

It should be noted that the majority of the cases in which Acea was unsuccessful were settled, and that of the six claimants only two were brought before the Court of Cassation by Acea to assess the existence of a claim (the assessment of the right to establish a relationship). These judgements were settled by dismissal orders – made on 2 and 10 July 2019 – of Acea's application. The establishment of the employment contract between Acea and the opposing parties as from 2004 is therefore confirmed.

The claimants — who have claimed the remuneration differences for lack of performance — have therefore started to work concretely starting from February 2020.

Quantification judgements

Based on the above-mentioned judgements concerning the *an debeatur*, the six workers who won their cases (i.e. with whom a subordinate employment relationship with Acea was established) have over time initiated actions quantifying their claims, requesting the company to pay the wages due as a result of the established relationship and regarding different periods of accrual of the receivables. Below, specifically.

Salary differences in relation to the period 2008/2014. In 2015, six separate quantification judgements were introduced by the aforementioned workers in relation to the wage differences matured between 2008 and 2014. The judge, having gathered the ap-

peals, rejected them with a sentence of 3 June 2015 against which an appeal was lodged by the counterparties.
In December 2020 conciliation of the dispute with one of the six workers was reached, while the appeal, continued for the other 5 applicants, ended with a partially unfavourable sentence handed down on 26 October 2022, as a result of which Acea paid, subject to repetition, the amounts due by way of wage and social security differences as well as interest and monetary revaluation.
Acea appealed to the Supreme Court against this ruling, currently awaiting a hearing.
Salary differences in relation to the period 2014/2019. In the years 2020 and 2022, four workers were notified as many monitoring judgements aimed at also obtaining the wages not received in relation to the 2014-2019 time segment.
With reference to the injunctions received in 2020, after the opposition to the same was rejected, the workers' requests were accepted. Therefore, in April 2022 Acea paid the salary differences and accessories recognised and also filed an appeal.
As regards to the appeals notified in 2022, both judgements are ritually opposed.
Finally, note the introduction in July 2022 of an appeal pursuant to art. 414 cpc by a fifth worker, whose requests were granted in a decision issued in December 2022.

Acea SpA - Municipality of Botricello

In 1995, the Municipality of Botricello transferred management of its integrated water service to a temporary grouping of businesses, which later established itself as a consortium, known as Hydreco Scarl. In 2005, the Municipality sued, in the Court of Catanzaro, the company Hydreco Scarl and its component companies, including Sigesa SpA (which transferred its rights to Acea SpA), to obtain reimbursement of the fees due for administration for the period from 1995-2002, quantified in the amount of € 946,091.63, plus damages, interest and revaluation.
The companies disputed the Municipality's claim and filed a counter-claim for non adjustment of tariffs and loss of earnings due to the early revocation of the service. During the case an expert was called upon, who recognised a balance due to the Municipality of around € 230 thousand. Nonetheless, the Court, with judgement 1555 of 29 October 2015, ordered the companies to jointly pay € 946,091.63, plus interest and revaluation of the payable accrued, rejecting the counter-claims. The losing parties filed separate appeals and, with an ordinance of 27 March 2018, the Catanzaro Court of Appeals suspended execution of the appealed judgement, based on the validity of the arguments made in the appeal document. However, with judgement 677 of 6 June 2020, the appeals were rejected.
Acea filed an appeal with the Court of Cassation. The date for the hearing has not yet been set.

Acea SpA and areti SpA - MP 31 Srl (formerly Armosia MP Srl)

This is an opposition proceeding filed against the injunction issued by the Court of Rome against areti, in the amount of € 226,621.34, requested by Armosia MP by way of lease payments for the months of April-May-June of 2014 in relation to the property in Rome - Via Marco Polo 31. The injunction was declared provisionally enforceable by order of 8 July 2015.
In the hearing on 17 February 2016, the Judge adjoined this case with the other pending before the Court of Rome, taken by Acea and areti (transferee of the lease contract) in order to obtain the termination of the lease contract. In this latter case, MP 31 has also filed an unconventional remand for compensation for the damages incurred in consideration of the degrading condition of the building when it was released by areti. With a sentence dated 27 November 2017 the Court upheld the application of MP 31 against areti, condemning it to the payment of the previous rent in the amount of € 2,759,818.76 plus interest from the individual deadlines, as well as the payment of the rent up to contract expiry (29 December 2022). As a result, there are no further charges to the company.
Acea filed an appeal, served on 2 January 2018.
The hearing to discuss the appeal judgement has been postponed several times and is currently set for 11 May 2023.

Acea SpA and Acea Ato2 SpA - Co.La.Ri

With a writ of summons served on 23 June 2017, the Consortium Co.La.Ri. and E. Giovi Srl — respectively the manager of the Malagrotta landfill (prov. Rome) and the executor — summoned Acea and Acea Ato2 to obtain payment for the portion of the tariff for accessing the landfill, to be allocated to cover the thirty-year costs to manage the same, as established in Italian Legislative Decree 36/2003, alleged to be due for the depositing of waste during the contractual period from 1985-2009.
The main request stands at over € 36 million for the entire period of contract validity. Subordinately, in the event that the law disposing the tariff is considered by the judge to be applicable retroactively, the plaintiffs request the recognition of the right to receivables of approximately € 8 million for the period March 2003-2009, and the ascertainment, by expert appraisal, of the receivables for the previous period 1985-2003.
The first hearing, initially set for 23 February 2018, was postponed to 8 October 2018 to add the dispute against the Optimal Territorial Area Authority 2 Central Lazio - Rome.
The hearing for the clarification of the conclusions was set for 22 March 2021 and, on that occasion, the judge, taking into account the notes filed by the parties, granted further postponements for the same impending. At the hearing on 26 April 2022an exception was also raised concerning the lack of active standing for Co.La.Ri. and E. Giovi due to the commissioning of the Malagrotta landfill (in relation to the reclamation and post-operational activities) ordered in the Prime Ministerial Decree of 18 February 2022. We are currently awaiting the dissolution of the reserve by the Judge on the requests of the parties.

Acea Ato2 SpA and Acea Ato5 SpA - Challenge to Regional deliberations concerning the identification of the Optimal Territorial Areas of the Hydrographic Basin

With an appeal lodged before the Superior Court of Public Waters of Rome, Acea Ato2 challenged the regional resolutions concerning the identification of the Optimal Territorial Areas of the Hydrographic Basin (GRL Resolution no. 56 of 6 February 2018, GRL Resolution no. 129 of 20 February 2018, GRL Resolution no. 152 of 2 March 2018). A similar appeal was also proposed by the Optimal Territorial Area Authority no. 2 Central Lazio. With Resolution

no. 218 of 8 May 2018, the Lazio Region suspended the effectiveness of the challenged resolutions, delegating to the Regional Director of Water Resources and Soil Defence any activity useful for achieving a new governance model for the IWS during the following six months. Therefore, at the hearing of 11 July 2018 the case was postponed to 6 February 2019, pending the new assessments of the Region on the matter, announced in the provision that suspended the contested acts. Subsequently, the Region issued Resolution no. 682 of 20 November 2018 with which it has extended the deadline for the definition of the new IWS model, confirming the suspension of the effectiveness of the challenged resolutions. There have been a number of postponements, and most recently the hearing was set for 25 October 2023. A similar appeal was filed by Acea Ato5 and, in this case as well the hearing was most recently adjourned, due to the ongoing suspension of the contested measure and, in any case, the Region's ongoing investigation.

Acea Ato2 SpA - Parco dell'Aniene Scarl

Civil Judgement

In June 2019 the company Parco dell'Aniene Scarl sued Acea Ato2 and Roma Capitale for alleged liability of the defendants, jointly and severally or to the extent to which they are responsible, for alleged wrongful acts arising from the failure to build and/or repair the sewerage system prior to the construction works carried out by the claimant in the Tor Cervara - Via Melibeo area. The consortium is making an exorbitant claim for compensation, totalling more than € 105 million. The designated Jude, who initially considered that the claim of a lack of jurisdiction proposed by Acea was sufficient to define the case, set the hearing for definition of the conclusions. At the same time, Parco dell'Aniene introduced an appeal for jurisdictional regulation before the United Sections of the Supreme Court of Cassation and with an order of 29 July 2021 declared the administrative court had jurisdiction.
Noting the provision of the Supreme Court, with a decisive ordinance of 15 November 2022, the Judge declared it was impossible to proceed with the civil proceeding.

Administrative Judgement

With an appeal filed on 23 November 2021, Parco dell'Aniene Scarl resumed the case before the Regional Administrative Court of Lazio.
Acea Ato2 appeared as appropriate, requesting inclusion of the insurance companies already involved in the civil judgement case in the cross examination. At present we are awaiting the scheduling of the hearing.

Acea Ato2 SpA - Disputed concession of derivation of drinking water from the Peschiera and Le Capore springs for the water supply of Roma Capitale

Three cases have been brought before the High Court of Public Waters for the annulment of the Determination of the Lazio Region of 10 June 2019 (DGR no. G.07823) — with which the Concession was issued for the derivation of public water for drinking from the Peschiera springs in the municipalities of Cittaducale and Castel S. Angelo and from the Le Capore springs in the municipalities of Frasso Sabino and Casaprota for the water supply of Roma Capitale — which involve Acea Ato2 and Roma Capitale as counterparties.

Appeals brought by the Postribù Association and the Municipality of Casaprota

With reference to both appeals – notified, respectively, on 16 and 19 September 2019 – with judgements of 13 March 2021, the High Court of Public Waters rejected completely the appeal lodged by the Municipality of Casaprota and declared inadmissible that of the Postribù Association, for lack of active legitimation. The cases have now been defined.

Appeal filed by the Municipality of Rieti

The appeal, lodged on 16 September 2019 was completely rejected with a judgement of 11 August 2021.
The Municipality appealed this decision with the Court of Cassation, with a hearing on 22 November 2022. The decision is awaited. The Municipality also filed an Appeal for Rectification with the TSAP, with the hearing most recently postponed to 10 May 2023.

Acea Ato2 SpA - Enel Green Power Italia Srl

With an appeal of 27 July 2020, Enel Green Power Italia Srl (EGP) summoned Acea Ato2 to the Regional Public Waters Court, via the Roma Civil Appeals Court, to obtain recognition of its right to receive a greater amount than that already paid by Acea as an indemnity for lower voltage (in terms of that due based on the agreement in effect between the parties as of 1985), for electricity which could not be produced with the Farfa 1° salto, Farfa 2° salto, Nazzano and Castel Giubileo systems, subject to derivation of waters from the Le Capore sources.
More specifically, the appellant states that between 2009 and 2019, Acea, in applying the methods used to calculate the indemnity as indicated in the 1985 agreement, erroneously calculated the amounts due and that, as a consequence of this calculation error, should be required to pay EGP the total amount of € 11,614,564.85, plus additional amounts claimed as due for adjustments after 31 December 2019, as well as interest on arrears.
Acea Ato2 filed its appearance, noting the unfounded nature of the interpretation of the agreement on which the appellant bases its request and indicating a different way of quantifying the indemnity which is more in line with the agreements made between the parties during the course of the contractual relationship.
Based on the application of this calculation method, Acea Ato2, taking into account the indemnities already paid, formulated a counter-claim for the return of € 3,246,201.46, plus legal interest, in that it was not due from Acea Ato2.
With a decision on 14 November 2022, the TRAP, granting the exception raised by Acea Ato2, declared its lack of jurisdiction in favour of the Civil Court of Rome, setting a deadline of 90 days for resumption. Enel Green Power was also ordered to pay Acea court expenses.
With a writ of summons of 25 January 2023, EGP resumed the case with the Court of Rome. The hearing indicated in the document is set for 30 May 2023.

Acea Ato2 SpA and Acea Produzione SpA - Erg Hydro Srl

With separate appeals, notified on 10 March 2021, Erg Hydro Srl summoned Acea Ato2 and Acea Produzione before the Regional Court of Public Waters (RCPW) at the Rome Court of Civil Appeal to obtain ascertainment of its right to receive by way of indemnity for lower voltage - due to it on the basis of the agreements in effect between the parties as of 1985 - for electricity which could not be produced with its plants, given the diversion of the sources of the Peschiera and affected by the regurgitation of Nera Montoro.
The application lodged regards the payment of default interest for delayed payment of past invoices, and the different amount of the adjustments calculated differently on the basis of the aforementioned agreement of 1985.
Specifically, the total request in relation to Acea Ato2 is approximately € 4,500,000.00, while in relation to Acea Produzione the application lodged is for approximately € 140,000.00.
The defendants joined the case arguing that the amounts requested had lapsed, and that the interpretation of the agreement on which the plaintiff based its request was groundless.
In November 2021, a court-appointed expert was assigned to quantify the indemnity due by Acea Ato2 for the lower voltage of Peschiera.
The report issued in July 2022 confirmed the accuracy of the lower voltage calculations prepared by Acea Ato2 and the hearing to examine the expert's report was most recently postponed to 21 March 2023.

areti SpA - GALA SpA

In November 2015, areti signed a transport contract for the electricity distribution and metering service with Gala SpA, a company that sells electricity to end users.
Starting in March 2017, Gala SpA fully cased paying the fees invoiced and due to areti. Protecting its rights as a creditor, on 7 April 2017 areti begin enforcement of the guarantees issued by Gala SpA and later, the non-fulfilment of the obligations deriving from the contract being disputed by both Gala SpA and the guarantors, the termination clauses found therein were utilised.
The main pending disputes generated by the complex matter are summarised below.

Judgement filed by the guarantor Euroins Insurance plc

In July 2017, Euroins Insurance plc, a guarantor of GALA, independently introduced an assessment proceeding to declare the non-existence of its own guarantee obligation.
The case was taken before Section XVII of the Court of Rome and with a judgement of 10 May 2021 the action for ascertainment of invalidity of the policy was rejected, with an order to Euroins to pay areti the sum of € 5.00 million plus legal interest from the application to payment of the balance and legal expenses.
The judgement also ordered GALA to ensure the release of the guarantor, directly paying areti the sum of € 5.0 million plus legal interest.
On 8 June 2021, GALA made spontaneously the payment of what was provided for in the judgement, paying areti the total amount of € 5,058,986.30, including plus legal interest (for € 58,986.30), with reservation of encumbrance and recovery of undue payments, also in relation to the demands that are the subject of the parallel civil dispute between the said GALA and areti.
GALA's summons on appeal was served on 10 December 2021 and the hearing has been postponed to 22 June 2026 for the oral discussion.

GALA's summons to areti, Acea Energia and Acea

By means of a summons served in March 2018, GALA requested the Court of Rome to declare the invalidity of some clauses of the transport contract stipulated with areti in November 2015 and the consequent invalidity/ineffectiveness of the termination of the contract by areti, ordering the latter to pay the corresponding damage, for a total of over € 200,000,000.00.
GALA also requested that the behaviour of areti and the other defendant companies, Acea and Acea Energia, be declared acts of unfair competition, condemning them to pay the corresponding damages.
The companies of the Acea group that were sued acted within the terms of the law, denying the opposing claims and requesting their rejection.
In addition, as a counter-claim, areti has requested to declare the contract legitimately terminated, as well as to ascertain and declare the non-fulfilment of GALA of the payment and guarantee obligations assumed under the transport contract with consequent order to pay the related amount, plus interest and without prejudice to the additional amounts being accrued.
The case is currently pending before the XVII civil section of the Court of Rome and at the hearing for specification of the conclusions on 9 December 2021 the decision was withheld, with terms granted for the closing briefs. Oral arguments were heard in April 2022 and the final decision is awaited.

areti SpA - Metanewpower (MNP)

In November 2015, in its capacity as operator of the electricity distribution network, areti entered into a transport contract with Metanewpower, which operates in the sale of electricity to end users, a contract the seller repeatedly breached.

Judgement on guarantees

With summons served on 7 September 2018, MNP challenged the legitimacy of the contractual conditions for the transport of energy and the system of guarantees required by the distributor for the failure to pay the system charges regardless of the actual collection from the final customer, claiming compensation for damages due to providing the guarantees for approximately € 2.0 million, alleging also abuse of a dominant position by the distributor areti.
In the meantime, due to the serious breach of contractual obligations, on 8 October 2018 areti notified MNP of the termination of the transport contract.
During the court case, in December 2019, the counterparty amended its claim for damages, quantifying them at over € 34.0 million including however in the demand the amount of approximately € 11.0 million for damages from termination, requested also in an additional compensation judgement.

With a decision of 27 July 2022, all the requests made of areti were rejected, with the counterparty ordered to pay court expenses. The terms for appeal are pending.

Compensation judgement

Following an initial precautionary phase in favour of the seller, in the context of which the judge determined a marginal violation of the distributor's requirement to collaborate, even in the case of seller breach, in a writ of summons served on 5 December 2018, MNP filed an ordinary case, disputing the validity of the contractual clauses and requesting compensation for damages due to termination of the contract, following the Court ordinance as cited. The request, as most recently specified on the occasion of the preliminary pleadings, amounts to at least € 14.0 million. At the hearing for specification of the conclusions on 7 December 2022 the decision was withheld, with terms granted for the closing briefs.

Recovery of areti's receivable from Metanewpower

On 30 May 2019, following MNP's continuing breach, areti ordered a new contractual termination and initiated the recovery of its receivable, obtaining the issue of an injunction for the amount of approximately € 3.85 million by way of default. MNP – for the same reasons already stated – lodged an objection to the injunction. With a measure of 15 November 2021, lifting the reservation adopted on the occasion of the hearing on 3 December 2020, the judge rejected the application for concession of provisional enforcement of the decree, granting the terms for the pleadings pursuant to art. 183 of the Code of Civil Procedure and adjourning the case for the continuation to the hearing on 10 March 2022. On that occasion, the judge, considering the preliminary requests irrelevant, postponed for conclusions to March 20, 2024.

areti SpA - Metaenergia SpA

In October 2018, the company Metaenergia SpA, which operates in the market of electricity sales to final customers, sued the distributor areti, contesting the legitimacy of the contractual conditions for the transport of energy and the system of guarantees required by the distributor for the failure to pay the general system charges regardless of the actual collection from the final customer. The plaintiff company therefore demanded the return of the amounts paid as guarantee deposits and compensation for damages due to providing the guarantees for approximately € 320 thousand, alleging also abuse of a dominant position by the distributor areti. With a sentence of 22 June 2022, the Judge completely rejected the requests proposed by the trader Metaenergia, also condemning it to pay the costs of the litigation. The proceeding has now been concluded.

GORI SpA - Consorzio di Bonifica Integrale del Comprensorio Sarno

With decision 7271/2021 of 7 September 2021, the Court of Naples, XII Civil Section, rejected the request made by Consorzio di Bonifica Sarno to condemn GORI SpA to payment of around € 21 million as consortia expenses relative to the period from 2008 to 2016, based on the fact, briefly, that the Consortia did not provide evidence (above all due to the uncertainty of the data and the lack of documentation produced) of the direct benefits, thereby economically calculable, received by GORI for the use of the consortia channels, with the effect of "impossibility to identify certain data and quantify precisely and without doubt the contribution due by the Company". The Consorzio di Bonifica del Comprensorio Sarno appealed the decision and the Court of Appeals of Naples referred the case for the specification of conclusions to the hearing on 17 September 2024.

GORI SpA Update of the 2016-2019 regulatory framework of the Sarnese-Vesuvian District of the Campania Region

The Municipalities of Nocera Inferiore (SA), Roccapiemonte (SA), Roccarainola (NA), Casalnuovo di Napoli (NA), Scisciano (NA) and Lettere (NA) appealed before the Campania RAC, Naples office, the resolution of the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority no. 19/2016 of 8 August 2016 with which the 2016-2019 Regulatory Framework was set out and the resolution of the same Extraordinary Commissioner no. 39/2018 of 17 July 2018 with which the aforesaid Regulatory Framework was updated. Both cases concerning resolution 19/2016 (RG 5192/16) and Resolution No. 39/2018 (RG 4698/18), were suspended awaiting the results of the case pending at the Council of State brought by the Municipalities of Angri (SA), Roccapiemonte (SA), Roccarainola (NA), Casalnuovo di Napoli (NA) and Scisciano (NA), for the revision of the judgement of the Lombardy RAC, Milan office, No 1619 of 29 June 2018 which confirmed the legitimacy of ARERA Resolution 104/2016/R/idr approving the 2012-2015 Regulatory Framework of the Sarnese-Vesuvian District area. To that end the Campania Regional Administrative Court, Naples office, in a closed session on 12 October 2022, initially declared the appeals could not move forward, as the determinations in question had been absorbed and superseded by the new provisions illustrated above, issued on tariff regulation by the CWA and ARERA and due to the consequential need to revalue the tariffs relative to the period being examined (2016-2019).

AGCM Proceeding A/513 - Acea SpA, Acea Energia SpA and areti SpA

On 8 January 2019, the Antitrust Authority notified Acea, Acea Energia and areti of the final order for Proceeding A/513.
With this order, the Authority ruled that the aforementioned Group companies had committed an abuse of a dominant position – qualified as very serious and of duration quantified in 3 years and 9 months — consisting in the adoption of a broad exclusionary strategy realised through the illegitimate use of a series of prerogatives possessed solely by virtue of its position as an integrated operator in distribution, in order to compete with its competitors in the acquisition of electricity sales contracts in free market conditions.
In view of the gravity and duration of the infringement, the Authority ordered Acea SpA, Acea Energia SpA and areti SpA to pay an overall pecuniary administrative fine of € 16,199,879.09.
Fully convinced of the illegitimacy of this measure, two administrative appeals were filed before the Lazio Regional Administrative Court, one brought by Acea Energia and the other by Acea SpA. With separate judgements on 17 October 2019 the appeals were

accepted and, as a result, the sanction was cancelled.
With appeals served on 17 January 2020, the AGCM filed an appeal before the Council of State. The group companies concerned lodged a cross appeal, and a hearing has yet to be scheduled.

AGCM Proceeding PS12458 - Acea Energia SpA

On 18 October 2022, the Company received a communication in which AGCM requested information about so-called "*unilateral contract amendments*". On 4 November 2022, the Company provided a response to AGCM relative to the requested information and, on 12 December 2022, held it expedient to send a second communication with further details to demonstrate the compliance of its actions with that established in article 3 of the Aid-*bis* Decree Law.
That being established, on 13 December 2022, AGCM informed Acea Energia of the start of a proceeding, giving the Company 20 days to file written memos and documents (a deadline reduced to 7 days with reference to memos and documents relative to the adoption of provisional suspension measures for the commercial practices, pursuant to article 8, paragraph 3 of the Regulation).
Additionally, to acquire further information useful for assessing the stated commercial practice, AGCM asked Acea Energia to provide, within 20 days of the receipt of the cited communication, additional information regarding communications of unilateral changes/renewals carried out by the Company.

On the same date, the Authority also informed the Company of a precautionary provision, with which it ordered that:

- Acea Energia provisionally suspend application of the new economic conditions indicated in its communications of a proposed unilateral change to the contract sent prior to 10 August 2022 or in communications proposing renewal of economic conditions sent after 10 August 2022, confirming through 30 April 2023 the supply conditions previously applied, and individually informing the consumers interested in the previous communications, and in the same form, application of the previous supply conditions or, in the case in which the deadline for completion of the new communications had not yet expired, the inefficacy of the proposed changes;
- Acea Energia communicated individually and with the same form, to consumers who had exercised the right of withdrawal following the communication of the proposed unilateral change sent prior to 10 August 2022 or of renewal of economic conditions sent after the same date, the possibility of returning to receive supplies under the previous economic conditions;
- Acea Energia informed the Authority that it had carried out the suspension provision and the relative methods within 5 days of receiving the communication on 13 December 2022, sending a detailed report illustrating the initiatives taken in compliance with that ordered under a) and b);
- that the interested party could, within 7 days of notification of the provision of 13 December 2022, present written memos and documents, to confirm the aforementioned measures.

Acea Energia, given the serious and irreparable harm deriving from implementation of the aforementioned provision, promptly appealed the same with the Lazio Regional Administrative Court, filing an appeal on 15 December 2022 to request annulment through precautionary suspension of the efficacy.
In any case, on 19 December 2022 Acea Energia sent AGCM the report on compliance with the measures ordered by the Authority and, on 20 December 2022, filed a written memo, to provide further clarifications on the lack of any illegal action and reserving the right to formulate further defensive arguments during the course of the proceeding.

Subsequently, two significant changes occurred in the jurisprudential and legislative situation:

- on 22 December 2022, the Council of State issued an ordinance, in relation to another market operator which, similar to Acea Energia, had been affected by a precautionary provision involving a possible violation of article 3 of the Aid-*bis* Decree Law, subsequently appealed, accepting the precautionary request put forward by the same and partially suspending the provision in question. In truth, this latter, in the Judge's opinion, contains a generalised order to suspend any change in supply contracts, also affecting contractual renewals predetermined in the exercising of negotiating freedom, based on an "inadmissible expansive interpretation of national provisions limiting market freedom to situations not expressly envisaged (extending the fines to actions not envisaged in the provision)". Further, the Council of State suspended the provision appealed by the operator in the portion in which it affects temporary contracts or contracts with expiration dates predetermined by economic conditions of dates prior to 30 April 2023, as in this case the question is not the exercising of *ius variandi* but a contractual renewal freely agreed upon by the parties;
- on 29 December 2022 Decree Law 198/2022 ("Thousand Extensions Decree") was published in the Official Journal, which amended article 3 of the Aid-*bis* Decree Law, extending the suspension deadline for efficacy of unilateral changes to 30 June 2023 and expressly excluding from the scope of applicability "contractual clauses that allow electricity and natural gas suppliers to update the economic contractual conditions upon expiration of the same, in compliance with the terms of prior notification contractually established and without prejudice to the counterparty's right of withdrawal".

As a consequence of the cited jurisprudential and legislative changes, on 30 December 2022 AGCM adopted a second precautionary proceeding relative to Acea Energia with which, partially revoking the provision adopted on 12 December 2022, it confirmed solely the portion of the same which ordered that the Company:

- provisionally suspend application of the new economic conditions indicated in its communications of a proposed unilateral change to the contract sent prior to 10 August or in communications proposing renewal of economic conditions sent after 10 August, for those regarding permanent contracts in which the expiration of the same was not specifically identified or in any case able to be predetermined, confirming through 30 April 2023 the supply conditions currently applied, and individually informing the consumers interested in the previous communications, and in the same form, application of the previous supply

conditions or, in the case in which the deadline for completion of the new communications had not yet expired, the inefficacy of the proposed changes;
- individually communicate with the same form to consumers who had exercised the right to withdrawal following the communication of a proposed unilateral change sent prior to 10 August or the renewal of economic conditions sent after the same date, regarding permanent contracts for which the expiration of economic supply conditions was not specifically identified or in any case able to be predetermined the possibility of returning to the supply under the previous economic conditions until the effective expiry or until 30 April 2023.

In consideration of the stated AGCM provision, Acea Energia introduced additional justifications for the appeal as part of the case already pending with the Lazio Regional Administrative Court, with the aim of requesting annulment. Finally, note that while the case is pending with the Lazio Regional Administrative Court, Acea Energia sent AGCM, on 16 January 2023, a response to the request for information contained in the provision of 12 December 2022, as well as a new report on compliance with the measures requested by the Authority with the provision of 29 December 2022, restating the full compliance of its actions with respect to that contained in article 3 of the Aid-bis Decree Law, as also confirmed by the clarification made by the legislators through article 11, paragraph 8 of Decree Law 198 of 2022 (Thousand Extensions).
On 6 February 2023, AGCM filed a memo with the court, to which Acea Energia responded with another memo filed on 11 February 2022. In consideration of the proposed additional arguments, the public hearing for discussion of the appeal was held on 22 February 2023 and the results are awaited.

Appeals relative to "Excess Profits" (Solidarity contribution pursuant to article 37 of Decree Law 21/2022) - Acea Ambiente Srl, Acea Produzione SpA, Acea Energia SpA and Acea Solar Srl

With reference to the contribution in question, based on the assumption that a significant part of the taxable base identified for the companies of the Acea Group cannot be seen as excess profits intended to be taxed by lawmakers, but rather to extraordinary operations, Acea Ambiente Srl, Acea Produzione SpA and Acea Energia SpA filed three distinct appeals with the Regional Administrative Court of Lazio, in all cases also seeing to payment of the respective advances, to cancel the implementation provision with which the Revenue Agency determined the amounts, also declarative, and the methods for paying the contribution (Director of the Revenue Agency Provision 221978/2022 of 17 June 2022).
The request made is intended to cancel the appealed provision, by returning the question of legitimacy to the Constitutional Court relative to article 37 of Decree Law 21/2022.
While awaiting the results, it was also found that Acea Solar Srl, due to an extraordinary operation, was required to pay the solidarity contribution. Hence, on 31 August 2022 the Company paid the advance on this contribution and also filed an appeal.
With decisions published on 16 and 17 November 2022, the four appeals filed by the companies of the Group, together with appeals presented by other operators outside of the Group, were declared inadmissible due to an absolute lack of jurisdiction over the appealed provision. Separate appeals were filed with the Council of State, with a hearing in a closed session set for 14 March 2023.
With reference to Acea Ambiente and Acea Solar, due to the changes made by the 2023 Stability Law to article 37 of Decree Law 21/ 2022, which circumscribed the requirement to pay the extraordinary contribution solely to cases in which at least 75% of business volume in 2021 derived from business in the energy sector, declarations will be filed indicating the new-found lack of interest in the decision for the appeals filed.

Disputes relative to the procedure to develop the San Vittore "fourth line" - Acea Ambiente Srl

Against Lazio Region Determination G09041 of 12 July 2022, regarding the "Environmental Impact Valuation Proceeding pursuant to article 27-*bis* of Italian Legislative Decree 152/2006, as amended, for the "Systems and environmental adaptation for the San Vittore del Lazio waste to energy plant with creation of a fourth line", in the Municipality of San Vittore del Lazio (prov. Frosinone), localities Valle Porchio, Proposing Entity Acea Ambiente Srl, 5 administrative appeals have been filed, with Acea Ambiente as a counterparty.

The subsequent administrative provisions issued by the Region are the Integrated Environmental Authorisation (AIA) of 26 October 2022 and the Single Regional Authorisation Provision (PAUR) of 28 October 2022.

I. Lamberet SpA — Appeal to the Regional Administrative Court of Lazio, Rome, served on 10 October 2022. No appeals for additional reasons appear to have been filed against the subsequent authorisation provisions (AIA and PAUR).
II. Municipalities of Rocca di Evandro, Mignano Monte Lungo, San Pietro Infine and Associazione Ambientalista Fare Verde Onlus — Appeal to the Regional Administrative Court of Lazio, Latina, served on 10 October 2022. On 27 December 2022, an appeal for additional reasons was filed, with reference to the AIA and PAUR. The appeal includes a precautionary request and the hearing for discussion of suspension was held on 22 February 2023. The precautionary request was rejected. Subsequently, the Regional Administrative Court of Latina set the hearing to discuss the request for a court-appointed expert filed by the appellants for 10 May 2023.
III. Municipality of Cassino — Appeal to the Regional Administrative Court of Lazio, Latina, served on 11 October 2022. No appeals for additional reasons appear to have been filed against the subsequent authorisation provisions (AIA and PAUR).
IV. Siefic Calcestruzzi Srl and Siefic SpA - Appeal to the Regional Administrative Court of Lazio, Rome, served on 13 October 2022. On 13 January 2023, an appeal with additional reasons was served, against the AIA and the PAUR, accompanied by a precautionary request. A closed session was held on 8 February 2023. Following this, the Regional Administrative Court of Lazio, Rome, ordered transfer of the files to the Court of the Regional Administrative Court of Lazio to make the decision on the exception for lack of jurisdiction raised by Acea.
V. Municipality of San Vittore del Lazio — Appeal to the Region-

al Administrative Court of Lazio, Latina, served on 16 October 2022. Appeals for additional reasons against the PAUR and AIA were served on 23 December 2022. The appeal is not accompanied by a precautionary request.

The Directors consider that the settlement of the ongoing dispute and other potential disputes should not create any additional charges for Group companies, with respect to the amounts set aside (note 34 a on the Provision for risks and charges).
These allocations represent the best estimate possible based on the elements available today.

ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

CLASSES OF FINANCIAL INSTRUMENTS

The following table shows the breakdown of financial assets and liabilities required by IFRS7 based on the categories defined by IAS 39.

€ thousand	FVTPL	FVTOCI	Amortised cost	Balance sheet value	Explanatory notes
Non-current assets	**19,852**	**13,686**	**0**	**33,537**	
Other equity investments	3,007	0	0	3,007	21
Total financial assets	16,845	13,686	0	30,531	23
Current assets	**0**	**81,298**	**1,952,648**	**2,033,946**	
Total trade receivables	0	0	1,267,445	1,267,445	26
Payables arising from commodity derivatives	0	81,298	0	81,298	27
Total current financial assets	0	0	342,085	342,085	29
Other current assets	0	0	343,117	343,117	27
Non-current liabilities	**0**	**346,108**	**4,302,767**	**4,648,875**	
Bonds	0	160,430	3,674,022	3,834,453	35
Payables to banks	0	185,678	628,744	814,422	35
Current liabilities	**0**	**1,572**	**2,999,732**	**3,001,304**	
Short-term bonds	0	0	316,965	316,965	37
Payables to banks	0	0	145,054	145,054	37
Other financial payables	0	0	140,892	140,892	37
Payables from commodity derivatives	0	1,572	0	1,572	36
Total trade payables	0	0	1,849,980	1,849,980	38
Other liabilities	0	0	546,841	546,841	40

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of securities not listed on an active market is determined using the valuation models and techniques prevailing on the market or using the price provided by several independent counterparties.

