

EXTERNAL REVIEW

Ex-post Impact reporting

Acea's Green Bond Allocation and Impact Report

4 April 2022

VERIFICATION PARAMETERS

Type(s) of reporting	Green Bond Allocation and Impact
Relevant standard(s)	Harmonized Framework for Impact Reporting (HFIR), as administered by International Capital Market Association (ICMA) (June 2021)
Scope of verification	Acea's Green Bond Allocation and Impact Report (as of 21.03.2022) Acea's Green Financing Framework (as of 16.01.2021)
Lifecycle	Post-issuance verification
Validity	As long as no material changes are undertaken by the issuer to its Green Bond Allocation and Impact Report as of 21.03.2022

CONTENTS

SCOPE OF WORK	3
ACEA BUSINESS OVERVIEW	3
ISS ESG ASSESSMENT SUMMARY	4
ISS ESG EXTERNAL REVIEW ASSESSMENT	5
PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN THE GREEN FINANCING FRAMEWORK ..	5
PART II: ASSESSMENT AGAINST THE ICMA HARMONIZED FRAMEWORK FOR IMPACT REPORTING (HFIR).....	10
PART III: DISCLOSURE OF PROCEEDS ALLOCATION REPORTING AND SOUNDNESS OF THE IMPACT REPORTING INDICATORS	16
ANNEX: Methodology	23
About ISS ESG External Review	23

SCOPE OF WORK

Acea S.p.A. ("Acea" or "the issuer") commissioned ISS ESG to provide an External Review on its Green Bond Allocation and Impact Report by assessing:

1. The alignment of the Acea's Green Bond Allocation and Impact Report with the commitments set forth in Acea Green Financing Framework (16.01.2021 version) assessed against the International Capital Market Association's (ICMA) Green Bond Principles (GBP) applicable at date of publication of the Framework.
2. Acea's Green Bond Allocation and Impact Report - benchmarked against Harmonized Framework for Impact Reporting (HFIR), as administered by International Capital Market Association (ICMA) updated as of 06.2021.
3. Description of proceeds allocation and of the soundness of reporting indicators – whether the metrics align with best market practices and are relevant to the Green Bonds issued.

ACEA BUSINESS OVERVIEW

Acea is an Italian multi-utility company. Founded in 1909, it is active in the areas of integrated water management, electricity production, distribution and sales and value-added environmental services. The company's main activities are in Central Italy, but it is also active in other Italian regions and in Latin America.

ISS ESG ASSESSMENT SUMMARY

REVIEW SECTION	SUMMARY	EVALUATION
<p>Part 1</p> <p>Alignment with the issuer's commitments set forth in the Framework</p>	<p>ISS ESG finds that Acea's Green Bond Allocation and Impact Report meets the issuer's own commitments set forth in the Green Financing Framework. The underlying issuance(s) aligns with key requirements defined by the Green Bond Principles¹.</p>	<p>Aligned</p>
<p>Part 2:</p> <p>Alignment with the Harmonized Framework for Impact Reporting (HFIR)</p>	<p>ISS ESG finds that the Green Bond Allocation and Impact Report is in line with ICMA Harmonized Framework for Impact Reporting (HFIR), updated as of June 2021. The issuer follows core principles and where applicable key recommendations.</p> <p>Acea has reported on an annual basis. The company has defined an extensive list of impact indicators covering all financed projects. Allocated proceeds are reported on a project-by-project basis.</p>	<p>Aligned</p>
<p>Part 3:</p> <p>Disclosure of proceeds allocation and evaluation of the soundness of reporting indicators</p>	<p>ISS ESG finds that the allocation of the bond's proceeds has been disclosed, with a detailed breakdown across different eligible projects as proposed in the Framework².</p> <p>The reporting indicators align with the The Reporting Indicators are relevant and align with the reporting criteria set forth in the issuer's Framework.</p> <p>Data sourcing, methodologies of quantitative assessment, the baseline selection and granularity reflect best market practices.</p>	<p>Positive</p>

¹ The Framework was assessed by ISS ESG as aligned with the Green Bond Principles as of 16.01.2021.

² ISS ESG bases its assessments wholly on the information provided in the allocation reporting and has not conducted any verification of the legitimacy of the details reported.

