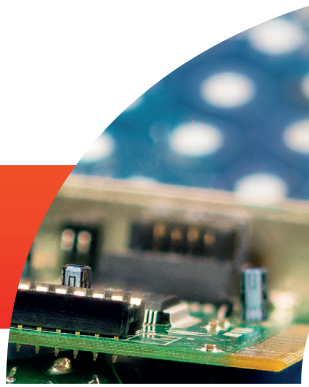
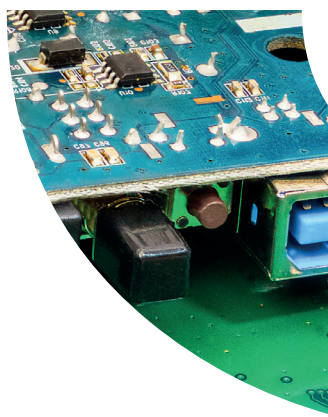


# 2



## Annual Report

at 31 December 2023





Shaping tomorrow  
everyday

# Annual Report

At 31 December 2023

# Summary

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Iren is the energy, environmental and infrastructure operator active in a multi-regional area with more than 10,000 employees, a portfolio of over 2 million customers in the energy sector, approximately 2.7 million residents served in the integrated water cycle and 3.8 million residents in the environmental cycle.

# Introduction





# Corporate officers

## Board of Directors <sup>(1)</sup>

### Chairperson

### Deputy Chairperson

### Chief Executive Officer and General Manager

### Directors

Luca Dal Fabbro <sup>(2)</sup>  
 Moris Ferretti <sup>(3)</sup>  
 Paolo Signorini <sup>(4)</sup>  
 Francesca Culasso <sup>(5)</sup>  
 Enrica Maria Ghia <sup>(6)</sup>  
 Pietro Paolo Giampellegrini <sup>(7)</sup>  
 Francesca Grasselli <sup>(8)</sup>  
 Cristiano Lavaggi <sup>(9)</sup>  
 Giacomo Malmesi <sup>(10)</sup>  
 Giuliana Mattiazzo <sup>(11)</sup>  
 Tiziana Merlino <sup>(12)</sup>  
 Gianluca Micconi <sup>(13)</sup>  
 Patrizia Paglia <sup>(14)</sup>  
 Cristina Repetto <sup>(15)</sup>  
 Licia Soncini <sup>(16)</sup>

## Board of Statutory Auditors <sup>(17)</sup>

### Chairperson

### Standing auditors

Michele Rutigliano  
 Cristina Chiantia  
 Simone Caprari  
 Ugo Ballerini  
 Sonia Ferrero

### Alternate Auditors

Lucia Tacchino  
 Fabrizio Riccardo Di Giusto

## Independent Auditors

KPMG S.p.A. <sup>(18)</sup>

## Manager in charge of financial reporting

Giovanni Gazza

<sup>(1)</sup> Appointed by the Shareholders' Meeting of 21 June 2022 for the 2022-2023-2024 three-year period.

<sup>(2)</sup> Appointed Chairperson by the Shareholders' Meeting of 21 June 2022. By a resolution passed on 30 August 2023, the Board of Directors of IREN S.p.A. appointed Mr. Dal Fabbro as Strategic Director of Finance, Strategies and Delegated Areas.

<sup>(3)</sup> Deputy Chairperson in the three-year period 2019-2021. He was confirmed in office for the three-year period 2022-2024 at the meeting of the Board of Directors on 21 June 2022. With a resolution passed on 30 August 2023, the Board of Directors of IREN S.p.A. appointed Mr. Ferretti as Strategic Director of Human Resources, CSR and Delegated Areas.

<sup>(4)</sup> Appointed Director - by co-option, pursuant to Article 2386 of the Italian Civil Code, following the resignation of Mr. Gianni Vittorio Armani - as well as Chief Executive Officer and General Manager by the Board of Directors on 30 August 2023.

<sup>(5)</sup> Chairperson of the Control, Risk and Sustainability Committee.

<sup>(6)</sup> Member of the Control, Risk and Sustainability Committee.

<sup>(7)</sup> Chairperson of the Remuneration and Appointments Committee.

<sup>(8)</sup> Member of the Related Party Transactions Committee.

<sup>(9)</sup> Member of the Remuneration and Appointments Committee.

<sup>(10)</sup> Member of the Control, Risk and Sustainability Committee.

<sup>(11)</sup> Member of the Related Party Transactions Committee.

<sup>(12)</sup> Member of the Control, Risk and Sustainability Committee.

<sup>(13)</sup> Member of the Remuneration and Appointments Committee.

<sup>(14)</sup> Member of the Remuneration and Appointments Committee.

<sup>(15)</sup> Member of the Related Party Transactions Committee.

<sup>(16)</sup> Chairperson of the Related Party Transactions Committee.

<sup>(17)</sup> Appointed by the Shareholders' Meeting of 06 May 2021 for the 2021-2022-2023 three-year period.

<sup>(18)</sup> Appointed by the Shareholders' Meeting of 22 May 2019 for the 2021-2029 nine-year period.



# Letter to Shareholders and Stakeholders

## Dear Shareholders and Stakeholders,

once again this year, Iren Group has chosen to communicate to you through a single letter to share the results of the economic report and the goals achieved in the field of sustainability. This is because more and more world events and economic and financial targets unequivocally confirm that there can be no growth and development of a country, as well as of a company, without serious and constant attention to sustainability.

The past year has half marked the trajectory from the 2030 Agenda for Sustainable Development, signed by the 193 UN member states in 2015. It is therefore time for an initial stocktaking and reflection on how best to optimise the period leading up to one of the decisive milestones for a globally sustainable future. According to the UN 2023 report on the SDGs, progress on more than 50% of the goals is weak or even insufficient, while the path towards achieving 30% of them has stalled.

In light of the challenges to be achieved and the results to date, it is necessary for countries, major world economies and industrial realities to drive accelerated transition, thus recovering the gap.

**There can be no growth and development of a country, as well as of a company, without serious and constant attention to sustainability.**



The succession of extreme events, in addition to the increase in global temperatures to the 1.5 °C limit compared to pre-industrial levels recorded in 2023, confirms that we are facing a global emergency, as is in fact, the climate crisis, together with the continuing international energy crisis and high international geopolitical tensions.

In this scenario characterised by the intertwining of critical issues, Iren Group has maintained high economic, social and environmental performance, in line with the objectives set in the 2030 Strategic Plan.

The integration between the industrial strategy and the sustainability strategy is the central element in the achievement of these results, as is also evident in the numbers: the investments made by Iren Group in 2023 were close to 1 billion euro, with a large share, almost 80%, going to sustainable projects or activities. Efficiency in distribution networks, development of waste treatment plants and increasing generation capacity from renewable sources are the main assets in which Iren has invested.

The Gross Operating Margin (EBITDA) stood at 1,197 million euro, up 13.5% compared to 2022 despite the volatility of the energy scenario. This result was achieved mainly thanks to the full recovery of the Market Business Unit, hydroelectric generation, and the full contribution of the new integrated companies such as SEI Toscana and Acquaenna.

Group Net Profit attributable to shareholders reached 255 million euro (up 12.8% compared to 226 million euro in 2022). The result for 2023 includes 41 million euro in provisions for risks related to the Sostegni Ter Decree-Law.

In spite of major investments to reach the renewable capacity target of 800MW and the start-up of significant new plants for the circular economy, the Group managed to contain the increase in debt thanks to the cash flows generated and the excellent management of net working capital.

The effectiveness of a strategy focused on environmental and social sustainability goals combined with economic ones has further strengthened the Group's financial structure. This is evidenced by the January 2024 issue of the fifth green bond, which registered orders for more than 4.7 billion euro, about 10 times the amount offered.

Thanks to the synergies between the different business areas, the Group was able to meet all the main targets of the Business Plan and maximise its commitment by achieving important goals in the core industrial areas.

The investments made by Iren Group in 2023 were close to 1 billion euro, with a large share, almost 80%, going to sustainable projects or activities.



A path that has led by 2023 to an increase in energy production from renewable sources; to improved services for energy efficiency; to the virtuous use of water resources through an increasingly integrated system; and to a more effective management and valorisation of waste as a new resource.

In 2023, in fact, the Iren strategy continued for waste recovery and the adoption of the most advanced circular economy models, with the opening of innovative plants in the Group's historical territories. In Reggio Emilia, for example, the OFMSW plant was inaugurated with a treatment capacity of 167 thousand tonnes of organic residues and green fraction, to be transformed into biomethane, quality compost and carbon dioxide for industrial uses. Further reinforcing the Group's leadership in the field of innovative waste management and valorisation was the Circular Wood plant in Vercelli, a unicum at national level for the production of pallets and pallet blocks from recycled wood.

The realisation of Iren Group's strategy for the development of renewable energy sources as a sustainable option in the medium to long term led to a growth in "green" production of over 30% in 2023 compared to the previous year. The commissioning of the photovoltaic park in the province of Matera, the largest in Basilicata, and the entry of Iren into the wind power sector are some tangible signs of strengthening in this field.

In line with the pillars of the Business Plan, the Group has worked to further affirm its role as a reference point for the territory, the community and families, also through the offer of an increasingly integrated water system. In this direction was the continuation of the programme to make water networks more efficient, to gradually reduce the amount of water withdrawn from the environment for drinking water purposes, and to increase purification capacity to increase the quantity and improve the quality of the resource returned to the environment. A continuous and constant effort that led to a further reduction in water losses to 30.4% in 2023, compared to a national average of over 41%.

The acquisition of a majority stake in Acquaenna was a significant transaction that allowed the Group to become a reference partner for the development of new services also in Southern Italy.

Performance achieved thanks to the Group's ability to focus on human capital, a true competitive factor capable of triggering social and environmental change and creating added value in the territories served. In recent years, our team has grown in unprecedented numbers: 3,222 are new hires compared to 2020, of which more than 1,100 in 2023 alone. A key lever that has contributed to the enhancement of human capital is the focus on inclusiveness and diversity with training and development processes from the very beginning. Proof of the success of these processes, once again, are the numbers: the presence of women among managers and executives is 25% higher and the proportion of new recruits under 30 exceeds 50%.

The centrality of the consumer is crucial to achieving the energy transition. Iren works to include the customer more and more in the process of managing the services offered. In this area, for example, the network of territorial counters grew by 28% in 2023, and the streamlining of processes led to a reduction in waiting times (thanks also to new digital systems) and in the number of complaints.

The evaluation of service quality by citizen-customers gives positive ratings and shows a general improvement in the Group's performance. The exceeding of 71% separate waste collection in the historical territories and the growth of renewable energy sold to customers are concrete examples of the forward-looking path that Iren is taking.

With respect to another important challenge, that of the European Taxonomy, a single system to classify environmentally sustainable economic activities, Iren scores significant results: 58% of the activities managed by the Group are in fact eligible for the Taxonomy, of which 52%, equal to about 800 million euro, are aligned for the "climate change mitigation" objective.

The Group's positive performance is the result of the great commitment of Iren women and men, their dedication and sense of responsibility towards the great challenges ahead and towards our territorial communities. For this, we wish to express our sincere thanks to the people who work in Iren Group and remember the fundamental contribution of shareholders, stakeholders, members of the Board of Directors and the Board of Statutory Auditors in pursuing sustainable growth capable of generating value for the communities.

The realisation of Iren Group's strategy for the development of renewable energy sources as a sustainable option in the medium to long term led to a growth in "green" production of over 30% in 2023 compared to the previous year.



Chairperson

**Luca Dal Fabbro**

A handwritten signature in black ink, appearing to read "Luca Dal Fabbro".



Deputy Chairperson

**Moris Ferretti**

A handwritten signature in black ink, appearing to read "Moris Ferretti".



Chief Executive Officer

**Paolo Signorini**

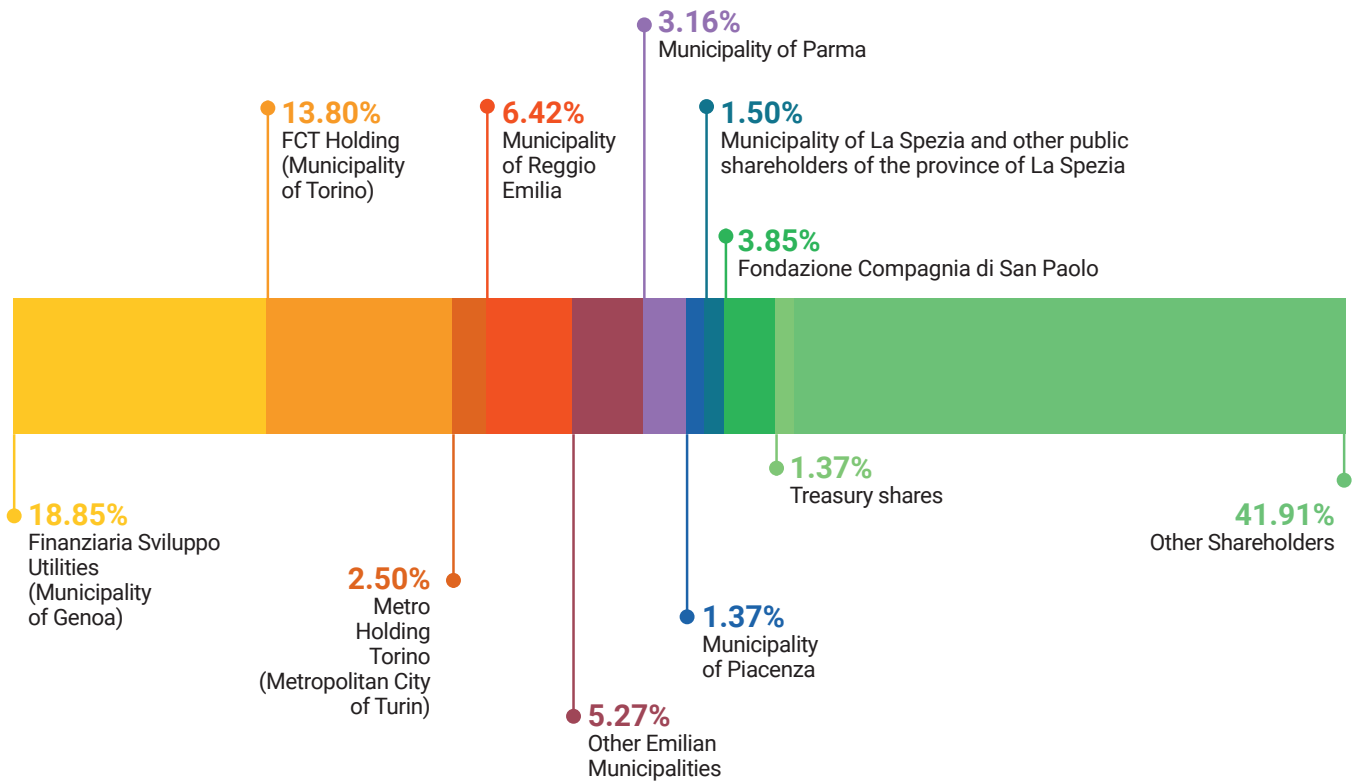
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# Ownership structure

The Company's share capital amounts to 1,300,931,377 euro, fully paid up, and is made up of ordinary shares with a nominal value of 1 euro each.

At 31 December 2023, based on available information, the Iren shareholding structure was as follows:





## Mission

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To offer our customers and areas the best integrated management of energy, water and environmental resources, with innovative and sustainable solutions in order to create value over time.

**For everyone, every day.**



## Vision

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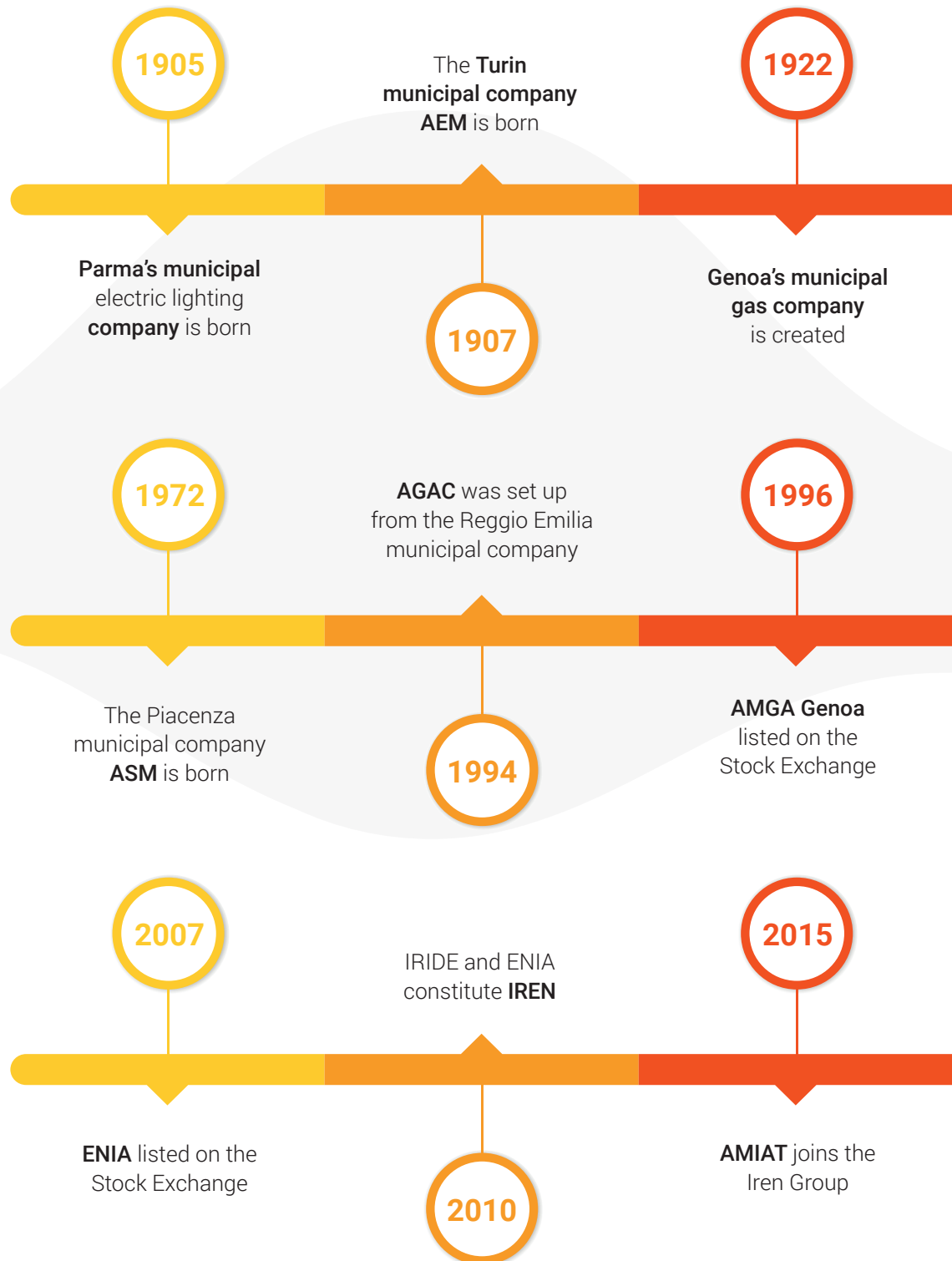
Improving people's quality of life, making businesses more competitive. To look at territorial growth with a focus on change. Merging development and sustainability into one unique value. We are the multi-utility company that wants to build this future through innovative choices.

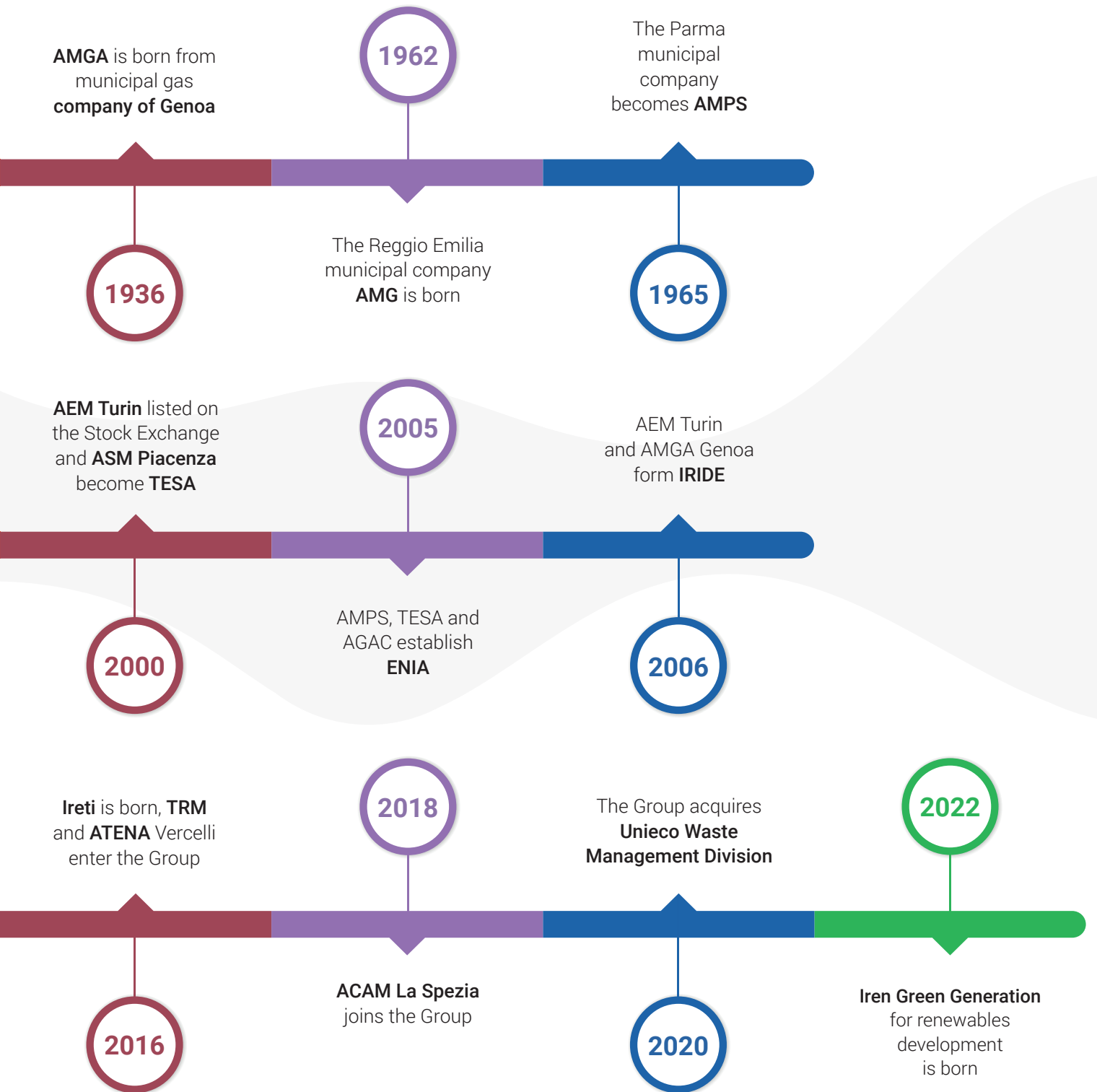
**For everyone, every day.**



# A century of history

A company for over 110 years focused on the development of its territories and the needs of its customers.







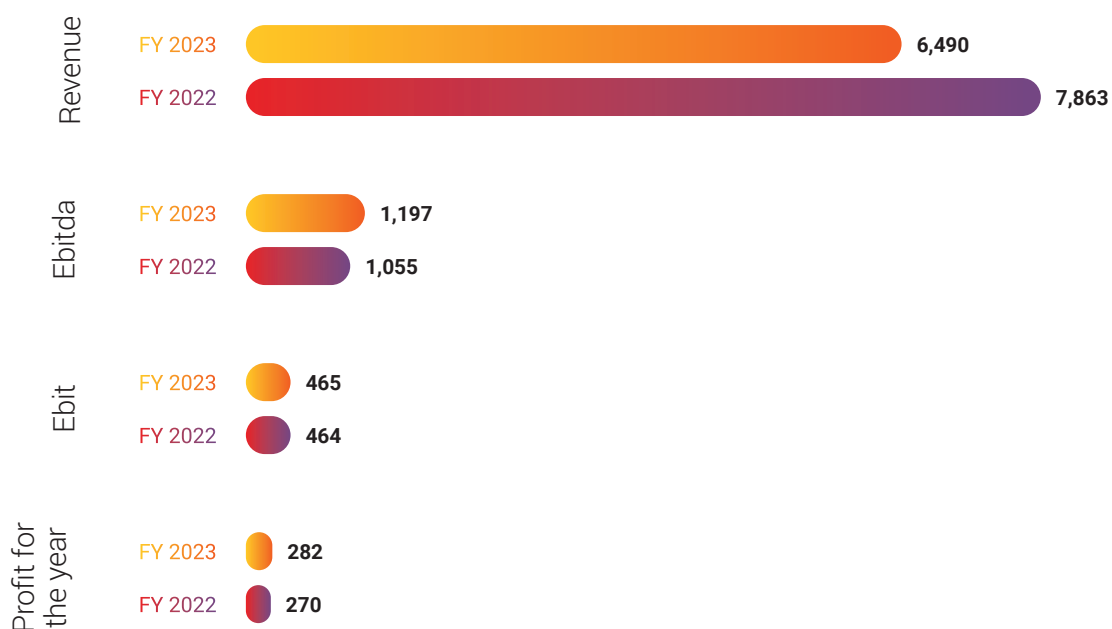
# Key figures of Iren Group: Highlights 2023

## Results

millions of euro

	FY 2023	FY 2022	Change %
Revenue	6,490.4	7,863.0	(17.5)
Gross operating profit (EBITDA)	1,196.9	1,054.7	13.5
Operating profit (EBIT)	464.6	463.7	0.2
Profit for the year	282.0	269.9	4.5
<hr/>			
Gross operating profit (EBITDA) Margin (EBITDA/Revenue)	18,4%	13,4%	

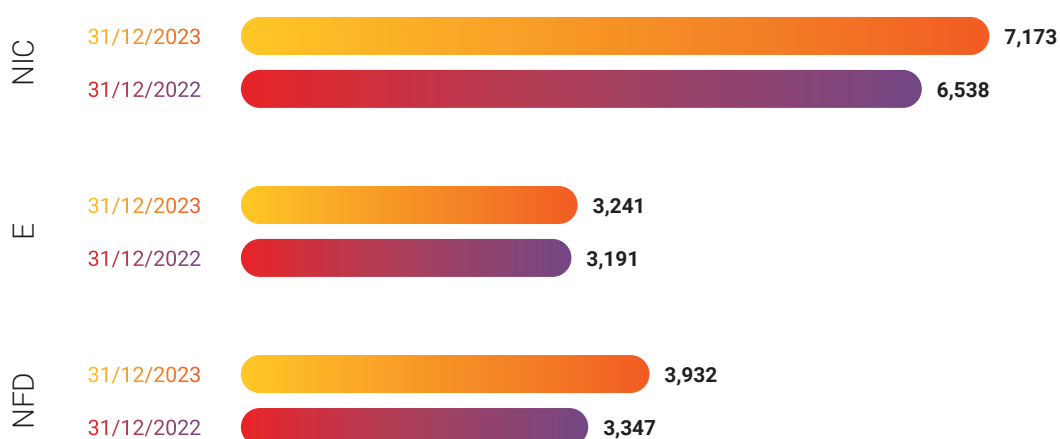
For definitions of Alternative Performance Measures, see the relevant section in this Report.





## Financial position

	31.12.2023	31.12.2022	Change %
Net Invested Capital (NIC)	7,173.2	6,537.9	9.7
Equity (E)	3,241.4	3,191.1	1.6
Net Financial Debt (NFD)	3,931.8	3,346.8	17.5
Debt/Equity (Net Financial Debt/Equity)	1.21	1.05	



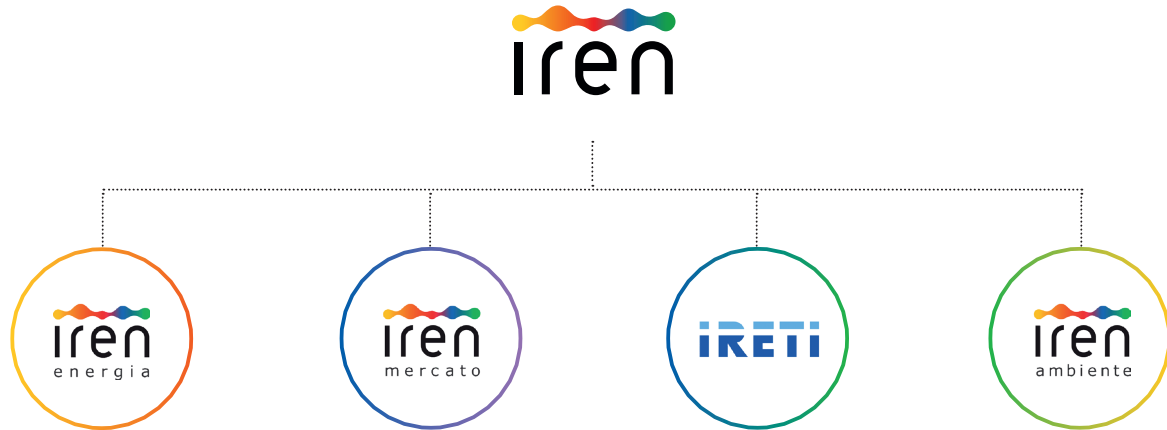
## Technical and commercial figures

	FY 2023	FY 2022	Change %
Electricity produced (GWh)	9,066.9	8,251.6	9.9
Thermal energy produced (GWht)	2,638.9	2,870.1	(8.1)
Electricity distributed (GWh)	3,555.7	3,687.3	(3.6)
Gas distributed (mln m <sup>3</sup> )	1,031.4	1,124.4	(8.3)
Water sold (mln m <sup>3</sup> )	179.4	170.1	5.5
Electricity sold (GWh)	13,327.0	13,160.1	1.3
Gas sold (mln m <sup>3</sup> ) <sup>(*)</sup>	2,495.2	2,503.4	(0.3)
District heating volume (mln m <sup>3</sup> )	101.1	99.3	1.8
Waste treated (tonnes)	3,842,166	3,734,861	2.9

<sup>(\*)</sup> of which for internal use 1,495.8 mln m<sup>3</sup> in 2023 (1,401.8 mln m<sup>3</sup> in 2022, +6.7%)



# The Corporate Structure of Iren Group



The Group is structured according to a model that envisages an industrial holding company (Iren S.p.A., listed at Borsa Italiana, with registered office in Reggio Emilia), which brings together all the Group's corporate staff activities, and four Business Units, governed by four lead companies responsible for the individual business lines, located in the main operational offices of Genoa, Parma, Piacenza, Reggio Emilia, Turin, Vercelli and La Spezia.

In particular, Iren S.p.A. is responsible for strategic, development, coordination and control activities, while the four Business Units (BUs) have been entrusted with the coordination and direction of the companies operating in their respective sectors:

- Networks, which works in the areas of Integrated Water Service, gas distribution and electricity distribution;
- Waste Management, dealing with waste collection and transport, urban hygiene and design and management of waste treatment and disposal plants;
- Energy, operating in the fields of electricity production from renewable sources, electrical and thermal cogeneration, thermoelectric production, district heating, energy efficiency services, public lighting and global service and heat management services;
- Market, active in the sale of electricity and gas and in the supply of heat, as well as in the sale of energy saving and home automation products and services for customers.

## BUSINESS UNIT

# Networks

### Integrated Water Service

The Networks BU operates in water supply, sewerage and wastewater treatment in the provinces of Genoa, Savona, Piacenza, Parma, Reggio Emilia, Vercelli, La Spezia, Enna and some other municipalities in Piedmont.

In this context, it is noted that at the end of March 2023, IRETI acquired control of the associate AMTER through the acquisition of 51% of its share capital. The company manages the water cycle in the western area of the province of Genoa, and more specifically in the municipalities of Campo Ligure, Cogoleto, Masone, Mele Rossiglione, Arenzano and Tiglieto, with a 287 km drinking water network and a 140 km sewerage network, as well as 11 wastewater treatment plants, including the district one in Rossiglione.

On 31 May 2023, IRETI also increased its shareholding in the associate AcquaEnna, allowing its consolidation. AcquaEnna is a company limited by shares set up for consortium purposes entrusted with the management of the water service in all the 20 municipalities of the Province of Enna until 2034, for a total of 155 thousand inhabitants served.

Overall, in the Ambiti Territoriali Ottimali (ATO, Optimal Territorial Areas) managed, the service is provided in 266 municipalities through a distribution network of 21,977 kilometres, serving over 3 million residents. As regards waste water, the Networks BU manages a sewerage network spanning a total of 12,117 kilometres.

### Gas distribution

The distribution service, managed in 119 municipalities, guarantees the withdrawal of natural gas from Snam Rete Gas pipelines and its transportation through local networks for delivery to end users. In particular, the Networks BU distributes methane gas in 73 municipalities in the provinces of Reggio Emilia, Parma and Piacenza (including the provincial capitals), in the municipality of Genoa and 20 other neighbouring municipalities, as well as in the city of Vercelli, in 19 municipalities in the same province and in 3 other municipalities located in Piedmont and Lombardy.

The distribution network, made up of 8,444 kilometres of high, medium and low-pressure pipes, serves a catchment area of approximately 757 thousand redelivery points.

Moreover, the Networks BU manages the distribution and sale of LPG, particularly in the province of Reggio Emilia and in the province of Genoa, via specific storage plants, located in towns that are still not reached by the natural gas network.

It should be noted that with the rationalisation operation of the gas distribution concessions between Ascopiave and Iren completed at the beginning of 2023, the Networks BU manages the gas distribution concessions in 15 municipalities: 9 in the Vercelli area, 2 in the Piacenza area, 1 in the province of Parma and finally, the municipalities of Albenga, Ceriale and Cisano sul Neva in the province of Savona.

### Electricity distribution

The Networks BU provides the electricity distribution service in the cities of Turin, Parma and Vercelli with 7,883 kilometres of network in medium and low voltage, and a total of more than 732 thousand connected users.



## BUSINESS UNIT

# Waste Management

The Business Unit carries out all the activities of the municipal waste management cycle (collection, sorting, treatment, recovery and disposal), with particular attention to sustainable development and environmental protection confirmed by increasing levels of sorted waste collection; it also manages an important portfolio of customers to whom it provides all services and plant availability for the disposal of special waste.

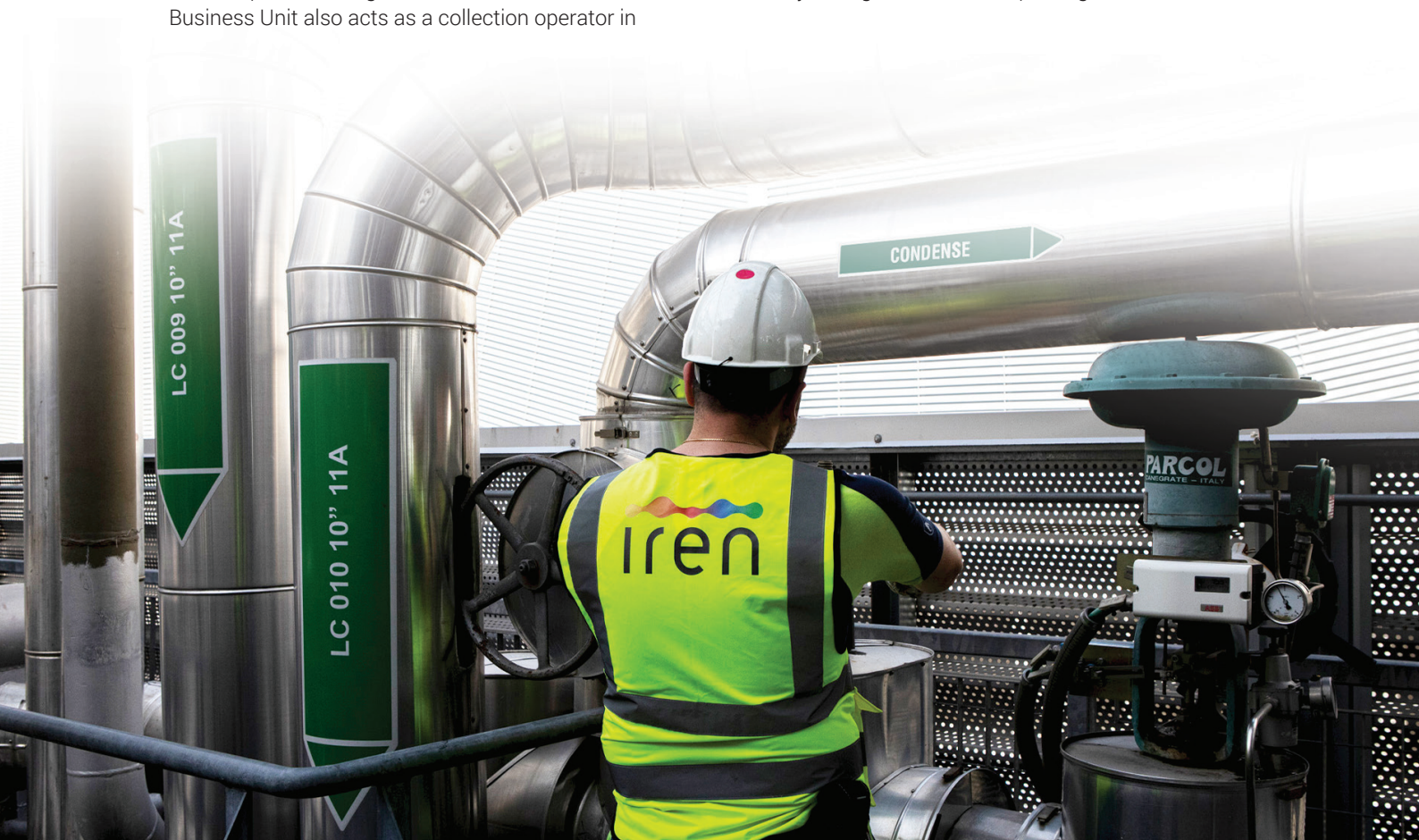
The activities are carried out in various territorial contexts, starting from the historical basin of Emilia (provinces of Reggio Emilia, Parma and Piacenza) to Piedmont (in particular Turin, the province of Vercelli and Novara), where the Waste Management BU is entrusted with the collection sector and is present with treatment and disposal plants (also with the production of electricity and thermal energy through waste-to-energy), and Liguria, in the collection sector (in the La Spezia area) and with treatment and waste-to-energy plants.

In the Tuscan area, the Waste Management BU is present in all stages of the supply chain: from intermediation to treatment and disposal of both urban and special waste, with a significant presence in the provinces of Siena, Grosseto and Arezzo, where the Group also manages the collection service. The Business Unit also acts as a collection operator in

specific areas in Sardinia and Lombardy and has disposal plants in the regions of Marche and Apulia. Finally, via I.Blu, it is active in the sorting of plastic waste for recovery and recycling and in the treatment of plastic waste for the production of Blupolymer (polymer for civil uses) and Bluair (reducing agent for steel plants).

In June and October 2023 respectively, the Waste Management BU expanded its scope with the acquisition of a majority stake in ReMat and Semia Green. The first is an innovative Turin-based start-up operating in the recovery of polyurethane foam (particularly from mattresses, seat padding and furniture), while the second is active in the province of Siena in the capture of biogas from landfills.

The Waste Management BU serves a total of 436 municipalities with about 3.85 million residents in its operational areas. The integrated waste cycle is mainly made up of 3 waste-to-energy plants (TRM in Turin, Polo Ambientale Integrato (PAI) (Integrated Environmental Hub), in Parma, and Tecnoborgo, in Piacenza), 4 active landfills, 420 equipped technological stations and 56 plants including sorting, storage, recovery, biodigestion and composting.



## BUSINESS UNIT

# Energy

The Business Unit operates in the production of electricity and heat, the latter distributed through district heating networks, and in energy efficiency services to public and private entities.

### Production of electricity and heat

---

The Energy BU has an installed electric power capacity of 3,286 MW in electric power mode and 3,114 MW in cogeneration mode, and a thermal power capacity of 2,350 MWt. Specifically, it has 41 electricity production plants directly available to it: 33 hydroelectric (of which 3 mini-hydro), mostly located in Piedmont and Campania, 7 cogeneration thermoelectric (Piedmont and Emilia Romagna) and one conventional thermoelectric in Turbigo (Milan).

The Business Unit also has 110 photovoltaic plants with an installed capacity of 189 MW, the largest of which are located in Apulia and Basilicata, and a wind farm in Liguria.

Electricity produced by plants fuelled by renewable or high-efficiency cogeneration sources, which account for 64% of the Group's plant portfolio, generate 73% of all output. In particular, the hydroelectric system and production from solar sources play an important role in

terms of environmental protection, thanks to the use of renewable and clean resources, without the emission of polluting substances, and allow to reduce the use of other forms of production with higher environmental impact.

On the thermal production side, it should be noted that, on average, at Group level only 13% of the heat for district heating is produced by conventional heat generators: in fact, 76% comes from high-efficiency cogeneration plants, while the residual portion (11%) is produced by plants not belonging to the Business Unit (waste-to-energy plants, as part of their disposal activities).

Iren Energia also oversees the scheduling and dispatching of the Group's electricity production, as well as operations on the power exchange.

### District heating

---

Iren Energia has the most extensive district heating network at national level (1,135 kilometres of double pipe network), with 769 kilometres in Turin and surrounding municipalities, 219 in the municipality of Reggio Emilia, 104 in the municipality of Parma, 35 in the municipality of Piacenza and 8 in the municipality of Genoa; the total heated volume amounts to 101.1 million cubic metres.

## BUSINESS UNIT

# Energy

### Energy efficiency services

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The Energy BU, through its subsidiary Iren Smart Solutions, addresses companies, private condominiums, Public Administration and third sector entities, with an articulated portfolio of services:

- energy efficiency, carrying out design and implementation of energy requalification interventions: insulation, co-insulation, replacement of windows, innovative technological services, efficiency improvement of heating and air conditioning systems;
- installation of photovoltaic, solar thermal and self-generation energy systems;
- management of heating systems;
- realisation of Renewable Energy Communities (RECs);
- energy consultancy, energy management and monitoring for energy saving;
- global service for the integrated management of electrical and technological plants of complex property assets;
- relamping LEDs through energy efficiency projects in lighting, public and artistic lighting, efficient management of traffic light systems.



## BUSINESS UNIT

# Market

The Market BU operates in the sale of electricity, gas and heat for district heating, and of extra-commodity services and products, in particular for energy efficiency. It is present throughout Italy, with a greater concentration in the central-northern area.

### Sale of electricity

---

The Market BU operates, in the context of the free market, all over the country, with a higher concentration of customers in Central and Northern Italy, and handles the sale of the energy provided by the Group's various sources on the market of end customers and wholesalers.

The number of retail and small business electricity customers managed is just under 1.2 million, distributed mainly in the areas of historical presence (Turin, Parma,

Reggio Emilia, Piacenza, Vercelli and Genoa) and in the other commercially covered areas (Alessandria and Salerno).

The company also operates as the operator of the "greater protection" service for retail customers on the electricity market in the city of Turin, the territory of Parma and the catchment area of the municipality of Sanremo (IM).

### Sale of Natural Gas

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The retail gas portfolio of the Market Business Unit mainly concerns the historical basins of Genoa, Turin and Emilia, the development areas bordering on them, Vercelli, Alessandria and La Spezia, as well as the Campania area, in almost all provinces, and some municipalities in the Basilicata, Calabria, Tuscany and Lazio regions, for a total of almost one million customers.

### Sale of heat through the district heating network

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Iren Mercato sells heat, supplied by Iren Energia, to district heating customers in the municipalities of Turin and surrounding municipalities, Reggio Emilia, Parma, Piacenza and Genoa, as well as the newly established district heating areas.

Among the commercial proposals complementary to the sale of commodities, we highlight the business lines intended for the sale to retail customers of innovative products in the area of home automation,

energy saving and maintenance of domestic systems, as well as "IrenGO zero emissions" for e-mobility, aimed at private customers, companies and public bodies with the aim of reducing the environmental impact of travel, also through the installation of charging infrastructures at the Group's offices and the progressive introduction of electric vehicles. All IrenGO initiatives benefit from 100% green energy supply coming from the Group's renewable source plants.



# Information on the Iren stock in 2023

## IREN stock performance on the stock exchange

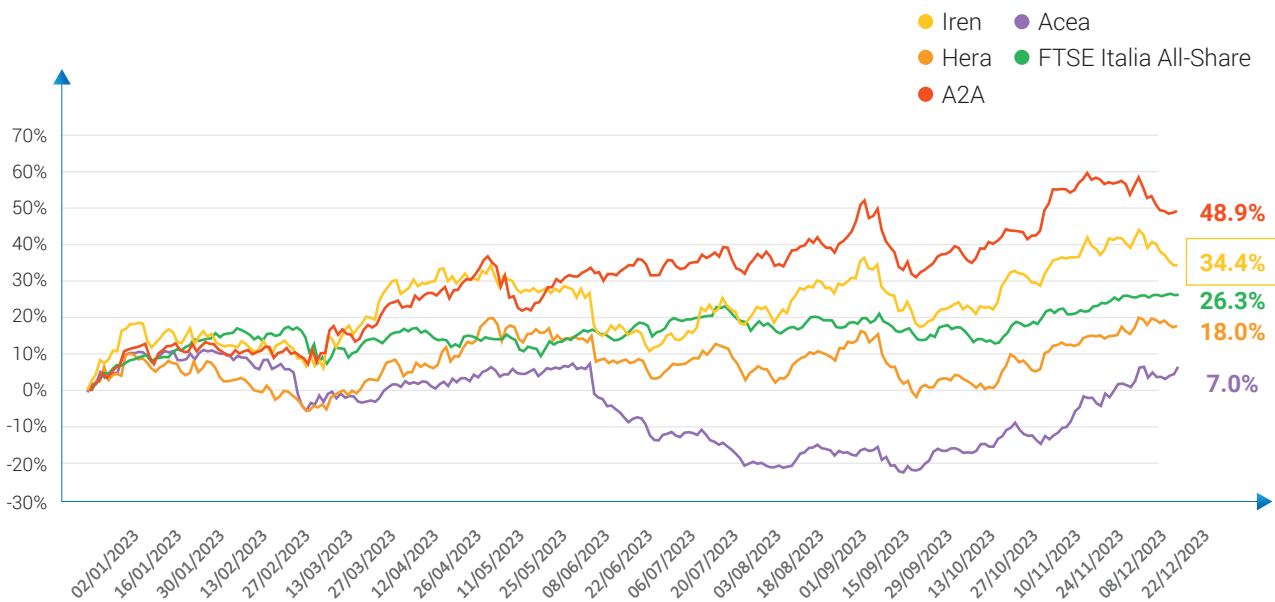
During 2023, the world's major stock market indices reported a positive trend, boosted by the easing of recession forecasts and lower energy supply risks, despite the geopolitical tensions witnessed during the year.

It is important to emphasise that this development took place in a period of restrictive monetary policies: in fact, until October, the main Central Banks increased interest rates in order to combat inflation, and only in the final part of the year were there expectations of a future reduction in rates to encourage investment.

In this context, in 2023, the FTSE Italia All-Share (the main Italian Stock Exchange index) reported an increase of 26.3%, while the four Italian multi-utilities recorded differing performances, linked to the companies' specific business models.

Iren Group, for its part, records a positive share price trend that is among the best in the sector, supported by the update of the strategic plan to 2030, presented in March 2023, and by the improvement of the result forecasts for 2023.

## Performance of Iren stock compared to competitors



At 31 December 2023, the last trading day in the year, the price of IREN share stood at 1.973 euro/share, up by 34.4% compared to the price at the beginning of the year, with average trading volumes during the year amounting to 1.7 million units.

The average price for the year was 1.812 euro per share. The high for the year was recorded on 14 December (2.114 euro/share), while the low for the year, at 1.507 euro/share, was recorded on 2 January.

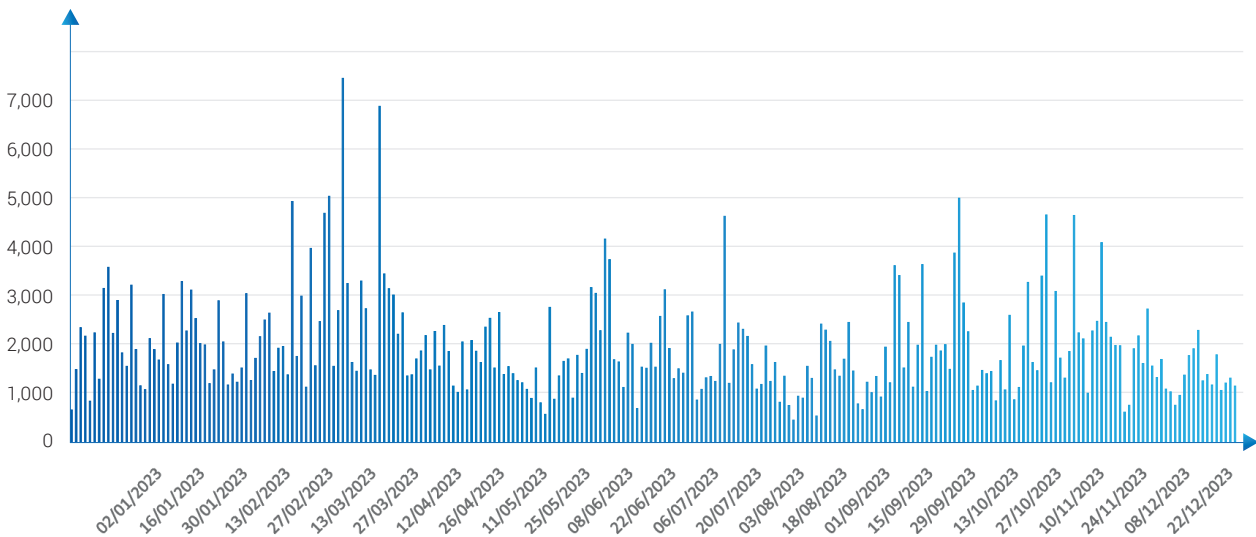


The two charts below show the price performance and volumes traded in Iren stock in the year.

### Price performance



### Volumes traded (millions of shares)



### Share coverage

During the year Iren Group was followed by six brokers: Banca Akros, Equita, Intermonte, Intesa Sanpaolo, Kepler Cheuvreux and Mediobanca.





# Directors' Report

# 12





# Market context

## The macroeconomic scenario

Economic growth on a global scale slowed in 2023, with inflationary levels still high and growth prospects subdued. Global GDP growth was in fact +2.9%<sup>1</sup> in 2023, more than 10% lower than in 2022 (+3.3% year-on-year).

GDP growth in the Eurozone was 0.6% in 2023, clearly decelerating from +3.4% in 2022, as tighter financial conditions weighed on economic activity.

In Italy, in line with the dynamics recorded in the Eurozone, GDP growth in 2023 was +0.7%, a sharp slowdown compared to 2022 (+3.7% compared to 2021). Tightening credit conditions, coupled with still high energy price levels, caused consumption to stagnate and investment to contract.

Inflation levels still remain worrisome, despite having fallen from the record highs of 2022 as an effect of restrictive monetary policies. High inflation has led central banks to raise interest rates for much of 2023, both in the Eurozone and in the US. In particular, the European Central Bank (ECB) has increased rates to between 70% and 100% by 2022, to 4%<sup>2</sup>.

The core inflation rate (the calculation of which is deducted of goods subject to strong price volatility such as food and energy costs) in the Eurozone was 5.1% in 2023, up from 4% in 2022. However, overall inflation is decreasing, mainly due to falling energy prices, from 8.4% in 2022 to 5.5% in 2023.

### Household spending

ISTAT data show a positive trend in household final consumption expenditure in the first three quarters of 2023, with an increase of 9% compared to the first three quarters of 2022. The increase in consumption was made possible by a parallel increase in disposable income, which grew by 6% year-on-year, and by a

reduction in the household savings rate to 7% (-2% compared to the same period in 2022). Despite the increase in disposable income, however, purchasing power declined slightly (-0.3%), as inflationary levels and rising prices of various goods offset the higher disposable income.

Despite the slowdown in economic growth, the employment rate between January and November increased by 3% compared to the same period in 2022.

### Investments

In the first three quarters of 2023, based on available ISTAT data, total investments increased compared to 2022 (+1%<sup>3</sup> year-on-year). The sector with the worst performance was housing (-7.8% and -2.7% when considering construction in general), while the growth of investments in transport equipment was particularly positive, with an increase of 16.2% compared to 2022.

The causes of the slowdown in investment are the rising financing costs and the persistence of rigid conditions for access to credit, as well as the fading effects of building incentives.

### Exports

Export volumes between January and November 2023 decreased by 4% compared to the same period in 2022<sup>4</sup>; the decrease was mainly due to the consumer goods segment. A drop in volumes compared to 2022, although less pronounced, was also found on the import side, which saw a decrease of 2%.

<sup>1</sup> Source: OECD, *Economic Outlook, Volume 2022 Issue 2*, November 2023.

<sup>2</sup> Source: European Central Bank, Key ECB Interest Rates.

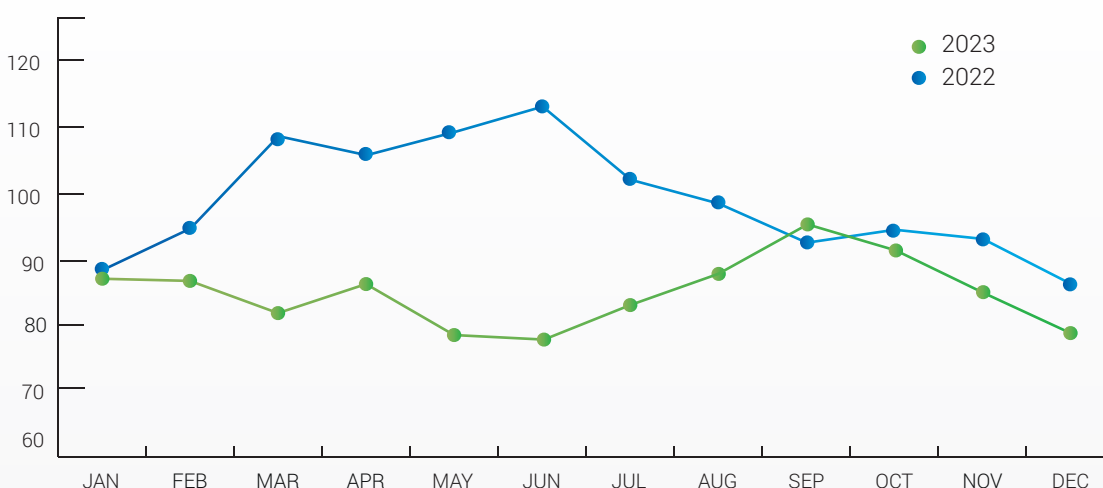
<sup>3</sup> Source: ISTAT data, January 2024.

<sup>4</sup> Source: ISTAT data, January 2024.

## The oil market

The average price of Brent in 2023 amounted to 82 \$/bbl, 17% lower than the average value for 2022 (99 \$/bbl). The decline in oil prices is in line with the general decline in prices in commodity markets. The price weakness occurred despite the production cuts implemented by OPEC+ (for a total of 2 million barrels per day, which will be increased to 2.2 million barrels per day from 2024 onwards), in addition to the voluntary reductions by Saudi Arabia, Russia and Algeria (for just over 1.5 million barrels per day in total). Despite the production cuts, the world's oil supply in 2023 grew consistently with demand, both increasing by 1.5% compared to 2022.

**BRENT PRICE TRENDS (\$/bbl)**



*Data processed by MBS Consulting*

## The natural gas market

### Supply and Demand

Gas consumption in 2023 is down -8.4% over 2022, totalling 63.1 billion/m<sup>3</sup> (from 69.0 billion/m<sup>3</sup> last year). The significant decrease in gas consumption in all sectors is linked to temperatures above the seasonal average (especially during the winter months) and a greater contribution from renewable sources, as well as the continuing trend of savings by industry and private individuals induced by last year's price increases.

In 2023, gas demand in the thermoelectric sector decreased by -15.3% compared to 2022 (for a total of 21.1 billion/m<sup>3</sup>), followed by the residential sector (26.8 billion/m<sup>3</sup>, -7.9%) and by the industrial sector (11.4 billion/m<sup>3</sup>, -5.0%).

GAS WITHDRAWN (Bln m <sup>3</sup> )*	2023	2022	2021	Change % 2023 vs 2022	Change % 2022 vs 2021
Industrial uses	11.4	12.0	14.0	-5.0 %	-14.0 %
Thermoelectric uses	21.1	25.0	25.9	-15.3 %	-3.6 %
Distribution plants	26.8	29.1	33.7	-7.9 %	-13.5 %
Third party network and system consumption / line pack	3.8	2.9	2.6	31.3 %	8.4 %
<b>Total withdrawn</b>	<b>63.1</b>	<b>69.0</b>	<b>76.2</b>	<b>-8.4 %</b>	<b>-9.5 %</b>

\*Cumulative amounts as at 31 December processed by MBS Consulting

GAS INPUT (Bln m <sup>3</sup> )*	2023	2022	2021	Change % 2023 vs 2022	Change % 2022 vs 2021
Imports	60.6	68.6	71.6	-11.7 %	-4.1 %
National production	2.8	3.1	3.1	-10.3 %	-0.3 %
Storage	-0.3	-2.8	1.5	-89.6 %	(**)
<b>Total input (incl. storage)</b>	<b>63.1</b>	<b>69.0</b>	<b>76.2</b>	<b>-8.4 %</b>	<b>-9.5 %</b>
Maximum capacity	127.1	127.1	127.1		
Load factor	47.7 %	54.0 %	56.3 %		

\*Cumulative amounts as at 31 December, processed by MBS Consulting, the amount of storage indicates net movement

\*\*Change of more than 100%

In 2023, total imports decreased by -11.7% compared to 2022 (60.6 and 68.6 billion/m<sup>3</sup>, respectively), consistent with the decline in gas demand. Domestic production was also down, falling by -10.3% on a yearly basis (with 2.8 billion/m<sup>3</sup> of gas produced in 2023, compared to 3.1 billion/m<sup>3</sup> in 2022).

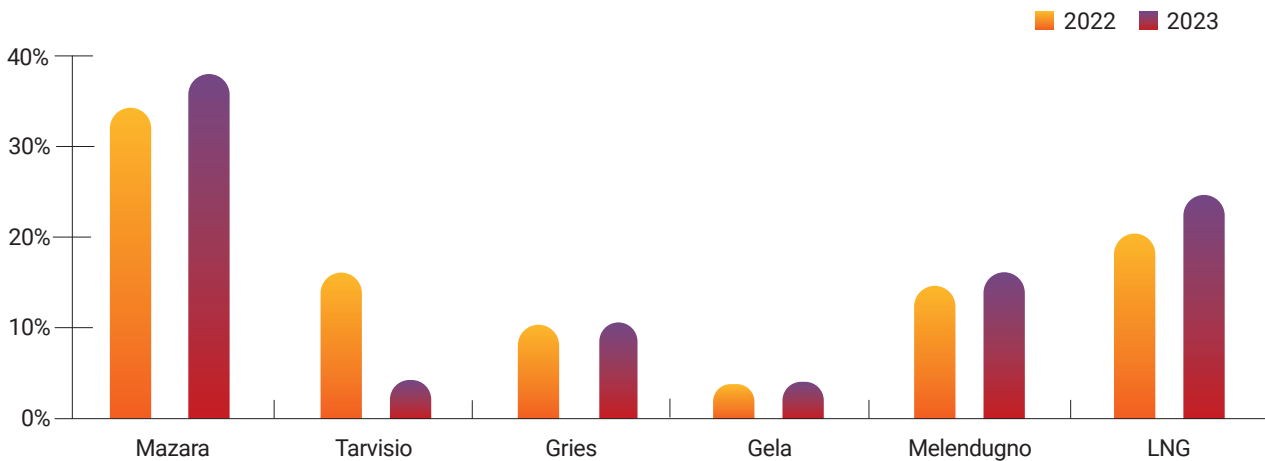
The general situation of domestic entry points connected with foreign countries is as follows:

- inflows from Russia through the Tarvisio entry point amounted to 2.5 billion/m<sup>3</sup>, a sharp decrease compared to 2022 (when they were equal to 11.0 billion/m<sup>3</sup>). In fact, 2023 marked a structural change for the gas supply mix in Italy, with the almost complete abandonment of Russian supplies, whose weight on Italy's overall budget was drastically reduced to 4.2% (compared to 16.0% in 2022 and over 40% on the historical average);
- to compensate for the reduction in flows from Russia, LNG imports grew further (+6.6% on an annual basis), for a total of 15.1 billion/m<sup>3</sup> (compared to 14.2 billion/m<sup>3</sup> last year) and a

weight in the constantly growing import mix, equal to 24.9% in 2023;

- the weight of flows from the various Mediterranean areas remained substantially stable compared to 2022, with inflows from Algeria to Mazara del Vallo amounting to 23.0 billion/m<sup>3</sup> in 2023 (against 23.6 billion/m<sup>3</sup> in 2022), accounting for 38.0% of total imports;
- Azeri gas imports at the Melendugno entry point through the TAP pipeline decreased slightly to a total of 9.8 billion/m<sup>3</sup> in 2023 (against 10.2 billion/m<sup>3</sup> in 2022) and a loss of 16.2% in the import mix;
- gas imports from Norway decreased slightly in 2023, to a total of 6.4 billion/m<sup>3</sup> (-9.9% compared to 2022), due to numerous maintenance operations on Norwegian pipelines and production fields, which caused a slowdown in pipeline flows, especially in the second half of the year.

Imports by port of entry over the total\* (% value)



\*Cumulative amounts at 31 December 2023  
Data processed by MBS Consulting

## Wholesale gas prices

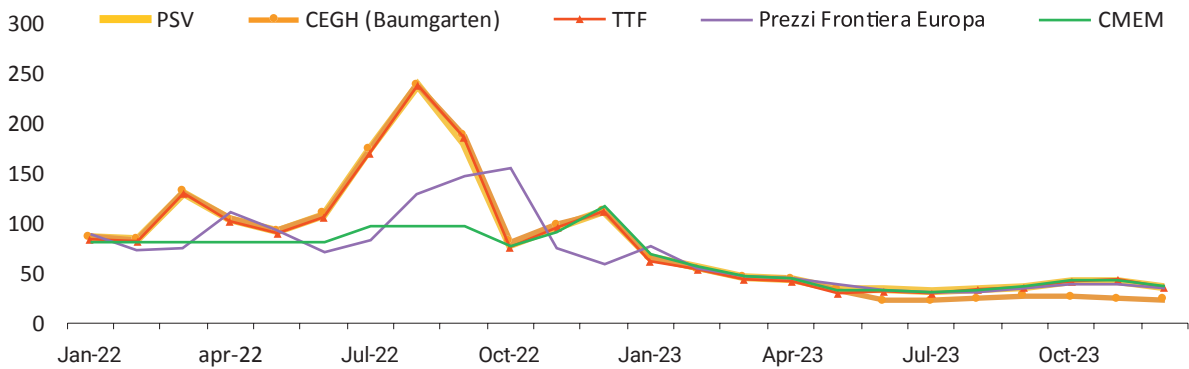
During 2023, natural gas wholesale prices followed a downward trend on all major European hubs. The fall in demand, coupled with the record filling of European storages, allowed gas prices to fall back to the lows of 2021.

In this context, the average spot price at the TTF for 2023 still stood at 44.5 €/MWh, down 63.9% compared to 2022 (123.1 €/MWh). The average CEGH price (Baumgarten) slightly exceeded 44 €/MWh (down by 64.8% on an annual basis), while the PSV in 2023 was on

average equal to 47.0 €/MWh, -62.0% compared to 2022, when it quoted 123.8 €/MWh. The average PSV-TTF differential stood at 2.3 €/MWh, up more than 90% from the spread in 2022 (0.77 €/MWh).

Finally, in 2023, border prices followed the general downward trend of the main European hubs and settled at an average level of 42.4 €/MWh, down by more than 50% compared to 2022. The average of Italian prices at the border was in line with the European average, also settling at 42.0 €/MWh.

### WHOLESALE PRICES IN EUROPE (€/MWh)



Data processed by MBS Consulting

## Imbalance Price and the Protected Market

In the Italian market, the imbalance price in 2023 was on average 42.4 €/MWh<sup>5</sup>, more than 65% lower than the price for 2022 (equal, on average, to 123.0 €/MWh). On the markets of the MGAS platform, which are functional for the definition of the imbalance price (MGP-GAS and MI-GAS), during 2023, a volume of 11.6 billion/m<sup>3</sup> was traded, of which 4.2 billion/m<sup>3</sup> traded on the intra-day MI-GAS market.

Starting from October 2022, and for the entire residual duration of the gas protection regime (until the end of December 2023), the update of the CMEM

component, intended to reflect the cost of gas supply in the protected market, takes place on a monthly basis and no longer on a quarterly basis (Resolution 374/2022/R/Gas). Moreover, also as of October 2022, said component has been calculated by ARERA as the monthly average of the PSV Day Ahead price detected by ICIS-Heren, and no longer as the average of the TTF forward prices calculated in the second month preceding the reference quarter (Pfor index). The average price of the CMEM component since 2023 was 42.3 €/MWh.

<sup>5</sup> The price refers to the SAP, System Average Price, as defined by ARERA Resolution 312/2016/R/gas.



## The electricity market

### Supply and demand

In 2023, electricity demand in Italy, consistent with gas demand, also remained subdued at 308.4 TWh (-2.3% compared to 2022), still influenced by price sensitivity and energy savings. The decrease in demand affected all areas: the Centre recorded the most significant reduction (-4.4%) followed by the South (-3.4%), North (-0.9%) and the Islands (-0.8%).

Consumption was met 82.5% from domestic energy production (256.0 TWh) and the remaining 17.5% from imports. Domestic thermoelectric production (158.2 TWh) accounted for about 62% of the total production and was 18.2% lower than in 2022, mainly due to an abundance of solar energy production, as well as the recovery of hydroelectric generation. The latter amounted to 38.5 TWh, +37.6% over 2022, but was still about 15% below the average of the last five years. Overall, the hydroelectric source contributed 15.0% to the national net production, while geothermal, wind and photovoltaic sources contributed 23.2% with an energy production of 59.3 TWh (+11.2% compared to 2022).

### Cumulative electricity supply and demand (GWh and trend changes)

	until 31/12/2023	until 31/12/2022	Change %
<b>Demand</b>	<b>308,439</b>	<b>315,625</b>	<b>-2.3 %</b>
North	146,481	147,800	-0.9 %
Centre	89,683	93,762	-4.4 %
South	44,286	45,842	-3.4 %
Islands	27,989	28,221	-0.8 %
<b>Net production</b>	<b>255,981</b>	<b>274,600</b>	<b>-6.8 %</b>
Hydroelectric	38,480	27,959	37.6 %
Thermoelectric	158,166	193,287	-18.2 %
Geothermoelectric	5,347	5,444	-1.8 %
Wind and photovoltaic	53,988	47,910	12.7 %
<b>Pumping consumption</b>	<b>-1,532</b>	<b>-2,533</b>	<b>-39.5 %</b>
<b>Foreign balance</b>	<b>53,990</b>	<b>43,558</b>	<b>24.0 %</b>

Data processed by MBS Consulting

## Day-Ahead Market (DAM) prices

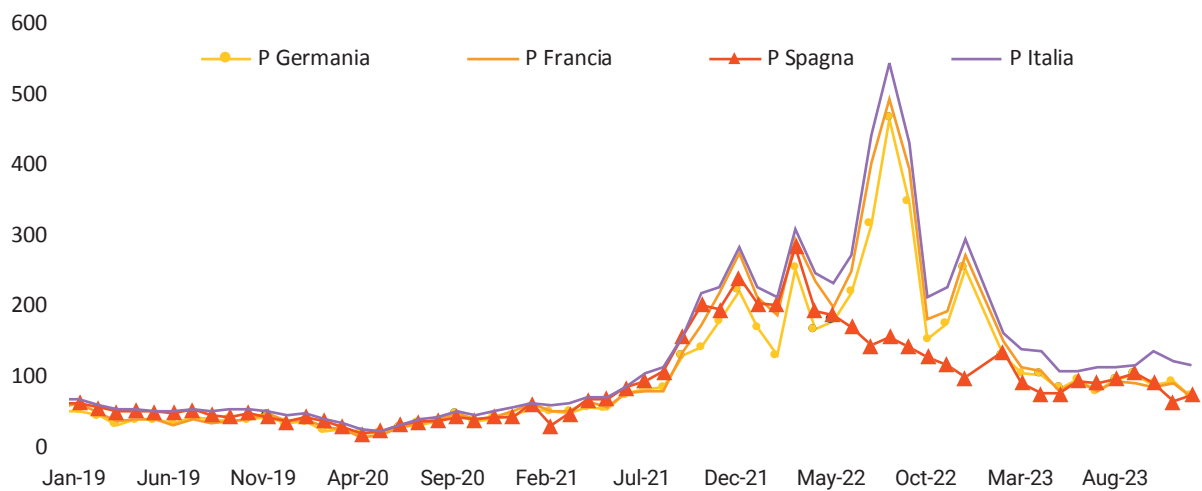
In 2023, the PUN stood at an average value of 127.4 €/MWh, a decrease of 58.0% compared to 2022, when the average had reached 303.1 €/MWh. The Italian electricity price has fallen gradually since the beginning of the year, in line with the other energy commodities and gas price trend, whose influence on the electricity market remains significant. Since the beginning of the year, in fact, the PUN has lost around 34%, settling around 115 €/MWh in December, after reaching 105.3 €/MWh in June, the lowest value since the summer of 2021.

During 2023, the differential between average zonal prices (7.7 €/MWh) underwent a significant reduction compared to that recorded in 2022 (25.6 €/MWh, -69.9%). In 2023, the highest average price was recorded in the Centre and North, with an average "baseload" CCT of 2.6 €/MWh, while the lowest electricity price was that relating to Sardinia, on average lower than the PUN of 3.0 €/MWh.

## Trend in the main European energy exchanges

The average price for European electricity exchanges<sup>6</sup> in 2023 was 79.4 €/MWh, a sharp decrease compared to 2022, -54.2% (173.27 €/MWh), in line with what happened in Italy. The average differential with the PUN was 44.4 €/MWh, while in the first half of the previous year it stood at 70.4 €/MWh.

### EUROPEAN ELECTRICITY PRICE TRENDS (€/MWh)



Data processed by MBS Consulting

<sup>6</sup> The price of European energy exchanges is calculated by taking the arithmetic average of market results in Germany, France and Spain.

## Futures related to Baseload PUN on the EEX

The following table shows the future prices related to the PUN traded in the last quarter of 2023. For the month of January 2024, there were downward variations between the beginning and end of the quarter. Cal Y+1 followed the same trend. Indeed, forward markets reflected the decline in spot prices, driven by lower shortterm market fundamentals.

Oct-23 Futures		Nov-23 Futures		Dec-23 Futures	
Monthly	€/MWh	Monthly	€/MWh	Monthly	€/MWh
Nov-23	129.5	Dec-23	119.2	Jan-24	111.0
Dec-23	136.7	Jan-24	127.5	Feb-24	111.3
Jan-24	145.6	Feb-24	136.0	Mar-24	113.6
Quarterly		Quarterly		Quarterly	
Q1 24	151.5	Q1 24	134.3	Q1 24	109.7
Q2 24	134.1	Q2 24	124.6	Q2 24	103.1
Q3 24	141.5	Q3 24	132.7	Q3 24	113.1
Yearly		Yearly		Yearly	
Y1 24	145.4	Y1 24	134.2	Y1 24	111.7

Data processed by MBS Consulting



# Significant events of the year

## Rationalisation of gas distribution concessions between Ascopiave and Iren

On 31 January 2023, Ascopiave and Iren, shareholders of Romeo Gas with shares of 80.3% and 19.7%, respectively, following the exit of ACEA from the relevant concessions, finalised the rationalisation of certain assets in the natural gas distribution sector, with the exit of Iren Group from Romeo Gas. Specifically, the operation envisaged:

- the transfer by Ascopiave to Iren Group of the entire capital of a newly incorporated company, Romeo 2 S.r.l., to which the business units relating to the management of the concessions of the Savona 1 and Vercelli ATEM owned by the Ascopiave Group were previously transferred, for a perimeter of 19,000 Redelivery Points;

- the sale by Iren in favour of Ascopiave of its shareholding in Romeo Gas, holder of concessions in Northern Italy for a total of 126,000 Redelivery Points;
- the waiver by Iren to acquire the Piacenza 1 and Pavia 4 business units from Romeo Gas;
- the sale by Romeo Gas to Iren Group of the business units related to the concessions of the Parma and Piacenza 2 ATEM, with about 3,000 Redelivery Points;
- the waiver of the right to acquire from the A2A Group the business unit related to the management of the gas network located in the province of Pavia.

Overall, the asset rationalisation transaction resulted in the payment to Ascopiave of a monetary adjustment of 4.7 million euro.

## PNRR funds for projects on circular economy and network efficiency

At the beginning of March 2023, the Group published the first tender using funds allocated by the National Recovery and Resilience Plan (PNRR). The call for tenders relates to engineering activities for the realisation of a number of interventions on the City of Turin's electricity network: a project worth a total of 44.3 million euro, of which 33.1 million euro will be covered by PNRR financing, which aims to make the city's electricity system more resilient to climatic events, ensuring greater reliability and stability of power supplies. The time horizon of the transaction is set in the first half of 2026.

The aforementioned financing is part of a total of 157 million euro obtained by the Group within the framework of the PNRR, for investments consistent with the objectives and planning envisaged in the 2030 Business Plan. Of this total amount, another 98 million are earmarked for circular economy projects concerning:

- the OFMSW treatment plant in Saliceti, in the province of La Spezia (40 million euro);
- separate collection, in the provinces of Arezzo, Grosseto, Livorno and Siena, as well as in the areas of La Spezia, Vercelli, Turin and Reggio Emilia (26 million euro);
- waste treatment plants in the provinces of Grosseto, Turin and Udine (16 million euro);
- sludge treatment, through localised interventions in the provinces of Genoa and Reggio Emilia (16 million).

In this context and regarding the remaining amount of total funds, the Group also envisaged the launch of specific funded projects on water loss reduction in Parma (11 million), on sewerage and purification in Piacenza, Genoa and Reggio Emilia (10 million), for district heating in Piacenza and Dogliani (Cuneo) (4 million) and in innovation through extended partnerships.

## Business Plan to 2030

On 23 March 2023, the Board of Directors approved the update of the Business Plan to 2030, confirming the strategic vision and envisaging a further increase in investments.

Iren's growth strategy is based on three pillars:

- **ecological transition**, with progressive decarbonisation of all activities and strengthening leadership in the circular economy and sustainable use of resources;
- **territoriality**, with an extension of the perimeter in the territories of reference, the creation of energy communities and the ability to work as a system with the territory, making its expertise available to the country;
- **quality**, through the improvement of performance and the maximisation of customer/citizen satisfaction levels.

On this subject, the Group is aiming for:

- an EBITDA of 1.87 billion euro by 2030, the growth of which concerns all business sectors, particularly regulated and semi-regulated sectors;
- total investments for 10.5 billion euro. Of these, 58%, equal to 6.1 billion, refer to development investments for internal lines, intended to foster the Group's growth in size, mainly relating to the development of the renewable energy sector, material recovery plants, the extension of district heating networks and energy community projects, while a further 30% (3.2 billion) concern 'maintenance' investments, aimed at

increasing the efficiency and quality of service and concerning in particular the resilience of distribution networks. Lastly, investments for external lines, amounting to 12% (1.2 billion) are earmarked for the consolidation of investees, participation in gas, water service or waste collection tenders in strategic areas of the country;

- a Net financial position/EBITDA ratio by 2030 of 2.7x. Despite the significant investments planned and the expected increase in borrowing costs, the ratio is expected to remain below 3.4x over the plan horizon, confirming the commitment to a balanced capital structure aimed at maintaining the investment grade rating. The cost of debt is expected to be less than 2% until 2024, while for the remaining years the forecast is 2.4%. Finally, as of 2024, 90% of financial debt will be composed of sustainable finance instruments;
- Group profit of 460 million euro in 2030;
- expected dividend growth of 10% per annum until 2025. In the second part of the plan horizon, the dividend per share will be 50-60% of the Group's profit.

Finally, in addition to the aforementioned investments, there is a portfolio of additional strategic options, not reflected in the Plan's rationales, worth 1.5 billion euro, relating to the water service and the waste cycle in southern Italy. These additional investments will be realised through financial partnerships.

## Acquisition of control of Amter

On 28 March 2023, IRETI finalised the acquisition of 51% of Amter S.p.A., held by the municipalities of Campo Ligure, Cogoleto, Masone, Mele and Rossiglione (Province of Genoa). The remaining 49% of the company is already owned by the subsidiary Iren Acqua. The price of the acquisition was 2.6 million euro.

Amter manages the water cycle in the western area of the province of Genoa with a 300 km drinking water

network and a 140 km sewerage network, as well as the district wastewater treatment plant in Rossiglione. With this operation, IRETI brings forward its entry into the management of the water service in the municipalities of Campo Ligure, Cogoleto, Masone, Mele, and Rossiglione with respect to the deadlines set by the Agreement safeguarded between Amter and them, thus accelerating synergies and sustainability performance in these territories.

## EIB Sustainability Linked financing

On 30 March 2023, Iren signed an 18-year 150 million euro Sustainability Linked Loan with the European Investment Bank (EIB), aimed at financing improvements to the water distribution network, wastewater collection and treatment plants in the provinces of Genoa and La Spezia, for a served

catchment area of more than one million people. The EIB loan provides for a margin adjustment (spread) based on the achievement of certain indicators (KPIs) related to water loss reduction and represents one of the first Green Loans granted by the Bank to the water sector globally.

## Standard & Poor's and Fitch Ratings

On 27 April 2023, the Standard & Poor's Global Ratings Agency (S&P) communicated the upward revision of Iren Group's long-term credit rating to "BBB" Outlook "Stable" from the previous "BBB-" "Positive" Outlook. The same rating is also given to senior unsecured debt.

Furthermore, on 11 May 2023, the Agency Fitch Ratings revised the Group's outlook to "Positive" from "Stable", while confirming its "BBB" rating for both

long-term creditworthiness and for senior unsecured debt.

The improvement in valuations reflects the resilience of the Group's business model demonstrated during 2022, the relevance of the strategic plan to 2030, which envisages a significant positioning in regulated businesses to support the stability of future cash flows, management's commitment to maintaining balanced financial metrics, good liquidity and strong credibility in the capital market.

## Shareholders' Meeting

On 04 May 2023, the Ordinary Shareholders' Meeting approved the parent's separate financial statements at 31 December 2022 and the Directors' report, and resolved to distribute a dividend of 0.11 euro per ordinary share, confirming the proposal made by the Board of Directors.

The Shareholders also:

- approved the first section ("2023 Remuneration Policy") of the Report on the 2023 Remuneration Policy and on fees paid for 2022;
- issued a favourable vote on the second section ("Fees paid for 2022") of the same Report;
- approved the proposal for the adjustment of the audit fees to inflation from 2022 to the end of the engagement.

The Ordinary Shareholders' Meeting also authorised the Board of Directors to purchase and dispose of Iren S.p.A. treasury shares, also on a fractional basis, pursuant to article 2357 et seq. of the Italian Civil Code.

The Board of Directors may purchase and dispose of treasury shares up to a maximum of a further 45,532,598 shares, not to exceed a further 3.5% of the share capital, in addition to the 17,855,645 shares equal to 1.37% of the share capital already purchased under previous programmes. The treasury share purchase programme is permitted for eighteen months starting from the date of the shareholders' meeting resolution.

## Acquisition of control of AcquaEnna

On 31 May 2023, Ireti acquired from its shareholder COGEN S.p.A. an additional 2.367% stake in the share capital of the associate AcquaEnna S.c.p.A. for a consideration of 0.6 million euro, bringing its shareholding to 50.867% and allowing its

consolidation.

AcquaEnna is entrusted with the management of the water service in all the municipalities of the Province of Enna until 2034, for a total of 177 thousand inhabitants served.

## Investment in the start-up ReMat

In June 2023, Iren Ambiente concluded the purchase of a majority stake in ReMat S.r.l., an innovative start-up active in the recovery of polyurethane foam (in particular from mattresses, seat padding and furniture).

The transaction involved a capital increase by Iren Ambiente, with the simultaneous purchase of all the shares held by the angel investors and the complex in Nichelino (TO), which includes the start-up's experimental production site, for a total investment

of over 3.5 million euro. The new structure therefore sees Iren Ambiente owning 88.43% of the company's capital.

The transaction consolidates a collaboration with the start-up that began in 2021 as part of IrenUp, Iren's Corporate Venture Capital programme, which supports Italian start-ups with the highest potential in the cleantech sector. ReMat's plant development is also one of the projects for which the Group has obtained PNRR funding.

## Acquisition of authorisation for the construction of a new 20MW photovoltaic plant in Sicily

On 26 June 2023, Iren Green Generation signed a contract with European Energy for the acquisition of 100% of the special purpose entity Limes 20 S.r.l., for a consideration of 5.4 million euro. The company

holds the authorisation for the construction of a new 20.39 MWp photovoltaic plant on land in the municipalities of Noto and Pachino (SR), Sicily. This transaction is part of the commercial partnership signed in January 2022 with European Energy itself, relating to a development pipeline of 437.5 MWp of photovoltaic projects in Italy.

## Resignation of Mr. Armani and appointment of the new Chief Executive Officer and General Manager Paolo Signorini. executive directors' proxies

On 12 June 2023, Mr. Gianni Vittorio Armani tendered his resignation as Director, Chief Executive Officer and General Manager of Iren S.p.A. with immediate effect, contextually renouncing all proxies and powers granted to him.

On 30 August 2023, the Board of Directors co-opted Mr. Paolo Signorini as a director and appointed him as the new Chief Executive Officer and General Manager. The appointment follows the formal indication that the Supervisory Committee of the public shareholders of Iren S.p.A. - composed of Marco Bucci, Mayor of Genoa, Stefano Lo Russo, Mayor of Turin, and Luca Vecchi, Mayor of Reggio Emilia - formulated, pursuant to Article 4.1 of the Shareholders' Agreement.

With regard to the executive directors' management proxies, the Chief Executive Officer, to whom the

proxies for the Waste Management, Energy, Market and Networks Business Units are confirmed, as well as those for the Administration, Planning and Control, Legal Affairs, Procurement, Logistics and Services, Information Technologies and Services, Business Development, and Energy Management Departments, was assigned responsibility for the Risk Management Department.

The Executive Chairperson, who was confirmed with the delegations for Communication and External Relations, Institutional Relations and Public Affairs, Innovation, Internationalisation, Merger & Acquisition and Corporate Secretary to the Board of Directors, was assigned responsibility for the Finance and Investor Relations, Regulatory Affairs and Permitting Departments.

Finally, the Executive Deputy Chairperson, who is confirmed with the delegations for Corporate Affairs, Internal Audit and Compliance, Corporate Social Responsibility and Local Committees, was assigned responsibility for the Personnel and Organisation Department.

## Acquisition of a wind farm

On 3 October 2023, Iren Green Generation acquired from Granda Energie #3 S.r.l. 100% of the special purpose entity WFL S.r.l., owner of the recently built wind farm in the municipality of Cairo Montenotte (SV), already in operation with a total capacity of 6 MW and

for which procedures are underway to authorise an increase in capacity to 7 MW.

The price of the transaction was 12.4 million euro. The acquisition represents the entry of Iren into the wind power sector: the expected output of the plant is approximately 18 GWh per year.

## Subscription of a green loan with Cassa Depositi e Prestiti

On 5 October 2023, Iren S.p.A. and Cassa Depositi e Prestiti (CDP) signed an agreement for a new 100 million euro, 12-year green credit facility to support the energy redevelopment project of about 800 buildings in the City of Turin. The project will be implemented by Iren Smart Solutions and will also include ordinary and extraordinary maintenance and

plant upgrading activities, as well as the supply of energy carriers (electricity, natural gas and district heating).

The goal is to achieve energy consumption savings of more than 30% on completion of the planned measures. The implementation phase of the project began in July, with the start of work on the most energy-intensive public buildings.

## Acquisition of Semia Green

On 11 October 2023, Iren Ambiente Toscana finalised the acquisition of control of Semia Green S.r.l., active in the capture of biogas from landfills. The consideration for the transaction, which was implemented through the purchase of shares and a share capital increase, amounted to 1.7 million euro. The remaining share of the capital is held by Sienambiente, in which the Group

moreover, already has a 40% stake.

The entry of Iren into the company structure will allow Semia Green to build an innovative photovoltaic panel recycling plant in the province of Siena by the end of 2024, which will be able to process up to 5 thousand tonnes/year of panels when fully operational, recycling 98% of the materials of which they are composed.

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## EGEA transaction

On 31 October 2023, the Management Board of Egea S.p.A. resolved to accept the binding offer for some of its assets (assets and shareholdings) presented by Iren on 21 September within the negotiated crisis settlement procedure concerning the Egea group. Egea is headquartered in Alba (CN) and is a multi-utility operating, through its subsidiaries, in a variety of sectors: gas distribution, Integrated Water Service, district heating and energy efficiency, sale of electricity and gas, production of electricity from renewable sources, public lighting, urban hygiene and management of waste treatment plants. The offer submitted, considered by Egea to be complete, satisfactory, and suitable for the valorisation and relaunch of the company's assets, is based on a Plan that envisages its integration into Iren Group's

operating model, aimed at strengthening the company from a financial and industrial point of view, while safeguarding employment levels. The achievable synergies in network and free market services may also lead to a relaunch of investments in a development perspective.

Following the acceptance of the offer, a subsequent exclusive negotiation began between the parties aimed at finalising the transaction. The parties will therefore continue their activities, in compliance with the time frames and formal steps envisaged by the negotiated crisis procedure, to define the relaunch plan envisaged by Iren, which involves, if the conditions defined in the proposal are met, the valorisation of all the stakeholders in the area.

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## Unicredit and BPER Sustainability Linked Credit Lines

At the end of December 2023, Iren signed two Sustainability linked revolving credit facilities (RCF) with Unicredit and BPER, in the form of "committed" lines, for a total amount of 200 million euro and with a duration of 3 years. The transactions are aimed at

consolidating the liquidity profile to support current rating levels.

Both loans provide for a margin adjustment (spread) based on the achievement of certain indicators (KPIs) linked to specific environmental targets included in the Sustainable Financing Framework: the reduction of atmospheric emissions (Scope 1) and water losses.





# Alternative Performance Measures

Iren Group uses alternative performance measures (APMs) in order to convey more effectively the information on the profitability of its business lines, and on its financial position and financial performance. These measures differ from the financial measures explicitly required by the International Financial Reporting Standards (IFRS) adopted by the Group.

On the subject of these measures, CONSOB issued Communication no. 92543/15 which makes applicable the Guidelines issued by the European Securities and Markets Authority (ESMA) on their presentation in the regulated information distributed or in prospectuses published. These Guidelines are aimed at promoting the usefulness and transparency of the alternative performance measures included in regulated information or prospectuses that fall within the scope of application of Directive 2003/71/EC, in order to improve their comparability, reliability and comprehensibility.

In line with the aforementioned communications, the criteria used to construct these measures presented in the present financial report are provided below.

**Net invested capital (NIC):** determined by the algebraic sum of non-current assets, other non-current assets (liabilities), net working capital, deferred tax assets (liabilities), provisions for risks, and employee benefits and assets held for sale (liabilities associated with assets held for sale). For further details on the construction of the individual items that make up the indicator, please refer to the reconciliation of the reclassified statement of financial position with the statement of financial position presented in the annexes to the consolidated financial statements. This APM is used by the Group in the context of internal and external documents and is a useful measure for the purpose of measuring total net assets, both current and non-current, also through comparison between the reporting period and previous periods or years. This indicator also makes it possible to carry out the analyses of operating trends and to measure performance in terms of operating efficiency over time.

**Net financial debt:** calculated as the sum of non-current financial liabilities net of non-current financial assets and current financial liabilities net of current financial assets and cash and cash equivalents. This APM is used by the Group in the context of documents both internal to the Group and external and represents a useful tool to assess the Group's financial structure, including by comparing the reporting period with that of the previous periods or years.

**Net Working Capital (NWC):** determined as the algebraic sum of current and non-current contract assets and liabilities, current and non-current trade receivables, inventories, current tax assets and liabilities, sundry assets and other current assets, trade payables and sundry liabilities and other current liabilities. This APM is used by the Group in the context of both internal and external documents and represents a useful tool to assess the Group's operational efficiency, including by comparing the reporting period with that of the previous periods or years.

**Gross operating profit or loss (EBITDA):** calculated as the sum of pre-tax profit or loss, share of profit or loss of equity-accounted investees, impairment gains and losses on equity investments, financial income and expense, and amortisation, depreciation, provisions and impairment losses. EBITDA is explicitly shown as a subtotal in the financial statements.

This APM is used by the Group in the context of both internal and external documents and is a useful tool for assessing the Group's operating performance (both as a whole and for the individual Business Units), including by comparing the operating profit or loss for the reporting period with that for previous periods or years. This indicator also makes it possible to carry out the analyses of operating trends and to measure performance in terms of operating efficiency over time.

**Operating profit or loss (EBIT):** calculated as the sum of pre-tax profit or loss, share of profit or loss of equity-accounted investees, impairment gains and losses on equity investments and financial income and expense. Operating profit or loss is explicitly shown as a subtotal in the financial statements.

**Free cash flow:** determined as the sum of operating cash flow and cash flow from investing activities as indicated in the statement of cash flows.

**Investments:** represents the sum of investments in property, plant and equipment, intangible assets and financial assets (equity investments), presented gross of grants related to assets.

This APM is used by the Group in the context of internal and external documents, and measures the financial resources absorbed to purchase durable goods in the year.

**Gross operating profit or loss (EBITDA) margin:** calculated by dividing the adjusted gross operating profit or loss by revenue.

This APM is used by the Group in the context of both internal and external documents and is a useful instrument for assessing the Group's operating performance (both as a whole and for individual Business Units), also through comparison with previous periods or years.

**Net financial indebtedness:** determined as the ratio between net financial indebtedness and equity including non-controlling interests.

This APM is used by the Group in the context of both internal and external documents and is a useful instrument for assessing the financial structure in terms of the impact of the different sources of financing (third-party funds and own funds).

Investors should note that:

- these measures are not recognised as performance criteria under IFRS;
- they shall not be adopted as alternatives to operating profit, profit for the year, operating and investing cash flow, net financial position or other measures consistent with IFRS, Italian GAAP or any other generally accepted accounting principles; and
- they are used by management to monitor the performance of the business and its management, but are not indicative of historical operating results, nor are they intended to be predictive of future results.



# Financial position, financial performance and cash flows of Iren Group

## Income statement

### Iren Group income statement

thousands of euro

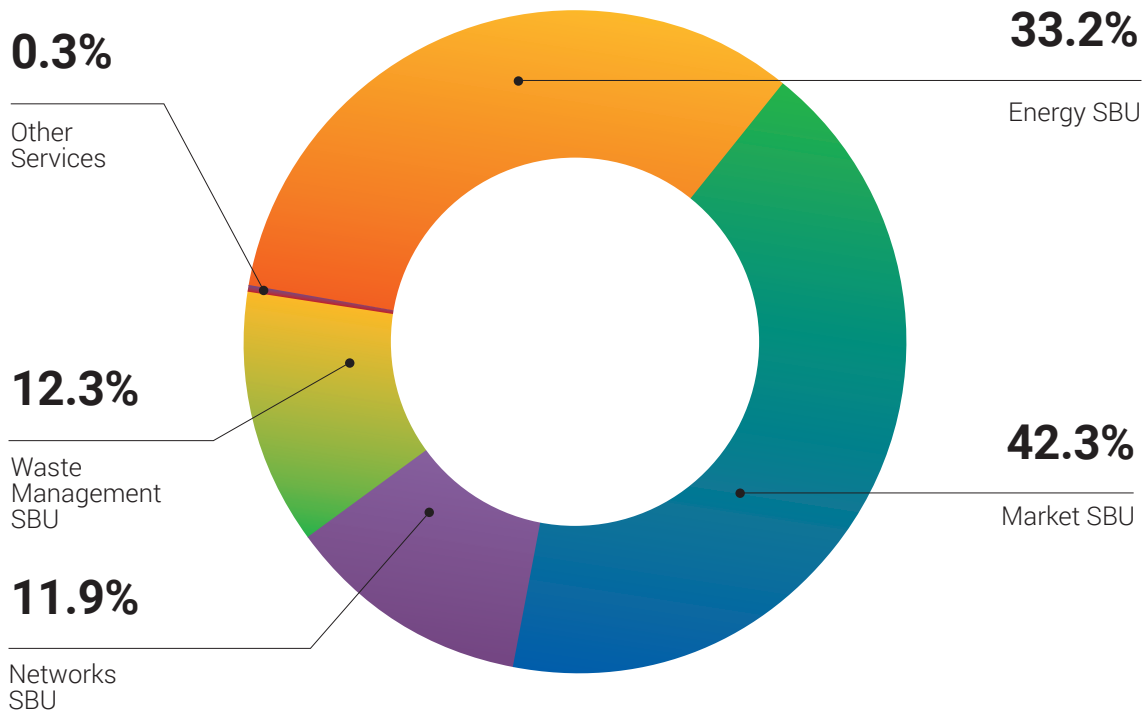
	FY 2023	FY 2022	Change %
<b>Revenue</b>			
Revenue from goods and services	6,301,581	7,627,961	(17.4)
Other income	188,800	235,082	(19.7)
<b>Total revenue</b>	<b>6,490,381</b>	<b>7,863,043</b>	<b>(17.5)</b>
<b>Operating expenses</b>			
Operating expenses	(2,763,473)	(4,582,060)	(39.7)
Raw materials, consumables, supplies and goods	(1,876,663)	(1,669,325)	12.4
Services and use of third-party assets	(113,865)	(81,582)	39.6
Other operating expenses	56,907	55,655	2.2
Personnel expense	(596,391)	(531,060)	12.3
<b>Total operating expenses</b>	<b>(5,293,485)</b>	<b>(6,808,372)</b>	<b>(22.3)</b>
<b>GROSS OPERATING PROFIT (EBITDA)</b>	<b>1,196,896</b>	<b>1,054,671</b>	<b>13.5</b>
<b>Depreciation, amortisation, provisions and impairment losses</b>			
Depreciation and amortisation	(600,677)	(522,591)	14.9
Impairment losses on loans and receivables	(71,471)	(63,465)	12.6
Other provisions and impairment losses	(60,108)	(4,880)	(*)
<b>Total depreciation, amortisation, provisions and impairment losses</b>	<b>(732,256)</b>	<b>(590,936)</b>	<b>23.9</b>
<b>OPERATING PROFIT (EBIT)</b>	<b>464,640</b>	<b>463,735</b>	<b>0.2</b>
<b>Financial management</b>			
Financial income	37,148	23,201	60.1
Financial expense	(135,781)	(105,108)	29.2
<b>Net financial expense</b>	<b>(98,633)</b>	<b>(81,907)</b>	<b>20.4</b>
Gains on equity investments	6,263	5,211	20.2
Share of profit of equity-accounted investees, net of tax effects	6,836	11,758	(41.9)
<b>Pre-tax profit</b>	<b>379,106</b>	<b>398,797</b>	<b>(4.9)</b>
Income taxes	(97,095)	(128,851)	(24.6)
<b>Profit from continuing operations</b>	<b>282,011</b>	<b>269,946</b>	<b>4.5</b>
Profit (loss) from discontinued operations	-	-	-
<b>PROFIT FOR THE YEAR</b>	<b>282,011</b>	<b>269,946</b>	<b>4.5</b>
attributable to:			
- the owners of the parent	254,845	226,017	12.8
- non-controlling interests	27,166	43,929	(38.2)

(\*) Change of more than 100%

## Revenue

For the year ended 31 December 2023, the Group booked revenue of 6,490.4 million euro, down -17.5% compared to 7,863 million euro in 2022. The main factors contributing to the decline in sales were energy revenue, which was affected for more than 1,229 million euro by lower commodity prices and for about 286 million euro by a reduction in volumes due to the climatic effect, with a very mild winter, and a reduction in energy demand. Instead, contributing to the positive

change in turnover are energy efficiency activities such as energy upgrading and the renovation of buildings, favoured by tax breaks (approximately +115 million). Finally, changes in the consolidation scope affect revenue by approximately 140 million euro and refer to the consolidation of Valle Dora Energia (from June 2022), SEI Toscana (from July 2022) and AcquaEnna (from June 2023).



## Gross Operating profit (EBITDA)

Gross operating profit (EBITDA) amounted to 1,196.9 million euro, up +13.5% compared to 1,054.7 million euro in 2022.

The gross operating profit for the year was positively impacted by the change in consolidation scope for approximately 25 million euro mainly relating to the company SEI Toscana (+16 million euro), which operates in waste collection; organic growth related to increases in tariff revenue as a result of the development of investments in network services

(energy and water), and the commissioning of the Reggio Emilia organic waste fraction (OFMSW) treatment plant.

Marketing activities for both electricity and gas benefited from an important recovery of profit margins (+184 million euro), which had been particularly penalised by the dynamics of the energy scenario in 2022.

A substantial improvement was also achieved with regard to the generation scenario (around +61 million euro), in which the trend in hydroelectric sales prices

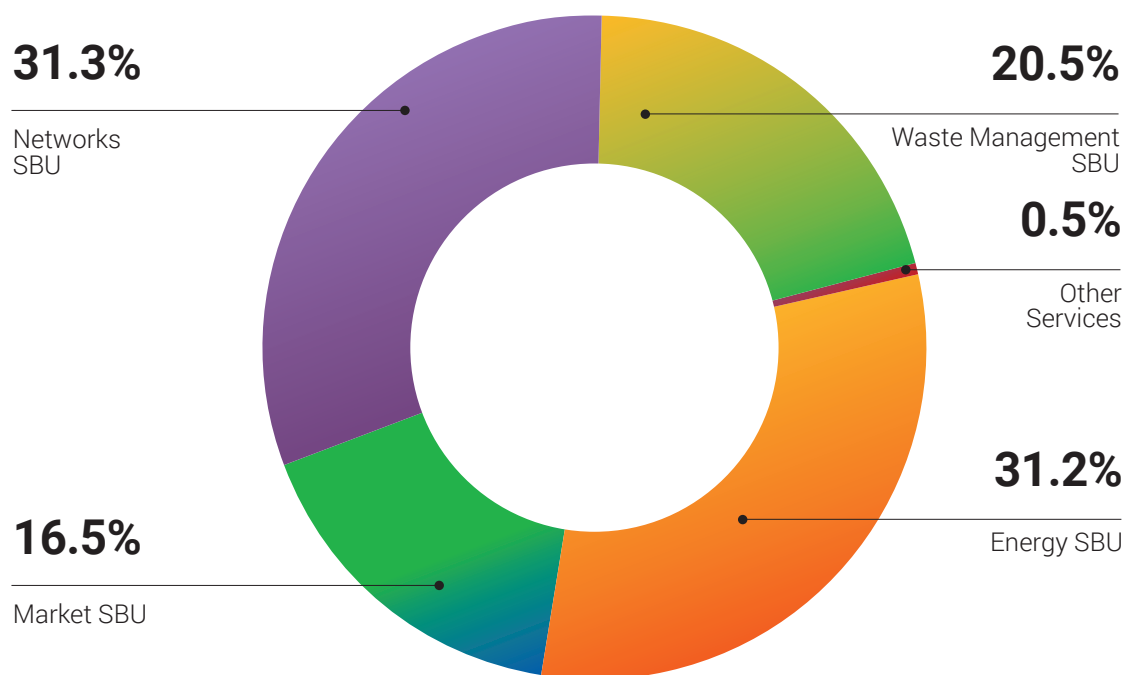
and the electrical cogeneration margin made it possible to absorb the sharp drop in opportunities on the MSD dispatching market, which was also sharply reduced at national level.

On the other hand, 2023 was characterised by a contrasting trend in energy volumes, where an important increase in volumes of electricity generation from thermoelectric and hydroelectric sources, the latter resulting from good hydraulicity of the year, is contrasted by a sustained reduction in heat volumes sold as a consequence of the mild climate trend and a reduction in unitary consumption as a consequence of the "high bills" measure.

The gross operating profit for the year is impacted

negatively by the higher costs for inflationary effects that will be recovered, in regulated markets, in future tariff periods, and the elimination of contingent assets that had characterised 2022 related to the energy efficiency certificates of the Turin North cogeneration plant and the Council of State's positive ruling on the Water Service tariff adjustments of previous years, recorded in 2022.

Overall, the gross operating profit with reference to the individual business units is broken down as follows: the Market business unit improved strongly (with an increase of more than 100%), Energy +4.2%, Waste -7.1%, Networks -9.3%.



### Operating profit (EBIT)

Operating profit (EBIT) amounted to 464.6 million euro, essentially in line (+0.2%) with the 463.7 million euro in 2022. During the year, there was higher depreciation and amortisation of approximately 78 million euro related to the commissioning of new investments and the expansion of the consolidation scope, greater accruals made to the loss allowance for approximately 8 million euro, lower release of provisions of about

16 million euro, and higher provisions for risks of about 44 million euro, of which 37 million euro related to the compensation mechanisms provided for in the Decree-Law "Sostegni Ter". Without these extraordinary provisions, EBIT would have amounted to approximately 506 million euro, a considerable improvement compared to the pro forma 468 million euro in 2022 (+8.1%).

## Financial income and expense

Net financial expense came to 98.6 million euro, while in the comparative year, the figure stood at 81.9 million euro (+20.4%).

Financial income increased by 13.9 million euro compared to 2022, to which income from the discounting of funds and higher interest income due to higher rates contributed.

On the financial expense side, there was an increase

of 30.7 million euro (135.8 million euro in 2023 vs. 105.1 million euro in 2022), which was mainly due to higher interest expense from borrowing and charges for the assignment of Superbonus tax credits. It should be noted that the 2022 figure included non-recurring items relating to charges for commodity derivatives on the Pfor index for which the hedging relationship had ceased to exist (20.9 million euro).

## Gains on equity investments

The amount of 6.3 million euro refers mainly to the remeasurement at fair value, at the date of acquisition of control, of the prior interests in AcquaEnna

and AMTER. The amount in the comparative year (5.2 million euro) mostly related to the gain on the acquisition of the net assets of Valle Dora Energia.

## Share of profit of equity-accounted investees, net of tax effects

This item, which amounts to +6.8 million euro (+11.8 million in 2022), includes the share of the pro-rata profit or loss of the Group's associates, the most significant

of which regard Aguas de San Pedro, Sienambiente and Asti Servizi Pubblici. The 2022 amount included, among others, the results of Valle Dora Energia, now fully consolidated.

## Pre-tax profit

As a result of the above trends the consolidated pre-tax

profit came to 379.1 million euro (398.8 million euro in 2022).

## Income taxes

Income taxes for 2023 amounted to 97.1 million euro, down from 128.9 million euro in the comparative year. The effective tax rate of 25.6% benefits from the positive effect of the non-taxability of tax credits granted to counteract the energy costs of companies and the effect of the taxation of positive differentials deriving from business combination transactions. In the absence of this effect, the adjusted tax rate would be 29.5%, virtually unchanged from 2022, also net of non-recurring events.

In the comparative year, the item, in fact, included both the effects of the measure referred to in Article 37 of Decree-Law 21/2022, which provided for a non-recurring levy as an "extraordinary contribution against high utility bills" equal to 25% of the "extra-profits"

of companies operating in the energy sector, and the effects of the Temporary Solidarity Contribution (pursuant to EU Regulation of 6 October 2022), due in an amount equal to 50% of the increase in taxable income for 2022 exceeding the average income achieved in the previous four years by at least 10%. For the Group, the total contribution was estimated at 27.3 million euro. In addition, the tax rate benefited, also for 2022, from the non-taxation of the income component relating to the Measures to counter high energy prices, for "non-energy-intensive" and "non-gas-intensive" companies (Decree-Law 4/2022, Decree-Law 17/2022, Law 51/2022 and "Aiuti" Decrees Decree-Law 50/2022, 115/2022 and 144/2022).

## Profit for the year

As a result of the above, there was a profit for the year of 282.0 million euro, an increase of 4.5% compared to 2022.

The figure is due to the profit attributable to the owners of the parent of 254.8 million euro, while profit attributable to non-controlling interests was 27.2 million euro.

## Statement of Financial Position

### Reclassified statement of financial position of Iren Group

thousands of euro

	31.12.2023	31.12.2022	Change %
Non-current assets	8,064,718	7,654,903	5.4
Other non-current assets (liabilities)	(418,064)	(416,214)	0.4
Net Working Capital	68,430	(223,927)	(*)
Deferred tax assets (liabilities)	271,906	198,645	36.9
Provisions for risks and employee benefits	(814,902)	(692,301)	17.7
Assets held for sale (liabilities associated with assets held for sale)	1,144	16,802	(93.2)
<b>Net invested capital</b>	<b>7,173,232</b>	<b>6,537,908</b>	<b>9.7</b>
Equity	3,241,453	3,191,154	1.6
<i>Non-current financial assets</i>	<i>(128,937)</i>	<i>(169,057)</i>	<i>(23.7)</i>
<i>Non-current financial debt</i>	<i>4,046,764</i>	<i>4,266,014</i>	<i>(5.1)</i>
<b>Non-current net financial debt</b>	<b>3,917,827</b>	<b>4,096,957</b>	<b>(4.4)</b>
<i>Current financial assets</i>	<i>(639,279)</i>	<i>(1,044,778)</i>	<i>(38.8)</i>
<i>Current financial debt</i>	<i>653,231</i>	<i>294,575</i>	<i>(*)</i>
<b>Current net financial (position) debt</b>	<b>13,952</b>	<b>(750,203)</b>	<b>(*)</b>
<b>Net financial debt</b>	<b>3,931,779</b>	<b>3,346,754</b>	<b>17.5</b>
<b>Own funds and net financial debt</b>	<b>7,173,232</b>	<b>6,537,908</b>	<b>9.7</b>

(\*) Change of more than 100%

For a reconciliation of the reclassified statement of financial position with that of the financial statements, please refer to the specific annex to the Notes to the Consolidated Financial Statements.