The fair value of medium/long-term financial assets and liabilities is calculated on the basis of the risk less and the risk less adjusted interest rate curves.

It must be noted that for trade receivables and payables with contractual expiry within the financial year, the fair value has not been calculated as their book value approximates the same.

In addition, fair value is not calculated when the fair value of financial assets and liabilities cannot be objectively determined.

TYPES OF FINANCIAL RISKS AND RELATED HEDGING ACTIVITIES

Foreign exchange risk

The Group is not particularly exposed to this type of risk, which is concentrated in the conversion of the financial statements of its overseas subsidiaries. As regards the 20 billion Yen Private Placement, the exchange rate risk is hedged through a cross currency swap described in the section on interest rate risk.

Commodity Risk

In this context, reference is made to the Price Risk and Volume Risk cases as defined:

- **Price risk**: risk linked to the change in commodities prices due to the difference in the price indices for purchases and sales of Electricity, Natural Gas and EUA Environmental Certificates;

- **Volume risk**: the risk linked to changes in the volumes effectively consumed by clients compared to the volumes envisaged in the sales contracts (sale profile) or, in general, the balancing of positions in the portfolios.

Through the activities carried out by the Commodity Risk Control Unit of the Finance Unit within the Administration, Finance and Control department, Acea SpA ensures the analysis and measurement of exposure to market risks, interacting with the Energy Management Unit of Acea Energia SpA, verifying compliance with the limits and criteria adopted by the General Risk Management of the Commercial and Trading Sector and by the Administration, Finance and Control Department in line with the Acea SpA "Guidelines for the Internal Control and Risk Management System" and Acea SpA "Guidelines for Risk Management For Commodity Trading in Futures Markets", approved by the Board of Directors on 14 March 2022, as well as the specific procedures. The analysis and management of risks is carried out according to a second-level control process that involves the execution of activities throughout the year with different frequency by type of limit (annual, monthly and daily), carried out by the Commodity Risk Control Unit and by risk owners.

Specifically:
- every year, the measures of the risk indicators, i.e. the limits in force, must be reviewed and respected in the management of the risks;
- every day, the Commodity Risk Control Unit is responsible for verifying the exposure to market risks of the companies in the Commercial and Trading Industrial Segment and for verifying compliance with the defined limits.

The reports are sent to the Top Management on a daily and monthly basis. When requested by the Internal Control System, Commodity Risk Control prepares the information requested and available to the system in the format appropriate to the procedures in force and sends it to Acea SpA's Internal Audit Unit.

The risk limits of the Commercial and Trading Sector are defined in such a way as to:
- minimise the overall risk of the entire segment;
- guarantee the necessary operating flexibility in the provisioning of commodities and hedging;
- reduce the possibility of over-hedging deriving from the variation in expected volumes for the definition of hedges;

The management and mitigation of commodity risk are functional to achieving the economic and financial objectives of Acea Group, as indicated in the budget, in particular:
- to protect the primary margin against unforeseen and unfavourable short-term shocks in the energy market which affect revenues or costs;
- to identify, measure manage and represent exposure to risks;
- to reduce risks through the preparation and application of adequate internal controls, procedures, information systems and expertise.

Commodity trading on futures markets is intended to satisfy expected needs deriving from electricity and gas sales contracts relative to end customers.
The risk hedging strategy adopted by the Commercial and Trading Industrial Area also aims to minimise the risk associated with the volatility of the Income Statement deriving from the variability of market prices and ensure correct application of the Hedge Accounting (in accordance with current International Accounting Standards) to all derivative financial instruments used for such purpose.
As regards the commitments undertaken by the Acea Group to stabilise the cash flow from purchases and sales of electricity, it should be noted that all of the ongoing hedging operations are recorded in the accounts using the flow hedge method, as far as the effectiveness of hedging can be demonstrated. The financial instruments used are of the swap and contracts for difference (CFD) type, or other instruments aimed at hedging commodity price risk.

The evaluation of risk exposure involves the following activities:
- recording of all transactions involving physical quantities carried out in special books (known as Commodity Books) differentiated according to the purpose of the activity (Sourcing on wholesale markets, Portfolio Management, Sale to end customers within and outside the Acea Group) and commodities (e.g., Electricity, Gas and EUA);
- daily checks on observance of limits applicable to the various Commodity Books.

The activity performed by the Commodity Risk Control Unit provides for daily codified checks on compliance with risk procedures and limits (also for purposes of compliance with Law 262/05) and reports to the Top Management any discrepancies detected during the phases of checks, so that measures can be adopted to be within the established limits.

The objectives and policies for market risk, counterparty credit risk and regulatory risk management are detailed in the relevant section of the Report on Operations, to which reference is made.
It should be noted that the hedges effected on the purchases and sales portfolio were conducted with leading operators in the electricity market and the financial sector. Below, in accordance with former article 2427-bis of the Italian Civil Code, is the information necessary for the description of transactions carried out, aggregated by hedged index, effective as of 1 January 2022.

Instrument	Index	Purposes	Purchases/Sales	Fair value in € thousand	Portion recognised to shareholders' equity	Portion recognised in the income statement
Swap, CFD	Energy_IT	Hedging Energy portfolio	Electricity sales	80,239	80,239	0
Swap, CFD	Gas_IT	Hedging Gas portfolio	Purchase of natural gas	(763)	(763)	0

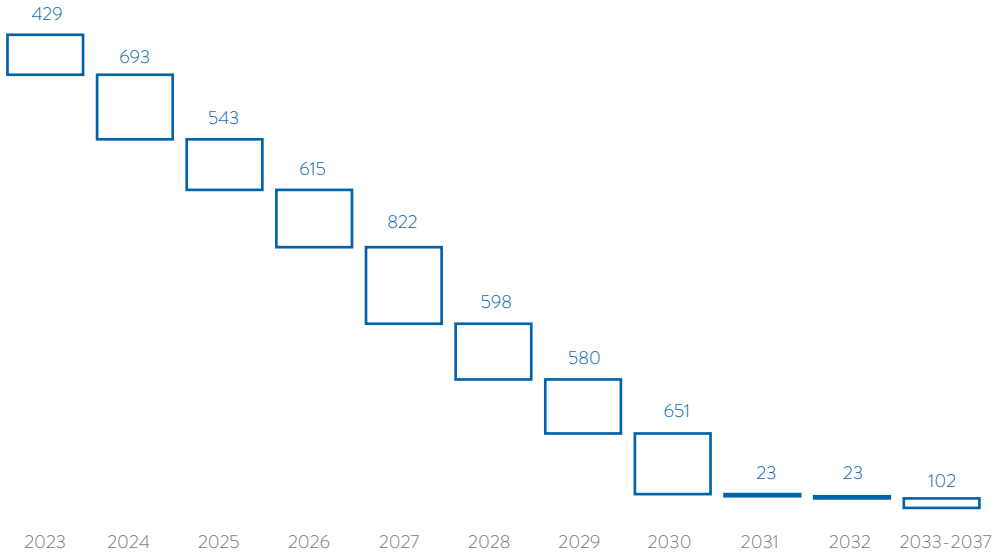
The Group determines the classification of financial instruments at fair value, in accordance with the provisions of IFRS13. The fair value of the assets and liabilities is classified in a fair value hierarchy that envisages three different levels, defined as follows, according to the inputs and valuation techniques used to measure fair value:

- level 1: prices listed (not adjusted) on a market for identical assets and liabilities;
- level 2: inputs other than listed prices pursuant to level 1, which can be observed for the asset or liability, both directly and indirectly;
- level 3: inputs not based on observable market data. This note provides some detailed information on the valuation techniques and inputs used to prepare these valuations.

With regards to the type of derivatives for commodities for which fair value is determined, note that this is fair value level 1 as they are listed on active markets;
Finally, it should be noted that, as of 2014, the Group has applied the rules laid down in EC regulations 148 and 149/2013 (jointly and together with Regulation 648/2012, EMIR) and is currently defined as NFC (Non-Financial Counterparty).

Liquidity risk

Acea's liquidity risk management policy is based on ensuring the availability of significant bank lines of credit. Such lines exceed the average requirement necessary to fund planned expenditure and enable the Group to minimise the risk of extraordinary outflows. In order to minimise liquidity risk, the Group has adopted a centralised treasury management system, which includes the most important Group companies, and provides financial assistance to the companies (subsidiaries and associates) not covered by a centralised finance contract.
At 31 December 2022 the Parent Company has uncommitted credit lines of € 425 million, of which € 21 million utilised. No guarantees were granted in obtaining these lines. In the event of the drawdown of these types of facilities, Acea would pay an interest rate equal to the Euribor at one, two, three or six months (depending on the chosen period of use), in addition to a spread that, in some cases, may vary according to the rating assigned to the parent company.
Acea also has committed revolving lines for € 700 million, with an average maturity of around 3.9 years. Additionally, on 30 July 2020 Acea signed a new direct unsecured loan contract with the European Investment Bank for a total up to € 250 million, entirely utilised as at 31 December 2022. At the end of the year the Parent Company has commitments in short-term deposit transactions for an amount of € 190 million.
Please note that the EMTN Programme approved and established in 2014 for an initial amount of € 1.5 billion, adjusted upwards for a total of € 5 billion in 2021, was available in a residual amount of € 1 billion at 31 December 2022. Note that in the first two months of 2023, Acea placed bonds totalling € 700 million.
The graph below depicts the future development of all debt maturities, forecast based on the situation at the end of the year.



Regarding the trade payables (€ 1,861.7 million) it should be noted that the portion which is due to expire in the next twelve months amounted to € 1,677.6 million. The amount already expired of € 184.1 million will be paid by the first quarter of 2023.

Interest rate risk

The Acea Group's approach to managing interest rate risk, which takes the structure of assets and the stability of the Group's cash flows into account, has essentially been targeted, up to now, at hedging funding costs and stabilising cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving from ordinary activities.
The Group's approach to managing interest rate risk is, therefore, prudent and the methods used tend to be static in nature.

In particular, for static management (to be opposed to the dynamic one) we mean a type of management of interest rate risk that does not provide for daily operations on the markets but an analysis and control of the position carried out periodically on the basis of specific needs. This type of management therefore involves daily activity in the markets, not for trading purposes but in order to hedge the identified exposure in the medium/long term.
Acea has, up to now, opted to minimise interest rate risk by choosing a mixed range of fixed and floating rate funding instruments.
As it is known, fixed rate funding protects a borrower from cash flow risk in that it stabilises the financial outflows in the income statement, whilst heightening exposure to fair value risk in terms of changes in the market value of the debt.
An analysis of the medium/long-term consolidated debt position shows that the risk Acea is exposed to is mainly in the form of fair value risk, being composed of hedged fixed rate borrowings (84%) as at 31 December 2022, and to a lesser extent to the risk of fluctuations in future cash flows.

Acea is consistent with its decisions regarding interest rate risk management that essentially aims to both control and manage this risk and optimise borrowing costs, taking account of Stakeholders' interests and the nature of the Group's activities, and based on the prudence principle and best market practices. The main objectives of these guidelines are as follows:

- identifying, from time to time, the optimal combination of fixed and variable rates,
- to pursue a potential optimisation of borrowing costs within the risk limits established by governance bodies and in accordance with the specific nature of the business,
- to manage derivatives transactions solely for hedging purposes, should Acea decide to use them, in respect of the decisions of the Board of Directors and, therefore, the approved strategies and taking into account (in advance) the impact on the income statement and Statement of Financial Position of said transactions, giving preference to instruments that qualify for hedge accounting (typically cash flow hedges and, under given conditions, fair value hedges).

A cross currency plain vanilla swap operation is in being as of 31 December 2022 on Acea. This was entered into in 2010 to transform into euro the currency of the Private Placement (yen) and the yen rate applied into a fixed rate in euro.
The derivative instrument contractualised by Acea listed above is of the non-speculative type and the fair value, calculated according to the bilateral method, is a negative € 18.0 million (a negative € 21.8 million at 31 December 2021).

The fair value of medium/long-term debt is calculated on the basis of the risk-free and the risk-adjusted interest rate curves.

Loans € thousand	**Amortised cost (A)**	**Risk-less FV (B)**	**Delta (A – B)**	**Risk adjusted FV (C)**	**Delta (A – C)**
Bonds	4,151,418	3,829,231	322,187	3,729,684	421,735
- fixed rate	292,609	289,315	3,295	278,563	14,046
- floating rate	460,956	456,889	4,068	441,686	19,270
- floating rate cash flow hedge	197,903	203,445	(5,542)	198,444	(542)
Total	**5,102,886**	**4,778,879**	**324,007**	**4,648,377**	**454,510**

This analysis was also carried out with the risk adjusted curve, i.e. a curve adjusted for the level of risk and the business sector of Acea. A curve populated with fixed rate bonds denominated in euro, issued by domestic companies in the public utilities sector with a composite rating ranging from BBB+ and BBB- was used.
A sensitivity analysis has been carried out on medium/long-term financial liabilities using stress testing, thus applying a constant spread over the term structure of the risk-free interest rate curve. This makes it possible to evaluate the impact on fair value and on future Cash Flows for both the individual instruments in the portfolio and the overall portfolio.
The following table shows the overall fair value changes of the debt portfolio based on parallel shifts (positive and negative) between -1.5% and +1.5%.

Constant spread applied	**Changes in present value** € million
-1.50%	-419.2
-1.00%	-316.4
-0.50%	-216.9
-0.30%	-168.4
n.s.	0
0.25%	-73.7
0.50%	-27.5
1.00%	62.7
1.50%	150.1

With regard to the type of hedging of which the fair value is determined and with reference to the hierarchies required by the IASB, it should be noted that, since these are composite instruments, the level is type 2 and that during the period there were no reclassifications from or to other levels of fair value as defined by IFRS13.

Credit risks

As already indicated in the general part of the Report on Operations to which you are referred, Acea issued in July 2019 the new guidelines of the Group Credit Policy and the "Scoring and customer credit limit" procedure, which defines the methods for preventing credit risk (hereinafter "Credit Check") on non-regulated markets.
The guidelines of the Credit Policy, of a general nature, based on the principle of decentralising the credit activities within the companies, identify, on the basis of a Governance matrix, the responsibilities of the Parent Company and those of the operating companies.
Based on the above guidelines, the companies are responsible for the operational management of active and discontinued loans of the entire receivable portfolio, with the exception of customers of a significant amount managed by Corporate Credit through law firms identified together with the Legal Affairs Department. For the authorised companies, the Collection Unit of Administration, Finance and Control proceeds, on appointment of the same, to recovery through tax injunctions.
The Corporate Credit Unit monitors the performance of receivables on an ongoing basis and provides periodic management reports (monthly) by segment and by company.
The following table shows the credit risk management of the main business areas of the group by number of customers/turnover.

Relative to the areti, the credit component managed by the Company that indicates a possible risk factor is that invoiced to operators for sales activities relative to transportation of energy on the distribution network, for performances carried out for end customers and general system charges (these latter in turn paid to CSEA or the GSE). This risk was mitigated by regulatory changes implemented by ARERA, which introduced mechanisms for recognising amounts not collected.

Relative to the **companies in the Commercial and Trading Segment**, for supplies of electricity and gas on the free market, preventive credit risk identification is done through a credit scoring system, integrated into the user management system, allowing for real time assessment of the creditworthiness of potential clients when they are acquired:

- With regard to Mass Market and Small Business customers, the Credit Check system integrated in the CRM is directly usable by Acea Energia and the commercial agencies appointed thereby. Specific scorecards have been defined to identify customers that are potentially unsuitable for the supply of electricity or gas, as they have a risk profile that is not in line with company standards;
- with reference to Large and Top customers, the investigation is performed in Acea SpA using a dedicated platform with specific workflows that support the timely analysis of prospective customers, thanks also to the availability of updated accounting and commercial information.

We can note also that in order to anticipate potential deteriorations in the performance of collection deriving from the current energy scenario the rates related to the loss rate of invoices to be issued were reviewed on the basis of the latest records of unpaid amounts at 24 months, interpolating, for the most recent generations of turnover, the short-term unpaid rates (3M-6M-9M-12M-24M) on the basis of the historical correlations and the related volatility.
Also note that Acea Energia uses the invoicing system both to manage credit relative to active users on the protected market and to manage credit for customers active on the free market, while receivables due from ceased customers are managed with dedicated software.
In the past two years in and out of court collection has been strengthened, improving performance and quality for "small-ticket" receivables through master legal and collection agencies managed by Acea Energia, thereby utilising services offered by market operators for large-scale credit collection.
On the management side, activities successfully continued for the collection matching process, acting both on the collection channels and the application systems, and with regard to the number of dedicated employees.
The "large-ticket" customers that have ceased to be "large-ticket" customers following an internal collection process set up by Acea Energia are transferred to the Acea Corporate Credit Unit in the event of an unsuccessful outcome of the recovery, which then entrusts them in packages with uniform characteristics to law firms contracted by the Legal and Corporate Affairs Department.
Law firms are assessed on the basis of their recovery performance and are engaged in proportion to the results achieved.

With regards to **companies in the Water Segment**, it should be remembered that the Galli Law, which grants a single operator a thirty-year concession for the integrated water service in the Optimal Territorial Area, created a local monopoly in the management of this service.

These features of the water market are reflected when measuring credit risk which mainly applies to certain types of insolvency, in particular:

- receivables subject to tender procedures;
- receivables linked to termination of accounts without the creation of a new contractual relationship;
- receivables linked to special social situation, in which the operator due to reasons of public order and/or regional issues is not able to apply the typical risk protection instruments.

Essentially, users, also in typical cases when liquidity is lacking, tend to comply with their commitments relative to a primary service such as water, meaning the operator has risk of a mainly "financial" nature, that is associated with payment trends that tend to be slower on average with respect to trade receivables.
Legislators have taken action multiple time to adopt measures intended to limit late payments, in particular the recent resolution ARERA 311/2019/R/idr which published the REMSI provision, which contains the provisions for regulating late payments for the integrated water services (REMSI), as of 1 January 2020. This provision was subsequently amended with the resolution of 17 December 2019, 547/2019/R/idr, with resolution 26 May 2020, 186/2020/R/idr and resolution 16 June 2020, 221/2020/R/idr.

In this context, the Companies, consistent with the guidelines of the Acea Group's credit policy, have identified different strategies that follow the Customer Care philosophy, based on the fundamental presupposition of a direct relationship with users, as a distinctive element in creating an efficient process to constantly improve the net financial position.

Implementation of credit risk management strategies starts with a macro-distinction between public sector end users (Municipalities, public administrations, etc.) and private sector end users (industrial, commercial, condominium, etc.), given that said categories present different levels of risk, in particular:

- low risk of insolvency and high risk of late payment for public sector end users;
- variable risk of insolvency and late payment risk for private sector end users.

With reference to amounts due from "public" users, these are managed through specific phone collection actions, with a residual portion converted to cash through without recourse factoring with financial partners and/or the offsetting of receivables and payables and settlement agreements.
Management of credit relative to "private" users involves a series of targeted action which range from amicable payment reminders, specific notices for condominium customers, formal notice of arrears, assignment to specialised or internal collection services via telephone, through to disconnection of defaulting end users, factoring and assignment to legal studies for collection of credit via the courts.
These actions are carried out with methods and schedules governed by the REMSI provision.
Note that Ministry of Economy and Finance Decrees authorise Acea Ato2, Acea Ato5 and GORI are authorised to make use of forced collection and hence can directly issue tax injunctions and, in the case of persistent default, can register the receivables with injunctions.
For the above companies, tax injunctions represent the main judicial collection tool relative to ceased receivables.
Relative to **other Group Segments**, (Environment, Engineering and Services and Generation), credit exposure is generally limited and concentrated with a few debtors, carefully managed by the operating companies with support, if necessary, from the Corporate Credit Unit.

The ageing of the Trade Receivables is as follows, gross of the allowance for doubtful accounts, detailed in Note 26.

- Total trade receivables, gross of Provision for Impairment of Receivables: € 1,849 million;
- Trade receivables due to expire: € 800 million;
- Past due trade receivables: € 1,049 million.

ANNEXES

A. LIST OF CONSOLIDATED COMPANIES

B. RECONCILIATION OF SHAREHOLDERS' EQUITY AND STATUTORY PROFIT - CONSOLIDATED

C. REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND KEY MANAGERS

D. PUBLIC DISBURSEMENT INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125, LAW 124/2017

E. SEGMENT INFORMATION: STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

A. LIST OF CONSOLIDATED COMPANIES

Company name	Location	Share capital (€)	Shareholding	Group consolidation quota	Method of consolidation
Environment Segment					
Acque Industriali Srl	Via Bellatalla, 1 - Ospedaletto (PI)	100,000	73.1%	100.0%	Full
Aquaser Srl	Piazzale Ostiense, 2 - Rome	3,900,000	97.9%	100.0%	Full
Acea Ambiente Srl	Piazzale Ostiense, 2 - Rome	2,224,992	100.0%	100.0%	Full
A.S. Recycling Srl	Piazzale Ostiense, 2 - Rome	1,000,000	90.0%	100.0%	Full
Berg SpA	Via delle Industrie, 38 - Frosinone	844,000	60.0%	100.0%	Full
Cavallari Srl	Via dell'Industria, 6 - Ostra (AN)	100,000	80.0%	100.0%	Full
Deco SpA	Via Vomano, 14 - Spoltore (PE)	1,404,000	100.0%	100.0%	Full
Demap Srl	Via Giotto, 13 - Beinasco (TO)	119,015	100.0%	100.0%	Full
Consorzio Servizi Ecologici del Frentano "Ecofrentano"	Strada Provinciale Pedemontana km 10, Frazione Cerratina - Lanciano (CH)	10,329	75.0%	100.0%	Full
Ecologica Sangro SpA	Strada Provinciale Pedemontana km 10, Frazione Contrada - Cerratina Lanciano (CH)	100,000	100.0%	100.0%	Full
Ferrocart Srl	Via Vanzetti, 34 - Terni	80,000	60.0%	100.0%	Full
Iseco SpA	Loc. Surpian n. 10 - Saint-Marcel (AO)	110,000	80.0%	100.0%	Full
Italmacero Srl	Viadell'Artigianato, 3 - Falconara Marittima (AN)	26,000	100.0%	100.0%	Full
MEG Srl	Via 11 Settembre, 8 - San Giovanni Ilarione (VR)	10,000	60.0%	100.0%	Full
S.E.R. Plast Srl	Contrada Stampalone, Cellino Attanasio (TE)	70,000	70.0%	100.0%	Full
Tecnoservizi Srl	Via Bruno Pontecorvo, 1/B- Rome	1,000,000	70.0%	100.0%	Full
Commercial and Trading Segment					
Acea Energia SpA	Piazzale Ostiense, 2 - Rome	10,000,000	100.0%	100.0%	Full
Acea Energy Management Srl	Piazzale Ostiense, 2 - Rome	50,000	100.0%	100.0%	Full
Cesap Vendita Gas Srl	Via del Teatro, 9 - Bastia Umbra (PG)	10,000	100.0%	100.0%	Full
Acea Innovation Srl	Piazzale Ostiense 2 - Rome	2,000,000	100.0%	100.0%	Full
Umbria Energy SpA	Via Bruno Capponi, 100 - Terni	1,000,000	100.0%	100.0%	Full
Overseas Segment					
Acea International SA	Avenida Las Americas- Esquina Mazoneria, Ensanche Ozama	9,089,661	100.0%	100.0%	Full
Consorcio Agua Azul SA	Calle Amador Merino Reina 307 - Of. 803 Lima 27 - Perù	16,000,912	44.0%	100.0%	Full
Consorcio Acea	Calle Amador Merino Reina 307 - Lima- Perù	225,093	n.s.	100.0%	Full
Consorcio Servicio Sur	Calle Amador Merino Reyna, San Isidro	33,834	51.0%	100.0%	Full
Acea Dominicana SA	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama	644,937	100.0%	100.0%	Full
Consorcio Acea Lima Norte	Calle Amador Merino Reina 307 - Lima - Perù	221,273	100.0%	100.0%	Full
Consorcio Acea Lima Sur	Calle Amador Merino Reyna 307 - Lima - Perù	75,068	100.0%	100.0%	Full
Aguasde San Pedro SA	Las Palmas, 3 Avenida, 20y 27 calle - 21104 San Pedro, Honduras	6,457,345	60.7%	100.0%	Full
Acea Perù SAC	Cal, Amador Merino Reyna, 307 Miraflores - Lima	177,582	100.0%	100.0%	Full
Consorzio Acea - Acea Dominicana	Av, Las Americas - Esq. Masoneria - Ens, Ozama	67,253	100.0%	100.0%	Full

Company name	Location	Share capital (€)	Shareholding	Group consolidation quota	Method of consolidation
Water Segment					
Adistribuzionegas Srl	Via L. Galvani, 17/A - Forlì	5,953,644	51.0%	100.0%	Full
Notaresco Gas Srl	Via Padre Frasca- Frazione Chieti Scalo Centro Dama (CH)	100,000	55.0%	100.0%	Full
Acea Ato2 SpA	Piazzale Ostiense, 2 - Rome	362,834,320	96.5%	100.0%	Full
Acea Ato5 SpA	Viale Roma - Frosinone	10,330,000	98.5%	100.0%	Full
Acque Blu Arno Basso SpA	Piazzale Ostiense, 2 - Rome	8,000,000	76.7%	100.0%	Full
Acea Molise Srl	Piazzale Ostiense, 2 - Rome	100,000	100.0%	100.0%	Full
Gesesa SpA	Corso Garibaldi, 8 - Benevento	534,991	57.9%	100.0%	Full
GORI SpA	Via Trentola, 211 - Ercolano (NA)	44,999,971	37.1%	100.0%	Full
Sarnese Vesuviano Srl	Piazzale Ostiense, 2 - Rome	100,000	99.2%	100.0%	Full
Acque Blu Fiorentine SpA	Piazzale Ostiense, 2 - Rome	15,153,400	75.0%	100.0%	Full
ASM Terni	Via Bruno Capponi, 100 - Terni	72,858,295	38.0%	100.0%	Full
Acquedotto del Fiora SpA	Via G, Mameli, 10 - Grosseto	1,730,520	40.0%	100.0%	Full
Agile Academy Srl	Via Mameli, 10 - Grosseto	10,000	100.0%	100.0%	Full
Ombrone SpA	Piazzale Ostiense, 2 - Rome	6,500,000	99.5%	100.0%	Full
Servizi Idrici Integrati	Via 1° Maggio, 65 - Terni	19,536,000	43.0%	100.0%	Full
Umbriadue Servizi Idrici Scarl	Via Aldo Bartocci n, 29 - Terni	100,000	99.4%	100.0%	Full
Energy Infrastructure Segment					
areti SpA	Piazzale Ostiense, 2 - Rome	345,000,000	100.0%	100.0%	Full
Generation Segment					
Ecogena Srl	Piazzale Ostiense, 2 - Rome	1,669,457	100.0%	100.0%	Full
Acea Renewable Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	100.0%	Full
Acea Liquidation and Litigation Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	100.0%	Full
FergasSolar 2 Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	100.0%	Full
Acea Renewable 2 Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	100.0%	Full
SF Island Srl	Via Cantorrivo, 44/C - Acquapendente (VT)	10,000	100.0%	100.0%	Full
Acea Solar Srl	Piazzale Ostiense, 2 - Rome	1,000,000	100.0%	100.0%	Full
Acea Produzione SpA	Piazzale Ostiense, 2 - Rome	5,000,000	100.0%	100.0%	Full
Engineering and Services Segment					
Acea Elabori SpA	Via Vitorchiano, 165 - Rome	2,444,000	100.0%	100.0%	Full
SIMAM SpA	Via Cimabue, 11/2 - Senigallia (AN)	600,000	70.0%	100.0%	Full
Technologies for Water Services SpA	Via Ticino, 9 - Desenzano del Garda (BS)	11,164,000	100.0%	100.0%	Full

Companies accounted for using the equity method as from 1 January 2014 in accordance with IFRS11

Company name	Location	Share capital (€)	Shareholding	Group consolidation quota	Method of consolidation
Environment Segment					
Ecomed Srl	Piazzale Ostiense, 2 - Rome	10,000	50.0%	50.0%	Equity
Picenambiente SpA	Contrada Monte Renzo, 25 - San Benedetto del Tronto (AP)	5,500,000	21.8%	21.8%	Equity
Water Segment					
Acque SpA	Via Garigliano, 1 - Empoli	9,953,116	45.0%	45.0%	Equity
Intesa Aretina Scarl	Via Benigno Crespi, 57 - Milan	18,112,000	35.0%	35.0%	Equity
Geal SpA	Viale Luporini, 1348 - Lucca	1,450,000	48.0%	48.0%	Equity
DropMi Srl	Piazzale Ostiense, 2 - Rome	1,000,000	50.0%	50.0%	Equity
Nuove Acque SpA	Patrignone - Località Cuculo (AR)	34,450,389	46.2%	16.2%	Equity
Publiacqua SpA	Via Villamagna - Firenze	150,280,057	40.0%	40.0%	Equity
Acque Servizi Srl	Via Bellatalla, 1 - Ospedaletto (PI)	400,000	100.0%	45.0%	Equity
Umbra Acque SpA	Via Benucci, 162 - Ponte San Giovanni (PG)	15,549,889	40.0%	40.0%	Equity
Generation Segment					
KT4 Srl	Via SS. Pietro e Paolo, 50 - Rome	250,000	100.0%	40.0%	Equity
Ambra Solare 16 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 17 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 20 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 25 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 28 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 29 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 30 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 31 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 33 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 34 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 35 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 39 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 40 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Ambra Solare 44 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Belaria Srl	Via Luciano Manara, 15 - Milan	10,000	49.0%	19.6%	Equity
Energia SpA	Via Barberini, 28 - Rome	239,520	49.9%	49.9%	Equity
Euroline 3 Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity
FergasSolar Srl	Via Pietro Piffetti, 19 - Turin	10,000	100.0%	40.0%	Equity
Acea Green Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity
IFV-Energy Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity
JBSolar Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity
M2D Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity
Marmaria Solare 8 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Marmaria Solare 9 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Marmaria Solare 10 Srl	Via Tevere, 41 - Rome	10,000	51.0%	51.0%	Equity
Marche Solar Srl	Via Achille Grandi, 39 - Concordia sulla Secchia (MO)	10,000	100.0%	40.0%	Equity
PFPower of Future Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity

Company name	Location	Share capital (€)	Shareholding	Group consolidation quota	Method of consolidation
PSL Srl	Via Ruilio, 18/20 - Catania	15,000	100.0%	40.0%	Equity
Solaria Real Estate Srl	Piazzale Ostiense, 2 - Rome	176,085	100.0%	40.0%	Equity
Solarplant Srl	Piazzale Ostiense, 2 - Rome	10,000	100.0%	40.0%	Equity
Acea Sun Capital Srl	Piazzale Ostiense, 2 - Rome	10,000	40.0%	40.0%	Equity
Trinovolt Srl	Viale Tommaso Columbo, 31/D - Bari	10,000	100.0%	40.0%	Equity
Engineering and Services Segment					
Ingegnerie Toscane Srl	Via Francesco de Sanctis, 49 - Florence	100,000	99.9%	44.5%	Equity

The following companies are also consolidated using the equity method:

Company name	Location	Share capital (€)	Shareholding	Group consolidation quota	Method of consolidation
Environment Segment					
Amea SpA	Via San Francesco d'Assisi, 15C - Paliano (FR)	1,689,000	33.00%	33.00%	Equity
Coema	Piazzale Ostiense, 2 - Rome	10,000	67.00%	33.50%	Equity
Overseas Segment					
Aguaazul Bogotà SA	Calle 82 n. 19°- 34 - Bogotà - Colombia	652,361	51.00%	51.00%	Equity
Water Segment					
Le Soluzioni Scarl	Via Garigliano, 1 - Empoli	250,678	80.84%	51.63%	Equity
Sogea SpA	Via Mercatanti, 8 - Rieti	260,000	49.00%	49.00%	Equity
Umbria Distribuzione Gas SpA	Via Bruno Capponi 100 - Terni	2,120,000	55.00%	55.00%	Equity
Generation Segment					
Citelum Napoli Pubblica Illuminazione Scarl	Via Monteverdi Claudio, 11 - Milan	90,000	32.18%	32.18%	Equity
Sienergia SpA (in liquidation)	Via Fratelli Cairoli, 24 - Perugia	132,000	42.08%	42.08%	Equity
Other					
Marco Polo Srl (in liquidation)	Via delle Cave Ardeatine, 40 - Rome	10,000	33.00%	33.00%	Equity

B. RECONCILIATION OF SHAREHOLDERS' EQUITY AND STATUTORY PROFIT - CONSOLIDATED

	Profit for the year		Shareholders' equity	
€ thousand	2022	2021	31/12/2022	31/12/2021
Balances in statutory financial statements (Acea)	**206,735**	**177,040**	**1,690,653**	**1,656,139**
Surplus of shareholders' equity in financial statements, including the related results compared to carrying values in consolidated companies	65,945	129,808	224,262	(13,413)
Consolidation Goodwill	(20,122)	(17,119)	255,566	360,125
Accounted for using the equity method	28,042	29,872	170,628	170,084
Other changes	(877)	(6,292)	(49,840)	(48,964)
Balances in consolidated financial statements	**279,725**	**313,309**	**2,291,268**	**2,123,971**

C. REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND KEY MANAGERS

Board of Directors and Board of Statutory Auditors

	Remuneration due				
€ thousand	Remuneration for the office	Non-monetary Benefits	Bonuses and other incentives	Other compensation	Total
Board of Directors	228	31	326	3,789	4,374
Board of Statutory Auditors	364	0	0	0	**364**

Key Managers

Total fees due to executives with strategic responsibilities for 2022 amounted to:

- salaries and bonuses € 864 thousand;
- non-monetary benefits € 72 thousand.

