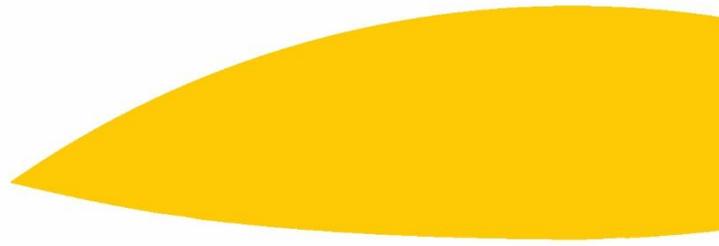


Sustainability Report 2016





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Sustainability in Iren: Highlights 2016



ENVIRONMENT

- 2,659,619 tonnes of CO₂ avoided
- 634,885 TOE saved
- 78% of electricity produced by environmentally friendly sources (renewable or similar)
- 59.2% of separated waste collection (national average 47.5%)
- 24% water network leaks (national average 35%)
- Over 21,000,000 plastic bottles avoided from 62 “Acquapubblica” water distribution points
- 85 million cubic meters of district heating volume



VALUE

- 3,283 million Euro of revenue
- 270 million Euro of investments
- 1,216 million Euro of added value for stakeholders
- 0.0625 Euro of dividend per share proposed by the BoD

CUSTOMERS

- 1,597,000 customers in the Energy Sector, 2,678,000 inhabitants served in the Integrated Water Service, 2,121,000 inhabitants for Environmental Services and 846,000 inhabitants served by district heating
- 55 service counter positions and over 273,000 customers served
- 1.9 million call centre responses
- Over 91% of customers satisfied
- 4.6% electricity network leaks (national average 7.2%)
- 52,414 samples of drinking and waste water for approximately 658,230 parameters
- 83% gas networks inspected and 51% electricity substations monitored



IREN PEOPLE

- 99% of employees have a permanent contract
- 108 new hires
- 84% of employees attended at least one training course
- 1,571 women work within the Group and make up 46% of the BoD



SUPPLIERS

- 701 million Euro of orders issued
- Local suppliers account for 57%
- 35 cooperatives work with Iren
- 3,230 hours of training for third party companies
- New procurement portal



COMMUNITY AND LOCAL AREA

- 29 projects by the Local Committees for sustainability
- 718 profiles registered on the Irencollabora.it platform
- 220 projects supported in favour of the community
- Workforce, vehicles and economic resources to support communities affected by disasters

INSTITUTIONS

- 9 Trade Unions at a national and international level
- Employee training on prevention and corruption
- Balance between tariffs and investments in the local area for the Integrated Water Service



SHAREHOLDERS AND FINANCIAL BACKERS

- +65% growth of the Iren share in the last 2 years
- Annual growth forecast of around 8% for the dividend per share
- Fitch Ratings “Investment Grade” BBB- with stable outlook
- Public placement for 500 million Euro



FUTURE GENERATIONS

- 89,890 students from over 729 schools involved in the educational programme Edu.Iren
- 14 research and innovation projects
- Collaboration projects with business and academic institutions in over 94 European cities
- 6,000 citizens involved in the trial of a project for the sustainable consumption of energy resources





LETTER TO THE STAKEHOLDERS

Iren Group's ability to generate value emerges from the tangible results achieved in 2016, as reported in our Sustainability Report. Compared to 2015, this Report has expanded to consolidate the companies Atena and TRM, which joined our Group in 2016.

This is not merely a snapshot of the excellent economic, social and environmental performance that we have achieved – and which we want to make accessible, clear and transparent to all our stakeholders – but it is also the solid proof of the Group's will to increasingly integrate sustainability within its medium-to-long term corporate strategy, as confirmed by the guidelines of our 2021 Business Plan, by the improvement targets that we have set and through the strengthening of governance, with the assignment of responsibilities concerning sustainability to the Control and Risk Committee. The results achieved and future commitments represent also Iren Group's tangible contribution to the 17 Sustainable Development Goals of the United Nations for 2030.

The integration of Sustainability within corporate management is also practically implemented through the daily activities of Iren's Local Committees, round-table discussions with our stakeholders (93 participating Institutions and Associations) which, by the end of 2016, had implemented 9 projects to improve the quality of services and foster the sustainable development of the local areas, and which had "incubated" 20 more projects that will take off in the upcoming months.

For Iren, stakeholder engagement means primarily listening to our customers' needs. The survey on the quality of services provided, conducted in 2016, was carried out through more than 9,700 interviews and highlighted an extremely high satisfaction index: 91.2/100. This represents to us a starting point, not an end point, which will see us striving to consider all possible improvement actions for the future.

Our focus on communities and stakeholders is emphasized by the fundamental role that the Iren Group plays in the development of the local areas in which it operates and where it distributes value both economically and in terms of project development: 1,216 million Euro of added value distributed to stakeholders, 270 million Euro of investments made, 701 million Euro of service supply, 220 innovative, cultural, environmental and social initiatives and 89,890 students from 729 schools directly involved in the educational programme Edu.Iren.

Iren Group is also a community that bases its principles on the respect, safety and growth of our over 6,200 employees who work every day to offer high quality services and satisfy our customers' needs. With these men and women we have agreed to follow together a path of growth for the future. This is the reason why 99% of Iren personnel is hired on permanent contracts, why 84% of our employees is involved in training activities and also the reason why we have continued to develop our corporate welfare system in 2016. Growing together also means providing space for 108 new hires who will take on the experience of those that came before them and whose skills will be put to the Groups' disposal for our future common growth

Environmental sustainability is increasingly becoming the focus of new global challenges: the Italian government's agenda, European Union guidelines, the Sustainable Development Goals of the United Nations and many other institutional initiatives are part of a scenario that requires planning and action to safeguard the future of the planet.

Those business actors who, as our Group, manage primary important resources, such as water, energy and waste materials, must play an active role in facing these challenges. Our Group continues to move right in this direction: we have managed approximately 1.8 million tonnes of waste, achieving

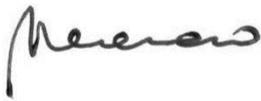
extremely significant results in separated waste collection with peaks higher than 76%, and practically eliminated landfill disposal, which makes up only 1% of the waste managed. Through 1,136 plants and over 200,000 annual analyses, we have guaranteed efficient wastewater treatment systems that protect the health of rivers and seas. 78% of the energy we have produced comes from renewable sources or similar, making it possible to reduce atmospheric emissions by over 2.6 million tonnes of CO₂ and to reduce the use of oil equivalent to approximately 635,000 tonnes. We have continued to expand district heating (+3.6% volume served) as it is a system that improves air quality and energy efficiency.

The quality of our environmental performance is also highlighted by the results of the 2016 survey of the Carbon Disclosure Project – an independent non-profit organisation that collects, analyses and shares environmental performance data worldwide – which assigned to Iren Group the highest award (level A) for the actions and strategies implemented to reduce emissions and mitigate climate change.

As outlined in our Business Plan, all the objectives that we aim to achieve by 2021 will be developed within a financial, social and environmental sustainability framework. These strategic guidelines – combined with the further streamlining of our processes and the consideration of the customer as a fundamental asset, which is increasingly guiding us to develop a corporate culture consisting of reliability, inclusion and innovation – represent the stimulus behind making Iren Group an important driver of development in North-West Italy.

We would like to offer our sincerest thanks to Iren Group personnel and to our partners for the time, effort and commitment that they have provided and put at our disposal to expand our Group. Together, and with a shared determination, we will reach in the upcoming years those sustainability objectives, which will allow us to continue to create and increase value for Iren Group and for all its stakeholders.

The Chairman
Paolo Peveraro



The Deputy Chairman
Ettore Rocchi



Chief Executive Officer
Massimiliano Bianco





INTRODUCTION

The 2016 Sustainability Report, referring to the period January 1st - December 31st, 2016, was prepared under the coordination of the Corporate Social Responsibility Department and Local Committees, based on the Sustainability Reporting Guidelines (version G4) of the Global Reporting Initiative (GRI) and the Utility supplement of the electricity sector – G4 Sector Disclosure, with an application level “In Accordance – Comprehensive”.

The data are reported through the application "Sustainability Report" which ensures the tracking, the verification and the approval of all required data.

The Sustainability Report is annually prepared by Iren Group (the 2015 Report was published in March 2016) and approved by the Board of Directors together with the draft Statutory Financial Statements and the Consolidated Financial Statements.

Company	Subsidiary	Subsidiaries relevant for sustainability
Iren SpA	•	
Iren Ambiente SpA	•	
Amiat SpA	•	
Amiat V SpA	•	
Bonifica Autocisterne Srl	•	
Iren Rinnovabili SpA		•
Monte Querce Srl	•	
TRM SpA	•	
TRM Holding SpA	•	
TRM V SpA	•	
Iren Energia SpA	•	
Iren Servizi e Innovazione SpA	•	
Iren Mercato SpA	•	

Starting from this Report, the companies TRM, TRM Holding, TRM V, Atena and Atena Trading, acquired by the Group during 2016, also fall within the scope of reporting. Specifically, the data related to Atena and Atena Trading are reported from May 1st, 2016, the date on which these companies entered the Group. In comparison to 2015, the companies Acquedotto di Savona, AEM Torino Distribuzione, AGA, EniaTel, Genova Reti Gas and Iren Acqua Gas are excluded from the scope of consolidation, because, with effect from January 1st, 2016, the companies were merged into Iren Emilia, which, at the same time, has taken on the new name, Ireti. The companies Iren Ambiente Holding and Tecnoborgo were also merged on January 1st, 2016, with Iren Ambiente, while the companies TLR V and O.C. Clim were incorporated into Iren Energia and Iren Gestioni Energetiche respectively.

The document was submitted for audit to PricewaterhouseCoopers Advisory SpA in accordance with the principles of ISAE 3000 (International Standard on Assurance Engagement 3000) of the International Auditing and Assurance Standard Board.

SCOPE OF CONSOLIDATION

The scope of consolidation for the drafting of the Sustainability Report is shown in the table below and takes into consideration:

- all of the Iren Group subsidiaries, except those in liquidation at 12/31/2016 or destined to be transferred;
- all of the subsidiaries in which the Group holds a stake considered significant for their sustainability impacts (shown in the table below).

Company	Subsidiary	Subsidiaries relevant for sustainability
Iren Gestioni Energetiche SpA	•	
Gea Commerciale SpA	•	
OLT Offshore LNG Toscana SpA		•
Ireti SpA	•	
Amter SpA		•
Atena SpA	•	
Atena Trading SpA	•	
Consorzio GPO	•	
Idro-Tigullio SpA	•	
Immobiliare delle Fabbriche SpA	•	
Laboratori Iren Acqua Gas SpA	•	
Mediterranea delle Acque SpA	•	

The main social and environmental performance of the companies OLT Offshore LNG Toscana, Iren Rinnovabili and Amter were reported separately.

Any limitations in regards to the scope of the Sustainability Report are duly indicated, as well as any restatements of the data related to the previous two-year period.

In order to guarantee the reliability of the information provided, directly measurable amounts have been included, limiting the use of estimates as much as possible. Estimated amounts are clearly reported as such. The calculations are based on the best information available or on sample surveys.

MATERIALITY

The materiality analysis is the assessment of the significance attributed to topics, by Iren Group and by its stakeholders, which

become subject to reporting in this Sustainability Report. This allows us to underline the connection between the relevant topics and the Group strategy and ensures that the requests for information of the various stakeholders are taken into consideration. The materiality analysis process was carried out in various stages:



- identification of the list of potentially significant topics through the analysis of guidelines and GRI publications, of the Group's financial and sustainability reporting, of its Business Plan and customer satisfaction surveys, of mass media information, of peer and competitor sustainability reporting and of the materiality analysis conducted during the previous financial year;
- involvement of Group management for the definition of relevant topics for Iren;

- involvement of Iren Local Committees for the definition of relevant topics for the stakeholders. The 93 Associations / Institutions, that participate in the Local Committees, represent the main categories of stakeholders of the Iren Group: consumers/customers, employees, suppliers, institutions, shareholders, environment, local communities, and future generations.

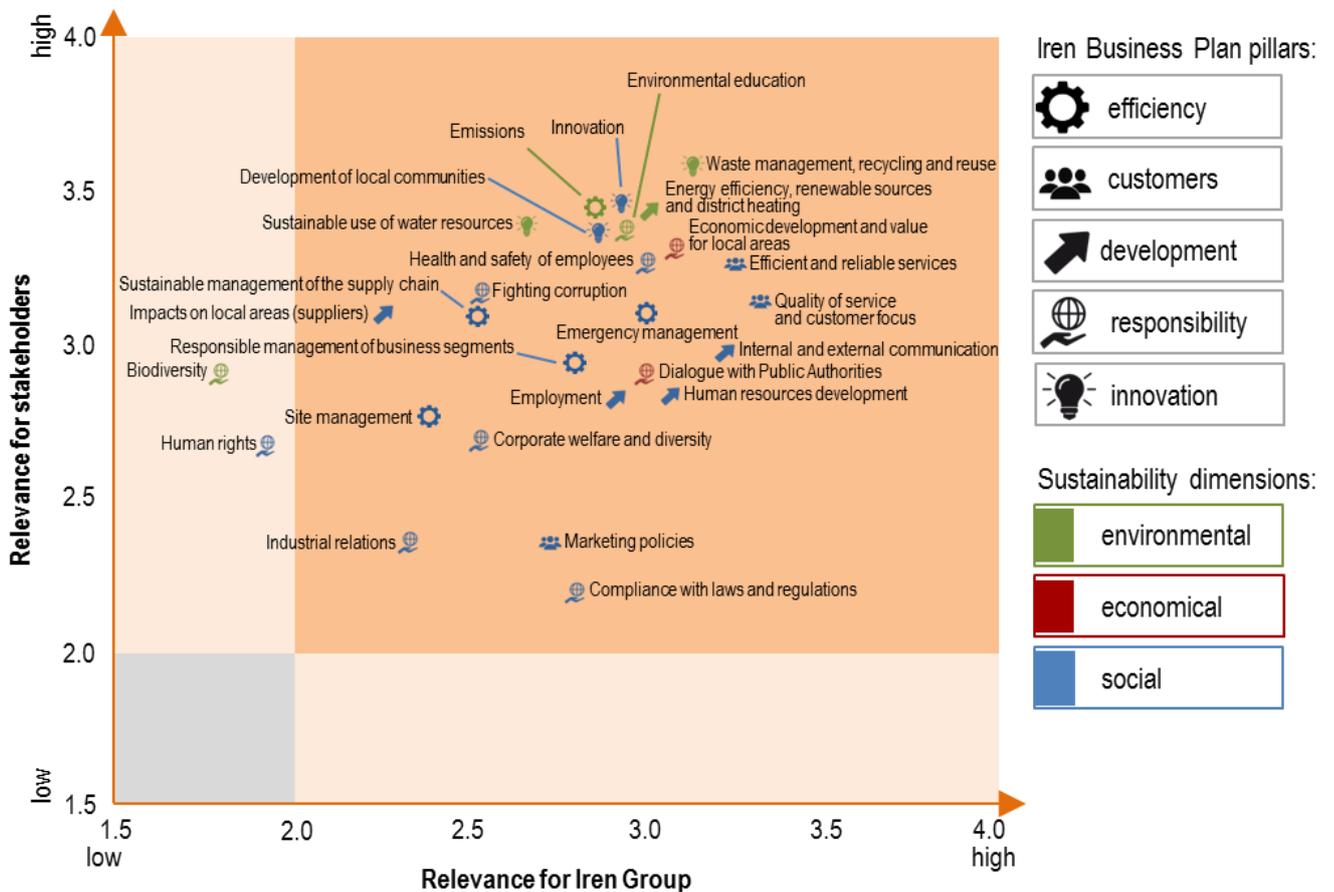
Compared to the analysis conducted in 2015, we note the following changes:

- stakeholder engagement at an inter-regional level;
- evaluation scale increased to 5 levels (from 0 "no significance" to 4 "maximum significance") to allow a greater diversification of priorities;
- review of potentially significant topics to improve their description or their compliance with the Group's business model. This analysis identified 27 significant topics.

The result was the materiality matrix - validated by the Chairperson, Deputy Chairperson and CEO of Iren Group - that identifies the topics discussed in depth within this Report.

As can be seen from the matrix, all of the topics assessed were considered important by Iren Group, by the external stakeholders or by both.

MATERIALITY MATRIX

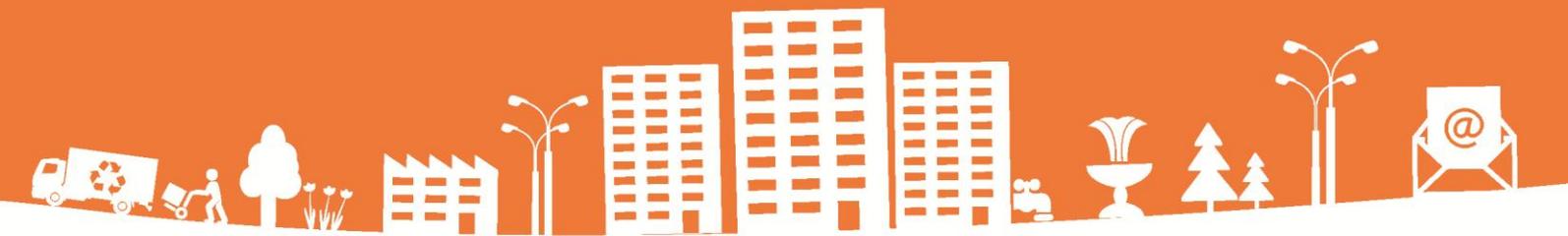




Furthermore, as shown in the table below, the topics in the Iren Group materiality matrix are strongly correlated with the Sustainable Development Goals (SDGs) that the UN has set as targets to be achieved by 2030.

UN Goals 2030	Significant topics for IREN
1. No poverty	Service levels offered and customer focus
2. Zero hunger	Value and economic development for local areas
3. Good health and well-being	Occupational Health and Safety Management of construction sites Management of emergencies
4. Quality education	Environmental education Development of human resources
5. Gender equality	Corporate welfare and diversity
6. Clean water and sanitation	Sustainable use of water resources Service levels offered and customer focus
7. Affordable and clean energy	Energy efficiency, renewable sources and district heating Service levels offered and customer focus
8. Decent work and economic growth	Employment Industrial relations Development of human resources Corporate welfare and diversity Occupational Health and Safety Value and economic development for local areas Sustainable management of the supply chain Impacts on local areas (suppliers) Human rights
9. Industry, innovation and infrastructure	Innovation Management of construction sites
10. Reduced inequalities	Corporate welfare and diversity Human rights
11. Sustainable cities and communities	Efficient and reliable services Responsible management of business segments Development of local communities Service levels offered and customer focus Management of emergencies Marketing policies
12. Responsible consumption and production	Efficient and reliable services Energy efficiency, renewable sources and district heating Management, separated waste collection and reuse of waste Responsible management of business segments
13. Climate action	Emissions Management, separated waste collection and reuse of waste Energy efficiency, renewable sources and district heating Responsible management of business segments
14. Life below water	Biodiversity
15. Life on land	Biodiversity
16. Peace, justice and strong institutions	Compliance with laws and regulations Fight against corruption Internal and external communication Dialogue with Public Authorities
17. Partnerships to the goals	Development of local communities Dialogue with Public Authorities

The Iren Group





ABOUT US

Iren, a multi-utility company listed on the Italian Stock Exchange, operates in the following business areas: electricity (production, distribution and sale), district heating (production, distribution and sale), gas (distribution and sale), integrated water service management, environmental services (waste collection and disposal) and services for the local authorities. Iren, which has provided services to the community for over 100 years, is structured as an industrial holding with its main corporate offices in Reggio Emilia and its operating units in Genoa, Parma, Piacenza and Turin, and with four business units, each overseeing a specific line of business:

- **Networks**, focusing on the integrated water service, gas distribution, electricity distribution, public street lighting and traffic light systems;
- **Environment**, dealing with waste collection, urban hygiene, the design and management of waste treatment and disposal plants, and the renewable energy sector;
- **Energy**, regarding electricity and heat production, management of district heating and technological services;
- **Market**, operating in the field of procurement and sale of electricity, gas and heat for district heating.

The Group contributes to the growth of the local territories in which it operates, tangibly promoting economic development and innovation

Iren focuses on providing services and creating infrastructure to improve and enhance local territories, in full respect for the environment and its customers.

The Group operates in a multi-regional area with over 6,200 employees, a portfolio of about 1.6 million customers in the energy sector, 2.7 million residents served by the integrated water service and over 2.1 million residents within its environmental cycle

IMPORTANT EVENTS IN 2016

In 2016 no significant changes occurred in the ownership structure and/or other operations involving the increase, maintenance or changes to the share capital.

Iren Group performed operations, in line with strategic guidelines, aimed at expanding and developing its lines of business:

- Group reorganisation measures were undertaken, aimed at increasing the unitarity of the governance structure and clearly identifying the main activities and responsibilities pertinent to each structure;

- the reorganisation plan of the subsidiaries was carried out, through the merging and unification of activities having the same operating characteristics and the optimisation of the structure into four business units: Energia, Reti, Mercato and Ambiente;
- following the company reorganisation, on January 1st, 2016 the company Ireti, which manages the water service and gas and electricity distribution, as well as the public street lighting plants and traffic light systems, was established;
- a controlling stake in the company TRM, which manages, by way of an award that expires in 2034, the final waste treatment activities for the province of Turin and which has a waste-to-energy capacity of around 500,000 tonnes of separated urban waste and energy production, was acquired;
- the majority stake in the company Atena was acquired, increasing participation in the shareholding structure to 60%. This transaction completes the Group's consolidation strategy for the local areas of reference;
- Iren Mercato won the two lots of CONSIP's annual call for tenders for the supply of electricity to local authorities;
- Iren Ambiente won the Municipality of Asti's call for tender to acquire 45% of the share capital of Gaia S.p.A. (whose capital is held by 115 Municipalities in the Asti area) with the subsequent awarding of the waste treatment, recovery and disposal services for 15 years;
- the temporary consortium constituted by Iren Ambiente and Ladurner S.r.l. was awarded the tender called by ACAM S.p.A, for the sale of 51% of the company Re.Cos., which will be the concession holder for the revamping and management of urban waste treatment plants serving the province of La Spezia and part of the Tigullio area, and will manage a waste selection and treatment system and a green waste treatment system;
- Iren Ambiente acquired 100% of REI s.r.l., a company established to construct and manage a new landfill for waste, including hazardous waste, with the exception of urban waste, for the Municipality of Collegno (TO), from the French group Derichebourg;
- Ireti purchased 10% of the share capital of SMAG (Società Multiservizi Acqua e Gas) from Capital impresa S.p.A., thereby acquiring 100% of the company's share capital which, on December 29th, 2016, was sold in its entirety outside the Group;
- thanks to an agreement with BT Italia S.p.A., signed on March 21st, 2016, the business unit consisting of the telecommunications network for the Emilia area was sold. A specific contract was concluded at the same time that provides for a concession granting Ireti the right to use 25% of the overall capacity of the sold network and a concession to BT granting the right to use 25% of the existing physical space within the service ducts of the Group's district-heating network in Emilia Romagna;
- the Shareholders' Meeting held on May 9th, 2016 appointed the new Board of Directors and the Chairman of Iren during the ordinary session (see page 21). During the extraordinary session, the Shareholders' Meeting deliberated on the

change to some Articles of Association in order to introduce shares with increased voting rights and incorporate subsection 4 of article 5 of the Articles of Association to give the Board of Directors the powers to increase the capital, with the exclusion of option rights, up to a maximum nominal amount of 39,470,897.00 Euro, pursuant to article 2443 of the Italian Civil Code;

- in December the Fitch rating agency confirmed the Group's triple B- rating with a stable outlook;
- on October 18th, 2016, the BoD approved the 2021 Business Plan, which reaffirms the strategic guidelines set out in the 2015-2020 Plan (see page 28);
- Iren successfully completed the placement of a bond issue for a benchmark amount of 500 million Euro, for the second consecutive year, within the framework of the 1.5 billion-Euro EMTN (Euro Medium Term Notes programme), as recently renewed and increased by the Board of Directors on October 18th, 2016;
- the corporate restructuring process continued, which will lead to the acquisition of a greater stake in Salerno Energia Vendite S.p.A. by Iren Mercato which, at the end of the

outlined process, will hold 50% of the Company with which Gea Commerciale will be merged. This transaction is an important element in the Group's commercial development project and completes the growth of the customer base through acquisitions indicated in the 2021 Business Plan;

- on December 30th, 2016 the acquisition contract for the residual water unit of Acque Potabili S.p.A was signed, with effect from January 1st, 2017, comprising concessions for the integrated water service related to the 31 Municipalities in the North West;
- on December 20th, 2016, the Iren Board of Directors resolved to formally adhere to the recommendations of the Code of Conduct for listed companies, the effective transposition of which already began during the year, and, in implementing the recommendation contained in the Comment on article 4 of the Code, attributed preliminary oversight duties on corporate social responsibility to the previously established Control and Risk Committee, which then took on the name of "Control, Risk and Sustainability Committee" (see page 25).

STRUCTURE OF IREN GROUP AS AT 12/31/2016



Main subsidiary companies

- Iren Servizi e Innovazione 100%
- Iren Gestioni Energetiche 100%
- Gea Commerciale 100%
- *OLT Offshore LNG Toscana 43.99% (+ASA 5.08%, subsidiary of the Group)*
- AMIAT V. 93.06% (which holds 80% of AMIAT)
- Bonifica Autocisterne 51%
- Monte Querce 60%
- TRM Holding 100% (which holds 51% of TRM V.)
- TRM V. 49% (which holds 80% of TRM)
- *Iren Rinnovabili 70%*
- Atena 60% (which holds 100% of Atena Trading)
- Consorzio GPO 62.35%
- Laboratori Iren Acqua Gas 90.89%
- Mediterranea delle Acque 60% (which holds 66.55% of Idro-Tigullio, 49% of Amter and 100% of Immobiliare delle Fabbriche)

Unconsolidated companies are indicated in italics and are considered relevant in regards to sustainability



MAIN AREAS SERVED



BUSINESS SEGMENTS

	Energy services	Water cycle systems	Environmental services
Customers	1,597,000 (electricity and gas)		
Citizens served	846,000 (district heating)	2,678,415	2,120,812
Volumes	Electricity <ul style="list-style-type: none"> • produced: 9,105 GWh • sold: 15,045 GWh • distributed: 4,148 GWh Gas <ul style="list-style-type: none"> • sold: 2,752 million cubic metres • distributed: 1,230 million cubic metres Heat <ul style="list-style-type: none"> • produced: 2,868 GWh • sold: 2,402 GWh • volume served: 84.8 million cubic metres 	Water sold: 170 million cubic metres	Waste treated: 1,813,000 t
Networks and plants	28 hydroelectric plants 6 thermoelectric cogeneration plants 1 thermoelectric plant 3 waste-to-energy plants 3 landfills (post operation) 2 biogas 5 photovoltaic Distribution networks <ul style="list-style-type: none"> • Electricity: 7,715 km • Gas: 7,973 km • District heating: 905 km 	1,136 waste water treatment plants Water mains network: 18,494 km Sewage systems: 9,617 km	3 waste-to-energy plants 2 landfills 18 treatment, selection, storage and recovery plants 152 waste collection points

PRODUCTION OF ELECTRICAL AND THERMAL ENERGY

Iren Group's installed capacity totals over 2,850 MWe (in electricity mode) and over 2,400 MWt of heat production capacity.

In 2016, Iren Group produced around 9,100 GWh of electricity and around 2,870 GWh of heat.

Electricity produced by plants fuelled by environmentally friendly sources (renewable or similar) represents about 78% of the overall production of the Group, compared to the national average which stands at 33%.

Plants fuelled by environmentally friendly sources account for about 70% of the total and play an important role in protecting the environment, reducing the emission of pollutants and the use of other forms of production with a higher environmental impact.

Iren has 5 photovoltaic plants for a total installed output of 0.3 MW and electricity production that in 2016 was around 203 MWh. The approximately 20 GWh produced by the plants of the subsidiary Iren Rinnovabili, which is not included in the scope of consolidation, can be added to the above mentioned production figures.



MARKET

Iren Mercato is the Group company that operates in the sale of electricity, gas, heat for district heating, of services and products for energy efficiency and in the supply of heat services and global services.

Iren Mercato is present throughout Italy, with a greater concentration of customers in the central-northern area. The main sources available for Iren Mercato operations are the thermoelectric and hydroelectric plants of the Group.



SALE OF NATURAL GAS

The amount of natural gas procured in 2016 came to approximately 2,752 million cubic metres, of which approximately 998 million m³ was sold to end customers, 1,547 million m³ was used within the Group – for producing electricity and thermal energy, as well as for supplying heating services – whilst 207 million m³ of gas remained in storage.

On December 31st, 2016, the number of retail gas customers managed by Iren Mercato reached approximately 806,000 (about 398,000 in the protected market and 408,000 in the free market), distributed mainly across Liguria, Piedmont, the provinces of Parma, Piacenza, Reggio Emilia, Modena and in the Grosseto area.

SALE OF ELECTRICITY

The volumes of electricity sold in 2016 amounted to 15,045 GWh.

At the end of 2016, the number of retail electricity customers managed reached approximately 791,000 (of whom approximately 523,000 on the free market and 268,000 on the protected market), mainly distributed in Turin and Parma where the Group also acts as the “protected market” service operator, and the other areas in which the Group operates.

Below is a cluster analysis of the end customers:

- *Free market and Power Exchange* - Total volumes sold to end customers and wholesalers amounted to 7,405 GWh, while the volumes used on the Power Exchange amounted to 7,069 GWh.
- *Protected market* - Total volumes sold to customers in the protected market amounted to 571 GWh.

SALE OF HEAT FOR DISTRICT HEATING

Iren Mercato sells heating to district-heating customers in the municipalities of Genoa, Turin, Nichelino, Reggio Emilia, Piacenza and Parma. At the end of 2016, Group district-heating volumes were about 85 million m³, for an estimated population of approximately 846,000 inhabitants: 60 million m³ in Piedmont, while in Emilia the volume is over 21 million m³, and for Genoa it is about 4 million m³. Over 2,402 GWht of heat were sold. The thermal energy acquired by third parties amounted to approximately 10 GWht.

MARKETING OF ENVIRONMENTAL CERTIFICATES

In 2016, around 2.8 million CO₂ allowances (EUA) were purchased in order to meet the obligations provided for in the Emissions Trading Scheme (ETS) legislation related to emissions generated by Iren Group plants. Approximately 134,000 Energy efficiency bonds (EEB) were also purchased at the average price of 179.68 Euro/EEB in order to meet the annulment obligations provided annually for the distributor Ireti, (Italian Ministerial Decree 07/20/04, as subsequently modified by the Decree of the Ministry of Economic Development 12/28/12).

GAS DISTRIBUTION

The distribution service guarantees the withdrawal of natural gas from Snam Rete Gas pipelines and its transportation through local gas pipeline networks for delivery to end users.

Gas distribution activities are carried out by Iren Group in compliance with the rules of functional separation for companies vertically integrated into the sector with the aim of promoting competition, efficiency and adequate levels of quality in the delivery of service.

In 2016, the Group distributed around 1,230 million m³ of natural gas to 742,341 customers in 95 Municipalities through 7,973 km of network.

Local Area	km of grid	End customers	Distributed gas (million m ³)
Emilia-Romagna	5,955	394,518	865
Liguria	1,685	319,857	340
Piedmont	333	27,966	25



The use of innovative technologies for laying and maintaining the networks means that ordinary maintenance can be performed while reducing time frames and costs, and limiting inconvenience to residents to a minimum.

Iren Group also deals with the distribution and sale of LPG. In the Emilia area, where there is greater coverage, this distribution is performed through reduction plants and channelled networks via 15 delivery plants located in a few mountainous municipalities within the province of Reggio Emilia. The suppliers deliver already odourised LPG in tanks, and Iren distributes it to customers at a pressure of 30 mbar. Safety is ensured by means of remote control of the plants.

ELECTRICITY DISTRIBUTION

Iren Group, through Ireti, with 7,715 km of networks (high, medium and low voltage), distributes electricity to the Cities of Turin, Parma and Vercelli for a total of over 713,000 customers.

In 2016, it distributed a total of 4,148 GWh of electricity, 3,147 GWh of which in the City of Turin and 881 GWh in the City of Parma and 120 GWh in the City of Vercelli.

DISTRICT HEATING

The Group supplies approximately 85 million cubic metres of heating, equivalent to an estimated population served of 846,000 residents, thanks to over 900 km of underground dual piping. The volumes increased compared to 2015 thanks to the creation of development projects provided for in the Business Plan.

Through Iren Energia, the Group has the most extensive district-heating network within Italy in the Piedmont capital, with over 550 km of dual piping (23.9 km of which in Nichelino) for a heated volume of 60.4 million m³, as well as the networks of Reggio Emilia (218.7 km), Parma (98.7 km) and Piacenza (22.7 km) for approximately 21 million m³ of heated volume in the Emilia area. In Genoa the network extends for 10.3 km and district-heating volumes totaled 3.6 million m³.



INTEGRATED WATER SERVICE

The integrated water service includes the procurement and distribution of drinking water, management of the sewage systems and water treatment activities.

With 18,494 km of water mains networks, 9,617 km of sewage systems and 1,136 water treatment plants, the Group serves approximately 2,678,415 residents in 206 Municipalities in the provinces of Genoa, La Spezia, Parma, Piacenza, Reggio Emilia, Vercelli, Imperia and Savona.

In 2016, Iren Group supplied to the network about 253 million cubic metres of water in the areas managed, of which 170 million cubic metres sold.



ENVIRONMENTAL SERVICES

The environmental services include the collection and recovery or disposal of solid urban waste, similar waste and non-hazardous special waste, as well as its transportation to plants belonging to the Group or third parties.

The Group manages environmental health services in the Provinces of Piacenza, Parma, Reggio Emilia, Vercelli and in the Municipality of Turin for a total of 147 municipalities, serving 2,120,812 residents.

In 2016, 1,813,000 tonnes of waste were managed, of which approximately 1,216,923 tonnes of urban waste collected, by means of 18 treatment, selection, storage and recovery plants, 3 waste-to-energy plants (Piacenza, Parma and Turin) and 2 composting plants.

The Group has activated highly structured separated waste collection systems which, partly thanks to the management of 150 equipped ecological stations, have made it possible for the entire area served to achieve results of more than 59% of separation.

The non-separated fraction of waste is disposed of in several different ways in order to make the most of it as a resource, reducing the amounts destined to waste-to-energy conversion and disposal in landfills.

The environmental services also include street-cleaning, sweeping of pavements and urban green areas and the clearing of snow.

OTHER SERVICES

The Group provides the City of Turin with public street lighting services, traffic light services, management of heating (about 800 buildings) and electric services in municipal buildings and the global technological service for buildings of public interest.

In the Emilia area it manages the public street lighting plants in the municipality of Medesano.

The Group's telecommunications network extends over the Turin area and from the ridge of the Susa Valley to Susa. Thanks to the possibility to access the networks of the Province of Turin and of a local consortium, the Group's network can easily extend to points in the Piedmont provinces and to Milano Caldera, the Italian internet bandwidth exchange point. Services can be delivered across all of Italy via wholesale and mobile services purchased from other operators, also thanks to a direct connection with the plants of the main national and international operators. Within the City of Turin the optic fibre network extends for almost 200 km and connects over 400 customer sites, including the Group's main sites where it is used, specifically, to monitor and control remotely district heating, electricity distribution, public street lighting and for the data collection system for electricity meters and apartment buildings with district heating. Various passage points for restricted traffic areas (ZTL), traffic light regulators and the remote control of the water network are also managed through the Group's network. The network reaches Genoa, Parma, Piacenza and Reggio Emilia, through a redundant 10Gbps infrastructure dedicated to the Group.



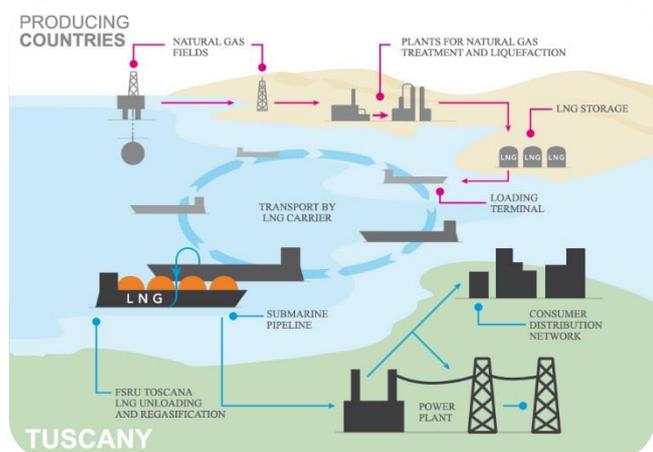


COMPANIES OUTSIDE THE PERIMETER

LIVORNO REGASIFICATION PLANT (OLT)

OLT Offshore LNG Toscana S.p.A. is the company that owns and manages the floating regasification terminal “FSRU Toscana”. The shareholders are: Iren Group (49.07%), Uniper Global Commodities SE (48.24%) and GOLAR LNG (2.69%).

The Ministry of Economic Development defined the OLT plant as an important and necessary infrastructure for the safety of the national gas system, which can significantly contribute to lowering the cost and promoting the competition in the supplies of natural gas. The terminal has an authorised regasification capacity equal to 3.75 billion m³ per year (amounting to about 4% of the entire national requirement) and is equipped with tanks that can store up to 137,000 m³ of LNG. The terminal, anchored at about 22 km off the coast between Livorno and Pisa, was created from converting an LNG carrier into a floating regasification terminal, which converts LNG, received for other LNG carriers, into its gaseous state.



PLANT OPERATION

The regasification process takes place through the following steps:

- unloading LNG off the LNG carriers and storing it in four regasification tanks;
- regasifying LNG to return it to the gaseous state by means of an increase in temperature;
- compressing the gas into the national grid.

Regasification is carried out using secure, consolidated technologies and subsystems and components that have been used for some time in the sectors of the oil and gas industry.

ECONOMIC PERFORMANCE

Once again in 2016, the third year of operation for the terminal, the company OLT Offshore LNG Toscana offered the Peak Shaving service, a measure established by the Ministry of Economic Development within the “Emergency Plan” to address certain disadvantageous situations for the national gas system that can occur during the winter and thereby guarantee the security of the Italian Gas System. On December 5th, 2016 the LNG needed for the Peak Shaving service was supplied, amounting to total of 105,000 Liq m³ of LNG (the first shipment of

LNG sourced from the United States to reach Italy), which will be stored until March 31st, 2017 and, if no emergency situation occurs, it will be regasified and introduced into the national network.

In line with the European Union strategy, the Ministry of Economic Development and AEEGSI initiated the “Integrated regasification and storage service”, with the aim of allowing industrial companies to source LNG directly from abroad. This includes the offer of regasification and the subsequent storage of gas volumes returned to the terminal, giving priority to the assignment of gas coming from States for which imports are not currently under way. The tender for awarding the service concluded in April 2016 and the Ministry of Economic Development assigned a capacity of 500 million m³, divided into 6 slots, to the terminal. OLT recorded offers from 12 companies and received 5 of the 6 slots assigned by the Ministry, amounting to approximately 450 million m³. The LNG shipments arrived from Norway, Nigeria, Qatar and Peru. This outcome is an excellent sign of recovery of the Mediterranean LNG market and for the “FSRU Toscana” terminal in particular, which affirms itself as an important infrastructure with high accommodating and emission flexibility, capable of intercepting the needs of the international LNG market.

ENVIRONMENTAL PERFORMANCE

The terminal operates in compliance with IEA decree (no. 93 of 03/15/2013), that provides for the continuous monitoring of channelled emissions of NO_x, TOC, CO, CO₂ and dusts coming from the two boilers needed for regasification, as well as continuous monitoring of the discharge necessary for regasification back into the sea, with reference to the quantity of free available chlorine, flow rate and the temperature gap with sea water. The main environmental performances of the terminal are shown in the table below.

	unit of measure	2016 Data	Authorised limit
Water			
Use of seawater	Million m ³	105	141
Free available chlorine discharge	t	2.04	3.60
Energy			
Production of electricity	MWh	45,537	--
Electricity consumption	MWh	45,537	--
Natural gas consumption	Million m ³	31.3	--
Marine diesel consumption	t	126	--
Waste generated			
Non-hazardous	t	4,344	--
Hazardous	t	1,193	--
Boiler emissions (*)			
		annual averages	
NO _x	mg/Nm ³	<80	150
CO	mg/Nm ³	<2	70
Dusts	mg/Nm ³	<1	5
TOC	mg/Nm ³	<3	--
CO ₂	mg/Nm ³	<10	--

(*) values expressed in mg/Nm³ at 3% of oxygen

For the discharges from the terminal, which differ from those required for regasification, provided in the previous table, a quantity of free available chlorine of 0.2 mg/l is authorised. These were monitored, as required by the IEA Decree, both by internal personnel and by a certified laboratory and revealed values well below the legal limits.

In 2016, there was an episode in which the authorised quantity was exceeded, which led to a minimal emission of around 0.0022 tonnes of CO more than the limit set, and was immediately reported to the control authorities.

Impact on biodiversity and on marine ecosystems

The Environmental Impact Assessment (EIA) requires, for the entire operating period of the Terminal, a "Monitoring plan of the marine environment" which provides for the performance of four monitoring campaigns a year of a chemical-physical, biological and eco-toxicological nature relative to the water column, sediments, the biological environment, the measurement of underwater noise and the morphology of the sea bed. The campaigns performed before the arrival of the terminal and at the end of the first three years of operation have not shown any impact on biodiversity or marine ecosystems.

Specifically the noise level of the terminal measured experimentally while in operation (60 dB at 100 m from the terminal) appears significantly lower than estimated in the design analyses and authorised by the relative EIA Ruling.

Overall, no substantial variations in the concentrations of contaminants in the water column or sediments were found. This finding is in line with the bio-accumulation studies conducted on mussels (bio-indicators) placed in the sea in special cages lowered from the terminal, and which showed no particular cellular or physiological damage or accumulation of contaminants.

The aforementioned investigations were conducted by the Inter-University Applied Marine Biology and Ecology Centre of Livorno.

SOCIAL PERFORMANCE

Personnel

The plant has made an important contribution to local employment. A total of 121 employees have regular jobs, 19 of which directly in OLT and indirectly a further 63 people at ECOS, the Company managing the terminal and 39 people at F.lli Neri, the Company handling the marine vessels serving the Terminal.

Environmental compensation in the area:

Many economic benefits for the local area are possible thanks to the financial commitment of OLT in projects proposed by local administrations that, with reference to the environmental compensations relative to the IEA Decree, amount to 1 million Euro:

- the realisation of the Visitor Centre of the Marine Reserve "Secche della Meloria";
- the realisation of an environmental characterisation of the sites along the Livorno coastline functional to the revision of the structural plan and town-planning regulations of the Municipality of Livorno;

- the funding of the environmental requalification of the town centre of Stagno;
- the funding for the realisation of a park with facilities in the public area "La Camilla" in Marina di Pisa.

The OLT has agreed with the Municipality of Pisa to reopen the Incile Canal, the connection between the Arno river and the Navicelli canal to restore navigation from the centre of Pisa to the port of Livorno. The last phase of the works are currently under way, amounting to an auction-based total value of the works of around 9 million Euro, which is expected to be completed by the summer of 2017.

By way of compensation, the following is planned:

- 500,000 Euro for 5 years to the Municipality of Livorno for the implementation of a door-to-door waste collection service;
- the co-funding of the project to open a separated waste collection centre in the Municipality of Collesalveti (a village of Stagno) for a maximum amount of 100,000 Euro.

Company policies

OLT, in line with its own company policies, has defined its policy for Quality, Environment, Health, Safety, Corporate Responsibility and the Prevention of Accidents by means of which it undertakes to:

- strictly comply with legislative provisions safeguarding the employment, health and safety of workers and protection of the environment in the surrounding area;
- diffuse inside and outside the Company a philosophy of quality, respect for the environment, health, safety and corporate responsibility, specifically promoting dialogue with the interested parties to ensure transparency and clarity in its relations;
- adopt even with its outsourcers all the precautions technically possible to prevent major incidents and accidents to the environment and to persons;
- to promote and diffuse the culture of customer and employee satisfaction;
- to continually improve corporate processes, services and performance so as to make them increasingly effective and efficient through training, on the job coaching and awareness-raising at all levels.

In order to fulfil such commitments, OLT has adopted an Integrated Management System according to the standards UNI EN ISO 9001, UNI EN ISO 14001, BS OHSAS 18001 and SA 8000.

Furthermore, the company considers the attitude of its collaborators and outsourcers as regards safety for the prevention of major accidents and the safeguarding of the environment a crucial element in assessing their level of professionalism.

The company, considering the naval nature of the terminal and given the presence of a shipbuilder (outsourcer) to whom the operative management of the terminal is subcontracted, shares the company objectives and constantly supervises the management system (UNI EN ISO 9001, UNI EN ISO 14001, BS OHSAS 18001) applied by the shipbuilder with the primary aim of



preventing major accidents and safeguarding persons and the environment.

IMPROVEMENT STRATEGIES AND COMMITMENT

OLT has developed the improvement strategies defined in 2014-2015, obtaining authorisation in 2015 to substitute carbon dioxide (CO₂) with nitrogen (N₂), as the inert gas required for the inertization of loading tanks during the five year maintenance and carrying out these changes in 2016. This inertization system was promptly used when inspecting the two tanks in November 2016.

It has also implemented a draft plan for the acquisition of EMAS registration to be conducted in the period 2017-2018 (reprogramming based on changes to the certification standards).

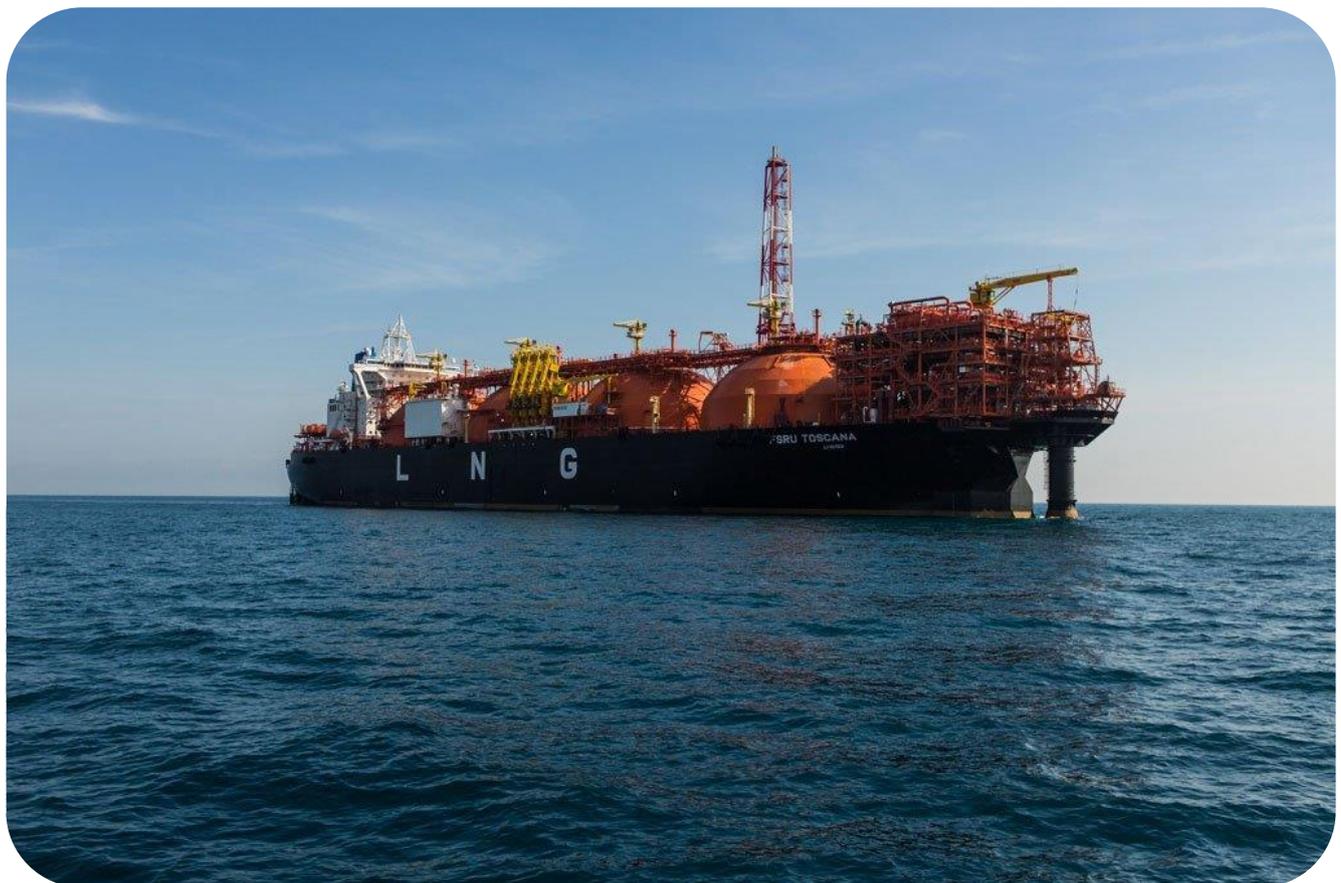
Among the improvement strategies carried out in 2016 is the feasibility study to assess the possibility of reducing pollutants in the atmosphere (NO_x) coming from the channelled emissions of boilers. Due to the positive outcome of the study, and the feasibility of defining the limit of 100 mg/Nm³ of NO_x emitted from each boiler during their normal functioning, the Company has scheduled the work to be undertaken by 2018.

AMTER

Amter is the subsidiary, together with five Municipalities within the Province of Genoa, that manages the integrated water service for the Genoa area of Ponente and for the Municipalities of Arenzano and Tiglieto. The data related to its environmental performance are provided separately in a specific box and, for the purposes of consistent information, are also shown in the Environment chapter (see page 57).

IREN RINNOVABILI

Iren Rinnovabili is the Company, of which Iren Ambiente is the investee, that operates within the sector of energy efficiency and energy production from renewable sources. The data related to its environmental and social performances are provided separately in specific boxes and, for the purposes of consistent information, are also shown in the Environment (see page 60) and Customers (see page 82) chapters.



CORPORATE GOVERNANCE

ORGANISATIONAL STRUCTURE OF IREN GROUP



*Including Mergers & Acquisitions, Planning and Investor Relations

Iren Group has a traditional governance system, in line with the principles contained in the Code of Conduct for listed companies (Code), the recommendations of which – from the July 2015 edition – the Iren Board of Directors has resolved to formally adhere to. It has also approved a document that highlights the specific governance solutions adopted by the Company. The Board of Directors (BoD) has the fullest powers for the ordinary and extraordinary administration, implementation and achievement of the company business objective.

BOARD OF DIRECTORS

The Board of Directors is granted with the broadest range of powers for ordinary and extraordinary administration and the implementation and achievement of the company business objective, also organising the Company and the Group into business segments, whether in the form of Companies or operating divisions, with the sole exclusion of powers which by Law or by the Articles of Association are the responsibility of the Shareholders' meeting.

The BoD assesses the economic, environmental and social performances of the organisation, any significant risks and opportunities, and its compliance with standards, codes of conduct and the principles outlined in the yearly and interim management reports. The Board of Directors also examines the socio-environmental performance as illustrated in the Sustainability Report, at least once a year.

The Board of Directors of Iren in office as at December 31st, 2016 was appointed by the Shareholders' meeting of May 9th, 2016 (for three years until approval of the Company's financial statements as at December 31st, 2018) and is composed of 13 Members.

The Articles of Association regulate the composition, appointment, methods and criteria of presentation of the lists for appointing Directors. The articles of association are such as to guarantee sufficient presence of the less represented gender in the body (in the present mandate this amounts to at least a third of all Directors) and ensure the election of at least one minority director (article 147-ter, subsection 3, Italian Legislative Decree no. 58 of February 24th, 1998 and subsequent amendments and integrations, the so-called Consolidated Law on Finance).

Under the terms of the current Articles of Association (approved by the Shareholders' Meeting on May 9th, 2016), the Board of Directors delegates its powers to one or more of its members and can also assign powers to the Chairman, Deputy Chairman and CEO, provided they do not conflict with each other. Each Delegated Body can decide to delegate some of its duties and responsibilities to those working directly under their management and, in specific cases, to other collaborators having proven skills and capacities. Such powers may relate to signatures and expenditure, representative powers, powers related to health and safety in the workplace, fire prevention and the protection and safeguarding of the environment. A specific guideline provides procedures for managing, updating, retaining and revoking such powers and mandates. The Board of Directors has appointed Corporate Social Responsibility matters to the Deputy Chairman, for whom a specific structure was established, overseen by a department Director.

As at December 31st, 2016, within the Board of Directors, 8 Directors have the requisites of independence pursuant to article 147, subsection 4 and article 148, subsection 3 of CLF and article



3 of the Code of Conduct. The independence of the Directors is regularly assessed by the Board of Directors after their appointment and thereafter on an annual basis, pursuant to the terms laid down in article 3 of the Code. The Board of Statutory Auditors checks the correct application of the verification criteria and procedures adopted by the Board to assess the independence of its members. The outcome of the assessments of the Board and of the Board of Statutory Auditors is disclosed to the market.