The main changes in the statement of financial position are commented on below.

Non-current assets at 31 December 2023 amounted to 8,064.7 million euro, up compared to 31 December 2022, when they were 7,654.9 million euro. The increase (+409.8 million euro) is essentially attributable to the effect of the following:

- investments in property, plant and equipment and intangible assets (+866.6 million euro) and depreciation and amortisation (-600.7 million euro) in the year;
- new assets, including goodwill, arising from M&A transactions in the year totalling 132.5 million euro related:
  - to the Networks BU, referring to the gas concessions acquired through the Romeo transaction and the acquisition of control of AMTER and AcquaEnna, respectively managers of the Integrated Water Service in five municipalities in the Province of Genoa and in the Province of Enna (105.6 million euro);
  - to the Energy BU, related to the development of photovoltaic parks and the WFL wind plant (21.0 million euro);
  - to the Waste Management BU, referring to the ReMat plant for material recovery and biogas capture of Semia Green (5.9 million euro);
- the change in right-of-use assets in application of IFRS 16 - Leases for 12.0 million, largely relating to lease and rental contracts for buildings, plant and vehicles used for operating activities.

For more information on the segment details of investments in the year, reference should be made to the section "Segment Reporting" below.

Net working capital stood at 68.4 million euro, against -223.9 million euro as at 31 December 2022. The increase is mainly attributable to commercial components, only partly offset by the decrease in gas inventory and the position with CSEA,

"Provisions for risks and employee benefits" amounted to 814.9 million euro and increased compared to the figure at the end of 2022, when they amounted to 692.3 million. The main changes relate to the net effect between allocations and utilisations of the provision related to CO2 emission rights obligations and the provisions related to the offsetting mechanisms provided for in DL Sostegni Ter.

The change in Assets held for sale (liabilities associated with assets held for sale) relates to the sale of the investment in Romeo Gas.

Equity amounted to 3,241.4 million euro, compared with 3,191.1 million euro at 31 December 2022 (+50.3 million euro). The change is mainly due to the profit for the year (+282.0 million euro), dividends paid (-184.1 million euro), the performance of the hedging reserve linked to interest rate and commodity hedging derivatives (-51.0 million euro), the change in the consolidation scope (+5.2 million euro) and other changes (-1.8 million euro).

Net financial debt stood at 3,931.8 million euro as at 31 December 2023, up (+17.5%) from the 31 December 2022 figure. For more details please see the analysis of the statement of cash flows presented below.



## Statement of cash flows of Iren Group

### Change in net financial debt

The statement below details the movements in the Group's net financial debt that occurred in the year.

thousands of euro

	FY 2023	FY 2022	Change %
<b>Opening net financial debt</b>	<b>(3,346,754)</b>	<b>(2,906,401)</b>	<b>15.2</b>
Profit for the year	282,011	269,946	4.5
Non-monetary adjustments	1,191,967	936,269	27.3
Payment of employee benefits	(9,526)	(9,624)	(1.0)
Utilisations of provisions for risks and other charges	(183,755)	(33,955)	(*)
Change in other non-current assets and liabilities	23,822	(29,642)	(*)
Taxes paid	(72,371)	(194,274)	(62.7)
Cash flows for transactions on commodities derivatives markets	(15,013)	65,915	(*)
Other changes in equity	48	752	(93.6)
Cash flows from changes in NWC	(536,888)	77,670	(*)
<b>Operating cash flow</b>	<b>680,295</b>	<b>1,083,057</b>	<b>(37.2)</b>
Investments in property, plant and equipment and intangible assets	(866,605)	(897,565)	(3.4)
Investments in financial assets	(3,309)	(39,455)	(91.6)
Proceeds from the sale of investments and changes in assets held for sale	18,317	5,959	(*)
Acquisition of subsidiaries	(79,330)	(270,534)	(70.7)
Dividends received	4,545	2,941	54.5
<b>Total cash flows used in investing activities</b>	<b>(926,382)</b>	<b>(1,198,654)</b>	<b>(22.7)</b>
<b>Free cash flow</b>	<b>(246,087)</b>	<b>(115,597)</b>	<b>(*)</b>
Cash flows from own capital	(184,148)	(164,710)	11.8
Other changes	(154,790)	(160,046)	(3.3)
<b>Change in Net financial debt</b>	<b>(585,025)</b>	<b>(440,353)</b>	<b>32.9</b>
<b>Closing Net financial debt</b>	<b>(3,931,779)</b>	<b>(3,346,754)</b>	<b>17.5</b>

(\*) Change of more than 100%

The change in Net Financial Debt compared to 31 December 2022 of +585.0 million euro is due to the following factors:

- *operating cash flow* of +680.3 million euro, in which operating profitability was partially absorbed by the change in Net Working Capital;
- cash flow used in investing activities of -926.4 million euro, which includes, in particular, technical investments for the year (866.6 million euro, substantially in line with the 2022 figure) and purchases of equity investments (under the items "Investments in financial assets" and "Acquisition of subsidiaries") totalling 82.6 million euro. This amount refers to the consideration paid and the net financial debt acquired for AcquaEnna (31.0 million euro), the Romeo transaction (20.9 million euro), WFL (13.1 million euro), Limes 20 (6.7 million euro), ReMat (3.3 million euro), the investment in Sistema Ambiente (2.5 million euro), Amter (2.1 million euro), Semia Green (1.7 million euro), the non-controlling interests in Futura (1.0 million) and other minor interests (0.3 million euro). The figure for 2022 of 310.0 million euro was mostly related to the acquisitions of Iren

Green Generation, SEI Toscana, Alegas and Valle Dora Energia.

It should also be noted that the item "Proceeds from the sale of investments and changes in assets held for sale" includes the proceeds from the sale of Romeo Gas;

- *cash flows from own capital* of -184.1 million euro related to the payment of dividends for the year.
- the item *other changes*, amounting to -154.8 million euro (-160.0 million euro in the comparative year), mainly related to interest paid and the fair value losses on hedging derivatives.

Finally, the statement of cash flows prepared according to the model expressed as a change in cash and cash equivalents is presented at the beginning of the "Consolidated Financial Statements at 31 December 2023".



# Segment reporting

Iren Group identifies the following business segments:

- Networks (Electricity distribution networks, Gas distribution networks, Integrated Water Service)
- Waste Management (Waste collection, treatment and disposal)
- Energy (Hydroelectric production and other renewable sources, combined heat and energy, district heating networks, thermoelectric production, energy efficiency services, public lighting, global services, heat management)
- Market (Sale of electricity, gas and other customer services)
- Other services (Laboratories, Telecommunications and other minor).

These operating segments are reported on pursuant to IFRS 8, which requires the disclosure about operating segments to be based on the elements which management uses in making operational and strategic decisions.

For a proper interpretation of the income statements relating to individual operating segments presented and commented on below, revenue and expense referring to general activities were fully allocated to the segments based on actual usage of the services provided or according to technical and economic drivers.

Given the fact that the Group mainly operates in one area, the following segment reporting does not include a breakdown by geographical segment.

Net invested capital compared to the figures at 31 December 2022 and the income statements for 2023 (up to the operating performance) are presented below by business segment, compared with the figures for 2022.

At 31 December 2023, non-regulated activities contributed 35% to EBITDA (21% at 31 December 2022), regulated activities accounted for 49% (down from 59% in 2022), and semi-regulated activities contributed 16% (20% in the previous year).

## Reclassified statement of financial position by business segment at 31 December 2023

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Non-current assets	3,615	1,545	2,300	350	31	224	8,065
Net Working Capital	85	(6)	235	(247)	1	-	68
Other non-current assets and liabilities	(684)	(154)	(190)	68	-	-	(960)
<b>Net invested capital (NIC)</b>	<b>3,016</b>	<b>1,385</b>	<b>2,345</b>	<b>171</b>	<b>32</b>	<b>224</b>	<b>7,173</b>
<b>Equity</b>							<b>3,241</b>
<b>Net financial debt</b>							<b>3,932</b>
<b>Own funds and net financial debt</b>							<b>7,173</b>

**Reclassified statement of financial position by business segment at 31 December 2022**

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Non-current assets	3,323	1,475	2,270	337	28	222	7,655
Net Working Capital	(42)	(200)	150	(138)	6	-	(224)
Other non-current assets and liabilities	(604)	(172)	(186)	53	-	16	(893)
<b>Net invested capital (NIC)</b>	<b>2,677</b>	<b>1,103</b>	<b>2,234</b>	<b>252</b>	<b>34</b>	<b>238</b>	<b>6,538</b>
<b>Equity</b>							<b>3,191</b>
<b>Net financial debt</b>							<b>3,347</b>
<b>Own funds and net financial debt</b>							<b>6,538</b>

**Income Statement by business segment for 2023**

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	1,151	1,193	3,215	4,090	32	(3,191)	6,490
Total operating expenses	(776)	(948)	(2,841)	(3,892)	(27)	3,191	(5,293)
<b>Gross Operating Profit (EBITDA)</b>	<b>375</b>	<b>245</b>	<b>374</b>	<b>198</b>	<b>5</b>	<b>-</b>	<b>1,197</b>
<b>Net amortisation, depreciation and impairment losses</b>	<b>(222)</b>	<b>(170)</b>	<b>(213)</b>	<b>(125)</b>	<b>(2)</b>	<b>-</b>	<b>(732)</b>
<b>Operating profit (EBIT)</b>	<b>153</b>	<b>75</b>	<b>161</b>	<b>73</b>	<b>3</b>	<b>-</b>	<b>465</b>

**Income Statement by business segment for 2022**

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	1,130	1,089	4,394	5,396	29	(4,174)	7,864
Total operating expenses	(717)	(825)	(4,035)	(5,382)	(25)	4,174	(6,810)
<b>Gross Operating Profit (EBITDA)</b>	<b>413</b>	<b>264</b>	<b>359</b>	<b>14</b>	<b>5</b>	<b>-</b>	<b>1,055</b>
<b>Net amortisation, depreciation and impairment losses</b>	<b>(203)</b>	<b>(141)</b>	<b>(135)</b>	<b>(109)</b>	<b>(3)</b>	<b>-</b>	<b>(591)</b>
<b>Operating profit (loss) (EBIT)</b>	<b>210</b>	<b>123</b>	<b>224</b>	<b>(95)</b>	<b>2</b>	<b>-</b>	<b>464</b>

## Networks SBU

For the year ended 31 December 2023, the Networks business segment, which includes the Gas Distribution, Electricity and Integrated Water Service businesses, reported revenue of 1,150.5 million euro, up by +1.8% compared to 1,130.4 million euro in 2022. The increase, which was mainly attributable to positive changes in tariff revenue constraints and higher revenue related to the construction of assets under concession falling under IFRIC 12 was partly absorbed by the absence of one-off prior-year income achieved in 2022.

The gross operating profit amounted to 374.8 million euro, down by -9.3% compared to the 413.2 million euro of the previous year, mainly due to the lack of prior-year income that had characterised 2022, while the operating profit amounted to 152.9 million euro, down by -27.1% compared to 209.8 million euro in 2022, due to higher amortisation for approximately 17 million euro and higher other provisions for approximately 4 million euro, only partially offset by a higher release of provisions of around 3 million euro.

		FY 2023	FY 2022	Change %
Revenue	€/mln	1,150.5	1,130.4	1.8
Gross Operating Profit (EBITDA)	€/mln	374.8	413.2	(9.3)
<i>% of revenue</i>		32.6 %	36.6 %	
<i>from Electricity Networks</i>	€/mln	72.7	78.7	(7.7)
<i>from Gas Networks</i>	€/mln	81.8	86.3	(5.2)
<i>from Integrated Water Service</i>	€/mln	220.4	248.2	(11.2)
Operating profit (EBIT)	€/mln	152.9	209.8	(27.1)
Investments	€/mln	356.4	327.8	8.7
<i>in Electricity Networks</i>	€/mln	79.7	71.1	12.0
<i>in Gas Networks</i>	€/mln	40.0	42.9	(6.7)
<i>in Integrated Water Service</i>	€/mln	220.7	205.4	7.5
<i>Other</i>	€/mln	16.1	8.4	91.0
Electricity distributed	GWh	3,555.7	3,687.3	(3.6)
Gas distributed	Mm3	1,031.4	1,124.4	(8.3)
Water sold	Mm3	179.4	170.1	5.5

### Networks SBU - Electricity

The gross operating profit amounted to 72.7 million euro, down -7.7% compared to 78.7 million euro in 2022. The worsening, despite an increase in the revenue constraint, mainly generated by the positive effect of the higher capital expenditure, is more than offset by the higher operating expenses and the disappearance of one-off adjustment items that had benefited 2022.

Investments amounted to 79.7 million euro, up +12% from 71.1 million euro in 2022, and relate mainly to connections, LV/MV distribution network resilience activities in order to improve the quality of the service, the construction of new primary and secondary stations in addition to the continuation of

the replacement plan for electronic meters with 2G technology.

### Networks SBU - Gas Distribution

Gross operating profit (EBITDA) amounted to 81.8 million euro, down -5.2% from the 86.3 million euro of 2022. The increase in the revenue constraint generated mainly by the positive effect of higher investments was more than offset by the increase in costs related to energy efficiency certificates (EEC) and operating expenses.

Investments amounted to 40 million euro, down -6.7% compared with 42.9 million euro in 2022, and involved mainly upgrading the network to cathodic protection and installing electronic meters.

### Networks SBU - Water Cycle

Gross operating profit (EBITDA) amounted to 220.4 million euro, down -11.2% from the 248.2 million euro of 2022. The increase in the tariff revenue constraint (VRG), mainly due to the increase in invested capital (RAB), was more than absorbed by the increase, also inflationary, in operating expenses and by the elimination of the tariff adjustments of previous years determined by the relevant ruling of the Council of State and the recognition of the green certificates both recorded in 2022 and both one-off. Net of these non-recurring effects, the gross operating profit would have been aligned to 2022.

Investments amounted to 220.7 million euro, up +7.5% compared to 205.4 million euro in 2022. These activities relate to the construction, development and extraordinary maintenance of distribution networks and plants and of the sewerage network, as well as the installation of measuring units mainly with new technology involving remote reading, as well as the construction and modernisation of wastewater treatment plants.

There were also investments of 16.1 million euro, up compared to 8.4 million euro in 2022, across the three businesses, mainly related to information systems and to the development of electric mobility on operating vehicles.

### Waste Management SBU

At 31 December 2023, the segment's revenue amounted to 1,193.1 million euro, up +9.5% from 1,089.3 million euro in 2022. The increase is mainly attributable to the change in the consolidation scope

related to the consolidation as of 1 July 2022 of SEI Toscana (for about 103 million euro), a company operating in the integrated cycle of municipal waste in the entire provinces of Arezzo, Grosseto, Siena, and 5 municipalities in the province of Livorno.

		FY 2023	FY 2022	Change %
Revenue	€/mln	1,193.1	1,089.3	9.5
Gross Operating Profit (EBITDA)	€/mln	245.3	264.0	(7.1)
% of revenue		20.6 %	24.2 %	
Operating profit (EBIT)	€/mln	74.8	123.4	(39.4)
Investments	€/mln	201.8	192.6	4.8
Electricity sold	GWh	508.3	517.6	(1.8)
Thermal energy produced	GWht	321.8	335.8	(4.2)
Waste managed	tonnes	3,842,166	3,734,861	2.9
Separate waste collection historical territories	%	71.1	70.0	1.6
Separate waste collection other territories	%	60.6	61.1	(0.8)

Gross operating profit (EBITDA) of the segment amounted to 245.3 million euro, down -7.1% compared to 264 million euro in 2022. The worsening can be attributed to the decline in brokerage activities and the disposal business, which, although benefiting from higher revenue from the sale of electricity and energy subsidies, recorded a drop generated by a contraction in revenue related to the sale of thermal energy,

biomethane, the reduction in incentives related to green certificates and a reduction in volumes of waste disposed of in a landfill, due to the partial saturation of sites.

Although funding was characterised by an increase in operating expenses, also due to inflationary effects, it nevertheless improved thanks to the inclusion of SEI Toscana in the consolidation scope.

Operating profit amounted to 74.8 million euro, down -39.4% compared to 123.4 million euro in 2022. Amortisation and depreciation increased by about 23 million euro during the year, mainly due to the enlarged consolidation scope and the commissioning of some sorting and recovery plants for materials from separate waste collection, higher accruals to the loss allowance of about 4 million euro due to the changeover, in some municipalities under management, from a tax to a fee, and lower releases of provisions of 5 million euro only partially offset by lower accruals to the provisions for risks and impairment losses of 3 million euro.

Investments amounted to 201.8 million euro, up +4.8% compared to 192.6 million euro in 2022. Investments relate to the purchase of collection vehicles and equipment and the construction of plants; in particular, among the latter, we highlight the organic fraction treatment plant (OFMSW) of Reggio Emilia and the plastic treatment plant of Borgaro Torinese (TO) and the plant for the recovery of wood in the production of pallets (Vercelli).

## Energy SBU

For the year ended 31 December 2023, the revenue of the Energy SBU, which includes the production of electricity and heat, management of district heating, activities related to public lighting and energy efficiency, amounted to 3,215.5 million euro, a decrease of -26.8% compared to 4,394.4 million euro in 2022.

The reduction in revenue is mainly attributable to the decline in electricity sales prices, partially offset by the

greater quantities produced. Revenue from heat sales also recorded a decline, both due to the reduction in sales prices and the lower volumes sold.

On the other hand, revenue from activities related to energy requalification and building renovation favoured by tax breaks and energy service management activities increased (about +115 million euro).

		FY 2023	FY 2022	Change %
Revenue	€/mln	3,215.5	4,394.4	(26.8)
Gross Operating Profit (EBITDA)	€/mln	373.9	358.9	4.2
% of revenue		11.6 %	8.2 %	
Operating profit (EBIT)	€/mln	160.7	223.7	(28.2)
Investments	€/mln	129.8	224.61	(42.2)
Electricity produced	GWh	8,426.2	7,592.5	11.0
<i>from hydroelectric sources</i>	GWh	1,095.6	772.3	41.9
<i>from photovoltaic</i>	GWh	223.5	207.2	7.9
<i>from cogeneration sources</i>	GWh	4,682.4	4,954.9	(5.5)
<i>from thermoelectric sources</i>	GWh	2,424.7	1,658.1	46.2
Heat produced	GWh	2,316.1	2,534.3	(8.6)
<i>from cogeneration sources</i>	GWh	2,005.3	2,134.8	(6.1)
<i>from non-cogeneration sources</i>	GWh	310.8	399.5	(22.2)
District heating volumes	Mm3	101.1	99.3	1.8

In 2023, electricity produced was 8,426.2 GWht, up +11.0% compared to 7,592.5 GWht of the previous year.

Electricity production from cogeneration sources amounted to 4,682.4 GWh, down (-5.5%) compared to 4,954.9 GWh in 2022 mainly due to the lower demand for thermal energy related to a particularly mild climate trend, while thermoelectric production amounted to 2,424.7 GWh, up by +46.2% compared to 1,658.1 GWh in 2022, also thanks to the entry into operation of the new production unit of the Turbigio plant and the return to full operation of the existing production unit. Production from renewable sources amounted to 1,319.1 GWh, an increase of +34.7% compared to 979.6 GWh in 2022. The increase concerns both hydroelectric production, which amounted to 1,095.6 GWh compared to 772.3 GWh (+41.9%) in 2022, thanks to the improved hydraulicity of the year, and photovoltaic production, of 223.5 GWh compared to 207.2 GWh in 2022 (+7.9%). The heat produced amounted to 2,316.1 GWht, a decrease of -8.6% compared to 2,534.3 GWht in the previous year due to milder temperatures and energy-saving behaviour in the use of domestic heating, as well as energy efficiency measures in buildings. Gross operating profit (EBITDA) amounted to 373.9 million euro, up +4.2% compared to 358.9 million euro in 2022.

The trend in the energy scenario was characterised by a downward trend in commodity prices, mainly due to the contraction in demand for gas generated by a series of factors such as the climatic effect of a milder winter season, lower consumption related to the effect of "high utility bills", a contraction in demand from manufacturing activities, particularly industrial ones, and last but not least, the high level of gas stocks. These effects had a particularly significant impact on photovoltaic production penalised by lower sales prices only partially offset by the higher quantities produced, on Thermoelectric production and on Heat Cogeneration where the improvement in the unit margin was more than absorbed by the sharp contraction in volumes produced as well as the disappearance of one-off non-recurring items from 2022. Instead, the hydroelectric production margin has

improved considerably, mainly as a result of the improved wind levels during the year, which allowed for a sharp increase in production and, at the same time, allowed for the full absorption of higher water derivation fees (+18 million euro).

In the year, there was also a significant contraction in the MSD dispatching market, which also fell sharply at national level.

The activities related to Energy Efficiency were also down, recording a decline of -9 million euro compared to 2022, due to the small profit margins on energy requalification works of buildings (Superbonus 110) and electricity management.

The operating profit amounted to 160.7 million euro, down -28.2% compared to 223.7 million euro in 2022. Contributing to the decrease were higher depreciation and amortisation of about 18 million euro, lower releases of provisions of 14 million euro and higher provisions for risks of 42 million euro, of which 37 million euro related to the "Sostegni Ter" decree. Without these non-recurring provisions, EBIT would amount to 201.5 million euro, down by -11.2% compared to the corresponding adjusted amount for 2022 of 226.8 million euro.

Investments amounted to 129.8 million euro, down -42.2% from the 224.6 million euro in 2022. The main ones include the repowering of the Turbigio thermoelectric plant, the new combined cycle of 430 MW, new heat accumulators, the development of district heating networks and the photovoltaic plants.



## Market SBU

For the year ended 31 December 2023, the segment's revenue amounted to 4,090.4 million euro, down by -24.2% compared to 5,396 million euro in 2022.

The decrease in revenue is attributable to the lower quantities sold and the drop in prices for both electricity and gas.

The gross operating profit amounted to 197.9 million euro, a significant increase compared to the 13.9 million euro in 2022, which was characterised by extraordinarily negative profit margins. The

improvement in profit margins is mainly attributable to electricity sales with a profit of 64.2 million euro, compared to a loss of -102.7 million euro in 2022.

The operating profit amounted to 73.5 million euro, an improvement compared to -95.2 million euro in 2022. During the year, higher depreciation and amortisation of approximately 9 million euro and higher impairment losses on loans and receivables of 2 million euro were recorded.

		FY 2023	FY 2022	Change %	
Revenue	€/mln	4,090.4	5,396	(24.2)	
Gross Operating Profit (EBITDA)	€/mln	197.9	13.9	(*)	
% of revenue		4.8 %	0.3 %		
	<i>from Electricity</i>	€/mln	64.2	-102.7	(*)
	<i>from Gas</i>	€/mln	131.6	99.3	32.6
	<i>from Heat and other services</i>	€/mln	2.2	17.4	(87.6)
Operating profit (loss) (EBIT)	€/mln	73.5	-95.2	(*)	
Investments		86.3	79.4	8.7	
Electricity Sold	GWh	7,218.4	8,379.3	(13.9)	
Gas Purchased	Mm3	2,499.7	2,750.8	(9.1)	
	<i>Gas sold by the Group</i>	Mm3	999.4	1,101.6	(9.3)
	<i>Gas for internal use</i>	Mm3	1,495.8	1,401.8	6.7
	<i>Gas in storage</i>	Mm3	4.5	247.4	(98.2)

(\*) Change of more than 100%

## Sale of electricity

The volumes of electricity sold on the market amounted to 7,005.0 GWh, a decrease of -13.8% compared to 8,128.9 GWh in 2022.

The drop in sales on the free market affected all segments, with particular reference to the business segment with sales of 1,335.7 GWh, down by -39% compared to 2,190.3 GWh in 2022; the Retail and Small Business segment (-6.8%) with sales coming in at 2,929.9 GWh, compared with 3,143.6 GWh in 2022. The wholesalers segment also declined, with sales of 2,739.3 GWh, down by -2% from 2,795.1 GWh in 2022, which had also benefited from some opportunity sales on the wholesale market.

Sales in the protected market amounted to 213.5 GWh, down by -14.7% compared to 250.4 GWh in 2022.

The gross operating profit from the sale of electricity was equal to 64.2 million euro, while it was a loss of -102.7 million euro in 2022. The improvement, despite the lower quantities sold, is mainly attributable to a more favourable energy scenario with increasing profit margins in hedging and marketing activities, which made it possible to absorb both the greater operating expenses of customer management and invoicing and disappearance of some one-off non-recurring items that occurred in 2022 relating to previous years.

The table below shows the quantities sold by class of customer sector:

### Market SBU – Sale of electricity

	FY 2023	FY 2022	Change %
<i>Business</i>	1,335.7	2,190.3	(39.0)
<i>Retail and small business</i>	2,929.9	3,143.6	(6.8)
<i>Wholesalers</i>	2,739.3	2,795.1	(2.0)
<b>Free market</b>	<b>7,005.0</b>	<b>8,128.9</b>	<b>(13.8)</b>
<b>Protected market</b>	<b>213.5</b>	<b>250.4</b>	<b>(14.7)</b>
<b>Total Electricity sold</b>	<b>7,218.4</b>	<b>8,379.3</b>	<b>(13.9)</b>

### Sale of Natural Gas

Purchased volumes amounted to 2,499.7 Mm<sup>3</sup>, down -9.1%, compared to 2,750.8 Mm<sup>3</sup> in 2022.

Gas sold by the Group amounted to 999.4 Mm<sup>3</sup>, down by -9.3% compared to 1,101.6 Mm<sup>3</sup> sold in 2022.

The gas used for internal consumption within the Group amounted to 1,495.8 Mm<sup>3</sup>, an increase of +6.7% compared to 1,401.8 Mm<sup>3</sup> in 2022.

The gross operating profit from the sale of gas amounted to 131.6 million euro, up +32.6% compared to 99.3 million euro in 2022. This improvement is attributable to a more favourable energy scenario that has allowed profit margins to normalise at pre-crisis levels and has also made it possible to absorb the higher operating expenses of customer management and billing and the effect of certain one-off non-recurring items that occurred in 2022 relating to previous years.

### Other sales services

Other sales services show a gross operating profit of 2.2 million euro, down on the 17.4 million euro of the previous year. The decline is mainly attributable to fewer activities and profit margins related to energy efficiency.

Investments of the Market SBU amounted to 86.3 million euro, up +8.7% from the 79.4 million euro in 2022.

## Other services

For the year ended 31 December 2023, revenue of the segment, which includes the activities of the analysis laboratories, telecommunications and other minor activities, was 31.6 million euro, up by +7.1% compared to the 29.5 million euro in 2022.

		FY 2023	FY 2022	Change %
Revenue	€/mln	31.6	29.5	7.1
Gross Operating Profit (EBITDA)	€/mln	5.0	4.7	6.6
% of revenue		15.7 %	15.8 %	
Operating profit (EBIT)	€/mln	2.8	2.0	43.4
Investments	€/mln	92.3	73.9	25.0

The gross operating profit amounted to 5 million euro, a slight improvement compared to 4.7 million euro in 2022.

Investments in the year amounted to 92.3 million euro, up compared to 73.9 million euro in 2022 and mainly related to information systems, vehicles and buildings.

## Energy balances

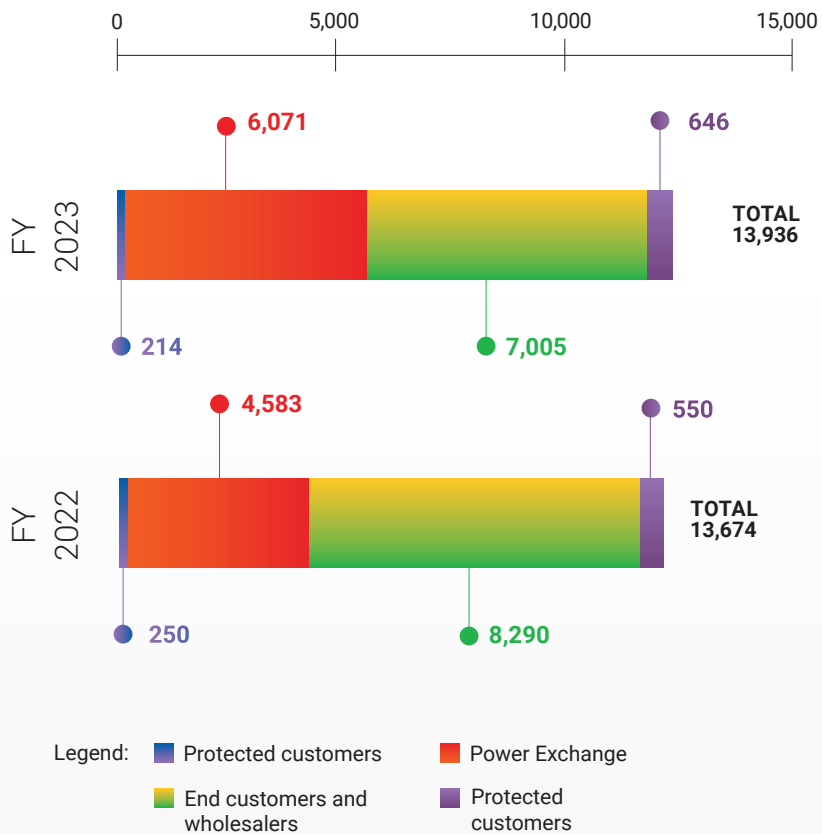
### Electricity balance

GWh		FY 2023	FY 2022	Change %
<b>SOURCES</b>				
Group's gross production		9,066.9	8,251.6	9.9
<i>a) Hydroelectric</i>		1,120.4	792.5	41.4
<i>b) Photovoltaic, wind and other renewables</i>		225.5	207.2	8.8
<i>c) Cogeneration</i>		4,683.5	4,954.9	(5.5)
<i>d) Thermoelectric</i>		2,424.7	1,658.1	46.2
<i>e) Production from WTE and landfills</i>		612.8	638.9	(4.1)
Purchases from the Single Buyer (Acquirente Unico)		234.9	276.4	(15.0)
Energy purchased on the Power exchange		3,530.9	4,626.5	(23.7)
Energy purchased from wholesalers and imports		1,103.0	519.5	(*)
<b>Total Sources</b>		<b>13,935.7</b>	<b>13,674.0</b>	<b>1.9</b>
<b>USES</b>				
Sales to protected customers		213.5	250.4	(14.7)
Sales to end customers and wholesalers		7,005.0	8,290.4	(15.5)
Sales on the Power exchange		6,071.3	4,582.9	32.5
Pumping, distribution losses and other		645.9	550.3	17.4
<b>Total Uses</b>		<b>13,935.7</b>	<b>13,674.0</b>	<b>1.9</b>

SOURCES



USES

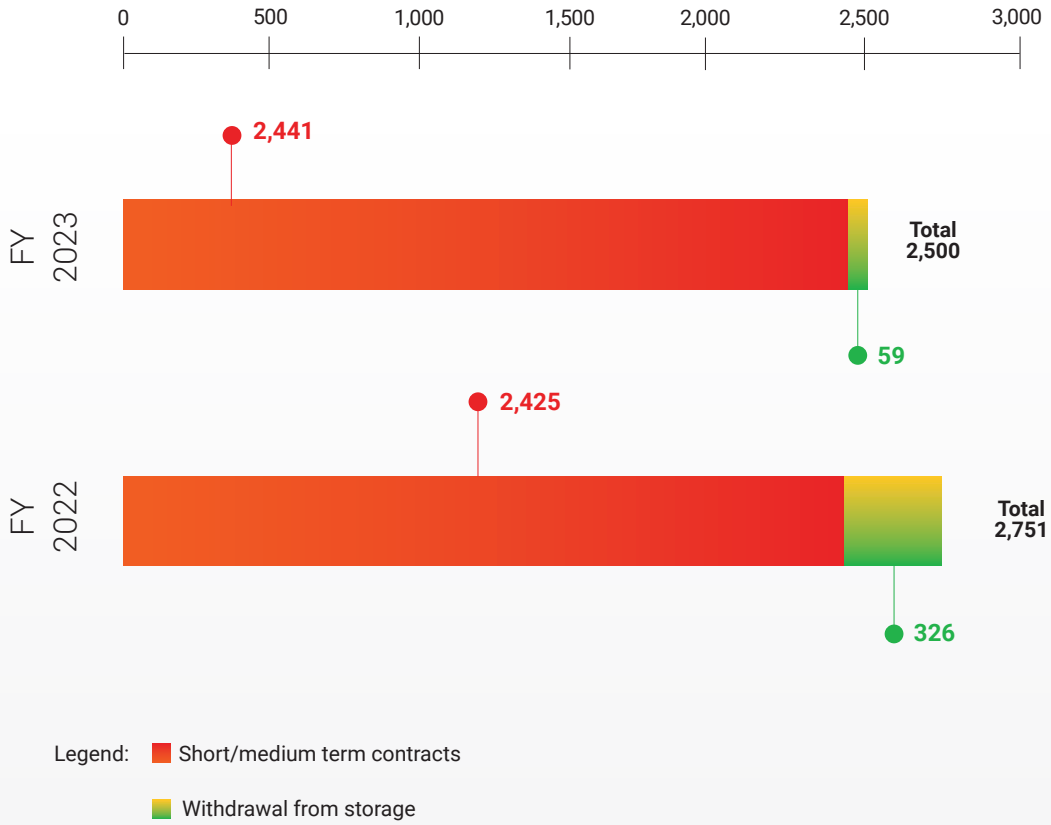


## Gas balance

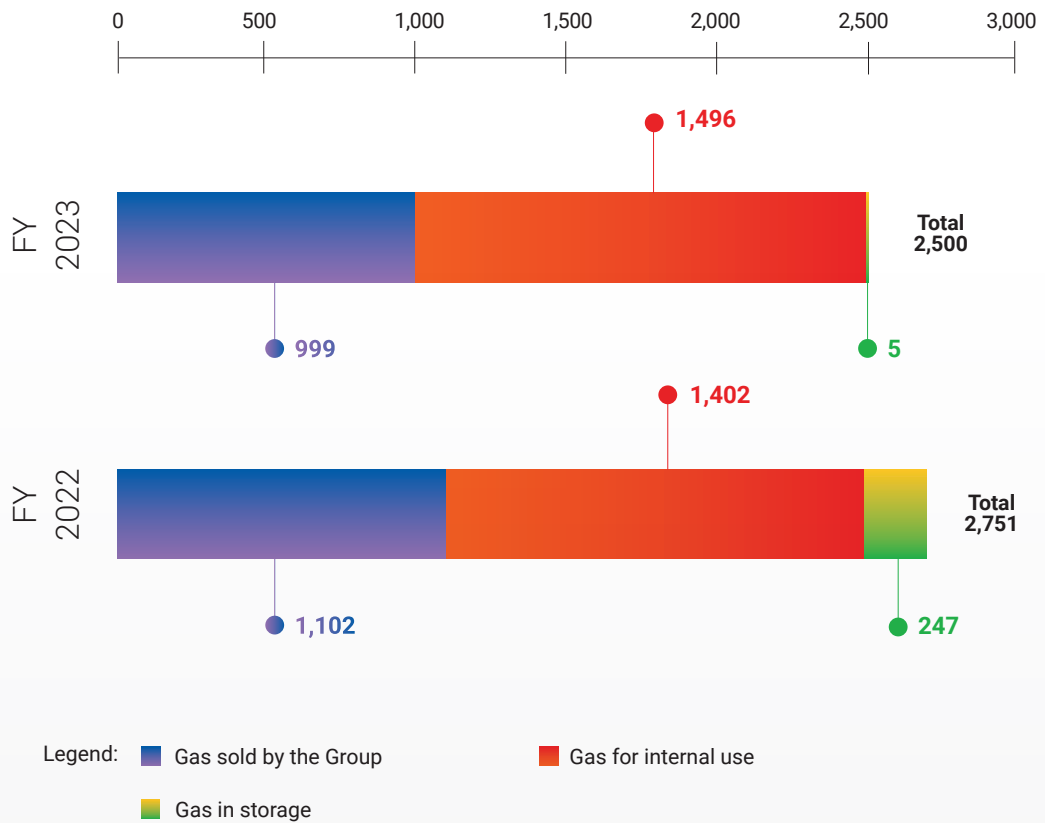
Millions of m <sup>3</sup>	FY 2023	FY 2022	Change %
<b>SOURCES</b>			
Short and medium term contracts	2,440.6	2,424.7	0.7
Withdrawals from storage	59.1	326.1	(81.9)
<b>Total Sources</b>	<b>2,499.7</b>	<b>2,750.8</b>	<b>(9.1)</b>
<b>USES</b>	<b>999.4</b>	<b>1,101.6</b>	<b>(9.3)</b>
Gas sold by the Group	1,495.8	1,401.8	6.7
Gas for internal use (1)	4.5	247.4	(98.2)
Gas in storage	2,499.7	2,750.8	(9.1)
<b>Total Uses</b>	<b>2,499,7</b>	<b>2,750,8</b>	<b>(9,1)</b>

(1) Internal use concerns thermoelectric plants and use for heat services and internal consumption

SOURCES



USES





# Financial position, financial performance and cash flows of Iren S.p.A.

## Income statement

### Iren S.p.A.'s income statement

thousands of euro

	FY 2023	FY 2022	Change %
<b>Revenue</b>			
Revenue from goods and services	292,295	271,144	7.8
Other income	12,820	12,669	1.2
<b>Total revenue</b>	<b>305,115</b>	<b>283,813</b>	<b>7.5</b>
<b>Operating expenses</b>			
Raw materials, consumables, supplies and goods	(8,761)	(9,924)	(11.7)
Services and use of third-party assets	(180,707)	(164,108)	10.1
Other operating expenses	(9,262)	(7,872)	17.7
Capitalised costs for internal works	6,927	5,780	19.8
Personnel expense	(91,651)	(80,290)	14.1
<b>Total operating expenses</b>	<b>(283,454)</b>	<b>(256,414)</b>	<b>10.5</b>
<b>GROSS OPERATING PROFIT (EBITDA)</b>	<b>21,661</b>	<b>27,399</b>	<b>(20.9)</b>
<b>Depreciation, amortisation, provisions and impairment losses</b>			
Depreciation and amortisation	(49,495)	(39,263)	26.1
Impairment losses on loans and receivables	-	-	-
Other provisions and impairment losses	114	2,181	(94.8)
<b>Total depreciation, amortisation, provisions and impairment losses</b>	<b>(49,381)</b>	<b>(37,082)</b>	<b>33.2</b>
<b>OPERATING LOSS (EBIT)</b>	<b>(27,720)</b>	<b>(9,683)</b>	<b>(*)</b>
<b>Financial management</b>			
Financial income	280,642	327,552	(14.3)
Financial expense	(83,170)	(57,026)	45.8
<b>Net financial income</b>	<b>197,472</b>	<b>270,526</b>	<b>(27.0)</b>
Gains on equity investments	-	-	-
<b>Pre-tax profit</b>	<b>169,752</b>	<b>260,843</b>	<b>(34.9)</b>
Income taxes	2,533	(2,156)	(*)
<b>Profit from continuing operations</b>	<b>172,285</b>	<b>258,687</b>	<b>(33.4)</b>
Profit (loss) from discontinued operations	-	-	-
<b>PROFIT FOR THE YEAR</b>	<b>172,285</b>	<b>258,687</b>	<b>(33.4)</b>

(\*) Change of more than 100%

## Revenue

The total revenue of Iren S.p.A. is equal to 305.1 million euro (increasing compared to 283.8 million euro in 2022) and mainly refers to service activities for corporate services (financial, administrative, technical, legal, insurance) and the implementation of information systems in favour of Group companies.

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## Operating expenses

Operating expenses amounted to 283.5 million euro, up compared to the 2022 figure (256.4 million euro), mainly due to costs for services, functional to the management of corporate activities in favour of Group companies and, with particular reference to the management of information systems. This increase is reflected in the revenue trend described above.

The increase in the item "personnel expense" largely relates to the estimated future payment, by way of retirement incentive ("isopensione"), to employees involved in the early retirement plan (7.2 million euro).

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## Depreciation, amortisation, provisions and impairment losses

Depreciation, amortisation, provisions and impairment losses amounted to 49.4 million euro (37.1 million euro in 2022). Depreciation and amortisation, which algebraically constitute almost all of the item, increased mainly due to the release in the operational phase of recent and significant investments in IT and related equipment.

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## Financial income and expense

Net financial income came to 197.5 million euro.

Analysing the composition of the items, financial income, equal to 280.6 million euro (327.6 million euro in 2022), mainly includes dividends from subsidiaries for 196.6 million euro (down -67.9 million euro compared to 2022) and interest income on loans to subsidiaries and associates for 83.6 million euro (+21.7 million compared to the previous year).

Financial expense came to 83.2 million euro, and refers essentially to interest expense on bank loans and bonds. It increased compared to the comparative figure, when it stood at 57.0 million.

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## Pre-tax profit

As a consequence of the trends illustrated above, the pre-tax profit was 169.8 million euro (260.8 million euro in 2022).

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## Income taxes

Le imposte sul reddito sono positive e pari a 2,5 milioni di euro (nel 2022 erano negative per 2,2 milioni), in funzione di un imponibile fiscale negativo derivante dalla non imponibilità del 95% dei dividendi ricevuti.

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## Profit for the year

Including taxes for the year, there was a profit of 172.3 million euro.



## Statement of Financial Position

### Reclassified statement of financial position of Iren S.p.A. (1)

thousands of euro

	FY 2023	FY 2022	Change %
Non-current assets	2,899,727	2,845,340	1.9
Other non-current assets (liabilities)	33	(6)	(*)
Net Working Capital	(13,245)	(30,683)	(56.8)
Deferred tax assets (liabilities)	4,021	(9,717)	(*)
Provisions for risks and employee benefits	(28,305)	(22,260)	27.2
Assets held for sale (liabilities associated with assets held for sale)	-	-	-
<b>Net invested capital</b>	<b>2,862,231</b>	<b>2,782,674</b>	<b>2.9</b>
Equity	2,236,973	2,246,579	(0.4)
Non-current financial assets	(3,677,676)	(3,103,724)	18.5
Non-current financial debt	3,858,011	4,034,165	(4.4)
<b>Non-current net financial debt</b>	<b>180,335</b>	<b>930,441</b>	<b>(80.6)</b>
Current financial assets	(307,118)	(591,366)	(48.1)
Current financial debt	752,041	197,020	(*)
<b>Current net financial (position) debt</b>	<b>444,923</b>	<b>(394,346)</b>	<b>(*)</b>
<b>Net financial debt</b>	<b>625,258</b>	<b>536,095</b>	<b>16.6</b>
<b>Own funds and net financial debt</b>	<b>2,862,231</b>	<b>2,782,674</b>	<b>2.9</b>

(\*) Change of more than 100%

For a reconciliation of the reclassified statement of financial position with that of the financial statements, please refer to the specific annex to the Separate Financial Statements.

The items subject to significant changes in the statement of financial position in the year are commented on below.

Non-current assets at 31 December 2023 amounted to 2,899.7 million euro, up compared to 31 December 2022, when they were 2,845.3 million euro. The increase (+54.4 million euro) is mainly due to the effect of the following:

- technical investments in property, plant and equipment and intangible assets (+91.1 million euro), mainly relating to IT implementations with related equipment, redevelopment and construction of properties and purchase of vehicles, and depreciation and amortisation (-49.5 million euro) for the year;
- the recognition of right-of-use assets in application of IFRS 16 - Leases for 12.3 million euro, mostly relating to lease contracts from Group companies

for buildings used for management activities as well as vehicles.

The increase in Net Working Capital (+17.5 million euro) is attributable to the increase in services rendered to subsidiaries and prepaid expenses related to IT services.

The "Provisions for Risks and Employee Benefits" amounted to 28.3 million euro, an increase of 6.0 million euro compared to 31 December 2022, mainly as a result of the new provision for early retirement of personnel, net of the related utilisations for the year.

Equity amounted to 2,237.0 million euro, compared with 2,246.6 million euro at 31 December 2022 (-9.6 million euro). The change in the year refers to the profit for the year (+172.3 million euro), dividends paid (-141.1 million euro), the hedging reserve for cash flow hedge

derivatives (-40.7 million euro) and the change in the reserve related to employee benefits (-0.1 million euro).

Net financial debt at the end of the year was 625.3 million euro, an increase of 89.2 million euro compared

to 31 December 2022 (+16.6%). For more details please see the analysis of the statement of cash flows presented below.

## Statement of cash flows of Iren S.p.A.

### Change in net financial debt

The statement below details the movements in the net financial debt of Iren S.p.A. that occurred in the year.

thousands of euro

	FY 2023	FY 2022	Change %
<b>Opening net financial debt</b>	<b>(536,095)</b>	<b>(743,699)</b>	<b>(27.9)</b>
Profit for the year	172,285	258,688	(33.4)
Non-monetary adjustments	(141,974)	(230,658)	(38.4)
Payment of employee benefits	(1,438)	(1,255)	14.6
Utilisations of provisions for risks and other charges	(1,594)	(1,061)	50.2
Change in other non-current assets and liabilities	(40)	195	(*)
Other changes in equity	-	-	-
Taxes collected (paid)	(2,123)	2,065	(*)
Cash flows from changes in NWC	(13,627)	52,414	(*)
<b>Operating cash flow</b>	<b>11,490</b>	<b>80,388</b>	<b>(85.7)</b>
Investments in property, plant and equipment and intangible assets	(91,062)	(73,069)	24.6
Investments in financial assets	(810)	(319)	(*)
Proceeds from the sale of investments and changes in assets held for sale	55	5,738	(99.0)
Change in consolidation scope	-	-	-
Dividends received	196,592	264,491	(25.7)
<b>Total cash flows from investing activities</b>	<b>104,775</b>	<b>196,841</b>	<b>(46.8)</b>
<b>Free cash flow</b>	<b>116,265</b>	<b>277,229</b>	<b>(58.1)</b>
Cash flows from own capital	(141,138)	(134,723)	4.8
Other changes	(64,290)	65,098	(*)
<b>Change in Net financial position (debt)</b>	<b>(89,163)</b>	<b>207,604</b>	<b>(*)</b>
<b>Closing Net financial debt</b>	<b>(625,258)</b>	<b>(536,095)</b>	<b>16.6</b>

(\*) Change of more than 100%

The change in financial debt derives from the following determinants:

- *operating cash flow* of +11.4 million euro, influenced by the performance of net working capital;
- *cash flow from investing activities* (+104.8 million), which substantially includes dividends received from subsidiaries net of investments significantly up for the year;
- *cash flows from own capital* of -141.1 million euro exclusively consisting of dividends paid in the year;

- the item "Other changes", amounting to -64,3 million, includes financial income and expense received and paid, the fair value loss on derivative instruments hedging interest rate risk (fair value gain in the previous year) and the effect of the recognition of new lease agreements falling within the scope of IFRS 16.

The statement of cash flows prepared according to the format of a change in cash and cash equivalents is presented in the Separate Financial Statements at 31 December 2023.

The table below reconciles the equity and profit for the year of the Parent Iren S.p.A. at 31 December 2023 and 31 December 2022 with those of the consolidated financial statements.

thousands of euro

31.12.2023	Equity	Profit for the year
<b>Equity and profit for the year of the Parent</b>	2,236,973	172,285
Difference between the carrying amount and value of equity-accounted associates	52,573	10,649
Higher value from consolidation compared to the carrying amount of consolidated equity investments	554,473	267,708
Elimination of dividends from subsidiaries/associates	0	(196,592)
Elimination of intra-group profits	(37,718)	795
<b>Equity and profit for the year attributable to the owners of the parent</b>	<b>2,806,301</b>	<b>254,845</b>

"Elimination of intra-group profits" refers to the elimination of capital gains from the sale of business units or companies within the Group. In particular, it is worth noting the transaction related to the Genoa

integrated water cycle carried out by the former AMGA (positive effect of 2.1 million euro on the income statement and negative by 19.8 million euro on Equity).

thousands of euro

31.12.2022	Equity	Profit for the year
<b>Equity and profit for the year of the Parent</b>	2,246,579	258,687
Difference between the carrying amount and value of equity-accounted associates	57,995	9,615
Higher value from consolidation compared to the carrying amount of consolidated equity investments	479,970	220,488
Elimination of dividends from subsidiaries/associates	0	(264,491)
Elimination of intra-group profits	(39,459)	1,718
<b>Equity and profit for the year attributable to the owners of the parent</b>	<b>2,745,085</b>	<b>226,017</b>



# Financial Management

## General framework

During 2023, the inversion of the interest rate curve became more pronounced. The levels of the short-term part of the curve, after an upward phase, stabilised from the summer onwards at significantly higher levels than those of the medium/long-term part, which instead began to incorporate very pronounced bearish expectations, especially at the end of the year.

In this context, the performance of rates discounts the effect of inflationary pressures and the resulting monetary policy manoeuvres implemented and expected. The European Central Bank further raised rates by 0.5% in February and March, and by 0.25% in May, June, July and September 2023, bringing the official discount rate to 4.5%.

Lastly, looking at the six-month Euribor rate, it can be seen that the parameter continued its upward trend to stand at 3.9%, while fixed interest rates, reflected in the IRS values, are positioned at levels around 2.8%.

## Activities performed

During 2023, activities aimed at consolidating the financial structure of Iren Group continued. Changes in financial requirements are monitored through careful planning, which makes it possible to forecast the need for new resources, taking into account the repayments of outstanding loans, changes in debt, investments, the trend in working capital and the balance of short term and long term sources.

The organisational model adopted by Iren Group, with the goal of financial optimisation of the companies, entails centralising with the parent management of cash flows, non-current loans and financial risk monitoring and management. Iren has relationships with leading Italian and international banks, for the purpose of procuring the types of loans best suited to its needs and at the best market conditions.

With reference to operations carried out in 2023, it should be noted that, as described in the "Significant events of the year" section, in March

a contract was signed with the EIB (European Investment Bank) for the provision of a new 150 million euro line (EIB Water Sector Green Loan) aimed at supporting the 2022-2026 investment programme in the Integrated Water Service in Liguria; this line forms part of the broader framework of the Italian Utilities Programme Loan implemented by the EIB and is the first sustainability-linked loan granted by the EIB in favour of the water sector at global level.

In addition, several draws on available EIB and CEB (Council of Europe Development Bank) lines totalling 230 million euro were finalised during the year:

- in March and December, a total of 15 million euro on the CEB line intended to finance projects for the development and efficiency of the district heating network in the Turin area;
- in July, the disbursements of the EIB Green Energy credit lines for 50 million euro and CEB Idro credit lines for 45 million euro were completed, as the balance of their respective ceilings;
- in December, the 120 million euro EIB Climate Action & Circular Economy line was fully disbursed.

In this regard, direct loans with EIB and CEB, with a duration of up to 18 years, not used and available, amount to a total of 215 million euro at 31 December 2023.

The activity of raising lines to support industrial projects also continued with the signing, in October, of an agreement with Cassa Depositi e Prestiti (CDP) for a new 100 million euro green credit facility, fully disbursed, amortising and with a total term of 12 years, aimed at supporting the energy requalification project of about 800 buildings in the City of Turin.

The project will be implemented by Iren Smart Solutions and will also include ordinary and extraordinary maintenance and plant upgrading activities, as well as the supply of energy carriers (electricity, natural gas and district heating), with the aim of obtaining savings

on energy consumption, at the end of the planned interventions, of more than 30%. The implementation phase of the project began in July, with the start of work on the most energy-intensive public buildings.

Within the Group, again with the aim of optimising centralised management and the structure of the overall financial profile, medium/long-term loans of the consolidated companies Ekovision, ReCos, AcquaEnna, Semia Green and ReMat totalling 33.9 million euro were repaid early during the year.

Financial debt from financing, which does not include lease-related liabilities recognised in application of IFRS 16, at the end of the year consisted of 33% loans and 67% bonds; it should also be noted that 77% of total debt is financed by sustainable funds, consistent with the Iren Sustainable Finance Framework, such as Green Bonds and loans the interest rate of which is linked to ESG Key Performance Indicators.

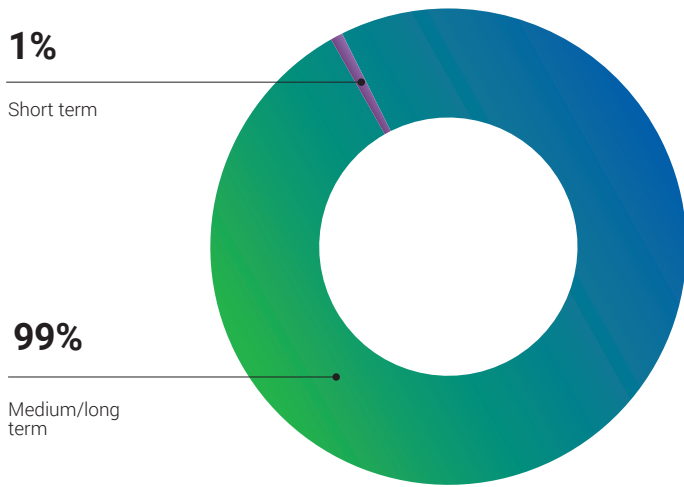
As regards financial risks, Iren Group is exposed to various types of risk, including liquidity risk, interest rate risk, and currency risk. As part of its Risk Management activities, the Group uses no-speculative hedging contracts to limit risks of fluctuations in the interest rate. In 2023, seven new interest rate swap contracts were finalised to hedge a total of 350 million euro of debt, effective in June and December 2023 and maturing between 2026 and 2029; a pre-hedge activity was also carried out aimed at future capital market transactions. At the end of the year, the portion of floating rate debt not hedged by derivatives was equal to 13% of financial debt from loans, in line with Iren Group's objective of maintaining adequate protection from significant increases in interest rates.

Overall, the activity carried out is aimed at refinancing debt with a view to improving the financial structure, with optimisation of the cost of capital and the average duration of financial debt.

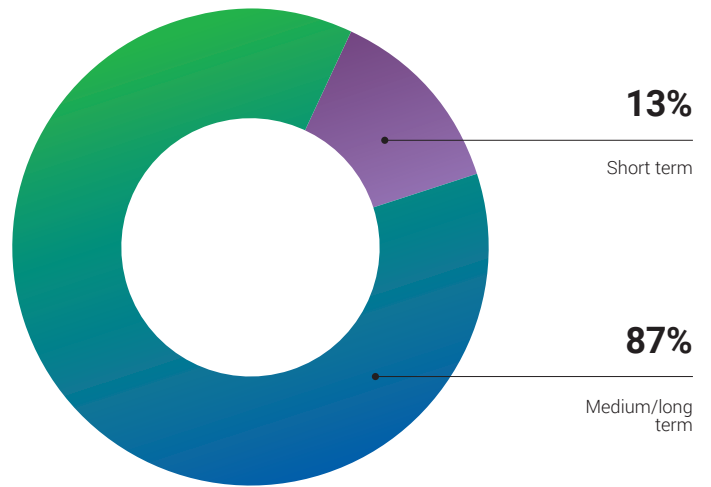
The composition of financial debt from loans by maturity and rate type, compared with the situation at 31 December 2022, is shown in the chart below.

Situation at 31/12/2022

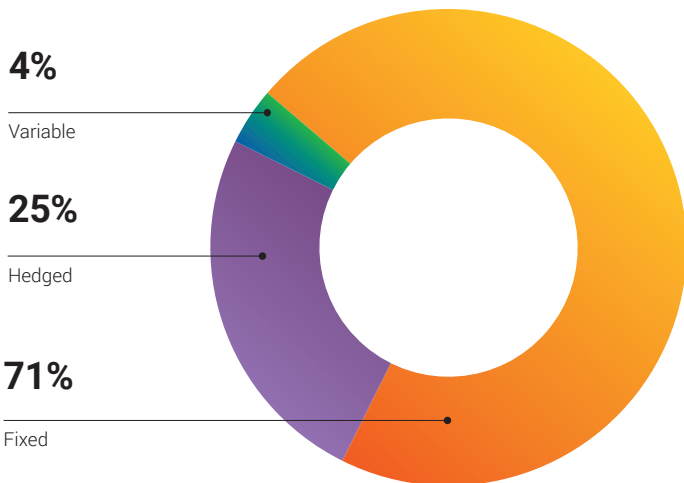
BY MATURITY  
4,252 million euro



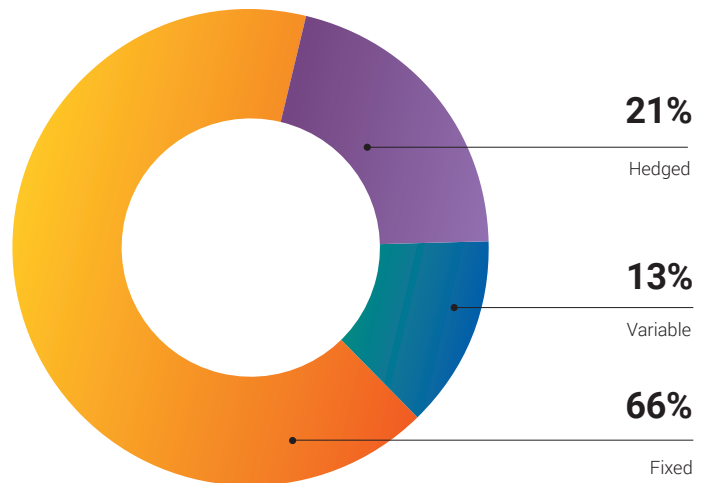
BY MATURITY  
4,557 million euro



BY INTEREST RATE TYPE  
4,252 million euro



BY INTEREST RATE TYPE  
4,557 million euro



## Rating

On 27 April 2023, the Standard & Poor's Global Ratings agency (S&P) acknowledged the upward revision of Iren Group's long-term credit rating to "BBB" Outlook "Stable" from the previous "BBB-" "Positive" Outlook. The same rating is also given to senior unsecured debt. The improvement in the rating by S&P analysts reflects the resilience of the Group's business model demonstrated during 2022 and the update of the strategic plan to 2030, which envisages a significant positioning in regulated businesses to support the stability of future cash flows. The stable outlook also reflects the expectations of S&P analysts regarding the commitment of Iren's management to maintain the current rating level and its balanced financial policy. From a financial point of view, the assigned rating also expresses the good liquidity of the Group, with strong credibility on the capital market and excellent relations with banking counterparties, thanks also to an ever greater use of sustainable finance instruments.

Furthermore, on 11 May 2023, the Fitch Ratings agency confirmed the "BBB" rating, revising the Outlook upwards to "Positive" from "Stable" for Iren Group, and the same rating was also attributed to the senior unsecured debt. The revision of the Outlook is justified by Iren's improvement in financial metrics and the rating reflects the Group's well-integrated and

diversified business mix, mainly exposed to regulated and semi-regulated activities, which allows for solid performance in the current volatile energy market context. Fitch, like S&P, also positively evaluates the Group's liquidity profile.

Both ratings are mainly based on the analysis of the Business Plan to 2030, with particular reference to investments intended for organic growth and the energy transition. The maintenance of a business portfolio consisting mainly of regulated and semi-regulated activities, the creation of value and the stability guaranteed by the integration of the various businesses are elements considered positive, together with the Group's liquidity profile.

At ESG level, for both agencies, sustainability issues have a neutral or scarcely relevant impact from a lending point of view, both due to the nature of the business and the way in which the issue of sustainability is managed in Group dynamics.

To support the Group's liquidity profile and rating level, in addition to current cash and cash equivalents, Iren has a total of 415 million euro, including the aforementioned medium/long-term credit lines agreed and available but not used (215 million euro) and the new committed Sustainability-Linked revolving credit facilities (RCF), subscribed in December with Unicredit and BPER (200 million euro).



# Significant events after the reporting date and outlook

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## Partnership with Sienambiente

Based on the coming into effect of the new shareholders' agreements between the shareholders Iren Ambiente Toscana, the Province of Siena and the Sienese municipalities, signed in October 2023, as of 1 January 2024, Sienambiente S.p.A. is included in Iren Group's line-by-line consolidation scope.

The company will therefore be able to count on the Group's synergies and resources to carry out its business plan, which envisages, in particular, as regards plant self-sufficiency, the total renovation of the Cortine industrial centre with the construction of a waste sorting and treatment plant, as well as the construction of a biodigester that will produce biomethane from organic waste.

Sienambiente currently operates a municipal waste sorting and valorisation plant, two composting plants, a waste-to-energy plant and a landfill for a total waste treated of about 200,000 tonnes per year.

## Integrated Water Service of the Province of Reggio Emilia

From 1 January 2024, Azienda Reggiana per la Cura dell'Acqua - ARCA S.r.l. is the new Manager of the Integrated Water Service of the Province of Reggio Emilia, taking over from the previous manager IRETI.

ARCA is a mixed public-private shareholding company, formed by the public partner AGAC Infrastrutture S.p.A. and the private operating partner IRETI, selected through a tender procedure awarded at the end of 2022.

Within the scope of the activities related to the provision of water services, ARCA will delegate the performance of certain operational tasks, the entrusting of which is governed by a specific agreement, to the Territorial Operating Company Iren Acqua Reggio, a wholly owned subsidiary of IRETI. For the users, the start of the new management does not entail any fulfilment or formality: in fact, the existing supply contracts, and the related billing, pass in continuity to the management of ARCA maintaining the same conditions already applied by IRETI and defined on the basis of the regulation in force.

## Fifth Green Bond issue of 500 million euro

As part of the existing Euro Medium Term Notes (EMTN) programme (amounting to 4 billion euro), on 15 January 2024, Iren S.p.A. concluded, with considerable success in terms of orders received, the issue and listing of Bonds (the fifth issue in the Green Use of Proceeds format) reserved for institutional investors, amounting to 500 million euro and with a duration of 8.5 years, intended to finance and refinance projects that contribute to the achievement of the sustainability objectives defined in the Business Plan.

The bonds, which have a minimum unit denomination of 100,000 euro and mature on 22 July 2032, pay a gross yearly interest of 3.875% and were placed at an issue price of 99.514%. The effective rate of return at maturity is therefore 3.946%, corresponding to a yield of 135 basis points above the mid-swap rate.

The new Bond issue is listed on the regulated market of the Irish Stock Exchange (Euronext Dublin) and is admitted for trading on the Euronext Access Milan system, organised and managed by Borsa Italiana, in the segment dedicated to green instruments.



## Acquisition of customers from the higher protection segment

At the end of the competitive procedure for the assignment of the Gradual Protection Service for non-vulnerable domestic customers of the electricity sector in greater protection, Iren Mercato was awarded two lots, relating to ten provinces, for a total of 340 thousand new customers acquired.

Specifically, Iren Mercato, together with its subsidiary Salerno Energia Vendite, was awarded Lot 22 - South 6, comprising the provinces of Salerno, Taranto, Potenza, Brindisi and Matera, and Lot 23 - South 7, comprising the provinces of Cosenza, Foggia, Barletta-Andria-Trani, Campobasso and Isernia. SEV therefore strengthens its presence in some regions where it already operates successfully.

In this round of competitive procedures, the Group recorded a positive balance of more than 260,000 additional customers.

## Outlook

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In a complex macroeconomic environment, there are three main risks with potential impact on the Group's results: interest rate trends, commodity price volatility and inflationary dynamics. Iren's continuous monitoring of the aforementioned trends allows it to adopt timely mitigation actions aimed at achieving the expected financial results.

2024 will be characterised by the continuation of the investments envisaged in the Business Plan and primarily intended for the efficiency upgrading of distribution networks, the development of waste collection and treatment plants, and the development of renewable capacity. To support these investments, in January 2024 Iren made its fifth Green Bond issue for a total of 500 million euro and signed two credit lines for a further 200 million euro. These instruments further strengthen the Group's financial structure, improving liquidity ratios, and at the same time confirm its strong commitment to expanding its sustainable financing portfolio.

The financial results are expected to grow compared to those of 2023 due to the improvement of the regulatory parameters for distribution activities, the development of plants and the consolidation of Siena Ambiente in the waste sector, and the maintenance of a solid profitability of the customer portfolio. As far as the energy generation business is concerned, a decrease in prices and an increase in renewable generation volumes are expected compared to 2023.

On the strength of a robust investment plan and expected growth in financial results, the Group can confirm the development trend and financial sustainability envisaged in its Business Plan.



# Risks and uncertainties

The management of corporate risks is an essential component of the Internal Control System of the Corporate Governance of a listed company, and the Corporate Governance Code of Listed Companies assigns specific responsibilities on this aspect. The Enterprise Risk Management model operative within the Group includes the methodological approach to integrated identification, assessment and management of the Group risks.

For each of the following risk types:

- Financial Risks (liquidity, interest rate, currency);
- Credit Risk;
- Energy Risks, attributable to the procurement of gas for thermoelectric generation and to the sale of electricity, heat and gas, and to the hedging derivative markets;
- Cyber Risks, linked to potential events related to the loss of confidentiality, integrity or availability of data or information after which negative impacts on the organisation, people, operations or other organisations could derive;
- Risks from Climate Change, which include risks due to the transition to a low carbon dioxide emission economy (transition risks) and risks of a physical nature (physical risks) that may result from catastrophic environmental events (acute risks) or from medium- to long-term changes in environmental patterns (chronic risks);
- Tax Risks, associated with potential transactions carried out in violation of tax regulations or in contrast with the principles or purposes of the tax system;
- Operational risks, associated with asset ownership, involvement in business activities, processes, procedures and information flows.

Specific “policies” have been defined with the primary goal of fulfilling strategic guidelines, organisational managerial principles, macro processes and techniques necessary for the active management of the related risks. The Group’s Enterprise Risk Management model also regulates the roles of the various parties involved in the risk management process, which is governed by the Board of Directors, and calls for specific Commissions to manage the financial, tax, IT, credit, energy and climate risks.

The Cyber Risk Policy, the Climate Change Risk Policy and the Tax Control Model were adopted in 2020 following the approval of the Board of Directors of Iren S.p.A., while the other Policies have undergone some substantial revisions over time to adapt them to the current organisational models and to the evolution of risk factors. The approach followed is also consistent with the commitments expressed in the Sustainability Policy: in fact, it takes into account the risks and opportunities associated with sustainability issues that are material to Iren Group, assessing, for each risk category envisaged in the Group’s risk model, the environmental, social and governance (ESG) risk profiles, as also envisaged by EU Directive 2022/2464 - Corporate Sustainability Reporting Directive (CSRD).

As Iren Group pays particular attention also to maintaining trust and a positive image of the Group, the Enterprise Risk Management model manages also “reputational risks”, which relate to the impacts on stakeholders of any malpractices.

Within the Group, there is the Risk Management Department, which (i) until 30 August 2023 reported to the Deputy Chairperson of Iren S.p.A.; (ii) from that date onwards, it reports to the Chief Executive Officer of the Company.

Within the scope and within the limits of the powers granted by the Board of Directors, the Chief Executive Officer, in liaison with the Chairperson and the Deputy Chairperson, is in charge of overseeing the functionality of the internal control system by (i) supporting the Risk and Control and Sustainability Committee in identifying the main corporate risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and in periodically submitting them to the Board of Directors for review (ii) implementing the guidelines defined by the Board of Directors by ensuring that the competent corporate structures design, implement and manage the internal control and internal auditing system, constantly verifying its overall adequacy,

effectiveness and efficiency, and adapting it to the dynamics of the operating conditions and the legislative and regulatory framework.

The Risk Management Department deals with:

- the integrated management of the Group's Enterprise Risk Management (ERM) System: methodological approach, definition of policies and monitoring of the System;
- management of insurance policies.

A periodic assessment process is in place with regard to adverse events in the various sectors and across all Group areas in order to describe in detail their causes and implement the most suitable methods for preventing and/or limiting the impacts of the events.

The Risk Management Department also oversees the Group's Business Continuity Management (BCM) model, the objective of which is to guarantee the resilience of the business in the face of unexpected events, ensuring the continuity of business processes deemed critical. The Group BCM includes the organisational and technological safeguards necessary to ensure continuity of processes, as well as a proactive and structured response to Emergency and/or Crisis events.

Details of the active management methods within the Group are provided below for the different types of risk.

## 1. Financial risk

Iren Group's business is exposed to various types of financial risks, including: liquidity risk, currency risk and interest rate risk. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit currency risk and interest rate risk.

### a) Liquidity risk

Liquidity risk is the risk that financial resources available to the company will be insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines.

The procurement of financial resources has been centralised in order to optimise their use. In particular, centralised management of cash flows at Iren makes it possible to allocate the funds available at Group level according to the needs that from time to time arise among the individual companies. Cash movements are recognised in intra-group accounts along with intra-group interest income and expense.

A number of investees have an independent financial management structure in compliance with the guidelines provided by the parent.

### b) Currency risk

Except as indicated in the section on energy risk, Iren Group is not significantly exposed to currency risk.

### c) Interest rate risk

Iren Group is exposed to interest rate fluctuations especially with regard to borrowing costs. Iren Group's strategy is to limit exposure to the risk of interest rate volatility, maintaining at the same time a low cost of funding.

Compliance with the limits imposed by the Policy is verified during the Financial Risk Commission meetings with regard to the main metrics, together with analysis of the market situation, interest rate trends, the value of hedges and confirmation that the conditions established in covenants have been met.

## 2. Credit risk

The Group's credit risk is mainly related to trade receivables deriving from the sale of electricity, district heating, gas and the provision of energy, water and waste management services. The receivables are spread across a large number of counterparties, belonging to non-uniform customer categories (retail and business customers and public bodies); some exposures are of a high amount and are constantly monitored. Iren Group's Credit Management units devoted to credit recovery are responsible for this activity.

In carrying on its business, the Group is exposed

to the risk that assets may not be honoured on maturity with a consequent increase in their age and in insolvency up to an increase in assets subject to arrangement procedures or unenforceable. Among other factors, this risk is also affected by the economic and financial situation, which in 2022, led to a particularly significant increase in prices for end customers of gas, electricity and district heating. To limit exposure to credit risk, a number of tools are used. These include analysing the solvency of customers at the acquisition stage through careful assessment of their creditworthiness, transferring the

receivables of discontinued and/or active customers to external credit recovery companies and introducing new recovery methods for managing legal disputes. In addition, numerous payment methods are offered to customers through channels, including digital channels, and appropriately monitored payment plans are proposed.

In addition, a revolving assignment project with reference to trade receivables relating to invoices of non-domiciled retail customers has been started from June 2023.

The credit management policy and creditworthiness assessment tools, as well as monitoring and recovery activities, are managed through automated processes and integrated with company applications and differ in relation to the various categories of customers and types of service provided.

Credit risk is hedged, for some types of business customers, with opportune forms of first-demand bank or insurance guarantees issued by subjects of leading credit standing and with credit insurance for the reseller customer segment.

An interest-bearing guarantee deposit is required for some types of services (water, natural gas, highly-protected electricity sectors) in compliance with regulations governing these activities. This deposit is reimbursed if the customer uses payment by direct debit from a current account.

The payment terms generally applied to customers are related to the legislation or regulations in force

or in line with the standards of the free market; in the event of non-payment, default interest is charged for the amount indicated in the contracts or by the legislation.

The loss allowance reflects, carefully and in accordance with the current legislation (applying the IFRS 9 method), the effective credit risks, and is determined on the basis of the extraction from databases of the amounts making up the receivable and, in general, assessing any changes in the said risk compared to the initial measurement and, in particular for trade receivables, estimating the related expected credit losses determined on a prospective basis, taking into due consideration the historical data.

The control of credit risks is also strengthened by the monitoring and reporting procedures, in order to identify promptly possible countermeasures. Furthermore, on a quarterly basis, a report is produced containing the evolution of the trade receivables of the Group companies, in terms of customer type, contract status, business chain and ageing range. The assessment of credit risk is carried out both at the consolidated level and at the level of Business Units and companies. Some of the above assessments are carried out at intervals of less than three months or when there is a specific need.

### 3. Energy risk

Iren Group is exposed to price risk on the energy commodities traded, these being electricity, natural gas, environmental emission certificates, etc., as both purchases and sales are impacted by fluctuations in the price of such commodities directly, or through indexing formulae. Currently no exposure to currency risk, typical of oil-based commodities, is present, thanks to the development of the European organised markets that trade the gas commodity in the euro currency and no longer indexed to oil products.

The Group's policy is oriented to a strategy of active management of the positions to stabilise the margin taking the opportunities offered by the markets; it is implemented by aligning the indexing of commodities purchased and sold, through vertical and horizontal use of the various business chains, and operating on the financial markets.

For this purpose, the Group plans the production of its plants and purchases and sales of energy and natural gas, in relation to both volumes and price formulae.

The objective is to achieve sufficient margin stability

through a policy of indexed purchases and sales that achieves a high degree of natural hedging, with adequate recourse to futures and spot markets. In this context, particular attention is being paid to stabilising the margin of production from renewable sources; during 2023, Power Purchase Agreements were negotiated for electricity from renewable sources to end customers, either directly or indirectly according to the logic of portfolio aggregation and subsequent sale on the market effective 2024. For a more detailed analysis of the risks dealt with up to now, reference should be made to the "Group Financial Risk Management" section of the Notes to the Financial Statements.

## 4. Climate change risks

Iren Group has included in the Enterprise Risk Management system a Risk Policy dedicated to climate change risks, which are becoming increasingly important for organisations. Moreover, they affect the health of the planet, with estimates of significant effects already in the medium term. All companies, and in particular those operating in significantly exposed sectors such as Iren Group, must consider the analysis of climate change risks as an emerging and determining factor in the definition of their medium- and long-term strategies. The assessment of ESG risks, which includes climate change risks, is moreover one of the essential factors in defining the significance of the impacts generated and suffered, also in a medium- to long-term perspective.

The adoption of the Climate Change Risk Policy and the resulting risk analysis and management represent a process that will enable the Group to provide even more effective control over its exposure to damaging events and the opportunities that the external context and its changes may offer, as well as its contribution to the achievement of sustainable development objectives defined at national and international level. The Policy analyses and regulates, focusing on the applicability to the individual Business Units, the risk factors related to climate change, distinguishing between physical risks and transition risks. Physical risks resulting from changing climatic conditions are divided into acute physical risks - if related to local catastrophic natural events (e.g. floods, heat waves, fires, etc.) - and chronic physical risks - if related to long-term climate change (e.g. global warming, rising sea levels, water scarcity, etc.).

The transition to a low-carbon economy could entail extensive changes in government policies, with consequent regulatory, technological and market changes. Depending on the nature and speed of these changes, transition risks may result in a varying level of financial and reputational risk for the Group. The Policy requires the presence of a specific Risk Commission to periodically review the Group's risk profile, defining and proposing updates to the Chief Executive Officer on strategies for managing risk classes and reporting any emerging critical issues to the Delegated Bodies. The document also includes guidelines for reporting, aimed at ensuring transparency of information to all stakeholders.

As part of the Climate Change Risk Management Policy, in 2021 Iren Group began implementing a tool that supports strategic decision-making. This tool has seen the development of an assessment model based on three time horizons (2030, 2040 and 2050),

identified in line with the objectives of the Group's Strategic Plan and Sustainability Plan, and on the use of climatic and socio-economic scenarios necessary to define evolution scenarios of the main quantities underlying the analysis.

Climate data are based on scenarios published by the International Panel on Climate Change (IPCC), the so-called Representative Concentration Pathways (RCPs) where the number associated to each RCP indicates the "strength" of climate change generated by human activity by 2100 compared to the pre-industrial period. The climate scenarios taken into consideration in the analysis are the RCP 2.6 scenario (which envisages strong mitigation aimed at keeping global warming well below 2°C compared to pre-industrial levels while achieving the objectives defined by the Paris Agreement), the RCP 4.5 scenario (considered by Iren Group to be the most representative of the current global climate and political context), which envisages easing of objectives compared to the RCP 2.6 scenario and a stabilisation of emissions by 2100 at around double pre-industrial levels, and the RCP 8.5 scenario (commonly associated with the expression 'Business-as-usual', or 'No mitigation'), which envisages no particular countermeasures and a growth in emissions at current rates. Socio-economic data, on the other hand, are mainly based on the International Energy Agency's NetZero Emissions by 2050 Scenario (NZE) and Stated Policies Scenario (STEPS). The assessment model adopted by the Group allows to quantify the variation of the economic-financial variables, through specific KPIs, for those assets that are potentially more exposed to climate change risks. The application of the model shows that the actions introduced in the 2030 Business Plan, in which asset-specific investments are outlined, have a mitigating effect on the impacts of climate change on the activities of Iren Group. Mitigation actions of a strategic nature, linked to investments, are flanked by others of an operational and insurance nature. Recently, a further project phase was developed to complete the assessment model, which included the inclusion of the most significant plants/activities for the risk under consideration that were not included in the previous analysis, also updating the model with respect to the new regulatory and climatic scenarios. For more details on the assessments that emerged, please refer to Iren Group's Sustainability Report. In addition, in 2022 and 2023, for the purpose of applying the European Taxonomy (EU Regulation 2020/852), the Group carried out an analysis specifically aimed at verifying the DNSH (Do No

Significant Harm) criterion for the climate change adaptation target, which requires that, for each activity, a physical climate risk assessment (acute and chronic) be carried out and an adaptation plan implemented that presents possible solutions in

the event of significant risk exposure. To this end, for the activities/assets managed by the Group, the relevant risk factors were identified, in the current and future scenarios with a time horizon of 2050, and an adaptation plan was defined, where necessary.

## 5. Tax risks

Iren Group has adopted a specific internal control and tax risk management system, understood as the risk of operating in violation of tax regulations or in contrast with the principles or aims of the legal system.

The tax risk control and management system, the "Tax Control Framework" (hereinafter "TCF"), enables the Group to pursue the objective of minimising its exposure to tax risk by identifying, updating, assessing and monitoring tax-related governance, processes, risks and controls.

The Group is committed to managing its tax affairs in accordance with all applicable laws and regulations. For this reason, Iren has adopted the TCF as an internal control system that defines the governance for the management of taxation and related risk in line with the principles of the company strategy and, in particular, the Tax Strategy.

The Tax Control Framework adopted consists of a set of rules, guidelines, tools and models aimed at supporting the Group's employees in carrying out their daily activities, ensuring consistency on relevant tax matters.

Therefore, the TCF's structure provides for the presence of two pillars that outline its operating scheme: the Tax Strategy and the Tax Compliance Model.

The Tax Strategy defines the objectives and the approach adopted by the Group in managing the tax variable. The purpose of this document is to establish the Principles of conduct in tax matters in order to i) contain tax risk due to exogenous and endogenous factors, and ii) continue to guarantee over time the

correct and timely determination and settlement of taxes due by law, and the performance of related obligations. The Tax Strategy has been approved and issued by the Board of Directors of Iren S.p.A.

The Tax Compliance Model is an element of the Internal Control and Risk Management System. This document contains the detailed description of the phases comprising the risk assessment, control and periodic monitoring processes carried out by Iren, and the subsequent reporting on tax issues to the Chief Executive Officer and the other relevant bodies and functions. It also aims to summarise the main responsibilities assigned to the various functions involved in tax-relevant processes. The Tax Compliance Model is prepared by the Tax and Compliance Function and is ultimately approved by the Board of Directors of Iren S.p.A.

The project for the creation of a TCF aligned with the best practices in the matter took shape with the presentation by Iren S.p.A. and Iren Energia of the application for access to the Collaborative Compliance institution, a regime between the Revenue Agency and the large companies introduced by Legislative Decree no. 128 of 5 August 2015 in order to promote the implementation of enhanced forms of communication and cooperation based on mutual trust between tax authorities and taxpayers, and to encourage, in the common interest, the prevention and resolution of tax disputes. The preliminary investigation for admission was successfully concluded in December 2021 with the admission of the two companies.

## 6. Operational risks

This category includes all the risks which, in addition to those already noted in the previous paragraphs, may influence achievement of the targets, i.e. relating to the effectiveness and efficiency of business

transactions, levels of performance, profitability and protection of the resources against losses.

The Group's Enterprise Risk Management model has as its objective the integrated and synergistic

management of risks.

The process of managing the Group's risks entails that, for each business line and operating area, the activities performed are analysed and the main risk factors connected with achievement of the objectives are identified. Following the identification activity, the risks are assessed qualitatively and quantitatively (in terms of magnitude and probability of occurrence), thus making it possible to identify the most significant risks. The analysis also involves an assessment of the current and prospective level of control of the risk, monitored by means of specific key risk indicators.

The above stages make it possible to structure specific treatment plans for each risk factor. Along all the management phases, each risk is subjected on a continuous basis to a process of control and monitoring, which checks whether the treatment activities approved and planned have been correctly and effectively implemented, and whether any new operational risks have arisen. The process of managing operational risks is associated with a comprehensive and structured reporting system for presenting the results of the risk measurement and management activity. Each process stage is performed in accordance with standards and references defined at Group level. At least annually, the operational risk situation is updated, in which the dimension and level of control of the monitored risks are highlighted; financial, IT, credit and energy risk situations are updated quarterly.

Group risk reporting, updated every six months, is sent to top management and risk owners, who are involved in management activities. The risk analysis also supports the preparation of planning tools.

In this regard, Iren has equipped itself with a very detailed risk map that corresponds to the reality of the Group, with qualitative and quantitative assessments of each individual risk and with details of the controls and mitigation actions in place or planned. For each risk identified, the relevant ESG (Environmental, Social and Governance) impacts are associated.

Of particular note are:

a. Legal and regulatory risks

The legislative and regulatory framework is subject to possible future changes, and therefore is a potential risk. In this regard Departments operate, dedicated to continual monitoring of the relevant legislation and regulations in order to assess their implications, guaranteeing their correct application in the Group.

b. Plant-related risks

As regards the amount of the Group's production assets, plant-related risks are managed with the approach described above in order to

correctly allocate resources in terms of control and preventive measures (preventive/predictive maintenance, control and supervisory systems, emergency and continuity plans, etc.). For the most important plants the Risk Management Department periodically conducts surveys, from which it can accurately detail the events to which such plants could be exposed and consequent preventive action. The risk is also hedged by insurance policies designed considering the situation of the single plants.

c. IT Risks

Cyber risks are defined as the set of internal and external threats which can compromise business continuity or cause civil liability damage to third parties in the event of loss or disclosure of sensitive data. From an internal point of view, the operational risks regarding information technology are closely related to the business of Iren Group, which operates network infrastructures and plants, including through remote control, accounting operational management and invoicing systems and energy commodity trading platforms. Iren Group is, in fact, one of the leading Italian operators on the Energy Exchange and any accidental unavailability of the system could have considerable economic consequences, connected with the non-submission of energy sale or purchase offers. At the same time, problems related to supervision and data acquisition on physical systems could cause plant shutdowns and collateral and even serious damage. A breakdown of invoicing systems could also determine delays in issuing bills and the related collections, as well as damage to reputation.

To mitigate such risks, specific measures have been adopted, such as redundancies, highly-reliable systems and appropriate emergency procedures, which are periodically subject to simulations, to ensure their effectiveness. Iren Group is also exposed to the risk of cyber attacks aimed both at acquiring sensitive data and at stopping operations, causing damage to plants and networks and compromising service continuity. Market benchmarks also show that attacks aimed at acquiring companies' and third-party data are increasingly frequent, with consequent civil liability and sanctions, including serious ones, and at acquiring industrial secrets. In this regard:

the data network was segregated according to functional usage, especially by isolating the OT network;

- the Security Operation Center (SOC) is active with

- 24 hour monitoring of IT security events;
- policies were adopted to strengthen access to systems such as, in addition to the introduction of particularly complex passwords, the introduction of the second authentication factor and a platform for controlled and monitored access by system administrators.
- systems are adopted with behavioural analytics capabilities and automated, remote response execution for workstations;
- the Cyber Threat Intelligence (CTI) platform, aimed at acquiring evidence of attackers and threats potentially impacting corporate assets has been fully integrated with the monitoring and event management systems of IT security;
- a multi-year project is in progress to raise awareness of IT security issues for all Group employees; this programme is based on phishing simulation campaigns, assessment questionnaires and targeted online training modules;
- the process of 'security audits' for IT suppliers is fully operational, aimed at verifying the effective adoption of the minimum security measures required in the contractual phase.
- a virtual patching system was implemented in order to increase protection for servers in End Of Support, which currently cannot be decommissioned;
- double authentication factor was introduced for connections via VPN (virtual private network) to the corporate network;
- threat Intelligence analysis was extended to third parties;
- a platform was implemented for monitoring the security configurations of network equipment;
- a WAF (Web Application Firewall) solution was introduced for the timely protection of published applications.

In addition, the Group Cyber Risk Policy is in force, approved by the Board of Directors of Iren S.p.A., which - like the other main risk policies - provides for the convening of specific Risk Commissions, the monitoring of performance indicators and dedicated reporting. The operational risk management process also aims at optimising the Group's insurance programmes.

## 7. Strategic risks

In the development of the 2030 Business Plan, the Group has structured three distinct areas of analysis: a qualitative-quantitative risk assessment, a specific focus on investments and a focus on climate change risks.

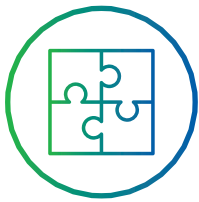
The qualitative risk assessment was based on an analysis of industry trends, the Group's exposure to related strategic risks and the related ability of the Business Plan to mitigate these risks. Consequently, for the risk categories and related elementary risks mapped as part of the Group's Risk Map, which also integrates the ESG impacts for each risk, a detailed analysis of the quantitative drivers relating to the risks with an impact in the years of the Plan was carried out. Once these risks have been identified, the relative impacts, probability of occurrence and mitigation actions have been quantified in order to quantify both the inherent and residual risk value. This assessment led to the enhancement of the Plan's stress test and related rating indices.

With regard to the Plan investment analysis, the mitigating effect on risks and execution risks of the capital expenditure categories and major initiatives were identified.

Finally, an analysis of the risk factors from climate change impacting the Group was carried out, with modelling of the most significant assets and risk factors for different climate scenarios and time horizons. Model results were analysed and investments to mitigate Climate Change risks were evaluated.

M&A transactions and other initiatives of a strategic nature, which were assessed during the year, were also subject to detailed analysis, with a particular focus on the impact of these transactions on the Group's sustainability objectives (environmental indicators, where significant, and social indicators relating, for example, to compliance with labour, health and safety regarding the target and governance policies) and consistency with the EU Taxonomy.





# Transactions with related parties

The Procedure on Related Party Transactions ("RPT Procedure") in force since 1 July 2021 is published on Iren's website ([www.gruppoiren.it](http://www.gruppoiren.it)) and was approved by the Board of Directors then in office on 28 June 2021, effective 1 July 2021, subject to the favourable opinion of the Related Party Transactions Committee ("RPTC", entirely composed of Independent Directors).

The above document was prepared implementing:

- the provisions regarding transactions with related parties set out in section 2391-bis of the Italian Civil Code;
- the Regulation containing provisions on related party transactions, adopted by Consob by Resolution no. 17221 of 12 March 2010 and subsequent amendments and additions ("Consob Regulation"), in the version in force from time to time, taking into account the indications of Consob Communication no. DEM/10078683 of 24 September 2010; in particular, the update of the RPT Procedure by the Company's Board of Directors on 28 June 2021, effective as of 1 July 2021, incorporates the amendments made by Consob Resolution no. 21624 to the text of the Consob Regulation, also effective as of the same date;
- the provisions of art. 114 of Legislative Decree no. 58 of 24 February 1998 ("Testo Unico della Finanza"/ TUF - Consolidated Law on Finance) and the provisions of Regulation (EU) no. 596/2014 on market abuse.

The corporate documents adopted in accordance with the legislation on transactions with related parties, defined in coordination with the provisions of the administrative and accounting procedures pursuant to art. 154-bis of the TUF, aim specifically:

- (i) to regulate the performance of transactions with related parties by Iren, directly or through subsidiaries, identifying internal procedures and rules capable of ensuring the substantial and procedural transparency and correctness of such transactions, and
- (ii) establish the methods for fulfilling the related disclosure obligations, including those provided for in legal and regulatory measures in force and applicable.

These, very briefly, provide for:

- a. the identification of the scope of related parties as per the IFRS adopted in accordance with the procedure set out in section 6 of EC Regulation 1606/2002 in the version in force at the time;
- b. the definition of a "related party transaction";
- c. the identification of cases of exclusion, among which transactions "for small amounts";
- d. the procedures applicable to minor and major transactions, as the case may be;
- e. the persons responsible for the paperwork on related party transactions;
- f. the transactions on which the Shareholders must resolve;
- g. forms of disclosure and information flows.

Iren and its subsidiaries carry out transactions with related parties in accordance with the principles of transparency and fairness. These transactions mainly concern services provided to customers in general (gas, water, electricity, heat, etc.) or following concessions and awards of services, in particular for the waste management sector, and are governed by the contracts applied in such situations.

Where the services provided are not the above, the transactions are governed by specific agreements whose terms are established, where possible, in accordance with normal market conditions. If these references are not available or significant, the contractual conditions are defined also in consultation with independent experts and/or professionals.

Information on transactions with related parties is included in the Notes to the Consolidated Financial Statements in sections "VII. Related Party Transactions" and "XIV. Annexes to the Consolidated Financial Statements", an integral part thereof.



# Legislative and regulatory framework

The legislative and regulatory measures in 2023 with the greatest impact for the businesses managed by Iren Group are shown below.

## European framework

### Emission Trading System (ETS) Reform

On 16 May 2023, Directive (EU) 2023/959 reforming the Emission Trading System was published. In addition to intervening in the aviation and maritime transport sector, the directive introduces a new subsection on municipal waste incineration plants: by 31 July 2026, the Commission will have to submit a report to the European Parliament and the Council on the "feasibility of including municipal waste incineration plants in the EU ETS, also with a view to their inclusion from 2028, and assessing the potential need to allow member states not to participate until 31 December 2030".

### Revision of the Energy Efficiency Directive

On 20 September 2023, Directive (EU) 2023/1791 was published (Official Journal of the European Union - OJEU- L. 231/2023), which is part of the European reform package 'Fit for 55', which aims to reduce greenhouse gas emissions by 2030. Below are the main points of the provision:

- Member States must collectively ensure a reduction in final energy consumption (energy consumed by end users) of at least 11.7% in 2030;
- 1.49% average annual energy savings between now and 2030: until 2025, 1.3% will have to be saved each year, and this percentage will be progressively increased to 1.9% by the end of 2030;
- savings targets will have to be achieved through local, regional and national measures in different sectors, e.g. public administration, buildings, companies, data centres, etc.;
- the reduction will particularly affect the public sector, which will have to reduce its final energy consumption by 1.9% each year. Member States should also ensure that at least 3% of public buildings are renovated and made energy efficient every year, making them 'nearly zero energy' or 'zero emission';
- decarbonisation of heat supply in residential

buildings, which is prioritised in the provisions, with all policy measures subsidising fossil fuel boilers being ineligible from 2026;

- the new requirements for efficient district heating systems.

### Revision of the Renewable Energy Directive - REDIII

On 31 October 2023, Directive (EU) 2023/2413 on the promotion of energy from renewable sources (RED III) was published in the Official Journal of the European Union (OJEU L series of 31 October 2023). The act entered into force on 20 November 2023. The new Directive:

- aims to increase the share of energy from Renewable Energy Sources (RES), with more ambitious EU-wide and sectoral renewable targets for transport, industry, buildings, heating and cooling;
- urges (without obligation) the Member States to collectively achieve the overall European target of 45% of energy from renewable sources, in line with the REPowerEU plan;
- introduces simplifications in the authorisation process for RES - especially in the so-called RES Acceleration Areas - and for grid and storage projects needed to integrate RES into the electricity system;
- introduces clarifications regarding sustainability and greenhouse gas emission reduction criteria for biofuels, bioliquids and biomass fuels.

### Proposed regulations for the electricity market and REMIT

On 14 March, the European Commission presented a proposal for a regulation for the electricity market and a proposal for a regulation to revise the REMIT regulation. The first amends four pieces of legislation: Regulation (EU) 2019/943 (Electricity Regulation), Directive (EU) 2019/944 (Electricity Directive), Regulation

(EU) 2019/942 (ACER Regulation) and Directive (EU) 2018/2001 (Renewable Energy Directive).

Furthermore, the European Commission's Market Design proposal was finally approved by the ambassadors of the 27 Member States meeting in the Permanent Representatives Committee on 22 December. These are the highlights:

- EU Member States will be able to use two-way contracts for difference to incentivise the construction of new renewable and nuclear capacity;
- capacity remuneration mechanisms may include derogations on the application of CO2 emission limits, if the mechanisms have already been authorised and the derogation is justified;
- in the event of exceptionally high electricity prices, the Council may declare a state of crisis on a proposal from the Commission;
- on the other hand, there is no provision for introducing a cap on the revenue of infra-marginal generators in the event of a crisis.

### **EC Report on the review of emergency measures to address high energy prices**

The Report, dated June 2023, stated that:

- the temporary emergency measures taken helped to ease the tension in the markets;
- supply and prices in the EU electricity market are currently on a downward trend - an extension of these emergency measures to calm prices no longer seems necessary (confirmation from the Commission).

### **Regulations and proposed regulations in the field of waste**

On 10 June 2023, Regulation (EU) 2022/2400 came into force, amending Annexes IV and V of Regulation 2019/1021 of the European Parliament and of the Council of 20 June 2019 with regard to persistent organic pollutants in waste. Regulation 2019/1021 aims to protect human health and the environment by eliminating or restricting the manufacture and use of persistent organic pollutants (POP) as defined in the Stockholm Convention on persistent organic pollutants or the protocol on persistent organic pollutants to the 1979 convention on long-range trans-border air pollution.

After the position of the EU Parliament was finalised, the Council also adopted its position on the proposed Packaging and Packaging Waste Regulation (PPWR), which will replace and repeal Directive 94/62/EC. The proposal is part of the drive to update the relevant EU regulatory framework in order to reduce the environmental impact of packaging and promote reuse. On 21 November 2023, provisional political agreement was reached at European level on the changes to be implemented in the WEEE Directive. The proposed amendments clarify in particular that the costs of handling and disposing of waste from photovoltaic panels placed on the market after 13 August 2012 are to be borne by the producer of the electrical and electronic equipment, and that the extended producer responsibility for products that were added to the scope of the directive in 2018 should apply to electronic products placed on the market after that date. Finally, on 17 August 2023, Regulation (EU) 2023/1542 of 12 July 2023 on batteries and battery waste, amending Directive 2008/98/EC and Regulation (EU) 2019/1020 and repealing Directive 2006/66/EC - published in the EU Official Journal L 191/1 of 28 July 2023, but which will apply from 18 February 2024 - came into force, which aims to impose the duty of care obligations for batteries on economic operators placing batteries on the market or putting them into service.

## National framework

### **CODE ON PUBLIC CONTRACTS**

The new Procurement Code, Legislative Decree 36/2023, was published in the Official Journal on 31 March 2023, after approval by the Council of Ministers on 28 March. The Code entered into force on 1 April 2023. However, its provisions, together with any annexes already replaced or amended, will take effect on 1 July 2023. The text of the new Code consists of 229 articles

grouped into five books. The Annexes to the new Code will replace any other source implementing the previous discipline, namely: the Annexes to Legislative Decree no. 50/2016, the seventeen ANAC Guidelines and about fifteen Regulations (including Presidential Decree no. 207/2010).

The implementing resolutions provided for in the Procurement Code have been published on the portal of the National Anti-corruption Authority.



## Gas

### GAS NETWORKS

#### **Resolution 570/2019/R/gas - Council of State ruling no. 10293/2023 on appeal no. 4805/2023 brought against the Lombardy Regional Administrative Court (TAR) ruling no. 630/2023 concerning IRETI Gas**

In relation to the regulation of gas distribution and metering service tariffs for the regulatory period 2020 - 2025 approved by Resolution 570/2019/R/gas, with a ruling published on 29 November 2023, the Council of State ruled on the appeal filed by ARERA against the TAR ruling no. 630/2023, rejecting it and confirming the TAR ruling in relation to the lack of transparency and justification for the failure to specify the criteria for processing data relating to operators and in relation to the incorrect definition of clusters for the definition of recognised operating expenses. At the same time, the Council of State upheld the Authority's appeal concerning the alignment of the beta parameter of the metering service to that of distribution for the definition of the WACC rate.

#### **Resolution 409/2023/R/GAS - Correction of calculation errors relating to the determination of the recognised operating expenses and x-factor for the period 2020-2025, in compliance with the rulings of the Lombardy Regional Administrative Court, No. 407/2023, No. 630/2023, No. 1236/2023, No. 1689/2023 and No. 1826/2023**

In partial compliance with the rulings of the Lombardy Regional Administrative Court No. 407/2023, No. 630/2023, No. 1236/2023, No. 1689/2023 and No. 1826/2023, ARERA with Resolution no. 409/2023/R/gas corrected the calculation error found by the Verifiers and confirmed by the first instance ruling, re-determining the unit fees to cover the operating expenses recognised for the gas distribution service starting from 2020 and redefining the annual reduction rates of the unit costs recognised to cover operating expenses (X-factor) referred to in Article 16, paragraph 1 of the tariff regulation (RTDG). In addition, ARERA postponed the redetermination of the reference tariffs for the gas distribution service for the years 2020, 2021 and 2022 to the outcome of the appeal.

#### **Resolution 220/2023/R/gas - Optimisation of biomethane connections and simplification of connection directives in application of the provisions of Article 37 of Legislative Decree no. 199 of 8 November 2021**

In line with what was envisaged in Consultation Document 423/2022/R/gas, the Authority approved Resolution 220/2023/R/gas, which envisages a centralisation of the activities of connecting biomethane plants to the (transport and distribution) networks in the hands of the largest transport company. In particular, SNAM, in coordination with other gas transmission operators (TSO) and gas distribution operators (DSO), will have to prepare a mapping document containing the availability (current and future) of transmission and distribution capacity in the different areas and an estimate of biomethane production capacity. In addition, SNAM will define the procedure for identifying optimal solutions for the connections of biomethane plants to gas networks, including distribution networks, with a view to minimising costs for the system. For both issues, SNAM has carried out the relevant consultations, the results of which are pending.

#### **Resolutions 134/2023/R/com, 297/2023/R/com, 429/2023/R/com and 633/2023/R/com - Tariff components intended to cover general charges**

The measures taken to tackle high energy prices confirm the cancellation of general gas charges for 2023. The negative element UG2c, introduced to reduce the bills of end customers, was reduced (in absolute value) in April and was cancelled in May; finally, general system charges were reactivated starting from 1 January 2024.

#### **Resolution 512/2021/R/gas, 600/2022/R/gas and 433/2023/R/gas - Reorganisation of gas metering activities at entry and exit points of the transportation network and approval of the SNAM Rete Gas Network Code**

The Authority approved the "Regulation of the metering service on the natural gas transmission network (RMTG)". The person in charge of the metering activity, i.e. the owner of the metering plant, is subject to minimum and optimal requirements in terms of plant engineering, performance and maintenance, which are relevant in case of non-compliance with the service quality standards. These standards are associated with a system of economic fees consistent with the costs to the transportation system generated by measurement errors, which will be applied as of 2024. The measure was incorporated into the updating of the SNAM Rete Gas Network Code, and Resolution 433/2023/R/gas introduced some refinements concerning the application of the indicators, including the introduction of a cap on the Pgas for the calculation of fees, and

the application of the indicator on the continuous measurement of gas quality was postponed for some plants to 2026, in order to allow the appropriate plant adjustments to operators.

### **Resolution 590/2023/R/gas - Pilot projects to optimise the management and use of natural gas infrastructure: approval of the admission ranking of requests for trials**

Following Resolution 404/2022/R/gas, aimed at promoting actions for the optimisation of natural gas distribution and transportation networks, the Authority with Resolution 590/2023/R/gas approved the list of projects admitted to the experimentation and the relative bonus contributions. For the company of the IRETI Gas Group, two projects have been accepted for experimentation that will be implemented during the three-year period 2024-2026. The first project involves the construction of a new plant for the Reverse-Flow process, making the flow of raw material between the SNAM network and the Reggio Emilia natural gas distribution network bi-directional. The second award-winning project is a pilot project to test a scalable way of partial decarbonisation in distribution infrastructure using a mixture of natural gas and renewable hydrogen produced by on-site electrolysis.

## **WHOLESALE GAS MARKET**

### **Storage Filling Thermal Year 2023-2024**

Resolution 150/23, in implementation of the Ministerial Decree of 31 March 2023, - further measures to ensure the adequate filling of storage (90%) also for the Thermal Year 2023-2024 - provides that if at the end of October 2023 the user's storage inventory is lower than the minimum (subsection 17.1 RAST) a higher fee is applied between the one referred to in subsection 26.1 RAST and 1.5 €/MWh; furthermore, the possibility is provided for the user to request the implicit allocation of its storage in excess of the maximum allowed (at the end of each month of the injection phase).

In the event of stocks in the storage facilities as at 31 March 2023, it is planned to allocate the corresponding space capacity (for TA 23/24), as well as the injection and delivery capacity to GSE and SNAM. Finally, the costs incurred by the GSE and SNAM are covered from the 'Storage charges account', the 'Fund for the coverage of charges connected to the gas balancing system' and the 'Fund for the coverage of charges connected to the gas settlement system'.

Finally, the Resolution communicates the update for: (i) formulas for calculating reserve prices; (ii) minimum offer prices for short-term injection capacity allocation. In this context, SNAM Rete Gas defined the rules for access to additional daily injection capacity for the period July-September 2023.

### **Resolution 72/2023 - Allocation of transport capacity**

On 1 October 2023, was the entry into force of the reform of the transport capacity allocation processes at city gates (approved by Resolution 147/2019, in which capacity is no longer requested by the user but is calculated and allocated by the transport company on the basis of data made available by the Integrated Information System). Furthermore, the proposal of DCO 502/22, in which daily conventional capacity is allocated to end customers on the basis of withdrawals reported by the IIS for the purposes of balancing sessions, is confirmed. The request for a blank probationary year (TA 23-24) to analyse the functioning of the mechanism (with economic effects from TA 24-25) is in evaluation phase.

### **End of protection gas - Resolution 100/2023/R/com & 102/2023/R/gas (Law No. 124 of 4 August 2017)**

In view of the passing of price protection for the gas sector (January 2024), ARERA has regulated the management of the contractual relationship for all customers who will still not have a free market contract on that date. An information campaign was planned from September 2023 with the obligation for suppliers to submit the cheapest commercial proposal currently on the market.

To all customers who on 31 December 2023 have not yet made a choice, ARERA envisages the application of an offer with the contractual characteristics of the variable gas PLACET with price conditions partly defined by the Authority (PSV + regulated spread, marketing freely established by the seller). This will be a mere change of offer and the supply will continue to be provided by the same operator.

A special rule is also introduced for so-called vulnerable customers: these subjects will continue to be able to benefit from a supply scheme at regular prices that is entirely similar to the current protection offer. The identification of the character of vulnerability will be carried out jointly by the Single Buyer and the operators themselves, who will have to take charge of the collection of appropriate self-certifications signed by the end customers.



## Electricity

### ELECTRICITY MARKET

#### Resolution 345/23 Approval of the Integrated Electricity Dispatch Text (TIDE)

With this resolution, ARERA intended to reform the dispatching activity. The entry into force is scheduled 1 January 2025 and will replace Annex A of Resolution 111/06 (exception Essential Plant Regulations). The most important issues concern the redefinition of dispatching perimeters, moving in the direction of allowing aggregations in the energy markets. At the same time, the technical round table of the 'TIDE Stakeholders Group' was launched for discussions with Terna on *ad hoc* topics.

#### Resolution 247/2023 - Forward procurement of electricity storage capacity - pursuant to art. 18 Legislative Decree 210/2021, following DCO 393/22

The resolution stipulates that only new (authorised) storage capacity and also existing hydroelectric plants with a suitable permit for conversion into new storage capacity may participate in competitive procedures. It also provides for the possibility of extending the contractual period for contracted capacity with a useful life longer than the delivery period; there is an obligation for assignees to make committed capacity available to Terna by i) offering it on the MSD (Dispatching Services Market); ii) making it available to third parties for time-shifting contracts (negotiated on the GME platform). For MSD transactions, it is envisaged that the UdD (Dispatching Users) retain part of the margins obtained and that the remainder is allocated to Terna for the reduction of charges.

Terna, as required by the same resolution, announced the study on storage technologies (consultation concluded in September) for the definition of needs and standard contracts, distinguished by technologies that differ significantly at least with respect to the useful life and implementation time parameters; finally, the valorisation of the offers selected as a result of the procedures follows the *pay as bid* method.

#### DCO Terna - MACSE

Terna launched the consultation on the Mechanism for the Forward Provisioning of Electric Storage Capacity (MACSE) pursuant to ARERA Resolution 247/23. In particular, the technologies admitted to the mechanism are those identified by Terna in the Reference Technology Study: lithium ion batteries and hydroelectric pumping for new authorised capacity, as mature technologies capable of meeting Terna needs.