Remuneration paid to key managers is established by the Remuneration Committee based on average levels of pay in the labour market.

Auditing firm

In accordance with article 149-*duodecies* of CONSOB Issuers' Regulations, the fees accrued by the independent auditors PwC in 2022 are provided in the table below.

€ thousand	Audit-related services	Audit services	Non-audit services	Total
Acea SpA	125	195	232	552
Acea Group	248	1,136	0	1,384
Total Acea SpA and Group	**373**	**1,331**	**232**	**1,936**

D. PUBLIC DISBURSEMENT INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125, LAW 124/2017

On the basis of the transparency rules for the system of public disbursements, pursuant to article 1, paragraph 125 of Law 124/2017, the following is declared with reference to 31 December 2022:

- Acea Ato5 collected € 1,942 thousand from ARERA for "Replacement of the Supino and Morolo water supply pipeline", € 769 thousand for regional financing of water and sewer system adjustments and € 35 thousand from the Ministry of Infrastructure and Sustainable Mobility for the application for access to the Fund for adjustment of the prices of building materials referred to in article 1-*septies*, paragraph 8, of Law Decree 73/2021;
- Acea Ato2 collected a contribution of € 586 thousand from the Lazio Region as a result of the request for access to the Fund for the adjustment of the prices of building materials referred to in article 1-*septies*, paragraph 8, of the Law Decree 73 of 25 May 2021 converted, with amendments, by law of 23 July 2021 no. 106;
- Acea Ato2 also collected € 15,000 thousand representing a 10% advance on the public financing envisaged in the National Recovery and Resilience Plan (NRRP), deriving from Ministerial Decree 517 of 16 December 2021, issued by the Ministry of Infrastructure and Sustainable Mobility, which calls for projects on potable water and/or irrigation supply systems to optimise and complete water infrastructure for the derivation, storage and discharge of the resource, with the aim of improving climate change resilience, improving the security of existing infrastructure and reducing water waste;
- Acquedotto del Fiora received € 463 thousand from the Ministry of Infrastructure and Sustainable Mobility for the request to access the Fund for adjustment of the prices of building materials, pursuant to article 1-*septies*, paragraph 8 of Decree Law 73/2021 and € 280 thousand from the Ministry of Economy and Finance as a contribution relative to the public financing envisaged in the National Recovery and Resilience Plan (NRRP);
- GORI received € 13,526 thousand as an advance on regional contributions to develop systems;
- in 2022, MEG accrued tax credits under Law 178/2020 for € 109 thousand, tax credits under Law 160/2019 for 15 thousand, energy tax credits (article 6 of the Aid-bis Decree, converted by Law 142/2022, as amended) for € 92 thousand and collected a Sabatini Law contribution for € 11 thousand;
- Tecnoservizi utilised € 20 thousand relative to a tax credit for a diesel subsidy;
- Ecologica Sangro received € 41 thousand as a contribution for employment in disadvantaged areas - Decontribuzione Sud (art. 27, Decree Law 104/2020);
- DEMAP utilised a tax credit in favour of energy intensive companies with an amount accruing in 2022 equal to around € 115 thousand; it also benefited from € 158 thousand for environmental protection goals based on Regulation (EU) 2015/1589 aid procedure, notified pursuant to article 108 of the TUIR;
- Deco made use of contributions for employment in disadvantaged areas – Decontribuzione Sud (art. 27, Decree Law 104/2020) in the amount of € 472 thousand;
- Gesesa collected € 157 thousand from the Campania Region as a contribution for the Development and Cohesion Plan.

It should be noted that the company areti has two loans granted by Cassa Depositi e Prestiti SpA and UBI Banca SpA pursuant to Italian Law no. 311, art. 1, paragraphs 354 to 361 of 30 December 2004 and subsequent amendments and additions and of Italian Law no. 46 of 17 February 1982, granted for the implementation of an investment programme permitted by the Ministry of Economic Development for the allowances envisaged by the aforementioned laws (Smart Network Management System Project). The loan is made up of a subsidised amount paid by Cassa Deposito e Prestiti and UBI Banca at a fixed rate of 0.5% and a non-subsidised bank loan provided by UBI Banca at a variable rate equal to the Euribor six-month rate plus a spread of 4%, both to be repaid according to an amortisation plan that will end in 2022. The payable relative to the subsidised loan at 31 December 2022 was € 855 thousand (€ 1,709 thousand at 31 December 2021) while the non-subsidised bank loan at 31 December 2022 came to € 190 thousand (€ 380 at 31 December 2021).

E. SEGMENT INFORMATION: STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

Please note the following for a better understanding of the breakdown provided in this section:

- **Environment**, responsible from an organisational point of view, for Acea Ambiente, Aquaser, Acque Industriali, Iseco, Demap, Berg, Ferrocart, Cavallari, Deco, MEG, S.E.R. Plast and AS Recycling.
- Responsible **Sales and Trading**, from an organisational point of view, of the companies Acea Energia, Aema, Umbria Energy, Acea Innovation and Cesap Vendita Gas;
- **Overseas** responsible, from an organisational point of view, for the activities carried out abroad;
- Responsible **Water**, from an organisational point of view, for the water companies operating in Lazio, Campania, Tuscany and Umbria, and for the gas distribution companies operating in Abruzzo;
- **Generation** refers to Acea Produzione, Ecogena, Acea Liquidation and Litigation, Acea Sun Capital, Acea Solar and all the Photovoltaic companies;
- **Energy Infrastructure** refers to areti and public lighting;
- **Engineering and Services** responsible, from the organizational point of view, of Acea Elabori, TWS, Ingegnerie Toscane and SIMAM.

It should be noted that the comparative figures have been reclassified for insignificant amounts for the sake of clarity.

Balance sheet - Assets 2021

€ thousand	Environment	Commercial and Trading	Overseas	Water	Generation
Capex	36,122	49,392	4,590	522,092	39,442
Total property, plant and equipment	298,039	(589)	33,583	130,783	216,625
Total intangible fixed assets	153,968	199,095	35,593	3,559,822	1,352
Subsidiaries					
Financial assets in shares					
Total non-financial assets					
Total financial assets					
Inventories	9,347	3,727	1,824	19,312	640
Receivables from customers	103,515	335,508	8,135	482,339	43,345
Receivables from Parent Company	216	14,480	0	26,110	515
Receivables from associates	4	(84)	2	170	5
Other current receivables and assets					
Total financial assets					
Total cash and cash equivalents					
Non-current assets held for sale					
Total assets					

Balance sheet - Liabilities 2021

€ thousand	Environment	Commercial and Trading	Overseas	Water	Generation
Trade payables to third parties	72,838	671,633	2,952	701,790	31,906
Trade payables to Parent Company	7,049	30,176	67	142,560	4,334
Trade payables to subsidiaries and associates	8	69	133	5,897	0
Other current trade liabilities					
Other current financial liabilities					
Employee severance indemnity and other defined benefit plans	11,659	4,699	401	35,666	2,762
Other provisions	58,306	19,130	256	50,478	21,069
Other non-current trade liabilities					
Other non-current financial liabilities					
Liabilities closely associated with assets held for sale					
Shareholders' equity					
Total liabilities and shareholders' equity					

areti	IP	Adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
270,634	3,876	0	274,509	9,860	34,400	0	**970,407**
2,130,541	10,776	0	2,141,317	17,261	104,755	(928)	**2,940,844**
102,820	0	0	102,820	25,376	63,863	(377,519)	**3,764,370**
							292,239
							2,980
							778,671
							3,172,499
37,898	0	0	37,898	19,104	0	(5,446)	**86,406**
165,825	700	0	166,525	45,254	580	(158,228)	**1,026,971**
3,691	57	0	3,748	92	(27)	(10,663)	**34,472**
0	0	0	0	4,660	178,674	(173,231)	**10,201**
							411,996
							(2,742,007)
							680,820
							168,425
							10,628,886

areti	IP	Adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
155,755	10,739	0	166,494	20,557	116,406	(169,637)	**1,614,938**
39,666	26	0	39,692	4,552	182	(166,150)	**62,462**
0	8,136	0	8,136	0	3,196	(11,276)	**6,163**
							581,768
							285,222
39,326	0	0	39,326	5,315	20,334	0	**120,150**
25,707	0	0	25,707	2,222	(7,123)	23,275	**193,318**
							409,064
							4,791,979
							47,402
							2,516,420
							10,628,886

Income statement 2021

€ thousand	Environment	Commercial and Trading	Overseas	Water	Generation
Revenues	234,687	2,078,340	77,073	1,221,186	125,360
Staff costs	30,458	23,956	20,911	113,641	1,118
Costs of materials and overhead	140,489	1,973,865	28,774	468,944	45,640
Net income/(expense) from commodity risk management	0	0	0	0	0
Valuation of companies using the equity method	(14)	0	0	16,695	936
EBITDA	**63,727**	**80,519**	**27,388**	**655,296**	**79,538**
Depreciation/amortisation and impairment losses	31,194	65,939	10,982	347,636	30,185
Operating profit/(loss)	**32,533**	**14,580**	**16,407**	**307,660**	**49,352**
Financial (costs)/income					
(Expenses)/income from equity investments	191	0	2,592	4,743	152
Profit/(loss) before tax					
Taxes					
Net profit/(loss)					

areti	IP	Adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
584,803	41,214	0	626,017	108,505	140,243	(639,351)	**3,972,061**
26,482	5,349	0	31,832	38,567	61,862	(46,526)	**275,819**
183,734	38,841	0	222,575	56,110	117,644	(592,825)	**2,461,216**
0	0	0	0	0	0	0	**0**
0	0	0	0	3,432	0	0	**21,048**
374,586	**(2,976)**	**0**	**371,610**	**17,260**	**(39,263)**	**0**	**1,256,075**
152,345	1,830	0	154,175	6,726	28,138	0	**674,974**
222,242	**(4,806)**	**0**	**217,435**	**10,534**	**(67,401)**	**0**	**581,101**
							(85,897)
0	0	0	0	0	121	0	**7,798**
							503,002
							150,662
							352,340

Balance sheet - Assets 2022

€ thousand	Environment	Commercial and Trading	Overseas	Water	Generation
Capex	46,226	49,556	5,803	610,966	30,257
Total property, plant and equipment	340,749	4,472	35,764	159,297	224,324
Total intangible fixed assets	188,865	207,953	35,223	3,936,643	37,855
Subsidiaries					
Financial assets in shares					
Total non-financial assets					
Total financial assets					
Inventories	11,405	4,911	2,141	21,999	1,447
Receivables from customers	105,234	539,115	11,113	487,925	40,271
Receivables from Parent Company	359	17,844	0	28,835	412
Receivables from associates	15	(138)	0	3,031	291
Other current receivables and assets					
Total financial assets					
Total cash and cash equivalents					
Non-current assets held for sale					
Total assets					

Balance sheet - Liabilities 2022

€ thousand	Environment	Commercial and Trading	Overseas	Water	Generation
Trade payables to third parties	86,755	700,589	4,519	826,813	26,973
Trade payables to Parent Company	7,649	26,152	67	91,147	3,921
Trade payables to subsidiaries and associates	0	0	167	8,934	4,565
Other current trade liabilities					
Other current financial liabilities					
Employee severance indemnity and other defined benefit plans	11,271	3,889	545	35,409	2,002
Other provisions	73,072	12,528	126	56,803	26,059
Other non-current trade liabilities					
Other non-current financial liabilities					
Liabilities closely associated with assets held for sale					
Shareholders' equity					
Total liabilities and shareholders' equity					

areti	IP	Adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
267,244	1,554	0	268,797	5,802	32,690	0	**1,050,097**
2,255,804	10,275	0	2,266,079	10,607	106,326	(1,111)	**3,146,506**
114,051	0	0	114,051	25,252	61,462	(370,764)	**4,236,541**
							348,885
							3,007
							803,389
							22,108
41,092	0	0	41,092	39,246	0	(17,734)	**104,507**
145,313	802	0	146,115	47,236	1,310	(162,183)	**1,216,135**
4,193	57	0	4,250	224	(36)	(14,235)	**37,652**
0	0	0	0	48	147,823	(137,412)	**13,658**
							485,076
							342,085
							559,908
							19,076
							11,338,533

areti	IP	Adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
161,298	11,429	0	172,727	28,652	131,454	(175,905)	**1,802,577**
30,509	0	0	30,509	3,412	182	(122,726)	**40,313**
0	10,848	0	10,848	31	3,486	(20,941)	**7,090**
							659,068
							619,418
33,147	0	0	33,147	4,836	21,901	0	**112,989**
28,656	0	0	28,656	2,274	(4,766)	23,275	**218,025**
							399,628
							4,722,263
							1,919
							2,755,243
							11,338,533

Income statement 2022

€ thousand	Environment	Commercial and Trading	Overseas	Water	Generation
Revenues	342,367	3,159,688	95,053	1,348,820	173,870
Staff costs	40,592	27,085	26,701	117,589	6,243
Costs of materials and overhead	200,169	3,042,629	35,376	587,831	79,176
Net income/(expense) from commodity risk management	0	0	0	0	0
Valuation of companies using the equity method	0	0	0	25,562	1,386
EBITDA	**101,606**	**89,974**	**32,976**	**668,962**	**89,837**
Depreciation/amortisation and impairment losses	43,058	67,951	13,543	400,306	14,520
Operating profit/(loss)	**58,548**	**22,023**	**19,434**	**268,656**	**75,317**
Financial (costs)/income					
(Expenses)/Income from equity investments	236	0	16	295	17,600
Profit/(loss) before tax					
Taxes					
Net profit/(loss)					

areti	IP	Adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Consolidated Total
551,104	55,374	0	606,478	116,673	152,203	(856,929)	**5,138,224**
25,061	4,231	0	29,292	33,933	63,845	(40,214)	**305,066**
174,768	50,255	0	225,023	70,479	132,065	(816,714)	**3,556,035**
0	0	0	0	0	0	0	**0**
0	0	0	0	950	0	0	**27,897**
351,275	**888**	**0**	**352,162**	**13,211**	**(43,707)**	**0**	**1,305,021**
148,234	2,055	0	150,289	9,488	40,014	0	**739,169**
203,040	**(1,167)**	**0**	**201,873**	**3,723**	**(83,721)**	**0**	**565,851**
							(85,708)
0	0	0	0	8,904	(11,468)	2,210	**17,793**
							497,937
							186,777
							311,160

Independent auditor's report

In accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

Acea SpA

Consolidated financial statements as of 31 December 2022

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Acea SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Acea Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2022, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Acea SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matters

We draw your attention to paragraph "Trend of operating segments – Operating Segment - Water and Operating Segment – Environment" of the report on operations and to paragraphs "Goodwill" and "Service Concession Arrangements" of the notes to the financial statements which describe:

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 I.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via del Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

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- With specific reference to the subsidiary Acea Ato 5 SpA, the continuation of (i) the financial imbalance arisen from the most recent tariff provisions approved by the Area Authority with the consequent confirmation of the existence of material uncertainties that may cast significant doubts on the subsidiary's ability to continue as a going concern, as well as (ii) further uncertainties related to the ongoing tax litigation and the complex in and out of court legal dispute with the Area Authority related to the termination of the concession agreement, the approval of the tariffs, the contractual penalties charged to the company for alleged non-fulfilments, the recognition of receivables related to higher operating costs incurred in the 2003-2005 period (as per the settlement agreement of 27 February 2007) and the determination of the concession fees;

- the complex regulatory measures, with particular reference to what lies behind the approval process of water and waste tariffs.

Moreover, we draw attention to paragraphs "Information on Related Parties" and "Receivables due from the Parent Company - Roma Capitale" of the notes to the financial statements, as well as to paragraph "Relations with Roma Capitale" included in section "Summary of results" of the Report on Operations, where the directors described the relations with Roma Capitale and in particular the current discussions on the recognition of the Administration's payable to Acea/areti with reference to the public lighting service.

Our opinion is not qualified in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Determination of revenue from sales and services and receivables for invoices to be issued *Note 1 "Revenue from sales and services" and note 26 "Trade receivables" to the consolidated financial statements* The Group recognised in the consolidated financial statements as of 31 December 2022 receivables from users for invoices to be issued for an amount equal to Euro 641 million compared to revenue from sales and services amounting to Euro 4,957 million.	The audit procedures we performed consisted in understanding, assessing and validating the operation of relevant controls implemented by management as part of the revenue cycle, with particular, but not exclusive, reference to the update of the customer database, the recognition of meter readings, consumption estimates, the calculation of tariffs and the valuation of invoices and receipts.

The Group recognises revenue from sales and services when control of the good is actually transferred or when a service is rendered in accordance with the requirements of IFRS 15 "*Revenue from contracts with customers*".

In particular:

i) revenues from the sale and transport of electricity and gas are recognised at the time the service is supplied or provided, even if they are not invoiced, and are determined by adding appropriate estimates on the volumes supplied/transported to revenues that are calculated on the basis of pre-established meter reading calendars;

ii) revenues from distribution of electricity take into account the tariffs and the restriction on revenue established by the Italian Regulatory Authority for Energy, Networks and the Environment ("ARERA"). Moreover, if the admission of investments in tariffs that establishes the operator's right to payment is virtually certain, the corresponding revenues are recognised as determined by the ARERA Resolution 654/2015 (the so-called regulatory lag);

iii) revenues from integrated water service are determined on the basis of the estimated consumption for the period and of the tariffs and of the operator's Guaranteed Revenue Constraint (GRC) provided for in the tariff plan prepared in accordance with the Water Pricing Method applied for the calculation of the 2020-2023 tariffs and approved by the competent authorities. Furthermore, the Group recognises under revenues for the year adjustments for the so-called pass-through items, as well as any adjustment related to costs pertaining to the Integrated Water Service incurred for the occurrence of exceptional events (i.e. water and environmental emergencies), if the preliminary investigation for their recognition has given positive results.

Moreover, we performed the following specific validity tests for each type of revenue.

i) <u>Revenues from the sale and transport of electricity and gas</u>
- We compared the electricity and gas quantities sold included in the billing system with the data communicated by the distributors and the quantities purchased, in order to establish the reasonableness of the estimated quantities sold still to be billed;
- We verified the correct valuation of invoices to issue based on the estimated quantities sold but not yet invoiced and the tariffs in force in the period under analysis.

ii) <u>Revenues from electricity distribution</u>
- We compared the quantities distributed included in the billing system with the quantities supplied to the grid communicated by the dispatcher net of expected grid losses, in order to ascertain the reasonableness of the estimated quantities distributed not yet invoiced;
- We tested the correct valuation of invoices to issue on the basis of the estimated distributed quantities still to be invoiced and of the tariffs in force in the period under analysis;
- We verified the correct calculation of receivables/payables for the electricity equalisation to the extent of the difference between sales revenues invoiced/to be invoiced to customers and the regulatory revenues attributable to the year and established by the ARERA;
- We verified the methods adopted by management to determine the accruals for the "regulatory lag".

iii) <u>Revenues from the integrated water service</u>
- We reconciled revenues from the integrated water service with the GRC adjusted to reflect the adjustments to the pass-through items and those related to the costs incurred in consequence of exceptional events occurred;

The methods to determine allocations for invoices to be issued are based on the use of complex algorithms and include significant estimates. Therefore, we paid particular attention to the risk of wrong calculation of revenues from sales and services and of the related receivables from users for invoices to be issued.	• We verified the correct determination of receivables for invoices to be issued for tariff adjustments to an extent equal to the difference between revenues for bills issued /to be issued and the adjusted GRC. Finally, we verified the adequacy and completeness of the disclosures provided by the directors in the notes to the consolidated financial statements in relation to the above-described matters.

Investments and disinvestments of non-current assets and impairment test

Note 14 "Property, plant and equipment", note 16 "Goodwill", note 17 "Concessions and rights on infrastructure" and note 18 "Intangible fixed assets" to the consolidated financial statements

The Group recognised in the consolidated financial statements as of 31 December 2022 non- current assets equal to Euro 7,383 million, of which Euro 3,144 million related to tangible assets and Euro 4,146 million related to intangible assets (including concessions and goodwill).

The Group investments in the period totalled Euro 1,040 million, of which Euro 345 million related to tangible assets and Euro 694 million related to intangible assets (including concessions and goodwill).

In this respect, we highlight that for regulated activities (in particular the integrated water service and the electricity distribution), the tariffs and, accordingly, the Group's revenues are directly influenced by the amount of the invested capital and therefore by changes in non-current assets. As a result, the overestimate or underestimate of the abovementioned non-current assets could increase or decrease the tariffs applied to final users under the performance of the integrated water service and the transport of electricity.

Annually, the Group, on the basis of its internal procedures, performs the impairment test pursuant to IAS 36 "*Impairment of assets*" using the Discounted Cash Flow method to determine the

We performed our compliance procedures in order to comprehend, evaluate and validate the internal control system with reference to the corporate processes related to the management of non-current assets.

Our validity tests were focused on the analysis of the changes in non-current assets during the financial year, verifying that they were reconciled with the fixed asset register, with the supporting documentation about a sample of investments and divestments during the year, especially in the integrated water service and in the electricity distribution segments.

With reference to these segments, we verified if the requirements for the capitalization of internal and external costs provided for by IAS 16 "*Property, plant and equipment*" and IAS 38 "*Intangible assets*" had been complied with, we checked the existence of the services capitalized, that is if the service or goods being verified had been actually rendered or delivered/installed and correctly recognised.

With reference to the impairment test, we performed our audit procedures in order to:

i) assess the consistency of the estimate method used by the Group with the provisions of IAS 36 and the valuation practice;

ii) verify the process of identification of the Cash Generating Units (CGUs), based on the current organisational structure;

recoverable amount of assets. The impairment test is based on a two-level approach. A first level concerns the estimate of the recoverable amount of the Group's industrial plants and a second level relates to the estimate of the recoverable amount of the CGUs that include goodwill. In particular, goodwill is tested for impairment at least annually and with the same frequency, in compliance with a specific internal policy, the impairment test is carried out on the Group's industrial plants, also without any impairment indicators. The recoverability assessment was carried out on the basis of the cash flows under the 2020-2024 Business Plan of the Group approved by the Board of Directors on 27 October 2020 and updated, where necessary, to take account of the regulatory developments and the events occurred between the date of approval of the Plan and the date of approval of the financial statements.

With reference to FY2022 the Group's management availed itself of an external expert for the performance of the impairment test.

Considering the numerous changes occurred during the year in the assets of the regulated activities and the complexity of estimating the recoverable value of the above-mentioned assets, which are based on evaluation assumptions affected by economic, financial and market conditions that are difficult to predict, as part of our auditing we devoted special attention to these financial statement areas.

iii) verify the appropriateness of the types of cash flows used and their consistency with the Group's Business Plan, updated to take into account the events occurred between the date of approval of the Plan and the date of approval of the financial statements;

iv) verify the reasonableness of the main assumptions used by management to perform the impairment test and related sensitivity analyses on all the CGUs that include goodwill;

v) verify the reasonableness of the main assumptions used by management to perform the impairment test with reference to the CGU "Acea Ato5" in relation to the uncertainties connected thereto; and

vi) evaluate the independence, technical capabilities and related objectivity of the external expert engaged by the management for the performance of the impairment test, as well as the methods used by him.

As part of our auditing, we were also supported by our PwC network experts in valuations.

Finally, we verified the adequacy and completeness of the disclosures provided by the directors in the notes to the consolidated financial statements in relation to the above-described matters.

Determination of the provision for doubtful accounts – trade receivables

Note 26 "Trade receivables" of the consolidated financial statements

The Group recognised in the consolidated financial statements as of 31 December 2022 a provision for doubtful trade accounts for an amount equal to Euro 616 million.

At each reporting date the Group estimates the irrecoverable amount of trade receivables based on complex calculation models which rely upon the requirements in the accounting standard IFRS 9 "*Financial Instruments*".

We performed our audit procedures in order to verify the correctness of the reports generated by the information systems and used by the directors in order to determine the Expected Credit Losses that can be attributed to the balance of receivables from specific customers or customer clusters. We also tested the reasonableness of the assumptions underlying the calculation model.

Through inquiries of the credit managers of the Group and of individual companies, we evaluated, on a sample basis, certain specific positions also by analysing the lawyers' replies

The estimate of the recoverability of trade receivables is characterised by a specific complexity related to the high number of customers and to the fragmentary nature of the amounts. Furthermore, the evaluations are affected by different socio-economic variables related to the different categories of customers, in addition to international geo-political factors. Therefore, as part of our audit activities we paid particular attention to the risk of a wrong quantification of the estimate under examination.	to the requests for information, by examining the guarantees given by the various customers and by assessing any other piece of information gathered after the reporting date. Moreover, we verified the consistency of the method used by the Group with the provisions of IFRS 9 and the accuracy of the mathematical calculation for the determination of the expected credit losses. Finally, we verified the adequacy and completeness of the disclosures provided by the directors in the notes to the consolidated financial statements in relation to the above-described matters.

Business combinations

"Business combinations" section of the consolidated financial statements During 2022, the Group continued the acquisition process started in 2019. In detail, eight companies were acquired in FY 2022, one of which in the Generation business segment and seven in the Environment business segment. Control of the aforesaid companies, recognised in accordance with IFRS 3 "*Business combinations*", was obtained both through the acquisition of the majority of the capital shares and the signing of shareholders' agreements. The allocation of the price paid required a significant estimation process considering the assumptions used to determine the fair value of the acquired assets and liabilities. For such matters, the directors were supported, when deemed necessary, by external experts. Due to the numerous acquisitions and the complex issues underlying the related measurement and recognition process, we paid particular attention to such financial statement matter.	We performed our audit procedures in order to verify the methodological correctness of the accounting process underlying the acquisitions. Furthermore, we verified the supporting documentation of the acquisitions, the fulfilment of the definition of business as provided for by IFRS 3, the appropriate identification of the assets and liabilities as well as the reasonableness of the assumptions underlying the directors' estimates to determine the related fair value. We evaluated the independence, technical capabilities and the objectivity of the external experts involved, as well as the methods used by them. As part of our audit activities, we were also supported by the PwC network experts in valuations. Finally, we verified the adequacy and completeness of the disclosures provided by the directors with reference to the business combinations performed and the related financial statement items.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the parent company Acea SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists

related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 27 April 2017, the shareholders of Acea SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Acea SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements as of 31 December 2022, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements as of 31 December 2022 have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/1998

The directors of Acea SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Acea Group as of 31 December 2022, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, with the consolidated financial statements of the Acea

Group as of 31 December 2022 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the Acea Group as of 31 December 2022 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Acea SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Rome, 28 March 2023

PricewaterhouseCoopers SpA

Signed by

Luigi Necci
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

CERTIFICATION OF CONSOLIDATE FINANCIAL STATEMENTS

(in accordance with art. 154-*bis* of Legislative Decree 58/98)

(Translation from the original Italian text)

1. The undersigned, Fabrizio Palermo, as Chief Executive Officer, and Fabio Paris, as Executive Responsible for Financial Reporting of the company Acea S.p.A., taking also account of provisions envisaged by Art. 154-*bis*, paragraphs 3 and 4, of the Legislative Decree no. 58 of 24 February 1998, hereby certify:

- the consistency to the business characteristics and
- the effective application

of the administrative and accounting procedures for preparing the consolidated financial statements at 31 December 2022.

2. To this purpose, no significant issues were recorded.

3. It is also certified that:
   3.1 the consolidated financial statements:
      a) were drawn up in compliance the applicable international accounting standards recognised in European Community in accordance with EC regulation 1606/2002 of the European Parliament and the Council, of 19 July 2002,
      b) are consistent with the underlying accounting books and records,
      c) provide a true and correct view of the operating results and financial position of the issuer and the overall of companies included in the consolidation,
   3.2 the report on operations includes a reliable analysis of the operational performance and result, as well as the situation of the issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 08 March 2023

signed by: Fabrizio Palermo, The CEO
signed by: Fabio Paris, The Executive Responsible for Financial Reporting

This report has been translated into the English language solely for the convenience of international readers

4

REPORT ON CORPORATE GOVERNANCE
AND SHAREHOLDINGS

acea
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GLOSSARY

Chief Executive Officer/CEO: highest-ranking executive responsible for the management of the business.

Corporate Governance Code/CG Code: the Corporate Governance Code for listed companies approved in January 2020 by the Corporate Governance Committee.

Civil Code: the Italian Civil Code.

CG Committee/Corporate Governance Committee: the Italian Corporate Governance Committee for listed companies, promoted by Borsa Italiana SpA, ABI, Ania, Assogestioni, Assonime and Confindustria.

CRC: Control and Risks Committee.

ARC: Appointments and Remuneration Committee.

Board of Directors/Board/BoD: the Issuer's Board of Directors.

ER/Executive Responsible: Financial Reporting Officer.

Issuer: the issuer of securities to which the Report refers.

Financial year: the financial year to which the Report refers.

MOG: Organisation, management and control model pursuant to Italian Legislative Decree 231/2001.

SB: Supervisory Body.

Consob Issuers Regulation: the Regulation issued by Consob with resolution no. 11971 of 1999 (as subsequently amended) regarding issuers.

Consob Markets Regulation: the Regulation issued by Consob with resolution no. 20249 of 2017 regarding markets.

RPT Regulation: the Regulation issued by Consob with resolution no. 17221 of 12 March 2010 (as subsequently amended) regarding transactions with related parties.

Report: the report on corporate governance and ownership structure that companies are required to prepare and publish pursuant to art. 123-*bis* of the TUF.

Report on remuneration: the report on the remuneration policy and on the fees paid that companies are required to prepare and publish pursuant to art. 123-*ter* of the Consolidated Law on Finance (TUF) and 84-*quater* of the Consob Issuers' Regulation.

SCIGR/Control System: internal control and risk management system.

Articles of Association: the Issuer's Articles of Association.

Consolidated Law on Finance/TUF: Italian Legislative Decree 58 of 24 February 1998.

1. THE ISSUER'S PROFILE

Acea, a company listed on the online stock market organised and managed by Borsa Italiana SpA since 1999, is a leading Italian multiutility company that has been operating for more than a century in the sectors of energy (from the generation, increasingly from renewable sources, distribution and sale of electricity and gas to the management of public lighting and value-added smart city services), integrated water services (from capture and distribution to purification) and environmental services (the treatment and economic management of waste), adopting a circular economy approach.
Acea conceives its role and carries out business activities guided by the principles of sustainable development, i.e., by implementing corporate management oriented toward environmental protection, mitigation of negative externalities, promotion of social development of its communities served, and attention to all stakeholders as a condition for the creation of long-term value for shareholders. In this regard, we highlight the procedure that regulates stakeholder engagement processes at the Group level, which is part of a larger project aimed at developing the culture on this issue and adopting the related tools and methods, including for the purpose of preventing and mitigating reputational and business risks.
Acea promotes the integration of industrial, financial and sustainability growth in planning strategic objectives, to which management is held accountable through a remuneration policy that provides for quantitative sustainability targets in the short-term and long-term variable incentive plans (for more details, please refer to Section 8 of this Report). Acea has developed sustainable finance instruments, such as Green Bonds and the Sustainability rating-linked loans, which support investment in green businesses and the path to improving sustainable business management.
Acea pursues sustainable performance through consistent organisational, procedural and cultural tools. The company has established an internal Ethics and Sustainability Committee (for more details, see Section 9 of this Report). There are procedures for monitoring sustainability targets and classifying operational activities according to the eco-compatibility criteria set forth in the European taxonomy. There are also procedures for dialogue with investors and relevant stakeholders (for more details, see Section 13 of this Report), and integrating sustainability into the corporate ecosystem is continually promoted, for example, through initiatives aimed at Acea personnel, including members of corporate bodies, such as training and management culture programmes and strategic analysis, or through the continuous updating of corporate policies and procedures according to the sensitivity of the subjects dealt with for corporate sustainability (e.g., in 2022, the new Code of Ethics, Diversity & Inclusion Policy and procedures on materiality analysis, sustainable finance, assessment of suppliers). With regard to the risk factors that may impact the generation of long-term value, the Company is oriented towards an increasing understanding of the relationship between ERM approaches and methods and the most relevant sustainability topics.
Acea operates in line with the principles issued by the UN Global Compact, to which it formally subscribes, and is aligned with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), in compliance with which it publishes disclosures on how it manages — from governance to the metrics and targets used — the main climate-related risks (physical and transitional), their evolution, and potential economic impacts on Acea's main activities. According to the most recent data, to date the Acea Group is the leading national operator in the water sector for inhabitants served, one of the major Italian operators in the distribution of electricity to users (the third for volumes distributed), the third operator for energy volumes sold to end users, and one of the major national operators in Waste-to-Energy (environmental sector).
This Report illustrates the corporate governance system adopted by Acea and is published in line with the principles and recommendation of the Code, as well as the recommendations provided by Consob on the subject and, more generally, international best practices, also with regard to the ninth edition of the "Format for the Report on Corporate Governance and Shareholding Structure" published by Borsa Italiana in January 2022[1].
Acea regularly publishes a Consolidated Non-financial Statement pursuant to Italian Legislative Decree no. 254 of 2016, in compliance with GRI standards. This document is available on the Company website, www.gruppo.acea.it, in the "Governance" section.
The governance system adopted by the Company is in line with the recommendations which, in order to ensure proportionality, the Code has introduced for large businesses and those with concentrated ownership, with the exception of the board evaluation activities pursuant to recommendation 22, which Acea currently conducts on an annual basis. For more information on board evaluation activities please refer to paragraph 7.1 of this Report.