As provided for by article 2391 of the Italian Civil Code, the Directors that have, themselves or on behalf of third parties, an interest in a particular transaction must provide advance notice to the other Directors and the Board of Statutory Auditors, specifying the nature, terms, origin and scope; in the case of the CEO, the latter must also refrain from executing the transaction, appointing the Board of Directors to do so. The Iren Board of Directors ensures rules for transparency and substantial and procedural correctness in transactions with related parties (article 2391-bis of the Italian Civil Code) and publishes them in the Management Report. The Board of Statutory Auditors oversees compliance with the adopted rules and refers to them in its report to the Shareholders' Meeting. On March 15th, 2016, following the favourable opinion of the Committee for Transactions with Related Parties, the BoD adopted an operating procedure to manage transactions with related parties in order to implement the related internal Regulation. Stakeholders can view any conflicts of interest within the Board of Directors in the annual Report on Corporate Governance and Ownership Structure.

Directors actively participate in the meetings of the Board of Directors, receiving full information on the matters related to the decisions to be taken. In addition to the many meetings of the administrative body, several preliminary meetings were organised in which the Chief Executive Officer or Strategic Directors illustrated, in several stages, the draft financial statement, the draft budget, the draft Business Plan, a number of extraordinary transactions and the Group's major initiatives. Initiatives were also launched for the participation in courses and conferences of the Board of Directors and the members of the Board of Statutory

Auditors. This is a training programme on the tasks and responsibilities inherent to the office of members of the administrative and control bodies of listed companies, in line with the recommendations of the Code. Such meetings were important opportunities to inform, educate and communicate to those present the economic, social and environmental aspects of the company.

In line with the provisions of the Code of Conduct, at least once a year the Board of Directors carries out a self-assessment of the Board and its committees (Board evaluation), including their size and composition. Bearing in mind the recommendations of the Italian Stock Exchange, attention was drawn to the critical areas identified by the BoD at the moment of the Board evaluation, in order to assess the efficacy of the corrective and improvement measures implemented in 2016 following the suggestions received.

Furthermore, with regards to the communication mechanisms and processes, one of the recent changes to the Code of Conduct includes the introduction of a reference concerning the need to guarantee an adequate information channel between the Committees and the board, on the flow model that is already expressly provided for and formalised by the Control, Risk and Sustainability Committee.

Iren's Board of Directors held 19 meetings in 2016. The dates of the BoD's meetings for the approval of the interim management reports, half-year report and draft Financial Statement and Consolidated Financial Statement are shown in the calendar of corporate events, approved by the BoD and published on our corporate website.

The Iren Group has a traditional governance system, in line with the principles of the Code of Conduct for listed companies issued by the Italian Stock Exchange



COMPOSITION OF THE BOARD OF DIRECTORS AT 12/31/2016

Name and surname	Office	Position (Consolidated Law on Finance)	Position (Italian Stock Exchange's Code of Conduct)
Paolo Peveraro	Chairman	Executive Director	Executive Director
Ettore Rocchi	Deputy Chairman	Executive Director	Executive Director
Vito Massimiliano Bianco	Chief Executive Officer and Central Manager of Operations and Strategy	Executive Director	Executive Director
Moris Ferretti	Director	Independent Non-Executive Director	Independent Non-Executive Director
Lorenza Franca Franzino	Director	Independent Non-Executive Director	Independent Non-Executive Director
Alessandro Ghibellini	Director	Non-independent Non-Executive Director	Independent Non-Executive Director
Fabiola Mascardi	Director	Independent Non-Executive Director	Independent Non-Executive Director
Marco Mezzalama	Director	Independent Non-Executive Director	Independent Non-Executive Director
Paolo Pietrogrande	Director	Independent Non-Executive Director	Independent Non-Executive Director
Marta Rocco	Director	Independent Non-Executive Director	Independent Non-Executive Director
Licia Soncini	Director	Independent Non-Executive Director	Independent Non-Executive Director
Isabella Tagliavini	Director	Non-independent Non-Executive Director	Non-independent Non-Executive Director
Barbara Zanardi	Director	Independent Non-Executive Director	Independent Non-Executive Director

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee (RNC) is composed of three non-executive Directors, the majority of whom are independent. The Chairman of the Committee is chosen from among the independent Directors. At least one member of the Committee has appropriate experience in financial and retribution policies which is assessed by the Board of Directors at the moment of appointment.

The RNC performs the duties concerned with remuneration as provided for by Principle 6.P.4 and Application Criterion 6.C.5 of the current Code and, specifically, the following proposal and consulting functions towards to the Board of Directors:

- periodically assesses the suitability, overall consistency and actual application of the remuneration policy of Directors and Senior Managers with strategic responsibilities, by making use of the information provided by delegated Directors;
- submits proposals on the subject to the Board of Directors;
- presents proposals or expresses opinions to the Board of Directors regarding the remuneration of executive Directors and other Directors with specific office, as well as establishing performance objectives relating to the variable part of said remuneration;

- monitors the application of the decisions adopted by the Board itself by verifying, in particular, the actual fulfilment of performance objectives;
- deals with the preliminary activities concerned with preparing the remuneration policy for Executive Directors and Senior Managers with Strategic Responsibilities of the Group, functional to the adoption of the provisions under the competence of the Company's Board of Directors.

The power to determine the remuneration of the Directors holding specific office pursuant to the Company Articles of Association remains in the hands of the Board of Directors, upon approval of the Remuneration Committee and the Board of Statutory Auditors, pursuant to article 21 of the Articles of Association in force.

In regards to appointments, the RNC performs the functions referred to in Application Criteria 5.C.1. and 5.C.2. of the Code:

- formulates opinions to the Board of Directors in respect of its own size and composition, and makes recommendations on the professional figures whose presence in the Committee is deemed desirable;
- proposes candidates to the Board of Directors for the office of Director in cases of co-opting, where independent Directors need to be replaced, ensuring compliance with the



requirements on the minimum number of independent directors and on the percentages restricted to the less represented gender;

- expresses recommendations to the Board of Directors in relation to the maximum number of appointments that members can take as Director or Statutory Auditor in other listed companies in regulated markets (even foreign), in financial, banking, insurance or relatively large companies, compatible with the efficient performance of the office of company Director, bearing in mind the participation of Directors in the Committees established within the Board, as well as the exceptions to the bans on competition provided for by article 2390 of the Italian Civil Code;
- performs enquiries into preparation of the plan for the succession of executive Directors, if the Board of Directors decides to adopt such a plan.

The RNC is also tasked with supporting the BoD in the annual assessment of the Board and its Committees and conducting the preliminary assessment – regarding the decisions of the BoD – of the annual Remuneration Report (article 123-ter of CLF) to be made available to the public before the annual Shareholders' Meeting called to approve the financial statements.



REMUNERATION OF MEMBERS OF THE BOD AND OF SENIOR MANAGERS WITH STRATEGIC RESPONSIBILITIES

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

The Board of Directors decides, at the suggestion of the Remuneration and Nomination Committee of the Company and bearing in mind the opinion of the Board of Statutory Auditors, the framework and remuneration of the directors holding specific office (Chairman, Deputy Chairman and Chief Executive Officer) and the remuneration for the participation of the Directors in the Committees established within such Board. The BoD also defines the objectives to which the variable annual short term component of the Chief Executive Officer's remuneration is related.

The Chief Executive Officer practically determines, bearing in mind the provisions of the remuneration policy, the remuneration of Senior managers with strategic responsibilities and defines, in particular, the goals to which the variable annual short term component of the remuneration of Senior managers with strategic

responsibilities is related, with the support of the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee of Iren may avail of external consultants who are experts in retribution policies, checking in advance that they are not in situations which could jeopardise their independence of judgement. The names of any independent experts involved in preparing the remuneration policy must be indicated in the annual Remuneration Report.

The remuneration of non-executive Directors is not related to the economic results achieved but commensurate with the commitment required of each of them, bearing in mind their potential participation in one or more of the Committees within the Board of Directors.

For the Chairman and Deputy Chairman, a fixed remuneration has been established and no performance bonus is envisaged.

Generally speaking, no end of office / severance indemnity is provided for Iren Directors.

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

The first, (which upon achievement of all the targets may be as high as 30% of the fixed retribution), is based on an MBO system which takes into consideration objectives of an economic-financial nature, Group-wide objectives and specific Organisational Area /Business Unit objectives, with a gate (preliminary to any disbursement) related to economic factors (EBITDA). The transversal and specific objectives include objectives of a non-financial nature, such as environmental, organisational, relational and social objectives. The objectives for Senior managers with strategic responsibilities, which are always defined in line with horizontal and vertical consistency at a Group level and within individual Business Units, also form the foundation of the management by objectives (MBO) system used for Senior and Junior managers.

The long term variable remuneration (introduced in 2015) is monetary, with annual amounts of up to 25% of the fixed remuneration (upon achieving all the objectives). The objectives are related to achieving two economic objectives (EBITDA and cumulative net profit) established in the Group's Business Plan for the 2015-2018 period, at the end of which such sums may be disbursed. In addition, the maintenance of the investment grade attributed by one of the three major rating agencies is provided for as a gate.

No entry bonuses or specific incentives at the moment of appointment / taking office are adopted. Severance indemnities and supplementary pensions are those established by law and collective labour agreements.

Iren prepares an annual Remuneration Report, which illustrates, among other things, the remuneration policy of members of the Board of Directors and of Senior Managers with strategic responsibilities. The Report is, among other things, aimed at increasing the knowledge and awareness of shareholders and, in general, of market investors. Before approval by the Board of Directors, the annual Report is examined by the Remuneration

and Nomination Committee. The first section of the Remuneration Report is subject to voting (non-binding) by the Shareholders' Meeting. The Code of Conduct requires that the Chairman of the Remuneration and Nomination Committee or other member of the Committee be present at the annual Shareholders' Meeting for approval of the financial statement so as to refer to the shareholders on how the said Committee performs the functions assigned to it. After the Meeting, the Remuneration and Nomination Committee analyses the results of voting on the annual Remuneration report, examines any concerns arising at the Shareholders' Meeting and commences its assessments for reviewing the Remuneration Policy adopted by the Group.



CONTROL, RISK AND SUSTAINABILITY COMMITTEE

At the end of 2016, and in view of the importance attributed to corporate social responsibility by Iren Group, the Board of Directors decided to implement the recommendation contained in the Code of Conduct and resolved to attribute preliminary oversight duties on corporate social responsibility concerning sustainability to the previously established Control and Risk Committee which, as a result of the resolution, took on the name Control, Risk and Sustainability Committee (CRSC).

In line with the provisions of the Code of Conduct, the BoD defines the nature and the level of risk compatible with the Company's strategic objectives, evaluating the suitability of the organisational structure with particular reference to the internal control and risk evaluation system. In performing this role, the BoD is assisted by the Control, Risk and Sustainability Committee, which provides a preliminary opinion on the fulfilment of the duties assigned to the latter concerning internal control, risk management and sustainability.

The Board of Statutory Auditors also monitors the effectiveness of the internal control and risk management system.

The Control, Risk and Sustainability Committee is composed of three non-executive Directors, the majority of whom independent. The Chairman of the Committee is chosen from among the independent Directors. At least one member of the Committee has appropriate experience in accounting and finance or risk management (deemed adequate by the Board of Directors upon their appointment).

In line with application criteria 7.C.1 and 7.C.2 of the Code of Conduct and with the additional oversight duties of corporate social responsibility identified by the BoD, the CRSC is attributed the following tasks:

- through suitable preliminary activities, supports the assessments and decisions of the Board relating to the internal control and risk management system, as well as those regarding the approval of the periodic financial reports;
- assesses, together with the Financial Reporting Manager and having consulted with the external auditor and the Board of Statutory Auditors, the proper use of the accounting principles and their consistency for the purpose of drafting the Consolidated Financial Statements;
- expresses opinions on specific aspects relative to identifying the main corporate risks (in particular, specific aspects relative to Risk Policies, the identification of the main company risks and the Audit Plan, as well as regards the guidelines of the internal control and risk management system);
- examines the periodic reports on the assessment of the internal control and risk management system and those of particular relevance drafted by the Internal Audit department;
- monitors the independence, adequacy, effectiveness and efficiency of the Internal Audit department;
- requests the Internal Audit Department to carry out checks on specific operating areas, providing simultaneous communication to the Chairman of the Board of Statutory Auditors;
- reports to the Board, at least every six months, when the annual and half-year financial report is being approved, on its activities and the adequacy of the internal control and risk management system;
- through suitable preliminary activities, supports the assessments and decisions of the Board of Directors relating to the management of risks arising from detrimental acts of which the Board of Directors has become aware;
- monitors "sustainability" policies and compliance with the conduct principles adopted by the Company and its subsidiaries;
- examines the guidelines in the sustainability plan and monitors the means of implementation;
- assesses, together with the competent Group Department and having consulted the external auditor, the correct use of the standards adopted in order to draft the non-financial information provided for by the legislations in force;
- monitors the evaluation and improvement system for environmental, economic and social impacts that arose from business activities in the local areas;



- examines the periodic reports on the implementation of the structured comparison measures with stakeholders in the local areas that the Group operates, in particular through Local Committees, and those concerning consistency with CSR issues of cultural activities and promotion of the Group's image.

The BoD, through the CRSC, summons the Risk Management Director at least every six months for the Group risk report. In accordance with the Code of Conduct, the Risk Management Director presents a risk map with the main risks in terms of impact and probability and any mitigating actions, in addition to providing the results of specific analyses. The Group's other control bodies are also summoned to the same meetings. Furthermore, the Group's risk policies are subject to annual update. The body responsible for approving the changes is the BoD. In 2016 the Committee requested Risk Management to conduct a risk assessment of the 2021 Business Plan.

COMMITTEE FOR TRANSACTIONS WITH RELATED PARTIES

The Committee for Transactions with Related Parties (CTRP) expresses its opinion on the performance of transactions of lesser and greater importance with Related Parties and, in general, performs all the other functions assigned pursuant to the Regulation on transactions with related parties adopted by CONSOB. The CTRP is made up of three non-executive Directors in possession of the independence requirements pursuant to the Consolidated Law on Finance and the further requirements provided by the current Code. In order to ensure the dual requirement of independence and non-relation to the individual transaction to be analysed, it is provided for that the CTRP be completed with other independent Directors present in the Board of Directors of the Company that are not related to the individual transaction to be analysed, attributing to the Chairman of the CTRP the task of identifying a sub-committee (the so-called designated members) made up of three independent Directors not related to the individual transaction with the related party to be analysed.

Pursuant to the Internal Regulation on Transactions with Related Parties, it is provided that:

- with respect to transactions of lesser importance in the event that there is not even an independent and unrelated member of the CTRP, and in the Board of Directors there are no other directors meeting the necessary requirements to complete the composition of the CTRP, a non-binding supported opinion will be provided by an independent expert appointed by the Chairman of the Committee, upon approval of the Chairman of the Board of Statutory Auditors;
- with respect to transactions of greater importance, in the event that there are not at least three unrelated independent directors, the Chairman of the Committee will designate one or, if possible, two unrelated independent directors; in the event that there are no independent and unrelated directors, such activities will be performed by the Board of Statutory Auditors or by an independent expert appointed by the Chairman of the Committee, upon approval of the Chairman of the Board of Statutory Auditors.

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors is composed of three standing auditors and two supplementary auditors, who remain in office for three financial years. Their office terminates on the date of the Shareholders' Meeting called to approve the financial statements relating to their last year of office. Statutory Auditors may be re-elected. Articles 28 and 29 of the Company Articles of Association regulate the appointment of the Board of Statutory Auditors through the submission of the lists in order to guarantee an adequate presence of the less-represented gender within the body, in implementation of article 3 of Italian Law 120/2011 and Implementation Ruling by Italian Presidential Decree 251/2012. Duties and functions are governed by current regulations.

The Board of Statutory Auditors of Iren in office as at December 31st, 2016 was appointed by the Shareholders' Meeting of April 28th, 2015 for three years (until approval of the Company's financial statements as at December 31st, 2017). The composition of the Board's Committees and of the Board of Statutory Auditors in office at December 31st, 2016 is shown below:

COMPOSITION OF THE BOARD OF STATUTORY AUDITORS

Remuneration and Nomination Committee	Control, Risk and Sustainability Committee	Committee for Transactions with Related Parties	Board of Statutory Auditors
Marta Rocco (Chairwomen)	Paolo Pietrogrande (Chairman)	Barbara Zanardi (Chairwomen)	Michele Rutigliano (Chairman)
Moris Ferretti	Alessandro Ghibellini	Lorenza Franca Franzino	Anna Maria Fellegara (Standing Auditor)
Isabella Tagliavini	Marco Mezzalama	Licia Soncini	Emilio Gatto (Standing Auditor)
			Giordano Mingori (Supplementary Auditor)
			Giorgio Mosci (Supplementary Auditor)

Strategies and policies for sustainability





MISSION, VISION AND VALUES

Iren Group's mission is to offer its customers service efficiency, effectiveness, economic convenience and high quality standards, operating with expertise and professionalism with full respect for the environment and safety in the sectors of energy, integrated water services and waste management, also on behalf of local authorities, contributing thus to the well-being of its employees and of the community as a whole, while guaranteeing to its shareholders adequate profitability.

The values and principles upon which Iren Group bases its strategy, remarked in its integrated Quality-Environment-Safety system and in its Code of Ethics, are: customer satisfaction, environmental protection and the rational use of natural resources, occupational health and safety, sustainable development, responsibility and cooperation with the community, efficiency of services, respect and enhancement of people, innovation and change, quality of the supplies and tenders and continuous improvement.

THE PILLARS OF GROWTH



THE STRATEGIC PLAN 2021

The 2021 Business Plan defines the following strategic guidelines:

- **an additional push towards process streamlining to make action within the Group increasingly quick, incisive and effective.** The intense renovation plan launched in the second half of 2015, called “performance improvement”, lies at the basis of the revision and streamlining of processes, also for the near future, with the launch of over 100 projects. The Group completed the revision of its business model and the subsequent corporate

restructuring, both representing important factors that allow synergy targets to be achieved;

- **the customer as a fundamental asset and lever on which to build a new corporate culture based on reliability, inclusion and innovation.** The strategy aims to transform the energy product from a commodity to a service with high added value and this will form the basis of “New Downstream”, the Group’s new commercial paradigm that looks to create a satisfying customer experience for the client, made up of energy savings, efficiency and innovation. This will allow for the important acquisition and loyalty targets included within the Business Plan to be backed;
- **Iren as the key player in the consolidation process within the areas of presence.** In the last two years significant transactions have been completed that have allowed the various areas within the Group’s established regions to be monitored better. Additional commitment is expected in the upcoming years in this regard, which will confirm Iren as the main driver and aggregator of development in North-West Italy.
- **all the Plan objectives will be developed within a framework of financial, social and environmental sustainability.** The environmental awareness that has always led the Group’s choices is also affirmed in the 2021 Business Plan, which focuses on activities with low environmental impact, such as district heating networks, the consolidation of systems related to the concept of waste-to-material, as well as the implementation of smart-metering and smart-grids.

On the basis of such strategic guidelines, Iren Group plans:

- **a significant EBITDA growth:** equal to about 900 million Euro in 2021, an increase of about 220 million Euro compared to 2015, with an annual growth rate of 4.8%;
- **synergies** equal to 100 million Euro, 80% of which achieved within 2019;
- **a net profit substantially doubled by 2019;**
- **overall investments for approximately 2.2 billion Euro**, a third of which dedicated to development initiatives;
- **the reduction of debt** for approximately 180 million Euro and below 2 billion in 2021. Ratio of net debt/EBITDA tripled by 2018;
- **a clear dividends policy** with approximately 8% annual growth of the dividend per share.

In practice, the strategic guidelines translate into important industrial projects that represent the Group’s tangible commitment in terms of sustainability.

In the context of such initiatives, in order to communicate objectives, actions and results to its stakeholders, Iren Group annually publishes the Sustainability Report, which is also a management tool that makes it possible to monitor compliance of operations with the Group’s Corporate Social Responsibility strategy.

The Sustainability Report is the final result of a process involving a series of actions and initiatives based on Corporate Social Responsibility.

INSTRUMENTS OF CORPORATE SOCIAL RESPONSIBILITY

The Board of Directors defines the strategies of Iren Group, approves the guidelines and business objectives, also with particular attention to the sustainability objectives. Furthermore, the BoD examines the risks and opportunities connected to the socio-environmental and economic context when approving the Business and Financial Plan and the Annual Budget.

The BoD is kept up to date by the Deputy Chairperson, who is in charge of this duty, on the status of the sustainability projects and stakeholder engagement activities. The Board of Directors analyses and approves the Sustainability Report, which is prepared annually, to provide information relevant to its performance in the environmental, social and economic context, and to transparently communicate compliance with the commitments undertaken, future commitments and the ability to meet stakeholder expectations.

The Sustainability Report is prepared by the Corporate Social Responsibility Department and Local Committees, acting under the direct employment of the Deputy Chairperson of Iren Group, who is appointed with the proxies for this purpose.

The Control, Risk and Sustainability Committee assesses, together with the Corporate Social Responsibility Department and after consulting the external auditor, the correct usage of the standards for preparing the Sustainability Report adopted by the Group.

The 2016 Sustainability Report was approved by the Board of Directors' Meeting held on 16th March 2017, when completeness and consistency with the topics reported in the materiality matrix were also evaluated.

The consultations concerning sustainability between the interested parties and the highest governing body are appointed to the Deputy Chairman who, through the Corporate Social Responsibility Department and Local Committees, is responsible for maintaining an open dialogue with the internal and external stakeholders on these topics. The results of this dialogue generate project ideas for the improvement of environmental and social performances and are subsequently incorporated in the annual disclosure of the Sustainability Report.

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

- preparation and presentation of the Sustainability Report to stakeholders;
- definition of the improvement plan relevant to the Group Corporate Responsibility;
- definition of the engagement plan, management and analysis of the results from the dialogue with stakeholders;
- definition of the Guidelines for the balanced scorecard and management of the Group balanced scorecard;
- issue and update of the Code of Ethics, in collaboration with the Compliance function;

- establishment and management of the Local Committees and the on-line platform IrenCollabora.it;
- coordination of projects promoted by Local Committees;
- realisation of Group customer satisfaction surveys;
- promotion and participation of initiatives aimed at raising awareness on CSR issues;
- participation in working tables and groups on corporate social responsibility and non-financial reporting;
- participation in national and international surveys (e.g. Carbon Disclosure Project) related to sustainability.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Pursuant to the Code of Conduct and internal guidelines, Iren Group has an internal control and risk management system, which is configured as a cross process that involves, with different roles and within the context of their respective roles, the administrative bodies (Board of Directors, Control, Risk and Sustainability Committee, Appointed Bodies), the Director Appointed for the internal control and management of risks and sustainability, the Internal Audit Manager, the Risk Management Manager, the Board of Statutory Auditors and the Financial Reporting Manager, as well as all Iren Group personnel.

In particular, the Board of Directors of each Group company assesses the adequacy of the Internal Control and Risk Management System compared to the characteristics of the company and the indications expressed in the Guidelines. The Board of Directors of the Parent Company carries out the following tasks, subject to the opinion of the Control, Risk and Sustainability Committee:

- define the guidelines of the internal control and risk management system so that the main risks relevant to the Group result as correctly identified, as well as adequately measured, managed and monitored, also determining the level of compatibility of such risks with business management consistent with the strategic objectives identified;
- at least once a year, assess the adequacy of the internal control and risk management system relevant to the characteristics of the business and the risk profile undertaken, as well as its efficacy;
- at least once a year, approve the work plan prepared by the Internal Audit department and submitted by the competent Appointed Body, subject to the opinion of the Board of Statutory Auditors and the director appointed by the internal control and risk management system (if not coincident with the competent delegated body);
- describe, in the corporate governance report, the main characteristics of the internal control and risk management system, expressing its opinion on the adequacy of the same;
- assess the results presented by the statutory auditor, subject to the opinion of the Board of Statutory Auditors, in the letter of suggestions and in the report of the crucial issues arising during the legal audit;



- appoint and dismiss, upon proposal of the competent Appointed Organ and the Chairperson, subject to the favourable opinion of the Control, Risk and Sustainability Committee and subject to the opinion of the Board of Statutory Auditors, the Internal Audit manager, ensuring that they be provided with the adequate resources for the fulfilment of their responsibilities.

Pursuant to the Code of Conduct, as part of the report submitted, periodically, as a rule every six months, by the Internal Audit Manager to the Control, Risk and Sustainability Committee, the results of the Internal Auditing audits are reported, as well as the follow-up with the progress of the actions carried out based on the audits from previous years. In turn, the Committee, on the basis of information received, reports every six months to the BoD pointing out the critical areas identified and expressing its opinion of the Internal Control System.

RISK MANAGEMENT⁽¹⁾

Corporate risk management is an essential element in the Internal Control System of the corporate governance of a listed Company and the Code of Conduct issued by the Italian Stock Exchange attributes specific responsibilities in this regard. The Enterprise Risk Management operating model within Iren Group contains the methodological approach to the identification, assessment and integrated management of the risks for the Group, which is broken down into the following phases:



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

The aim of the Enterprise Risk Management model is the integrated and synergistic management of risks

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

⁽¹⁾ For further details, see the Iren Group 2016 Consolidated Financial Statements.

The Enterprise Risk Management system particularly focuses on the management of Financial, Credit, Energy, Operational and Reputational risks.

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

The types of risk managed regard:

- financial risks (liquidity, interest rate, exchange rate);
- credit risks;
- energy risks, referable to the supply of gas for the thermoelectric generation and the commercialisation of electricity and gas, as well as the hedging derivatives markets;
- operational risks, referable to asset ownership, the exercise of business activities, the processes, and the procedures and flows of information. Also included are the rules and regulatory risks, whose impact on the business is monitored on an ongoing basis;
- reputational risks related to the impacts on stakeholders of any malpractices.

The Enterprise Risk Management (ERM) model also takes account of climate change and the risks and opportunities - also strategically speaking - that these entail. Among the effects of climate change there has been a growth of critical atmospheric phenomena such as droughts and floods; these events determine impacts on the systems and services, together with the associated economic implications, and require organisational attention in relation to the consequences for Group assets, service management and production and maintenance scheduling.

The Group's Risk Management Department, which reports to the Deputy Chairperson, is responsible, inter alia, for coordinating the integrated management process of the Group's risks, assessing insurance requirements, planning the programs and stipulating and managing policies, with the collaboration of the Legal department.

A periodic monitoring process is also in place with regard to claims in the various sectors and across all the Group's areas of operation in order to establish and implement the most suitable methods of containment and reduction.

ORGANISATIONAL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/2001

Iren and the main Group companies have adopted organisation, management and control models pursuant to Italian Legislative Decree 231/2001 with the aim of configuring a structured and organic system of control activities and procedures to prevent, where possible, conducts that could constitute the commission of the crimes covered under Italian Legislative Decree 231/2001.

During 2016, the Models 231 were substantially revised and updated in order to guarantee their consistency with the

organisational changes that had occurred and with the introduction of new criminal offences by the legislator.

The revision was implemented in accordance with a “risk self-assessment” methodology, which consists of identification and self-assessment being conducted by the relative “risk owners” in company activities, processes and sub-processes at risk of the 231-related crime, also assessing potential risk, the control level and the remaining risk of each sensitive activity. The project provides for the updated Models 231 to be presented for approval to the Board of Directors of the individual Companies. All employees are subsequently informed about the approval of the new Model 231 and are invited to consult it and adopt conduct that complies with the provisions of said Model.

Model 231 can be consulted in its entirety on the Company’s Intranet.

In the Model, specific mechanisms are provided for the reporting of problems relevant to ethical conduct and compliance with Italian Legislative Decree 231/2001. Each Recipient of the Model is required to report any breaches or suspicions of breach of the Code of Ethics or the principles of control pursuant to such Model (so-called “reporting”).

Any reporting relevant to the following must be collected:

- the commission, or reasonable danger of committing, the crimes provided by Italian Legislative Decree 231/01;
- “practices” not in line with the regulations of conduct issued by the Company;
- threats, pressures, offers or promises of money or other benefits, received in order to induce persons not to make statements or to make false statements when called before the court to make declarations usable in criminal procedures, when such person has the right to not respond;
- behaviour that, in any case, can determine a breach of the Model.

An employee that intends to report a breach (or presumed breach) of the Model can refer directly to the Supervisory Body, in writing or using the relevant e-mail address (iren_odv231@gruppoiren.it).

SUPERVISORY BODIES

Iren and the main Group companies established a Supervisory Body (SB) pursuant to Italian Legislative Decree 231/2001, tasked with monitoring the functioning and compliance of the Model and updating it.

In order to meet the requirements of autonomy, independence, professionalism and continuity of action, the SB was formed as a collegiate structure.

With the assistance of the competent company departments, the Supervisory Body monitors the areas of activities found to be at risk pursuant to Italian Legislative Decree 231/2001 and reports to the Board of Directors twice a year on the activities carried out and the results obtained. If believed to be necessary, the Supervisory Body gives suggestions aimed at improving the control system for activities and oversees their implementation.

CODE OF ETHICS

Iren Group Code of Ethics, approved by the Board of Directors’ Meeting held on September 17th, 2013, is the instrument that defines the set of ethical values and responsibilities of the Iren Group. The Code of Ethics also identifies the rules of behaviour that must guide the management as well as internal and external relations. Compliance with the Code of Ethics also makes it possible to prevent the risk of committing the crimes pursuant to Italian Legislative Decree 231/2001, in the scope of the specific activities carried out within the Group. Observation of the content of the Code of Ethics by all who operate on behalf of Iren is of fundamental importance for the smooth operation, reliability and reputation of the Group.

Iren’s Corporate Social Responsibility Department and Local Committees have the task of promoting the understanding, dissemination and updating of the provisions of the Code of Ethics and to ensure their interpretation and implementation. It receives reports of breaches and assesses whether or not to open a corresponding file. Iren ensures the verification of each notice of breach of the Code of Ethics, received pursuant to the methods and through the channels specified by the Code, the assessment of the facts and the application of appropriate sanctions in case of breaches. Mandatory acceptance of the Code of Ethics is required by all suppliers from the offer stage, without the possibility of exceptions or amendments. The Code of Ethics is also available on the Group’s website in order to achieve the maximum dissemination and understanding. Furthermore, to support ethical conduct and compliance with integrity standards and laws, Iren Group makes available information concerning laws, regulations and insights regarding quality, environment and safety to all stakeholders, both internal and external. This can be found on the company website and intranet. In 2016 the Group did not receive any notifications of breaches to the Code of Ethics.

INTEGRATED SYSTEM AND CERTIFICATION

Iren Group has developed an Integrated System (Quality, Environment and Safety - QES), which is structured in such a way as to adequately monitor all operating processes that influence the service levels with the attention increasingly focused on the customer, via a streamlined and flexible organisational model that can quickly adapt to changes to customer expectations and needs, as well as internal organisational changes. Iren Group pursues the following values:

- customer satisfaction;
- protecting the environment and the streamlined use of natural resources;
- occupational health and safety;
- sustainable development;
- responsibility and cooperation with the community;
- efficient services;
- human resource development innovation and change;
- quality of supplies and public tenders;
- continuous improvement.



These values are defined within the Integrated System Policy, which is distributed and shared with all Group personnel.

Iren and the main Subsidiaries hold certified systems in compliance with ISO 9001 (Quality) and (with the exception of Iren Mercato) ISO 14001 (Environment) standards.

The Parent Group, Iren Energia, Iren Mercato, Ireti and their main subsidiaries (Amiat, Atena and Atena Trading) hold the OHSAS 18001 (Safety) certification.

The monitoring of the Quality, Safety and Environment systems are guaranteed for Iren Ambiente, Iren Energia, Iren Mercato and Ireti by the Personnel, Organisation and Information Systems Department of Iren.

In 2016, all the audits conducted by the Certifying Bodies at Group companies passed, confirming the maintenance of the certificates. Revision projects of Iren, Ireti and Iren Mercato processes were also implemented in relation to corporate and organisational changes that occurred, aiming to use the certified systems as a tool for improvement. In 2016, the actions, planned to achieve the defined objectives, were carried out:

- maintenance of the Quality, Environment and Safety Certification, with reference to the service processes;
- acquisition of the Multi-site Accreditation for Iren Laboratori;
- maintenance of the Quality, Environment, Safety and EMAS certifications for Iren Ambiente with the integration of the documentation of the waste-to-energy plant in Piacenza in the system and the extension of the Amiat system to the plant of Borgaro and the location in Via Ravina;
- completion of the Quality, Environment and Safety certification procedure;
- adaptation of the Quality, Environment and Safety Management System to the new organisation of Iren Mercato;
- certification for the sale of electricity produced solely from renewable sources, in compliance with the Certiquality Technical Document no. 66, by Iren Mercato;
- uniforming the Iren Energia procedures in the context of the Quality, Environment and Safety Management System;
- maintenance of the certifications ISO 9001, ISO 14001, OHSAS 18001 and UNI 11352 of Iren Servizi Innovazione;
- maintenance of the certification UNI 11352 of Iren Rinnovabili;
- UNI 11352 certification of Iren Gestioni Energetiche and in accordance with the Regulation 303/2008/EC – FGAS certification as regards the service provided for devices containing fluorinated greenhouse gases.

The achievement and maintenance of voluntary certificates demonstrates the commitment of Iren Group in protecting the environment and service quality.

To ensure sustainable growth based on continuous improvement, resources were employed for the:

- development of the production of energy from renewable sources or similar and district heating, together with the adoption of the best technologies to guarantee a reduced environmental impact;

- improvement of the use of water resources;
- renovation of the urban wastewater treatment systems and search for the best technologies in order to improve the quality of effluents and minimizing odorous emissions;
- correct management of obligations concerning special waste;
- spread of information on the impact that company activities have on the external environment through specific publications, such as the Sustainability Report and Environmental Declarations.

From a management perspective, in addition to maintaining and developing certification systems, particular importance was given to:

- monitoring environmental performance through the use of special indicators for each significant environmental aspect;
- analytically testing the impact on the environment, with particular reference to atmospheric emissions, air quality, water discharges, special waste, acoustic emissions and electromagnetic fields;
- conducting specific internal audits aimed at verifying the correct management of the environmental problems connected with company plants;
- fulfilling administrative obligations, with particular regard to the monitoring and control activities associated with the Integrated Environmental Authorisations (I.P.P.C. Directive) and the emission of greenhouse gases (Emission Trading System), for the plants concerned;
- involving company personnel through participation in specific training courses on environmental issues and best plant management practices for guaranteeing reduced environmental impact.

CODE OF CONDUCT AND SERVICE CHARTERS

The Iren Group operates in full compliance with the Code of Business Conduct for the sale of electricity and natural gas and, in general, with the standards issued by AEEGSI.

The Management of the Integrated Water Service and the Environmental Services is regulated by specific agreements signed with the consumers through the Charter of Services instrument that regulates the action through the commitment to achieve high quality standards in terms of continuity and quality of relations with customers. A reimbursement system in the event of malfunctioning guarantees the operator's commitment to comply with the standards agreed upon.



⁽¹⁾ It should also be noted that the District Heating Service charter is currently being revised.

RELATIONS WITH STAKEHOLDERS

The Iren Group is constantly committed to creating, strengthening and expanding its relationships, guaranteeing its stakeholders an opportunity to state their views and to engage in dialogue with the company.

The Group provides to its stakeholders a great level of attention and has created the Local Committees for better listening, discuss and jointly conduct planning activities.

The criteria used by Iren to involve its stakeholders are defined to be as inclusive as possible, and address transparency, fairness, sensitivity to ethical, environmental and social issues and consistency with respect to the activities undertaken by the Group.

The dialogue with its stakeholders is based upon the principles of inclusiveness, materiality and compliance laid down in AccountAbility1000.

Given the importance of issues related to environmental, social and economic sustainability, Iren established the Corporate Social Responsibility Department and Local Committees, reporting to the Deputy Chairperson of Iren Group, concerned with the activities related to the Local Committees, amongst others, and those, more generally, concerned with stakeholder engagement.

IREN LOCAL COMMITTEES

In January 2016 the Local Committee of Genoa was established, in addition to the Committees of Piacenza, Reggio Emilia, Parma and Turin. The Local Committees are designed to ensure a deeper-rooted presence in the local community, thanks to the participatory planning and moments of consultation on issues such as environmental and social sustainability, innovation and the quality of services provided. In order to ensure and broaden the widespread involvement, the Committees use the www.irencollabora.it on-line platform, the first of its kind on a national level, where citizens can make proposals and suggestions directly on the issues dealt with by the Committees, with the aim of generating concrete and tangible projects. The information flow produced by the platform is also a valuable source that inspires Iren to adopt innovative service strategies and anticipate the needs of the local areas.

Specific working groups have been established within the individual Committees aimed at the development of the projects presented within the Committee or on the irencollabora.it platform. In 2016, 79 Committee and working group meetings were held and, in December 2016, there were 718 profiles registered on the platform, 31 projects and 23 proposals.

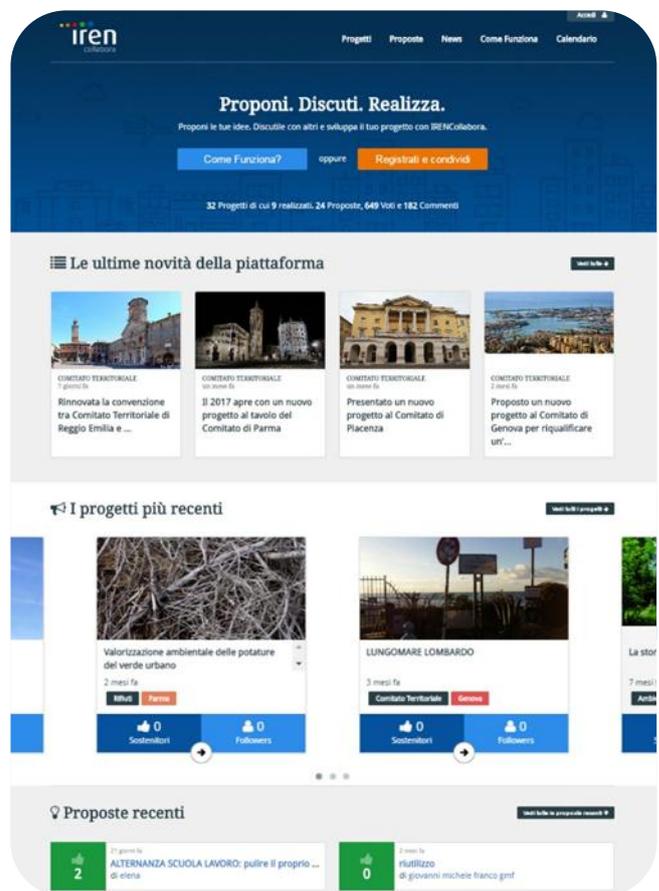
Through Local Committees, stakeholders can also draw the Group's attention to issues concerning the company's services, as well as environmental and social sustainability topics.

The Chairperson and Deputy Chairperson of Iren, who are members of the Local Committees, report regularly to the Control, Risk and Sustainability Committee and the Board of Directors, on the trend of the activities and the discussion and planning activities carried out within the Committees.

The preparation of this Sustainability Report included the engagement of Iren Group stakeholders represented in the Local Committees to conduct the materiality analysis (see page 8), which made it possible to compare the vision of Iren Group with that of the stakeholders, in order to receive their input and develop a sustainability report that was increasingly relevant and focused on their real interests. The Sustainability Report is Iren Group's main tool for communicating the economic, social and environmental performance achieved to its stakeholders.

To deepen the discussion with stakeholders concerning the Group's environmental and social performance and sustainability, in 2016 a series of public meetings for stakeholders and specific meetings with the Local Committees were organised, participation in seminars and conferences occurred and publications were disseminated on-line and in hard copy.

The table on the next page identifies the stakeholders, key topics and critical situations for each category of stakeholders and the projects and initiatives for the involvement of the same.





ACTIVITIES AND TOPICS FOR ENGAGEMENT OF STAKEHOLDERS

Stakeholder	Main categories	Key topics	Projects, initiatives aimed at the stakeholders
Personnel	<ul style="list-style-type: none"> • Employees • External staff (other than employees) • Trade unions 	<ul style="list-style-type: none"> • Health and Safety • Exploitation of skills • Remuneration • Training • Internal communication • Welfare • Equal opportunity • Environmental, corporate and economic responsibility 	<ul style="list-style-type: none"> • Training initiatives • Work Life Balance • Internal mobility • Code of Ethics • Industrial Relations • Trade union agreements • “Irenfutura” Portal • “Reward & Performance Management” and “Conoscenza” Projects • Project for the insertion of new hires • Company Intranet • Materiality analysis • Local Committees
			<ul style="list-style-type: none"> • Front offices and call centres • Transparent information on bills • Website • App for smartphone and tablet • Social channels • Customer Satisfaction surveys • Initiatives for the safety of customers • Initiatives to improve the quality of services
Customers	<ul style="list-style-type: none"> • Users of retail and business services • Local Authorities • Consumer associations 	<ul style="list-style-type: none"> • Service Levels • On-line and mobile services • Transparent Communications • Tariffs • Credit management • Service reliability and safety • Environmental, corporate and economic responsibility 	<ul style="list-style-type: none"> • Code of Ethics • Meetings and framework agreements with Associations • Credit management protocols • Social tariffs • Joint conciliation protocols • Materiality analysis • Local Committees
			<ul style="list-style-type: none"> • Creation of a procurement portal • Creation of a suppliers’ register • Code of Ethics • Training/information for third party companies • Materiality analysis • Local Committees
Suppliers	<ul style="list-style-type: none"> • Suppliers of goods, services and works • Qualified suppliers • Local suppliers • Trade associations 	<ul style="list-style-type: none"> • Management of the supply chain • Transparent Communications • Contractual conditions • Payments • Environmental, corporate and economic responsibility 	<ul style="list-style-type: none"> • Roadshows • Webcasting service • Communication of results and possible future risks • Adoption of disclosure policies • Inclusion in ethical indexes • Participation in Carbon Disclosure Project • InvestIren Newsletter • 2021 Business Plan • Shareholders’ Meeting • Calendar of corporate events • Local Committees
			<ul style="list-style-type: none"> • Corporate Governance • Transparent Communications • Trend of the share • Economic financial results • Rating • Environmental, corporate and economic responsibility
Shareholders and Financial Backers	<ul style="list-style-type: none"> • Retail investors • Public shareholders • Institutional Investors • Financial community • Ethical Funds • Banking institutions 	<ul style="list-style-type: none"> • Corporate Governance • Transparent Communications • Trend of the share • Economic financial results • Rating • Environmental, corporate and economic responsibility 	<ul style="list-style-type: none"> • Roadshows • Webcasting service • Communication of results and possible future risks • Adoption of disclosure policies • Inclusion in ethical indexes • Participation in Carbon Disclosure Project • InvestIren Newsletter • 2021 Business Plan • Shareholders’ Meeting • Calendar of corporate events • Local Committees
			<ul style="list-style-type: none"> • Corporate Governance • Transparent Communications • Trend of the share • Economic financial results • Rating • Environmental, corporate and economic responsibility

Stakeholder	Main categories	Key topics	Projects, initiatives aimed at the stakeholders
Institutions and the Community	<ul style="list-style-type: none"> Local Authorities Regulatory Authorities State Non-governmental organisations (NGO) Associations Media Local citizens 	<ul style="list-style-type: none"> Attention to the local area Dialogue and involvement Creation of opportunities for local area growth Transparent Communications Investments and support for initiatives in local areas Environmental, corporate and economic responsibility 	<ul style="list-style-type: none"> Notification of opinions and documents Participation in meetings with Institutions Surveys and questionnaires Conferences, seminars and workshops Participation in projects in cooperation with Institutions Opening of plants Local Committees and IrenCollabora platform Materiality analysis Facilitation plans for Communities affected by environmental emergencies Initiatives supporting people affected by earthquakes
Environment	<ul style="list-style-type: none"> Trade associations Technicians and sector experts Representatives of authorities and institutions 	<ul style="list-style-type: none"> Water network leaks Management of water treatment plants Efficiency of the gas distribution network Production of energy and atmospheric emissions Energy saving Waste management Environmental, corporate and economic responsibility 	<ul style="list-style-type: none"> Development of renewables Energy savings and efficiency projects District heating implementation Increase in the capacity to dispose of special waste Systems to increase the separated waste collection Reduction of water network leaks Containment of atmospheric emissions Awareness raising on environmental issues Local Committees
Future Generations	<ul style="list-style-type: none"> Schools Universities Research centres Trade associations Incubators 	<ul style="list-style-type: none"> Environmental protection Smart City Demand side management programs Innovative services Reduction of environmental impacts Climate change Sustainable behaviours Environmental, corporate and economic responsibility 	<ul style="list-style-type: none"> Educational programs in schools (Edu.Iren) and in universities Guided tours Projects and investments in research and innovation Partnership for research and innovation Framework agreements with Universities and research centres Local Committees

ETHICAL INDEXES

The Group's decision to place sustainability as the guiding principle in its strategic choices is confirmed by the latest Business Plan, which was presented in October 2016. This direction was also rewarding from an economic point of view and this is an aspect particularly appreciated by investors. For example, in terms of environmental sustainability, the fact that most of the Group's thermal power plants are connected to district heating networks involves not only advantages in terms of air quality and reduction of emissions, but also protects the Group from the stronger turbulence on the electricity market. This twofold vision is genetically ingrained in Iren and is destined to have more and more importance for the financial markets.

The Group is part of the FTSE Environmental Opportunities index series, which represent the performance of companies with environmental opportunities, namely companies whose activities may represent added value solutions to environmental problems. In particular, these indexes are the "FTSE EO All-Share Index" and the "FTSE EO Water Technology Index".



Iren Group has participated for the fifth consecutive year in the Carbon Disclosure Project "CDP Climate Change 2016". According to the report of CDP, an independent non-profit organisation that collects, analyses and shares environmental performance data worldwide, Iren stands out for its environmental performance. In fact, it has received the highest award (level A) for the actions and strategies implemented to reduce emissions and mitigate climate change.