The obligations to be fulfilled by the successful bidders concern:

1. the contracted capacity that will be the subject of time-shifting contracts for third-party operators on the GME platform;
2. the availability of contracted capacity on MSD within the bidding limits:
  - Maximum price (Pmax) to rise no higher than the zonal Pmax MGP + 20%;
  - Minimum price (Pmin) to fall no lower than the zonal Pmin MGP - 20%;

In addition, there is an obligation to return 95% of the margins achieved (contribution margin). In addition, the first auction is planned for 2024, with a delivery period: for the short auction (batteries), 2028, for the long auction (pumping) 2031, with an auction base in €/KWh to remunerate operating and investment costs.

#### Adequacy and Capacity Market

Terna has published the 2023 Electricity System Adequacy Report, which shows the need for special market instruments to ensure the necessary generation plants are maintained. In particular, in the medium term (2028), it is shown that it will be necessary to find solutions to improve the availability of the current generation park in cases of high temperatures and low river levels (low hydraulicity) typical of the summer months.

In this context, there is the introduction of simplification rules (Decree-Law 181/23) for the conversion of thermoelectric cycle cooling plants from water to air, as well as the direction to use the Capacity Market mechanism to stimulate investments in this area, so as to help the System in the extreme weather situations that often occur in the summer months; in this sense, under the MASE directive, Terna is asked to modify the Capacity Market regulations, for which consultation has been launched, in order to promote plant upgrades that involve switching from water to air cooling. Finally, the new regulations provide for auctions by the end of 2024 for the years 2025 to 2027.

#### Widespread self-consumption and energy communities

Resolution 727/22 approving the Testo Integrato Autoconsumo Diffuso (TIAD):

- regulates the valorisation of widespread self-consumption for the configurations of Legislative Decrees 199/2021 and 210/2021;
- confirms the virtual model of widespread self-consumption;

- effective date: latest date between the entry into force of the Ministry of the Environment and Energy Sovereignty (MASE) Decree on incentives for energy communities and 1 March 2023 (replaces Resolution 318/20);
- confirms the guidelines of DCO 390/22.
- contains elements for identifying the CP (Primary Station).

### **Ministerial Decree on Incentive configurations for self-consumption (draft of 22 November 2023)**

In this document, the relevant topics are:

- the way in which the capital contribution is to be accounted for/paid (advance payment of up to 10% of the contribution or, alternatively, payment in a single instalment or in several instalments), in consideration of the amounts to be paid, the power of the plants to be incentivised and in relation to the progress of the works;
- eligible expenses: it is specified that VAT is not eligible for subsidies, unless it is not recoverable;
- the application of deductions in the case of capital contributions, with a special formula for calculating the Incentive Tariff;
- the distribution threshold for the shared energy incentive, which is intended only for consumers other than companies and/or used for social purposes.

In this regard, the official publication of the Ministerial Decree and GSE Operating Rules is expected in January 2024.

### **Withdrawal Charges and Amendments to the Code of Business Conduct - Resolution 250/2023/R/com (Directive (EU) 2019/944 and Legislative Decree No. 210 of 8 November 2021)**

The measure comes after consultation 668/2022/R/com and regulates the subject of early termination charges for electricity supply contracts. In particular, for the perimeter of the commercial code of conduct (customers in low voltage and/or with natural gas consumption not exceeding a total of 200,000 Smc/year) ARERA provides that these charges may be applied both for contracts of a fixed duration with fixed price economic conditions, and for contracts of an indefinite duration with fixed price economic conditions. It also specifies the option for suppliers to impose withdrawal charges on all electricity contracts signed by companies with more than 50 employees and/or a turnover of more than 10 million euro. The document also specifies the minimum information elements that must be made available to end customers at the time of signing the contract (in particular, evidence that the amount indicated as the early withdrawal charge

will be a maximum amount that may be subject to downward revision by the operator so as to reverse the actual cost at the time of withdrawal). Finally, the measure intervenes by regulating a specific regulation for renewals of expired economic conditions as distinct from unilateral variations.

### **End of electricity protection (non-vulnerable domestic customers) - Resolutions 362/2023/R/eel and 600/2023/R/eel**

Resolution 362/2023/R/eel defined the provisions for the provision of the Gradual Protection Service (STG) for non-vulnerable domestic customers in the electricity sector and the modalities for its allocation through competitive procedures. The STG will be paid by the assignee operators for a period of three years on the terms and conditions set out by ARERA (PLACET offer) and on the basis of the prices offered in the tender. In order to carry out the latter, the use of competitive procedures was envisaged, characterised by a single round auction mechanism, in a sealed envelope, with characteristics similar to those carried out for the low-voltage 'other uses' (BTAU)-micro-enterprises (26 territorial areas, awarding on the basis of a price in €/POD/year, presence of a price cap and an antitrust cap on the number of areas that can be awarded). The innovative element was represented by the possibility for operators to participate in the procedures in the form of Temporary Groupings of Companies, so as to allow the widest possible participation, while complying with the minimum requirements of the regulations. Following the publication of the final results of the procedures, the temporary grouping of companies Iren Mercato - Salerno Energia Vendite was awarded two lots (South 6 and South 7), which will lead to the acquisition of approximately 340,000 new customers in the gradual protection service. The service is scheduled to start on 1 July 2024.

### **Causes of exclusion from the Vendor List - DCO 186/2023/R/eel (Article 11, par. 3 of the Decree of the Minister of Ecological Transition (now: MASE) 25 August 2022)**

Following the formal establishment of the vendor list (April 2023), ARERA proposed an outline of requirements and indicators (concerning, in detail, the punctuality of payments to Terna and the distribution companies) that must be met by companies in order for them to remain on the list of entities authorised to sell electricity to end customers.

### Amendments to the Consumer Code - Legislative Decree 26/2023

As part of the transposition of the provisions set out in Directive 2019/2161, the Italian government has made a number of revisions to the regulations set out in the Consumer Code. The newly introduced provisions include a number of updates with potential impact also for the energy sector: the right of cooling-off is extended to 30 days (from the canonical 14) for contracts concluded during unscheduled visits by a representative agent. In addition, the penalties that can be imposed by the Authority on any unfair terms concealed within the general terms and conditions and therefore not signed directly by the end customer are made more severe.

## ELECTRICITY PRODUCTION FACILITIES

### Decree-Law 39/2023, converted into Law 68/2023 - Drought Decree-Law

The decree contains, among others, measures to ensure the efficient use of reservoir volumes to combat the water crisis (regulation of the volumes and flow rates derived from reservoirs by a Commissioner) and measures to ease environmental constraints on currently water-cooled energy production systems.

### Regulations on extra-profits

With reference to Resolutions No. 266/2022 and No. 143/2023 (implementation of Article 15-bis of the Decree Sostegni ter and of the Budget Law 2023), appeals were filed with the Regional Administrative Court against the implementing measures issued by ARERA for incompatibility of the primary regulation with European law (violations of the TFEU and of Reg. 1854/22). The administrative judge referred the question of the legitimacy of the Italian primary law to the EU Court of Justice in relation to the EU rules; therefore, the regulatory and normative framework remains uncertain until the publication of the European ruling (expected not before the end of 2024).

At operational level, the GSE requested operators in the summer of 2023 to send the technical reports on the valuation of hedging contracts with reference to the adjustment for the period February-December 2022 and the first half of 2023; the expected amounts have not been invoiced (GSE is taking a wait-and-see position on the outcome of the jurisdictional disputes).

With reference to the extra-profits contribution pursuant to Article 37 of Decree-Law 21/2022, the United Sections of the Court of Cassation rejected the appeal of the Revenue Agency on the issue of jurisdiction, confirming the existence of the jurisdiction of the administrative judge with respect to the appeal brought by several operators, including Iren Energia. As a result of the Court of Cassation's ruling, on 6 November 2023, Iren Energia filed an application with the Regional

Administrative Court of Lazio to set a hearing for the resumption of the proceedings on the merits.

### Main regulatory interventions on authorisation processes

Decree-Law No. 13 of 24 February (Decree-Law 13/2023) on "Urgent provisions for the implementation of the National Recovery and Resilience Plan (PNRR) and the National Plan for Complementary Investments to the PNRR (PNC), as well as for the implementation of cohesion policies and the common agricultural policy" was converted into Law No. 41 of 21 April 2023 and entered into force on 22 April 2023. Among its various contents, it introduced the following main changes to the authorisation procedures for the construction and operation of renewable energy plants:

- modification of the limits for Environmental Impact Assessment (VIA) and VIA screening procedures for photovoltaic plants;
- exemption from these procedures for photovoltaic installations in suitable areas included in plans or programmes that have already undergone Strategic Environmental Assessment (VAS);
- simplification for the installation of photovoltaic systems in industrial, craft and commercial areas and in landfills and quarries;
- modification of the Single Authorisation procedure;
- extension of the simplified authorisation process of the Simplified Authorisation Procedure (PAS) in the area of storage systems (so-called electrical storage).

Article 12-ter of the New Asset Decree (Decree-Law No. 104 of 10 August 2023) introduced a simplification to Article 12, paragraph 3-bis, of Legislative Decree No. 387 of 29 December 2003 (Legislative Decree 387/2003). Pursuant to the aforementioned provision, the effects of the new declarations of significant public interest (pursuant to Art. 141 of Legislative Decree 42/2004), do not apply to works for the construction of plants fuelled by renewable sources whose authorisation procedures have already obtained, prior to the initiation of the procedure for the declaration of significant public interest, an environmental impact assessment (EIA) or other authorisation title.

## ELECTRICITY NETWORKS

### Resolution 616/2023/R/eel - Tariff regulation of the electricity distribution and metering services for the period 2024-2027

With Resolution 616/2023/R/eel, the Authority approves the tariff regulation of electricity distribution and metering services for the period 2024-2027, as well as the related Integrated Texts for distribution (TIT), metering (TIME) and connection service (TIC). Among the main novelties, we highlight:



- the introduction of an additional mechanism to promote combinations involving, on the one hand, a DSO with between 25,000 and 100,000 withdrawal points and, on the other, a DSO with more than 100,000 withdrawal points, with one-off bonuses differentiated according to the year in which the extraordinary transaction is concluded, higher for transactions carried out by 2025. In the case of aggregations involving a company under the Ross scheme and one or more companies under the parametric scheme, the incentive measures already in force are confirmed;
- promotion of the rationalisation of high-voltage network assets;
- tariff regulation of reactive energy;
- rationalisation of administrative burdens in view of the centralisation of requests through the IIS, which has reduced the burden of many services managed by DSO;
- new ways of determining the investment deflator in two stages and on a calendar-year basis: ex ante, on the basis of estimates prepared by the MEF, and ex post, when determining the constraint on eligible revenue on the basis of more up-to-date final figures.

#### **Resolution 134/2023/R/com - Caro energia (High energy prices) - Changes to tariffs applied to users**

The measure reactivated from April 2023 the tariff components relating to general system charges also for domestic users and LV users up to 16.5 kW.

#### **Resolution 296/2023/R/eel – Provisions regarding the development of distribution networks and related plans (PdS)**

The resolution defines the timing for the preparation and public consultation of distribution network development plans and introduces some initial requirements for their preparation, pending further provisions.

In particular, the resolution stipulated that the plans be prepared in coordination with Terna and consistently with the National Grid Development Plan, taking into account the expected development of production and demand in order to allow for the identification of possible grid congestion and the potential need for flexibility services.

#### **Resolution 617/2023/R/eel - Approval of output-based and commercial quality regulations for electricity distribution and metering services**

The resolution adopts the integrated text of the output-based regulation of the electricity distribution service 2024-2027 (TIQD) and the regulation of the commercial quality of distribution and metering services (TIQC 2024).

In particular, the TIQD:

- updates the incentive regulation of the duration and number of unannounced breaks, introducing an individual incentive mechanism that takes into account the average performance achieved over the previous four years, and sets an improvement trend for the two-year period 2024-2025. The mechanism rewards distribution companies with the best continuity of service as it introduces a safeguard mechanism with suspension and potential cancellation of penalties of an occasional and contained nature;
- incentivises the receipt of public grants by providing a bonus of 10% of the public grants received in the previous year;
- inserts an incentive mechanism for the implementation of reactive energy input compensation devices in homogeneous areas, with a premium equal to the tariff fees for reactive energy input paid by the company in the 24 months preceding the commissioning of the device;
- introduces a new bonus incentive mechanism for development work on distribution networks.

As far as TIQC is concerned, the current approach of the fifth regulatory period was confirmed and the amounts for the functioning checks of the Metering Group and voltage verifications were updated.

#### **Resolutions 124/2023/R/eel, 615/2023/R/eel, 616/2023/R/eel, 617/2023/R/eel - Reactive energy injected**

Resolution 124/2023 establishes, starting from April 2023, the list of electrical nodes belonging to homogeneous areas for the purposes of applying increased fees for reactive energy injections of end customers at high or very high voltage. The other regulatory measures defined the rules from 2024 for reactive energy flows separated by:

- Very High Voltage or High Voltage (HHV or HV) points, providing:
  - confirmation of unit fees and threshold values;
  - making voltage and quarterly power factor measurements available to Terna every three months;
  - specific derogations and disapplications of fees in the cases provided for by the Authority;
- Medium and Low Voltage (MV/LV) points, providing:
  - non-differentiated unit fee to be applied to excessive withdrawals/injections of reactive energy;
  - the availability to the DSO of 35% of the fees invoiced to End Customers and 100% of the fees invoiced to other DSO.

Finally, Resolution 617/2023/R/eel proposed an

incentive mechanism for the implementation of reactive energy input compensation devices in homogeneous areas, with a premium equal to the reactive energy input tariff fees paid by the company in the 24 months

### Resolution 361/2023/R/eel - First changes to the Integrated Text Active Connections

Following DCO 301/2023, which proposed numerous operational and technical changes in the process of connecting production plants to the electricity grid, the resolution stipulates:

- the application of only legal interest for delayed payment of compensation for delayed handling of connection requests submitted to the DSO as from 7 August 2023;
- the postponement of the introduction of the 'super fast' procedure;

- the introduction of a simplified procedure for certain plants up to 20kW, for which the obligation to install the electricity produced meter (M2) no longer applies. In addition, in order to carry out the first parallel connection with the grid of such plants, the Distributor may replace the on-site checks (and the drawing up of the relevant activation report) with a declaration in lieu of affidavit in which the applicant/producer declares the regulatory compliance of the production plant and the correspondence with what has already been declared in the submission of the connection request;
- the publication of a subsequent resolution with a new Integrated Text Active Connections applicable to connection requests submitted from 1 January 2024, replacing the current TICA.



## Energy efficiency

### SUPERBONUS AND OTHER BUILDING BONUSES

#### Decree-Law 11/2023 - Urgent measures on the assignment of credits pursuant to Article 121 of Decree-Law No. 34 of 19 May 2020, converted, with amendments, by Law No. 77 of 17 July 2020

This Decree, with reference to building bonuses, in addition to prohibiting public administrations from purchasing outstanding credits, provides that the option of invoice discount or credit assignment can no longer be used: therefore, only the possibility of using tax credits as deductions remains.

#### Decree-Law 212/2023 - Urgent measures relating to the tax benefits referred to in Articles 119, 119-ter and 121 of Decree-Law No. 34 of 19 May 2020, converted, with amendments, by Law No. 77 of 17 July 2020

- The Decree, in force since 30 December 2023, provides, among other provisions:
- a subsidy for persons with an income of less than 15,000 euro for expenses incurred from 1 January 2024 to 31 October 2024, which by 31 December 2023 have reached a Work Progress Status of not less than 60%;
- that Superbonus interventions, for which the option for the invoice discount/tax credit has been exercised, are not subject to recovery in the event of non-completion of the intervention itself, even if this circumstance results in a failure to improve two energy classes.



## District heating

### Budget Law 2023

The Budget Law 2023 extended the application of reduced VAT (5%) to district heating, instead of the current 10/22%, for Q1 2023 as of 1 January, a measure extended to Q2 2023 by the so-called "Decree Bollette" (Decree-Law 34/2023).

### Decree-Law 13/2023 - Urgent provisions for the implementation of the National Recovery and Resilience Plan (PNRR) and the National Plan for Complementary Investments to the PNRR (PNC), as well as for the implementation of cohesion policies and the common agricultural policy (Decree-Law PNRR)

The so-called "PNRR Decree" provided for a regulation amending Legislative Decree 102/2014 granting ARERA the power to regulate district heating tariffs. ARERA, with Resolution 277/23, started the procedure for the definition of the new tariff regulation. In this regard, ARERA with DCO 546/23 and Resolution

638/2023 established, for the period so-called "transitional" (year 2024):

- the application of the revenue constraint (VR) to the selling legal entity (aggregating all networks);
- The calculation of VR on an efficient 'Avoided Cost' basis (calculation of expenditure per gas boiler user with boiler efficiency 90%, substation efficiency 97%, O&M 10 €/MWh, excluding boiler depreciation);

- a cap of 36 €/MWh was introduced on sources other than gas;
- a safeguard clause was introduced in case VR does not allow full cost recovery: safeguard constraint (VS) equal to 0.9 \* revenue from pre-regulation contractual tariffs.

During 2024, consultations are planned to determine the cost-reflective tariff regime from 2025 onwards.



## Waste

### MAIN REGULATORY AMENDMENTS

#### **Decree Law No. 59 of 4 April 2023 - Regulation on the discipline of the waste traceability system and the national electronic waste traceability register (RENTRI)**

Decree 59/2023, in force from 15 June 2023, is issued pursuant to Article 188-bis, paragraph 1 of Legislative Decree No. 152/2006; it provides for a staggered timeframe for registration to the system, between 18 and 30 months from its entry into force, depending on the size of the company in the case of producers. The start-up is scheduled for 15 December 2024 and will first affect waste managers, i.e. treatment plants and transporters (but also intermediaries) and producers, the latter initially only above 50 employees. In addition, Annexes I and II contain the new models of the chronological loading and unloading register and the Waste Identification Form (FIR).

Subsequently, the MASE Directorate Decree No. 143 of 6 November 2023 was published, setting out the operating methods to facilitate the fulfilment of the requirements for waste traceability, in particular with regard to:

- operational modalities to ensure the transmission of data to RENTRI and its functioning;
- instructions for operators to access and register with RENTRI;
- IT requirements to ensure the interoperability of the National Electronic Registry with the systems adopted by operators;
- how the support tools and services made available to operators for the fulfilment of their obligations function.

#### **Legislative Decree No. 213/2022 - Supplementary and corrective provisions to Legislative Decree 116/2020 (so-called "Corrigendum to the transposition of the circular economy waste package"). Amendments to Legislative Decree 152/2006**

This decree, in force since 16 June 2023, has a twofold objective:

1. correct a number of typos arising from the transposition of Directives 2018/851/EU and 2018/852/EU (so-called "Circular Economy Package") by Legislative Decree 116/2020;
2. introduce significant amendments to Legislative Decree 152/2006; these include the deletion of the possibility of setting up extended producer responsibility (EPR) schemes also at the request of a party, the prohibition of incineration of separately collected waste, and the clarification that waste from 'demolition and construction' is 'special' only if produced in the course of business activity.

#### **Decree-Law No. 39/23 converted with amendments by Law No. 68 of 13 June 2023 - Urgent provisions to combat water scarcity and to upgrade and adapt water infrastructures**

Since 15 April, DL 39/2023 has been in force, which amended Art. 127 of the TUA (*Sludge deriving from the treatment of waste water*) dispelling any doubts that sludge deriving from waste water purification processes is subject to the rules on waste only and exclusively at the end of the entire treatment process:

#### **Law 17/2023 on installations of national strategic interest**

Entering into force on 7 March, law no. 17 of 3 March 2023 converting Decree-Law No. 2 of 5 January 2023, containing urgent measures for installations of national strategic interest. The measure, in particular, confirms what was established in the emergency decree, especially with regard to the amendments to Legislative Decree No. 231 of 8 June 2001 on the administrative liability of entities.

#### **National Recovery and Resilience Plan - MITE Decrees No. 396/2021 and 397/2021**

The Ministry of the Environment has completed the publication of the final rankings for the allocation of PNRR funds to finance the construction of public and private waste and circular economy facilities.

**Decree-Law 13/2023 - Urgent provisions for the implementation of the National Recovery and Resilience Plan (PNRR) and the National Plan for Complementary Investments to the PNRR (PNC), as well as for the implementation of cohesion policies and the common agricultural policy (Decree-Law PNRR)**

On the subject of waste, DL 13/2023 provides that the provisions of the Decree of the Minister of Economic Development of 2 March 2018 (DM Biomethane), continue to apply to projects relating to the construction or conversion of biomethane and biofuel production plants other than biomethane for which a favourable environmental impact assessment measure was issued on 31 December 2022, or the measure not to be subject to such a procedure. On 22 December 2023, the GSE published some updates to the application procedures of the Ministerial Decree of 2 March 2018, version 6.0.

**Milleproroghe 2023**

Decree-Law No. 198 of 29 December 2022, the so-called "Decree Milleproroghe 2023", containing urgent provisions on legislative deadlines, was converted into Law No. 14 of 24 February 2023, in force from 28 February 2023, and published in the Official Journal No. 49 of 27 February 2023. The most relevant measures in the environmental field concern the extension until 4 May 2023 of the deadline for a possible revision of Ministerial Decree 152/2022 on the End of Waste of construction and demolition waste, WEEE, noise pollution, cement works and ferrous scrap.

**Decree No. 119 10 July 2023** of the MASE containing the "Regulation determining the conditions for the exercise of preparations for reuse in a simplified form, pursuant to Article 214-ter of Legislative Decree No. 152 of 3 April 2006", which came into force on 16 September 2023. The regulation defines - as provided for in Articles 181 and 214-quater of the Environmental Code - the operating methods and minimum qualification requirements for operators, necessary to carry out the activity of preparing for re-use of waste in a simplified form, the technical and instrumental equipment necessary for this activity, the origin, types and characteristics of waste as well as the specific conditions under which products or components of products that have become waste are subject to preparation for re-use operations and the specific conditions of the same.

**Law No. 137 9 October 2023**, which converts, with amendments, Law Decree No. 105 of 10 August 2023, containing "urgent provisions on criminal

trial, civil trial, combating forest fires, recovery from drug addiction, health and culture, as well as on the personnel of the judiciary and public administration": the measure makes several amendments to both the Criminal Code and Legislative Decree 152/2006: transformed into a contravention crime is the administrative offence of abandoning waste referred to in art. 255 of Legislative Decree 152/2006 and the treatment of penalties for crimes against the environment is tightened.

**ARERA - REGULATORY ACTIVITIES**

The Authority, as part of its regulatory activities in the waste sector, activated a number of proceedings in 2023, mainly of an economic nature and, following the conclusion of the consultation phases, as well as on the input of the publication of a number of legal rulings on waste, the following resolutions were adopted:

**Resolution 385/2023/R/rif - Approval of the standard service contract outline**

In line with as envisaged in Consultation Document 262/2023/R/Rif, the Authority approved, with Resolution 385/2023/R/rif, the standard outline of the service contract for the regulation of relations between entrusting entities and managers of the municipal waste service. The resolution provides that the existing service contracts must be made compliant with the provisions on the minimum essential contents set forth in the standard service contract outline; these contracts must be submitted to the Authority by the territorially competent entities within 30 days from the adoption of the relevant 2024-2025 biennial tariff update determinations or from the deadline set by the relevant state regulations for the approval of the TARI for the year 2024.

**Resolution 386/2023/R/Rif - Establishment of equalisation systems in the urban waste sector**

The measure, published on 3 August 2023 following the consultation phase (DCO 214/2023/R/rif), introduces the equalisation mechanism for the management of accidentally fished waste and voluntarily collected waste with the aim of raising awareness and responsibility among citizens with respect to the management of waste dispersed at sea. At the same time, it establishes the equalisation account dedicated to covering the concessions granted for exceptional and calamitous events, as well as the related unitary equalisation components that apply to all waste service users.

### **Resolution 263/2023/E/RIF - Communication obligations for the implementation of the Territorial Register of the municipal waste management service, also for the application of the social waste bonus for economically disadvantaged domestic users and of the equalisation systems in the municipal waste sector**

With Resolution 263/2023/E/rif, the Authority implemented the Territorial Register of the Municipal Waste Management Service (ATRIF). The Register contains information, constantly updated, on the municipality/municipalities in which the territorially competent bodies (ETC) operate, including the Optimal Territorial Area Government Bodies (EGATO), as well as the managers, with reference to the activities of municipal waste collection and transport, street sweeping and street washing, and tariff management and relations with users.

### **Resolution 387/2023/Rif - Monitoring and transparency obligations on separate collection efficiency and municipal waste treatment plants**

Through the introduction of an initial set of indicators on the efficiency and quality of separate collection as well as on the reliability of treatment plants, the resolution implements an intangible infrastructure of data on the actual performance of the operators of the respective activities, on the basis of which the relative standards can be identified, postponing the definition of maintenance and improvement objectives to a subsequent provision, also as a result of monitoring activities.

### **Resolution 389/2023/R/RIF - Biennial update (2024-2025) of the Waste Tariff Method (MTR-2)**

In line with as envisaged in Consultation Document 275/2023/R/Rif, the Authority approved Resolution 389/2023/R/rif updating the MTR-2 for the two-year period 2024-2025. The resolution, published on 3 August 2023, not only complies with Council of State ruling No. 7196/23 concerning the costs of pre-treatment of plastic waste, but also identifies the inflationary adjustment to be applied (cumulative impact: 13.7% on PEF 2024) to cover the Opex for the years 2022 and 2023 and the maximum possible tariff growth limit (9.6%).

This resolution was followed by:

- **Resolution 465/2023/R/rif** confirming the measures introduced by Resolution 389/23 for Ruling No. 7196/23 of the Council of State. Specifically, the costs and revenue from pre-cleaning operations for plastic packaging carried out at 'CSS' and 'CC' (mono-material) plants are to be offset, also retroactively for the two-year period 2022-23;

- **Resolution 487/2023/R/rif**, which publishes the value of the 2023-2024 cumulative deflator of +6.3% (of which 3.4% related to 2023 and 2.8% related to 2024);
- **Resolution 556/2023 /R/rif** updating the WACC: in the case of Integrated Management equal to 6.3%, and for Minimum plants equal to 6.6%;
- **Determination No. 1/DTAC/2023** approving the standard outlines of the acts constituting the update of the tariff proposal 2024-2025 and the operational modalities for the transmission to the Authority.

### **Resolution 621/2023/E/rif**

Through this resolution, the procedure was initiated for the gradual extension to the municipal waste sector of the system of safeguards for the empowerment and settlement of disputes of customers and end users of regulated sectors, through the Counter for the consumer.

The following rulings of the Council of State are also worth mentioning, as they are relevant for the purposes of MTR-2 (Resolution 363/2021/R/Rif as amended):

- **Ruling of the Council of State No. 7412/2023** of 31 July 2023, the subject of the dispute being the appeal also of the Emilia-Romagna Region Council Resolution (DGR) No. 801/2022 identifying the "minimum" plants for the treatment of the Organic Fraction of Municipal Solid Waste. The outcome of the ruling confirms what was expressed by the Regional Administrative Court in its ruling annulling the contested acts and therefore, to the extent of interest, Regional Council Decree (DGR) No. 801/2022. Specifically, the CoS contested the application of the MTR-2 method by the Region, because with this resolution, the organic fraction treatment plants were taken away from free competition, subjecting them to a regime of predetermined flows with regulated tariffs;
- **Rulings of the Council of State No. 10550/2023 and No. 10548/2023** of 6 December 2023 challenging both the MTR-2 and the decision of the Apulia Region identifying the 'minimum' plants. The unfavourable outcome for ARERA was confirmed (appeal dismissed), confirming the previous ruling of the Lombardy Regional Administrative Court.
- **Ruling of the Council of State No. 10734/2023** of 12 December 2023 challenging the following acts:
  - MTR-2;
  - the Emilia-Romagna Region Council Resolution No. 2032 of 29 November 2021;
  - DGR No. 801 of 23 May 2022, identifying 'minimum' plants for the treatment of the Organic Fraction of Municipal Solid Waste.

The outcome of the ruling confirmed what the Lombardy Regional Administrative Court (TAR) had expressed in its ruling No. 557/2023. Specifically, it establishes the illegitimacy of the MRT-2 in the part in which it lays down criteria for the identification of 'minimum' plants; this ruling has repercussions on the regional resolutions on the subject, which are challenged, and which presuppose the application of this method.

In light of the aforementioned rulings also concerning the Waste Tariff Method (MTR-2), the annulment of Resolution No. 363/2021 adopted by ARERA is confirmed, in the part relating to the qualification criteria for so-called "minimum" plants with the immediate effect of revoking also the measures of the Regions taken on the assumption of the discipline outlined by the Regulatory Authority.



## Water service

### **Legislative Decree No. 18/2023 - Implementation of Directive (EU) 2020/2184 of the European Parliament and of the Council on the quality of water intended for human consumption**

The aim of the decree is to protect human health from the negative effects of contamination by regulating the quality of water intended for human consumption and improving access to it. Among the most important aspects is the introduction of an innovative approach to water safety that, instead of a control strategy based solely on a list of parameters, is based on a risk assessment system, which takes the form of Water Safety Plans. Another innovative aspect concerns the regulation of materials in contact with drinking water, chemical reagents and filter materials. Finally, with regard to water quality parameters, the decree introduces new parameters (including chlorates and PFAS) and makes some changes to quality limits for already existing parameters.

### **Decree-Law No. 39/2023, converted by Law No. 68/2023 - Urgent provisions to combat water scarcity and to upgrade and adapt water infrastructures**

The main purpose of the decree is to speed up authorisation procedures for works and interventions that are urgently needed to tackle the water crisis in the short term.

The decree establishes a steering committee at the Presidency of the Council of Ministers, with the functions of direction, coordination and monitoring to contain and combat the water crisis. The appointment of an Extraordinary Commissioner for the purpose of adopting urgent drought-related interventions is also established. In order to increase the resilience of water systems to climate change, the following are indicated: a) increasing the usable volumes of reservoirs, b) the possibility of freely constructing rainwater harvesting basins for agricultural use within a set maximum volume, c) the reuse of purified wastewater for irrigation purposes, d) the introduction of considerable simplifications in the construction of desalination plants.

### **Resolution 639/2023/R/ldr - Approval of tariff method for the fourth regulatory period (MTI-4)**

Following an extensive consultation process, the Authority approved the tariff method for the 4th regulatory period.

Although in an overall framework of continuity with respect to the previous tariff criteria, ARERA, taking into consideration, on the one hand, the greater maturity of the water system and, on the other, the price dynamics of some production factors (with particular reference to the cost of electricity), has introduced several relevant new factors, including:

- the lengthening of the regulatory period to 6 years (from the previous 4 years);
- the update of the criteria for the recognition of electricity costs;
- the introduction of incentive mechanisms to promote energy and environmental sustainability;
- the introduction of constraints on the possibility of postponing balance payments beyond the end of the regulatory period, in order to stimulate the Area Management Bodies (EGA) to provide for their recovery.

The real pre-tax rate of recognition of financial and tax charges (OF-OFisc) was updated to 6.1%.

### **Resolution 637/2023/R/ldr - RQTI technical quality regulation update**

The resolution in question introduces first and foremost the new macro-indicator 'M0-water resilience', aimed at measuring the interventions of the operators aimed at mitigating the effects of climate change: the operator, through the assignment of an improvement/maintenance objective, is called upon to monitor and improve the effectiveness of the supply system and is stimulated in the implementation and dissemination of practices for the reuse of purified wastewater.



## Other general matters

### ARERA CONTRIBUTION

#### Resolution 562/2023/A - Urgent provisions on the contribution for the operation of the Regulatory Authority for Energy Networks and the Environment, due for the year 2023 from entities operating in the electricity and gas sectors

By Resolution No. 562/2023/A, the Authority ordered an extraordinary intervention concerning the 2023 contribution towards the operators of the electricity and gas sectors, providing for the return to them of 40% of the contribution they had already paid for the year 2023. For the purposes of the return, the operators concerned are required to send the Authority specific contribution data for the year 2023.

### INCENTIVES

On 3 March 2023, the Mignanego plant (Iren Acqua) was switched to the all-inclusive tariff, while on 22 May, the Chiomonte and Susa plant (Valle Dora Energia) was granted the incentive tariff.

### ENERGY EFFICIENCY CERTIFICATES

#### Resolution 454/2023/R/efr - Revision of the regulation of the unit tariff contribution on account under the energy efficiency certificates mechanism Amendments to Authority Resolution 270/2020/R/efr

With Resolution 454/2023/R/efr, the Authority revises the regulation of the unit tariff contribution on account under the energy efficiency certificates mechanism, redefining this contribution and revising the maximum portions of the obligations that can be fulfilled in the advance payment session.

### ELECTRICITY AND GAS SOCIAL BONUS

#### Resolutions 13/2023/R/com, 23/2023/R/com and 134/2023/R/com - Additional social bonuses

Resolution 13/2023 proceeded, as of 1 January 2023, to raise to 15,000 euro the value of the ISEE threshold for access to the electricity and gas bonus for the current year on the basis of the provisions of the Budget Law 2023.

The subsequent resolution 23/2023 sets out the modalities for recognising social bonuses for the quarter January-March 2023.

Finally, Resolution 134/2023 also confirmed for the April-June 2023 quarter the increase in social bonuses

for electricity and gas, as provided for in the Decree of 28 March 2023, and raised the threshold for large families with 4 or more dependent children to 30,000 euro.

#### Resolution 622/2023/R/com - Revision of the methods for updating social bonuses and amendments to Resolution 63/2021/R/com

With Resolution 622/2023/R/com, the Authority, effective 1 January 2024, amended the methods for updating and quantifying social bonuses and revised, for the protection of customers, certain operating methods for recognising the compensatory amounts governed by Annexes A, B, C and D to Resolution 63/2021/R/com. In particular, with regard to gas and electricity bonuses, the resolution:

- amended and supplemented the aforementioned Annexes in order to revise the methods for quantifying and updating social bonuses;
- defined that the calculation of the compensation should be made once a year on the basis of the best available estimate for expected expenditure in the following four quarters;
- defined that the disbursement of social gas bonuses also related to heating use be modulated on a quarterly basis;
- with regard to the social gas bonus, it provided that the amount of compensation should take into account the variability of annual expenditure according to the tariff range;
- with regard to the social electricity bonus, it provided that the provision for the seller to proceed with the disbursement of the social bonus only after the actual transfer of the compensation by the competent distributor be removed.

### SHORT LIMITATION

#### Resolution 86/2023/C/com - Short limitation

On 2 January 2023, rulings Nos. 35 and 36 were published, whereby the Lombardy Regional Administrative Court partially annulled ARERA Resolutions Nos. 603/2021/R/com and 604/2021/R/com, considering that the information and assessment requirements imposed on the distributor with the contested resolutions do not have a regulatory basis.

Resolution 86/2023/C/com communicates that ARERA appealed against the Lombardy Court rulings. Recently, the Council of State rulings were published, rejecting the ARERA appeal against the gas DSO appeals.

## REGULATION BY EXPENDITURE AND SERVICE OBJECTIVES (ROSS)

### Resolution 163/2023/R/com - Integrated text of regulation by expenditure and service objectives (TIROSS) for electricity and gas 2024-2031

Following Consultation Document 655/2022/R/com, the Authority approved the TIROSS - *Integrated Text of Regulation by Expenditure and Service Objectives (ROSS) for regulated infrastructure services in the electricity and gas sectors for the period 2024-2031*, defining the criteria and general principles of the ROSS methodology (Part One) and the specific provisions of the ROSS-basis (Part Two). In particular, the document provides:

- that the recognised spending is calculated starting from the actual spending incurred by the operator and 'corrected' by a share of the efficiencies or inefficiencies achieved with respect to the reference spending defined by ARERA;
- the sharing of efficiencies and inefficiencies with users with varying percentages depending on the solution chosen by the operator with high or low incentive power;
- the setting by ARERA of capitalisation rates to be applied to the eligible expenditure for the determination of the slow money (current capex) and fast money (current opex) share on the basis of the incidence for each DSO of the investment expenditure on the total expenditure over a five-year period (3 years actual and 2 years forecast);
- the introduction of mechanisms to manage uncertainties for unforeseeable and exceptional events and to intercept cost variation related to new energy transition investments or changes in the scope of activities performed.

### Resolution 497/2023/R/com - Criteria for the application of the Regulation by Expenditure and Service Objectives (ROSS) for natural gas transportation services and electricity transmission, distribution and metering. Amendments to TIROSS 2024-2031 and RTTG 6PRT

With Resolution 497/2023/R/com, the Authority defined the application criteria for the start of the ROSS-basis for natural gas transmission services and electricity transmission, distribution and metering from 2024. The implementing provisions introduced for the distribution and metering of electricity include the definition of:

- high incentive option of the incentive menu;
- capitalisation rates by distribution and size;
- distribution coefficients of total efficiency recovery;

- individual baseline 2024 from actual operating expenses 2022 and inflation adjustment 2023-2024;
- criteria for Z-factor applications (adjustment of the baseline for the recognition of incremental costs not intercepted by the 2022 base year) with the possibility of activation from 2024 for applications submitted by 31 December 2023;
- recognition on top for inefficient operating expenses.

## WACC RATE OF RETURN FOR ENERGY INFRASTRUCTURE SECTORS

### Resolution 556/2023/R/com - Update of the rate of return on invested capital for infrastructure services in the electricity and gas sectors for the year 2024

With this resolution, the Authority, as part of the annual verification process of whether the trigger threshold for updates to the WACC rates of the energy infrastructure sectors has been reached, approved the update of the rates for the year 2024: for electricity distribution/metering, the WACC is equal to 6.0% (an increase of +80 basis points compared to the 2023 value), while for gas distribution/metering it is equal to 6.5% (an increase of +90 bp compared to the 2023 value).



# Concessions and assignments of Iren Group

## Hydroelectric production

The major hydroelectric shunt concessions and the related expiries for the Iren Energia plants are summarised below.

Region	Plant	Average rated concession power (MW)	Expiry
Piedmont	Po Stura - San Mauro	5.58	31/12/2010
Piedmont	Pont Ventoux - Susa	47.42	13/12/2034
Piedmont	Agnel - Serrù - Villa	12.53	31/12/2010
Piedmont	Bardonetto - Pont	8.92	31/12/2010
Piedmont	Ceresole - Rosone	32.92	31/12/2010
Piedmont	Telessio - Eugio - Rosone	26.10	31/12/2010
Piedmont	Rosone - Bardonetto	9.71	31/12/2010
Piedmont	Valsoera - Telessio	1.76	31/12/2010
Campania	Tusciano	8.49	31/03/2029
Campania	Tanagro	12.84	31/03/2029
Campania	Bussento	17.06	31/03/2029
Campania	Heat	3.27	31/03/2029

In relation to the aforementioned concessions expiring on 31 December 2010, concerning Valle Orco and Po Stura-San Mauro, a project financing proposal was submitted to the Piedmont Region.

With Resolution of the Piedmont Regional Council of 17 April 2023 no. 17/6747, the feasibility of the two project financing proposals presented by Iren Energia was resolved, pursuant to Article 183, paragraph 15 of Legislative Decree 50/2016, concerning, respectively, the expired Concessions for large hydroelectric derivations on the Torrente Orco and the expired Concession for large hydroelectric derivations of the Po Stura - San Mauro plant. By Resolution No. 28-6999 and 29-7000 of the Regional Council of 5 June 2023, the Piedmont Region resolved, pursuant to Articles 3 and 4 of Regional Law 26/2020, that "*there was no overriding public interest in a different use of the derived waters, incompatible with the maintenance of the use for hydroelectric purposes, and the definition of the public evidence procedure for the relative assignment*".

With DGR no. 7387 of 3 August 2023 and Executive Decision no. 578 of 7 August 2023, the Piedmont Region verified the correctness of the 'end-of-concession reports' of expired large hydroelectric derivations and ordered their publication on its institutional website.

A dispute against the measures adopted by the Piedmont Region is pending before the Superior Court of Public Waters.

## Natural gas distribution

With effect from 1 January 2023, following the demerger finalised in 2022, IRETI Gas took over from IRETI the ownership of the concessions pertaining to the management of the natural gas distribution service in place in the various Areas - Genoa1, Parma, Reggio Emilia and Piacenza2 - under an extension regime.

With regard to the tender issued by ATEM Genoa2, the Council of State confirmed the unlawfulness of the call for tenders in ruling No. 3150/23. The new tender has not yet been called.

With reference to the tender for the ATEM La Spezia, an appeal is pending before the Council of State brought by IRETI and IRETI Gas against the ruling by which the Regional Administrative Court (TAR) of Liguria had rejected the appeal for the annulment of the award to Italgas Reti S.p.A.

Following the completion of the so-called "Romeo 2 Project", as of 1 January 2024, ASM Vercelli acquired the gas distribution concessions in the following municipalities in the Province of Vercelli: Albano Verellese, Carisio, Greggio, Olcenengo, Oldenico, San Germano Verellese-Strella district, Quinto Verellese, Tronzano Verellese and Villarboit.

Also as a result of this Project and again with effect from 1 January 2024, IRETI Gas, following the merger of the company Romeo 2, took over from the latter as concessionaire of the gas distribution service in the municipalities of the Province of Savona Albenga and Cerialle. In this context, the company has already acquired, with effect from 1 February 2023, the gas distribution concessions in the Emilian municipalities of Pontenure (ATEM Piacenza 2) and Solignano (ATEM Parma), as well as the management of the private village of Grazzano Visconti in the municipality of Vigolzone.

The Group also operates in numerous other areas throughout Italy through assignments or concessions given to mixed capital companies in which IREN Group companies have a direct or indirect investment.

The main assignments and concessions are:

- Province of Ancona / Macerata - ASTEA S.p.A. (associate, in which a 21.32% stake is held by the GPO Consortium, 62.35% of which IRETI controls in turn): Municipalities of Osimo (AN), Recanati (MC), Loreto (AN) and Montecassiano (MC) assignment expired on 31 December 2010 and under *prorogatio* regime;
- Province of Livorno - ASA S.p.A. (associate, in which IRETI has a 40% stake): Provinces of Livorno, Castagneto Carducci, Collesalveti, Rosignano Marittimo and San Vincenzo – assignment expired on 31 December 2010 and under *prorogatio* regime;

## Electricity

Ministerial electric concessions have an expiration date of 31 December 2030. Iren Group manages the public electricity distribution service in the cities of Turin and Parma (through IRETI) and Vercelli (through ASM Vercelli). Iren is also present in the Marche area with DEA SpA, part of the group of the associate ASTEA SpA, which manages the electricity distribution service in the municipalities of Osimo (AN), Recanati (MC) and Polverigi (AN).

## District heating

Iren Energia manages the district heating distribution service through concession, award or authorisation to lay networks in the following areas:

- Municipality of Turin
- Nichelino (TO);
- Beinasco (TO);
- Rivoli (TO);
- Collegno (TO);
- Grugliasco (TO);
- Reggio Emilia;
- Parma;

- Piacenza;
- Genoa;

In addition, through Dogliani Energia, it holds the concession for the district heating service in the municipality of Dogliani (CN). In this regard, the construction of the cogeneration plant with attached network is currently underway.

Finally, effective as of 1 November 2023, Iren Mercato is concessionaire, on a transitional basis, of the public district heating service in the territory of the municipality of Moncalieri; the duration of the concession is twelve months and, in any case, until the effective date of the assignment of the Service by the municipality, through a specific public procedure, to a new concessionaire. Iren Energia, which supplies heat to Iren Mercato, owns the existing production plants and network infrastructure and is party to an agreement with the municipality for the occupation of public land, which has now expired.

## Integrated water service

### **Liguria area**

IRETI holds the management assignment for the Integrated Water Service in the 67 municipalities of the Province of Genoa. The assignment was granted by Decision no. 8 of the Genoa ATO Authority on 13 June 2003 and will expire in 2032.

The Integrated Water Service in the territory of the municipalities of the Province of Genoa is managed by IRETI through the safeguarded operators. The authorised and/or safeguarded companies of Iren Group that perform the function of operator are Iren Acqua (60% controlled by IRETI), Iren Acqua Tigullio (66.55% controlled by Iren Acqua) and AMTER (controlled through 51% of IRETI and 49% of Iren Acqua).

IRETI also directly operates the drinking water distribution service in the municipalities of Camogli, Rapallo, Coreglia, Zoagli, Sestri Levante, Casarza Ligure and Moneglia, and the Integrated Water Service in the municipalities of Né and Carasco, in the Genoa ATO.

The company manages only the segment of the water service in the following ATOs:

- Savona area, in the municipalities of Albissola Marina, Albissola Superiore, Quiliano, Vado Ligure, Celle Ligure, Noli, Spotorno, Bergeggi, Savona, Stella, Varazze;
- Centre West 2 - municipalities of Altare, Cairo Montenotte, Carcare, Cengio;

As far as the Province of Imperia is concerned, IRETI manages, pending the collection of the redemption value (since these are expired safeguarded operations), the service in the municipalities of Camporosso, Isolabona (Integrated Water Service), Perinaldo, San Biagio della Cima, Soldano and Vallebona.

Finally, in La Spezia and its Province, in 31 municipalities, Iren Group manages (through ACAM Acque) the water service with a concession valid until 31 December 2033.

### **Emilia Romagna area**

The Group provides the Integrated Water Service on the basis of specific assignments granted by the respective local authorities, governed by agreements signed with the competent ATOs.

Based on the laws of the Emilia-Romagna Region, Integrated Water Service Agreements provide for 10-year assignments, in a safeguarding arrangement, except for the agreement relating to the Parma ATO, which sets the expiry of the assignment at 30 June 2025, by virtue of the disposal to private entities of 35% of the AMPS capital by the municipality of Parma in 2000 through a public offering.

The aforementioned deadline was extended by Emilia-Romagna Regional Law No. 14/21 until 31 December 2027.

The Integrated Water Service in the Parma, Piacenza and Reggio Emilia ATOs is managed by IRETI. Ownership of the assets and networks of the water segment was transferred to companies wholly owned by public entities (respectively Parma Infrastrutture, Piacenza Infrastrutture and AGAC Infrastrutture). These companies made their networks and assets available to Iren Group on the basis of a rental contract and against the payment of an annual fee.

With reference to the tender called by ATERSIR in 2019, concerning the restricted procedure for the selection of the operating private partner of a mixed company for the entrusting of the Integrated Water Service in ATO3 Reggio Emilia until 31 December 2043, the Local Authority, by means of Determination No. 260 of 14 November 2023,

pronounced the effectiveness of the award to IRETI, already declared with previous resolution. Therefore, as of 1 January 2024, the management of the Integrated Water Service for the Province of Reggio Emilia, excluding the municipality of Toano, will be the responsibility of the "Azienda Reggiana per la Cura dell'Acqua", or ARCA for short, 60% owned by the public partner AGAC Infrastrutture S.p.A. and 40% by the private partner - selected through the dual-object procedure - IRETI.

ARCA, by means of a specific agreement, on the basis of the provisions of the tender deeds, entrusted the management of the operating tasks to the territorial operating company (SOT) Iren Acqua Reggio, which was set up for this purpose by the private operating partner (IRETI).

As for the tender announced by ATERSIR in 2022 for the assignment of the Integrated Water Service for the Province of Piacenza, on 13 July 2023, the tender commission met and drew up the provisional ranking list, in which IRETI was placed first. The final steps of the tender procedure are awaited.  
del procedimento di gara.

### Piedmont area (Vercelli)

The Group manages, through ASM Vercelli, the services related to the integrated water cycle in Piedmont ATO2 "Biellese Vercellese, Casalese". In particular, the management of the Vercelli aqueduct has been ongoing for more than a century; sewerage and wastewater treatment services have only been incorporated into the operations since the mid-1990s; today, the services provided by the company extend not only to the city of Vercelli, but also to 14 municipalities in the province.

Management is set to expire on 31 December 2023.

The Area Governing Body initiated the procedure for the choice of the new form of management, which has not yet been concluded. In the meantime, the management of the service continues under an extension.

### Sicilian area (Enna)

AcquaEnna manages the Integrated Water Service in ATO 5 Sicily, relating to the Province of Enna, with the concession expiring on 19 November 2034. IRETI, which already held a stake in the company's capital, acquired a further stake in May 2023, bringing its shareholding to 50.867%, consolidating the company.

The table below therefore summarises the data on the existing agreements in the Group's main areas of operation:

ATO	Regime	Signing date	Expire date
Genoa area	ATO/operator agreement	16 April 2004/05 October 2009	31/12/2032
Reggio Emilia	ATO/operator agreement	20/12/2023	31/12/2043
Parma	ATO/operator agreement	27/12/2004	31/12/2027
Piacenza	ATO/operator agreement	20/12/2004	31/12/2011 (*)
Vercelli	ATO/operator agreement	13/03/2006	31/12/2023
La Spezia	ATO/operator agreement	20/10/2006	31/12/2033
Enna	ATO/operator agreement	19/11/2004	19/11/2034

(\*) ATERSIR's adoption of the measures relating to the conclusion of the awarding phase is pending

### Other geographical areas

Iren Group also operates in the Integrated Water Service sector in other parts of Italy through assignments or concessions given to mixed-capital companies in which it has a direct or indirect investment. The main assignments and concessions are:

- ATO "Toscana Costa": ASA S.p.A. (associate, in which IRETI has a 40% stake) for the municipality of Livorno and other 31 municipalities;
- ATO3 "Marche Centro Macerata": ASTEA S.p.A. (associate, in which Consorzio GPO has a 21.32% stake, which is in turn 62.35% controlled by IRETI) only for the municipalities of Recanati, Loreto, Montecassiano, Osimo, Potenza Picena and Porto Recanati;
- ATO4 "Cuneese": Mondo Acqua S.p.A. (associate, in which IRETI has a 38.5% stake) for the municipality of Mondovì and other 7 municipalities;
- ATO5 "Astigiano Monferrato": ASP S.p.A. (associate, 45% owned by Nord Ovest Servizi, itself 45% owned by IRETI and 30% owned by AMIAT) for the municipality of Asti;
- ATO6 "Alessandrino": Gestione Acqua S.p.A. (a subsidiary of ACOS S.p.A., which in turn is a 25% subsidiary of IRETI) for the municipality of Novi Ligure and 69 other municipalities.

## Environmental service management

The Group provides waste management services on the basis of specific service assignments from the local authorities, governed by agreements signed with the provincial ATO. The table below contains details of existing agreements in the Group's main areas of operation:

ATO	Regime	Signing date	Expire date
Reggio Emilia	ATO/operator agreement	10/06/2004	31/12/2011 (*)
Parma	ATO/operator agreement	28/12/2022	1/01/2038
Piacenza	ATO/operator agreement	28/12/2022	1/01/2038
Turin	ATO/operator agreement	21/12/2012	30 April 2033 (**)
Vercelli (municipality)	Municipality/operator agreement	22/01/2003	31/12/2028
Other municipalities in the Vercelli area (except Borgosesia)	Procurement contract with COVeVaR	1 January 2022	31/01/2030
La Spezia (municipality)	Municipality/operator agreement	10/06/2005	31/12/2028 (collection and sweeping) 30 January 2043 (waste disposal)
Toscana Sud	ATO/operator agreement	28/03/2013	27/03/2033
Municipality of Lucca	Service contract Municipality/operator (36.5% owned by Iren Ambiente)	27/02/2001	31/12/2029

(\*) Service extended until new agreements are defined

(\*\*) The term is 20 years running from the end of provisional operation of the Waste-to-Energy plant of TRM S.p.A.

On 28 December 2022, the contracting authority Agenzia Territoriale dell'Emilia-Romagna per i Servizi Idrici e Rifiuti (ATERSIR) signed with Iren Ambiente the contracts for the concession of the public service for waste management in the Parma and Piacenza territorial basins for a duration of 15 years, starting from 1 January 2023.

The two concessions - awarded following public tenders - cover 89 municipalities: 43 in the Parma area and 46 in the Piacenza area.

As of 1 January 2024, the management companies named Iren Ambiente Piacenza and Iren Ambiente Parma, which took over from Iren Ambiente for the management of the urban waste management service in the territorial basins of Piacenza and Parma respectively, became operative.

ACAM Ambiente, controlled by Iren Ambiente and active in La Spezia and its Province, manages the integrated waste cycle service in 32 municipalities belonging to the Optimal Area of the Levante (including the municipality of La Spezia).

In July 2023, Iren Ambiente acquired a 36.5% stake in the share capital of Sistema Ambiente S.p.A. The company manages urban and environmental hygiene services for the municipality of Lucca, including waste collection and disposal, under a (non-renewable) service contract expiring on 31 December 2029.

It should be noted that SEI Toscana is the owner, by virtue of an agreement with the ATO Toscana Sud, of the integrated waste management in 98 municipalities in the provinces of Grosseto, Siena, and Arezzo, expiring on 27 March 2033, and in six municipalities in the province of Livorno (Piombino, San Vincenzo, Sassetta, Suvereto, Castagneto Carducci, and Campiglia Marittima).

The tender for the CoVeVaR Consortium (covering the municipalities of Albano Verellese, Alice Castello, Arborio, Balocco, Borgo D'Ale, Buronzo, Carisio, Casanova Elvo, Collobiano, Crova, Formigliana, Gattinara, Ghislarengo, Greggio, Lenta, Lozzolo, Moncrivello, Olcenengo, Oldenico, Quinto Verellese, Roasio, Rovasenda, Salasco, San Germano Verellese, San Giacomo Verellese, Santhià, Tronzano Verellese, Villarboit) was awarded to the temporary consortium (RTI) composed of ASM Vercelli (60.01%, group leader), San Germano (20.78%) and RIMECO Soc. Coop. (19.21%), with validity from 1 January 2022 to 31 December 2030, with the possibility of extension for a further 12 months.

Finally, San Germano carries out its main activity as a collection operator as a contractor in several areas, including Sardinia, Lombardy, Piedmont and Emilia-Romagna.

## Services provided to the municipality of Turin

Iren Smart Solutions is party to the following agreements with the municipality of Turin for the provision of public services:

- Agreement for the management of the public lighting and traffic light service, expiring on 31 December 2036;
- Agreement, entered into following a project financing proposal submitted by the Company pursuant to Article 183, paragraph 15 of Legislative Decree 50/2016, for the awarding of services for the design and implementation of technological and construction upgrading, operation, maintenance (including the supply of energy vectors) of municipal thermal, electrical and special plants, with a duration of 27 years from the signing of the Take-over Notice of the Plants (30 June 2049).

## Services to other municipalities

Iren Smart Solutions manages the public lighting service, including by means of plant efficiency improvements, being part of concessions with the following entities: Ener.Bit (a consortium of some 20 municipalities in the Biella region), Cuneo, Fidenza, Fiorenzuola, Rivergaro and Tizzano Val Parma. In addition, the Group manages public lighting in Vercelli (through ASM Vercelli) and Asti (through Asti Energia e Calore).



# Personnel

As at 31 December 2023, Iren Group had 11,004 employees, up compared to 10,583 employees as at 31 December 2022, as the table below shows, divided by Holding and Business Unit.

Company	Workforce at 31.12.2023	Workforce at 31.12.2022
Iren S.p.A.	1,142	1,132
IRETI and subsidiaries	2,360	2,269
Iren Ambiente and subsidiaries	5,573	5,362
Iren Energia and subsidiaries	1,235	1,186
Iren Mercato and subsidiaries	694	634
<b>Total</b>	<b>11,004</b>	<b>10,583</b>

The changes in the workforce compared to 31 December 2022 were mainly ascribable to:

- the initiation/conclusion of services contracted out as part of the Waste Management BU;
- the continuation of the generational turnover plan, with a considerable number of recruitments on the labour market;
- the consolidation, in May 2023, by IRETI of AcquaEnna for a total of 103 resources.



# Integrated Management Systems, Organisation and Information Technology

## Integrated Quality, Environment, Safety, Energy Efficiency and Information Security System

As explained in its corporate mission, Iren Group provides integrated services, aiming at environmental protection, personnel safety, energy efficiency and information security. As the continuous evolution of customer expectations and needs requires flexible organisational models and streamlined management systems, whose effectiveness in terms of expected results must be monitored, the Group has developed an Integrated Management System (Quality, Environment, Safety, Energy Efficiency and Information Security) as a means to support the achievement of the established objectives.

The Integrated Management System is structured in such a way as to envisage adequate control of all operating processes affecting service quality, adopting an approach based increasingly on customers, workers' safety and environmental protection.

In this regard, it should be noted that:

- the Parent, all its direct (first level) subsidiaries and the investees AMIAT, ACAM Ambiente, ReCos, ACAM Acque, ASM Vercelli, Atena Trading and San Germano have systems certified according to the international standards ISO 9001 (Quality) and ISO 45001 (Safety);
- the Parent, the first level companies (with the exception of Iren Mercato as it is a commercial company) and the investees AMIAT, ACAM Ambiente, ReCos, ACAM Acque, ASM Vercelli and San Germano are certified according to the international standard ISO 14001 (Environment). In this regard, the EMAS registrations of the Brescello, Leini, Poitica plants Piacenza waste-

to-energy plant and Iren Ambiente Integrated Environmental Hub in Parma are confirmed, as well as the TRM waste-to-energy plant;

- Iren Energia and Iren Smart Solutions are certified in accordance with the standard ISO 50001 for Energy Efficiency and in relation to UNI 11352 (for Energy Service Companies) and F-GAS;
- Iren Smart Solutions and Iren Mercato are also certified with regard to call centre activities (respectively ISO 18295-1 in relation to control over internal contact centres and ISO 18295-2 in relation to control over external contact centres);
- Iren Mercato is certified in accordance with the Certiquality 66 Technical Document in relation to the Sale of Green Energy and the Document RINA ST TRAC\_EE for the "System for tracking the characteristics of electricity from renewable sources";
- finally, Iren S.p.A. is ISO 27001 certified (Information Security) with reference to the IT services provided to Iren Energia, Iren Mercato, Iren Ambiente, IRETI, Iren Acqua, Iren Acqua Tigullio and AMTER.

The supervision of the Integrated Management Systems is ensured, for each first-level company, by the Personnel and Organisation Department of Iren S.p.A. All audits carried out by the Certification Bodies at the Group companies in 2023 ended with a positive result, renewing and/or confirming the maintenance of all Certifications in possession of the individual companies.

## Organisation and Transversal Projects

The year 2023 was characterised by a significant increase in activities in support of corporate operations, both of acquisition or new incorporation and of rationalisation and integration within the Group, also following the awarding of concession tenders for the Integrated Water Service and the management of environmental collection services; in addition, important initiatives continued to improve the functioning of the Group's organisational model and the competitiveness of the companies.

Regarding corporate operations, the main activities carried out are listed:

- coordination of 29 Working Groups (PMO activities) with the aim of finalising corporate operations (acquisition, consolidation, new constitution, rationalisation) and process integration;
- organisational integration: centralisation, in accordance with the Group's model, of the main corporate functions of the companies involved in the 2023 rationalisation and integration plan;



- for the same companies, integration of information systems with the centralisation of applications (with priority to the AFC area).

As a result of corporate, organisational and systems integration, the application of Group processes and procedures was extended.

In order to support development and pursue the Group's objectives, punctual organisational activities were carried out during the year in order to adapt organisational structures to the needs of the business, as well as analysis activities in the new subsidiaries, for a total of 71 projects (7 of which are still ongoing in 2024).

In particular, the following specific projects on topics of strategic importance were initiated and completed, consistent with the Business Plan guidelines:

- overall reorganisation of the company Iren Smart Solutions;
- project to revise and update the overall organisational model of the Networks BU, in order to align it with the territorial requirements envisaged by the concession tenders (in November 2023, it was implemented in the Reggio Emilia territory, for the other Departments and territories, it is expected to be implemented in 2024);
- definition and implementation (effective as of 1 January 2024) of the organisational model of the territorial operating companies in the Waste Management sector, created following the award of concession tenders for the Collection and Sweeping service in the Parma and Piacenza areas;

- creation of the Energy Management Department within the parent (starting from the specific functions in Iren Mercato and Iren Energia);
- organisational revision of the AFC department in order to align the administrative units of the newly acquired companies with the group model.

In addition, important transformation projects continued, developed together with an in-depth change management process, in particular:

- the programme for the introduction of the Lean methodology to support the efficiency of processes and the improvement of business performance continued, which came into force in 2022, and is divided into various projects focused on the main central departments of the Parent and on some areas of the Waste Management and Networks BUs;
- a project was launched and completed to analyse the size of some of the most important corporate functions, in order to assess their adequacy with respect to the activities performed, also with respect to market benchmarks, identifying any corrective actions.

Finally, the monitoring of Performance Improvement projects continued with renewed attention, with the aim of improving the Group's EBITDA by promoting initiatives that can reduce external operating expenses or increase revenue; in this regard, more than 50 Performance Improvement projects were activated or continued in 2023, with a saving target of over 100 million euro by 2030 compared to 2022.

## Information Technology

The year 2023 saw the continuation and/or completion of important projects which are strategic for the Group. In general, in addition to the necessary adjustments, the computerization and digitalisation plan envisaged by the Business Plan is being implemented, which continues to support the process of transformation, increase in IT security and development of the Group. With regard to company acquisitions/incorporations, systems were also integrated or standardised from the administrative-management area.

In order to facilitate the achievement of the objectives of digitalisation of operational processes set forth in the Business Plan, it was also considered essential to define a shared governance of Information Technology (IT) and Operational Technology (OT) assets with respect to all processes, on the following macro-themes:

- cybersecurity;
- architecture;
- infrastructure (hardware, software and network) launching the company-wide "IT/OT service governance" initiative.

In particular, in the Enterprise Architecture area, the Transformation Project was completed, which defined an evolutionary roadmap of applications and a path of increasing adoption of Cloud services, with the aim of reducing the number of technology platforms used, optimising licensing and maintenance contracts, and increasing the level of security and resilience.

In the M&A area, IT integration activities were started for the newly acquired companies. In this context, a corporate transaction budgeting model was defined, which, based on the type of integration (e.g. merger) and volumes, allows the evaluation of one-time and running costs, and possible post-merger synergies.

At the level of transversal initiatives on the Infrastructure front we can note in particular:

- the completion of the "Data Centre" project, with the migration of applications to the Pomezia data centre and the activation of the Gavette data centre as disaster recovery;

- the implementation of virtual patching in order to increase protection for servers in End Of Support that cannot be decommissioned at the moment;
- the completion of the migration project of the MDM (Mobile Device Management) system, for company smartphones and tablets, to the new cloud solution;
- the implementation of double factor authentication for connections via corporate VPN (Virtual Private Network);
- the implementation of a network performance monitoring system;
- the implementation of a Network Access Control (NAC) system to control access to equipment in electricity distribution substations;
- the project to migrate minor connectivity to a wholesale network in order to increase security and reduce costs.

In the ICT Governance area, the main initiatives concerned:

- IT Iren Now: saw consolidation actions and the release of the IRM/GRC module for the digitalisation of IT risk analysis processes and support for other compliance activities;
- ISO 27001: in July the audit for the renewal of the certification was successfully passed, which now also includes the services offered to Ireti Gas;
- PSNC (Perimetro di Sicurezza Nazionale Cibernetica) (Cybernetic National Security Perimeter): collaborated on the risk analysis within the PSNC project, within the dedicated group project;
- the enhancement of IT security in the OT by defining the areas of responsibility with related RACI model, architectures, security requirements and IT risk analysis model.

Project initiatives aimed at raising the level of IT Security against cyber events continued. The most significant are:

- continuation of the awareness campaign on IT security issues, addressed to all employees;
- adoption of a Threat Intelligence platform in order to effectively and efficiently manage all information related to potential cyber threats, extending the analysis also to third parties;
- adoption of a platform for monitoring the security configurations of network equipment;
- adoption of a WAF (Web Application Firewall) for the timely protection of published applications;
- also with regard to the PSNC, security measures were implemented and the monitoring activities required by the regulations were carried out.

With regard to the Corporate area, the main projects carried out in 2023 were:

- the transition to a new version of the Time

Management module in order to improve the company's time recording activities;

- the completion of the activities started in 2022 concerning the management system of the company fleet and car sharing, through an App, and the introduction of a management application for the centralised control of the entire Iren vehicle fleet;
- following the introduction of a new system for the management of the group's warehouses, the phase of adopting the 'Pick&Go' system (automated picking) was also completed for all warehouses for which this functionality was envisaged. Business Intelligence and predictive analytics capabilities for optimised management were also made available;
- the launch of the new corporate intranet, now user-friendly on all devices, mobile or fixed, with a focus on usability and communication issues;
- the extension to the water commodity of the company's rate calculation system (TCR), into which new functions were integrated specifically for this area (rate breakdown report, unbundling);
- the launch of the in-house competence centre on ServiceNow technology, an area of strategic importance given the centrality of the platform for IT processes and beyond.

With regard to the Networks BU, activities related to the roll out of the "Iren Way" project in ASM Vercelli for gas and electricity commodities were completed. The analytics project on prescriptive/predictive maintenance of low- and medium-voltage electricity grids was also completed as planned.

Project activities related to the digitalisation initiatives below are being continued:

- BC1 - Predictive Plant Maintenance and Operation;
- BC2 - Asset/Equipment Tagging;
- BC3 - Advanced maintenance and operation procedures;
- BC5 - Advanced Analytics Networks;
- BC6 - AM-WFM external enterprise extension;
- BC8 - BIM-GIS Vertical evolutions and systems integration;
- BC9 - Data Management Extension.

Finally, the business cases for the following digitalisation initiatives were consolidated and approved:

- BC7 - AM-WFM evolutionary with controlling and asset enhancement;
- BC10 - Extension of IoT devices on networks and plants.

Within the Energy BU, a new application was made available to the Municipality of Turin as part of the EfficienTO project concerning the energy management of the Municipality's buildings.

In addition, activities in the district heating sector continued, with the introduction of new dashboards and reports for both operational and management level

control.

Finally, in the Smart Solutions area, a new tool was introduced for the operational management of energy efficiency orders.

With regard to the Market BU, in 2023, the digital transformation and system consolidation projects continued. In particular, the following are noted:

- four releases (February, May, July and November) to support Business As Usual on core CRM and Billing systems in response to regulatory adjustments, marketing and sales strategies and operational improvements;
- at the same time as the releases, the periodic releases of the IrenYou App used by Iren Mercato, Salerno Energia Vendite, ATENA Trading and Alegas customers continued, adding features related to the Environment and district heating market, reaching a total of one and a half million registered customers and a rating steadily above 4;
- periodic monthly releases on the IrenPlus and IrenGo systems to support the marketing strategy;
- in continuity with the digital transformation programme undertaken by the Group and with the aim of evolving the current application ecosystem to optimise digital marketing and sales strategies, to ensure synergy between all channels, to improve the customer experience and to increase conversions, the following projects were released:
  - Website and Digital Commerce, for the new commercial portal irenlucegas.it for the sale of non-commodity products, enabling a customised contextual experience;
  - Martech & Digital Marketing, for the enhancement of product and service sales through Digital Marketing services and Martech advanced tools that enable a new personalised user experience;
  - Agent Portal: new solution for sales agents, with the implementation of Lead Dispatching functionality;
  - Finally, the E-Mobility project was launched at the end of 2023, with the aim of releasing the new platform for the development of the e-mobility service strategy. It is scheduled for release in June 2024.

For the Waste Management BU, the main project initiatives concerned:

- the launch of the InPlant project, which envisages the implementation of a single solution for the management and operation of the BU plants, released to date for:
  - the PAI C1 paper and plastic recycling plant in Parma;
  - the pallet plant in Vercelli;
  - the Rio Riazzone and Poatica landfills;
- the TQRIF project. In 2022, ARERA issued the new resolution on the technical and contractual quality

of environmental services (TQRIF), which imposes a set of indicators to be reported from 2024;

- Procedures for exporting data to the Authority.net system (a solution already in use by Ireti for ARERA reporting) have been prepared and testing of the extracted data is being completed.
- the completion of the integration of Iren Ambiente Salesforce and SAP systems with the SEI Toscana Ekovision solution, to enable the management of SEI Toscana Customer Care and TARI billing processes through Iren systems;
- the release of the new IrenAmbiente App for the management of environmental services, providing users in all the territories managed by the BU with information on the services offered (calendars, points of interest, counters) and access to a series of services directly from the same App (e.g. bulky waste booking). In parallel, the functionalities related to the management of TARI contracts on the IrenYou Group App were also extended, offering users new mobile and web-based order functionalities.

Across business areas, in the area of Digital Innovation, the main initiatives released during the year were:

- introduction of a new technology (Data Process Mining), useful for the identification of process pain points through the use of data. The technology adoption was accompanied by a roadmap of initiatives and application areas. The pilot phase ended in Q4 2023 and in 2024, four processes will be monitored at the Market BU;
- release of several use-cases in the Advanced Analytics/Artificial Intelligence field, among them:
  - HyperCaring: semantic analysis algorithm useful to define ad hoc caring actions on the customer base of Iren Mercato;
  - market trading support: forecasting algorithms for bidding strategy in two areas: PRA (Residual Area Withdrawal) for customers without 2G meters and definition of gas imbalance curves at national level, based on supply/demand analysis;
  - revenue simulator: data science tool useful for simulating portfolio scenarios based on "what-if" logic;
  - LTV & Churn 2.0: revisiting artificial intelligence models dedicated to calculating marginality, life time value and churn risk of the customer base;
- finally, the Energy Management Data Product 2023 programme was completed, which saw the implementation of a useful architecture for storing "data products", including "Gross Plant Production", "Net Plant Production" and "Plant Gas Consumption (Methane)".



# Innovation, Research and Development

Technological innovation in Iren Group is central to the strategic choices and the definition of the products and services offered.

The Business Plan to 2030 provides for important investments in innovative technologies and for digitalisation. This confirms the centrality of innovation in the Iren Vision, which will be expressed in the development Plan of all the sectors in which it operates with the objective of making the Group an example of excellence and innovation in the multi-utility sector. In particular, the Business Plan is in line with the sector macro-trends identified, namely the decarbonisation and development of renewables, the circular economy, energy efficiency and the protection of natural resources.

From this perspective, the main innovation activities underway within the Group are aimed at researching and adopting technologies and processes to support the sustainable development of the reference businesses. Iren Group manages innovation processes through an open innovation model and, consistently, has launched profitable collaborations with Universities, Research Centres, Innovation Hubs and Start-ups. Additionally, it takes an active part in working groups and associations on specific research and development and promotes events such as conferences, workshops and hackathons. As evidence of its commitment to innovation, Iren in 2023 received the Smau 2023 Innovation Award for Iren4Planet, a new service that allows the multi-utility's customers to calculate their environmental impact, based on consumption, habits and spending behaviour, and to receive suggestions to reduce their 'carbon footprint'. The service was realised in partnership with the start-up AWorld, identified through Iren Up and implemented within the activities of Iren Luce Gas e Servizi.

## Iren Innovation Lab

The year 2023 was the second full year of Iren Innovation Lab, which hosts all of the group's open innovation initiatives, allowing both to further strengthen the culture of innovation at all levels of the hierarchy and to continue extending the boundaries of the innovation ecosystem.

During 2023, Iren Innovation Lab saw the conclusion of Iren Group's first Call4Ideas. This initiative involved 86 colleagues who, divided into 20 teams, had the opportunity to dedicate time and resources to the development of their projects with the training support of coaches and mentors. In January 2023, an initial selection event took place in which the 8 finalist groups were identified and presented their work to a jury of top management on 5 April, during the Innovation Day. At the end of the event, held in Turin at the Museo Nazionale del Risorgimento, prizes were awarded to the four best projects that continued development work over the following months.

After the success of the first edition, the second Call4Ideas was launched in October 2023 to once again give group employees the opportunity to nominate their innovation ideas, regarding new solutions to strengthen

the Group's positioning, launch new businesses and improve existing processes or working methods.

Furthermore, in July 2023, Iren Innovation Lab organised and held the first corporate event dedicated entirely to artificial intelligence and its applications. The day was attended by more than 80 colleagues from different offices, companies and departments of the group and was an opportunity for training and project building to accelerate the adoption of artificial intelligence solutions in processes.

The platform supporting open innovation was also used for the new edition of the Iren ESG Challenge 2023 award, for the 10 best theses dealing with the topic of sustainability and ESG challenges. In the months between September and November, the platform received applications from around 140 dissertations and doctoral theses.

As regards external initiatives, the Group continued its collaboration with Wazoku, the largest crowdsourcing innovation platform, made up of over 600 thousand innovators (including students, researchers, technology experts and enthusiasts, scientists, start-ups and

SMEs) ready to receive the challenges launched by the most important companies in the world. The year 2023 saw the formulation and launch of new challenges, which focused on textile waste recovery, district heating pipe repair, purification systems and the detection of batteries in electronic waste.

The year 2023 was also characterised by the continuation of technical activities related to the

Group's various co-financed projects and by the development, also in partnership with innovative companies and start-ups, of internal technological projects on the basis of planning which, starting from an analysis of the long-term scenario, is aimed at giving the Group the tools needed to seize the opportunities and mitigate the risks deriving from the evolution of the markets in which it operates.

## Iren Up

The activities of Iren Up, the Corporate Venture Capital programme, launched in 2018 with the aim of supporting the highest potential Italian start-ups in the cleantech sector, from clean technologies to the circular economy, continued. The programme provides for direct and indirect investments with different tickets depending on the life phase of the Start-up and needs.

A new edition of the Iren Startup Award dedicated to the theme of the circular economy was launched in 2022. The competition ended in April 2023 and the best start-ups in environment, water cycle, hydrogen and energy competed in the final, held during the Iren Innovation day.

The management of equity investments in start-ups in which the Group has invested continued, concluding several supplementary agreements and the disbursement of tranches provided in these agreements. During the year, the acquisition of the start-up ReMat active in polyurethane recycling was completed.

As far as indirect investments are concerned, Iren, through its investment in the venture capital fund dedicated to tech transfer in the field of sustainability managed by CDP VC (Tech4planet), contributed 22 investments in the pre-seed and seed sectors.

Lastly, as part of its networking activities and participation in the external innovation ecosystem, Iren took part in networking initiatives by companies and start-ups such as:

- SMAU, with which a Marketing and CRM call was launched, as well as participating in events related to the European roadshow;
- Elis, which joined the Open Italy 2023 programme, which launched a Proof of Concept of the Skillgym solution in the field of staff training;
- Startup Intelligence of the Milan Polytechnic University, involving participation in several inter-corporate working tables on different aspects of technological innovation;

- House of Emerging Technologies, with which collaborations were developed in the area of 5G and urban intelligence solutions;
- participation in acceleration programmes such as Techstars and Digital Magics;
- support for regional competitions dedicated to start-ups, the Startcup Emilia Romagna and the SmartCup Liguria;
- sponsorship of the National Innovation Award (PNI), participating in the jury and awarding the winner of the Cleantech category.

Among the initiatives in which Iren has participated, bringing its contribution in terms of process innovation and applied research, there are the collaborations with the Competence Centres (promoted by the Ministries of Economic Development and Economy) in Turin ("Competence Industry Manufacturing 4.0 – CIM 4.0") and Genoa ("Competence Centre for the Security and Optimisation of Critical Infrastructures" Association – "START 4.0").

## Completed and ongoing funded research projects

Also in 2023, Iren contributed to the creation of important innovation projects co-financed with public funds for research. On this point, the main projects underway are presented below. The total investment for Iren Group is approximately 4.9 million euro, of which over half being financed. In relation to these amounts, the expenditure incurred during the year amounted to 0.7 million euro, of which 0.5 million euro covered by non-repayable loans. The projects completed and in progress in 2023 are presented below.

Project	Description
<p><b>OnlyPlastic</b> (RFCS – 2019)</p>	<p>Started in September 2020, the OnlyPlastic project aims to replace fossil carbon sources (coal, coke, petroleum coke) in the electric arc furnaces of the Feralpi steel plant in Lonato (BS) with densified polymers derived from residues from the treatment of plastic waste. In order to achieve optimum use of SRA (secondary reducing agent) granules in Feralpi's steel plant, a prototype is to be built for the transport, handling and loading of the granules, as well as the design of a new injection system that meets the characteristics of the SRA obtained in accordance with the specifications of the UNI 10667-17 standard.</p> <p>Within the project, the role of Iren, through I.BLU, is configured in the production of densified plastic material to be used as a reducing agent/ foam alternative to fossil fuels in steel production processes. I.BLU will supply a product deriving from post-consumer plastic residues destined for injection and a product designed for loading into baskets.</p> <p>The project ended in August 2023 with the verification activities of the expected results, some complementary studies and final reporting.</p>
<p><b>PolynSPIRE</b> (Horizon 2020)</p>	<p>The PolynSPIRE project aims to demonstrate a range of sustainable, innovative and cost-effective solutions for the energy and material recovery of post-consumer plastics and industrial waste. Three macro-sectors of innovation are considered: 1) chemical recycling assisted by the use of microwaves and magnetic catalysts; 2) advanced additives and irradiation of polymers with high energy radiation to promote high quality plastic recycling; 3) development of plastic waste as a carbon source in the steel industry. Specifically, Iren participates in the project through its subsidiary I.BLU contributing to the third line of research. On this topic, activities concerning the optimisation of the formulation and production process, the supply of reducing agent and industrial testing at the project partner (Ferriere Nord steelworks in Osoppo (UD) - Pittini Group) were completed. The activities foreseen by the project ended in March 2023.</p>

Project	Description
<p><b>CHESTER</b> (Horizon 2020)</p>	<p>The project, which ended in March 2023, developed an innovative integrated Power-to-Heat-to-Power solution for the exploitation of non-programmable electrical RES and thermal RES already combined with DH systems. The system involved in the study, named CHEST, making use of heat pumps, latent heat storages and Organic Rankine Cycles (ORCs), allows to transform electricity into heat, store it and subsequently produce new electricity.</p> <p>Iren was involved in the project as manager of various assets in the energy sector (district heating networks, renewable generation plants, electricity distribution networks, etc.) and provided operational data on electrical and thermal production of the Turin plants and demand of district heating network for the simulation of the CHEST system. In the last months of the project, Iren has refined, by collecting them in the associated deliverable, the analysis and development of the business models relating to the market opportunities, identified with the support of the project partners, which envisage, among others, the exploitation of the CHEST system in RES plants (as an alternative to pumped hydroelectric, as a photovoltaic energy shift system to support congested networks in order to avoid the curtailment phenomenon).</p>
<p><b>EVERYWHERE</b> (Horizon 2020)</p>	<p>The project, which ended in December 2023, developed a “plug and play” fuel cell generator set powered by hydrogen, easy to transport at urban level for temporary electricity supply in different sectors (construction sites, music festivals, temporary events, exhibition centres) and capable of guaranteeing high levels of reliability and safety as well as a reduction in emissions compared to traditional generator sets. Iren Group, as a third party to Environment Park, identified several events sponsored or linked to its territories for partner testing of the 25 kW generator for electricity production, and started to prepare the necessary documentation for the design, implementation and authorisation process. The tests conducted at a number of events organised by external bodies (in Italy, for example, with the support of the H2IT association) provided useful experimental data to demonstrate and characterise the performance of the device fuelled with hydrogen from a commercial cylinder pack, while the demotest preparation activities made it possible to highlight the barriers at a technical, regulatory, authorisation and safety and certification level, to be overcome in order to allow the full development of hydrogen demonstration projects, which would otherwise be difficult to scale up to the commercial dimension despite the technological maturity achieved by the components and integrated systems for using this vector.</p>
<p><b>INCIT-EV</b> (Horizon 2020)</p>	<p>The objective of the INCIT-EV project is to develop and field test a set of electric vehicle charging infrastructure, hardware and software technologies and business models to drive large-scale adoption of electric mobility.</p> <p>Iren Group participates in the project through the parent, Iren Mercato and Ireti for the development of the pilot project in the Caio Mario interchange car park in Turin, which intends to test a system of DC columns (with both slow and fast charging), directly connected to the direct current power supply of the tram line. Upon completion of the final and executive design of the works necessary to complete the Caio Mario transformer station to enable the integration of an electric car charging infrastructure connected directly to the tram DC network, a council resolution was obtained in 2023 to authorise the contracting and start of works on the lot concerned, and the agreement between the partners was signed. In addition, tests were started by IRETI on the relevant meter. At the end of 2023, work on the forecourt was completed and the container with the appropriate equipment for the test phase was placed in position.</p>

## Project

## Description

### 5G-Solutions

(Horizon 2020)

The aim of the 5G-Solutions project is to test, in different field tests, the functionality, potential and limits of the 5G network, with particular attention to the evaluation of performance indicators defined by the relevant standardisation bodies. These tests focus on verticals Factories of the Future, Smart Energy, Smart Cities, Smart Ports, Media & Entertainment. Iren participates in the activities of the "Energy" vertical, assessing the benefits related to integration and use of the 5G network (and of its main characteristics of speed, limited latency and high reliability) in the cases of use of Demand Side Management at building and Smart Charging level of electric vehicle fleets, through two pilots developed and managed by the Group.

During 2022, the testing phase started in 2021 of two infrastructures was continued: on the one hand, a system at condominium level, interfaced both with a heat pump to provide central heating and with users' end loads (e.g. smart-plug), and on the other hand, smart-charging algorithms aimed at the company's fleet charging infrastructure, which concerned the Turin sites of Martinetto and Giordano Bruno. The pilot project was concluded on 31 January 2023.

### MARILIA - MARA-BASED INDUSTRIAL LOW-COST IDENTIFICATION ASSAYS

(Horizon 2020)

The MARILIA project, started in September 2020, aims to develop, from Technology Readiness Level 2/3 to 5, a new low-cost, high-sensitivity, expeditive test for the detection of pathogens in water samples, but potentially applicable also in other sectors such as food, health, agriculture. The objective is to validate the test at laboratory level, developed for the identification of a set of bacteria (to be identified with the contribution of Iren), laying the foundations for a subsequent deployment in the field by introducing a significant streamlining in terms of speed and cost compared to current analytical practices. During 2022, Iren, with the collaboration of Iren Laboratori, took part in the project activities related to the development of the sensor, contributing to the dissemination of the project results with a multiplicity of stakeholders (also related to the technological platform Water Europe) and with the working groups in charge of the European standardisation of the reference guidelines for the online monitoring. In particular, the device at the Prato drinking water plant was validated in November 2022. During the first few months of 2023, Iren collaborated in the validation of the measurements during the technical meetings held at Iren laboratories, where the detection procedure analysed involved the use of a LAMP (Loop-Mediated Isothermal Amplification) molecular reaction protocol with specific bacteria targets corresponding to Escherichia Coli, chosen as the model strain for the validation experiment. More specifically, the validation of the Marilia kit was carried out by means of reverse filtration: water from the Genova Prato plant contaminated with different concentrations of the bacterium was tested. A positive reaction was detected, but several 'false positives' were also observed. A detection limit of less than 104 cells/ml was also observed. Further fine-tuning and refinements of the detection system are planned. The pilot project was concluded on 28 February 2023.

### PRELUDE

(Horizon 2020)

The objective of the project, started at the end of 2020, is to test, in several pilot projects in Europe, solutions in the field of innovative management of buildings and plants, free-running mode, self-consumption and integration of renewable sources. From the technological point of view, PRELUDE intends to integrate multiple physical and mathematical models developed by the partners, databases of the different pilots and monitoring and control systems of the assets of the pilot projects in a single modular/middleware platform that is based on FusiX (metadata infrastructure and DSS - Decision Support System), developed by partner EMTECH in previous EU projects.

Iren Group participates in the project with Iren Smart Solutions and Iren S.p.A. and aims to provide a sample apartment building representative of the Italian building stock. The building was identified in Turin and 8 model flats were selected to be used for the project purposes as case studies. In 2022, the monitoring and control components at the flat and centralised building level were installed, the communication infrastructure was tested and the collection of data on the comfort of the inhabitants and the energy consumption of the flats was started. In the course of 2023, several interventions were carried out in the field to retrofit malfunctioning sensors, and together with the Polytechnic University of Turin, new sensors were installed in a flat to acquire detailed environmental monitoring data needed to refine comfort models and carry out a 24-hour test forecast, supporting tenants' self-implementation actions to improve summer comfort through suggestions sent via a Telegram bot.



## Project

## Description

RES-DHC  
(Horizon 2020)

The objective of the project is the creation of tools to support regulators and stakeholders in increasing the use of renewables in district heating and cooling systems. Programmatic and technical-economic assessment tools, actions to improve policies and regulatory frameworks, and innovative dissemination and communication means will be tested in six European pilot areas with the aim of validating their benefits and providing a set of tools for future energy projects.

Iren and Iren Energia participated in RES-DHC to test the tools and skills of the partners on studies/projects for the renewal of existing DH networks or new expansion projects, with the primary objective of improving the way in which the Group's innovative district heating 4.0 projects are planned, communicated and accepted. In the first half of 2023, the meetings of the consortium of Italian stakeholders continued, with the objective of providing support for the implementation of the programmatic measures for the promotion of district heating from renewables defined by Iren and Ambiente Italia, the main Italian partner. Iren and Ambiente Italia have finalised the documentation and actions related to the five priority measures (regulatory, economic, social, technical and financial) identified with stakeholder support to facilitate and enable the development of district heating from renewables in Italy. One measure was carried out with the support of the partner PlanEnergi, developing a feasibility study of the use of storage systems (also seasonal) for a district heating network of the Group. The pilot project was concluded in August 2023.

Multipliers  
(Horizon 2020)

The project aims at facilitating the introduction of new scientific ideas, practices and approaches in schools, which can offer to the communities, of which teachers and pupils are part, a space for open innovation, on scientific issues that have an impact on citizens' lives. In 2022, the establishment was initiated of multiplayer partnerships (Open Science Communities - OSC), which will involve schools, families, civil society organisations, informal education providers, policy makers, media, scientific institutions, and businesses in six EU countries, diverse in terms of geographic location and economic status. The OSC are jointly selecting socio-scientific issues to be addressed to develop real-life projects to be implemented in schools involving more than 1,500 students of all grade levels in the same six countries. Students will interact with faculty and be involved in data collection and decision making. Through open community events, they will share and rethink their experiences, collaborating with families and businesses and acting as knowledge multipliers. During 2023, the two phases (implementation and dissemination) of the open-school project initiated with the Pascal Secondary School were completed. In addition, a blogpost for the Multipliers newsletter was defined and implemented. Finally, with the input of all project partners, the draft for the 'Planning of New Open School Learning Projects' was drafted.

RUN  
(Liguria Region)

The RUN project, which began in July 2021, involves the development and demonstration of a service for now-casting the risk of flooding during heavy rains using IoT technologies and Big Data analysis tools designed for Smart Cities and urban drainage network managers, enabling faster actions to protect people and property and those in charge of maintaining drains, who will be able to plan interventions for optimal system operation. A network of low-cost IoT sensors was developed whose measurements, together with algorithms for evaluating surface run-off, made it possible to make continuous assessment of the expected level of risk available on an IT platform for the benefit of authorities and drainage network operators. The project was concluded in March 2023. The user interface developed allows for the display of danger levels, 'weighted' according to the degree of flooding in the census area considered and the degree of obstruction of the drains present. The project results made it possible to propose an important follow-up for the further Rain4Utilities project, which will be financed and implemented from February 2024 within the framework of the European Regional Development Fund (ERDF) Regional Operational Programme (ROP) 2021-2027.

## Project

## Description

### FlexCHESS

(Horizon Europe)

The project, which started in December 2022, aims to study the integration of demand flexibility sources within electricity grids characterised by intermittent and unpredictable sources such as renewables. The project in particular intends to investigate the use of combinations of Energy Storage Systems (ESS) of different nature (for example batteries, flywheels, electric vehicles, flexible loads) for the balancing of networks at both local level (Energy Community or DSO level) and systemic level (TSO level).

Iren S.p.A and Iren Energia are taking part in the project. In collaboration with AlgoWatt and the University of Genoa, they are engaged in the development of the Italian pilot at the company's headquarters in Corso Svizzera (Turin), with the aim of studying the potential of a Virtual Energy Storage System.

### CaLby2030

(Horizon Europe)

The project, launched in October 2022, focuses on the demonstration at TRL6 of CO<sub>2</sub> capture systems based on Calcium Looping (CaL) circulating fluidised bed (CFB), starting with three pilot plants in Europe operating under industrially relevant conditions and projecting this technology towards large-scale commercial implementation in major high-emission sectors by 2030 (target sectors: steel, cement, Waste-to-Energy).

Specifically, the contribution of Iren to the project takes the form of support in defining the test protocols to be implemented at the foreign demonstrator plants and of carrying out a pre-engineering and integration study of a CFB-CaL system with the definition of an initial retrofit concept on the Piacenza waste-to-energy plant. During 2023, a discussion took place with LEAP and PoliMI, the main Italian partners in the project and responsible for the tasks on modelling the CFB-CaL system, on the feedstock to feed the CFB: the choice fell on the stabilised dry fraction produced by specific treatment at the PAI plant in Parma. In addition, the results of stabilised dry fraction analyses and ICP and XRF analyses on ash from their combustion were shared with the other technology partners, as well as data and information on the Piacenza waste-to-energy plant (chosen as the plant on which to carry out the retrofit study in the second phase of the project) and its flue gases.

### DATA-CELLAR

(Horizon Europe)

The project, initiated in June 2022, intends to develop a platform (Data Space) capable of collecting data from different sources operating in the Energy Community sector, in order to enable new business models related to data interchange. With reference to the operational data generated by the emerging Energy Communities, particular focus will be placed on the following aspects (i) Interoperability and standardisation of data interchange protocols; (ii) Data privacy (also through blockchain); (iii) Data valorisation with tokenization mechanisms. Iren Group participates in the project with Iren S.p.A, Iren Mercato and Iren Smart Solutions and has the task of providing the use cases of the Italian pilot, represented by a Renewable Energy Community in a 'rural' context and one in an 'urban' context. During 2023, the Group identified the two validation cases and provided a description of the characteristics and type of data that could be acquired for the two nascent energy communities.

### WOODCIRCLES

(Horizon Europe)

The project, initiated in June 2023, aims to study and demonstrate solutions to enable the recycling and reuse of wood waste from construction and demolition activities. The role of Iren in the project (participating with Iren Ambiente as a third party) is included in the Italian pilot involving the City of Turin and Environment Park. On some building and housing renovation sites managed by ATC (Agenzia territoriale per la Casa del Piemonte Centrale) (Territorial Housing Agency of Central Piedmont) the wood material to be disposed of during the renovation of housing units will be collected and separated (at pilot level). The wood will be sent to the pallet recycling plant in Vercelli, with the final objective of transforming the wood collected at the construction sites into manufactured products for the creation of street furniture elements to be used in the city of Turin. During the second half of 2023, the Group was mainly involved in the definition of this Italian pilot, making contacts with ATC to organise the collection of wood waste at the renovation sites starting in 2024.

## PNRR-funded projects

During 2023, the activities of projects financed under the PNRR 'Extended Partnerships (EP) to Universities, Research Centres and Companies' continued. Iren is involved as a partner in two projects, NEST and RETURN respectively.

- PE NEST - Network 4 Energy Sustainable Transition, coordinated by the Bari Polytechnic University. Iren is involved in the Partnership as Adhering Party of the Hub and affiliated party to Spoke 4 "Clean hydrogen and final uses" (coordinated by the University of Genoa) and Spoke 6 "Energy Storage" (coordinated by the Polytechnic of Turin). In particular, the research lines developed on the two spoke concern the hydrogen value chain and energy storage (with a focus on heat storage connected to district heating networks), with a focus on the technical and technological development of innovative solutions and on regulatory and market analyses;
- PE RETURN - multi-Risk sciEnce for resilienT commUnities undeR a changiNg climate, coordinated by the University of Naples Federico II. Iren is involved in the Partnership as Founder Subject of the Hub and affiliated party to Spoke 6 "Resilience of Critical Infrastructures" (coordinated by the Polytechnic of Turin) and 8 "Climate services for risk mitigation and adaptation" (coordinated by the University of Bologna). The activities of interest to IREN concern (i) modelling and analysis of the impact of natural forcings (landslides, ground settlements and subsidence, earthquakes) in the

model of water resources and aqueduct networks, evaluating their behaviour in different climatic scenarios (extreme flooding or drought events and heat waves); (ii) monitoring and back-tracking of parasite water infiltration and illicit discharges into sewer networks; (iii) evaluation of the impact of climate change (i.e. heat waves) on surface water quality, the behaviour of flood discharges and the effectiveness of drinking water and sewage treatment systems.

In addition, within the NODES 'NODES-North West Digital and Sustainable' cascade calls, an innovation ecosystem financed by the Ministry of University and Research (PNRR framework), Iren presented, together with a start-up, the project proposal BRIDES - Boosting Resilience through Innovative Decentralised Energy Storage for sustainable mobility, which resulted eligible and fundable. This project, which started in December 2023, aims to develop a high-capacity, high-power portable charging system, implemented with Vehicle-to-Grid (V2G) functionality, reusing second-life vehicle batteries to create a decentralised energy storage solution to serve Energy Communities and ancillary energy markets, to maximise self-consumption of renewable energy locally and to meet grid flexibility requirements.

## Other innovation activities

During 2023, alongside the financed projects, Iren launched initiatives and self financed projects, which engaged resources internal and external to the company. In particular, as regards external collaborations, Iren activated multiple research contracts with Italian Universities which regarded aspects such as the design and testing of innovative plant solutions in support of the Iren businesses, the creation of models and the identification of new processes and services.

Some significant self financed projects are presented below:

### NETWORKS

This section includes research and development activities carried out in 2023 that concerned the NETWORKS segment, broken down into networks and plants serving the integrated water cycle, the natural gas distribution service and the electricity distribution service.

### Water service

Research activities continued for optimisation of water pipeline networks during the year. In particular, a number of Proof of Concepts of technologies that can be used in asset management activities were realised with special reference to the localisation and pre-localisation of water losses. Iren also continued its collaborations with a start-up aimed at perfecting specific probes to detect the presence of water in biomasses by measuring cosmic rays in the aqueduct. The collaboration concerned the contractualisation for the application of the large-scale prelocalisation technique for one year at the entire network in the province of La Spezia.

In addition, Iren in 2023 completed the Proof of Concept aimed at applying the innovative way of calculating real physiological losses (ILI - Infrastructure Leakage Index) in small districts, also taking into account specific factors such as the influence of pressure variation and the frequency of ruptures. This made it possible to define the ILI in each individual district even after pressure management and monitoring of minimum night-time runoff. A further PoC concerned the application of the methodology proposed by the American Water Works Association to define the level of accuracy of water budgeting in order to certify the volumes imported and exported by managed water systems, reducing uncertainty and identifying opportunities for improvement.

During 2023, collaboration continued with the University of Modena and Reggio Emilia as part of the research project on the impact of climate change

on the quality of water resources, and collaboration continued with Royal Askoning aimed at applying innovative methodologies for the energy optimisation of aqueduct systems.

The activities foreseen by the three agreements stipulated with the University of Genoa for the financing of a PhD scholarship on the following topics also continued: "Development of an innovative and unconventional photocatalytic technology for the degradation of emerging pollutants and the green management of water resources", "Development and testing of new methodologies aimed at the prevention, detection and mitigation of cyber threats in the OT (Operational Technology) field" and "Wastewater valorisation for sustainable reuse of the resource and mitigation of the impact of climate change".

Work continued on researching new technologies to be applied to the management of drainage networks by improving their underlying purification processes. During 2023, the scouting activity focused on technologies for energy efficiency and online process monitoring with particular reference to the monitoring of flood drains, parasitic waters (technology based on the insertion of optical fiber into sewers) and anomalous/illegal discharges into drainage networks. In addition, field tests continued during 2023 on the pre-localisation of water leaks by installing stationary noise loggers to listen to the noise produced by water leaks, and the use of fibre optics as a sensor for water networks.

In the area of sludge reduction and recovery of materials and energy, collaboration with start-ups and research bodies continued, with the aim of assessing the yields and applicability of innovative processes such as hydrolysis, gasification/pyrolysis or biotechnological processes for the extraction of high-value compounds, such as biopolymers. In particular, in 2023, it is important to highlight the activities carried out in preparation for the construction of the sludge pyrogasification industrial pilot plant.

The research activity involving Hera, Iren, SMAT, and A2A also continued. During the year, in fact, Iren continued to share its experience and knowledge through joint development of innovative projects, with repercussions to the benefit of the said companies, with the objective of developing applied research, innovation and technological development in the context of management of the water service.

In addition, Iren in 2023 had the opportunity to contract and test solutions:

- for asset monitoring and seismic risk analysis (plants and hanging tanks) by means of Artificial Intelligence techniques applied to digital surveys

of structures, with subsequent analysis of Light Detection And Ranging (LIDAR) point clouds acquired by drone flights;

- for monitoring anomalies, malfunctions and cyber attacks that can be detected by analysing the data passing through the plant's Programmable Logic Controllers (PLCs).

Iren (with its subsidiary Iren Laboratori) also in 2023, confirmed its participation in the Epidemiological Surveillance of SARS-COV-2 in wastewater, coordinated at a national level by the Istituto Superiore di Sanità, with the aim of acquiring useful indications on epidemic trends and early warning of outbreaks, by measuring, through molecular biology analysis, the levels of Covid in the wastewater entering the Group's major wastewater treatment plants.

In the same context, Iren supported Iren Laboratori in the formalisation of a Research Contract stipulated with the Italian Institute of Technology (IIT) in Genoa, for the 'Development of a point-of-care diagnostic platform for the measurement of bacterial contaminants in mains water and wastewater'. Finally, in 2023, Iren Laboratori collaborated with IIT to test the development of a rapid detection system for Escherichia Coli and Salmonella in wastewater samples.

### Gas Distribution Service

Among the project initiatives carried out in the NETWORKS area, it is important to highlight the Hydrogen Readiness analysis on the assets managed by the Group's companies involved in the management of natural gas transmission and transportation networks. The analysis made it possible to classify the type of materials constituting two clusters of sample networks and plants, allowing information to be obtained to plan a research and development pathway aimed at the progressive acceptability of hydrogen mixtures on natural gas distribution networks.

Also in the area of hydrogen injection into the distribution network managed by IRETI Gas, the Group was awarded a co-financing of 1.2 million euro under ARERA Resolution 404/2022/R/Gas 'Pilot projects to optimise the management and use of infrastructures in the natural gas sector' to carry out the 'in-grHYd' project. The project envisages the realisation of an ad-hoc pilot gas network (small in size and representative of the materials and components adopted on the networks managed by the Group) to contribute to the training of operating personnel, also testing and refining any methodological modifications necessary for characteristic operating activities during interventions, testing and assessing readiness towards H<sub>2</sub>-CH<sub>4</sub> mixtures as well as tests and analyses on leakage phenomena, persistence of the odourant at

the end of the line, etc. The mixture will feed a boiler for efficient natural gas pre-heating in the REMI station in Viano (RE).

As part of the same resolution, the Group obtained a second co-financing worth about 660 thousand euro for the construction of a new plant, identified as 'C.eMi', aimed at the process of re-injection (Reverse-Flow) into the Snam Rete Gas transportation network of a portion of the gas mixture available in the distribution plant owned by IRETI Gas, to enable and increase the absorption capacity of renewable gas injected into the distribution networks.

### Electricity Distribution Service

As part of the solutions aimed at overcoming the problems associated with the production of energy from renewable sources in quantities greater than the energy required by the underlying grid, an analysis was developed to verify the feasibility and profitability of the nickel-hydrogen storage solution, compared to traditional lithium batteries; the analysis was conducted with respect to a case study of interest and under real market conditions, introducing three different system configurations (in terms of duration, storage and number of equivalent cycles per day) for the application of stand-alone arbitrage.

Iren continued its collaboration with RSE aimed at researching topics of common interest in the following areas:

- diagnostic methodologies to detect possible critical points in the MV cable network;
- planning methodologies for the distribution network, capable of taking into account the presence of flexibility services and assessing possible coordination schemes between distribution system operators (DSO) and transmission system operators (TSO);
- IT techniques to facilitate the digitalisation of business processes through semantic technologies;
- testing of the introduction of portions of the DC grid into the medium- and low-voltage distribution networks and the associated physical and fiscal metering requirements.

Finally, preparatory activities for the contractualisation of the testing of an innovative system for fault detection on electricity distribution networks using artificial intelligence techniques were initiated in 2023.

### Projects included in the AMGA Foundation's research programme

During 2023, Iren continued its collaboration in the context of research projects funded by the AMGA Foundation relating to economic-regulatory issues and

technical-scientific aspects related to water, energy and environmental resources. Research projects completed in 2023 include:

- MYRAEE - MYco Recovery of Electrical and Electronic Equipment;
- nanocatalysers based on manganese oxides for sustainable energy production (Mn4Energy);
- comparative assessment of biogas cleaning and upgrading processes;
- markets in search of regulation: tenders for gas distribution concessions;
- optimal methods of managing urban drainage systems based on innovative monitoring of rainfall using IoT low power wide area network technology;
- the economic, environmental and organisational performance of the Italian water sector;
- reuse of purified wastewater: analysis of the hygienic-sanitary impact;
- National guidelines for the sustainability of third sector bodies with particular reference to water and energy.

During 2023, the AMGA Foundation also contracted and launched the following additional research projects financed under the Project 4.0 call aimed at financing project proposals in the water, environmental, energy and regulatory fields. In fact, the Foundation's Board of Directors decided to finance the following 4 projects:

- Joint valorisation of OFMSW from sorted waste collection and of superfluous sludge for the production of biogas and volatile fatty acids (VFA);
- characterisation and automatic selection of electronic boards using intelligence and machine vision algorithms;
- design, implementation and testing of innovative solutions for the resilience of water and energy networks;
- technical efficiency in water and/or gas distribution in Italy. Some policy considerations.

During 2023, the Board of Directors resolved to fund the following research projects included in the annual activity programme:

- the dynamics of retail energy prices and the transition to the free market;
- Sister Water: Third Sector guidelines for the efficient use of water resources and updated Third Sector Sustainability Guidelines, Energy;
- doctoral research fellowship of national interest in European sustainability studies (first year).

## WASTE MANAGEMENT

During 2023, research activities continued on processes and technologies for the capture and conversion of CO<sub>2</sub> produced by various Group plants

into high value-added products. In particular, the economic analysis of CO<sub>2</sub> capture technologies from waste-to-energy (WTE) was concluded.

Also with a view to improving treatment processes from the organic waste chain, a test was started at an OFMSW anaerobic digestion and composting plant for the use of an enzymatic catalyst that will reduce the time of the aerobic fermentation process. The test, to be completed in 2024, will verify the reduction of anaerobic fermentation times and the maintenance of the quality of the compost produced.

During 2023, testing activities continued on the use of AI to monitor the quality of waste collection in commercial premises and offices: growing interest in the technology led to a second test in an outdoor environment, to check the fill level and quality of waste in waste bins in ecocentres.

In addition, a project was initiated to test the use of exoskeletons on workers performing repetitive work under sub-optimal ergonomic conditions. The objective of the trial is to verify, on a small number of operators, and with the support of the Department of Public Health and Paediatric Sciences of the University of Turin, the effectiveness of the devices in terms of usability at work and ability to prevent the onset of musculoskeletal disorders.

Research into new solutions for the valorisation of bottom and fly ashes produced by the Group's waste-to-energy plants continued during 2023. The activities involved in particular university and industrial subjects and focused on the analysis of the technological state of the art and their industrial applicability. Specifically, for the treatment of fly ashes, an innovative technological solution was found that aims to transform them from hazardous waste to a secondary raw material for use in cement production.

During 2023, Iren finalised a feasibility analysis of a system for the capture using molten carbonate fuel cells and the conversion of CO<sub>2</sub> from waste-to-energy plants into products with high added value and high CO<sub>2</sub> retention capacity (specifically, sodium bicarbonate and secondary cementitious materials) with preliminary evaluation of the economics based on a bottom-up model starting from mass and energy balances.

Projects to implement robotics and machine vision to improve material recovery processes in WEEE treatment plants also continue. The FPD dismantling line is now integrated in the AMIAT TBD plant in Volpiano (TO) and research has focused on the subsequent sorting phase of electronic boards removed from flat panel displays (FPD) and other WEEE.

The year 2023 saw a growing interest in the recovery of rare earths and critical raw materials due to several

factors, including increased demand and the EU efforts to create a circular economy, which aims to reduce dependence on non-EU producers of these raw materials. In this context, talks were initiated with research institutions and companies specialising in the extraction of critical raw materials by means of innovative hydrometallurgical processes from spent batteries and electric car batteries. Hydrometallurgical technology is also of interest for the valorisation of materials coming out of the dismantling of WEEE, as witnessed by the construction of a plant for the recovery of precious metals from electronic boards from WEEE.

Lastly, applied research continues, self-financed by Iren, stemming from the in-depth technological needs of the Group's companies and/or emerging issues arising from regulatory updates or process innovations. The most relevant ones are the testing of the waste collection system (door-to-door/eco-island) that is most efficient (process innovation), started in 2021 and continued in 2022-23, and the research of online monitoring techniques for inorganic pollutants in wood blocks produced at the Iren Ambiente plant in Vercelli.

### **ENERGY AND MARKET**

In August 2023, Iren launched a joint Iren - Politecnico di Torino working group called Green District Heating (GDH) in order to support the decarbonisation of Turin's district heating network through the development of new business models and the identification of technologies and strategies for a greater integration of renewable sources and thermal waste in the district heating sector. The project, which has a total duration of 24 months, involves several structures of Iren Group, including Iren Energia, Iren Mercato and Iren Smart Solutions, and intends to address all the aspects (technical, economic, regulatory, etc.) that today may represent a barrier or a possible criticality in the transition process towards efficient and green district heating networks.