ISS ESG EXTERNAL REVIEW ASSESSMENT

PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN THE GREEN FINANCING FRAMEWORK³

The following table presents ISS ESG's assessment of the Green Bond Allocation and Impact Report against the commitments set forth in Acea's Framework, which are based on the core requirements of the Green Bond Principles as well as best market practices.

CORE GBP REQUIREMENT	ACEA'S GREEN FINANCING FRAMEWORK	ACEA'S GREEN BOND ALLOCATION AND IMPACT REPORT	ALIGNMENT WITH COMMITMENT
1. Use of Proceeds			
1.1. Alignment with project categories defined by the GBP	<p>The net proceeds will be exclusively allocated to finance or re-finance projects in the following categories:</p> <ul style="list-style-type: none"> ▪ Water resource protection ▪ Resiliency of electricity distribution infrastructure ▪ Clean transportation and infrastructure for low carbon transport ▪ Smart meters ▪ Wastewater treatment ▪ Anaerobic digestion of bio-waste and/or sewage sludge ▪ Waste treatment ▪ Renewable energy 	<p>In accordance with the eligibility criteria established in the Framework, the proceeds have been used to finance or re-finance projects in the following categories:</p> <ul style="list-style-type: none"> ▪ Water resource protection ▪ Resilience of electricity distribution infrastructure ▪ Clean transportation and infrastructure for low carbon transport ▪ Smart meters ▪ Wastewater treatment ▪ Anaerobic digestion of bio-waste and/or sewage sludge ▪ Waste management ▪ Renewable energy 	✓
1.2. Sustainability objectives related to project categories	<p>Environmental objectives and benefits are defined for each project category in Acea's Framework.</p>	<p>A detailed description of core environmental impacts for each target area is available in the report.</p>	✓

³ ISS ESG assessed the Acea Green Financing Framework as aligned with the GBP (06.2018 version) as of 16.01.2021.

1.3. Refinancing/ Financing	<p>An amount equal to the net proceeds of the Bonds will be exclusively allocated to finance or re-finance, in whole or in part, new and/or existing loans/projects.</p> <p>“Eligible Green Projects include refinancing and new financings of capital expenditures, selected operating expenditures such as maintenance costs related to green assets and, where applicable, research and development expenditures.”</p>	<p>As of 31.12.2020, 54,6% of the overall net proceeds, equivalent to allocated Euro 485,14 million, has been allocated to re-finance existing loans/projects. The Group expects to allocate the remaining 45,4% of the overall net proceeds by 2023.</p>	✓
1.4. Exclusion of harmful project categories	<p>Acea will not allocate proceeds received from the issuance of Green Bonds to recipients either directly finance and/or refinance any projects related to fossils fuel activities and any energy production facilities with an energy intensity above 100gCO₂e/kWh.</p>	<p>The proceeds have been not allocated in any of the excluded categories listed.</p>	✓
2. Process for project evaluation and selection			
2.1 Defined and transparent criteria for eligible Green categories	<p>Acea's Green Finance Working Group is chaired by the CFO and is composed by members of the Finance, Planning & Control and Sustainability Planning & Reporting departments. Acea's Green Finance Working Group will be in charge of monitoring the selection and allocation process as per the eligibility criteria defined.</p>	<p>According to the Green Bond Allocation and Impact Report, the Eligible Green Projects were designated by the Green Finance Working Group (GFWG).</p>	✓
2.2 Summary criteria for project evaluation and selection publicly available	<p>The eligibility criteria are made publicly available.</p>	<p>The eligibility criteria are made publicly available.</p>	✓
2.3 Documented process to determine	<p>Projects financed and/or refinanced through the Green Bonds issued under Green</p>	<p>Projects financed and/or refinanced through the Green Bonds issued under Green</p>	✓

