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REPORT  
ON OPERATIONS









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

## 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%
<b>Total EBITDA</b>	<b>1,305.0</b>	<b>1,256.1</b>	<b>48.9</b>	<b>3.9%</b>

## 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%)
<b>Total Investments</b>	<b>1,050.1</b>	<b>970.4</b>	<b>79.7</b>	<b>8.2%</b>

\*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%
<b>Total Net Financial Position</b>	<b>4,417.5</b>	<b>3,977.2</b>	<b>440.4</b>	<b>11.1%</b>

# 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<sub>2</sub> 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%
<b>EBITDA</b>	<b>1,305.0</b>	<b>1,256.1</b>	<b>48.9</b>	<b>3.9%</b>
Amortisation, depreciation, provisions and impairment charges	739.2	675.0	64.2	9.5%
<b>Operating profit/(loss)</b>	<b>565.9</b>	<b>581.1</b>	<b>(15.2)</b>	<b>(2.6%)</b>
Financial operations	(85.7)	(85.9)	0.2	(0.2%)
Equity investments	17.8	7.8	10.0	128.2%
<b>Profit/(loss) before tax</b>	<b>497.9</b>	<b>503.0</b>	<b>(5.1)</b>	<b>(1.0%)</b>
Income tax	186.8	150.7	36.1	24.0%
<b>Net profit/(loss)</b>	<b>311.2</b>	<b>352.3</b>	<b>(41.2)</b>	<b>(11.7%)</b>
Profit/(Loss) due to third parties	31.4	39.0	(7.6)	(19.5%)
<b>Net profit/(loss) attributable to the Group</b>	<b>279.7</b>	<b>313.3</b>	<b>(33.6)</b>	<b>(10.7%)</b>

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 Adistribuzione gas 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, bringing 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 a first lot of 234,000 m<sup>3</sup> and a second lot to be built, with an authorised volume of 246,000 m<sup>3</sup>, 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 Adistribuzione gas 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 Consorzio 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	Consorzio Lima Sur	Energy Box	Powertis Group	ASM Terni	Tecnos- servizi/ 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	<b>82.1</b>
Consolidated operating costs	0.1	44.7	10.6	6.1	(1.6)	0.0	7.0	4.8	4.8	0.1	<b>76.5</b>
EBITDA	(0.1)	8.9	1.6	1.7	(10.2)	(0.0)	1.3	1.0	0.9	(0.1)	<b>5.0</b>
Operating profit/(loss)	(0.2)	2.4	(0.3)	1.5	(1.4)	(0.0)	(0.1)	0.4	(0.7)	(0.1)	<b>1.5</b>
Profit/(loss) before tax	(0.2)	1.9	(0.3)	1.4	0.7	(0.0)	(0.3)	0.1	(0.8)	(0.3)	<b>2.2</b>

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<sub>2</sub> 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/ldr 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%
<b>Staff costs</b>	<b>305.1</b>	<b>275.8</b>	<b>29.2</b>	<b>10.6%</b>

Income from equity investments of a non-financial nature represents the consolidated result according to the equity method in-

cluded among the components forming the consolidated EBITDA of the strategic companies.

€ million	2022	2021	Change	% Change
<b>EBITDA</b>	<b>150.8</b>	<b>123.6</b>	<b>27.2</b>	<b>22.0%</b>
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%
<b>Income from equity investments of a non-financial nature</b>	<b>27.9</b>	<b>21.0</b>	<b>6.8</b>	<b>32.5%</b>

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 Seg-**

**ment** +€ 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<sub>2</sub> 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 Elabiori 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%)
<b>Amortisation, depreciation, impairment and provisions</b>	<b>739.2</b>	<b>675.0</b>	<b>64.2</b>	<b>9.5%</b>

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%
<b>Total Shareholders' equity</b>	<b>(2,755.2)</b>	<b>(2,516.4)</b>	<b>(238.8)</b>	<b>9.5%</b>

### 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%)
<b>Non-current assets and liabilities</b>	<b>7,847.0</b>	<b>7,200.1</b>	<b>646.8</b>	<b>9.0%</b>

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%)
<b>Total investments</b>	<b>1,050.1</b>	<b>970.4</b>	<b>79.7</b>	<b>8.2%</b>

**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 re-

mote 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 Elabiori, 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 Distribuzionegaz. 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), provi-

sioning 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
<b>Total provision for risks</b>	<b>100.1</b>	<b>(11.2)</b>	<b>18.4</b>	<b>(8.1)</b>	<b>1.2</b>	<b>100.4</b>
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
<b>Total provisions for expenses</b>	<b>93.2</b>	<b>(24.8)</b>	<b>21.1</b>	<b>(0.2)</b>	<b>28.3</b>	<b>117.6</b>
<b>Total provisions for risks and charges</b>	<b>193.3</b>	<b>(36.0)</b>	<b>39.6</b>	<b>(8.4)</b>	<b>29.5</b>	<b>218.0</b>