In addition, a feasibility study was launched in 2023 to implement a dynamic model for the near-real time and optimised management of district heating networks in the Iren information environment, based on operating data and production groups, in order to evaluate the updating of the static model currently in use, in order to support possible development strategies of the networks managed by the Group.

Within the scope of collaborations with start-ups, a start-up solution for analysing and processing data by means of AI was tested in 2023 to automate the operational processes of building census to support the development of new district heating networks. Following the positive results, the solution

was exported to identify the potential for installing photovoltaic panels on buildings for commercial offers in the Energy Community.

In this area, the study and development continued of rapid quotation systems to support the Energy Community offer with the integration of both the logic of incentive allocation among the different participants depending on the role played within the Energy Community and the optimisation of the set-up both in terms of installed renewable power and in terms of aggregated loads serving the Community.

In the area of photovoltaic system maintenance, an innovative solution for the maintenance and cleaning of photovoltaic systems was tested and an information development activity was started for the use of machine learning algorithms for the optimisation of cleaning operations for panels.

In the e-mobility area, the testing activity continued of solutions for Smart Charging services at the service of the company fleet, with the implementation of a pilot at the multi-storey parking lot of the Iren headquarters in Turin Martinetto and via Giordano Bruno with integrated service in the fleet management system through the activation of Application Programming Interface;

Demand-response logics were also tested in a domestic environment with a system for maximising the self-consumption of energy produced by photovoltaic systems through the direct control and management of electrical consumers (PdC, household appliances, sockets for recharging battery-operated devices and electric vehicles), also via smart plugs and actuators.

Finally, an experimental mobile app based on NILM (Non Intrusive Load Monitoring) technology will be tested on about one thousand customers in 2023. Using machine learning algorithms, this app is able to recognise and catalogue the main appliances in a home and provide indications on how to optimise their consumption, with a view to offering customers home energy monitoring and coaching services.



# Iren and Sustainability

Sustainability is at the core of the mission and strategy of Iren Group, which has defined ESG (Environment, Social and Governance) objectives for the short, medium and long term and has adopted a specific Sustainability Policy that guides decisions and the making of concrete commitments to ensure responsible business management.

Consistent with this approach to sustainability, the Group transparently reports its policies and performance with particular regard to environmental, social, personnel, human rights and the fight against active and passive corruption issues. These topics, together with the others identified as priorities by the materiality analysis, conducted dynamically, involving stakeholders, on the basis of the AccountAbility AA1000 Principles of inclusiveness, materiality, responsiveness and impact, are reported and detailed in Iren Group's Sustainability Report, a document that also performs the function of Consolidated Non-Financial Statement (NFS) envisaged by Legislative Decree 254/2016.

Although dual materiality is an approach that is still evolving as regards the definition of the reference and mandatory standards for the company starting from 2025 (on 2024 reporting), Iren has already implemented a system for identifying topics according to dual materiality, with the commitment to further refine the analysis, also in light of the definitive drafting of the guidelines by EFRAG.

The strategic approach to sustainability is becoming increasingly important in the long term for the competitiveness of companies, and strengthens the Group's orientation both in terms of information transparency and in considering sustainability a strategic lever for growth. In fact, Iren Group integrates sustainable development into its business model, in line with the UN Sustainable Development Goals (SDGs). An evaluation of the SDGs to which Iren contributes and can contribute more in the future was also carried out in the preparation of the Strategic Plan to 2030. All 17 SDGs were analysed, with the relative targets, and the areas of activity of the Group that contribute to their achievement were identified, making it possible to select 10 priority objectives, which were assumed in the Strategic Plan with specific commitments and targets

that are constantly monitored and reported.

The non-financial reporting for 2023 exhaustively covers the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) with reference to climate governance, strategy (main risks and opportunities related to climate change, different scenarios considered and strategy developed as a response to mitigate and adapt to risks and maximise opportunities), risks (process of identifying, assessing and managing risks and opportunities related to climate change), metrics and targets set to promote a low-carbon business model. Reporting also consolidates the disclosure required by the European Taxonomy (EU Regulation 2020/852), the single classification system for economic activities considered environmentally sustainable.

The Sustainability Report/Non-financial Statement - to which reference is made pursuant to Legislative Decree 254/2016 - is therefore increasingly a tool both for transparency towards all stakeholders and for monitoring operations, economic, environmental and social impacts. The document is prepared, under the coordination of the Corporate Social Responsibility and Local Committees Department, in accordance with the Global Reporting Initiative (GRI) Standard and the Electric Utilities Supplement – G4 Sector Disclosure, is subject to audit by KPMG S.p.A. (designated auditor) and approval by the Board of Directors at the same time as the draft separate financial statements and the consolidated financial statements.





## Other Information

### Protection of natural persons with reference to personal data

During 2023, for IREN S.p.A. and for the main Group companies, the activity of adapting, monitoring and implementing the Group's corporate management system for the protection of personal data continued, in application of the regulatory principles referred to in EU Regulation 679/16 (GDPR) and the current national legislation (Legislative Decree 196/2003 and subsequent amendments, supplementary measures issued by the Privacy Guarantor, etc.).

The GDPR has substantially changed the concept of protection of personal data, with the aim of strengthening the rights related to the protection of the individual sphere of individuals, introducing, among other things, the concepts of privacy by design and by default and accountability, thus obliging the companies to evaluate and adopt best practices in order to minimise the processing of personal data and risks to the rights and freedom of data subjects.

The Group's corporate management system for the protection of personal data, subject to constant monitoring and improvement, has led to the identification of the Data Protection Officer (DPO) of Iren S.p.A. in the figure of the 231 System Compliance and Privacy Manager, subsequently designated by the Data Controller of the treatment (CEO of Iren S.p.A.).

The same then gave instructions, in the context of the activity of management and coordination of the subsidiaries, to the Data Controllers of these companies, that they were to appoint as DPO the same person chosen for the Parent. Subsequently, all the Data Controllers of the main Group companies therefore designated as DPO the Parent DPO and made the relevant communication to the Supervisory Authority.

On 21 June 2022, the Board of Directors of the Parent then acknowledged, as the previous Board of Directors had already done, that the 231 System Compliance and Privacy Manager holds the role of Group DPO, as per the deed of appointment of 18 May 2018.

Moreover, where different DPOs are appointed for certain companies, the Group DPO coordinates the activities of internal and external DPOs, ensuring a common approach and compliance with the Group's data protection policies.

In the course of 2023, the activities to adapt and

monitor the Group's corporate management system for the protection of personal data led to the adoption of a Privacy Management Model, formalised in a specific document called the 'IREN Group Privacy Management Model'.

This document, which constitutes a source of internal regulations, makes it possible to (i) formalise the approach designed, tested and developed in practice by the Group; (ii) ensure corporate management of privacy issues, in accordance with the principles enshrined in the current regulatory framework; (iii) disseminate a culture of personal data protection. The document, previously presented to the Control, Risk and Sustainability Committee on 19 January 2023, was approved by the Board of Directors of Iren S.p.A. on 24 January 2023.

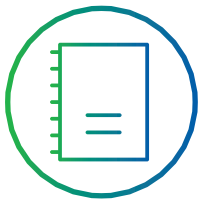
The activities of constant support to business structures on all issues concerning the processing of personal data also continued, and the Processing Registers, required under Article 30 of the GDPR, are constantly being updated. These documents, revised regularly for each company, are provided for in the legislation for the purpose of providing full knowledge of the existing processing, identifying, among other things, a number of elements of particular significance such as data processed, conservation times and risk levels.

### Control of companies abroad

It is noted that the Parent does not control companies established and regulated by the laws of non-EU countries. Furthermore, it is noted that Iren S.p.A. is not subject to management and coordination by another company.

### Report on Corporate Governance and Ownership Structure and Report on the policy on the subject of remuneration and on fees paid

The Report on Corporate Governance and Ownership Structures and the Report on the policy on the subject of remuneration and on fees paid, approved by the Board of Directors and published within the legal deadline, include information not mentioned in the section below "Information on Corporate Governance", as envisaged in art. 123-bis and art. 123-ter of Legislative Decree no. 58 of 24 February 1998, and subsequent amendments and additions.



# Information on Corporate Governance

## INTRODUCTION

IREN S.p.A. (hereinafter "Iren" or "Company" or "Parent") is the result of the merger of Enia S.p.A. into IRIDE S.p.A. which took effect on 1 July 2010. The merger between IRIDE and Enia was promoted by the controlling shareholders - respectively FSU S.r.l. (then controlled equally by the municipalities of Turin, through FCT Holding S.p.A., and Genoa) and the municipalities of Reggio Emilia, Parma, Piacenza and other municipalities of the Emilia area that had signed ad hoc shareholders' agreements – with the objective of creating a new entity capable of developing industrial synergies and to be a hub for further aggregations on the national market.

At the reference date of this report, three Shareholders' Agreements are in force among the public shareholders of Iren:

- Agreement between FSU - FCT - Metro Holding Torino - so-called Parti Emiliane – Soci Spezzini, effective as of 5 April 2019.  
This agreement (hereinafter also the "Shareholders' Agreement") is attributable to a blocking and voting syndicate with the purpose of guaranteeing the development of the Parent, of its investees and of its business, and of ensuring unity and stability of guidance, also through the use of the instrument of increased votes, and, specifically: (i) determining methods of consultation and joint decision-making regarding certain resolutions of the Company's Shareholders' Meeting; and (ii) setting certain limits on the circulation of the shares contributed. The Shareholders' Agreement has a duration of 3 years and will be tacitly renewed, subject to the option to withdraw with the methods and in the terms pursuant to the Shareholders' Agreement itself, for a further 2 years; subsequently, any further renewal must be agreed in advance in writing.
- Emilian Parties *Sub*-Agreement in effect as of 5 April 2019.  
This agreement is intended, among other things, to determine the respective rights and obligations, in order to (i) ensure uniformity of conduct and rules on decisions that must be taken by the Emilian parties in the context of what is provided for in the FSU-FCT-Emilian Parties-La Spezia Shareholders' Agreement; (ii) provide for further commitments in order to guarantee the development of the Company, of its investees and of its business, and of ensuring to the same unity

and stability of guidance; (iii) attribute a right of pre-emption in favour of the signatories in the event of sale of the Company's shares other than shares covered by the block syndicate under the terms of the Shareholders' Agreement; and (iv) confer on the municipality of Reggio Emilia an irrevocable mandate to exercise on behalf of the signatories the rights attributed to these latter under the terms of the Shareholders' Agreement. The Emilian Parties *Sub*-Agreement has a duration of 3 years and will be tacitly renewed, subject to the option to withdraw with the methods and under the terms pursuant thereto, for 2 additional years; subsequently, any further renewal must be agreed in advance in writing.

- Piedmont Parties *Sub*-Agreement in effect as of 28 September 2021.  
This agreement can be traced back to a voting syndicate through which the shareholders FCT Holding S.p.A. and Metro Holding Torino intended to regulate their mutual relations as shareholders of Iren, also as part of the broader Shareholders' Agreement signed with other shareholders of Iren on 05 April 2019. More specifically, the Piedmontese Parties intend to 1) coordinate with each other in order to identify, within the limits set by the Piedmontese *Sub*-Agreement: i) shared candidacies within the scope of the powers to appoint directors and statutory auditors, as governed by the Shareholders' Agreement; ii) common guidelines in relation to the decisions to be taken on the resolutions of the Meetings as per art. 6-bis of Iren's Articles of Association, as well as on the resolutions to be taken on the following matters (a) amendment of the provisions of the Articles of Association governing the limits to share ownership; (b) amendment of

the provisions of the Articles of Association concerning the composition and appointment of the corporate bodies; (c) amendments to the Articles of Association concerning the quorums for the constitution and passing of resolutions and the powers of the Shareholders' Meetings and the Board of Directors; (d) the registered office; (e) mergers, spin-offs (other than those pursuant to articles 2505, 2505-bis and 2506-ter, last paragraph, of the Italian Civil Code) as well as other extraordinary transactions on the capital, with the exception of those required by law; and (f) the liquidation of the Company; 2) to grant FCT an irrevocable mandate, also in the interest of FCT itself, to exercise the rights conferred by the Shareholders' Agreement on FCT in accordance with the provisions of the Piedmont Sub-Agreement.

The Piedmont Parties Sub-Agreement has a duration until 05 April 2022 (first expiration date) and is tacitly renewed upon expiry for a further 2 years, unless notice of termination is communicated at least 6 months before the expiry date.

During 2023, there were no substantial changes in the ownership structure.

As at 31 December 2023, Iren held 17,855,645 treasury shares equal to 1.37% of the share capital.

The Company adopts a traditional system of corporate governance. The Board of Directors is vested with the broadest powers for the ordinary and extraordinary administration of the Company and, specifically, with the power to carry out all the actions it deems appropriate for the implementation and achievement of the corporate purpose, including organising the Company and the Group into business areas, whether structured as companies or operating divisions, excluding only those actions that the law and the Articles of Association reserve for the Shareholders' Meeting.

Under the terms of the current Articles of Association, the Board of Directors delegates its powers to one or more of its members and may also assign powers to the Chairperson, Deputy Chairperson and CEO provided they do not conflict with each other.

#### **Declaration on observance of the laws on the subject of corporate governance**

Iren's corporate governance system is in line with the provisions of the Consolidated Law on Finance (hereinafter "TUF") and the Corporate Governance Code approved by the Italian Corporate Governance Committee on 31 January 2020, effective 1 January 2021 (hereinafter "Code"), to which the Company

subscribed by board of directors' resolution of 18 December 2020.

After adoption a disclosure was made to the public through a press release distributed to the market. On the same date, the Board of Directors also approved the document that highlights the governance solutions adopted by the Company with reference to the provisions of the Code, published on IREN Group's website ([www.gruppoiren.it](http://www.gruppoiren.it)), in the version updated from time to time, in the Section "Governance – Corporate documents".

The current Articles of Association are in keeping with the rules of the Consolidated Law on Finance and the other provisions of laws or regulations applicable to listed companies.

In particular, the Articles of Association state, among other things, that:

- the directors must be in possession of the requisites provided for by law and by the regulations on the subject (art. 147-*quinquies* of the Consolidated Law on Finance);
- at least two members of the Board of Directors must possess the requisites of independence established by the applicable legislation (art. 147-*ter*, paragraph 4, and art. 148, paragraph 3, Consolidated Law on Finance);
- the members of the entire Board of Directors are appointed on the basis of lists (art. 147-*ter*, paragraph one, Consolidated Law on Finance);
- the non-controlling shareholders have the right to appoint at least two members (art. 147-*ter*, paragraph 3, Consolidated Law on Finance);
- the balanced representation of genders in the composition of corporate bodies is respected (art. 147-*ter*, paragraph 1-*ter* and art. 148, paragraph 1-*bis*, Consolidated Law on Finance);
- one standing and one alternate member of the Board of Statutory Auditors must be elected from the list presented by the minority (art. 148, paragraph 2 of the Consolidated Law on Finance);
- the Chairperson of the Board of Statutory Auditors and one supplementary auditor must be appointed on the basis of the list presented by the minority (art. 148, paragraph 2-*bis* of the Consolidated Law on Finance);
- a manager in charge of financial reporting must be appointed, setting the requisites of professionalism and the powers and tasks attributed to the same (art. 154-*bis* of the Consolidated Law on Finance).

On 21 June 2022, the Iren Shareholders' Meeting, called inter alia to approve the financial statements at 31 December 2021, also proceeded to appoint the Company's Board of Directors for the 2022-2024 three-year period, with expiry on the date of approval

of the financial statements at 31 December 2024. Furthermore, as already noted, the Board of Directors' meeting of 30 August, following the resignation of Gianni Vittorio Armani on 12 June 2023 (effective as of the same date), appointed, by co-option pursuant to Article 2386 of the Italian Civil Code, Paolo Signorini as Director and Chief Executive Officer (and General Manager) of the Company. As discussed below, from 12 June 2023 to 30 August 2023, the contingency plan for Directors holding special offices (Chairperson, Deputy Chairperson and Chief Executive Officer) adopted by Iren was applied, and due to the related provisions, the Board of Directors, at its meeting held on 12 June 2023, allocated the powers attributed until then to the previous resigning Chief Executive Officer, Giancarlo Garrone, to the Chairperson and Deputy Chairperson of the Board of Directors for that period, Gianni Vittorio Armani.

By resolutions of the same Board of Directors of 30 August:

- the Chairperson, Luca Dal Fabbro, has been assigned powers, delegated powers and responsibilities with regard to: Corporate Secretariat of the Iren Board of Directors; Communication and External Relations; Institutional and Public Affairs (including relations with Regulators, Regions and Local Authorities); Regulatory Affairs; Merger & Acquisition; Internationalisation and Strategic Partnerships; Permitting; Finance and Investor Relations; Innovation;
- the Deputy Chairperson, Moris Ferretti, has been assigned powers, delegated powers and responsibilities with regard to: Corporate Affairs; Corporate Social Responsibility and Local Committees; Internal Audit and Compliance; Personnel and Organisation;
- the Chief Executive Officer, Paolo Signorini, has been assigned powers, delegated powers and responsibilities with regard to: Administration, Ordinary Finance and Control; Information Technology and Systems; Procurement, Logistics and Services; Legal Affairs; Risk Management; Energy Management; Energy, Market, Networks and Waste Management Business Units as well as extensive delegations and powers of representation. The entire organisational structure reports to the Chief Executive Officer with the exception of those functions that report directly to the Chairperson or Deputy Chairperson.

Finally, the Board of Directors of 30 August appointed (i) Luca Dal Fabbro as Strategic Director of Finance, Strategies and Delegated Areas, (ii) Moris Ferretti

as Strategic Director of Human Resources, CSR and Delegated Areas, and (iii) Paolo Signorini as General Manager of the Company, granting them operational powers and delegations, with transversal impact on the Departments and Business Units.

In compliance with the provisions of the Code, with a resolution adopted in the meeting of 21 June 2022, the Board of Directors - immediately after taking office - appointed:

- a Remuneration and Appointments Committee (hereinafter also "RAC");
- a Control, Risk and Sustainability Committee (henceforth also "CRSC").

In accordance with the provisions of the CONSOB Regulation and of the current RPT Procedure, with a resolution passed at the meeting on 21 June 2022, the Board of Directors also appointed an Independent Directors' Committee for dealing with Transactions with Related Parties, named the Related Party Transactions Committee (hereinafter also "RPTC").

## Boards of directors

The preceding pages provide details on the appointment of the Iren Board of Directors by the Shareholders' Meeting of 21 June 2022, in office for the financial years 2022/2023/2024 (until the approval of the Company's financial statements at 31 December 2024). With specific regard to Paolo Signorini - we remind you that he was appointed, inter alia, Director and Chief Executive Officer of Iren by the Board of Directors on 30 August by co-option pursuant to Article 2386 of the Italian Civil Code - the latter, pursuant to this provision of the Italian Civil Code, will remain in office until the date of the next Shareholders' Meeting (called, inter alia, to approve the Company's financial statements at 31 December 2023, scheduled for 27 June), at which time it will adopt the measures within its competence.

The following table shows the breakdown at the date of this Report:

Office	Name and Surname	Place of birth	Date of birth
Chairperson of the Board of Directors	Luca Dal Fabbro	Milan	8 febbraio 1966
Deputy Chairperson	Moris Ferretti	Reggio Emilia	28 maggio 1972
Chief Executive Officer and General Manager	Paolo Signorini	Genova (GE)	15 luglio 1963
Director	Francesca Culasso	Moncalieri	12 agosto 1973
Director	Enrica Maria Ghia	Rome	26 novembre 1969
Director	Pietro Paolo Giampellegrini	Massa (MS)	14 novembre 1968
Director	Francesca Grasselli	Reggio Emilia	13 giugno 1979
Director	Cristiano Lavaggi	Carrara (MS)	8 agosto 1975
Director	Giacomo Malmesi	Parma	29 ottobre 1971
Director	Giuliana Mattiazzo	Turin	21 dicembre 1966
Director	Tiziana Merlino	Finale Ligure (SV)	8 giugno 1974
Director	Gianluca Micconi	Ponte dell'Olio (PC)	19 marzo 1956
Director	Patrizia Paglia	Turin	26 agosto 1971
Director	Cristina Repetto	Genoa	27 ottobre 1973
Director	Licia Soncini	Rome	24 aprile 1961

In accordance with art. 25 of the current Articles of Association, resolutions of the IREN Board of Directors are carried by a vote in favour of the absolute majority of Directors in office.

For the matters indicated in art. 25.5 of the Articles of Association ("Significant Matters"), resolutions of the Board are instead carried by the vote in favour of at least 12 Members.

Articles 18, 19 and 20 of the Articles of Association govern the appointment, methods and criteria for the presentation of lists for the appointment of Directors, which adopts the list voting system.

During 2023, the IREN Board of Directors held a total of 22 meetings.

As at 31 December 2023, in the Board of Directors,

consisting of 15 directors, 11 directors possess the requirements of independence both under the terms of the combined provisions of arts 147-ter, paragraph 4, and 148, paragraph 3, of the Consolidated Law on Finance, and under the terms of art. 7 of the Code.

The Board of Directors assesses the independence of its members with regard to the principle of substance over form. The independence of directors is assessed by the Board of Directors on appointment, and thereafter on an at least annual basis, or when significant circumstances occur for the purposes of independence during their mandate. The outcome of the Board's assessments is disclosed to the market, with the methods identified in the Code.

As at 31 December 2023, the Independent Directors met once, under the terms of Recommendation no. 5 of the Code.

The Company has instituted a short-term bonus system (MBO) for the Chief Executive Officer and General Manager of Iren, the Executive Chairperson and Strategic Director of Finance, Strategies and Delegated Areas of Iren and the Executive Deputy Chairperson and Strategic Director of Human Resources, CSR and Delegated Areas of Iren - for the latter from 2023 - and group key management personnel: the objectives are set respectively by the Board of Directors and - in light of the remodulation of the delegated powers by the Board of Directors of IREN on 30 August 2023 - by the Deputy Chairperson of the Company - after consulting the Remuneration and Appointments Committee of the Company (hereinafter "RAC") - on an annual basis and, where achieved, to the extent established following a preliminary investigation carried out by the Remuneration and Appointments Committee, entitle to the receipt of the relevant bonus (subject to the resolution of the Board of Directors, with regard to the Chief Executive Officer and General Manager). At its meeting of 28 September, the Board of Directors approved the proposal formulated by the RAC, following the latter's review pursuant to Article 8.1, letter (c) of the respective Regulation, concerning the assignment to the three Delegated Bodies, for the remainder of 2023, of the same objectives assigned to the previous Chief Executive Officer and General Manager (who resigned), Gianni Vittorio Armani.

The 2022-2024 LTI Plan was approved by the Board of Directors on 28 April 2022, developing, also in the

context of a specific Regulation and an Addendum to the Regulation itself, the objectives and macro-drivers already approved on 29 March 2022.

Consistent with its predecessors, the 2022-2024 LTI Plan provides for the vesting of a monetary bonus based on three-year 2022-2024 performance.

As things stand, also taking into account the changes in the composition of the Board of Directors already mentioned, the 2022-2024 LTI Plan has among its recipients:

- the Directors holding special offices of IREN S.p.A. (Executive Chairperson and Executive Deputy Chairperson);
- IREN Group key management personnel;
- additional top-level resources capable of making a significant contribution to the achievement of the Business Plan's objectives, which will be subject to precise identification by the Chief Executive Officer and General Manager.

For more information on the remuneration policy, please see the Report on the policy on the subject of 2024 remuneration and on fees paid for 2023 made available to the shareholders, in observance of the terms provided for in the current legislation, in view of the Shareholders' Meeting called to approve the Financial Statements at 31 December 2023.

As envisaged in the Italian Civil Code, directors with an interest in a given transaction must report such interest beforehand. On this point, with a resolution passed on 28 June 2021, the current text of IREN's Procedure on Related Party Transactions was approved by the Board of Directors, with effectiveness from 1 July 2021.

## Remuneration and appointment committee

- The Board of Directors set up within it a Remuneration and Appointments Committee (hereinafter also "RAC"), composed, for the three-year period 2022/2024 of four non-executive directors, most of whom independent, from among whom the Board of Directors appointed the Chairperson.
- The Committee has the preliminary, proposing and consultative functions towards the Board of Directors, as per the Code as well as the Policies and Procedures approved by the Board of Directors of IREN S.p.A. on 1 August 2018 (and of which the RAC in office took note in the first meeting following the appointment), as follows:
  - a. to formulate proposals to the Parent's Board of Directors on the definition of the policy on remuneration of Directors and key management personnel of Iren Group (top management, as defined in the Code), in compliance with the current legislation and having regard to the criteria recommended by the Code, after interaction with the Parent's Control, Risk and Sustainability Committee, as regards the risk profiles;
  - b. to submit for the approval of the Company's Board of Directors the annual Report on the policy on the subject of remuneration and on fees paid prepared under the terms of art. 123-ter of the Consolidated Law on Finance, for its presentation

- to the Shareholders' Meeting called for approval of the annual financial statements;
- c. to assess periodically the adequacy, overall consistency and actual application of the policy under a) above, availing itself, in this last regard, of the information provided by the competent delegated bodies and formulating proposals on the subject to the Board of Directors;
  - d. to present proposals or express opinions to the Company's Board of Directors on the remuneration of executive directors and other directors who hold special positions and establishing performance objectives relating to the short and medium/long-term variable component connected with this remuneration;
  - e. to monitor the application of the decisions adopted by the said Board by verifying, in particular, the actual achievement of the short- and medium/long-term performance targets pursuant to point d) above;
  - f. to formulate proposals to the Company's Board of Directors on the remuneration of the members of the Committees set up within the Board itself;
  - g. to establish the annual board evaluation procedure ("board evaluation") on the operation of the Board itself and of its Committees and on their size and composition, also taking into account elements such as the professional characteristics, experience, including managerial, and gender of its members, and their seniority in office; specifically, after coordination with the Chairperson of the Board of Directors, the Committee identifies the subjects with which the assessment is concerned and, having regard to the best practices, also availing itself of the assistance of an expert consultant in the sector;
  - h. taking into account the results of the board evaluation as in point g) above, to formulate opinions to the Board of Directors on the subject of the dimensions and composition of the same and of its Committees (including the requisites of professionalism, integrity and independence of the related members) and to express recommendations on the professional and managerial figures whose presence on the Board of Directors is considered opportune, so that the Board of Directors can express its guidance to the shareholders before the appointment of the new board;
  - i. to express recommendations to the Board of Directors as regards the maximum number of appointments as Director or Statutory Auditor in other listed companies in regulated markets (including abroad), in financial, banking and insurance companies or in large companies, compatible with an effective fulfilment of the appointment as Director of IREN S.p.A. taking into consideration the participation of the Directors in the Committees set up within the Board;
  - j. to express recommendations to the Board of Directors on any problematic cases connected with application of the prohibition on competition provided for in relation to Directors in art. 2390 of the Italian Civil Code;
  - k. in line with the current with statutory provisions, to propose candidates to the Board of Directors for the position of Director in the cases of co-option pursuant to art. 2386 paragraph 1 of the Italian Civil Code, if it is necessary to replace Independent Directors, ensuring observance of the prescriptions on the minimum number of independent directors and on the quotas reserved for the less represented gender;
  - l. to carry out the enquiry on preparation of the plan for the succession of the Executive Directors, if the Board of Directors decides to adopt this plan;
  - m. to report, through its Chairperson, on the most significant questions examined by the Committee on the occasion of the next meeting of the Board of Directors of IREN;
  - n. to report on the methods of performing its duties to the Shareholders' Meeting called for approval of the annual financial statements, through its Chairperson or another member indicated by the same.
- No Director shall take part in meetings of the Committee in which proposals are formulated to the Company's Board of Directors on their remuneration, unless the proposals regard all the members of the Committees set up within the board.
- In performing its duties, the Committee has the right to accede to the information and corporate units necessary for it to carry out its tasks, and to avail itself of external consultants, under the terms laid down by the Board of Directors.
- In the case of transactions regarding the remuneration of the Directors of the Parent and the key management personnel of Iren Group, the Committee also performs the duties of the Committee of independent directors responsible for the examination and enquiry pursuant to the current RPT Procedure, limited to cases in which its composition makes it possible to meet the minimum requisites of independence and non-relatedness of its members required by the CONSOB R.P.T. Regulation.
- With resolutions passed on 21 June 2022, IREN's Board of Directors identified, as members of the Remuneration and Appointments Committee for the three years 2022-2024, the following Directors:
- Pietro Paolo Giampellegrini, recognising that he possesses adequate knowledge and experience on the subject of remuneration policies;

- Cristiano Lavaggi, recognising that he possesses adequate knowledge and experience on the subject of remuneration policies;
- Gianluca Micconi;
- Patrizia Paglia, recognising that she possesses adequate knowledge and experience in financial matters.

On the same date, Iren S.p.A.'s Board of Directors appointed as Chairperson of the Remuneration and Appointments Committee Pietro Paolo Giampellegrini, in possession of the requisites of independence under the terms of articles 147-ter, paragraph 4, and 148, paragraph 3, Consolidated Law on Finance, and under the terms of Recommendation no. 7 of the Code.

During 2023, the Remuneration and Appointments Committee met in total 18 times (including 3 meetings held jointly with the Control, Risk and Sustainability Committee), developing proposals and opinions that are reported in the minutes of the meetings of the Committee itself. The Committee meetings held during the year were attended by at least one Statutory Auditor of the Company, as per the Committee Regulations.

## Control, risk and sustainability committee

In accordance with what is established by the Code, the Board of Directors set up within it a Control, Risk and Sustainability Committee (hereinafter also "CRSC"), composed of four non-executive independent Directors, from among whom the Board of Directors appointed the Chairperson.

The Control, Risk and Sustainability Committee performs the general task of supporting, through adequate preliminary activities, the assessments and decisions of the Board of Directors relating to the internal control and risk management system, as well as those concerning approval of the periodic reports of both a financial and a non-accounting nature. It is assigned the functions set out in the Code as well as in the Regulation approved by the Board of Directors of IREN S.p.A. on 5 April 2019 (and which the CRSC in office acknowledged in the first meeting following its appointment), as follows:

- to assess, together with the Manager in charge of financial reporting, and after consulting the independent auditors and the Board of Statutory Auditors, the proper use of accounting standards, and in the case of Groups, their uniformity for the purpose of drafting the Consolidated Financial Statements;
- to express opinions on specific aspects related to identifying the main business risks (in particular, on specific aspects related to the Risk Policies, identifying the main business risks and the Audit Plan, and on Guidelines for the internal control and risk management system);
- to examine the periodic reports, concerning the evaluation of the internal control and risk management system, and those of particular significance drafted by the Internal Audit function;
- to monitor the independence, adequacy, effectiveness and efficiency of the Internal Audit function;
- to request that the Internal Audit function carry out checks on specific operational areas, communicating simultaneously with the Chairperson of the Board of Statutory Auditors;
- to report to the Board, at least every six months, on the occasion of approval of the annual and interim Financial Report, on its activity and on the adequacy of the internal control and risk management system;
- to support, with adequate enquiries, the assessments and decisions of the Board of Directors in relation to the management of risks deriving from detrimental events of which the Board of Directors has become aware;
- to examine the risk analysis carried out (a) with reference to the long-term Business Plan of Iren Group, prior to its approval by the Board of Directors; (b) with reference to the strategic initiatives, including the merger & acquisition operations, carried out by the Company and/or by the subsidiaries, if they fall within the scope of Iren's Board of Directors;
- to express to the Board of Directors of the Company its prior opinion on the proposal



related (a) to the appointment and dismissal of the Internal Audit Manager; (b) to the adequacy of the resources assigned to the same for performing his or her duties; (c) to the definition of the related remuneration in keeping with the corporate policies;

- in agreement with the Remuneration and Appointments Committee, prior to its approval by the Board of Directors, to examine the Company's policy for the remuneration of the Directors and key management personnel of the Group, with a particular focus on the risk profiles.

The Board of Directors of Iren S.p.A. also attributed to the Control, Risk and Sustainability Committee the functions of consultation and proposal in relation to the board on the subject of sustainability listed below:

- to express opinions to the Board of Directors of the Company on (a) the definition of "sustainability" policies and principles of conduct, in order to ensure the creation of value over time for the shareholders and for all the other stakeholders; (b) the definition of a sustainability plan (strategic priorities, commitments and objectives) for the development of the economic, environmental and social responsibility of the Group;
- to supervise the "sustainability" policies and observance of any principles of conduct adopted on the subject by the Company and its subsidiaries;
- to examine the issues being investigated in terms of the long-term sustainability of the founding principles and guidelines of strategic planning, the business plan and short-term programming, and monitoring how these are implemented;
- to assess, together with the competent Group Unit and after consulting the Independent Auditors, the proper use of the standards adopted for the purposes of preparing the non-financial disclosures provided for in the current legislation;
- supervising the system for assessing and improving the environmental, economic and social impacts deriving from the business activities in the local areas;
- to examine the periodic reports on the implementation of the structured methods of discussion with stakeholders in the local areas in which the Group operates, also through instruments such as Local Committees, and those on the consistency with the corporate social responsibility questions of the Group's cultural and image promotion activities.

In performing its duties, the Committee has the right to accede to the information and corporate units necessary for it to carry out its tasks, and to avail itself of external consultants, under the terms laid down by the Board of Directors.

With resolutions passed on 21 June 2022, Iren's Board of Directors identified as members of the Control, Risk and Sustainability Committee for the three years 2022-2024, the following Directors:

- Francesca Culasso, recognising that she possesses adequate experience in accounting and finance, as well as internal control and risk management;
- Enrica Maria Ghia, recognising that she possesses adequate experience in internal control and risk management;
- Giacomo Malmesi, recognising that he possesses adequate experience in internal control and risk management;
- Tiziana Merlino, recognising that she possesses adequate experience in accounting, finance and risk management.

On the same date, Iren S.p.A.'s Board of Directors appointed as Chairperson of the Control, Risk and Sustainability Committee Francesca Culasso, in possession of the requirements of independence under the terms of articles 147-ter, paragraph 4, and 148, paragraph 3, Consolidated Law on Finance, and under the terms of Recommendation no. 7 of the Code.

During 2023, the Control, Risk and Sustainability Committee held a total of 21 meetings (including 3 meetings held jointly with the Remuneration and Appointments Committee). As per the recommendations of the Code, all the meetings of the Committee were attended by the Chairperson of the Board of Statutory Auditors and/or another/other statutory auditor(s) designated.

## Related party transaction committee

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In accordance with what is established by the current RPT Procedure, the Board of Directors set up a specific Related Party Transactions Committee ("RPTC").

The RPTC consists of four Directors in possession of the requirements of independence provided for in articles 147-ter, paragraph 4 and 148, paragraph 3 of the Consolidated Law on Finance and the additional requirements set forth in Recommendation no. 7 of the Code. In order to guarantee the double requisite of independence and non-relatedness in each transaction to be examined, in the context of the current RPT Procedure mechanisms were put in place to identify any subjects responsible, as an alternative, for the enquiry.

Specifically, without prejudice to the competence of the RAC in the case of transactions related to the remuneration of the Company's Directors and the Group's key management personnel, it is envisaged that:

- if possible, the RPTC is expanded to include other independent Directors, "unrelated to the transaction under review" who are members of the Company's Board of Directors, attributing to same board the task of identifying, in order of seniority, a Sub-Committee composed of at least two, for minor transactions, or three, for major transactions, Independent Directors unrelated to the individual transaction with Related Party under review;
- if there is not even one member of the RPTC or of the Board of Directors that has the above requisites of independence and non-relation, an Independent Expert appointed by the Company's Board of Directors will be vested as alternative overseer with regard to the investigation in relation to the transaction under review.

With resolutions passed on 21 June 2022, the Board of Directors identified, as members of the Related Party Transactions Committee for the three years 2022-2024, the following Directors:

- Licia Soncini;
- Francesca Grasselli;
- Giuliana Mattiazzo;
- Cristina Repetto

all in possession of the requirements of independence under the terms of the provisions of the Consolidated Law on Finance, and pursuant to Recommendation no. 7 of the Code.

On 21 June 2022, the RPTC appointed Licia Soncini as its Chairperson.

In 2023, the RPTC met 6 times preparing, among other things, opinions that are annexed to the minutes of the Committee's meetings. The meetings of the RPTC were attended by the Chairperson of the Board of Statutory Auditors and/or another/other statutory auditor(s) designated by the latter.

## Board of statutory auditors

As of today, the Board of Statutory Auditors is composed of five statutory auditors and two alternate auditors with a three-year term of office expiring on the date of the Shareholders' Meeting called to approve the financial statements in their last year of office; they can be re-elected.

On 06 May 2021, the Shareholders' Meeting appointed the members of the Board of Statutory Auditors; their term expires upon approval of these 2023 financial statements.

The composition is as follows:

Office	Name and Surname	Place of birth	Date of birth
Chairperson	Michele Rutigliano	Milan	06/10/1953
Standing Auditor	Cristina Chiantia	Turin	07/05/1975
Standing Auditor	Simone Caprari	Reggio Emilia	10/01/1975
Standing Auditor	Ugo Ballerini	Pisa	28/10/1947
Standing Auditor	Sonia Ferrero	Turin	19/01/1971
Alternate Auditor	Lucia Tacchino	Genoa	18/04/1979
Alternate Auditor	Fabrizio Riccardo Di Giusto	Collevecchio (RI)	20/06/1966

Arts 27 et seq. of the Articles of Association, to which reference should be made, establish list voting as the method for appointing the Board of Statutory Auditors.

The members of the Board of Statutory Auditors attend the Shareholders' Meetings and meetings of the Board of Directors. The presence of at least one member of the Board of Statutory Auditors at Board of Directors' meetings ensures that the Board of Statutory Auditors remains informed of activities conducted by the company and on the transactions of greatest economic, financial and equity significance performed by the company and its subsidiaries, particularly transactions in which the directors have an interest.

As indicated above, in accordance with the indications of the Code, the meetings of the Committees set up within the Board of Directors held during 2023, were attended by the Chairperson of the Board of Statutory Auditors and/or another/other statutory auditor(s) designated.

In carrying out its supervisory activities on the adequacy of the internal control and risk management system, the Board of Statutory Auditors has established an information flow with the Internal Audit Function and the Risk Management Department of the Company.

Furthermore, in its capacity as the "Internal Control and Risk Management Committee" and in coordination with the Company's Administration, Ordinary Finance and Control Department, the Board of Statutory Auditors monitored, inter alia, (i) the financial reporting process, (ii) the statutory audit of the Separate Financial Statements and of the Consolidated Financial Statements, and (iii) the verification of the independence of the Independent Auditors.

In 2023, the Board of Statutory Auditors held 12 meetings. The outcome of the supervisory activities of the Board of Statutory Auditors in office during the year, starting from its appointment, is shown in the report to the Shareholders' Meeting prepared pursuant to art. 153 of the Consolidated Law on Finance and annexed to these financial statements.

## Manager in charge of financial reporting

The position is held, as of 1 December 2023, by Giovanni Gazza (Chief Financial Officer of Iren),

after being appointed by the Board of Directors on 9 November 2023, having consulted the Board of Statutory Auditors.

## Independent Auditors

With the approval of the financial statements at 31 December 2020, the statutory audit assignment was completed regarding the Company's financial statements conferred on PricewaterhouseCoopers SpA for the nine-year period 2012-2020 by the Shareholders' Meeting of 14 May 2012.

As is known, on the recommendation of the Board of Statutory Auditors, in its capacity as the "Internal Control and Audit Committee", the Shareholders' Meeting held on 22 May 2019, has already appointed KPMG S.p.A. to audit the financial statements of Iren for the nine-year period 2021-2029. This resolution was taken at the end of a complex selection procedure that was carried out in accordance with the provisions of art. 16 of Regulation (EU) 537/2014 (the "Tender Process").

Subsequently, on 25 November 2019, the Parent and KPMG S.p.A. signed a Framework Agreement containing terms and conditions (technical and financial) for the performance by KPMG S.p.A. (i) of the statutory audit of Iren's financial statements for the nine-year period 2021-2029 and (ii) of the statutory audit of the financial statements of the consolidated companies included in the scope of the Tender Process for the three-year period 2021-2023 with renewal option for two further three-year periods (the "Framework Agreement"). Moreover, the same Framework Agreement contains terms and conditions (technical and financial) for carrying out the limited assurance engagement on the NFS of Iren Group for the three-year period 2021-2023, with an option to renew for two further three-year periods.

The Shareholders' Meetings of each consolidated company included in the Tender Process, on the basis of a reasoned proposal from their respective Boards of Statutory Auditors, have therefore appointed KPMG S.p.A. to audit their financial statements for the 2021-2023 three-year period (with an option to renew for two additional three-year periods), in accordance with the terms and conditions of the Framework Agreement.

After the signing of the Framework Agreement, the dynamism that has characterised Iren Group, both in terms of growth through external lines and in terms of internal reorganisation, has given rise to situations such as to entail changes to the original audit scope entrusted by Iren to KPMG S.p.A. In

view of these mid-term changes, it was necessary to amend the Framework Agreement in April 2021 and April 2023. For the same reasons, the Framework Agreement will be amended by the first quarter of 2024. To this end, in line with the practice already adopted, the Company, also in the name and on behalf of the companies directly and indirectly controlled by it, and KPMG S.p.A. will execute, by the approval of the 2023 financial statements, an Addendum to the Framework Agreement, to, inter alia: (i) extend the statutory audit that KPMG S.p.A. is required to perform, starting from 2023, also with respect to the financial statements of companies consolidated in the medium term, following the approach of sole auditor of the group on which the Tender Process was based; (ii) reformulate the terms and conditions of certain statutory audit engagements already assigned to KPMG S.p.A. (hereinafter referred to as the "Addendum").

More in detail, in relation to the aforementioned growth in size of the Group and to the dimensional variations, either increasing or decreasing, undergone by the aforementioned companies, the remodelling of audit services provided for in the Addendum concerns the following activities: (i) Statutory audit of Iren's separate financial statements, (ii) Statutory audit of the financial statements of subsidiaries, (iii) Statutory audit of the consolidated financial statements of Iren Group, (iv) review of the consolidated half-yearly report, (v) review of the half-yearly report of subsidiaries, (vi) Conformity examination of the separate annual accounts prepared in accordance with the Integrated Accounting Unbundling Act, (vii) Audit of the statement of debit and credit balances with Public Entities, (viii) limited assurance engagement on the NFS of Iren Group.

The increase in consideration recognised for the entire Iren Group, in accordance with the indications set forth in article 5 of the Framework Agreement, is equal to, on an annual basis, respectively: 91,189.35 euro, plus VAT, with respect to the activities indicated in (i) to (vii); and 28,300.00 euro, plus VAT, with respect to the activity indicated in (viii).

Without prejudice to the foregoing, it should be noted that the Shareholders' Meeting of Iren held on 4 May 2023 - in response to the request made by KPMG S.p.A. on 16 March 2023 and based on the reasoned proposal of the Board of Statutory

Auditors, in its capacity as the "Internal Control and Audit Committee", pursuant to art. 13, paragraph 1, of Legislative Decree No. 39/2010 - approved the adjustment to inflation of the fees originally agreed upon with KPMG S.p.A. for the performance of the tasks assigned to the same, as set forth in the Framework Agreement, as later supplemented/amended. More in detail, this adjustment, annual and with effect from 1 July 2022, was agreed at a percentage equal to the increase in the ISTAT index relating to the cost of living, to be determined on the basis of the consumer price index for families of workers and employees (FOI) net of tobacco,

compared to 30 June of the previous year (therefore initially compared to 30 June 2021) for the excess part - and, therefore, net - of a percentage of 1.5%. For the years 2022 and 2023, this adjustment, as also specified in the Addendum, amounts to 101,589.00 euro and 81,307.00 euro, respectively. As far as may be necessary, finally, it should be noted that the Addendum also considers certain services rendered by KPMG S.p.A., to Iren or the companies directly or indirectly controlled by the same, on a one-off basis, therefore not on a continuous basis, the amount of which is 53,100.00 euro.

### Maximum number of positions held in other companies

According to the Code, the directors ensure adequate time availability for the diligent fulfilment of the tasks assigned to them. Furthermore, the Board of Directors, on the basis of the commitment required of the directors for the execution of their office in Iren, can express their orientation regarding the maximum number of offices in the management or control bodies in other listed companies or companies of significant size which can be considered compatible with the effective execution of the office of director of the parent, taking into account the commitment deriving from the role held, as well as the participation of the Directors in the Committees established within the Board. To this end, it may propose to the Shareholders to introduce into the Articles of Association particular rules aimed at regulating consistently the appointment of directors.

During the meeting held on 20 April 2022, the Board of Directors in office at the time approved, after preliminary investigation by the Remuneration and Appointments Committee, the document "Guidelines of the Board of Directors of IREN S.p.A. to the Shareholders on the qualitative and quantitative composition of the Board of Directors for the three-year period 2022-2024". This document contains, inter alia, the following guidelines on the maximum number of positions held by Directors:

- an Executive Director should not hold: i. the office of executive director in another listed company, Italian or foreign, or in a company with an equity or consolidated annual turnover exceeding 500 million euro; ii. the office of non-executive director or statutory auditor (or member of another supervisory body) in more than three of the companies indicated under (i) above;

- the Chief Executive Officer may not serve as a director of another issuer not belonging to the same group, of which another director of the Company is Chief Executive Officer;
- a Non-Executive Director (even if independent), in addition to the office held in the Company, should not hold: iii. the office of executive director in more than one listed company, either Italian or foreign, or with a consolidated equity or annual turnover exceeding 500 million euro and the office of non-executive director or statutory auditor (or member of another control body) in more than three of the companies indicated above; or iv. the office of non-executive director or statutory auditor (or member of another control body) in more than four of the companies indicated above under (iii).

For the purposes of calculating the maximum number of offices held, positions held within IREN Group subsidiaries or internal committees are not relevant.

When assessing each subjective position - which shall be carried out in the interest of the Company - the Board may take into account the concrete circumstances and professional commitments (not limited to the office held) of each single Director, both to allow for a possible derogation to the limits of offices and to provide for a possible lowering of the maximum number of offices that can be held. The Board of Directors, if appropriate, will invite the Director to make the resulting decisions. The attendance of individual Directors expected at Board and Board Committee meetings during the year shall not be less than 80%, unless justified. Following the establishment of the Board of Directors currently in office, the board took note of the above guidelines and made them its own. A

similar acknowledgement was made following the appointment, by co-option pursuant to Article 2386

of the Italian Civil Code, of the new Chief Executive Officer and General Manager, Paolo Signorini.

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## Policy for Managing Dialogue with Shareholders and Investors

IREN S.p.A. has always attached great importance to continuous, open and transparent communication with all shareholders, investors and the market because, on the one hand, it helps to improve their understanding of the Company's strategies and activities and to encourage their long-term commitment, and on the other hand, it allows the Company to gather elements that are useful for guiding strategies, decisions and action plans, guaranteeing the high standards of governance to which the Company is committed. Discussion, dialogue and listening represent a key element for the creation of value in the medium-long term and for the continuous improvement of strategies, objectives and economic, environmental, social and governance results, through the understanding of the needs and

legitimate requests of stakeholders.

On 21 December 2021, the Board of Directors of IREN S.p.A. approved the "*Policy for Managing Dialogue with General Shareholders and Investors*" (updated with resolution of the Iren Board of Directors of 30 January 2024), in accordance with the provisions of art. 1, Principle IV and Recommendation 3, of the Corporate Governance Code, to which the Company has adhered.

In detail, the approved Policy governs the dialogue between the Board of Directors and the representatives of the Shareholders and Investors, apart from during shareholders' meetings, on matters falling within the competence of the Board, and defines the principles, rules and methods for carrying out this dialogue, identifying the recipients, the interlocutors, the topics under discussion, the timing and channels of interaction.

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## Contingency plans for Directors holding special offices

Pursuant to Recommendation no. 24 of the Corporate Governance Code, by a resolution passed on 13 April 2021, the Board of Directors of IREN S.p.A., after preliminary investigation by the Remuneration and Appointments Committee and the Control, Risk and Sustainability Committee of IREN S.p.A., approved a contingency plan for Directors holding special offices (Chairperson, Deputy Chairperson and Chief Executive Officer) of the Company. This Plan is designed to cope, even temporarily and contingently, with any sudden early termination of office or any temporary impediment to the exercise of the office affecting

one of the persons mentioned, making it possible to mitigate and manage the risk of a management vacancy and preserving the company from operational interruptions, in compliance with the law, the Articles of Association and the shareholders' agreements that regulate the governance of IREN S.p.A. The provisions of the Plan, it should be noted, were implemented during 2023, following the resignation of the previous CEO and General Manager, Gianni Vittorio Armani, in the period between the effective date of such resignation, i.e. 12 June 2023, and the date of appointment of the current Chief Executive Officer and General Manager, Paolo Signorini, i.e. 30 August 2023.

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## Regulations for the Operation and for the Management of the Information Process of the Board of Directors

In execution of Recommendation No. 11 of the Corporate Governance Code, functional activities were initiated in 2021 to prepare Regulations for

the Operation and for the Management of the Information Process of the Board of Directors. Said Regulations were approved at the meeting held on 15 February 2022 by the Board of Directors then in office. At its meeting on 13 October 2022, the current Board of Directors also approved the updated version of the same Regulations.

These Regulations, without prejudice to the

provisions of the law and regulations, the Articles of Association of Iren S.p.A and other corporate institutional documents, aim at formalising the rules and procedures for the operations related to the meetings to be held by the Board of Directors also in order to ensure an effective management of the Board's information process. In particular,

the Regulations identify the deadlines for the prior submission of the necessary information, ensuring that confidentiality issues are properly managed without affecting the timeliness and completeness of the flow of information, with the aim of enabling the Directors to act and deliberate in an informed manner.

## Directors responsible for the Internal Control and Risk Management System

By resolution of 30 August 2023, having regard to the allocation of powers, the Board of Directors of Iren identified, as Directors in charge of the internal control and risk management system (hereinafter "ICRMS Directors"), Luca Dal Fabbro (Executive Chairperson), Paolo Signorini (CEO and General Manager) and Moris Ferretti (Executive Deputy Chairperson), each with regard to their respective functions and delegated powers .

Each ICRMS Director, with reference to the areas falling under their responsibility, and in compliance with the delegated powers, is vested with the functions indicated below:

- to identify the main business risks, taking into account the characteristics of the activities performed by Iren S.p.A. and by its subsidiaries and check that the same are submitted periodically to examination by the Board of Directors; in more detail, in the current governance system, the ICRMS Director with delegated powers on the subject of Risk Management, in agreement with the other ICRMS Directors, as far as each is responsible, also submits to examination by the Board of Directors the Risk Policies and the Audit Plan;
- to put into practice the guidelines defined by the Board of Directors, dealing with the planning, creation and management of the internal control

- and risk management system and checking constantly its adequacy and effectiveness;
- to adapt this system to changes in the operating conditions and the legislative and regulatory framework;
- to request that the Internal Audit function perform audits on specific operating areas and on compliance with the internal rules and procedures in the execution of business operations, communicating this at the same time to the Chairperson of the Board of Directors, to the Chairperson of the Control, Risk and Sustainability Committee and to the Chairperson of the Board of Statutory Auditors;
- to report promptly to the Control, Risk and Sustainability Committee (or to the Board of Directors) on the problems and critical issues that have emerged in performance of his or her work or which he or she has in any case been informed, so that the Committee (or the Board) may take the opportune initiatives.

Supplementing the above, the ICRMS Director with delegated powers on the subject of Internal Audit and Compliance (in the current system, this is the Deputy Chairperson), in agreement with the Chairperson and CEO (who, equally, hold the position of ICRMS Directors), proposes to the Control, Risk and Sustainability Committee, for the relevant opinion, and to the Board of Directors, for the related decision, the appointment, dismissal and remuneration of the Internal Audit Manager.

## Requisites of directors

All members of the Company's Board of Directors in office possess the requirements of integrity, pursuant to art. 147-*quinquies* of the Consolidated Law on Finance. As at 31 December 2023, the Directors Francesca Culasso, Pietro Paolo Giampellegrini, Enrica Maria Ghia, Francesca Grasselli, Giacomo Malmesi, Giuliana Mattiazzo, Tiziana Merlino, Gianluca

Micconi, Patrizia Paglia, Cristina Repetto and Licia Soncini are also in possession of the requirements of independence provided for in the provisions of the Consolidated Law on Finance (acc. to arts 147-*ter*, paragraph 4, and 148, paragraph 3, Consolidated Law on Finance), and in art. 7 of the Code according to the Corporate Governance solutions adopted by IREN S.p.A.

## Organisational model under the terms of Legislative Decree 231/2001

Iren S.p.A. and the main Group companies have adopted Organisational, Management and Control Models under the terms of Legislative Decree No. 231/2001 with the objective of creating a structured and organic system of procedures and control activities aimed at preventing, as far as possible, conduct that can entail committing the crimes contemplated by Legislative Decree 231/2001. In addition to the Organisational, Management and Control Model, Iren S.p.A. has also adopted the Code of Ethics, a document that has been updated several times over the years and was approved in its current version by the Board of Directors on 18 December 2020.

During 2023, the Project for the revision and updating of the Organisational, Management and Control Models of the main Group companies continued, in order to guarantee their constant consistency with the organisational changes that have occurred and with the introduction by the legislator of new predicate offences, so that over time they maintain the effective capacity to prevent the commission of the 231 offenses. The updated 231 Models were subsequently submitted to the Supervisory Bod, presented to the Boards of Directors of the individual companies for approval, and published in their entirety on the companies' intranet sites.

In particular, in 2023, the Project to revise and update the Iren S.p.A. Model 231 was finalised, which provided for a complete review of the Model 231 with risk assessment activities, also carried out through specific interviews with the heads of the various corporate processes.

The Iren Model 231 was presented to the Supervisory Board on 26 June and submitted for approval to the Company's Board of Directors on 13 July 2023. On the same date, the Board of Directors approved the Procedure prepared pursuant to Legislative Decree No. 24/2023 on whistleblowing, aimed at regulating the whistleblowing management process, and in particular the subject of the report, the persons who may make a report, the methods and channels of its transmission, the person in charge of receiving and managing it, the applicable sanctions and the methods of filing and storing reports. Subsequently, the same procedure was brought to the approval of the Boards of Directors of the main Group companies in 2023, and specific information on the Whistleblowing Procedure was provided by means of a specific service order circulated to all employees.

Iren S.p.A. and the main companies in the Group have established, by a resolution of the Board of Directors,

a Supervisory Body pursuant to art. 6 of Legislative Decree. 231/2001, with the task of supervising the functioning of and compliance with the model and ensuring that it is updated. The Board of Directors of Iren SpA has envisaged the collegial composition of its Supervisory Body by appointing three external professionals with legal, corporate governance, organisational and economic-financial skills, with the aim of satisfying the requirements of autonomy, independence and professionalism required by law. The Board of Directors also appointed a Contact Person within the Supervisory Body in order to ensure the coordination and continuity of action of the Body itself and the constant identification of a reference in the Company.

IREN S.p.A.'s Supervisory Body, availing itself of the competent corporate functions, performs supervision on areas of activity considered at risk under the terms of Legislative Decree 231/2001, and half-yearly reports to the Board of Directors on its activities and findings. If it is considered necessary, the Supervisory Body expresses suggestions aimed at improving the system for controlling the activities and monitors its implementation.

Both the General Part of the Model and the Code of Ethics are available on the Company's website.





# Proposals of the Board of Directors to the Shareholders' Meeting

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## **PROPOSALS RELATING TO THE AGENDA ITEMS "Separate Financial Statements at 31 December 2023; Directors' Report, Report of the Board of Statutory Auditors and of the Independent Auditors" and "Proposal for allocation of the profit, relevant and ensuing deliberations"**

Dear Shareholders,

in relation to the above, we propose that you:

- approve the Separate Financial statements of Iren S.p.A. at 31 December 2023 and the Directors' Report prepared by the Board of Directors;
- approve the proposed allocation of the profit for the year, 172,284,624.39 euro, as follows:
  - 8,614,231.22 euro, 5% of the profit for the year, to the legal reserve;
  - a maximum of 154,550,647.59 euro as dividend to Shareholders, corresponding to 0.1188 euro for each of the maximum no. of 1,300,931,377 ordinary shares constituting the Parent's share capital, noting that treasury shares, if any, will not benefit from the dividend; the dividend will be paid starting from 24 July 2024, validity date for registration for the dividend 22 July 2024, and record date 23 July 2024;
  - to a specific retained earnings reserve, the remaining amount of at least 9,119,745.58 euro.

Reggio Emilia, 28 March 2024

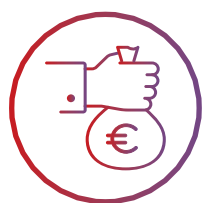
On behalf of the Board of Directors  
Chairperson  
Luca Dal Fabbro





# Consolidated Financial Statements

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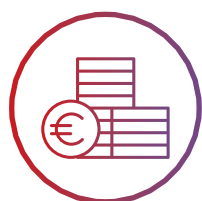
# Statement of Financial Position

thousands of euro

	Notes	31.12.2023	of which related parties	31.12.2022	of which related parties
<b>ASSETS</b>					
Property, plant and equipment	(1)	4,459,512		4,366,722	
Investment property	(2)	2,031		2,015	
Intangible assets with a finite useful life	(3)	3,132,043		2,826,692	
Goodwill	(4)	247,420		237,966	
Equity-accounted investments	(5)	212,798		211,320	
Other equity investments	(6)	10,914		10,188	
Non-current contract assets	(7)	232,384		146,286	
Non-current trade receivables	(8)	29,416	27,003	30,888	23,641
Non-current financial assets	(9)	128,937	38,279	169,057	52,016
Other non-current assets	(10)	163,992	1,081	88,917	128
Deferred tax assets	(11)	400,092		340,866	
<b>Total non-current assets</b>		<b>9,019,539</b>	<b>66,363</b>	<b>8,430,917</b>	<b>75,785</b>
Inventories	(12)	73,877		139,359	
Current contract assets	(13)	29,830		198,590	
Trade receivables	(14)	1,288,107	80,346	1,409,435	61,564
Current tax assets	(15)	18,894		38,263	
Sundry assets and other current assets	(16)	576,516	75	438,915	41
Current financial assets	(17)	242,184	8,220	256,376	9,799
Cash and cash equivalents	(18)	436,134		788,402	
Assets held for sale	(19)	1,144		16,802	
<b>Total current assets</b>		<b>2,666,686</b>	<b>88,641</b>	<b>3,286,142</b>	<b>71,404</b>
<b>TOTAL ASSETS</b>		<b>11,686,225</b>	<b>155,004</b>	<b>11,717,059</b>	<b>147,189</b>

thousands of euro

	Notes	31.12.2023	of which related parties	31.12.2022	of which related parties
<b>EQUITY</b>					
Equity attributable to the owners of the parent					
Share capital		1,300,931		1,300,931	
Reserves and Retained Earnings		1,250,525		1,218,137	
Profit for the year		254,845		226,017	
<b>Total equity attributable to the owners of the parent</b>		<b>2,806,301</b>		<b>2,745,085</b>	
Equity attributable to non-controlling interests		435,152		446,069	
<b>TOTAL EQUITY</b>	<b>(20)</b>	<b>3,241,453</b>		<b>3,191,154</b>	
<b>LIABILITIES</b>					
Non-current financial liabilities	(21)	4,046,976		4,266,014	
Employee benefits	(22)	87,329		90,948	
Provisions for risks and charges	(23)	404,882		404,781	
Deferred tax liabilities	(24)	128,186		142,221	
Sundry liabilities and other non-current liabilities	(25)	581,844		505,131	149
<b>Total non-current liabilities</b>		<b>5,249,217</b>	<b>-</b>	<b>5,409,095</b>	<b>149</b>
Current financial liabilities	(26)	735,693	14,988	294,575	9,745
Trade payables	(27)	1,634,720	32,615	2,279,400	38,333
Current contract liabilities	(28)	79,642		39,209	
Sundry liabilities and other current liabilities	(29)	333,182	9	261,131	
Current tax liabilities	(30)	80,437		34,969	
Provisions for risks and charges - current portion	(31)	331,881		207,526	
Liabilities associated with assets held for sale	(32)	-		-	
<b>Total current liabilities</b>		<b>3,195,555</b>	<b>47,612</b>	<b>3,116,810</b>	<b>48,078</b>
<b>TOTAL LIABILITIES</b>		<b>8,444,772</b>	<b>47,612</b>	<b>8,525,905</b>	<b>48,227</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11,686,225</b>	<b>47,612</b>	<b>11,717,059</b>	<b>48,227</b>



# Income Statement

thousands of euro

	Notes	31.12.2023	of which related parties	31.12.2022	of which related parties
<b>Revenue</b>					
Revenue from goods and services	(33)	6,301,581	312,536	7,627,961	327,514
- of which non-recurring				(42,634)	
Other income	(34)	188,800	3,441	235,082	6,520
<b>Total revenue</b>		<b>6,490,381</b>	<b>315,977</b>	<b>7,863,043</b>	<b>334,034</b>
<b>Operating expenses</b>					
Raw materials, consumables, supplies and goods	(35)	(2,763,473)	(1,947)	(4,582,060)	(3,908)
Services and use of third-party assets	(36)	(1,876,663)	(59,244)	(1,669,325)	(56,337)
Other operating expenses	(37)	(113,865)	(11,550)	(81,582)	(10,788)
Capitalised costs for internal works	(38)	56,907		55,655	
Personnel expense	(39)	(596,391)		(531,060)	
<b>Total operating expenses</b>		<b>(5,293,485)</b>	<b>(72,741)</b>	<b>(6,808,372)</b>	<b>(71,033)</b>
<b>GROSS OPERATING PROFIT</b>		<b>1,196,896</b>		<b>1,054,671</b>	
<b>Depreciation, amortisation, provisions and impairment losses</b>					
Depreciation and amortisation	(40)	(600,677)		(522,591)	
Impairment losses on loans and receivables	(41)	(71,471)		(63,465)	
Other provisions and impairment losses	(41)	(60,108)		(4,880)	
<b>Total depreciation, amortisation, provisions and impairment losses</b>		<b>(732,256)</b>		<b>(590,936)</b>	
<b>OPERATING PROFIT</b>		<b>464,640</b>		<b>463,735</b>	
<b>Financial management (42)</b>					
Financial income		37,148	244	23,201	261
Financial expense		(135,781)	(60)	(105,108)	(48)
- of which non-recurring				(20,864)	
<b>Net financial expense</b>		<b>(98,633)</b>	<b>184</b>	<b>(81,907)</b>	<b>213</b>
Gains on equity investments	(43)	6,263		5,211	
Share of profit of equity-accounted investees, net of tax effects	(44)	6,836		11,758	
<b>Pre-tax profit</b>		<b>379,106</b>		<b>398,797</b>	
Income taxes	(45)	(97,095)		(128,851)	
- of which non-recurring				(27,254)	
<b>Profit from continuing operations</b>		<b>282,011</b>		<b>269,946</b>	
Profit (loss) from discontinued operations	(46)	-		-	
<b>Profit for the year</b>		<b>282,011</b>		<b>269,946</b>	
attributable to:					
- owners of the parent		254,845		226,017	
- non-controlling interests	(47)	27,166		43,929	
<b>Earnings per ordinary and savings share (48)</b>					
- basic (euro)		0.20		0.18	
- diluted (euro)		0.20		0.18	



# Statement of Other Comprehensive Income

thousands of euro

	FY 2023	FY 2022
<b>Profit for the year - owners of the parent and non-controlling interests (A)</b>	282,011	269,946
<b>Other comprehensive income that will be subsequently reclassified to profit or loss</b>		
- effective portion of fair value gains/(losses) on cash flow hedges	(70,693)	107,049
- fair value gains/(losses) on financial assets	-	-
- share of other gains/(losses) of equity-accounted investees	2,508	114
- change in translation reserve	(700)	840
Tax effect	17,203	(26,363)
<b>Other comprehensive expense to be subsequently reclassified to profit or loss net of tax effect (B1)</b> (49)	(51,682)	81,640
<b>Other comprehensive income that will not be subsequently reclassified to profit or loss</b>		
- actuarial gains/(losses) on defined benefit plans (IAS 19)	254	11,399
- share of other gains/(losses) of equity-accounted investees related to defined benefit plans (IAS 19)	(415)	-
Tax effect	(292)	(2,807)
<b>Other comprehensive income (expense) not to be subsequently reclassified to profit or loss net of tax effect (B2)</b> (49)	(453)	8,592
<b>Comprehensive income (A)+(B1)+(B2)</b>	229,876	360,178
attributable to:		
- the owners of the parent	203,810	311,906
- non-controlling interests	26,066	48,272



## Statement of Changes in Equity

thousands of euro

	Share capital	Share premium reserve	Legal reserve	Hedging reserve	Other reserves and Retained earnings
<b>31/12/2021 Restated</b>	1,300,931	133,019	87,216	(14,465)	760,742
<b>Owner transactions</b>					
Dividends					
Retained earnings			10,943		157,506
Repurchase of treasury shares					-
Changes in consolidation scope					-
Change in equity interests					(1,928)
Other changes					(786)
<b>Total owner transactions</b>	-	-	10,943	-	154,792
<b>Comprehensive income for the year</b>					
Profit for the year					
Other comprehensive income				77,107	8,783
<b>Total comprehensive income for the year</b>	-	-	-	77,107	8,783
<b>31/12/2022</b>	1,300,931	133,019	98,159	62,642	924,317

thousands of euro

	Share capital	Share premium reserve	Legal reserve	Hedging reserve	Other reserves and Retained earnings
<b>31/12/2022</b>	1,300,931	133,019	98,159	62,642	924,317
<b>Owner transactions</b>					
Dividends					
Retained earnings			12,934		71,945
Repurchase of treasury shares					-
Changes in consolidation scope					
Change in equity interests					(1,263)
Other changes					(194)
<b>Total owner transactions</b>	-	-	12,934	-	70,488
<b>Comprehensive income for the year</b>					
Profit for the year					
Other comprehensive expense				(49,884)	(1,150)
<b>Total comprehensive expense for the year</b>	-	-	-	(49,884)	(1,150)
<b>31/12/2023</b>	1,300,931	133,019	111,093	12,758	993,655

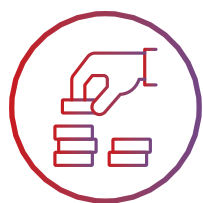


thousands of euro

	Total reserves and Retained earnings	Profit for the year	Total equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total equity
<b>31/12/2021 Restated</b>	966,512	303,172	2,570,615	379,976	2,950,591
<b>Owner transactions</b>					
Dividends	-	(134,723)	(134,723)	(29,987)	(164,710)
Retained earnings	168,449	(168,449)	-	-	-
Repurchase of treasury shares	-	-	-	-	-
Changes in consolidation scope	-	-	-	48,623	48,623
Change in equity interests	(1,928)	-	(1,928)	(1,590)	(3,518)
Other changes	(786)	-	(786)	776	(10)
<b>Total owner transactions</b>	<b>165,735</b>	<b>(303,172)</b>	<b>(137,437)</b>	<b>17,822</b>	<b>(119,615)</b>
<b>Comprehensive income for the year</b>					
Profit for the year	-	226,017	226,017	43,929	269,946
Other comprehensive income	85,890	-	85,890	4,342	90,232
<b>Total comprehensive income for the year</b>	<b>85,890</b>	<b>226,017</b>	<b>311,907</b>	<b>48,271</b>	<b>360,178</b>
<b>31/12/2022</b>	<b>1,218,137</b>	<b>226,017</b>	<b>2,745,085</b>	<b>446,069</b>	<b>3,191,154</b>

thousands of euro

	Total reserves and Retained earnings	Profit for the year	Total equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total equity
<b>31/12/2022</b>	1,218,137	226,017	2,745,085	446,069	3,191,154
<b>Owner transactions</b>					
Dividends	-	(141,138)	(141,138)	(42,860)	(183,998)
Retained earnings	84,879	(84,879)	-	-	-
Repurchase of treasury shares	-	-	-	-	-
Changes in consolidation scope	-	-	-	5,248	5,248
Change in equity interests	(1,263)	-	(1,263)	630	(633)
Other changes	(194)	-	(194)	-	(194)
<b>Total owner transactions</b>	<b>83,422</b>	<b>(226,017)</b>	<b>(142,595)</b>	<b>(36,982)</b>	<b>(179,577)</b>
<b>Comprehensive income for the year</b>					
Profit for the year	-	254,845	254,845	27,166	282,011
Other comprehensive expense	(51,034)	-	(51,034)	(1,101)	(52,135)
<b>Total comprehensive income for the year</b>	<b>(51,034)</b>	<b>254,845</b>	<b>203,811</b>	<b>26,065</b>	<b>229,876</b>
<b>31/12/2023</b>	<b>1,250,525</b>	<b>254,845</b>	<b>2,806,301</b>	<b>435,152</b>	<b>3,241,453</b>



# Statement of Cash Flows

thousands of euro

	FY 2023	FY 2022
<b>A. Opening cash and cash equivalents</b>	<b>788,402</b>	<b>606,888</b>
<b>Cash flows from operating activities</b>		
Profit for the year	282,011	269,946
<b>Adjustments:</b>		
Income taxes for the year	97,095	128,851
Share of profit (loss) of associates and joint ventures	(6,836)	(11,758)
Net financial expense (income)	98,633	81,907
Amortisation and depreciation	600,677	522,591
Net impairment losses (reversals of impairment losses) on assets	(6,263)	(3,717)
Impairment losses on loans and receivables	71,471	63,465
Net provisions for risks and other charges	331,537	155,485
Capital (gains) losses	5,653	(555)
Payment of employee benefits	(9,526)	(9,624)
Utilisations of provisions for risks and other charges	(183,755)	(33,955)
Change in other non-current assets	(9,518)	(34,016)
Change in sundry liabilities and other non-current liabilities	33,340	4,374
Taxes paid	(72,371)	(194,274)
Cash flows for transactions on commodities derivatives markets	(15,013)	65,915
Other changes in equity	48	752
Change in inventories	65,516	(25,746)
Change in contract assets	(85,765)	(218,747)
Change in trade receivables	114,247	(183,190)
Change in current tax assets and other current assets	(70,144)	(30,982)
Change in trade payables	(664,683)	600,235

thousands of euro

	FY 2023	FY 2022
Change in contract liabilities	40,433	(50,053)
Change in current tax liabilities and other current liabilities	63,508	(13,847)
<b>B. Net cash and cash equivalents generated by operating activities</b>	<b>680,295</b>	<b>1,083,057</b>
<b>Cash flows from/(used in) investing activities</b>		
Investments in property, plant and equipment and intangible assets	(866,605)	(897,565)
Investments in financial assets	(3,309)	(39,455)
Investment realisation	18,317	5,959
Acquisition of subsidiaries net of cash acquired	(39,565)	(213,983)
Dividends received	4,545	2,941
<b>C. Net cash and cash equivalents used in investing activities</b>	<b>(886,617)</b>	<b>(1,142,103)</b>
<b>Cash flows from/(used in) financing activities</b>		
Repurchase of treasury shares	-	-
Dividends paid	(176,580)	(157,611)
Purchase of interests in consolidated companies	(633)	(1,658)
New non-current loans	330,000	780,000
Repayment of non-current loans	(83,467)	(413,422)
Repayment of lease liabilities	(17,522)	(14,223)
Change in other financial liabilities	12,453	(11,402)
Change in loan assets	(118,281)	148,439
Interest paid	(95,850)	(90,875)
Interest received	3,934	1,312
<b>D. Net cash and cash equivalents generated by (used in) financing activities</b>	<b>(145,946)</b>	<b>240,560</b>
<b>E. Cash flow for the year (B+C+D)</b>	<b>(352,268)</b>	<b>181,514</b>
<b>F. Closing cash and cash equivalents (A+E)</b>	<b>436,134</b>	<b>788,402</b>



# Notes to the Consolidate Financial Statements

## Introduction

Iren S.p.A. is an Italian multi-utility company, listed on the Italian Stock Exchange (Borsa Italiana) and established on 1 July 2010 through the merger of IRIDE and ENÌA. The Company's registered office is in Italy, in Reggio Emilia, Via Nubi di Magellano 30. There were no changes in the company name during 2023.

The Group is structured according to a model which provides for an industrial holding company and four companies responsible for the single business lines operating in the main operating bases in Genoa, La Spezia, Parma, Piacenza, Reggio Emilia, Turin and Vercelli.

The operating segments in which the Group operates are:

- Networks (Electricity distribution networks, Gas distribution networks, Integrated Water Service)
- Waste Management (Waste collection and disposal)
- Energy (Hydroelectric Production and production from other renewable sources, Combined Heat and Energy, District Heating Networks, Thermoelectric Production, Public Street Lighting, Global services, Energy efficiency services)
- Market (Sale of electricity, gas, heat)
- Other services (Laboratories, Telecommunications and other minor services).

Section XIII, Segment reporting, includes the information required by IFRS 8.

The company's consolidated financial statements as at and for the year ended 31 December 2023 include the financial statements of the Parent and of its subsidiaries (collectively referred to as the "Group" and, individually, as "Group companies") and the Group's interests in jointly-controlled companies and in associates, measured using the equity method.

## I. Basis of presentation

The Consolidated Financial Statements of Iren Group at 31 December 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union, as well as the measures issued in implementation of Article 9 of Legislative Decree No. 38/2005. The "IFRS" comprise also the revised International Accounting Standards ("IAS"/"IFRS") and all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

In preparing these consolidated financial statements, the same accounting standards adopted in preparing the financial statements of the previous year were applied, with the exception of as reported in the paragraphs "Changes in accounting standards" and "Accounting standards, amendments and interpretations applied

from 1 January 2023".

The consolidated financial statements are drawn up on the basis of the historical cost principle, with the exception of certain financial instruments measured at fair value and potential fees deriving from a business combination (i.e. put options to non-controlling investors), which are measured at fair value, as well as on the going concern assumption. The Group did not detect any particular risks connected with its business and/or any uncertainties that might cast doubt on its ability to continue as a going concern.

These consolidated financial statements are stated in euro, the parent's functional currency. All amounts expressed in euro are rounded to the nearest thousand in these consolidated financial statements. Due to rounding, there could be cases in which the detailed tables contained in this document show a difference

of around one thousand euro. It is believed that these cases do not alter the reliability and informative value of these consolidated financial statements.

### Financial statement formats

The financial statement formats adopted by Iren Group in preparing these consolidated financial statements are the same as those applied in preparing the consolidated financial statements at 31 December 2022.

In line with what was previously published, in the statement of financial position, assets and liabilities are classified as "current/non-current". Assets and liabilities classified as discontinued or held for sale are shown separately. Current assets, which include cash and cash equivalents, are those that will be realised, transferred or consumed during the Group's ordinary operating cycle or during the twelve months following year end. Current liabilities are those for which settlement is envisaged during the Group's ordinary operating cycle or during the twelve months following year end.

The Income Statement is classified on the basis of the nature of the costs. In addition to the Operating Profit, the Income Statement also shows the interim total of Gross Operating Profit obtained by deducting total operating expenses from total revenue.

The indirect method is used in the Statement of Cash Flows. The cash configuration analysed in the Statement of Cash Flows includes cash on hand and cash in current accounts.

### Publication of the Consolidated Financial Statements

The Consolidated Financial Statements were approved for publication by Iren S.p.A.'s Board of Directors at its meeting of 28 March 2024. The Board of Directors authorised the Chairperson, and the Chief Executive Officer to make such changes to the consolidated financial statements as necessary or adequate to improve them until the date of approval by the Shareholders.

The Shareholders' Meeting to be called to approve the separate financial statements of the Parent has the right to request amendments to the aforementioned consolidated financial statements.

### Use of estimates and assumptions by management

#### Estimates

Preparation of the Consolidated Financial Statements entails making estimates, opinions and assumptions that have an effect on the amounts of revenue, costs, assets and liabilities, including contingent liabilities, and on the information provided. These estimates and assumptions are based on past experience and other factors considered reasonable in the case in question, particularly when the value of assets and liabilities is not

readily apparent from comparable sources.

Estimates and assumptions were used in applying the accounting policies, in particular to measure the following items of the financial statements:

- revenue from contracts with customers: revenue from the sale of electricity, gas and heat to end customers is recognised at the time the electricity or gas is supplied and includes, in addition to the amounts invoiced on the basis of periodic readings (and pertaining to the financial year) or on the basis of the volumes communicated by distributors and transporters, an estimate of the electricity and gas supplied during the financial year but not yet invoiced, as the difference between the electricity and gas injected into the distribution network and those invoiced during the financial year, calculated taking account of any network losses. Revenue between the date of the last reading and the end of the year is based on estimates of the customer's daily consumption, primarily based on the customer's historical profile, adjusted to reflect weather conditions or other factors that may affect the estimated consumption.
- impairment of non-financial assets: assets such as property, plant and equipment, investment property, intangible assets, right-of-use assets, goodwill and equity investments in associates/joint ventures are impaired when their carrying amount exceeds their recoverable amount, represented by the higher of fair value, net of costs to sell, and value in use. The recoverable amount is sensitive to the estimates and assumptions used to determine the amount of cash flows and the discount rates applied. However, possible variations in the basic assumptions on which these calculations are based could produce different recoverable amounts. Information on the main assumptions used to estimate the recoverable amount of assets with reference to impacts related to climate change as well as information on changes in these assumptions is provided in Note 4 "Goodwill".
- Expected losses on financial assets: at the end of each reporting date, the Group recognises a loss allowance for trade receivables and other financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets and all other assets within the scope of impairment. Loss allowances for financial assets are based on assumptions regarding the risk of default and the measurement of expected credit losses. In making these assumptions and selecting the inputs to calculate the expected credit loss, management uses its professional judgement, based on the Group's past experience, current market conditions, as well as forward-looking estimates at the end of

each reporting date.

- Determining the useful life of non-financial assets. In determining the useful life of property, plant and equipment and intangible assets with a finite useful life, the Group considers not only the future economic benefits - contained in the assets - enjoyed through their use, but also many other factors, such as physical deterioration, obsolescence of the product or service provided by the asset (e.g. technical, technological or commercial), legal restrictions or other similar constraints (e.g. safety, environmental, etc.) on the use of the asset, if the useful life of the asset depends on the useful life of other assets. For further details on this aspect, see Note 1 "Property, plant and equipment".
- the useful life of property, plant and equipment. Transferable assets are depreciated according to the expiry term of the related concession decrees. Decree-Law No. 135 of 14 December 2018 (Urgent provisions on support and simplification for businesses and public administration - "Decreto-Law Semplificazioni") converted, with amendments, by Law No. 12 of 11 February 2019, regulates the new regime of remuneration of the so-called "Wet Works" concerning concessions for large-scale diversions of water for hydroelectric power plants; the new regulations establish that "Wet Works" are to be transferred without compensation to the Regions. If the Operator has made new investments during the useful life and provided that these investments have been authorised or permitted by the competent Public Administration, the Operator will have the right to a remuneration limited to the non-depreciated value. As regards the so-called "dry works" (property, plant and equipment included in the business unit of the outgoing operator and not included under the "wet works" category, the so-called non-transferable assets), the new law did not introduce changes and, therefore, the outgoing operator has the right to a consideration determined on the basis of the value of reconstruction as new, less normal wear. Consequently, for purposes of legal consistency, the depreciation schedule of the Wet works concerning the expired concessions was redetermined, considering the possible reassignment dates thereof, which, on the basis of the previous law, was interrupted starting from the 2012 financial statements. While acknowledging that the new regulations introduce significant changes regarding the transfer of ownership of the business unit required for the operation of the hydroelectric concession, the difficulties associated with the practical application of the aforementioned principles are evident owing to their uncertainties, which do not allow a reliable

estimate to be formulated of the amount that can be recovered at the end of the existing concession (residual value).

Accordingly, management has decided that it is not able to arrive at a reasonable and reliable estimate of residual value.

Given that the law in question nevertheless requires the incoming concessionaire to award a consideration to the outgoing concessionaire, management reconsidered the depreciation schedules of assets to be relinquished free of charge prior to Law 134/2012 (until the year ended on 31 December 2011, as the assets were to be relinquished free of charge, the depreciation schedule corresponded to the closest period between that of the concession or the useful life of the individual asset), no longer as proportional to the duration of the concession but, if longer, to the useful life of the individual asset: for this reason, in 2021, the management started a valuation process aimed at assessing the plants held by the Group in order to identify their residual life, which concerned the plants of San Mauro and Valle Orco. This path was continued in the years 2022 and 2023 with regard to the other hydroelectric plants, and the carrying amounts of the assets involved were changed prospectively.

- the determination of the fair value of derivative instruments and certain financial assets. The fair value of financial instruments is determined on the basis of prices directly observable on the market, where available, or, for unlisted financial instruments, using specific valuation techniques (mainly based on present value) that maximise the use of inputs observable on the market. In the rare circumstances where this is not possible, the inputs are estimated by management taking into account the characteristics of the instruments being measured. For further details on financial instruments measured at fair value, please refer to section VI Group Financial Risk Management. Changes in the assumptions made in estimating input data could affect the fair value recognised for these instruments, especially in the current context in which markets are volatile and the economic outlook highly uncertain and subject to rapid changes. When valuations are subject to significant measurement uncertainty due to the current environment and there is a wide range of possible fair value estimates, the Group is required to apply judgement in determining the point within that range that is most representative of fair value under the circumstances.
- Hedge accounting. Hedge accounting is applied to derivatives in order to reflect the effects of risk management strategies in the financial statements.

To this end, the Group documents at the inception of the transaction, the relationship between the hedging instrument and the hedged item, as well as the risk management objectives and strategy. In addition, the Group assesses, both at the inception of the relationship and on a systematic basis, whether hedging instruments are highly effective in offsetting changes in the fair value or cash flows of hedged items. Based on the opinion of the Directors, the assessment of effectiveness based on the existence of an economic relationship between hedging instruments and hedged items, the dominance of credit risk in changes in value and the hedge ratio, as well as the measurement of ineffectiveness, are evaluated by means of a qualitative assessment or a quantitative calculation, depending on the specific facts and circumstances and the characteristics of the hedging instruments and hedged items. With respect to cash flow hedges of future transactions, management assesses and documents that they are highly probable and present an exposure to changes in cash flows that impacts profit or loss. For more details about the key assumptions on assessing effectiveness and measuring ineffectiveness, please refer to Section VI Group Financial Risk Management.

- The determination of the amount of provisions for future risks and charges. The Group is a party to various civil, administrative and tax proceedings connected with the normal course of its business, which could give rise to liabilities of a significant amount, for which it is not always objectively possible to predict the final outcome. The assessment of the risks connected with the above proceedings is based on complex elements that by their nature entail recourse to the judgement of the Directors, also taking account of elements acquired from external consultants assisting the Group, with reference to their classification among contingent liabilities or among liabilities. Provisions have been established to cover all significant liabilities for cases where attorneys have noted the likelihood of an adverse outcome and a reasonable estimate of the amount of the expense. The Group determines whether to consider each uncertain tax treatment separately or jointly with one or more uncertain tax treatments, as well as whether to report the effect of uncertainty using the most

probable amount method or the expected value method, choosing the one that, according to its projections, best provides for the resolution of the uncertainty, taking into account tax regulations. The Group makes significant use of professional judgement in identifying uncertainties about income tax treatments and reviews opinions and estimates made when there is a change in facts and circumstances that could change the conclusion about the acceptability of a particular tax treatment or the estimated effects of the uncertainty, or both. Refer to Note 45 Income Taxes for further details regarding income taxes.

- Onerous Contracts. In order to identify an onerous contract, the Group estimates the non-discretionary costs required to perform the obligations assumed (including any penalties) under the contract and the economic benefits expected to be obtained from the same contract.
- Evaluation of the existence of significant influence over an associate. Associates are those in which the Group exercises significant influence, i.e., the power to participate in determining decisions about the financial and operating policies of the investee without exercising control or joint control over those policies. As a general rule, the Group is presumed to have significant influence when it holds an interest of at least 20%. In order to determine the existence of significant influence, management's judgement is required to evaluate all facts and circumstances. The Group reviews the existence of significant influence when facts and circumstances indicate that there has been a change in one or more of the elements considered for the test of the existence of significant influence. For further details of the Group's equity investments in associates, reference should be made to Note 5 "Equity-accounted investments".
- Application of IFRIC 12 "Service Concession Arrangements" to concessions. IFRIC 12 applies to "public-to-private" service concession arrangements, which can be defined as contracts that oblige a concessionaire to provide public services, i.e., to provide access to key economic and social services, for a specified period of time on behalf of the public authority (i.e. the grantor). In these contracts, the grantor transfers to the concessionaire the right to operate the infrastructure used to provide these public services.

The estimates and assumptions are regularly revised. Any changes deriving from the revision of accounting estimates are recognised in the year in which they are revised, if the revision refers only to the year under evaluation. Should the revision involve both current and future years, the variation is recognised in both the year in which the revision occurs and in the related future years.

The criticality inherent in these valuations refers to the use of assumptions and judgements relating to issues that are by their very nature uncertain, and is amplified by the peculiarity and variety of the businesses in which the Group operates. In addition, any changes in the conditions underlying the assumptions and judgements could have a significant impact on the results of subsequent years.

## II. Basis of consolidation

The consolidation scope includes subsidiaries, joint ventures and associates.

### Subsidiaries

Entities controlled by the Group are considered subsidiaries, as defined by IFRS 10 – Consolidated Financial Statements. Control exists when the Parent has all of the following:

- decision-making power over the investee, i.e. the current ability to direct the relevant activities of the investee that significantly affect the investee's returns;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

The financial statements of subsidiaries are included in the consolidated financial statements beginning on the date when control is acquired until the time when control ceases.

Equity and the profit/loss attributable to non-controlling interests are identified separately in the consolidated statement of financial position and income statement.

Subsidiaries are consolidated on a line-by-line basis with the elimination of intra-group transactions and unrealised income and expenses.

Furthermore: a) all changes in the equity interest that do not constitute a loss of control are treated as equity transactions and, therefore, have a balancing entry in equity; b) when a parent transfers control in an investee, but retains an interest in the company, it measures the retained equity investment at fair value and recognises any gains or losses deriving from loss of control in profit or loss.

### Joint ventures

These are companies over which the Group has joint control, by virtue of contractual agreements. Joint control, as defined by IFRS 11 – Joint Arrangements, is the "contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control".

With reference to entities jointly owned by mixed public and private companies, given the objective possibility for the public shareholder to influence the company not only by means of governance agreements, but also because of its nature as public entity, the existence of joint control is ascertained on the basis of contractual agreements, assessing the actual possibility for the private partner to jointly

control strategic decisions regarding the joint venture. Joint arrangements are divided into 2 types:

- a Joint Venture (JV) is an arrangement whereby the parties have rights to the net assets of the arrangement. Joint Ventures are measured using the equity method;
- a Joint Operation (JO) is an arrangement whereby the parties are not limited exclusively to participating in the company's profit or loss but have rights to its assets and obligations for its liabilities. In this case the assets/revenue on which the joint operator exercises such rights and the liabilities/costs of which the joint operator assumes the obligations are fully consolidated.

### Associates (accounted for using the equity method)

An associate is a company over which the Group has significant influence, but not control or joint control over its financial and operating policies. The consolidated financial statements include the Group's share of the associates' profit or loss recognised using the equity method from the date that significant influence commences until the date that significant influence ceases.

Equity investments valued at equity are accounted for an amount equal to the corresponding portion of equity resulting from the latest available financial statements, adjusted to take into account the differences between the price paid and equity at the date of purchase and for any intra-group transactions, if significant.

The investor's share of profit or loss arising from application of the equity method is recognised as a "Share of profit or loss of equity-accounted associates and joint ventures", while the share of other comprehensive income is recognised in the statement of comprehensive income.

The difference between the purchase cost and the present value, pertaining to owners of the Parent, of the identifiable current and contingent assets and liabilities of the associate or joint venture at the acquisition date, is recognised as goodwill, included in the carrying amount of the investment, and tested for impairment using the same procedures described in the section above.

The risk deriving from losses which exceed the investor's share of equity is provided for in provisions for risks to the extent that the company has a legal or constructive obligation with the investee or is committed to covering its losses.



Dividends on equity investments are recognised when the right to receive payment is established. This usually coincides with the resolution passed by the Shareholders' Meeting.

### **Business combinations**

The Group accounts for business combinations by applying the acquisition method when the group of assets and property acquired meets the definition of a business and the Group obtains control. In determining whether a particular group of activities and assets constitutes a business, the Group assesses whether that group includes, at a minimum, a substantial input and process and whether it has the capacity to create output.

The Group has the option to carry out a "concentration test", which enables it to ascertain through a simplified procedure that the acquired group of activities and assets is not a business. The optional concentration test is positive if almost all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of identifiable assets with similar characteristics.

The consideration transferred and the net identifiable assets acquired are usually recognised at fair value. The carrying amount of any goodwill that arises is tested annually for impairment. Any gain from a bargain purchase is recognised immediately in the Income Statement under gains or losses on equity Investments, while costs related to the combination, other than those related to the issuance of debt or equity instruments, are recognised as an expense in profit/(loss) for the year when incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Normally, these amounts are recognised in profit/(loss) for the year.

The contingent consideration is booked at fair value on the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This

determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

### **Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity related to the subsidiary. Any profit or loss deriving from the loss of control is recognised in profit/(loss) for the year. Any interest retained in the former subsidiary is measured at fair value when control has been lost.

### **Transactions eliminated on consolidation**

Intra-group balances and significant transactions and any unrealised gains and losses arising from intra-group transactions are all eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity. The related tax effect is calculated for all consolidation adjustments.

### III. Consolidation scope

The consolidation scope includes companies directly or indirectly controlled by the Parent, in addition to joint ventures and associates.

#### Parent:

Iren S.p.A.

#### Companies consolidated on a line-by-line basis

The four companies responsible for the single business lines and their direct and indirect subsidiaries are consolidated on a line-by-line basis.

##### 1) Iren Ambiente and its subsidiaries:

- Waste Management ACAM
- AMIAT V and its subsidiary:
  - AMIAT
- Bonifiche Servizi Ambientali
- Bonifica Autocisterne
- I.Blu
- Iren Ambiente Parma
- Iren Ambiente Piacenza
- Iren Ambiente Toscana and its subsidiaries:
  - Futura
  - Scarlino Energia
  - SEI Toscana and its subsidiaries:
    - Ekovision
    - Valdisieve
  - Semia Green
  - Valdarno Ambiente and its subsidiaries:
    - CRCM
    - TB
- Manduriambiente
- ReCos
- Remat
- Rigenera Materiali
- San Germano
- Territorio e Risorse
- TRM
- Uniproject

##### 2) Iren Energia and its subsidiaries:

- Asti Energia e Calore
- Dogliani Energia
- Iren Smart Solutions and its subsidiary:
  - Alfa Solutions and its subsidiary:
    - Lab 231
- Maira and its subsidiary:
  - Formaira
- Iren Green Generation and its subsidiaries:
  - Iren Green Generation Tech
  - Limes 1

- Limes 2
- Limes 20
- Mara Solar
- Omnia Power
- WFL
- Valle Dora Energia

##### 3) Iren Mercato and its subsidiaries:

- Alegas
- Atena Trading
- Salerno Energia Vendite

##### 4) IRETI and its subsidiaries:

- ACAM Acque
- Acquaenna
- Amter
- ASM Vercelli
- Consorzio GPO
- Iren Laboratori
- Iren Acqua Reggio
- Iren Acqua e la controllata:
  - Iren Acqua Tigullio
- IRETI Gas e la controllata:
  - Romeo 2
- Nord Ovest Servizi

The change in the consolidation scope for 2023 is due to the acquisition of control of Acquaenna, Amter, Limes 20, ReMat, Romeo 2, Semia Green and WFL. Further details on these transactions are provided in Section IV below. Business combinations

It is specified that Acquaenna and Amter were associates as at 31 December 2022:

- On 28 March 2023, IRETI finalised the acquisition of 51% of Amter S.p.A., held by the municipalities of Campo Ligure, Cogoleto, Masone, Mele and Rossiglione (Province of Genoa). The remaining 49% of the company is already owned by the subsidiary Iren Acqua.
- On 31 May 2023, IRETI, through the acquisition from its shareholder COGEN of a 2.367% stake in the share capital, completed the acquisition of control of the company Acquaenna, in which it already held 48.5%, bringing its shareholding to 50.867%.

From the point of view of shareholding structures, it should be noted that the following interests have changed:

- on 2 February 2023, the share capital of the subsidiary Alegas was reduced to zero and

reconstituted, with a consequent increase in the shareholding from 80% to 98%;

- on 22 February 2023, Iren Ambiente acquired a further 20% stake in its subsidiary Futura, thus reaching the 40% held directly. The company is also owned by the subsidiaries Iren Ambiente Toscana (40%) and SEI Toscana (20%).

Furthermore, in 2023, a number of mergers became effective, which, although not entailing changes in the consolidation scope, led to a streamlining of the Group's shareholding structure or are aimed at future rationalisation operations of the Group:

- the merger of Società dell'Acqua Potabile (SAP) into IRETI, effective 1 January 2023;
- the merger of Palo Energia, Piano Energia, Solleone Energia, Traversa Energia into Iren Green Generation Tech, effective 1 January 2023;
- the merger of Minerva into ATENA Trading, effective 1 January 2023.

It should also be noted that, again from the point of view of transactions that did not change the consolidation scope, on 1 January 2023 was the demerger from IRETI to the subsidiary IRETI Gas of

the assets, liabilities and legal relations pertaining to the gas distribution sector.

Subsequent to this transfer, as hypothesised in the Business Plan presented in March 2023, the sale of a non-controlling interest in IRETI Gas to a financial partner was envisaged, aimed at increasing the level of competitiveness during future tenders for gas concessions, to support the investments planned by the Group. To this end, work began in early 2023 to identify possible financial partners to carry out the divestment transaction. At the end of 2023, the directors of Iren have decided not to continue these activities.

Finally, in November 2023 IRETI set up the company Iren Acqua Reggio, a wholly-owned subsidiary, dedicated to the organisation and management of all phases of the integrated water cycle in the territory of the province of Reggio Emilia.

For details on the subsidiaries, joint ventures and associates please see the lists included in the Annexes.

## IV. Business combinations

### BUSINESS COMBINATIONS IN 2023

The business combinations carried out by the Group in 2023 involved the acquisition of control of the companies:

- Romeo 2
- Amter
- Acquaenna
- ReMat
- Semia Green
- WFL

For these transactions, the Group incurred costs for legal and notary fees of 507 thousand euro and due diligence costs of 74 thousand euro. These costs were included in the income statement items "Legal and notary fees" and "Technical, administrative, commercial and advertising costs", respectively.

### Business combinations definitively recognised

#### Romeo 2

As part of the rationalisation of some natural gas distribution assets, linked to the sale of the investee Romeo Gas to the Ascopiave group, on 1 February

2023, the Group finalised the acquisition of control of Romeo 2 and a business unit of the company, for a consideration of 20,854 thousand euro:

- the acquisition by IRETI Gas of 100% of Romeo 2 S.r.l. from the company Edigas - Esercizio Distribuzione Gas S.p.A. (Ascopiave Group). Romeo 2 holds the management of gas distribution concessions in the municipalities of Albano Verellese, Carisio, Greggio, Olcenengo, Oldenico, San Germano Verellese - Frazione Stella, Quinto Verellese, Tronzano Verellese and Villarboit (Province of Vercelli), Albenga and Ceriale (Province of Savona);
- the acquisition from Romeo Gas, again by IRETI Gas, of the business unit related to the management of gas distribution concessions in the municipalities of Pontenure and Grazzano Visconti, in the municipality of Vigolzone (Province of Piacenza) and in Solignano (Province of Parma).

In the 11-month period ended 31 December 2023, the businesses acquired generated revenue of 3,135 thousand euro and a profit of 408 thousand

euro. Management believes that if the acquisition had occurred on 1 January 2023, the impact on consolidated revenue would have amounted to 2,333 thousand euro and on consolidated profit for the year would have amounted to a profit of 254

thousand euro. In calculating the above amounts, Company Management assumed that the fair value adjustments provisionally determined at the acquisition date would have been the same even if the acquisition had occurred on 1 January 2023.

The following table shows the value of identifiable assets acquired and liabilities assumed.

	thousands of euro		
	Nominal values	FV Adjustment	Fair Value
Property, plant and equipment	43		43
Intangible assets with a finite useful life	16,131	7,379	23,510
Deferred tax assets	325		325
Inventories	76		76
Cash and cash equivalents	10		10
Employee benefits	(284)		(284)
Deferred tax liabilities	(8)	(2,081)	(2,089)
Trade payables	(264)		(264)
Sundry liabilities and other current liabilities	(291)		(291)
<b>Total net identifiable assets</b>	<b>15,738</b>	<b>5,298</b>	<b>21,036</b>

From the analysis performed for the purpose of allocating the purchase price of the company, the value of the assets of the gas distribution service infrastructure was adjusted by 7,379 thousand euro. This amount was determined by taking a weighted average of the Regulatory Asset Base (RAB) and the Residual Industrial Value (VIR). This method was applied to consider in the fair value measurement of the assets also the possibility of the Group not being awarded future tenders for gas distribution, since the concessions are currently being extended. The RAB represents the value of assets for regulatory purposes, calculated on the basis of the rules defined by the Regulatory Authority for Energy Networks

and the Environment (ARERA) in order to determine the reference revenue for regulated businesses. In particular, the value of the RAB is determined starting from the historical cost of acquisition or realisation of the assets at the time of their first use, net of any economic and monetary revaluations that may have occurred, revaluing it on the basis of the deflation indices established by ARERA. The VIR is the commercial value of natural gas distribution plants calculated according to the methodology indicated in the MiSE Guidelines. Assets are depreciated or amortised on the basis of the regulatory useful life of each category of asset defined in the above method.

The gain from the purchase at favourable prices was recognised as shown in the table below.

	thousands of euro
Fair value of the price transferred	20,854
Fair value of net identifiable assets	(21,036)
<b>Profit from purchase at favourable prices</b>	<b>(182)</b>

The profit from the purchase at favourable prices is accounted for under "Gains on equity-accounted investments".

### Amter

On 28 March 2023, IRETI finalised the acquisition of 51% of Amter S.p.A., held by the municipalities of Campo Ligure, Cogoleto, Masone, Mele and Rossiglione (Province of Genoa). The remaining 49% of the company is already owned by the subsidiary Iren Acqua. The total consideration transferred amounted to 4,820 thousand euro.

Amter manages the water cycle in the western area of the province of Genoa with a 300 km drinking water network and a 140 km sewerage network, as well as the district wastewater treatment plant in Rossiglione. With this operation, IRETI anticipates its entry into the management of the water service in the municipalities of Campo Ligure, Cogoleto, Masone, Mele, and Rossiglione with respect to the deadlines set by the Agreement safeguarded

between Amter and them, thus accelerating synergies and sustainability performance in these territories.

In the 9-month period ended 31 December 2023, the subsidiary generated revenue of 4,451 thousand euro and a profit of 67 thousand euro. Management believes that if the acquisition had occurred on 1 January 2023, the impact on consolidated revenue would have amounted to 5,452 thousand euro and on consolidated profit for the year would have amounted to a loss of 223 thousand euro. In calculating the above amounts, Company Management assumed that the fair value adjustments provisionally determined at the acquisition date would have been the same even if the acquisition had occurred on 1 January 2023.

The following table shows the value of identifiable assets acquired and liabilities assumed.

thousands of euro

	Nominal values	FV Adjustment	Fair Value
Property, plant and equipment	35		35
Intangible assets with a finite useful life	9,420	1,244	10,664
Non-current contract assets	333		333
Non-current trade receivables	107		107
Other non-current assets	264		264
Deferred tax assets	656		656
Trade receivables	4,669		4,669
Current tax assets	164		164
Sundry assets and other current assets	417		417
Cash and cash equivalents	490		490
Employee benefits	(257)		(257)
Provisions for risks and charges	(604)		(604)
Deferred tax liabilities	(3)	(351)	(354)
Sundry liabilities and other non-current liabilities	(2,034)		(2,034)
Trade payables	(11,723)		(11,723)
Current tax liabilities	(417)		(417)
<b>Total net identifiable assets</b>	<b>1,517</b>	<b>893</b>	<b>2,410</b>

Trade receivables include gross contractual amounts of 5,328 thousand euro, of which 659 thousand euro considered non-collectable at the date of acquisition.

From the analysis performed for the purpose of allocating the purchase price of the company, the value of the assets of the integrated water service infrastructure was adjusted by 1,244 thousand euro in order to adjust it to the Regulatory Asset Base (RAB). The RAB represents the value of assets for regulatory purposes, calculated on the basis of the rules defined by the Regulatory Authority for Energy Networks and the Environment (ARERA) in order to determine the reference revenue for regulated businesses. In particular, the value of the RAB is determined starting from the historical cost of acquisition or realisation of the assets at the time of their first use, net of any economic and monetary revaluations that may have occurred, revaluing it on the basis of the deflation indices established by ARERA and published every two years when the Water Tariff Method is updated. Assets are depreciated or amortised on the basis of the regulatory useful life of each category of asset defined in the above method.

Goodwill arising from the acquisition has been recognised as shown in the table below.

	thousands of euro
Fair value of the price transferred	2,611
Carrying amount of interest held before acquisition of control	739
Restatement of interests at fair value through profit or loss	1,770
Fair value of net identifiable assets	(2,410)
Non-controlling interests in net identifiable assets	(531)
<b>Goodwill</b>	<b>2,179</b>

The goodwill deriving from the acquisition mainly refers to the synergies that are expected to be obtained from the integration of the acquired company in the Integrated Water Service sector. Goodwill recognised in the financial statements will not be deductible for income tax purposes.

## Business combinations provisionally recognised

### Acquaenna

On 31 May 2023, IRETI, through the acquisition from its shareholder COGEN of a 2.367% stake in the share capital, completed the acquisition of control of the company Acquaenna, in which it already held 48.5%, bringing its shareholding to 50.867%. The total consideration transferred amounted to 8,338 thousand euro.

Acquaenna has managed the water service in all the municipalities of the Province of Enna since 2004 following the award of a tender procedure that ensured the entrusting of the service to the company set up for this purpose, until 2034. With reference to these territories, the company serves a total of approximately 177 thousand inhabitants.

In the 7-month period ended 31 December 2023, the subsidiary generated revenue of 37,103 thousand euro and a profit of 637 thousand euro. Management believes that if the acquisition had occurred on 1 January 2023, the impact on consolidated revenue would have amounted to 31,003 thousand euro and on consolidated profit for the year would have amounted to a loss of 1,365 thousand euro. In calculating the above amounts, Company Management assumed that the fair value adjustments provisionally determined at the acquisition date would have been the same even if the acquisition had occurred on 1 January 2023.

### ReMat

On 13 June 2023, Iren Ambiente S.p.A. finalised the acquisition, partly through a capital increase and partly through the purchase of shares, of the majority

of the share capital of ReMat S.r.l., a start-up active in the recovery of polyurethane foam (in particular from mattresses, seat padding and furniture), in which Iren Ambiente S.p.A. already owned a non-controlling interest of 9.09%. The new corporate structure sees Iren Ambiente owning 88.43% of ReMat's share capital with a total consideration transferred of 2,189 thousand euro.

In the 6-month period ended 31 December 2023, the subsidiary generated revenue of 1,261 thousand euro and a loss of 368 thousand euro. Management believes that if the acquisition had occurred on 1 January 2023, the impact on consolidated revenue would have amounted to 2,607 thousand euro and on consolidated profit for the year would have amounted to a loss of 846 thousand euro. In calculating the above amounts, Company Management assumed that the fair value adjustments provisionally determined at the acquisition date would have been the same even if the acquisition had occurred on 1 January 2023.

#### **WFL**

On 3 October 2023, Iren Green Generation acquired from Granda Energie #3 S.r.l. 100% of the special purpose entity WFL S.r.l., owner of the recently built wind farm in the municipality of Cairo Montenotte (SV), already in operation with a total capacity of 6 MW and for which procedures are underway to authorise an increase in capacity to 7 MW.

The price of the transaction was 12,428 thousand euro. The acquisition represents the entry of Iren into the wind power sector: the expected output of the plant is approximately 18 GWh per year.

In the 3-month period ended 31 December 2023, the subsidiary generated revenue of 450 thousand euro and a profit of 81 thousand euro. Management believes that if the acquisition had occurred on 1 January 2023, the impact on consolidated revenue would have amounted to 1,116 thousand euro and on consolidated profit for the year would have amounted to a profit of 341 thousand euro. In calculating the above amounts, Company Management assumed that the fair value adjustments provisionally determined at the acquisition date would have been the same even if the acquisition had occurred on 1 January 2023.

#### **Semia Green**

On 11 October 2023, Iren Ambiente Toscana finalised the acquisition of control of Semia Green S.r.l., active in the capture of biogas from landfills. The consideration for the transaction, which was implemented through the purchase of shares and a share capital increase, amounted to 1,680 thousand euro. The remaining share of the capital is held by Sienambiente, in which the Group moreover, already has a 40% stake.

The entry of Iren into the company structure will allow Semia Green to build an innovative photovoltaic panel recycling plant in the province of Siena by the end of 2024, which will be able to process up to 5 thousand tonnes/year of panels when fully operational, recycling 98% of the materials of which they are composed.

In the 3-month period ended 31 December 2023, the subsidiary generated revenue of 516 thousand euro and a loss of 100 thousand euro. Management believes that if the acquisition had occurred on 1 January 2023, the impact on consolidated revenue would have amounted to 2,265 thousand euro and on consolidated profit for the year would have amounted to a loss of 68 thousand euro. In calculating the above amounts, Company Management assumed that the fair value adjustments provisionally determined at the acquisition date would have been the same even if the acquisition had occurred on 1 January 2023.