whether projects fit within defined categories	<p>Financing Framework are evaluated and selected based on compliance with the Eligibility Criteria set in "Use of Proceeds" section.</p> <p>In the case of operating expenditures, Acea includes a look-back period of up to 3 calendar years prior to the issuance of Green Bonds.</p>	Financing Framework were evaluated and selected based on compliance with the Eligibility Criteria.	
2.4 Documented process to identify and manage potential ESG risks	All potential Eligible Green Projects comply with local laws and regulations, including any applicable regulatory environmental requirements, as well as Acea's internal standards for managing ethical and governance risks.	Projects financed and/or refinanced through the Green Bonds issued under Green Financing Framework were evaluated and selected based on compliance with the Eligibility Criteria. If the Sustainability department deems that an eligible project becomes subject to a major ESG controversy, the GFWG will analyse it and may decide to exclude and replace such Eligible Green Project. All projects comply with regulatory requirements according to the issuer	✓
2.5 Information on responsibilities and accountability	The potential Eligible Green/Social Projects will be designated by the GFWG.	The Eligible Green Projects were designated by the GFWG.	✓
2.6 Stakeholder involved in the process	The potential Eligible Green Projects will be designated by the GFWG.	Various stakeholders are involved throughout the process.	✓
3. Management of Proceeds			
3.1 Green Bond proceeds tracked in an appropriate manner	Acea will manage the net proceeds of the Green Bonds on a portfolio basis. Within two years of each Green Bond issuance, Acea aims to allocate an amount equivalent to the net proceeds of these instruments towards its Eligible Green Projects, as defined in the "Use of Proceeds" section.	Acea has allocated EUR 485,14 million of the EUR 888,2 million raised in two issuances. The allocation is monitored through Enterprise Resource Planning tools.	✓

3.2 Disclosure of intended types of temporary investment instruments for unallocated proceeds	Pending the full allocation of the net proceeds of the Green Bonds to the portfolio of Eligible Green Projects, Acea will manage the unallocated proceeds in line with the Acea's investment guidelines in cash, deposits and money market instruments or Socially Responsible Investments. Acea intends to allocate the full amount of proceeds within the next 24 months following the issuance of the Green Bonds.	All the unallocated proceeds at 31 December 2021 have been temporarily invested into cash and short-term time deposits.	
4. Reporting			
4.1 Formalisation of monitoring and reporting processes	Acea will report annually, until full allocation of the net proceeds, on the allocation of its net proceeds of issued Green Bonds to its portfolio of Eligible Green Project.	Acea has reported on the allocation of its net proceeds on an annual basis.	✓
4.2 Use of Proceeds reporting	<p>The allocation report will include details on:</p> <ul style="list-style-type: none"> ▪ the amount of net proceeds allocated per Eligible Green Project category; ▪ the percentage of refinancing in existing projects; ▪ the amount of unallocated proceeds, if any, at the date of reporting; ▪ location and status of the projects. 	<p>The section "Allocation reporting" of the Green Bond Allocation and Impact Report complies with the pre-issuance commitment expressed in the Framework and with the requirements defined in the GBP.</p> <p><i>Further analysis of this section of the report is displayed in Part III of this report.</i></p>	✓
4.3 Impact reporting	Acea will report on environmental impacts of the Eligible Green Projects (re)financed by the net proceeds of the Green Bonds. The impact report will provide information regarding Eligible Green Projects	<p>The section "Impact Reporting" of the Green Bond Allocation and Impact Report complies with the pre-issuance commitment expressed in the Framework and with the requirements defined in the GBP.</p> <p><i>Further analysis of this section is available in Part III of this report.</i></p>	✓

	<p>Additional impact indicators are subject to availability of data and could include:</p> <ul style="list-style-type: none"> ▪ Estimated annual reduction in volume of water losses (m₃/year), ▪ Estimated annual reduction in energy consumption (% or MWh/year) ▪ Estimated annual reduction in GHG emission (tCO₂e/year). 		
4.4 Means of disclosure: where the information is published	Acea commits to publish annually an allocation report and an impact report. This information will be publicly available on the Acea's website and/or in Acea's non-financial reporting.	The report is intended to be publicly available.	✓
4.5 External review	A Second Party Opinion (SPO) will be issued by an independent external verifier in order to provide an external verification on Acea's Green Financing Framework.	ISS ESG has provided a Second Party Opinion (SPO) on Acea's Green Financing Framework.	✓

Opinion: ISS ESG finds that the Green Bond Allocation and Impact Report meets the general conditions set forth in Acea's Green Financing Framework. Most core components as defined by ICMA have been considered in the Framework and have then been transposed accordingly in the Green Bond Allocation and Impact Report.