## 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
<b>Current receivables</b>	<b>1,267.4</b>	<b>1,071.6</b>	<b>195.8</b>	<b>18.3%</b>
- 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%
<b>Inventories</b>	<b>104.5</b>	<b>86.4</b>	<b>18.1</b>	<b>20.9%</b>
<b>Other current assets</b>	<b>485.1</b>	<b>412.0</b>	<b>73.1</b>	<b>17.7%</b>
<b>Current payables</b>	<b>(1,850.0)</b>	<b>(1,683.6)</b>	<b>(166.4)</b>	<b>9.9%</b>
- 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%
<b>Other current liabilities</b>	<b>(659.1)</b>	<b>(581.8)</b>	<b>(77.3)</b>	<b>13.3%</b>
<b>Net working capital</b>	<b>(652.0)</b>	<b>(695.3)</b>	<b>43.3</b>	<b>(6.2%)</b>

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 Consorzio 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
<b>Total receivables from users</b>	<b>31.2</b>	<b>28.7</b>	<b>2.5</b>
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
<b>Total receivables for works</b>	<b>6.5</b>	<b>5.8</b>	<b>0.7</b>
<b>Total trade receivables</b>	<b>37.7</b>	<b>34.5</b>	<b>3.2</b>
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)
<b>Total Public Lighting receivables</b>	<b>112.8</b>	<b>115.9</b>	<b>(3.1)</b>
<b>Total receivables</b>	<b>150.5</b>	<b>150.4</b>	<b>0.1</b>

**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
<b>Total payables</b>	<b>(148.8)</b>	<b>(182.6)</b>	<b>33.8</b>
<b>Net balance receivables payables</b>	<b>1.7</b>	<b>(32.2)</b>	<b>33.9</b>

**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%)
<b>D) Liquidity (A + B + C)</b>	<b>902.0</b>	<b>1,088.8</b>	<b>(186.8)</b>	<b>(17.2%)</b>
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.
<b>G) Current financial debt (E + F)</b>	<b>(619.4)</b>	<b>(285.2)</b>	<b>(334.2)</b>	<b>117.2%</b>
<b>H) Net current financial debt (G + D)</b>	<b>282.6</b>	<b>803.5</b>	<b>(521.0)</b>	<b>(64.8%)</b>
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.
<b>L) Non-current financial debt (I + J + K)</b>	<b>(4,722.3)</b>	<b>(4,792.0)</b>	<b>69.7</b>	<b>(1.5%)</b>
<b>Total financial debt (H + L)</b>	<b>(4,439.7)</b>	<b>(3,988.4)</b>	<b>(451.3)</b>	<b>11.3%</b>

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 in-

crease 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%
<b>Non-current financial debt</b>	<b>4,722.3</b>	<b>4,792.0</b>	<b>(69.7)</b>	<b>(1.5%)</b>

**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 in-

crease 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
<b>Total</b>	<b>951.5</b>	<b>137.0</b>	<b>437.6</b>	<b>376.8</b>

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 Adis-

tribuzione gas 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%).