THE GOVERNANCE MODEL

Acea's corporate governance structure is based on the traditional Italian model, which — without prejudice to the duties of the Shareholders' Meeting — assigns strategic management to the Board of Directors, the hub of the organisational system, and supervisory functions to the Board of Statutory Auditors.
Statutory audit activities are entrusted to a specialised company registered in the relevant register, appointed by the Shareholders' Meeting upon a grounded proposal from the Board of Statutory Auditors.
In accordance with the provisions of the Articles of Association, the Board of Directors has appointed a Chief Executive Officer, to whom it has entrusted the management of the Company, reserving decision-making on certain matters to the CEO's exclusive responsibility. The Chief Executive Officer is therefore primarily responsible for managing the Company, without prejudice to the duties reserved for the Board.
The Chairperson of the Board of Directors has been given a central role by the Board in overseeing issues related to the environmental impact and social sustainability (corporate social responsibility) of business activities and processes. In addition, the Chairperson is vested with the legal and institutional representation of the Company, as well as the powers of signature.

1 The format recommended by Borsa Italiana format is available at the following web address:https://www.borsaitaliana.it/Comitato-corporate-governance/documenti/format2022.pdf

The chosen model enshrines the clear separation between the functions of the Chairperson and those of the Chief Executive Officer. Under Article 20 of the Articles of Association, both are responsible for representing the Company.

The Board has established, from among its members, (i) advisory committees — with investigative, propositional, and advisory functions to ensure the adequate internal division of its functions — which report to the Board through their respective Chairpersons, at each meeting, on the most relevant issues as well as (ii) a Related Party Transactions Committee, which performs the functions required by current regulations and the appropriate corporate procedure.

Key figures in Acea's governance model also include:

- the Financial Reporting Officer;
- the Supervisory Body, appointed by the Board and composed of 1 internal member (identified as the manager of the Internal Audit Function), and 2 external members, including the Chairperson.

For more details on the Financial Reporting Officer and the Supervisory Body, please refer to the dedicated sections of this Report.
The information contained herein refers to financial year 2022 and, in relation to specific subjects, is updated as at 02/03/2023, the date of the Board of Directors' meeting which approved this Report.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (ART. 123-BIS TUF, PARAGRAPH 1)

A. STRUCTURE OF THE SHARE CAPITAL (AS PER ART. 123-*BIS* TUF, PARA. 1 LETT. A)

The Company's capital, equal to € 1,098,898,884.00, entirely underwritten and paid up, is divided into 212,964,900 ordinary shares with a par value of € 5.16 each, listed on the online stock market organised and managed by Borsa Italiana (see Table 1).
There are no shares with limited voting rights or without voting rights, except 416,993 treasury shares for which the voting right is suspended pursuant to art. 2357-ter of the Civil Code.

B. RESTRICTIONS ON SHARE TRANSFERS (AS PER ART. 123-*BIS* TUF, PARA. 1 LETT. B)

There are no restrictions on share transfers except for individual constraints of the single shareholders.

C. RELEVANT STAKES (AS PER ART. 123-*BIS* TUF, PARA. 1 LETT. C)

Relevant stakes, held directly or indirectly, pursuant to art. 120 of the TUF, according to the information published on 2/03/2023 on the Consob website and the communications made in compliance with the same article, are listed in *Table 1*.

D. SHARES BEARING SPECIAL RIGHTS (AS PER ART. 123-*BIS* TUF, PARA. 1 LETT. D)

The Articles of Association do not provide for the issue of multiple voting shares or shares with increased voting rights.
No shares bearing special controlling rights have been issued.

E. STAKES HELD BY EMPLOYEES: THE VOTING RIGHTS EXERCISE MECHANISM (ART. 123-*BIS* TUF, PARA. 1 LETT. E)

Article 13 of the Articles of Association states that, to facilitate the collection of proxies from shareholding employees of the Company, its subsidiaries and affiliates and shareholders' associations, with the requisites contemplated by the relative provisions in force, specific spaces are made available for the communication and the collection of the proxies according to terms and methods set by the Board of Directors directly or through its proxies.
There are no particular mechanisms for exercising rights.

F. RESTRICTIONS ON VOTING RIGHTS (AS PER ART. 123-*BIS* TUF, PARA. 1 LETT. F)

Under art. 6 of the Articles of Association, with the sole exception of Roma Capitale, any shareholder whose stake exceeds 8% of the share capital must be disclosed to the Company. This limit is considered as reached, in both direct and indirect terms, as specified in more detail in paragraphs 2 and 3 of the said article and as described in the paragraph on Shareholders' Meetings of this Report. In the case of breach of this rule, the exercise of the vote for the shares exceeding the said limit will be prohibited and, in the case of a resolution by a determining vote deriving from the shares exceeding said limit, the resolution may be challenged pursuant to and according to the methods defined in art. 2377 of the Italian Civil Code.

G. SHAREHOLDERS' AGREEMENTS (AS PER ART. 123-*BIS* TUF, PARA. 1 LETT. G)

The Company is not aware of any shareholders' agreements of any kind, as contemplated under art. 122 of the TUF, nor of any special powers of veto or of any other extraordinary influence on the decisions that are not direct expressions of the shares held.

H. CHANGE OF CONTROL CLAUSES (PURSUANT TO ART. 123-*BIS* OF THE TUF, PAR. 1, LETT. H) AND ARTICLES OF ASSOCIATION PROVISIONS ON TAKEOVERS (PURSUANT TO ART. 104, PARA. 1-*TER* AND 104-*BIS*, PAR. 1)

Acea has signed a number of significant agreements which become effective or are annulled in the case of a change of control for the contracting company.

Following are the significant agreements in place where the change of control involves the initiation of a negotiation procedure, where (a) the occurrence of such a case is disclosed, (b) the parties consult within a defined time frame to assess possible mitigations to any adverse effects of the change of control, and (c) if the outcome of the consultations is negative, the bank may request early repayment:

- Long term loan totalling an initial € 150 million from the European Investment Bank (Water Segment);
- Long term loan totalling an initial € 200 million from the European Investment Bank in favour of Acea SpA (Water Segment II);
- Long term loan totalling an initial € 200 million from the European Investment Bank in favour of Acea SpA (Network Efficiency III);
- Long term loan totalling € 250 million from the European Investment Bank in favour of Acea SpA (Water segment III);

Three Revolving Credit Facilities for a total of € 700 million in favour of Acea SpA, not disbursed as at 31 December 2022.

With regard to takeovers, the Company's Articles of Association do not waive the provisions of art. 104, paragraphs 1 and 1-*bis*, of the TUF, nor are neutralisation rules, provided under art. 104-*bis*, para. 2 and 3 of the TUF.

I. DELEGATIONS FOR CAPITAL INCREASES PURSUANT TO ART. 2443 OF THE CIVIL CODE OR THE DIRECTORS' POWER TO ISSUE FINANCIAL INSTRUMENTS AND AUTHORISATION FOR THE PURCHASE OF TREASURY SHARES (ART. 123-*BIS* TUF, PARA. 1 LETT. M)

As at 31 December 2022 and also at the date of this Report, the Board of Directors has not been delegated to increase the share capital or to buy treasury shares.

Additionally, as stated, the Company presently holds 416,993 treasury shares for which voting rights are suspended, pursuant to art. 2357-ter of the Civil Code, the remaining treasury shares authorised by an Ordinary Shareholders' Meeting resolution of 23 October 1999, amended by an Ordinary Shareholders' Meeting resolution of 29 April 2000, renewed by an Ordinary Shareholders' Meeting resolution of 31 October 2001 and with the additions inserted by an Ordinary Shareholders' Meeting resolution of 30 April 2002.

J. MANAGEMENT AND COORDINATION (PURSUANT TO ART. 2497 AND SUBSEQUENT, CIVIL CODE)

The Company is not subject to management and coordination activities pursuant to art. 2497 *et seq*. of the Italian Civil Code.
Pursuant to art. 16, paragraph 4 of the Markets Regulation, please note that Acea defines its own strategic guidelines and has full control of organisation, management and negotiation.

It must be noted that:

- the information required by art. 123-*bis*, para. 1, lett. i) ("*agreements between the Company and the directors...which provide for indemnity in the case of resignation or dismissal without just cause or if their professional relationship ceases subsequent to a takeover*") is contained in the Report on remuneration policy and compensation paid published pursuant to art. 123-*ter* of the TUF;
- the information required by art. 123-*bis*, para. 1, lett. l) ("*regulations applicable to the appointment and replacement of directors ... as well as to amendments to the Articles of Association, if different from the legal and regulatory rules applicable*") are illustrated in the section of the Report on the Board of Directors (paragraph 4 of this Report);
- the information required by art. 123-*bis*, para. 1, letter l, second section ("*regulations applicable ... to the amendment of the Articles of Association, if different from the applicable legal and regulatory rules*") is illustrated in the section dedicated to the Shareholders' Meeting (paragraph 14) of this Report.

3. COMPLIANCE (PURSUANT TO ART. 123-*BIS*, PARA. 2, LETT. A), TUF)

In December 2020, Acea's Board of Directors voted in favour of adopting the new Code.
Acea applies the prescriptions of the Code, which contains an articulated series of recommendations relating to the methods and rules for the governance and control of listed companies.
The complete text of the Code is available to the public on the Borsa Italiana website https://www.borsaitaliana.it/Comitato-corporate-governance/codice/2020.pdf.
The Company provides information annually on its governance system and on its adhesion to the Code by means of a Report, drawn up also pursuant to art. 123-*bis* of the TUF, which shows the degree of adhesion to the principles and recommendations established by the Code itself and to international best practices.
The yearly Report is made available to the Shareholders, together with the documentation required for the Shareholders' Meeting called to approve the financial statements, and it is also immediately published on the Company's Internet site (www.gruppo.acea.it) in the "Governance" section.
Information regarding the application of the remuneration recommendations is based on the 2023 Report on the Remuneration Policy and on the fees paid in 2022, prepared pursuant to art. 123-ter of the TUF, published in accordance with the law.
Acea and its subsidiaries with strategic importance are not subject to any non-Italian legal provisions that may influence the corporate governance of the organisation.

4. BOARD OF DIRECTORS

4.1 ROLE OF THE BOARD OF DIRECTORS

The Company's Board of Directors holds a central role in the sphere of the Company's governance, and all the departments and the managers of the Company and of the Group with strategic and organisational responsibilities report to the Board of Directors, in line with the pursuit of sustainable performance. Taking its role into account, the Board of Directors meets regularly, to guarantee the effective performance of its duties.

More specifically, based on provisions provided by law, by the Articles of Association, by the Board resolutions that regulate the structure of powers of corporate bodies, and by the guidelines of the Internal Control and Risk Management System (hereinafter "Guidelines") last updated on 22 January 2020, the duties listed below are reserved to the Board of Directors:

- define strategic and general management guidelines and steer the Company's development; economic-financial coordination of the Group's activities by approving medium-term strategic plans which incorporate the Group's development guidelines, the investment plan, the financial plan and the annual budgets;
- by proposal of the Control and Risks Committee, define the guidelines of the Internal Control and Risk Management System so that the main risks concerning Acea and its subsidiaries — including the various risks that can become relevant in the light of sustainability over the medium-long term period — are correctly identified and adequately measured, managed and monitored;
- define the nature and level of risk compatible with the identified strategic objectives;
- approve and amend the internal regulations as far as concerning the general organisational structure of the Company, the Group's macrostructure and any amendments to the same that have a significant impact on the Group's organisation;
- approve the internal rules on Internal Dealing;
- appoint the General Manager if deemed appropriate;
- define the corporate governance system and see to the establishment of specific internal committees, for which it appoints the members and approves the respective operating rules;
- adopt the organisational model pursuant to Italian Legislative Decree no. 231/2001, appoint the Supervisory Body and examine the half-yearly reports prepared by the SB on implementation of the MOG;
- appoint the directors and statutory auditors due to Acea at significant subsidiaries and investees, understood to be (i) those listed on regulated markets and (ii) those which require commitments of capital, shareholder loans or guarantees exceeding € 10 million;
- attribute and revoke delegations to the delegated directors, defining the limits and procedures of their exercise;
- approve all extraordinary operations, as well as the acquisition/disposal of shares, excluding intercompany transactions;
- exercise, on behalf of Acea and its subsidiaries, powers for amounts exceeding € 7.5 million if in line with the budget, and above € 1 million for off-budget expenditure for a series of significant operations;
- determine the remuneration of the Chairperson, Chief Executive Officer and other Directors with specific duties, upon a proposal by the relevant committee and after hearing from the Board of Statutory Auditors, as well as the remuneration due to the members of Board of Directors committees and remuneration of executives with strategic responsibilities, except for cases in which this latter has been approved by the Appointment and Remuneration Committee;
- define the Guidelines, after hearing from the Control and Risks Committee, whose responsibilities are illustrated in paragraph 9 of this Report, so that the main risks relative to Acea and the main Group companies are properly identified, measured, managed and monitored;
- evaluate the adequacy of Acea's organisational, administrative and accounting structure, as well as that of subsidiaries with strategic relevance, particularly with reference to SCIGR;
- assess the general business performance (art. 2381 of the Civil Code) taking into consideration, in particular, the information received from the delegated bodies, periodically comparing the results achieved with those programmed;
- appoint and revoke:
  - the Internal Audit Function Manager, subject to the favourable opinion of the CRC and by proposal of the Director responsible for the SCIGR, and having consulted with the Board of Statutory Auditors, making sure that said Department is provided with adequate resources for the performance of its duties and defining the remuneration consistent with Company policies;
  - a Financial Reporting Officer, unless already provided for by the Shareholders' Meeting, by the favourable opinion of the Board of Statutory Auditors (as per art. 22-*ter* of the Articles of Association), ensuring the adequacy of their powers and means for the performance of their duties;
- approve the Audit Department Manager's work plan on an annual basis, having consulted with the Control and Risk Committee, the Board of Statutory Auditors and the SCIGR appointed Director;
- assess, having consulted with the Board of Statutory Auditors, the results found by the independent auditor contained in the letter of suggestions, where applicable, and in the report on fundamental issues that have come to light during the audit of the accounts;
- assess, at least once every year, the adequacy of the SCIGR in consideration of the Company's characteristics and risk profile, describe its main characteristics in the Report on Corporate Governance, expressing its opinion on adequacy of the same, after hearing from the Control and Risks Committee;
- establish corporate measures of protection for the processing of personal or sensitive data by third parties;
- adopt the procedures necessary to protect workers' health and appoint the subjects responsible for ensuring safety in the workplace;

- act so as to establish continuous dialogue with shareholders, based on understanding of the reciprocal roles;
- promote initiatives to support the widest possible participation of shareholders at Shareholders' Meetings and to make the exercising of voting rights easy;
- adopt the procedures for the internal management and the external disclosure of documents and information regarding the Company, especially price sensitive information and information relating to transactions in financial instruments carried out by persons who, due to their office, have access to relevant information;
- carry out periodic self-assessments on the functioning of the Board and its committees and on their size and composition;
- assess, at least once a year, the independence of its non-executive members.

A summary of the main activities carried out by the Board of Directors of the Company in 2022 is given below. In particular, the Board:

- assessed the general business trend as representing in its financial reporting (the draft financial statements of the period as at 31 December 2021; the six-monthly interim financial report; the interim management reports on the 1st and 3rd quarters of the period), taking into consideration, in particular, the information received from the delegated bodies, and periodically comparing the results achieved with those forecast;
- approved the remuneration policy of the Company, which includes variable short and long-term incentive schemes based on quantitative sustainability targets;
- approved the Group Equality, Diversity & Inclusion Policy, prepared by the management of Acea SpA; for more details, please refer to section 4.3 of this Report;
- approved the Sustainability Report/Consolidated Non-Financial Disclosure for 2022, pursuant to Italian Legislative Decree no. 254/2016;
- approved the update of the Group Enterprise Risk Management Governance Guidelines;
- approved the new version of the Code of Ethics;
- having consulted with the Board of Statutory Auditors, evaluated the results presented by the independent auditor in the letter of recommendations and the supplementary report addressed to the Board of Statutory Auditors.

On 02/03/2023, the Board of Directors:

- assessed the adequacy of the Internal Control and Risks Management System and the adequacy of the Company's organisational, administrative and accounting framework and that of its strategically relevant subsidiaries, deeming the Acea Control System, as a whole, to be functioning, suitable and consistent with the current guidelines for the internal control and risk management system;
- proceeded, as an integral part of this process, with the self-evaluation of the composition and functioning of the Board and its internal Committees. This self-evaluation regarded the Board of Directors' independence, structure and composition, the functioning of the Board and of its committees, and the information flows received by the Board and its committees in the performance of their duties. For the execution of the assessment tasks, the Board of Directors consulted a company specialised in the sector, as illustrated in paragraph 7.1 of this Report.

4.2 APPOINTMENT AND REPLACEMENT (ART. 123-*BIS*, PARA. 1, LETT. L, TUF)

Appointment of the Board of Directors

Directors are appointed and replaced in compliance with the laws in force, as adopted and integrated, within the limits allowed, by the provisions of the Articles of Association.
According to the provisions of the Company's Articles of Association, the Board of Directors is composed of no less than five and no more than nine members, appointed by the Ordinary Shareholders' Meeting (which determines the number within those limits) for a term equal to three financial years and they may be re-elected on expiry of their mandate.
Directorships can only be held by those with the requisites laid down by law and by the regulatory provisions.

Directors are elected as described in art. 15.1 of the Articles of Association, which establishes that:

- gender balance must be ensured in the composition of the Board of Directors, as governed by law[2];
- the directors are elected on the basis of lists, each of which contains as many candidates, each indicated by a progressive number, as the number of directors to be elected, and each list must have at least two candidates qualified as independent as contemplated by law, one of which must be first or second on the list and the other must be within the first four on the list;
- the election is carried out as follows:

  "A. from the list that has obtained the majority of votes (hereinafter, for brevity, the "Majority List"), half plus one of the directors to be elected, rounded down to the nearest whole number in the case of a fractioned number, will be chosen in the progressive order in which they are placed on the said list;

  B. without prejudice to the rulings of law and the provisions of the Articles of Association on the limits to the connection with the Majority List, the remaining directors will be taken from the other lists. For this purpose, the votes obtained by the said lists will be divided, within the sphere of each list, by 1, 2, 4 and 8 and so on, up to the number of directors to be elected. The ratios thus obtained will be progressively assigned to the candidates of said lists, according to progressive order by which they are indicated. The quotients assigned in this manner to the candidates on the various lists shall be arranged into a single list in descending order. The elected candidates shall be those obtaining the highest quotients.

  If one or more candidate should obtain the same quotient, the elected candidate shall be that included in the list that has elected no Directors or has elected the least number of Directors.

  If no Director has been elected thus far from any of the lists concerned or if the same number of Directors has been elected from each list, the elected candidate shall be that obtaining the highest number of votes. In the case of parity between the list

2 Please note that Law no. 160 of 27 December 2019 ("Budget Law 2020") amended the provisions of art. 147-ter and 148 of the TUF regarding gender balance in the corporate bodies of listed companies, requiring that at least two fifths (40%) of the positions be reserved for the least-represented gender. This new criteria is effective from the first renewal of the management and control bodies after the entry into force of the Budget Law 2020 on 1 January 2020, for six consecutive mandates.

votes and of parity of ratios, the entire Shareholders' Meeting will vote again and the candidate with the simple majority of votes will be elected.
In any case, if a correctly drawn up list is presented in addition to the Majority List, the candidates of such a list will be elected according to the order of presentation".

The adopted election mechanism guarantees that at least one director represents the minorities and that the legally required minimum number of independent directors is elected (one in the case of a Board of Directors with no more than seven members, two if there are more than seven members) in compliance with art. 147-*ter*, paragraph 4, TUF. In fact, art. 15 of the Articles of Association establishes that the Board of Directors must contain a minimum number of directors holding the independence requirements established under the law, applicable regulations and the Code, as well as those established from time to time by current legislation.
The appointment of the Board of Directors is regulated by art. 15 of the Articles of Association, according to which members are appointed on the basis of the lists presented at least twenty or twenty-five days before the date set for the first meeting respectively by the outgoing Directors or by Shareholders who — individually or together with other Shareholders — represent, at the date on which the lists are filed - at least 1% of the shares with voting rights in the Shareholders' Meeting, or the minimum portion of the share capital determined by Consob pursuant to art. 144-*quater* of the Issuers' Regulation. In this regard, please note that the portion requested by Consob under Executive Determination no. 76 of 30 January 2023, for the presentation of the lists is 1%.
The lists will be made public at the Company's headquarters and announced in three national newspapers, two of which are financial publications, as well as according to the various methods indicated by applicable law.
No candidate may be on more than one list and no shareholder may vote for more than one list.
For information on the role of the Board of Directors and the advisory committees in the processes of self-evaluation and the succession of directors, please refer to paragraph 7 of this Report.

Termination of office of Director

Pursuant to art. 15.3 of the Articles of Association: *If a director appointed on the basis of the above-mentioned list vote leaves office, the Board of Directors will provide for his replacement by the co-option, pursuant to art. 2386 of the Civil Code, with the first candidate not elected on the list on which the outgoing director was a candidate, in respect of the legal provisions on gender balance, or, if that list has no more candidates, with the first of the non-elected candidates regardless of the relative list; however, if the outgoing director is not on the Majority List, the absence of connection with the Majority List must be respected. Should the retiring Director meet all independence requirements, and/or belong to the less represented gender, and owing to his retirement, the number of independent directors and/or the number of directors belonging to the less represented gender would be reduced to below the minimum number required by law, the first unelected candidate on the list to which the retiring Director meeting the independence requirements and/or being of the same gender as of the retired director, belonged shall be co-opted. Directors thus appointed will remain in office until the next Shareholders' Meeting".*

Replacement of Director

Pursuant to art. 15.4 of the Articles of Association: *"If a director leaves office during the financial period, the Shareholders' Meeting, by a relative majority vote, will elect his replacement, as far as possible in respect of the rules in force on independence and gender balance, from the non-elected candidates on the same list as that of the outgoing director. The newly appointed director must have provided, at least ten days before the date scheduled for the Meeting, written confirmation of his candidature as well as the declarations that no reasons exist for his ineligibility or incompatibility and that he holds the requisites prescribed for the office by the laws in force and the Articles of Association.*
If this replacement procedure is not possible, a resolution must be passed by a relative majority vote, always in respect of the representation of the minorities and the minimum number of independent directors.
A director thus appointed will remain in office until the expiry of the term of office of the other directors.
If, for any reason, the number of the Directors in charge drops by more than half, the whole Board of Directors shall be deemed to be dismissed, and the Shareholders' Meeting shall be convened as soon as possible in order to appoint a new Board. However, the Board of Directors will remain in office for the execution of acts of ordinary administration until the Shareholders' Meeting has resolved on its renewal and until at least half of the new directors have accepted their appointment".

4.3 COMPOSITION (AS PER ART. 123-*BIS*, PARA. 2, LETT. D, TUF)

The Board in office as at 31/12/2022, composed of 9 directors, was appointed by the Shareholders' Meeting on 29 May 2020.
The term of office applies equally to all directors.
The Shareholders' Meeting of 29 May 2020 resolved to determine a three-year term of office of the Board of Directors, which will therefore expire with the approval of the financial statements for financial year 2022.
During the Shareholders' meeting of 29 May 2020, three lists of candidates were presented, transcribed below and indicating the relative proposing party:

List of candidates for director no. 1

Shareholder Roma Capitale, holder of 108,611,150 shares, representing 51% of the share capital of Acea SpA:
- Candidate no. 1 Michaela Castelli born in Rome on 07/09/1970;
- Candidate no. 2 Giacomo Larocca born in Rome on 13/05/1978;
- Candidate no. 3 Giuseppe Gola born in L'Aquila on 23/08/1964;
- Candidate no. 4 Gabriella Chiellino born in Pordenone on 21/03/1970;
- Candidate no. 5 Liliana Godino born in Genoa on 08/04/1962;
- Candidate no. 6 Stefano Pareglio born in Vercelli on 25/03/1963;
- Candidate no. 7 Maria Verbena Sterpetti born in Rome on 23/07/1986.

List of candidates for director no. 2

Shareholder Suez S.A., holder of 23,106,700 shares, representing 10.85% of the share capital of Acea:
- SpA and indirectly, through Suez Italia SpA, 26,584,395 shares, representing 12.483% of the share capital of Acea SpA;
- Candidate no. 1 Diane Galbe born in Paris on 14/01/1981;
- Candidate n. 2 Giovanni Giani born in Lecco on 14/01/1950;

- Candidate no. 3 Aurelia Binet Carrere born in Les Lilas (France) on 03/07/1978;
- Candidate n. 4 Angel Simon Grimaldos born in Manresa (Spain) on 09/11/1957.

List of candidates for director no. 3

Shareholder Fincal SpA, holder of 5,700,000 shares, representing 2.676% of the share capital of Acea SpA:

- Candidate no. 1 Alessandro Caltagirone born in Rome on 27/12/1969;
- Candidate no. 2 Massimiliano Capece Minutolo Del Sasso born in Naples on 07/04/1968;
- Candidate no. 3 Azzurra Caltagirone born in Rome on 10/03/1973;
- Candidate no. 4 Mario Delfini born in Rome on 19/04/1940;
- Candidate no. 5 Tatiana Caltagirone born in Rome on 03/07/1967;
- Candidate no. 6 Fabrizio Caprara born in Rome on 12/11/1959;
- Candidate no. 7 Annalisa Mariani born in Avezzano (Aq) on 08/03/1980.

At the end of the vote, the following directors were taken from the majority list, presented by the shareholder Roma Capitale: Michaela Castelli, Giuseppe Gola, Giacomo Larocca, Gabriella Chiellino and Liliana Godino.
Alessandro Caltagirone and Massimiliano Capece Minutolo Del Sasso were elected from the minority list presented by Fincal SpA, while Giovanni Giani and Diane Galbe were elected from the minority list presented by Suez S.A. Please note that the minority lists declared the absence of any relationship or connection, including of an indirect nature, with the majority list.
On 25 February 2022, Director Diane Galbe, who was appointed from the list presented by the Shareholder Suez at the 29 May 2020 Shareholders' Meeting, resigned with immediate effect. This decision was due to her taking up an important new professional position in an international industrial group.
The Shareholders' Meeting, held on 27 April 2022, pursuant to Article 15.4 of the Articles of Association, on a proposal submitted by shareholder Suez International SAS, appointed Francesca Menabuoni as Director.
On 27 June 2022, Giovanni Giani, who was appointed from the list presented by the Shareholder Suez at the 29 May 2020 Shareholders' Meeting, resigned from his position as Board Director, effective immediately. This decision was motivated by other professional commitments.
On 18 July 2022, Acea's Board of Directors, on a proposal by the Appointments and Remuneration Committee and with a resolution approved by the Board of Statutory Auditors, appointed by co-optation, under the terms of Art. 2386 of the Italian Civil Code and Art. 15 of the Articles of Association, Massimiliano Pellegrini as a new non-executive Director of the Company, replacing Giovanni Giani.
On 23 September 2022, the Board of Directors acknowledged (a) the communication of the shareholder Roma Capitale of 20 September 2022, with which the latter formulated a request to replace the head of the company and (b) the subsequent communication of the shareholder Roma Capitale, received on the same date, regarding the recommendation of Fabrizio Palermo as candidate for the position of member of the Board of Directors and next Chief Executive Officer of Acea.
On 26 September 2022, the Board of Directors, after receiving the favourable opinion of the Appointments and Remuneration Committee, approved the terms and conditions of the agreement for the consensual dissolution of the existing relationships with Giuseppe Gola, which the latter accepted. On the basis of this Mr Gola renounced with immediate effect, the positions of Director, Chief Executive Officer and Strategies, Production and Foreign Manager, and all delegations and powers conferred on him and all other positions held on behalf of the Company and/or the Group.
At the same time, the Board of Directors meeting of 26 September 2022 appointed, by co-optation, under the terms of Art. 2386 of the Italian Civil Code and Art. 15 of the Articles of Association, on a proposal by the Appointments and Remuneration Committee and with a resolution approved by the Board of Statutory Auditors, Fabrizio Palermo as a new Director of the Company. At the same meeting, Fabrizio Palermo was appointed by the Board of Directors as Acea's new Chief Executive Officer. In line with the previous structure, he was given all powers for the ordinary management of the Company, with the exclusion of specific attributions that the Board reserved for its own responsibility, as well as those that cannot be delegated under the terms of the law and the Articles of Association.
Therefore, the Board of Directors, as at 31 December 2022, is made up as follows: Michaela Castelli, Fabrizio Palermo, Gabriella Chiellino, Liliana Godino, Giacomo Larocca, Alessandro Caltagirone, Massimiliano Capece Minutolo del Sasso, Massimiliano Pellegrini, and Francesca Menabuoni.
Of the above directors in office, one is an executive director – Fabrizio Palermo - whom the Board of Directors has appointed as Chief Executive Officer with individual managerial powers, whereas the remaining 8 are non-executive directors.
The number and competencies of the non-executive directors are such to ensure a significant weighting in the adoption of board decisions and to guarantee effective monitoring of the business management.
Please note that five directors meet the requirements of independence provided for by applicable law and by the Code.
Seniority of office from the first appointment is shown in Table 2 "*Structure of the Board of Directors at year-end*".
Some information of a personal and professional nature on the directors in office is given below.

MICHAELA CASTELLI
Chairperson - Non-Executive (resigned 14 february 2023)

Michaela Castelli was born in Rome on 7 September 1970. After graduating in Law and specialising in Financial Law, she began working in London in Capital Markets. She subsequently gained experience in leading Italian law firms, dealing with corporate law and financial markets. She worked for 9 years at Borsa Italiana SpA where she dealt with the primary market and was involved in assisting listed issuers with extraordinary transactions, corporate reporting, compliance and corporate governance. She is registered on the Milan Bar Association and has developed extensive experience as a member of the Boards of Directors and Control Bodies of leading listing and unlisted companies. Author of trade publications and lecturer in various continuing education courses in corporate and financial

market law, she has participated in numerous conferences as a speaker.
Appointed on the basis of list no. 1 presented by Roma Capitale (including: 1) Michaela Castelli, 2) Giacomo Larocca; 3) Giuseppe Gola, 4) Gabriella Chiellino, 5) Liliana Godino, 6) Stefano Pareglio, 7) Maria Verbena Sterpetti); the relative proposal obtained a favourable vote from 69.9949% of voters.

FABRIZIO PALERMO
Managing Director - Executive

Fabrizio Palermo was born in Perugia, Italy on 5 February 1971.
From July 2018 to May 2021, he served as Chief Executive Officer and General Manager of Cassa Depositi e Prestiti, where, since 2014, he had already held the position of Chief Financial Officer.
From 2005 to 2014 he worked for the Fincantieri Group, where he held top positions of increasing responsibility, initially as Director of Business Development and Corporate Finance, then as Chief Financial Officer (2006-2014), and lastly as Deputy General Manager (2011-2014).
Fabrizio Palermo began his career in the London offices of Morgan Stanley, in the Investment Banking Division. In 1998, he continued at McKinsey & Company, specialising in the restoration, transformation and revitalisation of large industrial and financial groups.
During his career, he was Chairperson of CDP Equity SpA, Chief Executive Officer of CDP Reti SpA, and Director on the Boards of Open Fiber SpA, Fincantieri SpA and Fincantieri USA Inc., Vard Group AS and Vard Holdings Limited.
Fabrizio Palermo has been a member of the Board of Directors of Assonime, a member of the Board of Directors of the Centre for American Studies, and Co-chair of the Italy-China Business Forum.
Since 2007, he has also been working at Libera Università Internazionale degli Studi Sociali Guido Carli as Assistant Professor for the "Planning and Control" course (from 2007 to 2010) and later as MBA Adjunct Professor for the "Corporate Finance" course (in 2018 and 2022).
Fabrizio Palermo graduated with honours in economics and business from the University of Rome "La Sapienza".

GABRIELLA CHIELLINO
Director - Non-Executive - Independent

Gabriella Chiellino was born in Pordenone on 21 March 1970; she graduated in Environmental Science at Ca' Foscari University in Venice in 1994. She has worked in the field of sustainability for over 20 years, covering various roles in the university context, teaching scientific subjects regarding environmental and energy management in companies. She was a member of various scientific technical committees in the public and private sector, also coordinating international events on matters linked to sustainability (water, waste, smart city). He founded an environmental and energy engineering company 20 years ago, of which he is now Co-Founder & Chief Executive Officer — joining the IMQ Group in September 2022 — working in Italy and abroad and in various innovative start-ups. As an expert of corporate Sustainability Governance, she steers and coordinates various Corporate Sustainability Committees. She is the author of various publications and articles on environmental and ethical matters and is a lecturer in various university courses.
Appointed on the basis of list no. 1 presented by the aforementioned Roma Capitale.

LILIANA GODINO
Director - Non-Executive - Independent

Liliana Godino was born in Genoa, Italy on 8 April 1962. She completed her education at HEC - École des hautes études commerciales de Paris, specialising in Business Economics and Marketing.
She has been the Chief Procurement Officer at Ignazio Messina & C. SpA, MSC Group since October 2018. From April 2015 to September 2018. she was the General Affairs and Organisation Director at Baglietto Srl, which produces certified steel for shipyards across the globe. She was the Purchases and Logistics Director of Grandi Navi Veloci SpA (GNV), MSC Group. She spent 18 years at Danone SA, a global food multinational, first in consumer marketing, with experience at a national and international level and then in procurement, her last role being the Worldwide Sourcing Director for Packaging at the Headquarters in Paris. She was a member of the Board of Directors of the International School in Genoa.
Appointed on the basis of list no. 1 presented by the aforementioned Roma Capitale.