PART II: ASSESSMENT AGAINST THE ICMA HARMONIZED FRAMEWORK FOR IMPACT REPORTING (HFIR)

Reporting is a core component of the GBP and green bond issuers are required to report on both the use of green bond proceeds, as well as the expected environmental impacts at least on an annual basis. Harmonized Framework for Impact Reporting (HFIR), updated as of June 2021, as administered by International Capital Market Association (ICMA) has been chosen as benchmark for this analysis as it represents the most widely adopted standard.

The table below presents the findings of an ISS ESG assessment of Acea Green Bond Allocation and Impact Report against ICMA Harmonized Framework for Impact Reporting (HFIR).

CORE PRINCIPLES		
ICMA HFIR	GREEN BOND ALLOCATION AND IMPACT REPORT	ASSESSMENT
Report on both the use of Green bonds proceeds, as well as the expected environmental impacts at least on an annual basis.	Acea has reported on an annual basis. The report will be available on Acea's website.	✓
Illustrate the expected impact made possible as a result of projects to which green bond proceeds have been allocated.	<p>The assessment and measurement of the impacts generated by Acea Green Bonds covered the following areas:</p> <p><u>Water resource protection</u></p> <p>Water losses reduction</p> <ul style="list-style-type: none"> ▪ % Reduction of water volume lost (over 2019) ▪ Flow and pressure meters installed during the year ▪ Reclaimed water network during the year ▪ Districted water network during the year <p>Interventions to increment the water system resilience and the security of water supply</p> <ul style="list-style-type: none"> ▪ Advancement of the design/authorisation phase of the longer-term interventions "Securing and modernisation of the Peschiera water system"- Sub-project "New Marcio water system, lot #1" ▪ Advancement of the design/authorisation phase of the longer-term interventions "Securing and modernisation of the Peschiera water system"- Sub-project "Doubling Siphon VIII – segment Casa Valeria – exit Galleria Ripoli" ▪ Advancement of the design/authorisation phase of the longer-term interventions "Securing and 	✓

modernisation of the Peschiera water system” -
Sub-project “Monte Castellone conduct – Colle
Sant’Angelo (Valmontone)”

- Advancement of the design/authorisation phase of the longer-term interventions “Securing and modernisation of the Peschiera water system” - Sub-project “Ottavia-Trionfale adducer” Interventions in pipeline/interventions in the ATO2 scope
- Interventions in process/interventions in the ATO2 scope
- Interventions completed/interventions in the ATO2 scope

Resilience of electricity distribution Infrastructure

Energy efficiency in the electricity distribution networks’ management

- Saved electricity/Distributed electricity
- Avoided emissions
- TOE saved

Increased resilience in the electricity distribution network thanks to development, modernisation, connectivity and telematic control interventions

- Annual % variation of the IRI (intervention Risk Index) = after intervention value/before intervention value)
- Activation/Upgrade of Secondary Cabins’ automation and telematic control
- Broadband linked primary cabins/70 primary cabins
- Number of pylons removed
- Recovered soil in highly-biodiverse areas

Clean Transportation and Infrastructure for Low Carbon Transport

Electric mobility and related services

- Installed charging column
- Supplied certified electricity through Acea charging columns
- Avoided emissions
- Acea clients using the platform during the year

Environmental impact reduction from the vehicles of the company's fleet

- Avoided emissions
- Number of electric vehicles from Areti/total number of vehicles from Areti

Smart Meters

Substitution of 2G meters in the electricity distribution service

- Number of 2G meters installed during the year
- Installed 2G smart meters/total meters

Wastewater Treatment

Efficiency and modernisation of the purification sector (sludge reduction, centralisation and processing capacity increase, energy efficiency)

- Sludge reduction
 - Total sludge (solid and liquid)
 - Reduction with respect to base year (2019)
- Rationalisation of purifying plants
 - Percentage increase of the purifying capacity with respect to base year (2019)
 - Dismissed-centralised plants
 - AE interested in the centralisation of purifiers,
- Energy efficiency interventions
 - Avoided emissions thanks to energy savings in the purifying compartment

Anaerobic Digestion of Bio-waste and/or Sewage Sludge

Biomethane production from purification plants

- % upgrading intervention advancement upgrading for North and East Rome
- Biomethane introduced in the network
- Avoided emissions