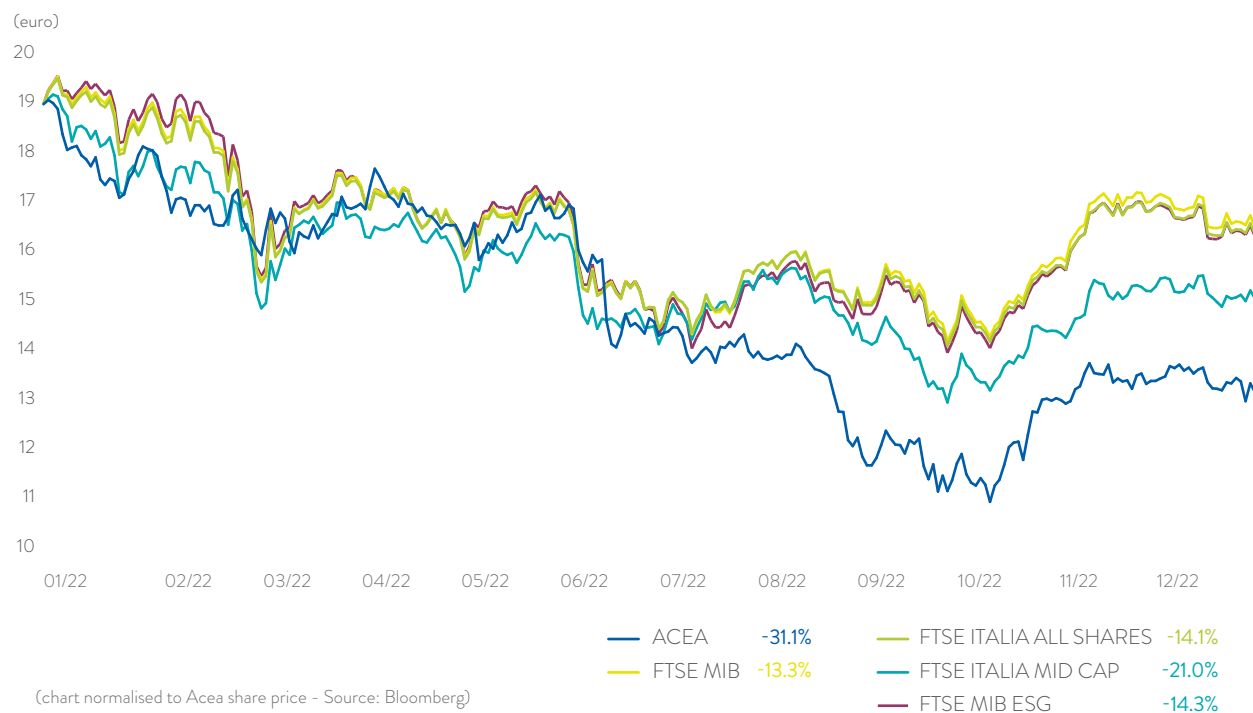
Acea stock closed at € 12.92 on 30 December 2022 (capitalisation: € 2,752 million), down 31.1% for the year, substantially in line with the trend for Italian local utilities. The high of € 18.84 was reached on 3 January, while the low of € 10.70 was recorded on 12 October. During 2022, the daily average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



	Change% at 31/12/2022 (compared to 31/12/2021)
<b>Acea</b>	<b>-31.1%</b>
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.

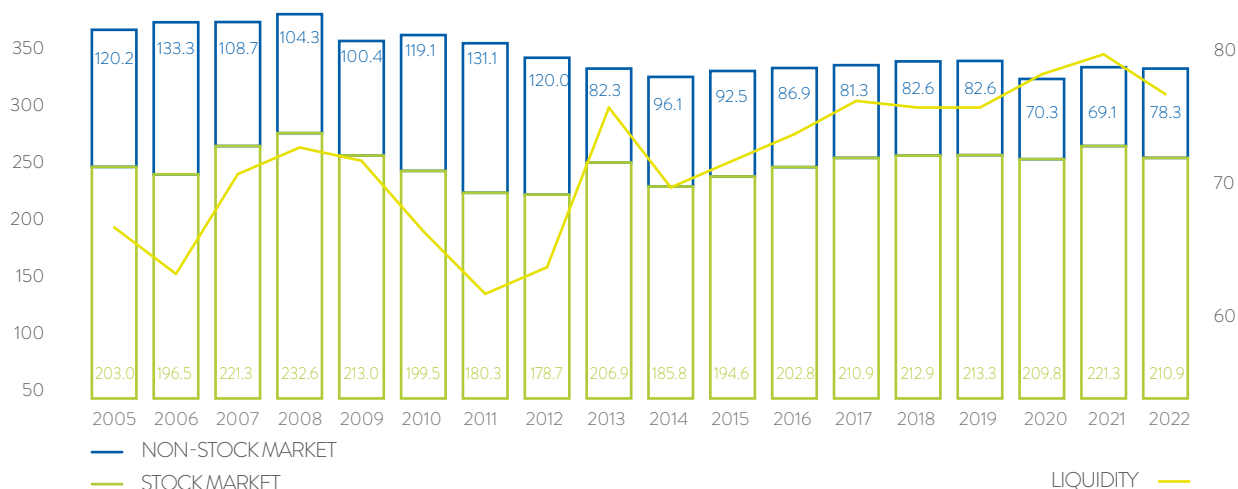
## ENERGY MARKET

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 deflator 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 deflator 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  $\Delta L$  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 deflator, 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 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 ap-

plication 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, illustra-

tions 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 involve 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 Janu-

ary 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/ldr 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/ldr 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/ldr 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/II/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/ldr and 229/2022/R/ldr. Pending approval by the Authority, pursuant to paragraph 7.2 of ARERA resolution 580/2019/R/ldr, the 2020-2023 tariff is applied, as approved by the Authority with resolution 197/2021/R/ldr.