COMMITMENT TO IMPROVEMENT

ENVIRONMENT

Objectives	Actions carried out in 2016	Future objectives
Consolidate the leadership of environmentally friendly sources	<ul style="list-style-type: none"> • Redevelopment of the hydroelectric plants of Chiomonte and Susa 	<ul style="list-style-type: none"> • Additional development investments for the plants of Chiomonte and Susa (19 million Euro) • Investments in the mini hydroelectric sector • Investments in the renewables sector (biomass plants) • Construction of anaerobic digestion, biogas and biomethane plants in Reggio Emilia and - in collaboration with GAIA - San Damiano (AT)
Reduce atmospheric emissions	<ul style="list-style-type: none"> • Installation of heat exchangers and pumps for the heating of natural gas, with district heating fluid in place of the existing boilers powered by natural gas in the decompression station of the Moncalieri plant • Installation of a catalytic reduction system of abatement of nitrogen oxides (DeNOx) and carbon monoxide (CO Catalyst) at the Turbigio plant • Elimination of HFC R22 gas (hydro-chloro-fluoro-carbide) used by Atena air conditioning systems • Modernisation of winter heating systems to reduce the amount of carbon dioxide emissions (estimate: 20% reduction in quantity emitted in 5 years) 	<ul style="list-style-type: none"> • Investments to connect TRM with the district heating network in Grugliasco • Continuation in eliminating HFC R22 gas until the remaining 28 kg of gas is depleted at the end of 2016 • Continuation of the modernisation of the air conditioning systems to reduce carbon dioxide emissions (estimate: 20% reduction in quantity emitted in 5 years) • Installation of a catalytic reactor for the continuous improvement of the PAH, PCDD and PCDF on the two waste-to-energy plant lines in Parma
Reduce energy consumption and save energy	<ul style="list-style-type: none"> • Completion of phase 1 of the Torino LED Project, with installation of the remaining 31,600 lamps for a total of 50,000 lamps • Launch of the second phase of the Torino LED Project • Completion of 5,700 LED lamps for public street lighting in the Municipality of Alba • Progress of the LED public street lighting project for the Municipality of Asti with the installation of around 5,000 lamps • Presentation of the energy efficiency project for the public street lighting network to the Municipalities of Genoa and Reggio Emilia • Start of works for the renovation of the electrical plants at the building owned by the City of Turin entered into the European Probis and Pro-Lite Project • Start of the complete renewal of the thermal plants in 120 buildings owned by the City of Turin • Start of the removal of flat fibre cement roofing at the gas plants in Vercelli amounting to 160 m² 	<ul style="list-style-type: none"> • Continuation of the second phase of the Torino LED Project (replacement of approximately 860 high consumption lamps, redevelopment of the lighting systems of the main underpasses within the city and the replacement of approximately 13,000 traffic lights) • Development of new orders for LED public street lighting (Municipalities of Reggio Emilia, Genoa, Cuneo and Enerbit) • Construction of a cogeneration system for electrical and thermal process consumption at the anaerobic digestion plant in Reggio Emilia • Creation of an automatic cleaning system for the air condenser at the waste-to-energy plant in Parma to improve thermal exchange and increase performance
Reduce the use of pollutants	<ul style="list-style-type: none"> • Start of the removal of flat fibre cement roofing at the gas plants in Vercelli amounting to 160 m² 	<ul style="list-style-type: none"> • Completion of replacing the flat fibre cement roofs
Improve the efficiency of the gas distribution network in order to ensure high levels of safety and reduce the gas emitted into the atmosphere to a minimum	<ul style="list-style-type: none"> • Continuation of renovation works on the gas network, in line with that provided by AEEGSI, in Liguria in particular (decommissioning of 3 km of pipelines made from cast iron and other obsolete materials and 8 km of steel pipelines without cathodic protection) • Cathodic protection for 19.1 km of steel pipelines • Planned inspection of the gas network: over 80% of the total Emilia and Liguria area and over 57% of the Vercelli area 	<ul style="list-style-type: none"> • Continuation of the upgrading of the network in agreement with the provisions of AEEGSI • Implementation of the network and cathodic protection system on the steel network and the safety measures in order to contain leaks

Objectives	Actions carried out in 2016	Future objectives
Reduce emissions from electromagnetic fields (EMF): Monthly monitoring of electrical cabinets to keep the EMF values within the Quality value limits	<ul style="list-style-type: none"> • Design and construction of the new MV/LV substations • Measurement of the EMF for 50% of the substations already in use: 15 inspections on 28 new substations installed or renovated 	<ul style="list-style-type: none"> • Continuation of the design and construction of the new MV/LV substations • Measurement of the EMF for 50% of the substations in use
Reduce the number of electrical devices containing PCB/PCT contaminated oil	Decommissioning of 26 pieces of equipment containing oil contaminated with PCB	<ul style="list-style-type: none"> • Continuation of decommissioning and disposal of equipment containing oil contaminated with PCB
Improve the waste collection, management and disposal systems and increase the percentage of separated waste collection	<ul style="list-style-type: none"> • Exceeding set objectives for separated waste collection: 65% over the entire Parma, Piacenza and Reggio Emilia areas and 41% over the Municipality of Turin • Activation of the first stage of the Tricolore project within the Municipality of Reggio Emilia to distribute domestic collection across the whole area gradually and with subsequent stages taking place up until 2019 	<ul style="list-style-type: none"> • Increase of the percentage of separated waste collection as envisaged by the Regional Waste Management Plan of Emilia Romagna: objective of separated waste collection at 73% on a regional basis within 2020 • Further development of the separated waste collection in the city of Turin • Construction project for a recovery plant for organic waste with biomethane production • Creation of paper and plastic selection systems at the IEC site in Parma and the Borgaro site in Turin for improved recovery of material • Upgrading the plastic selection system in collaboration with GAIA at the Valterza site in Asti for improved recovery of material
Reduce the environmental impacts associated with the collection and management of urban and non-hazardous waste	<ul style="list-style-type: none"> • Launch of certain activities (e.g. planning) related to the connection of the waste-to-energy plant in Piacenza to the district heating network, while awaiting the Integrated Environmental Authorisation to be issued • Structural adaptation of various waste management areas in Turin: ending of activities at C.so Brescia and transfer of local area services to Via Ravina 	<ul style="list-style-type: none"> • Connection of the waste-to-energy plant in Piacenza to the urban network of the district heating system within the 2018/2019 winter season. The project will generate environmental benefits due to the boilers being replaced, for a heated volume of 1 million cubic metres and gas savings currently used primarily to supply the district heating network • Creation of a denitrification-nitrification section at the physical-chemical wastewater treatment plant in Piacenza • Upgrading the contaminated air deodorising units using activated carbon at the waste-to-energy plant in Turin • Modifying the discharge from the composting plant in Mancasale (RE) for better treatment following on from the biological sewage treatment
Implement the integrated Certification, Quality, Environment and Safety system	<ul style="list-style-type: none"> • Mapping service processes within the field of application of the Quality, Environment and Safety System (QES) and the preparation of the related documentation. After the audit, the Certifying Body confirmed the maintenance of QES certification • Multi-site Accreditation for Iren Laboratories • QES certification for Ireti, with the integration of the scope of application of the ISO 14001 and OHSAS 18001 within the Emilia area • Review, redesign of processes and preparation of Ireti Certified System documents aimed at unifying and uniforming operating practices • Adaptation of the QES Management System to the new organisation of Iren Mercato, which passed the audit conducted by the Certification Body 	<ul style="list-style-type: none"> • Revision of the Certified System framework based on the 2015 draft of the reference legislation (ISO 9001 and ISO 14001) for Iren, Iren Laboratori, Iren Mercato, Ireti and Amiat • Acquisition of UNI 11352 certification for Companies that supply energy services (ESCo) following on from the acquisition of Iren Gestioni Energetiche by Iren Mercato and Iren Servizi e Innovazione by Iren Energia • Acquisition of F-Gas certification for companies operating on plants and equipment containing fluorinated gases, following on from the acquisition of Iren Gestioni Energetiche by Iren Mercato • Renewal of the UNI 11352 certification of Iren Rinnovabili



Objectives	Actions carried out in 2016	Future objectives
	<ul style="list-style-type: none"> • Implementation of the plan of the activities to unify and align Iren Energia procedures in the context of the QES Management System, which passed the audit conducted by the Certification Body • Maintenance of the ISO 9001, ISO 14001, OHSAS 18001 and UNI 11352 certifications of Iren Servizi Innovazione • Maintenance of the UNI 11352 certification of Iren Rinnovabili • Maintenance of the QES and EMAS certifications for Iren Ambiente with the integration of the documentation of Tecnoborgo in the system and the extension of the Amiat system to the plant of Borgaro and the location in Via Ravina 	<ul style="list-style-type: none"> • Maintenance of the QES and EMAS certifications for Iren Ambiente with the extension to: R.E.I. landfill, multi-purpose waste management plant in Reggio Emilia (subject to IEA), Systems Centre in Piacenza (subject to IEA), Integrated Environmental Centre of Parma, administrative, commercial and personnel activities in the Emilia area and billing activities and tax management • EMAS registration for the TRM plant of Turin and attainment of the UNI EN ISO 9001 and OHSAS 18001 certification

PERSONNEL

Objectives	Actions carried out in 2016	Future objectives
<p>Conducting demographic readjustment and improving personnel management processes</p> <p>Introduction of a structured welfare system for all employees</p> <p>Constant involvement of personnel in the Quality, Environment and Safety management system</p>	<ul style="list-style-type: none"> • Completion of the demographic readjustment plan (2015-2017 period) • Continuation of the unification process for the Group's Personnel Management systems, with a new performance management system planned • Launch of a harmonisation process for the Group's supplementary agreements • Launch of the structured Iren Welfare system for all company employees with a portal, provider and other tools, and the possibility of allocating part of the 2016 bonus to the education, services and assistance for elderly family members and dependants, mortgages, health service, supplementary pensions, fringe benefits, recreation and assistance • Analysis of relationships between company welfare systems and initiatives provided for by national collective labour agreements managed by Trade Unions 	<ul style="list-style-type: none"> • Launch of the new system assessing organisational positions, skills and performance of Group personnel • Completion of the harmonisation process for economic and legislative conditions at a Group level • Launch of a new welfare system for all Group employees, identifying the areas of intervention mandated by Trade Unions on the social and recreational levels • Involvement and participation of personnel in implementing the policies and objectives for the maintenance of a quality, environment and safety management system in compliance with the standards ISO 9001, UNI ISO 14001 and BS OHSAS 18001

SUPPLIERS

Objectives	Actions carried out in 2016	Future objectives
<p>Expansion of the integrated supplier control system at the stages of request for purchase and offer, invitation to participate in a tender (not open to public) or the issuing of an order to report the adequate qualification of the supplier required for critical or strategic supplies</p>	<ul style="list-style-type: none"> • Procurement portal for the electronic management of public and private tenders • Creation of a Suppliers' Register which, in addition to requesting the general strict requirements of public contracts, examines various regulatory qualifications: the adoption of an organisation model pursuant to Italian Legislative Decree 231/01, of a Code of Ethics, Quality, Corporate Social Responsibility, Environment, Safety, as well as technical capacity, with a focus on compliance with minimal environmental criteria (CAM) for the interested categories 	<ul style="list-style-type: none"> • Management of the vast qualification process for Group suppliers. In order to improve access for micro, small and medium enterprises (SME), such as good facilitation practices, related to certain product categories and the identification of negotiation events, for smaller amounts, in terms of volume and/or value over time, reserved to them

CUSTOMERS

Objectives	Actions carried out in 2016	Future objectives
<p>Diversification and enrichment of the customer loyalty program, through new anti-churn and customer caring campaigns, increasing customer retention and the in-depth knowledge of the customers in order to program targeted actions and modulated offers for specific customer segments</p>	<ul style="list-style-type: none"> • Caring campaigns aimed at specific targets with the involvement of around 600,000 customers • Simplification and streamlining of the portfolio of commercial offers for the domestic and non-domestic market: launch of "Iren Tua Luce e Gas" offers for customers who sign contracts in branch, "Iren 10 per Tre Luce e Gas" and "Iren Che Spettacolo Luce e Gas", the result of a co-marketing agreement with Sky 	<ul style="list-style-type: none"> • Consolidation of the Iren Mercato customer base through an extensive loyalty and retention strategy carried out through caring campaigns directed at specific targets and the further development of the Club Iren Mercato loyalty programme. There will be two main contact channels used to manage these caring campaigns, depending on the specific features of the intended target: telephone channel (outbound campaigns, SMS), to reach approximately 80% of the intended customer base for loyalty and retention initiatives; digital channel (e-mail newsletter, website) aimed at more "smart" customers. The estimated total number of customers involved in the caring campaigns and the promotional programme of 2017 amounts to approximately 820,000 people
<p>Increase the visibility of Iren Mercato and the services offered (brand awareness) through the realisation of new co-marketing projects, partnerships and agreements with national partners</p>	<ul style="list-style-type: none"> • Extension of the portfolio of offers for the supply of electricity and natural gas for domestic customers, which can be subscribed to on-line by sending a specific request form 	<ul style="list-style-type: none"> • Maintenance and strengthening of its dominant position in historic areas, in close contact with the local community, also by organising events in collaboration with the main local cultural institutions and associations • Increase in their commercial presence in the identified development areas, where brand awareness and the perception of the brand's value must be reinforced and make a strong commercial position possible. This objective will be made possible also thanks to the new communications commitment for brand positioning and its link with innovation and new downstream topics • Update of the corporate website with the aim of guaranteeing improvement in the e-commerce section and the company/customer interaction tools, as well as greater content usability through intuitive navigation and new system functions. Additional objectives include a complete overhaul of the graphics and language for a better communicability
<p>Definition of further offers with innovative services for energy savings and energy efficiency together with campaigns of awareness and education of the customer on energy savings</p>	<ul style="list-style-type: none"> • Launch of the Iren LED offer, which envisages the sale of a low-energy LED light bulbs kit (kit with 12 pieces) to customers with an Iren Mercato contract for the supply of electricity on the free market 	<ul style="list-style-type: none"> • Development of the "new downstream" project with the consolidation of extra commodity proposals, both in historic areas and development areas. After the initial testing phases that began in 2016, the activity will focus, in particular, on launching offers combined with new extra commodity products. The primary objective will involve establishing the role of Iren Mercato as the extra commodity supplier of value added services, moving from being seen as the supplier of the sole electricity and gas service, with the subsequent brand positioning related to innovation



Objectives	Actions carried out in 2016	Future objectives
<p>Increase the potential of the App ClickIren, by increasing the number and types of operations available with the consequent higher number of registrations</p>	<ul style="list-style-type: none"> • New release of the ClickIren App with new graphic and function solutions. These include the option of multiple associations between a single account and various contractual positions and the option of delegating one or more contractual positions to another account, with view-only access of the contract details and bills. A new version of the Windows platform was also released 	
<p>Increase of the subscription to the digital bill service during the activation stage of new contracts</p>	<ul style="list-style-type: none"> • Continuation and intensification of the “Bolletta Facile” campaign in order to promote choosing the digital bill and the concurrent waiving of the paper bill, within the context of raising customer awareness relevant to the protection of the environment and new forms of savings 	
<p>Development of initiatives and instruments available to the customers to allow a direct and constant control of their consumption, the possibility to make informed choices, adopt sustainable behaviour and rationalise their consumption</p>	<p>Launch of the electricity bundle offers Iren Casa Smart Luce and Iren Casa Smart Luce Plus, paired with the sale of a device, made by Acotel Net, for the remote monitoring of electricity consumption. The marketed device (MEM) is made by Acotel Net and represents a ready-to-use solution that is easy to install on the electricity meter. The use of MEM allows for wastage to be identified, consumption habits to be improved in order to save on the bill and any defects to be identified in a timely manner. An important series of promotional events to support the sales campaign were carried out, with the first phase focused on the area of Turin</p>	<p>Development of the “new downstream” project with the consolidation of extra commodity proposals, both in historical areas and development areas. After the initial testing phases that began in 2016, the activity will focus, in particular, on launching offers combined with new extra commodity products. The primary objective will involve establishing the role of Iren Mercato as the extra commodity supplier of value added services, moving from being seen as the supplier of the sole electricity and gas service, with the subsequent brand positioning related to innovation</p>
<p>Increase of the number of customers subscribed to the loyalty program Club Iren Mercato and re-qualification of the customer profile from the basic level to the premium level</p>	<p>Loyalty Base and Loyalty Top push campaigns for customers on the free market that are not currently subscribed and for dual customers already subscribed to Club Iren Mercato respectively</p>	

COMMUNITY AND LOCAL AREA

Objectives	Actions carried out in 2016	Future objectives
<p>Complete the activation of the “Local Committees” in all geographic areas with the launch of shared and participated projects for the improvement of the environment and services to citizens and the expansion of the customer base on the Irencollabora.it platform</p> <p>Increase the corporate culture in assessing environmental and social impacts and the risk evaluation connected to them</p>	<ul style="list-style-type: none"> • Activation of the Local Committee of Genoa • Creation of 8 participated projects concerning sustainability • 721 users subscribed on the “IrenCollabora” platform 	<ul style="list-style-type: none"> • Growth in the quality and quantity of participated projects on sustainability, “incubated” by Local Committees • Further dissemination of the Irencollabora.it platform <p>Integration of CSR, Risk Management and 231 Monitoring/privacy processes within the strategic planning process</p>

SHAREHOLDERS AND FINANCIAL BACKERS

Objectives	Actions carried out in 2016	Future objectives
Maintain a high level of interest by investors towards the Group, with particular attention towards US funds	Intense contact with institutional investors and financial analysts, marked by the increase in financial markets visited, which also included the United States (Boston and New York)	<ul style="list-style-type: none"> Group focus on the continuous improvement process of financial communication, with the aim of extending the coverage of financial analysts so as to increase the visibility for the market and stakeholders of growth, efficiency and sustainability actions that have been implemented Maintenance of high disclosure levels in the CDP survey (Carbon Disclosure Project)
Maintain the Investment Grade rating	Confirming the public Investment Grade rating from the Fitch agency equal to BBB- and BBB for the bond issues	Maintenance of the Investment Grade rating
Continue with the coverage activities of financial requirements to support the investments with a balanced relationship between short and medium/long term funds	<ul style="list-style-type: none"> Improvement and use of new medium/long-term loans for 520 million Euro, of which 500 million with a new public bond issue with a duration of 8 years Extension of the BEI Hydro credit line for 30 million Euro Update and extension of a bond issue program (EMTN Program) up to a maximum amount of 1.5 billion Euro 	Continuation with the coverage activities of financial requirements to support the investments with a balanced relationship between short and medium/long term funds
Optimise the debt portfolio also with liability management activities aimed at reducing the cost of debt	Liability management operations to reduce the cost of debt: Tender Offer operation for 150 million Euro and early repayment of bank loans amounting to 200 million Euro	Continuation of the optimisation of the debt portfolio also with liability management activities aimed at reducing the cost of debt

FUTURE GENERATIONS

Objectives	Actions carried out in 2016	Future objectives
Capillary initiatives of disclosure and environmental education aimed at children and adults in the local areas of reference	<ul style="list-style-type: none"> Include educational offers in the Edu.Iren catalogue, the result of collaborations with parties present in the local area Training on MIUR changes concerning sustainability Combined School-Work projects shared with Regional Schools and Education Offices with specific protocols and trials with individual Institutions Collaboration with the non-profit Centro Scienza Onlus to create new educational tools. Enhancing projects promoted by Iren Local Committees New pilot projects with companies in the local area on sustainability topics 	<ul style="list-style-type: none"> Restructuring of the Edu.Iren catalogue and all training offered Collaboration with Local Administrations, Schools and Associations in new areas in which the Company is involved On-line educational tools. Development of relationships with educational institutions (schools and university) to foster combined school/work and the entry of young people into the world of work



AWARDS AND RECOGNITION

For 2016 performance, Iren Group received the following recognitions relevant to social and environmental responsibility.



The “Italian Resilience Award” for the “Domani splende il sole” (Tomorrow the Sun Will Be Shining) project, within “Ecoincentriamoci”, the green discussion forum for environmental sustainability topics. The recognition – promoted by the publication Econewsweb.it, in collaboration with Kyoto Club and the green company Primaprint, with the patronage of the Ministry for the Environment, ANCI, Italian Local Agenda 21 Association and Authentic Villages of Italy – awards Municipalities and companies that have shown how the ability to share can help the achievement of project objectives and improve the quality of interventions, fostering models of environmentally friendly development that take into account current climate changes. The “Domani splende il sole” project, which installed 100 photovoltaic plants in 100 public buildings within the province of Reggio Emilia, was recognised for the value of a multi-stakeholder project model that brought together Iren Group, Municipalities and companies in the area.



Iren won the Sodalitas Social Award 2016, the most prestigious recognition on Corporate Sustainability in Italy, within the

sustainable innovation and production processes category for the “Domani splende il sole” project.



Technology & Innovation award, promoted by Top Utility, the think tank that awards Italian excellence in public utility services: electricity, gas, water and waste. The recognition awards the company that has invested the most in research and development aimed at innovation. Iren Group was awarded for the quantity and importance of the innovative projects launched in recent years and for its capacity to cooperate with other parties in research and development. Top Utility recognises Iren for its ability to develop projects across different businesses, also through an open innovation approach and the efforts and investments carried out to create innovation in the processes and services offered. Innovation is one of the pillars of the Business Plan on which the Group founded its growth.



Iren Chief Executive Officer Massimiliano Bianco was honoured with the “Utility Manager of the year 2016” award by the magazine “Management delle Utilities e delle infrastrutture”, a leading publication in Italy in the public utilities service sector. This nomination and Award are due to “the well-structured Iren relaunch project with a view to sustainable development that pays attention to the requests of the local areas”. The award was given by members of the Scientific and Honour Committees of the “Management delle Utilities” magazine, which includes respected professors and representatives within the industry.



Iren's value



IMPORTANT TOPICS

Economic development and value for local areas: is the main topic the Iren Group strategy is based on, with the purpose of guaranteeing the creation of value for the shareholders and for all stakeholders. Economic development is critical for the Group and is extremely important for the economic, social and environmental impacts that it can generate for the communities and territories in which the Group operates.



GROWTH, CREATION OF VALUE AND DISTRIBUTION OF WEALTH

In 2016, Iren Group achieved improved economic results compared to the previous year: revenues +6.1%, EBITDA +20.1%, profit attributable to the Group +47.2%.

Economic indicators	unit of measure	2016	2015
Revenue	€/mln	3,283	3,094
Net Operating Margin	€/mln	814	678
Operating Result	€/mln	427	347
Profit attributable to the Group	€/mln	174	118
Total capitalisation	€/mln	1,991	1,902
Dividend per share	€	0.0625 ⁽¹⁾	0.0550

⁽¹⁾ Dividend proposed by the Board of Directors.

The net financial indebtedness at 12/31/2016 amounts to 2,457 million Euro, up compared to the 2,169 million Euro at 12/31/2015. Despite the indebtedness growth, due mainly to the consolidation of non-recurring transactions, the ratio between the net financial position and the EBITDA is down compared to 2015.

Investments made in 2016 amount to 270 million Euro, up (+4.9%) compared to 2015 and aimed at the development of the various sectors of activity, guaranteeing an important contribution to the infrastructural, economic and service development of the areas in which the Group operates.

Investments (millions of Euro)	2016	2015
Generation and district heating	59.7	36.2
Networks (electricity, gas, water cycle)	148.7	161.0
Market	16.3	14.2
Environmental services	23.0	21.4
Others	22.3	25.4
TOTAL	270.0	258.2

The strategic guidelines show constant attention to issues regarding sustainability and the environment, which influence the planning of multi-year investments to be made.

These same issues are part of the Code of Ethics principles that the companies of the Group are required to comply with when making investments.

Iren Group has a structured planning, budgeting and final accounting process aimed at monitoring the short (monthly/quarterly/annual reporting) and medium to long term (business plan) economic, equity and financial performance of the

Group and all its Companies, including those that became part of the scope of consolidation during 2016. In 2016, in order to render the planning and control process more efficient, an information system of Enterprise Performance Management was implemented, to support monitoring activities, which began in the second half of 2015.

In the planning processes, the Group pays particular attention to the variables, emerging from economic and industrial sector scenarios, able to guarantee the medium and long-term availability of energy.

The scenarios analysis occurs through a continuous monitoring of the industrial, economic and financial trends.

In planning production capacity developments, the Group considers scenarios in the medium term related to the electricity market, as well as the development of district heating fuelled by cogeneration. Additional possibilities emerged from regulatory scenarios that aid the development of renewable energy. Maintenance programmes, on the other hand, have a temporary multi-year timeframe and are defined by production, considering the requirements provided for each type of machinery.

The energy generating facilities of Iren Group are efficient and appropriate in terms of size, thanks to the significant investments in new production capacity and in making those already existing more efficient. In order to guarantee the maintenance of adequate production standards and reliability, the Group implements advanced management and maintenance policies (i.e. predictive and preventive maintenance).

The weak energy scenario and the recovery prospects in the medium/long term lead the Group to focus on innovation, increasing efficiency and flexibility of the plant and developing projects aimed at the energy efficiency of the system (flexibility of combined-cycle plants, management of waste-to-energy plants to seize opportunities of district heating development, installation of heat storage systems, the design of mini hydro plants). Planned production capacity is supplied 76% by cogeneration and thermoelectric plants, 22% from hydroelectric plants and 2% from other plants (waste-to-energy plants, photovoltaic, treatment plants).

In the scenarios analysis, the Group also considers the impacts produced by the climate change trends: variations in the distribution of temperatures – that impact the consumer dynamics of heat and district heating, gas and electricity – and extremes of weather phenomena, such as droughts and floods.

These trends determine, in particular, effects on the hydrology of the hydroelectric plants and water distribution systems, and related economic implications. They also represent factors of attention due to the consequences that these may have on the Group's assets and on the planning of the availability and the scheduled maintenance of thermoelectric power plants. For these reasons, the risks associated with climate change and natural phenomena hold a significant position in the map of the Group's risks.

The financial implications that the Group constantly monitors are also those arising from the costs related to the ETS (Emission Trading System) and from its regulatory evolution.

CREATION OF ADDED VALUE

Iren Group produces value, contributing to the economic growth of the social and environmental context in which it operates and carries out its activities effectively using productive factors, with the purpose of generating added value compared to the external resources used.

The Group carries out activities that produce important indirect effects on the areas of presence, in particular considering the investments undertaken and the employment.

The activities of the Group, other than economic effects, also have important environmental repercussions through local development, enhancement of the basic infrastructures (electricity, gas and water system networks, water treatment plants and sewage networks) and essential services (waste collection and disposal). Moreover, all of the business areas present significant opportunities for the development of innovative technologies and processes and, consequently, for local growth, also in terms of know-how.

The Group contributes to the employment of the inhabitants of the area in which it operates and generates added value, through actions aimed at increasing professional skills and at consolidating the improvements reached in the level of education. The Group has no specific local recruitment policy; however, due to the specific features of the Italian labour market, nearly all new recruits work in the same province of their own residence, while almost the 80% of senior managers work in the same region of residence.

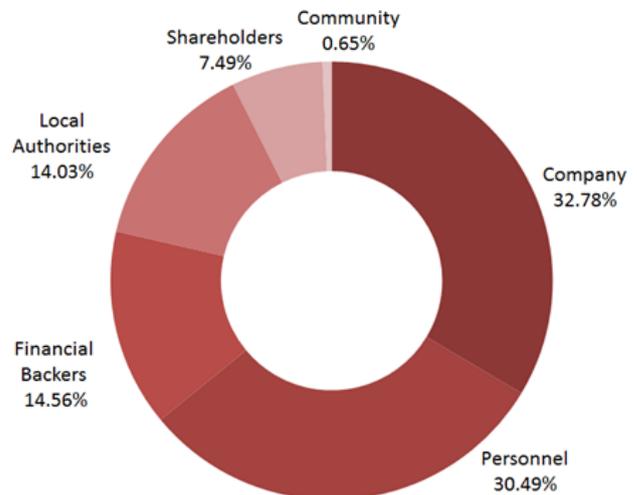
Iren Group produces value, contributing to the economic growth of the social and environmental context in which it operates

The indicator that highlights the Group ability to produce value within the local area and, at the same time, satisfy the economic interests of its main stakeholders is represented by Added Value. This parameter measures both the economic performance of

management and the ability of the Group to generate the necessary conditions to distribute wealth to the stakeholders.

In 2016, Iren Group generated a total gross Added Value of 1,216 million Euro, up by 13.2% compared to 2015.

DISTRIBUTION OF TOTAL GROSS ADDED VALUE TO STAKEHOLDERS IN 2016



The Added Value generated by Iren Group was allocated as follows:

- **32.78% to the Company** (over 398 million Euro). This portion is the share of wealth kept within the Group, inclusive of depreciation and undistributed profits;
- **30.49% to Personnel** (almost 371 million Euro). This is the portion made up of salaries and wages, expenses and other personnel costs;
- **14.56% to Financial Backers** (177 million Euro). This portion includes all the financial charges due by Iren Group to its creditors;
- **14.03% to Local Authorities** (almost 171 million Euro). This is the portion distributed in the form of direct and indirect taxes, net of the grants received for the year;
- **7.49% to Shareholders** (over 91 million Euro). This is the portion allocated to shareholders in the form of dividends;
- **0.65% to the Community** (almost 8 million Euro). This is the portion that the Group allocated to local communities through the participation in the development of social, cultural and sporting events.



Determination of Added Value (thousands of Euro)	2016
Revenues from goods and services	3,006,441
Change in work in progress, semi-finished products, finished products and goods	-3,634
Other income	185,226
Production revenue	3,188,033
Raw materials, consumables, supplies and goods	-979,520
Cost for services	-1,002,243
Other expenses	-51,143
Internal work capitalised	22,328
Provisions for risks	-82,910
Intermediate production costs	-2,093,488
Gross added value from core business	1,094,545
Non-core and non-recurring items	121,420
Net profit from discontinued operations	0
Total gross added value	1,215,965

TAXES AND DUTIES

Regarding the portion of Added Value distributed to Local Authorities, a significant item is represented by taxes and duties paid by Iren Group.

The income taxes for FY 2016 amount to 118 million Euro, up by 11.8% compared to 2015. The effective tax rate is 38.9%.

In 2016 the Group received over 666,000 Euro in benefits and grants from Local Authorities.

Taxes and duties paid (millions of Euro)	2016	2015
Government and Region	118.15	105.66
Total direct taxes and duties	118.15	105.66
ATO concession fees	0.85	1.93
Other concession fees	24.70	28.62
Connection, taxes and licences (connection fees and surtaxes)	15.95	15.62
Taxes and duties	20.26	25.06
Total indirect taxes and duties	61.76	71.23
TOTAL	179.91	176.89



Environment



IMPORTANT TOPICS

Emissions: Iren Group works to guarantee a steady reduction of its atmospheric emissions by developing production using “clean sources” and by applying the best technologies available and the most controlled processes in the productive cycles. The Group is particularly focused on controlling CO₂ through emission reduction and the increase of avoided emissions by using renewable sources and energy from waste.

Sustainable use of water resources: the rational use of water resources and water protection are issues of great importance for Iren Group, both in its production process and in the management of the integrated water services for millions of residents. The company's constant attention to the amount of water resources withdrawn from the environment and the quality of waste returned to the same environment are key factors for sustainable environmental management.

Biodiversity: the theme of protecting biodiversity and habitats is important for Iren Group and in this regard it has activated processes of collaboration with Organisations, Institutions and Associations. The Group also operates in order to guarantee that the activities performed in protected areas are compatible and sustainable for the environment in which they are carried out and for the maintenance of its natural balance.

Energy efficiency, renewable sources and district heating: are the cornerstones of Iren Group's energy policy, which constantly works to improve projects and initiatives in order to conserve natural resources, in particular energy resources. 80% of the Group's energy production derives from renewable sources. Moreover, thanks to the use of technologies and the implementation of innovative processes, Iren guarantees high levels of energy efficiency in the management of its activities and for the territories in which it operates.

Waste management, recycling and reuse: our responsible management approach allows to use waste both as a resource and in energy production, reducing the need for disposal, the consumption of natural resources and greenhouse gas emissions. Iren Group manages its own waste and those of local communities following the principles of prevention, sustainability and safety in an approach aimed at ensuring effectiveness and at maintaining low costs. Dialogue and a constant flow of information on this topic with Institutions and citizens is fundamental for the Group.



PRODUCTION PROCESSES AND PRINCIPAL ENVIRONMENTAL IMPACTS



The resources used in these operating areas for the management of operating activities, generate outputs and impacts as illustrated in the following table.

Resources used in energy, water and environmental services	Output/environmental impact
<ul style="list-style-type: none"> • Energy • Water resources • Raw materials, chemical substances, lubricants, odorants 	<ul style="list-style-type: none"> • Atmospheric emissions • Waste • Discharge into water bodies • Acoustic emissions • Impact on biodiversity • Electromagnetic fields • Visual impacts • Odorous emissions

Iren Group activities which lead to direct and indirect environmental impacts include:

- **energy services**, i.e. thermoelectric production in both plants with traditional and cogeneration machinery and integration and back-up thermal plants; hydroelectric production; management of high/medium/low voltage electricity distribution networks, lines and transformer substations;
- distribution of **natural gas**;
- management of the **integrated water service**;
- **waste collection, management and disposal** services, and related activities;
- **environmental practices** of contractors, subcontractors and other suppliers of the Group.

DIRECT AND INDIRECT ENERGY CONSUMPTION

Direct energy consumption of the Group regards the use of fuels, used for the production of electricity and heat at the plants (cogeneration plants, thermal plants, boilers, waste-to-energy plants and landfills), as well as the non-renewable primary energy flows not directly associated with the production of energy (i.e. heating, fuel for transport, etc.), used in carrying out its activities.

Indirect energy consumption (electricity purchased and consumed by the Group) refers to the sites and production plants of the Group. The electricity used by the energy production plants is partially self-produced and the relevant figures are included in the direct fuel consumptions. If the electricity used exceeds the amount self-produced, electricity is purchased from third parties and accounted for under the indirect energy consumption of the Group, which, in 2016, amounted to 58,788 TOE (235 GWh).

Direct energy consumption by energy source	unit of measure	2016	2015	2014
Natural gas	m ³ /000	1,558,452	1,367,173	1,108,152
Natural gas	TOE	1,200,008	1,052,723	853,277
Diesel ⁽¹⁾	t	143	738	722
Diesel	TOE	154	797	780
Landfill biogas	m ³ /000	28,395	31,798	14,044
Landfill biogas	TOE	9,654	10,811	4,775
Treatment plant biogas ⁽²⁾	m ³ /000	4,782	4,584	4,313
Treatment plant biogas	TOE	2,439	2,338	2,200
Fuel for motor vehicles	t	6,504	6,298	3,574
Fuel for motor vehicles	TOE	6,986	6,760	3,852

⁽¹⁾ In 2016 a diesel boiler was replaced with a methane boiler in the thermoelectric plant of Turbigio, with a consequent reduction in consumption.

⁽²⁾ Note that 2015 and 2014 data were updated so as to be able to provide more exact figures in line with the calculation method used for 2016 data.

WITHDRAWAL OF WATER

Water is supplied to the Group's sites through the withdrawal of water from the following sources:

- water mains;
- groundwater pumped from wells;
- surface water bodies.

Water withdrawal by source (m³)	2016	2015	2014
Drinking water	5,103,693	5,418,642	5,810,055
Untreated water	485,537,330	420,631,230	378,300,876
TOTAL	490,641,023	426,049,872	384,110,931

Iren Group, being aware of the value and scarcity of water resources, pays particular attention to the implementation of initiatives to reduce water withdrawal for industrial and civil use as summarised in the table below.

Use	Water Source	Withdrawal reduction initiatives
Net energy output	Surface water bodies: 3 withdrawals for the cooling of plants and 45 switches for hydroelectric production Groundwater: 16 withdrawals from wells for industrial use	In thermoelectric production (in particular at the Torino Nord plant) second-flush rainwater recovery systems are present as well as condensation recovery systems from air refrigeration input to the gas turbine. The industrial water recovered is used for fire-fighting purposes, to supply the demineralised water production installation and for plant-related services.
Waste treatment and disposal	Groundwater: 6 withdrawals from wells Water mains: 5 withdrawals	Where possible, non-drinkable groundwater is used and priority is given to the recovery of the water used for other production purposes (i.e. in the IEC for the shut-down of slag, water recovered from waste disposal is used). Technological choices for new plants or renovations to existing structures favour systems that reduce consumption and the deterioration in quality of the water resource. Targets for industrial water consumption per tonne of waste disposed were set at the waste-to-energy plants of Piacenza and Turin. These indicators are constantly monitored.
Gas distribution	Water mains: 89 withdrawals	In order to reduce the water used for gas humidification for distribution, new systems were introduced to lower the temperatures for the pre-heating of the gas in the distribution substations.
Integrated water service	Surface water bodies: 1,553 groups of sources, 95 superficial water captures and 7 reservoirs Groundwater: 506 well fields	Various optimisation systems are in place for water withdrawal necessary for the treatment and purification of drinking water, for the flushing of networks and wastewater treatment plants.

The main production sites of the Group have implemented a certified Environmental Management system (UNI EN ISO 14001) and are in possession of EMAS registrations; therefore, they have various procedures for the management of water resources, which represent an operating tool used for dealing with issues related to water withdrawals and discharges.

These procedures are applicable:

- to the various types of production processes and/or supplies of services, which require the use of the “water” resource, even for a secondary purpose;
- to water withdrawals of any type and purpose (surface, ground water, from aqueducts);
- to treatments and qualitative modifications of the resource water made for any reason;
- water discharges of any kind, purpose and origin (civil or industrial), to soil, subsoil, surface water bodies and sewers.

In energy production, each activity and operation regarding the use of water resources is regulated by the provisions of the law or authorisations with the responsibility lying in the hands of the Legal Representatives of the Company or Managers, provided with specific powers of attorney and proxies, who are in charge of managing and supervising the correct performance of the activities and, consequently, the correct application of the procedures. Moreover, the “environmental analysis” document, prepared for each site/plant, allows for the identification of the environmental aspects related to water resources and the obligations foreseen by the environmental legislations. The analysis also identifies the applicability of the legislation to Iren plants as well as the compliance with the regulations in force.

The integrated water cycle supply plan is elaborated on the basis of effectiveness and efficiency criteria and in compliance with the law and resulting concessions. The criteria for the use of the resources take account of: authorised quantities, the size of the reserves in the main reservoirs, the quality of the surface water, the hydrological features of the basins, the data relating to the



previous year and data relating to the current year. The supply plan can be reviewed or updated on a monthly basis following an analysis of the data collected during the measurement and monitoring activities of the various phases of the process.

In regards to ordinary and unscheduled maintenance of the property, a water consumption reduction programme is in place, which uses the insertion of flow reducers and flow systems that are differentiated for sanitary use and accurate analysis of water consumption to implement renovations aimed at achieving further water savings.

WATER DISCHARGES

The activities carried out at the production sites of Iren Group generate water discharges of industrial and domestic wastewater. The most important water discharges result from:

- industrial discharges (including water used for the cooling of plants);
- water treatment;
- waste management and treatment.

Water discharges (m ³) ⁽¹⁾	2016	2015	2014
Cogeneration plants and boilers	252,714,237	206,777,737	219,068,349
Thermoelectric plants	227,508,336	208,761,474	157,412,472
Waste-to-energy plants ⁽²⁾	366,234	131,521	131,982
Chemical physical treatment plant	223,150	287,887	N/A
Waste compacting plant ⁽³⁾	27,180	20,122	17,984
Self-wash ⁽⁴⁾	35,086	32,483	31,351
Treatment plants	180,410,093	183,478,219	208,240,402

⁽¹⁾ Water discharges from hydroelectric plants are not given.

⁽²⁾ A strong upward trend can be seen compared to the previous two-year period subsequent to the inclusion of the TRM plant of Turin within the scope of reporting.

⁽³⁾ The figures in 2014 and 2015 were recalculated following on more accurate measurements.

⁽⁴⁾ It should be noted that discharges from car washes in Parma and Vercelli are not included, as they are not fitted with separate meters.

WASTE PRODUCTION

The responsible management of the waste produced by the Group during its activities contributes to and solidifies its focus on protecting the environment.

The figures of waste produced refer to the quantities communicated on a yearly basis to the Chamber of Commerce through the MUD declaration. The production of waste comes mainly from management activities and ordinary and unscheduled maintenance of:

- energy production plants and waste-to-energy plants;
- electricity, gas and water distribution networks;
- company sites and buildings.

Waste management and disposal occurs in compliance with the laws in force.

Systems of separated waste collection, aiming to increase material recycling, have been installed in all Group sites. Policies limiting the use of paper have also been drawn up and implemented through dematerialisation projects and computerisation of processes. The Company has completed the full digitisation of purchased newspapers and magazines.

As far as methods of disposal are concerned, most of the waste produced is treated and recovered (treatment, recycling, reuse, composting and recovery of material).

Waste produced	2016		2015		2014	
	t	%	t	%	t	%
Hazardous waste	15,029	4.5	15,259	4.71	10,795	5
Non-hazardous waste	318,979	95.5	308,738	95.29	205,165	95
TOTAL	334,008	100	323,997	100	215,960	100

Waste disposed of ⁽¹⁾	2016		2015		2014	
	t	%	t	%	t	%
Disposal/treatment	110,039	32.9	132,177	40.8	59,861	27.7
Incineration	42,376	12.7	10,921	3.4	1,186	0.6
Recovery/recycling	182,054	54.4	180,899	55.8	154,913	71.7
TOTAL	334,469	100	323,997	100	215,960	100

⁽¹⁾ It should be noted that the actual waste disposed of by Iren Group in 2016 is greater than that produced, as 461 tonnes of waste in temporary storage at the end of 2015 were included.

ATMOSPHERIC EMISSIONS

The activities of Iren Group generate atmospheric emissions both directly, from production, and indirectly, from the supply of electricity from third parties. Reporting will therefore consider:

- **scope 1:** all direct greenhouse gas emissions from sources owned by the Group; i.e. CO₂ emissions generated from fuels burned at the plants for the production of electricity and those originating from the company fleet/owned vehicles;
- **scope 2:** CO₂ emissions from indirect consumption of the Group; i.e. emissions generated from the purchase of electricity, consumed in Iren plants and offices, from third party suppliers;
- **scope 3:** all of the emissions that, although connected to the specific activity and business, are not directly controlled by the Group. Specifically, Iren reported the emissions generated from the transport of waste produced by the Group and sent for recovery/recycling.

Direct CO ₂ emissions – Scope 1 (t)	2016	2015	2014
Direct emissions from production plants	3,786,911	2,947,321	2,363,288
– of which, from cogeneration, thermal and thermoelectric power plants	3,024,222	2,667,544	2,128,549
– of which, from waste-to-energy plants and landfills ⁽¹⁾	762,486	279,641	234,714
– of which, other combustion reactions for process uses, or general services	203	136	25
Other direct emissions	5,839	5,315	6,607
Emissions from company vehicles	13,343	12,418	9,301
TOTAL	3,806,093	2,965,054	2,379,196

⁽¹⁾ The figures of direct emissions from landfills in 2014 and 2015 were recalculated in order to separate the CH₄ emissions, which are thus given separately in the table below.

Total emissions of CO ₂ (t)	2016	2015	2014
Scope 1 ⁽¹⁾	3,806,093	2,965,054	2,379,196
Scope 2 ⁽²⁾	120,487	107,817	119,448
Scope 3 ⁽³⁾	728	724	620
TOTAL	3,927,308	3,073,595	2,499,264

⁽¹⁾ Calculated by multiplying fuel consumption with emission coefficients, for example: natural gas 1.96 tCO₂/1000 SCM, diesel 3.16 t CO₂/t (source: national inventory of CO₂ emissions UNFCCC).

⁽²⁾ Calculated by multiplying the electricity purchased from third parties (MWh) with the emission factor of electricity (MWh/TOE) amounting to 512.37 kg of CO₂/MWh for 2015, elaborated on the basis of data from Terna and PNI.

⁽³⁾ Calculated by multiplying the tonnes of waste sent for recovery/recycling with the emission factor (4 tCO₂/t).

Other atmospheric emissions from production plants concern sulphur oxides (SO_x), nitrogen oxides (NO_x) and particulates:

Atmospheric emissions (t)	2016	2015	2014
SO _x	4.60	5.35	7.45
NO _x	765.51	613.37	619.34
Particulates	18.94	9.88	11.72
CH ₄	6,881.34	8,012.44	3,026.48

EMISSIONS OF OZONE-DEPLETING SUBSTANCES (ODS)

Substances harmful to the ozone layer are normally present in the coolants used in air conditioning and refrigeration systems. The only harmful substance used by Iren Group is R22 (chlorofluoromethane), which is present in plants either owned by the Group or managed for third parties (e.g. air-conditioner cooling circuits).

Emissions of this substance are monitored on the basis of the quantities of coolant added following periodic maintenance checks (topping up).

To prevent the release of substances harmful to the ozone layer from the Group's air-conditioning systems, all the measures laid down by Italian Presidential Decree no. 147/06 have been implemented. All equipment was therefore registered, indicating the gases they contain and the respective quantities. The same equipment is also subject to periodic checks to ensure that there are no leakages, as well as to verify its correct functioning and cleanliness.

Ozone depleting substances are periodically monitored by specialised technicians of the Group



MANAGEMENT OF EQUIPMENT CONTAINING PCB

Polychlorobiphenyls (PCBs) are persistent and bioaccumulable toxic substances used as insulators in transformers and other electrical devices.

In Iren Group, the data regarding the number of devices and the quantity of insulating oil they contain are recorded and catalogued. Such data are then periodically updated, also when the devices are dismantled or decontaminated, in accordance with the company's current electrical equipment management procedures.

The environmental performance improvement programme, in the electricity distribution sector, includes the goal of gradually reducing the number of devices containing PCB/PCT contaminated oil each year, until they are completely phased out.

The data on PCBs are constantly updated and all devices that contain them are currently being decommissioned

Oil containing PCB disposed of (kg) ⁽¹⁾	2016	2015	2014
with PCB content of over 0.05%	0	0	0
with PCB content between 0.005% and 0.05%	4,935	8,605	3,487
TOTAL	4,935	8,605	3,487

⁽¹⁾ It is noted that the total amount of oil containing PCB in the transformers and other equipment as at 12/31/2016 is equal to about 73,000 kg.

In 2016, 26 devices containing oil contaminated with PCBs at a concentration between 50 and 500 parts per million (ppm) were decommissioned and sent for disposal.

SIGNIFICANT SPILLS

There were no significant accidental spills in 2016.

NOISE AND MEASURES TAKEN TO REDUCE THE ACOUSTIC IMPACT

Iren Group employs specialised technicians to carry out activities of monitoring, assessment and mitigation of noise emissions for the entire life cycle of its plants and infrastructures. In regards to acoustic pollution reduction – a very sensitive issue for citizens – the Group devotes its efforts and resources to reducing the noise caused by its activities, also using acoustic mitigation works (i.e. soundproof panels and silencers).

To check that the limits laid down by current legislation are respected, specific Acoustic Impact Assessments are carried out on the local population at each individual production site. Where the specified limits are exceeded, acoustic decontamination measures are taken on the most significant sources to bring the noise emitted below the legal limit.

Periodic phonometric tests are also carried out at the perimeters of the sites or in proximity of the sensitive receptors; moreover, upon receiving reports or complaints from citizens, appropriate measurements are implemented to assess the need for specific mitigation measures.

The campaigns carried out in 2016 to measure the impact of noise produced on the surrounding environment by the **gas distribution** plants did not identify any critical areas. Measurements performed inside of various natural gas reception substations identified a significant noise level for the operators and led to the installation, where necessary, of silencers on various pressure reducers.

Concerning the **distribution of electricity**, there were no critical situations of exceeding the allowable noise limits.

The subject of reducing the acoustic impact is normally not particularly relevant for the **integrated water service**. Despite the above, during the unscheduled maintenance interventions for machinery and equipment (compressors, grills, etc.), these are replaced with others having a lower acoustic impact or a greater degree of soundproofing.

Lastly, regarding **environmental services**, phonometric tests are periodically carried out on waste collection, street sweeping and collection centres.

ELECTROMAGNETIC FIELDS

For several years now, Iren Group has been measuring electromagnetic fields, which involve:

- primary electricity power plants and stations;
- overhead and underground HV power lines;
- MV/MV and MV/LV electricity substations installed in schools, hospitals, parks, or with specific load characteristics;
- MV/LV electricity substations with a higher capacity;
- office buildings of Group Companies.

In order to limit the emissions, specific methods have been introduced regarding the correct installation of electric equipment at MV/LV substations.

In 2014, Iren Group conducted a study for the design, construction and installation of MV/LV substations with electromagnetic emissions (buffer zone) equal to zero. Therefore, the new substations are designed and built pursuant to the above mentioned criteria.

Considering that the Group does not handle full load substations but normally ones with a load reduced to half, the substations installed using this method guarantee a level of electromagnetic emissions well below the quality limit set by law (DPCM of 08/07/2003).

Controls are carried out monthly, by way of a technical inspection, on safety and on electromagnetic fields of over 50% of the new/renovated substations that are operational.

During the inspection, the location of the substation is checked, as well as the electrical equipment it contains with respect to any sensitive adjacent buildings and any potentially hazardous situations found in the substation that are environmental,

electrical, etc. in nature. In 2016, 15 inspections were carried out on 28 newly installed or renovated substations. Any required measures are also carried out on the electromagnetic fields of

electricity distribution plants after receiving complaints or petitions. No complaints or petitions were received in 2016.



REDUCTION OF EMISSIONS AND ENVIRONMENTAL IMPACTS

INVESTMENTS FOR THE ENVIRONMENT

Iren Group undertakes, with responsibility and with the use of human and economic resources, a commitment to reduce its impacts and protect the environment.

The expenses and investments incurred in 2016 for environmental protection amount to approximately 195 million Euro and included:

- improving the performance of electricity and thermal energy production plants and lowering the environmental impacts of plants by installing atmospheric emission reduction systems;
- optimising and making separated waste collection systems more effective in order to pursue the waste recovery objectives defined in the territorial area plans;
- renovating the water and sewage network, the water metres and treatment plants and attaining hydroelectric green certificates;
- a renovation plan for LV/MV electricity distribution substations, lines and networks;
- renovating the gas network, cathodic protection, renovation of meters, the rising mains, sockets and user connections and investments in gas distribution network improvement projects (smart city and EMMA).

REDUCTION OF EMISSIONS

The Group carefully monitors atmospheric emissions (measurements on chimneys, indirect calculations, number of leaks, etc.) in order to identify specific measures to reduce them and verify the results achieved on an annual basis.

The production of electricity from renewable sources creates significant positive effects on the reduction of emissions; moreover, the predominant cogeneration framework (production of electricity and thermal energy that feeds the district heating networks in different cities) of the Group's thermoelectric plants significantly contributes to containing specific emissions and greenhouse gases.

Over the last year renewable sources and cogeneration has made it possible to reduce atmospheric emissions by over 2.6 million tonnes of CO₂

In order to reduce pollution, only natural gas is used to supply the energy production plants and both low emission combustion systems and pollutant reduction systems are installed (catalysts for the reduction of CO and NO_x).

Continuous emission monitoring systems make it possible to detect the main pollutants in real time and to improve the efficiency of the combustion process of cogeneration plants, larger thermal plants and waste-to-energy plants. The latter are also required, pursuant to the relevant Integrated Environmental Authorisations (IEA), to comply with stricter emission limits than those contained in national legislation.

It is mandatory for electricity and/or thermal energy plants with a capacity exceeding 50 MW, pursuant to the environmental legislation IPPC and relevant IEAs, to continually improve the environmental services, by updating to the best technology available in order to continually reduce the pollution for the different environmental compartments, including atmospheric emissions.

Moreover, ozone depleting substances are being progressively replaced at corporate sites with substances that have a lower impact.

The complete combustion of the biogas produced in landfills leads to the maximum reduction of methane and other greenhouse gas



emissions, although its conversion into CO₂ has a potential greenhouse effect 21 times lower than natural gas (Source: UNI ISO 14064).

The reductions in CO₂ achieved from the production of energy from the machinery of the Group and from separated waste

collection are shown in the table below. In 2016, emissions of over 2.6 million tonnes of CO₂ were avoided, a slight increase compared to the previous year, due to the change in the scope of the Group's activity.

Reduction in CO ₂ emissions obtained ⁽¹⁾ (t)	2016	2015	2014
Cogeneration, district heating and thermoelectric plants	1,329,859	1,317,145	990,074
Hydroelectric and photovoltaic ⁽²⁾	644,907	792,041	782,952
Waste-to-energy plants and landfills ⁽³⁾	135,004	62,293	43,170
Treatment plants	5,624	5,337	4,765
Separated waste collection ⁽⁴⁾	544,225	477,373	476,988
TOTAL	2,659,619	2,654,189	2,297,949

⁽¹⁾ The calculation of CO₂ avoided considers as a parameter of reference the emissions of the domestic electric system equal to 512.371 kgCO₂/MWh (data elaborated by Terna and PNA) and the performance of the national electric system 1,806 kcal/kWh (datum Terna).

⁽²⁾ The figures for 2015 and 2014 for reductions in CO₂ emissions from hydroelectric and photovoltaic power underwent restatement, as the share of Iren Rinnovabili was excluded (not consolidated) and various plants of lesser importance were taken into consideration.

⁽³⁾ The calculation of CO₂ avoided by WTE and Landfills is performed considering the quota of production of the electricity referable to renewable sources, for 51% (source GSE) of total production, multiplied by the conversion factor 512.371 kgCO₂/MWh (national energy mix data). In the case of the IEC, that also produces thermal energy, the emissions of CO₂ avoided are calculated by converting thermal energy into electricity (for IEC=1/7.88) and applying the above-mentioned formula.

⁽⁴⁾ For the calculation of CO₂ avoided for separated waste collection, the correlation between the tonnes of waste recycled for the most important categories (paper and cardboard, plastic, organic and green, wood, iron, glass) and the tonnes of CO₂ equivalent saved were analysed (Source: Waste management options and climate change EC-AEA 2001).

Reduction of emissions of NO _x and SO _x obtained ⁽¹⁾ (t)	2016	2015	2014
Nitrogen oxides (NO _x)	3,007	2,700	N/A
Sulphur oxides (SO _x)	2,821	2,444	N/A

⁽¹⁾ The atmospheric emissions of NO_x and SO_x avoided with district heating were calculated considering the emissions that, in equal quantities produced, would have been generated by building boilers and the electricity production of the domestic electric system. The actual emissions produced by cogeneration plants and supplementary and reserve boilers were subtracted, serving the Group's district heating networks. It should also be noted that the data from the previous two-year period were revised so as to align them with the calculation method used in 2016.

INITIATIVES AIMED AT MITIGATING THE ENVIRONMENTAL IMPACTS OF THE GROUP

The Group has undertaken many initiatives to reduce the environmental impacts of its main activities.

ENVIRONMENTAL SERVICES

Actions taken to mitigate the impacts of the Group's **waste-to-energy plants** include:

- attention thresholds and management methods for each emission parameter, resulting from the combustion of waste, are defined in the relevant operating instructions. The continuous monitoring system provides real-time feedback concerning the trend of atmospheric emissions and allows for combustion parameters and pollutant reduction treatment systems to be regulated quickly;
- Via the relevant instructions, the Group has defined the management methods, proper safe storage guidelines and the priority hierarchy of material to be sent for recovery and, where disposal is not possible, of hazardous waste from the treatment of fumes.

In 2016, the Group drafted an improvement plan for the waste-to-energy plant of Turin, with the aim of optimising the amount of additives used for the treatment of fumes.

As for the **other waste treatment and disposal plants**, impacts considered most significant and initiatives for their reduction are:

- biogas emissions of the landfills: cycles of internal control are carried out for the regulation of the valves at the top of the biogas collector wells with measurement of the captation efficiency of the plant;
- reduction of fire risks and environmental accidents for the material recovery plant in the Turin area: the outside line of fire hydrants was extended and the sprinkler networks were improved for the material recovery plant.

Other sector initiatives are listed below.

Electricity Consumption Collection Centres: in the Emilia area, actions continued to limit the operation of the air conditioning and heating plants to only the hours in which the centres are open, which led to a slight decrease in recorded consumption compared to the previous year.

	2016	2015	2014
Electricity (kW)	425,382	425,525	401,628

Replacement of roll on/off compactors: the programme in progress in the Emilia region provides for the replacement, where possible, of roll on/off compactors powered by diesel with similar electrical equipment.

	2016	2015	2014
Compactors substituted (%)	54.00	49.00	41.90

INTEGRATED WATER SERVICE

When managing the integrated water service, the initiatives aimed at reducing the environmental impacts mainly regard:

- the reduction of energy consumption by adapting wastewater treatment processes and replacing old machinery with the latest generation equipment that consumes less energy;
- the replacement of submersed electric pumps of the pumping stations with new pumps fitted with inverters;
- the reduction of water procurement through the reduction of leaks of the water mains;
- improving the quality of the water that leaves the treatment plants and the connection of some stretches of untreated sewage to final treatment systems;
- reduction and containment of odorous emissions at treatment plants.

Thanks to the public water dispensers over 1,900 tonnes of CO₂ were avoided, equal to over 1,400 TOE

The public water dispensers for the free distribution of drinking water (chilled or sparkling) to the citizens, made it possible to considerably reduce the use of plastic bottles (over 21 million 1.5 litre bottles in 2016) and, therefore, the production of waste. The savings of water and CO₂ for the production of the bottles can be

estimated. The CO₂ avoided in 2016 was 1,918 tonnes due to the non-consumption of 1,400 tonnes of equivalent crude oil.

GAS DISTRIBUTION

The natural gas temperature regulation system allows for gas consumption for the production of heat and the water for humidification to be reduced during the gas distribution process. Consequently, the amount of water for disposal collected in recovery wells is reduced. In 2016, over 65,000 m³ of gas for self-consumption was saved, as well as around 343 m³ of water.

GROUP SITE MANAGEMENT

In the Vercelli area, initiatives to mitigate direct environmental impacts involved the modernisation of winter heating and summer air conditioning systems within the sites. This led, on the one hand, to high-efficiency equipment being installed and to an audit on consumption and emissions to be carried out and, on the other hand, to the reduction in the use of HFC R22 gas (hydro-chloro-fluoro-carbide) in refrigeration systems. These measures led to a 10% reduction in CO₂ emissions and to a 20% reduction in fluorinated gas consumption.

	2016	2015	2014
Emissions of CO ₂ (t)	600.25	667.33	--
Fluorinated gases (kg)	28	35	--

MOBILITY MANAGEMENT

The corporate vehicle fleet is subject to particular attention from the Group, which is committed to reducing the atmospheric emissions from the use of the vehicles through the systematic renewal of the vehicle fleet and the promotion of initiatives for employees, aimed at encouraging the use of public transport and alternative transport methods to commute to the workplace.

Company vehicles: atmospheric emissions (t) ⁽¹⁾	2016	2015	2014
Atmospheric emissions of NO _x	64.25	61.16	40.42
Atmospheric emissions of VOC	2.21	2.32	1.79
Atmospheric emissions of CO	37.65	40.61	22.82
Atmospheric emissions of PM10	3.29	3.55	2.70
Atmospheric emissions of CO ₂	13,342.58	12,417.76	9,301.07

⁽¹⁾ The emissions are calculated multiplying the km travelled by the vehicles (broken down into different Euro categories, type of fuel and vehicle and divided by territory) by the emission coefficients of NO_x, VOC, CO, PM10, CO₂ (source ARPA). Travel distance data were taken from the management software in use.

The distances are measured using the final data of the files of the companies supplying the fuel with relevant controls on evident anomalies.

The data regarding CO₂ emissions connected to vehicle traffic for the transport of waste by suppliers is not yet available for 2016. The trend of the last two years appears positive with a sharp decrease in emissions between 2014 and 2015. The 2015 data are expected to be largely confirmed for 2016 also. The inclusion of new specifications obligating all companies to use E4 or E5 vehicles or those with a low environmental impact is still in place.

It should be noted that the calculation method used for the emissions of the environmental services' vehicles was modified in comparison to previous years.

Company vehicles as at 12/31/2016 (n.)	2016	2015	2014
Number of hired or owned company vehicles	3,866	3,907	2,674
of which electric company vehicles	138	164	42
of which LPG company vehicles	38	35	35
of which natural gas company vehicles	256	267	302



In 2016 the process which began in 2015 to reduce the vehicle fleet was consolidated and led to an overall decrease, considering the same perimeter, of around 100 vehicles. A new corporate policy was implemented for company cars, which saw a significant reduction in power and the subsequent emission load of the new vehicles.

Approximately 10% of the light vehicle fleet was renewed. The new vehicles purchased fall within the Euro 6/B class and replace equivalent vehicles with a Euro 2 or Euro 3 class, with an additional reduction of 14% for vehicles below Euro 3.