Production of renewable energy through composting plants

	<ul style="list-style-type: none"> ▪ Biogas based electric energy produced and served in the network ▪ Installed power ▪ Gross electric energy produced/waste sent to treatment to the Aprilia, Monterotondo Marittimo, Orvieto plants ▪ Avoided emissions to produce electric energy <p><u>Waste Management</u></p> <p>Increase in the waste treatment capacity</p> <ul style="list-style-type: none"> ▪ Overall waste treatment capacity in the year ▪ Treated waste for the year ▪ Compost produced/waste sent to composting plants ▪ Secondary raw materials out of treatment plants/Waste coming in plants <p>Acea Smart Comp</p> <ul style="list-style-type: none"> ▪ Number of SmartComp installed ▪ Organic waste treated by SmartComp ▪ Produced compost by SmartComp ▪ Avoided emissions <p><u>Renewable Energy</u></p> <p>Production of electric energy from photovoltaic sources</p> <ul style="list-style-type: none"> ▪ Installed power ▪ Expected power gross production of electric energy ▪ Avoided emissions 	
<p>Issuers should be transparent on how they report all green bond-related cash-flows in one currency when they allocate green bond proceeds and report on the projects to which green bond proceeds have been allocated.</p>	<p>Allocated and unallocated proceeds have been reported in a single currency. Projects on which proceeds have been allocated have been disclosed.</p>	

RECOMMENDATIONS		
ICMA HFIR	GREEN BOND ALLOCATION AND IMPACT REPORT	ASSESSMENT
Define and disclose the period and process for including projects in their report	Acea has allocated EUR 485,14 million of the EUR 888,2 million raised in two issuances. It will allocate the full amount of use of proceeds from the bonds within 24 months of issuance.	✓
Indicate the total signed amount and the amount of environmental bonds proceeds allocated to eligible disbursements.	Acea has allocated EUR 485,14 million of the EUR 888,2 million raised in two issuances.	✓
Put in place a formal internal process for the allocation of proceeds linked to their lending and investment operations for Green Projects and to report on the allocation of proceeds.	The issuer followed a transparent process for selection and evaluation of Eligible Green Projects. Projects financed and/or refinanced through the Green Bonds issued under Green Financing Framework were evaluated and selected based on compliance with the Eligibility Criteria as set under paragraph 3.1 Use of Proceed of Acea's Framework.	✓
Provide a list of projects to which environmental bonds proceeds have been allocated, or report solely on a portfolio level	The Green Bond Allocation and Impact Report includes the total amount of proceeds allocated per eligible project category, type within categories and per geographical breakdown (country, region).	✓
Describe the approach to impact reporting	The issuer identifies the specific eligible projects and clearly defines, for each project, the total project's allocated proceeds and associated impact indicators.	✓
Report the estimated lifetime results and/or project economic life (in years)	The issuer has not disclosed this information.	○
Ex-post verification of specific projects	The issuer does not sample ex-post verification of specific projects.	N/A
Report on at least a limited number of sector specific core indicators for projects included in their green bond programmes	Acea has reported on sector specific indicators for the projects financed.	✓
For the calculation of indicators, where there is no single commonly-used standard, issuers may follow their own methodologies while making these available to investors.	Acea's calculation methodology for its impact indicators is broadly in line with what suggested by the HFIR.	✓

Elect, for consistency reasons, to convert units reported for individual projects. Disclosure on the conversion approach	No conversion factor has been included as it was not needed.	N/A
Be transparent about projects with partial eligibility	No projects with partial eligibility are currently financed by Acea under its Green Bond Framework.	N/A
In case the expected impacts of different project components may not be reported separately, issuers may attribute the results to each component based on their relative share in the related financing, disclosing the attribution approach	The expected impacts of different project components are reported separately.	N/A

Opinion: ISS ESG finds that Acea follows the ICMA Harmonized Framework for Impact Reporting (HFIR) core principles and key recommendations. The issuer provides transparency on the level of expected reporting as well as on the frequency, scope and duration, aligned with best practices. Acea has reported on an annual basis. The company has defined an extensive list of impact indicators covering all financed projects. Allocated proceeds are reported on a project-by-project basis.