GIACOMO LAROCCA
Director - Non-Executive - Independent

Giacomo Larocca was born in Rome on 13 May 1978, he graduated in Statistical and Actuarial Science at La Sapienza University in Rome.
He currently works as the Programming and Management Control Director at SACE BT, a company he has worked for since 2009.
Appointed on the basis of list no. 1 presented by the aforementioned Roma Capitale.

ALESSANDRO CALTAGIRONE
Director - Non-Executive - Independent

Alessandro Caltagirone was born in Rome on 27 December 1969; he graduated in Economics and Commerce at La Sapienza University in Rome. Currently a member of the Board at various companies, including: Il Messaggero SpA and, Caltagirone SpA, as well as Deputy Chairperson of the Board of Directors of Cementir Holding N.V., Alborg Portland Holding A/S and Caltagirone Editore SpA.
Appointed on the basis of list no. 2 presented by Fincal SpA which, as of the date of the Shareholders' Meeting of appointment, held 2.676% of the share capital (including 1) Alessandro Caltagirone, 2) Massimiliano Capece Minutolo Del Sasso, 3) Azzurra Caltagirone, 4) Mario Delfini, 5) Tatiana Caltagirone, 6) Albino Majore, 7) Annalisa Mariani), which obtained a favourable vote from 19.1328% of the voters.

MASSIMILIANO CAPECE MINUTOLO DEL SASSO
Director - Non-Executive - Independent

Massimiliano Capece Minutolo Del Sasso was born on 7 April 1968; he is registered in the Register of engineers of Rome since 1992. Vast experience in the real estate and infrastructure sector with competencies in design, development and management of large urban and construction projects. In the course of his professional career he has developed experience in the cement, banking, renewable energy and publishing sectors. He is currently Chairman of the Board of Directors of IL MATTINO SpA.
He is also manager of the company Vianini Lavori SpA and Director/Member of the Board of Directors of various companies operating in the real estate development and management sector.

Appointed on the basis of list no. 2 presented by the aforementioned Fincal SpA.

FRANCESCA MENABUONI
Director - Non-Executive
Francesca Menabuoni was born in Florence, Italy on 29 December 1969. She graduated in Civil Engineering (hydraulics department) from the University of Florence. A manager with extensive experience in integrated water service management, she has been Chief Executive Officer and General Manager of Nuove Acque SpA (Suez Group) since 2012. Among her current roles, she is Concessions Director of Suez International - Italian Branch (SIIB) and Chairperson of Acque Toscane SpA.

MASSIMILIANO PELLEGRINI
Director - Non-Executive
Massimiliano Pellegrini was born in Pescara, Italy on 28 September 1973.
He holds a Master's degree in Economics, a Master's degree in Econometrics, and a 2nd level Master's degree in Management from the University of Reims (France). A manager with 20 years of experience at the Suez Group, he has held positions of responsibility along the Group's entire value chain in France and abroad. Since 2021, he has been the Suez Deputy General Manager for operations in France and Italy.
As a Franco-Italian, he is Chairperson of FP2E (French Federation of Water Company Professionals) and Co-Chair of Cercle Colbert and Director of the Franco-American Foundation. He is also a Knight of the French National Order of Merit.

Diversity criteria and policy in the composition of the Board and the corporate structure

On 9 March 2020, after receiving the opinion of the Appointment and Remuneration Committee, the Board of Directors adopted the "Diversity policy for the composition of the administrative and control bodies" ("Diversity Policy"), promoted by the Ethics and Sustainability Committee.
The Diversity Policy aims to ensure the proper operation of Acea's corporate bodies by regulating their composition and ensuring that their members have personal and professional requirements that meet the highest degree of diversity and competence.
In fact, the Board of Directors is aware of the fact that diversity and gender balance are fundamental elements of the corporate culture of a corporate group. In particular, as fundamental elements of sustainability in the medium-long term, diversity and gender balance represent a reference paradigm for both Acea Group employees and members of the company's management and control bodies.
In line with the content of the Diversity Policy, in view of the Shareholders' Meeting of 29 May 2020 called to appoint the Directors, the Acea Board expressed its position to the shareholders on the optimal qualitative and quantitative composition of the new Board. In particular, with regard to the composition of the Board, the outgoing Board had underlined the need to take into account, among other things, diversity, in terms of both gender and seniority, in line with applicable legal provisions. Furthermore, the Board highlighted the opportunity for the competencies of the members of the Board to be balanced for the correct performance of board activities. The current composition appears to be in line with the above orientation.
Following the entry into force, from 1 January 2020, of the provisions of the Budget Law 2020, amended by art. 147-*ter*, paragraph 1-*ter*, and 148, paragraph 1-bis, of the TUF, concerning gender balance in the corporate bodies of listed companies, the minimum quota currently required for the least represented gender is at least two fifths of the members of the Board of Directors.
Please note that the composition of the current Board of Directors complies with the gender balance called for under applicable regulations.
Furthermore, in line with the principles enshrined in the Code of Ethics, Acea has promoted a culture of equal opportunities and the management and promotion of diversity, through (i) the adoption of the Utilitalia Pact 2019 — "Diversity makes the difference", which represents a preparatory document aimed at promoting inclusive policies at all levels of the organisation, such as a positive work-life balance, the transparent management of merit and the adoption of internal and external awareness-raising policies, and (ii) the adoption of an annual Diversity & Inclusion ("D&I") action plan.
In particular, this action plan, promoted through an engagement campaign aimed at the entire company workforce, facilitated the integration of D&I principles, strategies and targets into a specific plan of measures aimed at raising awareness, informing and training Group personnel on the principles and values of diversity and inclusion.
To support this plan, the Group has adopted a series of internal indicators to monitor and analyse the processes linked to HR strategies, with a focus on D&I targets (gender, age, disability, culture), in order to observe, understand, guide and anticipate D&I trends and compare the analysed results with market best practices.
The Group has also adopted a detailed corporate welfare plan aimed at supporting the health, physical and mental wellbeing and work-life balance of its employees, based on the conviction that the centrality of the Group's personnel is a strategic factor in the company's success.
In order to continuously improve HR strategy policies, the Group is rated on specific indexes and participates in certification schemes to measure the rate of application of the relative principles and the impacts of its initiatives on its business.
In 2021, for example, Acea participated in the GEI Bloomberg certification, an international index that measures business performance based on gender equality, earning an above-average ranking for the utility sector, and in the Top Employers certification, an institution that analyses the HR policies and strategies of thousands of businesses at a global level, which placed the Acea Group among the ranking of the 131 best performing companies in Italy.
In July 2021 Acea also signed a memorandum of understanding with Trade Unions concerning diversity and inclusion, aimed at engaging all social partners in the promotion of active values and the rejection of all forms of discrimination in the workplace. It also consolidated its observance of the legal provisions regarding the support of victims of violence by extending the period of leave and providing for the payment of specific financial compensation.
In 2022, the Group continued to invest in an integrated Equality and Care plan, focussed on the two areas of people and governance tools and addressing the importance of valuing the merit of differences, as well as the central role of people.

In particular, the Group has a set of key diversity and inclusion (D&I) indicators that analyse all people strategy processes (recruitment, training, development and welfare) to measure its performance and guide a timely action plan, providing full transparency in the dedicated intranet section.
Among the activities put in place during the year were several training and awareness initiatives for all personnel, including management, aimed at further supporting cultural change through overcoming cognitive bias in resource management and talent scouting.
The main actions aimed at employees include initiatives dedicated to the role of parents, the company's bike sharing service, initiation of platforms to support caregivers, and initiation of Agreements with the university to offer discounts and plans to support employees' children with education guidance.
The group has maintained its ongoing commitment to health issues by introducing a supplementary health policy for all employees, providing free screenings, financial contributions to gyms and sports centres, and webinars with medical experts as part of the healthy lifestyles plan.
The support service for employees who can receive help from outside professionals anonymously if they are going through difficulties or are victims of violence, has also been kept active.
In the area of governance, on 19 October, the Board of Directors approved the Equality, Diversity & Inclusion Policy to formalise the Group's commitment by providing principles, objectives and guidelines on actions. This is a best practice adopted by the largest national and international companies and is a formal commitment of the Group at the highest level of representation.
Acea also has an internal Equality, Diversity & Inclusion Committee, with the objective of enhancing the culture and promoting the annual plan of initiatives in the D&I area, in conjunction with the Ethics and Sustainability Committee, and a Diversity & Inclusion Manager to support the committee.
In order to continuously improve HR strategy policies, Acea is rated on specific indexes and participates in certification procedures aimed at measuring the rate of application and the impact of its initiatives on its business.
During the year, it participated in the GEI Bloomberg certification, an international index that measures companies' performance based on gender equality, for which it earned an above-average ranking for the utility sector. It also took part in the 2023 Top Employers certification, which analyses the HR strategies of thousands of businesses worldwide, and ranked among the 131 best performing companies in Italy.
Furthermore, in December, Acea became certified in UNI PDR 125:2002 practices in relation to gender equality and was recognised as the first Italian utility in the Europe's Diversity Leaders survey, conducted by the *Financial Times* in collaboration with the independent organisation Statista.

Maximum number of offices simultaneously held in other companies

At its meeting on 16 December 2020, after the investigation carried out in 2020 by the previous Appointment and Remuneration Committee, as well as that currently in office, the Board of Directors resolved to update the guidelines already expressed on 23 March 2011 with regards to the maximum number of offices held.
To that end, it defined the "other significant companies", for the purposes of calculating the total in addition to other listed companies, financial, banking or insurance companies, or those with shareholders' equity exceeding € 1 billion.

Furthermore, the Board resolved that:
a) a Director should not hold the office of non-executive Director or Auditor in more than 6 (six) of the aforementioned companies;
b) an executive director should not hold the office of non-executive Director of another issuer of which an Acea Director is an executive Director.

Further, it decided (i) to not consider the position held in Acea when calculating offices held; (ii) to not consider any offices held in direct or indirect subsidiaries of Acea, or in companies in which Acea holds an equity investment when calculating offices held; (iii) to not consider positions held on internal Board committees for the purposes of reaching the maximum limit for offices held.
On the basis of the updated communications received by the Company in implementation of the resolutions passed, all the Directors, at 02 March 2023, cover a number of roles compatible with the guidelines laid down by the Board itself.
Table 1, at the foot of this Report, lists the offices held by the Directors and Statutory Auditors in other companies listed on regulated markets, also abroad, in financial, banking and insurance companies and companies with shareholders' equity exceeding € 1 billion.

4.4 FUNCTIONING OF THE BOARD OF DIRECTORS (pursuant to art. 123-*bis*, paragraph 2, letter d) of the TUF)

The Board meets on a regular basis — usually monthly, and in any case at least quarterly - in compliance with the law and the calendar of works, approved annually and published on the Company website, at least for meetings significant to the applicable law. However, meetings are called whenever the Board deems it opportune or at the request of the CEO, the majority of the Directors in office or the Board of Statutory Auditors.
The BoD is structured and operates to guarantee the efficient and effective performance of its duties. In order to regulate and set appropriate timelines for its operations, the Board has adopted a Board Regulation, last amended in March 2021 to adapt to the provisions introduced by the Code.
Resolution proposals and information for the Board of Directors must be sent — along with any other useful documentation and having been reviewed by the managers of the departments, functions and areas responsible for the specific matters — at least 10 calendar days prior to the date set for the Board meeting, to the secretariat of the Acea corporate bodies, which shall forward it without delay, in agreement with the Secretary, for the approval of the CEO in order to draw up the draft Agenda.
The Chairperson ensures that the pre-meeting information and any supplementary information provided during the meetings is such to enable the Directors to conduct their roles in an informed manner. In particular, the Chairperson monitors that adequate information is provided on the items on the Agenda of each meeting and that such information is provided within the deadlines set by the internal regulations, according to which the Agenda and any relative documents must be made available to Directors at least three days prior to the meeting. The documentation is made available to Directors and Auditors in such a way as to guarantee the necessary confidentiality, including through an appropriate IT system, pursuant to the provisions of the current BoD Regulation.

However, the justification of non-compliance with the aforementioned deadlines on the grounds of confidentiality is not permitted. In this regard, Acea has adopted specific software in order to enable the secure management of Board meetings and facilitate the secure and confidential transmission of information and documentation.
This system makes it possible to use various levels of security. Therefore, increasing usage of this platform and usage of the higher security levels that it offers makes it possible to protect even the need for greater information protection which may arise, without compromising completeness, usability and timeliness.
In certain cases, in the course of 2022, when it was not possible to meet the above deadline set by the Regulation for the provision of pre-meeting information due to the documentation being particularly copious or complex, at the meeting, as well as dedicating ample time to discuss the relative topic and any requests for clarification or further information, the manager of the relevant internal department was generally present.
Board meetings may also be held using remote technology (audio, video or teleconferencing systems), as long as all participants can be duly identified by the Chairperson of the Board of Directors or by the Secretary in the event that the Chairperson is also attending remotely, and that all Directors are able to follow the discussion and engage in real time in the discussion of the items on the Agenda, as well as exchange documents relative to the topics under discussion and take part in the voting. The use of such remote methods of participation shall be acknowledged in the minutes.
At each meeting, the Chairperson of the Board of Directors invites Directors who, in relation to the items on the Agenda, may represent certain interests on their own behalf or on behalf of third parties, to make such interests known.
The Secretary draws up the minutes of the Board meetings and submits them in draft form to the Chairperson who, having consulted with the CEO, orders their transmission to the individual Directors. The approval of the minutes of the previous meeting is usually the first item on the Agenda of the next Board meeting.
In 2022, the Board of Directors met 15 times. The average duration of the meetings was 2 hours and 46 minutes. The meetings were attended by the members of the administrative body and the Board of Statutory Auditors.
The attendance of each Directors at the Board of Directors' meetings is detailed in Table no. 2.
At the date of this report, 7 meetings have been held since the beginning of 2023.

The calendar of the main corporate events 2023 (communicated to the Market and to Borsa Italiana SpA in accordance with regulatory requirements) includes 3 more meetings on the following dates:

- 9 May 2023 – approval of the interim report on operations as at 31 March 2023;
- 26 July 2023 – approval of the semi-annual report as at 30 June 2023;
- 14 November 2023 – approval of the interim report on operations as at 30 September 2023.

4.5 ROLE OF THE CHAIRPERSON OF THE BOARD OF DIRECTORS

Pursuant to art. 20, paragraph 4 of the Articles of Association, the Chairperson of the Board of Directors, Michela Castelli, is the legal and institutional representative of the Company, and holds the powers of signature.
The Chairperson of the Board liaises between the executive and non-executive Directors and is responsible for the effective operation of the Board, and is supported in these duties by the Secretary of the Board of Directors.
Furthermore, the Chairperson oversees the perceived quality indicators and the issues relating to environmental impacts and corporate social responsibility of company activities and processes.
The Chairperson supervises the secretary of the Board of Directors and all related activities, and is also vested with the powers to represent and promote the image of the Company and the Group and to manage external institutional communications.

With specific reference to the supervisory role over the secretary of the Board of Directors, the Chairperson:

i) ensures the prompt and complete provision of meeting and pre-meeting information;
ii) ensures that appropriate information flows are in place between Acea and Group companies, in order to monitor the consistency between the Group's strategic guidelines and its performance;
iii) verifies the implementation of the resolutions adopted by the Board of Directors and the rules and principles of corporate governance, also in compliance with the powers reserved to the Board of Directors.

The Chairperson, therefore, coordinates the activities of the Board of Directors, calls the Board meetings, establishes the Agenda and directs the meeting, ensuring that the Directors are promptly given — except in the case of need or urgency — the documentation and information necessary to allow the Board to give a conscious opinion on the matters submitted to its examination.

In 2022 the Chairperson:

- ensured that the call notice — containing the date, time and place of the meeting and the topics to be discussed — and the documentation relating to the items on the Agenda were provided within the deadline provided for by the Articles of Association, i.e., at least 3 days prior to the meeting itself;
- promoted a structured scheduling process among the Board of Directors and its internal committees in order to coordinate the activities of the committees with those of the Board;
- ensured, in concert with the Chief Executive Manager, that the department or area managers responsible for the items on the Agenda were available to participate, where required, in Board meetings. These managers attended Board meetings exclusively to discuss the topics relevant to their area of competence and left the meeting when the Board came to make its resolution;
- prepared, in concert with the Chief Executive Officer a training programme for the Board that was also attended by the Board of Statutory Auditors, aimed at providing the Directors with a thorough knowledge of the Company's activities and organisation, of its sector and the regulatory framework and self-regulatory framework, of the company dynamics and their evolution and the role to be performed with respect to the specificities of Acea. The induction initiatives carried out in 2022 concerned, *inter alia*, topics linked to sustainability and business. Furthermore, the directors are kept constantly informed by the competent corporate functions regarding the main legislative and regulatory novelties concerning the Company and the exercise of their functions. The Chairperson and the Secretary ensured that the

Directors and Auditors were able to participate in the induction sessions in person or remotely;
- supervised the self-evaluation of the Board, which also involved the Appointments and Remuneration Committee (for more details see paragraph 7 of this Report);
- ensured that, during the year, the Board was informed on the development and significant contents of the dialogue that had taken place with all shareholders as provided for in the Policy for managing relations with Acea's Institutional Investors, Shareholders and Bondholders, approved by the Board of Directors (for more details, see Section 13 of this Report).

Secretary of the Board of Directors

Article 18, paragraph 1 of the Articles of Association states that the Board of Directors elects, from among its members or externally, a Secretary who will draw up in the minutes of the Board meetings.
As noted in the paragraph regarding the functioning of the BoD, on 1 March 2021 the Board of Directors approved the new Regulation on the functioning of the Board of Directors, introducing measures on the appointment and duties of the Secretary.
In particular, the first paragraph of the aforementioned article states that the Board resolves, on the proposal of the Chairperson, on the appointment or revocation of the Secretary of the administrative body, assessing the existence of the appropriate requirements of professionalism and defining, where necessary, any other appointments.
On this basis, on 12 October 2021 the Board of Directors appointed, subject to the positive assessment of the requirements of professionalism, Mr. Cosmo Damiano Marzulli as the new Secretary of the BoD.
In line with the duties assigned, in 2022 the Secretary supported the activities of the Chairperson and provided impartial assistance and advice to the administrative body on all aspects relevant to the correct operation of the corporate governance system.

In particular, the Secretary supported the Chairperson of the Board of Directors in the performance of the various activities of competence, in order to ensure that:
a. pre-meeting information was accurate, complete and clear, and that supplementary information provided during the meetings was such to enable Directors to act in an informed manner;
b. the activities of the internal board committees were coordinated with those of the Board of Directors;
c. Directors of the Company and of Group companies were able to participate in Board meetings to provide any necessary details on the items on the Agenda;
d. all Board members and Auditors could participate, following their appointment and during their term of office, in the specific induction activities focused on corporate dynamics and their evolution, including with a view to sustainable success and the principles of sound risk management;
e. the self-evaluation process of the administrative body was adequate and transparent.

4.6 EXECUTIVE DIRECTORS

Managing Director

On 26 September 2022, the Board of Directors appointed Fabrizio Palermo to replace Giuseppe Gola as Chief Executive Officer, delegating, pursuant to Art. 20 of the Articles of Association, to him the ordinary management of the Company, the Company's signature and legal representation before third parties and in court, as well as all powers within the scope of the delegations conferred and within set commitment limits.
The Chief Executive Officer is vested with all powers of administration of the Company, with the exception of those otherwise assigned by law and by the Regulation, the Articles of Association or the structure of powers last approved in September 2022.

In particular, the Chief Executive Officer:
- operates on the basis of long term plans and the annual budgets approved by the Board, and guarantees respect for the managerial guidelines deriving from the same. In this context, the powers of the Managing Director are exercised for transactions with a value up to € 7.5 million (tender contracts, procurement, rents, disposals, participation in tenders, etc.), if in line with the budget and up to € 1 million for off-budget transactions; for Group subsidiaries operating in the electricity and gas markets, the powers granted to the Managing Director include: i) issuing sureties or other guarantees up to € 12 million if in line with the budget and up to € 2 million if off-budget, ii) issuing all sureties and other obligatory guarantees in favour of ARERA, GSE, GME, Terna SpA, the Single Buyer, other public entities and distribution concessionaires;
- signs tender contracts of any amount awarded on the basis of Italian Legislative Decree 50/2016, as amended;
- implements organisational and procedural changes to Company activities in line with the guidelines resolved by the Board of Directors;
- ensures correct management of corporate information. In this regard, please refer to Chapter 5 "Management of Corporate Information";
- is responsible for the activities regarding the management and coordination of subsidiary and investee companies of the Acea Group, including through the establishment of targets and the monitoring and control of the activities and results of Group companies, in line with the Group's strategies. The CEO is also responsible for ensuring the management and organisational coordination of companies subject to management and coordination by Acea or otherwise controlled pursuant to art. 2359 of the Italian Civil Code.

The Managing Director informs the Board of Directors and the Board of Statutory Auditors at least every quarter and, in any case, on the occasion of the Board of Directors' meetings, on the activity performed and the Company's business trend, on the business outlook and on transactions of major relevance for their dimensions or features, carried out by the Company or its subsidiaries, in compliance with art. 20.1 of the Articles of Association.
Furthermore, the Chief Executive Officer is responsible for establishing and maintaining the Internal Control and Risk Management System (SCIGR), as provided for by the Code (for a detailed description of the duties assigned to the Chief Executive Officer with regard to the SCIGR see paragraph 10.1 of this Report).
With reference to the topics reserved to the Board by the structure of powers and by art. 20.2 of the Articles of Association, see paragraph 4.1 of this Report.

Chairperson of the Board of Directors

The Chairperson has not received management powers and does not play a specific role in the development of corporate strategies.
For the appointments and powers of the Chairperson, see paragraph 4.5 of this Report.

Joint Powers of the Chairperson and Chief Executive Officer

By Board resolution of 29 May 2020, as amended on 12 October 2021 and on 26 September 2022, joint powers were delegated to the Chairperson and the Chief Executive Officer who, in the case of proven urgency and need, are thus authorised to i) exercise the powers normally reserved to the Board in relation to contracts, purchases, company transformation, participation in tender procedures, (the relative limits of which are based on the financial commitments or expenses or charges or debts that may be incurred by the Company in the event of an award) and the issue of sureties, and ii) appoint the members of the Boards of Statutory Auditors and the Boards of Directors of the most important subsidiaries and partly held companies, these being understood as:

a) those listed on regulated markets or with securities on issue as under art. 116 of the TUF;
b) those requiring capital commitments, shareholders' loans or guarantees exceeding € 10 million.

The Chairperson and Chief Executive Officer inform the Board of any measures adopted at the next meeting; the Board establishes the existence of proven urgency and need.
In addition, the Chairperson and the Managing Director designate the members of the Boards of Statutory Auditors and the Boards of Directors of the companies of the Acea SpA Group other than those considered of "more importance".

Information provided to the Board by Board members/delegated bodies

Pursuant to art. 20 of the Articles of Association, the delegated bodies report to the Board of Directors and the Board of Statutory Auditors on a quarterly basis on the general business trend and the relative outlook, as well as on operations deemed significant - due to their size or characteristics - carried out by the Board or by its subsidiaries.
In this regard, in 2022 the Chairperson and the Chief Executive Officer gave a quarterly report to the BoD and the Board of Statutory Auditors regarding the exercise of the powers vested in the delegated bodies by the BoD.
In the case of events and/or operations of particular significance to the Company, the delegated bodies report to the BoD and the Board of Statutory Auditors at the next meeting.

Other executive directors

No other Directors on the Board of Directors of Acea qualify as executive under the definitions provided by the Corporate Governance Code.

4.7 INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTOR

Independent Directors

The Company's Board of Directors has a number of independent directors who represent the absolute majority of its members.
Their number and competencies are appropriate to the needs of the business and to the operation of the Board, as well as to the constitution of the relative committees.
The Board conducts checks to verify the independence of its members at the time of appointment and subsequently on an annual basis.
In particular, in February 2023, the process to evaluate the independence of the directors was completed, pursuant to the Code and to art. 148, paragraph 3 of the TUF.
The actions taken by the Company may consider the following methods.
First of all, the assessment of independent of the members of the Board of Directors is based on the information held by the Company regarding the existence of any significant relationships as well as on any declarations made by each individual member.
In the event that it deems the available information not to be sufficient to complete the assessment, or if the information available to the Company raises doubts or concerns regarding the independence, the Company sends a request for further information or clarification to the member in question.
In order to ensure the functional performance of the assessment process and the correct interpretation of the available information, the Board of Directors reserves the right to consult with a qualified external consultant.
Moreover, each independent director shall promptly inform the Board of Directors in the event of situations that may theoretically impact the position of independence.
In the event that the Board of Directors resolves not to apply any of the criteria of significance to one or more directors, it provides adequate, transparent and exhaustive reasons for the reasons for this non-application.
The Board of Statutory Auditors verifies the correct application of the criteria and of the assessment procedures adopted by the Board of Directors to assess the independence of non-executive members, and the outcome of these controls is made available to the market in this Report or in the report made by the Auditors to the Shareholder's Meeting.
Following the outcome of the activities in 2023, the Board of Directors, based on the information available to the Company, the information provided by individual Directors, ascertained in March 2023 - the existence of the requirements of independence contained in art. 148, paragraph 3 of the TUF and in Recommendation 7 of the Code, in relation to the following Directors: Giacomo Larocca, Gabriella Chiellino, Liliana Godino, Massimiliano Capece Minutolo Del Sasso and Alessandro Caltagirone.
Insofar as necessary, when verifying the existence of the independence requirements of the current administrative body, the Board gave its assessment in accordance with the criteria contained in the Code.
Moreover, within the framework of the tasks attributed to it by law the Board of Statutory Auditors has verified the correct application of the assessment criteria and procedures adopted by the Board to evaluate the independence of its members and disclose the outcome of the verification to the market in the Corporate Governance Report.
It is noted that for the sake of diligence, the Chairperson of the Board of Directors, again this year, considered it preferable that their position not be qualified as an independent director despite not being included, for the purposes of independence, (i) in the circumstances listed in art. 148, paragraph 3 of the TUF, referred to for directors under article 147-ter of the TUF and (ii) in the circumstances listed in Recommendation 7 of the Code, which appear to compromise independence.
During the year, there was no need to hold a separate meeting for the independent directors, also in consideration of the quality of the information received by the delegated bodies and their active participation on the Board and on the internal board committees.
With reference to the recommendation contained in the letter

from the Corporate Governance Committee dated 25 January 2023, on the basis of which the governing bodies are asked to define, *ex-ante*, the quantitative and qualitative criteria to be adopted for assessing materiality, which should concern the overall position of the director whose independence is being assessed, taking into account that the current Board of Directors will end its term of office with the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2022, the Company considered it reasonable to defer to the new administrative body to identify appropriate quantitative and/or qualitative criteria to be used for the assessment of the significance of the relationships that could be relevant for the purposes of the proper application of the independence criteria.

Lead Independent Director

On 02/03/2023 the BoD verified that, as in previous years, no circumstances pursuant to Recommendation 13 of the Code that would require the appointment of a lead independent director had arisen.

In fact, at Acea the Chairperson of the Board of Directors is not the chief executive officer, is not vested with significant powers of administration, and is not a shareholder with control, including joint control, over the Company.

As at the date of this report, no requests regarding the appointment of a lead independent director have been received from the independent directors.

5. MANAGEMENT OF CORPORATE INFORMATION

As proposed by the Chief Executive Officer, the Acea Board of Directors has adopted Regulations for internal governance and for the external disclosure of the Company's documents and inside information that:

- establish the methods for the processing and disclosure of corporate information within the Group;
- rule that Company representatives who gain knowledge of information of which the early disclosure could be prejudicial to the Company's equity and/or that of the Shareholders must treat the same with maximum reserve, and that the Company, in the case of specific circumstances, must give immediate and full information to the market;
- prescribe that a procedure must be established for the drafting of press releases relating to price sensitive information, to prevent possible distortions or irregularities in the communication of such information.

This Regulation is available on the Acea website at:
https://www.gruppo.acea.it/governance/sistema-controllo-interno-gestione-rischi/trattamento-informazioni-societarie .

The creation is also required, pursuant to art. 18, par. 1, lett. a) of Regulation (EU) no. 596/2014 (MAR), of a List of persons with access to Inside Information.

The list is divided into:

- a "permanent section", which indicates entities who have access to all Inside Information;
- a section for each inside information, where the persons who have access to the specific inside information are registered, if the delay procedure is activated.

Art. 7 of the MAR regulation establishes that inside information means *"information of a precise nature, which has not been made public, directly or indirectly relating to one or more issuers or one or more financial instruments and which, if rendered public, could have a significant effect on the prices of those financial instruments or on the prices of related derivative financial instruments"*. Information is deemed precise if "*it refers to a series of existing circumstances or which could be reasonably held to occur or an event which has occurred or which could be reasonably understood to occur and if this information is sufficiently specific to allow the drawing of conclusions about the possible effect of this combination of circumstances or of the event on prices of financial instruments or the relative derivative financial instrument [...]. In this respect in the case of a protracted process that is intended to bring about, or that results in, particular circumstances or a particular event, those future circumstances or that future event, and also the intermediate steps of that process which are connected with bringing about or resulting in those future circumstances or that future event, may be deemed to be precise information*".
Rules have also been adopted on Internal Dealing in compliance with the provisions of art. 19 of the MAR which rules that transactions in financial instruments carried out by "relevant persons" and by persons closely linked to the same must be communicated to Acea and to Consob immediately and, in any case, within three working days from the transaction, at the request of the relevant persons.
Relevant persons and persons closely linked to the same must inform the Company, pursuant to the referenced regulation, of all transactions carried out on their behalf once the aggregate amount of such transactions reaches the threshold of € 20,000.00 over one calendar year.

6. INTERNAL BOARD COMMITTEES (PURSUANT TO ART. 123-*BIS*, PARA. 2, LETT. D) TUF)

The Board of Directors has set up three internal committees to support the administrative body, namely: the Appointments and Remuneration Committee, the Control and Risks Committee and the Ethics and Sustainability Committee.
For information on the Related Party Transactions Committee, see paragraph 11 of this Report.
In adopting its Regulation, the Board of Directors established that the duties and composition of each Committee must be set at the time of its constitution by Board resolution, and that the activities of the committees may be regulated by specific operating regulations that establish operating procedures for the duties assigned to them.
Therefore, the composition, duties and functioning of each Committee are governed by the Board of Directors through the adoption of specific regulations in line with the criteria laid down by the Code.
Committee members (totalling a minimum of three per committee) are appointed by the Board and are selected from among the members of the Board. The Board determined the composition of the Committees by prioritising the skills and experience of the relative members, even if the structure of the committees themselves, given the composition of the Board, implies a certain concentration of duties.
The chairpersons of the committees, who are nominated by the Board from among its members, call the meetings, set the agendas, prepare the works and coordinate the discussion. At the next Board meeting, the committee chairs report on the relevant activities conducted by the committees and on the proposals and opinions issued.
In the event of absence or impediment, the chairpersons are replaced by the committee member with the highest seniority by age.
For the organisation of their work, the committees are supported by the Secretary of the Board of Directors or by a party indicated by the Committee itself. Each committee meets, on the invitation of its chairperson, at the location established in the call notice issued to all members at least 3 business days before the date set for the meeting; in urgent cases, this period may be reduced to 24 hours before the time set for the meeting. The meeting documentation is made available to the committee members at the same time as the call notice is issued by the Secretary of the respective Committee. The documentation regarding the Agenda is made available to members by the Secretary of the respective Committee usually at least three business days prior to the date of the meeting, except in exceptional circumstances.
The members of each Committee and all participants in the meeting are bound by the legal obligations on inside information and the confidentiality of data and information received in the execution of their duties.
Moreover, Acea has adopted specific software in order to enable the secure management of committee meetings and facilitate the secure transmission of information and documentation. For more information on this software please refer to paragraph 4.4 of this Report.
The committees meet according to a schedule approved by each committee, based on the proposals of the respective chairpersons. This schedule is updated when deemed opportune and/or necessary by the respective chairperson in the light of developments to the corporate activities.
Based on the specific invitation of the respective chairperson, the meetings of each committee may be attended by other members of the Board of Directors or by representatives of company departments or third parties whose presence may be of assistance in the best performance of the Committee's functions.
The Chairperson of the Board of Statutory Auditors or another statutory auditor designated by the same also participates in committee meetings (it being understood, in any case, that other current statutory auditors are also entitled to intervene).
Resolutions are taken by absolute majority vote; in the event of a tie, the vote of the Chairperson of the Committee shall prevail.
The minutes of each meeting are signed by the Chairperson of the Committee and the Secretary. In the performance of their activities, committees are entitled to access the information and company departments deemed necessary for the performance of their duties and may also consult external consultants, according to the terms established by the Board.
The committees provided for by the Code shall be provided with an adequate annual budget assigned by the Board.
In line with best practices, independent directors represent the majority of members on the advisory committees provided for by the Code, and the position of chairperson is entrusted to an independent director.

Other committees (not provided for by law or recommended by the Code)

A Committee for the Region was established, composed of three non-executive directors, the majority of which are independent, and with an advisory and supervisory role over the process for granting sponsorships and donations. The Committee is responsible, *inter alia*, for:

a) reviewing, on a preliminary basis, the needs represented by Acea and its subsidiaries with regard to the regions in which the Group operates and as reflected in the guidelines prepared each year to define and steer the areas of intervention for sponsorship initiatives and donations to be presented for approval by the Board of Directors;
b) reviewing, on a preliminary basis, the management rules and procedures on sponsorships and donations which establish roles, responsibilities, monitoring principles and codes of conduct;
c) reviewing, on a preliminary basis, the annual spending budget to be presented for approval by the Board of Directors;
d) expressing opinions regarding the formalisation of the sponsorships and donations identified by the competent body/department of Acea or of its subsidiaries, verifying that the donation or sponsorship is consistent with the budget and the guidelines defined from time to time.