The management of vehicles is performed pursuant to the corporate guidelines that define levels of safety, maximum distances travelled and levels of replacement of company vehicles. Indicators for the replacement of the vehicles are the distances travelled, the age of the vehicle and level of wear and tear, together with the changing operating needs or the management synergies between the different territories of operation. Very few vehicles remain with a Euro classification lower than level 2, of the "heavy" type, equipped with specific and special equipment that have a minimal street use given that they are only used for aerial platform.

Subject to recent assessment are the remote monitoring devices of data on the use of the vehicle, with the objective of improving levels of maintenance, also predictive, of efficiency, and of safety of the employees that use the vehicles.

Particular attention is paid to the monitoring and sharing of the fleet of company vehicles: the introduction of message boards for the management of the car park and the creation of car pools are actions aimed at the reduction of the fleet and at a more rational and efficient use. The management of the vehicles reservations through the Intranet for business trips, makes it also possible, in fact, to program car pools, hence reducing distances travelled without organisational inconveniences.

The Group is evaluating the introduction of the car sharing technology for the reservation and pick-up of vehicles to improve the availability of vehicles and increase their use by personnel.

The trial of new generation electric cars was also relaunched in 2016, in order to test their reliability and their possible implementation in operational services, which provided indications on the real usability of these vehicles in relation to various operational and industrial requirements. In this regard, power networks and recharging stations are being planned for company garages.

The Group also promotes various initiatives to reduce the amount of displacements and encourages the use of the less polluting means of transport:

- employees working in Genoa can purchase passes for public transport at discounted prices and also on instalments, while in Turin it is possible to purchase public transport passes on instalments charged on salary;
- the "EcoViaggio" project offers employees the possibility of organizing transfers and business trips by "car-pooling", and

this allowed savings of approximately 54 t of CO₂, equal to around 23 TOE, in 2016;

- thanks to the reduction of displacements, telecommuting produces positive effects on energy savings which came to over 40 t of CO₂, equivalent to around 19 TOE, in 2016.

Due to the positive impacts on the reduction of commuting, focus is increasing on the use of self-learning courses (on-line courses that can be accessed from personal computers), as well as the development of tele/videoconferences.

The "EcoViaggio" project and telecommuting have led to around 94 t of CO₂ being avoided, equal to around 42 TOE saved

The Group participates in the distribution of electric mobility within the Emilia area, thanks to the agreement with the Region of Emilia Romagna, the Municipality of Parma and other electricity distributors for the development of a network infrastructure for recharging electric vehicles. In 2016, ten recharging stations were active for electric vehicles, placed in strategic areas for the urban mobility of the city of Parma. The project is expected to be completed by the end of 2017 and the last two remaining columns will therefore be installed.



INTEGRATED WATER SERVICE

WATER PRODUCTION AND DISTRIBUTION

Water procurement is carefully planned by Iren Group on the basis of effectiveness and efficiency criteria and in compliance with the law and resulting concessions. When using the resources, the following is accounted for: authorised quantities, the size of the reserves in the main reservoirs, the quality of the surface water available, the hydrological features of the basins, the data relating to the previous year and data relating to the current year. The supply plan can be modified, reviewed or updated on a monthly basis following an analysis of the data collected during the measurement and monitoring activities in the phases of the process. Moreover, the optimised operation of the water capture, treatment and pumping systems is guaranteed by automation and remote control devices. The total volume of water supplied to the network in 2016 amounted to 253 million m³.

Water fed into the network (thousands of m ³)	2016	2015	2014
Piacenza	33,154	32,159	30,763
Parma	42,872	42,518	41,865
Reggio Emilia	43,088	42,834	42,497
Vercelli	5,751	n.a.	n.a.
Genoa ⁽¹⁾	102,940	96,813	95,941
Savona	20,628	23,354	N/A
Imperia	3,734	N/A	N/A
La Spezia ⁽¹⁾	940	N/A	N/A
TOTAL	253,107	237,678	211,066

⁽¹⁾ The relative figure for the province of Genoa is higher than it was in 2015 due to changes in the corporate perimeter controlled by Ireti.

The increased volume of water supplied to the network compared to 2015 is substantially linked to changes in the perimeter with the extension of service in the areas of Vercelli, Imperia and La Spezia in 2016.

The percentage of network leaks stands at 24% compared to the national average of 35% (last figure available "Ecosistema Urbano 2016"). A slight increase in losses, which stood at 60.8 million m³ in 2016, is due in large part to changes in the scope of reporting. In 2016, in Genoa especially, there were significant breaks in the networks which led to the Group carrying out a specific study to define the causes of these breaks, and prevent them from reoccurring. In 2016 steps were taken to reduce network losses in Vercelli, which included: an accurate and systematic network search, division of area into districts and ongoing reduction in network pressures.

Amter managing the Genoa water service

The integrated water service in Genoa is completed by the subsidiary Amter, which provides services to 7 Municipalities and over 46,800 residents.

During 2016, 2.5 million m³ of water was sold and distributed across a 275 km network.

Amter also manages sewage services (119 km of network) and treatment plants (14 plants).

SEWERAGE AND THE QUALITY OF WATER TREATMENT

Urban wastewater from public sewers is treated at 1,136 waste water treatment plants of various types and capacities. Pre-treatment to remove large particles, sand and oils, and primary treatment to remove sedimentation solids, take place in the main plants, as well as traditional secondary and tertiary treatments to remove nitrogen.

The Group also manages some phytotreatment plants, which exploit the plants' ability to absorb contaminants. These systems are used both to treat sewage (subsurface flow system), and to purify water treated in traditional treatment plants (surface-flow systems).

Wastewater treated (thousands of m ³)	2016	2015	2014
Emilia Area	63,992	66,280	75,833
Genoa Area ⁽¹⁾	55,223	52,567	72,931
Piedmont Area ⁽¹⁾	3,036	n.a.	n.a.
TOTAL	122,251	118,847	148,764

⁽¹⁾ For the Liguria area, the Group does not handle sewage and treatment in the Savona territory. In Piedmont Area Iren handle the integrated water service only in the province of Vercelli.

In 2016 the amount of wastewater treated was broadly similar to that of the previous year. A slight increase (+2.9%) was due to the volume treated by the Vercelli treatment plant.

WATER BODIES RECEIVING TREATED WASTEWATER

All the water bodies receiving wastewater treated by the Group in Emilia lie in the basin of the Po River. The land lies in an area declared as sensitive so the plants, depending on their size, are subject to the application of the strictest nitrogen and phosphorus limits.

1,136 treatment plants that contribute to improving the conditions of rivers, torrents and seas

The wastewater treated by the treatment plants situated in the city of Genoa is drained into the sea off the coast of the Ligurian Sea (Gulf of Genoa and Gulf of Tigullio).



ENVIRONMENTAL SERVICES

WASTE COLLECTION

In 2016, the Group managed the urban waste collection service in 147 Municipalities in the provinces of Parma, Piacenza, Reggio Emilia, Turin and Vercelli, serving a catchment of over 2.1 million inhabitants in which over 1.2 tonnes of urban waste was collected.

SEPARATED WASTE COLLECTION

Of the 1,216,923 tonnes of urban waste managed, more than 720,177 tonnes were collected separately.

The implementation of the door-to-door collection service continued across the entire area, alongside the traditional roadside collection systems, and allowed for this important result to be achieved. In the system provided to residents for increasing results of separated waste collection, of particular importance is the presence of 152 Waste Collection Points where it is possible to freely deposit waste in large containers. The range of services is completed by the domestic collection of bulky waste and the services for companies operating in this field.

The separately collected waste is sent for recovery through specialised platforms and industry sectors on the basis of agreements made between Iren Group and the members of Conai (National Packaging Consortium), or private operators if the materials are different from those managed by the members of the consortium.

In 2016, over 720,177 t of waste were collected separately

The percentage of separated waste collection reached in 2016 reflects a continuous growing trend. In particular:

- in the **province of Parma** the results related to the Municipalities served went from 73.5% in 2015 to **76.2% in 2016**;
- in the **province of Piacenza** the figure rose from 62.5% in 2015 to **63.1% in 2016**⁽¹⁾;
- in the **province of Reggio Emilia** the figure went from 65.8% in 2015 to **66.9% in 2016**;
- **Turin**⁽²⁾ stands at **42.9%** of separated waste collection in **2016** compared to 42.8% in 2015;
- **Vercelli** reached **66.2%** of separated waste collection in 2016.

The average on the overall area served is 59.2%, against a national figure for separated waste collection of 47.5%. In line with

⁽¹⁾ The values for 2015 and 2016 have been calculated by adopting the new method foreseen by regional legislation. The value of 2015, calculated using the previous methodology, would be 58%.

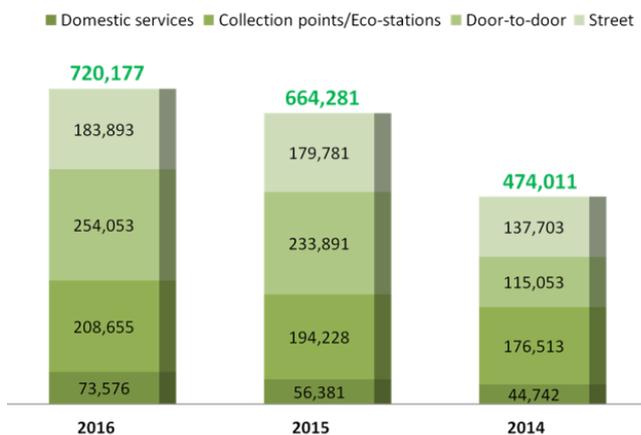
⁽²⁾ Calculated with the normalised method of the Piedmont Region.

the directives of the sector and the local programs (Environment Plans, Provincial Waste Management Plan, etc.), the Group is committed to achieving a further increase of the percentage of separated waste collection, introducing new home collection services and aiming at an even greater promotion of environmental awareness among citizens.



In terms of quality goals, we aim to further develop the collection of paper and cardboard, from the organic fraction and the vegetable fraction.

WASTE FROM SEPARATED WASTE COLLECTION BY METHOD (t)



WASTE TREATMENT AND DISPOSAL

In order to guarantee an effective management of the entire cycle, Iren Group is also committed to the treatment and disposal of waste, the recovery of material and the exploitation of the resource waste for the generation of electricity, heat and biogas through:

- 11 treatment, selection and storage plants;
- 3 waste-to-energy plants;
- 5 chemical, physical and biological treatment plants;
- 1 treatment plant for soil from street sweeping;
- 1 WEEE recovery treatment plant;
- 2 compost plants;
- 1 landfill for inert waste.

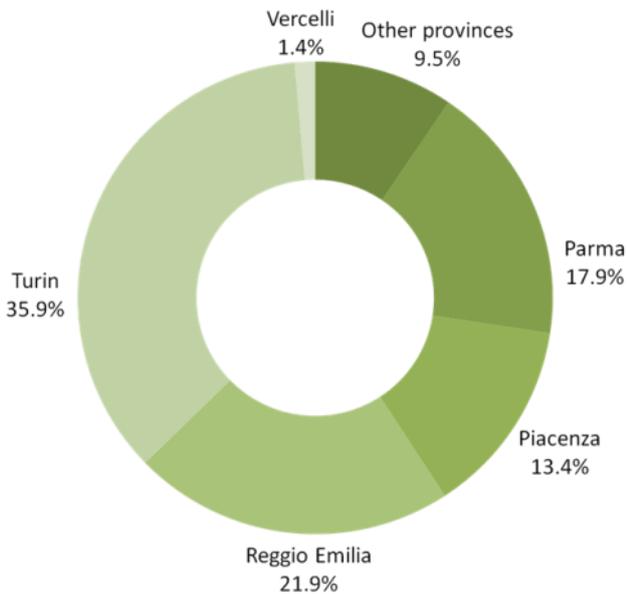
It should be noted that the R.E.I. landfill of Collegno was acquired on 20 December 2016 and will become operational in 2017.

In 2016 a total of 1,813,320 tonnes of waste were managed.

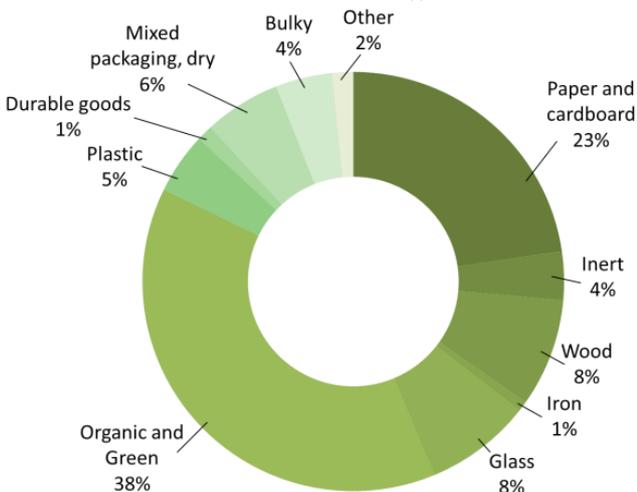
WASTE MANAGED (t)



WASTE MANAGED BY AREA (%)



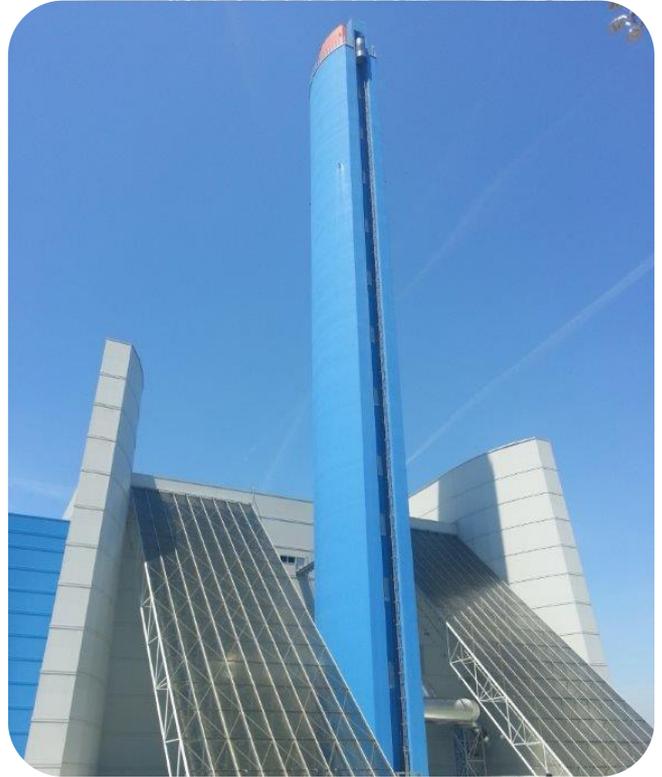
WASTE SENT FOR RECOVERY BY TYPE (t)



The separated waste can be sent directly for recovery or via the Group's storage plants or points where it is sorted and/ or treated before reaching its final destination.

The non-separated waste is disposed of in several different ways in order to make the most of the waste as a resource, with the waste-to-energy process seen as the most environmentally effective solution for energy recovery.

The Group also carries out a preventive mechanical sorting process in order to intercept a wet fraction rich in organic material that can be stabilised biologically.



ENERGY PRODUCTION AND SERVICES

Energy savings, as one of Iren Group's main objectives, is pursued throughout its business units by using technological systems and by monitoring and advising on proper consumption behaviour, thanks to the oversight of the Energy Business Unit, that works to create solutions that guarantee energy savings for stakeholders. The Energy Business Unit carries out a similar activity within the Group to manage consumption along the production chain and monitor the targets set out in the Energy Budget.

RENEWABLE AND SIMILAR SOURCES

78% of energy production plants (compared to the national average of 32.9%) are powered by renewable sources (hydro or solar) or similar (cogeneration). Iren Group's virtuous production processes result in significant energy savings in terms of TOE



and, consequently, CO₂ emissions avoided, which came to 2,659,619 t.

Producing energy from hydroelectric and photovoltaic plants reduces environmental impact

Iren Rinnovabili: clean energy production

Iren Group also contributes to renewable energy production through its subsidiary Iren Rinnovabili, which manages 72 photovoltaic plants (installed capacity: 17.3 MWh) and a hydroelectric plant (installed capacity: 2.4 MWh).

In 2016, in view of 18,677 MWh produced from photovoltaic and the 6,879 MWh from hydroelectric, 13,094,153 tonnes of CO₂ atmospheric emissions were avoided.

Regarding its **hydroelectric production**, in 2016, the Group developed the following projects:

- *redevelopment of the Chiomonte and Susa plants* – seizing the opportunity to use the water available downstream of the hydroelectric power plant of Venaus (origin Pont Ventoux - Susa), the project involves unscheduled maintenance measures and the replacement of five existing hydroelectric units with a total output of 27 MW, with three new hydroelectric units with a lower total output of 15 MW. Overall production is expected to be about 30.4 GWh/year. In 2016, the Single Authorisation provisions and concessions resulting from plants were released, followed by the request to the GSE (Electricity Services Provider) to access incentives for production from renewable sources, which has also been accepted. As soon as the tendering procedures for awarding qualification interventions have been completed, the works will begin between 2017-2020;
- *new Noasca plant* – the project includes the development of a new 1.2 MW hydroelectric plant in the Municipality of Noasca (Turin), through the reactivation of an old plant built in the twenties and decommissioned in the sixties. Expected production is approximately 3 GWh/year and will fully benefit from the incentives provided for renewable sources. In 2016 the instructional procedure for releasing diversion concessions was concluded, and we expect the authorisation procedure in place for constructing and operating the plant to be completed in the next few months;
- *new Dres plant* – the project consists of the construction of a new 1.2 MW hydroelectric plant in the Municipality of Ceresole Reale (Turin). Expected production is approximately 4 GWh/year and will fully benefit from the incentives provided for renewable sources. The authorisation procedure is currently under way for the plant;
- *reactivation of the Giffoni plant* – in February 2016, the final design for the request to reactivate the Giffoni plant was completed and the authorisation procedure has begun in the Campania Region for the screening stage of the

Environmental Impact Assessment (EIA) and the Impact Assessment (IA);

- *service lane along the shunt channel La Loggia-Moncalieri* – following eight months of work, the service lane in the Barauda area was opened in October 2016, along the left bank of the shunt channel of the thermoelectric plant of Moncalieri. The new lane has already been discovered by many cycling tourists and runners that frequent the area. This entails honouring commitments the Group has made in recent years to upgrade the plant that powers the cooling system for thermoelectric groups connected to the district heating network and which also generates renewable hydroelectric power. The pathway extends for around 3 km and is made up of a roadbed which will be used to reduce the risk of the Barauda area being affected by the Po floods. The construction of a service lane also makes it easier to carry out regular inspections on the shunt channel and ensures easy access for maintenance.

The constant commitment of Iren Group, furthermore, is to increase the efficiency of its plants, particularly the cogeneration plant connected to the continuously expanding **district heating** networks. In 2016 the following development projects were defined:

- *saturation of the Turin network* – the project provides for the connection of a further 8 million cubic metres, achieving a total volume of 64 million cubic metres in the area of Turin that will lead to the saturation of the capacity of the integrated district heating system, without the development of new production sites. The development period is scheduled between 2013 and 2018. In 2016, approximately 2 million cubic metres of volume was connected and approximately 8.3 km of network was laid;
- *extension Torino Nord phase 1* – the project involves the connection, in two phases, of about 5 million cubic meters of volume. Phase 1 makes it possible to bring the residual capacity of the integrated district heating system to saturation, through the optimisation of the storage systems. In 2016 the transport network was completed and the distribution network was constructed. 359,893 m³ were connected and 9.5 km of network was laid;
- *connection of the TRM waste-to-energy plant to the district heating networks of Beinasco and Grugliasco* – the project, which is expected to be completed in 2016-2017, saw the authorisation procedure completed in 2015 for the development of the plant by ATOR (Turin Environment Association for Waste Management). A first part of the connecting backbone was also built near the Municipality of Grugliasco. In 2016 the authorisation procedure was begun for the implementation of the works;
- *Beinasco district heating network* – The Municipality of Beinasco issued a call to tender to grant the use of land and subsoil for the development of a district heating network, which was won by Iren Group. The development project foresees the network being supplied via a connection to the

waste-to-energy plant (TRM) in Gerbido and via an interconnection with the Turin network, which does not require new production plants to be built. The development period will begin in late 2017 and continue into 2018/2019. It is planned to connect approximately 500,000 m³;

- *district heating in the city of Asti* – the project includes the development, in collaboration with local operators, of a district heating network spanning around 30 km and of a trigeneration plant for the production of electricity, thermal and refrigerated energy. It is planned to connect over 2 million m³, in addition to the hospital complex of Cardinal Massaia. The development period is scheduled between 2018 and 2022. The investigatory processes are under way for the issue of the authorisations;
- *increased district heating volume in Parma* - the project involves the connection of new customers in the city of Parma following the connection of the city network with the IEC waste-to-energy plant, as provided in the Integrated Environmental Authorisation. The connection with the plant allows to increase the production efficiency thanks to the use of cogenerated heat in substitution of heat from boilers. In 2016 the development of the district heating network continued and an additional 215,991 m³ were connected;
- *connection of the waste-to-energy plant in Piacenza and development of the district heating network* – this project includes the connection of the city district heating network to the Piacenza waste-to-energy plant. The increase of the connected volumes will be approximately of 1 million cubic metres, which will bring further environmental benefits due to the substitution of domestic heat boilers and to the gas savings currently used primarily to power the network. The expansion of the network is related to the renewal of the authorisation for operation of the waste-to-energy plant. The development period is scheduled between 2017 and 2018. In 2016, the investigatory process continued for the issue of the authorisations and works started for the transformation of the waste-to-energy plant into a cogeneration plant;
- *district heating Genoa* – the project plans to connect to the district heating network buildings located in areas already served by the network and in newly expanding neighbourhood areas. In 2016, 54,368 m³ were acquired and 26,218 m³ were connected.

The timely management of the photovoltaic plants, moreover, continued since they represent an important asset considering the commitment of the Group to produce clean energy.

In 2016 the electricity production from the Group's waste-to-energy plants (Parma, Piacenza and Turin) rose substantially, reaching a total of 455,764 MWh. Furthermore, thermal energy

produced by IEC in Parma increased by approximately 26%, with production equivalent to 130,002 MWh.



EFFICIENCY AND ENERGY SAVING

On the energy efficiency front, thanks to the high-efficiency cogeneration plant of Torino Nord, 109,483 energy efficiency certificates (EEC) are expected for the year 2016 (equivalent to 109,483 TOE of energy savings). Iren Group, furthermore, has implemented projects, over the years, recognised and promoted by AEEGSI, which also resulted in the attainment of 3,878 EECs, also in 2016. The requirement to produce (or purchase on the market) and supply energy efficient certificates to the GSE (Electricity Services Provider) is the sole responsibility of Ireti (distributor) and is valid for 2016 (with maturity 31 May 2017).

Green Certificates were replaced by equivalent incentives which matured with the following amounts for the Group's hydroelectric plants in 2016: Bardonetto (14,741), Pont Ventoux (265,450), Villa (26,793), Telessio - Eugio - Rosone (110,206), Telessio (11,506), Ceresole - Rosone (90,636), Brugnato (2,291), Canate (19,174), Tusciano (19,430), Tanagro (13,193), Bussento (33,080). Some plants linked to the environmental cycle also received the same incentives: TRM (173,390), Poiatica (2,110) and Basse di Stura (29,600). In total, 811,600 former Green Certificate incentives matured last year.

In 2016 Iren Group obtained energy efficiency certificates equivalent to over 113,361 TOE in energy savings

Furthermore, in 2016 energy audits were conducted in the waste-to-energy plants of Parma and Turin, which were required to fulfil obligations pursuant to Italian Legislative Decree 102/14.



Energy production and saving ^{(1) (2)}	unit of measure	2016	2015	2014
Production from hydroelectric and photovoltaic plants				
Electricity produced	GWh	1,259	1,499	1,515
Energy saved	TOE/000	227	281	278
Energy saved	GJ	9,515,456	11,746,765	11,640,460
Production from cogeneration plants, boilers and thermoelectric plants				
Electricity produced	GWh	7,345	6,411	4,965
Thermal energy produced	GWh	2,738	2,769	2,559
Energy saved	TOE/000	305	333	297
Energy saved	GJ	12,752,370	13,935,058	12,437,653
Production from waste-to-energy plants and landfills				
Electricity produced	GWh	500	214	163
Thermal energy produced	GWh	130	103	72
Energy saved	TOE/000	97	42	32
Energy saved	GJ	4,044,194	1,776,257	1,348,989
Biogas plant production				
Electricity produced	GWh	0.96	0.88	1.15
Energy saved	TOE/000	2.40	2.10	1.88
Energy saved	GJ	100,413	87,998	78,556

⁽¹⁾ The figures for 2015 and 2014 were restated as the calculation method for energy saved was modified in accordance with the following criteria:

- for cogeneration, boilers and thermoelectric plants, the comparison between gross production and actual fuel consumption of the Group with the consumption that the national electricity grid and the "national average" heat production system would have recorded to produce the same quantities of electricity and heat;
- for hydroelectric and photovoltaic energy production, the calculation was based on the assumption that there was zero fuel consumption and compared the consumption recorded by the national electricity grid for the production of the same quantities of electricity;
- for waste-to-energy plants and landfills, the amount of electricity and thermal energy production (with conversion of thermal energy to electricity calculated by dividing with the conversion coefficient 7.88) is multiplied by the electricity coefficient (187 TOE/GWh);
- for biogas plants, by multiplying the cubic metres of natural gas produced (60% of biogas) by the SCM/TOE conversion factor 0.836.

In some cases the energy saved may result as increased/decreased in a manner that is not directly proportional to the increase/decrease in production, due to an increase of specific consumptions used for calculations.

⁽²⁾ Energy saved is also expressed in GJ by using a conversion factor of 1 TOE = 41.86 GJ.

Iren Group, through projects launched in 2016, achieved an energy saving of approximately 3,500 TOE/year

In terms of **energy saving**, the Group has developed projects that generate external impacts and that have allowed an annual energy saving of 3,366 TOE, described in the table below.

Project	Description	Savings obtained
LED Lighting	<ul style="list-style-type: none"> • "Torino LED": replacement of approximately 53,000 lights with new LED lamps. The project, which was fully financed by Iren in the scope of ESCO, ended in late 2016 and will provide a reduction in emissions of 11,100 t CO₂/year and energy saving of 4,700 TOE/year from 2017 onwards. For 2016, savings of around 50% of the steady state figure have already been made. • 3 high-efficiency LED lighting plants at private third party buildings that in 2016 made it possible to save 25 TOE. 	2,375 TOE (4,700 TOE steady state)
Energy efficiency of buildings	"Revamping 2014-2016": a project created on behalf of the Municipality of Turin concerning upgrading a large share of the municipal property and making it more energy-efficient: 183 buildings including 104 schools, representing 63% of the total volume heated. Work has been carried out on 333 boilers connected to 24 plants on the district heating network. The savings obtained amounted to 965 TOE/year, which will reach a steady state at the end of the 2016/2017 heating season.	(965 TOE steady state)

Project	Description	Savings obtained
Technological redevelopment of buildings	<ul style="list-style-type: none"> • Trigenation group for the combined production of electricity, thermal and refrigerated energy at the headquarters of the Civil Defence of Turin. The plant, with an installed capacity of 115 kWhe and 190 kWht, makes it possible to contain the request for heating to heat the building and reduce the electricity demand for air-conditioning. The savings generated are 55 TOE/year of primary energy. • Interventions to increase energy efficiency in private buildings: in 2016 Iren contracted the installation of 11 high-efficiency boilers and/or plants to exploit renewable energies, a connection to the district heating network and 72 contracts (approximately 2,300 housing units) to install thermostatic valves. These initiatives allowed 233 TOE to be saved. 	288 TOE
Photovoltaic plants	96 photovoltaic plants (total output 5MW) installed on the roofs of the buildings owned or available to the Municipalities of the province of Reggio Emilia. The project was implemented in 2015, producing a yearly quantity of approximately 3,760 MWh.	703 TOE

Other energy saving projects, which are related to company sites and plants, generate impacts within the Group that allowed an annual energy saving of 119 TOE, described in the table below.

Project	Description	Savings obtained in 2016
Energy efficiency of hydroelectric and thermoelectric production plants	During 2016, projects were set up and actions were launched to improve energy efficiency for some hydroelectric and thermoelectric production plants. The interventions include: the installation of electricity consumption monitoring systems, the replacement of lighting fixtures with LED lights and the replacement of high-efficiency motors and voltage stabiliser switchgears. The project is expected to be completed in 2017, and from that point on the effects of savings in terms of energy and reduced emissions will be seen. Based on energy audits carried out, it is estimated that, when steady state is reached, savings will amount to 7,085 MWh, equal to 1,325 TOE/year.	(1,325 TOE steady state)
Measures to improve efficiency for water treatment plant in Parma	The denitrification plant in the Water Plant in Marore works by using the principle of osmosis, and is used to reduce the concentration of nitrates in water drawn from the well fields in Marore. Steps to raise efficiency at the plant along line A relate to replacing the pressurisation group and replacing the 91 membranes in the inverse osmosis section.	71 TOE
Efficiency of the treatment plant in Vercelli	When the trials launched in 2014 were concluded, the "alternating cycle" process on the Cigliano (VC) treatment plant was consolidated, which was converted from a "secondary" plant to a "tertiary" one, tasked with denitrification-nitrification of treated wastewater. In terms of reducing the organic load and reducing electricity consumption, without carrying out structural changes to the plant, results have been satisfactory.	48 TOE



PROTECTING NATURAL HERITAGE

The continuous deterioration of natural habitats and threats to certain species are among the main issues considered by the European Union in its environmental policy, which attempts to ensure biodiversity through the conservation of natural and semi-natural habitats and of wild flora and fauna within the territory of member states. For this purpose, an ecological network was created within the European Community of special protected areas, called "Natura 2000", which also involves various territories and areas of Italian Regions. Protection of the "Natura 2000" sites is mandatory pursuant to the law (Italian Presidential Decree 357/97 and Italian Presidential Decree 120/2003) that provide that the territorial planning and scheduling must take into account the naturalistic-environmental importance of the Sites of Community Importance (SCI) and the Special Protection Areas (SPA) and that any plan or project which could, in any way, affect the conservation of habitats or species, that have been identified as 'protected', should be subjected to an appropriate impact assessment for the affected sites.

Before beginning new projects/measures and significant maintenance activities (revamping and repowering), which could lead to environmental impacts on the protected areas known as "Natura 2000", it is necessary to submit the project/measure for preliminary assessment in order to protect the area in which the measure is to be carried out. It is also necessary to verify that machinery, plants and equipment subject to the measures, possess the necessary environmental requirements and to assess the potential impacts resulting from the use of hazardous substances and the adoption of appropriate management measures. In particular, an Impact Assessment must be launched (Presidential Decree 357/1997 art. 5) when a work project or intervention may have a significant impact on a Site of Community Importance (SCI) or a Special Protection Area (SPA) of the "Natura 2000" network. As the construction of the "Natura 2000" Network is an ongoing process, the SCI lists are regularly updated once a year by the European Commission on the basis of the submitted databases by Member States. In Italy, the SCI become official upon the transmission to the European Commission of the national databases.

ACTIVITIES IN PROTECTED AREAS OR AREAS OF ENVIRONMENTAL INTEREST

Electricity production activities carried out by the Group in protected areas relate mainly to hydroelectric plants and their impact on water resources and on noise. Water resources, such as withdrawals and releases, are managed in accordance with the concessions issued by the Competent Authorities and the legislation in force. For all managed reservoirs, Management Plans (pursuant to Italian Ministerial Decree 152) were prepared with the relative impact assessments for those that involve Sites of Community Importance.

The measures to improve efficiency of hydroelectric plants, carried out by the Group over the decade 2003-2012, had positive repercussions on the entire system, as they reduce the need to produce energy from fossil sources and help to reduce atmospheric emissions. For all of the redevelopment work carried out, the plant IAFR certification (certifying that it is powered by renewable sources) was obtained, which identifies the environmental benefits expected in terms of reductions in SO₂, CO₂, NO_x, particulate and natural gas emissions.

In relation to acoustic impact, all plants are soundproofed appropriately to minimise the impact on the surrounding area.

No natural habitats were offset during the reporting period.

The development of the **electricity distribution network** in the city of Turin may directly involve or be in the immediate vicinity of various SCI and SPA of the "Nature 2000" network, including:

- Collina di Superga (SCI), surface area approximately 802 ha;
- Meisino (Po - Stura confluence) (SPA), surface area approximately 245 ha;
- Stupinigi (SCI), surface area approximately 1,727 ha.

The electrical distribution network of Parma does not affect SCIs or SPAs in the "Natura 2000" network.

Waste management and environmental health activities that the Group carries out do not affect protected areas in the Emilia area. Plants with greater capacity (waste-to-energy plants and landfills) are equipped with a green system, in harmony with the vegetation climax in which they are situated, with visual and environmental mitigation functions. The waste-to-energy plant in Turin (TRM), despite being in the middle of an EIA phase, has no significant impact on the ecosystem and its emissions do not cause any harm to the local fauna, including areas of special natural interest (Stupinigi Natural Park and System of Protected Areas of the Po area region).

Activities concerning the **gas distribution** service do not have particular impacts on biodiversity. For the activities of construction, maintenance and operation of the infrastructure, we comply with the regulatory framework relevant to environmental impact.

Regarding the **integrated water service**, the wastewater is drained mainly into the sea on the coast, which receives over 99% of the volume produced, through offshore pipes. In the sea duct projects, interference with protected marine areas is assessed and minimised: even outside of protected areas, attempts are made to minimise environmental impact on habitats considered to be of particular interest and value, such as Posidonia oceanic sea grass. Screening and environmental impact assessments are carried out as required by applicable law, for treatment plants and withdrawal of water. In Liguria, improvements were made in the treatment process and, therefore, the preservation of the marine water ecosystem with the new treatment plant in Santa Margherita Ligure. Future improvements are expected thanks to the construction of new treatment plants serving the coastal municipalities (Rapallo and Entella).

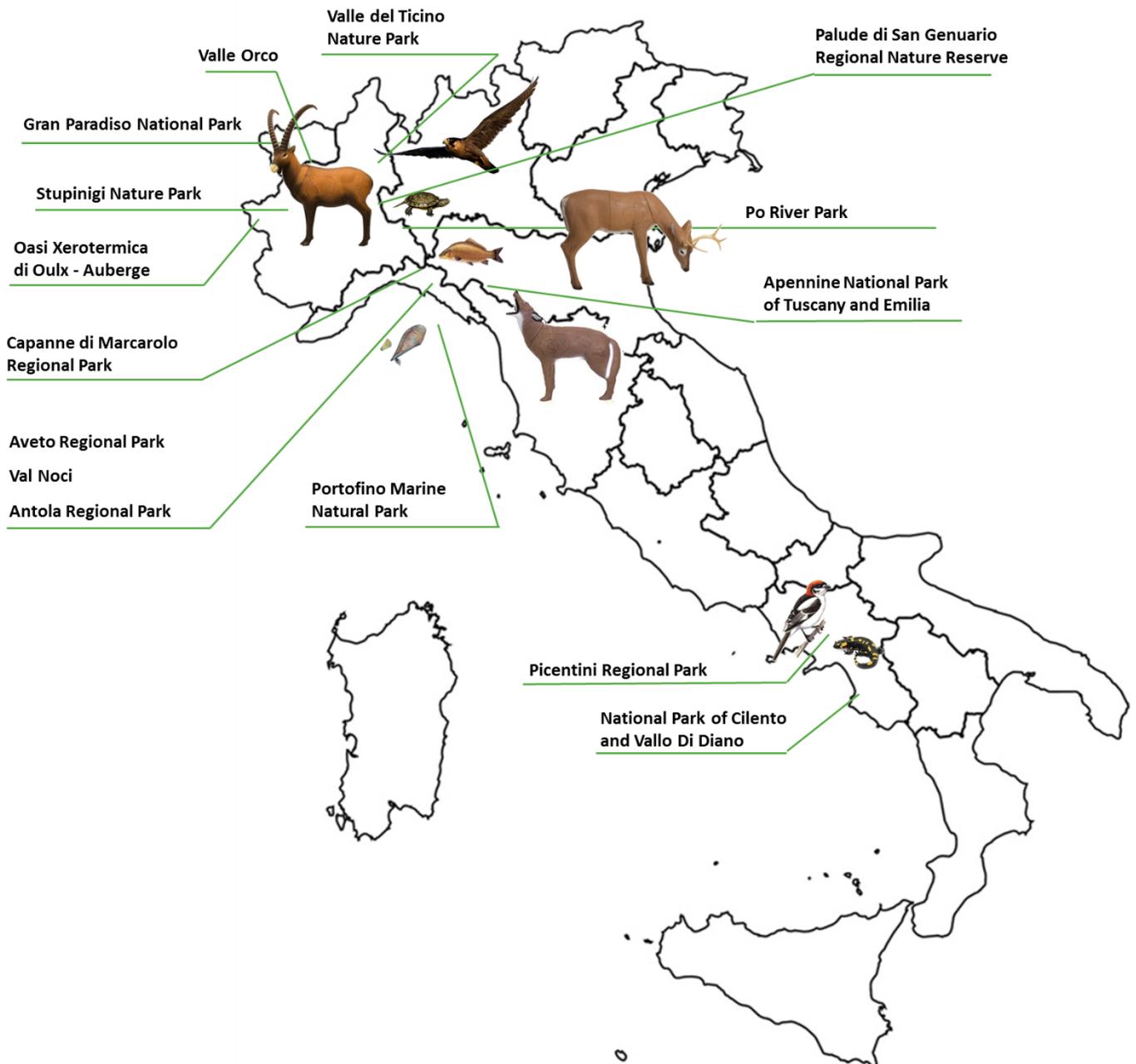
MAIN GEOGRAPHICAL AREAS AND PROTECTED SPECIES

The map shows the main Sites of Community Importance and Special Protection Areas where plants and/or networks managed by Iren group are located.

There are over 200 protected species listed in the national and international IUCN Red List that live in the areas where the Group

operates. Species that live in the land/sea or river areas (National and Regional Parks, lakes and rivers) in proximity of the areas where the company manages its business were taken into consideration.

Over 30% of these fall under the following IUCN List categories: regional extinction (RE), vulnerable (VU), endangered (EN), critical risk (CR), nearly threatened (NT).





COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS AND MECHANISMS FOR REPORTING VIOLATIONS

Iren adopts an Environmental Management System in compliance with UNI EN ISO 140001: all Iren Group employees are required, as part of their duties, to participate in the process of risk prevention, protection of the environment and of their own, and that of their colleagues and third parties, health and safety. Iren activities are managed in compliance with the regulations relevant to the prevention and protection from accidents and safety at work.

For Iren, environmental protection represents a basic value in order to satisfy one of the primary needs of the individual citizen and the entire community. All of the processes are carried out in full compliance with applicable environmental legislations. Moreover, the Group contributes to the research and development of advanced technologies aimed at protecting the resources and at reducing the environmental impact of the activities and their related risks.

There are many instruments at the disposal of the stakeholders to report an environmental breach: these methods include written communications via mail, e-mail, fax and social media channels. All communications are considered and each stakeholder receives a response regarding what was reported. Written reports received by traditional mail are logged and forwarded to the relevant departments, which undertake the appropriate investigations.

During the qualification process, suppliers are required to hold an environmental certificate or, in any case, to have taken on substantial elements interlinked to the environmental system.



The **production and distribution of electricity** services are certified by standards of quality and environmental management, and are, therefore, subject to internal and external audits with regard to the processes and the obligations relevant to environmental legislation.

With regards to **environmental services**, an environmental contact centre is available to citizens, public authorities, etc., where it is possible to report any breaches and/or critical

situations pertinent to the environment. Moreover, “Environmental Inspectors”, active in the provinces of Piacenza and Parma, patrol the areas of competence in order to identify illegal landfills and abandoned waste, including those hazardous to the environment (i.e. asbestos cement, spills, etc.). Reports are taken on in order to organise the verification activities and the necessary treatment for the resolution of the identified problems, pursuant to the proper procedures. In 2016, procedures were prepared for the management of environmental emergencies and technical operating instructions. Such instructions provide the guidelines for operators concerning the processes to be carried out for the solution and/or limitation of any environmental emergencies that may arise during the performance of services.

In relation to waste-to-energy plants, emission data are released to the control authorities in real time. These figures are public and can be viewed daily on websites and on other screens located in the areas. To ensure IEA provisions on communicating anomalies are adhered to, a 24-hour technician service has been established.



Regarding the **integrated water service**, the entire cycle is subject to the constant monitoring of operating parameters, also by means of remote control systems for important plants, and provides for the execution of tens of thousands of analytical laboratory calculations. The water service is also subject to controls pursuant to the local regulatory authorities' law. The optimisation of the corrective measures put in place to minimize possible negative effects of problems identified, is often carried out through the involvement of other agencies, also through specific operational protocols.

For the **gas distribution service**, the main element that impacts the environment is the leakage of methane gas into the atmosphere. The containment and resolution of the gas leaks represent the main target behind the safety, quality and continuity of service. The main monitoring systems are remote controls that monitor the main parameters of the distribution system and intrusion detection systems that discourage or warn of relevant malicious facts and risks. The planned research and ordinary and unscheduled maintenance of the networks is also carried out regularly.

In 2016 the Group received and paid 20 fines and sanctions for failing to adhere to mandatory environmental legislation and regulations relating to waste materials and treatment, emissions and data transmission.

Customers



IMPORTANT TOPICS

Marketing policies: this topic is important for Iren Group because the promotion of innovative offers and services positively affects customer satisfaction levels, thus reinforcing loyalty.

Quality of service offered and customer focus: service quality and care for individuals are key elements to satisfy customers and to successfully compete on the market, but, above all, because the ability to deliver high quality and innovative services to respond to new and emerging customer needs represents a guarantee for long-term development.

Efficient and reliable services: improving the efficiency of all services is an important matter in order to ensure a proper use of resources, efficiency and energy saving, reduction of environmental impacts and the containment of operating costs of Iren Group.

Responsible management of business segments: ensures the safety, continuity, health and social and environmental sustainability of the activities that the Group places at the centre of its actions, being aware of the responsibility that managing energy and environmental services involves for the present and future of customers, residents and local areas.

Internal and external communication: completeness, quality and transparency of information and attention to customer needs, are crucial in order to guarantee a correct relationship with customers and involve them in a continuous process of improvement and innovation of the services.

Human rights: Iren Group guarantees equal and impartial treatment to all residents served, in line with the principles established in our service charter.



RELATIONS WITH CUSTOMERS



POLICIES AND PRACTICES

INDIVIDUAL RIGHTS

Attention to and respect for individuals are topics that Iren Group places at the heart of its growth strategy and the sustainable development of the community and local areas where it operates. For this reason, as stated in the Code of Ethics and in our Service Charters, Iren condemns any type of discrimination and has adopted tools to promote accessibility and use of the services it provides, with a particular focus on people with disabilities, vulnerable groups and foreign-speaking residents. At the same time, the Group has placed non-discrimination at the heart of its standard of conduct towards its workers.

The data protection management system was structured centrally within the Group, with the objective of adapting it to the provisions of the new European Regulation that will come into force in 2018. A single data protection Representative has been identified and appointed within Iren Group, who reports to the Internal Audit and Compliance Department.

BUSINESS CONDUCT

In carrying out its business activities through door-to-door sales, tele-sales and e-commerce, Iren Group has fully complied with the guidelines of the Code of Business Conduct prepared by the Authority for Electricity, Gas and Water Service (AEEGSI).

Communications to customers comply with the principles of clarity and transparency provided by the Code of Ethics and Code of Business Conduct, and allow customers to make informed decisions, providing them with the necessary information related to the economic offer, as well as to Iren's corporate strategy.

Electricity and gas sales agencies appointed by Iren Mercato undergo meticulous selection, precise controls and must comply with the Code of Business Conduct of AEEGSI, the Group's Code of Ethics, the Organizational Model provided for by the Italian decree n. 231/2001 and the quality policies of Iren Mercato.

During the selection phase, a meticulous analysis of the requirements is carried out, including: the possession of all authorisations, licences and subscriptions for exercising the agency activities, the availability of a back office to monitor and train agents, preliminary verification of contracts acquired and customer awareness. Moreover, the stipulation of the agency contract includes also a trial period.

Iren Mercato also conducts specific, ongoing training for the managers and collaborators of the agencies, on various aspects: electricity and gas market, sector laws, sales policies of Iren Mercato, features of the commercial products and offers, behaviour and relation with potential customers, non-allowed behaviour subject to penalties, as well as quality checks carried out by Iren Mercato prior to the activation of every single contract. A specific section has been created on our commercial website for training, which allows for distance learning and training sessions to be recorded.

The control systems for contract promotion are more stringent than those provided by law and sector practices, with the aim of pursuing transparency and effective protection of customers' willingness:

- a further check call is made for all contracts stipulated through door-to-door or tele-sales to ascertain the customer's willingness to start the contractual relationship and the quality of the agents' work
- customers who subscribe to telephone contracts are given the option of listening to their recording by accessing to a dedicated section on the company website with personal login details;
- a mandatory check call is made to customers over the age of 75 before contracts obtained from door-to-door or tele-sales are finalised;
- the appointed agencies are asked to make specific check calls on contracts acquired before sending them to Iren Mercato;
- the exercise of the cooling off period by the customer is accepted beyond the 10 days provided by law (at least 30 days) and always within the date of the switch-over communication being sent;
- in the event of withdrawals, subsequent to a contract signature obtained through agents, no agency commission is paid so as to not force sales.

The organisation of Iren Mercato also provides for a specific structure for responding to customer complaints and a dedicated structure for the analysis of complaints concerning external channels of sale, which can result in the charging of penalties and, in more serious cases, the dismissal of the agent, up to the possible closure of the agency mandate.

HEALTH AND SAFETY OF CUSTOMERS

Iren Group implements a series of operational procedures, in compliance with the law and on a voluntary basis, in order to minimize the impacts that its activities have on the health and

safety of customers and the community. Below a summary by business segment is provided

Environment: following on from a survey campaign conducted by the Municipalities of Parma and Reggio Emilia, the schedules of some especially noisy services were changed to reduce the inconvenience for the general public. Containers for waste collection comply with safety regulations for the public and Group personnel and the vehicle fleet is currently being updated in order to adapt it to the most recent atmospheric emission legislations. Health supervision campaigns are activated for the most environmentally critical plants: just to mention the waste-to-energy plant for waste in Parma, Piacenza and Turin that are equipped with specific certifications (see page 31).

Energy: the management model adopted considers the health and safety of customers, by assessing its environmental aspects and risks, during all stages of the services supplied, from plant planning to maintenance, as well as the activation of new services and the selection, storage and disposal of materials and products, that require specific certificates and targeted laboratory tests. High-impact operations - such as the "Torino Led" Project - are always carried out along with specific campaigns that provide information on all the products used and any different perceptions of the service supplied.

Integrated water service: considering the crucial importance of water, health and safety represent the pillars on which each phase of the drinking water supply process is built, through numerous and continuous analyses on the sources of procurement, plants, distribution networks and points of supply. Similar attention and analytical monitoring activities are in place for each stage of wastewater treatment and disposal of sewage sludge.

Gas distribution: customer safety is the main issue concerning management, through numerous, multiple actions, at the planning stage, during the service supply and after the actual service supply. In addition to normal operating procedures for minimising risk, the main tools range from odourisation and planned searchings for leaks, to continuous monitoring thanks to remote control systems, as well as 24/7 information/report gathering from the customer and the availability of Emergency Service teams.

Electricity distribution: significant activities are carried out for the measurement and containment of emissions from electromagnetic fields (described in detail on page 52) and technical inspections and random checks are performed on a yearly basis on almost half of the electric substations.

COMMUNICATION AND RELATIONS WITH CUSTOMERS

Communication with customers and local communities is crucial for companies, like Iren Group, which provide services that have a crucial impact on its customers' quality of life. This is why the Group invests considerable resources in communication.

In addition to traditional forms of communication (attached to the bill, information leaflets, public billboard campaigns and press advertisements) and sustainability education projects (see page

126), the widespread use of digital channels has been encouraged.

The Group is deeply rooted with a widespread presence within the area through various communication channels that are accessible and easy to use.

Call centre: the telephone represents the most used channel by Iren Group's customers, who can deal with paperwork remotely and get advice through this tool. Iren Mercato has implemented various customer care activities that aim to foster and strengthen direct contact between the customer and the company through the telephone (outbound telephone service).

Over the year, company call centres have managed over 1,900,000 telephone calls. Around 1,600,000 calls concerned gas, electricity and integrated water service procedures, with an average waiting time of around 115 seconds. This represents an increase of 20% compared to 2015, mainly due to changes introduced by the legislation, including bill 2.0, the introduction of the RAI licence fee (public television service) and the launch of similar protection, which generated many information requests and extended for the length of the telephone calls. Around 300,000 calls concerned waste management, which is in line with 2015, with a decrease in waiting times, also due to organisational improvement measures.

Improvement in the service is judged by customers, which is why Iren implemented a customer satisfaction survey system after a telephone call experience, which measured customer satisfaction in regard to waiting times, the clarity and politeness of the operator, as well as their ability to solve their request. At the end of the year customer satisfaction was more than satisfactory, at 8/10.



Help Desks. Iren has a widespread presence of help desks in the area that further increased over the year due to the change in the perimeter of the integrated water sector. In 2016, Iren served over 273,000 customers in 55 physical locations spread over the North-West area and assisted customers in reading and correctly understanding invoices and the impacts generated by legislation (bill 2.0, Rai licence fee, similar protection, etc.) and with all other requests.

Value added services include help desks that offer the option of booking an appointment with an Iren agent without the need to



wait in a queue, and there are guidance points for elderly customers and those with language difficulties.

Widespread distribution across the area: a network of 55 physical locations to manage requests and provide professional advice to customers

Lastly, a web desk can be accessed with reserved areas for different types of customers to access data and carry out contractual transactions.

Help desk activity (no.)	2016	2015	2014
Help desks (no.)	55	33	27
Customers served (no.)	273,619	236,449	240,292
Mean waiting time (min.)	23.0	16.7	17.4

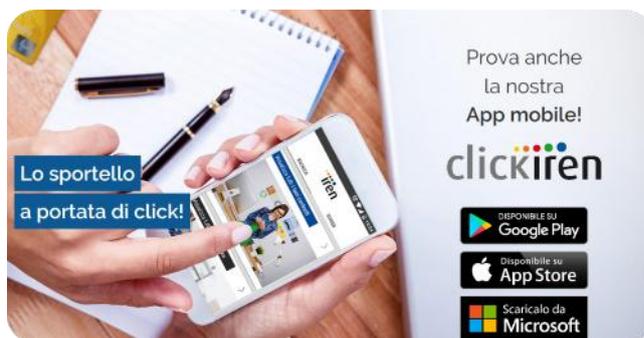
Websites: in 2016, the total upgrading project of the Group's websites was finalised - which will be unveiled in 2017 - which aims to make navigation more intuitive, the language more interactive and communicative and introduce new e-commerce functions. During the design and implementation, attention was focused on increased usability for disadvantaged people, in accordance with the provisions of current legislation and the "Agenzia per l'Italia Digitale".

Through the website, domestic customers can also sign contracts online for the supply of electricity and natural gas and activate their online bill, which is used by over 100,000 customers and provides for an email notification about the publication of the billing documents on the Iren Mercato website.

Social networks: in 2016, Iren Group consolidated its presence on the main social networks, such as Facebook, Twitter, Youtube, Instagram and LinkedIn and saw a continuous increase in the number of contacts and followers. The online "Iren Informa" news magazine should also be mentioned, which is constantly updated.

Mobile apps: Iren offers two apps for smartphones.

Clickiren: offers many online services and the possibility to view in one place all contractual relations in force with Group companies: electricity, gas, water and urban environmental services. In 2016, the new version of the app was released with new graphics and functions: multiple associations between a single account and various contractual positions, the option of delegating one or more contractual positions to another account, etc. With ClickIren it is also possible to activate the digital bill service and cancel the paper copy at the same time. At the end of 2016, 163,000 customers chose to use ClickIren, aiming at monitoring their own consumptions, with 60,000 views and downloads per week of the bill list being recorded.



Ecolren: provides the public and customers with useful information relevant to environmental services and on the closest Acquapubblica distributors. The App also provides a photo signalling system: photos of abandoned waste, damaged bins and other anomalous situations can be taken and sent, along with text and geographical coordinates.

IrenCollabora.it platform: this is a tool that is available to everyone, created within the context of the Local Consultation Committees (in this regard see page 33), with the aim of establishing an innovative channel of dialogue, discussion and participatory planning activity between Iren Group and the local community stakeholders. The platform gathers ideas, proposals, comments and observations to improve the services offered by Iren and environmental and social sustainability.

MARKETING ACTIVITIES

Iren Mercato devotes much attention to its customers and communications concerning its products and services. For this reason, in 2016 it carried out extensive customer care and marketing activities, aiming to plan targeted actions to specific customer segments, with proposals tailored to needs.