For these acquisitions, pending the definition of the Purchase Price Allocation (PPA) to be completed in accordance with IFRS 3, the positive difference between the price paid and the provisional fair value, at the date of obtaining control, of the identifiable assets acquired and the identifiable liabilities assumed was allocated to goodwill. Such provisional goodwill is not tax deductible.

If new information obtained within one year of the acquisition date relating to facts and circumstances as of the acquisition date results in adjustments to the amounts shown or any additional provisions as of the acquisition date, the accounting for the acquisition will be revised.

The following table shows for each transaction the provisional fair value of the consideration, identifiable assets acquired and liabilities assumed, and provisional goodwill.

thousands of euro

	AcquaEnna	ReMat	WFL	Semia Green
<b>Consideration transferred</b>				
Cash and cash equivalents	579	2,129	12,428	1,680
Carrying amount of interest held before acquisition of control	4,510	-	-	-
Restatement of interests at fair value through profit or loss	3,249	60	-	-
<b>Fair value of the consideration at the acquisition date</b>	<b>8,338</b>	<b>2,189</b>	<b>12,428</b>	<b>1,680</b>
<b>Provisional fair value of net identifiable assets</b>				
Property, plant and equipment	455	1,832	11,112	1,754
Intangible assets with a finite useful life	65,108	81	-	-
Non-current trade receivables	-	5	-	-
Other non-current assets	10	16	-	-
Deferred tax assets	-	252	34	954
Inventories	510	121	-	170
Trade receivables	35,284	893	164	620
Current tax assets	-	1	-	-
Sundry assets and other current assets	5,123	597	648	214
Current financial assets	1,316	-	-	13
Cash and cash equivalents	2,518	913	-	783
Non-current financial liabilities	(22,237)	(1,282)	-	(210)
Employee benefits	(1,295)	(39)	-	(89)
Provisions for risks and charges	(895)	-	(59)	-
Deferred tax liabilities	(335)	-	-	(16)
Sundry liabilities and other non-current liabilities	(41,335)	(4)	-	-
Current financial liabilities	(11,968)	(807)	(663)	(563)
Trade payables	(14,649)	(1,524)	(144)	(961)
Sundry liabilities and other current liabilities	(8,121)	(597)	(4)	(64)
Current tax liabilities	(189)	-	(129)	(40)
Provisions for risks and charges - current portion	-	-	-	(143)
<b>Total fair value of net identifiable assets</b>	<b>9,300</b>	<b>458</b>	<b>10,959</b>	<b>2,422</b>
Non-controlling interests in net identifiable assets	(4,569)	(21)	-	(1,189)
<b>Interim Goodwill/(Badwill)</b>	<b>3,607</b>	<b>1,752</b>	<b>1,469</b>	<b>447</b>



For Acquaenna, trade receivables include gross contractual amounts of 39,550 thousand euro, of which 4,266 thousand euro deemed non-collectable at the acquisition date, while for ReMat, trade receivables include gross contractual amounts of 1,336 thousand euro, of which 443 thousand euro deemed non-collectable at the acquisition date.

### **OTHER CHANGES IN THE CONSOLIDATION SCOPE IN THE FINANCIAL YEAR 2023**

In 2023, the Group acquired control of the special purpose entity Limes 20.

This acquisition does not have the characteristics to be defined as a business and is therefore excluded from the scope of IFRS 3 - *Business Combinations*.

As of the date of acquisition, the company was in fact substantially in possession, at the planning stage, of the authorisations for the forthcoming construction of photovoltaic plants in Sicily. Consequently, this transaction represents an acquisition of individual

assets/liabilities.

The consideration transferred amounted to 5,353 thousand euro, the carrying amount of the individual assets/liabilities acquired amounted to 1,862 thousand euro, and the value of the assets to which the price differential was attributed amounted to 3,491 thousand euro.

The surplus of the consideration transferred represents the value of the authorisations held by the special purpose entity acquired (4,862 thousand euro), net of the tax effect (1,371 thousand euro).

## **V. Accounting policies**

The accounting policies adopted in drawing up these Consolidated Financial Statements of Iren Group at 31 December 2023 are indicated below; the accounting policies described were applied consistently by all the Group companies and have not changed with respect to those adopted at 31 December 2022.

### **Property, plant and equipment**

*- Property, plant and equipment owned*

Property, plant and equipment are recognised at contribution, purchase or internal construction cost. This cost includes all directly attributable costs necessary to make the asset available for use (including, when relevant and where a real obligation exists, the present value of the estimated costs of dismantling and removing the asset and reclaiming the site on which it is located), net of trade discounts and rebates.

Borrowing costs related to the purchase or internal construction of items of property, plant and equipment are capitalised for the part of the cost of the asset until it becomes operative.

If significant items of such property, plant and equipment have different useful lives, these items are accounted for separately.

In particular, under this policy, land and buildings located on the land are to be recognised separately; only the buildings are depreciated, while the carrying amount of land is subject to impairment, as described in the section "Impairment losses on non-

financial assets" below.

Ordinary maintenance costs are fully recognised in profit or loss. Other costs of an incremental nature are allocated to the assets to which they refer, in accordance with IAS 16, and depreciated in relation to the residual possibility of use of the assets to which they refer. Costs that reasonably expect an increase in future economic benefits, such as an increase in useful life, an increase in production capacity, an improvement in product quality or the adoption of production processes that result in a substantial reduction in production costs, are considered to be incremental.

Assets under construction include costs related to the construction of plants incurred until the reporting date. These investments are depreciated once the asset becomes operative.

Property, plant and equipment are depreciated systematically on a straight-line basis annually using economic-technical rates determined in line with their residual useful lives. Landfills are depreciated based on the filling percentage.

The rates applied are set out in the following table:

	Min. rate	Max. rate
Buildings	1,11%	23,00%
Light constructions	1,75%	25,00%
Vehicles	5,00%	25,00%
Sundry equipment	5,00%	25,00%
Furniture and office machines	5,00%	20,00%
Hardware	6,00%	50,00%
Plants	1,25%	50,00%

The changes in rates compared to 2022 are due to the new companies that came into the full consolidation scope, the updating of the economic and technical useful lives of individual assets and the result of verification performed on these by the technicians responsible for the plants.

The table below shows the residual term of the lease contracts on the basis of which the rights of use recognised among property, plant and equipment are depreciated:

	Years	
	from	to
Land	2	94
Buildings	2	57
Plant and machinery	3	7
Industrial and commercial equipment	4	24
Other assets (motor vehicles)	2	11

Grants related to assets are recognised as deferred revenue and taken to profit or loss over the depreciation period of the related item of property, plant and equipment.

## - Leased assets

### Lessee

IFRS 16 establishes a criterion based on the control (right of use) of an asset to distinguish leases from contracts for services, regardless of the contractual form adopted (lease, rental or hire). The discriminants are: the identification of the asset, the right to replace the same, the right to obtain substantially all the economic benefits deriving from use of the asset and the right to direct the use of the asset underlying the contract.

The Group lessee side applies the practical expedient of IFRS 16, which provides for recognition in the statement of financial position of the assets and related financial liabilities for all lease contracts with a term of more than 12 months, unless the underlying asset has a unit value as new of less than five thousand euro.

The lease liability is initially measured at the present value of the payments due for the lease, primarily the fixed and/or variable payments contractually provided for and the price to exercise the option if the

reasonable certainty of exercising it exists; as regards the rate used for discounting, reference is made to the marginal loan rate derived from the market value of the listed debt instruments issued by Iren. Subsequently, the liability is reduced by the principal repaid and, if necessary, restated to take account of new valuations or changes. The residual debt must be accounted for by separating the current portion (within 12 months) from the non-current portion. The right of use of the asset underlying the lease contract is recognised under property, plant and equipment at cost, consisting of the initial measurement of the financial liability increased by any initial costs incurred. The asset is depreciated over the term of the lease or, if the transfer of ownership at the end of the lease is provided for, over the expected useful life of the underlying asset. The asset may also be reduced as the result of any impairment losses, and adjusted to take into account any redetermination of the lease liability.

In the statement of financial position, the Group shows right-of-use assets that do not meet the definition of investment property under 'property, plant and equipment' and lease liabilities under 'financial liabilities'.

In the income statement interest on the debt and depreciation are recognised separately, as is any impairment loss on the right-of-use asset.

### **Lessor**

At the inception of a contract or upon amendment of a contract that contains a lease component, the Group allocates the contract consideration to each lease component based on its stand-alone price.

At the inception of the lease, the Group, in its role as lessor, classifies each of its leases as either a finance lease or an operating lease.

For this purpose, the Group generally assesses whether the lease transfers substantially all the risks and rewards associated with ownership of the underlying asset. In this case, the lease is classified as a finance lease, otherwise as an operating lease. As part of this assessment, the Group considers, among other indicators, whether the lease term covers most of the economic life of the underlying asset.

With respect to sub-leases, the Group, as an intermediate lessor, classifies its share in the head lease separately from the sub-lease. For this purpose, it classifies the sub-lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. If the head lease is a short-term lease that the Group has accounted for by applying the above exemption, the sub-lease is classified as an operating lease.

For contracts containing a lease component and one or more lease and non-lease components, the Group allocates the contract consideration by applying IFRS 15.

The Group applies the derecognition and impairment provisions of IFRS 9 to the net investment in leases. The Group periodically reviews estimates of non-guaranteed residual values used in the calculation of gross investment in leases.

The Group recognises payments received for operating leases as income on a straight-line basis over the lease term in 'other income'.

### **Investment property**

Investment property is initially measured at purchase or construction cost. Such cost includes the purchase price and any directly attributable costs. The related transaction costs are recognised among the property costs, when purchase is recognised. Investment property is subsequently measured at cost.

Costs incurred after the purchase or completion of an investment property increase the initial cost of the asset, if the company is likely to obtain higher future benefits than those previously estimated, thanks to these costs. Otherwise, such costs are charged to profit or loss.

Investment property is depreciated systematically annually on a straight-line basis using rates held to represent the residual useful life of the relevant asset.

### **Intangible assets**

Intangible assets are recognised in the statement of financial position when it is probable that the expected future economic benefits attributable to the asset will flow to the group and the cost of the asset can be measured reliably. They are recognised at contribution, acquisition or production cost, including any directly attributable costs.

Development expenditure is capitalised if all of the following features can be demonstrated:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the ability to reliably measure the expenditure attributable to the asset during its development;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- it is clear how the asset will generate future economic benefits.

If even one of these requirements fails to be met, the expenditure in question is fully recognised in profit or loss in the year in which it is incurred.

Intangible assets with a finite useful life are amortised on a systematic basis over their useful lives so that the carrying amount at year end matches their

residual life or recoverable amount based on the group's plans to develop production. Amortisation begins when the asset is available for use.

Amortisation of intangible assets is calculated on a straight-line basis over the following useful lives:

	Years	
	from	to
Industrial patents and intellectual property rights	3	20
Concessions, licences, trademarks and similar rights	3	99
Software	2	10
Other intangible assets with a finite useful life	2	40

Amortisation begins when the asset is available for use, in other words, when it is able to operate as intended by the company's management. Amortisation expires on the later of either the date on which the asset is classified as held for sale (or included in a disposal group classified as held for sale), pursuant to IFRS 5, or the date on which the asset is derecognised.

Assets under development and payments on account relate to internal and external costs referring to intangible assets for which the group has not yet acquired the right and has not started to use in production. These investments are amortised from the date they begin to be used in production. Under IAS 36, assets under development are tested for impairment annually, or whenever there is any indication of impairment, so as to check that the carrying amount matches the recoverable amount.

### Goodwill

Goodwill is initially recognised at cost. It represents the difference between the purchase cost and the portion of fair value attributable to non-controlling interests and the net fair value referred to the identifiable assets, and current and contingent liabilities acquired. If, after this restatement, the fair value of current and contingent assets and liabilities exceeds the purchase cost, the difference is recognised immediately in profit or loss. Any goodwill deriving from the acquisition of an

associate or joint venture is included in the carrying amount of the investment.

Goodwill is allocated to one or more cash-generating units and is not amortised, but is annually tested for impairment or more frequently if specific events or changes in circumstances indicate that impairment may have taken place (see section on "Impairment losses on non-financial assets").

### Non-current assets held for sale - Discontinued operations

A non-current asset (or group of assets and liabilities held for disposal) is classified as available for sale if its carrying amount will be recovered mainly through a sale transaction rather than through its continued use. Immediately prior to initial classification of the asset (or disposal group) as available for sale, the carrying amounts of the assets are measured in accordance with Group accounting policies. The asset (or disposal group) is then recognised at the lower between its carrying amount and its fair value less costs to sell. Impairment loss on a disposal group is initially taken to goodwill, then to the residual assets and liabilities on a proportional basis, except for inventories, financial assets, deferred tax assets, employee benefits, investment property and biological assets, which continue to be measured in accordance with Group accounting policies. Impairment losses on the initial classification of an asset as held for sale compared to subsequent

measurements are recognised in profit or loss. Reversals of impairment losses are recognized only up to the amount of any accumulated impairment losses.

Discontinued operations represent a part of the group that has been discontinued or classified as held for sale, and:

- a. represents an important business unit or geographical segment;
- b. forms part of a single coordinated disposal plan or an important autonomous business unit or geographical segment;
- c. is a subsidiary acquired solely with a view to resale.

If a single non-current asset is involved (e.g. a property or an investment in an associate), the recognition of profit or loss from the disposal or valuation depends on the nature of the asset. If it is a discontinued operation and is a material component of the item "Profit/loss from discontinued operations", a single amount is recorded represented by the total of:

- i. profit or loss on the discontinued operation, net of tax effects; and
- ii. the capital gain or loss, net of tax effects, recognised after the fair value measurement, net of costs to sell or actual disposal of the asset.

The income statement of the comparative year is restated in order to guarantee consistent comparison.

If the asset is immaterial, revenue and costs from the discontinued operation continue to be recognised on a line-by-line basis under the related income statement items, whilst the profit/loss from discontinued operations includes only the capital gain or loss referred to under point ii) above.

### Service concession arrangements

IREN Group is subject to application of IFRIC 12, which defines the recognition and measurement criteria to be adopted in agreements between public and private sectors related to development, financing, management and maintenance of infrastructures under licence agreement. In particular, should the grantor control the infrastructure by regulating and controlling the characteristics of the services supplied and the applicable prices, as well as by maintaining a residual interest in the activity, the operator will purchase either the right to use said infrastructure, or the financial asset, or both, based on the agreements made. Therefore, the operators that are included in the above cases cannot recognise the assets dedicated to the supply of the service

as property, plant and equipment in the statement of financial position under assets, regardless of the acknowledgement of ownership in favour of the same operators included in the service concession arrangements.

In particular, the operator purchases a financial asset to the extent that it has an unconditioned contractual right to payment or another financial asset from, or upon instruction of, the grantor with reference to the building services. The financial asset recognised is subject to the provisions of IAS 32, IFRS 9 and IFRS 7.

The operator purchases an intangible asset to the extent that it has a right (licence) to receive payment from users of the public utility. The right to receive payments from users is not an unconditional right to receive payments as the amounts depend on how much the utility is used. The intangible asset recognised is subject to the provisions of IAS 38. If the operator is paid for the building services partly with a financial asset and partly with an intangible asset, the two amounts composing the payment to the operator shall be recognised separately. The payment received or to be received for both items is initially recognised at the fair value of the amount received or to be received and disclosed in the relevant revenue item.

With reference to the grants received on non-current assets, included in the application of IFRIC 12, these grants are classified under Other liabilities, divided between current and non-current, while the related disbursement is included in Other revenue.

### Impairment losses on non-financial assets

The IFRS require a company to assess whether there are any specific indications of impairment. An impairment test is performed, which consists of estimating the recoverable amount of the asset and comparing it to its carrying amount.

The recoverable amount is the higher of fair value less costs to sell (if an active market exists) and the value in use of the asset. Value in use is the present value of the future cash flows expected to be derived from an asset or Cash-Generating Unit, inclusive of taxes, by applying a discount rate, before taxes, which reflects the current market assessments of the time value of money and risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised. If the impairment loss recognised in prior years no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased, with a balancing item in profit or loss, up to the estimated new recoverable amount. The latter amount shall not exceed the carrying amount that would have

been determined if no impairment loss had been recognised. The reversal of an impairment loss is not applicable to goodwill.

The value in use is generally defined by discounting the cash flows expected from use of the asset or Cash Generating Units and from the amount expected from its disposal at the end of its useful life.

The Cash Generating Units were identified in keeping with the Group's organisational and business structure, as assets that generate independent incoming cash flows deriving from continuous use of the same.

Assets that are not subject to amortisation (goodwill and other intangible assets with an indefinite useful life) and intangible assets that are not yet available for use are tested for impairment annually, even if no indication of impairment exists.

### Financial instruments

All financial instruments, including derivatives, are recognised in the statement of financial position when the group becomes a party to the agreement and therefore acquires a right to receive cash flows or an obligation to pay.

- Financial assets and liabilities

At the moment of initial recognition the financial asset or liability is measured at fair value plus or minus, in the case of a financial asset or liability not measured at fair value recognised in profit or loss, the transaction costs directly attributable to the acquisition or issue of the financial asset or liability. After initial recognition the financial asset or liability is measured as described below.

Financial assets are classified in three categories:

- a) financial assets measured at amortised cost;
- b) financial assets measured at fair value through other comprehensive income (FVOCI);
- c) financial assets measured at fair value through profit or loss (FVTPL).

The classification under the categories indicated above is made on the basis of the entity's business model and in relation to the characteristics of the cash flows generated by the said assets:

- a. a financial asset is measured at amortised cost if the entity's business model envisages that the financial asset is held to collect the related cash flows (therefore, substantially, not to make a profit also from sale of the instrument) and the characteristics of the cash flows of the asset correspond only to payment of principal and interest;
- b. a financial asset is measured at Fair Value with a balancing item in Other Comprehensive Income if it is held with the objective both of collecting the

contractual cash flows, and of being sold (Hold to Collect and Sell model);

- c. finally if it is a financial asset held for trading and in any case does not come within the cases indicated in points a) and b) it is measured at fair value through profit or loss.

At each reporting date all financial assets, with the exception of those measured at fair value recognised in profit (loss) for the year, are subjected to an impairment test to determine whether there is objective evidence that can lead to the belief that the value of the asset is not fully recoverable. In accordance with what is provided for in IFRS 9, the impairment model adopted by Iren Group is based on expected credit losses, where "loss" means the present value of all cash shortfalls considering forward-looking information. According to the general approach concerning all financial assets, the expected credit loss is a function of probability of default (PD) of the loss given default (LGD) and exposure at default (EAD): the PD represents the probability that an asset will not be repaid and will go into default; the LGD is the amount of money lost when a borrower defaults on a loan; the EAD represents the exposure claimed against the counterparty, including any guarantees, collateral, etc. The estimate is made initially on the expected credit losses in the subsequent 12 months; in view of any gradual deterioration of the financial asset, the estimate is adjusted to cover the expected credit losses along the entire life of the financial asset.

Financial liabilities are generally classified as measured at amortised cost, with the exception of derivatives which are measured at fair value through profit or loss. Changes in the fair value of a financial liability designated as measured at fair value through profit or loss, if these are due to a change in the creditworthiness of the liability itself are recognised under other comprehensive income.

### Other equity investments

Other equity investments, consisting of non-controlling interests in unlisted companies that the Group intends to keep in its portfolio in the near future, are measured at FVTPL – fair value through profit and loss.

- Hedging instruments

The Group holds hedging instruments, acquired for non-speculative purposes, solely to hedge its exposure to currency, interest rate and commodity risks.

A hedging relationship qualifies for hedge accounting if all of the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the group's risk management objective and strategy for undertaking the hedge;
- the hedge is expected to be highly effective in offsetting changes in fair value (fair value hedges) or cash flows (cash flow hedges) attributable to the hedged risk;
- for cash flow hedges, an expected future transaction that is hedged must be highly probable and must present an exposure to changes in cash flows that might ultimately affect profit or loss;
- the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured;
- the hedge is assessed on an ongoing basis and is considered highly effective throughout the entire life of the derivative.

Hedging instruments are recognised at fair value, determined by employing adequate measurement models for each type of financial instrument using, where available, the forward curves of both regulated and unregulated markets (intrinsic value). For options, the fair value is supplemented with the time value component, which is based on their residual life and the volatility of the hedged item.

At each reporting date, hedging instruments are tested for effectiveness to check whether the hedge still meets the requirements for designation as effective and can be recognised using hedge accounting. A hedging relationship is effective if:

- there is an economic relationship between the hedged instrument and hedging instrument;
- the credit risk effect does not dominate the change in value that results from the economic relationship;
- the ratio between the quantity of the hedging instrument and the quantity of the hedged instrument in terms of relative weight does not determine an imbalance in terms of the hedge ratio.

If the requirements for the application of hedge accounting are met:

- for a cash flow hedge, changes in the fair value of the hedging instrument are recognised in equity for the effective portion of the hedge (intrinsic value), and in profit or loss for the time-value portion and any ineffective portion (over-hedging);
- for fair value hedges, changes in the fair value of both the hedging instrument and the hedged item are recognised in profit or loss.

If the hedge does not meet the criteria for hedge accounting, the gains or losses deriving from measurement at fair value of only the hedging instrument are fully recognised in profit or loss.

Considering the provisions of IFRS 7 on the fair value hierarchy, as extended by IFRS 13, for each category of financial instrument measured at fair value the fair value hierarchy is as follows:

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities;
- Level 2: Inputs other than Level 1 quoted prices which are observable for the asset or liability, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability which are not based on observable market data.

#### - Trade receivables and payables

Trade receivables and payables, with repayment dates that are in line with normal commercial practices, are not discounted as the time value of money is not material for their measurement, and are recognised at fair value (equal to their nominal value). After initial recognition they are measured at amortised cost.

Trade receivables are shown net of loss allowances determined, in accordance with IFRS 9, by applying, instead of the general approach, valid for all financial assets with the exception of those measured at fair value through profit or loss, the simplified approach and, more specifically, the provision matrix model, which is based on identifying the default rates by maturity bands observed on a historical basis, applied for the entire expected life of the receivable and updated on the basis of significant future scenario elements.

#### - Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments (maturities of three months or less from the date of acquisition) that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash and cash equivalents, including ancillary charges, are measured at fair value.

Cash on hand and equivalents in hand are measured at their nominal value.

#### - Derecognition of financial assets and liabilities

Financial assets are derecognised whenever one of the following conditions occurs:

- the contractual right to receive the cash flows associated with the asset has expired;
- the Group has substantially transferred all the risks and rewards associated with the asset,

transferring its rights to receive the cash flows of the asset or assuming a contractual obligation to shift these cash flows to one or more beneficiaries under a contract that meets the requirements under IFRS 9 (pass through test);

- the Group has transferred the control of the financial asset but has neither transferred nor retained the risks and rewards associated with the financial asset.

Financial liabilities are derecognised when they are settled, i.e. when the contractual obligation is fulfilled, cancelled or prescribed. When an existing financial liability is replaced by another to the same creditor on substantially different terms, or the terms of an existing liability are substantially modified, such replacement or modification is treated as derecognition of the original liability and recognition of a new liability.

The difference between the respective carrying amounts is recognised in profit or loss.

- Contracts for the purchase or sale of non-financial items

Contracts for the purchase or sale of non-financial items, entered into and held continuously for the purpose of collection or delivery in accordance with the Group's normal purchase, sale or use requirements, do not fall within the scope of IFRS 9 and are therefore recognised as executive contracts, with effect in profit or loss at the time of the physical exchange ("own use exemption").

### Inventories

Inventories, mainly made up of materials and supplies for the maintenance and construction of plants, raw materials, i.e. fuel oil and diesel, and gas in relation to the marketing activity, are measured at the lower of cost (purchase cost, transformation and other costs incurred to bring the inventories to their current place and condition) and their expected net realisable or replacement value.

Cost is determined using the weighted average cost method.

If the cost of inventories cannot be recovered because they are damaged, have become entirely or partly obsolete or their sales prices have decreased, they are written down to their net realisable value. If the circumstances leading to the write-down no longer exist, the write-down is reversed.

### Equity

Share capital, including the various categories of shares, is stated at its nominal value less share capital proceeds to be received.

The purchase cost of treasury shares is recognised as

a reduction in equity.

Costs directly attributable to share capital transactions of the parent, for new subscriptions, are offset against equity.

Dividends are recognised as liabilities when they are approved by the shareholders.

### Employee benefits

Post-employment benefits are defined according to plans which, based on their characteristics, are separated into "defined contribution" and "defined benefit" plans.

In defined contribution plans, the company obligation, limited to the payment of State contributions or to a separate fund, is calculated on the basis of contributions due. For the Group, this category includes the post-employment benefits accrued since 1 January 2007, payable to the INPS (the Italian Social Security Institution) fund and the share paid to the supplementary pension funds.

The liability relating to defined benefit plans, net of any plan assets, is calculated according to actuarial assumptions. For the Group, included in this category are post-employment benefits accrued until 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the tariff discounts for employees and former employees, additional salary payments, the loyalty bonus paid to employees, and contributions paid to the Premungas fund.

The present value of the liability is calculated for each employee using the projected unit credit method. The total liability is calculated by estimating the amount payable on termination of the employment relations, considering economic, financial and demographic factors. This amount is recognised on a proportional basis over the period of service matured. For post-employment benefits accrued as at 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the proportional basis is not applied because at the reporting date the benefits can be considered accrued in full.

The demographic, economic and financial variables are validated annually by an independent actuary.

As regards presentation in the financial statements, the changes in liabilities connected with the obligation related to a defined benefit plan are broken down into three components:

- 1) operating (service costs), personnel expense;
- 2) financial (financial expense), net interest income/expense;
- 3) measurement (remeasurement costs), actuarial gains/losses.

Gains and losses deriving from actuarial calculations regarding post-employment benefits are immediately



recognised in Other comprehensive income, except for the loyalty bonus which is entirely recognised in profit or loss.

As regards disclosures, information is given on the characteristics of the plans and related amounts recognised in the financial statements, as well as on the risk resulting from the plans and including a sensitivity analysis of fluctuations in demographic risk.

### Provisions for risks and charges

Provisions for risks and charges are set aside to cover liabilities of uncertain amount or maturity that must be recognised in the financial statements when, and only when, the following conditions are met:

- the group has a present obligation (legal or constructive) as a result of a past event at the reporting date;
- it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Risks for which the related liability is only potential are disclosed in the notes to the financial statements, and no provision is made.

No additional information is provided for events that are remote, i.e. where it is very unlikely they will arise, and no provision is made.

The provisions are recognised at the amount representing the best estimate of the total that the group would pay to settle the obligation, or transfer it to third parties at year end. If the discounting effect on the value of money is significant, the provisions are calculated by discounting expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money.

On discounting, the time-related increase in the provision is recognised as financial expense.

Provisions for landfill post-closure are discounted to the present on the basis of the cash flows indicated in the report drawn up by an independent expert.

### Revenue from goods and services

Revenue is measured at fair value with respect to the amount received or due, taking account of any trade discounts and reductions connected with quantity. A distinction is made between revenue from operating activities and any financial income accruing up to the date of collection.

For correct recognition of revenue from contracts with customers, reference is made to IFRS 15 which provides for a revenue recognition model based on 5 steps:

1. identification of the contract with the customer;

Contract means a commercial agreement approved by two or more parties that creates enforceable rights and obligations. A contract is valid when the following conditions are jointly met: a) the parties have approved the contract (in writing or according to usual commercial practices); b) it is possible to identify the customer's rights as regards the goods or services that must be transferred; c) the payment terms are identifiable; d) the contract has commercial substance; e) it is probable that the price will be collected (only the customer's ability and intention to pay are considered);

2. identification of the performance obligations contained in the contract; Where a contract provides for the supply/provision of multiple goods and services, it is assessed whether these should be recognised separately or together, considering their individual characteristics. Activities carried out to execute the contract, such as administrative formalities for preparing the contract itself, do not transfer separate goods and services to the customer, and therefore do not represent performance obligations.

Non-refundable initial expenses charged to the customer are not revenue unless they refer to separate goods and services.

If in a contract an entity gives the customer an option to purchase future goods and services, this option constitutes a separate performance obligation only if it gives the customer a benefit that the customer would not have been able to obtain in another way, for example a discount higher than those typically given for those particular goods or services. An option to purchase goods or services at a price that reflects its stand-alone selling price, is not a separate performance obligation even if it can be obtained only by signing the contract in question.

In this context, it is determined whether the entity is acting as "principal" or "agent," depending on whether or not, respectively, it controls the promised good or service before control thereof is transferred to the customer. When the entity acts as an "agent," particularly with respect to gas and electric grid connection services, revenue is recognised on a net basis;

3. determination of the transaction price. The following elements must be considered in determining the transaction price: a) any amounts collected on behalf of third parties, which must be excluded from the price; b) variable components of the price (such as performance bonuses, penalties, discounts, refunds, incentives, etc.); c) financial component, if the payment terms grant the customer a significant extension;

4. allocate the price to the Performance Obligations on the basis of the "Relative Stand Alone Selling Price". For any bundled supplies, the selling price is generally allocated on the basis of the stand-alone price of each good or service, i.e., the price at which the Group would sell such good or service separately to the customer;
5. recognise revenue when the Performance Obligation is satisfied. The asset or service is transferred when the customer obtains control over the asset or service and that is when it has the ability to decide and/or direct its use and obtain substantially all its benefits. The transfer of control, and consequently the recognition of revenue may occur at a certain point in time or over time.

For each obligation fulfilled over time, revenue is recognised by evaluating progress toward complete fulfilment of the obligation. On the asset side, contract assets, specifically identified in the financial statements, represent the right to the price for goods and services transferred to the customer when said right is subject to a condition other than the passage of time.

When said right is unconditional, i.e. collection of the price depends solely on the passage of time, a receivable is recognised.

If the customer pays the price before the transfer of goods or services occurs, a liability arising from contracts with customers is recognised at the time payment is made (or payment is due); this liability is recognised as revenue when the obligation under the contract is fulfilled.

With reference to the Group's operating segments, it should also be noted that:

- revenue from the sale of electricity, gas and heat to customers is recognised at the time of supply and includes the estimated amount relating to supplies made but not yet invoiced. This estimate is based on the customer's historical consumption profile, adjusted to reflect weather conditions or other factors that may affect the estimated consumption;
- revenue from network businesses (electricity, gas and water distribution) is entered on the basis of the tariffs determined by the competent Authorities to reflect the remuneration paid for the investments made;
- revenue relating to contracts for the energy efficiency upgrading of buildings or plants is recognised on the basis of the stage of completion of the contract work, deduced from the total estimated costs incurred, by means of the recognition of a contract asset until the

obligation has been fully met.

In the event of contractual amendment, that is a change in the subject and/or the price of the contract approved by the parties, if the amendment introduces new separate goods and/or services and the increase in the contractual price is equal to the stand-alone selling price of the new goods and/or services, the contractual amendment is accounted for as a new contract. If the two aforementioned conditions are not met and the goods and/or services still to be delivered are separate with respect to what has already been transferred to the customer before the amendment, the change is treated as cancellation of the old contract and introduction of a new contract with prospective effect on revenue; otherwise the amendment is treated as continuation of the original contract with retrospective effect on revenue.

The costs of obtaining contracts with customers are capitalised in accordance with the provisions of IFRS 15 and are amortised over the duration of the relationship with the customer. In order to determine this expected period, reference is made to historical experience with churn rates.

#### **Grants related to assets and grants related to income**

Grants related to assets are recognised, when they become payable, as deferred revenue and systematically taken as income to profit or loss over the useful life of the asset to which they refer. The deferred revenue relating to the grants themselves is reflected in the statement of financial position as other liabilities, with appropriate separation between the current portion and the non-current portion. Grants related to income are recognised in profit or loss when the recognition criteria are met, i.e. when their recognition as a balancing entry of supply costs related to the grants is certain.

Connection grants invoiced by companies that provide the distribution service as reimbursement of the costs incurred for the connection/meter installation under the terms of IFRS 15 cannot be considered part of the price of the distribution service because there is no transfer of control over the asset. They are therefore deferred and released along the life of the asset of reference in line with what is envisaged for tariff purposes.

#### **Other income**

Other income includes all kinds of revenue not included in the previous types and not of a financial nature.

Income is measured at the fair value of the consideration received or receivable and is recognised when the amount of revenue can be reliably estimated

and it is probable that the economic benefits of the transaction will flow to the group.

#### **Costs for the purchase of goods and services**

Costs are measured at the fair value of the amount paid or to be paid. Costs for the acquisition of goods and services are recognised when their amount can be reliably determined. Costs for the purchase of assets are recognised upon delivery which, based on outstanding agreements, identifies the moment of transfer of the related risks and rewards. Costs for services are recognised on an accrual basis upon receipt.

#### **Financial income and expense**

Financial income and expense are recognised when they accrue on the basis of the interest earned on the net amount of the related financial assets and liabilities using the effective interest rate.

Borrowing costs that are directly attributable to the acquisition, construction or production of a plant are capitalised when it is probable that they will result in future economic benefits for the group and are reliably determined.

#### **Income taxes**

Income taxes comprise all the taxes calculated on the Group's taxable income.

Current and deferred taxes are recognised as income or expense and included in the profit or loss for the year, except to the extent that the tax arises from a transaction or event that is recognised, in the same or a different year, directly in equity.

Current tax is the expected tax payable on the taxable income for the year, applying the tax legislation enacted or substantially enacted at the reporting date. Deferred tax liabilities are calculated based on the temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the amounts used for taxation purposes.

Deferred tax assets are recognised only when their recovery is probable.

Deferred tax liabilities are calculated at the tax rates that are expected to apply for the year in which the differences are reversed.

The Group also exercised the option for the tax consolidation scheme, pursuant to Art. 118 of the new Consolidated Law on Income Tax. This requires that the consolidated companies transfer their IRES debit/credit positions to the Parent IREN S.p.A. The latter then calculates IRES on the algebraic sum of taxable profits/losses of each company taking part in the tax consolidation scheme.

In return for the taxable income earned and

transferred to the parent, the consolidated company commits to paying "tax settlements" to the parent equal to the amount of taxes owed on the income transferred, net of the transferred IRES assets.

#### *Uncertainty of income tax treatment*

The definition of uncertainty should consider whether a given tax treatment would be acceptable to the Tax Authority. If it is considered probable that the Tax Authority will accept the tax treatment (the term "probable" being understood as "more likely than not"), then the Group recognises and measures its current or deferred tax assets and liabilities by applying the provisions of IAS 12.

Conversely, if the Group believes that it is not likely that the Tax Authority will accept the tax treatment for income tax purposes, the Group reflects the effect of such uncertainty by using the method that best provides for the resolution of the uncertain tax treatment. The Group decides whether to consider each uncertain tax treatment separately or in conjunction with one or more uncertain tax treatments, choosing the approach that best provides for resolution of the uncertainty. In assessing whether and how uncertainty affects tax treatment, the Group assumes that the Tax Authority does or does not accept uncertain tax treatment on the assumption that the Tax Authority, on audit, will check the amounts it is entitled to examine and that it will be fully aware of all relevant information. The Group reflects the effect of uncertainty in determining current and deferred income taxes, using either the expected value method or the most probable amount method, depending on which method best provides for resolution of the uncertainty. Since uncertain tax positions relate to the definition of income taxes, the Group reports uncertain tax assets/liabilities as current taxes or deferred taxes.

#### **Translation criteria for foreign currency items**

The functional and reporting currency adopted by the Group is the Euro. When transactions in foreign currency are made, they are initially recognised at the exchange rate in effect on the transaction date. Except for non-current assets, assets and liabilities in foreign currency are recognised at the closing rate and the related exchange rate gains and losses are recognised in the income statement. Any net gain is allocated to a special reserve unavailable until realisation.

#### **Emission Trading Scheme**

The Emission Trading Scheme is part of the so-called 'flexible mechanisms' allowed under the Kyoto Protocol to reduce greenhouse gas emissions. In this context, the Group actively participates in the emissions trading scheme, contributing to the achievement of the reduction targets set by the

national reduction plan.

The emission quotas purchased as part of the activities related to the achievement of these objectives in excess of the requirements, determined in relation to the obligations accrued at the end of the financial year (so-called "surplus"), are recorded under other intangible assets at cost incurred. Quotas received free of charge are not recognised. Since it is an asset with instantaneous use, this item is not subject to amortisation.

With regard to the obligations relating to the year, if the requirement exceeds the quotas in the portfolio at the reporting date (so-called "deficit"), the charge necessary to meet the residual obligation is allocated in the financial statements, estimated on the basis of any purchase contracts, including forward contracts, already entered into at the reporting date and, residually, market prices.

Any emission quotas held for trading which are still unsold at year end are recognised in the statement of financial position under the item Inventories. These quotas are measured at the lower of cost and market value.

#### Other energy certificates

Some types of incentives or energy certificates closely related to the activities performed were assigned to the Group. These are strictly connected with the performance of specific activities aimed at energy-saving and at injection into the electricity system of energy produced by renewable sources. In particular, the Group received:

- from the Energy Services Operator ("Gestore dei Servizi Energetici" - GSE) the ex-green certificate incentive, as established by the Ministerial Decree of 6 July 2012, valid for the production of plants that already benefited from green certificates;
- from the Energy Services Operator (GSE), tradable certificates that certify that energy-saving work has been performed (Energy Efficiency Certificates – "EECs"- the so-called "white certificates").

For accounting purposes, these cases are treated as follows:

- the incentive tariff (ex-green certificates) deriving from the annual production of electricity from renewable sources is recognised on the basis of the accruals concept when the right matures;
- white certificates are accounted for in a slightly different way according to whether the entity is obliged or not obliged to return the EECs.

In fact, entities that are obliged to return EECs recognise among other income the grant received related to the obligation for the year and among cost

for raw materials the cost of EECs purchased to meet this obligation in the year of accrual. If the EECs purchased exceed the compulsory amount, the cost of the exceeding purchased certificates is discounted; conversely, if the certificates purchased are not enough to meet obligations, the cost of certificates to be purchased will be allocated to meet the compulsory amount for the year.

Entities not obliged to return the EECs:

- if they operate in trading activities, recognise revenue and costs of the certificates bought and sold and suspend among Inventories any unsold certificates, measured at the weighted average cost and at the lower between cost and market;
- if white certificates mature in the context of energy efficiency and energy saving activities, the related revenue is recognised as it accrues.

#### Power Purchase Agreements

Power Purchase Agreements (PPAs), i.e. long-term contracts, at negotiated prices, between an energy producer/seller and a customer, which:

- provide for the physical delivery of the commodity.
- do not comply with the requirements of IFRS 10 for the existence of control or joint control over a company or asset and IFRS 16 for the recognition of a lease.
- comply with the definition of derivative in IFRS 9

They shall be accounted for by applying the own use exemption when the relevant conditions are met.

With reference to Virtual PPAs (bilateral contracts without physical delivery, which provide for a consideration "per difference" with respect to market prices against a strike price), which comply with the definition of derivative pursuant to IFRS 9, reference should be made to the "Recognition of derivatives" section of the "Group Financial Risk Management" section.

#### Earning per share

- Basic earnings per share

Basic earnings per share are calculated based on the profit or loss attributable to ordinary shareholders of the parent. They are calculated by dividing profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

- Diluted earnings per share

Diluted earnings per share are calculated based on the profit or loss attributable to ordinary shareholders of the parent.

For the purposes of calculating diluted earnings per share, the number of ordinary shares is the weighted

average number of ordinary shares plus the weighted average number of ordinary shares that could be issued on conversion to shares of all potential ordinary shares with dilutive effects. This conversion takes place at the beginning of the year or at the date of issue of the potential ordinary shares.

### Accounting standards, amendments and interpretations applied as of 1 January 2023

As of 1 January 2023, the following accounting standards and amendments to accounting standards, issued by the IASB and endorsed by the European Union, are obligatorily applicable:

#### *IFRS 17 - Insurance contracts*

In May 2017, the IASB published IFRS 17 Insurance Contracts, which replaces IFRS 4, issued in 2004. The standard aims to improve investor understanding of insurers' risk exposure, profitability and financial position by requiring that all insurance contracts be accounted for consistently by overcoming the comparison problems created by IFRS 4.

This standard had no significant impact on the Group's financial results and related financial reporting.

#### *Amendments to IAS 1 and to IAS 8*

European Union Regulation 2022/357 of 2 March 2022 endorses the amendments to IAS 1 and IAS 8 published by the IASB on 12 February 2021. The amendments clarify the differences between accounting policies and accounting estimates in order to ensure the consistent application of accounting policies and the comparability of financial statements, and require companies to provide relevant information on the accounting policies applied, suggesting that unnecessary disclosures be avoided or limited.

*Amendments to IAS 12 Income Taxes: Deferred taxes on assets and liabilities arising from a single transaction*  
The amendments to this standard require the recognition of deferred tax assets and liabilities for transactions that give rise to taxable and deductible temporary differences of equal amount upon initial recognition (e.g., leases and decommissioning obligations); the purpose of these amendments is to improve and provide comparability of information for the benefit of financial statement users with respect to the tax impacts of leases and decommissioning costs.

#### *Amendments to IAS 1 and to IAS 8*

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8 published by the IASB on 12 February 2021. The amendments clarify the differences between accounting policies and accounting estimates in order to ensure the consistent application of accounting policies and the comparability of financial statements, and require companies to provide relevant information on the accounting policies applied, suggesting that unnecessary disclosures be avoided or limited.

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### Accounting standards, amendments and interpretations endorsed but not yet applicable and not adopted early by the group

#### *Amendments to IFRS 16 - Leases Lease Liability in a Sale and Leaseback*

Issued on 22 September 2022, its purpose is to clarify the impact that a sale or leaseback transaction could have on a financial liability with variable payments that are not index- or rate-related. The amendments are applicable from 1 January 2024, with the possibility of earlier application.

#### *Amendments to IAS 1 - Classification of liabilities as current or non-current and Non-current liabilities with covenants*

Issued on 23 January 2020 and 31 October 2022, they provide clarifications on the classification of liabilities as current or non-current.

## Accounting standards, amendments and interpretations not yet endorsed by the european union

It should be noted that these documents will only be applicable once they have been endorsed by the EU.

Document title	Issue date by the IASB	Effective date of the IASB document	Date of expected endorsement by the EU
<b>Standards</b>			
IFRS 14 Regulatory Deferral Accounts	January 2014	1 January 2016	Endorsement process suspended pending new accounting standard on "rate-regulated activities".
<b>Amendments</b>			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until completion of IASB project on the equity method	Endorsement process suspended pending conclusion of IASB project on the equity method
Supplier finance (Amendments to IAS 7 and IFRS 7)	May 2023	1 January 2024	To be defined
Lack of exchangeability (Amendments to IAS 21) Effects of Changes in Foreign Exchange Rates	August 23	1 January 2025	To be defined

As regards the new standards applicable starting from 2024 or subsequent years, assessments for their correct application and analyses of the presumable impacts on future financial statements are in progress.

## VI. Group financial risk management

A summary of the risk management and control methods is shown below with respect to financial instruments (liquidity risk, currency risk, interest rate risk, credit risk) and commodity price risk related to fluctuations in the prices of energy *commodities*.

### 1. FINANCIAL RISKS

Iren Group's business is exposed to various types of financial risks, including: liquidity risk, currency risk and interest rate risk. As part of its Risk Management activities, the Group uses non-speculative hedging contracts to limit currency risk and interest rate risk.

#### a) Liquidity risk

Liquidity risk is the risk that financial resources available to the group will be insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines. The procurement of

financial resources has been centralised to optimise their use. Centralised management of cash flows at Iren makes it possible to allocate the funds available at the Group level according to the needs that from time to time arise among the individual Companies. Cash movements are recognised in intra-group accounts along with intra-group interest income and expense. Several investees have an independent financial management structure in compliance with the guidelines provided by the parent. The current and forecast financial position and the availability of adequate credit facilities are constantly

monitored, and no critical points have emerged regarding the coverage of short-term financial commitments. At the end of the year short-term bank credit facilities used by the Parent totalled 9.4 million euro.

In addition, having assessed the convenience and advisability from time to time in the context of optimising available financial resources, the Group carries out non-recourse factoring of trade receivables and tax assets, benefiting from the liquidity advance arising therefrom. In this context, to

support the Group's liquidity profile and rating level, in addition to current cash and cash equivalents, Iren has a total of 415 million euro, including medium/ long-term financing lines agreed and available but not used (215 million euro) and the new committed Sustainability-Linked revolving credit facilities (RCF), agreed in December with Unicredit and BPER (200 million euro).

The table below illustrates the nominal cash flows required to settle financial liabilities:

### Financial liabilities at 31 December 2023:

thousands of euro

	Carrying amount	Contractual cash flows	within 12 months	1-5 years	Over 5 years
Loan and bond liabilities (*)	4,528,978	(4,928,613)	(668,182)	(2,255,013)	(2,005,418)
Hedging of interest rate risk (**)	2,279	(2,279)	18,259	(9,895)	(10,643)
Lease liabilities	61,042	(65,730)	(16,227)	(35,759)	(13,744)

(\*) The carrying amount of "Loan and bond liabilities" includes both current and non-current portions.

(\*\*) The carrying amount of "Hedging of interest rate risk" includes the positive and negative fair value of the hedging contracts.

### Financial liabilities at 31 December 2022:

thousands of euro

	Carrying amount	Contractual cash flows	within 12 months	1-5 years	Over 5 years
Loan and bond liabilities (*)	4,248,825	(4,674,533)	(132,459)	(2,284,415)	(2,257,659)
Hedging of interest rate risk (**)	(52,813)	52,813	11,977	34,463	6,373
Lease liabilities	64,745	(69,715)	(16,254)	(39,291)	(14,170)

(\*) The carrying amount of "Loan and bond liabilities" includes both current and non-current portions.

(\*\*) The carrying amount of "Hedging of interest rate risk" includes the positive and negative fair value of the hedging contracts.

Cash flows required to settle other financial liabilities, other than those to lenders and those related to the application of IFRS 16 about leases, shown in the above tables, do not differ significantly from the recognised carrying amount.

Among the factors defining the riskiness perceived by the market, the creditworthiness, assigned to Iren by rating agencies, plays a significant role as it influences its ability to access sources of financing and the relevant economic conditions. A lower creditworthiness could, therefore, hinder access to the capital market and/or cause an increase in the cost of financing sources, with consequent negative effects on the Group's financial position and performance. During 2023, Iren's creditworthiness assessment has been improved by both rating agencies, as detailed in the "Financial Management" section of the Directors' Report.

Iren has relations with the leading Italian and international banks, for the purpose of searching for the types of loans most suited to its needs, and the best market conditions.

Details of the activities performed in this area and of the individual transactions are shown in the financial management section of the Directors' Report.

Financial debt at year end consisted of 33% loans and 67% bonds; it is also noted that:

- 77% of total debt is financed by sustainable funds, consistent with the Iren Sustainable Finance Framework, such as Green Bonds and loans whose interest rate is linked to ESG Key Performance Indicators - see also Note 21 "Non-current financial liabilities" of these Notes.
- 67% of the residual debt for loans is contracted at a fixed rate and 33% at a variable rate.

Regarding the liquidity risk potentially deriving from contractual clauses allowing counterparties to withdraw financing should certain events occur (*default risk and covenants*), it is noted that the clauses in Iren's loan agreements are complied with. Specifically, for certain medium/long-term loan agreements Iren is committed to observing financial covenants (such as Debt/gross operating profit, gross operating profit/borrowing costs) verified on a yearly basis. Moreover, other covenants have been provided for the *Change of Control clause*, which states that Iren Group should be kept under the direct and indirect control of public shareholders. In addition, Negative Pledge clauses exist whereby the group undertakes not to grant collateral beyond a specific limit, and the *Pari Passu clause*, which reserves an equal treatment for lending banks with respect to the treatment related to other

unsecured creditors. The medium/long-term loan agreements of certain companies which contribute to the Group's Net Financial Debt, specifically the Project Finance contract with TRM, envisage the observance of financial covenants which have been complied with.

#### *b) Currency risk*

Except as indicated in the section on energy risk, Iren Group is not significantly exposed to currency risk.

#### *c) Interest rate risk*

Iren Group is exposed to interest rate fluctuations especially with regard to the measurement of borrowing costs. Iren Group's strategy is to limit exposure to the risk of interest rate volatility, maintaining at the same time a low cost of funding. For non-speculative purposes, the risks associated with the increase in interest rates are monitored and, if necessary, reduced or eliminated by swap and collar contracts with financial high credit standing counterparties, for the sole purpose of hedging. At the end of the year, all the contracts entered into meet the requisite of limiting the exposure to the risk of fluctuations in interest rates and they also meet the formal requirements for the application of hedge accounting.

The fair value of the aforementioned interest rate hedging contracts as at 31 December 2023 relates to the position of the parent (positive 8,170 thousand euro) and TRM (negative 10,450 thousand euro).

The hedging contracts entered into, together with fixed-rate loans, hedge 87% of loans against interest rate risk, in line with Iren Group's target of maintaining adequate protection against significant increases in the interest rate.

For a more complete understanding of the interest rate risks to which the Group is subject, stress testing was performed on the sensitivity of net financial expense and evaluation portions in derivative financial contracts to changes in interest rates. As regards financial expense, this analysis was performed on the basis of reasonable assumptions as follows:

- a theoretical increase and decrease of 100 basis points in the Euribor interest rates over the year was applied to net financial debt;
- if there was any existing hedge, interest rate shock was applied to both the debt position and related hedging derivative with an extremely limited net effect on the income statement;
- the change in interest rates is also applied to any portion of interest expenses capitalised in the year.

With regard to hedging derivatives at year end, a 100 basis points theoretical increase and decrease was applied to the forward curve of interest rates used to



measure the fair value of the hedges.  
The table below illustrates the results of the above

sensitivity analysis performed with reference to 31  
December 2023.

thousands of euro

	increase of 100 bps	decrease of 100 bps
Increase (decrease) in net financial expense	4,474	(4,546)
Increase (decrease) in derivative fair value charges	437	(402)
Increase (decrease) in hedging reserve	70,608	(75,928)

## 2. CREDIT RISK

The Group's credit risk is mainly related to trade receivables deriving from the sale of electricity, district heating, gas and the provision of energy, water and waste management services. The receivables are spread across a large number of counterparties, belonging to non-uniform customer categories (retail and business customers and public bodies); some exposures are of a high amount and are constantly monitored.

Iren Group's Credit Management units devoted to credit recovery are responsible for this activity.

In carrying on its business, the Group is exposed to the risk that assets may not be honoured on maturity with a consequent increase in their age and in insolvency up to an increase in assets subject to arrangement procedures or unenforceable. Among other factors, this risk is also affected by the economic and financial situation, which in 2022, led to a particularly significant increase in prices for end customers of gas, electricity and district heating. To limit exposure to credit risk, a number of tools are used. These include analysing the solvency of customers at the acquisition stage through careful assessment of their creditworthiness, transferring the receivables of discontinued and/or active customers to external credit recovery companies and introducing new recovery methods for managing legal disputes. In addition, numerous payment methods are offered to customers through channels, including digital channels, and appropriately monitored payment plans are proposed.

In addition, a revolving assignment project with reference to trade receivables relating to invoices of non-domiciled retail customers started in June 2023.

The credit management policy and creditworthiness assessment tools, as well as monitoring and recovery activities, are managed through automated processes and integrated with company applications and differ in relation to the various categories of customers and

types of service provided.

Credit risk is hedged, for some types of business customers, with opportune forms of first-demand bank or insurance guarantees issued by subjects of leading credit standing and with credit insurance for the reseller customer segment.

An interest-bearing guarantee deposit is required for some types of services (water, natural gas, highly-protected electricity sectors) in compliance with regulations governing these activities. This deposit is reimbursed if the customer uses payment by direct debit from a current account.

The payment terms generally applied to customers are related to the legislation or regulations in force or in line with the standards of the free market; in the event of non-payment, default interest is charged for the amount indicated in the contracts or by the legislation. The control of credit risks is also strengthened by the monitoring and reporting procedures, in order to identify promptly possible countermeasures. Furthermore, on a quarterly basis, a report is produced containing the evolution of the trade receivables of the Group companies, in terms of customer type, contract status, business chain and ageing range. The assessment of credit risk is carried out both at consolidated level and at the level of Business Units and companies. Some of the above assessments are carried out at intervals of less than three months or when there is a specific need.

With reference to Trade Receivables and their breakdown by Business Unit and ageing bracket, please refer to the contents of Note 14 "Trade Receivables" in section X "Information on the Statement of financial position".

The loss allowance reflects, carefully and in accordance with the current legislation (applying the IFRS 9 method), the effective credit risks, and is determined on the basis of the extraction from databases of the amounts making up the receivable and, in general,

assessing any changes in the said risk compared to the initial measurement and, in particular for trade receivables, estimating the related expected credit losses determined on a prospective basis, taking into due consideration the historical data.

In this regard, details are provided by financial statements item of the estimate of expected credit losses recognised in the year.

	thousands of euro
Trade receivables	68,421
Other current assets and Current contract assets	3,050
<b>Total to P&amp;L impairment losses on loans and receivables</b>	<b>71,471</b>

Also with reference to "Trade Receivables", in the related Note to the Statement of Financial Position, the specific loss allowance is reported by segment, with evidence of the average loss percentages by ageing bracket.

There is credit concentration in the transactions between the subsidiaries Iren Smart Solutions and AMIAT and the municipality of Turin. For further details, see in particular Note "Non-current financial assets" of the Notes to the statement of financial position.

### 3. ENERGY RISK

Iren Group is exposed to price risk, on the energy commodities traded, these being electricity, natural gas, CO2 emission quotas, etc., as both purchases and sales are impacted by fluctuations in the price of such commodities directly or through indexing formulae. Currently no exposure to currency risk, typical of oil-based commodities, is present, thanks to the development of the European organised markets that trade the gas commodity in the euro currency and no longer indexed to oil products. The Group has implemented a formal procedure that establishes residual risk measurement, the definition of a maximum acceptable risk limit and the implementation of hedging transactions through the use of derivative contracts on regulated markets (e.g. European Energy Exchange – EEX) and Over The Counter (OTC) markets involved in bilateral trades. The commodity risk control process limits the impact on margins of unexpected changes in market prices and, at the same time, ensures an adequate margin of flexibility to seize short-term opportunities.

In this context, Group's policy is oriented to an active management strategy of the positions to stabilise the margin taking the opportunities offered by the markets; it is implemented by aligning the indexing of commodities purchased and sold, through vertical and horizontal use of the various business chains, and operating on the financial markets.

For this purpose, the Group plans the production of its plants and purchases and sales of energy and natural gas, in relation to both volumes and price formulae. The objective is to achieve sufficient margin stability through a policy of indexed purchases and sales that achieves a high degree of natural hedging, with adequate recourse to futures and spot markets.

Based on the energy sold, the Group may file an appeal to fixed-price contracts, through physical bilateral agreements (e.g. Power Purchase Agreements -PPA-, etc.) or financial contracts (e.g. Virtual Power Purchase Agreements -VPP-, etc.).

In addition to normal activity with physical contracts, derivative transactions are in place to hedge the energy portfolio:

- Over the Counter (OTC) on commodities (commodity swaps on TTF, PSV, PFOR and PUN indices) totalling 4.3 TWh. The fair value of these instruments as at 31 December 2023 was negative overall by 12,521 thousand euro (depending on the different positions, of which 39,039 thousand euro of positive fair value and 51,560 thousand euro of negative fair value);
- on the regulated platform European Energy Exchange - EEX, on PUN for a total net notional amount equal to 745 GWh. The Fair Value of

these instruments as at 31 December 2023 is positive overall for 24,277 thousand euro, with daily settlement on a specific current account: these instruments are not specifically valued in the financial statements as they are already expressed in terms of "higher/lower" liquidity.

In addition, under the Emission Trading Scheme, Iren Group purchases Emission Unit Allowances (EUA) to meet its obligations arising from CO2 emissions caused by the production of electricity and heat. Purchases of EUA take place either Spot (with immediate payment and physical delivery) or forward via Future/Forward (with deferred payment and physical delivery); in addition, they may be concluded either on the OTC market (bilateral contracts with third parties) or directly on the regulated EEX market. The annual domestic requirement to be covered is approximately 2.9-3 mln CO2 allowances.

As at 31 December 2023, there were outstanding Future/Forward transactions:

- Over the Counter (OTC) for a total of 2.7 million tonnes. The Fair Value of these instruments totalled a negative 31,114 thousand euro;
- on the regulated platform European Energy Exchange - EEX for a total net notional amount equal to 840 thousand tonnes. The Fair Value of these instruments is negative overall for 1,887 thousand euro, with daily settlement on a specific current account: these instruments are not specifically valued in the financial statements as they are already expressed in terms of "higher/lower" liquidity.

## Recognition of derivatives

Financial derivatives are measured at fair value, determined based on market values or, if unavailable, according to an internal measurement technique.

In order to recognise derivatives, it is necessary to distinguish between transactions that meet all of the IFRS 9 requirements in order to account for them in compliance with the hedge accounting rules and transactions that do not fulfil all of the aforesaid requirements.

### *Transactions recognised in compliance with hedge accounting rules*

These transactions may include:

- fair value hedges: the derivative and the hedged item are recognised at fair value in the statement of financial position and the change in their fair values is recognised directly in the income statement.
- cash flow hedges: the derivative is recognised at

fair value with a balancing entry in a specific equity reserve for the effective portion of the hedge and in the income statement for the ineffective portion; when the hedged item arises, the amount suspended in equity is reversed to the income statement.

Classification in the income statement of the ineffective portion and the deferred amount transferred from equity is based on the nature of the underlying instrument; in the case of commodity derivatives, this amount is accounted for in the gross operating profit, while in the case of interest rate risk hedges it is recognised in financial income and expense.

### *Transactions not recognised in compliance with hedge accounting rules*

The derivative is recognised in the statement of financial position at fair value. The change in the fair value of the derivative and the realised portion is recognised in the income statement according to the following classification:

- in the case of derivative instruments on commodities for which there is a relationship with a cost or revenue component, in the gross operating profit; in particular, the realised portion is accounted for as an adjustment to the cost or revenue component to which it refers;
- in the case of interest rate risk hedges, in financial income or expense.

Finally, in the case of derivative instruments for which there is no longer a relationship with a cost or revenue component, the change in the fair value of the derivative is recognised in financial income and expense, as they are considered instruments with purely financial characteristics and do not have the characteristics to manage exposures arising from particular risks that could affect the profit for the year.

As regards the measurement of the derivative in the statement of financial position, the fair value of the derivative is recognised in non-current financial assets and liabilities if the related underlying item is non-current. Conversely, the derivative is recognised in current financial assets and liabilities if the underlying item is settled within the reporting period. In the case of derivative instruments for which there is no relationship to a cost or revenue component, the fair value of the derivative is recognised under non-current financial liabilities/assets for the portion maturing more than twelve months after the reporting date, and under current financial liabilities/assets for the portion maturing within twelve months after the reporting date.

## Fair value

The following table shows, for each financial asset and liability:

- the carrying amount, including the method of accounting;
- the fair value, including the Level in the relative hierarchy.

In this regard, the various levels were defined as shown below:

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities;
- Level 2: Inputs other than Level 1 quoted prices which are observable for the asset or liability, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability which are not based on observable market data.

## Loans and bonds

The fair value of loans, level 2, is determined as the sum of estimated future cash flows associated with assets or liabilities, including the related component of financial income or expense, discounted with reference to the reporting date. This present value is determined by applying the forward interest rate curve at the

reporting date.

With regard to bonds, the relative fair value (level 1) is derived from the quotation on the regulated markets of the Irish Stock Exchange (Euronext Dublin) and on the ExtraMOT Pro market of Borsa Italiana.

## Derivative hedging contracts (rate and commodities)

All the Group's hedging instruments have a fair value which can be classified at level 2, thus measured through valuation techniques, that take, as a reference, parameters that can be observed on the market (e.g. interest rates, commodity prices) and are different from the price of the financial instrument, or in any case that do not require a significant adjustment based on data which cannot be observed on the market. Their fair value is equal to the present value of estimated future cash flows. In particular:

- about financial instruments hedging interest rate risk, estimates of variable-rate future cash flows are based on quoted swap rates, futures prices and interbank rates, from which the yield curve used to discount the estimated cash flows is also obtained. The fair value thus obtained is subject to Credit Risk Adjusted (CRA) to incorporate the Group's and counterparty's credit risk, with

calculation parameters (probability of default and percentage of loss in the event of default) valued in accordance with best market practice;

- regarding financial instruments hedging commodity risk, estimates of variable future cash flows are based on electricity, gas and EUA price quotations extracted from the main market platforms. Cash flows are discounted and adjusted for the credit risk component, similar to interest rate risk hedging instruments.

### Put Options

Financial liabilities for put options relate to the fair value measurement of the sale options granted to non-controlling investors of I.Blu, Nord Ovest Servizi and ReMat.

With reference to I. Blu and Nord Ovest Servizi, their nominal value, contractually defined between the parties and discounted to consider the time component with respect to the exercise date, is the main observable input for the measurement of the level 2 fair value. As far as ReMat is concerned, the value of the sale option, which is also discounted, is

calculated according to the contractual terms based on the best estimate of the company's expected profitability over a given timeframe. Its fair value is therefore hierarchically recorded at level 3.

Finally, it should be noted that there have been no transfers between the various levels of the fair value hierarchy and that information on the fair value of financial assets and liabilities not measured at fair value is excluded when their carrying amount is reasonably representative of their fair value.

The following tables do not show the assets and liabilities relating to derivatives stipulated on the EEX market (used both for cash flow hedges and fair value hedges), which present a daily settlement of their fair value on a specific current account: they are not specifically valued in the financial statements as they are already expressed in "higher/lower" liquidity.

In order to provide a disclosure as complete as possible, the corresponding figure from the previous year is also indicated.

31.12.2023	Carrying amount				TOTAL
	Fair value of hedging instruments	Fair Value Through Profit & Loss	Financial assets measured at amortised cost	Other financial liabilities	
<b>Financial assets measured at fair value</b>					
Derivative hedging contracts (rate)	30,611				30,611
Derivative hedging contracts (commodities)	39,039				39,039
Assets for variable portion of transfer price OLT Offshore LNG Toscana		21,599			21,599
Other equity investments		10,914			10,914
<b>Total Financial assets measured at fair value</b>	<b>69,650</b>	<b>32,513</b>	<b>-</b>	<b>-</b>	<b>102,163</b>
<b>Financial assets not measured at fair value</b>					
Trade receivables			1,317,523		1,317,523
Loan assets			279,872		279,872
Sundry assets and other assets (*)			683,249		683,249
Cash and cash equivalents			436,134		436,134
<b>Total Financial assets not measured at fair value</b>	<b>-</b>	<b>-</b>	<b>2,716,778</b>	<b>-</b>	<b>2,716,778</b>
<b>Financial liabilities measured at fair value</b>					
Derivative hedging contracts (rate)	(32,891)				(32,891)
Derivative hedging contracts (commodities)	(82,674)				(82,674)
Put options		(8,315)			(8,315)
<b>Total Financial liabilities measured at fair value</b>	<b>(115,565)</b>	<b>(8,315)</b>	<b>-</b>	<b>-</b>	<b>(123.880)</b>
<b>Financial liabilities not measured at fair value</b>					
Bonds				(3.021.690)	(3.021.690)
Loans				(1.507.288)	(1.507.288)
Other financial liabilities (**)				(68.769)	(68.769)
Trade payables				(1.634.720)	(1.634.720)
Sundry liabilities and other liabilities (*)				(364.170)	(364.170)
<b>Total Financial liabilities not measured at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6.596.637)</b>	<b>(6.596.637)</b>
<b>TOTAL</b>	<b>(45,915)</b>	<b>24,198</b>	<b>2.716.778</b>	<b>(6,596.637)</b>	<b>(3.901.576)</b>

(\*) Prepaid expenses and deferred income are excluded

(\*\*) Lease liabilities recognised in accordance with IFRS 16 are excluded

thousands of euro

31.12.2023	Fair value			TOTAL
	Level 1	Level 2	Level 3	
<b>Financial assets measured at fair value</b>				
Derivative hedging contracts (rate)		30,611		30,611
Derivative hedging contracts (commodities)		39,039		39,039
Assets for variable portion of transfer price OLT Offshore LNG Toscana			21,599	21,599
Other equity investments				-
<b>Total Financial assets measured at fair value</b>	<b>-</b>	<b>69,650</b>	<b>21,599</b>	<b>91,249</b>
<b>Financial assets not measured at fair value</b>				
Trade receivables				-
Loan assets				-
Sundry assets and other assets (*)				-
Cash and cash equivalents				-
<b>Total Financial assets not measured at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities measured at fair value</b>				
Derivative hedging contracts (rate)		(32,891)		(32,891)
Derivative hedging contracts (commodities)		(82,674)		(82,674)
Put options		(7,238)	(226)	(7,464)
<b>Total Financial liabilities measured at fair value</b>	<b>-</b>	<b>(122,803)</b>	<b>(226)</b>	<b>(123,029)</b>
<b>Financial liabilities not measured at fair value</b>				
Bonds	(2,769,706)			(2,769,706)
Loans		(1,514,000)		(1,514,000)
Other financial liabilities (**)				-
Trade payables				-
Sundry liabilities and other liabilities (*)				-
<b>Total Financial liabilities not measured at fair value</b>	<b>(2,769,706)</b>	<b>(1,514,000)</b>	<b>-</b>	<b>(4,283,706)</b>
<b>TOTAL</b>	<b>(2,769,706)</b>	<b>(1,567,153)</b>	<b>21,373</b>	<b>(4,315,486)</b>

The non-current portion of "Financial assets measured at fair value" includes at Level 3 the asset relating to the variable portion of the sale price of OLT Offshore LNG Toscana, amounting to 21,599 thousand euro as at 31 December 2023, the fair value of which is determined on the basis of the application of the price formula provided for in the contract, taking into account

the expected profitability of the company and the discount rate inferred from its financial statements. In this regard, a sensitivity on the fair value of this item is reported, expressing the change in it when the expected profitability and discount rate increase/decrease by one percentage point.

thousands of euro

	+1 %	-1 %
Profitability (flows)	1,243	(1,332)
Discount rate	(658)	602

The fair value level of "Other equity investments" (which refer to companies not listed on regulated markets) is not reported, since the related carrying amount is a reasonable approximation.

thousands of euro

Carrying amount					
31.12.2022	Fair value of hedging instruments	Fair Value Through Profit & Loss	Financial assets measured at amortised cost	Other financial liabilities	TOTAL
<b>Financial assets measured at fair value</b>					
Derivative hedging contracts (rate)	61,729				61,729
Derivative hedging contracts (commodities)	182,423				182,423
Assets for variable portion of transfer price OLT Offshore LNG Toscana		25,077			25,077
Other equity investments		10,188			10,188
<b>Total Financial assets measured at fair value</b>	<b>244,152</b>	<b>35,265</b>	<b>-</b>	<b>-</b>	<b>279,417</b>
<b>Financial assets not measured at fair value</b>					
Trade receivables			1,440,323		1,440,323
Loan assets			156,204		156,204
Sundry assets and other assets (*)			488,240		488,240
Cash and cash equivalents			788,402		788,402
<b>Total Financial assets not measured at fair value</b>	<b>-</b>	<b>-</b>	<b>2,873,169</b>	<b>-</b>	<b>2,873,169</b>
<b>Financial liabilities measured at fair value</b>					
Derivative hedging contracts (rate)	(8,916)				(8,916)
Derivative hedging contracts (commodities)	(187,955)				(187,955)
Put options		(7,227)			(7,227)
<b>Total Financial liabilities measured at fair value</b>	<b>(196,871)</b>	<b>(7,227)</b>	<b>-</b>	<b>-</b>	<b>(204,098)</b>
<b>Financial liabilities not measured at fair value</b>					
Bonds				(3,015,622)	(3,015,622)
Loans				(1,233,203)	(1,233,203)
Other financial liabilities (**)				(42,921)	(42,921)
Trade payables				(2,279,400)	(2,279,400)
Sundry liabilities and other liabilities (*)				(199,538)	(199,538)
<b>Total Financial liabilities not measured at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,770,684)</b>	<b>(6,770,684)</b>
<b>TOTAL</b>	<b>47,281</b>	<b>28,038</b>	<b>2,873,169</b>	<b>(6,770,684)</b>	<b>(3,822,196)</b>

(\*) Prepaid expenses and deferred income are excluded

(\*\*) Lease liabilities recognised in accordance with IFRS 16 are excluded



thousands of euro

31.12.2022	Fair Value			
	Level 1	Level 2	Level 3	TOTAL
<b>Financial assets measured at fair value</b>				
Derivative hedging contracts (rate)		61,729		61,729
Derivative hedging contracts (commodities)		182,423		182,423
Assets for variable portion of transfer price OLT Offshore LNG Toscana			25,077	25,077
Other equity investments				-
<b>Total Financial assets measured at fair value</b>	-	244,152	25,077	269,229
<b>Financial assets not measured at fair value</b>				
Trade receivables				-
Loan assets				-
Sundry assets and other assets (*)				-
Cash and cash equivalents				-
<b>Total Financial assets not measured at fair value</b>	-	-	-	-
<b>Financial liabilities measured at fair value</b>				
Derivative hedging contracts (rate)		(8,916)		(8,916)
Derivative hedging contracts (commodities)		(187,955)		(187,955)
Put options		(7,227)		(7,227)
<b>Total Financial liabilities measured at fair value</b>	-	(204,098)	-	(204,098)
<b>Financial liabilities not measured at fair value</b>				
Bonds	(2,558,262)			(2,558,262)
Loans		(1,217,452)		(1,217,452)
Other financial liabilities (**)				-
Trade payables				-
Sundry liabilities and other liabilities (*)				-
<b>Total Financial liabilities not measured at fair value</b>	(2,558,262)	(1,217,452)	-	(3,775,714)
<b>TOTAL</b>	(2,558,262)	(1,177,398)	25,077	(3,710,583)

## VII. Related party transactions

As indicated in the Directors' Report, the information on transactions with related parties is provided below.

### Transactions with owners

The main transactions directly carried out between the Parent's main subsidiaries and the owner municipalities classified as related parties (municipality of Turin, municipality of Reggio Emilia, municipality of Parma, municipality of Piacenza and municipality of Genoa) where Iren operates are detailed below.

Through Iren Smart Solutions, the Group operates services awarded by the municipality of Turin, i.e. public street lighting and traffic light services, management of heating and electrical systems of buildings used as administrative offices or to provide services to the community. The services rendered by Iren Smart Solutions are governed by specific long-term agreements. In this context, on 30 June 2022, an agreement was signed between the municipality of Turin and Iren Smart Solutions for the plant and building upgrading aimed at improving the energy efficiency of 800 buildings in the municipality of Turin, which will be added to the work carried out in recent years on the city's public lighting systems and the heating systems of numerous municipal-owned buildings.

In this regard, an onerous current account contract is in place between the City of Turin and Iren Smart Solutions for management of the past-due amounts related to the above activities.

Through Iren Mercato, the Group sells electricity and gas to the municipality of Reggio Emilia and electricity to the municipality of Genoa, and supplies district heating to the municipalities of Parma, Piacenza and Turin at conditions normally applied to all other customers. Iren Acqua and IRETI provide water services respectively to the municipality of Genoa and to the municipalities of Reggio Emilia, Parma and Piacenza, based on supply contracts similar to those signed with all other customers.

Iren Ambiente provides the municipalities of Reggio Emilia, Parma and Piacenza with urban waste collection and disposal services on the basis of the conditions provided for in the existing agreements.

Again in the context of the sector, for the municipality of Turin the waste management and snow clearing services, and post-operative management of the "Basse di Stura" landfill site are provided by AMIAT in accordance with the Service Contract in place. In this regard, an onerous current account contract is in place between the City and said AMIAT for management of the

past-due amounts related to the above activities.

### Transactions with associates

Among the main transactions carried out by Iren Group with joint ventures and associates, the following are noted:

- the sale of electricity to ASA Livorno and CSAI and gas to Asti Servizi Pubblici and GAIA;
- waste collection and disposal services, including special waste, for GAIA, SETA and CSAI, which operate in the waste management services sector;
- services provided to CSAI concerning full service maintenance and operation of electricity generation plants fuelled by landfill biogas;
- delivery of waste to the plants of GAIA, Barricalla and CSAI and the purchase of sorted fractions from GAIA and SETA for treatment;
- in-plant waste disposal service from Sienambiente to SEI Toscana;
- maintenance services to ASA S.c.p.a. and the delivery of waste to its landfill;
- the services of the energy efficiency chain provided to Fratello Sole Energie Solidali.

### Transactions with other related parties

On the basis of the RPT Procedure, companies controlled, directly or indirectly, by one of the following municipalities have been identified as related parties: Parma, Piacenza, Reggio Emilia, Turin and Genoa. Transactions with these companies are mainly of a commercial nature and pertain to services provided to the generality of customers and concern gas, electricity and, in particular, district heating.

It should also be noted that, in order to provide the integrated water service in the provinces of Parma and Piacenza and in the province of Reggio Emilia, IRETI and Iren Acqua Reggio respectively, in exchange for the payment of an annual fee, use the assets owned by the companies Parma Infrastrutture, Piacenza Infrastrutture and AGAC Infrastrutture, controlled by the relevant Municipalities.

In addition, the Group provides waste treatment services and IT services to AMIU, a subsidiary of the municipality of Genoa, and waste disposal services to SMAT, a subsidiary of the municipality of Turin.

Lastly, Rigenera Materiali, after being entrusted by AMIU Genova, holds the concession for the design, construction, management and operation of the mechanical biological treatment plant of urban waste, with production of SSF, currently under construction in Scarpino.

Quantitative information on financial transactions with related parties is provided in section "XIV. Annexes to the Consolidated Financial Statements", considered an integral part of these notes.

Lastly and as regards the Directors and Statutory Auditors of IREN, with the exception of payment of the fees envisaged for the performance of duties in the management or control bodies of the Parent or of other Group companies, there were no transactions. Transactions that consist of assigning remuneration and economic benefits, in any form, to members of the management and control bodies of IREN and Key Management Personnel of Iren Group are also subject to the provisions of the RPT Procedure. The remuneration of key management (members of the Board of Directors - including members who resigned during 2023 - and key management personnel) totals 4,077 thousand euro, and refers to fixed remuneration (3,137 thousand euro), remuneration for participation in committees (138 thousand euro), bonuses and other incentives (768 thousand euro) and non-cash benefits (34 thousand euro).

#### **Disclosure pursuant to Art. 5.8 and 5.9 CONSOB Regulation**

During 2023, there were no transactions with related parties of "greater significance" or such as to have "materially affected the financial position or results" of Iren and, therefore, falling within the scope of those referred to in Articles 5.8 and 5.9 of the Consob Regulation.

Without prejudice to the foregoing, it is noted that at its meeting of 16 January 2023, the RPTC commenced, to the extent of its competence, the preliminary investigation regarding the transaction entrusting AMIAT S.p.A. (a company indirectly controlled, to the extent of 74.45% of the share capital, by IREN S.p.A. considering the investment held in AMIAT V. S.p.A. through Iren Ambiente S.p.A.) by the City of Turin (which holds the remaining 20% of AMIAT's share capital through FCT Holding S.p.A.) of the management, under the inter partes service contract, of the city green areas (as regards cleaning and maintenance activities, including those not already carried out by AMIAT), through absorption in the relevant work plans, starting from the one relating to 2023.

The investigation of the transaction continued at the meetings of 9 - 14 March 2023. For the purposes hereof, it should be noted that, as a precautionary measure, the transaction - although abstractly qualifying as of "*minor significance*", considering the relative "*Countervalue Relevance Index*", determined pursuant to Article 5.2, letter (a), of the RPT Procedure - was dealt

with according to the procedure envisaged for those of "greater significance", since it related to the manner of execution of the aforementioned services contract (the overall value of which is, in fact, higher than the threshold of "greater significance").

For this reason, the RPTC was promptly involved in the transaction, from the start of the negotiations between AMIAT and the City of Turin, in accordance with the provisions of the RPT Procedure concerning the latter. Nevertheless, in June 2023, AMIAT was informed that the transaction - and, therefore, the eventual transfer of the management of the city's public green areas to the company - should be considered definitively forfeited. The relative causes are alleged to be the result of the in-depth investigations carried out by the competent offices of the City of Turin with regard to the procedures through which, in concrete terms, the local authority intended to formalise the entrustment, as a result of which the RPTC would have carried out the further steps within its competence.

Moreover, for greater detail, it should be noted that, at the aforementioned meetings of 16 January 2023 and 9 March 2023, the RPTC also received, as part of the information flows provided for by the RPT Procedure, information on transactions with related parties falling - since they were of "*small amounts*" or "*concluded at conditions equivalent to market or standard conditions*" - within the scope of the hypotheses of exclusions under the RPT Procedure itself.

At its meeting of 24 May 2023, the RPTC examined the transaction involving the investment of IREN Mercato S.p.A. (a wholly owned subsidiary of IREN S.p.A.) - as agent of a temporary joint venture (ATI) with a third, unrelated party - to the tender procedure promoted by GTT - Gruppo Torinese Trasporti S.p.A. (a company controlled by the City of Turin, indirectly through FCT Holding) no. 12/2023, concerning "*Framework Agreements for the purchase of 280 purely electric-powered buses for local public transport, with supply and installation of recharging infrastructures and accumulation systems; full service supply for 10 years. 3 lots*". In this regard, the COPC expressed its favourable opinion pursuant to Article 9 of the RPT Procedure as to the interest for IREN Group and, in particular, for IREN Mercato, in the completion of the transaction in question as well as to the "convenience" and substantive "correctness" of the related conditions.

At its meeting of 28 September 2023, the RPTC examined the transaction consisting in the entrusting by the aforementioned AMIAT S.p.A. to I. Blu S.r.l. (indirectly controlled by Iren to the extent of 80% of the quota capital, through IREN Ambiente S.p.A.) of the management, administrative and technical services relating to the management of the plant owned by

AMIAT and located in the Municipality of Borgaro Torinese (hereinafter the "Plant"), for a four-year term, commencing on 1 October 2023 and ending on 31 December 2027, based on a specific inter partes contract. In this regard, the RPTC expressed its favourable opinion pursuant to Article 9 of the RPT Procedure as to the interest for IREN Group in the completion of the transaction in question as well as to the "convenience" and substantive "correctness" of the related conditions.

At its meeting of 27 December 2023, the RPTC examined the transaction involving the investment of Ekovision S.r.l. (a company wholly owned by SEI Toscana S.p.A., the latter indirectly controlled by Iren) to the public evidence proceedings promoted by the municipality of Genoa on behalf of AMIU Genova S.p.A. (in-house providing company of the local authority for waste cycle management and street sweeping activities) concerning the *"supply, installation and full service, of a geo-referencing system and detection of vehicle operating parameters, detection of activities related to collection services, in support of the correct execution of routes and related IT platform"*. In this regard, the RPTC expressed its favourable opinion pursuant to Article 9 of the RPT Procedure as to the interest for IREN Group and, in particular, for Ekovision S.r.l., in the completion of the transaction in question as well as to the "convenience" and substantive "correctness" of the related conditions.

Lastly, in the context of the information flows provided for by the RPT Procedure mentioned above, the RPTC received reports on transactions falling within the scope of the exclusion cases under the RPT Procedure.

With regard to the Remuneration and Appointments Committee, it should be noted that, at the meeting held on 5 May 2023, the Committee met to examine, within its remit pursuant to the Corporate Governance Code, the proposals received from the Chief Executive Officer and General Manager with reference to the adjustment of the remuneration of certain key management personnel of the Group. These proposals are in line with the remuneration policy described in Section One of the Report on the 2023 Remuneration Policy and the Fee Paid for 2022, approved by the Shareholders' Meeting of 4 May 2023, without the presence of discretionary evaluations, as prescribed by the Consob Regulation and implemented by the RPT Procedure.

In the present case, therefore, the Committee noted the presence of a case of exclusion from the application of the aforementioned RPT Procedure (Article 6.1(f) thereof).

It should also be noted that the Remuneration and Appointments Committee met on 12 June 2023, jointly

with the Control, Risk and Sustainability Committee, and that, at that meeting, it (i) took note of the resignation tendered, on the same date and with immediate effect, by Gianni Vittorio Armani from the offices of Director and Chief Executive Officer, as well as from the role of General Manager of the Company, with the consequent waiver of the proxies and powers granted to him by resolution of the Board of Directors of 21 June 2022 (ii) acknowledged the existence of the prerequisites for the application of the current Contingency Plan and, by unanimous vote of its members, pointed out that it did not find any reasons to prevent the Board of Directors from actually implementing the aforesaid Contingency Plan, with reference to the early termination of the term of office of the Chief Executive Officer. It was also represented to the Committee that (i) in view of the concrete circumstances and the manner in which Mr. Armani left the Group, it was deemed preferable not to exercise the power to request Mr. Armani a notice period nor to request the relevant indemnity in lieu; (ii) there are no severance indemnities or non-competition undertakings. Similarly, neither the recognition of the long-term variable incentive component 2022-2024, in line with the provisions of the specific Regulation, nor the recognition of the short-term variable incentive component for 2023 are envisaged.

At the full meeting of 30 August 2023, in connection with the aforementioned changes in the composition of the Board of Directors following the resignation of Mr. Armani, the Remuneration and Appointments Committee, also in the exercise of its functions under the RPT Procedure, examined the economic-contractual terms and conditions of the new fixed-term executive employment relationships between the Company and, respectively, (i) Mr. Paolo Signorini (co-opted on the same date as Director and appointed Chief Executive Officer), with the title of General Manager of Iren; (ii) Mr. Luca Dal Fabbro (former Executive Chairperson), with the title of Strategic Director Finance, Strategies and Delegated Areas of Iren; (iii) Mr. Moris Ferretti (former Executive Deputy Chairperson), with the title of Strategic Director Human Resources, CSR and Delegated Areas. In this regard, the RAC resolved to express a positive opinion, for the reasons mentioned above, as to the adequacy of the various economic-contractual aspects envisaged in relation to each of the aforementioned employment contracts.

In the cases in question, it was also ascertained that there were instances of departures from the remuneration policy expressed and approved in the Report on 2023 Remuneration Policy and the Fees paid for 2022, since there are, in the case in point, on the one hand (i) the need to quickly negotiate a remuneration package for the new Chief Executive Officer and General Manager, with a view to pursuing the long-term interests and sustainability of the Company as a whole; (ii) the

need to adjust the remuneration of the other Directors holding special offices and key management personnel in light of the reshuffling of mandates and the new organisational role.

At the meeting held on 21 September 2023, the Committee met to examine, within its remit pursuant to the Corporate Governance Code, the proposals received with reference to the adjustment of the remuneration of certain key management personnel of the Group.

These proposals are in line with the remuneration policy described in Section One of the Report on the 2023 Remuneration Policy and the Fees Paid for 2022, approved by the Shareholders' Meeting of 4 May 2023, without the presence of discretionary evaluations, as prescribed by the Consob Regulation and implemented by the RPT Procedure.

In the present case, therefore, the Committee noted the presence of a case of exclusion from the application of the aforementioned RPT Procedure (Article 6.1(f) thereof).

## VIII. Significant events after the reporting date

### Partnership with Sienambiente

Based on the coming into effect of the new shareholders' agreements between the shareholders Iren Ambiente Toscana, the Province of Siena and the Sienese municipalities, signed in October 2023, as of 1 January 2024, Sienambiente S.p.A. is included in Iren Group's line-by-line consolidation scope.

The company will therefore be able to count on the Group's synergies and resources to carry out its business plan, which envisages, in particular, as regards plant self-sufficiency, the total renovation of the Cortine industrial centre with the construction of a waste sorting and treatment plant, as well as the construction of a biodigester that will produce biomethane from organic waste.

Sienambiente currently operates a municipal waste sorting and valorisation plant, two composting plants, a waste-to-energy plant and a landfill for a total waste treated of about 200,000 tonnes per year.

### Integrated Water Service of the Province of Reggio Emilia

From 1 January 2024, Azienda Reggiana per la Cura dell'Acqua - ARCA S.r.l. is the new Manager of the Integrated Water Service of the Province of Reggio Emilia, taking over from the previous manager IRETI. ARCA is a mixed public-private shareholding company, formed by the public partner AGAC Infrastrutture S.p.A. and the private operating partner IRETI, selected through a tender procedure awarded at the end of 2022.

Within the scope of the activities related to the provision of water services, ARCA will delegate the performance of certain operational tasks, the entrusting of which is governed by a specific agreement, to the Territorial Operating Company Iren Acqua Reggio, a wholly owned subsidiary of IRETI. For the users, the start of the new management does not entail any fulfilment or formality: in fact, the existing supply contracts, and the related billing, pass in continuity to the management of ARCA

maintaining the same conditions already applied by IRETI and defined on the basis of the regulation in force.

### Fifth Green Bond issue of 500 million euro

As part of the existing Euro Medium Term Notes (EMTN) programme (amounting to 4 billion euro), on 15 January 2024, Iren S.p.A. concluded, with considerable success in terms of orders received, the issue and listing of Bonds (the fifth issue in the Green Use of Proceeds format) reserved for institutional investors, amounting to 500 million euro and with a duration of 8.5 years, intended to finance and refinance projects that contribute to the achievement of the sustainability objectives defined in the Business Plan.

The bonds, which have a minimum unit denomination of 100,000 euro and mature on 22 July 2032, pay a gross yearly interest of 3.875% and were placed at an issue price of 99.514%. The effective rate of return at maturity is therefore 3.946%, corresponding to a yield of 135 basis points above the mid-swap rate.

The new Bond issue is listed on the regulated market of the Irish Stock Exchange (Euronext Dublin) and is admitted for trading on the Euronext Access Milan system, organised and managed by Borsa Italiana, in the segment dedicated to green instruments.

### Acquisition of customers from the higher protection segment

At the end of the competitive procedure for the assignment of the Gradual Protection Service for non-vulnerable domestic customers of the electricity sector in greater protection, Iren Mercato was awarded two lots, relating to ten provinces, for a total of 340 thousand new customers acquired.

Specifically, Iren Mercato, together with its subsidiary Salerno Energia Vendite, was awarded Lot 22 - South 6, comprising the provinces of Salerno, Taranto, Potenza, Brindisi and Matera, and Lot 23 - South 7, comprising the provinces of Cosenza, Foggia, Barletta-Andria-Trani,

Campobasso and Isernia. SEV therefore strengthens its presence in some regions where it already operates successfully.

In this round of competitive procedures, the Group recorded a positive balance of more than 260,000 additional customers.

## IX. Other information

### CONSOB COMMUNICATION NO. DEM/6064293 of 28 July 2006

#### Significant non-recurring events and transactions

During 2023, Iren Group was not affected by "non-recurring" events and did not carry out significant transactions identified as such on the basis of the definitions contained in the Communication. In particular, it was not affected by events which do not reoccur frequently during the normal performance of the business.

In 2022, the item "Income Taxes" included 27,254 thousand euro for the effects of the extraordinary solidarity levy, introduced by article 37 of Decree-Law No. 21/2022 ("Ukraine" decree), as amended by article 55 of Decree-Law No. 50/2022 ("Aiuti" decree), for companies operating in the production and marketing of energy products (electricity, natural gas, methane gas and oil products). In particular, the legislator had provided for a levy of 25% to be applied to a taxable base resulting from the comparison of the balances of the total amount of sales and purchases transactions disclosed in the periodic VAT returns (LIPE) for the periods 1 October 2020 - 30 April 2021 and 1 October 2021 - 30 April 2022.

Also in 2022, ARERA Resolution No. 374/R/GAS of 29 July 2022 changed the method for updating the CMEM component as of 1 October 2022, indicating as a reference the average of the actual prices of the Italian PSV wholesale market and no longer the forward quotations of the wholesale market. This regulatory change had resulted in the discontinuation of cash flow hedge derivative contracts entered into to fix the sales price of district heating and a share of gas sales on the protected market. As a result, the negative hedging reserve, recognised in equity, which held the fair value changes calculated until the entry into force of the aforementioned resolution, had been reclassified as a revenue adjustment in the item "Revenue from goods and services" for -42,634 thousand euro. Subsequent changes in the fair value of derivative instruments had been classified under financial expense in the amount of -20,864 thousand euro as they are no longer hedging instruments according to hedge accounting rules.

### Positions or transactions deriving from atypical and/or unusual transactions

It is noted that during 2023, the Group did not engage in any atypical and/or unusual transactions, as defined in the Communication. Atypical and/or unusual transactions are transactions which owing to their significance/materiality, nature of the counterparties, subject of the transaction, the method by which the sales price is calculated and the timescale of the event (nearness to reporting date) may give rise to doubts with regard to the correctness/completeness of the information given in the financial statements, conflict of interest and safeguarding of the group's assets or protection of non-controlling investors.

### Disclosure on public disbursements

With reference to what is provided for on the subject of transparency in the system of public disbursements pursuant to article 35 of Decree-Law no. 34/2019 (Decree "Crescita") we can specify what follows:

- the National State Aid Registry includes aid, in favour of Iren Group companies, which must be disclosed. For the related details please see the aforementioned Registry, under the terms of article 35, paragraph 125-quinquies;
- under the terms of article 35, paragraphs 125 and 125-bis the disclosure does not consider grants, subsidies, advantages, contributions or aid, in cash or in kind, of a general character and with the nature of consideration, remuneration or compensation such as the amounts deriving from former green certificates, white certificates, all-inclusive tariff, energy account and in general all incentives connected with consideration for supplies and services rendered;
- during 2023 grants were received that fall under the relevant legislation; these are listed in the table presented in section "XIV. Annexes to the Consolidated Financial Statements", with the exclusion of those less than 10 thousand euro per disbursing Body.

## X. Information on the statement of financial position

Unless otherwise stated, the tables below are in thousands of euro.

### ASSETS

#### NON-CURRENT ASSETS

##### NOTE 1\_PROPERTY, PLANT AND EQUIPMENT

The breakdown of property, plant and equipment, including right-of-use assets, divided between historical cost, accumulated depreciation and carrying amount, is shown in the table below:

thousands of euro

	Cost as at 31/12/2023	Accumulated depreciation as at 31/12/2023	Carrying amount as at 31/12/2023	Cost as at 31/12/2022	Accumulated depreciation as at 31/12/2022	Carrying amount as at 31/12/2022
Land	162,528	(9,265)	153,263	160,090	(8,185)	151,905
Buildings	966,583	(379,733)	586,850	938,739	(359,904)	578,835
Plant and machinery	6,724,696	(3,482,574)	3,242,122	6,391,567	(3,248,358)	3,143,209
Industrial and commercial equipment	272,584	(169,715)	102,869	233,241	(156,636)	76,605
Other assets	442,047	(278,910)	163,137	403,257	(254,883)	148,374
Assets under construction and payments on account	211,271	-	211,271	267,794	-	267,794
<b>Total</b>	<b>8,779,709</b>	<b>(4,320,197)</b>	<b>4,459,512</b>	<b>8,394,688</b>	<b>(4,027,966)</b>	<b>4,366,722</b>

The variation in the historical cost of property, plant and equipment, including right-of-use assets, is as follows:

thousands of euro

	31/12/2022	Increases	Decreases	Changes in consolidation scope	Reclassifications	31/12/2023
Land	160,090	705	(141)	2,002	(128)	162,528
Buildings	938,739	28,736	(3,535)	782	1,861	966,583
Plant and machinery	6,391,567	240,560	(24,789)	17,388	99,970	6,724,696
Industrial and commercial equipment	233,241	38,135	(7,149)	1,008	7,349	272,584
Other assets	403,257	55,600	(22,587)	1,618	4,159	442,047
Assets under construction and payments on account	267,794	101,890	(2,202)	2,718	(158,929)	211,271
<b>Total</b>	<b>8,394,688</b>	<b>465,626</b>	<b>(60,403)</b>	<b>25,516</b>	<b>(45,718)</b>	<b>8,779,709</b>

The change in accumulated depreciation of property, plant and equipment, including right-of-use assets, is as follows:

thousands of euro

	31/12/2022	Depreciation for the year	Decreases	Changes in consolidation scope	Reclassifications	31/12/2023
Land	(8,185)	(1,087)	7	-	-	(9,265)
Buildings	(359,904)	(34,689)	2,518	(218)	12,560	(379,733)
Plant and machinery	(3,248,358)	(254,640)	23,299	(4,578)	1,703	(3,482,574)
Industrial and commercial equipment	(156,636)	(17,316)	6,249	(885)	(1,127)	(169,715)
Other assets	(254,883)	(43,765)	19,746	(1,102)	1,094	(278,910)
<b>Total</b>	<b>(4,027,966)</b>	<b>(351,497)</b>	<b>51,819</b>	<b>(6,783)</b>	<b>14,230</b>	<b>(4,320,197)</b>

The column "Changes in consolidation scope" refers to the assets acquired during the year relating to the companies Romeo 2, Amter, Acquaenna, Limes 20, ReMat, Semia Green and WLF.

The balance of the "reclassifications" column refers mainly to net transfers from property, plant and equipment to intangible assets of items that do not fall within the scope of application of IFRIC 12.

#### Land and buildings

This item primarily includes industrial buildings connected with Group plants and related land.

#### Plant and machinery

This item refers to costs for electricity production plants, heat production plants, electricity distribution networks, gas distribution networks, heat distribution networks and plants related to waste disposal services not operated under concessions as per IFRIC 12. Freely transferable assets are included in the assets of electricity production plants.

#### Industrial and commercial equipment

This item includes costs related to the purchase of supplementary or auxiliary assets for plants and machinery, such as rubbish bins, laboratory, and other equipment.

#### Other assets

This item refers to costs for the purchase of office furniture and machines and vehicles.

#### Assets under construction and payments on account

Assets under construction include all expenses incurred for investments in progress and not yet in operation. This mainly refers to the photovoltaic parks in the provinces of Viterbo and Siracusa (22,189 thousand euro), the plastic sorting plant in Borgaro (TO) (22,981 thousand euro), the building redevelopment of the property in

Piazza Raggi (GE) (40,889 thousand euro), the expansion of the plant for the treatment of the organic fraction in Santhià (VC) (14,939 thousand euro), to containers for waste collection in the ATO Toscana Sud area not yet placed (6,243 thousand euro), to the expansion of the PAI sludge treatment plant in Parma (4,814 thousand euro), to payments on account for the new combined-cycle power station in Turbigio (MI) (4,659 thousand euro), to payments on account for extraordinary maintenance of the 2nd thermoelectric unit of the Moncalieri (TO) power station (4,382 thousand euro), to the extension of the district heating transport network in Turin North East (4,166 thousand euro), to the district heating network (6,874 thousand euro), to the thermoelectric production plants (10,526 thousand euro), to plants from renewable sources (1,091 thousand euro), to hydroelectric production plants (7,360 thousand euro), electricity distribution and metering network (16,388 thousand euro), gas distribution and metering network not under concession (1,075 thousand euro), energy efficiency (3,116 thousand euro), waste collection and disposal (23,390 thousand euro) and corporate activities (11,975 thousand euro).

#### Increases

The increases in the year, of 465,626 thousand euro, mainly refer to:

- investments in thermoelectric and hydroelectric plants and photovoltaic plants for 91,202 thousand euro;



- development of the district-heating network and new connections to the network, including heat exchange substations, meters and remote reading appliances, for 30,334 thousand euro;
- investments in the electricity distribution grids, including primary substations, of 76,042 thousand euro;
- investments in the gas networks not in a concession arrangement in accordance with the provisions of IFRIC 12 of 10,761 thousand euro;
- investments for collection and disposal in the waste management sector for 181,934 thousand euro;
- investments in corporate and e-mobility activities for 50,843 thousand euro.

#### Depreciation

Ordinary depreciation for 2023, totalling 351,497 thousand euro, was calculated on the basis of the rates previously indicated in paragraph "V. Accounting policies" and considered representative of the residual useful life of the assets.

Finally, no assets are pledged against liabilities.

#### Right-of-use assets - IFRS 16

IFRS 16 provides for recognition in the statement of financial position of the assets and related financial liabilities for all lease contracts with a term of more than 12 months unless the underlying asset is of low value. The contracts in which Iren Group plays the role of lessee refer mainly to property leases and long-term hires of cars and other motor vehicles.

The breakdown of right-of-use assets, divided between historical cost, accumulated depreciation and carrying amount, is as follows:

thousands of euro

	Cost as at 31/12/2023	Accumulated depreciation as at 31/12/2023	Carrying amount as at 31/12/2023	Cost as at 31/12/2022	Accumulated depreciation as at 31/12/2022	Carrying amount as at 31/12/2022
Land	11,818	(3,240)	8,578	10,044	(2,416)	7,628
Buildings	48,991	(13,870)	35,121	45,865	(10,308)	35,557
Plant and machinery	3,569	(1,014)	2,555	3,889	(648)	3,241
Industrial and commercial equipment	38	(28)	10	923	(803)	120
Other assets	28,354	(12,686)	15,668	31,499	(12,192)	19,307
<b>Total</b>	<b>92,770</b>	<b>(30,838)</b>	<b>61,932</b>	<b>92,220</b>	<b>(26,367)</b>	<b>65,853</b>

The variation in the historical cost of right-of-use assets, is as follows:

thousands of euro

	31/12/2022	Increases	Decreases	Changes in consolidation scope	Reclassifications	31/12/2023
Land	10,044	350	(87)	1,511	-	11,818
Buildings	45,865	7,866	(3,192)	326	(1,874)	48,991
Plant and machinery	3,889	-	(320)	-	-	3,569
Industrial and commercial equipment	923	8	(893)	-	-	38
Other assets	31,499	7,131	(10,530)	-	254	28,354
<b>Total</b>	<b>92,220</b>	<b>15,355</b>	<b>(15,022)</b>	<b>1,837</b>	<b>(1,620)</b>	<b>92,770</b>

The change in the accumulated depreciation of right-of-use assets is as follows:

thousands of euro

	31/12/2022	Depreciation for the year	Decreases	Other changes	31/12/2023
Land	(2,416)	(831)	7	-	(3,240)
Buildings	(10,308)	(6,470)	2,393	515	(13,870)
Plant and machinery	(648)	(686)	320	-	(1,014)
Industrial and commercial equipment	(803)	(118)	893	-	(28)
Other assets	(12,192)	(8,506)	8,034	(22)	(12,686)
<b>Total</b>	<b>(26,367)</b>	<b>(16,611)</b>	<b>11,647</b>	<b>493</b>	<b>(30,838)</b>

Finally, it should be noted that the net amount of 1,127 thousand euro, reported under "Other changes" in the context of right-of-use assets, refers to assets acquired in 2023 and that were previously the subject of lease contracts.

## NOTE 2\_INVESTMENT PROPERTY

The following table highlights the breakdown of the item:

thousands of euro

	Cost as at 31/12/2023	Accumulated depreciation as at 31/12/2023	Carrying amount as at 31/12/2023	Cost as at 31/12/2022	Accumulated depreciation as at 31/12/2022	Carrying amount as at 31/12/2022
Land	565	-	565	565	-	565
Buildings	3,462	(1,996)	1,466	3,390	(1,940)	1,450
<b>Total</b>	<b>4,027</b>	<b>(1,996)</b>	<b>2,031</b>	<b>3,955</b>	<b>(1,940)</b>	<b>2,015</b>

La voce è costituita principalmente da immobili il cui fair value non è inferiore al valore contabile.

## NOTE 3\_ INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

The breakdown of intangible assets, divided between historical cost, accumulated amortisation and carrying amount is as follows:

thousands of euro

	Cost as at 31/12/2023	Accumulated depreciation as at 31/12/2023	Carrying amount as at 31/12/2023	Cost as at 31/12/2022	Accumulated depreciation as at 31/12/2022	Carrying amount as at 31/12/2022
Development expenditure	30,637	(15,740)	14,897	23,783	(10,897)	12,886
Industrial patents and intellectual property rights	384,499	(234,849)	149,650	310,964	(184,219)	126,745
Concessions, licences, trademarks and similar rights	3,984,315	(1,666,052)	2,318,263	3,629,861	(1,495,347)	2,134,514
Other intangible assets	787,146	(385,915)	401,231	672,367	(311,779)	360,588
Assets under development and payments on account	248,002	-	248,002	191,959	-	191,959
<b>Total</b>	<b>5,434,599</b>	<b>(2,302,556)</b>	<b>3,132,043</b>	<b>4,828,934</b>	<b>(2,002,242)</b>	<b>2,826,692</b>

The change in the historical cost of intangible assets is as follows:

thousands of euro

	31/12/2022	Increases	Decreases	Changes in consolidation scope	Reclassifications	31/12/2023
Development expenditure	23,783	4,476	-	86	2,292	30,637
Industrial patents and intellectual property rights	310,964	62,822	(249)	32	10,930	384,499
Concessions, licences, trademarks and similar rights	3,629,861	163,259	(4,501)	115,045	80,651	3,984,315
Other intangible assets	672,367	88,653	(1,134)	27,073	187	787,146
Assets under development and payments on account	191,959	102,667	(1,979)	3,697	(48,342)	248,002
<b>Total</b>	<b>4,828,934</b>	<b>421,877</b>	<b>(7,863)</b>	<b>145,933</b>	<b>45,718</b>	<b>5,434,599</b>

Changes in accumulated amortisation of intangible assets are shown in the following table:

thousands of euro

	31/12/2022	Amortisation for the year	Decreases	Changes in consolidation scope	Reclassifications	31/12/2023
Accumulated amortisation of development expenditure	(10,897)	(4,847)	-	(32)	36	(15,740)
Accumulated amortisation of ind. patents and intellectual property rights	(184,219)	(49,714)	193	(21)	(1,088)	(234,849)
Accumulated amortisation of concessions, licences, trademarks and similar rights	(1,495,347)	(119,416)	3,399	(41,152)	(13,536)	(1,666,052)
Accumulated amortisation of other intangible assets	(311,779)	(75,147)	1,112	(459)	358	(385,915)
<b>Totale</b>	<b>(2,002,242)</b>	<b>(249,124)</b>	<b>4,704</b>	<b>(41,664)</b>	<b>(14,230)</b>	<b>(2,302,556)</b>

The column "Changes in consolidation scope" refers to the assets acquired during the year related to Romeo 2, Amter, Acquanna, Limes 20, ReMat.

The balance of the "reclassifications" column refers mainly to net transfers from property, plant and equipment to intangible assets of items that fall within the scope of application of IFRIC 12. The increases in other intangible assets mainly refer to the capitalisation of costs for the commercial development of customers. The carrying amount of other intangible assets at the end of the year includes 156,138 thousand euro in assets recognised in relation to costs incurred for the commercial development of customers.

#### Industrial patents and intellectual property rights

This item mainly relates to the total costs borne for the purchase and internal production of company software and the acquisition of rights for the exclusive use of technical studies on the statistical trend of network losses, amortised over three to five years.

#### Concessions, licences, trademarks and similar rights

This item consists mainly of:

- assets recognised in application of IFRIC 12, related to natural gas distribution, the Integrated Water Service, district heating and waste treatment and disposal;

- the right of use of pipeline networks by virtue of the concessions granted by the municipality of Genoa and other neighbouring municipalities;
- the right of use of penstocks, not owned, of hydroelectric plants;
- concessions for the operation and management of photovoltaic systems.

#### Other intangible assets

This item consists mainly of:

- rights to use telecommunication infrastructure owned by third parties;
- costs for the commercial development of customers;
- valuation of the customer list for the purchase price allocation for the acquisition of control over Atena Trading, Salerno Energia Vendite, Alfa Solutions, Spezia Energy Trading, Sidiren and Alegas;
- the valuation of the environmental authorisations for the operation of the biodigester and recovery plants which took place when the purchase price was allocated for the acquisition of control of Ferrania Ecologia, Territorio e Risorse, I.Blu, Manduriambiente and TB.

- the valuation of the single authorisation for photovoltaic plants and the value of the incentive tariff recognised for the energy produced and fed into the grid that took place during the allocation of the purchase price for the acquisition of control of Iren Green Generation Group (formerly Puglia Holding);
- the valuation of the concession for the derivation of water for hydroelectric plants that took place during the allocation of the purchase price for the acquisition of control of Valle Dora Energia;
- the valuation of the ATO Toscana Sud integrated urban waste management service concession that took place during the allocation of the purchase price for the acquisition of control of SEI Toscana.

#### Assets under development and payments on account

This item mainly consists of investments for concession services governed by IFRIC 12, in addition to software licences and related implementation costs.

## NOTE 4\_GOODWILL

Goodwill, of 247,420 thousand euro (237,966 thousand euro at 31 December 2022), during 2023 showed an increase of 9,454 thousand euro following the acquisitions (business combinations) carried out by the Group during the year and detailed below.

		thousands of euro
<b>Goodwill as at 31.12.2022</b>		<b>237,966</b>
Acquisition Amter	Final	2,179
Acquisition Acquaenna	Provisional	3,607
Acquisition ReMat	Provisional	1,752
Acquisition Semia Green	Provisional	447
Acquisition WFL	Provisional	1,469
<b>Goodwill as at 31.12.2023</b>		<b>247,420</b>

Goodwill is considered an intangible asset with an indefinite useful life and, therefore, is not amortised, but is tested for impairment at least once a year to verify the recoverability of its carrying amount. Since goodwill does not generate independent cash flows and cannot be sold on its own, the impairment test on the goodwill recognised in the financial statements is carried out referring to the Cash Generating Unit to which the same can be allocated.