During 2022, the Committee expressed, *inter alia*, at all its meetings, its opinion on the sponsorships and donations presented by the competent Acea department. Following each meeting, the Committee duly reported to the Board of Directors on its activities.

7. SELF-EVALUATION AND SUCCESSION OF DIRECTORS - APPOINTMENTS COMMITTEE

Evaluation of the functioning of the Board of Directors and its Committees

On 23 September 2020, the Board of Directors resolved to carry out the evaluation process on the size, composition and functioning of the Board and its committees on an annual basis (Board Review), making use of an independent external consultant.

In the context of the activities surrounding the relative appointment, the Appointment and Remuneration Committee discussed the start of the self-evaluation process and methods for executing the same. After a competitive process, the company appointed Koinè (which held the necessary independence requirements) to assist it in this process for the three-year duration of its term and, therefore, for the years 2020, 2021 and 2022.

The Board Review process is presided over by the Chairperson of the Acea Board of Directors and the Appointment and Remuneration Committee. The Chairperson of the Board of Directors is responsible for ensuring that the methods used to carry out the self-evaluation process are effective and consistent with respect to the complexity of the Board's work and that the corrective measures established to deal with any problems found are effectively adopted. The Appointment and Remuneration Committee, with the assistance of the consultant Koinè, is responsible for supporting the Board during the various stages of the process.

The Appointments and Remuneration Committee, supported by the Board of Directors Secretary, carried out research and supported the entire Board Review process for the third and final year of its term of office, relative to its mandate.

The 2022 board review was structured by the Appointment and Remuneration Committee and the initial stage was carried out through the completion of a questionnaire prepared by Koinè by each Director, intended to evaluate the size, composition and functioning of the Board of Directors and internal Board Committees. The second stage of the 2022 board review involved individual interviews carried out by the Koinè team to further investigate the most significant aspects identified from the questionnaire answers.

On this subject, it should be noted that, from a methodological point of view, in order to allow for a more accurate comparison between the results found this year and those of previous years, the questionnaire prepared by Koinè was adjusted to take into account certain discontinuities of the governance/outlook as well as to make it suitable for the purposes of this third year, namely to enhance elements of support to the administrative body in view of the preparation of the guidance on its optimal qualitative/quantitative composition.

Koinè, first of all, verified that the actions agreed on by Acea's governing body as a result of the 2021 and 2022 self-assessments were largely implemented.

As part of the board review process, the consulting company also carried out benchmarking with regards to the structure and functioning of the Board of Directors and internal committees of Acea with two distinct groups of peers, represented by (i) 42 non-financial Mid-Cap companies and (ii) 14 listed companies belonging to the public utilities sector.

This comparison returned a positive result, with regard to (i) the high weight of the non-executive (and independent) directors, also from minority interests, and (ii) the number of meetings in line with the sector but high compared to peers in size.

The results of the board review for financial year 2022 provide a widely satisfactory overall judgement relative to the size and composition of the Acea Board of Directors and its committees, the efficacy of Board dynamics and the work and contributions provided by the internal committees. Therefore, in line with the previous year, a positive assessment was given with regards to the functioning of these bodies, their efficacy and transparency, in compliance with national and international best practices for corporate governance.

In particular, the results of the board review for 2022 revealed the following main strengths:

- the composition (executive, non-executive, independent) of the Board was judged appropriate and balanced in terms of diversity (gender, age, background, etc.);
- the presentation of items on the agenda was deemed to be precise and accurate and provided the directors with the relevant information to act in an informed manner. When, in specific cases, it was not possible to provide supporting documentation in advance, the Chairperson saw to it that appropriate analysis was carried out during board meetings;
- the Chairperson leads the Board effectively. In particular, the Chairperson encourages the development of constructive debate and the effective participation of all directors in board decisions. Board debate is open, high quality, and generally respectful of the role of each director. Each director contributes to the discussion effectively;
- time devoted to the discussion of agenda items was deemed appropriate;
- minutes of meetings accurately describe the information flows received, the debate that took place, and the decisions made by the administrative body;
- the committees carry out their activities autonomously and independently and effectively support the Board in the issues for which they are responsible;
- the operation of committees was generally considered effective;
- there remains satisfaction with the climate within the Board of Directors and the ability to manage conflicts constructively, even though some directors point out that recent changes in the composition of the administrative body have challenged established dynamics and practices;
- there is general satisfaction with the effectiveness of the Board.

As for the points of improvement that have emerged, particular attention should be paid to the remarks made by several directors about the advisability of increasing the number of Board members, with particular regard to independent directors. In their opinion, this would allow for the better workload distribution within the Committees and the smoother functioning of the Related Party Transactions Committee.

Succession plans
In the context of the analysis conducted to ensure the full implementation of the new Code, the Board was informed of the opportunity to launch, during the course of the present Board's term, activities aimed at the adoption of a succession plan for the CEO, which defines the procedures to be followed in the case of early termination of office, the periodic updating of the same and the methods for implementation.
In this regard, the Board of Directors of the Company, while recognising the importance of succession plans to promote generational exchange, to improve the management of the termination of office of executive directors and senior management and to contain the negative impact of any discontinuity in management, did not deem it necessary to prepare a succession plan for executive directors.
This is directly related to the current appointment methods of executive directions and the representation and evaluations of the majority shareholder.
If an executive director leaves office, the Board of Directors may co-opt a new director in their place and determine the powers to be vested on the latter.
Their successive inclusion on the Board of Directors shall be confirmed at the next Shareholders' Meeting.
To ensure effective continuity of management, the Company has also adopted a personnel development plan aimed at promoting the identification and differentiation of the succession profiles of management positions.
The process aims to guarantee appropriate organisational controls, defining,where possible, the potential successors for each management position and the necessary development actions required to support the respective professional growth.
For each position, three readiness profiles have been identified (depending on the time necessary to develop the technical and managerial skills necessary for the target positions), categorising candidates as "ready now", "ready later" and "ready in an emergency".

7.1 APPOINTMENTS AND REMUNERATION COMMITTEE

As of the date of this report, the Appointment and Remuneration Committee consists of four non-executive directors, of whom the majority independent, specifically: Massimiliano Capece Minutolo del Sasso (Chairperson, independent), Liliana Godino, Gabriella Chiellino and Massimiliano Pellegrini.
The Board of Directors recognised Massimiliano Capece Minutolo del Sasso and Liliana Godino as having adequate knowledge and experience in accounting and financial matters and remuneration policies.
The Committee's secretariat duties are performed by the Board of Director's Secretary or by another subject chosen by the Committee itself.
With respect to the tasks assigned, the Appointments and Remuneration Committee offers research, proposals and consulting. In particular, it is responsible for assisting the Board of Directors in assessments and decisions relating to its composition and to remuneration policies regarding the Managing Director, the directors who hold particular offices and the managers with strategic responsibilities.
It should be noted that the powers relating to appointments and remuneration are merged into a single Committee, in line with the express provisions of the Code, in compliance with the rules relating to the composition of each Committee, so as to ensure the correct use of the relative powers in an effective and efficient manner.

In particular, the Appointments and Remuneration Committee:
1. proposes to the Board of Directors the policy for the remuneration of directors and executives with strategic responsibilities, with a view to promoting sustainability and the creation of value in the medium-long term;
2. periodically assesses the adequacy, the overall consistency and the concrete application of the remuneration policy relating to directors and senior management, on the basis of information provided by the Chief Executive Officer, and presents proposals regarding said remuneration to the Board of Directors;
3. in the case of co-option, proposes candidates for the office of director to the Board of Directors;
4. it presents proposals to the Board of Directors on the fees of the executive directors and the other directors that hold special offices, and on the performance targets linked to the variable part of said fees;
5. it monitors the application of the decisions adopted by the Board, checking, in particular, on the effective achievement of the performance targets;
6. it submits the Remuneration Report to the Board pursuant to art. 123-ter of the TUF, which the Directors present to the annual Shareholders' Meeting;
7. it gives the Board its views on the dimensions and composition of the Board itself and makes recommendations as regards the management team and professionals whose presence is deemed necessary;
8. issues preliminary and non-binding opinions regarding the positions to be classified as having strategic responsibilities;
9. for the purposes of expressing its preventive and non-binding opinions, it gathers the preliminary investigations according to the choice of the executives with strategic responsibilities as well as those relating to the appointments of the Directors and Auditors in the most significant companies.

At the meeting of 1 March 2021, the Board of Directors integrated the competencies already recognised to the Appointments and Remuneration Committee with the additional responsibility, for the purposes of formulating preliminary and non-binding opinions, of the investigations conducted on the basis of the selection of executives who, while not classifiable as executives with strategic responsibilities, perform duties relevant to the achievement of the Acea Group's performance ("Key Resources").
Directors must refrain from participating in Committee meetings when the Committee discusses proposals to be submitted to the Board of Directors relating to their own fees.
In 2022, the Committee met on 11 occasions, with an average duration of 1 hour, with the minutes duly recorded, and meetings were characterised by the regular attendance of members. The Chairperson of the Board of Statutory Auditors and/or another Auditor also participated in the meeting and provided valuable contributions to the discussion.
As at the date of this report, 4 meetings have been held.
The attendance of each Director at the Committee meetings is detailed in Table no. 3.
The Committee meetings were also attended by other members of the Board of Directors or representatives of competent company

departments whose presence was deemed opportune for the optimal performance of the duties of the Committee itself; such attendees were specifically invited by the Chairperson and their presence was notified to the Chief Executive Officer.
The Committee had access to the information and company departments necessary for the execution of its responsibilities.

With regard to remuneration, during 2022 among other things the Committee:

- submitted the Remuneration Report pursuant to art. 123-ter of the TUF to the Board of Directors for approval and, in particular, the section on the Remuneration Policy for directors and executives with strategic responsibilities for the year 2022;
- monitored the concrete application of the remuneration policy for directors and executives with strategic responsibilities;
- noted the achievement of economic/financial objectives and authorised payment of the short-term variable incentive programme "*MBO 2021* ("*Management By Objectives*");
- submitted a proposal to the Board of Directors on establishing performance objectives for the short-term variable component "*MBO 2022*" for the CEO and executives with strategic responsibilities;
- expressed a favourable opinion on the terms of the 2022-2024 second cycle of the Company's 2021-2023 Long Term Incentive Plan;
- made a proposal to the Board of Directors regarding the allocation of the additional annual remuneration for the members of the Related Party Transactions Committee;
- reviewed the vote expressed by institutional investors regarding the Report on the Remuneration Policy and on the Fees Paid in 2022;
- expressed a favourable opinion on the consensual termination of the relationship with Giuseppe Gola;
- expressed a favourable opinion regarding the remuneration to be awarded to Chief Executive Officer Fabrizio Palermo.

As regards its duties concerning appointment, the Committee:

- formulated a proposal to the Board of Directors for a review of the list of so-called Key Resources; formulated a proposal to the Board of Directors to appoint, by co-optation, i) Massimiliano Pellegrini, following the resignation of Giovanni Giani, and (ii) Fabrizio Palermo, following the resignation of Giuseppe Gola;
- supported the Board in the self-evaluation of the Board and of its Committees.

The Board of Directors confirmed the allocation of an annual budget for 2023 of € 25,000.00 (twenty five thousand point zero zero) for the Committee so as to allow the latter, should it be deemed necessary, to confer external mandates instrumental to the performance of its duties.

8. DIRECTORS' REMUNERATION

Remuneration Policy

The Remuneration Policy for Directors and Senior Management ("Remuneration Policy), defined by the Board of Directors, is described in detail in the "Report on the Remuneration policy and on the fees paid" ("Remuneration report") produced pursuant to art. 123-ter of the TUF and available on the website www.gruppo.acea.it/it in the "Governance - Remuneration" section, to which reference should be made.

The Appointments and Remuneration Committee and the Board of Directors of the Company play a central role in defining the Remuneration Policy.

The Human Resources unit, in coordination with the other competent corporate departments/units and involving the top management, sets up in a proactive, clear and transparent manner the process of developing the remuneration policies. The preliminary phase begins with the monitoring of the most widespread market practices, also through benchmarks prepared by leading operators in the sector, with the intention of aligning and/or keeping aligned its Remuneration Policy with the best practices.

The result of these activities enables the competent bodies to submit to the shareholders remuneration policies and guidelines increasingly appropriate for the professionalism, competence and commitment required. The aim of the Acea Group remuneration policy is to attract, motivate and retain individuals who, due to their technical and managerial skills and their differing profiles also in terms of gender and experience, are a key factor to the success of the Group.

On the basis of the documents produced by the Human Resources unit, the Appointments and Remuneration Committee submits the Remuneration Report to the Board for approval.

The Committee provides information to the Board of Statutory Auditors, in order to enable the latter to check the consistency of the proposals on the subject of the directors' remuneration with the remuneration policy for the purpose of expressing the opinion pursuant to art. 2389 of the Italian Civil Code.

The intervention of the main corporate management bodies in the process for the approval of the Remuneration Policy ensures that it is based on clear and prudent rules which ensure that it is consistent, avoiding situations of conflict of interest and guaranteeing its transparency through suitable disclosure.

Remuneration of Executive Directors and Executives with Strategic Responsibilities

The Remuneration Policy defines guidelines that are consistent with the topics indicated below:

- a significant part of the remuneration of the Company's Executive Directors and key managers, as expressly required by the Code, is linked to the economic results achieved by the Company and, possibly, to the achievement of specific performance targets — pre-set, measurable and aimed at promoting sustainable success — indicated in advance by the Board of Directors itself. It should be noted that, following the consensual termination of the employment relationship with Giuseppe Gola, on 26 September 2022, the Board of Directors appointed Fabrizio Palermo as the new Chief Executive Officer. It therefore became necessary to quickly renegotiate Fabrizio Palermo's remuneration package, also taking into account not only his qualifications and proven experience in the financial management of complex company structures, but also the special circumstance of a change in the company's top management so close to the renewal of the Board of Directors. In view of the special conditions of the Chief Executive Officer's entry into office, with a fixed term mandate lasting until the expiration of the outgoing Board of Directors, for 2022, it was therefore not deemed appropriate to allocate the short-term and long-term variable incentive instruments due to the short term of the office, as detailed in the"Remuneration Report - Section I;
- a system of medium-long term variable incentives (Long Term Incentive Plan) is contemplated, to be vested in three years. The aim of this plan is to encourage the management to pursue the Group's economic-financial and sustainability results in the interests of the shareholders;
- as of 2015, in line with a growing need for transparency expressed by the Self-Governance Code and in view of an increasingly responsible remuneration policy, the claw back clause, already adopted for executives and key managers, has been extended also to the managerial roles which have greater impact on the Group's business. Based on this clause, the Company is granted the right to request the restitution of variable remuneration (both short and long-term), should these components be found to have been paid on the basis of conduct of a malicious nature and/or due to serious misconduct, such as the intentional alteration of the figures used in achieving the objectives or obtaining these figures through conduct contrary to the corporate or legal regulations.

Please note that in a market context in which the connection between variable remuneration mechanisms and the achievement of social and environmental as well as economic results is increasingly widespread, also after Legislative Decree 49/19 to encourage long-term commitment from shareholders, for many years the Acea Group has sought to further integrate sustainability into its business. In fact, in line with previous years, the short-term incentive plan includes both economic and financial objectives and those relating to sustainability. Similarly, the Long Term Incentive Plan includes parameters intended to align the interests of management with those of shareholders and closely linked to the Group's Business Plan, through the use of economic/financial indicators and indicators which recognise the creation of value which is sustainable over the medium/long-term.

For details on the remuneration package for the Chairperson and the CEO, as well as for other executives with strategic responsibilities, please refer to Section II of the Report on Remuneration, pursuant to art. 123-*ter*, TUF.

Remuneration of non-executive Directors

The remuneration of non-executive directors is not linked to the economic results achieved by the Company, but to the commitment requested of them and their possible membership of one or

more committees. No share incentive plans involve non-executive directors.
With the assistance of the competent Appointments and Remuneration Committee, for many years the Board of Directors has undertaken a process of analysis aimed at aligning the remuneration paid to corporate bodies with market best practices.
It should be noted that, in the light of the benchmarking activities carried out, with the support of the competent internal departments and external consultants, the total remuneration paid to members of the administrative body is below the first quartile of the relevant market.

Accrual and payment of remuneration

At the end of the reference period of the Remuneration Policy, the Board of Directors, on the proposal of the Appointments and Remuneration Committee, approves the achievement of the performance objectives associated with the variable incentive schemes, verifying the consistency with the terms set in the remuneration policy, which is considered an effective lever in the pursuit of the goals of the Strategic Plan.

Indemnity for Directors in the case of revocation, resignation, dismissal or discontinued office subsequent to a takeover (art. 123-*bis*, par. 1, lett. i, TUF).

In reference to the policies in force in the event of contract termination, please refer to the provisions established by the Collective Labour Agreement (CCNL) for Executives of Public Utility Service Companies, parts IVa) and Va) of which regulate the methods for the definition of the contract terminations of Executives and the "Executive Exodus Management" policy approved by the Board of Directors with Resolution no. 33 of 21 December 2011, which is still in effect. The "Executive Exodus Management" Policy, which refers to the Collective Labour Agreement (CCNL), considers the short and long-term fixed and variable components of the monthly salary payments. The Chief Executive Officer, Mr. Gola, is entitled to receive the maximum amounts provided for by the policy.
No agreements have been stipulated between Acea and the directors in office which contemplate non-competition agreements or indemnity in the case of their dismissal or resignation/revocation without just cause.

9. ETHICS AND SUSTAINABILITY COMMITTEE

The Committee is a panel body having full and autonomous powers of action and control designated with providing preliminary, propositional and advisory support to the Board of Directors within the context of corporate ethics and environmental, social and governance topics (ESG Environmental, Social and Governance).
The composition and operation of the Committee are disciplined by specific Regulations approved by the Board of Directors.
The Committee consists of four non-executive directors from Acea, the majority of which are independent, specifically: Gabriella Chiellino (Chairperson, independent), Francesca Menabuoni, Massimiliano Capece Minutolo Del Sasso and Giacomo Larocca.
As required by the aforementioned Regulations, Ms. Chiellino has adequate experience in environmental matters and/or corporate social responsibility, assessed by the Board of Directors upon appointment.
The Committee's secretariat duties are performed by the Board of Director's secretary or by another subject chosen by the Committee itself.

So as to fulfil its responsibilities, it carries out the following duties:
a) promote the integration of sustainability in the strategies and culture of the company and favour its circulation among employees, shareholders, users, clients, the territory and all the stakeholders in general;
b) supervise sustainability issues, also in relation to reporting aspects required under Italian Legislative Decree 254/2016, associated with the exercising of business activities and interaction dynamics between the company and all stakeholders and examine the main corporate rules and procedures proving to be of relevance upon comparison;
c) examine the guidelines of the sustainability plan and the procedures for implementing them;
d) monitor the implementation of sustainability plan approved by the Board of Directors;
e) examine the no profit strategies of the company;
f) monitor, regarding matters of competence, the adequacy of the Code of Ethics and its effective implementation;
g) express, by request of the Board of Directors, opinions on other matters regarding sustainability;
h) report to the Board of Directors, at least on a half-yearly basis and no later than the term for approving the annual or interim financial report, about the activity carried out;
i) liaise with the pertinent corporate structures and bodies in relation to aspects of ethics and sustainability.

It should also be noted that, on 29 May 2020, the Board determined, as previously resolved on 13 December 2018, that the powers of the Diversity Committee remain assigned to the aforementioned committee, namely: "Promoting, in light of international best practices, a culture of valuing diversity, avoiding and countering all forms of discrimination, and encouraging the adoption of a diverse approach to people management, spreading sensitivity and awareness of the value of differences at all levels of the organisation and monitoring overall development".
During the period, the Ethics and Sustainability Committee held 8 meetings, with an average duration of 1 hour 30 minutes, mostly attended by its members. The Chairperson of the Board of Statutory Auditors and/or another Auditor also participated in the meeting and provided valuable contributions to the discussion.
The attendance of each Director at the Committee meetings is detailed in Table no. 3.
In 2023, as at the date of this Report, the Committee had met on 5 occasions.

In 2022, the Ethics and Sustainability Committee:
- expressed a favourable opinion on the Board of Directors' adoption of the Group Equality, Diversity & Inclusion Policy submitted for its consideration;
- received an update regarding the progress of activities aimed at obtaining UNI 125:2022 certification on Gender Equality;
- was updated on the project on sustainability in the supply chain, by adding a sustainability indicator to the vendor rating model;
- acquired the documentation pertaining to (i) the functional process of defining a first draft of the "Purpose of the Acea Group";
- acquired updates regarding issues related to health and safety at work in the Acea group as well as measures put in place by Acea to deal with the COVID-19 emergency;
- received an update on the sustainability initiatives, events and projects implemented by the Company;
- to the extent of its responsibility, examined and shared the process that led to the definition and identification of the corporate scope for the non-financial consolidated statement for the financial year 2022;
- acquired, from the relevant internal structures, a briefing on the new edition of the Universal Standards, released by GRI in 2021, with mandatory application from 2023, for 2022 and other regulatory developments (Taxonomy) impacting the 2022 non-financial reporting cycle;
- examined the interim report from the Ethics Officer, which serves to monitor compliance with the values of transparency, legality, equity and ethical integrity in relations with employees, suppliers, customers and all stakeholders, with regards to notifications received on presumed violations of the Ethics Code the law, internal regulations governing Group activities and any other conduct in violation of the behavioural principles established by the Acea Group (whistleblowing system);
- expressed a favourable opinion, for the purpose of subsequent discussion and approval by the Board of Directors, regarding the amendments made to the Group Code of Ethics.

Lastly, it should be noted that, in 2022, the Committee launched a project aimed at defining a dashboard as a governance tool for monitoring Acea's qualifying sustainability initiatives and projects aimed at providing a concise, updated and coordinated overview

with internal and external guidelines and objectives (business plan, SDGs, EU and national reference institutional initiatives).
The Board of Directors confirmed the allocation of an annual budget for 2023 of € 25,000.00 (twenty-five thousand point zero zero) for the Committee.

It is noted that the Ethics and Sustainability Committee is also responsible for supporting the administrative body in the review and approval of the business plan of the company and the Group, including on the basis of the analysis of topics relevant to the generation of long-term value.

10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM - CONTROL AND RISKS COMMITTEE

Acea's Internal Control and Risk Management System, an essential element of the Group's Corporate Governance system, consists of all the people, tools, organisational structures, rules and regulations aimed at enabling the Acea Group to be managed soundly, correctly and consistently with corporate objectives, through an adequate process of identification, measurement, management and monitoring of the main risks, in order to contribute to the sustainable success, the structuring of adequate information flows to ensure the circulation of information and the coordination of the various players in the Control System.
This system is constantly reviewed and updated through specific projects aimed at increasing its integration into the more general organisational and corporate governance structures adopted by Acea, aligning it with the recommendations of the Code, adopted by the Board of Directors on 16 December 2020, and the best national and international practices.
The definition of an adequate SCIGR contributes to a healthy, legitimate and consistent management of the company through the making of informed decisions compatible with the risk appetite defined by the Board of Directors, and helps to ensure the protection of the company's assets, the efficiency and effectiveness of processes, the reliability of the information provided to corporate bodies and the market and compliance with laws, regulations, the Articles of Association, the Code of Ethics and internal procedures, thus constituting a fundamental prerequisite for assessing the adequacy of the Company's general organisational, administrative and accounting structure.

The "Internal Control and Risk Management Guidelines" ("Guidelines") were approved by the Board of Directors in January 2020, with the aim of:

- providing guidelines for various actors involved in the SCIGR, so as to ensure the main risks impacting the Acea Group are properly identified and adequately measured, managed and monitored;
- identify principles and responsibilities with regards to governing, managing and monitoring risks linked to company activities;
- establishing control activities at all operational levels and clearly identifying tasks and responsibilities in order to avoid any duplicated activities and ensure coordination between the main subjects involved in the SCIGR;
- defining the architecture of the Control System adopted by the Group, and in particular outlining the stages that make up the definition process;
- defining specific information flows among the various actors of the Control System, through the preparation of a matrix that identifies actors, objectives, frequency and description of the flow as well as the recipients or other actors who are informed based on their role in the SCIGR.

Updating the guidelines is one of the fundamental elements for the definition of the Acea Group's control model aimed at strengthening and consolidating the culture of control and risk management.
In 2022, projects continued to update the Guidelines that became necessary in view of organisational changes to the corporate context, regulatory changes and the associated best practices.

a. Roles and responsibilities in the Internal Control and Risk Management System

The governance and implementation of the complete SCIGR involves actors with diverse roles within the Company (governance and control bodies, Company departments, management, employees). In line with the recommendations of the Code and the best practices of reference, the Guidelines describe the roles and responsibilities of these actors. For a description of the roles and duties of the main actors, we invite you to refer to the specific paragraphs of this Report (Board of Directors, internal committees within the Board, the Managing Director, the Internal Audit function manager, Risk & Compliance function manager, the Financial Reporting Officer and the Supervisory Body).
Beyond the tasks or responsibilities specifically identified for these actors, the management, the employees and all the people working for Acea, each for their own area responsibility, must contribute to the adequacy and effective operation of the SCIGR. To this end, with the support of specific training, Acea strives to ensure that the management, employees and all people working in the company acquire, each according to their role, all the skills and professionalism necessary to allow an effective operation of the SCIGR.

b. Risk identification, assessment and management

Given the nature of its business, the Acea Group is exposed to various types of risks, therefore to manage these risks, analyses and monitoring are carried out by each company as part of a structured and coordinated process implemented at a Group level through the integration of two complementary approaches (Enterprise Risk Management and Continuous Risk Management), aimed at assessing and treating the risks of the entire organisation in an integrated logic, consistent with its risk appetite, with the aim of providing management with the information needed to make the most appropriate decisions to achieve strategic and business objectives, to safeguard, grow and create value for the company.
This combination is designed to ensure effective control of the entire universe of main risks the Group is potentially exposed to, guaranteeing management of the Group's overall exposure in line with the objectives of the Business Plan and Sustainability.
Group management is responsible for identifying and evaluating risks, on the basis of the guidelines and methodological instruments defined. These activities are done so as to guarantee appropriate responses are suitably defined, to mitigate and monitor risks. The Risk & Compliance function and other second-level control functions for specialised risks provide support throughout the entire risk identification, assessment and management process.

The control activities are wholly or partially integrated into the operations, involve all organisational levels and include a set of various operations, like approvals, authorisations, checks, comparisons, review of operational performance, controls of information systems, controls to safeguard company assets, separation of duties, etc.

Responsibility for controls is divided into three complementary levels:
- the first level of control is aimed at ensuring the proper conduct of business processes through the identification, assessment, management and monitoring of risks, for which it implements appropriate mitigation actions. The responsibility for their execution is generally assigned to the line structures;
- the second level of control is aimed at controlling specific company risks as well as verifying the adequacy and effective operation of the controls in place to manage the main risks. Furthermore, it provides support to the first level of control in defining and implementing mitigation actions for the main risks;
- the third level of control is entrusted to the Internal Audit function and provides independent and objective verification of the adequacy of the design and the effective operation of the SCIGR as a whole.

The activities of the Internal Audit function are regulated by the Board of Directors through the Audit Charter, which defines its purpose, remit, authority, responsibilities and other relevant provisions.
In particular, the Internal Audit function manager is responsible for verifying that the Control System is functioning, adequate and consistent with the guidelines defined by the Board of Directors. They report to the Board of Directors, they are not responsible for any operational activities and they may have direct access to all information useful for the performance of their duties. They report to the Chairperson, the CEO, the Control and Risks Committee and the Board of Statutory Auditors on the operation, adequacy and effectiveness of the Control System. The Internal Audit function operates on the basis of an Audit Plan, developed on the basis of a structured process of analysis and prioritisation of the main risks, which takes into account the results deriving from the monitoring performed by the company departments responsible for second level controls and any proposals received from Acea Functions/Departments/Operating Segments, as well as any requests from the Control and Risks Committee, the Board of Statutory Auditors and the Supervisory Body. The Audit Plan is approved annually by the Board of Directors, subject to the favourable opinion of the Control and Risks Committee and after having consulted the Board of Statutory Auditors and the CEO.

c. Qualifying elements of the Control System

Internal control environment
The foundations of Acea's SCIGR consist of a set of different elements, consistent with each other, which contribute in an integrated manner to establishing the environment Acea's people operate in, directing their activities within their assigned responsibilities and encouraging the taking of conscious decisions aimed at achieving corporate objectives.
Constituent elements of the internal control environment include: the adoption of ethical principles and standards of conduct; the adoption of regulatory instruments; the dissemination of a risk management culture in support of growth; a system of delegations and powers and the development of the skills of People working in Acea.

Second-level company control functions for particular risk categories
The CEO identified certain corporate functions – including some that are not exclusively dedicated – which identify, measure, manage and monitor specific types of risk connected with the Group's operations.
These centralised controls are the manner by which a transversal view of the risks and of the connected systems of control between the diverse processes within the Group is possible.

The company structures and the relative risk management models through guidance and/or monitoring activities are summarised below.
- Compliance: Antitrust and Unfair Commercial Practices Model; Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01;
- DPO Office: Group Privacy Governance Model;
- Enterprise Risk Management: analysis of the evolution of the Group's overall risk profile, development of a mitigation strategy and monitoring of its implementation;
- Integrated Certification Systems: Integrated Environment and Safety Management Systems;
- Executive Responsible: Group Management and Control Model pursuant to Italian Law 262;
- *Cyber Security:* Group Cyber Security Model.

d. Comprehensive assessment of the adequacy of the Control System

For details, see paragraph 4.1 of this Report regarding the Board of Directors.

Main features of the internal control and risk management system in relation to the financial reporting process (art. 123-*bis*, par. 2, Lett. b), TUF)

Introduction

In the Internal Control and Risk Management System, with reference to financial reporting, particular relevance is held by the "Group's Management and Control Model pursuant to Law 262" (the "262 Model"), adopted on the occasion of the updating of the Group's Internal Control System to the requirements of Law 262/2005. In particular, Acea created a process of adaptation to the needs expressed by Law 262/2005 aimed at planning an effective system of Internal Control over Financial Reporting ("*ICFR*"), subject to constant improvement and adaptation to the evolution of the Group and reference best practices, which can allow the Financial Reporting Officer and Chief Executive Officer of Acea to issue the market certifications required by art. 154-bis of the TUF.
The system is defined as all the activities for identifying the risks/controls and for defining specific procedures and tools adopted by Acea to ensure, with reasonable certainty, the achievement of the aims of the credibility, accuracy, reliability and immediacy of the financial information.
The Model 262 defines the guidelines, the methodological references and the responsibilities for the institution, assessment and maintenance of the ICFR.

The Model 262 is developed on the basis of the fact that the ICFR must be a part of the broader Internal Control and Risk Management System and an essential element of Acea's Corporate Governance, and that the credibility of the information disclosed to the market on the Company's situation and results is a fundamental element for all the stakeholders.

On 15 May 2019, the Board of Directors approved the latest update of the Management and Control Model of the Acea Group pursuant to Italian Law no. 262/05, which consists of documentation that defines the founding aspects of the system, namely:

- Financial Reporting Officer Regulation: defines the figure of the Financial Reporting Officer and governs their activities based on that established in the Articles of Association and applicable laws, as well as regulating their relations with internal and external stakeholders;
- Periodic internal reporting of the Acea Group: governs the internal information flows for the Acea Group (internal certifications) that allow the Acea Financial Reporting Officer and CEO to issue certifications pursuant to art. 154-*bis* of the TUF. The document includes Internal Declarations Letter templates.
- 262 Management and Control Model: defines the guiding principles and methodological approach for the establishment, assessment and maintenance of the Control System that oversees the preparation of the financial statements and illustrates the main components of the 262 Framework adopted by the Acea Group.

In addition to the three documents mentioned above which constitute the 262 Model, the Internal Control System for Financial Reporting is also regulated by the following documents:

- Group Accounting Standards Manual,
- Guide to the Closing of the Consolidated Financial Statements,
- Checklist for the collection and processing of accounting data at the end of the period.

When defining its 262 Model, Acea took inspiration from the principles of national and international best practices such as the CoSo Report[3]. The analysis is carried out according to two different levels, namely entity-level analysis and process-level analysis.
This approach is consistent with the Guidelines published by Confindustria and ANDAF for the performance of the duties of the Financial Reporting Officer, with the Framework presented in the Research document Assirevi no. 131-*ter*, and with national and international best practices (e.g. Models for adjustments to the Sarbones Oxley Act).

Description of the main features of the internal control and risk management system in relation to the financial reporting process

The Model 262 defines the guidelines of reference for creating and managing the Internal Control System for Acea Financial Reporting and for its consolidated companies of relevance to Financial Reporting ("relevant companies"), regulating the main steps and responsibilities.

a) Phases of the Internal Control and Risk Management System in relation to the financial reporting process

Defining the scope of analysis

Every year Acea updates the scope of analysis of the system of administrative-accounting controls and of the monitoring of the underlying processes, to guarantee that the risks relating to the financial reporting of the more significant accounting items within the consolidation perimeter are covered.
The scope of the analysis is initially determined by the contribution of each major company of the Group on the consolidated financial statements, taking into account the relevance for the same of the associated significant accounts and administrative-accounting processes; successively, the results of the analysis are integrated by considerations of a qualitative nature to take into account both the Group's structure and the features of specific financial statement items.