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/ldr "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/ldr (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/ldr;
- 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/ldr;
- Confirmation of the value of the  $\psi$  parameter of 0.45 (the maximum value provided for in Resolution 580/2019/R/ldr is 0.8) for the purposes of determining the component for the financing in advance of new investments (FNI<sub>new</sub>);
- 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<sup>3</sup> per year for every member of the household, for direct and indirect users with ISEE up to € 8,265;
- 20 m<sup>3</sup> 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/ldr(MTI), Resolution no. 664/2015/R/ldr(MTI-2) and Resolution no. 580/2019/R/ldr.

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/ldr 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, Acquadotto del Fiora, Umbra Acque, GORI and Publiacqua, deeming the regu-

lators' 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 exceeded 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 calendar 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/II 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<sup>3</sup>, 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 Commer-

cial 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 602/2021/221 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 meth-

ods 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 CONAL 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 Elabiori 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 adherence to and compliance with both the Organisational Con-

trol 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	reti	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	reti	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<sub>2</sub> 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<sub>2</sub> 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 Borgogigione. 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 pri-

vate 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.

**Ferrocarr:** 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 Ferrocarr 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 make 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 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 worsen-

ing 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<sup>3</sup> 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, restat-

ing 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 <sup>3</sup>	42	41	1	2.9%
Volumes fed into the grid	Mm <sup>3</sup>	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 Bogotá (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 Perú 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 sys-

tems 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 Perú (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 Perú (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 Perú (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 **Consortio Acea Lima Sur** (+213 units) and (ii) a decrease due to **Consortio 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 De-

cember 2021. This change is mainly linked to **Aguas de San Pedro** and **Consortio 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 <sup>3</sup>	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/ldr 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<sup>1</sup> 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-

<sup>1</sup> 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.
<b>Total</b>	<b>25.6</b>	<b>16.7</b>	<b>8.9</b>	<b>53.1%</b>

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/ldr 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/ldr 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 aim 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 - 1 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 OTAA 5, 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 (RcTO-Ta) 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 OTAA5 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 OTAA5.

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 OTAA5, 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:

- the number of claims received, distinguishing and specifying the reason for each individual claim;
- number of claims accepted and number of claims rejected;
- 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. TKOOC6M02152/2018, 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. TKQOE6M01680 regarding IRES for 2013, for an amount of € 3.1 million for taxes, net of penalties and interest;
- notice of assessment no. TKQOC6M01854 regarding IRAP for 2014, for an amount of € 0.9 million for taxes, net of penalties and interest;
- notice of assessment no. TKQOE6M01853 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. TKQOE6M00539 regarding IRES for 2016 for an amount of € 1.3 million for taxes, net of penalties and interest;
- notice of assessment no. TKQOE6M00541 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. TKQOE6M00387 regarding IRES for 2015, for an amount of € 1.5 million for taxes, net of penalties and interest;
- notice of assessment no. TKQOE6M00521 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/ldr, 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/ldr 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/ldr 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/ldr 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/ldr, 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 Res-

olution, 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-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 OTAA5'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 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 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 municipal-

ity 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/ldr).

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 manager 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 reso-

lution 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/ldr 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/ldr, 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/ldr 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<sup>3</sup>, 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<sup>3</sup>, (as a result of application of the ARERA 338/2015/R/ldr 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/ldr "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/ldr, 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/ldr, 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/ldr, 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-Vesuviano 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 re-modulation 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<sup>3</sup> 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/ldr, 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/ldr 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. <u>The ARERA then approved them in Resolution 674/2016/R/idr, with some changes compared to the AGB's proposal; quality bonus confirmed.</u>	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. <u>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.</u>	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 <sub>qc</sub> . <u>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.</u>	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 Opex <sub>QC</sub> ) 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 <sub>qc</sub> . <u>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.</u>	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.	<p>The Company has submitted the data to the competent parties/AGB in order to update the 2018-2019 tariff.</p> <p>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.</p> <p>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.</p>	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.	<p>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.</p> <p>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.</p>	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.	<p>On 27 November 2020 the Executive Council of the AIT approved the 2020-2023 tariff provisions with Resolution no. 5.</p> <p>ARERA provided approval with resolution 220/2021/R/idr of 25 May 2021</p>	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 <sub>gc</sub> . <u>The ARERA then approved them in Resolution 764/2016/R/ldr dated 15 December 2016.</u>	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 follow-

ing 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 autonomous 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 pursu-

ant 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 thermo-electric 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 GWh, 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 CO<sub>2</sub> 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 Elabiori** 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 Elabiori** (+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 Elabiori**, 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 Gaia 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 Ferandina, 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<sup>3</sup> and a second lot to be built, with an authorised volume of 246,000.00 m<sup>3</sup>, 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<sub>2</sub> 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, Vi-anini 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 ex-

cellence 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<sub>2</sub> 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 Elabiori 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