During 2023, the Directors changed the cash-generating units compared to the previous year because of:

- the significant change in the consolidation scope

due to the acquisition of the companies headed by Iren Green Generation, resulting in the partition of the pre-existing Energy BU into two Cash Generating Units: (i) Energy and Heat Generation and (ii) Photovoltaic and Wind Generation;

- the internal reorganisation of the Networks BU, formalising the calculation process of previous years. In this regard, the existing Network Cash Generating Unit has been divided into three Cash Generating Units: (i) Gas Distribution, (ii) Electricity Distribution and (iii) Integrated Water Service.

The table below shows the allocation of goodwill to the Cash Generating Units.

thousands of euro

	31/12/2022	Increases Business Combinations	31/12/2023
Waste Management	24,297	2,199	26,496
Electricity distribution	67,631	-	67,631
Gas distribution	1,638	-	1,638
Integrated Water Service	41,747	5,786	47,533
Energy and Heat Generation	7,331	-	7,331
Photovoltaic and Wind Generation	29,257	1,469	30,726
Market	66,065	-	66,065
<b>Total</b>	<b>237,966</b>	<b>9,454</b>	<b>247,420</b>

The impairment test at 31 December 2023 was carried out in continuity of methodology with that adopted at 31 December 2022, with the exception of the identification of cash-generating units, described above.

The impairment test consists of verifying that the carrying amount of an asset recognised in the financial statements is not more than the recoverable amount of the said asset.

The recoverable amount of an asset is the higher between fair value, less costs to sell, and the value in use.

The fair value is defined as the amount at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, less costs to sell.

The value in use is the present value of the estimate of future outgoing and incoming cash flows that will derive from continuous use of the asset and from its final disposal. To measure the value in use, the pre-tax operating cash flows were used, which derive from the most recent economic and financial projections on the basis of the approved plan, adjusted to consider the macroeconomic changes that occurred during 2023, with an explicit time horizon up to 2026,

and the pre-tax terminal value calculated with the perpetual yield method, if applicable, following an industrial logic of continuity across all businesses. The investments contained in the economic flows of the plan include investments for maintaining the plants and infrastructures, in keeping with the going concern assumption. As a control method for the Electricity Distribution, Gas Distribution and Integrated Water Service CGUs, it was assumed that, at the end of the explicit period, the value of the assets (Regulated Asset Base) is collected. For the other CGUs, the average of the perpetual yield and the net invested capital was used at the end of the explicit period. This is based on the reasonable assumption that, if the business is discontinued, the recovery value will be at least equal to the value of the net invested capital.

The discount rate to be applied to the flows related to the explicit time horizon and terminal value, defined starting from the pre-tax weighted average cost of capital (WACC), is calculated specifically for each CGU. The following table shows for each Cash Generating Unit the discount rates used (WACC) to calculate the value in use in the explicit time horizon and the terminal value.

thousands of euro

	Explicit period	Terminal value
Waste Management	7.10 %	7.40 %
Electricity distribution	6.30 %	6.60 %
Gas distribution	6.70 %	7.00 %
Integrated Water Service	6.60 %	6.90 %
Energy and Heat Generation	7.10 %	7.40 %
Photovoltaic and Wind Generation	7.70 %	7.90 %
Market	7.10 %	7.40 %

The recoverable amount of the goodwill attributed to the Cash Generating Units was determined making reference to the value in use of the same.

In general, and prudentially, the "g" growth rate was used to calculate the terminal value equal to zero at real values. In the event of standalone plans used at nominal values, the "g" growth rate used was equal to inflation estimated at 2026 (1.8%).

#### Waste Management Cash Generating Unit

Goodwill of 26,496 thousand euro refers mainly to the:

- acquisition of control over Semia Green in October 2023 (447 thousand euro);
- acquisition of control over ReMat in May 2023 (1,752 thousand euro);
- acquisition of control over CRCM in April 2022 (277 thousand euro);
- acquisition of control over Futura in March 2021 (4,115 thousand euro);
- acquisition of control over the companies operating in the waste management sector acquired from Unieco in November 2020 (9,385 thousand euro);
- acquisition of control over Ferrania Ecologia s.r.l. in July 2019 (7,048 thousand euro).
- acquisition of control over a business unit from SMC S.p.A. consisting of a 48.85% stake in the share capital of Società Ecologica Territorio Ambiente (SETA) S.p.A. and the activities of closure and post-closure management of the Chivasso 0 landfill site in October 2018 (894 thousand euro);
- acquisition of control of ACAM Ambiente (ACAM group) in April 2018 (2,572 thousand euro).

No further loss of value was detected when the impairment test was performed, in that the recoverable amount of the Waste Management Cash Generating Unit exceeds the net invested capital of the same including the goodwill recognised.

#### Electricity Distribution Cash Generating Unit

Goodwill of 67,631 thousand euro refers mainly to the:

- acquisition in 2000 from ENEL of the business unit related to the distribution and sale of electrical energy to non-eligible customers in the municipality of Turin, in which the positive difference between the purchase cost and the fair value of acquired and identifiable assets and liabilities was recognised as goodwill for 64,608 thousand euro;
- acquisition in 2000 by ENEL of the BU related to electricity users of the city of Parma, for an amount of 3,023 thousand euro.

No further loss of value was detected when the impairment test was performed, in that the recoverable amount of the Electricity Distribution Cash Generating Unit exceeds the net invested capital of the same

including the goodwill recognised.

#### Gas Distribution Cash Generating Unit

Goodwill of 1,638 thousand euro refers to the acquisition of control of Busseto Servizi in January 2019.

No further loss of value was detected when the impairment test was performed, in that the recoverable amount of the Gas Distribution Cash Generating Unit exceeds the net invested capital of the same including the value of goodwill recognised.

#### Integrated Water Service Cash Generating Unit

Goodwill of 47,533 thousand euro refers mainly to the:

- acquisition of control of Acquaenna in May 2023 (3,607 thousand euro);
- acquisition of control of Amter in March 2023 (2,179 thousand euro);
- acquisition of control of Società dell'Acqua Potabile in July 2022 (880 thousand euro);
- acquisition of control over ACAM Acque (ACAM group) in April 2018 (15,442 thousand euro);
- acquisition of control over Acquedotto di Savona in July 2015 (1,907 thousand euro);
- the acquisition of control of Acqua Italia S.p.A. in 2005 (now Mediterranea delle Acque S.p.A.), where the positive difference between the purchase cost and the fair value of acquired and identifiable assets and liabilities was recognised as goodwill of 23,202 thousand euro.

No further loss of value was detected when the impairment test was performed, in that the recoverable amount of the Integrated Water Service Cash Generating Unit exceeds the net invested capital of the same including the value of goodwill recognised.

#### Energy and Heat Generation Cash Generating Unit

Goodwill of 7,331 thousand euro refers mainly to the:

- acquisition of control in May 2020 of a business unit called "SEI Energia" which includes the district heating network in the municipalities of Rivoli and Collegno, and 49% of the company NOVE, then operator of the district heating network in the municipality of Grugliasco (2,068 thousand euro);
- acquisition of control over Iren Rinnovabili in 2017 following the expiry of the governance agreements entered into with the other shareholder CCPL S.p.A. which made Iren Rinnovabili a joint venture (3,544 thousand euro);
- the Heat Service Management business unit transferred in 2017 from the Market Cash Generating Unit to the Energy Cash Generating Unit (948 thousand euro).

No further loss of value was detected when the impairment test was performed, in that the recoverable amount of the Energy and Heat Generation Cash Generating Unit exceeds the net invested capital of the same including the goodwill recognised.

#### Photovoltaic and Wind Cash Generating Unit

Goodwill of 30,726 thousand euro refers mainly to the:

- acquisition of control over WFL in October 2023 (1,469 thousand euro);
- acquisition of control over the Puglia Holding Group (now Iren Green Generation) in February 2022 (29,257 thousand euro).

No further loss of value was detected when the impairment test was performed, in that the recoverable amount of the Photovoltaic and Wind Cash Generating Unit exceeds the net invested capital of the same including the value of goodwill recognised.

#### Market Cash Generating Unit

Goodwill of 66,065 thousand euro refers mainly to the:

- acquisition of control over Alegas in April 2022 (15,072 thousand euro);
- acquisition of control over Sidiren in July 2021 (18,533 thousand euro);
- acquisition of control of Spezia Energy Trading in September 2018 (2,694 thousand euro).
- acquisition in 2012 of the business unit from ERG Power & Gas related to the marketing and sale of electricity for an amount of 3,401 thousand euro;
- the equity interest in Enìa Energia (now merged into Iren Mercato), acquired from SAT Finanziaria S.p.A. and Edison in 2008, for an amount of

16,761 thousand euro;

- business unit acquired from ENEL in 2000 and referred to electricity users of the city of Parma, for an amount of 7,421 thousand euro;

No further loss of value was detected when the impairment test was performed, in that the recoverable amount of the Market Cash Generating Unit exceeds the net invested capital of the same including the goodwill recognised.

In light of the considerations set out above, the recoverable amount is higher than the carrying amount of the net invested capital for all the cash-generating units and therefore, no impairment losses were recognised. In the years prior to the year ended 31 December 2023, goodwill was impaired for a total of 9,636 thousand euro referred the Waste Management Cash Generating Unit.

The recoverable amount is particularly sensitive to changes in the pre-tax weighted average cost of capital (WACC) and the definition of the Terminal Value. The definition of these two variables follows a prudential approach in terms of construction logic and absolute value. Appropriate stress tests were therefore performed on the sensitivity of the recoverable amount as the two variables deteriorate, without any significant problems emerging. The table below shows the pre-tax weighted average cost of capital (WACC) that would make the value in use equal to the carrying amount of each Cash Generating Unit.

Waste Management	12.60 %
Electricity distribution	10.10 %
Gas distribution	8.00 %
Integrated Water Service	11.40 %
Energy and Heat Generation	9.30 %
Photovoltaic and Wind Generation	9.70 %
Market	46.00 %

In this regard, it should be noted that ESMA, through several recommendations published since 2020, suggests to issuers that, when estimating the future cash flows of a cash flow generating unit (CGU), entities are expected to consider introducing models relating to multiple possible future scenarios, aimed at reflecting the increased level of uncertainty about the future economic outlook. To this end, the Group has developed a "sensitivity scenario", which considers specific adverse events and risks relevant in certain areas (market, deriving from technological developments, climate change and finally macroeconomic scenario and regulation) not otherwise assessed in the base scenario (Business Plan) and identified in the scope of the Group's Risk Map. The specific significant risks, depending on the CGU, examined:

- Electricity Distribution: extreme natural events with consequences on service provision.
- Gas distribution: loss of concessions in areas of expertise.
- Integrated Water Service: leaks along the distribution network, with damage to third-party property.
- Energy and Heat Generation: greater competitive pressure on contribution margins, extreme natural events with damage to thermoelectric plants, shortage of water resources with repercussions on the hydroelectric generation margin, losses of concessions in the hydroelectric sector.
- Photovoltaic and Wind Generation: extreme natural events with damage to photovoltaic plants and greater competitive pressure on contribution margins.
- Waste Management: greater competitive pressure on the margins of free market activities (special

waste) and treatment of recycled materials.

- Market: increase in expected churn rates.

Logically, the future cash flows for each individual CGU have therefore been adjusted for the negative impacts of these risks and adverse events.

These analyses did not reveal any critical issues about the recoverable amount of the Group's goodwill, intangible assets and property, plant and equipment.

As above mentioned, in the Risk Map used in the sensitivity scenario, the event of a contraction in generation profit margins is considered, and therefore, the decrease in electricity prices recorded in the first months of 2024 does not represent a critical issue for the recoverability of the carrying amount of goodwill allocated to the Energy and Heat Generation and Photovoltaic and Wind Generation Cash Generating Units.

Considering the current market volatility and uncertainty about future economic prospects, the group believes it appropriate to point out that regulated businesses are subject to specific industry regulations governing their profitability; therefore, these businesses have more stable and predictable profitability even during market turbulence periods. At 31 December 2023, non-regulated activities contributed 35% to gross operating profit (21% at 31 December 2022), regulated activities accounted for 49% (59% in 2022), and semi-regulated activities contributed 16% (20% in 2022).

The results of the procedures were the subject of specific approval by the Board of Directors of Iren S.p.A., prior to approval of the draft financial statements, as recommended in the rules issued by CONSOB, the Bank of Italy and IVASS.

## NOTE 5\_EQUITY-ACCOUNTED INVESTMENTS

Equity-accounted investments are investments in companies in which the Group has joint control or exercises a significant influence. Measurement at equity is carried out on the basis of the latest available financial statements (consolidated if prepared) of the investees.

The list of Group companies measured using the equity method at 31 December 2023 is attached.

The item amounted to a total of 212,798 thousand euro (211,320 thousand euro as at 31 December 2022). Changes for the year are shown in the following tables:

### Equity investments in joint ventures

thousands of euro

	31/12/2021	Increases (Decreases)	Changes in consolidation scope	Changes in profit or loss	Changes in Equity	Dividend distribution	31/12/2023
Acque Potabili	8,090	-	-	71	-	-	8,161
<b>TOTAL</b>	<b>8,090</b>	<b>-</b>	<b>-</b>	<b>71</b>	<b>-</b>	<b>-</b>	<b>8,161</b>

As at 31 May 2021, the company Acque Potabili was put into liquidation.



**Equity investments in associates**

thousands of euro

	31/12/2022	Increases (Decreases)	Changes in consolidation scope	Changes in profit or loss	Changes in Equity	Dividend distribution	31/12/2023
A2A Alfa	-	-	-	-	-	-	-
Acos	14,089	-	-	884	481	(82)	15,372
Acos Energia	1,173	-	-	(39)	-	(75)	1,059
Acquaenna	4,993	-	(7,759)	2,453	313	-	-
Aguas de San Pedro	18,534	-	-	3,099	(1,115)	(362)	20,156
Aiga	-	-	-	-	-	-	-
Amat	-	-	-	-	-	-	-
Amter	1,014	-	(2,509)	1,495	-	-	-
Arca	-	40	-	-	-	-	40
Arienes	21	-	-	-	-	-	21
Asa	42,331	-	-	826	1,356	-	44,513
Asa scpa	1,197	-	-	-	-	-	1,197
Astea	26,358	-	-	666	-	(256)	26,768
Asti Servizi Pubblici	19,764	-	-	1,093	-	(849)	20,008
Barricalla	15,090	-	-	500	-	(952)	14,638
Energy BI	171	-	-	(69)	-	-	102
Centro Corsi S.r.l.	25	-	-	(6)	-	-	19
CSA	404	-	-	(30)	-	-	374
CSAI	3,690	-	-	(1,235)	-	(404)	2,051
E.G.U.A.	707	-	-	64	-	(89)	682
Fingas	-	-	-	-	-	-	-
Fratello Sole Energie Solidali	259	-	-	(28)	-	-	231
G.A.I.A.	14,866	-	-	131	-	(132)	14,865
Global Service	6	-	-	-	-	-	6
Iniziative Ambientali	496	-	-	(430)	-	-	66
Mondo Acqua	745	-	-	147	-	-	892
OMI Rinnovabili	-	4	-	-	-	-	4
RiMateria	-	-	-	-	-	-	-
SETA	12,268	-	-	276	-	-	12,544
Sienambiente	19,821	-	-	1,387	358	(800)	20,766
Sinergie Italiane	-	-	-	-	-	-	-
Sistema Ambiente	-	2,455	-	627	-	-	3,082
STU Reggiane	5,208	-	-	(27)	-	-	5,181
Tirana Acque	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>203,230</b>	<b>2,499</b>	<b>(10,268)</b>	<b>11,784</b>	<b>1,393</b>	<b>(4,001)</b>	<b>204,637</b>

The increase in the investment in Sistema Ambiente refers to the acquisition of 36.56% of its share capital in July 2023.

For Amter, the change in the consolidation scope relates to the acquisition of control and the consequent consolidation of the company.

For Acquaenna, the change in the consolidation

scope relates to the acquisition of control and the consequent consolidation of the company.

The amounts related to the column Changes in Equity are due mainly to the exchange difference (Aguas de San Pedro) and to changes in the hedging reserves and actuarial reserves.

## NOTE 6\_OTHER EQUITY INVESTMENTS

This item relates to equity investments in companies over which the Group has neither control, nor joint control, nor significant influence. These equity investments are measured at fair value but, as the most recent information available for measuring the fair value is insufficient and the cost represents the best estimate of the *fair value*, they are carried at cost.

The list of other Group equity investments as at 31 December 2023 is attached in the annex.

The breakdown of this item is as follows:

thousands of euro

	31/12/2022	Changes in consolidation scope	Increases	Rivalutazioni	31/12/2023
AISA Impianti	992	-	-	-	992
Autostrade Centro Padane	1,248	-	-	-	1,248
CIDIU Servizi	2,655	-	-	-	2,655
EGEA	1,000	-	-	-	1,000
Enerbrain	1,554	-	-	-	1,554
Environment Park	1,243	-	-	-	1,243
Tech4Planet	319	-	785	-	1,104
Others	1,177	(60)	(59)	60	1,118
<b>TOTAL</b>	<b>10,188</b>	<b>(60)</b>	<b>726</b>	<b>60</b>	<b>10,914</b>

## NOTE 7\_NON-CURRENT CONTRACT ASSETS

Non-current contract assets, net of the related loss allowance, total 232,384 thousand euro (146,286 thousand euro at 31 December 2022) and refer to:

- assets of the integrated water service for tariff adjustments and for lower volumes supplied than the operator's guaranteed revenue; the current tariff method provides generally (unless the fee growth limit is reached) for their recovery through fees after two years (210,694 thousand euro as at 31 December 2023, 125,344 thousand euro as at 31 December 2022);
- assets of the electricity transmission, distribution, and metering services deriving from the rules issued in AEEGSI Resolution no. 654/2015 on the subject of tariff regulation for the year 2016-2023 which entailed the recognition of revenue from electricity transport and of the related assets (18,704 thousand euro as at 31 December 2023, 17,809 thousand euro as at 31 December 2022) which will be recovered starting from 2023 until 2030;

- waste management service assets for tariff adjustments relating to activities already carried out that may be invoiced more than twelve months after the reporting date (2,986 thousand euro as at 31 December 2023, 3,133 thousand euro as at 31 December 2022).

The following table summarises the contract assets (non-current and current) and liabilities in order to provide information on the net position.

	thousands of euro	
	31/12/2023	31/12/2022
Non-current contract assets	232,384	146,286
Current contract assets	29,830	198,590
Current contract liabilities	(79,642)	(39,209)
<b>Net contract assets</b>	<b>182,572</b>	<b>305,667</b>

#### NOTE 8\_NON-CURRENT TRADE RECEIVABLES

Receivables, which are affected by discounting, amounted to 29,416 thousand euro (30,888 thousand euro at 31 December 2022) and mainly refer to receivables from the municipality of Turin for the waste management service and the technological renewal and efficiency upgrading of the heating systems at some municipal buildings (27,478 thousand euro at 31 December 2023, 23,641 thousand euro at 31 December 2022). For more information on the overall position of Iren Group in relation to the municipality of Turin please see Note 9 "Non-current financial assets".

#### NOTE 9\_NON-CURRENT FINANCIAL ASSETS

The item of 128,937 thousand euro (169,057 thousand euro as at 31 December 2022) mainly consists of loan assets and derivatives with positive fair value. These are detailed in the following table.

	thousands of euro	
	31/12/2023	31/12/2022
Non-current loan assets with associates	4,721	12,199
Non-current loan assets with owners	33,376	33,154
Non-current loan assets with others	38,556	61,902
Fair value of derivatives – non-current portion	30,611	61,729
Securities other than equity investments	74	73
Other financial assets	21,599	-
<b>Total</b>	<b>128,937</b>	<b>169,057</b>

#### Non-current loan assets with associates

They mainly refer to the amounts due from Acos.

As of 31 December 2022, there were also amounts due from the company Acquaenna (3,832 thousand euro), which, as of May 2023, became a subsidiary and therefore consolidated on a line-by-line basis, and from the company Sinit (2,909 thousand euro), which was collected during the first half of 2023.

**Non-current loan assets with owners**

Amounting to 33,376 thousand euro (33,154 thousand euro as at 31 December 2022), these refer to amounts due from the municipality of Turin, and relate to:

- the non-current portion of the amount related to the current account which governs transactions between the subsidiaries AMIAT, Iren Smart Solutions, and the municipality of Turin (233 thousand euro). The current account agreement runs until 31 December 2036 and the interest accruing on the balance is calculated based on the actual average cost incurred by Iren Group for its financial exposure;
- the application of the financial asset model provided for in IFRIC 12 to the energy efficiency project ("Turin LED") associated with the Public Lighting service performed under concession by Iren Smart Solutions in the city of Turin, for the non-current portion (33,143 thousand euro). Recognition of the discounted financial asset is a result of the vesting of the current unconditional right to receive the contractually-agreed cash flows, which coincided with completion of the installation of the related LED devices.

The accounting treatment of the aforementioned current account agreement determines a reduction of trade receivables presented in the statement of cash flows as a generation of operating cash flows, and a corresponding increase in loan assets, presented as a cash absorption in cash flows from financing activities.

These assets form part of an overall position, totalling 98,078 thousand euro, and are divided among various financial statements items according to their classification by type and expiry date: Non-current trade receivables (Note 8), Non-current financial assets (this Note 9), Trade receivables (Note 14) and Current financial assets (Note 17), as shown in the table presented below.

Financial assets were divided by the directors between current portion and non-current portion on the basis of a forecast of their collection times also following the results of the agreement signed by the Municipality of Turin and Iren Group in 2018.

thousands of euro

	31/12/2023	31/12/2022
<b>Non-current trade receivables</b>	27,002	23,641
Invoices issued for services	6,517	1,875
Invoices to be issued for services	25,470	15,252
Supply of heating and other	121	42
Loss allowance	(23)	(127)
<b>Total current trade receivables</b>	<b>32,085</b>	<b>17,042</b>
Non-current portion of current account assets	233	876
Non-current portion of accrued interest income	-	-
Non-current portion of service concession financial assets	33,325	32,442
Loss allowance non-current financial assets	(182)	(163)
<b>Total non-current financial assets</b>	<b>33,376</b>	<b>33,155</b>
Current portion of current account assets	-	-
Current portion of accrued interest income	28	159
Current portion of service concession financial assets	5,589	6,498
Loss allowance current financial assets	(2)	(458)
<b>Total current financial assets</b>	<b>5,615</b>	<b>6,199</b>
<b>Total</b>	<b>98,078</b>	<b>80,037</b>

**Non-current financial assets with others**

Non-current financial assets with others include the non-current portion of:

- assets for finance leases relating to air conditioning systems;
- the asset arising from the sale of the business unit related to the management of the integrated water service of two municipalities of the Veronese ATO Basin in 2019;
- assets arising from the application of the financial asset model provided for by IFRIC 12 to the energy efficiency project connected with the Public Lighting service provided under concession in various cities, including Vercelli, Biella and Fidenza.

**Fair value of derivatives – non-current portion**

The fair value of derivatives refers to instruments in the portfolio for hedging the risk of changes in rates.

**Securities other than equity investments**

These amounted to 74 thousand euro (73 thousand euro as at 31 December 2022) and relate to securities given as collateral and measured at amortised cost.

**Other financial assets**

The item amounted to 21,599 thousand euro and is represented by the variable portion of the sale price of the investment in OLT Offshore LNG Toscana and the related loan. This asset is measured at fair value and any changes are recognised in profit or loss.

**NOTE 10\_OTHER NON-CURRENT ASSETS**

These are as follows:

	thousands of euro	
	31/12/2023	31/12/2022
Guarantee deposits	5,958	5,144
Non-current tax assets	130,606	57,113
Other non-current assets	23,322	22,539
Non-current accrued income and prepaid expenses	4,106	4,121
<b>Total</b>	<b>163,992</b>	<b>88,917</b>

Non-current tax assets refer mainly to deductions on work done in order to improve the energy efficiency of buildings (ecobonus) and to VAT assets for which claims for refund have been made. Tax assets for deductions on work carried out to improve the energy efficiency of buildings (ecobonus) classified as non-current will be used by the Group to offset taxes due for the next five years. The increase,

compared to 31 December 2022, was impacted by the reclassification of 65,267 thousand euro of tax assets previously classified as current, as the business model provided for their sale. Prepaid expenses mainly include the non-current portion of prepaid costs for energy service contracts of the subsidiary Iren Smart Solutions.

**NOTE 11\_DEFERRED TAX ASSETS**

They amounted to 400,092 thousand euro (340,866 thousand euro as at 31 December 2022) and refer to deferred tax assets arising from costs that will be deductible in future years.

For further details please see the note to the income statement, "Income taxes" (Note 42) and the attached table.

## CURRENT ASSETS

### NOTE 12\_INVENTORIES

Inventories, measured at weighted average cost, primarily comprise natural gas and consumables intended for maintenance and construction of the Group plants.

The table below summarises the amounts of the item in the years in question:

	thousands of euro	
	31/12/2023	31/12/2022
Gas storage	-	70,327
Consumables and spare parts	80,950	75,824
Provision for inventory write-down	(7,073)	(6,792)
<b>Total</b>	<b>73,877</b>	<b>139,359</b>

The change in the gas storage is due to the emptying of the storage facilities.

The provision for inventory write-down was set up and used to cover inventories that are technically

obsolete and slow-moving.

At 31 December 2023, no inventories were pledged against liabilities.

### NOTE 13\_CURRENT CONTRACT ASSETS

Current contract assets amounted to 29,830 thousand euro (198,590 thousand euro as at 31 December 2022) and mainly related to activities performed to improve the energy efficiency of buildings.

### NOTE 14\_TRADE RECEIVABLES

These are as follows:

	thousands of euro	
	31/12/2023	31/12/2022
Trade receivables from customers	1,508,293	1,647,582
Trade receivables from joint ventures	159	139
Trade receivables from associates	26,372	25,649
Trade receivables from owners	48,184	30,136
Trade receivables from other related parties	5,631	5,639
<b>Total gross trade receivables</b>	<b>1,588,639</b>	<b>1,709,145</b>
Loss allowance	(300,532)	(299,710)
<b>Total</b>	<b>1,288,107</b>	<b>1,409,435</b>

As at 31 December 2023, factoring transactions were completed with derecognition of the receivables for a total of 71,651 thousand euro (114,323 thousand euro as at 31 December 2022).

The table below shows the credit risk exposure with reference to trade receivables, together with the related expected credit losses (loss allowance), broken down by due date range:

thousands of euro

	Gross trade receivables	Loss allowance	Average credit loss percentage
Not yet due	1,024,212	(44,938)	4.4 %
0 to 3 months past due	173,133	(14,446)	8.3 %
3 to 12 months past due	144,070	(64,061)	44.5 %
More than 12 months past due	247,224	(177,087)	71.6 %
<b>Total</b>	<b>1,588,639</b>	<b>(300,532)</b>	

Trade receivables not past due include invoices to be issued of 777,522 thousand euro (893,698 thousand euro at 31 December 2022), which include the estimate of revenue earned for services supplied between the date of the last reading of effective consumption and year end.

#### Trade receivables from customers

They mainly relate to amounts due for the supply of electricity, gas and heat, energy efficiency services, of the waste management sector, and the Integrated Water Service.

#### Trade receivables from Associates and Joint Ventures

This item includes amounts due from the Group's associates and joint ventures, consolidated using the equity method. These relate to normal trade transactions performed at arm's length and related to

the business segments listed above.

#### Trade receivables from owners

These refer to trade transactions performed at arm's length, related to the segments listed above, with territorial authorities classified as related parties (municipalities of Genoa, Parma, Piacenza, Reggio Emilia and Turin).

#### Trade receivables from other related parties

These regard amounts due from the companies controlled by the territorial body owners (municipalities of Genoa, Parma, Piacenza, Reggio Emilia and Turin) and refer to normal commercial transactions carried out at arm's length, related to the segments listed above.

For more details on business relations with related entities, please refer to the "Notes to transactions with related parties" and the related table in the annex.

The following table shows gross trade receivables broken down by segment:

thousands of euro

	Networks	Waste Management	Energy	Market	Other services	Total
Not yet due	186,273	216,476	197,095	424,132	236	1,024,212
0 to 3 months past due	42,149	29,451	9,486	92,047	-	173,133
3 to 12 months past due	21,391	18,415	7,187	97,044	33	144,070
More than 12 months past due	74,060	17,525	4,464	150,200	975	247,224
<b>Total gross trade receivables</b>	<b>323,873</b>	<b>281,867</b>	<b>218,232</b>	<b>763,423</b>	<b>1,244</b>	<b>1,588,639</b>

Excluding invoices to be issued, gross trade receivables for invoices issued (811,117 thousand euro) refer to retail customers in the amount of 487,429 thousand euro, business customers in the amount of 253,803 thousand euro, and public administration customers in the amount of 69,885 thousand euro.

**Loss allowance**

This changed as follows:

thousands of euro

	31/12/2022	Increases	Decreases	Changes in consolidation scope	31/12/2023
<b>Loss allowance</b>	299,710	68,421	(72,966)	5,367	300,532

The increases in the year were recognised to adjust the loss allowance to the amount of expected credit losses on the basis of the simplified approach provided for by IFRS 9, where “loss” means the present value of all future cash shortfalls, considering forward-looking information. The decreases in the year relate to utilisations and reclassifications.

The following table shows the loss allowance broken down by segment:

thousands of euro

	Networks	Waste Management	Energy	Market	Other services	Total
Not yet due	(10,172)	(23,729)	(2,810)	(8,225)	(2)	(44,938)
0 to 3 months past due	(4,085)	(740)	(184)	(9,437)	-	(14,446)
3 to 12 months past due	(10,152)	(3,096)	(1,992)	(48,791)	(30)	(64,061)
More than 12 months past due	(58,691)	(14,698)	(4,464)	(98,281)	(953)	(177,087)
<b>Loss allowance</b>	<b>(83,100)</b>	<b>(42,263)</b>	<b>(9,450)</b>	<b>(164,734)</b>	<b>(985)</b>	<b>(300,532)</b>

**NOTE 15\_CURRENT TAX ASSETS**

These amounted to 18,894 thousand euro (38,263 thousand euro as at 31 December 2022) and include IRES and IRAP assets with the tax authority.

**NOTE 16\_SUNDRY ASSETS AND OTHER CURRENT ASSETS**

These are as follows:

thousands of euro

	31/12/2023	31/12/2022
Government land tax/UTIF	30,429	11,904
VAT assets	49,446	41,502
Other tax assets	290,508	137,218
<b>Current tax assets</b>	<b>370,383</b>	<b>190,624</b>
Cassa Servizi Energetici e Ambientali (CSEA)	52,686	63,844
Green certificates	1,719	17,692
Advances to suppliers	23,313	18,913
Other current assets	75,182	112,290
<b>Other current assets</b>	<b>152,900</b>	<b>212,739</b>
Accrued income and prepaid expenses	53,233	35,552
<b>Total</b>	<b>576,516</b>	<b>438,915</b>



As at 31 December 2023, factoring transactions were completed with derecognition of VAT assets for 11,281 thousand euro. As at 31 December 2022, factoring transactions were carried out with derecognition of the amount due from the GSE relating to tariff components for 33,231 thousand euro.

The decrease in tax assets for government land tax is due to pre-payments and settlement payments which are influenced by invoicing volumes for the current year and the previous year.

Other tax assets include 261,981 thousand euro for deductions on work carried out to improve the energy efficiency of buildings (ecobonus). Beginning in 2021, these assets are recognised under current assets, as the business model calls for the financial asset to be realised through transfers to financial intermediaries. In September 2019, Iren exercised the option for establishment of Group VAT to which the Revenue Agency attributed a new VAT number with effect from 1 January 2020.

The companies that take part in the VAT Group for 2023, not including the Parent Iren S.p.A., are as follows: Iren Energia S.p.A., IRETI S.p.A. (and Società Acque Potabili S.r.l., merged into the same), IRETI Gas S.p.A., Iren Acqua Reggio S.r.l. (incorporated by means of the separation of IRETI), Iren Mercato S.p.A., Iren

Ambiente S.p.A., AMIAT S.p.A, Iren Smart Solutions S.p.A., Iren Acqua Tigullio S.p.A., Iren Acqua S.p.A., Iren Laboratori S.p.A., Bonifica Autocisterne S.r.l., ASM Vercelli S.p.A., Atena Trading S.r.l., ACAM Ambiente S.p.A., ACAM Acque S.p.A., ReCos S.p.A., Alfa Solutions S.p.A., TRM S.p.A, San Germano S.p.A., Maira S.p.A., Formaira S.p.A., Territorio e Risorse S.r.l. e Rigenera Materiali S.r.l., Bonifiche Servizi Ambientali S.r.l., Uniproject S.r.l., Mandurambiente Spa, Iren Ambiente Toscana S.p.A., TB S.p.A., Futura S.p.A., I Blu S.r.l., Iren Ambiente Parma S.r.l., Iren Ambiente Piacenza S.r.l., Asti Energia e Calore S.p.A, SEI Toscana S.r.l., Alegas S.r.l., Valdarno Ambiente S.r.l., LAB 231 S.r.l., Dogliani Energia S.r.l., Valle Dora Energia S.r.l., Iren Green Generation Tech S.r.l. (and the companies merged into it, namely Paolo, Piano, Traversa and Solleone).

The decrease in the item Other current assets is mainly attributable to deposits paid for trading on regulated markets for CO2 emission rights (Emission Trading System).

In relation to amounts due from the Cassa Servizi Energetici e Ambientali (CSEA), a portion of the amounts shown may not be collectable within the next 12 months.

## NOTE 17\_CURRENT FINANCIAL ASSETS

These are as follows:

	thousands of euro	
	31/12/2023	31/12/2022
Loan assets with joint ventures		-
Loan assets with associates	2,603	1,959
Loan assets with owners	5,615	6,199
Loan assets with others	194,928	65,794
Current portion of derivative financial instruments	39,039	182,423
<b>Total</b>	<b>242,184</b>	<b>256,376</b>

All loan assets recognised in this item are due within 12 months. The carrying amount of these loan assets approximates their *fair value* as the impact of discounting is negligible.

### Loan assets with associates

La voce si riferisce principalmente a finanziamenti verso BI Energia (1.065 thousands of euro) e STU Reggiane (479 thousands of euro). La restante parte riguarda essenzialmente crediti per dividendi da incassare.

Per maggiori dettagli si rimanda al prospetto dei rapporti con parti correlate riportato in allegato.

### Loan assets with owners

These regard amounts due from the Municipality of Turin, on which interest accrues in favour of the Group, and amounted to 5,615 thousand euro (6,199 thousand euro as at 31 December 2022), and are related to the relationship between the subsidiary Iren Smart Solutions and the Municipality of Turin.

For details of the overall position of Iren Group with the

municipality of Turin please see Note 8 “Non-current financial assets”.

### Loan assets with others

The bulk of the amount refers to amounts due from financial institutions for the transfer of tax credits from ecobonus (119,274 thousand euro).

The item also contains the deposits paid as security for transactions on commodities futures markets (13,029 thousand euro), and restricted current accounts of the subsidiary TRM S.p.A., deriving from the loan agreement that provides for the linking of amounts to service the instalment due, environmental compensation charges

and extraordinary maintenance of the waste-to-energy plant (40,283 thousand euro). The remaining balance consists of assets arising from the implementation of the financial asset model provided by IFRIC 12 for the water purification service acquired in the Marche region, accrued income and deferred charges of a financial nature and finance lease assets.

### Current portion of derivative financial instruments

These relate to the positive *fair value* of derivative contracts on commodities.

## NOTE 18\_CASH AND CASH EQUIVALENTS

The item Cash and cash equivalents is made up as follows:

	thousands of euro	
	31/12/2023	31/12/2022
Bank and postal deposits	435,876	788,333
Cash and similar on hand	258	69
<b>Total</b>	<b>436,134</b>	<b>788,402</b>

Cash and cash equivalents consist of available bank and postal deposits. The Group does not hold cash equivalents, intended as short-term and highly liquid investments readily convertible into known amounts of

cash and subject to an insignificant risk of changes in value.

Please refer to the Statement of Cash Flows for details of the changes during the year.

## NOTE 19\_ASSETS HELD FOR SALE

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. They amounted to 1,144 thousand euro (16,802 thousand euro as at 31 December 2022). This item relates:

- for 986 thousand euro (unchanged from 31 December 2022), to the net assets related to the concessions of the integrated water service of four municipalities of the province of Alessandria and two municipalities of Valle d'Aosta for which the takeover of the new operator is being defined;
- for 158 thousand euro (unchanged compared to 31 December 2022), to the associate Piana Ambiente.

In addition, assets held for sale include the equity investment in Fata Morgana, already fully impaired in previous years.

At 31 December 2022, there was also the equity investment in Romeo Gas (15,658 thousand euro) acquired in April 2022 and sold at the end of January 2023.

## LIABILITIES

### NOTE 20\_EQUITY

Equity may be analysed as follows:

	thousands of euro	
	31/12/2023	31/12/2022
Share capital	1,300,931	1,300,931
Reserves and Retained Earnings	1,250,525	1,218,137
Profit for the year	254,845	226,017
<b>Total equity attributable to the owners of the parent</b>	<b>2,806,301</b>	<b>2,745,085</b>
Capital and reserves attributable to non-controlling interests	407,986	402,140
Profit attributable to non-controlling interests	27,166	43,929
<b>Total consolidated equity</b>	<b>3,241,453</b>	<b>3,191,154</b>

#### Share capital

The share capital, unchanged compared to 31 December 2022 amounts to 1,300,931,377 euro, which is fully paid-up and comprises 1,300,931,377 ordinary shares with a nominal value of 1 euro each.

In 2020 and 2021, following the relative shareholders' resolutions, the parent repurchased treasury shares for

a total of 17,855,645 shares for a total price of 38,690 thousand euro recognised as a reduction of equity in the item "Reserves and Retained Earnings".

#### Reserves and Retained Earnings

The breakdown of this item is as follows:

	thousands of euro	
	31/12/2023	31/12/2022
Treasury shares	(38,691)	(38,691)
Share premium reserve	133,019	133,019
Legal reserve	111,093	98,159
Hedging reserve	12,758	62,642
Other reserves and Retained earnings	1,032,346	963,008
<b>Total reserves</b>	<b>1,250,525</b>	<b>1,218,137</b>

#### Hedging reserve

Changes in the fair value of effective hedging derivatives are recognised with a corresponding balancing item directly in equity under the hedging reserve. These contracts were entered into to hedge exposure to the risk of interest rate fluctuations on floating rate loans and to the risk of price changes in electricity and gas purchase contracts.

#### Other reserves and Retained earnings (losses)

These comprise mainly the goodwill arising on the merger of AMGA into AEM Torino and the subsequent merger of Enia into Iride, retained earnings, and the actuarial reserve consisting of actuarial gains and losses on the measurement of post-employment benefits.

The increase in 2023 is mainly due to the carrying forward of the profit for 2022 not distributed (71,945 thousand euro).

## Dividends

At their Ordinary Meeting on 04 May 2023, the Shareholders of Iren S.p.A. approved the Parent's separate financial statements at 31 December 2022 and the Directors' Report, and resolved to distribute a dividend of 0.11 euro per ordinary share, confirming the proposal made by the Board of Directors. The dividend was payable as of 21 June 2023, with ex-dividend date on 19 June 2023. At the ex-dividend date, the number of outstanding shares was 1,283,075,732 and, consequently, the total amount of dividends distributed was 141,138,330.52 euro.

For further details, reference should be made to the statement of changes in equity.

## CAPITAL MANAGEMENT

The capital management policies of the Board of Directors involve maintaining a high level of capital to uphold relations of trust with investors, creditors and the market, and also allowing future business development.

The Board of Directors monitors the return on capital and the level of dividends for distribution to shareholders, and aims to maintain a balance between achieving extra yield by recourse to indebtedness and the benefits and security offered by a solid financial position.

## NON-CURRENT LIABILITIES

### NOTE 21 NON-CURRENT FINANCIAL LIABILITIES

The item amounted to a total of 4,046,976 thousand euro (4,266,014 thousand euro as at 31 December 2022).

#### Bonds

These amounted to 2,522,470 thousand euro due after 12 months (3,015,622 thousand euro as at 31 December 2022). The item consisted of positions referred to Public and Private Bond issues, accounted for at amortised cost, against a total nominal value outstanding at 31 December 2023 of 2,550,000 thousand euro (3,050,000 thousand at 31 December 2022). The details of Bonds with maturity after 12 months are as follows:

- Green Bonds maturing October 2027, coupon 1.5%, amount 500 million euro, all outstanding (amount at amortised cost 495,938 thousand euro);
- Green Bonds maturing September 2025, coupon 1.95%, amount 500 million euro, all outstanding (amount at amortised cost 498,310 thousand euro);
- Green Bonds maturing October 2029, coupon 0.875%, amount 500 million euro, all outstanding (amount at amortised cost 496,789 thousand euro);
- Bonds maturing July 2030, coupon 1%, amount 500 million euro, all outstanding (amount at amortised cost 492,833 thousand euro);
- Green Bonds maturing January 2031, coupon 0.25%, amount 500 million euro, including TAP issue of October 2021, all outstanding (amount at amortised cost 488,975 thousand euro)

- Green Private Placement maturing October 2028, coupon 2.85%, amount 50 million euro, issued in August 2022, all outstanding (amount at amortised cost 49,625 thousand euro).

The bonds were subscribed by Italian and foreign institutional investors, are listed on the Irish Stock Exchange and were assigned Fitch and S&P ratings. The change in the total carrying amount compared to 31 December 2022 is due to the reclassification within 12 months of the Bonds maturing in November 2024, coupon 0.875%, amounting to 500 million euro, fully outstanding (amortised cost amount 499,220 thousand euro) and the allocation of the accrued financial expense, calculated on the basis of the amortised cost method.

#### Non-current bank loans

Non-current bank loans relate exclusively to the non-current portion of loans/credit lines due after 12 months granted by banks, and amounted to 1,438,566 thousand euro (1,183,111 thousand euro as at 31 December 2022). Non-current bank loans can be analysed by interest rate type (with respective indications of minimum and maximum rates applied) and by maturity date (related to the portion after 12 months), as shown in the table below:

thousands of euro

	fixed rate	floating rate	TOTAL
min/max rate		4.251% - 5.543%	
maturity		2024-2039	
1.1.2025 – 31.12.2025		70,917	70,917
1.1.2026 – 31.12.2026		75,153	75,153
1.1.2027 – 31.12.2027		338,777	338,777
1.1.2028 – 31.12.2028		499,995	499,995
Subsequent		453,724	453,724
<b>Total after 12 months as at 31/12/2023</b>	-	<b>1,438,566</b>	<b>1,438,566</b>
<b>Total after 12 months as at 31/12/2022</b>	<b>6,016</b>	<b>1,177,095</b>	<b>1,183,111</b>

All loans are denominated in euro.

The changes in non-current loans during the year are summarised as follows:

thousands of euro

	31/12/2022 Total after 12 months	Increases	Changes in consolidation scope	Decreases	Change in amortised cost	31/12/2023 Total after 12 months
- fixed rate	<b>6,016</b>	-	29	(6,048)	3	-
- floating rate	<b>1,177,095</b>	330,000	27,327	(96,049)	193	<b>1,438,566</b>
<b>TOTAL</b>	<b>1,183,111</b>	330,000	27,356	(102,097)	196	<b>1,438,566</b>

Total non-current loans at 31 December 2023 increased compared to 31 December 2022, as a combined result of:

- disbursement to the Parent of tranches totalling 230 million euro from lines available with EIB (European Investment Bank) and CEB - Council of Europe Development Bank;
- disbursement to the Parent of a loan contracted with CDP - Cassa Depositi e Prestiti for 100 million euro;
- increase of 27,356 thousand euro in non-current loans held by companies that entered the consolidation scope of the Group, repaid in advance in the year;
- decrease of 102,097 thousand euro for the aforementioned early repayments and for the classification of the portions of loans due within

- the next 12 months as current;
- increase of 196 thousand euro due to recognition of the loans at amortised cost.

#### Other financial liabilities

These amount to 85,940 thousand euro (67,281 thousand euro as at 31 December 2022) and refer to:

- for 32,891 thousand euro (8,916 thousand at 31 December 2022) to the fair value of derivative contracts entered into as hedges against the interest rate fluctuation risk on floating rate loans and the price of commodities (please see the paragraph "Group Financial Risk Management" for comments);
- for 46,356 thousand euro (49,738 thousand euro as at 31 December 2022) to lease liabilities;
- for 1,077 thousand euro (3,200 thousand euro as

at 31 December 2022) to "Put option for non-controlling interests", relating to the fair value measurement of the put options granted to non-controlling interests on their shares. This item refers to the put option on the non-controlling interest in ReMat, equal to 11.58% of the share capital.

- for 5,396 thousand euro (5,427 thousand euro at 31 December 2022) to minor loans from others, the most significant amounts of which regard loans granted to certain consolidated companies, but in which the Group does not hold 100% of the shares, by the non-controlling investor.

## NOTE 22\_EMPLOYEE BENEFITS

Changes in this item in 2023 were as follows:

thousands of euro

	31/12/2022	Changes in consolidation scope	Disbursements during the year	Obligations vested during the year	Actuarial (gains)/ losses	Financial expense	Other changes	31/12/2023
Post-employment benefits	80,769	1,938	(8,239)	782	(471)	2,912	-	77,691
Additional salary payments (seniority bonus)	3,041	-	(318)	95	156	109	-	3,083
Loyalty bonus	2,249	-	(276)	(78)	(13)	72	145	2,099
Tariff discounts	3,237	26	(319)	-	47	117	-	3,108
Premungas fund	1,652	-	(374)	-	14	56	-	1,348
<b>Total</b>	<b>90,948</b>	<b>1,964</b>	<b>(9,526)</b>	<b>799</b>	<b>(267)</b>	<b>3,266</b>	<b>145</b>	<b>87,329</b>

The column "Changes in consolidation scope" refers to the balances acquired in 2023 relative to the companies Romeo 2, Amter, Acquaenna, ReMat, and Semia Green; the column "Other changes" refers to an adjustment made during the actuarial calculation with reference to specific categories of bonuses paid to employees, in order to adjust their amount to current market values.

The tariff discounts include benefits related to the supply of natural gas for domestic use. Following the signing of specific agreements with the trade unions, the "Energy discount" awarded up to 30 September 2017 to employees in service was converted into other forms of employee benefits. The "Energy discount" awarded up to 30 September 2017 to retired employees was revoked unilaterally and replaced with lump sums included in provisions for former employee benefits.

### Actuarial assumptions

The above-mentioned liabilities are measured by independent actuaries. The liability relating to the defined benefit plans is calculated in accordance with actuarial assumptions and is recognised on an accruals basis in line with the service necessary to obtain benefits.

For the purpose of defining the present value of the obligations, the future service is estimated based on assumptions related to changes in the total number of employees and employee remuneration. Future service represents the amount that would be paid out to each employee in the event of continuing working activity with another company, retirement, death, resignation or a request for an advance.

The following factors were considered in deciding which discount rate to adopt in the measurement approach provided by IAS 19:

- relevant market;
- the measurement date;

- expected average term of the liabilities. The average residual term of liabilities was obtained as the weighted average residual term of liabilities

related to all benefits and all Group companies. The economic and financial assumptions adopted in the calculations are as follows:

Annual discount rate	3.15% - 3.17%
Annual inflation rate	2 %
Annual rate of increase of post-employment benefits	3 %

Pursuant to IAS 19, the following additional information is supplied:

- sensitivity analysis for each material actuarial assumption at year end, showing the effects that would have resulted from changes in the actuarial assumptions reasonably possible at that date, in absolute terms;
- contributions for the subsequent year;
- indication of the average maturity of the obligation for defined benefit plans.

This information is shown in the table below.

thousands of euro

	Change in liabilities according to changes in discount rate		Service cost 2024	Duration of the plan	Disbursements 2024
	+0.25 %	-0.25 %			
Post-employment benefits	(1,163)	1,198	690	7.8	8,470
Additional salary payments	(55)	56	94	8.5	56
Loyalty bonus	(8)	52	79	10.2	362
Tariff discounts	(63)	66	-	8.5	240
Premungas	(13)	14	-	4.6	200

The method used to estimate sensitivity was unchanged compared to the previous year.

**NOTE 23. PROVISIONS FOR RISKS AND CHARGES**

The item amounted to 404,882 thousand euro (404,781 thousand euro as at 31 December 2022). It is detailed in the following table, and refers both to the current and non-current portions:

thousands of euro

	31/12/2022	Increases	Decreases	(Gains) losses	Changes in consolidation scope	31/12/2023	Non-current portion
Provision for restoration of third-party assets	180,546	6,672	(628)	(553)	-	186,037	186,037
"Post-closure" provisions	74,342	6,028	(7,653)	(6,242)	-	66,475	58,961
Provision for dismantling and reclaiming sites	50,042	3,103	214	(5,131)	59	48,287	48,245
Provision for early retirement	4,428	9,014	(1,982)	-	-	11,460	10,230
ETS cancellation obligation	152,904	229,419	(152,904)	-	-	229,419	-
Other provisions for risks and charges	150,045	80,530	(37,132)	-	1,642	195,085	101,409
<b>TOTAL</b>	<b>612,307</b>	<b>334,766</b>	<b>(200,085)</b>	<b>(11,926)</b>	<b>1,701</b>	<b>736,763</b>	<b>404,882</b>

If the effect of discounting the value of money is significant, the provisions are discounted using a pre-tax discount rate which, on the basis of the time period envisaged for the future cash flows, does not exceed 4.2%.

The column "Changes in consolidation scope" refers to the balances purchased during 2023 relating to the companies AMTER, AcquaEnna, WFL and Semia Green.

**Provision for restoration of third-party assets**

This provision refers to liabilities which, if the water service concessions for the Parma, Piacenza and Reggio Emilia ATOs are reassigned to third parties, will be deducted from the fee to be paid to the Group by the incoming operator. These liabilities are estimated according to the depreciation of the pool of assets and equipment relating to the aforementioned integrated water cycle which, as a result of the spin-offs completed in 2005 by the three companies AGAC, Tesa and AMPS (later merged into Enia), were transferred to the financial statements of three full publicly-held companies as envisaged in Art. 113 paragraph 13 of T.U.E.L. This pool of assets is used to perform the water service against the payment of a rental fee and with a contractual commitment to set aside the aforementioned provisions.

**"Post-closure" provisions**

These are mainly provisions for future expense for

environmental remediation of controlled landfill plants which also include costs for post-operating management until the sites involved have been completely converted into green areas. These provisions are supported by specific appraisals periodically updated in order to adjust the existing provisions to the estimate of the future costs to be incurred. The decreases refer, in fact, to the utilisation of the provision to cover costs incurred in the post-operating phase until the mineralisation of waste and the conversion of landfills are completed.

**Provision for dismantling and reclaiming sites**

The "Provision for dismantling and reclaiming sites" represents the estimate of expense associated with the future dismantling of the Group's waste-to-energy plants and, to a lesser extent, of the Group's photovoltaic parks, as well as the estimate of charges to be incurred in relation to the future reclamation of former AMNU in Parma on which an incinerator was located.



**Provision for early retirement**

The provision refers to expenses associated with early retirement of some employees and arises from the results of agreements between Iren Group and the Trade Unions that provide for early retirement incentives for some employees, on a voluntary basis among the Group's personnel who are potentially involved. The transaction should be seen in the wider context of professional and demographic rebalancing of Iren Group's personnel, in view of a plan to recruit young individuals.

The incentive, completely chargeable to Iren Group (in application of Art. 4 of Law no. 92/2012), will enable the personnel who meet the legal requisites to retire ahead of the date of eligibility, making up in part for the delay in retirement created by the social security reform.

The provisions represent the estimated payment to the employees involved in the Plan, through the social security institution, of a benefit of an amount equal to the pension that would be payable on the basis of the current rules ("early retirement") with payment to the social security institution of the contribution until the minimum requirements for retirement are reached (in accordance with the aforementioned Law 92/2012), and a sum, for each of the employees involved, as a one-off payment as an incentive.

**ETS cancellation obligation**

This item refers to obligations related to carbon dioxide emission rights under the Emission Trading Scheme. The increase relates to the estimated costs related to the rights still to be acquired in order to fulfil, according to schedule, the obligation of the year, while the decreases refer to the acquisition of certificates related to the obligation of the previous year.

**Other provisions for risks and charges**

The amount of the provision mainly refers to the probable risks of higher charges pertaining to the Group's businesses, the allocation of the charge related to the two-way compensation mechanism for electricity prices as per Decree-Law Sostegni Ter, the estimated IMU property tax to be paid on the value of the systems of the power plants calculated as provided for by Decree-Law No. 44/2005, charges for environmental offsets, regulatory risks and probable charges related to various disputes.

During 2023, releases amounting to 14,968 thousand euro were made, mainly related to pending disputes with entities, also regulatory, that have been resolved and for which there is therefore no longer a need to maintain the related provisions.

The current portion referring to the provisions described above was presented under "provisions for risks and charges - current portion" (Note 31).

**NOTE 24\_DEFERRED TAX LIABILITIES**

Deferred tax liabilities of 128,186 thousand euro (142,221 thousand euro as at 31 December 2022) are due to the temporary difference between the carrying amount and tax base of assets and liabilities recognised in the financial statements.

Deferred taxation is calculated with reference to the expected tax rates applicable when the temporary differences will reverse.

For further details please see the note to the income statement, "Income taxes" (Note 42) and the annexed table.

**NOTE 25\_SUNDRY LIABILITIES AND OTHER NON-CURRENT LIABILITIES**

This item can be broken down as follows:

	thousands of euro	
	31/12/2023	31/12/2022
Due after 12 months	59,570	63,454
Deferred income for grants related to assets - non current	518,414	438,344
Non-current accrued expenses and deferred income	3,860	3,333
<b>Total</b>	<b>581,844</b>	<b>505,131</b>

The item "Due after 12 months" mainly refers to advances paid by users as a guarantee on the supply of water, as well as amounts due to GSE for a dispute with AEEG (Scarlino Energia), and tax liabilities for substitute taxes to be paid more than 12 months after the reporting date.

Deferred income for grants related to assets, non-current portion, includes the amounts relating to connection grants of 203,025 thousand euro and the Fo.N.I. component (Provision for New Investments),

amounting to 81,888 thousand euro, provided for by the tariff method for the Integrated Water Service, which will be reversed in the income statement more than 12 months after the reporting date. The portion that will be taken to profit or loss in the 12 months following the reporting date amounts to 9,847 thousand euro and 4,163 thousand euro, respectively, and is included in the item "Sundry liabilities and other current liabilities under deferred income" for grants related to assets.

**CURRENT LIABILITIES****NOTE 26\_CURRENT FINANCIAL LIABILITIES**

All financial liabilities recognised in this item are due within 12 months. The carrying amount of these liabilities approximates their fair value as the impact of discounting is negligible.

Current financial liabilities can be analysed as follows:

	thousands of euro	
	31/12/2023	31/12/2022
Bonds	499,220	-
Bank loans	91,927	65,346
Financial liabilities with associates	231	2,192
Financial liabilities with owners	14,750	7,548
Financial liabilities with other related parties	7	4
Lease liabilities	14,686	15,007
Financial liabilities with others	32,410	16,523
Current derivative liabilities	82,462	187,955
<b>Total</b>	<b>735,693</b>	<b>294,575</b>

**Bonds**

As at 31 December 2023, there were bonds maturing within 12 months.

This is the Bonds maturing November 2024, coupon 0.875%, issued in the amount of 500 million euro, fully outstanding.

The carrying amount is shown at amortised cost in the amount of 499,220 thousand euro.

**Bank loans**

Current bank loans may be broken down as follows:

	thousands of euro	
	31/12/2023	31/12/2022
Loans – current portion	68,722	50,092
Other current bank loans	9,405	728
Accrued financial expenses and deferred financial income	13,800	14,526
<b>Total</b>	<b>91,928</b>	<b>65,346</b>

**Financial liabilities with associates**

They refer to amounts due to the company Sienambiente for 150 thousand euro and to the company CSAI for 81 thousand euro.

**Financial liabilities with owners**

This item relates to dividends of the company TRM still to be paid to the shareholder municipality of Turin.

**Financial liabilities with others**

They amounted to 32,410 thousand euro (16,523 thousand euro as at 31 December 2022) and mainly related to the fair value valuation of the put option on the non-controlling interest in Iblu S.r.l. (4,026 thousand euro), equal to 20% of the quota capital, held by Idealservice Soc Coop, as well as the option to sell the non-controlling interest in Nord Ovest Servizi S.p.A., equal to 25% of the share capital, held partly by SMAT and partly by GTT (3,211 thousand euro); the item also includes amounts due to factors (18,392 thousand euro) and the liability for dividends resolved but not yet paid as at 31 December 2023, for 18,484 thousand euro.

**Current derivative liabilities**

These relate to the *fair value* of derivative contracts entered into to hedge the exposure to the risk of fluctuations in commodity prices.

**NOTE 27\_TRADE PAYABLES**

All trade payables are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.

	thousands of euro	
	31/12/2023	31/12/2022
Trade payables to suppliers	1,529,314	2,101,840
Trade payables to joint ventures	(2)	(2)
Trade payables to associates	18,897	26,368
Trade payables to owners	6,322	7,330
Trade payables to other related parties	6,948	4,637
Advances due within 12 months	15,498	133,711
Guarantee deposits due within 12 months	4,860	5,506
Payables to customers for reimbursements within 12 months	52,883	10
<b>Total</b>	<b>1,634,720</b>	<b>2,279,400</b>

Payables to customers for reimbursements within 12 months refer to the liability recognised in respect of users entitled to reimbursement of the purification tariff of the Integrated Water Service following the Supreme Court ruling of 14 July 2023, which established that the tariff is not payable by users to whom secondary purification treatment is not provided.

**NOTE 28\_CURRENT CONTRACT LIABILITIES**

This item totalled 79,642 thousand euro (39,209 thousand euro as at 31 December 2022) and refers to the amounts paid by customers as advance payments for the sale of electricity and for energy efficiency measures in buildings, which have not yet been completed.

**NOTE 29\_SUNDRY LIABILITIES AND OTHER CURRENT LIABILITIES**

All amounts recognised in this item are due within 12 months. The carrying amount of these liabilities approximates their fair value as the impact of discounting is negligible.

thousands of euro

	31/12/2023	31/12/2022
VAT liability	586	2,650
Government land tax/UTIF	29	1,559
IRPEF liability	1,539	1,734
Other tax liabilities	31,922	33,397
<b>Current tax liabilities</b>	<b>34,076</b>	<b>39,340</b>
Amounts due to employees	67,243	62,427
Cassa Servizi Energetici e Ambientali (CSEA)	66,047	9,963
Amounts due to social security institutions within 12 months	32,624	31,269
Other current liabilities	104,135	92,563
<b>Current sundry liabilities</b>	<b>270,049</b>	<b>196,222</b>
Accrued expenses and deferred income	29,057	25,569
<b>Total</b>	<b>333,182</b>	<b>261,131</b>

The increase in liabilities for the government land tax is due to pre-payments and settlement payments which are influenced by invoicing volumes for the current year and the previous year.

The change in amounts due to Cassa per i Servizi Energetici e Ambientali (the Energy and Waste Management Services Fund) in the year is related to the estimates of negative equalisation of electricity and gas.

Other current liabilities mainly refer to the cost estimates for the obligations relating to energy efficiency certificates, liabilities for tariff components of electricity distribution to be paid to the GSE, liabilities for purification fees, liabilities for RAI fees collected in the bill and amounts due to customers for works invoiced but not yet carried out relating to the energy efficiency of buildings.

### NOTE 30\_CURRENT TAX LIABILITIES

The item "Current tax liabilities" amounting to 80,437 thousand euro (34,969 thousand euro as at 31 December 2022) is made up of IRES and IRAP liabilities, comprising the estimate of taxes for the current year.

### NOTE 31\_PROVISIONS FOR RISKS AND CHARGES - CURRENT PORTION

This item amounted to 331,881 thousand euro (207,526 thousand euro as at 31 December 2022) and refers to the current portion of the provisions, divided as follows:

- provisions for dismantling and reclaiming sites and post-closure provisions for 7,556 thousand euro;
- provisions for early retirement of 1,230 thousand euro;
- provisions for charges related to the obligation to cancel ETS allowances of 229,419 thousand euro;
- other provisions for risks of 93,676 thousand euro.

For further details on the breakdown of and changes in provisions for risks and charges see Note 23.

### NOTE 32\_LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

There are no liabilities associated with assets held for sale at 31 December 2023.

## FINANCIAL POSITION

Net financial debt, calculated as the difference between current and non-current financial debt and current and non-current financial assets, can be broken down as follows:

	thousands of euro	
	31/12/2023	31/12/2022
Non-current financial assets	(128,937)	(169,057)
Non-current financial debt	4,046,764	4,266,014
<b>Non-current net financial debt</b>	<b>3,917,827</b>	<b>4,096,957</b>
Current financial assets	(639,279)	(1,044,778)
Current financial debt	653,231	294,575
<b>Current net financial (position) debt</b>	<b>13,952</b>	<b>(750,203)</b>
<b>Net financial debt</b>	<b>3,931,779</b>	<b>3,346,754</b>

It is specified that, in the calculation of net financial debt, the fair value of commodity derivatives is excluded from short-, medium- and long-term borrowings and financial assets.

### Net Financial position with related parties

Non-current financial assets include 33,558 thousand euro due from the municipality of Turin and 4,721 thousand euro due from associates.

Current financial assets include 5,617 thousand euro due from the municipality of Turin and 2,603 thousand euro due from associates.

Current financial liabilities include 14,750 thousand

euro due to owners (for dividends), 231 thousand euro due to associates and 6 thousand euro due to other related parties.

The net financial position according to the structure proposed by ESMA in the document of 04 March 2021 *Guidelines on disclosure requirements under the Prospectus Regulation and implemented by Consob with Attention Reminder No. 5/21 of 29 April 2021* is shown below.

	thousands of euro	
	31/12/2023	31/12/2022
A. Cash	(436,134)	(788,402)
B. Cash equivalents	-	-
C. Other current financial assets	(13,030)	(2,476)
<b>D. Liquidity (A) + (B) + (C)</b>	<b>(449,164)</b>	<b>(790,878)</b>
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	70,603	229,476
F. Current portion of non-current financial debt	582,628	65,099
<b>G. Current financial debt (E + F)</b>	<b>653,231</b>	<b>294,575</b>
<b>H. Net current financial (position) debt (G - D)</b>	<b>204,067</b>	<b>(496,303)</b>
I. Non-current financial debt (excluding current portion and debt instruments)	1,524,284	1,250,392
J. Debt instruments	2,522,470	3,015,622
K. Trade payables and other non-current debt	-	-
<b>L. Non-current financial debt (I + J + K)</b>	<b>4,046,754</b>	<b>4,266,014</b>
<b>M. Total financial debt (H + L)</b>	<b>4,250,821</b>	<b>3,769,711</b>

The annexes to the consolidated financial statements include the reconciliation statement between "total financial debt", calculated according to the structure proposed by ESMA, and "net financial debt", calculated according to Iren Group's policy and reported at the beginning of this section.

The table below shows the changes in the year in current and non-current financial liabilities.

	thousands of euro
<b>Current and non-current financial liabilities 31.12.2022</b>	<b>4,560,589</b>
<b>Monetary changes as reported in the statement of cash flows</b>	
New non-current loans	330,000
Repayment of non-current loans	(83,467)
Repayment of finance leases	(17,522)
Change in other financial liabilities	12,453
Interest paid	(95,850)
Dividends paid	176,580
<b>Non-monetary changes</b>	
Liabilities acquired following change in consolidation scope	30,107
New finance leases	11,982
Fair value change in derivatives	(163,980)
Interest and other financial expense	108,115
Dividends resolved	(169,012)
<b>Current and non-current financial liabilities 31.12.2023</b>	<b>4,699,995</b>

## XI. Information on the income statement

Unless otherwise stated, the following comments and tables show the figures in thousands of euro.

The consolidated income statement includes the income statement amounts of the entities over which the Group acquired control in 2023: Romeo 2, AMTER, AcquaEnna, Limes 20, ReMat, Semia Green and WFL. The results of operations for 2023 are therefore affected by the inclusion of these amounts in the consolidation scope.

Again for the purposes of a correct analysis, it should also be noted that the items include the results of the companies Valdarno Ambiente, CRCM, Alegas, Dogliani Energia, Valle Dora Energia, Società dell'Acqua Potabile (SAP), SEI Toscana, Ekovision, Valdisieve, Mara Solar, Limes 1, Limes 2 and Omnia Power, all of which were acquired in 2022.

## REVENUE

### NOTE 33\_REVENUE FROM GOODS AND SERVICES

This item amounted to 6,301,581 thousand euro (7,627,961 thousand euro in 2022) and is detailed in the following table.

thousands of euro

	FY 2023	FY 2022
Electricity revenue	2,650,364	3,767,075
Heat revenue	241,773	399,437
Gas revenue	984,820	1,194,416
Integrated water service revenue	494,373	481,800
Waste collection and disposal revenue	929,528	825,123
Revenue from asset construction services under concession	248,077	231,739
Revenue from other services	752,646	728,371
<b>Total</b>	<b>6,301,581</b>	<b>7,627,961</b>

The following table shows the reconciliation between the item Revenue from goods and services and the segment reporting in Section XIII. Segment reporting

thousands of euro

	Networks	Waste Management	Energy	Market	Other services	Elisions	Total
Revenue from goods and services	986,377	1,106,374	3,032,953	4,001,818	26,244	(2,852,185)	6,301,581
Other revenue	164,421	86,720	182,529	88,579	5,309	(338,758)	188,800
<b>Total</b>	<b>1,150,798</b>	<b>1,193,094</b>	<b>3,215,482</b>	<b>4,090,397</b>	<b>31,553</b>	<b>(3,190,943)</b>	<b>6,490,381</b>

The table below provides a breakdown of revenue from goods and services by business segment.

thousands of euro

	Networks	Waste Management	Energy	Market	Other services	Elisions	Total
Electricity revenue	136,560	74,509	2,200,232	1,779,347	-	(1,540,284)	2,650,364
District heating revenue	-	13,265	257,866	-	-	(29,358)	241,773
Gas revenue	117,334	3,800	-	2,119,302	-	(1,255,616)	984,820
Integrated water service revenue	484,443	3,632	-	-	-	6,298	494,373
Waste management revenue	21	939,450	-	-	-	(9,943)	929,528
Revenue from asset construction services under concession - IFRIC 12	240,457	3,103	4,517	-	-	-	248,077
Revenue from other services	7,562	68,615	570,338	103,169	26,244	(23,282)	752,646
<b>Total Revenue from goods and services</b>	<b>986,377</b>	<b>1,106,374</b>	<b>3,032,953</b>	<b>4,001,818</b>	<b>26,244</b>	<b>(2,852,185)</b>	<b>6,301,581</b>



The nature and timing of the performance obligations contained in customer contracts are described below:

*Sale and distribution of electricity and gas and sale of heat to end customers*

Contracts for the sale of energy carriers to end customers include fees that relate to both the sale and distribution of the relevant commodities, identified as a single, indistinct performance obligation. This obligation is fulfilled upon delivery at the redelivery point or heat exchange substation.

These contracts relate to supplies of a continuous nature, which imply the fulfilment of the relevant obligations in an over-time logic, since the end customer benefits, repeatedly over time, from individual commodity units that are homogeneous with each other.

This revenue includes the estimated disbursements made but not yet invoiced. This estimate is based on the customer's historical consumption profile, adjusted to reflect weather conditions or other factors that may affect consumption.

In this context, revenue from the electricity and gas distribution service, supplied through the Group's networks to third-party sellers, is recognised on the basis of tariffs determined by the competent Authorities to reflect the remuneration recognised for investments made, taking into account the equalisation mechanisms provided for. They, too, refer to services aimed at fulfilling the relevant obligations on an ongoing basis, with a view to the continuity of the service provided characteristic of network businesses.

*Integrated Water Service*

Similarly to the other network businesses mentioned above, aqueduct (water collection, drinking water, lifting and distribution), sewerage and wastewater treatment services relate to obligations fulfilled over time. They, too, are entered on the basis of the tariffs determined by the competent authorities to reflect the remuneration paid for the investments made.

*Waste management revenue*

Revenue generated by the waste management supply chain mainly relates to:

- collection and urban sanitation, where performance obligations are fulfilled continuously over time on the basis of existing contracts;
- the treatment of municipal and special waste, including its disposal and reuse. In this regard, the Group assesses the relevant services as provided over time, particularly with regard to the continuous disposal of homogeneous waste units, also within the framework of existing agreements with the competent authorities.

It should also be noted that in this context there are, to a residual extent, services provided punctually and pertaining to obligations arising from events (e.g. snow clearing service).

*Other revenue*

The revenue included under this heading refers in particular:

- to products/services ancillary to the sale of commodities (the so-called new downstream), which are distinctly identified, and which concern performance obligations that are fulfilled punctually upon the transfer of the product/service to the customer;
- to services related to the management of energy services, including maintenance services, and to orders for the energy efficiency of plants and buildings. Both refer to obligations fulfilled over time. In particular, revenue relating to contracts for efficiency upgrading is recognised on the basis of the stage of completion of the contract work, deduced from the total estimated costs incurred, by means of the recognition of a contract asset until the obligation has been fully met.

## **NOTE 34\_OTHER INCOME**

Other income totalled 188,800 thousand euro (235,082 thousand euro in 2022) and refers to grants, revenue for energy certificates and sundry income. The tables below show the details of the individual items.

## Grants

	thousands of euro	
	FY 2023	FY 2022
Grants related to assets	15,740	13,982
Connection grants	11,028	10,975
Other grants	44,222	47,742
<b>Total</b>	<b>70,990</b>	<b>72,699</b>

The grants related to assets and connection grants represent the relevant portion of grants calculated in proportion to the depreciation rates of the plants to which they refer.

The connection grants include amounts received for connection to the Group's electricity, water, gas and heat distribution networks.

The item "Other grants" is largely attributable to the

regulatory measures introduced to combat the high energy price, which provided for a tax credit for so-called "non-energy-intensive" and "non-gas-intensive", aimed at compensating for the higher charges incurred for electricity and gas purchased and used in economic activity. The effect of these measures for the Group amounted to 38,604 thousand euro.

## Revenue from energy certificates

	thousands of euro	
	FY 2023	FY 2022
Revenue from the sale of ETS certificates (Emission Trading Certificates)	25,541	19,124
Revenue from former Green Certificates incentive	7,136	35,714
Revenue from Energy Efficiency Certificates (White Certificates)	18,121	14,417
<b>Total</b>	<b>50,798</b>	<b>69,255</b>

## Other income

	thousands of euro	
	FY 2023	FY 2022
Service contracts	985	2,110
Lease income	1,999	1,937
Capital gains on sale of assets	1,894	2,696
Insurance settlements	11,864	23,291
Sundry reimbursements	8,153	8,410
Other revenue and income	42,117	54,684
<b>Total</b>	<b>67,012</b>	<b>93,128</b>

It should be noted that the item "Insurance settlements" largely refers to reimbursements for the business interruption of a line of the Turbigo thermoelectric plant, while the item "Other revenue and income" included, in 2022, penalties to suppliers applied, according to contractual terms, as a result of delays encountered during the repowering of the same.

## COSTS

### NOTE 35\_RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

This item is broken down as follows:

	thousands of euro	
	FY 2023	FY 2022
Purchase of electricity	580,650	1,198,853
Purchase of gas	1,628,480	2,968,274
Purchase of heat	393	663
Purchase of other fuels	898	720
Purchase of water	7,343	4,443
Other raw materials and inventory materials	187,818	211,740
Emission trading	275,019	215,819
White certificates	16,727	13,297
Reduction in obligations for White Certificates from previous years	-	-
Change in inventories	66,145	(31,749)
<b>Total</b>	<b>2,763,473</b>	<b>4,582,060</b>

Costs for raw materials, consumables, supplies and goods decreased by 1,818,587 thousand euro. The decrease in the costs of purchasing electricity and gas is essentially linked to the decrease in prices of commodities.

The purchase of raw materials and inventory materials is in connection with the marketing to retail customers of products in the area of home automation, energy saving and maintenance of domestic installations and, to a lesser extent, fuels for operating vehicles. The change in inventories was partly due to gas stocks.

**NOTE 36\_SERVICES AND USE OF THIRD-PARTY ASSETS**

Costs for services amounted to 1,837,736 thousand euro (1,631,570 thousand euro in 2022), as follows:

	thousands of euro	
	FY 2023	FY 2022
Electricity transport and electricity system expenses	477,628	520,110
Gas transmission	(43,402)	(34,819)
Heat transmission	-	-
Third-party works, maintenance and industrial services	711,399	560,164
Collection and disposal, snow clearing, public parks	351,923	302,227
Expenses related to personnel (canteen, training, business travel)	15,225	13,752
Technical, administrative and commercial consulting and advertising expenses	97,288	96,205
Legal and notary fees	5,531	1,895
Insurance	25,537	24,186
Bank expenses	11,358	11,278
Telephone expenses	6,683	6,366
IT expenses	62,851	57,010
Reading and invoicing services	14,909	11,320
Board of Statutory Auditors' fees	1,391	1,229
Other costs for services	99,415	60,647
<b>Total costs for services</b>	<b>1,837,736</b>	<b>1,631,570</b>

Costs for third-party works mainly relate to operating and maintenance costs of plants and networks. Gas transmission costs are negative as a result of the effects of ARERA introduction of a UG2c tariff component with a negative sign, envisaged as part of urgent and extraordinary interventions in favour of consumers in relation to the situation of tension in the functioning of the gas markets.

"Other costs for services" includes residual costs for

internal consumption, back office, transport and other services: this item increased largely as a result of higher transport costs and the closure of estimates from previous years.

Use of third-party assets amounted to 38,927 thousand euro (37,755 thousand euro in 2022). The item included mainly fees paid to the single operator of the Genoa Area and the fees paid to the companies that own

the assets of the integrated water service of the Municipalities of Parma, Piacenza, and Reggio Emilia. Secondly, this item includes short-term leases

or when the underlying asset is of low value, which the group has decided to exclude from the scope of application of IFRS 16.

### NOTE 37\_OTHER OPERATING EXPENSES

Other operating expenses amounted to 113,865 thousand euro (81,582 thousand euro in 2022), as follows:

	thousands of euro	
	FY 2023	FY 2022
General expenses	26,499	27,707
Instalments and higher instalments for water shunting	45,235	26,466
Taxes and duties	26,378	24,599
Contingent liabilities	-	-
Capital losses on sale of assets	4,133	2,625
Fair value charges on commodities derivatives	-	-
Other sundry operating expenses	11,620	185
<b>Total</b>	<b>113,865</b>	<b>81,582</b>

General expenses include among other things contributions to the running costs of various entities and penalties from service providers. The item "Taxes and duties" relates mainly to expenses for IMU property tax on the Group's plants and buildings and expenses for occupying and reclaiming public land. The item "Other sundry operating expenses" includes adjustments of revenue pertaining to previous years.

### NOTE 38\_CAPITALISED EXPENSES FOR INTERNAL WORK

Capitalised expenses for internal work amounted to 56,907 euro (55,655 thousand euro in 2022), and regard increases in capital assets made with internal resources and production factors.

	thousands of euro	
	FY 2023	FY 2022
Capitalised personnel expense	(38,737)	(36,102)
Capitalised inventory materials	(18,170)	(19,553)
<b>Total</b>	<b>(56,907)</b>	<b>(55,655)</b>

**NOTE 39\_PERSONNEL EXPENSE**

Personnel expense amounted to 596,391 thousand euro (531,060 thousand euro in 2022), as follows:

	FY 2023	FY 2022
Gross remuneration	420,976	380,059
Social security contributions	128,828	116,642
Post-employment benefits	782	973
Other long-term employee benefits	17	191
Other personnel expense	43,505	31,176
Directors' fees	2,283	2,019
<b>Total</b>	<b>596,391</b>	<b>531,060</b>

As specified in Note 38, 38,737 thousand euro of costs related to employees were capitalised.

Other personnel expense includes social security and recreational contributions, the contribution paid to the supplementary health care fund, insurance for accidents occurring outside working hours, the portion

of post-employment benefits, and contributions to be paid by the employer to supplementary pension funds.

The composition of personnel is shown in the following table.

	31/12/2023	31/12/2022	Average for the year
Executives	114	117	116
Junior managers	381	372	382
White collars	4,641	4,474	4,563
Blue collars	5,868	5,621	5,782
<b>Total</b>	<b>11,004</b>	<b>10,584</b>	<b>10,843</b>

The main changes in the workforce compared to 31 December 2022 were ascribable to:

- the initiation/conclusion of services contracted out by San Germano (Waste Management BU);
- the continuation of the generational turnover plan, with a considerable number of recruitments on the labour market;
- the consolidation, in February 2023, by IRETI of Romeo 2 for a total of 8 resources;
- the consolidation, in March 2023, by IRETI of AMTER for a total of 17 resources;
- the consolidation, in May 2023, by IRETI of AcquaEnna for a total of 103 resources;
- the consolidation, in June 2023, by Iren Ambiente of ReMat for a total of 13 resources;
- the consolidation, in October 2023, by Iren Ambiente of Semia Green for a total of 9 resources.

**NOTE 40\_DEPRECIATION AND AMORTISATION**

Depreciation and amortisation for the year amounted to 600,677 thousand euro (522,592 thousand euro in 2022).

	thousands of euro	
	FY 2023	FY 2022
Depreciation	351,466	305,463
Amortisation	249,211	217,128
<b>Total</b>	<b>600,677</b>	<b>522,591</b>

For further details on depreciation/amortisation, refer to the tables of changes in property, plant and equipment and intangible assets.

**NOTE 41\_PROVISIONS AND IMPAIRMENT LOSSES**

This item amounted to a total of 131,579 thousand euro (68,345 thousand euro in 2022) as follows:

	thousands of euro	
	FY 2023	FY 2022
Impairment losses on trade receivables	68,421	61,696
Impairment losses on non-current trade receivables	-	855
Impairment losses Other current assets and Current contract assets	3,050	914
<b>Impairment losses on loans and receivables</b>	<b>71,471</b>	<b>63,465</b>
Provisions for risks and restoration of third-party assets	70,269	29,602
Release of provisions	(10,161)	(26,214)
Impairment losses	-	1,492
<b>Total net other provisions and impairment losses</b>	<b>60,108</b>	<b>4,880</b>
<b>Total</b>	<b>131,579</b>	<b>68,345</b>

The provisions for the year which, in addition to the impairment losses on trade Receivables, includes the impairment losses on other current assets and Current contract assets, were accrued to adjust the amount of the loss allowance to the amount of expected credit losses on the basis of the simplified approach provided for by IFRS 9, where "loss" means the present value of all cash shortfalls considering forward-looking information.

The trend of the provisions for risks and restoration of third-party assets refers to the assessment of risks of liabilities in the electrical and water segments, as well as to probable costs in the waste management segment, while the releases of provisions in the year mainly refer to the elimination of risks for charges to entities.

The Provisions for risks and restoration of third-party assets include 42,248 thousand euro in application of Article 15 of Decree-Law Sostegni Ter. In this regard, it is noted that the administrative judge (Lombardy Regional Administrative Court) referred the question of the legitimacy of the Italian primary law to the EU Court of Justice in relation to the EU rules; therefore, the regulatory and normative framework remains uncertain until the publication of the European ruling (expected not before the end of 2024).

Details of changes in provisions are provided in the note to the Statement of financial position item "Provisions for risks and charges".

## NOTE 42 FINANCIAL INCOME AND EXPENSE

### Financial income

Financial income amounted to 37,148 thousand euro (23,201 thousand euro in 2022). The details are shown in the following table:

	thousands of euro	
	FY 2023	FY 2022
Dividends	345	5
Bank interest income	7,530	1,849
Interest income on loans and receivables	5,231	2,039
Interest income from customers	6,299	6,038
Fair value gains on derivatives	-	2,265
Capital gain on disposal of financial assets	522	-
Other financial income	17,221	11,005
<b>Total</b>	<b>37,148</b>	<b>23,201</b>

The increase in bank interest income was affected by the rising trend in interest rates recognised to the Group for the remuneration of liquidity on current account balances.

Fair value gains on derivatives in 2022 related to the overhedging portion of derivative instruments hedging interest rate risk.

Other financial income consists mainly of income for the discounting of provisions.

### Financial expense

The item amounted to 135,781 thousand euro (105,108 thousand euro in 2022). The breakdown of financial expense is shown in the following table:



thousands of euro

	Esercizio 2023	Esercizio 2022
Interest expense on loans	54,698	8,011
Interest expense on bonds	39,966	47,822
Hedging effect of derivatives	(20,352)	4,803
Interest expense on bank current accounts	9,498	1,959
Other interest expense	7,623	3,475
Capitalised borrowing costs	(1,360)	(1,567)
Fair value losses on derivatives	836	20,864
Capital losses on disposal of financial assets	27	-
Interest cost – Employee benefits	3,266	535
Financial expense on lease liabilities	1,491	910
Accrual (Release) loss allowance - financial assets	(481)	3,093
Other financial expense	40,569	15,203
<b>Total</b>	<b>135,781</b>	<b>105,108</b>

Interest expense on loans and bonds includes the expense relating to the measurement at amortised cost. Other interest expense includes charges related to factoring transactions performed during the year. Fair value losses on derivatives in 2022 concerned instruments entered into to fix the sale price of heat from district heating and of a portion of gas sales on the protected market that, following regulatory changes introduced by ARERA, no longer complied with hedge accounting rules.

Other financial expense mainly consisted of charges arising from the sale to financial intermediaries of credits related to deductions on works carried out to improve the energy efficiency of buildings (ecobonus), charges for discounting provisions, charges arising from payment extensions to suppliers, and the adjustment of the fair value of the option to sell the non-controlling interest in Iblu, NOS and ReMat.

#### **NOTE 43\_GAINS OF EQUITY INVESTMENTS**

These gains came to 6,263 thousand euro (5,211 thousand euro in 2022) and mainly refer to the remeasurement at fair value, at the date of acquisition of control, of the non-controlling interest relating to the business combinations of Amter (1,769 thousand euro) and Acquaenna (3,249 thousand euro). The item also includes the positive price adjustment of 1,003 thousand euro related to the acquisition of Iren Green Generation Group (formerly Puglia Holding Group) at the beginning of 2022.

In 2022, it mainly referred to the remeasurement at fair value, at the date control was acquired, of the non-controlling interest and the gain from the bargain purchase in connection with the business combinations of Valle Dora Energia (+5,079 thousand euro) and SEI Toscana (+364 thousand euro).

#### **NOTE 44\_SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEEES**

The share of profit of equity-accounted investees amounted to 6,836 thousand euro (11,758 thousand euro in 2022).

For more details please see Note 5 "Equity-accounted investments".

**NOTE 45\_INCOME TAXES**

Income taxes for 2023 amounted to 97,095 thousand euro (128,851 thousand euro in 2022) and included the estimated income taxes for 2023. In 2022, in addition to the estimated income tax for the year (101,597 thousand euro), the item also contained the so-called "Solidarity Contribution" for 27,254 thousand euro.

thousands of euro

	FY 2023	FY 2022
Current taxes (IRES)	129,254	89,318
Current taxes (IRAP)	32,730	28,925
Current taxes (IRES and IRAP) previous years	(6,628)	(1,894)
Change in deferred tax assets	(49,027)	(4,657)
Change in deferred tax liabilities	(9,234)	(10,095)
Solidarity contribution	-	27,254
<b>Total</b>	<b>97,095</b>	<b>128,851</b>

The Group's effective tax rate in 2023 is 25.6%, while in 2022, it was 32.3%. The latter was impacted by a non-recurring tax expense of 27,254 thousand euro related to the effects of the extraordinary solidarity levy, introduced by article 37 of Decree-Law No. 21/2022 ("Ukraine" decree), as amended by article 55 of Decree-Law No. 50/2022 ("Aiuti" decree), and art.1 (115) of the 2023 Budget Law for companies operating in the production and marketing of energy products (electricity, natural gas, methane gas and oil products). In particular, the legislator had provided for:

- a levy of 25% to be applied to a taxable base resulting from the comparison of the balances of the total amount of sales and purchases transactions disclosed in the periodic VAT returns (LIPE) for the periods 1 October 2020 - 30 April 2021 and 1 October 2021 - 30 April 2022.
- a levy of 50% to be applied to the increase in taxable income 2022 that exceeds the average income achieved in the previous four years by at least 10%.

The table below shows the breakdown of the tax rate for 2023 and 2022.

	thousands of euro			
	FY 2023		FY 2022	
Pre-tax profit	379,106		398,797	
Theoretical taxes (IRES)	90,985	24.0 %	95,711	24.0 %
Permanent differences	(5,014)	-1.3 %	(4,911)	-1.2 %
Effect on releases and realignments	(3,102)	-0.8 %	(4,410)	-1.1 %
Extraordinary extra-profits contributions	-	0.0 %	27,254	
Tax relief effect	(17,752)	-4.7 %	(16,029)	-4.0 %
IRAP (regional business tax)	32,730	8.6 %	24,387	6.1 %
Previous years' taxes and other differences	(752)	-0.2 %	6,849	1.7 %
<b>Total income taxes</b>	<b>97,095</b>	<b>25.6 %</b>	<b>128,851</b>	<b>25.5 %</b>

The Group also exercised the option for the tax consolidation scheme, pursuant to Art. 117 of the new Consolidated Law on Income Tax. This requires that the consolidated companies transfer their IRES debit/credit positions to the Parent IREN S.p.A. The latter then calculates IRES on the algebraic sum of taxable profits/losses of each company taking part in the tax consolidation scheme.

In return for the taxable income earned and transferred to the parent, the consolidated company commits to paying "tax settlements" to the parent equal to the amount of taxes owed on the income transferred, net of the transferred IRES assets. The companies in the domestic tax consolidation for 2023, not including the Parent Iren Spa, are as follows: Iren Energia S.p.A., IRETI S.p.A., Territorio e Risorse S.r.l.,

Iren Acqua S.p.A., Iren Mercato S.p.A., Iren Ambiente S.p.A., Iren Smart Solution S.p.A., Acam Ambiente S.p.A., Acam Acque S.p.A., Maira S.p.A., AMIAT S.p.A. AMIAT V S.p.A., Formaira S.p.A., Alfa Solutions S.p.A., Recos S.p.A., Iren Laboratori S.p.A., Iren Ambiente Parma S.r.l., Iren Ambiente Piacenza S.r.l., ASM Vercelli S.p.A., Atena Trading S.r.l., Gia in liquidazione S.r.l., San Germano S.p.A., Rigenera Materiali S.r.l., Bonifiche Servizi Ambientali S.r.l., Uniproject S.r.l. Manduriambiente S.p.A., Scarlino Energia S.p.A., Iren Ambiente Toscana S.p.A., TB S.p.A., Futura S.p.A., Ireti Gas S.p.A., Iren Acqua Reggio S.r.l., Valle Dora Energia S.r.l., Alegas S.r.l., Iren Green Generation S.r.l., Iren Green Generation Tech S.r.l., Valdarno S.r.l., Dogliani Energia S.r.l. and I Blu S.r.l.

The following table shows deferred tax assets and liabilities and their impact.

thousands of euro

	FY 2023	FY 2022
<b>Deferred tax assets</b>		
Non-taxable provisions	214,096	175,833
Differences in non-current assets	208,662	200,032
Connection grants	17,410	4,013
Derivatives	52,062	49,310
Tax losses carried forward + ACE	9,295	9,330
Other	7,838	2,801
<b>Total</b>	<b>509,363</b>	<b>441,319</b>
<b>Deferred tax liabilities</b>		
Differences in non-current assets	154,732	152,900
Loss allowance and other provisions	7,215	10,161
Derivatives	19,139	20,533
Other	56,371	59,080
<b>Total</b>	<b>237,457</b>	<b>242,674</b>
<b>Net deferred tax assets</b>	<b>271,906</b>	<b>198,645</b>
<b>Total change</b>	<b>73,261</b>	
of which:		
in equity	16,911	
in profit or loss	58,261	
owing to changes in the consolidation scope	(1,911)	

#### **NOTE 46\_PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS**

Not present in 2023 or 2022.

#### **NOTE 47\_ PROFIT FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS**

Profit attributable to non-controlling interests, which amounted to 27,166 thousand euro (43,929 thousand euro in 2022), relates to the share of profit of non-controlling interests in companies fully consolidated but not wholly owned by the Group.

#### **NOTE 48\_EARNINGS PER SHARE**

For the purposes of calculating basic and diluted earnings per share, it is noted that the number of shares for 2023 represents the weighted average number of shares in issue in the reporting year based on the provisions of IAS 33 § 20. The parent has not issued any financial instruments that have the potential to dilute its common stock, therefore diluted earnings per share is equal to basic earnings per share.

	FY 2023	FY 2022
Profit for the year (thousands of euro)	254,845	226,017
Weighted average number of shares outstanding over the year (thousand)	1,283,076	1,283,076
<b>Basic earnings per share (euro)</b>	<b>0.20</b>	<b>0.18</b>

#### NOTE 49\_OTHER COMPREHENSIVE INCOME

Other comprehensive expense came to 52,135 thousand euro (other comprehensive income of 90,232 thousand euro in 2022) and included other comprehensive income that will be subsequently reclassified to profit or loss and other comprehensive income that will not be subsequently reclassified to profit or loss.

Other comprehensive income that will be subsequently reclassified to profit or loss relates to:

- the effective portion of fair value losses on cash flow hedges, of 70,693 thousand euro, which refers to derivatives hedging changes in interest rates and derivatives hedging changes in commodity prices (for the Group, this concerns electricity, gas and CO2 emission rights).
- the share of other gains of equity-accounted investees, of 2,508 thousand euro, which refers to fair value gains on cash flow hedges of associates;
- the change in the translation reserve, amounting to a negative 700 thousand euro, due to the change in the exchange rate used to translate the financial statement balances of associates that prepare their financial statements in currencies other than the euro
- the tax effect, for 17,203 thousand euro.

Other comprehensive income that will not be subsequently reclassified to profit or loss relates to:

- net actuarial gains on defined benefit plans, for 254 thousand euro;
- actuarial losses of equity-accounted companies related to employee defined benefit plans, for 415 thousand euro;
- the tax effect, for 292 thousand euro.

## XII. Guarantees and contingent liabilities

Guarantees relate to:

- Sureties and other guarantees for own commitments of 994,440 thousand euro (1,113,185 thousand euro as at 31 December 2022); the most significant items refer to sureties issued in favour of:
    - Revenue Agency for 137,653 thousand euro for a VAT refund request;
    - the Electricity Market Operator (GME) for 132,528 thousand euro to guarantee the energy market participation contract;
    - ATERSIR for 64,317 thousand euro for agreements and tenders in progress relating to the Integrated Water Service and the Urban Waste Management Service;
    - the Turin Provincial/Metropolitan City Governments,
- for 58,202 thousand euro for waste transfer and post-closure management of plants subject to Integrated Environmental Authorisation (I.E.A.);
  - ARPAE for 56,636 thousand euro for waste transfer and operations and post-closure management of plants subject to I.E.A.;
  - SNAM Reti Gas for 52,912 thousand euro to guarantee contracts and network codes;
  - Shell Energy Europe for 50,000 thousand euro to guarantee the gas supply contract;
  - ATO-R, for 44,335 thousand euro, as definitive guarantees in the Amiat/TRM tender procedure;
  - Ministry of the Environment, for 38,118 thousand euro for various authorisations;
  - CONSIP for 33,864 thousand euro mainly for

electricity supply contracts;

- Municipality of Turin, for 31,896 thousand euro for definitive guarantees in the AMIAT/TRM acquisition;
- Province of La Spezia for 22,081 thousand euro for waste transfer and management of plants;
- Customs Authority, for 19,243 thousand euro to guarantee the regular payment of customs tax and additional local and provincial duties on electricity consumption and gas excise;
- Piedmont Region for 15,599 thousand euro as guarantee for project financing for the concession of large water derivation plants for hydroelectric purposes;
- Calabria Region for 14,644 thousand euro for the proposed project financing of the waste-to-energy plant of Gioia Tauro;
- Apulia Region for 12,444 thousand euro to guarantee landfill and plant authorisations;
- Assemblea Territoriale Idrica Enna for 8,949 thousand euro as a work guarantee;
- Aisa Impianti for 7,800 thousand euro as guarantee for the contract of transfer at the plants;
- Terna, for 7,236 thousand euro to guarantee injection and withdrawal dispatching contracts and to guarantee the electricity transport service contract;
- Consorzio di Bacino Basso Novarese for 6,989 thousand euro to guarantee the contract for the collection and disposal of urban waste;
- Province of Savona for 6,946 thousand euro to guarantee management of plants;
- Tuscany Region for 6,863 thousand euro to guarantee landfill and plant authorisations;
- Ato Toscana Sud for 6,500 thousand euro to guarantee the integrated waste management service.

## COMMITMENTS

### Commitments to suppliers

In the course of its operations, the Group entered into contracts for the purchase of a specific quantity of commodities at a certain future date, having the characteristics of own use and therefore falling within the so-called "own use exemption" under IFRS 9.

These commitments are represented by:

- contracts for the purchase of natural gas at a fixed price, with a countervalue of 30.0 million euro;
- contracts for the purchase of methane gas at an indexed price, for a forecast quantity of the equivalent of 32.6 TWh;
- electricity purchase agreements, with a countervalue of 35.8 million euro.

## CONTINGENT LIABILITIES

### Iren Mercato S.p.A. / Azienda Sanitaria Locale Roma 1 - Iren Mercato S.p.A. / Local Health Authority Rome 4

Two proceedings are pending before the Court of Rome, initiated by certain local health authorities in Lazio and relating to the transactions between them and Iren Mercato, in its own right and as a member of the temporary joint venture entrusted under the Agreement of 4 August 2006 entered into with the Lazio Region for the "Technological multi-service and provision of energy carriers - Lot D"; in particular:

- claim form dated 10 April 2020 by ASL ROMA 1 (contract of 13 December 2007) with the aim of ascertaining the undue receipt of the fee for the supply of hot water and steam for the period from 01 July 2007 to 28 February 2017, contesting the incorrect application of the tariff, and the consequent repayment of the sum; the plaintiff has quantified this amount as 8 million euro;

- claim form dated 12 April 2022 by ASL ROMA 4 (contract of 08 June 2007) with the aim of ascertaining the undue receipt of the fee for the supply of hot water and steam for the period from 01 April 2007 to 19 February 2017, contesting the incorrect application of the tariff, and the consequent repayment of the sum; the plaintiff has quantified this amount as 7.5 million euro;

In both cases, following the appointment of a court-appointed expert witness by the Judge, the expert appraisals were started.

The risk of losing the case has been cautiously estimated as possible, given the uncertainty connected with expert appraisals involving highly technical services completed many years ago.

### AGCM proceedings on abuse of dominant position in the district heating sector

On 23 May 2023, the AGCM initiated proceeding No. A/563 to investigate possible violations of Art. 3(1) (a) of Law 287/90 for alleged abuse of a dominant position, relating to unjustifiably onerous sales prices and contractual conditions, concerning district heating services in Piacenza and Parma. The proceedings are expected to be concluded by July 2024.

### XIII. Segment reporting

Segment reporting, based on the Group's management and internal reporting structure, is given below in accordance with IFRS 8.

Given the nature of the activity performed by Group companies, a geographical segment analysis is not relevant.

The operating segments in which the Group operates are:

- Networks (Electricity distribution networks, Gas distribution networks, Integrated Water Service)
- Waste Management (Waste collection and disposal)
- Energy (Hydroelectric Production and production from other renewable sources, Combined Heat and Energy, District Heating Networks, Thermoelectric Production, Public Street Lighting, Global services, Energy efficiency services)
- Market (Sale of electricity and gas)
- Other services (Laboratories, Telecommunications and other minor services).

These operating segments are disclosed pursuant to IFRS 8. Under this standard, the disclosure about operating segments should be based on the elements which management uses in making operational and strategic decisions.

For a proper interpretation of the results relating to individual businesses, revenue and expense referring to joint activities were fully allocated to the businesses based on actual usage of the services provided or according to technical and economic drivers.

Given the fact that the Group mainly operates in one area, the following segment reporting does not include a breakdown by geographical segment.

Net invested capital by business segment compared to the figures as at 31 December 2022 restated and income statements (up to the operating profit/(loss)) for the current year by business segment are presented below, compared against the 2022 figures restated.

It should be noted that there is no revenue from transactions with a single customer equal to or exceeding 10% of total revenue.

In the segment reporting tables below, the following quantities are presented:

**Net invested capital (NIC):** determined by the algebraic sum of non-current assets, other non-current assets (liabilities), net working capital, deferred tax assets (liabilities), provisions for risks, and employee benefits and assets held for sale (liabilities associated with assets held for sale).

**Net financial debt:** calculated as the sum of non-current financial liabilities net of non-current financial assets and current financial liabilities net of current financial assets and cash and cash equivalents.

**Net Working Capital (NWC):** determined as the algebraic sum of current and non-current contract assets and liabilities, current and non-current trade receivables, inventories, current tax assets and liabilities, sundry assets and other current assets, trade payables and sundry liabilities and other current liabilities.

**Non-current assets:** determined by the sum of Property, Plant and Equipment, Investment Property, Intangible Assets with a finite life, Goodwill, equity-accounted Investments, and Other equity Investments.

**Gross operating profit or loss:** calculated as the sum of pre-tax profit or loss, share of profit/(loss) of equity-accounted investees, impairments gains and losses on equity investments, financial income and expense, and amortisation, depreciation, provisions and impairment losses.

**Operating profit or loss:** calculated as the sum of pre-tax profit or loss, share of profit/(loss) of equity-accounted investees, impairments gains and losses on equity investments and financial income and expense.