Entity-level analysis. The Entity Level Controls analysis considers the cross-cutting and infrastructural aspects of the Internal Control System, which mainly concern the corporate governance measures taken by the Company's administrative boards and management.
The identification of Entity Level Controls was conducted on the basis of the CoSo Report which represents the reference Framework for the assessment of the Internal Control System, duly adapted to the characteristics of the Group. The methodological approach defined by the CoSo Report establishes 17 core principles associated with 5 typical components of a control system (control environment, risk assessment, control activities, information and communication, and monitoring activities) which are interconnected and deeply integrated in management processes.
These principles have been adapted for Acea SpA's purposes, identifying specific entity control points to identify the organisational and regulatory tools adopted that satisfy them.

Process-level analysis.
The approach adopted by Acea makes it possible to identify and assess the risks and key controls deemed significant for the consolidated financial statements. To this end, the process-level analysis is carried out through the following stages:

- breakdown of the process into sub-processes and activities;
- Identification of responsibilities (process & risk owner, control owner);
- identification and assessment of risks in relation to specific phases/activities;
- identification of existing controls and their assessment for the identification of Key Controls;
- identification of any areas for improvement.

The output of this analyses is represented by the risk and control matrix, i.e. the administrative and financial procedures.

Monitoring
The successful implementation of controls in administrative and financial procedures, ascertained by the process and risk owner and the control owner as part of the Group's internal certification pro-

3 The CoSo Report (Committee of Sponsoring Organizations) issued by the Treadway Commission defines the Internal Control system as the combination of the following elements: Control environment, Risk assessment, Control activities, information and communication, and monitoring activities.

cess, is corroborated by the implementation of an independent test plan defined by the Financial Reporting Officer, aimed at ensuring that the controls are effectively implemented and are effective to the pursuit of the target. Considering the risk-based approach and following input from the Board of Statutory Auditors, the test plan is defined on a three-year basis, with the aim of evaluating the operation of all of the Key Controls identified in administrative and financial procedures.
The data base of the Three-year Test Plan (no. of Key Controls) changes every year based on the change in the scope of companies and processes in the scope of 262, which results in a corresponding change in the Key Controls to undergo operational testing.
The tests are carried out with the support of the Acea Internal Audit department and leading consultancy firms.
The Financial Reporting Officer implements a process for sharing and circulating the results of the test activities in order to induce the relevant management to implement the necessary corrective actions in their own structures.

Group internal certification process
The information contained in the administrative and financial procedures, prepared during the process level analysis phase, and the Entry Level Controls implemented by Acea in the entity level analysis phase, are validated by the process & risk owners of the Group's companies and by the managers of Acea's functions through the Group internal certification process.
In fact, considering the nature of the Group's business consolidation and the consequent legal requirement to produce consolidated financial statements and issue the relative statements to the Market, it is necessary to coordinate effective information flows to Acea. This coordination is based on the internal "chain" certifications issued by the parties involved on various levels in company processes and in the entity level controls.

The information communicated to the Financial Reporting Officer via the internal "chain" certifications is summarised in the Group Internal Certification Statements, which contain the following information:
- application of appropriate cross-cutting measures/control procedures able to guarantee the adequacy and operation of the internal control system (Entity Level);
- assessment of the design and operation of the controls defined in administrative and financial procedures (Process Level);
- any critical issues identified as well as the relative action plan;
- application of the reporting standards in force to prepare the consolidated reporting package and description of the main risks as defined in the Report on Operations;
- reasonableness of the assessment methods and significant assumptions used to determine estimates;
- absence of any significant events after year-end;
- knowledge of cases of fraud or suspected fraud.

Corrective Action Plan. If, on the basis of the analyses carried out by the business lines, the controls are found to be absent, not documented or not carried out correctly according to the company's procedures, the manager of the organisational unit concerned, up to the level of the Delegated Administrative Bodies for the Group companies shall define and implement a corrective action plan for the identified areas of improvement, with an indication of the timing and responsibilities implementing the corrective actions. The corrective action plan is submitted to the Financial Reporting Officer, for comprehensive evaluation of the system and coordination of the activities to be implemented and is updated every six months by the relevant entities.

Comprehensive evaluation. The Group internal certification process authorises the Acea Financial Reporting Officer and the CEO to issue the certifications pursuant to art. 154-*bis* of the TUF.

Therefore, the comprehensive evaluation of the Internal Control System on Financial Reporting is based on a complex evaluation process that considers:
- the results of the entity level and process level analyses;
- The internal "chain" certifications issued by the Acea management, by the Delegated Administrative Bodies of consolidated Companies in concert with the Managers of the Industrial Areas and the Head of the Chief Operating Office (where consistent with the organisational structure);
- the results of the tests;
- final analysis of areas for improvement identified, with reference to their significance in financial reporting.

Any important shortcomings that are found are communicated to the control bodies according to the procedures laid down in the Financial Reporting Regulations.

b) Roles and Functions involved

The Model 262 is based on the clear internal attribution of responsibilities in the planning, assessment and maintenance over time of the ICFR, without prejudice to the responsibilities attributed by law to the FRO and to the delegated administrative body. For this purpose, the Group internal certification process aims to ensure the adequate internal formalisation of the responsibilities for the adequacy and effective application of the entity level controls and the administrative and reporting procedures, to monitor the corrective action plan, when necessary, and to immediately detect possible modifications to controls of the business lines and change/risk factors that arise in the course of ordinary process operations that may influence the adequacy of the ICFR.
The evaluation process of the Financial Reporting Officer and the CEO upon which, according to the Consob model, the certification of the financial statements is based, therefore considers the internal certifications issued, in particular, by the Acea function managers and, or consolidated companies, by the process & risk owners/the Delegated Administrative Bodies, along with the managers of the industrial areas and the head of the Chief Operating Office (where consistent with the organisational structure).
The 262 Model identifies the main parties involved in the financial reporting process, in addition to the FRO and the delegated administrative bodies, with the relative responsibilities.
The Control Owner is the individual entrusted with the responsibility for performing and certifying the controls within their competence to guard against specific risks in accordance with the methods and timeframes set forth in administrative and accounting procedures.
The process and risk owner is responsible for a related series of activities necessary for achieving a specific control objective. They are responsible for carrying out the overall assessment of the design and implementation of the control, with reference to the processes within their remit, indicating whether the such processes have been adapted to monitor the risks identified and monitored during the

risk assessment. They are also responsible for updating and ensuring the implementation of the corrective action plan.
The 262 Manager of the company/Acea Department is the person responsible for guaranteeing Group oversight of the implementation of the Model pursuant to Law 262/05, ensuring the flow of information to and from the FRO. They are responsible for consolidating all the information received from the process & risk owners and assembling the overall assessment of the design and operation of the controls for the relevant company/Acea department, submitting it to the Administrative Body of the relevant Company or to the Head of the Acea Department.
The company's Administrative Body is responsible for assessing the design and function of the controls defined in the company's administrative and accounting procedures and for sending the internal certification letter to the FRO, using the established format, together with the duly validated corrective action plan, also communicating any changes/risks which have arisen during the reference period which could influence the adequacy of the ICFR.
Acea Department Managers are responsible for evaluating the design and function of entity-level controls defined in the documentation relating to the relevant department/function and for sending the internal certification letter to the FRO, using the established format, together with the duly validated corrective action plan, also communicating any changes/risks which have arisen during the reference period which could influence the adequacy of the ICFR.
Finally, with reference to the other governing and internal and external control bodies for the Group, Acea has established a process to exchange information, to and from the FRO, structured and modulated to foster as broad an overall view as possible of the internal control system on the part of said bodies.

10.1 CHIEF EXECUTIVE OFFICER

The Chief Executive Officer is assigned the role of director in charge of establishing and maintaining the internal control and risk management system in accordance with the provisions of the Corporate Governance Code.
In 2022, the CEO – with the support of the ERM unit within the Risk & Compliance function and of the information coming from the second level controls on specialised risks – identified the main business risks, taking into account the characteristics of the activities carried out by Acea and its subsidiaries, and submitted them to the Board for examination. He has put into practice the guidelines drawn up by the Board of Directors, ensuring the planning, execution and management of the Internal Control System through the relevant structures and the constant monitoring of the overall adequacy, effectiveness and efficiency.
He has also provided for the adaptation of the system to the dynamics of the operating conditions and the legislative and regulatory context.
The CEO may request the Internal Audit function, notifying the Chairperson of the Board of Directors, the Control and Risks Committee and the Board of Statutory Auditors, of the execution of verifications on specific operating areas and on respect for the internal rules and procedures in the execution of Company operations.
The Chief Executive Officer also promptly informs the Control and Risks Committee and the Board of Directors of problems and critical situations that arise in the performance of their activities or which come to their knowledge.

10.2 CONTROL AND RISKS COMMITTEE

The Control and Risks Committee was established to assist the Board of Directors, ensuring the latter adequate preliminary investigation and support in the assessments and the decisions related to the Control System, as well as related to the approval of the financial and non-financial reports.
As of the date of this report, the Control and Risks Committee consists of four non-executive directors, of whom the majority are independent, specifically: Liliana Godino (Chairperson, independent), Massimiliano Capece Minutolo Del Sasso, Giacomo Larocca and Francesca Menabuoni.
The Committee possesses appropriate expertise in the business sectors in which the Company operates such to enable the effective evaluation of the relative risks. The Board of Directors recognised that Liliana Godino meets the requirement of adequate knowledge and experience in reporting and financial matters and risk management.
The Committee's secretariat duties are performed by the Board of Director's Secretary or by another subject chosen by the Committee itself.
The Committee carries out its inquiries and issues opinions to the Board of Directors regarding:

1. the definition of the Guidelines for the Internal Control and Risk Management System, so that the main risks that may impact Acea and its subsidiaries – including the various risks which may become significant with a view to medium-long term sustainability – are correctly identified, and adequately measured, managed and monitored;
2. the determination of the degree of compatibility of the main risks with a management consistent with the strategic objectives identified;
3. the assessment, at least once a year, of the adequacy of the SCIGR in respect of the Company's characteristics and the risk profile adopted, as well as the effectiveness of the said system;
4. the appointment and revocation of the Internal Audit function, defining the remuneration thereof in line with company policies as well as the adequacy of the resources assigned to the function;
5. the approval, at least once a year, of the work plan drawn up by the Internal Audit function manager;
6. the assessment, having consulted with the Board of Auditors, of the results explained by the statutory audit in a letter of suggestions, where applicable, and in the report on fundamental issues that have come to light during the audit of the accounts;
7. a description, within the annual report on corporate governance, of the main features of the SCIGR and the methods of coordination among the persons involved therein, expressing its opinion on the overall adequacy of the same.

Additionally, the Committee assists the Board of Directors by:

- evaluating, having consulted with the Financial Reporting Officer, the independent auditor and the Board of Statutory Auditors, of the proper use of accounting standards and their uniformity relative to preparation of the Consolidated Financial Statements;
- evaluating the capacity of the periodic financial and non-financial reporting to correctly represent the business model, the company strategies, the impact of its business and the performance achieved, in coordination with the Ethics and Sustainability Committee;

- evaluating, together with the relevant Acea function, after hearing from the independent auditor and the Board of Statutory Auditors, the proper use of accounting standards adopted for the purposes of preparing the non-financial declaration pursuant to Italian Legislative Decree 254/2016;
- supporting, through adequate research, the assessments and decisions of the Board of Directors with regards to management of risks deriving from prejudicial events of which the Board of Directors has become aware;
- expressing opinions to the Board of Directors on specific aspects inherent to the identification of the main risks for the company;
- reviewing and evaluating the reports prepared by the FRO and expressing an opinion to the Board of Directors regarding the adequacy of the powers and means assigned to the FRPO and the effective application of administrative and reporting procedures, to enable the Board to exercise its supervisory duties provided for by law;
- monitoring, for matters within its competence, the adequacy of the Code of Ethics and its effective implementation;
- examining periodic reports evaluating the SCIGR and those of particular significance prepared by the Internal Audit function;
- monitoring the autonomy, adequacy, efficacy and efficiency of the Internal Audit function;
- requesting, where required, the Internal Audit function to carry out audits in specific operational areas, duly notifying the Chairperson of the Board of Statutory Auditors, Chairperson of the Board of Directors and the Director assigned to the Control System, with the exception of cases in which the subject matter of the audit request specifically concerns the activity of such subjects.

The Committee reports to the Board, at least every six months, at the approval of the annual and half-yearly financial report, regarding the activity performed as well as the adequacy of the SCIGR and, at least once a year, assesses its own size, composition, function and independence with respect to the assigned duties.
In 2022, the Committee met on 10 occasions, with an average duration of 3 hour and 7 minutes, with the minutes duly recorded and characterised by the regular attendance of its members. The Chairperson of the Board of Statutory Auditors and/or another Auditor also participated in the meeting and provided valuable contributions to the discussion.
As at the date of this report, 4 meetings have been held.
The attendance of each Director at the Committee meetings is detailed in Table no. 3.
The meetings were also attended, at the invitation of the Chairperson of the Committee, by company department representatives to illustrate certain items on the Agenda, and their attendance was notified in advance to the Chief Executive Officer.

In 2022 the Committee performed the tasks reserved to it by the Corporate Governance Code and, in particular:

- it assisted, carrying out the necessary enquiries, the Board of Directors in its decisions and assessments related to the control system, and those related to the approval of the periodic financial reports;
- it examined the process used to prepare the Non-Financial Statement relative to financial year 2022, as well as progress in assurance activities with regards to the document by the auditing firm PricewaterhouseCoopers;
- it shared, with the competent corporate functions, the various stages of the process to define the Non-Financial Statement for 2022; in this regard, it was informed on the evolution and evaluation of applicability of the new GRI standards for the non-financial reporting cycle for the 2022 financial year;
- it evaluated, after consulting with the Financial Reporting Officer, the independent auditor and the Board of Statutory Auditors, the proper use of accounting standards and their homogeneity relative to preparation of the Consolidated Financial Statements;
- it expressed a favourable opinion on the Internal Audit's Plan, prior to its presentation to the Board for approval;
- it examined the periodic reports from the Internal Audit function regarding progress with the Audit Plan, the results of individual audit activities, implementation status for improvement actions established by management with regards to issues identified (monitoring and follow-up) and evaluations regarding the appropriateness of the SCIGR issued by the Internal Audit Function Manager;
- it monitored the autonomy, adequacy, efficacy and efficiency of the Internal Audit function;
- it examined and assessed the Reports prepared by the Financial Reporting Officer and the action plan regarding the adequacy of the powers and means assigned to the same Officer and on effective compliance with administrative and accounting procedures;
- it conducted in-depth studies on the management of consulting assignments;
- it expressed a positive opinion on the Guidelines, reserving the right, however, to complete the preliminary investigation regarding the Regulatory Compliance Guidelines at a subsequent meeting;
- after the emergency caused by the Covid-19 pandemic, it was informed about the actions implemented by the Company to deal with the emergency and guarantee compliance with the restrictive measures imposed to protect public health;
- it reported to the Board, at least once every six months, at the time of the approval of the annual and interim financial reports, on the activity it performed and on the adequacy of the Internal Control and Risk Management System.

The Committee had access to the information and company departments necessary for the execution of its responsibilities.
The Board of Directors confirmed the allocation of an annual budget for 2023 of € 25,000.00 (twenty five thousand point zero zero) for the Committee so as to allow the latter, should it be deemed necessary, to confer external mandates instrumental to the performance of its duties.

10.3 THE INTERNAL AUDIT FUNCTION MANAGER

On 22 January 2019, the Board of Directors, on the proposal of the Chief Executive Officer, with the favourable opinion of the Control and Risks Committee and after consulting the Board of Statutory Auditors, resolved on the appointment of Mr. Simone Bontempo as Manager of the Internal Audit function from 1 February 2019 and defined his salary, in accordance with the Company's policies.
On the proposal of the Chief Executive Officer, after receiving the favourable opinion of the Control and Risk Committee, as well as after consulting the Board of Statutory Auditors, the Board of Directors ensures that the Internal Audit Function Manager is pro-

vided with adequate resources to carry out the responsibilities assigned to them.
The Guidelines of the Internal Control and Risk Management System approved by the Board of Directors define the Internal Audit Function's mission and activities, according to which this Department has a central role in the coordination of the SCIGR. The Internal Audit function manager is required to verify the operation and adequacy of the SCIGR and the consistency with the relative guidelines by means of verifications, both continuously and in relation to specific needs, on the operations and suitability of the Control System and the support of the Chief Executive Officer in the activities to identify and establish the priorities of the main risks to which Acea and its subsidiaries are exposed.
At its meeting on 13 February 2022, the Board of Directors approved the Internal Audit function's work plan and at the same time it verified the adequacy of the resources allocated to the Department for the performance of its duties.
The Internal Audit function manager in office had direct access to all useful information for the performance of his mandate, had no responsibility for operational areas, nor is he hierarchically subordinate to the managers of the operational areas and reported directly to the Board of Directors.

During the financial year the Internal Audit function, performing its duties as described, carried out the following activities:

a) it verified, both continuously and in relation to specific needs and consistently with the international standards for professional internal auditing, the functioning and the suitability of the Control System, through the activity plan of the Internal Audit function approved by the Board of Directors;
b) it carried out additional audits with respect to the Audit Plan, requested by top management and the control bodies;
c) it prepared reports after individual audits and requested the competent functions/companies, when necessary, to draw up action plans for overcoming the critical issues found, monitoring the implementation and reporting the results to the Control and Risks Committee;
d) it constantly informed, by means of drawing up specific reports, the Chairperson of the Board of Directors, the Chief Executive Officer, the Control and Risks Committee about the activities carried out and related results; it drew up reports on significant events at the request of the Chairperson of the Board of Directors and the CEO;
e) within the sphere of the Audit Plan, it verified the reliability of the information systems, including those of accounting disclosure;
f) it supported the Acea Supervisory Body and those of the subsidiaries in the audits pursuant to Legislative Decree 231/2001;
g) it monitored initiatives for overcoming anomalies found in the implementation and functioning of the controls, also through follow up activities;
h) supporting the Ethics Officer, it collected and processed, following the guidelines defined in the whistleblowing procedure, reports received relating to cases of alleged violations involving failure to comply with the law, internal regulations and the Code of Ethics;
i) it internally assessed the compliance of available resources and of the methodology adopted by the Internal Audit function in the execution of its activities with regards to the Internal Professional Practice Framework issued by the Institute of Internal Auditors;
j) it drafted the final report in which it gave an assessment of the suitability of the Control System and sends it to the Chairperson of the Board of Directors, the Control and Risk Committee and the Board of Statutory Auditors, as well as the Chief Executive Officer.

10.4 ORGANISATION, MANAGEMENT AND CONTROL MODEL AS PER LEGISLATIVE DECREE 231/2001

With the adoption of the Organisation, Management and Control Model (MOG) pursuant to Italian Legislative Decree 231/2001, Acea has sought to comply with the provisions of the law, conforming to the guiding principles and provisions of Legislative Decree 231/2001 (the "Decree"), the Code and the recommendations issued by the supervisory and control authorities, with the aim of strengthening the control and Corporate Governance systems, in particular to prevent the predicate crimes of the Decree.
With the adoption of the MOG, Acea has set itself the following goals of a general nature:

- to achieve awareness of the activities that present a risk of offences under the Decree (risky activities) and awareness on the part of the addressees of the rules (methods and procedures) that discipline the risk activities;
- the circulation, personal acquisition and concrete affirmation of a corporate mentality based on legality, in the awareness of the Company's express disapproval of any behaviour contrary to law, the self-regulating provisions, the indications of the supervisory and control authorities and internal provisions;
- the dissemination, personal acquisition and concrete affirmation of a risk and control culture, to safeguard the achievement of objectives;
- the circulation, personal acquisition and concrete affirmation of a mentality of control, which must govern the pursuit of objectives; implementation of a structured system of procedures and controls that reduces the risk of committing crimes referred to in the Decree and of offences in general.

In relation to the various types of crime contemplated by Legislative Decree 231/01 and the relative sensitive activities, the MOG identifies functional and instrumental company processes, within the areas at risk of crimes, also referencing the general and specific safeguards which characterise the internal control system and which, consequently, recipients must carry out when performing their duties.
After its first approval in May 2004 by both Acea and its subsidiaries, the MOG was continually updated following the introduction of new predicate crimes within the catalogue of offences referred to in the Decree, of the evolution of case law, as well as changes in the company's organisation.
The current MOG, approved by Acea's Board of Directors in its meeting of 15 December 2021, is being analysed and revised through an in-depth process of analysing the risks associated with the company's processes, and with the aim of updating the MOG in relation to the additional crimes recently added to Legislative Decree 231/2001 and to enhance and reflect in the Model the changes that have taken place in terms of governance and the internal control system during the period. The general section of the MOG (which illustrates the principles of Italian Legislative Decree no. 231/01,

the Acea internal control system, the methodology used to prepare the Model, the establishment and role of the Supervisory Body, the Whistleblowing system and the disciplinary system) is available on the Company's website at www.gruppo.acea.it, in the 'Governance' section", where a section also covering all the MOGs of the Group Companies has also been created.
The Supervisory Body set up pursuant to art. 6, para. 1, lett. b) of Italian Legislative Decree no. 231/2001 is the body that has full and autonomous powers of initiative, action and control regarding the proper functioning, effectiveness and observation of the MOG.
The SB supervises the effectiveness and adequacy of the MOG, monitoring its state of implementation and proposing any necessary updates to the Board of Directors. It must also report to Acea's competent bodies any breaches of the MOG, ascertained or subject to pending investigations, which could lead to liability bearing on the Company.
With regard to the composition of the SB, a collegial body is appointed by the administrative body, with two external members, one of which is the Chairperson, who are experts on internal control and corporate criminal liability, as well as an internal member represented by the Internal Audit function manager.
The current Supervisory Body, appointed by the Acea Board of Directors at the meeting of 16 December 2020, will remain in office until the approval of the financial statements subsequent to those whose approval will coincide with the expiry of the current Board of Directors or, in the case of early expiration of the latter, will remain in office for 3 years.
The Board of Directors provides the SB with a specific annual budget of € 25,000.00 (twenty five thousand and zero cents), it being understood that, pursuant to that established in the Acea MOG, the Board of Directors ensures the SB has financial resources available to it for all requirements linked to the proper execution of its responsibilities, in order to guarantee and make concrete its autonomous "power of initiative and control", which the Decree recognises it.

10.4.1 Code of Ethics

With the Code of Ethics, adopted as early as 2001, Acea affirms and explicates the values, principles and behavioural standards that underlie its actions and those of its internal and external stakeholders. Observance of these values is deemed of fundamental importance not only for achieving business development and efficiency objectives, but also to guarantee correctness and transparency in company practices, as well as reliability and reputation for the Company and persons operating on their account.
Specifically, the Code sets out the general ethical principles that all company practices must be linked to, specifying the criteria of conduct towards each category of stakeholder and defining the mechanisms for implementing the principles and controlling the behaviour of the people who work in the Company's interest.
The Code of Ethics is therefore a fundamental element in the control environment of Acea, which circulates the knowledge thereof among personnel, both upon recruitment and in cyclical training activities, also carried out in e-learning mode. Compliance with the Code of Ethics is explicitly required of employees, suppliers and all those contributing in the Company's activity (advisors, collaborators, etc.).
By resolution of their Boards of Directors, the subsidiaries transpose the Acea Code of Ethics, which forms an integral part of the organisational and management models as per Legislative Decree 231/2001.
In 2021, the Ethics Officer initiated, in agreement with the Ethics and Sustainability Committee, a review of the Code of Ethics. The new version of the document was adopted by the Board of Directors on 9 November 2022, replacing the 2018 version.
In addition to reflecting regulatory and organisational developments, the update aims to make the Code of Ethics more usable and applicable and enable wider dissemination of Acea's principles and values to all Group companies and individuals.

Updates include the incorporation of references to principles and standards related to strategic initiatives for the Group, especially with regard to sustainability and, in particular, the valuing of principles related to ESG issues such as:

- the protection of human rights in every operational context, including the supply chain;
- explicit reference to issues related to inclusion, Acea's involvement of people, and organisational well-being;
- commitment to preserving biodiversity;
- the importance of dialogue and discussion with stakeholders;
- interacting with sustainability-conscious suppliers. In implementing the principles of the Code of Ethics, Acea has adopted a specific procedure to receive, analyse and process notifications of presumed violations of the Code of Ethics and the Organisation and Management Model pursuant to Legislative Decree 231/01, which ensures confidentiality and protects good faith whistle-blowers.

In compliance with regulatory provisions, in addition to traditional notification channels Acea has adopted a dedicated IT platform, through which internal and external entities can send notifications of suspect phenomena or behaviour, of irregularities in business actions, events or facts which could constitute a violation of internal or external norms, for Acea and its subsidiaries, with the maximum guarantee of confidentiality.
Responsibility for managing notifications and monitoring compliance with the values of transparency, legality, equity and ethical integrity in relations with employees, suppliers, clients and all stakeholders is entrusted to the Ethics Officer (for more information, see Section 10.6.2).

10.5 INDEPENDENT AUDITOR

Pursuant to art. 22 bis of the Articles of Association in force, the certified audit of the accounts is carried out by an auditing firm appointed and operating pursuant to law and pursuant to the regulations dictated for issuing companies listed on regulated markets. In particular, it verifies that the accounts have been regularly kept and that the management events have been correctly recorded in the accounts during the period, and it also verifies the Company's financial statements and the consolidated financial statements of the period.
The Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2016, held on 27 April 2017 in conformity with the provisions of law, by recommendation of the Board of Directors, with recommendations from the Board of Statutory Auditors, conferred PricewaterhouseCoopers SpA the assignment of auditing the Company's financial statements and the consolidated financial statements for a term of nine financial years — specifically 2017-2025, in other words until the approval of

the financial statements of the last year of the said mandate — and established the relative fees.
In the performance of its activity, the independent auditing firm had access to the company's information and data, in both documentary and electronic format, its archives and assets and those of its subsidiaries.
For information on the provisions of Recommendation 33, letter f) of the Code, please refer to paragraph 4.1 of this Report.

10.6 THE FINANCIAL REPORTING OFFICER AND OTHER CORPORATE ROLES AND FUNCTIONS

10.6.1 The Financial Reporting Officer

At its meeting on 29 May 2020, the Board of Directors resolved to appoint Fabio Paris, formerly the Manager of the Administrative, Planning and Control Office, as the Financial Reporting Officer for Acea, pursuant to art. 154-bis of Italian Legislative Decree no. 58/1998, who subsequently, with the Board resolution dated 17 June 2020, also took on the position of Chief Financial Officer (CFO) for Acea.
As required by the Articles of Association, the Financial Reporting Officer has a number of years of experience in the performance of managerial duties in administration and control activities at capital companies of significant size and is responsible for establishing and maintaining the Internal Control System regarding Financial Statements and to issue a specific certificate according to the model published by Consob, together with the CEO.
The figure of the Financial Reporting Officer, introduced by Law 262/05, was adopted by Acea with an amendment to the Articles of Association of 13 November 2006, which requires this figure to be appointed by the Board of Directors.

In line with the provisions of art. 22-ter of the Articles of Association of Acea and the Regulation of the FRO, the FRO is vested with the following powers and means:

- to request, within Acea and the companies included with the scope of consolidation of the Group, all information of an administrative and accounting nature that may facilitate the evaluation of the design and operation of the control system that oversees the process to prepare the financial reports and the consolidated financial statements, including interim reports;
- to request, within Acea and the companies included with the scope of consolidation of the Group, all information of an operational nature regarding events that may in any way significantly influence the performance of the Company and the Group;
- to access the data of the Acea departments and functions as well as those of Group companies, the archives and the company assets whenever deemed necessary;
- to propose, to the Board of Directors and to the Delegated Administrative Body of Acea, guidance aimed at all companies included with the scope of consolidation of the Group on the methodologies to be applied, as well as on the organisational structure of the administrative and control system;
- to draft, with the support of the Organisation and Governance Process Office and the operational departments, the company procedures regarding processes, including those of a cross-cutting nature, associated with the areas under the direct control of the Financial Reporting Officer;
- to propose changes to company processes and procedures for which the Financial Reporting Officer is not the process owner, including IT processes, which have an indirect impact on the preparation of the financial statements;
- to conduct controls on any company process that has a direct or indirect impact on the preparation of the financial statements;
- to analyse the design of the Group internal control system and, in particular, the general entity level controls; including general IT controls ("IT General Controls");
- to request assistance from other company functions and qualified external consultancy firms for the performance of risk assessments and to evaluate the design and functionality of the controls in place;
- to request certifications regarding the correct application of company procedures and their functionality in the reference period from other Acea functions and Group companies;
- to request changes to the Internal Control System on Financial Reporting (understood as the combination of people, tools, information and rules established to mitigate risks) of Acea and of the companies included within the Group's scope of consolidation;
- to act with financial independence and to operate in accordance with the general guidelines of the Company and in line with existing procedures, shared by the Financial Reporting Officer with the Delegated Administrative Body at the approval of the annual budget.

Pursuant to art. 154 bis of the TUF, the Board of Directors ensures that the Financial Reporting Officer has adequate powers and means to perform the tasks assigned to him or her, as well as effective compliance with the aforementioned procedures.
At the meeting held on 27 February 2023, the Board of Directors confirmed the adequacy of the powers and means available to the Financial Reporting Officer, as well as compliance with the administrative and accounting procedures prepared thereby.

10.6.2 Ethics Officer

The Ethics Officer is the Group's collegial body with the responsibility for managing the system of reporting alleged violations for non-compliance with the law, internal regulations and the Code of Ethics (Whistleblowing System), as well as monitoring compliance with the values of transparency, legality, fairness and ethical integrity in relations with employees, suppliers, customers and all stakeholders. Its responsibilities also include promoting communication programmes and activities intended to further disseminate the principles of the Code of Ethics within the companies of the Group, as well as any updates made to the Code of Ethics, and issuing guidelines and operating procedures to reduce the risk of violations of the Code.

The Ethics Officer is composed as follows:

- External component (Ethics Officer coordinator);
- Risk & Compliance Function Manager for Acea SpA;
- Human Resources Department Manager for Acea SpA;
- Internal Audit Function Manager for Acea SpA.

The Ethics Officer makes use of support from a Technical Secretariat consisting of the Acea Internal Audit Function to carry out its tasks and send the CEO and Acea's control bodies (Control and Risk Committee, Ethics and Sustainability Committee, Board of Statutory Auditors and Supervisory Body) periodic reports on

the notifications received, the studies carried out and the initiatives agreed to on training and communications inherent to the Code of Ethics and the whistleblowing system.

10.6.3 The Risk & Compliance Function

In consolidating the governance and management tools of the SCIGR, the company integrated the Risk & Compliance Function into the Group's macrostucture with a view to:

- planning, implementing and monitoring the Group's Risk Governance model, identifying, describing and measuring the main risk factors that could compromise the achievement of the Group's strategic and business objectives, defining and proposing risk management and mitigation policies, guiding the implementation and evolution of the Group's Enterprise Risk Management (ERM) framework;
- guaranteeing the effective and continuous implementation of the ERM process, also by coordinating and cooperating with other internal control structures, and ensuring reporting is provided to senior management and corporate and control bodies on the evolution of the Group's overall risk profile, possible impacts on strategic and business objectives and on the implementation and monitoring of actions to respond to risks;
- serving a preventive and proactive role in the before the fact assessment of non-compliance risks for company actions relative to reference regulations (antitrust, Legislative Decree 231/2001, environment, fraud, anti-corruption. etc.), examining the efficacy of processes with the objective of preventing violations of norms and rules, both internal and external, and suggesting, in the case of discrepancies, the most appropriate solutions;
- assessing the most appropriate measures to incorporate compliance requirements into the current privacy legislation for business processes, developing proposals and actions for changes and updates to policies, procedures and security measures, and verifying the actual effective implementation of the governance policies for the risks related to the processing of personal data;
- guaranteeing the definition, implementation and control over implementation of quality, environmental, safety and energy policies, in order to ensure QASE certification is obtained and maintained for the relevant processes;
- ensuring the design, implementation, monitoring and updating of the risk management system relating to processes and the Group's governance model, in line with current regulations and best practices for the sector/market;
- ensuring the design, implementation, monitoring and updating of the system of risks related to processes and the Group Governance Model and ensuring the alignment of governance tools with current regulations.

10.7 COORDINATION AMONG SUBJECTS INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In order to allow the various subjects involved in the SCIGR to adequately perform the role assigned in relation to such system, specific informatory flows are defined among the various levels of control and the competent management and control bodies, duly coordinated in terms of content and timing.

Acea's Guidelines contemplate the definition of a series of activities for the coordination between the various subjects involved in the Control System, in order to ensure continuous monitoring of the adequacy and its operation, and to facilitate the efficient exchange of information. These methods briefly consist of:

- periodic coordination meetings regarding, in particular, the processing of the financial information and the assessment, monitoring and mitigation of the risks (economic-financial, operational and compliance risks);
- information flows between the subjects involved in the Control System;
- coordination meetings and joint meetings between the Board of Statutory Auditors, Control and Risk Committee, audit firm, Financial Reporting Officer and the Internal Audit Function Manager;
- structured information flows between the second level control entities, top management, the Internal Audit function, the Risk & Compliance function and the control bodies;
- communication flows between the Internal Audit function and the Risk & Compliance function to support the specific activities of competence. In particular, the Risk & Compliance function informs the Internal Audit function about the main corporate risks useful for preparing the risk-based Audit plan proposal and receives the results of the internal audit activities where relevant to performing its task;
- structured information flows between the Supervisory Bodies of Acea's subsidiaries and the issuer's Supervisory Body;
- periodic reports to the Board of Directors;
- support from the Internal Audit function for Acea Supervisory Body activities and for those of the subsidiaries;
- communication flows within each Group company between the Board of Statutory Auditors and the Supervisory Body;
- information flows between the Board of Statutory Auditors and the Control and Risks Committee for the exchange of information necessary to the completion of the respective duties.