The most important activities included:

- the qualitative-quantitative survey, conducted through focus groups and questionnaires, to analyse the potential of extra-commodity offers in relation to the 7 products/services (air conditioning, boiler, electric mobility, LED light bulbs, home automation, home insurance/assistance, photovoltaic plants) in order to assess the potential of a diversification process aimed at proposing solutions in a different product area to the market;
- the "Iren Ti Premia" campaign, which sought to increase customer loyalty by offering a free assistance policy for home and gift vouchers;
- the push campaigns geared towards customers on the free market that are not currently subscribed and for dual customers already subscribed to the Iren Mercato Club, which led to 150,000 subscriptions to the Club, and 40,000 subscriptions to the Club Top (reserved to dual customers with direct debits from current accounts and on-line bills).

CUSTOMER SATISFACTION

In order to have effective two-way communication with its customers, Iren Group has structured a regular monitoring system to assess the quality of the services supplied in order to identify

the communication actions and operational interventions for continuous improvement. Customer satisfaction surveys are assigned to the Corporate Social Responsibility department and Local Committees, which deals with various business units for the definition of the survey areas and sharing the results achieved.

CUSTOMER SATISFACTION SURVEYS

The customer satisfaction survey carried out in 2016 provided the following for the various sectors:

- an overall indicator (CSI index) that shows customer satisfaction in terms of the differences between perceived service value and expectations in regards to various factors related to technical and relational aspects, which are weighted between them;
- a synthetic overall satisfaction indicator that is monitored by asking the customer directly to highlight the overall perceived satisfaction level. Elements concerning the image and reputation of the company are crucial in this question;
- the trend of Iren Group over time, drawn from the comparison of the indicators investigated in previous customer satisfaction surveys;
- comparison with national industry standards in the "Italian Barometer of Customer Satisfaction Index" (BICSI) the result of surveys conducted by the Cerved Group.

Group customers express high levels of satisfaction for both regulated services and free market services

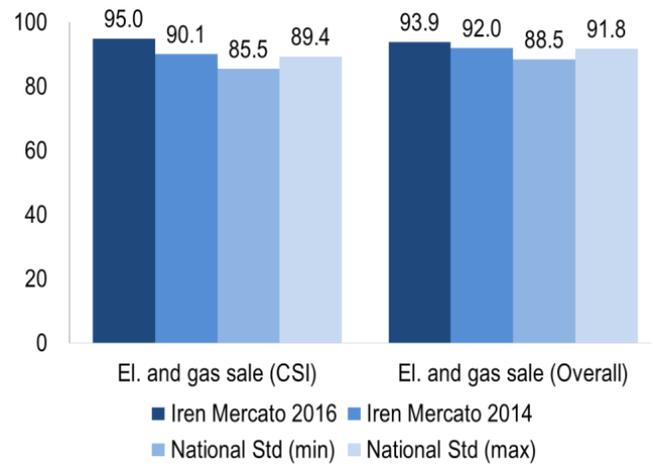
The 2016 survey showed extremely positive overall results, considering the investigated services as a whole, which remained substantially above the corresponding national benchmark standards.

The indexes of recognition, image and reputation are generally above 90% and show a sharp improvement over the previous survey: customers consider Iren Group to be serious and efficient (93%), flexible and non-bureaucratic (82%), technologically advanced and environmentally conscious (90%), close to the public and the local area (90%) and trustworthy (90%).

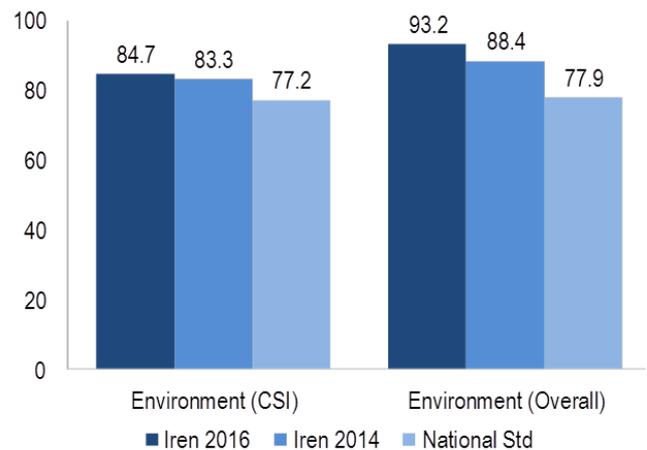
For **Iren Mercato services (sale of electricity and gas)**, the overall index of satisfaction for customers (CSI index) is 95% (in the previous survey it was 90%), while the overall positive opinion of the company came to 93.90% (in 2014 it was 92%).

For **regulated services (integrated water, environmental, gas distribution, electricity distribution and district heating)** Iren Group customers expressed a CSI index for the various services between 84.7% and 96.2%, while opinion towards the Group overall ranged between 93.2% and 97.9%.

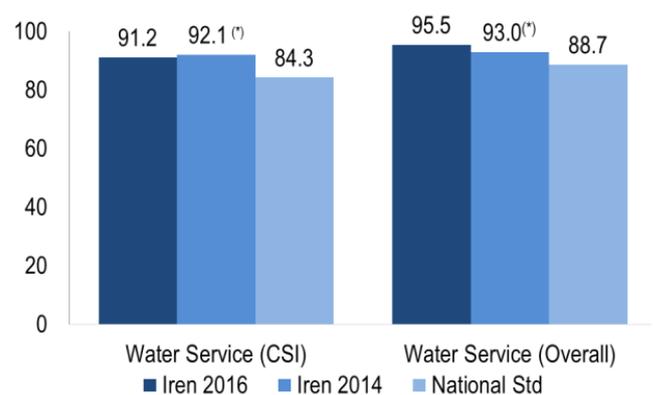
SATISFACTION OF GAS AND ELECTRICITY SALES CUSTOMERS



SATISFACTION OF ENVIRONMENTAL SERVICES CUSTOMERS



SATISFACTION OF INTEGRATED WATER CUSTOMERS

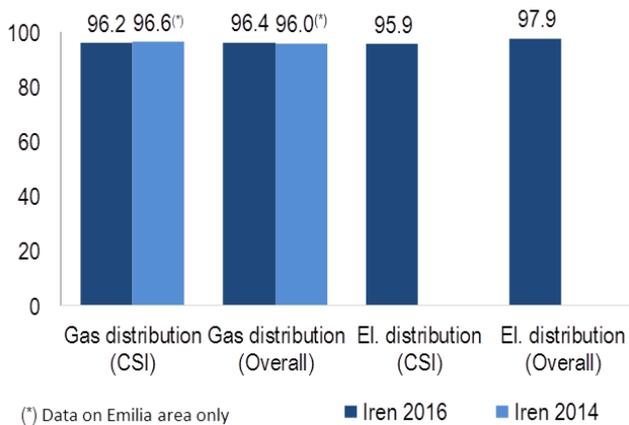


(*) Data on Emilia area only

Customers consider Iren serious, efficient, flexible, technologically advanced, environmentally conscious, close to the public and the local area and trustworthy

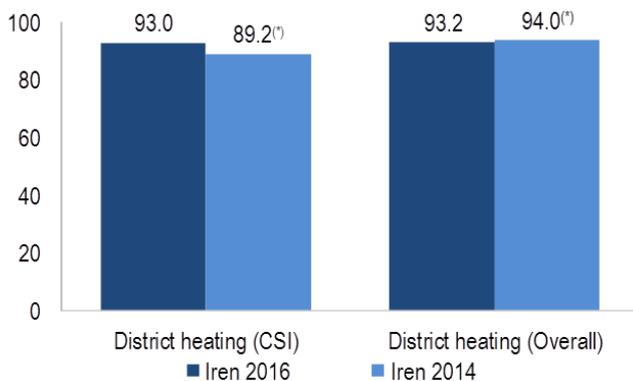


SATISFACTION OF GAS AND ELECTRICITY DISTRIBUTION CUSTOMERS



(*) Data on Emilia area only

SATISFACTION OF DISTRICT HEATING CUSTOMERS 2016



(*) Samples and factors partially changed compared to 2016

In regards to Atena SpA, the last three-year customer satisfaction survey was carried out in 2014 and the next is planned for 2017.

COMPLAINTS AND BREACHES

Complaints relevant to the commercial standards are constantly monitored with the aim of identifying critical areas, defining corrective actions and checking that the latter are implemented.

Over the year, Iren Group dealt with a total of 10,592 complaints concerning the services provided.

Iren Group did not record any breaches in 2016 in the scope of discriminatory practices against customers or its employees. Likewise, no incidents of non-conformity were recorded, with relative sanctions, in regards to information, the supply and safety of products and services and marketing activities (publicity, promotion and sponsorships).

During 2016, 3 complaints concerning breaches of customer privacy were received, two of which were resolved by deleting the acquired data, while one is currently being assessed. The Antitrust Authority began proceedings for alleged unfair sales practices regarding the acquisition of some electricity and gas customers, which concluded with an administrative fine for Iren Mercato (January 2017). The company is evaluating whether to appeal this decision at the Regional Administrative Court.

CUSTOMERS IN NUMBERS

	2016	2015
Electricity customers	791,000	740,000
Gas customers	806,000	770,500
Residents served by the district heating service	846,000	820,000
Integrated water service inhabitants	2,678,000	2,623,000
Integrated water service municipalities	206	191
Urban environmental services residents served	2,121,000	2,050,000
Urban environmental services municipalities served	147	123

ELECTRICITY

COMMERCIAL ACTIVITIES

In 2016, Iren Mercato developed and launched a new business model that focuses on the sale of **“extra-commodity”** and **“new downstream”** products and services. Entry into the downstream market, which includes air conditioning, boilers, home automation,

LEDs, insurance products and photovoltaic devices, is an extremely significant opportunity: expected benefits concern profitability, customer loyalty and placement within innovation issues.

In order to better develop its offer within this area, Iren Mercato identified some products to be incentivised as tests to assess market response. Specifically, qualitative and quantitative analyses conducted in 2016 showed that energy efficiency tools,

instruments for monitoring and controlling consumption and home automation and insurance may represent the initial vehicles for customer engagement to build a long-lasting relationship and a comprehensive portfolio of home services.

My Energy Meter (MEM): a device for monitoring energy consumption

MEM was selected for the first phase of testing. It consists of a "ready-to-use" device that is easy to install on electricity meters in order to monitor energy consumption remotely with clear advantages for customers. In fact, MEM allows for wastage to be identified, consumption habits to be improved in order to save on the bill and any defects to be identified in a timely manner.

After testing, a sales campaign was launched for the device, paired with two introductory offers: one dedicated to the protected market and the other dedicated to the free market.

An important series of promotional events to support the campaign were carried out, with the first phase focused on the area of Turin.



Iren LED offer

The "new downstream" project was preceded by the launch of the "Iren LED" offer in 2016, which offered the sale of a low-energy light bulbs kit, with deferred payment instalments in the bill.

Purchase was reserved to existing Iren Mercato customers, or those who signed an electricity supply contract for domestic usage on the free market, at the same time as they signed a contract to buy Iren LED bulbs. With its official entry into this new market sector, the Iren LED offer was enhanced with new purchase options. During the year, over 175,000 Iren LED lights were sold.

As part of the "new downstream" project, other offers are planned for 2017 which involve the sale of sector products combined with energy offers with instalments in the bill.

In 2016, the Group continued the promotion of the "green offers" for the supply of electricity fully produced from renewable sources for retail, mid-business and business customers, with the possibility for non-domestic customers to demonstrate and make their environmental commitment visible through the use of the brand "Iren Verde" and the relevant certificate issued by Iren Mercato.

After winning CONSIP tenders to supply electricity, Iren Mercato offered Local Authorities the possibility to certify the supply of renewable source energy (Green Energy certification), leveraging the Group's renewable production, from hydroelectric sources in particular. In 2016, 6,500 supply contracts were activated for an annual consumption of around 183 GWh. These were mainly in the municipal (44% of total GWh) and scholastic (34% of total GWh) areas. The withdrawal points were mainly located in Lombardy, Liguria and Emilia Romagna.



ELECTRICITY TARIFF

Electricity tariffs consist of costs relevant to the raw material energy component, the relative costs for energy transport and meter management and the costs related to general systems charges and taxes.

On the free market, the seller states his offer, differentiating it from the tariffs offered by competing suppliers by proposing different prices relative to the raw material energy component, while the other tariff items are defined by AEEGSI.

In the category of protected customers, electricity tariffs are controlled and set by AEEGSI and are the same for the whole of Italy. The cost for the last quarter of 2016 for this customer type (3 kW meter installed and annual consumption of 2,700 kWh) was 0.185 €/kWh.

ELECTRICITY SOCIAL BONUS

The Electricity Bonus is an instrument introduced by the Government and made operational by AEEGSI, in collaboration with Municipalities, in order to guarantee savings on electricity costs to financially burdened and/or large families.

The Bonus is also granted to customers with a physical disability, i.e. for cases in which a serious disease entails the use of electrical medical equipment to keep them alive.

In order to access the Bonus, families that fall within the income and/or social/health parameters, must submit a request to their Municipality. The Bonus is equivalent, on average, to about 30% of the total amount of the annual bill. The amounts for 2016 were:

- 80 Euro for a family of 1 or 2 members;
- 90 Euro for a family of 3 or 4 members;
- 153 Euro for a family of more than 4 members.

ELECTRICITY SERVICE LEVELS

QUALITY STANDARDS FOR ELECTRICITY SALE

The commercial quality standards set out by AEEGSI (Resolution 164/08 Amalgamated Law on the Quality of Sales Services -



TIQV) refer to how promptly the seller provides some services requested by customers (replies to written complaints and requests for information, corrections of bills, etc.). The seller must comply with specific standards (beyond which, customers are entitled to automatic compensation) and general standards (for which the standard must be respected in the form of a given percentage and for which there is no automatic compensation).

Data relevant to the individual companies are published in order to allow customers to compare the service levels offered.

In order to facilitate constant monitoring of the commercial quality of the electricity service, Iren Group regards customer satisfaction monitoring as strategic (in this regard, see page 70).

Below are data relevant to the quality indicators for answers to written complaints.

Electricity sector - Iren Mercato Average time for detailed reply to written complaints	Max time laid down by AEEGSI	2016		2015		2014	
		Free market	Protected market	Free market	Protected market	Free market	Protected market
Written complaints falling under the seller's responsibility							
Domestic LV customers	40 calendar days	✓	✓	✓	✓	✓	✓
Non-domestic LV customers		✓	✓	✓	✓	✓	✓
MV customers		✓	(1)	✓	(1)	✓	(1)
Written complaints for which technical data had to be requested from the distributor							
Domestic LV customers	40 calendar days	✓	✓	✓	✓	✓	✓
Non-domestic LV customers		✓	✓	✓	✓	✓	✓
MV customers		(1)	(1)	✓	(1)	✓	(1)

(1) No cases were recorded during the period in question or the figure cannot be applied.

QUALITY STANDARDS FOR THE DISTRIBUTION OF ELECTRICITY

With resolution 646/2015/R/EEL, which came into force 1 January 2016, AEEGSI approved the "Amalgamated law on the output-based regulation of the electricity distribution and measurement services" for the 2016-2023 period, which governs:

- continuity of service and voltage quality;
- specific and general levels of commercial quality;
- the selective promotion of investments in distribution networks.

For Iren Group the targets set by AEEGSI are as follows: 1 outage per year for high-density (Municipalities with more than 50,000 inhabitants), 2.50 outages per year for medium-density (2.25 for a Municipality with over 5,000 inhabitants and 0.25 for joining the adjustment due to outages caused by external forces) and 4 outages per year for low-density. This target is to be reached by 2019. If the distribution company achieved a N1 improvement level at the end of the year compared to the previous year, it receives a bonus from AEEGSI, or otherwise it may receive a sanction with the relative fine.



Below we break down some of the indicators measuring service quality and having an impact on end customers.

The **Mean number of outages per LV customer (N1)** (low voltage) (N1) is the indicator relevant to unexpected long or short-term outages (less than 3 minutes but more than 1 second) attributable to the distributor.

Mean number of outages per LV customer - N1 (1)	2016	2015	2014
Turin high-density	1.30	1.36	1.17
Parma high-density	0.95	0.67	0.72
Parma low-density	1.35	3.30	2.47
Vercelli medium-density	0.37	n.a.	n.a.

(1) Estimated figures

High-density: municipalities with a population of above 50,000 inhabitants.
 Medium-density: municipalities with a population of above 5,000 inhabitants.
 Low-density: municipalities with a population of less than 5,000 inhabitants.

The **Cumulative downtime (D1)** is the indicator that measures the mean number of minutes of downtime per low voltage customer relevant to long-lasting outages without notice, attributable to the distributor. For Iren Group, the targets set by AEEGSI are as follows: 25 minutes per year for high-density (Municipalities with over 50,000 inhabitants), 45 minutes per year for medium-density (40 minutes for a Municipality with more than 5,000 inhabitants and 5 minutes for joining the adjustment due to outages caused by external forces) and 60 minutes per year for

low-density (Municipalities with less than 5,000 inhabitants). If the distribution company achieved a D1 improvement level at the end of the year compared to the previous year, it receives a bonus from AEEGSI, or otherwise it may receive a sanction with the relative fine.

Cumulative downtime - D1 (minutes/user) ⁽¹⁾	2016	2015	2014
Turin high-density	31.00	19.81	21.50
Parma high-density	18.00	14.00	15.75
Parma low-density	23.40	53.13	33.55
Vercelli medium-density	3.25	n.a.	n.a.

⁽¹⁾ Estimated figures.

Mean time of arrival at the place of the call of the electricity emergency team is intended to mean the time lapse between the call made by the customer, or the alarm activation for remotely controlled plants, and the arrival of staff at the site where action is required.

Mean time of arrival at the place of the call of the electricity emergency team (minutes)	2016
Turin ⁽¹⁾	79
Parma ⁽¹⁾	42
Vercelli ⁽²⁾	43

⁽¹⁾ The amount is calculated considering the gap between the time when the call was received and the start time of the intervention.

⁽²⁾ The figure is made up of the calculation of times registered by the intervention sound recording that logs the time of the call made by the user and the time the technicians arrive on site. 30 minutes were added to the calculated time, taking into consideration the extent of the municipal area of Vercelli.

Distribution network plants	unit of measure	2016								
		Parma	Turin	Vercelli	Parma	Turin	Vercelli	Parma	Turin	Vercelli
HV/MV stations	no.	5	9	1	5	9	n.a.	5	8	n.a.
HV lines	km	-	22	87	-	22	n.a.	-	22	n.a.
HV/MV transformers	no.	13	21	2	12	22	n.a.	12	19	n.a.
HV/MV transformation power	MVA	605	1,353	50	565	1,224	n.a.	565	1,124	n.a.
MV cables	km	593	1,984	161	644	2,170	n.a.	627	1,951	n.a.
MV overhead power lines	km	274	18	52	220	33	n.a.	222	28	n.a.
MV/MV primary substations	no.	-	21	2	-	21	n.a.	-	25	n.a.
MV/LV secondary substations	no.	1,129	2,945	199	1,126	3,206	n.a.	1,122	3,222	n.a.
MV delivery substations	no.	142	303	46	140	348	n.a.	142	348	n.a.
Tramway power supply conversion substations	no.	-	18	-	-	18	n.a.	-	18	n.a.
MV/LV secondary substations transformers	no.	1,378	3,260	295	1,327	3,436	n.a.	1,363	3,412	n.a.
MV/LV installed transformation power	MVA	359	1,071	60	355	1,109	n.a.	352	1,105	n.a.
LV cables	km	990	2,242	250	1,528	2,493	n.a.	1,510	2,113	n.a.
LV overhead power lines	km	604	360	78	53	392	n.a.	53	727	n.a.
LV concentrators (LVC)	no.	1,362	3,266	221	1,343	3,565	n.a.	1,320	3,318	n.a.
Electronic meters	no.	134,174	607,319	31,252	132,953	607,319	n.a.	130,625	570,637	n.a.

Iren Group, in the context of credit control, monitors the network disconnections of customers due to non-payment of bills, but does not consider it appropriate to report it, considering it as being sensitive data.

Electricity network leaks ⁽¹⁾	2016	2015	2014
Iren Group	4.65%	5.87%	6.08%
National average	7.24%	7.24%	N/A

⁽¹⁾ The 2016 National data refers to the latest available from the GSE Electricity Report. 2015 data refers to the ratio between losses and total net domestic production of energy (Terna 2014).

The modernisation of the national park of electricity production plants and the strong increase in distributed generation, together with the networks renovation plan, produced a more efficient system, with a subsequent decreasing trend in electricity leaks occurring during the transport and distribution of electricity from the plant to the place of supply (network losses). AEEGSI conventionally sets standard leaks, defining a percentage amount of the energy withdrawn in function of voltage, with the aim of encouraging the reduction of network leaks, comparing standard leaks with actual leaks.

ELECTRICITY DISTRIBUTION NETWORK

Iren Group manages the electricity distribution network plants in the Municipality of Parma, the City of Turin – as well as some sections of network in some municipalities in the metropolitan area, Valle Orco and Valle Dora – and the city of Vercelli.

The size of plants owned by the Group at 12/31/2016 is summed up in the table below:



The activities carried out at plants can be classified into customer-requested activities and internally-established activities that are achieved using internal personnel and external companies.

The activities requested by customers must meet quality standards established by the AEEGSI; customers shall pay some amounts (connection fees, fixed charges, etc.) that, according to the type of operation, are regulated or are fixed by an estimate elaborated by technicians. The customer signs the contract for the supply of electricity after they accept the estimate that has been compiled. The operation is then planned, creating a complex series of associated activities.

Internal initiative works mainly consist of investments for upgrading plants, for adapting the network to the load, or renovation to improve the service levels, to comply with safety and environmental standards, or for technical innovation; and of plant operation and maintenance activities, inspection of substations, emergency operations and fault repairs.

Maintenance strategies include:

- for electrical substations, an inspection every 3 years for Parma, every 2 years for Turin and every year for Vercelli. In 2016, 2,455 out of the total of 4,805 substations were inspected, amounting to 51%.
- for medium-voltage overhead lines, a visual inspection every 3 years for Parma, every 4 months for Turin and once a year for Vercelli. The total length of Iren Group's overhead grid is 1,495 km and in 2016 13% was inspected.

The inspection plan consists of regular controls of the compressed-air systems in the Turin area every quarter; the general inspection of every plant is scheduled every four months; the thermographic control of active plant areas every six months; the control of electrical equipment containing oil with PCB>50 ppm every year and, also yearly, the control of the state of asbestos products. For 2016, the inspection plan was executed in full.

In addition to the plants, mention should be made of the remote-control system, connected to a control panel room guarded 24 hours a day.

GAS

COMMERCIAL ACTIVITIES

Also in 2016, Iren Group consolidated its orientation towards the definition of combined gas and electricity offers, exploiting the opportunity of a customer base in metropolitan areas. Furthermore, in relation to the development on the retail market, activities were consolidated through direct channels, the activity channels were increased and the promotion and dissemination of new offers was reinforced. In order to monitor the commercial quality of gas sale, Iren Group periodically surveys the satisfaction of its customers (see page 70).

GAS TARIFF

Gas tariffs comply with AEEGSI regulations (established through the Amalgamated Gas Sale Law - TIVG and the Consolidated Law - TUDG / RTDG), State laws concerning gas excise taxes and Regional laws concerning the additional regional tax (ARISGAM) applied to natural gas.

The final gas price is made up of an energy related component and the commercial activities in the hands of a sales company, and a component relevant to costs for gas transport in domestic networks and local distribution networks that cover the costs of the national transporter and the company that manages the local network. To these domestic taxes, additional regional taxes, as well as VAT are added.



GAS SOCIAL BONUS

The gas social Bonus is a discount in the bill, introduced by the Italian Government (Law 2/2009) and made operational by AEEGSI, in order to guarantee a saving to financially burdened and large families. Bonus awarding is generated from a request submitted by the end customer to the Municipality of residence, certifying their condition of financial burden using the EESI form. Subsequent to a positive assessment on the behalf of the Municipality, and the ensuing communication process, the seller will credit the provided amount to the end customer. The amounts accredited are established by resolutions of the AEEGSI in function according to the type of gas use and the climatic area in which the user resides.

GAS SERVICE LEVELS

QUALITY STANDARDS FOR THE SALE OF GAS

As for electricity, the quality standards for the sale of gas are set out by Resolution AEEGSI 164/08 (Amalgamated Law on the Quality of Sales Services - TIQV) and subsequent amendments. Below are data relevant to the quality indicators for answers to written complaints.

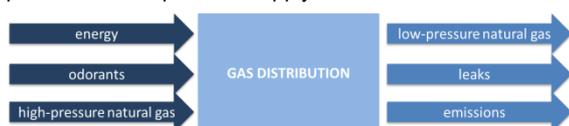
Gas sector - Iren Mercato Average time for detailed reply to written complaints	Max time laid down by AEEGSI	2016	2015	2014
Written complaints falling under the seller's responsibility				
Gas customers (low pressure) free market	40 calendar days	✓	✓	✓
Gas customers (low pressure) protected		✓	✓	✓
Multi-site gas customers ⁽¹⁾		✓	✓	✓
Dual fuel customers ⁽²⁾		✓	✓	✓
Written complaints for which technical data had to be requested from the distributor				
Gas customers (low pressure) free market	40 calendar days	✓	✓	✓
Gas customers (low pressure) protected		✓	✓	✓
Multi-site gas customers ⁽¹⁾		✓	✓	✓
Dual fuel customers ⁽²⁾		✓	✓	✓

⁽¹⁾ End customer with various intake/return points that stipulated one or more supply contracts with the same seller.

⁽²⁾ Natural gas end customers (low pressure) and electricity (domestic/non-domestic low voltage or medium voltage) with one contract only (dual fuel).

QUALITY STANDARDS FOR THE DISTRIBUTION OF GAS

The natural gas distribution service consists in transporting the gas through the local gas pipeline networks for delivery to the end users and is carried out in two phases: withdrawal of gas from the Snam Rete Gas pipelines, by means of first-stage withdrawal points and transport and supply to the users.



A gas distribution system is typically composed of:

- one or more points of interconnection with the national or regional network of transmission pipelines, through which the distribution network is powered; delivery, filtration, preheating (necessary in order to prevent the freezing of the equipment due to the reduction of pressure), pressure regulation, measurement and gas odorants is carried out at these points (RE.MI. substations);
- the gas distribution network;
- the user connection plants for the delivery of gas to the end users, where the gas is measured using appropriate metering groups.

Gas distribution activities are carried out by Iren Group in compliance with the rules of functional separation for companies vertically integrated into the sector, in compliance with the principles of cost-effectiveness, profitability and confidentiality of company data with the aim of promoting competition, efficiency and adequate levels of quality in the delivery of service.

In Genoa, the gas distribution network consists of a single plant fuelled by 7 RE.MI. substations; in Emilia the gas network is divided into several plants, each one powered by one or more RE.MI. substations, while in Vercelli the natural gas distribution network consists of a single interconnected plant, that also includes some municipalities that lie outside of the province.

Overall, in 2016, 812,829 active and inactive meters were installed, 138,427 of which were electronic.

In the Emilia area, Iren Group also manages the distribution service and sale of LPG, through reduction plants and channelled networks. LPG distribution is carried out through 15 centralised delivery plants located in mountain areas of the Province of Reggio Emilia not yet served by the natural gas network. The suppliers deliver already odourised LPG in tanks, and Iren distributes it to customers at a pressure of 30 mbar. Safety is ensured by means of remote control of the plants.

In relation to the commercial quality parameters, the gas distribution service refers to the standards laid down by AEEGSI, which provide for automatic compensation to the customer in the case of non-compliance with the quality standards.

Compliance with commercial quality standards – Gas distribution (days)	Max time laid down by AEEGSI	2016
Cost estimate for simple jobs	15 working days	✓
Cost estimate for complex jobs	30 working days	✓
Execution of simple jobs	10 working days	✓
Activating supply	10 working days	✓
Deactivating supply	5 working days	✓
Reactivation following on from deactivation due to non-payment	2 working days	✓

SERVICE OUTAGES AND LEAKS ON THE GAS NETWORK

Gas service interruptions occur mainly during network renovation works when the user connections are switched from old to new pipelines. To limit the number of outages the Group intervenes,



whenever possible and to an ever-greater extent, using a device that allows switching without interrupting the gas supply. Service interruptions on the gas network are divided into **outages with notice**, if works are planned and the customer can be informed promptly of the outage, and **outages without notice**, that is, those that cannot be communicated at least one day beforehand to all customers.

Total gas outages in 2016 were in line with the data from the previous two years.

Gas outages (no.)	2016	2015	2014
Outage without notice	1,204	1,195	1,112
Outage with notice	1,772	1,712	1,809
TOTAL	2,976	2,907	2,921

In reference to gas leaks, in 2016 significant gas leaks numerically come from the group of measurement.

Gas leaks (no.) ⁽¹⁾	2016	2015	2014
on network	491	601	680
on underground part of user connections	335	331	376
on overhead part of user connections	1,616	1,433	1,365
on measuring unit	4,327	3,717	3,944
TOTAL	6,769	6,082	6,365

⁽¹⁾ For 2015, the figures were recalculated following on from a recalculation that also includes leaks related to planned inspections

In compliance with the AEEGSI provisions, the main initiatives to reduce the number of network gas leaks are:

- gradual elimination/application of cathodic protection of the unprotected steel network;
- gradual elimination of the cast iron pipelines with hemp and lead joints.

Total gas network composition (km)	2016	2015	2014
Steel	6,237	6,085	6,096
Polyethylene	1,240	1,187	1,119
Cast iron	474	362	773
Other material	22	3	2
TOTAL	7,973	7,637	7,990

The project replacing the gas network with new steel, polyethylene and cast iron pipes continued in 2016 also.

Gas network replaced (km)	2016	2015	2014
Steel	13	17	9
Polyethylene	0	0.5	1
Cast iron	5	12	24
TOTAL	18	30	34

SAFETY OF THE GAS NETWORK

Network inspection, an effective emergency service and an adequate concentration of odorant are fundamentally important elements in the proper operation of a gas distribution system, together with a continuous modernisation of the network.

The AEEGSI (resolution 574/13) establishes that gas distribution companies are obliged to respect safety service obligations, which include the inspection of 100% of the low-pressure gas network in four rolling years and 100% of the medium-high pressure network in three rolling years. In other words, this equates to the yearly inspection of at least 25% of the low-pressure gas distribution network and at least 33% of the medium-high pressure network.

In 2016, Iren Group inspected more than 83% of the 7,973 km of the gas network managed, that is to say 6,615 km.

The scheduled inspection of gas networks also has the effect of a greater control of leaks.

In addition to network inspections, AEEGSI also sets minimum levels of odorants for service safety and the protection of people and things from damage resulting from accidents caused by distributed gas.

For 2016, Iren Group fed 45 mg of odorants (tetrahydrothiophene) into the gas network for every cubic meter of gas distributed, a higher amount than that established by AEEGSI (32 mg/m³), which means that its presence in the air can be noticed easier and any gas leaks identified quickly.

In 2016 almost 83% of the gas networks were inspected: more than twice than what is requested by AEEGSI

The mean time of arrival at the place of the emergency call stood between 26.6 minutes and 34 minutes, in relation to the various areas served.

DISTRICT HEATING

COMMERCIAL ACTIVITIES

Iren Group offers the district heating service, which is the distribution of heat for urban heating and hot water purposes. Heat is produced by the Group's cogeneration plants.

In anticipation of the new legislation expected from AEEGSI for 2017, the Service Charter for district heating is currently being revised.



DISTRICT HEATING TARIFFS

The district heating tariff, to date not governed by national regulations, is expressed in Euro/kWh and is based on the principle of “avoided cost”, that is the cost that the customer would have paid using the natural gas service (expressed in Euro/Scm), as defined by the AEEGSI regulation and the applicable tax laws in force. Since the tariff and tax structure of natural gas provides for different rates by type of use and level of consumption, the national rate of district heating is also articulated by use (residential, full tax tertiary, tax subsidised tertiary) and by size of the plant (parameter that expresses the installed potential and consumption potential).

The district heating tariff also partially takes into account the cost of the non-core services connected to the energy supply of a natural gas plant (costs of operation, maintenance and periodic verification of functionality and efficiency, etc.).

Tariffs are updated on a quarterly basis and, since the price of district heating is connected to that of natural gas, all of the tariff variations established by AEEGSI (either increases or decreases) and tax rates pursuant to the Law, are reflected in the district heating tariff. In particular, the quarterly variations relevant to the raw material component natural gas, which are usually the most important, are implemented with the same effective dates to the district heating tariffs.

NETWORK SUBJECT TO INSPECTION

The district heating network managed by Iren Group, in the municipalities of Turin, Nichelino, Genoa, Reggio Emilia, Piacenza and Parma extends to almost 905 km and in 2016 478 km were inspected, equal to 52.8% of the total, up compared to the 50.8% of the previous year.

In 2016, around 53% of the district heating network was inspected

INTEGRATED WATER SERVICE

INTEGRATED WATER SYSTEM TARIFF

The organisation of the Integrated Water Service in A.T.O.s (Water and waste regulation areas) has led to new rules for setting tariffs, which must completely cover investment and operating costs. The tariffs are approved by AEEGSI and calculated, for 2016-2019, based on Resolution 664/2015/R/IDR.

In general, the water service tariff consists of one **fixed portion of service**, due irrespective of consumption, and a **variable portion**, based on the consumption of water and wastewater treatment services.

To discourage waste, the tariff is divided into bands and increases as consumption rises.

The types of use contemplated by the tariff articulation in Genoa and Emilia, each with its own structure, are the following: Domestic Resident, Domestic Non-Resident, Zootechnics, Commercial, Industrial, Craft, Other, Non-Drinking, Temporary, Building Sites, Agricultural and Oil mills.

The mean tariff for the integrated water service for 2016 is between 1.55 Euro/m³ and 2.28 Euro/m³, depending on catchment areas

Mean tariff for IWS (Euro/m ³)	2016
Genoa	2.28
La Spezia (1)	1.92
Parma	2.24
Piacenza (1)	1.55 – 2.01
Reggio Emilia	2.17
Vercelli	1.57

⁽¹⁾ The figure refers to the tariff applied to the Municipality of Bolano

⁽²⁾ There are two catchment areas with relative reference tariffs within the province

In the area of Savona and Imperia, the Group only manages the distribution of drinking water and not sewage or treatment services.

SOCIAL FUNDS FOR WATER

In Emilia area, ATERSIR (Territorial Agency of Emilia Romagna for Water and Waste Services) approved a social fund for families in situations of economic hardship.

For 2016, the amount for Parma was 240,000 Euro, 160,000 Euro for the province of Piacenza and 350,000 Euro for the province of Reggio Emilia.

An annual social fund was established in Genoa, resolved by the Mayors' Assembly, distributed by the Municipalities to families suffering economic hardship.



The amount of 800,000 Euro was confirmed also for 2016, for the financing of tariff reductions on social grounds. In La Spezia, Savona and Imperia, instead, no forms of support are foreseen for resources of the integrated water service. For the Province of Vercelli the amount available was 25,000 Euro.



QUALITY OF THE INTEGRATED WATER SERVICE

The Integrated Water Service Charter (I.W.S.) is the document that defines commitments that operators, such as Iren Group, must take towards their Customers, with the aim of improving both the quality of the services provided and the relationship between customers and the supplier.

The Integrated Water Service Charter is delivered to each customer upon signing the contract, it can be requested at any time at the company's help desks, and it is, furthermore, published on the Group's websites. In 2016, resolution 655/2015/R/IDR of AEEGSI, which sets out the new obligations and requirements on the contractual quality of the integrated water service, came into force. The resolution thus replaced or integrated the Service Charters by 1 July 2016, which were previously different for each business area managed. Up until that date substantial compliance with the standards was observed.

In 2016, AEEGSI defined new requirements on the contractual quality of the integrated water service

In order to constantly monitor the quality of their services, Iren Group regards customer satisfaction monitoring to be of fundamental importance. The periodic collection of these surveys was included as an integral and essential part of the operators' quality system (see page 70).

WATER QUALITY

Water quality control activities consist of analysing the main parameters laid down by Italian Legislative Decree 31/2001 at the various sampling points established by the Organisation responsible for the control (LHU) along the distribution network

and at the outlet of the large purification plants. If the water withdrawn contains levels of harmful substances that exceed the limits specified by law, it will be subject to treatment prior to distribution.

The treatments most frequently used for deep water are normally designed to remove iron, manganese and ammonia, elements naturally present in the groundwater captured.

The quality of the water is guaranteed by a control on the entire water process: from water sources to the treatment, filtration and purification processes and the distribution network, up to actual delivery to customers, always in compliance with the limits set by current legislation.

The samples taken are analysed at Iren laboratories to determine their chemical and microbiological characteristics.

In the treatment sector, analytical tests are carried out on the wastewater flowing into and out of the plants, and on the intermediate treatment steps, the sludge produced and the drains from the production user plants into the sewer.

The internal tests exceed the minimum number required by law and the protocols stipulated with ATO, ARPA and Provincial Authorities.

More than 52 thousand analyses were conducted on drinking water and wastewater in 2016

Analysis of drinking water and wastewater (no.)	2016	2015	2014
Emilia Area	34,406	36,435	38,208
Liguria Area	15,296	16,090	16,957
Piedmont Area	2,712	n.a.	n.a.
TOTAL	52,414	52,525	55,165

Parameters analysed in drinking water and wastewater (no.)	2016	2015	2014
Emilia Area	376,874	400,727	401,606
Liguria Area	256,935	162,204	151,107
Piedmont Area	24,421	n.a.	n.a.
TOTAL	658,230	562,931	552,713

WATER DISTRIBUTION

Following the necessary tests to establish compliance with the requirements of drinking water, the water withdrawn at various sources is fed into the distribution network that reaches all points of use. Control, extension and maintenance activities are carried out on the networks with a view to minimising inconvenience for the public as far as possible. A priority, in fact, is the attention to the protection of the urban environment and the sustainability of everyday life, in particular with regard to the impact on city streets.

Service interruptions can be due to faults or planned interventions, in both cases the interventions are carried out according to the provisions of the territorial Service Charters. In 2016, 1,156 planned interruptions were carried out with prior notice given to the public through the media in the local area. Indeed, in the case of planned works that involve a significant part of the population, notices are disseminated via the press or local television channels about the length of the interruptions in service. In other cases, notices are posted in the areas concerned to inform the public of the interruption date.

For emergency interventions, for example, to repair a burst pipe, all of the necessary measures are taken in order to restore the water supply in the shortest possible time, in accordance with the provisions of the Integrated Water Service Charter. In 2016, a total of 6,500 network breaks occurred. Repairs were carried out after reports were received and the leaks detected.

The mean time of arrival at the place of the emergency call for Iren Group is 59.21 minutes.

In 2016, about 2,717 km were controlled on a water network of approximately 18,494 km, equal to 14.7%.

The TARI is applied to utilities partly relative to the surface area occupied and, for domestic utilities, relative to the number of family members.

With the TARI, Iren Group invoices its service to the Municipality and the Municipality issues payment notices to the users. In calculating the TARI, the Municipal Authority takes account of the VAT that it has to pay, which is why, in the tax applied to users, the VAT is not expressed but included in the tax itself.



ENVIRONMENTAL SERVICES

TARIFF SYSTEM

The TARI tax, introduced in 2014, consists of a **fixed part**, determined by costs of sweeping, general costs, part of the personnel costs and other essential components of the cost of service, referring in particular to depreciations and administration costs, and of a **variable part**, proportionate to the quantity of waste delivered, to the service supplied and the entity of management costs.

Social tariffs are not provided for by the general legislation of the TARI. At a regulatory level, every Municipality may include favourable conditions or reduction clauses in favour of certain groups or users.

In 2016 the Group issued the TARI in the name of and on behalf of some Municipalities, applying the regulatory provisions in force to the utilities, including those relevant to any reductions or favourable conditions/social exemptions, if expressly approved by the individual Municipalities.

The table below indicates the 2016 environmental health service tariffs for each of the Municipalities in which the Group operates:

Year 2016		Mean TARI by provincial capital			
Type of domestic users	Municipality of Parma	Municipality of Reggio Emilia	Municipality of Piacenza	Municipality of Turin	
	Euro/year	Euro/year	Euro/year	Euro/year	
1 member families	129.29	167.10	115.42	134.66	
2 member families	210.61	253.53	200.00	243.93	
3 member families	242.77	328.56	248.98	290.18	
4 member families	283.00	357.92	277.53	321.13	
5 member families	333.69	425.06	334.65	375.37	
≥ 6 member families	382.51	453.65	374.92	422.13	

For Vercelli, the environmental health tariff was established by the Municipality; it does not use a criterion for the number of family members, but rather a tariff of 2.18 Euro per square metre of surface area occupied.

ENERGY MANAGEMENT AND EFFICIENCY

Iren Group carries out management and maintenance of heating, air conditioning and general technology plants and currently



manages approximately 1,200 facilities in private apartment buildings, public buildings, sports centres, hospitals, shopping centres and the tertiary sector.

The Group provides energy services to civil and industrial entities aimed at maximising efficiency and rationalizing consumption with maximum environmental comfort. For this purpose, the Group uses an advanced remote control system that provides continuous supervision and monitoring of all functional plant parameters.

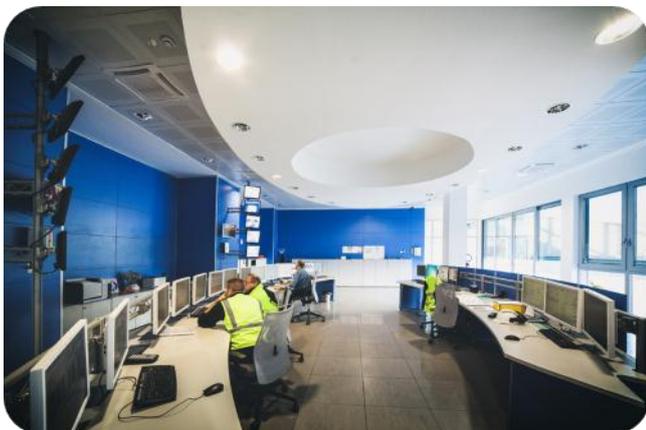
For plants managed for third parties, Iren Group carried out various technical interventions aimed at the containment of costs. This also included the redevelopment of thermal power stations with the installation of condensing boilers (savings of 10% to 30% depending on the age of the previous plant) and the installation of thermostatic valves and heat allocators in centralised systems (savings from 10% to 20% compared to the previous situation).

Iren Rinnovabili for the energy efficiency of apartment buildings

The Re-build project of the company Iren Rinnovabili, a Group subsidiary, should be highlighted within this scope, which - in 2016 - continued to promote the implementation of interventions to improve the energy efficiency of homes in the city of Reggio Emilia, aiming to reduce environmental impact and generate economic advantages for the community.

Over the year, Iren Rinnovabili carried out around 100 energy audits on just as many properties to place the apartment buildings in a condition to make informed choices regarding the reduction of energy waste.

Through specific agreements, the Re-build project offers a special guaranteed funding source for apartment buildings to carry out the interventions calculated by companies that are part of the Re-build network. This network allows all energy efficiency requests to be fully covered, making designers, builders and installers available in the local area.



TELECOMMUNICATIONS

Iren Group focuses on offering highly-standardised optical fibre services to guarantee the maximum compatibility with the customer networks. Through basic connection services, it proposes innovative projects to its customers aimed at monitoring and supervising technological plant networks, enabling new projects linked to the Internet of Things and Smart City initiatives.

The provision of connection services has always been accompanied by 24/7 technical assistance and monitoring that allows customers to always be aware of the operational status and, in case of anomalies, for the assistance team to be alerted automatically. The network monitoring and remote control systems are provided from the web platform and every customer is assigned a sales account to provide support for any need.

Optical fibre services include a 99.9% Service Level Agreement, which means that the connection must be available 99.9% of the 365 days of the contract. In the case of Iren Group, this is possible also due to redundant ring infrastructures: every customer is connected via two sections of optical fibre, which allows the second to become operational if the first is interrupted. This creates a sort of optical fibre ring across the area, to which several customers are connected. In the unfortunate event that part of the ring breaks, this does not lead to disruption of service for the customer and it provides a better service overall.

The commercial activity is performed directly by internal personnel, in accordance with the company Code of Ethics and, as services are aimed at a select business clientele, a Service Charter has not been prepared. Customer satisfaction is measured in relation to the number of complaints, a parameter referenced within the ISO certification.

Subsequent to the law granting TLC operators concession to the infrastructure from local authorities, significant fibre cabling began in some large cities, following the guidelines of the Ministry of Economic Development's Broadband Project. The increase in the performance of transmission lines can be added to this factor, with the extensive use of VDSL technologies that offer navigation speeds of up to 100Mbps, compared to the 20Mbps of previous ADSL technologies. Consequently, the competition between major market players increased, causing a reduction in tariffs for retail and small office customers, which is also affecting business customers. Therefore, a reduction in the ratio between the monthly fee compared to the bandwidth has become evident and, alongside this, the request for "backbone" infrastructures is increasing for collection and transportation services. The result of these innovations at a national level also affect Iren Group, which must offer a faster connection speed at the same price. However, this phenomenon does not have a great effect on operative results as the basic cost of the infrastructure has not changed and the "backbone" infrastructures have a bandwidth capacity in excess of the marketed capacity.

Iren People



IMPORTANT TOPICS

Employment: This topic, in the current economic context, is of extreme social importance and represents a crucial factor for Iren Group that sees a fundamental capital for growth in its human resources. Maintaining adequate employment levels and skills coverage is essential for pursuing corporate strategies.

Industrial relations: the topic contributes to creating the best conditions for developing a business model that aims to involve human resources, in order to increase the efficiency and quality of services and the capacity to address market challenges with efficient and innovative solutions.

Corporate welfare and diversity: the reconciliation of life needs with work needs, initiatives to improve the quality of the work environment and the promotion of diversity in the company, are at the heart of our effort to increase the sense of togetherness and belonging to the Group, as well as integration within the local area.

Human rights: Iren Group emphasises respect for human values and condemns any type of discrimination for reasons related to age, gender, sexual orientation, race, health status, nationality, political opinions or religious beliefs. etc.

Human resources development: professional growth of human resources is essential for Iren Group in order to anticipate and successfully address the complexities and changes of the market, regulations and technologies, while ensuring the employability of resources. Iren is constantly investing to develop its in-house skills portfolio in order to enhance its human resources.

Health and Safety of employees: Iren works to ensure the health and safety of personnel in their workplace and to improve the work environment, also in order to increase motivation and engagement and to guarantee the continuity of production processes.

Internal and external communication: the knowledge of the mission, values and growth targets of Iren Group, together with the capability to listen, is a crucial factor for the true involvement of human resources in current and future business and corporate social responsibility challenges.



EMPLOYMENT: IREN'S RESPONSIBILITY



Increasing professional skills and encouraging personnel involvement are essential requirements for the growth and development of the Group

The general objective of Iren Group is to manage individual skills and expertise, within a model that aims to maintain high personnel quality, through policies that aim to increase professionalism and create the necessary involvement.

Specifically, in 2016 Iren Group continued an important process of organisational rationalisation, with the aim of increasing integration through a new Group system, in order to enhance skills and professional development.

Numerous change management interventions were launched within this process – which involves corporate culture and macro processes – in order to share the model across all organisational levels. The new organisational model also aims to effectively integrate new companies and new human resources, in line with the 2021 Business Plan, by following dynamic and proactive approach.

Consistent with its development strategy, Iren Group actively strives to develop the talent and enhance and increase the expertise and potential skills of its personnel by using various tools: training and on-the-job coaching, proactive management of internal mobility and internal communication.

The Group is aware of the important role that employment plays in ensuring the social development of the environment in which it operates. It contributes to maintaining employment levels not only through its own employees, but also by promoting the development of the companies to which it commissions services and work, by requesting guarantees from them in terms of both personnel and safety policies through the application of some of its own standards. Moreover, the Group offers to the employees of supplier companies the possibility to use some of the company's services and attend training courses organised by the Group itself.

The Group contributes to the quality of employment of the local communities and of their linked economic activities. While having

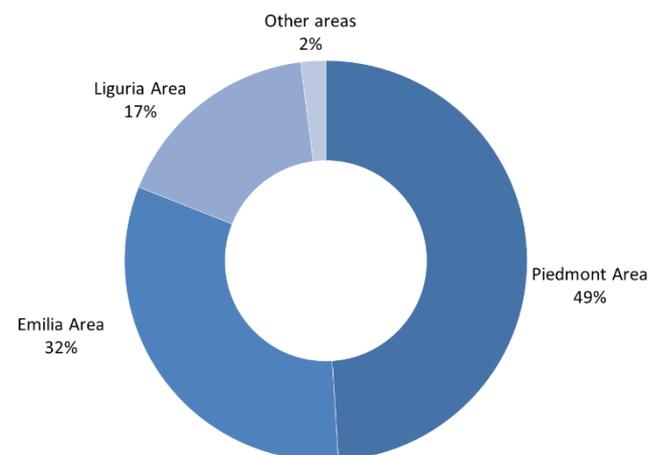
no specific local or regional recruitment policy, due to the specific features of the Italian labour market, nearly all employees reside in the province of their workplace. Considering the types of business, the geographical areas in which the Group operates and compliance with current legislation, no risk of child labour or forced labour exists for Iren Group.

IREN GROUP PERSONNEL: THE PICTURE IN 2016⁽¹⁾

No substantial personnel changes were recorded in 2016 compared to 2015: an increase in approximately 100 members of staff resulted from the combined effect of the recruits/terminations ratio and the acquisition of the companies TRM and Atena.

Personnel as at 31/12 by position (no.)	2016	2015	2014
Senior managers	95	82	69
Junior managers	251	238	229
White collar workers	2,878	2,859	2,658
Blue collar workers	3,002	2,953	1,566
TOTAL	6,226	6,132	4,522

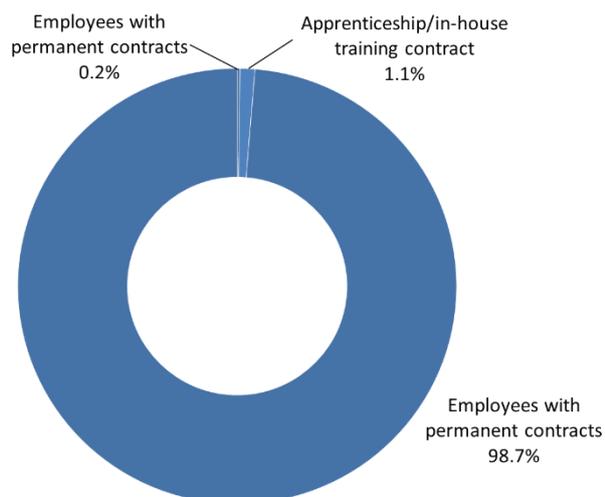
AVERAGE PERSONNEL BY AREA



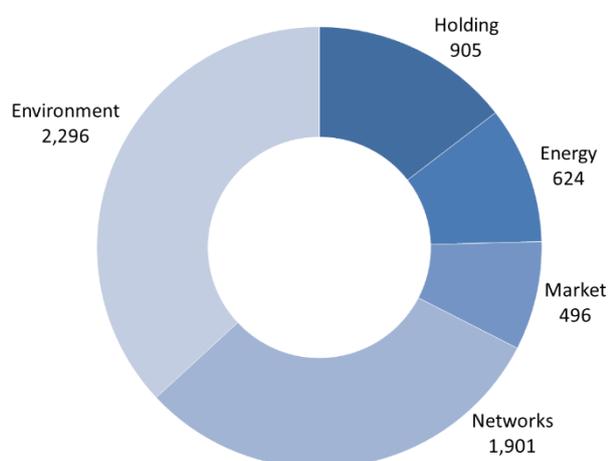
99% of the Group's personnel is employed with a permanent contract

⁽¹⁾ The 2015 personnel data have been recalculated.

PERSONNEL BY CONTRACT TYPE



AVERAGE PERSONNEL BY BUSINESS UNIT



Approximately 99% of Group personnel is employed on permanent contracts, while the rest include apprenticeship and fixed-term contracts for new high school and university graduates; in addition to the number of company employees, there is also a total residual percentage of workers with staff leasing contracts.

These figures confirm that the Group encourages long-lasting working relationships with its employees. Smart working projects are currently being evaluated.

49% of employees, almost the majority, fall within the 30 to 50 age group, while the average age is 48.

Staff turnover ⁽¹⁾	2016		2015		2014	
	no.	%	no.	%	no.	%
Turnover	-141	-2.3	-134	-3.0	-76	-1.6

⁽¹⁾ Turnover was calculated as the difference (in absolute and percentage terms) between the number of employees at year end and employees at the beginning of the year, excluding AMIAT employees from the 2015 calculation and ATENA employees from the 2016 calculation, as these companies were acquired during the year. AMIAT has been included in the calculation since 2016.

Aside from the number of recruits, the turnover in 2016 is due to the significant quantity of terminations, subsequent to the

demographic rebalancing plan that provided for the early retirement phased plan of employees, on a voluntary basis, that had accrued the requirements. Variations due to the change in the corporate perimeter are placed alongside this.

RECRUITS AND TERMINATIONS

In 2016 there were 108 hires, with a clear majority (approximately 80%) of people employed with permanent contracts or apprenticeship contracts. The use of fixed-term contracts slightly increased due to seasonal needs in the environmental sector.

Additionally, 84% of employees whose fixed-term or apprenticeship contracts expired during the year were recruited on a permanent contract.

Staff taken on by type of contract (no.)	2016	2015	2014
Permanent contract	54	162	32
Fixed term contracts	23	19	30
Professional apprenticeship	31	15	24
TOTAL	108	196	86

Staff taken on in the year by age (no.)	2016	2015
under 30 years old	53	87
from 30 to 50 years old	50	99
over 50 years	5	10
TOTAL	108	196

The most common reason for termination (72%) was due to the voluntary termination of employees in possession of pension requirements.