**Reclassified statement of financial position by business segment at 31 December 2023**

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Non-current assets	3,615	1,545	2,300	350	31	224	8,065
Net Working Capital	85	-6	235	(247)	1	-	68
Other non-current assets and liabilities	(684)	(154)	(190)	68	-	-	(960)
<b>Net invested capital (NIC)</b>	<b>3,016</b>	<b>1,385</b>	<b>2,345</b>	<b>171</b>	<b>32</b>	<b>224</b>	<b>7,173</b>
Equity							3,241
Net financial debt							3,932
<b>Own funds and net financial debt</b>							<b>7,173</b>

**Reclassified statement of financial position by business segment at 31 December 2022**

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Non-current assets	3,323	1,475	2,270	337	28	222	7,655
Net Working Capital	(42)	(200)	150	(138)	6	-	(224)
Other non-current assets and liabilities	(604)	(172)	(186)	53	-	16	(893)
<b>Net invested capital (NIC)</b>	<b>2,677</b>	<b>1,103</b>	<b>2,234</b>	<b>252</b>	<b>34</b>	<b>238</b>	<b>6,538</b>
Equity							3,191
Net financial debt							3,347
<b>Own funds and net financial debt</b>							<b>6,538</b>

**Income Statement by business segment for 2023**

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	1,151	1,193	3,215	4,090	32	(3,191)	6,490
Total operating expenses	(776)	(948)	(2,841)	(3,892)	(27)	3,191	(5,293)
<b>Gross Operating Profit</b>	<b>375</b>	<b>245</b>	<b>374</b>	<b>198</b>	<b>5</b>	<b>-</b>	<b>1,197</b>
<b>Net amortisation, depreciation and impairment losses</b>	<b>(222)</b>	<b>(170)</b>	<b>(213)</b>	<b>(125)</b>	<b>(2)</b>	<b>-</b>	<b>(732)</b>
<b>Operating profit</b>	<b>153</b>	<b>75</b>	<b>161</b>	<b>73</b>	<b>3</b>	<b>-</b>	<b>465</b>



**Income Statement by business segment for 2022**

millions of euro

	Networks	Waste Management	Energy	Market	Other services	Non-allocable	Total
Total revenue and income	1,130	1,089	4,394	5,396	29	(4,174)	7,864
Total operating expenses	(717)	(825)	(4,035)	(5,382)	(25)	4,174	(6,809)
<b>Gross Operating Profit</b>	<b>413</b>	<b>264</b>	<b>359</b>	<b>14</b>	<b>5</b>	<b>-</b>	<b>1,055</b>
<b>Net amortisation, depreciation and impairment losses</b>	<b>(203)</b>	<b>(141)</b>	<b>(135)</b>	<b>(109)</b>	<b>(3)</b>	<b>-</b>	<b>(591)</b>
<b>Operating profit (loss)</b>	<b>210</b>	<b>123</b>	<b>224</b>	<b>(95)</b>	<b>2</b>	<b>-</b>	<b>464</b>

## XIV. Annexes to the consolidated financial statements

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LIST OF FULLY CONSOLIDATED COMPANIES

LIST OF JOINT VENTURES

LIST OF ASSOCIATES

LIST OF EQUITY INVESTMENTS IN OTHER COMPANIES

FINANCIAL FIGURES OF THE MAIN CONSOLIDATED COMPANIES, JOINT VENTURES AND ASSOCIATES

RECONCILIATION OF IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS (Consob Communication no. 6064293 of 26 July 2006)

RECONCILIATION BETWEEN TOTAL FINANCIAL DEBT (ESMA COMMUNICATION OF 4 MARCH 2021) AND NET FINANCIAL DEBT

LIST OF GRANTS PURSUANT TO DECREE-LAW 34/2019 ART. 35

DEFERRED TAX ASSETS AND LIABILITIES

RELATED PARTY TRANSACTIONS

INDEPENDENT AUDITORS' FEES

**LIST OF FULLY CONSOLIDATED COMPANIES**

Company	Registered office	Currency	Share/quota capital	% interest	Investor
Iren Ambiente S.p.A.	Piacenza	Euro	63,622,002	100.00	Iren
Iren Energia S.p.A.	Turin	Euro	918,767,148	100.00	Iren
Iren Mercato S.p.A.	Genoa	Euro	61,356,220	100.00	Iren
Ireti S.p.A.	Genoa	Euro	196,832,103	100.00	Iren
Ireti Gas S.p.A.	Parma	Euro	120,000	100.00	Ireti
Acam Acque S.p.A.	La Spezia	Euro	24,260,050	100.00	Ireti
Acam Ambiente S.p.A.	La Spezia	Euro	1,000,000	100.00	Iren Ambiente
Acquaenna S.c.p.a.	Enna	Euro	3,000,000	50.87	Ireti
Alfa Solutions S.p.A.	Reggio Emilia	Euro	100,000	86.00	Iren Smart Solutions
Alegas S.r.l.	Alessandria	Euro	100,000	98.00	Iren Mercato
AMIAT S.p.A.	Turin	Euro	46,326,462	80.00	AMIAT V
AMIAT V. S.p.A.	Turin	Euro	1,000,000	93.06	Iren Ambiente
Amter S.p.A.	Cogoleto (GE)	Euro	404,263	51.00	Ireti
				49.00	Iren Acqua
ASM Vercelli S.p.A.	Vercelli	Euro	120,812,720	59.97	Ireti
Asti Energia e Calore S.p.A.	Asti	Euro	120,000	62.00	Iren Energia
Atena Trading S.r.l.	Vercelli	Euro	556,000	59.97	Iren Mercato
Bonifica Autocisterne S.r.l.	Piacenza	Euro	595,000	51.00	Iren Ambiente
Bonifiche Servizi Ambientali S.r.l.	Reggio Emilia	Euro	3,000,000	100.00	Iren Ambiente
Consorzio GPO	Reggio Emilia	Euro	20,197,260	62.35	Ireti
C.R.C.M. S.r.l.	Terranuova Bracciolini (AR)	Euro	3,062,000	76.06	Valdarno Ambiente
Dogliani Energia S.r.l.	Cuneo	Euro	10,000	100.00	Iren Energia
Ekovision S.r.l.	Prato	Euro	1,485,000	100.00	SEI Toscana
Formaira S.r.l.	San Damiano Macra (CN)	Euro	40,000	100.00	Maira
Futura S.p.A.	Grosseto	Euro	3,660,955	40.00	Iren Ambiente Toscana
				40.00	Iren Ambiente
				20.00	Sei Toscana

## LIST OF FULLY CONSOLIDATED COMPANIES

Company	Registered office	Currency	Share/quota capital	% interest	Investor
I. Blu S.r.l.	Pasian di Prato (UD)	Euro	9,001,000	80.00	Iren Ambiente
Iren Acqua S.p.A.	Genoa	Euro	19,203,420	60.00	Ireti
Iren Acqua Tigullio S.p.A.	Chiavari (GE)	Euro	979,000	66.55	Iren Acqua
Iren Acqua Reggio S.r.l.	Reggio Emilia	Euro	5,000,000	100.00	Ireti
Iren Ambiente Parma S.r.l.	Parma	Euro	4,000,000	100.00	Iren Ambiente
Iren Ambiente Piacenza S.r.l.	Piacenza	Euro	4,000,000	100.00	Iren Ambiente
Iren Ambiente Toscana S.p.A.	Florence	Euro	5,000,000	100.00	Iren Ambiente
Iren Laboratori S.p.A.	Genoa	Euro	2,000,000	90.89	Ireti
Iren Smart Solutions S.p.A.	Reggio Emilia	Euro	2,596,721	60.00	Iren Energia
				20.00	Iren Ambiente
				20.00	Iren Mercato
LAB 231 S.r.l.	Parma	Euro	10,000	100.00	Alfa Solutions
Limes 1 S.r.l.	Turin	Euro	20,408	51.00	Iren Green Generation
Limes 2 S.r.l.	Turin	Euro	20,408	51.00	Iren Green Generation
Limes 20 S.r.l.	Turin	Euro	10,000	100.00	Iren Green Generation
Maira S.p.A.	San Damiano Macra (CN)	Euro	596,442	82.00	Iren Energia
Manduriambiente S.p.A.	Manduria (TA)	Euro	4,111,820	95.28	Iren Ambiente
Mara Solar srl	Turin	Euro	10,000	100.00	Iren Green Generation
Nord Ovest Servizi S.p.A.	Turin	Euro	7,800,000	45.00	Ireti
				30.00	Amiat
Iren Green Generation S.r.l.	Turin	Euro	10,000	100.00	Iren Energia
Iren Green Generation Tech S.r.l.	Turin	Euro	80,200	100.00	Iren Green Generation
Omnia Power S.r.l.	Turin	Euro	10,000	100.00	Iren Green Generation
ReCos S.p.A.	La Spezia	Euro	1,000,000	99.51	Iren Ambiente
Re Mat Srl	Turin	Euro	180,000	88.43	Iren Ambiente
Rigenera Materiali S.r.l.	Genoa	Euro	3,000,000	100.00	Iren Ambiente

**LIST OF FULLY CONSOLIDATED COMPANIES**

Company	Registered office	Currency	Share/quota capital	% interest	Investor
Romeo 2 S.r.l.	Parma	Euro	10,000	100.00	Ireti Gas
Salerno Energia Vendite S.p.A.	Salerno	Euro	3,312,060	50.00	Iren Mercato
San Germano S.p.A.	Turin	Euro	1,425,000	100.00	Iren Ambiente
Scarlino Energia S.p.A.	Scarlino (GR)	Euro	1,000,000	100.00	Iren Ambiente Toscana
SEI Toscana S.r.l.	Siena	Euro	45,388,913	41.78	Iren Ambiente Toscana
				16.37	Valdarno Ambiente
				0.20	C.R.C.M.
Semia Green S.r.l.	Siena	Euro	3,300,000	50.91	Iren Ambiente
49.09	Iren Ambiente Toscana			49,09	Toscana
Siena Ambiente					Siena Ambiente
TB S.p.A.	Florence	Euro	2,220,000	100.00	Valdarno Ambiente
Territorio e Risorse S.r.l.	Turin	Euro	2,510,000	65.00	Iren Ambiente
				35.00	ASM Vercelli
TRM S.p.A.	Turin	Euro	86,794,220	80.00	Iren Ambiente
Uniproject S.r.l.	Maltignano (AP)	Euro	91,800	100.00	Iren Ambiente
Valdarno Ambiente S.r.l.	Terranuova Bracciolini (AR)		22,953,770	56.016	Iren Ambiente Toscana
Valdisieve S.c.a.r.l.	Florence	Euro	1,400,000	70.96	Sei Toscana
				0.96	Iren Ambiente Toscana
Valle Dora Energia S.r.l.	Turin	Euro	537,582	74.50	Iren Energia
WFL S.r.l.	Turin	Euro	100,000	100.00	Iren Green Generation

**LIST OF JOINT VENTURES**

Company	Registered office	Currency	Share capital	% interest	Investor
Acque Potabili S.p.A. in liquidazione (in liquidation)	Turin	Euro	7,633,096	47.546	Ireti

**LIST OF ASSOCIATES**

Company	Registered office	Currency	Share/quota capital	% interest	Investor
A2A Alfa S.r.l. (1)	Milan	Euro	100,000	30.00	Iren Mercato
Acos S.p.A.	Novi Ligure	Euro	17,075,864	25.00	Ireti
Acos Energia S.p.A.	Novi Ligure	Euro	150,000	25.00	Iren Mercato
Aguas de San Pedro S.A. de C.V.	S.Pedro Sula (Honduras)	Lempiras	159,900	39.34	Ireti
Aiga S.p.A. (1)	Ventimiglia	Euro	104,000	49.00	Ireti
Amat S.p.A. (1)	Imperia	Euro	5,435,372	48.00	Ireti
Arca S.r.l.	Reggio Emilia	Euro	100,000	40.00	Ireti
Arienes S.c.a.r.l.	Reggio Emilia	Euro	50,000	42.00	Iren Smart Solutions
ASA S.p.A.	Livorno	Euro	28,613,406	40.00	Ireti
Asa S.c.p.a.	Castel Maggiore (BO)	Euro	1,820,000	49.00	Iren Ambiente
Astea S.p.A.	Recanati (MC)	Euro	76,115,676	21.32	Consorzio GPO
Asti Servizi Pubblici S.p.A.	Asti	Euro	7,540,270	45.00	Nord Ovest Servizi
Barricalla S.p.A.	Turin	Euro	2,066,000	35.00	Iren Ambiente
BI Energia S.r.l.	Reggio Emilia	Euro	100,000	47.50	Iren Energia
Centro Corsi S.r.l.	Reggio Emilia	Euro	12,000	33.00	Alfa Solutions S.p.A.
CSA S.p.A. (1)	Terranuova Bracciolini (AR)	Euro	1,369,502	47.97	Iren Ambiente Toscana
CSAI S.p.A.	Terranuova Bracciolini (AR)	Euro	1,610,511	40.32	Iren Ambiente Toscana
EGUA S.r.l.	Cogorno (GE)	Euro	119,000	49.00	Ireti
Fata Morgana S.p.A. (2)	Reggio Calabria	Euro	2,225,694	25.00	Ireti
Fin Gas S.r.l.	Milan	Euro	10,000	50.00	Iren Mercato
Fratello Sole Energie Solidali Impresa Sociale S.r.l.	Genoa	Euro	350,000	40.00	Iren Energia
G.A.I.A. S.p.A.	Asti	Euro	5,539,700	45.00	Iren Ambiente
Global Service Parma S.c.a.r.l. (1)	Parma	Euro	20,000	30.00	Ireti
Iniziative Ambientali S.r.l.	Novellara (RE)	Euro	100,000	40.00	Iren Ambiente

**LIST OF ASSOCIATES**

Company	Registered office	Currency	Share/quota capital	% interest	Investor
Mondo Acqua S.p.A.	Mondovì (CN)	Euro	1,100,000	38.50	Ireti
OMI Rinnovabili S.c.a.r.l.	Reggio Emilia	Euro	10,000	40.15	Alfa Solutions S.p.A.
Piana Ambiente S.p.A. (2)	Gioia Tauro	Euro	1,719,322	25.00	Ireti
Rimateria S.p.A. (3)	Piombino (LI)	Euro	4,589,273	30.00	Iren Ambiente
Seta S.p.A.	Turin	Euro	12,378,237	48.85	Iren Ambiente
Sienambiente S.p.A.	Siena	Euro	2,866,575	40.00	Iren Ambiente Toscana
Sinergie Italiane S.r.l. (1)	Milan	Euro	1,000,000	30.94	Iren Mercato
Sistema Ambiente S.p.A.	Lucca	Euro	2,487,657	36.56	Iren Ambiente
STU Reggiane S.p.A.	Reggio Emilia	Euro	16,770,080	30.00	Iren Smart Solutions
Tirana Acque S.c. a r.l. (1)	Genoa	Euro	95,000	50.00	Ireti

(1) Company in liquidation

(2) Company in liquidation classified under assets held for sale

(3) Company in bankruptcy

**LIST OF EQUITY INVESTMENTS IN OTHER COMPANIES**

Company	Registered office	Currency	Share/quota capital	% interest	Investor
Acque Potabili Siciliane S.p.A. (1)	Palermo	Euro	5,000,000	9.83	Iren Acqua
AER S.p.A.	Rufina (FI)	Euro	2,853,198	9.98	Valdisieve
Aeroporto di Reggio Emilia S.p.A.	Reggio Emilia	Euro	2,177,871	0.11	Alfa Solutions S.p.A.
AISA S.p.A. in liquidation (1)	Arezzo	Euro	3,867,640	3.00	Iren Ambiente Toscana
AISA Impianti S.p.A.	Arezzo	Euro	6,650,000	3.00	Iren Ambiente Toscana
Alpen 2.0 S.r.l.	Turin	Euro	70,000	14.29	Maira
ATO2ACQUE S.c.a.r.l.	Biella	Euro	48,000	16.67	ASM Vercelli
Aurora S.r.l.	S. Martino in Rio (RE)	Euro	514,176	0.10	Alfa Solutions S.p.A.
Autostrade Centro Padane S.p.A.	Cremona	Euro	30,000,000	1.46	Ireti
C.R.P.A. S.p.A.	Reggio Emilia	Euro	2,201,350	2.27	Ireti
CIDIU Servizi S.p.A.	Collegno (TO)	Euro	10,000,000	17.90	Amiat

**LIST OF EQUITY INVESTMENTS IN OTHER COMPANIES**

Company	Registered office	Currency	Share/quota capital	% interest	Investor
Consorzio CIM 4.0 s.c.a.r.l.	Turin	Euro	232,000	4.30	Iren
CCC-Consorzio cooperative costruzioni	Bologna	Euro	15,637,899	0.06	BSA
Consorzio Integra	Bologna	Euro	42,548,492	0.02	BSA
Consorzio Topix	Turin	Euro	1,600,000	0.30	Iren Energia
EGEA S.p.A.	Alba (CN)	Euro	58,167,200	0.47	SEI Toscana
Enerbrain S.r.l.	Turin	Euro	28,181	10.00	Iren Smart Solutions
Environment Park S.p.A.	Turin	Euro	11,406,780	3.39	Iren Energia
				7.41	AMIAT
Genera S.c.a.r.l.	Ascoli Piceno	Euro	1,390,361	1.00	Uniproject
L.E.A.P. S.c. a r.l.	Piacenza	Euro	155,000	8.30	Iren Ambiente
Parma Servizi Integrati S.c. a r.l.	Parma	Euro	20,000	11.00	Iren Smart Solutions
Reggio Emilia Innovazione S.c.a.r.l. in liquidation (2)	Reggio Emilia	Euro	871,956	0.99	Iren Ambiente
Serchio Verde Ambiente S.p.a. in liquidation (2)	Castelnuovo di Garfagnana (LU)	Euro	1,128,950	5.93	Iren Ambiente Toscana
Società di Biotecnologie S.p.A.	Turin	Euro	536,000	2.93	Iren Smart Solutions
Stadio Albaro S.p.A. in liquidation (2)	Genoa	Euro	1,230,000	2.00	Iren Mercato
Tech4Planet	Rome	Euro	149,348	11.03	Iren Spa
T.I.C.A.S.S. S.c. a r.l.	Genoa	Euro	136,000	2.94	Ireti



## FINANCIAL FIGURES OF THE MAIN CONSOLIDATED COMPANIES, JOINT VENTURES AND ASSOCIATES

### Consolidated companies

Company	Currency	Total Assets	Equity	Total Revenue	Profit/loss
Iren Ambiente S.p.A.	Euro	1,088,657,125	346,153,470	498,938,063	110,833,196
Iren Energia S.p.A.	Euro	2,505,672,900	1,340,072,538	2,532,103,400	105,570,519
Iren Mercato S.p.A.	Euro	1,132,384,340	91,628,331	4,006,100,105	44,467,893
Ireti S.p.A.	Euro	2,635,716,843	1,161,144,754	487,961,134	72,851,600
Acam Acque S.p.A.	Euro	324,374,118	33,614,240	95,008,840	5,264,074
Acam Ambiente S.p.A.	Euro	48,039,359	6,295,820	57,974,524	(33,083)
Acquaenna S.c.p.a.	Euro	142,909,307	8,850,145	29,987,396	(1,365,370)
Alegas S.r.l.	Euro	30,679,155	1,202,963	34,382,678	6,060,987
Alfa Solutions S.p.A.	Euro	27,807,177	8,571,182	27,785,394	2,458,085
AMIAT S.p.A.	Euro	217,567,799	86,214,588	215,924,084	5,088,380
AMIAT V S.p.A.	Euro	50,540,505	42,521,724	-	9,481,714
Amter S.p.A.	Euro	29,154,561	1,975,230	5,451,500	(181,904)
ASM Vercelli S.p.A.	Euro	232,730,670	132,823,342	52,076,453	3,175,994
Asti Energia e Calore S.p.A.	Euro	4,422,589	1,030,465	1,336,954	96,820
Atena Trading S.r.l.	Euro	20,319,247	4,265,026	59,696,299	849,873
Bonifica Autocisterne S.r.l.	Euro	1,385,065	973,929	1,320,307	125,854
Bonifiche Servizi Ambientali S.r.l.	Euro	22,820,988	15,101,060	18,585,364	451,510
Consorzio GPO	Euro	22,879,493	22,879,493	8	273,423
C.R.C.M. S.r.l.	Euro	4,031,943	3,246,569	1,732,973	(171,522)
Dogliani Energia S.r.l.	Euro	1,682,318	(15,118)	-	(47,118)
Ekovision S.r.l.	Euro	2,631,651	1,626,940	2,693,555	(138,232)
Formaira S.r.l.	Euro	141,640	57,082	68,407	(22,318)

**Società consolidate integralmente**

Company	Currency	Total Assets	Equity	Total Revenue	Profit/loss
Futura S.p.A.	Euro	29,692,695	3,315,652	9,033,518	(3,424)
Iblu S.r.l.	Euro	77,793,264	16,046,863	58,772,148	475,381
Iren Acqua S.p.A.	Euro	803,748,224	496,593,780	230,808,576	42,952,968
Iren Acqua Reggio S.r.l.	Euro	380,020,398	78,087,215	10,458,230	893,848
Iren Acqua Tigullio S.p.A.	Euro	73,811,108	19,373,069	30,159,241	219,888
Iren Ambiente Parma S.p.A.	Euro	4,186,271	4,085,666	187,389	91,307
Iren Ambiente Piacenza S.p.A.	Euro	4,180,786	4,094,610	186,282	100,329
Iren Ambiente Toscana S.p.A.	Euro	73,678,874	5,754,741	434,676	349,725
Iren Laboratori S.p.A.	Euro	16,238,576	8,488,666	17,147,475	2,592,388
Ireti Gas S.p.A.	Euro	703,652,662	490,672,431	137,196,955	29,363,194
Iren Green Generation S.r.l.	Euro	61,428,814	25,709,339	1,244	21,555,605
Iren Green Generation Tech S.r.l.	Euro	108,284,532	18,537,788	20,731,350	5,568,621
Iren Smart Solutions S.p.A.	Euro	704,027,041	32,074,249	599,541,397	3,078,010
LAB 231 S.r.l.	Euro	155,601	95,550	329,253	41,373
Limes 1 S.r.l.	Euro	13,758,820	3,799,137	141,733	244,749
Limes 2 S.r.l.	Euro	18,967,514	4,386,130	178,311	(204,449)
Limes 20 S.r.l.	Euro	7,405,787	(152,306)	33,366	(316,702)
Maira S.p.A.	Euro	10,046,676	7,920,615	1,903,547	342,741
Manduriambiente S.p.A.	Euro	45,505,422	10,938,650	19,987,600	994,576
Mara Solar S.r.l.	Euro	24,121,460	229,444	1,186,722	187,091
Nord Ovest Servizi S.p.A.	Euro	19,226,166	19,113,445	1	791,741
Omnia Power S.r.l.	Euro	11,866,462	114,288	469,191	19,430
ReCos S.p.A.	Euro	36,990,311	4,681,366	13,722,718	(857,034)

**Società consolidate integralmente**

Company	Currency	Total Assets	Equity	Total Revenue	Profit/loss
ReMat S.r.l.	Euro	4,173,397	165,384	1,261,302	(370,528)
Rigenera Materiali S.r.l.	Euro	11,197,015	2,298,938	115,195	(467,383)
Romeo 2 S.r.l.	Euro	16,672,526	14,058,153	3,157,701	(160,750)
Salerno Energia Vendite S.p.A.	Euro	49,727,992	12,258,486	146,868,018	1,242,675
San Germano S.p.A.	Euro	77,021,682	2,844,374	78,236,155	(2,572,778)
Scarlino Energia S.p.A.	Euro	31,514,928	17,804,440	1,945,710	447,544
SEI Toscana S.r.l.	Euro	225,894,886	45,388,913	210,015,299	1,495,358
Semia Green S.r.l.	Euro	4,755,682	2,712,930	2,265,761	(487,428)
TB S.p.A.	Euro	11,883,146	7,959,055	4,201,623	245,621
Territorio e Risorse S.r.l.	Euro	32,970,976	1,151,652	4,038,176	(1,912,758)
TRM S.p.A.	Euro	427,526,267	129,179,938	122,049,078	38,677,627
UNIPROJECT S.r.l.	Euro	47,441,062	5,136,712	5,427,250	882,088
Valdarno Ambiente S.r.l.	Euro	23,395,195	23,241,359	4	373,907
Valdisieve S.c.a.r.l.	Euro	1,160,437	1,185,675	440	(36,211)
Valle Dora Energia S.r.l.	Euro	24,347,544	3,214,079	4,157,078	1,313,328
WFL S.r.l.	Euro	12,252,019	442,406	1,117,639	341,212

**Joint ventures**

Company	Currency	Total Assets	Equity	Total Revenue	Profit/loss
Acque Potabili S.p.A. (2)	Euro	44,901,000	17,164,000	1,692,000	311,000

**Associates**

Company	Currency	Total Assets	Equity	Total Revenue	Profit/loss
A2A Alfa S.r.l. (1)	Euro	208,063	2,647	21,695	5,207
Acos Energia S.p.A. (1)	Euro	22,724,513	4,441,311	39,496,164	381,312
Acos S.p.A. (1)	Euro	55,481,778	41,510,437	5,172,281	1,657,542
Aguas de San Pedro (1)	Lempiras	1,870,165,155	1,245,781,608	1,208,025,343	145,869,967
Aiga S.p.A. (1)	Euro	2,823,187	(1,647,451)	22,408	(34,114)
Amat S.p.A. (1)	Euro	18,576,859	(11,251,816)	151,227	(684,482)
Arienes S.c. a r.l. (1)	Euro	59,190,980	50,000	59,137,221	-
ASA S.c.p.a. (1)	Euro	18,641,181	2,442,489	5,812,983	-
ASA S.p.A. (1)	Euro	378,528,970	99,528,483	112,885,978	5,419,030
ASTEA S.p.A. (1)	Euro	209,404,039	122,201,855	57,271,699	3,797,407
Asti Servizi Pubblici S.p.A. (1)	Euro	62,927,278	18,516,472	46,761,142	5,476,424
Barricalla S.p.A. (1)	Euro	37,687,495	6,008,237	14,275,301	2,745,366
BI Energia S.r.l. (1)	Euro	7,320,863	359,937	372,471	(541,149)
Centro Corsi S.r.l. (1)	Euro	155,284	21,843	211,386	(13,762)
CSA Centro Servizi Ambientali S.p.A. in liquidation (1)	Euro	901,501	841,905	39,922	-
CSAI - Centro Servizi Ambientali Impianti S.p.A. (2)	Euro	59,514,582	5,798,051	3,188,847	(324,245)
EGUA S.r.l. (1)	Euro	2,247,547	1,574,070	1,480,652	182,364
Fin Gas S.r.l. (3)	Euro	11,639,104	11,536,044	-	(148,287)
Fratello Sole Energie Solidali Impresa Sociale S.r.l. (1)	Euro	25,391,840	192,776	806,377	(55,271)

**Associates**

Company	Currency	Total Assets	Equity	Total Revenue	Profit/loss
GAIA S.p.A. (1)	Euro	70,898,124	19,382,566	28,509,374	391,286
Global Service Parma S.c.a.r.l. (1)	Euro	255,281	19,999	22,608	-
Iniziative Ambientali S.r.l. (1)	Euro	3,754,531	167,362	1,644	(23,856)
Mondo Acqua S.p.A. (1)	Euro	12,198,885	2,317,259	4,779,627	177,310
SETA S.p.A (1)	Euro	29,455,847	15,858,062	35,662,758	596,414
Sienambiente S.p.A (1)	Euro	87,501,317	31,505,430	29,719,845	4,273,029
Sinergie Italiane S.r.l. in liquidation (2)	Euro	20,749	20,749	3,058,958	2,736,061
Sistema Ambiente SpA (1)	Euro	28,733,050	7,968,880	24,369,272	123,662
STU Reggiane S.p.A. (1)	Euro	35,855,588	16,191,827	9,656,679	60,527

(1) figures as at 31 December 2022

(2) figures as at 30 June 2023

(3) figures as at 31 December 2023

**RECONCILIATION OF IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS  
(Consob Communication no. 6064293 of 26 July 2006)**

thousands of euro

IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Property, plant and equipment	4,459,512	Property, plant and equipment	4,459,512
Investment property	2,031	Investment property	2,031
Intangible assets	3,132,043	Intangible assets	3,132,043
Goodwill	247,420	Goodwill	247,420
Equity-accounted investments	212,798	Equity-accounted investments	212,798
Other equity investments	10,914	Other equity investments	10,914
<b>Total (A)</b>	<b>8,064,718</b>	<b>Non-current Assets (A)</b>	<b>8,064,718</b>
Other non-current assets	163,992	Other non-current assets	163,992
Sundry liabilities and other non-current liabilities	(581,844)	Sundry liabilities and other non-current liabilities	(581,844)
<b>Total (B)</b>	<b>(417,852)</b>	<b>Other non-current assets (Liabilities) (B)</b>	<b>(418,064)</b>
Inventories	73,877	Inventories	73,877
Non-current contract assets	232,384	Non-current contract assets	232,384
Current contract assets	29,830	Current contract assets	29,830
Non-current trade receivables	29,416	Non-current trade receivables	29,416
Trade receivables	1,288,107	Trade receivables	1,288,107
Current tax assets	18,894	Current tax assets	18,894
Sundry assets and other current assets	576,516	Sundry assets and other current assets	576,516
Trade payables	(1,634,720)	Trade payables	(1,634,720)
Contract liabilities	(79,642)	Contract liabilities	(79,642)
Sundry liabilities and other current liabilities	(333,182)	Sundry liabilities and other current liabilities	(342,372)
Current tax liabilities	(80,437)	Current tax liabilities	(80,437)
<b>Total (C)</b>	<b>121,043</b>	<b>Net working capital (C)</b>	<b>68,430</b>
Deferred tax assets	400,092	Deferred tax assets	400,092
Deferred tax liabilities	(128,186)	Deferred tax liabilities	(128,186)
<b>Total (D)</b>	<b>271,906</b>	<b>Deferred tax assets (Liabilities) (D)</b>	<b>271,906</b>
Employee benefits	(87,329)	Employee benefits	(87,329)
Provisions for risks and charges	(404,882)	Provisions for risks and charges	(404,882)
Provisions for risks and charges - current portion	(331,881)	Provisions for risks and charges - current portion	(322,691)
<b>Total (E)</b>	<b>(824,092)</b>	<b>Provisions and employee benefits (E)</b>	<b>(814,902)</b>
Assets held for sale	1,144	Assets held for sale	1,144
Liabilities associated with assets held for sale	-	Liabilities associated with assets held for sale	-
<b>Total (F)</b>	<b>1,144</b>	<b>Assets (Liabilities) held for sale (F)</b>	<b>1,144</b>
		<b>Net invested capital (G=A+B+C+D+E+F)</b>	<b>7,173,232</b>

thousands of euro

IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Equity (H)	3,241,453	Equity (H)	3,241,453
Non-current financial assets	(128,937)	Non-current financial assets	(128,937)
Non-current financial liabilities	4,046,976	Non-current financial liabilities	4,046,976
<b>Total (I)</b>	<b>3,918,039</b>	<b>Non-current financial debt (I)</b>	<b>3,917,827</b>
Current financial assets	(242,184)	Current financial assets	(242,184)
Cash and cash equivalents	(436,134)	Cash and cash equivalents	(436,134)
Current financial liabilities	735,693	Current financial liabilities	735,693
<b>Total (L)</b>	<b>57,375</b>	<b>Current financial debt (L)</b>	<b>13,952</b>
		Net financial debt (M=I+L)	3,931,779
		<b>Own funds and net financial debt (H+M)</b>	<b>7,173,232</b>

#### RECONCILIATION BETWEEN TOTAL FINANCIAL DEBT (ESMA COMMUNICATION OF 4 MARCH 2021) AND NET FINANCIAL DEBT

thousands of euro

	31/12/2023	31/12/2022
A. Cash	(436,134)	(788,402)
B. Cash equivalents	-	-
C. Other current financial assets	(13,030)	(2,476)
<b>D. Liquidity (A) + (B) + (C)</b>	<b>(449,164)</b>	<b>(790,878)</b>
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	70,603	229,476
F. Current portion of non-current financial debt	582,628	65,099
<b>G. Current financial debt (E + F)</b>	<b>653,231</b>	<b>294,575</b>
<b>H. Net current financial (position) debt (G - D)</b>	<b>204,067</b>	<b>(496,303)</b>
I. Non-current financial debt (excluding current portion and debt instruments)	1,524,294	1,250,392
J. Debt instruments	2,522,470	3,015,622
K. Trade payables and other non-current debt	-	-
<b>L. Non-current financial debt (I + J + K)</b>	<b>4,046,764</b>	<b>4,266,014</b>
<b>M. Total financial debt (H + L)</b>	<b>4,250,831</b>	<b>3,769,711</b>
(-) C. Other current financial assets	13,030	2,476
(+) Non-current financial assets (statement of financial position item)	(128,937)	(169,057)
(+) Current financial assets	(203,145)	(256,376)
<b>Net financial debt</b>	<b>3,931,779</b>	<b>3,346,754</b>

**LIST OF GRANTS PURSUANT TO DECREE-LAW 34/2019 ART. 35**

RECEIVING COMPANY / Lending Party	Type of contribution	Amounts in €
<b>ACAM ACQUE</b>		
Municipality of Castelnuovo Magra (SP)	Grants related to assets	174,000
Municipality of Ortonovo (SP)	Grants related to assets	17,976
Municipality of Riomaggiore (SP)	Grants related to assets	175,000
Municipality of Santo Stefano Magra (SP)	Grants related to assets	45,611
Liguria Region	Grants related to income	390,000
Liguria Region	Grants related to income	30,000

RECEIVING COMPANY / Lending Party	Type of contribution	Amounts in €
<b>ACAM AMBIENTE</b>		
ANPAL	Grants related to income	13,890
Municipality of Luni (SP)	Grants related to income	111,180
Province of La Spezia	Grants related to income	137,591
Province of La Spezia	Grants related to income	87,957
Province of La Spezia	Grants related to income	38,543

RECEIVING COMPANY / Lending Party	Type of contribution	Amounts in €
<b>ASM VERCELLI</b>		
ANPAL	Grants related to income	10,221

RECEIVING COMPANY / Lending Party	Type of contribution	Amounts in €
<b>IREN ACQUA</b>		
Metropolitan City of Genoa	Grants related to assets	1,000,000
Metropolitan City of Genoa	Grants related to assets	1,123,427
Liguria Region	Grants related to income	105,875



RECEIVING COMPANY / Lending Party	Type of contribution	Amounts in €
<b>IREN ACQUA REGGIO</b>		
Municipality of Fabbrico (RE)	Grants related to assets	21,500
Municipality of Rubiera (RE)	Grants related to assets	18,490
Reclamation Consortium	Grants related to assets	68,000
Province of Reggio Emilia	Grants related to assets	11,220
Emilia Romagna Region	Grants related to assets	68,426

RECEIVING COMPANY / Lending Party	Type of contribution	Amounts in €
<b>IREN AMBIENTE</b>		
ANPAL	Grants related to income	63,095

RECEIVING COMPANY / Lending Party	Type of contribution	Amounts in €
<b>IRETI</b>		
Emilia Regional Agency	Grants related to assets	1,505,802
Emilia Regional Agency	Grants related to income	54,616
Liguria Regional Agency	Grants related to assets	70,000
Liguria Regional Agency	Grants related to income	1,453,906
Municipality of Collecchio	Grants related to assets	205,389
Municipality of Noceto	Grants related to assets	136,364
Municipality of Piacenza	Grants related to assets	189,923
CSEA	Grants related to assets	16,860
Civil Protection	Grants related to assets	120,000

**DEFERRED TAX ASSETS AND LIABILITIES FY 2023**

thousands of euro

	Opening balance	Formation	Differences Change in consolidation scope	Reversal	Closing balance
<b>Deferred tax assets</b>					
Non-taxable provisions	573,722	397,901	2,443	267,413	706,653
Differences in non-current assets	931,801	73,698	254	47,314	958,439
Connection grants	141,997	72,528	-	69,848	144,677
Derivatives	202,069	179,383	-	169,940	211,512
Tax losses carried forward + ACE	34,651	8,627	1,479	10,253	34,504
Other	85,652	42,089	1,098	23,245	105,594
<b>Total taxable amount/deferred tax assets</b>	<b>1,969,892</b>	<b>774,226</b>	<b>5,274</b>	<b>588,013</b>	<b>2,161,379</b>
<b>Deferred tax liabilities</b>					
Differences in non-current assets	564,917	41,500	6,073	39,072	573,418
Loss allowance and other provisions	60,508	26	1,057	11,713	49,878
Derivatives	66,723	40,640	-	53,559	53,804
Other	247,888	38,177	7,638	55,811	237,892
<b>Total taxable amount/deferred tax</b>	<b>940,036</b>	<b>120,343</b>	<b>14,768</b>	<b>160,155</b>	<b>914,992</b>
<b>Net deferred tax assets (liabilities)</b>	<b>1,029,856</b>	<b>653,883</b>	<b>(9,494)</b>	<b>427,858</b>	<b>1,246,387</b>

**DEFERRED TAX ASSETS AND LIABILITIES FY 2023**

thousands of euro

Change in consolid. scope	Taxes				Total
	Taxes to profit or loss	Taxes to equity	IRES (Corporate income tax)	IRAP (regional business tax)	
688	37,549	26	186,461	27,635	214,096
900	7,730	-	192,835	15,827	208,662
-	13,397	-	14,959	2,451	17,410
-	(1,597)	4,349	45,018	7,044	52,062
355	(390)	-	9,295	-	9,295
311	4,546	180	6,969	869	7,838
<b>2,254</b>	<b>61,235</b>	<b>4,555</b>	<b>455,537</b>	<b>53,826</b>	<b>509,363</b>
1,713	119	-	136,765	17,967	154,732
298	(3,244)	-	6,207	1,008	7,215
-	11,471	(12,865)	16,716	2,423	19,139
2,154	(5,372)	509	48,713	7,658	56,371
<b>4,165</b>	<b>2,974</b>	<b>(12,356)</b>	<b>208,401</b>	<b>29,056</b>	<b>237,457</b>
<b>(1,911)</b>	<b>58,261</b>	<b>16,911</b>	<b>247,136</b>	<b>24,770</b>	<b>271,906</b>

**DEFERRED TAX ASSETS AND LIABILITIES FY 2022**

thousands of euro

	Opening balance	Formation	Differences Change in consolidation scope	Reversal	Closing balance
<b>Deferred tax assets</b>					
Non-taxable provisions	679,187	239,354	3,699	348,518	573,722
Differences in non-current assets	738,648	250,765	-	57,611	931,801
Connection grants	143,381	-	-	1,384	141,997
Derivatives	200,872	163,839	-	162,642	202,069
Tax losses carried forward + ACE	8,203	6,642	37,472	17,666	34,651
Other	45,392	86,999	11,067	57,806	85,652
<b>Total taxable amount/deferred tax assets</b>	<b>1,815,682</b>	<b>747,599</b>	<b>52,237</b>	<b>645,626</b>	<b>1,969,892</b>
<b>Deferred tax liabilities</b>					
Differences in non-current assets	399,819	112,435	92,853	40,190	564,917
Loss allowance and other provisions	24,947	37,945	60	2,444	60,508
Derivatives		222,143	-	155,420	66,723
Other	166,779	40,000	41,108	0	247,888
<b>Total taxable amount/deferred tax</b>	<b>591,545</b>	<b>412,523</b>	<b>134,021</b>	<b>198,054</b>	<b>940,035</b>
<b>Net deferred tax assets (liabilities)</b>	<b>1,224,137</b>	<b>335,076</b>	<b>(81,783)</b>	<b>447,573</b>	<b>1,029,857</b>

**DEFERRED TAX ASSETS AND LIABILITIES FY 2022**

thousands of euro

Taxes					
Change in consolid. scope	Taxes to profit or loss	Taxes to equity	IRES (Corporate income tax)	IRAP (regional business tax)	Total
261	(1,381)	1,842	159,583	16,249	175,833
-	13,705	-	191,315	8,717	200,032
-	(377)	-	3,417	596	4,013
-	(2,409)	(2,976)	42,921	6,390	49,310
8,994	(2,290)	(748)	9,037	293	9,330
3,116	(2,590)	(1,400)	330	2,471	2,801
<b>12,371</b>	<b>4,658</b>	<b>(3,282)</b>	<b>406,603</b>	<b>34,716</b>	<b>441,319</b>
26,748	(7,723)	-	130,729	22,170	152,900
17	(675)	5,355	9,977	184	10,161
-	-	20,533	13,955	6,578	20,533
11,388	(1,695)	0	56,790	2,290	59,080
<b>38,153</b>	<b>(10,094)</b>	<b>25,889</b>	<b>211,451</b>	<b>31,223</b>	<b>242,674</b>
<b>(25,782)</b>	<b>14,752</b>	<b>(29,171)</b>	<b>195,152</b>	<b>3,493</b>	<b>198,645</b>

**RELATED PARTY TRANSACTIONS**

thousands of euro

	Trade Receivables	Loan assets	Sundry assets	Trade Payables	Financial liabilities
<b>OWNERS</b>					
Municipality of Genoa	683	-	-	639	-
Municipality of Parma	9,526	-	413	993	-
Municipality of Piacenza	2,331	-	-	1,216	-
Municipality of Reggio Emilia	3,537	-	540	982	-
Municipality of Turin	59,110	39,175	83	2,943	14,750
Finanziaria Sviluppo Utilities	-	-	41	-	-
<b>JOINT VENTURES</b>					
Acque Potabili	159	-	-	(2)	-
<b>ASSOCIATES</b>					
ACOS	8	4,773	-	-	-
Energy ACOS	2	75	-	-	-
Aguas de San Pedro	1	230	-	-	-
AIGA	228	75	-	85	-
AMAT	24	-	-	-	-
Arienes	9,000	-	-	326	-
ASA	392	-	-	543	-
ASA Livorno	4,835	-	-	(256)	-
ASTEA	4	597	-	2	-
Asti Servizi Pubblici	55	-	-	31	-
Barricalla	415	-	-	2,896	-
Energy BI	13	1,065	-	-	-
Centro Corsi	-	30	-	36	-
CSA in liquidation	96	-	-	-	-
CSAI	583	-	-	63	81
EGUA	384	-	-	3,015	-
Fratello Sole Energie Solidali	3,385	-	-	-	-
GAIA	1,790	-	-	1,544	-
Global Service Parma	-	-	-	-	-
Iniziative Ambientali	6	-	-	-	-
Mondo Acqua	10	-	-	-	-
Omi Rinnovabili	-	-	-	-	-
Piana Ambiente in liquidation	70	-	-	-	-
SETA	4,388	-	-	395	-
Sienambiente	616	-	-	10,217	150
STU Reggiane	69	479	-	-	-
<b>OTHER RELATED PARTIES</b>					
Subsidiaries of municipality of Turin	1,079	-	20	2,386	-
Subsidiaries of municipality of Genoa	3,803	-	1	1,464	7
Subsidiaries of municipality of Parma	583	-	58	1,073	-
Subsidiaries of municipality of Piacenza	(23)	-	-	572	-
Subsidiaries of municipality of Reggio Emilia	189	-	-	1,452	-
Others	(2)	-	-	-	-
<b>TOTAL</b>	<b>107,349</b>	<b>46,499</b>	<b>1,156</b>	<b>32,615</b>	<b>14,988</b>

**RELATED PARTY TRANSACTIONS**

thousands of euro

	Sundry liabilities	Revenue and income	Costs and other charges	Financial income	Financial expense
<b>OWNERS</b>					
Municipality of Genoa	-	1,647	8,688	-	-
Municipality of Parma	-	2,302	1,587	-	3
Municipality of Piacenza	-	18,818	1,462	-	-
Municipality of Reggio Emilia	-	1,912	653	-	-
Municipality of Turin	-	237,966	6,276	148	-
Finanziaria Sviluppo Utilities	-	-	-	-	-
<b>JOINT VENTURES</b>					
Acque Potabili	-	75	1	-	-
<b>ASSOCIATES</b>					
ACOS	-	48	-	-	-
Energy ACOS	-	3	64	-	-
Aguas de San Pedro	-	-	-	-	-
AIGA	-	-	-	-	-
AMAT	-	-	-	-	-
Arienes	-	-	-	-	-
ASA	-	1,514	2,235	-	-
ASA Livorno	-	13,504	(119)	-	-
ASTEA	-	4	(10)	-	-
Asti Servizi Pubblici	-	116	95	-	-
Barricalla	-	951	4,859	-	-
Energy BI	-	8	-	66	-
Centro Corsi	-	1	94	-	-
CSA in liquidation	-	96	-	-	-
CSAI	-	1,790	(301)	-	23
EGUA	-	342	-	-	-
Fratello Sole Energie Solidali	7	3,256	-	-	-
GAIA	-	3,502	5,548	-	-
Global Service Parma	-	-	35	-	-
Iniziative Ambientali	-	6	-	-	-
Mondo Acqua	-	11	-	-	-
Omi Rinnovabili	-	-	130	-	-
Piana Ambiente in liquidation	-	-	-	-	-
SETA	-	12,362	953	-	-
Sienambiente	-	376	23,669	-	19
STU Reggiane	-	61	-	30	-
<b>OTHER RELATED PARTIES</b>					
Subsidiaries of municipality of Turin	2	4,804	4,436	-	12
Subsidiaries of municipality of Genoa	-	6,958	1,571	-	-
Subsidiaries of municipality of Parma	-	1,948	2,774	-	-
Subsidiaries of municipality of Piacenza	-	195	1,143	-	1
Subsidiaries of municipality of Reggio Emilia	-	1,072	6,898	-	2
Others	-	329	-	-	-
<b>TOTAL</b>	<b>9</b>	<b>315,977</b>	<b>72,741</b>	<b>244</b>	<b>60</b>

**INDEPENDENT AUDITORS' FEES**

thousands of euro

	Statutory audit	Non-audit services		Total
		Services for the purpose of issuing an attestation	Other services	
Iren S.p.A.	298	161	-	459
Direct and indirect subsidiaries of Iren S.p.A.	1,452	204	-	1,656
<b>Total Iren Group</b>	<b>1,750</b>	<b>365</b>	<b>-</b>	<b>2,115</b>



# Statement regarding the consolidated financial statements pursuant to art. 81-ter of consob regulation no. 11971 of 14 may 1999, as subsequently amended and supplemented

1. The undersigned Paolo Signorini, Chief Executive Officer, and Giovanni Gazza, Manager in charge of financial reporting of Iren S.p.A., taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998, hereby certify:

- the suitability in respect of the group's characteristics and
- the effective application of the administrative and accounting procedures in preparing the 2023 consolidated financial statements.

2. It is also hereby certified that:

2.1 the consolidated financial statements:

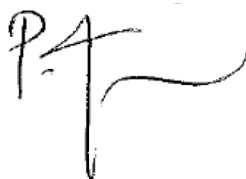
- a. are prepared in compliance with the applicable IFRS endorsed by the European Community pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council, of 19 July 2002;
- b. correspond to the results of the books and accounting records;
- c. are suitable to offer a true and fair view of the financial position and financial performance of the issuer and the group companies included in the consolidation scope.

2.2 the Directors' Report includes a reliable analysis of the operating performance and results, and of the situation of the issuer and of all companies included in the consolidation, together with a description of the major risks and uncertainties to which they are exposed.

28/03/2024

Chief Executive Officer

Paolo Signorini



Manager in charge of financial reporting  
under Law no 262/05

Giovanni Gazza



# Independent Auditors' Report on the Consolidated Financial Statements



KPMG S.p.A.  
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**(The accompanying translated consolidated financial statements of the Iren Group constitute a non-official version which is not compliant with the provisions of Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)**

## Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

*To the shareholders of  
Iren S.p.A.*

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of the Iren Group (the "group"), which comprise the statement of financial position as at 31 December 2023, income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include material information on the accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Iren Group as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

#### Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of Iren S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**Iren Group**

*Independent auditors' report*

31 December 2023

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Recoverability of the carrying amount of goodwill

*Notes to the consolidated financial statements: note V "Accounting policies" and note 4 "Goodwill"*

Key audit matter	Audit procedures addressing the key audit matter
<p>The consolidated financial statements at 31 December 2023 include goodwill of €247 million, accounting for approximately 2% of total assets.</p> <p>The directors tested the groups of cash-generating units (CGUs) and/or individual CGUs to which goodwill is allocated for impairment for the purposes of the consolidated financial statements. The directors have calculated the groups of and/or individual CGUs' estimated recoverable amount, based on their value in use, using the discounted cash flow model and the cash flows derived from the business plan approved by the parent's board of directors on 23 March 2023 (the "plan").</p> <p>The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about:</p> <ul style="list-style-type: none"> <li>• the expected cash flows, calculated by taking into account the general economic performance and that of the group's sector, the actual cash flows for recent years and the projected growth rates;</li> <li>• the financial parameters used to calculate the discount rate.</li> </ul> <p>For the above reasons, we believe that the recoverability of the carrying amount of goodwill is a key audit matter.</p>	<ul style="list-style-type: none"> <li>• Analysing the process adopted by the parent to prepare the impairment tests.</li> <li>• Analysing the criteria used to identify the CGUs and allocate goodwill thereto and/or to the groups of CGUs and trace their carrying amounts to the consolidated financial statements.</li> <li>• Assessing the consistency of the cash flows used for impairment testing with the cash flows forecast in the plan.</li> <li>• Checking any discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors.</li> <li>• Analysing the expected cash flows and the reasonableness of the main assumptions used to calculate the groups of CGUs' and/or CGUs' value in use.</li> <li>• Involving experts in the assessment of the reasonableness of the valuation models and related assumptions.</li> <li>• Checking the sensitivity analysis presented in the notes in relation to the key assumptions used for impairment testing.</li> <li>• Assessing the appropriateness of the disclosures provided in the notes.</li> </ul>



**Iren Group**  
Independent auditors' report  
31 December 2023

### Recognition of revenue from the supply of electricity and gas not yet invoiced

Notes to the consolidated financial statements: note V "Accounting policies", note 14 "Trade receivables" and note 33 "Revenue from goods and services"

Key audit matter	Audit procedures addressing the key audit matter
<p>Revenue from the supply of electricity and gas to end users is recognised at the time the electricity or gas is delivered and includes, in addition to amounts invoiced on the basis of periodic meter readings or on the volumes notified by distributors and transporters, an estimate of the electricity and gas delivered during the year but not yet invoiced that is calculated also taking account of any network losses. Revenue accrued between the date of the last meter reading and the year end is based on calculations of the daily consumption of individual customers, primarily based on their historical information, adjusted to reflect the climate factors or other matters that may affect the estimated consumption.</p> <p>Since the accruals are determined using methods that require the use of complex methods and algorithms, we believe that the recognition of this revenue component and the related invoices to be issued is a key audit matter.</p>	<ul style="list-style-type: none"> <li>• Understanding the process for the recognition of revenue from the supply of electricity and gas not yet invoiced.</li> <li>• Assessing the design, implementation and operating effectiveness of controls, including IT controls, deemed material for the purposes of our audit, including by involving our IT specialists.</li> <li>• Checking the accuracy of the data used to estimate revenue accrued and not invoiced.</li> <li>• Comparing the accruals for invoices to be issued for revenue from the supply of electricity and gas recognised in the prior year's consolidated financial statements with the subsequent actual figures.</li> <li>• Assessing the appropriateness of the disclosures provided in the notes about the revenue from the supply of electricity and gas not yet invoiced.</li> </ul>

### Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.



**Iren Group**  
*Independent auditors' report*  
31 December 2023

### **Auditors' responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.



**Iren Group**  
*Independent auditors' report*  
31 December 2023

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in this report.

### ***Other information required by article 10 of Regulation (EU) no. 537/14***

On 13 June 2019, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2021 to 31 December 2029.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

## **Report on other legal and regulatory requirements**

### ***Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815***

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements at 31 December 2023 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements at 31 December 2023 have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

### ***Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98***

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2023 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report



**Iren Group**

*Independent auditors' report*

*31 December 2023*

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2023 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

***Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16***

The directors of Iren S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement.

In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the consolidated non-financial statement separately.

Turin, 23 April 2024

KPMG S.p.A.

(signed on the original)

Roberto Bianchi  
Director of Audit







# Separate Financial Statements

# 4



# Statement of Financial Position

amounts in euro

	Notes	31.12.2023	of which related parties	31.12.2022	of which related parties
<b>ASSETS</b>					
Property, plant and equipment	(1)	224,832,794		192,707,825	
Intangible assets with a finite useful life	(2)	109,583,807		88,131,357	
Investment property		-		-	
Investments in subsidiaries, associates and joint ventures	(3)	2,564,031,856		2,564,031,856	
Other equity investments	(4)	1,278,643		468,739	
Non-current financial assets	(5)	3,677,675,821	3,625,433,138	3,103,724,491	3,016,878,673
Other non-current assets	(6)	1,231,047	41,285	1,321,361	41,520
Deferred tax assets	(7)	4,021,354		-	
<b>Total non-current assets</b>		<b>6,582,655,322</b>	<b>3,625,474,423</b>	<b>5,950,385,629</b>	<b>3,016,920,193</b>
Inventories	(8)	6,019,534		5,140,763	
Trade receivables	(9)	102,021,716	102,028,732	98,003,227	97,328,996
Current tax assets	(10)	54,923		29,170,033	
Sundry assets and other current assets	(11)	182,700,359	121,625,053	71,166,263	36,135,256
Current financial assets	(12)	25,432,921	24,508,338	17,993,939	17,362,408
Cash and cash equivalents	(13)	281,684,935		573,371,509	
Assets held for sale	(14)	-		-	
<b>Total current assets</b>		<b>597,914,388</b>	<b>248,162,123</b>	<b>794,845,734</b>	<b>150,826,661</b>
<b>TOTAL ASSETS</b>		<b>7,180,569,710</b>	<b>3,873,636,545</b>	<b>6,745,231,363</b>	<b>3,167,746,854</b>

amounts in euro

	Notes	31.12.2023	of which related parties	31.12.2022	of which related parties
<b>EQUITY</b>					
Share capital		1,300,931,377		1,300,931,377	
Reserves and Retained Earnings		763,756,996		686,960,007	
Profit for the year		172,284,624		258,687,824	
<b>TOTAL EQUITY</b>	<b>(15)</b>	<b>2,236,972,997</b>		<b>2,246,579,208</b>	
<b>LIABILITIES</b>					
Non-current financial liabilities	(16)	3,858,011,380		4,034,165,028	
Employee benefits	(17)	14,061,402		14,879,035	
Provisions for risks and charges	(18)	14,137,883		5,834,200	
Deferred tax liabilities	(19)	-		9,716,858	
Sundry liabilities and other non-current liabilities	(20)	1,197,981		1,327,591	
<b>Total non-current liabilities</b>		<b>3,887,408,646</b>		<b>4,065,922,712</b>	
Current financial liabilities	(21)	752,040,779	182,784,513	197,020,265	155,245,396
Trade payables	(22)	135,701,641	15,659,700	133,615,148	13,973,612
Sundry liabilities and other current liabilities	(23)	99,724,986	62,671,081	100,547,669	67,002,191
Current tax liabilities	(24)	68,615,226		-	
Provisions for risks and charges - current portion	(25)	105,435		1,546,361	
Liabilities associated with assets held for sale		-		-	
<b>Total current liabilities</b>		<b>1,056,188,067</b>	<b>261,115,294</b>	<b>432,729,443</b>	<b>236,221,199</b>
<b>TOTAL LIABILITIES</b>		<b>4,943,596,713</b>	<b>261,115,294</b>	<b>4,498,652,155</b>	<b>236,221,199</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,180,569,710</b>	<b>261,115,294</b>	<b>6,745,231,363</b>	<b>236,221,199</b>



# Income statement

amounts in euro

	Notes	31.12.2023	of which related parties	31.12.2022	of which related parties
<b>Revenue</b>					
Revenue from goods and services	(26)	292,295,077	292,226,694	271,143,873	270,925,258
Other income	(27)	12,819,515	9,038,602	12,669,287	10,213,179
<b>Total revenue</b>		<b>305,114,592</b>	<b>301,265,295</b>	<b>283,813,160</b>	<b>281,138,437</b>
<b>Operating expenses</b>					
Raw materials, consumables, supplies and goods	(28)	(8,761,370)	(33,461)	(9,923,676)	(167,168)
Services and use of third-party assets	(29)	(180,707,036)	(22,837,801)	(164,108,281)	(22,751,480)
Other operating expenses	(30)	(9,261,883)	(1,863,666)	(7,872,003)	(1,263,082)
Capitalised costs for internal works	(31)	6,926,996		5,780,294	
Personnel expense	(32)	(91,651,210)		(80,289,730)	
<b>Total operating expenses</b>		<b>(283,454,503)</b>	<b>(24,734,928)</b>	<b>(256,413,396)</b>	<b>(24,181,729)</b>
<b>GROSS OPERATING PROFIT</b>		<b>21,660,089</b>		<b>27,399,764</b>	
<b>Depreciation, amortisation, provisions and impairment losses</b>					
Depreciation and amortisation	(33)	(49,495,181)		(39,263,498)	
Impairment losses on loans and receivables	(34)	-		-	
Other provisions and impairment losses	(34)	114,069		2,181,266	
<b>Total depreciation, amortisation, provisions and impairment losses</b>		<b>(49,381,112)</b>		<b>(37,082,232)</b>	
<b>OPERATING LOSS</b>		<b>(27,721,023)</b>		<b>(9,682,468)</b>	
<b>Financial management</b>					
Financial income	(35)	280,642,102	280,226,016	327,552,210	326,364,524
Financial expense		(83,169,826)	(2,632,765)	(57,026,237)	(306,829)
<b>Net financial income</b>		<b>197,472,276</b>	<b>277,593,250</b>	<b>270,525,973</b>	<b>326,057,695</b>
Gains/(losses) on equity-accounted investments	(36)	-		-	
<b>Pre-tax profit</b>		<b>169,751,253</b>		<b>260,843,505</b>	
Income taxes	(37)	2,533,371		(2,155,681)	
<b>Profit from continuing operations</b>		<b>172,284,624</b>		<b>258,687,824</b>	
Profit (loss) from discontinued operations		-		-	
<b>Profit for the year</b>		<b>172,284,624</b>		<b>258,687,824</b>	



# Statement of Comprehensive Income

amounts in euro

	Notes	FY 2023	FY 2022
Profit for the year (A)		172,284,624	258,687,824
Other comprehensive income that will be subsequently reclassified to profit or loss	(38)		
- effective portion of fair value gains on cash flow hedges		(53,558,790)	65,518,630
- fair value gains/(losses) on financial assets Tax effect		12,854,110	(15,724,471)
Other comprehensive income that will be subsequently reclassified to profit or loss, net of tax effect (B1)		(40,704,680)	49,794,159
Other comprehensive income that will not be subsequently reclassified to profit or loss			
- actuarial gains/(losses) on defined benefit plans (IAS 19)		(62,926)	1,960,113
Tax effect		15,102	(470,427)
Other comprehensive income (expense) that will not be subsequently reclassified to profit or loss, net of tax effect (B2)		(47,824)	1,489,686
Comprehensive income (A)+(B1)+(B2)		131,532,120	309,971,669



# Statement of Changes in Equity

	Share capital	Share premium reserve	Legal reserve
31.12.2021	1,300,931	133,019	87,216
<b>Owner transactions</b>			
Dividends			
Retained earnings			10,943
Repurchase of treasury shares			
Other changes			
<b>Total owner transactions</b>	-	-	10,943
<b>Comprehensive income for the year</b>			
Profit for the year			
Other comprehensive income			
<b>Total comprehensive income for the year</b>			
31.12.2022	1,300,931	133,019	98,159
31.12.2022	1,300,931	133,019	98,159
<b>Owner transactions</b>			
Dividends			
Retained earnings			12,934
Repurchase of treasury shares			
Other changes			
<b>Total owner transactions</b>	-	-	12,934
<b>Comprehensive income for the year</b>			
Profit for the year			
Other comprehensive expense			
<b>Total comprehensive income for the year</b>			
31.12.2023	1,300,931	133,019	111,093

thousands of euro

Hedging reserve	Other reserves and Retained earnings	Total reserves and Retained earnings	Profit for the year	Equity
(2,880)	334,193	551,548	218,851	2,071,331
		-	(134,723)	(134,723)
	73,185	84,128	(84,128)	-
		-		-
		-		-
-	73,185	84,128	(218,851)	(134,723)
		-		-
		-	258,688	258,688
49,795	1,489	51,284		51,284
49,795	1,489	51,284	258,688	309,972
46,915	408,867	686,960	258,688	2,246,580
46,915	408,867	686,960	258,688	2,246,580
		-	(141,138)	(141,138)
	104,616	117,550	(117,550)	-
		-		-
		-		-
-	104,616	117,550	(258,688)	(141,138)
		-		-
		-	172,285	172,285
(40,705)	(48)	(40,753)		(40,753)
(40,705)	(48)	(40,753)	172,285	131,532
6,210	513,435	763,757	172,284	2,236,973



# Statement of cash flows

thousands of euro

	FY 2023	FY 2022
<b>A. Opening cash and cash equivalents</b>	<b>573,372</b>	<b>430,162</b>
<b>Cash flows from operating activities</b>		
Profit for the year	172,285	258,688
<b>Adjustments:</b>		
Income taxes for the year	(2,533)	2,156
Net financial expense (income)	(197,472)	(270,526)
Amortisation and depreciation	49,495	39,264
Net impairment losses (reversals of impairment losses) on assets	-	-
Impairment losses on loans and receivables	-	-
Net provisions for risks and other charges	8,477	(1,528)
Capital (gains) losses	59	(24)
Payment of employee benefits	(1,438)	(1,255)
Utilisations of provisions for risks and other charges	(1,594)	(1,061)
Change in other non-current assets	90	341
Change in sundry liabilities and other non-current liabilities	(130)	(147)
Other changes in equity	-	-
Taxes paid	(2,123)	2,065
Change in inventories	(945)	(1,254)
Change in trade receivables	(3,929)	9,949
Change in current tax assets and other current assets	(34,419)	19,854
Change in trade payables	2,087	45,943
Change in current tax liabilities and other current liabilities	23,579	(22,078)



thousands of euro

	FY 2023	FY 2022
<b>B. Net cash and cash equivalents generated by operating activities</b>	<b>11,490</b>	<b>80,388</b>
<b>Cash flows from/(used in) investing activities</b>		
Investments in property, plant and equipment and intangible assets	(91,062)	(73,069)
Investments in financial assets	(810)	(319)
Investment realisation	55	5,738
Change in consolidation scope	-	-
Dividends received	196,592	264,491
<b>C. Net cash and cash equivalents generated by investing activities</b>	<b>104,775</b>	<b>196,841</b>
<b>Cash flows from/(used in) financing activities</b>		
Capital increase	-	-
Repurchase of treasury shares	-	-
Dividends paid	(143,047)	(132,963)
New non-current loans	330,000	780,000
Repayment of non-current loans	(23,490)	(378,233)
Change in balance of cash pooling arrangement	(574,601)	(462,838)
Repayment of lease liabilities	(5,389)	(4,870)
Change in other financial liabilities	32,557	83,746
Change in loan assets	(31,369)	(25,557)
Interest paid	(70,115)	(52,362)
Interest received	77,503	59,058
<b>D. Net cash and cash equivalents used in financing activities</b>	<b>(407,951)</b>	<b>(134,019)</b>
<b>E. Cash flow for the year (B+C+D)</b>	<b>(291,687)</b>	<b>143,210</b>
<b>F. Cash and cash equivalents (A+E)</b>	<b>281,685</b>	<b>573,372</b>



# Notes to the Separate Financial Statements

## Introduction

Iren S.p.A. is an Italian multi-utility company, listed on the Italian Stock Exchange (Borsa Italiana) and established on 1 July 2010 through the merger of IRIDE and ENÌA. The Company's registered office is in Italy, in Reggio Emilia, Via Nubi di Magellano 30. There were no changes in the company name during 2023.

Iren S.p.A. is an industrial holding company, with registered office in Reggio Emilia, parent of the four companies responsible for the operational activity (Business Units) in the main operating offices of Genoa, La Spezia, Parma, Piacenza, Reggio Emilia, Turin and Vercelli.

The Holding is responsible for the strategic, development, coordination and control activities, while the four BUs have been entrusted with the coordination and guidance of the companies operating in their respective sectors:

- Networks, which operates in the field of the integrated water cycle, and in the gas distribution and electricity distribution sectors;
- Waste Management, which performs the activities of waste collection and disposal;
- Energy, operating in the sectors of the production of hydroelectric energy and energy from other renewable sources, district heating and energy efficiency;
- Market, active in the sale of electricity, gas, heat, and customer services.

## I. Basis of presentation

These financial statements represent the separate financial statements of the Parent Iren S.p.A. and were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, as well as with the measures issued in implementation of Article 9 of Legislative Decree no. 38/2005. The "IFRS" comprise also the revised International Accounting Standards ("IAS"/"IFRS") and all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

In drawing up these separate financial statements, the same accounting standards were applied as those adopted for the separate Financial Statements at 31 December 2022, with the exceptions highlighted in the section "Accounting standards, amendments and interpretations effective as of 1 January 2023".

The separate financial statements at 31 December 2023 consist of a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement

of cash flows and these notes. The schedules are the same as those applied in the preparation of the separate financial statements at 31 December 2022.

In line with what was previously published, in the statement of financial position, assets and liabilities are classified as "current/non-current". Assets and liabilities classified as discontinued or held for sale are shown separately. Current assets, which include cash and cash equivalents, are those that will be realised, transferred or consumed during the company's ordinary operating cycle or during the twelve months following year end. Current liabilities are those for which settlement is envisaged during the ordinary operating cycle or during the twelve months following year end.

The Income Statement is classified on the basis of the nature of the costs. In addition to the Operating Profit, the Income Statement also shows the Gross Operating Profit obtained by deducting total operating expenses from total revenue.

The indirect method is used in the Statement of Cash Flows. The cash configuration analysed in the Statement of Cash Flows includes cash on hand and cash in current accounts.

The separate financial statements are drawn up on the basis of the historical cost principle, with the exception of certain financial instruments and the asset relating to the variable portion of the sale price of OLT Offshore LNG Toscana, measured at fair value, as well as on a going concern basis. The company did not detect any particular risks connected with the Company's business and/or any uncertainties that might cast doubt on its ability to continue as a going concern. These separate financial statements are stated in euro, the company's functional currency. Data included in the notes, unless otherwise specified, are expressed in thousands of euro. Due to rounding, there could be cases in which the detailed tables contained in this document show a difference of around one thousand euro. It is believed that these cases do not alter the reliability and informative value of these separate financial statements.

Lastly, in accordance with CONSOB Resolution No. 15519 of 27 July 2006 regarding the format of financial statements, specific additional columns have been added to the Income Statement and the Statement of Financial Position to highlight transactions with related parties.

### **Use of estimates and assumptions by management**

#### Estimates

Preparation of the Separate Financial Statements entails making estimates, opinions and assumptions that have an effect on the amounts of revenue, costs, assets and liabilities, including contingent liabilities, and on the information provided. These estimates and assumptions are based on past experience and other factors considered reasonable in the case in question, particularly when the value of assets and liabilities is not readily apparent from comparable sources. Estimates and assumptions were used in applying the accounting policies, in particular to measure the following items of the financial statements:

- impairment of non-financial assets: assets such as property, plant and equipment, investment property, intangible assets, right-of-use assets, goodwill and equity investments in associates/joint ventures are impaired when their carrying amount exceeds their recoverable amount, represented by the higher of fair value, net of costs to sell, and value in use. The recoverable amount is sensitive to the estimates and assumptions used to determine the amount of cash flows and the discount rates applied. However, possible variations in the basic assumptions on which these calculations are based could produce different recoverable amounts.
- Expected losses on financial assets: at the end of each reporting date, the company recognises a loss allowance for trade receivables and other financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets and all other assets within the scope of impairment. Loss allowances for financial assets are based on assumptions regarding the risk of default and the measurement of expected credit losses. In making these assumptions and selecting the inputs to calculate the expected loss, management uses its professional judgement, based on past experience, current market conditions, as well as forward-looking estimates at the end of each reporting date.
- Determining the useful life of non-financial assets. In determining the useful life of property, plant and equipment and intangible assets with a finite useful life, the Company considers not only the future economic benefits - contained in the assets - enjoyed through their use, but also many other factors, such as physical deterioration, obsolescence of the product or service provided by the asset (e.g. technical, technological or commercial), legal restrictions or other similar constraints (e.g. safety, environmental, etc.) on the use of the asset, if the useful life of the asset depends on the useful life of other assets.
- The determination of the fair value of derivative instruments and certain financial assets. The fair value of financial instruments is determined on the basis of prices directly observable on the market, where available, or, for unlisted financial instruments, using specific valuation techniques (mainly based on present value) that maximise the use of inputs observable on the market. In the rare circumstances where this is not possible, the inputs are estimated by management taking into account the characteristics of the instruments being measured. For further details on financial instruments measured at fair value, please refer to section VI Financial Risk Management of Iren S.p.A.. Changes in the assumptions made in estimating input data could affect the fair value recognised for these instruments, especially in the current context in which markets are volatile and the economic outlook highly uncertain and subject to rapid changes. When valuations are subject to significant measurement uncertainty due to the current environment and there is a wide range of possible fair value estimates, the company is required to apply judgement in determining the point within that range that is most representative of fair value under the circumstances.
- Hedge accounting. Hedge accounting is applied

to derivatives in order to reflect the effects of risk management strategies in the financial statements. To this end, the company documents at the inception of the transaction, the relationship between the hedging instrument and the hedged item, as well as the risk management objectives and strategy. In addition, the company assesses, both at the inception of the relationship and on a systematic basis, whether hedging instruments are highly effective in offsetting changes in the fair value or cash flows of hedged items. Based on the opinion of the Directors, the assessment of effectiveness based on the existence of an economic relationship between hedging instruments and hedged items, the dominance of credit risk in changes in value and the hedge ratio, as well as the measurement of ineffectiveness, are evaluated by means of a qualitative assessment or a quantitative calculation, depending on the specific facts and circumstances and the characteristics of the hedging instruments and hedged items. With respect to cash flow hedges of future transactions, management assesses and documents that they are highly probable and present an exposure to changes in cash flows that impacts profit or loss. For more details about the key assumptions on assessing effectiveness and measuring ineffectiveness, please refer to section VI Financial Risk Management of Iren S.p.A..

- The determination of the amount of provisions for future risks and charges. The company is a party to various civil, administrative and tax proceedings connected with the normal course of its business, which could give rise to liabilities of a significant amount, for which it is not always objectively possible to predict the final outcome. The assessment of the risks connected with the above procedures is based on complex elements that by their nature entail recourse to the judgement of the Directors, also taking account of elements acquired from external consultants assisting the company, with reference to their classification among potential liabilities or among liabilities. Provisions have been established to cover all significant liabilities for cases where attorneys have noted the likelihood of an adverse outcome and a reasonable estimate of the amount of the expense. The company determines whether to consider each uncertain tax treatment separately or jointly with one or more uncertain tax treatments, as well as whether to report the effect of uncertainty using the most probable amount method or the expected value method, choosing the one that, according to its projections, best provides for the resolution of the uncertainty, taking into account tax regulations. The

company makes significant use of professional judgement in identifying uncertainties about income tax treatments and reviews opinions and estimates made when there is a change in facts and circumstances that could change the conclusion about the acceptability of a particular tax treatment or the estimated effects of the uncertainty, or both. Refer to Note 37 Income Taxes for further details regarding income taxes.

- Onerous Contracts. In order to identify an onerous contract, the company estimates the non-discretionary costs required to perform the obligations assumed (including any penalties) under the contract and the economic benefits expected to be obtained from the same contract.

The estimates and assumptions are regularly revised. Any changes deriving from the revision of accounting estimates are recognised in the year in which they are revised, if the revision refers only to the year under evaluation. Should the revision involve both current and future years, the variation is recognised in both the year in which the revision occurs and in the related future years.

The criticality inherent in these evaluations relates to the use of assumptions and judgements regarding issues that are, by their nature, uncertain. In addition, any changes in the conditions underlying the assumptions and judgements could have a significant impact on the results of subsequent years.

## II. Accounting policies

The accounting policies adopted in drawing up these Separate Financial Statements of Iren S.p.A. at 31 December 2023 are indicated below; the accounting policies described have not changed with respect to those adopted at 31 December 2022.

### Property, plant and equipment

#### - Property, plant and equipment owned

Property, plant and equipment are recognised at contribution, purchase or internal construction cost. This cost includes all directly attributable costs necessary to make the asset available for use (including, when relevant and where a real obligation exists, the present value of the estimated costs of dismantling and removing the asset and reclaiming the site on which it is located), net of trade discounts and rebates.

Borrowing costs related to the purchase or internal construction of items of property, plant and equipment are capitalised for the part of the cost of the asset until it becomes operative.

If significant items of such property, plant and equipment have different useful lives, these items are accounted for separately.

In particular, under this policy, land and buildings located on the land are to be recognised separately; only the buildings are depreciated, while the carrying

amount of land is subject to impairment, as described in the section "Impairment losses on non-financial assets" below.

Ordinary maintenance costs are fully recognised in profit or loss. Other costs of an incremental nature are allocated to the assets to which they refer, in accordance with IAS 16, and depreciated in relation to the residual possibility of use of the assets to which they refer. Costs that reasonably expect an increase in future economic benefits, such as an increase in useful life, an increase in production capacity, an improvement in product quality or the adoption of production processes that result in a substantial reduction in production costs, are considered to be incremental.

Assets under construction include expenditure related to the construction or improvement of plants incurred until the reporting date. These investments are depreciated once the asset becomes operative.

Property, plant and equipment are depreciated systematically on a straight-line basis annually using economic-technical rates determined in line with their residual useful lives.

The rates applied are set out below. The tables also show the residual term of the lease contracts on the basis of which the right-of-use assets recognised among property, plant and equipment are depreciated:

	Min. rate	Max. rate
Buildings	2.00 %	23.00 %
Light constructions	10.00 %	10.00 %
Vehicles	20.00 %	25.00 %
Sundry equipment	10.00 %	10.00 %
Furniture and office machines	12.00 %	12.00 %
Hardware	20.00 %	20.00 %
Plants	5.00 %	23.00 %

Right-of-use assets as per IFRS 16 - Leases	Years	
	from	to
Land	12	12
Buildings	3	57
Other assets (motor vehicles)	2	5

The rates for plants, as minimum and maximum rates respectively, refer mainly to electrical and mechanical components auxiliary to the company's office buildings as well as TLC infrastructure.

Grants related to assets are recognised as deferred revenue and taken to profit or loss over the depreciation period of the related item of property, plant and equipment and intangible assets.

#### - Leased assets

##### *Lessee*

IFRS 16 establishes a criterion based on the control (right of use) of an asset to distinguish leases from contracts for services, regardless of the contractual form adopted (lease, rental or hire). The discriminants are: the identification of the asset, the right to replace the same, the right to obtain substantially all the economic benefits deriving from use of the asset and the right to direct the use of the asset underlying the contract.

On the lessee's part, IFRS 16 provides for recognition in the statement of financial position of the assets and related financial liabilities for all lease contracts with a term of more than 12 months, unless the underlying asset has a new value of less than five thousand euro.

The lease liability is initially measured at the present value of the payments due for the lease, primarily the fixed and/or variable payments contractually provided for and the price to exercise the option if the reasonable certainty of exercising it exists; as regards the rate to be used for discounting, reference is made to the marginal loan rate derived from the market value of the listed debt instruments issued by Iren. Subsequently, the liability is reduced by the principal repaid and, if necessary, restated to take account of new valuations or changes. The residual debt must be accounted for by separating the current portion (within 12 months) from the non-current portion.

The right of use of the asset underlying the lease contract is recognised under property, plant and equipment at cost, consisting of the initial measurement of the financial liability increased by any initial costs incurred. The asset is depreciated over the term of the lease or, if the transfer of ownership at the end of the lease is provided for, over the expected useful life of the underlying asset. The asset may also be reduced as the result of any impairment losses, and adjusted to take into account any redetermination of the lease liability.

In the income statement interest on the debt and depreciation are recognised separately, as is any impairment loss on the right-of-use asset.

##### *Lessor*

At the inception of a contract or upon amendment of a contract that contains a lease component, the contract consideration is allocated to each lease component based on its stand-alone price.

At the inception of the lease, the company, in its role as lessor, classifies each of its leases as either a finance lease or an operating lease.

For this purpose, it generally assesses whether the lease transfers substantially all the risks and rewards associated with ownership of the underlying asset.

In this case, the lease is classified as a finance lease, otherwise as an operating lease. As part of this assessment, the company considers, among other indicators, whether the lease term covers most of the economic life of the underlying asset.

With respect to sub-leases, the company, as an intermediate lessor, classifies its share in the master lease separately from the sub-lease. For this purpose, it classifies the sub-lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

If the head lease is a short-term lease that it has accounted for by applying the above exemption, the sub-lease is classified as an operating lease.

For contracts containing a lease component and one or more lease and non-lease components, the contract consideration is allocated by applying IFRS 15.

The Company applies the derecognition and impairment provisions of IFRS 9 to the net investment in the lease and periodically reviews the estimates of non-guaranteed residual values used in calculating the gross investment in the lease.

Payments received for operating leases are recognised as income on a straight-line basis over the lease term in "other income".

#### **Intangible assets**

Intangible assets are recognised in the statement of financial position when it is probable that the expected future economic benefits attributable to the asset will flow to the company and the cost of the asset can be measured reliably. They are recognised at contribution, acquisition or production cost, including any directly attributable costs.

Development expenditure is capitalised if all of the following features can be demonstrated:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the ability to reliably measure the expenditure attributable to the asset during its development;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- it is clear how the asset will generate future economic benefits.

If even one of these requirements is not met, the expenditure is fully recognised in the year in which it is incurred.

Intangible assets with a finite useful life are amortised on a systematic basis over their useful lives so that the carrying amount at year end matches their residual life or recoverable amount based on the group’s plans to develop production. Amortisation begins when the asset is available for use.

Amortisation of intangible assets is calculated on a straight-line basis over the following useful lives:

	Years	
	from	to
Industrial patents and intellectual property rights	20	20
Software	3	6
Other intangible assets with a finite useful life	5	5

Amortisation begins when the asset is available for use, in other words, when it is able to operate as intended by the company’s management. Amortisation expires on the later of either the date on which the asset is classified as held for sale (or included in a disposal group classified as held for sale), pursuant to IFRS 5, or the date on which the asset is derecognised.

Assets under development relate to internal and external costs referring to intangible assets for which the company has not yet acquired the right to and has not started to use in production. These investments are amortised from the date they begin to be used in production.

Under IAS 36, assets under development are tested for impairment annually, or whenever there is any indication of impairment, so as to check that the carrying amount matches the recoverable amount.

**Non-current assets held for sale - Discontinued operations**

A non-current asset (or group of assets and liabilities held for disposal) is classified as available for sale if its carrying amount will be recovered mainly through a sale transaction rather than through its continued use. Immediately prior to initial classification of the asset (or disposal group) as available for sale, the carrying amounts of the assets are measured in accordance with Group accounting policies. The asset (or disposal

group) is then recognised at the lower between its carrying amount and its fair value less costs to sell. Impairment loss on a disposal group is initially taken to goodwill, then to the residual assets and liabilities on a proportional basis, except for inventories, financial assets, deferred tax assets, employee benefits, investment property and biological assets, which continue to be measured in accordance with Group accounting policies. Impairment losses on the initial classification of an asset as held for sale compared to subsequent measurements are recognised in profit or loss. Reversals of impairment losses are recognised only to the extent of any accumulated impairment loss.

Discontinued operations represent a part of the company that has been discontinued or classified as held for sale, and:

- represents an important business unit or geographical segment;
- forms part of a single coordinated disposal plan or an important autonomous business unit or geographical segment;
- is a subsidiary acquired solely with a view to resale.

If a single non-current asset is involved (e.g. a property or an investment in an associate), the recognition of profit or loss from the disposal or valuation depends on the nature of the asset. If it is a discontinued operation and is a material component of the item “Profit/loss from

discontinued operations”, a single amount is recorded represented by the total of:

- I. profit or loss on the discontinued operation, net of tax effects; and
- II. the capital gain or loss, net of tax effects, recognised after the fair value measurement, net of costs to sell or actual disposal of the asset.

The income statement of the comparative year is restated in order to guarantee consistent comparison.

If the asset is immaterial, revenue and costs from the discontinued operation continue to be recognised on a line-by-line basis under the related income statement items, whilst the profit/loss from discontinued operations includes only the capital gain or loss referred to under point ii) above.

### **Impairment losses on non-financial assets**

The IFRS require a company to assess whether there are any specific indications of impairment. An impairment test is performed, which consists of estimating the recoverable amount of the asset and comparing it to its carrying amount.

The recoverable amount is the higher of fair value less costs to sell (if an active market exists) and the value in use of the asset. Value in use is the present value of the future cash flows expected to be derived from an asset or Cash-Generating Unit, inclusive of taxes, by applying a discount rate, before taxes, which reflects the current market assessments of the time value of money and risks specific to the asset. If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised. If the impairment loss recognised in prior years no longer exists or has decreased, the carrying amount of the asset or cash-generating unit is increased, with a balancing item in profit or loss, up to the estimated new recoverable amount. The latter amount shall not exceed the carrying amount that would have been determined if no impairment loss had been recognised. The reversal of an impairment loss is not applicable to goodwill.

The value in use is generally defined by discounting the cash flows expected from use of the asset or Cash Generating Units and from the amount expected from its disposal at the end of its useful life.

Assets that are not subject to amortisation (goodwill and other intangible assets with an indefinite useful life) and intangible assets that are not yet available for use are tested for impairment annually, even if no indication of impairment exists.

### **Financial instruments**

All financial instruments, including derivatives, are recognised in the statement of financial position when the company becomes a party to the agreement and therefore acquires a right to receive cash flows or an obligation to pay.

#### *- Financial assets and liabilities*

At the moment of initial recognition the financial asset or liability is measured at fair value plus or minus, in the case of a financial asset or liability not measured at fair value recognised in profit or loss, the transaction costs directly attributable to the acquisition or issue of the financial asset or liability. After initial recognition the financial asset or liability is measured as described below.

Financial assets are classified in three categories:

- a) financial assets measured at amortised cost;
- b) financial assets measured at fair value through other comprehensive income (FVOCI);
- c) financial assets measured at fair value through profit or loss (FVTPL).

The classification under the categories indicated above is made on the basis of the entity's business model and in relation to the characteristics of the cash flows generated by the said assets:

- a. a financial asset is measured at amortised cost if the entity's business model envisages that the financial asset is held to collect the related cash flows (therefore, substantially, not to make a profit also from sale of the instrument) and the characteristics of the cash flows of the asset correspond only to payment of principal and interest;
- b. a financial asset is measured at Fair Value with a balancing item in Other Comprehensive Income if it is held with the objective both of collecting the contractual cash flows, and of being sold (Hold to Collect and Sell model);
- c. finally if it is a financial asset held for trading and in any case does not come within the cases indicated in points a) and b) it is measured at fair value through profit or loss.

At each reporting date all financial assets, with the exception of those measured at fair value recognised in profit (loss) for the year, are subjected to an impairment test to determine whether there is objective evidence that can lead to the belief that the value of the asset is not fully recoverable. In accordance with what is provided for in IFRS 9 the impairment model adopted by Iren Group is based on expected credit losses, where “loss” means the present value of all cash shortfalls considering forward-looking information. According to the



general approach concerning all financial assets, the expected credit loss is a function of probability of default (PD) of the loss given default (LGD) and exposure at default (EAD): the PD represents the probability that an asset will not be repaid and will go into default; the LGD is the amount of money lost when a borrower defaults on a loan; the EAD represents the exposure claimed against the counterparty, including any guarantees, collateral, etc. The estimate is made initially on the expected credit losses in the subsequent 12 months; in view of any gradual deterioration of the financial asset, the estimate is adjusted to cover the expected credit losses along the entire life of the financial asset.

Financial liabilities are generally classified as measured at amortised cost, with the exception of derivatives which are measured at fair value through profit or loss. Changes in the fair value of a financial liability designated as measured at fair value through profit or loss, if these are due to a change in the creditworthiness of the liability itself are recognised under other comprehensive income.

*- Equity investments in subsidiaries and associates*  
Investments in subsidiaries and associates are measured at cost. In the event of impairment, the carrying amount of the investment is written down. The impairment loss is recognised in the income statement.

*- Other equity investments*  
Other equity investments, consisting of non-controlling interests in unlisted companies that the Company intends to keep in its portfolio in the near future, are measured at fair value through profit or loss (FVTPL).

*- Hedging instruments*  
The Company holds hedging instruments, acquired for non-speculative purposes, solely to hedge its exposure to interest rate and currency risks.

A hedging relationship qualifies for hedge accounting if all of the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the company's risk management objective and strategy for undertaking the hedge;
- the hedge is expected to be highly effective in offsetting changes in fair value (fair value hedges) or cash flows (cash flow hedges) attributable to the hedged risk;
- for cash flow hedges, an expected future

transaction that is hedged must be highly probable and must present an exposure to changes in cash flows that might ultimately affect profit or loss;

- the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured;
- the hedge is assessed on an ongoing basis and is considered highly effective throughout the entire life of the derivative.

Hedging instruments are recognised at fair value, determined by employing adequate measurement models for each type of financial instrument using, where available, the forward curves of both regulated and unregulated markets (intrinsic value). For options, the fair value is supplemented with the time value component, which is based on their residual life and the volatility of the underlying. At each reporting date, hedging instruments are tested for effectiveness to check whether the hedge still meets the requirements for designation as effective and can be recognised using hedge accounting. A hedging relationship is effective if:

- there is an economic relationship between the hedged instrument and hedging instrument;
- the credit risk effect does not dominate the change in value that results from the economic relationship;
- the ratio between the quantity of the hedging instrument and the quantity of the hedged instrument in terms of relative weight does not determine an imbalance in terms of the hedge ratio.

If the requirements for the application of hedge accounting are met:

- for a cash flow hedge, changes in the fair value of the hedging instrument are recognised in equity for the effective portion of the hedge (intrinsic value), and in profit or loss for the time-value portion and any ineffective portion (over-hedging);
- for fair value hedges, changes in the fair value of both the hedging instrument and the hedged item are recognised in profit or loss.

If the hedge does not meet the criteria for hedge accounting, the gains or losses deriving from measurement at fair value of only the hedging instrument are fully recognised in profit or loss.

Considering the provisions of IFRS 7 on the fair value hierarchy, as extended by IFRS 13, for each category of financial instrument measured at fair value the fair value hierarchy is as follows:

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities;
- Level 2: Inputs other than Level 1 quoted prices which are observable for the asset or liability, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability which are not based on observable market data.

- *Trade receivables and payables*

Trade receivables and payables, with repayment dates that are in line with normal commercial practices, are not discounted as the time value of money is not material for their measurement, and are recognised at fair value (equal to their nominal value). After initial recognition they are measured at amortised cost.

Trade receivables are shown net of loss allowances determined, in accordance with IFRS 9, applying, instead of the general approach, valid for all financial assets with the exception of those measured at fair value through profit or loss, the simplified approach and, more specifically, the provision matrix model, which is based on identifying the default rates by maturity bands observed on a historical basis, applied for the entire expected life of the receivable and updated on the basis of significant future scenario elements.

- *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments (maturities of three months or less from the date of acquisition) that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash and cash equivalents, including ancillary charges, are measured at fair value.

Cash on hand and equivalents in hand are measured at their nominal value.

- *Derecognition of financial assets and liabilities*

Financial assets are derecognised whenever one of the following conditions occurs:

- the contractual right to receive the cash flows associated with the asset has expired;
- the company has substantially transferred all the risks and rewards associated with the asset, transferring its rights to receive the cash flows of the asset or assuming a contractual obligation to shift these cash flows to one or more beneficiaries under a contract that meets the requirements under IFRS 9 (pass through test);
- the company has transferred the control of the

financial asset but has neither transferred nor retained the risks and rewards associated with the financial asset.

Financial liabilities are derecognised when they are settled, i.e. when the contractual obligation is fulfilled, cancelled or prescribed. When an existing financial liability is replaced by another to the same creditor on substantially different terms, or the terms of an existing liability are substantially modified, such replacement or modification is treated as derecognition of the original liability and recognition of a new liability.

The difference between the respective carrying amounts is recognised in profit or loss.

### **Inventories**

Inventories are carried at the lower of cost (purchase cost, transformation and other costs incurred to bring the inventories to their current place and condition) and their expected net realisable or replacement value.

Cost is determined using the weighted average cost method. If the cost of inventories cannot be recovered because they are damaged, have become entirely or partly obsolete or their sales prices have decreased, they are written down to their net realisable value. If the circumstances leading to the write-down no longer exist, the write-down is reversed.

### **Equity**

Share capital, including the various categories of shares, is stated at its nominal value less share capital proceeds to be received.

The purchase cost of treasury shares is recognised as a reduction in equity.

Costs directly attributable to share capital transactions, for new subscriptions, are accounted for reducing equity.

Dividends are recognised as liabilities when they are approved by the Shareholders.

### **Employee benefits**

Post-employment benefits are defined according to plans which, based on their characteristics, are separated into "defined contribution" and "defined benefit" plans.

In defined contribution plans, the company obligation, limited to the payment of State contributions or to a separate fund, is calculated on the basis of contributions due. For the company this category includes post-employment benefits accrued since 1 January 2007, payable to the INPS (the Italian Social Security Institution) fund and the

share paid to the additional pension funds. The liability relating to defined benefit plans, net of any plan assets, is calculated according to actuarial assumptions. For the company, included in this category are post-employment benefits accrued until 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the tariff discounts for employees and former employees, additional monthly salaries (Art. 47, national labour agreement for the sector), the loyalty bonus paid to employees and contributions paid to the Premungas fund.

The present value of the liability is calculated for each employee using the projected unit credit method. The total liability is calculated by estimating the amount payable on termination of the employment relations, considering economic, financial and demographic factors. This amount is recognised on a proportional basis over the period of service matured. For post-employment benefits accrued as at 31 December 2006 (or the date chosen by the employee if opting for allocation to supplementary funds), the proportional basis is not applied because at the reporting date the benefits can be considered accrued in full.

The demographic, economic and financial variables are validated annually by an independent actuary. As regards presentation in the financial statements, the changes in liabilities connected with the obligation related to a defined benefit plan are broken down into three components:

- 1) operating (service costs), personnel expense;
- 2) financial (financial expense), net interest income/expense;
- 3) measuring (remeasurement costs), actuarial gains/losses.

Gains and losses deriving from actuarial calculations regarding post-employment benefits are immediately recognised in Other comprehensive income, except for the loyalty bonus which is entirely recognised in profit or loss.

As regards disclosures, information is given on the characteristics of the plans and related amounts entered in the financial statements, as well as on the risk resulting from the plans and including a sensitivity analysis of fluctuations in demographic risk.

### Provisions for risks and charges

Provisions for risks and charges are set aside to cover liabilities of uncertain amount or due date that are recognised when, and only when, the following conditions are met:

- the company has a present obligation (legal or constructive) as a result of a past event at the

reporting date;

- it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Risks for which the related liability is only potential are disclosed in the notes to the financial statements, and no provision is made.

No additional information is provided for events that are remote, i.e. where it is very unlikely they will arise, and no provision is made.

The provisions are recognised at the amount representing the best estimate of the total that the company would pay to settle the obligation, or transfer it to third parties at year end. If the discounting effect on the value of money is significant, the provisions are calculated by discounting expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money.

On discounting, the time-related increase in the provision is recognised as financial expense.

### Revenue from goods and services

Revenue is measured at fair value with respect to the amount received or due, taking account of any trade discounts and reductions connected with quantity. A distinction is made between revenue from operating activities and any financial income accruing up to the date of collection.

For correct recognition of revenue from contracts with customers, reference is made to IFRS 15 which provides for a revenue recognition model based on 5 steps:

1. identification of the contract with the customer; Contract means a commercial agreement approved by two or more parties that creates enforceable rights and obligations. A contract is valid when the following conditions are jointly met: a) the parties have approved the contract (in writing or according to usual commercial practices); b) it is possible to identify the customer's rights as regards the goods or services that must be transferred; c) the payment terms are identifiable; d) the contract has commercial substance; e) it is probable that the price will be collected (only the customer's ability and intention to pay are considered);
2. identification of the performance obligations contained in the contract; Where a contract provides for the supply/provision of multiple goods and services, it is assessed whether these should be recognised separately or together, considering their individual

characteristics.

Activities carried out to execute the contract, such as administrative formalities for preparing the contract itself, do not transfer separate goods and services to the customer, and therefore do not represent performance obligations. Non-refundable initial expenses charged to the customer are not revenue unless they refer to separate goods and services.

If in a contract an entity gives the customer an option to purchase future goods and services, this option constitutes a separate performance obligation only if it gives the customer a benefit that the customer would not have been able to obtain in another way, for example a discount higher than those typically given for those particular goods or services. An option to purchase goods or services at a price that reflects its stand-alone selling price, is not a separate performance obligation even if it can be obtained only by signing the contract in question.

In this context, it is determined whether the entity is acting as "principal" or "agent," depending on whether or not, respectively, it controls the promised good or service before control thereof is transferred to the customer. When the entity acts as an "agent," particularly with respect to gas and electric grid connection services, revenue is recognised on a net basis;

3. determination of the transaction price. The following elements must be considered in determining the transaction price: a) any amounts collected on behalf of third parties, which must be excluded from the price; b) variable components of the price (such as performance bonuses, penalties, discounts, refunds, incentives, etc.); c) financial component, if the payment terms grant the customer a significant extension;
4. allocate the price to the Performance Obligations on the basis of the "Relative Stand Alone Selling Price". For any bundled supplies, the selling price is generally allocated on the basis of the stand-alone price of each good or service, i.e., the price at which the Group would sell such good or service separately to the customer;
5. recognise revenue when the Performance Obligation is satisfied. The asset or service is transferred when the customer obtains control over the asset or service and that is when it has the ability to decide and/or direct its use and obtain substantially all its benefits. The transfer of control, and consequently the recognition of revenue may occur at a certain point in time or

over time.

For each obligation fulfilled over time, revenue is recognised by evaluating progress toward complete fulfilment of the obligation. On the asset side, contract assets, specifically identified in the financial statements, represent the right to the price for goods and services transferred to the customer when said right is subject to a condition other than the passage of time.

When said right is unconditional, i.e. collection of the price depends solely on the passage of time, a receivable is recognised.

If the customer pays the price before the transfer of goods or services occurs, a liability arising from contracts with customers is recognised at the time payment is made (or payment is due); this liability is recognised as revenue when the obligation under the contract is fulfilled.

With reference to the specific activity of Iren S.p.A., i.e. the provision of corporate and technical-administrative services to its investees, the related revenue is recognised upon provision of the services. For each contract, the fees for the individual services rendered are identified and recorded separately.

In the event of contractual amendment, that is a change in the subject and/or the price of the contract approved by the parties, if the amendment introduces new separate goods and/or services and the increase in the contractual price is equal to the stand-alone selling price of the new goods and/or services, the contractual amendment is accounted for as a new contract. If the two aforementioned conditions are not met and the goods and/or services still to be delivered are separate with respect to what has already been transferred to the customer before the amendment, the change is treated as cancellation of the old contract and introduction of a new contract with prospective effect on revenue; otherwise the amendment is treated as continuation of the original contract with retrospective effect on revenue.

The costs of obtaining contracts with customers are capitalised in accordance with the provisions of IFRS 15 and are amortised over the duration of the relationship with the customer. In order to determine this expected period, reference is made to historical experience with churn rates.

### Grants related to assets and grants related to income

Grants related to assets are recognised, when they become payable, as deferred revenue and systematically taken as income to profit or loss over the useful life of the asset to which they refer. The deferred revenue related to the grants is recognised in the statement of financial position, under Other liabilities, with suitably separated current and non-current amounts.

Grants related to income are recognised in profit or loss when the recognition criteria are met, i.e. when their recognition as a balancing entry of supply costs related to the grants is certain.

### Other income

Other income includes all kinds of revenue not included in the previous types and not of a financial nature.

Income is measured at the fair value of the price received or due and is recognised when:

- the amount of revenue can be estimated reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company.

### Costs for the purchase of goods and services

Costs are measured at the fair value of the amount paid or to be paid. Costs for the acquisition of goods and services are recognised when their amount can be reliably determined. Costs for the purchase of assets are recognised upon delivery which, based on outstanding agreements, identifies the moment of transfer of the related risks and rewards. Costs for services are recognised on an accrual basis upon receipt.

### Financial income and expense

Financial income and expense are recognised when they accrue on the basis of the interest earned on the net amount of the related financial assets and liabilities using the effective interest rate.

Financial expense directly attributable to the acquisition, construction or production of a plant is capitalised when:

- it is likely that it will result in future economic benefits for the company;
- it can be reliably measured.

Dividends on equity investments are recognised when the right to receive payment is established. This usually coincides with the resolution passed by the Shareholders.

### Income taxes

Income taxes comprise all the taxes calculated on the company's taxable income.

Current and deferred taxes are recognised as income or expense and included in the profit or loss for the year, except to the extent that the tax arises from a transaction or event that is recognised, in the same or a different year, directly in equity.

Current tax is the expected tax payable on the taxable income for the year, applying the tax legislation enacted or substantially enacted at the reporting date. Deferred tax liabilities are calculated based on the temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts used for taxation purposes.

Deferred tax assets are recognised only when their recovery is probable. The amendments to IAS 12 approved by the European Commission with Regulation (EU) 2017/1989 of 6 November 2017 provide some clarifications on the criteria to be adopted to determine whether there are sufficient future taxable incomes against which to use the deductible temporary differences.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply for the year in which the differences will be paid.

The Group also exercised the option for the tax consolidation scheme, pursuant to Art. 118 of the new Consolidated Law on Income Tax. This requires that the consolidated companies transfer their IRES debit/credit positions to the Parent Iren S.p.A. The latter then calculates IRES on the algebraic sum of taxable profits/losses of each company taking part in the tax consolidation scheme.

In return for the taxable income earned and transferred to the parent, the consolidated company commits to paying "tax settlements" to the parent equal to the amount of taxes owed on the income transferred, net of the transferred IRES assets.

#### *Uncertainty of income tax treatment*

The definition of uncertainty should consider whether a given tax treatment would be acceptable to the Tax Authority. If it is considered probable that the Tax Authority will accept the tax treatment (the term "probable" being understood as "more likely than not"), then the Company recognises and measures its current or deferred tax assets and liabilities by applying the provisions of IAS 12. Conversely, if the Company believes that it is not likely that the Tax Authority will accept the tax treatment for income tax purposes, it reflects the effect of such uncertainty by using the method that best provides for the resolution of the uncertain

tax treatment. The Company decides whether to consider each uncertain tax treatment separately or in conjunction with one or more uncertain tax treatments, choosing the approach that best provides for resolution of the uncertainty. In assessing whether and how uncertainty affects tax treatment, the Company assumes that the Tax Authority does or does not accept uncertain tax treatment on the assumption that the Tax Authority, on audit, will check the amounts it is entitled to examine and that it will be fully aware of all relevant information. The Company reflects the effect of uncertainty in determining current and deferred income taxes, using either the expected value method or the most probable amount method, depending on which method best provides for resolution of the uncertainty. Since uncertain tax positions relate to the definition of income taxes, the Company reports uncertain tax assets/liabilities as current taxes or deferred taxes.

### **ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED AS OF 1 JANUARY 2023**

As of 1 January 2023, the following accounting standards and amendments to accounting standards, issued by the IASB and endorsed by the European Union, are obligatorily applicable:

#### *IFRS 17 - Insurance contracts*

In May 2017, the IASB published IFRS 17 Insurance Contracts, which replaces IFRS 4, issued in 2004. The standard aims to improve investor understanding of insurers' risk exposure, profitability and financial position by requiring that all insurance contracts be accounted for consistently by overcoming the comparison problems created by IFRS 4.

This standard had no significant impact on the company's financial results and related financial reporting.

*Amendments to IAS 1 and to IAS 8*

European Union Regulation 2022/357 of 2 March 2022 endorses the amendments to IAS 1 and IAS 8 published by the IASB on 12 February 2021.

The amendments clarify the differences between accounting policies and accounting estimates in order to ensure the consistent application of accounting policies and the comparability of financial statements, and require companies to provide relevant information on the accounting policies applied, suggesting that unnecessary disclosures be avoided or limited.

*Amendments to IAS 12 Income Taxes: Deferred taxes on assets and liabilities arising from a single transaction*

The amendments to this standard require the recognition of deferred tax assets and liabilities for transactions that give rise to taxable and deductible temporary differences of equal amount upon initial recognition (e.g., leases and decommissioning obligations); the purpose of these amendments is to improve and provide comparability of information for the benefit of financial statement users with respect to the tax impacts of leases and decommissioning costs.

**ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BUT NOT YET APPLICABLE AND NOT ADOPTED EARLY BY THE COMPANY***Amendments to IFRS 16 - Leases Lease Liability in a Sale and Leaseback*

Issued on 22 September 2022, its purpose is to clarify the impact that a sale or leaseback transaction could have on a financial liability with variable payments that are not index- or rate-related. The amendments are applicable from 1 January 2024, with the possibility of earlier application.

*Amendments to IAS 1 - Classification of liabilities as current or non-current and Non-current liabilities with covenants*

Issued on 23 January 2020 and 31 October 2022, they provide clarifications on the classification of liabilities as current or non-current.

## ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EUROPEAN UNION

It should be noted that these documents will only be applicable once they have been endorsed by the EU.

Document title	Issue date by the IASB	Effective date of the IASB document	Date of expected endorsement by the EU
<b>Standards</b>			
IFRS 14 Regulatory Deferral Accounts	January 2014	1 January 2016	Endorsement process suspended pending new standards on "rate regulated activities"
<b>Amendments</b>			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until completion of IASB project on the equity method	Endorsement process suspended pending conclusion of IASB project on the equity method
Supplier finance (Amendments to IAS 7 and IFRS 7)	May 2023	1 January 2024	To be defined
Lack of exchangeability (Amendments to IAS 21) Effects of Changes in Foreign Exchange Rates	August 23	1 January 2025	To be defined

As regards the new standards applicable starting from 2023 or subsequent years, assessments for their correct application and analyses of the presumable impacts on future financial statements are in progress.



### III. Financial risk management of iren S.p.A.

A summary of the risk management methods is shown hereunder for the risk management and control with respect to the financial instruments (liquidity risk, interest rate risk, credit risk).

As part of its Risk Management activities, the Company uses non-speculative hedging contracts to limit interest rate risk.

#### LIQUIDITY RISK

Liquidity risk is the risk that financial resources available to the company will be insufficient to cover financial and trade commitments in accordance with the agreed terms and deadlines.

The current and forecast financial position and the availability of adequate credit facilities are constantly monitored, and no critical points have emerged regarding the coverage of short-term financial commitments. At the end of the year short-term bank credit facilities used by the company totalled 9 million euro.

In addition, having assessed the convenience and advisability from time to time in the context of optimising available financial resources, the Company carries out non-recourse factoring of tax assets, benefiting from the liquidity advance arising therefrom.

In this context, to support the company's liquidity profile and rating level, in addition to current cash and cash equivalents, Iren has a total of 415 million euro, including medium/long-term financing lines agreed and available but not used (215 million euro) and the new committed Sustainability-Linked revolving credit facilities (RCF), agreed in December with Unicredit and BPER (200 million euro).

The table below illustrates the nominal cash flows required to settle financial liabilities:

thousands of euro

Data as at 31/12/2023	Carrying amount	Contractual cash flows	Within 12 months	1-5 years	Over 5 years
Loan and bond liabilities (*)	4,361,566	(4,742,456)	(633,976)	(2,128,613)	(1,979,867)
Hedging of interest rate risk (**)	(8,170)	8,170	20,004	(1,448)	(10,386)
Lease liabilities	11,441	(11,253)	(4,009)	(5,846)	(1,398)

(\*) The carrying amount of "Loan and bond liabilities" includes both current and non-current portions.

(\*\*) The carrying amount of "Hedging of interest rate risk" includes the fair value of hedging contracts (both positive and negative).

Cash flows required to settle remaining financial liabilities, other than those shown in the above tables, do not differ significantly from the recognised carrying amount.

Financial debt from loans at year end consisted of 31% in loans and 69% in bonds; it is noted that 77% of the total debt was financed by sustainable funds and that 69% of the residual debt for loans was at fixed rate and 31% at floating rate

For details of the liquidity risk management policies, reference is made to the Notes to the Consolidated Financial Statements included in this report.

#### INTEREST RATE RISK

Iren is exposed to interest rate fluctuations especially with regard to the measurement of borrowing costs. The strategy is to limit exposure to the risk of interest rate volatility, maintaining at the same time a low cost of funding.

For non-speculative purposes, the risks associated with the increase in interest rates are monitored and, if necessary, reduced or eliminated by *swap* and *collar* contracts with financial counterparties of high credit standing, for the sole purpose of hedging. At the end of the year, all the contracts entered into meet the requisite of limiting the exposure to the risk of fluctuations in interest rates and they also meet the formal requirements for the application of hedge accounting.

The total fair value of the aforementioned interest rate hedges was a positive 8,170 thousand euro as at 31 December 2023.

The hedging contracts entered into, together with fixed-rate loans, hedge approximately 87% of loans against interest rate risk, in line with the goal of maintaining adequate protection against significant increases in the interest rate.

The total fair value of the aforementioned interest rate hedges was a positive 8,170 thousand euro as at 31 December 2023.

The hedging contracts entered into, together with fixed-rate loans, hedge approximately 87% of loans against interest rate risk, in line with the goal of maintaining adequate protection against significant increases in the interest rate.

For a more complete understanding of the interest rate risks to which the Company is exposed, stress testing was performed on the sensitivity of net financial expense and evaluation portions in derivatives contracts to changes in interest rates. As regards financial expense, this analysis was performed on the basis of reasonable assumptions as follows:

- a theoretical increase and decrease of 100 basis

points in the Euribor interest rates over the year was applied to net financial debt;

- if there was any existing hedge, interest rate shock was applied to both the debt position and related hedging derivative with an extremely limited net effect on the income statement;
- the change in interest rates is also applied to any portion of interest expense capitalised in the year.

With regard to hedging derivatives at year end, a 100 basis points theoretical increase and decrease was applied to the forward curve of interest rates used to measure the fair value of the hedges.

The table below illustrates the results of the above sensitivity analysis performed with reference to 31 December 2023.

thousands of euro

	Financial expense		Hedging Reserve	
	100 bps increase	100 bps decrease	100 bps increase	100 bp decrease
<b>Cash flow sensitivity (net)</b>				
Net financial debt				
(including hedging contracts)	889	(1,014)	-	-
<b>Change in fair value</b>				
Hedging contracts				
(evaluation portions only)	51	-	66,559	(71,640)
<b>Total impact from sensitivity analysis</b>	<b>940</b>	<b>(1,014)</b>	<b>66,559</b>	<b>(71,640)</b>

## RECOGNITION OF DERIVATIVES

Financial derivatives are measured at fair value, determined on the basis of market values or, if unavailable, according to an internal measurement technique.

In order to recognise derivatives, it is necessary to distinguish between transactions that meet all of the IFRS 9 requirements in order to account for them in compliance with the hedge accounting rules and transactions that do not fulfil all of the aforesaid requirements.

### Transactions recognised under hedge accounting

These transactions may include:

- **fair value hedges:** the derivative and the hedged item are recognised at fair value in the statement of financial position and the change in their

fair values is recognised directly in the income statement;

- **cash flow hedges:** the derivative is recognised at fair value with a balancing entry in a specific equity reserve for the effective portion of the hedge and in the income statement for the ineffective portion; when the hedged item arises, the amount suspended in equity is reversed to the income statement.

Classification in the income statement of the ineffective portion and the deferred amount transferred from equity is based on the nature of the underlying instrument. Specifically, in the case of interest rate risk hedges in financial income and expense.

*Transactions not recognised under hedge accounting*

The derivative is recognised at fair value in the statement of financial position. The change in the fair value of the derivative is recognised in the income statement and is classified based on the type of underlying instrument; in the case of interest rate risk hedges, in financial income and expense.

As regards the measurement of the derivative in the statement of financial position items, the fair value of the derivative is recognised in non-current financial assets and liabilities if the related underlying item is non-current. Conversely, the derivative is recognised in current financial assets and liabilities if the underlying item is settled within the reporting period.

**FAIR VALUE**

The following table shows, for each financial asset and liability:

- the carrying amount, including the method of accounting;
- the fair value, including the Level in the relative hierarchy.

In this regard, the various levels were defined as shown below:

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities;
- Level 2: Inputs other than Level 1 quoted prices which are observable for the asset or liability, either directly (as in the case of prices), or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability which are not based on observable market data.

**Loans and bonds**

The fair value of loans, level 2, is determined as the sum of estimated future cash flows associated with assets or liabilities, including the related component of financial income or expense, discounted with reference to the reporting date. This present value is determined by applying the forward interest rate curve at the reporting date.

With regard to bonds, the relative fair value (level 1) is derived from the quotation on the regulated markets of the Irish Stock Exchange (Euronext Dublin) and on the ExtraMOT Pro market of Borsa Italiana.

**Derivative hedging contracts**

All Iren S.p.A. hedging financial instruments have a fair value which can be classified as level 2. This level is measured through valuation techniques, that take, as a reference, parameters that can be observed on the market (e.g. interest rates, commodity prices) and are different from the prices of the financial instruments, or in any case that do not require a significant adjustment based on data which cannot be observed on the market.

Finally, it should be noted that there have been no transfers between the various levels of the fair value hierarchy and that information on the fair value of financial assets and liabilities not measured at fair value is excluded when their carrying amount is reasonably representative of their fair value.

In order to provide a disclosure as complete as possible, the corresponding figure from the previous year is also indicated.