PART III: DISCLOSURE OF PROCEEDS ALLOCATION REPORTING AND SOUNDNESS OF THE IMPACT REPORTING INDICATORS

Methodology note: *ISS ESG's review does not follow auditing or assurance standards or guidance. ISS ESG does not provide assurance on the information presented in Acea's Green Bond Allocation and Impact Report. ISS ESG solely conducted a review of the Use of Proceeds' allocation and impact reporting against ICMA Harmonized Framework for Impact Reporting (HFIR core principles and recommendations and criteria outlined in the issuer Framework).*

Use of Proceeds Allocation

ISS ESG has relied on the information and the facts disclosed by Acea with respect to the Green Bond Allocation and Impact Report and thus cannot be held responsible or liable if any of the conclusions, including details of projects, it has represented in this document are incorrect due to inaccurate or erroneous data provided by Acea. ISS ESG's procedures included a review of the Use of proceeds' allocation reporting against ICMA Green Bond Principles core recommendations on the level, scope and information to be provided in the allocation reporting, on the basis of the documentation provided by the issuer, which remains the sole liable party for the accuracy of information made available.

Use of proceeds allocation reporting is key to put the impacts into perspective with the number of investments allocated to the respective use of proceeds categories. The issuer reported on the Use of Proceeds allocation on an annual basis.

Proceeds not yet allocated to Eligible Projects

There is also transparency around the amount of unallocated proceeds. Proceeds that have not been allocated have been temporarily invested into cash and short-term time deposits.

Proceeds allocated to Eligible Projects

The proceeds' allocation is broken down by eligible type of project. Details on geographies and status are provided. Proceeds allocation has been reported at the portfolio level. The issuer has provided detail about the type of projects included in the portfolio.

ISS ESG finds that the allocation report section of the Green Bond Allocation and Impact Report of Acea aligns with good market practices by providing information on:

- The types of projects re-financed
- The total amount of proceeds in million euros (divided per environmental assets)

Impact Reporting Indicators

ISS ESG finds that the impact indicators used by Green Bond Allocation and Impact Report of Acea align with good market practices using ICMA's recommended metrics, either in the HFIR or the WTHFIR. The issuer measures and discloses relevant indicators for each Use of Proceeds category. The table below presents an assessment conducted by ISS ESG referring to key recommendations of the ICMA Harmonised Framework for Impact Reporting or Working Towards a Harmonized Framework for Impact Reporting for Social Bonds.

ELEMENT	ASSESSMENT
<p>Relevance</p>	<p>The impact indicators chosen by the issuer for this bond are the following:</p> <p>Water losses reduction:</p> <ul style="list-style-type: none"> ▪ % Reduction of water volume lost (over 2019) ▪ Reclaimed water network during the year <p>Interventions to increment the water system resilience and the security of water supply:</p> <ul style="list-style-type: none"> ▪ Interventions completed/interventions in the ATO2 scope <p>Energy efficiency in the electricity distribution networks' management:</p> <ul style="list-style-type: none"> ▪ Saved electricity/Distributed electricity ▪ Avoided emissions ▪ TOE saved <p>Increased resilience in the electricity distribution network thanks to development, modernisation, connectivity and telematic control interventions:</p> <ul style="list-style-type: none"> ▪ Recovered soil in highly-biodiverse areas <p>Electric mobility and related services:</p> <ul style="list-style-type: none"> ▪ Installed charging column ▪ Supplied certified electricity through Acea charging columns ▪ Avoided emissions <p>Environmental impact reduction from the vehicles of the company's fleet:</p> <ul style="list-style-type: none"> ▪ Avoided emissions <p>Efficiency and modernisation of the purification sector (sludge reduction, centralisation and processing capacity increase, energy efficiency):</p>

Sludge reduction

- Total sludge (solid and liquid)
- Reduction with respect to base year (2019)

Rationalisation of purifying plants

- Percentage increase of the purifying capacity with respect to base year (2019)

Energy efficiency interventions

- Avoided emissions thanks to energy savings in the purifying compartment

Biomethane production from purification plants:

- % upgrading intervention advancement upgrading for North and East Rome
- Biomethane introduced in the network
- Avoided emissions

Production of renewable energy through composting plants:

- Biogas based electric energy produced and served in the network
- Installed power
- Gross electric energy produced/waste sent to treatment to the Aprilia, Monterotondo Marittimo, Orvieto plants
- Avoided emissions to produce electric energy

Increase in the waste treatment capacity:

- Overall waste treatment capacity in the year
- Treated waste for the year
- Compost produced/waste sent to composting plants
- Secondary raw materials out of treatment plants/Waste coming in plants

Acea Smart Comp:

- Organic waste treated by SmartComp
- Produced compost by SmartComp
- Avoided emissions

Production of electric energy from photovoltaic sources:

- Installed power
- Expected power Gross production of electric energy
- Avoided emissions

These indicators are qualitative and material to the Use of Proceeds categories financed through this bond and draw from the Suggested Impact Reporting metrics for Green Building Projects by the ICMA Harmonized Framework for Impact Report for Environmental and Social

	Bonds. Some indicators were designed by the issuer to capture the specificity of their projects. This aligns with best market practices.
Data sourcing and methodologies of quantitative assessment	For the impact indicator, the issuer calculates the uses internal methodologies and sourcing data from internal data systems. Some data are calculated using conversion factors provided by Italian nation-wide database.
Baseline selection	The impact data is compared with relevant baseline, where needed, as relevant internal data were used.
Scale and granularity	The impact data is presented at the Use of Proceed category level for the indicator(s).

High-level mapping of the impact indicators with the UN Sustainable Development Goals

Based on the project categories financed and refinanced by the bonds as disclosed in the issuer's Green Bond Allocation and Impact Report, the impact indicator(s) adopted by Acea for its Green Bonds can be mapped to the following SDGs, according to the ICMA "A High -Level Mapping to the Sustainable Development Goals"⁴.

IMPACT INDICATORS	SUSTAINABLE DEVELOPMENT GOALS
<p>Water losses reduction:</p> <ul style="list-style-type: none"> ▪ % Reduction of water volume lost (over 2019) ▪ Reclaimed water network during the year 	
<p>Interventions to increment the water system resilience and the security of water supply:</p> <ul style="list-style-type: none"> ▪ Interventions completed/interventions in the ATO2 scope 	
<p>Energy efficiency in the electricity distribution networks' management:</p> <ul style="list-style-type: none"> ▪ Saved electricity/Distributed electricity ▪ Avoided emissions ▪ TOE saved 	 

⁴ICMA, June 2020, Green, Social and Sustainability Bonds; A High-Level Mapping to the Sustainable Development Goals, <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Mapping-SDGs-to-Green-Social-and-Sustainability-Bonds-2020-June-2020-090620.pdf>

<p>Increased resilience in the electricity distribution network thanks to development, modernisation, connectivity and telematic control interventions:</p> <ul style="list-style-type: none"> Recovered soil in highly-biodiverse areas 	
<p>Electric mobility and related services:</p> <ul style="list-style-type: none"> Installed charging column Supplied certified electricity through Acea charging columns Avoided emissions 	
<p>Environmental impact reduction from the vehicles of the company's fleet:</p> <ul style="list-style-type: none"> Avoided emissions 	
<p>Efficiency and modernisation of the purification sector (sludge reduction, centralisation and processing capacity increase, energy efficiency):</p> <ul style="list-style-type: none"> <u>Sludge reduction</u> <ul style="list-style-type: none"> Total sludge (solid and liquid) Reduction with respect to base year (2019) <u>Rationalisation of purifying plants</u> <ul style="list-style-type: none"> Percentage increase of the purifying capacity with respect to base year (2019) 	
<p>Efficiency and modernisation of the purification sector (sludge reduction, centralisation and processing capacity increase, energy efficiency):</p> <p><u>Energy efficiency interventions</u></p> <ul style="list-style-type: none"> Avoided emissions thanks to energy savings in the purifying compartment 	
<p>Biomethane production from purification plants:</p> <ul style="list-style-type: none"> % upgrading intervention advancement upgrading for North and East Rome Biomethane introduced in the network 	