Staff exits by reason (no.) ⁽¹⁾	2016	2015	2014
Resignations	40	23	20
Voluntary termination/retirement	220	312	49
Death	4	6	9
Dismissals	7	10	1
Mobility towards other companies in the Group ⁽²⁾	-	1	-
Inability to work	22	31	6
Expiry of fixed-term contract	13	7	10
TOTAL	306	390	95

⁽¹⁾ Excluding the sale of business units for 2015 and 2014.

⁽²⁾ This is agreed professional mobility towards other subsidiaries, which, however, are not part of the analysed perimeter.

HOURS WORKED AND HOURS OF ABSENCE

From the over 9.9 million hours worked in 2016, around 94% were normal working hours.



Hours worked (no.)	2016	2015	2014
Normal working hours	9,305,193	9,124,531	6,872,960
Overtime	616,820	508,212	498,673
TOTAL	9,922,013	9,632,743	7,371,633

In 2016, sick leave (ratio between hours of absence due to illness and hours worked) was 4.8% and the absenteeism rate (ratio between days of absence and working days) was 5%.

Hours of absence by type (%)	2016	2015	2014
Sick leave	57	54	53
Maternity leave	5	10	9
Accident	7	10	6
Strike	1	-	1
Trade union meetings and leave	3	6	4
Other absences (paid and unpaid)	27	20	27
TOTAL	100	100	100

REMUNERATION SYSTEM

The Group adopts national collective labour agreements (the main ones include: "Electricity sector employees", "Gas and water sector employees", "Environmental services employees") which ensure contractual salaries are paid to all employees. All employees are covered by National Collective Labour Agreements.

In 2016, in line with the provisions of the 2015 Stability Law, the stabilisation policy was continued for active staff leasing contracts. In general, workers with staff leasing contracts receive the same remuneration as provided for contracts of Group employees (including performance bonuses). Furthermore, there are no differences in benefits for full-time employees, employees with fixed-term contracts or part-time employees.

Group employees receive national collective labour agreements and incentive tools in line with company values

Variable remuneration linked to performance (e.g. on call) and the achievement of company and individual targets is added to fixed remuneration.

BONUS SYSTEM

The remuneration and merit policy of the Group aims to reward employees that achieve high levels of results in line with company values and in accordance with adequate levels of quality and productivity. In particular, personnel are required to be flexible in adapting to new working methods and to demonstrate remarkable professional commitment in terms of versatility.

Performance bonuses. Collective performance bonuses are provided to increase personnel involvement and encourage the achievement of Group objectives. This is set in accordance with the strategic and management objectives pursued, enhancing the correlation between compensation and attained results. Several factors are taken into account to determine the compensation, which are connected to incentivising company productivity, the quality of services and the achievement of specific profitability objectives.

Once again for 2016, specific agreements were approved on the subject and bonuses were paid in the form of one-off compensation to non-management personnel.

Management by objectives system (MBO). In most Group Companies, individual targets are set for all Senior managers, Junior managers and employees that hold important positions, which, once achieved, allow for the payment of the corresponding bonuses. The definition of an "objective-based system" based on the measurable indicators (economic-financial, operative or relevant to strategic projects) occurs in line with the company's mission through several levels of development.

One-off compensation. Across all Group Companies a one-off incentive can be paid to employees that have achieved particularly positive results through remarkable work commitment, mainly through projects or innovative activities. The people who are to receive bonuses are identified after meticulous analysis of individual performance results, which is conducted by their various managers.

For 2016, 66% of employees will receive a formal performance evaluation. The figure is higher than the previous year due to the extension of the field of application to all white collar personnel. Furthermore, a project for a new skills and performance evaluation system was launched in 2016.

Overall, the amounts of variable remuneration are given in the table below.

Variable remuneration (thousands of Euro) ⁽¹⁾	2016	2015	2014
Performance bonuses	11,266	11,709	9,515
MBO	3,187	2,988	2,822
One-off compensation	1,923	1,555	1,260

⁽¹⁾ Amounts allocated.

PERSONNEL SELECTION AND DEVELOPMENT

SELECTION SYSTEM

At Iren Group, the search and selection process is based on the principles of equity and transparency (declared in the Code of Ethics) and is also structured in compliance with Italian Legislative Decree 231/2001.

Before searching for candidates outside the Group, a verification process normally takes place via an internal job posting system to ensure that there are no internal candidates with profiles that are consistent with the position to be filled. The external selection process begins when there are no suitable internal applicants.



The Group has created a specific portal, "IrenFutura", to manage personnel recruitment. Here, active searches are published for which individuals can apply. Applicants can select the advertisement that best meets their skills and interests or submit their application without attaching it to a specific advertisement. For some particular positions (managerial or extremely specialised) the search may be activated through other channels (such as head hunting companies).

Applicants (both those received via the "IrenFutura" portal, as well as those specifically head hunted by the Group) are always analysed by professionals with experience in the sector, based on well-defined and transparent criteria, which are shared between the various company divisions and departments involved. Every CV is assessed on the basis of how well it matches the requirements of the position that the Group is looking to fill. If the profile does not meet the requirements of the position for which the applicant has applied, they will receive a response and the CV will be held in consideration for other relevant positions. If the profile meets the requirements, it is included within the selection process.

Selection processes may include various types of tests (technical, practical, etc.), as well as interviews, so as to gain in-depth knowledge of applicants and to guarantee fairness and transparency. At the end of the selection, the applicants receive feedback on the outcome of the process in which they participated: in the event of a negative outcome, the applicant is taken into consideration for other relevant positions; in the event of a positive outcome, the person is integrated into the Company through an integration path to be defined on the basis of the position to be covered.

The Group is a member of the "Garanzia Giovani" programme

The Group has also joined the national programme "Garanzia Giovani" (Youth Guarantee), activating the internships as a preferential search and contact tool to enter into the world of work.

PERSONNEL DEVELOPMENT

In order to govern all the processes connected to personnel management and development in a unified and systematic way – faced with the dual necessity of addressing the new challenges of the future and preparing consistent policies – the Group continued interventions based on previous management policies concerning skills training and development and, contemporaneously, created two projects to identify a new "Iren Model" (Group Job System) in 2016.

The Job System is a model to analyse and understand the professional skills present within the Group, transversally across the companies, businesses, divisions and departments, whose elements consist of professional areas, professional groups, the sub-groups and standard jobs. Essentially, this constitutes the logical infrastructure on which the main human resources management processes will stand, including skills training and development. Specifically, within the Job System, each standard job is "weighed", in relation to the contribution that each role within the organisation provides in the creation of value, with a shared platform for internal comparison, as well as with the market. Management "bands" (groupings) were identified on the basis of the weight of the positions, which were then divided into sections, into which each of the roles present are characterised by the same complexities and responsibilities, managerial skills and management policies. The managerial skills that must be put into effect in order to achieve business results with the means and values that characterise the Group – and which constitute supportive elements in evaluating personnel performance – were defined alongside the band system adopted. The expected professional knowledge and skills were also defined for each standard job profile, since they are fundamental not only for the management performance system, but also for other personnel management processes (first and foremost, training and internal mobility).

From 2017, skills will be monitored and evaluated regularly, with dedicated tools that are different for each band and group. A performance management system will also be used – aimed at the full implementation of all Group resources – with a set of objectives for each professional band and group (connected to the MBO system for higher bands), referencing the economic-financial dimension, the customer and service dimension, the effectiveness of internal processes dimension and the personnel dimension. The remuneration policy, within the context of defined budget guidelines, will remain based on performance evaluation, taking also into account the remuneration package of the people holding the evaluated positions.

In any case, as is currently in the systems already in place, any form of discrimination based on gender, age and/or health will be avoided by the continuous implementation of retraining initiatives in the event that personnel are unfit for previous or similar responsibilities.



TRADE UNION AND INDUSTRIAL RELATIONS

The Group focuses heavily on dialogue and discussion with employee representatives. For this reason, discussions between Company Management and Trade Unions (Tus) continued in 2016.

To ensure increased fairness in internal treatment and to simplify the management of personnel across the various geographic areas, a harmonisation process was begun at the end of 2015 involving the more than 200 company supplementary agreements that exist within the Group. This process will continue in 2017.

The harmonisation work for the aforementioned agreements was not without moments of conflict, especially due to the difficulty in overcoming a "local" approach to transversal labour topics, so much so that these agreements were rescinded, with the aim of encouraging the conclusion of negotiations by December 2016.

However, a new Group agreement on the working hours system was signed in January 2017, harmonising legislation, and the conditions required to overcome both the impasse and critical negotiation issues were set out.

All workers can freely join a trade union.

During the year, at a Group level, agreements were signed relating to:

- **the Group performance bonuses;**
- **agreements for transfer to Iren of personnel from other Group companies;**
- **regulation of overtime through recovery or time banking.**

In order to make the Group increasingly efficient, numerous, deep-cutting organisational changes were undertaken in 2016.

Company Management informed the Trade Unions of all significant organisational changes (such as the establishment of new business units or changes to the organisation of work within existing units) during specific meetings in order to seek shared solutions where possible. Therefore, service orders or notifications were issued and distributed via the company intranet and/or email and distributed internally to employees without computers, also by posting them to company notice boards.

In regards to changes to working hours, the National Collective Labour Agreements applied by the Group require that Management inform the Trade Unions, convene a consultation meeting and define the times (of a maximum duration of 10 to 20 days) for the conclusion of discussions on the topic, upon the expiry of which the parties can take the action they deem most appropriate. The contracts also regulate transfers, stating:

- at least 30 days' notice in the instance that an employee is to be transferred to another Municipality;
- in the case of collective transfers, notification to the Trade Unions in due advance.

In 2016, lost suits and sentences which became final related to employees and former employees were 1 and 13 respectively.

EQUAL OPPORTUNITY

The Group guarantees the absence of discrimination when applying personnel selection, hiring, training, management, development and remuneration policies and formalises this commitment in the Group Code of Ethics.

There were no breaches connected to discrimination in 2016

FEMALE PERSONNEL

Female personnel within the group amounts to approximately 25% of the total, which is 1,571 people: the low presence is mainly due to the specific technical and occupational characteristics of the work carried out and the relative reduced offer, within the work and education markets, of female professionals that meet such characteristics.

Personnel by position and gender	2016		
	Total no.	Women no.	Women %
Senior managers	95	14	14.7
Junior managers	251	57	22.7
White collar workers	2,878	958	33.3
Blue collar workers	3,002	542	18.1
TOTAL	6,226	1,571	25.2

The majority of female personnel (approximately 65%) are found as senior managers, junior managers and white collar workers (overall this constitutes around 52% of total personnel, compared to the 48% of blue collar workers). The analysis conducted on the female workers, also considering that the activities carried out by Iren Group have a mostly technical nature, revealed a non-discriminatory situation for women, who represent approximately 32% of senior managers, junior managers and white-collar workers.

The presence of women amongst senior managers, junior managers and white collar workers is higher than that of the overall Group population

Equal remuneration between men and women is ensured by application of the National Collective Labour Agreements in which minimum salaries are defined for each category.

The average basic remuneration per position held by women (details are available in the "Iren Personnel: the numbers" section at the end of the chapter) is slightly lower than that of men, due to three factors: a greater percentage of women working part time (approximately 13.2% of total women), lower average length of service for women compared to men, strong incidence of skilled

technical roles that are linked to historically male education. Selection policies are attempting to rebalance this situation, insofar as is possible, also in consideration of the labour market of reference.

In line with the Articles of Association concerning equal access to the administrative and control bodies of listed companies (Law 120/2011), in Iren S.p.A. and in the directly owned Companies, gender balance in the formation of the governing bodies is ensured.

In the Boards of Directors for Group Companies there are 16 women, amounting to approximately 23% of total members (71 people).

In 2016, 78 women took maternity leave, also taking advantage of the various options for working hours that the Group makes available and specific training that the company provides in these cases, as well as the services described in the Corporate Welfare paragraph.

Upon their return to work, all employees were able to resume the job they had filled before their period of absence or a job with equal professional content in cases where organisational changes occurred in the meantime did not allow for the same position to be available again.

PROTECTED CATEGORIES

Iren Group takes care to provide disabled personnel with conditions that facilitate their integration in the working environment and operates in compliance with current legislation on the subject.

Personnel belonging to protected categories	2016	2015	2014
Number of employees	317	323	248

CORPORATE WELFARE

PREVENTION PROGRAMMES

In the Genoa area, the "Welfare Project" continued, offering employees the possibility to make use of regular health check-ups, on a voluntary basis, adjusted for age and gender, against the payment of a biannual contribution of 10 Euro, which is donated in its entirety to the Gaslini Institute of Genoa.

In Parma, and for members of the CRAL ARTA association in particular, employees can join a prevention programme that includes specific health checks.

SUPPLEMENTARY PENSION COVERAGE

Since the legislation reforming the supplementary pension system came into force, employees have been able to decide how to use their employee severance pay. They can either leave it with the company or put it in one of the pension funds provided for by law, which ensures another pension to supplement the compulsory government-managed pension and thus a higher coverage.

Due to the number of participants, the ones that stand out are the pension funds established by collective bargaining, which can only be joined by workers applicable for certain collective agreements. The main funds for Iren Group employees are as follows: Pegaso for personnel employed on an Electricity or Gas-water contract, Previambiente for personnel employed on an Environment contract, Cometa for personnel employed with a Metalworker contract and Previndai for senior managers.

As at 31 December 2016, 4,483 employees had joined a supplementary pension fund.

In 2016, Iren Group paid a total of 2,420,956 Euro to the funds, as the company's contribution.

Employees can make use of a support and pension advice service.

PERSONNEL INSURANCE COVERAGE

Almost all employees in junior management, white collar and blue collar positions are insured by a policy stipulated by the Company for death or total or partial permanent invalidity due to accidents at and outside of work.

Insurance coverage in the case of accidents (even ones which occurred outside of work and in the case of occupational illness) and life insurance is provided for all senior managers, as per the provisions of the Confservizi National Collective Labour Agreements for Senior Managers.

SUPPLEMENTARY HEALTHCARE

Through their membership to supplementary healthcare funds, healthcare coverage is given to employees in relation to their National Collective Labour Agreement (FASIE for personnel employed on a Gas-water contract, FASDA for personnel employed on an Environment contract and METASALUTE for personnel employed on a Metalworker contract). The Electricity National Collective Labour Agreement provides for the payment of contributions to CRAL associations for healthcare activities. Specially constituted funds manage the payment of healthcare benefits that ordinary members (employees) and their dependants can benefit from.

All senior managers, for whom primary healthcare coverage is provided by their membership to FASI, are also supplied with supplementary health insurance (ASSIDAI), which refunds additional healthcare costs that are not reimbursed by FASI.

ADVANCE ON EMPLOYEE SEVERANCE PAY

Employees may benefit from better conditions than those provided by the legislation in force by applying for an advance of their employee severance pay more than once to pay for healthcare, to buy their first house, renovate an existing property, restructure or modify buildings in order to remove architectural barriers and in other specific cases.

PENSION BENEFITS

Retired employees, and their dependants, can remain members of Group leisure, cultural and sports associations and thus take advantage of a significant part of the offered services. Former employees that were granted a discount on electricity or gas during their careers also retain this option when retired, as do their spouses in the case of their death.



In 2016 the two-year demographic and professional rebalancing project for Group personnel was completed, against a youth integration plan, which allowed 344 employees to bring their retirement forwards by up to 2 years.

Retired senior managers, whose last working relationship elapsed while holding the position of senior manager, which lasted not less than one year, can keep their subscription to the FASI supplementary healthcare fund and make use of the benefits provided. The healthcare also covers any dependants and, in the case of their death, those who hold survivor's pensions.

The electricity sector National Collective Labour Agreement provides for additional monthly payments to the leaving entitlement for employees who leave service with 40 years of contributions or are 60 years of age.

QUALITY OF LIFE FOR QUALITY OF WORK

Iren Group pursues a management policy that promotes and supports:

- the right balance between working life and a private life, providing a range of opportunities to its employees that allow them to reconcile work commitments with personal needs (flexible working hours, telecommuting, part time, ultra day flexibility, brief permitted absences and short paid leave, the integration of obligatory maternity services, day care, conciliation help desks);
- a series of facilitations with the aim of improving the quality of life of its employees, with constant economic commitment: company cafeterias and cafés, meal vouchers, internal parking, subsidised tariffs or contributions for buying subscriptions to the local public transport network.

MODELS FOR FLEXIBLE WORK ORGANISATION

Telecommuting - Group employees on electricity contracts can take advantage, on a voluntary basis, of part-time telecommuting, which was introduced to the company with an agreement between the Company Partners. For employees on other contracts, telecommuting, with the same criteria, may be permitted via individual agreements. The Company prioritises requests motivated by life balance needs (caring for children and the elderly, personal or family member health problems, the distance between their home and place of work, etc.).

Part time - All Group employees can request part-time hours (horizontally, vertically, or mixed), on a voluntary basis and always reversible, without the exclusion of the benefits provided for employees with full-time contracts.

Part-time contracts (no)	2016	2015	2014
Women	208	201	159
Men	35	34	26
TOTAL	243	235	185

INITIATIVES FOR EMPLOYEES' WELFARE

Iren implements activities and projects that benefit the needs of its employees and their families

Looking to promote the well-being of its employees, Iren Group has chosen to:

- offer all employees, on a voluntary basis, the option of allocating a portion of their 2016 performance bonus to company welfare initiatives, following on from an agreement with the Trade Unions. By accessing the relevant portal that has already been used as part of a trial during the year to implement actions that aim to introduce flexible benefits for some categories of employees, employees can attain - within the limit of the allocated amounts - refunds and/or goods and/or services in the following areas: family, easy welfare fund, mortgages, pensions, sports, culture and leisure, and trips;
- offer all employees the option of purchasing part of the IT and telephone tools that they currently use under favourable terms, in the case of replacement when they become obsolete or when they terminate their service.

LEISURE, CULTURAL, SPORTS AND HEALTHCARE ACTIVITIES

Through the company leisure clubs, which are present in various areas, employees are also offered leisure, recreational, sports and cultural activities.

Aiming to increase sociability between employees, the following are available: the Employees' Recreational and Cultural Club in Genoa, Adaem and CRAL AMIAT in Turin, the Quercioli Club in Reggio Emilia, CRAL AMPS and CRAL ARTA in Parma and CRAL ANIA in Piacenza. The proposed activities are mainly made up of sports activities, courses, tourist and cultural activities, company parties and charitable initiatives. They are held in dedicated locations or through agreements (trips, summer camps for children, etc.).

Some associations contribute to the educational expenses of employees' children, as well as allowing school books and stationary to be purchased at discounted prices. The clubs also enter into commercial agreements in the areas of interest to allow employees to purchase products and services at discounted prices. For employees with electricity contracts, the clubs provide healthcare insurance through contributions to cover expenses incurred, as well as preventative medicine programmes. The clubs are almost entirely funded by the Group, which also makes the spaces and equipment required to carry out the activities available to them through a special free loan.

Contribution paid (Euro)	2016	2015	2014
Leisure activities	853,992	927,295	876,451
Healthcare activities	1,451,760	1,133,262	1,027,856
TOTAL	2,305,752	2,060,557	1,904,307

INTERNAL COMMUNICATION

In 2016, Iren Group increased its internal communication activities, working to complement its external communication.

Internal communication is an essential tool for accelerating the development of processes, assisting and supporting organisational changes and new business strategies, developing a common corporate culture and directing efforts towards achieving company objectives, which become shared objectives that can be pursued through each person's contribution.

The main tool used for internal communication is the company intranet, "Noi Iren", which sees 2,800 users connected to it each day on average, amounting to an average of 41,000 page views per day. "Noi Iren" represents the knowledge map of the whole Group and is the access point for company applications. Organisational (notifications, the staff structure, QSA policy), regulatory (service orders, 231 model) and corporate (acquisitions, extraordinary transactions, meetings of the Board of Directors, business plan) information is published on the intranet.

In 2016, news from the "Iren Informa" magazine was also included and an internal notice board was created for the sale and exchange of items between personnel. Cultural information is also conveyed through the intranet, which aims to involve and encourage participation - both free and at discounted prices - in sports, artistic, theatre and musical initiatives held in the various areas.

Employee engagement is also encouraged through the organisation of company events and initiatives which include the participation of workers and their family members with the aim of increasing their sense of belonging to the company.

In this direction, the Group decided to create the second edition of "Bimbi in ufficio con mamma e papà" (Children in the office with Mum and Dad) in 2016, sponsored by the newspaper Corriere della Sera. This initiative is aimed at bringing children into their parents' work environment and increasing a sense of belonging in the employees at the Company. During one day in September, the doors of 7 exemplary plants in various areas were opened to employees and their family members, with a guided tour that was also suitable for children. 370 people took part in the initiative, which became extremely popular overall.

Another fundamental internal communication tool is the house organ "Iren Informa" that was converted from a traditional paper format to a web magazine. Available internally and externally, it offers information and insights on the events and projects of the Group. Articles, editorials and interviews are enhanced with photo galleries and videos. A monthly newsletter is also created that features the main topics discussed and is sent by mail to all Group employees and to the over 100,000 newsletter subscribers. The on-line 2.0 version of "Iren Informa" has been particularly valuable in regards to internal communication - with the possibility to involve, reward and enhance Group initiatives that would not be particularly newsworthy in traditional media -, as well as in regards to the search engine indexing of Group-related news.

Furthermore, in 2016 internal communication supported Iren Mercato in launching a commercial offer called "Dipendenti & Friends" (Employees & Friends), an opportunity that also allows friends and relatives of Group employees to sign electricity and gas supply contracts, taking advantage of more favourable conditions compared to those offered on the market. More than 3,000 people participated in the offer.

PERSONNEL TRAINING

Human resources are a key factor in the success and growth of the Group. That is why management concentrates its attention on personnel, on the development of their skills and careers and on building a collaborative and resilient work environment.

For growing and enhancing human resources, training is a crucially important tool that, consistently with Iren's development strategies and operational mechanism, plays a fundamental role in meeting needs of innovation and change that the market asks in order to be competitive.

Training focuses on the development of specialist technical competencies and managerial skills within the perspective of life-long learning.

*Training is a fundamental factor
of professional development
and growth within Iren Group*

The process put in place by Iren Group is described in the relevant procedure issued in 2016.

All training initiatives are managed through the use of a dedicated management application, which is updated continuously with employees' personal data and is connected to an open-source platform for the creation and distribution of e-learning courses.

All participants are tracked and help to enhance employees' CVs, which can be consulted by the relative Manager, by the individual who deals with personnel management and by the Prevention and Protection Service Manager (RSPP) and the Prevention and Protection Service Officer (ASPP).

The training portal is integrated with the "Gamma" app for security management, which will be rolled out to all Group companies by the end of 2017, and will allow for training needs to be constantly updated in relation to the risks to employees and the security responsibilities assigned to them, as well as precisely monitoring the expiry dates of the relative updates.

In 2016, Group employees received 97,170 hours of training, with 5,225 employees participating in at least one training initiative, equal to 84% of total personnel and a per capita average of 15.6 hours.

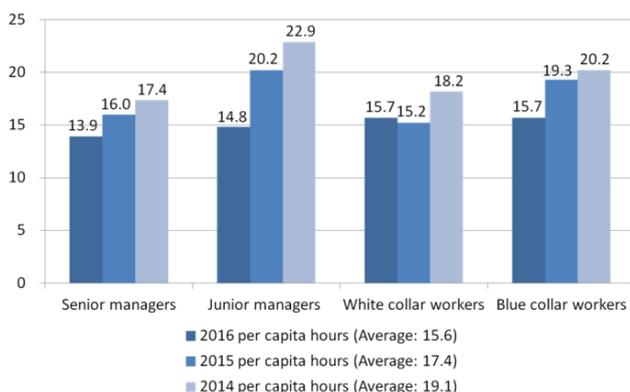


Employees involved in at least one training course (%) ⁽¹⁾	2016	2015	2014
Senior managers	89.5	94.0	87.5
Junior managers	95.5	96.0	97.6
White collar workers	94.0	96.7	94.6
Blue collar workers	73.2	80.0	89.5
TOTAL	84.0	88.6	92.8

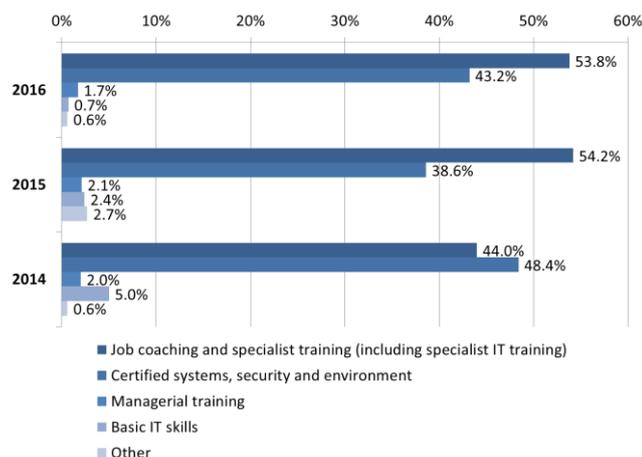
(1) The indicator is calculated as a percentage, by dividing the people involved in at least one training event by the average annual number of employees.

Average hours of training by position	2016	2015	2014
Senior managers	1,325	1,328	1,182
Junior managers	3,629	4,951	5,149
White collar workers	45,132	44,143	48,355
Blue collar workers	47,084	57,514	32,245
TOTAL	97,170	107,936	86,931

HOURS OF TRAINING PER CAPITA BY POSITION



% DISTRIBUTION OF TRAINING HOURS BY TOPIC



The safety, quality and environmental training percentage rose, compared to the total number of hours, to 43.2% (38.6% in 2015), with an unchanged per capita average of 6.7 hours. This increase highlights the Group's strong focus on initiatives that aim to

consolidate employee's skills concerning risk perception and situational and postural awareness for the management of residual risk and occupational well-being. In particular, the "Back school at work" project was created in 2016, which aimed to provide knowledge and skill tools for self-control and to compensate for postural habits (see the relevant box). The initiative was aimed at technical and administrative personnel as a five-year refresher for employees on safety issues. The Group intends to continue the initiative, given the results achieved both in terms of satisfaction and increased awareness concerning safety topics. The trend of previous years was confirmed with a specialised training incidence (including specialised IT training) of 54%.

Occupational well-being at Iren: the "Back School at Work®" training project^(*)

Approximately 300 employees from amongst administrative and technical personnel were involved in training sessions on postural re-education and awareness. The objective was to develop the perception and control of movements when carrying out daily work activities, such as strategies to prevent muscular-skeletal disorders, a useful feature also for everyday life. Indeed, it is believed that muscular-skeletal disorders result not only from strain caused by manually moving loads or repetitive movements, but also from maintaining unsuitable posture for long time periods, which is typical for jobs entailing a significant cognitive component.

The activity was divided into two different training processes, differentiated by examples and exercises, which were as familiar as possible to the specific activities carried out by each employee and overseen by specialised operators, with field inspections during the performance of their work activities.

With this activity the Group is renewing and highlighting its interest in the welfare of its employees, going beyond the purely technical approach indicated by law that already provides for structural improvement interventions on working stations, the purchase of ergonomic seats, etc. The initiative, which recorded a satisfaction index of approximately 92%, well above the Group average of 82%, will continue in the years to come, gradually extending to all personnel, according to the five-year intervals of mandatory training, with the necessary customisation on the basis of the various work activities of the personnel involved.

(*) Back School at Work® is a training protocol to prevent muscular-skeletal disorders that are largely connected to the type of work or postural habits connected with the job performed.

Over the years, the percentage of training hours planned and managed by the Training department has grown continuously, using internal trainers and external consultants (known as internal training), which was 90% of total hours in 2016, while only 10% was purchased from catalogues and organised by external organisations (known as external training).

Once again, in 2016 the satisfaction index for training was positive (82%), as was the learning index, amounting to 94%, which confirms the positive trend of the previous year.

INVESTMENTS IN TRAINING

The Group's awareness concerning personnel training and its belief that this is an investment is reflected in the amount of economic resources used during 2016 for external services (over 690,000 Euro).

One of the activities conducted by the Training department includes managing sector training funds for the Group, which entails the preparation and presentation, to Fonservizi⁽²⁾ and Fondirigenti⁽³⁾, of refresher projects and the development of technical-professional skills and capacities, in order to attain grants to use for training initiatives for white collar and blue collar workers and senior and junior managers of the Group.

During the period between January 2016 and January 2017, contributions of approximately 500,000 Euro were utilised.

Two projects have already been presented and approved for 2017. One by Fonservizi, the contribution of which is estimated to be at most 225,000 Euro, for a total of 20,000 hours/employee related to 214 courses and the involvement of a further 2,500 Group employees, including technical and administrative personnel (junior managers and white and blue collar workers). The other will be funded by Fondirigenti up to a maximum of approximately 50,000 Euro.

The Group has also made its competencies available to the schools and universities within the Regions where it operates to create study, research and combined school/work projects.

WORKPLACE SAFETY AND WORKERS' HEALTH

The Iren Group considers it to be an investment to dedicate human, professional, organisational, technological and economic resources to occupational health and safety (OHS) as it believes it to be fundamentally important to protect workers and includes among its objectives not only the compliance with the provisions

⁽²⁾ Around 70% of the 0.30% of Group's contributions to INPS as mandatory insurance for involuntary employment are allocated to the Fonservizi Fund (Fondo Paritetico Interprofessionale Nazionale per la Formazione Continua nei Servizi Pubblici Industrial - National Joint Interprofessional Fund for Life-Long Training in Public Industrial Services). Companies can use these aforementioned amounts by implementing training plans, shared with Company Partners. If they are not utilised by the third year after payment, these resources are no longer available to the companies and are allocated to other cooperative initiatives, which are selected annually by the Statutory Bodies of the Fund.

⁽³⁾ Fondirigenti is the Foundation promoted by Confindustria and Federmanager for the growth of managers' professional skills. For the training of its management, every member company may have the resources constituted by 0.30% of its total salary sum transferred by INPS to its corporate account.

laid down by the law, but also measures taken with the aim of continuously improving working conditions.

The monitoring of the Safety Management System is ensured in every Company of the Group by a unique Environment and Safety Service located in the parent company. This guarantees the uniformity of the risk evaluation methods, the identification of organisational, procedural and technical measures and the identification of the required personnel training on the subject of health and safety at work.

Specific codified and systematic audit procedures allow for the monitoring and the continuous improvement of this system to be pursued.

No specific initiatives or programmes limited to serious illness are planned, however, numerous initiatives and programmes concerning welfare and general prevention are planned, both at the level of the various contracts and through specific company agreements.

HEALTH AND SAFETY COMMITTEE

At least once a year meetings are held with Worker Safety Representatives (RLS) across all areas.

In the Genoa area, this has been formalised on a six-month basis. In 2016, more meetings were held for the Company Ireti to address problems linked to the constitution of the new company.

In the Turin area there are specific Management Committees that process and monitor all aspects of health and safety. Furthermore, monthly meetings are organised between the Management Representative, Worker Safety Representative, Occupational Health Physician and the Company's Prevention and Protection Service. The Turin companies have activated a specific transversal safety committee.

A stringent conception of safety entails total engagement on the behalf of employees that, according to the activity performed and the respective skills and responsibilities, are required to play an active role in prevention. Therefore, particular attention is paid to training and information activities for employees on topics of health and safety at work.

With regard to employees, continuous monitoring elements are constituted by the analysis of individual accidents and near misses and annually-planned supervisory inspections.

There are no employees exposed to a high risk of occupational diseases within the Group.

AGREEMENTS WITH HEALTH AND SAFETY PROTECTION TRADE UNIONS

An agreement was reached with Trade Unions at a Group level that specifies that a part of the performance bonuses paid to employees would be linked to a reduction in the number of occupational accidents and the relative indexes. The target of reducing accidents was proposed as a corporate goal directly attributable to Operational Departments with specific MBOs.

Relationships with Workers' Safety Representatives are regulated by a specific procedure, especially given visit methods and



inspections of the work environment and the management of reports received by the same Representatives.

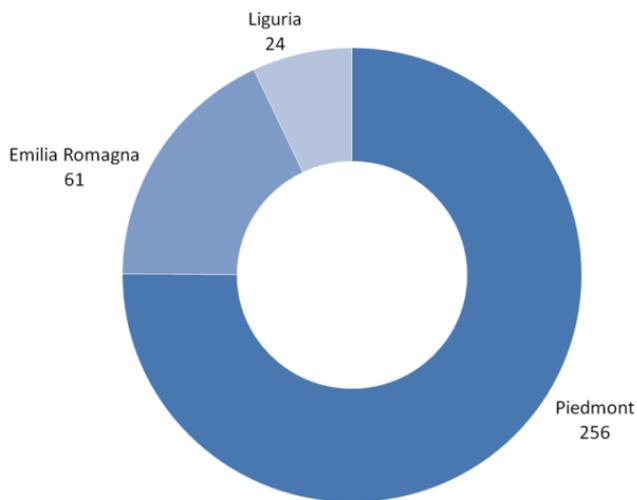
MAIN INDICATORS OF HEALTH AND SAFETY

Accident indexes ⁽¹⁾	unit of measure	2016
Total number of accidents	no.	341
Hours worked	no.	9,922,013
Frequency index (Total number of accidents/hours worked x 1,000,000)	-	34.37
Days of absence due to accident	days	7,876
Severity index (days of absence due to accidents/hours worked x 1,000)	-	0.80
Incidence index ⁽²⁾ (total no. accidents/total no. employees x 1,000)	-	54.81
Mean duration of absence for accidents (days of absence due to accidents/total no. accidents)	days	23.10
Accidents during travel	no.	47

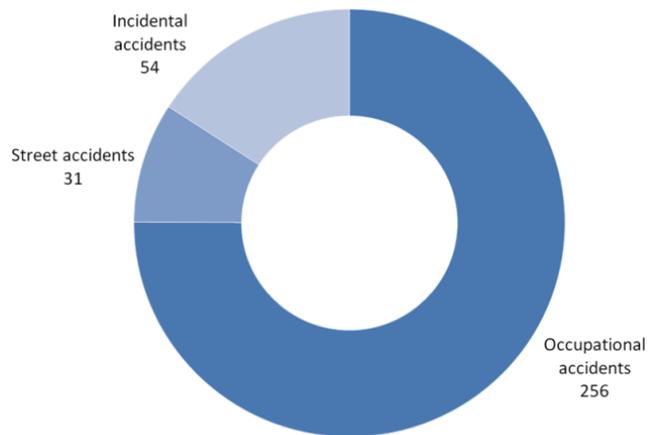
⁽¹⁾ For the purposes of calculating the accident indexes, occupational, random and road accidents in the accident registers of the Group Companies are considered. Commuting accidents and those not recognised by INAIL are excluded from the accident indexes calculation.

⁽²⁾ The incidence index is calculated considering the average number of employees.

ACCIDENTS PER GEOGRAPHIC AREA



ACCIDENTS PER TYPE



In the paragraph “Iren People: the numbers” is the breakdown of the accident indicators for the last three years.



IREN PEOPLE: THE NUMBERS

Personnel at 31/12 by position and contract type	2016		2015		2014	
	Count	%	Count	%	Count	%
Senior managers	95	1.6%	82	1.3%	69	1.5%
Junior managers	251	4.0%	238	3.9%	229	5.1%
White collar workers	2,878	46.2%	2,859	46.6%	2,658	58.8%
Blue collar workers	3,002	48.2%	2,953	48.2%	1,566	34.6%
TOTAL	6,226	100%	6,132	100%	4,522	100%
Employees with permanent contracts	6,146	98.7%	6,076	99.1%	4,456	98.5%
Employees with fixed-term contracts	12	0.2%	16	0.3%	26	0.6%
Apprenticeship/in-house training contract	68	1.1%	40	0.6%	40	0.9%
TOTAL	6,226	100%	6,132	100%	4,522	100%

Personnel at 31/12 by province	2016		2015		2014	
	Count	%	Count	%	Count	%
Province of Turin	2,813	45.2%	2,835	46.2%	1,141	25.2%
Province of Vercelli	235	3.8%	n.a.	n.a.	n.a.	n.a.
Province of Genoa	1,012	16.2%	1,032	16.8%	1,039	22.9%
Province of Reggio Emilia	747	12.0%	787	12.8%	847	18.7%
Province of Parma	707	11.3%	740	12.1%	762	16.9%
Province of Piacenza	527	8.5%	535	8.8%	545	12.1%
Other provinces	185	3.0%	203	3.3%	188	4.2%
TOTAL	6,226	100%	6,132	100%	4,522	100%

Personnel by position and gender	2016			2015			2014		
	Total	Women	%	Total	Women	%	Total	Women	%
Senior managers	95	14	14.7%	82	10	12.2%	69	7	10.1%
Junior managers	251	57	22.7%	238	53	22.3%	229	58	25.3%
White collar workers	2,878	958	33.3%	2,859	922	32.2%	2,658	833	31.3%
Blue collar workers	3,002	542	18.0%	2,953	549	18.6%	1,566	15	0.9%
TOTAL	6,226	1,571	25.2%	6,132	1,534	25.0%	4,522	913	20.2%

Mean personnel age by position (years)	2016	2015	2014
Senior managers	53	55	55
Junior managers	52	51	51
White collar workers	49	49	49
Blue collar workers	47	48	48
OVERALL AVERAGE	48	49	49

Personnel by qualification (%)	2016	2015	2014
Compulsory education	35	37	27
Professional institutions	13	14	16
Diploma	38	36	40
Degree	14	13	17
TOTAL	100	100	100



Mean personnel by Business Unit	2016		2015	
Holding	905	14%	592	10%
B.U. Energy	624	10%	956	15%
B.U. Market	496	8%	444	7%
B.U. Networks	1,901	31%	1,917	31%
B.U. Environment	2,296	37%	2,307	37%
OVERALL AVERAGE	6,222	100%	6,216	100%

Personnel turnover by province ⁽¹⁾	2016		2015		2014	
Province of Turin	-22	-0.8%	-57	-5.0%	-56	-4.7%
Province of Genoa	-20	-1.9%	-2	-0.2%	+3	+0.3%
Province of Reggio Emilia	-40	-5.1%	-54	-6.4%	-2	-0.2%
Province of Parma	-33	-4.5%	-22	-2.9%	-1	-0.1%
Province of Piacenza	-8	-1.5%	-7	-1.3%	-9	-1.6%
Other provinces	-18	-8.9%	+8	+4.3%	-11	-5.5%
TOTAL	-141	-2.3%	-134	-3.0%	-76	-1.6%

⁽¹⁾ Turnover was calculated as the difference (in absolute and percentage terms) between the number of employees at year end and employees at the beginning of the year, excluding AMIAT employees from the 2015 calculation and ATENA employees from the 2016 calculation, as these companies were acquired during the year. AMIAT has been included in the calculation since 2016.

Average company service of departing staff (years)	2016	2015	2014
under 30 years old	2	1	3
from 30 to 50 years old	8	4	9
over 50 years	29	30	29
OVERALL AVERAGE	25	25	23

Average company service of departing staff by gender (years)	2016	2015	2014
Men	26	25	23
Women	21	24	26
OVERALL AVERAGE	25	25	23

Staff taken on in the year by gender and province (no.)	2016	2015
Men	86	156
Women	22	40
TOTAL	108	196
Province of Turin	47	106
Province of Vercelli	9	n.a.
Province of Genoa	25	17
Province of Reggio Emilia	11	20
Province of Parma	8	27
Province of Piacenza	6	19
Other provinces	2	7
TOTAL	108	196

Staff taken on by position (no.)	2016	2015	2014
Senior managers	8	8	1
Junior managers	3	7	2
White collar workers	43	50	54
Blue collar workers	54	131	29
TOTAL	108	196	86

Employees with a fixed-term and apprenticeship contract (no.)	2016	2015	2014
Employees with contracts expiring in the year	25	69	27
of which taken on during the year with a permanent contract	21	62	21

Average salary by position and gender (Euro) ⁽¹⁾	2016			2015			2014		
	Men	Women	%	Men	Women	%	Men	Women	%
Senior managers	59,729	55,876	93.5%	63,005	60,150	95.5%	64,251	60,530	94.2%
Junior managers	49,980	48,705	97.4%	48,928	48,276	98.7%	51,163	49,642	97.0%
White collar workers	36,276	33,043	91.1%	35,528	32,223	90.7%	36,032	30,631	85.0%
Blue collar workers	28,500	26,516	93.0%	28,105	24,544	87.3%	29,723	28,321	95.3%

⁽¹⁾ For the calculation of the average salary, hires during the year, part-time employees and personnel whose remuneration is subject to recovery by social security institutions (maternity and parental leave etc.) were not considered.

Accident indexes ⁽¹⁾	unit of measure	2016	2015 ⁽⁴⁾	2014
Total number of accidents	no.	341	370	137
Hours worked	no.	9,922,013	9,632,743	7,371,633
Frequency index (Total number of accidents/hours worked x 1,000,000)	-	34.37	38.41	18.59
Days of absence due to accident	days	7,876	12,094	4,643
Severity index (days of absence due to accidents/hours worked x 1,000)	-	0.80	1.26	0.63
Incidence index⁽²⁾ (total no. accidents/total no. employees x 1,000)	-	54.81	59.52	30.12
Mean duration of absence for accidents (days of absence due to accidents/total no. accidents)	days	23.10	32.69	33.89
Accidents during travel⁽³⁾	no.	47	40	27

⁽¹⁾ For the purposes of calculating the accident indexes, occupational, random and road accidents in the accident registers of the Group Companies are considered. Commuting accidents and those not recognised by INAIL are excluded from the accident indexes calculation.

⁽²⁾ The incidence index is calculated considering the average number of employees.

⁽³⁾ The fatal commuting accident that occurred in 2015 was not included.

⁽⁴⁾ In relation to the accident indexes, the comparison between 2015 and 2014 is hardly significant considering the consolidation of AMIAT in 2015, which carries out labour intensive activities, resulting in a greater accident risk.

Accidents by gender (no.)	2016	2015
Men	219	247
Women	122	123
TOTAL	341	370



Suppliers



IMPORTANT TOPICS

Employment: in the current economic context this topic is of fundamental social importance and represents a crucial factor both for Iren Group and for local communities. The impacts generated by the Group in terms of both direct and indirect employment guarantee economic stability for the local areas, with consequent positive effects also in terms of social development.

Sustainable management of the supply chain: this topic is fundamental to maintaining the quality of services, protecting the environment and safety. The objective of Iren Group is to build a proper and transparent relationship with suppliers, which is based on clear rules and shared values. Furthermore, the Group considers important to enhance the suppliers that guarantee employment for disadvantaged people, consistently with the Group's mission.



POLICIES FOR SUPPLIERS

Iren Group considers its suppliers to be an integral part of the sustainability process. The goods and services purchased impact the quality of the services and the reputation of the Company: for this reason it was crucial to review the Suppliers' Register and develop the on-line platform, the Procurement Portal of Iren Group. These initiatives allow for better monitoring of the supply chain, which represents a strategic aspect in the management of the Group business activities.

In 2016 Iren Group launched the new Procurement Portal: a tool that extends the involvement of suppliers

In 2016 the Iren Group Procurement Portal was adopted, through which - starting from August - public procedures, called by way of calls to tender, as well as procedures for invitation to tender are managed. The adoption of this on-line platform, in addition to innovating and aligning the operations of the Company with industry best practices, constitutes an important opportunity for economic operators interested in becoming suppliers of the Group, giving them more opportunities for involvement. Within a perspective of absolute transparency and disclosure concerning engagement rules, the following is published on the Procurement Portal:

- the rules for admission to the Iren Suppliers' Register, showing the new protocol that has been active since late December 2016;
- the participation rules for managed negotiation events;
- the general conditions of use for the platform.

QUALIFICATION, SELECTION AND MONITORING OF SUPPLIERS

The supplier qualification system used by the Group aims to guarantee that products, services and works are able to ensure quality and reliability. The Iren supplier selection and management process is based on principles of transparency, clarity, integrity and non-discrimination.

In addition to qualitative aspects, those relevant to sustainability are also considered in the qualification process, with particular attention given to socio-environmental topics and the implications arising from the Code of Ethics of Iren Group.

It is of primary interest to the Group that all suppliers conduct their activities in compliance with the principles and values contained in the Code of Ethics, which must be inevitably accepted by all suppliers, without the possibility of exceptions or amendments.

Within the context of contracts that are subject to the Code for Public Procurement, article 30, "Principles for awarding and executing contracts and concessions", requires economic operators to respect environmental, social and labour obligations when carrying out works, which are established by European and

national legislation, by collective agreements or the international provisions listed in annex X. These include: ILO Convention no. 29 on forced labour, ILO Convention no. 105 on the abolition of forced labour, ILO Convention no. 138 on minimum age, ILO Convention no. 182 on the worst forms of child labour. Explicit declaration of compliance may be requested in tender documents.

Within public contracts for amounts of Community interest, supplier qualification may be carried out, for each tender, by indicating the requirements of economic-financial and technical ability in the calls, which are directly linked to the activity inherent to the call. These requirements must be proportional and such as to ensure competitiveness, according to the regulations in force. Furthermore, it is also possible to establish qualification systems that are equal in value to the tender notice by publishing a Community notice, on which negotiated procedures concerning the qualifying sectors are carried out, in accordance with the protocol defined by the founding regulations of the system.

With reference to awards that are attributable to excluded contracts (so-called under-threshold), or irrelevant to the contracts and concessions law, Iren Group uses a supplier qualification procedure that entails the compilation of a specific questionnaire attesting to information on revenues, quality certification or other sector certifications and organisational data. Current provisions require that at least 5 suppliers from those included in the Suppliers' Register are invited. The management of this process is centralised in the Parent Group company. The qualification to be included in the supplier register requires the possession of certifications issued by independent bodies (i.e.: possession of the ISO certifications, the SOA certifications, etc.), as well as the possession of the technical and economic eligibility requirements that are adequate both in terms of amount and in nature for the tender and service to be supplied to Iren Group. Possession of the UNI EN ISO 9001 certification is assessed as being especially favourable within the context of supplier qualification.

Through qualification procedures, Iren Group also assesses the social and environmental profiles of suppliers

During the qualification process suppliers are required to state:

- whether, in line with UNI ISO 26000 guidelines on corporate social responsibility, corporate initiatives to develop a socially responsible approach to business planning and management have been identified. If so, describe the initiatives implemented;
- whether the supplier publishes its Sustainability Report, and, if so, to indicate the URL where it can be found, or attach a copy or excerpt of the significant sections in the Sustainability Report;
- whether the supplier is willing to carry out a CSR Audit, in the instance it were to sign one or more contracts with Iren Group, and if it is willing to complete an anonymous "CSR Questionnaire" every year, whose data will be used by Iren to prepare the Sustainability Report. The questionnaire gains

more information on aspects relating to: the type (permanent, fixed-term and other contractual forms that must be explained) and the National Collective Labour Agreements of the workforce employed in implementing contracts in place with Iren Group, accidents that occur during the year and the rates of sick leave and absenteeism. Furthermore, in relation to the nature of supply, the questionnaire requests data concerning environmental and social impact (CO₂ emissions, jobs created, any significant environmental incidents, etc.) and a commitment to provide similar information obligations from its own suppliers within the contract stipulated with the Group;

- not to have committed serious breaches, which have been definitively ascertained, against obligations concerning the payment of taxes and duties, or social security contributions, in accordance with Italian legislation or that of the State of registration;
- not to have committed serious violations duly ascertained against occupational health and safety laws.

In regards to the top management of suppliers, within the context of public procedures, the lack of criminal convictions is also verified (by indirectly consulting their criminal record) which, by nature and severity, entail the exclusion from contracts and sub-contracts (including offences related to safety, use of child labour, etc.).

Iren Group has also executed with the Prefectures of Reggio Emilia, Parma, Piacenza and Genoa, legality Protocols that aim to expand the monitoring activity of enterprises in terms of compliance with the anti-mafia laws, even beyond the cases envisaged by law. Contractors and subcontractors are monitored on the basis of these Protocols and are removed from contracts if they are not in compliance with prefecture information.

Compliance with the provisions related to the environment from contractors and subcontractors is required in the tender specifications. Furthermore, in regards to products, the Group promotes the selection of recyclable, renewable materials that minimise waste production and favour production systems with a low environmental impact. Some technical specifications also provide for the purchase of fair trade products. Goods are tracked when the specifications require that they are sourced from a specific location.

The new rules for admission to the Suppliers' Register also provides - related to the suppliers of goods and services with potential environmental impacts (suppliers of environmental services connected to the collection, transportation, recovery and disposal of waste; remediation of soil and subsoil, etc.) - for the possibility of carrying out audits to verify compliance with applicable environmental laws, if any, conducted by qualified third parties.



To this end, the following evidence is requested during qualification procedures:

- possession of ISO 14001 Certification (issued by Accredia or, in the case of foreign businesses, by another accreditation body that is a signatory of Mutual Recognition Agreements), or the acquisition of significant interrelated elements of the environmental system;
- possession of EMAS certification;
- possession of an Environmental Product Declaration – EPD;
- possession of energy management systems in compliance with the ISO 50001 standard;
- possession of one or more environmental labels (EU Ecolabel, FSC, PEFC, Plastica Seconda Vita, ANAB – ICEA, Natureplus® Certification, CIC Compostability)
- the use of products with one or more of the labels mentioned above in the production/service process, or of another similar environmental label;
- the use of suppliers holding ISO 14001 and/or EMAS certification in the production/service process;
- the use of work instructions that govern the management of waste produced in supplying the goods and services, including hazardous waste, packaging and packaging waste in the production/service process, from their temporary storage to their final disposal;
- the use, with reference to the category/categories of products selected, of recycled or recyclable material, with low emissions and low energy consumption;
- the adoption, with reference to the category/categories of products selected, of specific procedures for the storage and collection of recyclable materials in order to guarantee recycling;
- the availability, with reference to the category/categories of products selected, to recover or retain packaging after delivery to be reused and to pick up the products to be replaced with proof of their disposal through the recovery of the material.

Suppliers undergo an evaluation during the qualification procedure and are re-examined after the signing of contracts by the internal departments that manage contracts and directly monitor the conduct of the supplier when carrying out the contracted works. Any continuous negative outcomes or serious



failures in executing the work, which are notified to the Procurement, Logistics and Services Department, will lead to the suspension and subsequent exclusion from the Suppliers' Register for a fixed period.

In the first quarter of 2016, 428 suppliers were audited as a whole, 233 of which in relation to safety and the environment. From May onwards the management decided to no longer implement the current supplier list and to work on the new on-line Register that requires all suppliers to complete the new qualification procedure.

Membership to the Suppliers' Register means beginning a partnership with Iren Group that could lead, over time, to the identification of mandatory qualification profiles, in line with the Group's continuous improvement of the supply chain. Being a part of the Register also means sharing the reputational and sustainability values of the Group policy. These commonalities involve the willingness to report on the aforementioned CSR profiles, with a view to rewarding the willingness shown and subsequently acted on.

EMPLOYMENT IN SUPPLIER COMPANIES

Iren Group is aware of the important role employment plays in ensuring the social development of the environment in which it operates. It contributes to maintaining employment levels not only through its own employees but also by promoting the development of its suppliers, by asking them to comply to the Group's standards in terms of both personnel and safety policies. Moreover, the Group often offers employees of supplier companies the possibility to use some of the company services and attend training courses organised by the Group itself.

Particular attention is paid during the assessment of the correct application of the employment contracts and the payment of the relevant mandatory insurance and social security contributions; the tender specifications provide for the obligation of the supplier to comply with the laws concerning the protection of the workers and the National Collective Labour Agreements in force and applicable to the sector of reference. These obligations are controlled through the regular acquisition of DURC (statement of correct fulfilment of welfare contribution obligations) and the documents provided by occupational safety legislation (SOP and DUVRI - single document on the assessment of risk from interference). In the case of non-compliance with remuneration and social security contributions, employees and social security funds are paid directly and these amounts are deducted from the amount paid to the contractors, as required by law. Subcontracts are also authorised and monitored in compliance with the law.

In order to participate to the public tenders of IREN Group, companies must comply with the obligations provided by Law 68/1999 concerning the recruitment of disabled people. All the Group's specifications include clauses designed to control the problem of undeclared employment, in regards to tendering and subcontracting.

Starting from 2017, during qualification procedures for the Register, when filling the required information concerning operational and organisational capacity, companies are requested to indicate the number of employees on permanent and fixed-term contracts and to specify the ratio of permanent employees to the total number of employees.

Iren contracts state that the contractor is responsible for complying with current sector legislation. As the contract embeds the responsibility to achieve a result, the contractor is entrusted to organise the means and workforce needed to attain said result. For this reason information about the number of employees hired is not requested. This aspect would be further investigated if the offer made by the contractor includes unequivocal suspicion of anomalies when verifying sustainability requirements.

In relation to public tenders of Community relevance awarded during 2016 with the criterion of the best value for money, 4 tenders included environmental criteria amongst the evaluation criteria of the technical offer, corresponding to around 20% of the tenders awarded on the basis of the aforementioned criterion.