31.12.2023	Carrying amount				TOTAL
	Fair value of hedging instruments	Fair Value Through Profit & Loss	Financial assets measured at amortised cost	Other financial liabilities	
<b>Financial assets measured at fair value</b>					
Interest rate derivative hedging contracts	30,611				30,611
Assets for variable portion of transfer price OLT Offshore LNG Toscana		21,599			21,599
Other equity investments		1,279			1,279
<b>Total Financial assets measured at fair value</b>	<b>30,611</b>	<b>22,878</b>	<b>-</b>	<b>-</b>	<b>53,489</b>
<b>Financial assets not measured at fair value</b>					
Non-current financial assets with related parties			3,613,425		3,613,425
Trade receivables			102,022		102,022
Loan assets			37,474		37,474
Sundry assets and other assets (*)			157,393		157,393
Cash and cash equivalents			281,685		281,685
<b>Total Financial assets not measured at fair value</b>	<b>-</b>	<b>-</b>	<b>4,191,999</b>	<b>-</b>	<b>4,191,999</b>
<b>Financial liabilities measured at fair value</b>					
Derivative hedging contracts (rate and commodities)	(22,441)				(22,441)
<b>Total Financial liabilities measured at fair value</b>	<b>(22,441)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(22,441)</b>
<b>Financial liabilities not measured at fair value</b>					
Bonds				(3,021,690)	(3,021,690)
Loans				(1,339,875)	(1,339,875)
Other financial liabilities (**)				(206,243)	(206,243)
Trade payables				(135,702)	(135,702)
Sundry liabilities and other liabilities (*)				(100,822)	(100,822)
<b>Total Financial liabilities not measured at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,804,332)</b>	<b>(4,804,332)</b>
<b>TOTAL</b>	<b>8,170</b>	<b>22,878</b>	<b>4,191,999</b>	<b>(4,804,332)</b>	<b>(581,285)</b>

(\*) Prepaid expenses and deferred income are excluded

(\*\*) Lease liabilities recognised in accordance with IFRS 16 are excluded

thousands of euro

31.12.2023	Fair value			
	Level 1	Level 2	Level 3	TOTAL
<b>Financial assets measured at fair value</b>				
Interest rate derivative hedging contracts		30,611		30,611
Assets for variable portion of transfer price OLT Offshore LNG Toscana			21,599	21,599
Other equity investments				-
<b>Total Financial assets measured at fair value</b>	<b>-</b>	<b>30,611</b>	<b>21,599</b>	<b>52,210</b>
<b>Financial assets not measured at fair value</b>				
Non-current financial assets with related parties		3,372,846		3,372,846
Trade receivables				-
Loan assets				-
Sundry assets and other assets (*)				-
Cash and cash equivalents				-
<b>Total Financial assets not measured at fair value</b>	<b>-</b>	<b>3,372,846</b>	<b>-</b>	<b>3,372,846</b>
<b>Financial liabilities measured at fair value</b>				
Derivative hedging contracts (rate and commodities)		-		-
<b>Total Financial liabilities measured at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities not measured at fair value</b>				
Bonds	(2,769,706)			(2,769,706)
Loans		(1,345,346)		(1,345,346)
Other financial liabilities (**)				-
Trade payables				-
Sundry liabilities and other liabilities (*)				-
<b>Total Financial liabilities not measured at fair value</b>	<b>(2,769,706)</b>	<b>(1,345,346)</b>	<b>-</b>	<b>(4,115,052)</b>
<b>TOTAL</b>	<b>(2,769,706)</b>	<b>2,058,111</b>	<b>21,599</b>	<b>(689,996)</b>

The non-current portion of "Financial assets measured at fair value" includes at Level 3 the asset relating to the variable portion of the sale price of OLT Offshore LNG Toscana, amounting to 21,599 thousand euro as at 31 December 2023, the fair value of which is determined on the basis of the application of the price formula provided for in the contract,

taking into account the average profitability of the company relating to its historical financial statements and the discount rates inferred from its financial statements. In this regard, a sensitivity on the fair value of this item is reported, expressing the change in it when the expected profitability and discount rate increase/decrease by one percentage point.

thousands of euro

	+1%	-1%
Profitability (flows)	1,243	(1,332)
Discount rate	(658)	602

The fair value level of "Other equity investments" (which refer to companies not listed on regulated markets) is not reported, since the related carrying amount is a reasonable approximation.

thousands of euro

31.12.2022	Carrying amount				
	Fair value of hedging instruments	Fair Value Through Profit & Loss	Financial assets measured at amortised cost	Other financial liabilities	TOTAL
<b>Financial assets measured at fair value</b>					
Interest rate derivative hedging contracts	61,729				61,729
Assets for variable portion of transfer price OLT Offshore LNG Toscana		25,077			25,077
Other equity investments		469			469
<b>Total Financial assets measured at fair value</b>	<b>61,729</b>	<b>25,546</b>	<b>-</b>	<b>-</b>	<b>87,275</b>
<b>Financial assets not measured at fair value</b>					
Non-current financial assets with related parties			3,004,879		3,004,879
Trade receivables			98,003		98,003
Loan assets			30,033		30,033
Sundry assets and other assets (*)			53,092		53,092
Cash and cash equivalents			573,372		573,372
<b>Total Financial assets not measured at fair value</b>	<b>-</b>	<b>-</b>	<b>3,759,379</b>	<b>-</b>	<b>3,759,379</b>
<b>Financial liabilities measured at fair value</b>					
Derivative hedging contracts (rate and commodities)	-				-
<b>Total Financial liabilities measured at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities not measured at fair value</b>					
Bonds				(3,015,622)	(3,015,622)
Loans				(1,033,487)	(1,033,487)
Other financial liabilities (**)				(169,007)	(169,007)
Trade payables				(133,615)	(133,615)
Sundry liabilities and other liabilities (*)				(101,720)	(101,720)
<b>Total Financial liabilities not measured at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,453,452)</b>	<b>(4,453,452)</b>
<b>TOTAL</b>	<b>61,729</b>	<b>25,546</b>	<b>3,759,379</b>	<b>(4,453,452)</b>	<b>(606,798)</b>

(\*) Prepaid expenses and deferred income are excluded

(\*\*) Lease liabilities recognised in accordance with IFRS 16 are excluded

thousands of euro

31.12.2022	Fair value			
	Level 1	Level 2	Level 3	TOTAL
<b>Financial assets measured at fair value</b>				
Interest rate derivative hedging contracts		61,729		61,729
Assets for variable portion of transfer price OLT Offshore LNG Toscana			25,077	25,077
Other equity investments				-
<b>Total Financial assets measured at fair value</b>	-	61,729	25,077	86,806
<b>Financial assets not measured at fair value</b>				
Non-current financial assets with related parties		2,700,554		2,700,554
Trade receivables				-
Loan assets				-
Sundry assets and other assets (*)				-
Cash and cash equivalents				-
<b>Total Financial assets not measured at fair value</b>	-	2,700,554	-	2,700,554
<b>Financial liabilities measured at fair value</b>				
Derivative hedging contracts (rate and commodities)			-	-
<b>Total Financial liabilities measured at fair value</b>	-	-	-	-
<b>Financial liabilities not measured at fair value</b>				
Bonds	(2,558,262)			(2,558,262)
Loans		(1,018,382)		(1,018,382)
Other financial liabilities (**)				-
Trade payables				-
Sundry liabilities and other liabilities (*)				-
<b>Total Financial liabilities not measured at fair value</b>	(2,558,262)	(1,018,382)	-	(3,576,644)
<b>TOTAL</b>	(2,558,262)	1,743,901	25,077	(789,284)

### **CREDIT RISK**

From a business point of view, Iren S.p.A. is not particularly exposed to credit risk as it mainly provides professional services to the subsidiaries, according to their needs, based on service agreements signed by the parties.

Financial assets with subsidiaries arise from the centralised procurement of financial resources in order to optimise their use. In particular, centralised management of cash flows at Iren makes it possible to allocate the funds available at the Group level

according to the needs that from time to time arise among the individual Companies. Cash movements are recognised in intra-group accounts along with intra-group interest income and expense. A number of investees have an independent financial management structure in compliance with the guidelines provided by the parent.

For details of the credit risk management policies, reference is made to the Notes to the Consolidated Financial Statements included in this report.



## IV. Related party transactions

As indicated in the Directors' Report, contained in this document, the information on main transactions with related parties, carried out for Iren S.p.A. is provided below.

### Transactions with subsidiaries

#### Intra-group Services

In order to make the most of the organisational synergies that can be achieved, Iren's configuration is based on the model of an industrial holding company, with staff structures that are adequate to support the Group's strategic, development, financial, IT, administrative, and control activities. Therefore, Iren is able to provide professional services of a technical-administrative nature in favour of its subsidiaries, which operate in the relevant business field. All these activities are governed by special supply contracts at arm's length.

#### Financial management

Organisational solutions were adopted with the aim of centralising financial management for the entire Group under the direct responsibility of Iren S.p.A., in order to optimise the structure and conditions of access to third party financing. For this purpose, loans have been contracted by Iren with financial institutions, whereby the funds are subsequently transferred to the Group's companies to support the investments made by these companies based on intra-group facility agreements. The conditions of intra-group loan agreements have been defined according to the conditions which the Parent procures on the financial market.

#### Tax consolidation

The Group also exercised the option for the tax consolidation scheme, pursuant to Art. 117 of the new Consolidated Law on Income Tax. This requires that the consolidated companies transfer their IRES debit/credit positions to the tax consolidation parent IREN S.p.A. The latter then calculates IRES on the algebraic sum of taxable profits/losses of each company taking part in the tax consolidation scheme.

In return for the taxable income earned and transferred to the parent, the consolidated company commits to paying "tax settlements" to the parent equal to the amount of taxes owed on the income transferred, net of the transferred IRES assets. The companies in the domestic tax consolidation for 2023, not including the Parent Iren Spa, are as follows: Iren energia S.p.A., Ireti S.p.A., Territorio e Risorse S.r.l., Iren Acqua S.p.A., Iren Mercato S.p.A., Iren Ambiente S.p.A., Iren Smart Solution S.p.A., Acam Ambiente S.p.A., Acam Acque S.p.A.,

Maira S.p.A., AMIAT S.p.A. AMIAT V S.p.A., Formaira S.p.A., Alfa Solutions S.p.A., Recos S.p.A., Iren Laboratori S.p.A., IAM Parma S.r.l., IAM Piacenza S.r.l., ASM Vercelli S.p.A., Atena Trading S.r.l., Gia in liquidazione S.r.l., San Germano S.p.A., Rigenera Materiali S.r.l., BSA s.r.l., Uniproject S.r.l. Manduriambiente Spa, Scarlino Energia S.p.A., Iren Ambiente Toscana S.p.A. TB S.p.A., Futura S.p.A., Ireti Gas S.p.A., Iren Acqua Reggio S.r.l., Valle Dora Energia S.r.l., Alegas S.r.l., IGGT S.r.l., IGG S.r.l., Valdarno Srl, Dogliani Energia S.r.l. and I Blu S.r.l..

### VAT Group

In September 2019, Iren exercised the option for establishment of Group VAT to which the Revenue Agency attributed a new VAT number with effect from 1 January 2020.

The companies that take part in the VAT Group for 2023, not including the Parent Iren S.p.A., are as follows: Iren Energia S.p.A., IRETI S.p.A. (and SAP Srl merged into the same), IRETI Gas Spa, Iren Acqua Reggio srl (incorporated by means of the separation of IRETI), Iren Mercato S.p.A., Iren Ambiente S.p.A., AMIAT S.p.A., Iren Smart Solutions S.p.A., Iren Acqua Tigullio S.p.A., Iren Acqua S.p.A., Iren Laboratori S.p.A., Bonifica Autocisterne S.r.l., ASM Vercelli S.p.A., Atena Trading S.r.l., ACAM Ambiente S.p.A., ACAM Acque S.p.A., ReCos S.p.A., Alfa Solutions S.p.A., TRM S.p.A, San Germano S.p.A., Maira S.p.A., Formaira S.p.A., Territorio e Risorse S.r.l. and Rigenera Materiali S.r.l. , BSA s.r.l., Uniproject S.r.l., Manduriambiente S.p.A., Iren Ambiente Toscana S.p.A., TB S.p.A., Borgo Ambiente Scarl, Futura S.p.A., I Blu S.r.l., IAM Parma S.r.l., IAM Piacenza S.r.l., Asti Energia e Calore S.p.A, SEI Toscana S.r.l., Alegas Srl, Valdarno Ambiente Srl, LAB 231 srl, Dogliani Energia Srl, Valle Dora Energia Srl, IGGT Srl (and the companies merged into the same: Paolo, Piano, Traversa and Solleone), BSA S.r.l..

### Transactions with owners

Iren S.p.A.'s main transactions with owners concern not only property taxes, but also costs for sponsorships, including of a technical nature, within the scope of which the Group's activities were promoted.

### Transactions with joint ventures and associates

Among the main transactions carried out by the Iren S.p.A. with joint ventures and associates, we can note:

- the reversible fees paid to Iren S.p.A. for the

participation of its employees in the Boards of Directors of the related companies;

- the supply of administrative services.

Quantitative information on transactions with related parties is provided in section "X. Annexes to the Separate Financial Statements", considered an integral part of these Notes.

Finally, as regards the Directors and Statutory Auditors of Iren S.p.A. with the exception of payment of the fees envisaged for the performance of duties in the management or control bodies, we can report that there were no transactions.

Transactions that consist of assigning remunerations and economic benefits, in any form, to members of the management and control bodies of Iren S.p.A. and Key Management Personnel of Iren Group are also subject to the provisions of the RPT Procedure.

The remuneration of key management (members of the Board of Directors - including members who resigned during 2023 - and key management personnel) totals 4,077 thousand euro, and refers to fixed remuneration (3,137 thousand euro), remuneration for participation in committees (138 thousand euro), bonuses and other incentives (768 thousand euro) and non-cash benefits (34 thousand euro).

## V. Significant events after the reporting date

### **Fifth Green Bond issue of 500 million euro**

As part of the existing Euro Medium Term Notes (EMTN) programme (amounting to 4 billion euro), on 15 January 2024, Iren S.p.A. concluded, with considerable success in terms of orders received, the issue and listing of Bonds (the fifth issue in the Green Use of Proceeds format) reserved for institutional investors, amounting to 500 million euro and with a duration of 8.5 years, intended to finance and refinance projects that contribute to the achievement of the sustainability objectives defined in the Business Plan.

The bonds, which have a minimum unit denomination of 100,000 euro and mature on 22 July 2032, pay a gross yearly interest of 3.875% and were placed at an issue price of 99.514%. The effective rate of return at maturity is therefore 3.946%, corresponding to a yield of 135 basis points above the mid-swap rate.

The new Bond issue is listed on the regulated market of the Irish Stock Exchange (Euronext Dublin) and is admitted for trading on the Euronext Access Milan system, organised and managed by Borsa Italiana, in the segment dedicated to green instruments.

## VI. Other information

### **CONSOB COMMUNICATION NO. DEM/6064293 of 28 July 2006**

#### **Significant non-recurring events and transactions**

During 2023, the Company was not affected by "non-recurring" events and did not carry out significant transactions identified as such on the basis of the definitions contained, in the Communication. In particular, it was not affected by events which do not reoccur frequently during the normal performance of the business.

#### **Positions or transactions deriving from atypical and/or unusual transactions**

In 2023, the company was not involved in atypical and/or unusual transactions, as defined in the Communication, i.e. transactions that may, due to their

significance/relevance, nature of the counterparties, subject of the transaction, methods for determining the transfer price and timing of the event (near year end), give rise to concerns about the correctness/completeness of the financial statements disclosures, conflict of interest, safeguard of the company's assets or protection of non-controlling investors.

#### **DISCLOSURE ON PUBLIC DISBURSEMENTS**

With reference to what is provided for on the subject of transparency in the system of public disbursements pursuant to article 35 of Decree-Law no. 34/2019 (Decree "Crescita") we can specify that the National Register of State Aid includes aid, in favour of the company, which must be disclosed. For the related details please see the aforementioned Register, under the terms of article 35, paragraph 125-quinquies.

## VII. Information on the statement of financial position

Unless otherwise stated, the tables below are in thousands of euro.

### ASSETS

#### NON-CURRENT ASSETS

#### NOTE 1\_PROPERTY, PLANT AND EQUIPMENT

The breakdown of property, plant and equipment, including right-of-use assets, is shown in the table below:

thousands of euro

	Cost as at 31/12/2023	Accumulated depreciation as at 31/12/2023	Carrying amount as at 31/12/2023	Cost as at 31/12/2022	Accumulated depreciation as at 31/12/2022	Carrying amount as at 31/12/2022
Land	15,077	(1,120)	13,957	15,113	(1,110)	14,003
Buildings	149,504	(29,356)	120,148	143,388	(26,827)	116,561
Plant and machinery	15,745	(5,478)	10,267	9,439	(2,259)	7,180
Industrial and commercial equipment	1,714	(734)	980	1,200	(640)	560
Other assets	77,770	(43,323)	34,447	61,308	(35,324)	25,984
Assets under construction and payments on account	45,034	-	45,034	28,420	-	28,420
<b>Total</b>	<b>304,844</b>	<b>(80,011)</b>	<b>224,833</b>	<b>258,868</b>	<b>(66,160)</b>	<b>192,708</b>

The variation in the historical cost of property, plant and equipment, including right-of-use assets, is as follows:

thousands of euro

	31/12/2022	Increases	Decreases	Reclassifications	31/12/2023
Land	15,113	6	(42)	-	15,077
Buildings	143,388	8,785	(3,276)	607	149,504
Plant and machinery	9,439	3,255	(5)	3,056	15,745
Industrial and commercial equipment	1,200	514	-	-	1,714
Other assets	61,308	16,306	(1,446)	1,602	77,770
Assets under construction and payments on account	28,420	17,649	-	(1,035)	45,034
<b>Total</b>	<b>258,868</b>	<b>46,515</b>	<b>(4,769)</b>	<b>4,230</b>	<b>304,844</b>

Changes in accumulated depreciation are shown below:

thousands of euro

	31/12/2022	Depreciation for the year	Decreases	Reclassifications	31/12/2023
Land	(1,110)	(10)	-	-	(1,120)
Buildings	(26,827)	(5,641)	3,112	-	(29,356)
Plant and machinery	(2,259)	(1,945)	-	(1,274)	(5,478)
Industrial and commercial equipment	(640)	(94)	-	-	(734)
Other assets	(35,324)	(10,680)	1,407	1,274	(43,323)
<b>Total</b>	<b>(66,160)</b>	<b>(18,370)</b>	<b>4,519</b>	<b>-</b>	<b>(80,011)</b>

The main categories refer to:

- Land and buildings: this item mainly includes buildings relating to management offices or in support of operating activities;
- Plant and equipment: this item includes the auxiliary systems of buildings, air conditioning systems, telecommunications equipment and some prototypes for development activities;
- Other assets: include motor vehicles and cars, furniture, office machines and IT equipment;
- Assets under construction and payments on account: this item includes all expenses incurred for investments in progress and not yet in operation.

Finally, no assets are pledged against liabilities.

### Increases

The increases in the year, of 46,515 thousand euro, refer mainly to:

- extraordinary maintenance, also during realisation, of buildings and auxiliary plants at the various Company Offices;
- upgrading of hardware infrastructure and telecommunications equipment;
- investments in motor vehicles, including those leased and recorded in accordance with IFRS 16;
- investments for the purchase of equipment and furnishings;
- costs incurred for the building renovation of the Piazza Raggi (Genoa) office, which is currently underway.

### Depreciation

Ordinary depreciation for 2023, amounting to 18,370

thousand euro, was calculated on the basis of the rates indicated in the section "Accounting policies" and deemed representative of the residual useful life of the assets.

### Reclassifications

It is noted that changes in statement of financial position items, in addition to the normal entry into operation of investments made in the previous year, concern mainly the reclassification of assets related to Tlc infrastructure.

### Right-of-use assets - IFRS 16

IFRS 16 provides for recognition in the statement of financial position of the assets and related financial liabilities for all lease contracts with a term of more than 12 months unless the underlying asset is of low value. The contracts in which Iren S.p.A. acts as lessee refer to property leases and long-term hires of cars and other motor vehicles.

The breakdown of right-of-use assets, divided between historical cost, accumulated depreciation and carrying amount, is as follows:

thousands of euro

	Cost as at 31/12/2023	Accumulated depreciation as at 31/12/2023	Carrying amount as at 31/12/2023	Cost as at 31/12/2022	Accumulated depreciation as at 31/12/2022	Carrying amount as at 31/12/2022
Land	121	(37)	84	115	(28)	87
Buildings	23,127	(8,863)	14,264	18,150	(8,735)	9,415
Other assets	9,301	(3,516)	5,785	6,648	(2,591)	4,057
<b>Total</b>	<b>32,549</b>	<b>(12,416)</b>	<b>20,133</b>	<b>24,913</b>	<b>(11,354)</b>	<b>13,559</b>

The variation in the historical cost of right-of-use assets, is as follows:

thousands of euro

	31/12/2022	Increases	Decreases	31/12/2023
Land	115	6	-	121
Buildings	18,150	8,243	(3,266)	23,127
Other assets	6,648	4,066	(1,413)	9,301
<b>Total</b>	<b>24,913</b>	<b>12,315</b>	<b>(4,679)</b>	<b>32,549</b>

Finally, changes in the accumulated depreciation of right-of-use assets are shown below:

thousands of euro

	31/12/2022	Depreciation for the year	Decreases	31/12/2023
Land	(28)	(9)	-	(37)
Buildings	(8,735)	(3,240)	3,112	(8,863)
Other assets	(2,591)	(2,300)	1,375	(3,516)
<b>Total</b>	<b>(11,354)</b>	<b>(5,549)</b>	<b>4,487</b>	<b>(12,416)</b>

**NOTE 2\_ INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE**

The breakdown of intangible assets, divided between historical cost, accumulated amortisation and carrying amount is as follows:

thousands of euro

	Cost as at 31/12/2023	Accumulated depreciation as at 31/12/2023	Carrying amount as at 31/12/2023	Cost as at 31/12/2022	Accumulated depreciation as at 31/12/2022	Carrying amount as at 31/12/2022
Development expenditure	47	(47)	-	47	(47)	-
Industrial patents and intellectual property rights	238,829	(140,748)	98,081	183,607	(109,918)	73,689
Concessions, licences, trademarks and similar rights	34	(4)	30	34	(4)	30
Other intangible assets	9,601	(9,591)	10	9,605	(9,491)	114
Assets under development and payments on account	11,463	-	11,463	14,298	-	14,298
<b>Total</b>	<b>259,974</b>	<b>(150,390)</b>	<b>109,584</b>	<b>207,591</b>	<b>(119,460)</b>	<b>88,131</b>

The change in the historical cost of intangible assets is as follows:

thousands of euro

	31/12/2022	Increases	Decreases	Reclassifications	31/12/2023
Development expenditure	47	-	-	-	47
Industrial patents and intellectual property rights	183,607	48,252	(246)	7,216	238,829
Concessions, licences, trademarks and similar rights	34	-	-	-	34
Other intangible assets	9,605	-	(4)	-	9,601
Assets under development and payments on account	14,298	8,611	-	(11,446)	11,463
<b>Total</b>	<b>207,591</b>	<b>56,863</b>	<b>(250)</b>	<b>(4,230)</b>	<b>259,974</b>

Changes in the accumulated amortisation are shown below:

thousands of euro

	31/12/2022	Amortisation for the year	Decreases	Reclassifications	31/12/2023
Development expenditure	(47)	-	-	-	(47)
Industrial patents and intellectual property rights	(109,918)	(31,021)	191	-	(140,748)
Concessions, licences, trademarks and similar rights	(4)	-	-	-	(4)
Other intangible assets	(9,491)	(103)	3	-	(9,591)
<b>Total</b>	<b>(119,460)</b>	<b>(31,124)</b>	<b>194</b>	<b>-</b>	<b>(150,390)</b>

The main categories refer to:

- Industrial patents and intellectual property rights: the item consists of software use licenses and costs incurred for the internal production of software created in order to adapt and update the licensed applications; these assets are amortised over a five-year year;
- Assets under development: this item consists mainly of costs incurred for new implementations and studies relating to IT projects, concerning applications supporting operating and administrative activities.

### **Increases**

Increases in the year, amounting to 56,863 thousand euro, primarily refer to the purchase, internal development (including ongoing development), implementation and adaptation of software for administrative, commercial and customer management within the Group.

### **Decreases**

Decreases for the year of 56 thousand euro relate to the revision of certain estimates recorded in previous years.

## **NOTE 3\_INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

### **Equity investments in subsidiaries**

Data on investments in direct subsidiaries, i.e., the lead companies of the Group's business chains, as at 31 December 2023 can be found in the appropriate section of the Annexes.

The carrying amounts of equity investments are as follows, and are unchanged from the previous year.

thousands of euro

	Cost of equity investment	Equity at 31/12/2023	Difference between equity and cost of equity investment
Iren Ambiente	243,437	346,153	102,716
IRETI	1,039,100	1,160,983	121,565
Iren Energia	1,139,112	1,340,072	200,960
Iren Mercato	142,383	91,628	(50,437)
<b>Total</b>	<b>2,564,032</b>	<b>2,938,836</b>	<b>374,804</b>

The impairment per BU presented in the Note "Goodwill" of the consolidated financial statements is also used for the valuation of equity investments in subsidiaries held by Iren S.p.A. and allows to conclude that, with reference to these investments, there are no indications of impairment.

The only company showing a trigger, represented by net assets below cost, is Iren Mercato. Based on the valuations performed in carrying out the CGU impairment test, the equity value of the investment was higher than its carrying value (142,065 thousand euro), and therefore, it was not necessary to recorded an impairment loss on the investment.

## **NOTE 4\_OTHER EQUITY INVESTMENTS**

This item relates to investments in companies over which Iren S.p.A. has neither control nor significant influence. These equity investments are measured at fair value but, as the most recent information available for measuring the fair value is insufficient and the cost represents the best estimate of the fair value, they are recognised at cost. As of the date of these separate financial statements, the item refers to the equity investment held in the consortium company Competence Industry Manufacturing 4.0 in the amount of 175 thousand euro (150 thousand euro as at 31 December 2022) as well as the equity investment in the company Tech4planet in the amount of 1,104 thousand euro (319 thousand euro as at 31 December 2022).

**NOTE 5\_NON-CURRENT FINANCIAL ASSETS**

The total of the item amounted to 3,677,676 thousand euro (3,103,724 thousand euro as at 31 December 2022).

	thousands of euro	
	31/12/2023	31/12/2022
Cash pooling arrangement - subsidiaries	3,543,161	2,941,431
Loan assets with subsidiaries	82,265	75,447
Fair value of derivatives – non-current portion	30,611	61,729
Sundry assets	40	40
Other financial assets	21,599	25,077
<b>Total</b>	<b>3,677,676</b>	<b>3,103,724</b>

For details on the item "Cash pooling arrangement", see the table showing "Transactions with related parties" in the Annexes to this document.

The fair value of derivative contracts, for the non-current portion, amounted to 30,611 thousand euro (61,729 thousand euro as at 31 December 2022). For comments please see the section "Financial risk management of Iren S.p.A."

Sundry assets refer to participation in a film production under a Tax credit regime for 40 thousand euro (unchanged from 31 December 2022).

The item "Other financial assets" consists of the variable portion of the sale price of the investment in OLT Offshore LNG Toscana and the related loan, measured at fair value with changes recognised in profit or loss.

**NOTE 6\_OTHER NON-CURRENT ASSETS**

They amounted to 1,231 thousand euro (1,321 thousand euro as at 31 December 2022) and mainly consisted of grants accrued for innovation projects in the amount of 1,173 thousand euro (1,179 thousand euro as at 31 December 2022) and loan assets with owners in the amount of 41 thousand euro related to administrative services (unchanged from 31 December 2022).

**NOTE 7\_DEFERRED TAX ASSETS**

This item refers to taxes related to temporary differences between the carrying amount and tax base of assets and liabilities in the statement of financial position. These taxes were calculated by applying the rates envisaged when the temporary differences reverse.

In accordance with IAS 12, the item includes the net effect of deferred tax assets and deferred tax liabilities for IRES.

As at 31 December 2023, the item amounted to 4,021 thousand euro (nil balance at 31 December 2022).

For further information, reference is made to the note to the income statement "Income taxes" and to the Annexes concerning the details on temporary differences related to deferred taxation.



## CURRENT ASSETS

### NOTE 8\_INVENTORIES

The item amounted to 6,020 thousand euro (5,141 thousand euro as at 31 December 2022). Inventories include stocks of items used by all Group companies (technical clothing, hardware, stationery and signs).

The provision for inventory write-down, which was established in 2020 with the aim of taking into account the technical obsolescence and low movement of certain materials, amounted to 342 thousand euro (275 thousand euro at 31 December 2022).

### NOTE 9\_TRADE RECEIVABLES

These are as follows:

	thousands of euro	
	31/12/2023	31/12/2022
From customers	978	1,749
From subsidiaries	101,763	96,901
From joint ventures and associates	266	412
From owners	-	16
Loss allowance	(985)	(1,075)
<b>Total</b>	<b>102,022</b>	<b>98,093</b>

#### Trade receivables from customers

These relate to receivables for services rendered to third-party customers.

#### Trade receivables from subsidiaries

These relate to normal trade transactions performed at arm's length, and refer mainly to corporate services, of a technical/administrative nature provided to the Group companies. The details of these receivables by counterparty are annexed in the "Transactions with related parties" section of the Annexes to the Separate Financial Statements.

#### Trade receivables from joint ventures and associates

This item refers mainly to fees that may be charged back for offices held by Iren's employees in the associates, as well as to the chargeback of insurance costs borne by the company. The details of these receivables by counterparty are annexed in the section "Transactions with related parties".

#### Trade receivables from owners

These show a nil balance at the reporting date. As at 31 December 2022, they amounted to 16 thousand euro and referred to receivables from the company FSU Srl.

#### Loss allowance

The item amounted to 985 thousand euro (1,075 thousand euro as at 31 December 2022). No accrual was made during the year, but a release was made in order to adjust the allowance to the amount of expected credit losses on the basis of the simplified approach envisaged by IFRS 9, where "loss" means the present value of all future cash shortfalls, considering forward-looking information, taking into due consideration historical data.

	thousands of euro			
	31/12/2022	Accruals	Releases	31/12/2023
<b>Loss allowance</b>	<b>1,075</b>	<b>-</b>	<b>(90)</b>	<b>985</b>

**NOTE 10\_CURRENT TAX ASSETS**

The item amounted to 55 thousand euro (29,170 thousand euro as at 31 December 2022) and refers to IRAP advances (60 thousand euro as at 31 December 2022). As at 31 December 2022, there were IRES assets for 29,110 thousand euro, which were not present as at 31 December 2023.

**NOTE 11\_SUNDRY ASSETS AND OTHER CURRENT ASSETS**

These are as follows:

	thousands of euro	
	31/12/2023	31/12/2022
Amounts due from subsidiaries for VAT group	27,605	22,108
Amounts due from subsidiaries for tax consolidation scheme	93,087	13,987
VAT assets	28,887	3,628
Other tax assets	1,591	3,172
<b>Current tax assets</b>	<b>151,170</b>	<b>42,895</b>
Advances to suppliers	2,879	5,685
Amounts due from others	2,113	3,190
<b>Other current assets</b>	<b>4,992</b>	<b>8,875</b>
Prepaid expenses	26,538	19,396
<b>Total</b>	<b>182,700</b>	<b>71,166</b>

As noted in the section "Transactions with related parties", in September 2019, Iren exercised the option for establishment of the VAT Group to which the Revenue Agency attributed a new VAT number with effect from 1 January 2020.

The option for the Group tax consolidation scheme was exercised by the Group. This requires that the consolidated companies transfer their IRES assets/liabilities to the Parent Iren S.p.A. The other tax assets shown in the table consist mainly of amounts due from the tax authorities for tax assets, while prepaid expenses relate largely to the portion pertaining to future IT services.

**NOTE 12\_CURRENT FINANCIAL ASSETS**

The item amounted to a total of 25,433 thousand euro (17,994 thousand euro as at 31 December 2022). All loan assets recognised in this item are due within 12 months. The carrying amount of these assets approximates their fair value as the impact of discounting is negligible. Current financial assets relate to:

	thousands of euro	
	31/12/2023	31/12/2022
Loan assets with subsidiaries	24,508	17,362
Loan assets with others	925	632
<b>Total</b>	<b>25,433</b>	<b>17,994</b>

**Loan assets with subsidiaries**

These refer to interest accrued on financing, particularly on the cash pooling arrangement.

**Loan assets with others**

These amounted to 925 thousand euro (632

thousand euro as at 31 December 2022) and included 866 thousand euro (611 thousand euro as at 31 December 2022) in prepayments of a financial nature and 59 thousand euro (21 thousand euro as at 31 December 2022) in loan assets with banks.

**NOTE 13\_CASH AND CASH EQUIVALENTS**

Cash and cash equivalents may be analysed as follows:

	thousands of euro	
	31/12/2023	31/12/2022
Bank and postal deposits	281,685	573,372
Cash and similar on hand	-	-
<b>Total</b>	<b>281,685</b>	<b>573,372</b>

Cash and cash equivalents consist of available bank and postal deposits.

Iren S.p.A. does not hold cash equivalents, intended as short-term and highly liquid investments readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

**NOTE 14\_ASSETS HELD FOR SALE**

This item had a nil balance at 31 December 2023, as at 31 December 2022.

**LIABILITIES****NOTE 15\_EQUITY**

Equity may be analysed as follows:

	thousands of euro	
	31/12/2023	31/12/2022
Share Capital	1,300,931	1,300,931
Reserves and Retained Earnings	763,757	686,960
Profit for the year	172,285	258,688
<b>Total</b>	<b>2,236,973</b>	<b>2,246,579</b>

**Share capital**

Share capital amounts to 1,300,931,377 euro (unchanged compared to 31 December 2022), which is fully paid up and comprises 1,300,931,377 ordinary shares with a nominal value of 1 euro each.

In 2020 and 2021, following the relative shareholders' resolutions, the Company repurchased treasury shares for a total of 17,855,645 for a price of 38,690 thousand euro recognised as a reduction of equity in the item "Reserves and Retained Earnings".

## Reserves and Retained Earnings

The breakdown of this item is as follows:

thousands of euro

	31/12/2023	31/12/2022
Treasury shares	(38,690)	(38,690)
Share premium reserve	133,020	133,020
Legal reserve	111,093	98,158
Hedging reserve	6,209	46,914
Other reserves and Retained earnings	552,125	447,558
<b>Total</b>	<b>763,757</b>	<b>686,960</b>

### Treasury shares

In November 2021, the share buyback transaction authorised by the Board of Directors in 2020 was concluded.

The Ordinary Shareholders' Meeting held 04 May 2023 once again authorised the Board of Directors to repurchase and dispose of treasury shares, also on a fractional basis, pursuant to article 2357 et seq. of the Italian Civil Code.

The Board of Directors may carry out transactions for the repurchase and disposal of treasury shares for a maximum of 45,532,598 shares, such as not to exceed a further 3.5% of the share capital, in addition to the 17,855,645 shares already present in the portfolio equal to 1.37% of the share capital. The share buyback programme is permitted for eighteen months from the date of the meeting resolution. During 2023, however, no transaction was carried out in this regard and as at 31 December 2023, there were 17,855,645 shares for a total consideration of 38,690 thousand euro (unchanged compared to 31 December 2022), exposed to a reduction in equity in the item "Reserves and retained earnings".

### Hedging reserve

Changes in the fair value of effective hedging derivatives are recognised with a corresponding balancing item directly in equity under the hedging reserve. These contracts were concluded to hedge exposure to the risk of interest rate fluctuations on floating rate loans.

### Other reserves and Retained earnings

These comprise mainly the goodwill arising on the merger of AMGA into AEM Torino and the subsequent merger of Enìa into Iride, retained earnings, and the actuarial reserve consisting of actuarial gains and losses on the measurement of

post-employment benefits.

The increase in 2023 is mainly due to the carrying forward of profits for the previous year not distributed (73,185 thousand euro).

### **Dividends**

On 4 May 2023, the Ordinary Shareholders' Meeting of Iren S.p.A. approved the Company's separate financial statements at 31 December 2022 and the Directors' Report, and resolved to distribute a dividend of 0.11 euro per ordinary share, confirming the proposal made by the Board of Directors. At the ex-dividend date, the number of outstanding shares was 1,283,075,732 and, consequently, the total amount of dividends distributed was 141,138,330.52 euro.

### **CAPITAL MANAGEMENT**

The capital management policies of the Board of Directors involve maintaining a high level of capital to uphold relations of trust with investors, creditors and the market, and also allowing future business development.

The Board of Directors monitors the return on capital and the level of dividends for distribution to shareholders, and aims to maintain a balance between achieving extra yield by recourse to indebtedness and the benefits and security offered by a solid financial position.

For further details, reference should be made to the statement of changes in equity.

## NON-CURRENT LIABILITIES

### NOTE 16\_NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities amounted to 3,858,011 thousand euro (4,034,165 thousand euro as at 31 December 2022) and consist of:

#### Bonds

These amounted to 2,522,470 thousand euro due after 12 months (3,015,622 thousand euro as at 31 December 2022). The item consisted of positions referred to Public and Private Bond issues, accounted for at amortised cost, against a total nominal value outstanding at 31 December 2023 of 2,550,000 thousand euro (3,050,000 thousand at 31 December 2022). The details of Bonds with maturity after 12 months are as follows:

- Green Bonds maturing October 2027, coupon 1.5%, amount 500 million euro, all outstanding (amount at amortised cost 495,938 thousand euro);
- Green Bonds maturity September 2025, coupon 1.95%, amount 500 million euro, all outstanding (amount at amortised cost 498,310 thousand euro);
- Green Bonds maturing October 2029, coupon 0.875%, amount 500 million euro, all outstanding (amount at amortised cost 496,789 thousand euro);
- Bonds maturing July 2030, coupon 1%, amount 500 million euro, all outstanding (amount at amortised cost 492,833 thousand euro);
- Green Bonds maturing January 2031, coupon 0.25%, amount 500 million euro, including TAP issue of October 2021, all outstanding (amount at amortised cost 488,975 thousand euro)
- Green Private Placement maturing October 2028, coupon 2.85%, amount 50 million euro, issued in August 2022, all outstanding (amount at amortised cost 49,625 thousand euro).

The bonds were subscribed by Italian and foreign institutional investors, are listed on the Irish Stock Exchange and were assigned Fitch and S&P ratings. The change in the total carrying amount compared to 31 December 2022 is due to the reclassification within 12 months of the Bonds maturing in November 2024, coupon 0.875%, amounting to 500 million euro, fully outstanding (amortised cost amount 499,220 thousand euro) and the allocation of the accrued financial expense, calculated on the basis of the amortised cost method.

#### Non-current bank loans

Non-current bank loans relate exclusively to the non-current portion of loans/credit lines due after 12 months granted by banks, and amounted to 1,298,321 thousand euro (1,009,997 thousand euro as at 31 December 2022).

Non-current bank loans, all at floating rate, can be analysed by maturity (referring to the portion due after 12 months), as follows:

	TOTAL
min/max rate	4.251% - 5.543%
maturity	2024-2039
1.1.2025 – 31.12.2025	43,962
1.1.2026 – 31.12.2026	49,563
1.1.2027 – 31.12.2027	309,499
1.1.2028 – 31.12.2028	466,583
subsequent	428,714
<b>Total after 12 months as at 31/12/2023</b>	<b>1,298,321</b>
<b>Total after 12 months as at 31/12/2022</b>	<b>1,009,997</b>

thousands of euro

All loans are denominated in euro.

The changes in non-current loans during the year are summarised as follows:

thousands of euro

	31/12/2022 Total after 12 months	Increases	Decreases	Adjustment of amortised cost	31/12/2023 Total after 12 months
<b>TOTAL</b>	<b>1,009,997</b>	<b>330,000</b>	<b>(41,554)</b>	<b>(122)</b>	<b>1,298,321</b>

Total non-current loans at 31 December 2023 increased compared to 31 December 2022, as a combined result of:

- disbursement of tranches totalling 230 million euro from lines available with EIB (European Investment Bank) and CEB - Council of Europe Development Bank;
- disbursement to the Company of a loan contracted with CDP - Cassa Depositi e Prestiti for 100 million euro;
- reduction of 41,554 thousand euro, owing to the reclassification of the portions of loans maturing within the next 12 months to current;
- decrease of 122 thousand euro due to recognition of the loans at amortised cost.

#### Non-current lease liabilities

This item relates to the portion of the Company's lease, rental and hire liabilities due after 12 months, recognised in accordance with IFRS 16, and amounted to 14,779 thousand euro (8,546 thousand euro as at 31 December 2022). This figure will be gradually reduced on the basis of repayment of the lease principal.

#### Other financial liabilities

The item amounted to 22,441 thousand euro (nil balance at 31 December 2022) and refers to the fair value of derivative contracts entered into by Iren to hedge its exposure to the interest rate risk of floating-rate loans.

#### NOTE 17\_EMPLOYEE BENEFITS

Changes in this item in 2023 were as follows:

thousands of euro

	31/12/2022	Obligations vested during the year	Financial expense	Disbursements for the year	Intra-group transfers	Actuarial (gains)/losses	31/12/2023
Post-employment benefits	11,288	-	394	(966)	13	(58)	10,671
Additional salary payments	796	28	26	(45)	-	(16)	789
Loyalty bonus	475	15	18	(94)	-	(7)	407
Tariff discounts	1,778	-	65	(218)	-	95	1,720
Premungas	542	-	19	(129)	-	42	474
<b>Total</b>	<b>14,879</b>	<b>43</b>	<b>522</b>	<b>(1,452)</b>	<b>13</b>	<b>56</b>	<b>14,061</b>

The tariff discounts include benefits related to the supply of natural gas for domestic use. Following the signing of specific agreements with the trade unions, the "Energy discount" awarded up to 30 September 2017 to employees in service was converted into other forms of employee benefits.

### Actuarial assumptions

The above-mentioned liabilities are measured by independent actuaries. The liability relating to the defined benefit plans is calculated in accordance with actuarial assumptions and is recognised on an accruals basis in line with the service necessary to obtain benefits.

For the purpose of defining the present value of the obligations, the future service is estimated based on assumptions related to changes in the total number of employees and employee remuneration. Future service represents the amount that would be paid out to each employee in the event of continuing working activity with another company, retirement, death, resignation or a request for an advance.

The following factors were considered in deciding which discount rate to adopt in the measurement approach provided by IAS 19:

- relevant market;
- the measurement date;
- expected average term of the liabilities.

The average residual term of liabilities was obtained as the weighted average residual term of liabilities related to all benefits.

The economic and financial assumptions adopted in the calculations are as follows:

Annual discount rate	3.15% -3.17%
Annual inflation rate	2 %
Annual rate of increase of Post-employment benefits	3 %

In accordance with the provisions of IAS 19, the following additional information is supplied:

- sensitivity analysis for each material actuarial assumption at year end, showing the effects that would have resulted from changes in the actuarial assumptions reasonably possible at that date, in absolute terms;
- contributions for the subsequent year;
- indication of the average maturity of the obligation for defined benefit plans.

This information is shown in the table below.

	Change in liabilities according to changes in discount rate		Service cost 2024	Duration of the plan	Disbursements 2024
	+0,25%	-0,25%			
Post-employment benefits	(163)	167	-	6.90	939
Additional salary payments (seniority bonus)	(15)	16	25	9.70	9
Loyalty bonus	(5)	5	17	6.29	65
Tariff discounts	(32)	33	-	7.76	147
Premungas	(5)	5	-	5.00	27

thousands of euro

**NOTE 18\_PROVISIONS FOR RISKS AND CHARGES**

Details and changes are shown in the table below:

thousands of euro

	31/12/2022	Increases	Decreases	31/12/2023	Non-current portion
Provision for early retirement	2,001	7,170	(1,441)	7,730	7,625
Other provisions for risks and charges	5,379	1,661	(527)	6,513	6,513
<b>Total</b>	<b>7,380</b>	<b>8,831</b>	<b>(1,968)</b>	<b>14,243</b>	<b>14,138</b>

**Provision for early retirement**

The provision refers to expenses associated with early retirement of some employees and arises from the results of agreements between Iren Group and the Trade Unions that provide for early retirement incentives for some employees, on a voluntary basis among the Group's personnel who are potentially involved. The transaction should be seen in the wider context of professional and demographic rebalancing of Iren Group's personnel, in view of a plan to recruit young individuals.

The incentive, completely chargeable to Iren Group (in application of Art. 4 of Law no. 92/2012), will enable the personnel who meet the legal requisites to retire ahead of the date of eligibility, making up in part for the delay in retirement created by the social security reform.

The provision represents the estimated payment to the employees involved in the Plan, through the social

security institution, of a benefit of an amount equal to the pension that would be payable on the basis of the current rules ("early retirement") with payment of the contribution to the social security institution until the minimum requirements for retirement are reached (in accordance with the aforementioned Law no. 92/2012), and a sum, for each of the employees involved, as a one-off payment as an incentive.

**Other provisions for risks and charges**

Among other provisions, the increases relate mainly to the adjustment of the provision for long-term incentive plans, while the decreases refer mainly to the uses of the year.

**NOTE 19\_DEFERRED TAX LIABILITIES**

Deferred tax liabilities are due to temporary differences between the carrying amount and tax base of assets and liabilities recognised in the financial statements and have been calculated by applying the rates expected when the temporary differences will reverse.

In accordance with IAS 12, the item includes the net effect of deferred tax assets and deferred tax liabilities for IRES.

As at 31 December 2023, the items fully offset each other (9,717 thousand euro as at 31 December 2022).

For further information, reference is made to the note to the income statement "Income taxes" and to the Annexes concerning the details on temporary differences related to deferred taxation.

**NOTE 20\_SUNDRY LIABILITIES AND OTHER NON-CURRENT LIABILITIES**

This item amounts to 1,198 thousand euro (1,328 thousand euro as at 31 December 2022) and mainly refers to portions of grants received on innovation projects, relating to future years for an amount of 1,128 thousand euro (1,204 thousand euro as at 31 December 2022).



## CURRENT LIABILITIES

### NOTE 21\_CURRENT FINANCIAL LIABILITIES

All financial liabilities recognised in this item are due within 12 months. The carrying amount of these liabilities approximates their fair value as the impact of discounting is negligible.

Current financial liabilities can be analysed as follows:

	thousands of euro	
	31/12/2023	31/12/2022
Bank loans	563,929	35,333
Financial liabilities with subsidiaries	182,777	155,170
Lease liabilities	5,025	4,523
Other financial liabilities	310	1,994
<b>Total</b>	<b>752,041</b>	<b>197,020</b>

### Bank loans

The related amounts are as follows:

	thousands of euro	
	31/12/2023	31/12/2022
Loans - current portion	41,554	23,490
Other current loans	499,220	-
Other current borrowings from banks	9,404	405
Accrued liabilities and deferred income	13,751	11,438
<b>Total</b>	<b>563,929</b>	<b>35,333</b>

### Financial liabilities with subsidiaries

Current financial liabilities with subsidiaries, amounting to 182,777 thousand euro as at 31 December 2023 (155,170 thousand euro as at 31 December 2022) refer to the cash pooling arrangement with Group companies that have a credit position with Iren S.p.A. The amount includes an estimate of the related accrued interest expense still to be paid.

### Lease liabilities

These refer to the portion of the Company's lease, rental and hire liabilities due within 12 months; they amounted to 5,025 thousand euro (4,523 thousand euro as at 31 December 2022).

**Other financial liabilities**

These amounted to 310 thousand euro (1,994 thousand euro as at 31 December 2022) and mainly related to up-front commissions on two committed RCFs signed at the end of December 2023.

**NOTE 22\_TRADE PAYABLES**

	thousands of euro	
	31/12/2023	31/12/2022
To suppliers	119,990	119,642
To subsidiaries	15,586	13,376
To associates	13	1
To owners	73	417
To other related parties	40	179
<b>Total</b>	<b>135,702</b>	<b>133,615</b>

All trade payables are due within 12 months. The carrying amount of these payables approximates their fair value as the impact of discounting is negligible.

**NOTE 23\_SUNDRY LIABILITIES AND OTHER CURRENT LIABILITIES**

All amounts recognised in this item are due within 12 months. The carrying amount of these liabilities approximates their fair value as the impact of discounting is negligible.

	thousands of euro	
	31/12/2023	31/12/2022
Amounts due to subsidiaries for VAT group	40,056	19,984
Amounts due to subsidiaries for tax consolidation scheme	22,588	46,991
IRPEF liability	154	66
Other tax liabilities	4,033	4,216
<b>Current tax assets</b>	<b>66,831</b>	<b>71,257</b>
Amounts due to employees	11,047	10,688
Amounts due to social security institutions	5,571	5,507
Sundry liabilities	16,242	13,062
<b>Other current liabilities</b>	<b>32,860</b>	<b>29,257</b>
Deferred income	34	34
<b>Total</b>	<b>99,725</b>	<b>100,548</b>

Amounts due to social security institutions consist mainly of withholdings and contributions to be paid to INPS and INPDAP.

Deferred income, amounting to 34 thousand euro (unchanged compared to 31 December 2022), refers to reimbursements for surety expenses.

The sundry liabilities refer mostly to adjustments of premiums related to insurance policies entered into in favour of the Group.

#### NOTE 24\_CURRENT TAX LIABILITIES

The item amounted to 68,615 thousand euro (nil balance as at 31 December 2022) and refers to IRES liabilities.

#### NOTE 25\_PROVISIONS FOR RISKS AND CHARGES - CURRENT PORTION

The current portion of the provisions for risks and charges amounted to 105 thousand euro (1,546 thousand euro as at 31 December 2022). This amount refers to the provision for early retirement (1,546 thousand euro as at 31 December 2022).

For more details on the breakdown see Note "Provisions for risks and charges".

### FINANCIAL POSITION

Net financial debt, calculated as the difference between current and non-current financial debt and current and non-current financial assets, can be broken down as follows:

	thousands of euro	
	31/12/2023	31/12/2022
Non-current financial assets	(3,677,676)	(3,103,724)
Non-current financial debt	3,858,011	4,034,165
<b>Non-current net financial debt</b>	<b>180,336</b>	<b>930,441</b>
Current financial assets	(256,252)	(591,365)
Current financial debt	752,041	197,020
<b>Current net financial (position) debt</b>	<b>495,789</b>	<b>(394,345)</b>
<b>Net financial debt</b>	<b>676,125</b>	<b>536,096</b>

#### Net Financial position with related parties

Non-current financial assets relate to the cash pooling arrangement and loans to subsidiaries and associates for 3,613,425 thousand euro.

Current financial assets relate to invoices issued (1,219 thousand euro) and to be issued (23,289 thousand euro) to subsidiaries for interest on the cash pooling arrangement and loans.

Current financial liabilities for 182,777 thousand euro refer to amounts due to subsidiaries for cash pooling arrangements and loans and related interest.

For additional information, see the annexed tables on transactions with related parties.

The net financial position according to the structure proposed by ESMA in the document of 04 March 2021 *Guidelines on disclosure requirements under the Prospectus Regulation and implemented by Consob with Attention Reminder No. 5/21 of 29 April 2021* is shown below.

thousands of euro

	31/12/2023	31/12/2022
A. Cash	(281,685)	(573,372)
B. Cash equivalents	-	-
C. Other current financial assets	-	-
<b>D. Liquidity (A) + (B) + (C)</b>	<b>(281,685)</b>	<b>(573,372)</b>
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	705,462	169,007
F. Current portion of non-current financial debt	46,579	28,013
<b>G. Current financial debt (E + F)</b>	<b>752,041</b>	<b>197,020</b>
<b>H. Net current financial (position) debt (G - D)</b>	<b>470,356</b>	<b>(376,352)</b>
I. Non-current financial debt (excluding current portion and debt instruments)	1,335,541	1,018,543
J. Debt instruments	2,522,470	3,015,622
K. Trade payables and other non-current debt	-	-
<b>L. Non-current financial debt (I + J + K)</b>	<b>3,858,011</b>	<b>4,034,165</b>
<b>M. Total financial debt (H + L)</b>	<b>4,328,367</b>	<b>3,657,813</b>

The table below reports on the changes during the year in current and non-current financial liabilities.

thousands of euro

<b>Current and non-current financial liabilities 31.12.2022</b>	<b>4.231.185</b>
<b>Monetary changes as reported in the statement of cash flows</b>	
New non-current loans	330.000
Repayment of non-current loans	(23.490)
Repayment of finance leases	(5.389)
Change in other financial liabilities	16.218
Interest paid	(70.114)
Dividends paid	(143.047)
<b>Non-monetary changes</b>	
New finance leases	12.123
Fair value change in derivatives	22.441
Interest and other financial expense	98.987
Dividends resolved	141.138
<b>Current and non-current financial liabilities 31.12.2023</b>	<b>4.610.052</b>

## VIII. Information on the income statement

Unless otherwise stated, the tables below are in thousands of euro.

### REVENUE

#### NOTE 26\_REVENUE FROM GOODS AND SERVICES

Revenue from services provided can be broken down as follows:

	thousands of euro	
	FY 2023	FY 2022
Services to subsidiaries and joint ventures	292,216	270,787
Services to associates	11	138
Services to others	68	219
<b>Total</b>	<b>292,295</b>	<b>271,144</b>

Revenue from services refer to corporate, administrative and technical services provided to Group companies and associates.

For additional information, see the annexed tables on transactions with related parties.

#### NOTE 27\_OTHER INCOME

Other income includes:

	thousands of euro	
	FY 2023	FY 2022
Revenue for personnel at other companies	7,527	8,633
Sale of materials	2,433	2,145
Lease income	551	493
Grants related to income	519	531
Insurance settlements	57	93
Capital gains on sale of assets	11	41
Penalties to suppliers	116	130
Revenue from previous years	977	339
Other revenue and income	629	264
<b>Total</b>	<b>12,820</b>	<b>12,669</b>

Revenue from personnel at other companies refer to fees which were paid to Iren Directors and employees by Group companies and the charge-back of costs for personnel seconded to subsidiaries.

The sale of materials mainly relates to sales to subsidiaries, as a result of the procurement and centralised management of materials for common use by the Group's businesses.

Revenue from previous years mainly regards the settlement of prior items with reference to estimates made in previous years and adjustments also to prior years' invoices.

## COSTS

### NOTE 28\_RAW MATERIALS, CONSUMABLES, SUPPLIES AND GOODS

Costs for raw materials, consumables, supplies and goods are as follows:

These costs refer mainly to the purchase of materials for common use by subsidiaries (technical clothing, hardware, stationery and signs) and fuel for Group vehicles.

The provision for inventory write-down amounting to 342 thousand euro (275 thousand euro in 2022) was set up in order to take into account the technical obsolescence and low level of movement of certain materials.

	thousands of euro	
	FY 2023	FY 2022
Raw materials and inventory materials	4,852	5,263
Purchase of fuels	4,788	5,841
Change in inventories	(946)	(1,247)
Accrual/(use) of provision for inventory write-down	67	67
<b>Total</b>	<b>8,761</b>	<b>9,924</b>

### NOTE 29\_SERVICES AND USE OF THIRD-PARTY ASSETS

Costs for services are broken down as follows:

	thousands of euro	
	FY 2023	FY 2022
Technical and administrative services from subsidiaries and Group companies	14,884	13,190
Third-party works, maintenance and industrial services	21,651	17,055
Snow ploughing	1,378	1,917
Expenses related to personnel (canteen, training, business travel)	12,505	11,033
Technical, administrative and commercial consulting and advertising expenses	24,637	24,695
Legal and notary fees	3,326	720
Insurance	20,630	18,818
Bank and postal expenses	586	704
Telephone expenses	4,520	4,261
Internal utilities (electricity, water, gas, cleaning, etc.)	11,693	11,416
IT expenses	58,877	53,588
Board of Statutory Auditors' fees	171	175
Other costs for services	4,905	4,834
<b>Total</b>	<b>179,763</b>	<b>162,406</b>

Use of third-party assets amounted to 944 thousand euro (1,702 thousand euro in 2022) and relate mainly to short-term rentals of technical equipment as well as the rental of exhibition space for promotional events. Secondly, this item includes short-term leases or when the underlying asset is of low value, which the group has decided to exclude from the scope of application of IFRS 16.

### NOTE 30\_OTHER OPERATING EXPENSES

Other operating expenses are as follows:

	thousands of euro	
	FY 2023	FY 2022
Membership fees	2,554	2,545
General expenses	2,451	1,583
Taxes and duties	2,209	1,931
Capital losses on sale of assets	-	1
Prior year expenses	26	(82)
Charitable donations	1,654	1,520
Other sundry operating expenses	368	374
<b>Total</b>	<b>9,262</b>	<b>7,872</b>

The item "taxes and duties" mainly refers to the charges for IMU property tax on the Company's plants and buildings, as well as vehicle circulation taxes. Prior year expenses refer mainly to adjustments related to differences on estimates.

### NOTE 31\_CAPITALISED EXPENSES FOR INTERNAL WORK

Capitalised expenses for internal work amounted to 6,927 thousand euro (5,780 thousand euro in 2022) and refer to labour costs mainly for the study, creation and implementation of software and IT projects.

### NOTE 32\_PERSONNEL EXPENSE

Personnel expense is broken down as follows:

	thousands of euro	
	FY 2023	FY 2022
Gross remuneration	59,479	56,683
Social security contributions	17,741	16,862
Other long-term employee benefits	43	54
Other personnel expense	13,670	5,978
Directors' fees	718	713
<b>Total</b>	<b>91,651</b>	<b>80,290</b>

Other personnel expense includes social security and recreational contributions, the contribution paid to the supplementary health care fund, insurance for accidents occurring outside working hours, the portion of post-employment benefits, and contributions to be paid by the employer to supplementary pension funds.

The composition of personnel is as follows:

	31/12/2023	31/12/2022	Yearly average
Executives	52	53	54
Junior managers	137	133	135
White collars	880	875	878
Blue collars	73	71	72
<b>Total</b>	<b>1,142</b>	<b>1,132</b>	<b>1,139</b>

### NOTE 33\_ DEPRECIATION AND AMORTISATION

Depreciation and amortisation for the year amounted to 49,495 thousand euro (39,263 thousand euro in 2022).

thousands of euro

	FY 2023	FY 2022
Depreciation	18,371	14,650
Amortisation	31,124	24,613
<b>Total</b>	<b>49,495</b>	<b>39,263</b>

Depreciation of property, plant and equipment includes the depreciation for the year of right-of-use assets recognised in accordance with IFRS 16.

For further details on depreciation/amortisation, refer to the tables of changes in property, plant and equipment and intangible assets.

### NOTE 34\_ PROVISIONS AND IMPAIRMENT LOSSES

thousands of euro

	FY 2023	FY 2022
Impairment losses on loans and receivables	(89)	(149)
Provisions for risks	-	25
Release of provisions	(25)	(2,057)
<b>Total</b>	<b>(114)</b>	<b>(2,181)</b>

No impairment losses on loans and receivables were recognised during 2023. However, a release was made to the loss allowance in order to adjust it to the amount of expected credit losses on the basis of the simplified approach envisaged by IFRS 9, where "loss" means the present value of all cash shortfalls considering forward-looking



information.

In 2022, the release of provisions was mainly related to the elimination of a tax risk.

Details of changes in provisions are provided in the note to the Statement of financial position item "Provisions for risks and charges".

## NOTE 35\_FINANCIAL INCOME AND EXPENSE

### Financial income

The breakdown of financial income is as follows:

	thousands of euro	
	FY 2023	FY 2022
Dividends	196,592	264,491
Bank interest income	382	287
Interest income from subsidiaries	83,634	61,564
Interest income from associates	-	309
Other financial income	34	901
<b>Total</b>	<b>280,642</b>	<b>327,552</b>

Interest income from subsidiaries increased due to higher intra-group loans compared to the previous year.

### Financial expense

The breakdown of financial expenses is shown in the following table:

	thousands of euro	
	FY 2023	FY 2022
Interest expense on loans	46,279	5,730
Interest expense on bonds	39,966	47,822
Hedging effect of derivatives	(16,339)	-
Interest expense on bank current accounts	9,461	459
Realised losses on derivatives	222	2,445
Interest expense with subsidiaries	2,628	303
Interest cost – Employee benefits	521	88
Financial expense on lease liabilities	338	116
Other financial expense	94	63
<b>Total</b>	<b>83,170</b>	<b>57,026</b>

Interest expense on loans and bonds includes the expense relating to the measurement at amortised cost.

Interest expense on loans, net of the effect of derivative contracts, increased as a result of both the rise in interest rates and the greater weight of these financial instruments on total debt.

Interest expense on bonds decreased due to bonds maturing in the fourth quarter of 2022, which did not generate financial expense in 2023.

Intra-group interest expense increased as a result of higher interest rates.

### **NOTE 36\_GAINS ON EQUITY INVESTMENTS**

This caption had a nil balance in both 2023 and 2022.

### **NOTE 37\_INCOME TAXES**

Income taxes amounted to 2,533 thousand euro (2,156 thousand euro in 2022) and can be broken down as follows:

- IRES benefit of 2,407 thousand euro (1,728 thousand euro in 2022);
- deferred tax expense, given by the reversal of taxable temporary differences, of 869 thousand euro (1,224 thousand in 2022);
- no deferred tax income was recognised in 2022 (185 thousand euro in 2022)
- taxes related to previous years for 742 thousand euro (a benefit of 611 thousand euro in 2022).

Under the terms of Art. 96 of the Consolidated Law on Income Tax, the interest expense rules provide for their deductibility up to a maximum of 30% of the Gross Operating Profit ("fiscal" GOP) with the option to carry forward any surpluses of non-deductible interest expense to subsequent years and, if Group taxation is implemented, with the right to offset such surpluses with any "fiscal" GOP surpluses accrued from other group companies.

For Iren S.p.A., in 2023, application of the rules pursuant to Art. 96 of the Consolidated Law on Income Tax entailed forming surpluses of net non-deductible interest expense.

The table below shows the reconciliation between standard and effective IRES tax rates. The reconciliation between standard and effective IRAP rate was not significant.

Only current taxes and not deferred taxes are included in the table. Therefore, the changes made to the theoretical tax relate to both temporary and final changes.

The table below also shows the breakdown of the tax rate for 2023 and 2022.

thousands of euro

IRES rate reconciliation	FY 2023	FY 2022
A) Pre-tax profit	169,751	260,844
B) Theoretical tax charge (24% rate)	40,740	62,602
C) Temporary differences taxable in future years	-	-
<i>Alloc. loss allowance – tax assets</i>		
D) Temporary differences deductible in future years	10,504	9,205
<i>Fees to independent auditors and directors</i>	-	394
<i>Plus minus amortisation</i>	600	1,000
<i>Alloc. Provisions and interest expense</i>	9,904	3,340
<i>Other</i>	-	4,471
E) Reversal of previous year temporary differences	(3,463)	(12,563)
Dividends not collected during the year	-	-
Use of provisions and interest expense	(3,463)	(8,699)
Fees to independent auditors and directors	-	(179)
Other	-	(3,686)
F) Differences which will not carry forward	(185,105)	(248,310)
<i>Non-taxable share of dividends (95%) received as at 31/12</i>	(186,763)	(251,267)
<i>Others</i>	1,657	2,957
G) Taxable income (A)+C)+D)+E)+F))	(8,313)	9,176
H) Current taxes for the year	(2,407)	1,728
Income/expenses from consolidation	(1,995)	2,202
Art Bonus	(411)	(475)
M) Rate	-1%	1%

The table below shows the composition of deferred tax assets and liabilities for the two years, broken down by type of temporary difference, and the resulting effects.

thousands of euro

	FY 2023	FY 2022
<b>Deferred tax assets</b>		
Non-taxable provisions	4,721	3,564
Differences in non-current assets	357	415
Derivatives	783	783
Other	2,304	2,185
<b>Total</b>	<b>8,165</b>	<b>6,948</b>
<b>Deferred tax liabilities</b>		
Differences in non-current assets	819	819
Derivatives	11	15,724
Loss allowance	2,870	11
Other	444	111
<b>Total</b>	<b>4,144</b>	<b>16,665</b>
<b>Net deferred tax assets (liabilities)</b>	<b>4,021</b>	<b>(9,717)</b>

### NOTE 38\_OTHER COMPREHENSIVE INCOME

Other comprehensive expense came to 40,752 thousand euro (other comprehensive income of 51,284 thousand euro in 2022).

Specifically, other comprehensive income that will be subsequently reclassified to profit or loss relates to:

- the effective portion fair value losses on cash flow hedges, of 53,559 thousand euro, which refers to derivatives hedging changes in interest rates;
- the tax effect of 12,854 thousand euro.

Other comprehensive income that will not be subsequently reclassified to profit or loss relates to:

- actuarial losses on defined benefit plans of 63 thousand euro
- the tax effect of 15 thousand euro.

## IX. Guarantees and contingent liabilities

### GUARANTEES PROVIDED

Personal guarantees amounted to 1,219,531 thousand euro (851,180 thousand euro as at 31 December 2022) broken down as follows:

- 160,944 thousand euro of bank and insurance sureties provided to various Entities. Among the above, it is worth noting sureties granted in favour of:
  - Revenue Agency for 128,758 thousand euro to guarantee VAT refund requests for 2019, 2020 and 2023;
  - Municipality of Turin, for 27,476 thousand euro, as definitive guarantee in the AMIAT/TRM tender;
  - AMIAT/TRM;
- 1,057,288 thousand euro in guarantees granted on behalf of subsidiaries, primarily to guarantee credit facilities and their transactions (mainly commercial contracts/Parent Guarantees on behalf of Iren Mercato Spa);
- 1,300 thousand euro of guarantees given on behalf of Associates.
  - FCT Holding for 2,000 thousand euro, as definitive guarantee in the Amiat/TRM tender procedure;
  - Municipality of Genoa for 860 thousand euro to guarantee urbanisation works and the cost of building new premises;
  - Atersir/Ato for 820 thousand euro to guarantee the management of the integrated water service;

## X. Annexes to the separate financial statements

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LIST OF EQUITY INVESTMENTS

INDEPENDENT AUDITORS' FEES

STATEMENT OF EQUITY WITH ADDITIONAL INFORMATION

DEFERRED TAX ASSETS AND LIABILITIES

RELATED PARTY TRANSACTIONS

RECONCILIATION OF IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS (Consob Communication no. 6064293 of 26 July 2006)

**LIST OF EQUITY INVESTMENTS**

Company	Registered office	Currency	Share capital	% interest
<b>SUBSIDIARIES</b>				
Iren Ambiente S.p.A.	Piacenza	Euro	63,622,002	100.00
IReti S.p.A.	Reggio Emilia	Euro	196,832,103	100.00
Iren Energia S.p.A.	Turin	Euro	918,767,148	100.00
Iren Mercato S.p.A.	Genoa	Euro	61,356,220	100.00

**INDEPENDENT AUDITORS' FEES**

Pursuant to art. 149-duodecies of the Regulation implementing Legislative Decree 58/1998, the fees for the year due to KPMG S.p.A. can be summarised as follows:

thousands of euro

	Statutory audit	Non-audit services		Total
		Services for the purpose of issuing an attestation	Other services	
Iren S.p.A.	298	161	-	459

**STATEMENT OF EQUITY WITH ADDITIONAL INFORMATION**

amounts in euro

Item/Description	31.12.2023	31.12.2022	31.12.2021
SHARE CAPITAL	1,300,931,377	1,300,931,377	1,300,931,377
<b>EQUITY-RELATED RESERVES</b>			
Share premium reserve (1)	133,019,647	133,019,647	133,019,647
Negative goodwill	56,792,947	56,792,947	56,792,947
Treasury shares negative reserve	(38,690,317)	(38,690,317)	(38,690,317)
<b>INCOME-RELATED RESERVES</b>			
Legal reserve	111,092,597	98,158,206	87,215,666
Other reserves:			
Extraordinary reserve	53,766,557	53,766,557	53,766,557
Hedging reserve	6,209,267	46,913,947	(2,880,211)
IAS 19 actuarial reserve	(3,324,248)	(3,276,424)	(4,766,110)
Other reserves untaxed	1,402,976	1,402,976	1,402,976
Retained earnings	443,487,570	338,872,468	265,687,165
<b>TOTAL</b>	<b>2,064,688,373</b>	<b>1,987,891,384</b>	<b>1,852,479,697</b>
Non-distributable amount	1,506,353,304	1,493,418,913	1,482,476,373
Distributable residual amount	558,335,069	494,472,471	370,003,324

(1) Distributable to shareholders after the legal reserve has reached one-fifth of the share capital

## LEGEND:

A: for capital increase

B: for loss coverage

C: for distribution to members



**STATEMENT OF EQUITY WITH ADDITIONAL INFORMATION**

amounts in euro

Possible utilisation	Available portion	Summary of uses over the last three years	
		To cover losses	Other reasons
B	1,300,931,377		
<b>INCOME-RELATED RESERVES</b>			
A, B	133,019,647		
A, B, C	56,792,947		
	(38,690,317)		
<b>INCOME-RELATED RESERVES</b>			
B	111,092,597		
A, B, C	53,766,557		
	6,209,267		
	(3,324,248)		
A, B, C	1,402,976		
A, B, C	443,487,570		
	<b>2,064,688,373</b>		
	1,506,353,304		
	558,335,069		

**DEFERRED TAX ASSETS AND LIABILITIES - 2023**

thousands of euro

	Differences			
	Opening balance	Formation	Reversal	Closing balance
<b>Deferred tax assets</b>				
Non-deductible provisions	14,851	9,328	4,508	19,672
Differences in non-current assets	1,729	622	864	1,487
Derivatives	3,264	-	-	3,264
Other	9,106	1,963	1,470	9,599
<b>Total taxable amount/deferred tax assets</b>	<b>28,950</b>	<b>11,913</b>	<b>6,842</b>	<b>34,022</b>
<b>Deferred tax liabilities</b>				
Differences in non-current assets	3,411	-	-	3,411
Loss allowance	44	-	-	44
Derivatives	65,519	-	53,559	11,960
Other	464	1,388	-	1,852
<b>Total taxable amount/deferred tax</b>	<b>69,437</b>	<b>1,388</b>	<b>53,559</b>	<b>17,266</b>
<b>Net deferred tax assets (liabilities)</b>	<b>(40,487)</b>	<b>10,525</b>	<b>(46,717)</b>	<b>16,756</b>

**DEFERRED TAX ASSETS AND LIABILITIES - 2023**

thousands of euro

Taxes	Taxes	IRES (Corporate Income Tax)	IRAP (Regional Business Tax)	Total
To profit or loss	To equity			
1,128	29	4,721	-	4,721
(58)	-	357	-	357
-	-	783	-	783
(201)	319	2,304	-	2,304
869	348	8,165	-	8,165
-	-	819	-	819
-	-	11	-	11
-	(12,854)	2,870	-	2,870
-	333	444	-	444
-	(12,521)	4,144	-	4,144
869	12,869	4,021	-	4,021

**DEFERRED TAX ASSETS AND LIABILITIES - 2022**

thousands of euro

	Differences			
	Opening balance	Formation	Reversal	Closing balance
<b>Deferred tax assets</b>				
Non-deductible provisions	17,033	2,106	4,288	14,851
Differences in non-current assets	2,019	171	460	1,729
Derivatives	3,264	-	-	3,264
Other	12,935	5,819	9,648	9,106
<b>Total taxable amount/deferred tax assets</b>	<b>35,251</b>	<b>8,096</b>	<b>14,396</b>	<b>28,950</b>
<b>Deferred tax liabilities</b>				
Differences in non-current assets	3,420	-	10	3,411
Loss allowance	44	-	-	44
Derivatives	-	65,519	-	65,519
Other	464	761	761	464
<b>Total taxable amount/deferred tax</b>	<b>3,928</b>	<b>66,280</b>	<b>771</b>	<b>69,437</b>
<b>Net deferred tax assets (liabilities)</b>	<b>31,322</b>	<b>(58,184)</b>	<b>13,625</b>	<b>(40,487)</b>

**DEFERRED TAX ASSETS AND LIABILITIES - 2022**

thousands of euro

Taxes	Taxes	IRES (Corporate Income Tax)	IRAP (Regional Business Tax)	Total
To profit or loss	To equity			
(482)	(42)	3,564	-	3,564
(69)	-	415	-	415
-	-	783	-	783
(673)	(246)	2,185	-	2,185
<b>(1,224)</b>	<b>(288)</b>	<b>6,948</b>	<b>-</b>	<b>6,948</b>
(2)	-	819	-	819
-	-	11	-	11
-	15,724	15,724	-	15,724
(183)	183	111	-	111
<b>(185)</b>	<b>15,907</b>	<b>16,665</b>	<b>-</b>	<b>16,665</b>
<b>(1,039)</b>	<b>(16,195)</b>	<b>(9,717)</b>	<b>-</b>	<b>(9,717)</b>

## RELATED PARTY TRANSACTIONS

amounts in euro

	Credit Commerciali	Crediti Finanziari e Disponibilità liquide	Crediti di altra natura	Debiti Commerciali	Debiti Finanziari
<b>OWNERS</b>					
Municipality of Genoa	-	-	-	-	-
Municipality of Parma	-	-	-	-	-
Municipality of Piacenza	-	-	-	(51,822)	-
Municipality of Reggio Emilia	-	-	-	73,200	-
Municipality of Turin	-	-	-	-	-
FSU S.r.l.	-	41,285	-	-	-
<b>SUBSIDIARIES</b>					
ACAM Acque S.p.A.	2,224,096	201,844,780	1,806,764	72,813	-
ACAM Ambiente S.p.A.	752,366	18,139,621	89,478	277,472	-
Acquaenna S.c.p.a.	79,156	45,032,572	-	-	-
Alegas S.r.l.	301,515	16,174,769	36,846	-	-
Alfa Solutions S.p.A. -	914,386	-	835,391	325,331	7,695,987
AMIAT S.p.A.	8,443,031	46,706,176	-	3,085,577	-
AMIAT V. S.p.A.	3,584	7,853,231	94,829	-	-
AMTER S.p.A	57,618	7,026,858	-	25,149	-
ASM Vercelli S.p.A.	1,305,668	59,556,599	-	1,484,474	237
Asti Energia e Calore S.p.A.	5,621	2,986,101	10,671	10,923	-
ATENA Trading S.r.l.	254,428	4,721,705	344,987	26,278	-
Bonifica Autocisterne S.r.l.	28,888	-	3,759	-	486,230
Bonifiche Servizi Ambientali S.r.l.	142,065	-	94,450	10,580	5,346,027
Consorzio GPO	136	-	-	-	2,098,754
CRCM S.r.l.	840	33	-	-	89,587
Dogliani Energia S.r.l.	15,705	1,227,422	-	-	-
Ekovision S.r.l.	1,400	201,474	-	-	-
Formaira S.r.l.	931	-	607	-	43,494
Futura S.p.A.	188	22,255,928	-	163,305	-
GIA S.p.A.	-	-	-	-	-
I. Blu S.r.l.	139,081	38,516,527	-	3,923	-
Iren Acqua Tigullio S.p.A.	1,130,446	24,445,278	1,042,066	-	-
Iren Acqua Reggio S.r.l.	1,727,567	72,169,527	271,476	29,780	-
IREN Ambiente S.p.A.	8,682,462	438,647,939	6,342,820	943,037	-
IREN Ambiente Parma S.r.l.	31,649	-	-	-	4,144,719
IREN Ambiente Piacenza S.r.l.	27,944	-	-	-	4,143,263
Iren Ambiente Toscana S.p.A.	15,636	63,726,943	-	159,734	-
IREN Energia S.p.A.	18,865,569	430,367,192	45,119,199	1,045,548	-
Iren Green Generation S.r.l.	44,717	34,300,149	-	-	-
Iren Green Generation Tech S.r.l.	608,921	85,036,020	-	-	-
IREN Mercato S.p.A.	23,162,330	439,124	31,605,674	2,533,144	108,351,450
Iren Smart Solutions S.p.A.	3,499,182	456,763,674	15,649,566	2,330,225	-
IRETI S.p.A.	19,356,131	971,854,881	631,231	2,049,716	(230)
Iren Laboratori S.p.A.	684,735	-	577,968	17,928	8,256,185
Iren Acqua S.p.A.	4,285,908	153,428,539	5,191,512	306,824	-
IRETI Gas S.p.A.	2,154,606	116,972,443	11,557,030	-	-

**RELATED PARTY TRANSACTIONS**

amounts in euro

	Sundry liabilities	Revenue and income	Costs and other charges	Financial income	Financial expense
<b>OWNERS</b>					
Municipality of Genoa	-	-	411,719	-	-
Municipality of Parma	-	-	4,983	-	-
Municipality of Piacenza	-	-	183,276	-	-
Municipality of Reggio Emilia	-	2,000	328,923	-	-
Municipality of Turin	-	215,000	245,595	-	-
FSU S.r.l.	-	-	-	-	-
<b>SUBSIDIARIES</b>					
ACAM Acque S.p.A.	500,613	5,618,357	243,979	4,171,927	-
ACAM Ambiente S.p.A.	649,216	3,523,393	325,171	377,998	-
Acquaenna S.c.p.a.	-	125,297	-	576,430	-
Alegas S.r.l.	2,581,234	241,057	-	570,802	-
Alfa Solutions S.p.A.	-	1,817,548	1,384,232	-	181,463
AMIAT S.p.A.	4,317,032	26,287,186	3,747,009	1,332,529	-
AMIAT V. S.p.A.	22,722	156,699	-	162,349	-
AMTER S.p.A	-	85,058	25,009	76,760	-
ASM Vercelli S.p.A.	1,298,090	5,210,652	1,484,474	1,327,191	237
Asti Energia e Calore S.p.A.	18,712	5,667	-	76,924	-
ATENA Trading S.r.l.	503,322	647,194	26,278	251,070	(200)
Bonifica Autocisterne S.r.l.	-	61,030	8	-	17,538
Bonifiche Servizi Ambientali S.r.l.	613,643	326,780	21,263	-	210,777
Consorzio GPO	-	136	8	-	65,969
CRCM S.r.l.	-	800	-	33	17,379
Dogliani Energia S.r.l.	79,014	27,103	-	15,258	-
Ekovision S.r.l.	-	75,004	2,700	5,392	-
Formaira S.r.l.	7,637	6,602	8	-	2,094
Futura S.p.A.	305,191	78,701	163,305	545,728	-
GIA S.p.A.	242	-	-	-	-
I. Blu S.r.l.	1,594,935	365,088	307,350	841,289	-
Iren Acqua Tigullio S.p.A.	1,483,301	2,036,400	-	452,061	-
Iren Acqua Reggio S.r.l.	407,819	1,757,804	29,780	278,077	-
IREN Ambiente S.p.A.	5,195,288	35,104,227	1,572,263	33,328,495	-
IREN Ambiente Parma S.r.l.	8,679	82,480	8	-	130,118
IREN Ambiente Piacenza S.r.l.	5,838	77,930	8	-	130,086
Iren Ambiente Toscana S.p.A.	668,452	80,641	159,736	1,356,188	-
IREN Energia S.p.A.	8,304,614	39,854,197	2,090,816	86,377,823	-
Iren Green Generation S.r.l.	65,809	44,930	-	666,471	-
Iren Green Generation Tech S.r.l.	4,336,617	619,009	4	1,741,574	-
IREN Mercato S.p.A.	-	64,515,661	5,220,392	2,067,788	216,738
Iren Smart Solutions S.p.A.	1,958,313	12,995,123	2,518,722	9,006,656	-
IRETI S.p.A.	9,483,830	73,169,874	3,042,799	121,470,966	-
Iren Laboratori S.p.A.	409,512	2,410,926	179,210	-	218,340
Iren Acqua S.p.A.	1,864,739	8,008,514	311,268	3,750,659	-
IRETI Gas S.p.A.	504,896	11,002,077	2	2,612,630	-

## RELATED PARTY TRANSACTIONS

amounts in euro

	Trade Receivables	Loan assets, Cash and cash equivalents	Sundry assets	Trade Payables	Financial Liabilities
Lab231 S.r.l.s.	-	-	6,836	-	-
Limes 1 S.r.l.	5,193	8,319,227	-	-	-
Limes 2 S.r.l.	9,493	12,884,778	-	-	-
Limes 20 S.r.l.	52,443	6,614,544	-	-	-
Maira S.p.A.	13,425	-	14,980	-	2,779,763
Manduriambiente S.p.A.	10,934	-	-	6,945	21,400,925
Mara Solar S.r.l.	157,637	22,449,827	-	-	-
Nord Ovest Servizi S.p.A.	12,002	-	-	-	-
Omnia Power S.r.l.	80,948	10,057,320	-	-	-
ReCos S.p.A.	59,765	24,867,320	-	-	-
RE MAT S.r.l.	3,581	-	-	-	-
Romeo 2 S.r.l.	-	1,000,000	-	-	-
Rigenera Materiali (Ri. Ma.) S.r.l.	23,554	6,000,000	-	18,933	-
Salerno Energia Vendite S.p.A.	162,638	82,110,193	-	-	-
San Germano S.p.A.	1,650,785	43,953,683	-	17,362	-
Scarlino Energia S.p.A.	199,935	17,362,882	-	186,937	17,575,204
SEI Toscana S.r.l.	166,265	49,387,668	12,750	4,832	-
Semia Green S.r.l.	-	601,208	-	-	-
Solleone Energia S.r.l.	-	-	-	-	4,777
TB S.p.A.	8,063	975,538	32,328	-	436
Territorio e Risorse S.r.l.	54,719	25,406,296	-	-	-
Traversa Energia S.r.l.	-	-	-	-	2,569
TRM S.p.A.	128,186	-	-	448,948	-
Uniproject S.r.l.	5,874	-	246,959	-	-
Valdarno Ambiente S.r.l.	7,661	-	-	-	364,906
Valle Dora Energia S.r.l.	1,179	17,555,485	-	-	-
<b>JOINT VENTURES</b>					
Acque Potabili S.p.A.	140,316	-	-	-	-



**RELATED PARTY TRANSACTIONS**

amounts in euro

	Sundry liabilities	Revenue and income	Costs and other charges	Financial income	Financial expense
Lab231 S.r.l.s.	-	-	-	-	-
Limes 1 S.r.l.	-	6,433	-	164,745	-
Limes 2 S.r.l.	-	10,733	-	271,058	-
Limes 20 S.r.l.	-	52,442	2	28,156	-
Maira S.p.A.	12,399	2,508	8	-	74,624
Manduriambiente S.p.A.	646,627	62,163	6,945	-	706,721
Mara Solar S.r.l.	-	158,336	-	314,880	-
Nord Ovest Servizi S.p.A.	-	6,002	-	-	-
Omnia Power S.r.l.	-	80,890	-	167,850	-
ReCos S.p.A.	750,236	666,064	-	475,385	-
RE MAT S.r.l.	-	3,515	-	-	-
Romeo 2 S.r.l.	-	46	-	14,571	-
Rigenera Materiali (Ri. Ma.) S.r.l.	172,994	26,857	-	115,195	-
Salerno Energia Vendite S.p.A.	-	14,913	-	2,416,402	-
San Germano S.p.A.	2,835,573	2,291,147	204,468	833,324	-
Scarlino Energia S.p.A.	-	20,513	10	125,000	645,642
SEI Toscana S.r.l.	8,630,937	183,176	53,220	976,520	391
Semia Green S.r.l.	-	2	-	1,206	-
Solleone Energia S.r.l.	-	-	-	-	-
TB S.p.A.	303,202	16,923	-	1,131	6,668
Territorio e Risorse S.r.l.	1,061,399	268,568	-	468,388	-
Traversa Energia S.r.l.	-	-	-	-	-
TRM S.p.A.	1,030,014	659,280	345,768	-	-
Uniproject S.r.l.	-	5,876	(74)	-	-
Valdarno Ambiente S.r.l.	32,098	7,671	4	429	8,025
Valle Dora Energia S.r.l.	6,293	71,335	-	410,708	-
<b>JOINT VENTURE</b>					
Acque Potabili S.p.A.	-	55,197	-	-	-

**RELATED PARTY TRANSACTIONS**

amounts in euro

	Trade Receivables	Loan assets, Cash and cash equivalents	Sundry assets	Trade Payables	Financial Liabilities
<b>ASSOCIATES</b>					
Aguas de San Pedro S.A. de C.V.	862	-	-	-	-
ASA S.c.p.a.	6,000	-	-	-	-
ASA Livorno S.p.A.	28,002	-	-	-	-
ASTEVA S.p.A.	3,901	-	-	-	-
Asti Servizi Pubblici S.p.A.	-	-	-	-	-
CSAI S.p.A.	11,027	-	-	12.867	-
Fratello Sole Energie Solidali S.r.l.	-	-	-	-	-
Iniziative Ambientali S.r.l.	1,833	-	-	-	-
Mondo Acqua S.p.A.	2,000	-	-	-	-
Piana Ambiente S.p.A.	61,853	-	-	-	-
STU Reggiane S.p.A.	10,002	-	-	-	-
<b>SUBSIDIARIES OF MUNICIPALITY OF GENOA</b>	-	-	702	2.257	-
<b>SUBSIDIARIES OF MUNICIPALITY OF PARMA</b>	-	-	-	-	-
<b>SUBSIDIARIES OF MUNICIPALITY OF PIACENZA</b>	-	-	-	900	-
<b>SUBSIDIARIES OF MUNICIPALITY OF REGGIO EMILIA</b>	-	-	-	-	-
<b>SUBSIDIARIES OF MUNICIPALITY OF TURIN</b>	151	-	4.173	36.581	-
<b>TOTAL</b>	<b>102,028,732</b>	<b>3,649,982,761</b>	<b>121,625,053</b>	<b>15,659,700</b>	<b>182,784,283</b>

**RELATED PARTY TRANSACTIONS**

amounts in euro

	Debiti di altra natura	Ricavi e proventi	Costi e altri oneri	Proventi finanziari	Oneri finanziari
<b>ASSOCIATES</b>					
Aguas de San Pedro S.A. de C.V.	-	-	-	-	-
ASA S.c.p.a.	-	3,000	-	-	-
ASA Livorno S.p.A.	-	-	(582)	-	-
ASTEVA S.p.A.	-	3,903	-	-	-
Asti Servizi Pubblici S.p.A.	-	(7,209)	-	-	-
CSAI S.p.A.	-	11,027	20,456	-	-
Fratello Sole Energie Solidali S.r.l.	-	(60,000)	-	-	-
Iniziative Ambientali S.r.l.	-	1,835	-	-	-
Mondo Acqua S.p.A.	-	2,002	-	-	-
Piana Ambiente S.p.A.	-	-	-	-	-
STU Reggiane S.p.A.	-	4,002	-	-	-
SUBSIDIARIES OF MUNICIPALITY OF GENOA	-	-	36,019	-	-
SUBSIDIARIES OF MUNICIPALITY OF PARMA	-	-	-	-	-
SUBSIDIARIES OF MUNICIPALITY OF PIACENZA	-	-	900	-	-
SUBSIDIARIES OF MUNICIPALITY OF REGGIO EMILIA	-	-	-	-	-
SUBSIDIARIES OF MUNICIPALITY OF TURIN	-	-	37,487	-	155
<b>TOTAL</b>	<b>62,671,081</b>	<b>301,265,295</b>	<b>24,734,928</b>	<b>280,226,016</b>	<b>2,632,765</b>

**RECONCILIATION OF IFRS FINANCIAL STATEMENTS WITH RECLASSIFIED FINANCIAL STATEMENTS  
(Consob Communication no. 6064293 of 26 July 2006)**

thousands of euro

IFRS STATEMENT OF FINANCIAL POSITION		RECLASSIFIED STATEMENT OF FINANCIAL POSITION	
Property, plant and equipment	224,833		
Intangible assets with a finite useful life	109,584		
Investment property	-		
Investments in subsidiaries, associates and joint ventures	2,564,032		
Other equity investments	1,279		
<b>Total (A)</b>	<b>2,899,728</b>	<b>Non-current Assets (A)</b>	<b>2,899,728</b>
Other non-current assets	1,231		
Other non-current liabilities	(1,197)		
<b>Total (B)</b>	<b>34</b>	<b>Other non-current assets (Liabilities) (B)</b>	<b>34</b>
Inventories	6,020		
Trade receivables	102,022		
Current tax assets	55		
Sundry assets and other current assets	183,585		
Trade payables	(135,702)		
Sundry liabilities and other current liabilities	(99,725)		
Current tax liabilities	(69,499)		
<b>Total (C)</b>	<b>(13,244)</b>	<b>Net working capital (C)</b>	<b>(13,244)</b>
Deferred tax assets	4,021		
Deferred tax liabilities	-		
<b>Total (D)</b>	<b>4,021</b>	<b>Deferred tax assets (Liabilities) (D)</b>	<b>4,021</b>
Employee benefits	(14,061)		
Provisions for risks and charges	(14,138)		
Provisions for liabilities and charges - current portion	(105)		
<b>Total (E)</b>	<b>(28,304)</b>	<b>Provisions for risks and employee benefits (E)</b>	<b>(28,304)</b>
		<b>Net invested capital (G=A+B+C+D+E)</b>	<b>2,862,235</b>
<b>Equity (F)</b>	<b>2,236,973</b>	<b>Equity (F)</b>	<b>2,236,973</b>
Non-current financial assets	(3,677,676)		
Non-current financial liabilities	3,858,011		
<b>Total (G)</b>	<b>180,335</b>	<b>Non-current financial debt (G)</b>	<b>180,335</b>
Current financial assets	(25,433)		
Cash and cash equivalents	(281,685)		
Current financial liabilities	752,041		
<b>Total (H)</b>	<b>444,923</b>	<b>Current financial debt (H)</b>	<b>444,923</b>
		<b>Net financial debt (I=G+H)</b>	<b>625,258</b>
		<b>Own funds and net financial debt (F+I)</b>	<b>2,862,231</b>

# Statement regarding the separate financial statements pursuant to art. 81-ter of consob regulation no. 11971 of 14 may 1999 as subsequently amended and supplemented

1. The undersigned Paolo Signorini, Chief Executive Officer, and Giovanni Gazza, Manager in charge of financial reporting of Iren S.p.A., taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998, hereby certify:

- the suitability in respect of the company's characteristics and
- the effective application of the administrative and accounting procedures in preparing the separate financial statements during 2023.

2. It is also hereby certified that:

2.1 the separate financial statements:

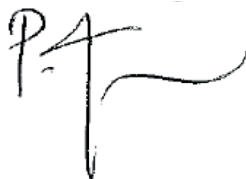
- a. are prepared in compliance with the applicable IFRS endorsed by the European Community pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council, of 19 July 2002;
- b. correspond to the results of the books and accounting records;
- c. are suitable to offer a true and fair view of the financial position and financial performance of the issuer and the group companies included in the consolidation scope.

2.2 the Directors' Report includes a reliable analysis of the operating performance and results, and of the situation of the issuer and of all companies included in the consolidation, together with a description of the major risks and uncertainties to which they are exposed.

28/03/2024


Chief Executive Officer

Dott. Paolo Signorini



Manager in charge of financial reporting  
under Law no. 262/05

Dott. Giovanni Gazza



# Independent Auditors' Report on the Separate Financial Statements



KPMG S.p.A.  
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(The accompanying translated separate financial statements of Iren S.p.A. constitute a non-official version which is not compliant with the provisions of Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

## Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of  
Iren S.p.A.

### Report on the audit of the separate financial statements

#### Opinion

We have audited the separate financial statements of Iren S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2023, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include material information on the accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Iren S.p.A. as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

#### Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the separate financial statements" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



**Iren S.p.A.**  
 Independent auditors' report  
 31 December 2023

### Recoverability of the carrying amount of investments in subsidiaries

Notes to the separate financial statements: note II "Accounting policies" and note 3 "Investments in subsidiaries, associates and joint ventures"

Key audit matter	Audit procedures addressing the key audit matter
<p>The separate financial statements at 31 December 2023 include investments in subsidiaries of €2,564 million, accounting for approximately 36% of total assets.</p> <p>Considering the current structure of the Iren Group, the assessment of the recoverability of the carrying amount of investments in subsidiaries recognised in the company's separate financial statements coincides with the assessment of the recoverability of the carrying amount of goodwill performed for the purposes of the consolidated financial statements, because the company's subsidiaries and related investees make up the cash-generating units (CGUs) or groups of CGUs identified for the purposes of testing goodwill for impairment.</p> <p>The directors have calculated the CGUs' estimated recoverable amount, based on their value in use, using the discounted cash flow model and the cash flows derived from the business plan approved by the board of directors on 23 March 2023 (the "plan").</p> <p>The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about:</p> <ul style="list-style-type: none"> <li>• the expected cash flows, calculated by taking into account the general economic performance and that of the company's sector, the actual cash flows for recent years and the projected growth rates;</li> <li>• the financial parameters used to calculate the discount rate.</li> </ul> <p>For the above reasons, we believe that the recoverability of the carrying amount of investments in subsidiaries is a key audit matter.</p>	<ul style="list-style-type: none"> <li>• Analysing the process adopted by the company to prepare the impairment test.</li> <li>• Analysing the criteria used to identify the CGUs and/or groups of CGUs and trace their carrying amounts to the separate financial statements.</li> <li>• Assessing the consistency of the cash flows used for impairment testing with the cash flows forecast in the plan.</li> <li>• Checking any discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors;</li> <li>• Analysing the expected cash flows and the reasonableness of the main assumptions used to calculate the groups of CGUs' and/or CGUs' value in use.</li> <li>• Involving experts in the assessment of the reasonableness of the valuation models and related assumptions.</li> <li>• Assessing the appropriateness of the disclosures provided in the notes.</li> </ul>

### Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error



**Iren S.p.A.**  
*Independent auditors' report*  
31 December 2023

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

### **Auditors' responsibilities for the audit of the separate financial statements**

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.





*Iren S.p.A.*

*Independent auditors' report*

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We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in this report.

#### ***Other information required by article 10 of Regulation (EU) no. 537/14***

On 13 June 2019, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2021 to 31 December 2029.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

### **Report on other legal and regulatory requirements**

#### ***Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815***

The company's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements at 31 December 2023 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements at 31 December 2023 have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

#### ***Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98***

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2023 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2023 and their compliance with the applicable law and to state whether we have identified material misstatements.



**Iren S.p.A.**  
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31 December 2023

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2023 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Turin, 23 April 2024

KPMG S.p.A.

(signed on the original)

Roberto Bianchi  
Director of Audit

# Report of the board of statutory auditors of iren s.p.a. to the shareholders' meeting

## **Report of the Board of Statutory Auditors of IREN S.p.A. at the Shareholders' Meeting of 27 June 2024 pursuant to art. 153 of Legislative Decree 58/1998**

*Dear Shareholders,*

*The Board of Statutory Auditors, pursuant to Article 153 of Legislative Decree 58/1998, Consolidated Law on Financial Intermediation (hereinafter, "Consolidate Law of Finance"), is called upon to report to the Shareholders' Meeting on the supervisory activities carried out and, on any omissions, and censurable facts that may have been detected. The Board of Statutory Auditors may also make observations and proposals regarding the financial statements, their approval and the matters within its competence.*

*During the year, the supervisory tasks assigned to the Board of Statutory Auditors by current laws and regulations were carried out. The Board of Statutory Auditors supervised compliance with the law and the Articles of Association, as well as compliance with the principles of proper administration; it also supervised the adequacy of the Company's organisational, administrative, and accounting structure to the extent of its competence. The Board does not consider that there are any irregularities in this regard that require reporting in this Report.*

### **1. Independence of the members of the Board of Statutory Auditors**

*The Board of Statutory Auditors verified the absence of grounds for disqualification of itself and of its members, pursuant to Article 148 of the Consolidated Law of Finance, in accordance with the Corporate Governance Code, the continued existence of the independence requirements: (i) pursuant to Article 148 of the Consolidated Law of Finance, paragraph 3, as well as (ii) pursuant to Article 2 Recommendation 7 of the aforementioned Code.*

### **2. Transactions and significant events of the reporting period**

*The Board of Statutory Auditors certifies, to the extent of its competence, the compliance within the law and the Articles of Association of the transactions of major economic, financial and equity significance carried out by the company and that the same are not manifestly reckless or risky, in potential conflict of interest, in contrast with the resolutions passed by the Shareholders' Meeting or such as to compromise the integrity of company's assets.*

*The aforementioned transactions, as well as the significant events of the financial year 2023 and the significant occurring after the end of the reporting period, referring to IREN S.p.A. and the companies directly or indirectly controlled by it ("IREN Group" or "Group"), are illustrated in the paragraphs "Significant events during the year" and "Significant events after the reporting period and outlook" of the Directors' Report as at 31 December 2023.*

### **3. Transactions with related or intra-group parties**

*Pursuant to art. 2391-bis of the Italian Civil Code, the Board of Directors has adopted, in accordance with the general principles indicated by Consob, rules to ensure the transparency and substantial and procedural fairness of transactions with related parties. For this information, please refer to the Directors' Report.*

*The paragraphs "Notes to transactions with related parties" of the Notes to the Separate Financial Statements of IREN S.p.A. and the Notes to the Consolidated Financial Statements as at 31 December 2023 set forth the economic and financial transactions with related parties. Details of these relationships are set out in section X "Annexes to the Separate Financial Statements" and section XIV "Annexes to the Consolidated Financial Statements".*

*The Chairman of the Board of Statutory Auditors and/or one or more standing auditors regularly attend the work of the Related Party Transactions Committee, monitoring the procedures concretely adopted for the relevant resolutions in the interest of the company and the Group, and there are no observations to report this regard.*

*In consideration of the model adopted by the Group with IREN S.p.A. as an industrial holding company with adequate centralised staff structures, as well as the management and coordination activities carried out, the Company provides professional services of a technical-administrative nature in favour of the subsidiaries, operating in the reference businesses. All these activities are governed by special supply contracts at arm's length.*

### **4. Atypical and/or unusual transactions**

*The Notes to the Separate Financial Statements of IREN S.p.A. and to the Consolidated Financial Statements, the information provided to the Board of Directors and the information received from the directors and the company's management did not reveal the existence of any atypical and/or unusual transactions, including intra-group transactions or transactions with related parties, as defined by CONSOB Communication no. DEM/6064293 of 28 July 2006. In this regard, it should be noted that, up to the time of drafting this Report, the Board of Statutory Auditors has not received any communications from the Control Bodies of the subsidiaries, nor from the Auditing Firm, containing observations to be reported.*

**5. Meeting of the Board of Statutory Auditors, the Board of Directors, and the Board Committees**

*During the financial year ended 31 December 2023, the Board of Statutory Auditors met twelve times, with almost all of its members attending.*

*The Board of Statutory Auditors also attended the meetings of the Board of Directors (twenty-two meetings) and ensured the presence of at least one member at the meetings of the Control, Risk and Sustainability Committee (twenty-one meetings, three of which were held jointly with the Remuneration and Appointments Committee), the meetings of the Committee for Related Party Transactions Committee (four meetings) and meetings of the Remuneration and Appointments Committee (eighteen meetings, three of which were held jointly with the Control, Risk and Sustainability Committee).*

**6. Observations pursuant to Legislative Decree no. 39/2010, Legislative Decree no. 245/2016 and on the independence of the auditing firm**

*With regard to the statutory audit tasks, the Board of Statutory Auditors reminds you that these are assigned to the auditing firm KPMG S.p.A. (the "Auditing Firm"), which issued the reports on 23 April 2024, pursuant to art. 14 of Legislative Decree no. n. 39/2010 and art. 10 of EU Regulation no. 537/2014, referring to the Separate Financial Statements of IREN S.p.A. and the Group's Consolidated Financial Statements as at 31 December 2023, noting that they do not contain any findings or requests for information.*

*The Board of Statutory Auditors on this question points out that both reports contain: (i) an opinion on the true and fair representation of the financial position of Iren S.p.A. and the Group as at 31 December 2023, the results of operations and cash flows for the year ended in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the measures issued in implementation of Art. 9 of Legislative Decree no. No 38/2005; (ii) a description of the key aspects of the statutory audit and the audit procedures carried out in response to the key aspects; (iii) an opinion on the consistency of the Directors' Report and certain specific information contained in the Report on Corporate Governance and Ownership Structure with the separate and consolidated financial statements as at 31 December 2023 and on their compliance with the law; (iv) confirmation that the opinion on the financial statements and the opinion on the Consolidated Financial Statements expressed in the respective reports are in line with what is indicated in the additional report addressed to the undersigned Board of Statutory Auditors, in its capacity as the Audit and Control Committee, prepared pursuant to art. 11 of EU Regulation 537/2014.*

*The Auditing Firm confirmed that it had carried out the required procedures in order to express opinions on the conformity of the annual Separate Financial Statements and the Consolidated Financial Statements with the provisions of the Delegated Regulation (EU) 2019/815 of the European Commission, from which it appears that the Consolidated Financial Statements and the Separate Financial Statements have been prepared in XHTML format in accordance with the provisions of the Regulation.*

*In addition, on 23 April 2024, the Auditing Firm Auditors issued the Additional Report for the Board of Statutory Auditors, in its capacity as the Audit and Control Committee, pursuant to Article 11 of EU Regulation 537/2014.*

*The Auding Firm confirmed its independence in the carrying out the statutory audit.*

*The Board of Statutory Auditors monitored the effectiveness of the statutory audit process, meeting periodically with the Auditing Firm's representatives.*

*Further tasks entrusted the Auditing Firm are governed by a separate Guideline "Entrusting of assignments to the Auditing Firm" in compliance with the reference legislation.*

*Following the acquisitions made during the year that increased the size of the Group also with the entry of new companies, the Board of Directors – in accordance with the provisions of the Framework Agreement entered into with KPMG on 25 November 2019 and subsequently supplemented - resolved on the subscription (finalised on 15 April 2024), also on behalf of the affected consolidated subsidiaries as at 31.12.2023, of a supplementary agreement which, by way of acknowledgment, accounts for an increase in the fees in favour of the Auditing Firm to consider the aforementioned expansion of the scope of consolidated companies as well as to adjust the same fees to the increased inflation rate recorded over time (as resolved by the Shareholders' Meeting of 4 May 2023). The individual subsidiaries have engaged KPMG by means of specific acts of engagement, following resolutions by the competent bodies.*

*The fees to the Auditing Firm reported in the Notes to the Consolidated Financial Statements and in the Notes to the Separate Financial Statements, where those relating to statutory audit services and those concerning services other than statutory auditing (services aimed at issuing a certificate) are indicated. The Board of Statutory Auditors confirms that the latter do not exceed the ceilings provided for by the reference regulations.*

*The Board of Statutory Auditors monitored the organisational and operational process aimed at preparing the Consolidated Non-Financial Statement (NFS), through discussions with the competent internal function, with the Control, Risk and Sustainability Committee and with the Independent Auditors. The Board confirms that the Consolidated Non-Financial Statement is prepared in accordance with the provisions of Articles 3 and 4 of Legislative Decree no. 254/2016. The Auding Firm issued a special report on 23 April 2024, and on the basis of the audit procedures specified therein, certifying that the information provided is compliant, in all material aspects, with the requirements of the aforementioned Legislative Decree and with the reporting standards set forth in the NFS's "Methodological Note". The Board of Statutory Auditors points out that the NFS was subject to limited assurance engagement in accordance with the criteria set out in ISAE 3000 Revised.*

7. Observations on the financial reporting process and the internal control system

*During the 2023 financial year, the Board of Statutory Auditors monitored the adequacy of the administrative and accounting system, as well as its reliability in correctly representing management events, by obtaining information from the Manager in charge of drawing up the accounting and corporate documents and from the other managers of administrative functions. The Company has a complex system of accounting procedures and a Group manual capable, among other things, of facilitating integration processes, following acquisitions transactions, with uniform behaviour within the Group.*

*Overall, the Board of Statutory Auditors considers the administrative and accounting system to be adequate and reliable in relation to the size and complexity of the Company and the Group.*

*The Board of Statutory Auditors monitored, within the scope of its functions, the adequacy of the internal control system by means of: (i) obtaining information from the managers of the corporate structures; (ii) meetings with the heads of the Risk Management function and Internal Audit functions; (iii) attendance, with at least one of its members, at the meetings of board committees; iv) exchange of information with the Auditing Firm.*

*The Board of Statutory Auditors also met with the Supervisory Board set up pursuant to Legislative Decree no. 231/2001, as amended, and was informed, by means of the half-yearly reports submitted to the Board of Directors, on the activities carried out.*

*Lastly, the Board of Statutory Auditors acknowledged the attestations of the Chief Executive Officer and the Manager in charge of preparing the Company's Financial Reports, pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999, as amended, concerning the adequacy and effective application of the administrative and accounting procedures for the preparation of the Separate Financial Statements and the Consolidated Financial Statements.*

*Based on the results of the activities carried out, the Board of Statutory Auditors believes that the internal control system and the financial reporting process are adequate to the size and scope of operations.*

8. Observations on the adequacy of the original structure

*The Board of Statutory Auditors has supervised, to the extent of its competence, the adequacy of the Company's organisational structure, acquiring information from the managers of corporate functions, and considers this structure to be adequate to the characteristics of the Company and the activities carried out.*

9. Further activities of the Board of Statutory Auditors

*The Board of Statutory Auditors:*

*(i) received no complaints pursuant to Article 2408 of the Italian Civil Code, nor were any claims;*

*(ii) issued opinions, where applicable, on the services of the Auditing Firm KPMG other than statutory audit;*

*(iii) approved, pursuant to Article 2386, paragraph 1, of the Italian Civil Code, on 30 August 2023, the co-optation of Paolo Signorini, who was subsequently appointed Chief Executive Officer by the Board of Directors;*

*(iv) verified the correct application of the evaluation criteria and procedures adopted by the Board of Directors to assess the independence of its members*

*(v) took note of the existence of instructions issued by the Company for subsidiaries to provide all the information necessary for the parent company to fulfil its disclosure obligations under the law;*

*(vi) with regard to first-tier subsidiaries and other major Group companies, obtained information from the relevant supervisory bodies, which are responsible according to the reference legislation for the activities falling within their sphere of competence, and in this regard confirms that no critical issues were reported;*

*(vii) acknowledge the preparation of the Report on the Remuneration Policy and Compensation Paid, pursuant to Article 123-ter of the TUF, and has no observations to report;*

*(viii) with regard to the Company's adherence to the Corporate Governance Code, please refer to the Report on Corporate Governance and Ownership Structure, prepared pursuant to art. 123-bis of the Consolidated Law of Finance;*



(ix) supported by a qualified consultant, carried out, for the third year, a self-assessment activity aimed at identifying any areas of improvement improvement in the efficiency and effectiveness of its action.

(x) confirms that during the periodic meetings with the representatives of the Auditing Firm, no issues emerged that need to be highlighted in this report.

*During the supervisory activity, as described above, there were no censurable facts, omissions or irregularities detected requiring reporting in this Report.*

*Furthermore, the Board of Statutory Auditors does not believe that there are any grounds for it to exercise its right to make proposals to the Shareholders' Meeting pursuant to Article 153, paragraph 2, of the Consolidated Law on Finance.*

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*The draft Separate Financial Statements and the Consolidated Financial Statements as at 31 December 2023, as well as the Directors' Report, were approved at the Board of Directors' meeting held on 28 March 2024. The Separate Financial Statements show a net profit for the period of 172,285 euros/thousands, while the Consolidated financial statements show a net profit for the period of 282,011 euros/thousands.*

*Since the Auditing Firm S.p.A. is not responsible for the legal control of the accounts, with reference to the Separate Financial Statements and the Consolidated Financial Statements, the Board of Statutory Auditors verified the general compliance with the rules governing their formation and structure. The Board of Statutory Auditors also verified, to the extent of its competence, the substantive accuracy of facts and information of which it has become aware because of the performance of its duties. The Board of Statutory Auditors has no observations to report in this regard.*

*The Directors, in "Risks and uncertainties" section of the Directors' Report, describe the main risks to which the Company is exposed: financial risks (liquidity, interest rate, exchange rate), credit, energy, cyber, climate, tax and operational risks.*

*Contingent liabilities are instead considered in the "Guarantees and Contingent Liabilities" section of the Notes to the Separate Financial Statements and the Explanatory Notes to the Consolidated Financial Statements.*

*In the light of the above, the Board of Statutory Auditors, having acknowledged the above-mentioned certifications issued jointly by the Chief Executive Officer and the Manager in charge of preparing the Company's Financial Reports, as well as the reports of the Auditing Firm, finds no grounds, within the scope of its authority, to oppose the approval of the proposed Financial Statements for the year ended 31 December 2023 formulated by the Board of Directors and the proposal for the allocation of the net result for the period. Finally, it should be noted that the mandate of the Board of Statutory Auditors expires. The Shareholders' Meeting is therefore called upon to appoint the new Supervisory Body for the next three years.*

*For the Board of Statutory Auditors  
Michele Rutigliano – The Chairperson*

*(signed on the original)*

*Reggio Emilia, 24 April 2024*



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