11. DIRECTORS' INTERESTS AND RELATED PARTIES TRANSACTIONS

Prior to discussion on each item on the agenda during the board meeting, every director must report any interests that it holds, directly or on behalf of third parties, connected with the topics or questions to be dealt with, specifying the nature, the terms, the source and the extent.
With regard to related party transactions, the Procedure for Related Party Transactions ("RPT Procedure") defined pursuant to article 2391-bis of the Civil Code was adopted in compliance with the principles established by the RPT Regulation, and was last amended by the Board of Directors on 21 June 2021, effective from 1 July 2021.

The RPT Procedure applies to transactions conducted directly by Acea, or by its direct or indirect subsidiaries, with related parties.
Based on amount, transactions are divided up as follows:

- transactions of Major Relevance: transactions in which at least one of the indices of relevance, indicated in Annex 3 of the RPT Regulation, is above the threshold of 5%, which must be approved by the Acea Board of Directors;
- transactions of negligible amount: transactions for which the value, calculated on the basis of the indicators set out in Annex 1, does not exceed, in relation to the described type of transaction, the following thresholds:
  1) Natural Person:
     1.a) € 30,000 for sponsorships and other similar initiatives;
     1.b) € 150,000 for the remaining types of transactions.
  2) Legal Entity:
     2.a) € 120,000 for sponsorships and other similar initiatives;
     2.b) € 200,000 for the remaining types of transactions;
- transactions of Minor Relevance, which includes all the transactions with related parties that cannot be classified as of major relevance or of negligible amount.

According to the RPT Procedure, before the approval of a transaction with a related party, whether of Major or Minor Relevance, the Transactions with Related Parties' Committee expresses an opinion on the Company's interest in the execution of the transaction and on the convenience and on the substantial correctness of the related conditions.
As at the date of this Report, the Committee for Related Party Transactions was composed of 3 directors, all of which were independent, specifically Liliana Godina (Coordinator), Massimiliano Capece Minutolo Del Sasso and Giacomo Larocca.
The Committee's secretariat duties are performed by the Board of Director's secretary or by another subject chosen by the Committee itself.
The works are coordinated by the Coordinator who reports on the activities at the next meeting of the Board of Directors.
The Committee held 11 meetings in 2022, duly recorded in minutes and regularly attended by all the members as well as the members of the Board of Statutory Auditors, with an average duration of approximately 58 minutes each.

In particular, in 2022 the Committee:

- conducted preliminary activities and issued the opinion of the Committee regarding a transaction with a related party of Acea;
- carried out the preliminary activities regarding the RPT implications arising from the project promoted by the City of Rome for the construction of a new waste-to-energy plant.

In 2023, as at the date of the Report, no Committee meetings had been held.
The attendance of each Director at the Committee meetings is detailed in Table no. 3.
The Board of Directors has confirmed the allocation of an annual budget for 2023 of € 50,000.00 (fifty thousand point zero zero) for the Committee so as to allow the latter, should it be deemed necessary, to confer external mandates instrumental to the performance of its duties.
For more information, please refer to the "Governance" section of the website www.gruppo.acea.it.

12. BOARD OF STATUTORY AUDITORS

12.1 APPOINTMENT AND REPLACEMENT

In compliance with the provisions of the law and of the Articles of Association, the Board of Statutory Auditors is composed of three standing auditors and two alternative auditors, appointed by the Ordinary Shareholders' Meeting for a term of three financial periods, and they can be re-elected on expiry of their mandate.
There must be a gender balance in the composition of the Board of Statutory Auditors, as governed by the applicable laws in force from time to time.
The Board of Statutory Auditors is appointed, in compliance with art. 22 of the Articles of Association, by the methods illustrated in paragraph 4.1 for the appointment of the Directors.
The appointment of the Board of Statutory Auditors is regulated by art. 22 of the Articles of Association, according to which members are appointed on the basis of the lists presented by the Shareholders who - individually or together with other Shareholders - represent, at the date on which the lists are filed - at least 1% of the share capital, or the minimum portion of the share capital determined by Consob pursuant to art. 144-quater of the Issuers' Regulation. In this regard, please note that the portion requested by Consob under Executive Determination no. 76 of 30 January 2023, for the presentation of the lists is 1%.
In particular, half plus one of the standing auditors to be elected will be drawn from the list that has obtained the majority of votes, in the progressive order in which they are placed on the list, rounded down to the nearest whole number in the case of a fractioned number, and one alternative auditor.
For the other members of the Board of Statutory Auditors, the standing auditor and alternate auditor will be respectively those who have obtained the first and second highest quotient in the minority list; pursuant to the combined provision of arts. 15 and 22 of the Articles of Association, in case of equal percentage, the standing auditor will be the one on the minority list that has obtained most votes. In any case, at least one standing auditor must be elected by the minority shareholders. If an auditor leaves office during a financial period, the alternative auditor on the same list as the outgoing auditor will take his/her place.
The appointment of Auditors who, for any reason, are not elected according to the above-illustrated procedure, must be approved by a Shareholders' Resolution passed with the majority required by law.
The Chairperson of the Board of Statutory Auditors will be chosen from those effectively elected from the minority list.

12.2 COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (pursuant to art. 123-*bis*, para. 2, lett. D, TUF)

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting of 27 April 2022 and its mandate will expire on the approval of the financial statements for 2024.

Three lists were presented at the appointment meeting: i) List no. 1 presented by Roma Capitale with three candidates, Claudia Capuano, Leonardo Quagliata and Rosina Cichello; ii) List no. 2 presented by shareholder Fincal SpA with two candidates, Maurizio Lauri and Mario Venezia; and iii) List no. 3 presented by a group of asset management companies and institutional investors with two candidates, Vito Di Battista and Diana Rizzo. List no. 1 was voted by 67.69%, List No. 2 by 20.53% and List no. 3 by 11.55% of voters.
Please note that the minority list declared the absence of any relationship or connection, including of an indirect nature, with the majority list.
All Auditors declared themselves to meet the requirements of professionalism, integrity and independence required by applicable law and by the Corporate Governance Code.

According to the appointments at that Meeting, the Board of Statutory Directors is formed, as described in Table 4, by the individuals below, for which, pursuant to art. 144 - decies of the Issuers' Regulation, a short professional description of each is provided:

- **Maurizio Lauri, Chairperson.** Born in Rome on 16 August 1962. Degree in Economics from LUISS, Master of Laws (LL.M.) – London School of Economics and Political Science, University of London. He has served as a director, also with top positions, for companies, including listed and public, as well as serving as a member of the control bodies for various companies and non-commercial entities.
  A Chartered Accountant and Auditor, he is a member of the Commission to Establish Behavioural Guidelines for the Board of Statutory Auditors of Listed Companies, within the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Council of Chartered Accountants and Accounting Experts).
- **Leonardo Quagliata, Standing Auditor.** Born in Rome, Italy on 21 October 1953. Graduated with honours in Economics and Business from the University of Rome "La Sapienza". A certified public accountant and auditor, he is the founder and owner of Studio Commercialista Quagliata.
  He was awarded the honour of Knight of the Order of Merit of the Italian Republic.
  He is a corporate law expert with specific expertise in governance and controls in corporations, including in energy and multiutility companies.
  He has lectured in teaching courses and participated as a speaker in conferences and seminars concerning the duties and responsibilities of the Board of Statutory Auditors.
  He holds and has held positions as Chairperson of the Board of Statutory Auditors and Standing Auditor, as well as Chairperson of the Supervisory Body pursuant to Legislative Decree 231/2001, in companies of national and international importance, including listed companies.
  He is the Chairperson of the Board of Auditors of a number of scientific and cultural foundations and associations and has been the Chairperson of the Board of Statutory Auditors of Hospitals and Local Health Authorities. He serves as Chairperson of an Advisory Committee and an Investment Committee of two Real Estate Funds (one of which is listed).

He has been collaborating for many years with the Civil and Criminal Court and the Rome Court of Appeals as Technical Consultant to the judge, judicial administrator, judicial inspector, judicial custodian and special curator.

- **Claudia Capuano, Standing Auditor.** A Chartered Accountant and Auditor, Managing Partner of Studio Capuano Legale e Tributario.
  She holds various auditing and supervisory body positions. She is the judicial administrator of assets subject to seizure by appointment of the Court of Rome, insolvency liquidator and Liquidator Commissioner in arrangements with creditors and voluntary liquidations. She holds positions as Expert and Court Appointed Consultant in criminal and civil trials and Technical Consultant of the Public Prosecutor.
- **Rosina Cichello Alternate Auditor.** A Chartered Accountant and Auditor, she holds positions on Boards of Statutory Auditors, particularly in the multiutility sector. She provides corporate consultancy in accounting, tax and administrative matters, consultancy for extraordinary transactions, and accounting and tax coordination and control directly at companies. She also serves as a PTC and arbitrator.
- **Vito Di Battista Alternate Auditor.** Born in Lecce, Italy on 10 January 1952, Vito Di Battista holds a degree in business administration from the Luigi Bocconi University. A Chartered Accountant and Auditor, he provides tax advice to industrial and financial companies, including listed ones. He currently serves as Chairperson and Chief Executive Officer of Angelini Finanziaria SpA, Chairperson of the Board of Statutory Auditors of Avio SpA and Chairperson of the Board of Directors of IBL Real Estate Srl. He has served as a member of the Supervisory Committee of Banca Popolare Andriese (limited partnership), Banca di Credito Cooperativo di Pachino (limited partnership) and Banca di Credito Cooperativo "S. Apollonia" di Ariccia (limited partnership). He has served, among other roles, as Chairperson of the Board of Statutory Auditors of Bancaperta SpA and Cassa di Risparmio di Fano S.p.A, as member of the Board of Directors of Istituto Bancario del Lavoro SpA and Cuki Group SpA, as Chairperson of the Board of Directors of Atlantide SpA, and as Standing Auditor of the supplementary pension fund Fondenergia. He also served as a board member of the Ned community.

The auditors have been chosen amongst people who can be qualified as independent and they must act with autonomy and independence, also as regards the shareholders that have elected them. Soon after her appointment, the Board of Statutory Auditors verified and confirmed that she met the independence requirements envisaged by law and the Code and communicated the result of this verification to the Company's Board of Directors. The outcome of the checks carried out was communicated to the market with a press release.
Subsequently, the Board of Statutory Auditors duly ascertained the existence of the requirements of independence (for more information see paragraph 4 of this Report) pursuant to the law and the Code regarding its effective members, verifying the existence thereof and submitting the outcome of the verifications to the Board.
The Board of Statutory Auditors receives from the administrative body, at the Board of Directors' meetings, information on the activity performed by the Board of Directors, by directly participating in the Board of Directors' meetings and by examination of the material which illustrates the items on the agenda, which it receives in advance in the same format and within the same terms as the documentation received by the Directors.
With regard to induction, the Chairperson of the Board of Directors ensured that the Statutory Auditors can participate in training initiatives. For more information see the paragraph "Role of the Chairperson of the Board of Directors".
The Board of Statutory Auditors exercises the powers and performs the duties contemplated by the provisions in force. In carrying out its duties, it coordinates with the Internal Audit function mainly through periodic meetings to illustrate the work plan for independent monitoring activities and results of the main actions carried out during the year. It also cooperates with the Control and Risks Committee, by the participation of the Chairperson and/or the Auditors at the meetings.
The remuneration of statutory auditors is commensurate with the commitment required, the importance of the role held and the company's size and sectorial characteristics.
In particular, the Shareholders' Meeting determined the annual lump sum fees due to the Chairperson of the Board of Statutory Auditors and for each Standing Auditor in the amount of, respectively, € 150,000.00 and € 100,000.00, as well as reimbursement of expenses necessary to carry out the role of Auditor.
Each member of the Board of Statutory Auditors is required to promptly and comprehensively inform the other members and the Chairperson of the Board of Directors of the nature, terms, origin and extent of any potential interest in a certain operation of Acea, both on their own behalf or on behalf of third parties.
During the period, the Board of Statutory Auditors held 25 meetings, with an average duration of 2 hours 26 minutes, regularly attended by the statutory auditors.
In 2023, as at the date of this Report, the Committee had met on five occasions.

Diversity criteria and policy

The information regarding the diversity criteria and policies applied in relation to the composition of the control bodies with regard to aspects such as age, gender balance and professional and educational background pursuant to art. 123-bis, paragraph 2, letter d-bis of the TUF is illustrated in the section of the Report devoted to the Board of Directors (paragraph 4.3).

Self-assessment of the Board of Statutory Auditors

For the first year, the Board of Statutory Auditors conducted its Self-Assessment for 2022 in accordance with the recommendations of the Corporate Governance Code and as set forth in Rule of Conduct Q.1.1. contained in the Rules of Conduct for the Board of Statutory Auditors of Listed Companies published in April 2018 by the National Council of Chartered Accountants and Accounting Experts (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* - CNDCEC). The Self-Assessment process focused mainly on composition, exercise of powers, and function.
The self-assessment process was conducted by having the auditors complete an ad hoc questionnaire.
In light of the information in its possession, at present, the Board of Statutory Auditors of the Company has assessed how adequate its composition is, having regard to the requirements of experience, diversity, expertise, integrity and independence required by law.

13. RELATIONS WITH SHAREHOLDERS

Information regarding the Company is precisely and immediately disclosed to the market and to the relative Supervisory Authorities. This information is made available in the "Investors" section of the company website www.gruppo.acea.it and is constantly updated.
Acea's organisational structure includes an Investor Relations & Sustainability Function which reports to the Chief Executive Officer, whose Manager is Stefano Raffaello Songini. The Investor Relations Unit reports to this Function, the manager of which is Elvira Angrisani.
On the approval of the annual, six-monthly and quarterly results of the Business Plan and of the execution of possible extraordinary price sensitive transactions, the Company organises special conference calls/webcasts/presentations with institutional investors and financial analysts. In this context, Acea maintains a dialogue with investors based on the principles of propriety and transparency in compliance with EU and national regulations on market abuse and with international best practices.
In 2022, Acea had approximately 400 interactions with Institutional Investors, Analysts and Bondholders by participating in several events, also held virtually, including included one-on-one meetings and broader presentations promoted by the Investor Relations and Sustainability Function or requested by the Market, Investor Conferences organised by Borsa Italiana and leading Commercial Banks, including events aimed specifically at SRI investors, national and international roadshows, and reverse roadshows. Furthermore, conference calls and webcasts were held for the approval of the company's interim and annual results. There were also numerous contacts with Analysts/Investors through e-mail exchanges.

Relations with Shareholders

From 10 November 2021, the Board of Directors of Acea adopted the "Policy for the management of relations with Institutional Investors, Shareholders and Bondholders of Acea" ("Relations Management Policy"), in line with the provisions of Principle 4, Recommendation 3 of the Corporate Governance Code.
Acea believes that promoting constant and constructive dialogue with the financial community can contribute to achieving company goals, strengthening the generation and sharing of value and ensuring the principles of transparency, timeliness, correctness and reliability which are the foundation for all the activities in the Group's mission.

The Relations Management Policy of Acea defines:

- the topics to be discussed with Institutional Investors/Shareholders/Bondholders;
- the corporate entities and departments responsible for engagement;
- the channels of communication through which the financial community can engage with the Company (Shareholders' Meeting, meetings with analysts, industry conferences, investor days, webcasts, company website, press releases, etc.);
- the methods and deadlines for reporting to the Board of Directors.

The implementation of engagement activities is entrusted to the CEO and the Chairperson.
The Chairperson ensures that the Board of Directors is regularly informed about the development and significant contents of the dialogue with the market.
The Investor Relations and Sustainability Function coordinates and manages dialogue with Institutional Investors, Shareholders and Bondholders, operating as a point of contact and an internal link for reactive and proactive engagement.
In the dialogue with Institutional Investors, Shareholders and Bondholders, the main topics discussed included the operating performance of the Company and the Group, the level of achievement of the objectives set out in the Business Plan, insights into regulatory aspects and the various measures adopted by the Government to protect the population, countering "rising utility bills".
There was also confirmation of a growing interest among Institutional Investors in environmental, social, governance (ESG) issues, particularly with reference to the sustainability targets included in the Business Plan.

14. SHAREHOLDERS' MEETING (PURSUANT TO ART. 123-*BIS*, PARA. 2, LETT. C, TUF)

The regulations governing the operation of the Shareholder's meeting are defined in the Articles of Association of Acea, making reference to applicable law.
In particular, with regard to the methods of convocation of the Meeting, art. 10 of the Articles of Association states that, without prejudice to the powers of convocation contemplated by specific provisions of law, the Shareholders' Meeting, whether ordinary or extraordinary, is called by the Board of Directors by a notice indicating the date and place of the meeting and the list of items on the agenda.
The meeting may also be held in a place other than the registered office, as long as the alternative location is within Italy. The relative notice is published on the Company's website, in the *Official Journal of the Italian Republic* and in the daily newspaper *Il Sole 24 Ore* within the terms laid down by the laws in force, if necessary also calling subsequent meetings.
The Ordinary Shareholders' Meeting must be held at least once a year for the approval of the financial statements within 120 days from the end of the financial period, or within 180 days of the said closure in the case of the conditions contemplated by art. 2364 of the Civil Code, while the Extraordinary Shareholders' Meeting is held whenever it is necessary to pass a resolution reserved to the same by law.
The Shareholders' Meeting, whether ordinary or extraordinary, is also held when requested by as many shareholders as represent the percentages contemplated by the laws in force, and the request must specify the items to be discussed, or when requested by the Board of Statutory Auditors or members of the same in the cases contemplated by law. In addition, as many Shareholders as represent the percentages contemplated by the laws in force may request, in respect of the terms laid down by the laws in force, additions to the subjects to be discussed, indicating in the request the additional items that they propose. The convocation and the addition of items to the agenda at the request of Shareholders are not admitted on matters on which the Shareholders' Meeting is obliged by law to pass resolutions on Directors' proposals or on the basis of a project or a report prepared by the Directors.
The majorities necessary for the Meeting, whether ordinary or extraordinary, and its resolutions to be quorate are those contemplated by law. In particular, with reference to amendments to the Articles of Association, the Extraordinary Shareholders' Meeting, pursuant to art. 12 of the Articles of Association, will adopt the necessary resolutions with the majorities required by law.
Entitlement to participate in the Shareholders' Meeting and to exercise the right to vote is testified by a communication to the issuer made by the intermediary, in conformity with the accounting evidence, in favour of the subject holding the right to vote, according to the procedures and terms laid down by the laws in force (the so-called record date). Shareholders entitled to participate in the Meeting may be represented pursuant and according to the procedures of law.
As indicated in paragraph 2, letters b) and f) of the Report, the exception of Roma Capitale or its subsidiaries that have become shareholders, voting rights cannot be exercised, even by proxy, in a measure in excess of 8% of the share capital. For more information on this matter please refer to the aforementioned paragraph 2, letter f) of this Report.
As noted in paragraph 2, letter e) of this Report, pursuant to article 13.3 of the Articles of Association, in order to facilitate the collection of proxies from shareholding employees of the Company, its subsidiaries and affiliates and shareholders' associations that meet the requirements contemplated by the relative legal provisions in force, specific spaces are made available for the communication and the collection of the proxies according to terms and methods set by the Board of Directors directly or through its proxies. If a proxy is conferred electronically, according to the procedures contemplated by the regulations in force at any moment, said proxy maybe communicated via the Company's Internet site according to the procedures specified in the notice of convocation.
The conduction of Shareholders' meetings is regulated by law, by the Articles of Association and by a specific Regulation published in the "Shareholders' Meeting" section of the website www.gruppo.acea.it.
In particular, article 7.3 of the Regulation concerning the methods in place to guarantee the right of shareholders to take the floor on the topics under discussion, establishes that the request to speak on the individual items of the agenda may presented to the Chairperson of the Shareholders' Meeting from the moment that the Meeting is validly constituted and until the Chairperson of the Meeting declares the discussion on the relative item closed.
In giving the floor, the Chairperson of the Shareholders' Meeting normally follows the order of the presentation of the requests for the floor. Each shareholder may take the floor only once on each item on the agenda, and for no more than ten minutes.
The meeting is chaired by the Chairperson of the Board of Directors or, in the case of their absence or impediment, by another person appointed by the same. In the absence thereof, the meeting elects its own chairperson.
The Chairperson, having been appointed by the meeting, appoints a Secretary, who is responsible for preparing the minutes, to be signed by the Chairperson and the Secretary, which document the resolutions taken by the meeting. In the cases provided for by law or if requested by the chairperson of the meeting, the relative minutes are drafted by a notary.
The Chairperson of the meeting, *inter alia*, verifies that the meeting is quorate, ascertains the identify and legitimacy of those present, regulates the execution of the works and verifies the results of the voting, which must be recorded in the relative minutes.
It is noted that, in consideration of the Covid-19 pandemic and taking into account the legislative provisions issued to contain the virus, at the Shareholders' Meeting of 27 April 2022, the Company exercised the right provided by Decree Law no. 18 of 17 March 2020, converted by Law no. 27 of 24 April 2020 and amended by Art. 3, paragraph 1 of Decree Law no. 228 of 30 December 2021, converted with amendments by Law no. 15 of 25 February

2022, establishing that interventions by entitled parties could take place exclusively through the representative appointed by the Company pursuant to Art. 135-*undecies* of the TUF, to which the shareholders could, by way of exception, confer proxies or sub-proxies also in the forms provided for by Art. 135-*novies* of the TUF.
In 2022 the Board of Directors has reported to the Shareholders' Meeting the activity performed and programmed, thus ensuring that the shareholders are correctly informed on the elements necessary to allow them to take informed decisions on the matters of their competence.
The Board of Directors considers the Shareholders' Meeting to be a particularly significant moment for its relations with the shareholders; therefore, it makes all efforts, as far as falling within its competence, to encourage and facilitate the broadest participation possible of the shareholders at the meetings.
The directors who participated in the 2022 Shareholders' Meeting numbered 4.

In the course of the 2022 financial year, the Ordinary Shareholders' Meeting met on 27 April with the following agenda:

i) approval of the Financial Statements at 31 December 2021; Board of Directors' Report on Operations and reports of the Board of Statutory Auditors and of the Independent Auditor. Presentation of the Consolidated Financial Statements at 31 December 2021 and information on the consolidated non-financial disclosure under the terms of Italian Legislative Decree no. 254/2016 (2021 Sustainability Report). Resolutions on the approval of the Separate Financial Statements at 31 December 2021;
ii) resolutions on the allocation of result for financial year 2021;
iii) approval of the Report on the Remuneration policy and on the fees paid;
iv) Appointment of the Board of Statutory Auditors;
v) Appointment of the Chair of the Board of Statutory Auditors;
vi) Determination of the fees of the Board of Statutory Auditors;
vii) Appointment of a Director.

15. OTHER CORPORATE GOVERNANCE PRACTICES (pursuant to art. 123-*Bis*, para. 2, Lett. A), TUF)

16. CHANGES SINCE THE CLOSURE OF THE FINANCIAL YEAR

It should be noted that, on 17 February 2023, the Acea SpA Board of Directors, on a proposal by the Appointments and Remuneration Committee and with a resolution approved by the Board of Statutory Auditors, appointed by co-optation, under the terms of Art. 2386 of the Italian Civil Code and Art. 15 of the Articles of Association, Barbara Marinali as a new non-executive Director of the Company, replacing Michaela Castelli, who resigned on 14 February 2023.

On the same date, the Board of Directors also appointed Barbara Marinali as the Chairperson of the Board of Directors.
Based on the statements made and the information available to the Company, the Board of Directors has assessed whether Barbara Marinali meets the requirements of independence.
Further changes that have taken place after closure of the period until this day are described in the specific sections.

17. CONSIDERATIONS ON THE LETTER OF 25 JANUARY 2023 OF THE CHAIRPERSON OF THE CORPORATE GOVERNANCE COMMITTEE

On 25 January 2023, as part of the monitoring of the implementation of the Code by issuers, the Chairperson of the Corporate Governance Committee sent a communication that identifies a series of areas where it would be best to improve compliance with the recommendations of the Code itself.
At the meeting on 2 March 2023 the Company's administrative body examined the text of the letter and the points made, and with the support of the relevant corporate functions it noted that, without prejudice to further improvements, Acea's Corporate Governance system is substantially aligned with the indications contained in the letter.
The pertinent recommendations made in the letter were also submitted to the Control and Risks Committee at the meeting of 27 February 2023, and to the Acea Board of Statutory Auditors at the meeting of 24 February 2023.
For more details, please refer to the specific sections of the Report and, in particular, to Sections 4 ("Board of Directors"); 7 ("Self-evaluation and succession of directors"); 8 ("Directors' Remuneration"), and 13 ("Relations with Shareholders").

For the Board of Directors

The Chairperson
Barbara Marinali

TABLES

TABLE 1: INFORMATION ON THE OWNERSHIP STRUCTURE AS AT 02/03/2023

Share capital structure

	No. shares	No. of voting rights	Listed on Borsa Italiana's online stock exchange	Rights and obligations
Ordinary shares (shares with increased voting rights are not permitted)	212,964,000	212,964,000	100%	
Preferential shares	-	-		
Multiple voting shares	-	-		
Other share categories with voting rights	-	-		
Savings shares	-	-		
Convertible savings shares	-	-		
Other share categories without voting rights	-	-		
Other	-	-		

Other financial instruments (granting the right to subscribe newly issued shares)

	Listed (indicate the markets)/unlisted	No. instruments in circulation	Category of shares serving the conversion/ exercising	No. of shares serving the conversion/ exercising/
Convertible bonds	-	-	-	-
Warrant	-	-	-	-

Significant equity investments

(from the Consob website, as at 8 March 2023)

Declarant	Direct Shareholder	% stake of ordinary capital	% stake of voting capital
Roma Capitale	Roma Capitale	51%	51%
Suez SA	Suez International Sas	23.333%	23.333%
Caltagirone Francesco Gaetano	Capitolium Srl	0.141%	
	Caltagirone SpA	1.174%	
	Fincal SpA	3.052%	
	FGC SpA	1.085%	5.452%

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AT YEAR-END

Position	Members	Year of birth	Date of initial appointment*	In office from	In office to
Chairperson	Michaela Castelli	1970	27/04/2017	29/05/2020	31/12/2022
CEO	Fabrizio Palermo	1971	26/09/2022	26/09/2022	31/12/2022
Director	Giacomo Larocca	1978	29/05/2020	29/05/2020	31/12/2022
Director	Gabriella Chiellino	1970	27/04/2017	29/05/2020	31/12/2022
Director	Liliana Godino	1962	27/04/2017	29/05/2020	31/12/2022
Director	Francesca Menabuoni	1969	AGM 27/04/2022	27/04/2022	31/12/2022
Director	Alessandro Caltagirone	1969	27/04/2017	29/05/2020	31/12/2022
Director	Massimiliano Capece Minutolo Del Sasso	1968	23/04/2015	29/05/2020	31/12/2022
Director	Massimiliano Pellegrini	1981	Coop, BoD 11/12/2019 AGM 29/05/2020	29/05/2020	25/02/2022
Directors leaving office during the year					
CEO	Giuseppe Gola	1964	29/05/2020	29/05/2020	26/09/2022
Director	Diane Galbe	1981	Coop. BoD 11/12/2019 AGM 29/05/2020	29/05/2020	25/02/2022
Director	Giovanni Giani	1950	Coop. BoD 29/11/2011	29/05/2020	27/06/2022

* The date of first appointment refers to the date on which the director was appointed for the (very) first time as a member of Acea SpA's BoD.
** This column indicates whether the list from which each director was taken was presented by Shareholders ("A") or by the Board of Directors ("C").
*** This column indicates the list from which each director was taken ("M": majority list; "m": minority list).
**** This column indicates the number of offices that directors or statutory auditors hold in other companies listed on regulated markets, even abroad, in financial, banking and insurance companies or large companies. The offices are explained in full on the last page of the Corporate Governance Report.
***** This column indicates the directors' participation in the meetings of the BoD.

No. meetings held in 2022: 15

Quorum required for the submission of lists by minorities for the election of one or more members (per art. 148 TUF): 1% of shares with voting rights

TABLE 3: STRUCTURE OF THE COMMITTEES AT YEAR-END

	Board of Directors	Committee for the Region (established on 22/03/2021)	
Office/Classification	**Members**	*	**
Chairperson non-executive, non-independent	Michaela Castelli		
CEO executive, non-independent	Fabrizio Palermo		
Director non-executive, independent	Giacomo Larocca	M	8/8
Director non-executive, independent	Gabriella Chiellino		
Director non-executive, independent	Liliana Godino		
Director non-executive, non-independent	Massimiliano Pellegrini		
Director non-executive, independent	Massimiliano Capece Minutolo Del Sasso	M	8/8
Director non-executive, independent	Alessandro Caltagirone		
Director non-executive, non-independent	Francesca Menabuoni	C	3/3
Directors leaving office during the year			
CEO executive, non-independent	Giuseppe Gola		
Director Non-executive, non-independent	Giovanni Giani	C	5/5
Director non-executive, non-independent	Diane Galbe		

* This column indicates the qualification of the Director within the Committee: "C": Chairperson; "M": member.
** This column indicates the directors' participation in the meetings of the Committees.

No. of meetings held in the year: **8**

List (proposing parties) **	List (M/m) ***	Exec.	Non-Exec.	Indep. from Code	Indep. from TUF	No. other positions ****	Equity investment *****
A	M		X			2	15/15
A	M	X					4/4
A	M		X	X	X		15/15
A	M		X	X	X	1	15/15
A	M		X	X	X		15/15
A	m		X				12/12
A	m		X	X	X	6	14/15
A	m		X	X	X	2	15/15
A	m		X				5/9
A	M	X					11/11
A	m		X				1/1
A	m		X				6/6

RPT Committee		Control and Risks Committee		Appointments and Remuneration Committee		Ethics and Sustainability Committee	
*	**	*	**	*	**	*	*
M	11/11	M	10/10			M	8/8
				M	10/11	C	8/8
C	11/11	C	9/10	M	11/11		
				M	3/5		
M	11/11	M	10/10	C	11/11	M	8/8
		M	4/5			M	3/4
		M	4/5	M	4/5	M	3/4
	11		**10**		**11**		**8**

TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AT YEAR-END

Board of Statutory Auditors
Quorum required to present lists upon the last appointment: 1% of the shares with voting rights

Position	Members	Year of birth	Date of first appointment *
Chairperson	Maurizio Lauri	1962	2019
Standing auditor	Leonardo Quagliata	1953	2022
Standing auditor	Claudia Capuano	1968	2022
Alternate auditor	Rosina Cichello	1967	2022
Alternate auditor	Vito Di Battista	1952	2022
Auditors leaving office during the year			
Standing auditor	Pina Murè	1967	2019
Standing auditor	Maria Francesca Talamonti	1978	2019
Alternate auditor	Maria Federica Izzo	1981	2019
Alternate auditor	Mario Venezia	1957	2019

* The date of first appointment refers to the date on which the auditor was appointed for the (very) first time as a member of the issuer's Board of Auditors.
** This column indicates the list from which each auditor was taken ("M": majority list; "m": minority list).
*** This column indicates the participation of the auditors in the meetings of the Board of Auditors.
**** This column indicates the number of offices held as directors or auditors by the subjects concerned, pursuant to art. 148 bis of the TUF and of the relative implementation provisions contained in the Consob Issuers Regulations. The full list of offices is published by Consob on its website pursuant to art. 144-*quinquiesdecies* of the Consob Issuers' Regulations.

No. meetings held in 2022: 25

Quorum required for the submission of lists by minorities for the election of one or more members (per art. 148 TUF): 1% of shares with voting rights

TABLE 1: COMPOSITION OF THE ACEA BOARD OF DIRECTORS AND OFFICES HELD BY DIRECTORS IN OTHER COMPANIES AS AT 31 DECEMBER 2022

Position	Name	Position	Other offices *
Chairperson	Michaela Castelli	Director	Nexi SpA (C) Recordati SpA
Chief Executive Officer	Fabrizio Palermo	Executive Director	-
Director	Gabriella Chiellino	Independent Director	Ambienthesis SpA
Director	Giacomo Larocca	Director Independent	-
Director	Liliana Godino	Independent Director	-
Director	Massimiliano Pellegrini	Director	-
Director	Alessandro Caltagirone	Director Independent	Aalborg Portland Holding A/S (VC) Cementir Holding NV (VC) Caltagirone SpA Caltagirone Editore SpA (VC) Fincal SpA (C) Finanziaria Italia 2005 SpA (UD)
Director	Francesca Menabuoni	Director	-
Director	Massimiliano Capece Minutolo Del Sasso	Independent Director	Piemme SpA FGC SpA

* List of director or statutory offices held by each Director in other companies listed on regulated markets, also abroad, in financial, banking and insurance companies and companies with shareholders' equity exceeding € 1 billion.

Board of Statutory Auditors
Quorum required to present lists upon the last appointment: 1% of the shares with voting rights

In office since	In office to	List (M/m) **	Independence from Code	Attendance at meetings	Number of other offices
27/04/2022	31/12/2024	m	X	25/25	3
27/04/2022	31/12/2024	M	X	18/18	
27/04/2022	31/12/2024	M	X	18/18	6
27/04/2022	31/12/2024	M	X	n.a.	3
27/04/2022	31/12/2024	m	X	n.a.	3
17/04/2019	27/04/2022	M	X	7/7	
17/04/2019	27/04/2022	M	X	7/7	
17/04/2019	27/04/2022	M	X	n.a.	n.a.
17/04/2019	27/04/2022	m	X	n.a.	n.a.

ACEA SPA

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Acea SpA

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GRUPPO.ACEA.IT