SUPPLIER HEALTH AND SAFETY

Iren Group considers it to be an investment to dedicate human, professional, organisational, technological and economic resources to occupational health and safety (OHS) as it believes it to be fundamentally important to protect workers. Therefore, the Group includes among its objectives not only compliance with the provisions laid down by specific laws, but also the continuous improvement of working conditions. To this end, specific measures to protect the health, safety and hygiene at work are also required by tender contracts. During qualification procedures for the Register, suppliers are investigated on the following aspects:

- the existence of a Prevention and Protection Service, either within or outside of the company;
- the appointment of a Safety Contact person that deals with individual contracts/orders;
- whether it has benefited from an INAIL tax reduction (ref. MOD OT24) at least once in the last 3 years;
- the existence of an Occupational Health and Safety Management system (OHSM) certified in accordance with article 30 of Italian Legislative Decree 81/08 and, if so, it is requested to specify if it complies with the UNI-INAIL guidelines or the British Standard OHSAS 18001;
- indication of the number of accidents that occurred in the last three years;
- systematic verification of the level of learning reached by each worker after every training event;
- the integration of Italian language courses within foreign workers' training.

Furthermore, with reference to the personnel of third-party companies operating on construction sites and plants, the Group carries out monitoring and control inspections on the activity carried out, related to aspects of safety and hygiene at work. Monitoring of the activities is guaranteed by internal supervisory

inspections by the Works Management Office (contracts pursuant to article 26 of Italian Legislative Decree 81/2008) or by the Coordinator during the execution phase (on temporary and mobile construction sites pursuant to Title IV of Italian Legislative Decree 81/2008).

For the audit of contracted companies, the activities to be carried out by the technical departments were identified and integrated into the relative procedures and/or defined as general procedures.

TRAINING AND INFORMATION ACTIVITIES

During 2016, at a Group level, a total of 3,230 hours of training/information activities were provided, not specifically related to health and safety at work, with a total involvement of 417 members of staff from external companies.

SUPPLIER PORTFOLIO AND PURCHASE VOLUMES

In 2016, purchase orders were issued to 4,268 suppliers for over 701 million Euro.

IMPACTS ON THE LOCAL AREA

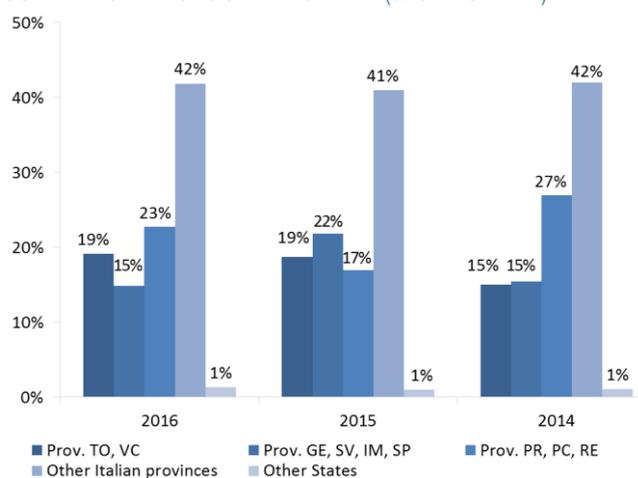
The location of suppliers in the areas of reference is well-established, both in terms of the number of active suppliers (57%), as well as the economic value of the orders, amounting to 44% overall. This data highlights the significant positive impact of Iren Group on the territorial areas of reference.

The Group does not select suppliers according to geographical criteria, but rather by considering the quality and economic aspects of the supply, as well as the regulatory requirements resulting from public tenders. These do not permit the inclusion of clauses that could favour local businesses, as European Community principles - inspired by the criterion of free movement of goods and people - require that all companies, no matter their location, can compete for awarding a contract. However, the division into lots is allowed, and even desired, to enable greater participation in the tenders. This subdivision is often implemented in the configuration of tenders, where consistent with business needs, in order to encourage the participation of small and medium size enterprises.

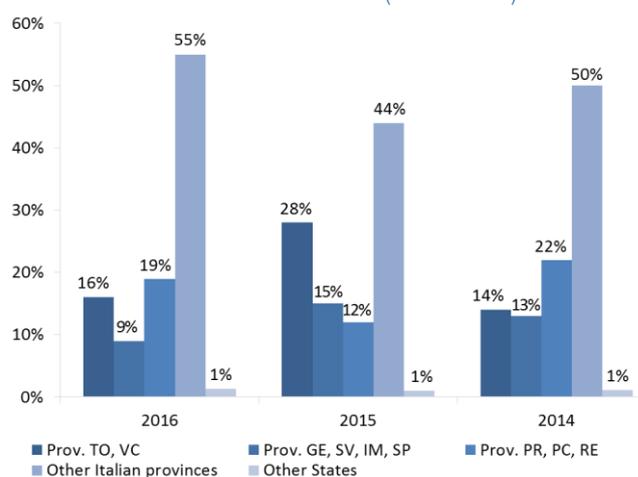
The economic positive impacts on local business generally occur due to subcontracting to local companies - within the limits allowed by law - that have the capabilities to perform smaller portions of the activities and apply more competitive prices. Their competitiveness is mainly due to their presence and deep knowledge of the area that guarantees service efficiency

The composition of suppliers by geographical area and relevant volumes ordered is represented below and refers to all purchases with exclusion of contracts for the supply of raw materials.

SUPPLIERS PER GEOGRAPHIC AREA (% OF NUMBER)



SUPPLIERS PER GEOGRAPHIC AREA (% OF EURO)



SOCIAL COOPERATIVES

The Group supports social cooperatives, since they have as their main task the placement of disadvantaged people in the labour market. These enterprises work in waste collection and environmental health services in particular. In 2016 the Group made use of 35 social cooperatives. The overall order amount to social cooperatives was over 41 million Euro, representing 6% of the total value of Group orders.

Social cooperative suppliers	2016	2015	2014
Suppliers (no.)	35	34	36
Suppliers (Euro)	41,653,283	51,013,927	35,075,504

DISPUTES

2 sentences that became final should be noted in 2016, settled with a payment to the supplier.

During the year no complaints were received from suppliers.



Community and local area



IMPORTANT TOPICS

Development of local communities: the development of local communities is one of the strategic pillars of Iren Group, which identifies in current and future local areas of presence the focus for future growth and shared economic and social development.

Emergency management: the prompt and proper management of critical situations or natural disasters is fundamental for guaranteeing safety and support to communities, also during events that occur outside the operational context of Iren Group.

Site management: the topic is extremely relevant due to its social and safety implications for stakeholders, workers, residents and Local Bodies. Guaranteeing the safety of workers and the community lies at the heart of the Group's operating strategies, as does the commitment to reducing the impact of construction sites to a minimum.



FOCUS ON COMMUNITIES AND THE LOCAL AREA

Iren Group, which has established itself as a modern enterprise, able to create value while protecting the environment and meeting stakeholder expectations, has placed communities and the local area at the centre of its strategies and has planned its growth with a particular focus on Corporate Social Responsibility (CSR).

The 2021 Business Plan highlights the importance given to local communities and includes the sustainable development of the local area as one of its strategic guidelines, which is centred on the innovation of the process and the product and social innovation. A significant portion of the investments outlined in the Business Plan is intended for the development of the local areas in the provinces of Reggio Emilia, Parma, Piacenza, Genoa and Turin, generating a significant boost in the growth of local economies with positive impacts in social, economic and environmental terms.

In practice, the strategic guidelines translate into important industrial projects that represent the Group's tangible commitment in terms of sustainability and contribute to the creation of infrastructures, services and employment.

IREN LOCAL COMMITTEES

The Local Committees are initiatives aimed at generating positive impacts on the local area through dialogue, debate and planning between the Group and the stakeholders of the local communities, with reference to the services of the company and the topics of environmental and social sustainability. The Committees are an effective tool for gathering ideas and proposals with the aim of improving Group services by designing innovative solutions for the sustainable development of the local area together with the residents.

Each of the five Local Committees, established within the provincial areas of presence, is made up of 15/18 representatives nominated by the Institutions, Associations and organisations from civil society. In addition to the above there are 5 ex-officio members: the Chairperson and Vice Chairperson of Iren, a representative of the Capital City, a representative of the provincial Municipalities served by Iren and a representative of the local University. Committee members are selected through the issuing of an announcement by Iren to all the Associations and organisations within civil society that are able to apply.

Within the individual Committees, project working groups were established to follow the individual projects proposed by the same members of the Committees or by citizens registered with the on-line platform [IrenCollabora.it](https://www.iren.it/iren-collabora), the first example on a national level of a planning platform with numerous participants. Everyone can register on the platform and directly publish their contribution on the topics or open discussions within the Committee, putting forward new proposals or suggestions on issues that are of interest to the Group, with the aim of generating real and tangible

projects. The information flow produced by the platform is also a valuable source that inspires Iren to adopt innovative service strategies and anticipate the needs of the local areas.

In 2016, the projects created by the Local Committees almost doubled compared to 2015, growing to 29 in number. The issues dealt with continued to concern topics of an environmental, social and educational nature. Nine of which have already been successfully implemented, while the working groups are continuing to finish the activities for the other projects.



The 9 projects implemented:

- **A more sustainable Campus is a Campus without plastic:** to reduce the amount of plastic waste produced every day at the Campus of Cattolica del Sacro Cuore University in Piacenza, 3 main water dispensers and 1,000 flasks were distributed to people who frequent the Campus, engaging them in an awareness raising activity on sustainability issues.
- **Greater understanding of bills:** the aim of this project was to make it easier to consult and understand Iren energy and water bills.
- **Atelier for sustainability in the kitchen:** the project enabled an experience that revolves around the idea of "Sustainable Cooking" in all respects, aimed at students in primary schools and Hotelier Institutes. The project saw the involvement of the Magnaghi Hotelier Institute in Salsomaggiore, Reggio Children, Edu.Iren and the Committee of Parma that, together, prepared the educational activities to be carried out during the 2016–2017 school year.
- **Suq Festival: culture of the environment, culture for the environment:** the aim of the 2016 Suq Festival was to promote good practices for respecting the environment and energy savings to all residents, especially young people and immigrants.

The Genoa Committee, together with AMIU, came up with and implemented a few information and awareness-raising initiatives on the correct use of natural resources, which included the theatre show "Alla Carica!!! I segreti dell'energia rinnovabile" (Take Charge!!! The secrets of renewable energy), the show cooking event by Chef Kumalè, "#natipersoffriggere africa sub sahariana cucinare con gli avanzi" (#borntofry sub-Saharan Africa cooking with leftovers) and the ten commandments of EcoSUQ, printed on

the festival's place mats to promote separated waste collection, recycling and the saving of resources.

- **Environmental Education - Val Tassarò:** starting with the area of Val Tassarò (Site of Community importance, UNESCO MAB Area in the province of Reggio Emilia), the project includes research activity, environmental surveys and a programme of environmental education for schools. The implementation of the project saw the contribution of Pro Natura Reggio Emilia, which was the promoter, and Modena and Reggio Emilia University, in the creation of training courses for students and teachers.
- **"Slow Food Piacenza - Orto della Condotta" School Garden:** the aim is to establish a learning community by creating gardens to promote and develop food and environmental education in schools. The recipients are classes in the nursery and primary school of the eighth teaching circle of Piacenza and 30 teachers. The project was included in the 2016–2017 Edu.Iren catalogue.
- **Salsomaggiore, the city for the health of the earth:** feasibility study conducted by the Committee of Parma for the students of Salsomaggiore Middle School who proposed the installation of a public water fountain within the municipality to combat the greenhouse effect by reducing CO₂ emissions and plastic waste production.
- **"Ortosovversivo" (Subversive Garden):** created from the need to transform unused soil as space for cultivating vegetables, it includes the use of effective micro-organisms to eliminate pollution from soil and water.
- **Collection of used cooking oil:** the project aims to recover a valuable resource and improve the operating conditions of wastewater treatment systems.



The projects currently being implemented by the Committees include:

- **"Ecofeste":** Legambiente Piacenza has been developing a project to reduce waste produced by parties, local festivals and summer camps for many years now, based on replacing disposable dishes with a reusable material that can be washed in a dishwasher. The goal is to reinforce the organisation of the project, increase the number of people involved and make it more popular and widespread, also with the help of an incentive system that is to be implemented with the involvement of the Municipalities in the province.

- **"Ri-Cibiamo al Ristorante - Chi ama il cibo non lo spreca" (Eat 2x at the Restaurant - People who love food don't waste it):** the project aims to investigate and gather more information on the issue of food waste in catering and propose, to restaurants and customers, simple and effective solutions to reduce the problem, starting with a "hummy kit" to recover uneaten food from the restaurant.
- **Education – Raising awareness on energy saving:** an invitation to discuss energy and its saving, starting in schools and families, engaging students in the province of Reggio Emilia. Modena and Reggio Emilia University and the Res-Edili School are involved in a collaborative fashion in the development of the project.
- **Voluntary mutual fund for energy poverty:** proposed by the consumer associations of the Committees of Piacenza, Parma and Reggio Emilia, the project aims to identify forms of support, on an exceptional basis, for users experiencing financial hardship in paying their electricity, water and gas bills.
- **"Pro Ultra – 70":** develop actions and tools to help elderly people to complete paperwork and to get a better understanding of the gas and electricity offers. The project was proposed by Italia Nostra Parma.
- **Raising awareness about throwing cigarette ends on the ground:** introduced by Adoc, the project aims to reduce the amount of cigarette butts tossed in city streets and their consequent decay and pollution. Initially Iren proceeded with a more accurate and widespread distribution of cigarette butt containers on the streets and in particular points in the city centre of Parma.
- **"Parma non spreca" (Parma doesn't waste):** the project originates from the need to meet the increasing requests for help from families in financial difficulty in Parma and the province, with the aim of extending the donor network for food produce that is close to expiry or has damaged packaging, even extending the collection to fresh and cooked foods. The project, presented by the Kuminda Association and coordinated by the Parma Solidarity Forum, also represents a tool for reducing waste and refuse.



- **"Arturo - I tuoi occhi sulla valle" (Arturo - Your eyes on the valley):** climate change is producing exceptional rainfall, thus increasing the risk of flooding caused by the overflowing of streams and rivers. The project, presented to the Committee of Piacenza by the Municipality of Rottofreno,



provides for the construction of warning instruments, particularly addressed to the parties appointed to manage emergency situations. An initial warning system detecting critical conditions based on water and rainfall levels was presented to the public in the first few months of 2016.

- **Reuse centres:** the project, which involves the Local Committees of Piacenza, Parma and Reggio Emilia, seeks to create centres, also in terms of design, that make effective reuse of discarded items and materials, preventing them from becoming waste, and proposing an innovative approach based on five fundamental aspects:
 - operational versatility (cleaning, repair and renovation, modification, supply of correlated services, sales, educational and awareness-raising activities to promote a culture of sustainability);
 - the inclusion of disadvantaged people in the workplace and the creation of opportunities for the development of youth entrepreneurship;
 - the use of technologies that enable the dynamic management and use of the entire range of services and products;
 - recovery of public spaces, contributing to the redevelopment of urban areas;
 - the creation of a network that can allow the individual Centres to develop specific vocations, also in relation to their territorial characteristics.



- **The Staglieno factory, the development of tourism and artisan professions:** the monumental cemetery of Staglieno in Genoa contains thousands of valuable works of art that often lapse into a state of disrepair. A project to restore the cemetery to its original splendour was proposed to the Local Committee of Genoa, also through the re-evaluation of the work of craftsmen, restorers and marble workers, in order to enhance its role as a tourist attraction for the city.
- **Energy and water bonus:** the consumer associations of Genoa brought to the attention of the Local Committee the emergency of people in financial difficulty who are no longer able to pay their electricity or gas bills. The Committee of Genoa identified the first action, which can be implemented quickly in order to address the issue of energy poverty, through the dissemination of information on electricity and gas social bonuses.
- **“Parco Antola – Un lago da bere” (Antola Park - A lake to drink):** the project, which sees the collaboration of the Park

Authority and the University of Genoa, includes the study and creation of environmental redevelopment interventions and the consolidation of Antola Park's position within the regional tourist offer.



- **“Lungomare Lombardo” (Lombardo Waterfront):** this is an area of Genoa that is underused by Iren, which is why a restoration project was proposed to the Local Committee of Genoa in order to make it available to the Italian Rescue Association as a multifunctional, educational space, as well as a first aid station for the benefit of public assistance.
- **Social Energies:** The ARCI Genoa association proposes to offer social entities (voluntary and social advancement associations) useful services to qualify their energy consumption, to improve the energy performance of buildings and use clean energy. Iren has prepared a questionnaire to be completed by the associations in order to conduct a preliminary analysis that will allow to identify feasible interventions to improve the energy efficiency of buildings.
- **Food for all: to the solidarity store in Reggio Emilia:** the DarVoce association in Reggio Emilia has proposed a project to create a neighbourhood store that will put short supply chain sustainability to the test, intercepting new producers within a rationale of territorial subsidiarity. The store will open in 2017 and 50 families will use it. The community project is also a place where things can be made available to others, by donating time, skills, food, money or voluntary activities to be carried out in the building or within the local area associations.
- **The green history of Reggio Emilia:** this project looks to enhance the green heritage of Reggio Emilia, starting with its history and evolution, through a publication that will become a promotional tool for the development and enhancement of the local area, as well as a work tool for teachers and students of all types and levels.
- **Water: eco-museum of Noasca:** the Municipality of Noasca has proposed to create and establish an open-air eco-museum on the topic of water, to be constructed within Gran Paradiso National Park. It also proposes lighting the path that leads from the grotto to the waterfall of Noaschetta to attract more visitors.
- **What Wee Are:** the aim is to create a collective consciousness on the content of WEE electronic devices, on

the ways such materials can be recovered and the proper disposal of dangerous components. The project develops through targeted interventions in schools.

- **Ecological environmental centre - commercial desertification in the Campidoglio district of Torino:** the project aims to revitalise Borgo Campidoglio by setting up new green-orientated activities to create an ecological and natural shopping centre in the district. The Committee of Turin has begun an in-depth analysis to understand if the intervention, supported by the Torino Living Lab project,

could act as a driving force in the effective redevelopment of the district.

PROJECTS FOR THE LOCAL AREAS

In 2016, Iren created or contributed to the creation of a few important environmental, social and cultural projects. Some of which had significant importance on the local areas where they were executed.

Below is a summary of the main projects.

Areas	Projects
<p>Environmental</p>	<ul style="list-style-type: none"> • Environmentally Sustainable Events. Iren Group was the official partner and technical supplier of Terra Madre Salone del Gusto, the most important international event dedicated to culinary culture (Turin September 22nd–26th) organised by Slow Food, the Piedmont Region and the City of Turin, which saw an influx of visitors estimated at around 1,000,000 people in the squares, streets and parks of Turin. Sustainability and corporate responsibility are values promoted by the Salone, which Iren Group shares, and, together with the organisers, it surpassed its goal of 70% separated waste collection. Iren supported the “Dinamico Festival” of Reggio Emilia dedicated to the circus arts: a real eco-festival that saw various actions implemented that aimed to raise public awareness and reduce the environmental impact of the event. The support given to the “Gola Gola” event in Parma was also characterised by sustainability through the provision of environmental services and training of Ecofan, volunteers who helped numerous participants to implement responsible behaviour in waste collection. • Lit nights and a race beneath LEDs. For the twelfth edition of the “M’illumino di Meno” energy saving campaign, the historic event of the “Caterpillar” radio show, Iren organised a series of concerts in Turin on the topic of electricity and a non-competitive race at night in Ruffini Park, which was entirely lit up by LEDs. Through these initiatives, Iren looked to highlight the environmental importance of the “Torino Led” project (see page 62). • In Turin, a park instead of a power station. The 13,000-square metre site that used to hold the Vallette cogeneration plant was converted into a park. During the development work, overseen by Iren Energia, over 4,600 plants were planted and 15 benches and 16 LED lights were installed. • World Water Day. On March 22nd, in occasion of “World Water Day”, in the areas of Genoa, Parma, Piacenza and Reggio Emilia, Iren arranged stands to taste water: a way to make residents reflect on the quality of tap water compared to spring or mineralised water.
<p>Social</p>	<ul style="list-style-type: none"> • Good blood... gets around. Iren joined the AVIS project, collaborating on setting up points to raise awareness about blood donation at the Group’s commercial help desks. • Santa Claus with FORMA. Iren supported the customary Christmas event of the FORMA Foundation at Regina Margherita Children’s Hospital in Turin and promoted the initiative to Iren employees who purchased Santa Claus costumes, thereby gathering funds to purchase equipment able to optimise the care given to children who are taken as emergencies to the Casualty Department at Regina Margherita Hospital in Turin. • Just the woman I am. Iren collaborated in the creation of the event by supplying electricity and taking part in the race with 100 employees, organised by CUS Torino for International Women’s Day, aimed at gathering funds for university cancer research. • Oncohematology Centre in Reggio Emilia (CORE). For several years Iren has been supporting the activities of Santa Maria Nuova Hospital, which inaugurated the new hospital wing for CORE in 2016, a unique structure that brings together highly-specialised oncology research and care departments. • National Prison Theatre Exhibition. Iren collaborated on “Destini Incrociati” (Intertwined Destinies), the exhibition dedicated to shows put on by prisoners, which was held in the main entertainment and culture spots in the city of Genoa.



Areas

Projects

Cultural

- **MAB-UNESCO scholarship.** Within the framework agreement to support the activities that led to the area of Collina Po Park to be recognised as a “UNESCO MAB Biosphere Reserve”, Iren collaborated in the creation of various awareness-raising initiatives, including funding a scholarship entitled “Management of the UNESCO Collina Po Biosphere Reserve site of the Man and Biosphere Programme (MAB): governance and assessment of biological and rural diversity”.
- **Plant visits and “Notte blu”.** Every year Iren opens up its hydroelectric (Valle Orco and Val di Susa) and cogeneration plants (Moncalieri and Torino Nord) to the representatives of Local Bodies and Associations and its employees and their families during a day dedicated to them. 2,500 students visited the plants in 2016 as part of Project Edu.Iren. In order to spread understanding of proper waste disposal processes, Iren organised visits to the IEC of Parma, dedicated to local administrators and schools. The “Notte blu” (Blue Night) in Reggio Emilia, which allowed over 3,000 people to visit the water treatment plant in Reggio Est, and participation in the day-time events of the Italian Fund for the Environment were very popular, with the Rosone Plant being opened to the public and visited by 900 people.
- **National Innovation Award (PNI).** Iren supported the 2016 PNI in the belief that the development and growth of its business can draw inspiration from dialogue and collaboration with innovative, ambitious start-ups supported by solid entrepreneurial projects. The Group also supported the regional “Start Cups” in Emilia Romagna and Liguria. In Turin, Iren and Talent Garden Torino launched the “#OpenIren 2016 – Energy that innovates” call, which allowed for the work of three innovation scouts, digital talents, to be identified and endorsed in order support the identification and evaluation of innovative projects, products or services that are useful to the Group’s business.
- **Photomathon.** Iren supported a dual initiative in Genoa (April) and Turin (September), proposing two subjects as competition topics that are dear to the respective cities: water for Genoa and sustainability for Turin.
- **Science Festival in Genoa.** A national event that Iren has historically supported and for whose 2016 edition created an initiative for adults and children, called “Sei eco – logico?” (“Are you eco – logical?”), a way to let the public explore the good practices for being a conscious citizen through fun games. Puzzles, quizzes and comic strips helped children and their families discover the world of water, waste and energy to encourage responsible and sustainable consumption.
- **“Festival del Diritto” (Festival of Law).** Iren has been a partner of the Festival del Diritto in Piacenza for several years. For the 2016 edition, which was dedicated to the theme of dignity, Iren promoted the “Corporate Responsibility for the dignity of People and the protection of the Environment” event, a round table on the Group’s Corporate Responsibility strategies and actions.
- **Iren for Theatres.** Iren shares the deep cultural values and the importance that these have in the development of local areas. That is why Iren has been a founding partner of the Royal Theatre Foundation in Turin, the Theatres Foundation in Reggio Emilia, the Carlo Felice Theatre in Genoa and the Theatres Foundation in Piacenza. It has also always supported the Royal Theatre in Parma.
- **“Gocciolina e Gocciolino a giugno” (Droplet and Trickle in June).** To celebrate the 100-year anniversary of Atena, the company organised a series of events, sponsored by the Municipality of Vercelli, to highlight the central importance of the water resource for a sustainable quality of life, including “Droplet and Trickle in June”, a video map and a play.

GIFTS, DONATIONS AND SPONSORSHIPS

Iren Group focuses heavily on cultural, environmental and sports events that possess distinctive characteristics at a national and international level and which are rooted in the local tradition of the areas of presence. In 2016, it provided a total of 179 sponsorships and 41 donations.

In regards to donations:

- 20 were to cultural and innovation initiatives (78.6%), including support for the Royal Theatre in Parma and membership to the Theatres Foundation of Reggio Emilia, the Royal Theatre Foundation of Turin, the Theatres Foundation of Piacenza and the Carlo Felice Foundation in Genoa;

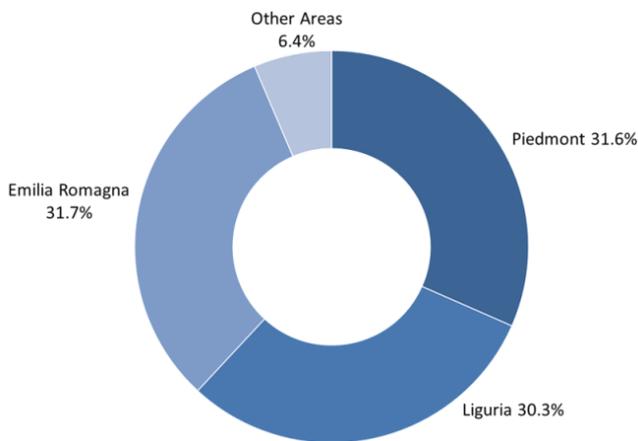
- 11 in the social sector (20.5%), among which particular notice is given to the Diocesan Caritas of Turin for the Temporary Residential Accommodation project and the Music For Peace event in Genoa;
- 8 in the environmental sector (0.6%), including membership to the Environmental Ethics Centre and support for the environmental projects of numerous Emilia Municipalities;
- 1 in the sports sector (0.2%), in the form of support for the non-profit, HB Basket Torino Onlus;
- 1 local entertainment project (0.1%).

The 179 sponsorships were divided as follows:

- 53 in the cultural sector (53.2%), including the Turin Jazz Festival, “Festival Cinemambiente” (Turin), Science Festival (Genoa), the European Photography event (Reggio Emilia), the “Festival del Diritto” (Piacenza) and the Festival Verdi (Parma);

- 71 in the environmental sector (14.9%), in support of various projects presented by the Municipalities in the Emilia Romagna region;
- 19 in the sports sector (5.4%), including the Pre-Olympic Basketball FIBA Tournament and the Mixed Gran Prix of Fioretto (fencing);
- 10 in the social sector (6.6%), amongst which we should note the “Piazza dei Mestieri” Foundation, which promotes professional training for teenagers, and the inauguration of the CORE wing at Santa Maria Nuova Hospital (Reggio Emilia);
- 26 local entertainment projects (19.9%).

DONATIONS AND SPONSORSHIPS PER AREA



INFRASTRUCTURES AND SERVICES FOR COMMUNITIES

The development of local communities is one of the strategic pillars of Iren Group which identifies the focus for growth and shared economic and social development in the current and future local areas of presence. All of the activities are planned and carried out with awareness of the corporate responsibility that the Group has towards the communities and local areas: produce wealth while protecting the environment and respecting the expectations of the stakeholders.

The Group has adopted specific procedures which allow prompt and effective communication in the event of faults, service interruptions and inconveniences caused to residents, acting within the timeframe defined by sector legislation. For activities in the electricity, gas, water and district heating sectors, it also complies with the guidelines specified by AEEGSI. In addition to managing compliance with legislation, the Group has developed voluntary codes and regulation (internal requirements and procedures) and adopted initiatives that mitigate impacts on the health and safety of the public arising from the activities carried out.

The main activities of the Group that impact the community and local area are:

- **production of electrical and thermal energy.** Iren actively strives to develop renewable and other similar energy sources. The management of activities of the thermal energy, thermoelectric and waste-to-energy plants are described in

internal procedures and conducted in compliance with the requirement of the Law. Emissions are constantly monitored and controlled. Investments for the optimisation of the energy efficiency of plants are constant. All energy production plants are equipped with control protocols, both in compliance with environmental legislation (ISO, EMAS), as well as in accordance with the provisions of Control Authorities. Iren also intends to further extend its district heating system to reach 100 million cubic metres of volume heated by 2021. In regards to the construction of new plants, all construction and management phases are evaluated, with particular attention dedicated to assessing the impacts generated by the presence of construction sites. Audits are carried out on the work of the companies' personnel for all contracted activities in compliance with the directives adopted in the context of the Integrated System (Environment, Safety, Quality);



- **waste collection and management.** Iren is committed to managing waste across all stages: collection, selection, transport, treatment and disposal, contributing to the recovery of material and energy production resulting from these resources, thus reducing the use of non-renewable natural resources;
- **water sector.** The Group constantly monitors network leaks that can cause significant water wastage: network control, extension and maintenance interventions are completed with the aim of minimising inconvenience for residents. The high quality of water supplied is ensured by continuous analytical controls carried out over the entire route: from the withdrawal at the source to treatment, filtration and disinfection processes, and from storage to the various points of the distribution network. In regards to wastewater treatment, Iren strives to maintain high operational standards of its plants in compliance with the limits set by current authorisations and to constantly inform the local community concerning the functioning of the plants themselves;





- **gas distribution.** The Group is committed to reducing the number of network leaks through the gradual renewal of the network (elimination of cast iron pipelines and reduction of the steel network without cathodic protection). The proper management of plants and gas networks, the use of appropriate resources and the use of suitable tools, together with continuous monitoring, are the main elements in preventing potential impacts or accidents. These elements are subject to constant analysis and improvement measures in order to continuously increase their effectiveness, while respecting efficiency. Furthermore, in order to reduce the inconvenience for Local Communities, residents, economic associations and Municipalities are involved in defining the schedules and time for the construction sites;
- **electricity distribution.** In regards to the management of electricity networks, one of the main objectives is constantly keeping plant service levels in compliance with the current legislation. Amongst network elements, the meter, placed in customers' homes, undergoes random testing at the purchasing stage;
- **management of construction sites and other services.** When managing construction sites relevant to scheduled activities that can potentially create inconvenience for the public, the Group is committed to reducing the impact on the local area to a minimum, coming to an agreement with stakeholders on the schedules, times and operational means of the construction sites for the works to be carried out, identifying strategic periods throughout the year (for example, during August), in order to minimise the impact on the public, with particular attention to disadvantaged groups and economic activities. When planning and managing the public street lighting and traffic light service, the impacts on the health and safety of the public are constantly analysed and monitored. By way of example, the careful selection of materials can be mentioned, such as those to be used in LED devices or traffic lights with zero photo-biological risk.

In the construction of new plants and infrastructure, the Group implements constant dialogue with Local Bodies and regional stakeholders, through various channels: Local Committees, conferences, meetings, seminars, social media, broadcasting, environmental education projects, guided plant tours, etc.

Before beginning the authorisation procedure for the construction of new infrastructures, Iren believes it is crucial to conduct information meetings with the local communities, illustrating the usefulness, the impact on the local area and the project in detail.

The construction of new plants entails Environmental Impact Studies, with an assessment of the environmental, social and economic features of the local area, as well as the attainment of all authorisations required by current legislation.

During the construction phases of the new infrastructure, Iren is committed to engaging in dialogue with the public and local institutions, in order to consolidate its relationship based on transparency and correctness of information.

There was no migration of communities consequent to the construction of new plants.



In 2016, dialogue with stakeholders and local communities concerning the development of new plants, or of existing plants, can be summarised as follows:

- **in the Piedmont area,** the focus was on the district heating, energy (energy efficiency) and environmental sectors. In Turin, attention turned to the creation of a new green area converted from the former Le Vallette plant and the extension of the urban district heating network. Meetings and information sessions continued with Districts and the City of Turin on innovative solutions for LED public street lighting ("Torino Led" project), on projects concerning the energy efficiency of buildings, as well as the development of smart city network systems. In the environmental sector, AMIAT promoted information campaigns on proper separated waste collection and a project that aimed to raise awareness amongst the many foreign communities residing in Turin on topics of separated waste collection and recycling. Furthermore, the district heating development projects continued in Asti (the authorisation procedure is under way) and in Grugliasco, as well as the project for the creation of district heating in Beinasco. The relationship leading up to the acquisition of the controlling share in the company Atena, based in Vercelli, is also relevant.
- **in the area of Emilia Romagna** dialogue and discussion continued with local stakeholders on the Integrated Environmental Centre of Parma, waste management and in particular, new methods of separated waste collection, as well as topics related to the energy efficiency of buildings and, in general, the optimisation of the use of energy resources;
- **in the Liguria area,** in 2016 dialogue with institutional stakeholders continued, especially on issues related to the construction of new treatment plants in the Genoa ATO, as well as Iren's participation in the scheduled tender for selecting the strategic partner of AMIU and extraordinary transactions implemented in the area, with the acquisition of water concessions from SAP and the establishment of the company IRETI.

To protect members of the community, Iren has strengthened its stakeholder engagement tools in recent years in order to

consolidate its relationship with the area and develop a long-term strategy. To report a breach, there are many instruments at the disposal of the stakeholders: written communications via mail, e-mail, fax, social media channels. All communications are considered and every stakeholder receives a response in regards to their reports; written reports by mail are documented and sent to the competent departments, which see to the appropriate checks.

In 2016, 2 sentences became final for breaches to regulations concerning local communities. There were no instances of disputes or breaches in the voluntary regulations and codes concerning the health and safety of the public and the local communities. Lastly, 9 grievances about impacts on society were received, addressed and resolved through formal grievance mechanisms.

From an insurance perspective, there were no accidents or injuries that occurred in the local community due to Group activity.



MANAGEMENT OF EMERGENCIES

The Companies of Iren Group have emergency plans which contemplate the most likely environmental and safety emergency scenarios, which aim to demonstrate:

- the organisation and Coordination Centres set up to address the emergency situations that could arise within the activities carried out by the Group;
- the management of information and relationships with the Prefectures, Civil Defence, Civil and Military Authorities, Regions, Provinces and Municipalities, including their relative operation rooms.

These plans have been drawn up to respond to potential accidents and alarm situations, which could occur after a natural disaster, explosions or fires, as well as preventing and mitigating the consequent damage to people and/or the environment. Emergency personnel have been identified at each site and plant and have been trained and are regularly updated. The various emergency scenarios envisaged by the plans are simulated regularly and evaluation drills are carried out every year with the involvement of all personnel present. The results and outcome of the simulation are documented in a specific report that highlights any critical issues found, from the sensitive elements, in order to promote continual improvement. After careful consideration, in 2017 it was decided that evacuation drills would also be planned for unsupervised sites that are deemed critical, such as gas and electricity substations.

Emergency situations connected to possible environmental pollution during the normal operation of plants, or due to mechanical failure of instruments of control or measurement of chemical physical operating parameters, are managed in accordance with criteria of immediate action on the fault, by specialised personnel, 24/7, via the request and call of on-call technicians. The action aimed at fixing the failures occurs in the minimum time needed to carry out works.

“Emergency service” activities in the face of foreseeable scenarios are regulated by the relevant company procedures, specific to the various types of plant and network.

Procedures and instructions for managing emergencies were issued after receiving environmental and safety certifications.

Regarding gas and district heating distribution system emergencies, an organisational procedure and specific emergency plans establishing the responsibilities, activities, organizational structure and skills necessary to ensure a rapid and effective management have been defined in order to:

- carry out the safety operations for distribution systems;
- identify the causes of the emergency and eliminate them as quickly as possible;
- prevent accidents that could result from the emergency;
- minimise the effects of the emergency;
- plan operations to restore the normal working conditions of the distribution systems;
- define ways to collect, register and submit information related to the emergencies.



COMMUNITY AID

CREDIT MANAGEMENT

Iren Group has defined a credit management Protocol for centralised building supply, starting with the Reggio Emilia area. The Protocol aims to share the credit management procedure for buildings with centralised utilities with the social actors (customers, Associations for condominium administrators, Consumer Associations, Trade Unions, Social Bodies, etc.). This Protocol provides for the possibility of entering into recovery plans in the event that a part of the building has difficulty in paying bills, thereby helping residents/buildings with financial hardship caused by the economic situation in recent years.

A similar Protocol was signed with a focus on the option of individualizing water supplies in the event of non-payment by the building, in order to avoid inconvenience for customers that are up-to-date with their payments.

ACTIONS IN THE EVENT OF DISASTERS

The Group shows its closeness to Communities affected by serious natural disasters, not only in the areas in which it works, by giving support to Local Administrations and aid and welfare institutions, but also by making employees and vehicles available.

Following the major earthquake on August 24th, 2016 that severely affected the people of central Italy, the Group - in collaboration with Trade Unions - gave a contribution to Civil Defence, amounting to over 90,000 Euro, half of which was donated by employees through the devolution of their working hours while the other half was matched by the Group.

Furthermore, funds normally intended for implementing end-of-year meetings with Group personnel, combined with a significant company contribution, were used to support a project aimed at securing the "Borgo Ovest" school in Rieti, which was damaged by the earthquake.



Institutions



IMPORTANT TOPICS

Dialogue with Public Authorities: relations and dialogue with Public Authorities, and more in general, with public politicians, play a critical role for the activities of the Group as they are means to addressing and outlining governance strategies in relation to energy and the environment, producing impacts for local areas and for the entire country that are ever-more efficient and sustainable.

Compliance with laws and regulations: this issue is important because Iren Group considers essential the proactive management of compliance, through the monitoring and the debate with regulatory Authorities, to anticipate scenarios and regulatory changes, as well as to carry out an effective assessment of risks.

Fighting corruption: the topic is extremely relevant for all parties that play an entrepreneurial and corporate responsibility role in regards to stakeholders. The fight against corruption is intrinsic to the values pursued by Iren Group which are set out within its Code of Ethics.



RELATIONSHIPS WITH INSTITUTIONS

Iren Group, as also indicated in its Code of Ethics, actively and fully cooperates with the Public Authorities, pursues the objectives indicated by the relevant Public Institutions and effectively cooperates with the authorities/institutions responsible for regulating and supervising local public services. These are objectives that the Group pursues, combining them with its mission and with the need for managerial and organisational autonomy, characteristic of any economic operator.



POSITIONS ON PUBLIC POLICY AND PARTICIPATION IN THE DEVELOPMENT OF PUBLIC POLICIES

Iren Group interacts with authorities, regulatory and supervisory Bodies and trade Associations, regarding these partnerships as being of strategic importance, particularly in the current socio-economic climate.

The continuously changing legislative framework is a complex element for the public services sector.

The transformation in consumption habits, the constant technological development of network services, digital innovation and the spreading of new and modern contact channels are gradually increasing customer attention.

Technological opportunities allow for more efficient production structures and profoundly innovate supply, making it increasingly possible to enhance the service portfolio. The continuing financial crisis of local Institutions requires even greater attention to the reduction of service management costs and the possibility of sourcing the necessary resources to launch innovative and sustainable projects through external forms of funding.

In 2016, Iren Group took part, both directly and through the trade Associations of reference, starting with Utilitalia and Confservizi, in the institutional debate and discussion on the innovation of local public services, and the development of the market and regulated services, promoted at governmental and local level with the goal of giving multi-utilities greater scope for flexibility and innovation so that effective future growth strategies can be developed.

Multi-utilities play a role that goes beyond the mere supply of services: they are key players in the ability to compete within an area and promoters of new well-being and development. Indeed, they are an important driver for the creation of new value, jobs, innovation and synergies with other production sectors, thanks to their capacity to develop expertise, to plan in the medium-to-long term and to generate returns and investments. Iren has contributed to these topics in institutional meetings and when entering into dialogue with the various stakeholders and at conferences, seminars, workshops and trade association round-table discussions at national and international levels.

From a regulatory perspective, the Group concentrated its activities on the development of public policies relevant to all the business sectors in which it operates (energy, gas, waste, networks), by participating in consultations, hearings before Chambers (both directly and through the trade associations it subscribes to) and by promoting direct meetings with the Authorities involved.

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

- **energy business** - market reform/updating (capacity market, MSD revision, adjustment on imbalances), reform on the allocation of capacity at return points that power generation plants, introduction of district heating regulation;
- **market business** - reform of protected market, revision of sale components (electricity and gas), reform of gas balancing, transport and settlement, regasification (combined capacity and storage auctions, tariffs for the actual recognition of costs incurred and revenue coverage factor);
- **environment business** - support for incentives for renewable sources and biomethane, the conferral of environmental powers to the Authority, monitoring of the legislative framework of reference (implementing DPCM "Unlock Italy", Connected Agriculture and the introduction of tariff mechanisms), tenders for awarding the service;
- **network business** - tariff regulation (recognition of operating costs and investments) and on the quality of the electricity service, second-generation electric smart meters, electric smart distribution system, network code, non-payment, safety obligations, gas tenders, changes in the contractual quality protocol and the introduction of technical quality regulation in the water sector, tenders for awarding the water service, adaptation of national equalisation and type agreements.

All business units saw the monitoring of the following topics: unbundling and compliance, Remit implementation, the implementation of the MAD-II Directive (Market Abuse) and the MAR regulation and the procedures of the Antitrust Authority (AGCM).



RELATIONSHIPS WITH TERRITORIAL AUTHORITIES

In 2016 our constant discussion with Local Authorities and Territorial Authorities focused on two topics in particular:

- the creation of an expert task force dedicated to identifying intervention priorities on the main pipelines and the division of areas into districts within the water networks within Genoa, especially following on from a few faults that occurred between the summer and autumn of 2016. Together with the Local Government of the City of Genoa, a collaboration has been launched with the University of Genoa aimed at studying the materials of the ducts that are of greater obsolescence;
- upgrading of treatment plants in the City of Genoa in order to bring it in line with European Infringement procedures on wastewater treatment, which led to the inauguration of the new Paradise Gulf inter-municipal plant in Recco and the identification of the areas for the construction of new treatment plants for the Gulf of Tigullio (resolution of the Mayors' Assembly for the Ramaia site in Sestri Levante and the site on the Lido di Chiavari), as well as the progress of works for the creation of the treatment plant in Rapallo and the planning of the plants of Ronco Scrivia, Torriglia and Arenzano/Cogoleto. Furthermore, the construction of the mountain aqueduct pipelines to connect the large Genoa reservoirs with all the Municipalities of Valle Scrivia continued, as well as the restoration measures and the updating of the plants and networks severely damaged by the floods in 2014 and 2016 in the Genoa area and interventions on the aqueduct network of Paradise Gulf and the Gulf of Tigullio Orientale to overcome the water emergencies that occurred in recent years;
- the entry into force of the second regulatory period 2016/2019 for the tariff of the integrated water service. Constant dialogue with the Territorial and Local Authorities has allowed us to achieve the right balance between tariff increases and the need for local investment, in compliance with the requirements laid down by law;

- alignment of current documents with the new type agreement for the integrated water service as determined by the AEEGSI legislation.

In the Reggio Emilia area the installation of water dispensers continued in another 2 municipalities, bringing the total to 62 dispensers now operational. During the summer the reuse plant for irrigation purposes became operational, using water from the Reggio Emilia wastewater treatment plant, co-financed by the Emilia Romagna Region. This work allows for around 6 million cubic metres of water to be reused and fed into recovery channels each year.

The meetings managed by Atena for the strategic and Technical committees continued in the Vercelli area.

At the end of 2016 the transferral of concessions to Acque Potabili S.p.A. was defined with the consequent expansion of Ireti's perimeter of competence.



TRADE ASSOCIATIONS OF WHICH THE GROUP IS A MEMBER

In order to create opportunities for discussion and collaboration with other companies and to facilitate regulatory and technological compliance, Iren Group is a member of several national and international technical associations in the water, environmental and energy fields, briefly described below.

Utilitalia, federation that brings together public service Companies that operate in the water, environment, electricity and gas sectors, acting as their representative with European and national Institutions. It was created from the merger between Federutility (water and energy services) and Federambiente (environmental services). It offers support and refresher and training courses, as well as consultancy on contractual, legislative, operational, tax and legal aspects.

Confservizi (at a national and regional level), a trade union that represents, promotes and protects companies and bodies that manage public services such as water, gas, electricity, environmental health and local transport.

Confindustria (regional branches of Genoa, Piacenza, Reggio Emilia and Turin), the leading organisation representing manufacturing and service companies within Italy that is tasked with contributing to the economic growth and social advancement of the country, alongside political institutions and economic, social and cultural organisations.



Assonime, association of Italian Joint-Stock companies. It works to improve industrial, commercial, administrative and tax legislation in Italy and represents the views of the companies within Italian, European and international institutions.

Anfida, national association of private water works companies that belong to Confindustria which promotes solidarity and collaboration between its member companies, organises studies on topics of interest and acts as their representative with private and public authorities, organisations and administrations.

AIRU, Italian Urban Heating Association, which represents sector operators with the aim of promoting and disseminating plant engineering innovation and its application.

EHP – Euro Heat and Power, international association that represents the district heating and cooling sector and cogeneration sector within Europe.

AssoRinnovabili, association that brings together and represents producers and suppliers of professional services, technologies and components, which is active within the renewable industry to protect rights and promote their interests both nationally and internationally.

RES4MED - Renewable Energy Solutions for the Mediterranean, a non-profit association founded as a network of utilities, industries, companies and suppliers of technical services, research institutes and academia involved in promoting clean energy solutions to the countries in the Southern and Eastern Mediterranean.

The participation process for Group Companies within these Associations began in 2015 and continued in 2016 with the effective streamlining and subsequent greater coordination of memberships to sector and trade Associations, Research and Study Centres and Authorities to promote innovation and internationalisation.

CONTRIBUTIONS TO POLITICAL PARTIES AND INSTITUTIONS

As established by our Code of Ethics, "Iren does not pay contributions, either directly or indirectly nor in any form, to political parties, movements, committees and organisations or trade unions, or their representatives and candidates, except where owed in accordance with specific legislation". Iren collaborates with Institutions, also financially, for specific projects that are attributable to the mission of the Company and, in particular, for projects that contribute to the economic, social and environmental sustainability of the areas of reference: these collaborations are always implemented on the basis of clear documentation of the resources used.

MEDIA RELATIONS

The Group manages national and regional media relations activities concerning economic-financial, institutional and service aspects, as well as other topics connected to sustainability. During 2016 it continued to play an important role for the local and

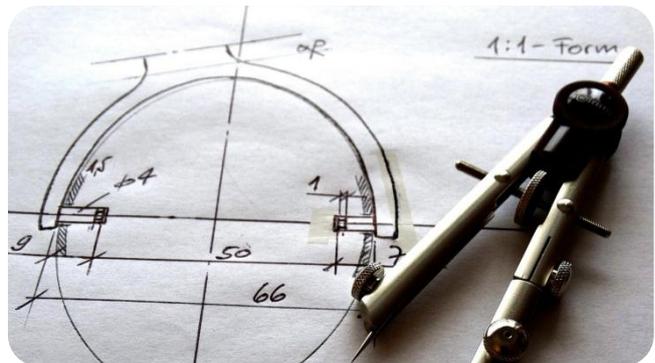
national press as a major Italian player in the management of environmental, energy and water services, due to the dimensional and business characteristics of the Group.

Particular media attention from the Italian press was received for the important acquisitions of new companies and the presentation of the 2021 business plan, while the local press focused on topics related to environmental initiatives, customer relations, energy saving, water quality and water saving, as well as the construction and management of plants in the area.

Media relations help ensure a constant, timely and transparent flow of communication for all stakeholders and involve systematic relations with local and national journalists that are managed according to the principles of availability and transparency, with the awareness of the affinity of the Group to the local area and to the needs of the communities. The Group's press office monitors the media to guarantee that the management is constantly aware of public opinion and the views of the financial community and the local areas of reference.

Of particular importance in 2016, were the meetings with journalists from local publications, organised in the various areas in collaboration with the Association of Journalists of Piedmont, Liguria and Emilia. These meetings allowed the journalists to get a deeper understanding of Iren's business, as well as the gradual changes in information and the new media that led to a change in company communication.

Another initiative that also involved journalists, in addition to the representatives of the Local Committees and residents, was the series of meetings concerning the topic of "Corporate Responsibility for the dignity of People and the protection of the Environment" where Iren Group discussed its corporate responsibility strategies and actions.



CORRUPTION PREVENTION

In performing its activities, the Companies of Iren Group frequently enter into relationships with Local Authorities and with third parties, which must be developed in compliance with the principles established by the Code of Ethics and the Model of organisation, management and control in accordance with Italian Legislative Decree 231/2001, which provides the guidelines and codes of conduct, insofar as possible, that aim to prevent the commission of offences pursuant to the Decree. Company processes are also regulated by specific procedures defining

roles, responsibilities and methods of control, establishing the traceability of processes and the clarity of authorisations to ensure transparency and honesty in the company's activities.

In 2016, mapping was carried out for processes and self-evaluation of 231-related risks, through which the processes and the "sensitive" company areas with a potential risk of commission of the crimes indicated in the Decree were identified within the activities carried out by the Company.

In particular, sensitive activities at risk of corruption were identified, for which suitable internal rules were provided to supplement the Code of Ethics (general control principles and specific conduct and control protocols), such as, but not limited to:

- the selection and creation of contractual relations with the suppliers of goods, services or works;
- selection and management of consultancies (public and private parties);
- personnel selection, hiring and management;
- management of sponsorships, events, gifts and donations;
- management of relationships with public parties to attain or renew authorisations, licences and concessions for carrying out corporate activities;

- management of public grants, payments and contributions (even training).

Based on this risk audit, the Models of Organisation, Management and Control of each individual Group company includes conduct protocols and organisational and operational monitoring that aim to prevent crimes from being committed. The risk evaluation and audit activities concerning the issue of corruption are therefore indirectly carried out within the context of broader risk mapping and audits on internal control systems for activities and processes.

The mapping of processes, risk self-assessment, the preparation of the Model of organisation, management and control, the review and approval of the document by the Board of Directors, the dissemination of the document and training pertaining to it, are training activities on anti-corruption for each of the parties involved in the various aforementioned activities.

Furthermore, the online training course given to employees, including new hires, was completed and concerned amendments to Italian Legislative Decree 231, introduced in May 2015, regarding environmental crimes, undue inductions, corruption among private parties and the employment of illegal immigrants.

Note that in 2016 there were no instances of corruption.

Communication and training on corruption prevention policies and procedures	2016		2015		2014	
	no.	%	no.	%	no.	%
Employees trained on the Code of Ethics and anti-corruption policies and practices	308	4.85	2,179	35.05	58	1.27
of which Senior managers	17	17.89	31	37.35	N/A	N/A
of which Junior managers	34	13.82	124	50.61	N/A	N/A
of which White collar workers	256	8.71	2,007	68.9	N/A	N/A
of which Blue collar workers	1	0	17	0.57	N/A	N/A

COMPLIANCE WITH LAWS AND REGULATIONS

The link between Iren Group and the life of the local communities and territorial development is based on a commitment to constantly connect company growth to compliance with laws and regulations, conserving the quality of the environment and promoting the protection of natural resources based on principles of sustainable development.

To this end, the impact of the regulatory variables on the Group's results is constantly evaluated – through the quarterly preparation of a Regulatory Framework by the Regulatory Affairs Department – which looks to identify and implement the most suitable plan of action. The Italian and international regulatory framework is constantly supervised and monitored by the same Department, through the following activities:

- reporting, analysis and summaries concerning the transposition of updates on the subject and the interpretation and application of legislation of interest;

- the coordination and directing of company departments assigned, either directly or indirectly, to comply with information obligations by sector Authorities;
- the coordination and support of the company departments in managing the "Antitrust Risk" and the "Regulatory Risk".

Furthermore, the Legal Affairs department studies provisions related to the sectors in which the Group operates, provides support and legal advice to all the structures of the Parent Group and Business Units and participates in working groups on the topics that involve the Parent Group or Business Units. Lastly, every quarter the Legal Affairs Department, with the support of the Business Units, drafts and disseminates the regulatory amendment, which contains the main legislations for the sectors in which the Group works.



Shareholders and financial backers



IMPORTANT TOPICS

Economic development and value for local areas: is the main topic on which the strategy of Iren Group is based, with the objective to guarantee the creation of value for the shareholders and for all stakeholders. Economic development is critical for the Group and is extremely important for the economic, social and environmental impacts that it can generate for the communities and territories in which the Group operates.



RELATIONS WITH SHAREHOLDERS AND FINANCIAL BACKERS

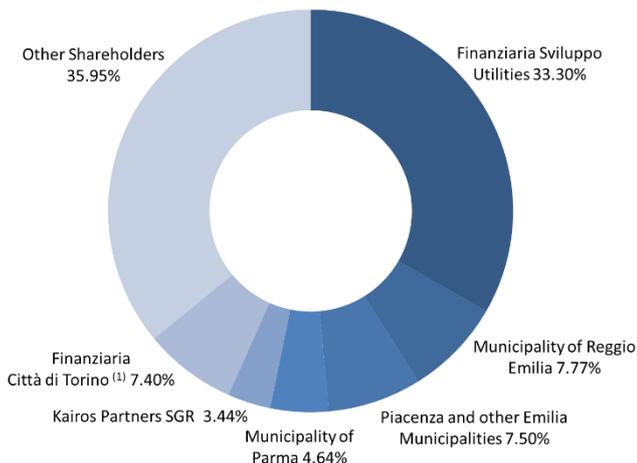
Iren Group aims at creating value for its shareholders, through growth strategies and adequate management policies.