<ul style="list-style-type: none"> ▪ Avoided emissions 	
<p>Production of renewable energy through composting plants:</p> <ul style="list-style-type: none"> ▪ Biogas based electric energy produced and served in the network ▪ Installed power ▪ Gross electric energy produced/waste sent to treatment to the Aprilia, Monterotondo Marittimo, Orvieto plants ▪ Avoided emissions to produce electric energy 	
<p>Increase in the waste treatment capacity:</p> <ul style="list-style-type: none"> ▪ Overall waste treatment capacity in the year ▪ Treated waste for the year ▪ Compost produced/waste sent to composting plants ▪ Secondary raw materials out of treatment plants/Waste coming in plants 	
<p>Acea Smart Comp:</p> <ul style="list-style-type: none"> ▪ Organic waste treated by SmartComp ▪ Produced compost by SmartComp ▪ Avoided emissions 	
<p>Production of electric energy from photovoltaic sources:</p> <ul style="list-style-type: none"> ▪ Installed power ▪ Expected power Gross production of electric energy ▪ Avoided emissions 	

DISCLAIMER

1. Validity of the External Review: As long as no material changes are undertaken by the issuer to its Green Bond Allocation and Impact Report as of 09.02.2022
2. ISS ESG uses a proprietary methodology to assess the post-issuance reports. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create External Reviews on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this External Review is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of this External Review, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the External Review is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
5. We would point out that this External Review, certain images, text and graphics contained therein, and the layout and company logo of ISS ESG are the property of ISS and are protected under copyright and trademark law. Any use of such ISS property shall require the express prior written consent of ISS. Use shall be deemed to refer in particular to the copying or duplication of the External Review wholly or in part, the distribution of the External Review, either free of charge or against payment, or the exploitation of this External Review in any other conceivable manner.

The issuer that is the subject of this report may have purchased self-assessment tools and publications from ISS Corporate Solutions, Inc. (“ICS”), a wholly-owned subsidiary of ISS, or ICS may have provided advisory or analytical services to the issuer. No employee of ICS played a role in the preparation of this report. If you are an ISS institutional client, you may inquire about any issuer's use of products and services from ICS by emailing disclosure@issgovernance.com.

This report has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. While ISS exercised due care in compiling this report, it makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes. In particular, the research and scores provided are not intended to constitute an offer, solicitation or advice to buy or sell securities nor are they intended to solicit votes or proxies.

Deutsche Börse AG (“DB”) owns an approximate 80% stake in ISS HoldCo Inc., the holding company which wholly owns ISS. The remainder of ISS HoldCo Inc. is held by a combination of Genstar Capital (“Genstar”) and ISS management. ISS has formally adopted policies on non-interference and potential conflicts of interest related to DB, Genstar, and the board of directors of ISS HoldCo Inc. These policies are intended to establish appropriate standards and procedures to protect the integrity and independence of the research, recommendations, ratings and other analytical offerings produced by ISS and to safeguard the reputations of ISS and its owners. Further information regarding these policies are available at <https://www.issgovernance.com/compliance/due-diligence-materials>.

© 2022 | Institutional Shareholder Services and/or its affiliates

ANNEX: Methodology

ISS ESG Review of the post-issuance Reports

The external review of post-issuance reports provides the issuer with an independent opinion on the soundness of its post-issuance report and of its alignment with recognized market guidelines and it provides investors with independent information regarding the reliability of the report produced. On the basis of the information provided by the issuer, ISS ESG assesses the alignment of the report with recognized market guidelines, the metrics chosen by the issuer and the soundness of process and methodology of reporting. The analysis of the metrics adopted is based also on specific sets of indicators developed by ISS ESG referring to common market guidelines.

High level mapping to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method based on ICMA Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals, ISS ESG identifies the extent to which Hypo Tirol's Social Bond Impact reporting and project categories contributes to related SDGs.

About ISS ESG External Review

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Green Bond Principles, Social Bond Principles and Sustainable Bond Guidelines), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent External Review so that investors are as well informed as possible about the quality of the bond/loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For information on External Review services, contact: SPOsales@isscorporatesolutions.com

For more information on this specific Green Bond Allocation and Impact Report External Review, please contact: SPOOperations@iss-esg.com

Project team

Project lead

Marta Farina
Associate
ESG Consultant

Project support

Elena Johansson
Associate
ESG Consultant

Project supervision

Viola Lutz
Executive Director
Head of ISS ESG Climate Services