Moreover, the Group constantly seeks to guarantee transparent, complete and timely communications by means of various methods, such as presentations to the financial community, press releases, the website and direct relations with analysts, investors and financial backers.

SHAREHOLDERS

At 12/31/2016, the most significant Group shareholders, meaning shareholders that hold a stake in the company (including savings shares), directly or indirectly, are represented in the graph below.

SHAREHOLDING STRUCTURE OF IREN SPA
(% OF TOTAL SHARE CAPITAL)



⁽¹⁾ Savings shares without voting rights

RELATIONS WITH FINANCIAL ANALYSTS AND INVESTORS

Iren Group has always been involved in an intense activity aimed at reinforcing the relationship of trust between the company and the shareholders and, at increasing interest and knowledge of the Company, with Italian and foreign analysts and investors.

In 2016, relations and opportunities for contacts with analysts and investors intensified, also following particularly positive performances recorded by the Group, which wholly benefited from the efficiency process that was strengthened by the presentation of the 2021 business plan. Increased interest can be added to this, resulting from a greater recourse to the bond market than to the banking channel. In 2016, the portfolio of institutions that covered the bond included: Banca Akros, Banca IMI, Equita, Fidentiis, KeplerCheuvreux, Intermonte and Mediobanca.

2016 was characterised by particularly significant financial communication that continued the improvement and intensification trend that began in 2015. As with previous years, Roadshows remained the main tool for introducing Iren to Italian and foreign institutional investors, both in terms of equity and credit. The Group participated in 15 events, mainly concentrated within Italy, and visited some of the most important financial markets, both European (London, Paris, Zurich) and American (New York, Boston), coming into contact with over 100 funds, mainly as one-to-one meetings. Of relevance was the direct day-to-day contact with the manager of institutional funds, which became increasingly important due to the decrease in sell-side analysts caused by the economic crisis of recent years.

Retail investors, on the other hand, were able to contact the Group by telephone or e-mail and were able to make use of the "InvestIren" information tool, the dedicated newsletter exclusively for private investors. In addition to this, a link on the website www.grupporen.it is available that allows for the presentation of the quarterly results to be listened to live through the webcasting service.

The attention that institutional investors give to environmental, sustainability and governance topics is increasing. In particular, good Corporate Governance that is able to make the Group efficient, dynamic and stable is a discriminant factor in the investment choices of the main players in financial markets. Any economic or financial performance, in fact, must be assessed based on its repeatability or potential for improvement in the following years and this can only happen thanks to rules of corporate governance in line with best practices. From this perspective, it is important to emphasise that market appreciation for the Group's Governance is also reflected by the performance of the bond, which has seen its value increase by over 65% in the last two years.

PERFORMANCE OF THE IREN BOND IN 2016

In 2016, the FTSE Italia All-Share reported a decrease of 6.8%, which was mainly linked to the negative performance of the banking sector. This result can also be attributed to the effects of the ongoing situation of uncertainty and the fragility of the global economy, marked by oil weakness, especially in the first part of the year. Within this macro-economic context, the Iren bond grew by around 7.4%, recording - for the second consecutive year - the biggest increase in value among its most direct competitors. This performance mainly results from the positive performances reported by the Group during the year, connected to the efficiency, integration and growth projects outlined in the 2021 Business Plan.

The bond is listed on the Italian Stock Exchange in Milan and is included in the following financial indexes:

- FTSE All Share, the stock index that includes all the shares listed on the electronic market of the Italian Stock Exchange, with the exception of micro-capitalised Companies;
- FTSE Mid Cap, the section of the FTSE All Share that includes the shares of medium-capitalised Companies;

- FTSE Italia Servizi Pubblici, the sector index that includes the shares of Companies that operate within public services.

The Group is also present on the FTSE Environmental Opportunities index group (see page 35 – Ethical Indexes).

VOLUMES AND PRICE TREND OF THE IREN BOND



FINANCIAL BACKERS

Iren has relations with leading Italian and International Credit Institutions, and has access to the capital market in order to research the most suitable forms of financing for its needs and the best market conditions. Iren has also implemented an organisation and management model focused on the resources and financial risk management with the objective of financial optimisation for all of the companies of the Group.

The sustainability of the financial profile of the Group has always been one of the key strategic elements for Iren. During 2016, the focus on this aspect was also confirmed by the “Investment Grade” BBB- rating (assigned by the Fitch agency) with a stable outlook that is mainly linked to the balanced mix of the business portfolio between regulated and quasi regulated activities, the liquidity profile, the solidity of the shareholding structure and the Group strategy, which form the basis of the 2021 business plan, as well as the positive results achieved in the last 12-18 months. These reasons are reconfirmed for the assignment of the “BBB” rating (a notch higher) on the EMTN program and the bond issues. In support of the Group’s liquidity profile and the rating level, committed credit lines were contractually agreed which, as at 31 December 2016, amount to 140 million Euro.

In particular, the new loans were granted to support investment plans and, by confirming the trust held by the financial system in

regards to the Group’s development projects, they allow for the suitable balance between financial exposure in the short and long term to be maintained.

During the first half of 2016 a medium/long term banking loan was finalised and utilised for 20 million Euro. With reference to loans with the European Investment Bank (EIB), in December a share of 50 million Euro was used on the EIB Idro loan of 150 million Euro, which was signed in December 2014, and an increase of 30 million for the same credit line was finalised. The EIB Idro loan for a total of 180 million Euro at 12/31/2016 is currently available for 80 million, which is in addition to the 130 million of EIB Waste and TLR financing that have not yet been used and were fully available until the end of 2016. With EIB, the consolidation activity for loans to support the Group’s investment program continues; in December a technical appraisal for a new line of credit amounting to 75 million Euro for investments on electricity distribution was begun, which should conclude in the first quarter of 2017 with the signing of a new loan agreement. This transaction, which further strengthens the collaboration with EIB, emphasises the focus that Iren has always placed on environmental sustainability, social and economic topics.

In regards to transactions on the capital market, on 18 October 2016 the BoD resolved the renewal of the EMTN program for bond issues with an increase of 1.5 billion Euro, for which the placement, on 2 November, of a new bond for 500 million Euro in



the form of Public Placement was completed with great success and which will have a duration of 8 years. Also in order to optimise the financial structure of the Group, various liability management activities were carried out to take advantage of favourable market opportunities. In particular, at the same time as the new Bond was issued, a Tender Offer was begun for all the bonds that expire in

2019, 2020, 2021 and 2022, which concluded with the early repayment of bonds issued previously for a total amount of 150 million Euro. Lastly, bank loans of 200 million Euro were repaid early.

IREN BONDS IN CIRCULATION AT 12/31/2016

Bond	ISIN	Bond amount (€/000)	Amount in circulation (€/000)	Ann. coupon (%)	Bond duration (Years)	Expiry	Price Emission (%)	Rating
Eurobond 2024	XS1511781467	500,000	500,000	0.875%	8	11/04/2024	98.974	BBB
Eurobond 2022	XS1314238459	500,000	430,000	2.75%	7	11/02/2022	99.398	BBB
Eurobond 2021	XS1086104681	300,000	186,273	3.00%	7	07/14/2021	99.225	BBB
Private Placement	XS0979548954	260,000	185,120	4.37%	7	10/14/2020	100.783	n.a.
Private Placement	XS1030889411	100,000	89,100	3.00%	5	02/11/2019	98.728	n.a.



Future generations



IMPORTANT TOPICS

Sustainability education: this topic is important for Iren Group, given that it believes that education is the most effective and strategic way for the affirmation of a culture of sustainability and innovation.

Innovation: this is the compass that guides Iren Group towards an open innovation model that aims to be operational, applicable to all business and focused on the achievement of the objectives of efficiency, improvement of service levels and the creation of new development opportunities, in order to anticipate the new needs of residents, customers and territories.



SUSTAINABILITY EDUCATION

For many years now Iren Group has been presented within the scholastic world as it believes education to be the most effective and strategic means of asserting a culture of sustainability and innovation. Through the Edu.Iren project, a catalogue is available of free training proposals for students and teachers within the school system (both private and public), which is a collection of educational materials and projects on sustainability, water, energy and environmental topics. 110 plants are open to visits by students and residents, in line with the Group's philosophy and values of transparency.



The training offer is available on paper, sent to the schools in the areas in which Iren is present and to its Partner Municipalities, and on-line at the Group's website, so that it can be accessed easily and immediately by students and teachers.

*Edu.Iren: 89,890 students and 729 schools
involved in sustainability education projects*

In the 2015/2016 school year, guided plant tours, educational workshops, in-class lessons, educational games and other proposals from the Edu.Iren catalogue, together with the sustainability training courses for teachers and educational projects - promoted in schools by the individual Municipalities and supported by the Group - recorded 89,890 contacts and 729 schools in the Reggio Emilia, Liguria and Piedmont area. A significant number of people took guided plant tours, exceeding 10,000 visitors, 3,694 of which at TRM in Turin, also thanks to the educational project that makes the waste-to-energy plant in Turin a unique plant nationally. Over 1,300 people visited the IEC in Parma.

For the Reggio Emilia area, the projects created in collaboration with parties present in the local area and nationally are of importance. All the schools of the Apennine Mountains of Reggio took part in **"Project Battery"**, promoted together with the European Recycling Platform and WWF Italy. This is an educational project that exceeded 1.7 tonnes of collected batteries, thanks to the commitment of 2,100 students and their families. All the Primary Schools in the Municipality of Parma took part in **"La Buona Compagnia non si rifiuta"** (Good Company Shouldn't Be Wasted), a dynamic focus campaign, promoted

together with the Municipality and Tetra Pak, which aimed to provide information on the correct means of separating drink containers through the provision of educational material and a theatre performance. A collaboration with Coop Alleanza 3.0, the Municipality of Castel San Giovanni and AUSL was developed in Piacenza, through **"Famiglie sostenibili"** (Sustainable Families).

The collaboration with the Educational Giocampus Project was also strengthened, promoted by the Municipality of Parma, Barilla, Coni, the University of Parma and Cus Parma, which saw Iren share some sustainability projects through workshops and through the presence of the Mobile Environmental Centre during the summer period. The project involves 8,000 children during the school year and the summer period. Iren has been a member of the project since 2016.

The collaborations in **Turin and Piedmont** were also important. They began with **Piazza dei Mestieri** with various events and an initiative on food waste in partnership with the Piedmont Food Bank, to further develop the **"Le settimane della Scienza"** ("Weeks of Science") and **"Le Settimane della Scienza a scuola"** ("Weeks of Science at school") with Non-Profit Science Centre Organisation. The La Loggia plant saw the organisation of one of the first Italian actions for **World Fish Migration Day**, which also included the participation of the Regional Natural Science Museum and the Environmental Museum. Iren celebrated **World Environment Day** with the latter.

The Mobile Environmental Centre is extremely active in Turin, a mobile educational room that is also present in the Reggio Emilia area, which explains the waste cycle and launches specific collections in schools.

In the Vercelli area, a total of 136 information and workshop-based interventions were managed on the waste cycle and recoverable materials (glass, metals, paper, plastic and organic). 24 educational activities were related to the water cycle and 13 to energy saving.

The **Science Festival in Genoa**, on the other hand, saw the production of the recreational-puzzle itinerary, **"Sei eco-logico? Giochi e soluzioni per la sostenibilità"** ("Are you eco-logical? Games and solutions for sustainability") to learn - through riddles, puzzles, word games, logic games and fun comic strips - how energy and environmental services can be sustainable and how residents can contribute, following simple rules for responsible consumption. Over 5,000 adults and children completed the course made up of 16 information bites and 3 maxi-crosswords around sustainability.

"Eco Quiz - in missione per il pianeta" ("Eco Quiz - a mission for the planet") on the other hand, involved students from the D'Arzo state secondary school in Montecchio Emilia: a game in the form of a smartphone app that is quick and engaging and contains over 1,000 multiple-choice questions. The students can challenge one another and assess their knowledge on topics such as waste, energy, environmental sustainability and mobility. The pilot project, created by Achab Group for Iren, was promoted together with the Municipal Authority to support the communication campaign for the transformation of the waste collection service.

A specific mention goes to the Group's commitment to the topic of Combined School and Work for students of secondary schools, through the "Alleanza Scuola Lavoro" ("Combined School and Work"): an opportunity for the mutual growth of students and businesses. Taking advantage of the opportunities supplied by Italian Law 107/2015, the Group proposed its own combined model to the Regional School Authorities (RSAs) in the home Regions (Emilia Romagna, Liguria and Piedmont). This includes an information phase for the students in their third year, internships at the company for fourth years and a phase of a detailed analysis looking at the experiences matured, with the aim to provide direction, for fifth years. This was undertaken as a collaborative project with the teachers. To this end, Iren has signed a protocol with the aforementioned RSAs which is the first example of a supra-regional agreement on the topic, allowing for the diffusion of best practices via the various Regions and the enhancement of the specific projects of the School Authorities. The close co-planning between the individual schools, RSAs and Iren in preparing the courses, accompanied by an educational skills approach and the enhancement of the students' roles through real work experience, also constitutes a means to reinforce relationships with the areas in which the Group operates and to make the parties involved aware of other territorial bodies. The involvement of 17 institutions is expected every year by way of three-year agreements. Over 400 students per year have been involved since 2016, and at least 70 of these will be selected for internships at the company in 2017.

Centro di Riciclaggio Creativo REMIDA (REMIDA Creative Recycling Centre), promoted by Iren together with the Schools and Nurseries of the Reggio Emilia Municipality and managed by the Reggio Children Foundation-Loris Malaguzzi Centre, confirmed its role as a driver of sustainable practices and thinking. Over 400 structures collect manufacturing waste for free from over 200 companies and over 3,000 people have visited the centre from all over the world.

The success of the "Rifiutando" ("Refusing") Project in Piacenza was also confirmed, one of the longest-running Italian educational workshops on sustainable topics.



RESEARCH AND INNOVATION IN THE IREN GROUP

SUSTAINABLE INNOVATION

Technological innovation is at the heart of strategic choices and of the definition of products and services offered by Iren Group. The

2021 Business Plan confirms the central nature of innovation in the Group's vision, which will be implemented in the development of all the sectors in which it operates, with the aim of making Iren the benchmark for excellence and innovation in the multi-utilities sector. The main research, development and innovation areas in which the Group invested in 2016 and in which it will continue to invest in future years include:

- customer empowering and awareness-raising tools for users concerning the impact of consumption and energy saving;
- energy efficiency applied to more levels and assets (customer, building, conurbation, and the energy assets of the Group);
- new systems for the recovery of energy waste and an increase in plant efficiency;
- advanced systems for remote management, remote reading, smart metering and multi metering;
- thermal energy and electricity storage systems;
- systems for the treatment, purification and reuse of waste from sludge, wastewater and waste treatment processes;
- Internet of Things (IoT) and home automation;
- data intelligence ICT tools;
- platforms for the creation of a single urban real estate registry of underlying utilities;
- optimised management of the integrated water cycle (division of areas into districts, identification and a reduction in network leaks);
- electric mobility.

Another important element of the Group's sustainable innovation is open innovation, namely the possibility of including all (internal and external) stakeholders in the development of an idea or a product so that the outcome is truly the best, as it has been analysed and developed with a multi-disciplinary approach, taking advantage of the knowledge and skills of an ecosystem of companies, research centres, start-ups and, of course, our customers. It is precisely within a perspective of **open innovation** that the Group firmly believes in the value of co-financed projects at a European, national and regional level: these projects allow innovative solutions to be tested with the contribution (and thus the vision) of international companies. The validation of models, proof of concept and prototypes are only a few of the main results that these projects guarantee Iren, contributing not only knowledge, but also economic resources.

In 2016, Iren actively took part in **14 research and innovation projects** for a total multi-year commitment of 10 million Euro, of which half was financed by research and innovation tenders managed by institutions such as the European Union, the Italian State and its bodies and regions (for example, Horizon 2020, Framework Programme 7, MIUR, POR FESR, etc.). These projects involved a commitment of over 1.2 million Euro over the year, 0.7 million of which was funded through the tenders mentioned above. These are projects that actively involve around 50 Iren employees belonging to different business areas and with diverse operational activities, and guarantee collaborations with numerous businesses and academic institutions located in over 94 European cities.



Another important indicator of innovation activities linked to co-financed projects are the approximately 6,000 residents involved in trials across the Group's reference areas: the direct engagement, right from the embryonic stage, of customers and residents within an innovative project that aims to produce services dedicated to them, is objectively recognised as a rewarding element. The **Empowering** project (European IEE program), completed in March 2016, proposed engagement and energy empowerment instruments to a pilot group of electricity and district heating customers to help them with the sustainable consumption of energy resources.

6,000 citizens involved in the trial for the sustainable consumption of energy resources

Both the engagement instruments of the stakeholders and the study of asset management methods able to contribute to a sustainable consumption of the resources, are at the basis of the **Dimmer** project (European program FP7), completed in September 2016, that aims to develop an instrument for the optimisation of the management of the district heating thermal exchange substations and the supply of heat, reducing power peaks.

The optimised, synergistic and innovative management of Group assets was further applied to the **Flexmeter** project (European Horizon 2020 project) which trials ICT architectures that enable a system of multi-service smart metering, both for end users and electricity distribution assets, all supported by innovative services for the various stakeholders. Similar objectives, in terms of applicative models for the optimised management of the integrated water service and the study of innovative technologies for treating wastewater, can be found in the **SmartWaterTech** project (MIUR tender).

The relationship between different energy and service providers, on a different level to Flexmeter, is also the aim of the **Celsius** project (European program FP7), the "Smart City" project of the city of Genoa that uses a turbo-expansion system to transform the fall in pressure of a gas pressure reduction station into renewable electricity.

The trial of innovative systems, specifically in the integrated water cycle, is the driver behind **Reqpro** (Life+ program), which co-funds the development of a civil wastewater filtration system using sand filters and final disinfection with UV rays and hydrogen peroxide, in order to make sure that the water leaving the plant complies with irrigation uses.

The trial of innovative plant design solutions lies at the basis of the **Biometh-ER** project (Life+ program) to produce and use the biomethane gas produced by sewage sludge through a prototypical biogas upgrading system.

Innovation must also be directed to improve and streamline corporate and working processes: in this regard the **Holides** project (European Artemis program), which ended in September 2016 – involved the development of a technological platform that will allow human factors to be taken into consideration right from

the initial planning and development stages for cooperative, adaptive systems on various automation levels. Furthermore, the **BlueSCities** project (Horizon 2020 program), includes the definition of practical guidelines, benchmarking activities and best practices to be applied to the efficient management of the integrated water service and waste in urban environments.



The **Waterspy** project, launched in November 2016, on the other hand, intends to develop and define a methodology to detect the presence of heterotrophic bacteria (*E. coli*, *Pseudomonas aeruginosa* and *Salmonella*) in aqueous matrices. This instrument, which is to be developed as a prototype for use in the field on sources of procurement for the water service (artificial lakes) and on the distribution network, includes a pre-concentration phase that allows a biosensor to bind the bacteria on a surface, which will then be analysed with laser technology. The development of an instrument that works within the indicated range could open up many possibilities in the pervasive monitoring of water quality.

The redefinition of the tender processes for energy efficiency activities in all of its preliminary stages, dialogue with the market and identification of the bonus criteria, is the goal of the **Probis** project (European CIP project), which concluded in 2016. In order to improve and refine the use of company GIS systems, Iren also participates in the **Geosmartcity** project (European CIP project), the objectives of which include interoperability between the databases of subsoil users.

The Group is also very attentive to electricity storage: the **Store&Go** project, launched in March 2016, will demonstrate 3 innovative Power to Gas (PtG) systems, located in Germany, Switzerland and Italy, in order to identify and overcome technical, economic, social and legal barriers. The project aims to evaluate the possibility of integrating the PtG storage system within cutting-edge energy production and distribution systems.

Sustainable mobility is another important objective of innovation in Iren: its declination on the one hand provides for the installation of fixed electric charging infrastructures in the Group's various local areas, and on the other hand the study of induction systems, as developed in the **Fabric** project (European program FP7). This technology could be, provisionally, the engine for the massive development of the electric mobility of the future. In parallel, the **NeMo** project, begun in October 2016, includes the development of an e-roaming platform applied to different electric mobility systems (vehicles and recharging infrastructure). The main objective is the creation of a hyper network, or a supra ICT infrastructure able to standardise data from various stakeholders

and generate innovative services and applications across various levels.



IREN ABROAD

Iren proceeded with the internationalisation process it began in 2015, by continuing to offer technical assistance, support and capacity building services. Below is a summary of the main activities carried out.

SERBIA

In 2016, Iren Group, together with the company Deloitte, developed the short and medium term strategy for Beogradske Elektrane, a public company that manages district heating in Belgrade which - with its almost 3,000 MW of installed thermal power, 14 production plants and more than 700 km of network - represents one of the biggest and most important examples in Europe.

Iren conducted the technical analysis, offering important contributions to the development of the Serbian company, examining in depth topics such as efficiency and energy saving, studying scenarios that included the interconnection of sub-networks, the creation of cogeneration plants and the introduction of thermal storage systems. The strategy was approved by the city in November 2016.

CHINA

The Group collaborated with Utilitalia, A2A and Hera in organising a Sino-Italian Forum on environmental protection, which was held in Beijing on 8 April 2016, and focused on district heating, with the aim of promoting Italian expertise and excellence in China, similar

to what has been done in other European countries. The forum was held in conjunction with the annual meeting of the China District Heating Association, which saw all Chinese operators in the district heating sector come together and the participation of almost 300 parties. During the event, a collaboration agreement was signed between Utilitalia, AIRU and the Beijing District Heating Group (BDHG), the company that manages, from Beijing, the largest district heating network in China, representing the China District Heating Association (CDHA). The agreement's main objective is to strengthen strategic and operational cooperation and to share studies and activities that can contribute to the development of the energy market in the respective countries. In particular, efforts are expected towards the identification of projects and activities for the development of high-efficiency district heating systems.

FONDAZIONE AMGA

The AMGA Foundation, established in 2003, looks to increase and disseminate knowledge and understanding about the water cycle and its interactions with the environment, identifying research topics and promoting projects on water control and environmental protection. To this end, it promotes research programs that aim to allow the sustainable management of water resources and to support economic growth and social development. The Foundation has established various collaborations with Universities and research Institutions and has a national and international network. It is a founding member of the TICASS Consortium (Tecnologie Innovative per il Controllo Ambientale e lo Sviluppo Sostenibile - Innovative Technologies for Environmental Control and Sustainable Development) and the manager of the Energy and Environment innovation hub of the Liguria Region. In 2016, the AMGA Foundation changed its governance, planning research, cultural and educational activities, also in the energy and environmental sectors, in line with Iren Group's business guidelines.

2016 ACTIVITIES

Some of the initiatives promoted by the Foundation during 2016 are given below and include research activities, training, cultural, educational, informational and editorial initiatives.

Areas	Projects
Economy and regulation	<ul style="list-style-type: none"> Calculation of the standard cost of capital in the regulation of public utilities, with particular reference to the waste sector: the possible inclusion of the waste sector as one regulated by AEEGSI could lead to the need to quantify the cost of capital in the tariff formula. The study focused on the most controversial points related to the capital cost estimate and analysed the topic of the waste sector. Menu regulation and Totex approach: Italian regulation in the energy and water sector involves incentives for efficiency, which are substantially limited by the Opex cost component. This may lead to sub-optimal incentives for companies. UK regulation introduced forms of menu regulation, marked by the option that companies are given to choose between more or less "challenging" packets. It proposes to study the British experience to identify the implementation difficulties, as well as the possible effects of a Totex-type regulation (Capex+Opex), with the total expenses considered efficient recognised in the tariff.



Areas	Projects
Economy and regulation	<ul style="list-style-type: none"> • Calculation of the environmental cost and the resources of the integrated water service: consistent with the commitments of EU countries to a water price policy based on “polluters pay” and “full costs recovery” principles, AEEGSI identified an initial set of expenses to be included in the environmental costs of the resource (ERC2015), including “other operating costs”. These were estimated by AEEGSI on the basis of communications received from a limited number of competent parties and will have a significant impact on company accounts. The study offers an accurate examination of the topic and the related problems in estimating “other operating costs”. • OPM parameters, potential methodological limitations and benefits: with MT12 the Authority has further developed the asymmetrical regulation with the possibility for some operators to obtain more favourable treatment for the potential maximum growth of the tariff and the awarding of incentives for contractual quality. The study evaluates any methodological limits and benefits in the definition of the OPM parameter (ratio between total operational costs in 2014 and the population served) and its impacts in order to incentivise the operators to achieve higher levels of efficiency or service quality or greater tariff sustainability towards users.
Management of water resources	<ul style="list-style-type: none"> • Laboratory network for the management of analytical and monitoring aspects linked to environmental critical issues or legislative changes: the project aims to analyse critical legislative and environmental issues that have arisen from national and European working tables and to develop analytical techniques to increase awareness concerning the resources involved in the water cycle. Monitoring is organised at a national level so that the partners of the project can become reference points for management companies and so to arrange data for the comparison of the Institutional Bodies to define the new legislative limits or to manage critical environmental issues. • Survey on the presence of new pathogens in water destined for human consumption: risks of contamination of water destined for human consumption and the susceptibility of the population to pathogenic and/or opportunistic micro-organisms are developing constantly. The project aims to continuously monitor the appearance of new risks associated with emerging pathogens in drinking water, developing specific analytical methods for their research to be adopted in the control laboratories for aqueducts in order to update the research parameters for controlling the microbiological quality of water. • Costs of analytical tests of water destined for human consumption: the project analyses the dimensions and costs related to the quality control of water destined for human consumption and treatment water, which operators have to carry out in order to comply with current legislation and to optimise the management and efficiency of treatment and purification plants. The survey defines the costs to be monitored, identifies collection methods shared with other national operators and initiates a comparison on the “appropriate” value per capita that guarantees serious and effective control. • Nano/micro-plastics in water, possible impact on human health: the ongoing use of plastic materials implies the gradual release of fragments of various sizes. The diffusion of micro- and nano-plastics in food and water arouses great interest due to the possible consequences on human health. The study allows for the potential health impact of nano-plastics found in water to be assessed, using various models of human and mammalian cells or aquatic organisms. • Inter-laboratory circuit: the initiative launched by UNICHIM in 1996 which includes analysis cycles on identical samples conducted by several laboratories in accordance with set conditions. The Foundation participates in the coordination of the project on the line of analysis related to water destined for human consumption and wastewater. In 2016, 550 laboratories were involved in trials for inorganic components in the water, halogenated solvents and aromatic solvents in the water.
Training, culture and education	<ul style="list-style-type: none"> • “Sei Eco-logico? Giochi e soluzioni per la sostenibilità” (Are you Eco-logical? Games and solutions for sustainability) (see page 126). • “Corso UniAuser Università Popolare dell’Età Libera” (UniAuser People’s University for All Ages Course): with the GAU association in Genoa, a course structured in meetings on the various topics was organised: the disappearance of Piazza Ponticello and the creation of Piazza De Ferrari, the urban transformations in the centre of Genoa, the science of water purification in the mid-19th century, safe gas and waterways in the city - in the tracks of the historic aqueduct. • Thematic library specialised in technical, economic and environmental topics linked to public services and to the integrated water service in particular. It is a member of the National Library Service with a catalogue of approximately 7,000 volumes and periodicals, which can be consulted on-line at www.fondazioneamga.org/catalogo. • Water and Gas Museum established to illustrate the history of gas and water supply. In 2016, it recorded an increase in the number of visitors. The museum was opened to schools and featured guided tours organised within the Edu.Iren program.

COMPLIANCE WITH THE GRI GUIDELINES

Indicator	Application Level	Page/Notes
Strategy and analysis		
G4-1	CEO's statement on sustainability	Core 6-7
G4-2	Description of key impacts, risks and opportunities	Comprehensive 36-41, 48
Organizational profile		
G4-3	Name of the organization	Core Cover
G4-4	Main brands, products and/or services	Core 12-14
G4-5	Location of headquarters	Core Back cover
G4-6	Countries of operation	Core 14
G4-7	Ownership structure and legal form	Core 122
G4-8	Markets served	Core 14-17, 72-82
G4-9	Scale of the reporting organization	Core 12, 15-17, 44, 57-58, 72, 77-79, 84
G4-10	Employees by type of contract, gender, geographic area, category	Core 12, 84-85, 95-97
G4-11	Percentage of total employees covered by collective bargaining agreements	Core 86, 102
G4-12	Organization's supply chain	Core 99-101
G4-13	Changes during the year in the organization or in the supply chain	Core 12, 100
G4-14	Precautionary principle (risk management)	Core 30
G4-15	Charters, principles or other external initiatives to which the organization subscribes or which it endorses	Core 21, 32, 68, 79-80
G4-16	Memberships in trade associations	Core 117-118
EU-1	Installed capacity	Core 15
EU-2	Net energy output	Core 15, 61
EU-3	Number of customers	Core 15-16, 72
EU-4	Length of transmission and distribution networks	Core 15, 75
EU-5	Respect of Kyoto Protocol	Core Level of respect: 9.13%
Identified Material Aspects and Boundaries		
G4-17	Companies included in the consolidated financial statements with indication of those not covered by the Sustainability Report	Core 8, Annual Report at 31 December 2016
G4-18	Process for defining report content and aspect boundaries	Core 8-9
G4-19	Material aspects identified in the process of defining content	Core 8-9
G4-20	For each material aspect indicate the related scope within the organization	Core 8-9
G4-21	For each material aspect indicate the related scope outside the organization	Core 8-9
G4-22	Any restatement with respect to the previous report	Core 8, 20, 48, 50, 51, 54, 55, 62, 84
G4-23	Any restatement with respect to the material aspects of the previous report	Core 8-9
Stakeholder Engagement		
G4-24	Stakeholder groups engaged by the organization	Core 33-35
G4-25	Identification process	Core 33-35
G4-26	Approach to stakeholder engagement	Core 33-35, 117
G4-27	Key topics and concerns arising from stakeholder engagement	Core 10, 34-35



Indicator	Application Level	Page/Notes
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G4-28	Core	8
G4-29	Core	8
G4-30	Core	8
G4-31	Core	145
G4-32	Core	131
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G4-34	Core	21
G4-35	Comprehensive	21
G4-36	Comprehensive	21
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G4-39	Comprehensive	23
G4-40	Comprehensive	21
G4-41	Comprehensive	21-22, 26
G4-42	Comprehensive	29
G4-43	Comprehensive	22
G4-44	Comprehensive	21
G4-45	Comprehensive	29, 33
G4-46	Comprehensive	25-26
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G4-48	Comprehensive	25, 29
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G4-50	Comprehensive	31
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G4-53	Comprehensive	24-25
G4-54	Comprehensive	97, Report on remunerations 2016
G4-55	Comprehensive	97, Report on remunerations 2016
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G4-56	Core	28, 31-32, 68, 79-80
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G4-58	Comprehensive	31

Indicator	Application Level	Page/Notes
Economic Performance		
G4-DMA	Economic Performance	44-46
G4-EC1	Direct economic value generated and distributed	44-45
G4-EC2	Economic and financial implications of climate change	44
G4-EC3	Coverage of the organization's defined pension plan obligations	Annual Report at 31 December 2016
G4-EC4	Significant financial assistance received from government	46
G4-DMA	Market Presence	45
G4-EC5	Ratio of standard entry level wage compared to the local minimum wage	The Group implements national collective labour agreements that guarantee application of the minimum contractual pay to all employees, including new hires
G4-EC6	Proportion of senior management hired from the local community	45
G4-DMA	Indirect Economic Impacts	43, 45
G4-EC7	Development and impact of infrastructure and services supported	44, 109-111
G4-EC8	Significant indirect economic impacts	45
G4-DMA	Procurement Practices	99-104
G4-EC9	Proportion of spending on local suppliers	103
G4-DMA	Availability and Reliability	44
EU-10	Planned capacity	44
G4-DMA	Demand-side Management	35, 61-63, 70, 82
G4-DMA	Research and Development	127-130
System Efficiency		
EU-11	Average generation efficiency of thermal plants	Cogeneration plants, thermal plants and thermoelectric plants: 66.72% Waste-to-energy plants: 62.77%
EU-12	Transmission and distribution losses as a percentage of total energy	75
Environmental Performance		
G4-DMA	Energy	47-48, 59, 82
G4-EN1	Materials used by weight or volume	78
G4-EN3	Energy consumption within the organization	48
G4-EN4	Energy consumption outside the organization	48
G4-EN5	Energy intensity	Intensity of natural gas consumption: 0.14 Intensity of diesel consumption: 0.00 Intensity of biogas consumption: 0.26
G4-EN6	Reduction of energy consumption	54, 56, 62-63
G4-EN7	Reductions in energy requirements of products and services	62-63
G4-DMA	Water	47, 49-50, 57
G4-EN8	Total water withdrawal by source	49
G4-EN9	Water sources significantly affected by withdrawal of water	49, 64-65
G4-EN10	Percentage and total volume of water recycled and reused	49, 117
G4-DMA	Biodiversity	47, 64-65
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	64-65
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity	64-65
G4-EN13	Habitats protected or restored	64-65
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations	64-65
EU-13	Biodiversity of offset habitats compared to the biodiversity of the affected areas	64-65



Indicator	Application Level	Page/Notes
G4-DMA Emissions		47, 51, 53-54
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	51, 55
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	51
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	51, 64
G4-EN18	Greenhouse gas (GHG) emissions intensity	Cogeneration plants: 0.37 Thermal plants: 0.19 Thermoelectric plants: 0.39 Waste-to-energy plants: 1.58 Landfills: 0.41 Waste vehicles: 0.01
G4-EN19	Reduction of greenhouse gas (GHG) emissions	53-56, 59-63
G4-EN20	Emissions of ozone-depleting substances (ODS)	51
G4-EN21	NO _x , SO _x , and other significant air emissions	51
G4-DMA Effluents and Waste		47, 50
G4-EN22	Total water discharge by quality and destination	50, 57
G4-EN23	Total weight of waste by type and disposal method	50
G4-EN24	Total number and volume of significant spills	52
G4-EN25	Hazardous waste (Basel Convention Annex I, II, III, and VIII)	Iren does not transport, import, export, or treat waste shipped internationally
G4-EN26	Impact on biodiversity affected by water discharges	64-65
G4-DMA Products and Services		67, 72
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	52-56
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	Not applicable considering Iren Group activities
G4-DMA Transport		55-56
G4-EN30	Significant environmental impacts of transporting products, goods and materials and members of the workforce	55
G4-DMA Investments for the environment		53
G4-EN31	Total environmental protection expenditures and investments	53
G4-DMA Supplier Environmental Assessment		99, 101
G4-EN32	Percentage of new suppliers screened using environmental criteria	102
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	102
G4-DMA Environmental Grievance Mechanisms		66
Social Performance		
G4-DMA Employment		83-85, 99, 101-102
G4-LA1	Total number and rates of new employee hires and employee turnover	85, 96
G4-LA2	Benefits provided to employees	86
G4-LA3	Return to work and retention rates after parental leave	89
EU-15	Percentage of employees eligible to retire in the next 5 and 10 years	Not disclosed because sensitive
EU-17	Days worked by contractor and subcontractor employees	102
EU-18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training	103
G4-DMA Labour/Management Relations		83, 88
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	88
G4-DMA Occupational Health and Safety		83, 93
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees	93
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities	85-86, 94, 97, 101
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	93
G4-LA8	Health and safety topics covered in formal agreements with trade unions	93-94

Indicator	Application Level	Page/Notes
G4-DMA	Training and Education	91-93
G4-LA9	Average hours of training	92
G4-LA10	Programs for skills management and lifelong learning	87-88, 90, 95-96
G4-LA11	Percentage of employees receiving regular performance and career development reviews	86
G4-DMA	Diversity and Equal Opportunity	83, 88-89
G4-LA12	Composition of governance bodies and breakdown of employees per employee category	21, 85, 88-89, 95
G4-DMA	Equal Remuneration for Women and Men	88-89
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category	97
G4-DMA	Supplier Assessment for Labour Practices	99, 102
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	101
G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	101
G4-DMA	Labour Practices Grievance Mechanisms	31, 88
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance Mechanisms	88
Human Rights		
G4-DMA	Investment	44
G4-DMA	Non-discrimination	67-68, 83, 88-89
G4-HR3	Total number of incidents of discrimination and corrective actions taken	68
G4-DMA	Freedom of Association and Collective Bargaining	88
G4-DMA	Supplier Human Rights Assessment	100-101
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	100-101
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	102
Society		
G4-DMA	Local Communities	105-107, 112
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	33-35, 111-112
G4-SO2	Operations with significant actual or potential negative impacts on local communities	111-112
EU-22	Number of people physically or economically displaced and compensation	112
G4-DMA	Disaster/Emergency Planning and Response	105, 113
G4-DMA	Anti-corruption	118-119
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	119
G4-SO4	Communication and training on anti-corruption policies and procedures	118-119
G4-SO5	Confirmed incidents of corruption and actions taken	119
G4-DMA	Public Policy	116
G4-SO6	Total value of political contributions by country and recipient/beneficiary	118
G4-DMA	Anti-competitive Behaviour	72
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	72
G4-DMA	Supplier Assessment for Impacts on Society	100-102
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	100-102
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	101
G4-DMA	Grievance Mechanisms for Impacts on Society	112-113
G4-SO11	Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms	72, 103, 113



Indicator	Application Level	Page/Notes
G4-DMA	Customer Health and Safety	68-69
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	111-112
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services	72, 113
EU-25	Number of injuries and fatalities to the public involving company assets	113
G4-DMA	Access	73, 76, 79
EU-26	Percentage of population unserved in licensed distribution or service areas	The Group serves the entire population of the territories in which manages the electricity distribution service
EU-27	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime	75
EU-28	Power outage frequency	74
EU-29	Average power outage duration	74
EU-30	Average plant availability factor	Cogeneration plants: 43.47% Waste-to-energy plants: 183.15%
G4-DMA	Provision of Information	67, 70
G4-DMA	Product and Service Labelling	67, 70
G4-PR3	Product and service information and labelling	Not applicable considering Iren Group activities
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling	72
G4-PR5	Results of surveys measuring customer satisfaction	70-71
G4-DMA	Marketing Communications	67, 69-70
G4-PR6	Sale of banned or disputed products	Not applicable considering Iren Group activities
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship	72
G4-DMA	Customer Privacy	68
Compliance		
G4-DMA	Compliance	30-31, 66, 115, 118-119
G4-EN29	Monetary value and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	66
G4-PR9	Monetary value for non-compliance with laws and regulations concerning the provision and use of products and services	72
G4-SO8	Monetary value and total number of non-monetary sanctions for non-compliance with laws and regulations	88, 103, 113

REPORT OF THE INDEPENDENT AUDITOR



INDEPENDENT REPORT ON THE LIMITED ASSURANCE ENGAGEMENT OF THE SUSTAINABILITY REPORT 2016

To the Shareholders of
Iren SpA

We have carried out a limited assurance engagement on the Sustainability Report (hereinafter the "Report") of Iren Group (hereinafter the "Group") for the year ended 31 December 2016.

Responsibility of the Directors for the Report

The Directors are responsible for preparing the Report in compliance with the *G4 Sustainability Reporting Guidelines* defined in 2013 by the *GRI - Global Reporting Initiative* and by the *G4 Sector Disclosure - Electric Utilities* defined in 2013, as indicated in the chapter "Introduction" of the Report, and for that part of internal control that they consider necessary to prepare Sustainability Report that is free from material misstatement, whether due to fraud or unintentional behaviours or events. The Directors are also responsible for defining the sustainability performance targets of Iren Group, for reporting the sustainability results, as well as for identifying the stakeholders and the significant aspects to be reported.

Auditor's responsibility

We are responsible for the preparation of this Report on the basis of the work performed. We conducted our engagement in accordance with *International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000)*, issued by the IAASB (*International Auditing and Assurance Standards Board*) for limited assurance engagements. The standard requires that we comply with applicable ethical requirements, including professional independence, and that we plan and perform our work to obtain limited assurance that the Report is free from material misstatement. The procedures consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the Report, analysis of documents, recalculations and other verification procedures.

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Società soggetta all'attività di direzione e coordinamento della PricewaterhouseCoopers Italia Srl
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Our company applies the *International Standard on Quality Control 1 (ISQC (Italy) 1)* and, therefore, maintains an overall quality control system that includes directives and procedures on the compliance with the ethical principles, with the professional principles and with the applicable laws and regulations.

The procedures we performed consisted in verifying compliance of the Report with the principles for defining the content and the quality of a Sustainability Report set out in the *G4 Sustainability Reporting Guidelines* and in the *G4 Sector Disclosure - Electric Utilities*, and are summarised as follows:

- comparing the financial information reported in chapter “Iren’s value” of the Report with the information included in the Group’s consolidated financial statements as of 31 December 2016 on which we issued our audit opinion, in accordance with articles 14 and 16 of legislative decree n° 39 of 27 January 2010, on 30 March 2017;
- analysing, through inquiries, the governance system and the process for managing the sustainability issues relating to the Group’s strategy and operations;
- analysing the process aimed at defining the significant reporting areas to be disclosed in the Report, with regard to the methods for their identification, in terms of priority for the various stakeholders, as well as the internal validation of the process findings;
- analysing the processes underlying the generation, recording and management of quantitative data included in the Report. In detail, we carried out:
 - meetings and interviews with management of Iren S.p.A., Iren Ambiente S.p.A., Ireti S.p.A., Iren Energia S.p.A., Amiat S.p.A., Atena S.p.A., GEA Commerciale S.p.A. to achieve a general understanding of the information, accounting and reporting systems in use to prepare the Report, as well as of the internal control processes and procedures supporting the collection, aggregation, processing and submission of the information to the function responsible for the Report preparation;
 - a sample-based analysis of the documents supporting the preparation of the Report, in order to obtain evidence of the reliability of processes in place and of the internal control system underlying the treatment of the information relating to the objectives disclosed in the Report;
- analysing the internal consistency of the qualitative information described in the Report and its compliance with the guidelines identified in the preceding paragraph “Responsibility of the Directors for the Report”;
- analysing the engagement of stakeholders and its results through the existing documentation concerning the significant matters arisen during the Group dialogue initiatives;
- obtaining a representation letter, signed by the legal representative of Iren S.p.A., on the compliance of the Report with the guidelines identified in the paragraph “Responsibility of the Directors for the Report”, as well as the reliability and completeness of the disclosed information.



Our limited assurance work was less in scope than a reasonable assurance engagement performed in accordance with ISAE 3000 (*reasonable assurance engagement*) and, consequently, it does not provide us with a sufficient level of assurance necessary to become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Sustainability Report of Iren Group as of 31 December 2016 has not been prepared, in all material respects, in compliance with the *G4 Sustainability Reporting Guidelines* defined in 2013 by the *GRI - Global Reporting Initiative* and by the *G4 Sector Disclosure - Electric Utilities* defined in 2013 as disclosed in the chapter “Introduction” of the Report.

Turin, 30 march 2017

PricewaterhouseCoopers Advisory SpA

Signed by

Paolo Bersani
(Partner)

This report has been translated from the original, which was issued in Italian, solely for the convenience of international readers.



GLOSSARY

A

AEEGSI (AUTHORITY FOR ELECTRICITY, GAS AND WATER SERVICES): Authority for Electricity and Gas (formerly AEEG, established by Italian Law 481 of 14 November 1995) and the Water Service.

ARPA: Agenzia Regionale per la Protezione dell'Ambiente (Regional Environmental Protection Agency).

ATERSIR: Emilia-Romagna Territorial Agency for Waste and Water Services.

B

BEST AVAILABLE TECHNIQUES (BAT): the techniques used to regulate industrial operators' obligations as regards pollution prevention and control.

BIOGAS: gas produced by anaerobic fermentation from industrial or agricultural waste microorganisms (acidogenic bacteria, acetogenic bacteria and methanobacteria) or urban water treatment sludge; the methane contained in biogas can be used for producing energy.

BOD: with the term BOD (biochemical oxygen demand), it is intended the quantity of oxygen consumed during a specified time (5 days for BOD5), at a given temperature, to decompose organic substances present in the water through the action of bacteria (cellular respiration). A high biochemical oxygen demand indicates intense biodegradation of organic matter, and may indicate the presence of organic pollution. It is thus an indirect measure of pollution levels. It is expressed in %.

C

CO: carbon monoxide.

CO₂: carbon dioxide.

COD: the acronym COD (chemical oxygen demand) refers to the amount of oxygen required to completely oxidise the organic and inorganic compounds present in a water sample. It is thus an indicator for measuring the degree of pollution in the water from mainly organic, oxidisable substances. It is expressed in %.

CODE OF ETHICS: document setting forth the principles, conduct, commitments and ethical responsibilities to be adopted in all company business by the company's directors, employees and consultants.

COGENERATION: the simultaneous production of electricity and thermal energy used for different purposes.

CORPORATE GOVERNANCE: the set of rules by which a company is managed and controlled.

CSR: Corporate Social Responsibility (CSR).

D

DISTRIBUTION OF ELECTRICITY: the transportation and transformation of electricity on high, medium and low-voltage distribution networks for delivery to end customers.

DISTRICT HEATING: the transmission of heat to a distant location, using water flowing in two pipes, one delivery pipe with hot water and one return pipe with colder water.

E – F

EIA: Environmental Impact Assessment.

EMISSION TRADING SYSTEM (ETS): flexible mechanism envisaged by the Kyoto Protocol, which aims to enable the exchange of emission rights between Countries or Companies in relation to their targets for reducing greenhouse gas emissions.

END CUSTOMER: an individual or company that acquires electricity exclusively for its own use.

ENERGY EFFICIENCY BONDS (EEB) (COMMONLY KNOWN AS WHITE CERTIFICATES): Energy efficiency bonds (EEB), established by the decrees issued by the Ministry for Productive Activities in agreement with the Ministry for the Environment, Land and Sea on 20 July 2004 (M.D. of 20 July 2004), lay down the energy savings that electricity and gas distributors with user bases of over 50,000 customers are required to meet. The EEBs are valid for five years starting from the reference year and are issued by the EMO.

ENERGY SERVICE COMPANY (ESCO): companies whose business objective is to develop energy saving projects and who are accredited as such by the AEEGSI.

ENVIRONMENTAL MANAGEMENT AND AUDIT SCHEME (EMAS): environmental management and audit pursuant to the European Community Regulation 761/2001.

ETHICAL INDEXES: indexes that monitor the trend of the performance of a basket of companies according to financial, economic and also ethical, environmental or social criteria.

FREE MARKET CUSTOMER: the customer acquired from 1 July 2004 or from July 2007 following the extension of the deregulation of the VAT numbers first, then household customers.

G

GAS TURBINE: a machine that converts the energy of steam generated in a boiler or from a steam reservoir into the mechanical energy of a rotary shaft.

GIGAJoule (GJ): a unit of measurement for energy (of any kind) adopted by the International System (3.6 GJ are equivalent to 1 GWh).

GIGAWATT (GW): a unit of measurement for power (of any kind) equivalent to one million kilowatts.

GIGAWATT-HOUR (GWh): a unit of measurement for energy (of any kind) equivalent to one million kilowatts per hour.

GREEN CERTIFICATES: Green Certificates are annual certificates issued by the GSE (Electricity Services Provider), which correspond to the production of 1 MWh of energy from renewable sources. Starting from 2002, based on the Decree 79/99, it is mandatory for producers and importers to introduce energy from renewable sources into their networks, in quantities equal to a percentage of the total electricity produced or imported during the previous year from conventional sources (net of exports, self-consumptions of the plant and cogeneration).

GREENHOUSE GASES: gases transparent to solar radiation that prevent the dispersion of heat from the Earth, thus causing the atmosphere to overheat. Besides those of natural origin, the main greenhouse gases produced by man are carbon dioxide, natural gas, chlorofluorocarbons and nitrogen oxides.

GROSS PRODUCTION: electricity produced in the period of time considered, as measured at the terminals of the electricity generator unit.

GSE (Electricity Services Provider): established pursuant to article 3 of the Italian Legislative Decree 79/99, it is a Joint-Stock Company, whose shares are held by the Treasury, which provides incentives for the production of electricity from renewable and assimilated sources and that deals with the qualification of renewable sources plants and their electricity production.



H - I

HYDROELECTRIC: a hydroelectric plant is a plant in which the potential energy of water is transformed into electricity. Hydroelectric plants may be of the through-flow, storage or pumped-storage type.

HV: high voltage, i.e. 132 kV, 220 kV and 380 kV.

IEA: Integrated Environmental Authorisation.

IEC: Integrated Environmental Centre.

K - L

KILOCALORIE (kcal): the unit of measurement for heat (thermal energy). One kcal is the amount of heat necessary to raise the temperature of 1 kg of water by 1°C.

KILOVOLT (kV): the unit of measurement for voltage equivalent to 1,000 volts.

KILOWATT (kW): the unit of measurement for power (of any kind) equivalent to 1,000 watts.

KILOWATT-HOUR (kWh): the unit of measurement for energy (of any kind) equivalent to 1,000 watts per hour.

LV: low voltage, i.e. between 220/380 V.

M

MBO: Management By Objectives

MEGAWATT (MW): a unit of measurement of power (of any kind) equivalent to one million watts.

MEGAWATT-HOUR (MWh): a unit of measurement for energy (of any kind) equivalent to one thousand kilowatts per hour.

MV: medium voltage, i.e. between 1 and 30 kV.

N - O

NET PRODUCTION: gross production minus the electricity consumed in running the generator unit, including the step-up transformer.

NOX: nitrogen monoxide.

OHSAS 18001: the OHSAS (Occupational Health & Safety Assessment Series) 18001 standard is an internationally recognised benchmark for certifying workplace health and safety management systems.

P

POWER EXCHANGE: virtual place for a meeting with demand and offer for the sale of wholesale electricity. The economic management of the power exchange is entrusted to the EMO, pursuant to art. 5 of Italian Legislative Decree 79/99.

PRODUCTION CAPACITY estimated energy that can be produced by each producer.

PRODUCTION: the generation of electricity or thermal energy irrespective of the method used.

PROTECTED CUSTOMERS: the domestic customer or customers with low voltage intake points only and the characteristics of small and medium-sized enterprises (up to 50 employees and turnover of up to Euro 10 million) that have not moved to the free market.

PUMPING: plant consisting of one or more pumps which perform the function of making a liquid flow inside a pipe.

R

RENEWABLE ENERGY: sun, wind, water resources, geothermal resources, tides, waves, and the transformation of plant products, organic and inorganic waste into electricity.

RENEWABLE SOURCES: non-fossil renewable sources of energy (wind, sun, geothermal sources, waves, tides, water, biomass, landfill gas, gas from treatment processes and biogas) in accordance with article 2 of Italian FER (Renewable Energy Sources) Decree.

S

SAFEGUARDED CUSTOMERS: customers that are not eligible and that do not possess the requisites to be high-protection customers.

SCM: standard cubic metre.

SERVICE CHARTER: company document that establishes the quality standards of company services.

SOCIAL COOPERATIVES: in compliance with Law 381/91 social cooperatives “pursue the general interest of the community to promote human and social integration of citizens” through management of social-health and educational services and the performance of activities aimed at providing employment for disadvantaged people.

STAKEHOLDERS: the set of parties that interact with the company, or the individual, community or organisation that can influence or be influenced by the activity of the company.

SUSTAINABILITY REPORT: instrument that takes into account the impacts generated by the company with reference to the three dimensions of sustainability: economic, social and environmental.

SUSTAINABLE DEVELOPMENT: economic growth of a company in the long term with a low environmental impact and good relations with the community.

T

TERAWATT-HOUR (TWh): one billion kilowatt-hours.

TERNA: the set of conductors for a three-phase power line.

THERMOELECTRIC: an electricity generating plant that uses fossil fuels.

TOE: tonne of oil equivalent; the quantity of primary fossil fuel replaced, that is, the amount of fuel otherwise required to produce the same quantity of useful energy in Italy.

TOTAL POWER: the total amount of electric or thermal energy of the various producers installed in a plant.

TRANSMISSION: the transportation of electricity on interconnected high and very high voltage networks either from the production plants or, for imported energy, from the point at which the energy is delivered, to the distribution network.

TSS: the term TSS (Total Suspended Solids), which are the cause of the turbidity of the sewage, is understood as the sum of suspended and filterable solids. It represents the totality of the substances present in the sample after drying at 105°C. The figure is expressed in %.

U – V

UNI EN ISO 14001: international technical standard for the certification of environmental management systems.

UNI EN ISO 9001: international technical standard for the certification of quality management systems.

VOLT: unit of measurement for electric voltage.



W

WASTE AND WATER REGULATING AUTHORITY (AMBITO TERRITORIALE OTTIMALE - ATO): The Waste and Water Regulatory Authorities (Ambito Territoriale Ottimale), pursuant to Italian Law 36 of 1994, determines the territorial level of organisation of the Integrated Water Service in view of overcoming the fragmentation of the operators and the achievement of adequately proportioned management; the Regional Law defines its boundaries based on the river basin.

WASTE: Italian Legislative Decree no. 152 of 3 April 2006 defines waste as “any substance or object that lies in the categories listed in annex A of the fourth part of this decree and that has already been or is to be disposed of by its owner”. This decree classifies waste, according to its origin, as municipal or industrial, and, according to its level of hazardousness, as hazardous or non-hazardous.

WATT: unit of measurement for electric power.

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Do you want to contact the Work Group?

Write us:

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Particular thanks goes to all of the colleagues of the Iren Group that contributed to the preparation of the Sustainability Report and the members of the Local Committees for the commitment in the materiality analysis.



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