Update of the A2A 2021-2030 Strategic Plan

Growth of all financial objectives, investments and sustainable economic value.
Strong contribution to the acceleration of the country decarbonization
thanks to a diversified portfolio with renewables and bioenergy

- 18 billion of investments over 10 years (+2 billion compared to the previous Plan) of which:
  - 7 billion for the Circular Economy
  - 11 billion for the Energy Transition
- ~90% of investments in line with the UN Sustainable Development Goals (SDGs)
- ~70% of investments in line with EU Taxonomy
- EBITDA of ~ 2.9 billion at the end of the Plan, more than doubled compared to the average of recent years
- Net profit up by 9% on average per year
- Minimum dividends expected to grow by an average of 3% per year
- Targets for installed capacity for generating energy from renewable sources reached 2 years in advance
- 49% reduction of the CO_2 emission intensity by 2030, compared to the 2017 figure (improving the target to 2030 approved by the Science Based Targets initiative)
- Elimination of direct and indirect emissions generated by the Group brought forward to 2040
- Further 4.5 million tonnes of waste recovered as material or energy and removed from landfill compared to 2020

Further growth in direct hires compared to the previous plan: 7,000 in the ten years of the Plan for a total of 15,000 employees at the end of 2030

"The first year of the 2021-2030 Business Plan was significantly above expectations both from an industrial and economic results point of view, with a daily commitment to pursuing the ESG objectives we have set ourselves. Leveraging on the strong growth capacity demonstrated by all the Group's business units, we have decided to further increase investments by allocating 18 billion euros to the ecological transition," comments **Renato Mazzoncini**, *CEO of A2A. "The update of the Plan sets out to bring forward by 10 years the common goal of zero emissions, further expand our presence in Italy and establish new and even more ambitious business targets. We aim to be protagonists of the country's decarbonization process, thanks to*

our ability to guarantee both renewable electricity and sustainable molecules such as hydrogen and biomethane, in line with the provisions of European directives."

Milan, 27th January 2022 – The Board of Directors of A2A, chaired by **Marco Patuano**, examined and approved the update of the **2021-2030 Industrial Plan**, which strengthens the commitment to decarbonization with an **additional two billion euros in investments**, in advance of the objectives set by COP26.

The Plan lays the basis **for achieving zeroing of direct and indirect emissions (both scope 1 and scope 2) generated by the Group** in 2040 and strengthens the businesses that can contribute to the country's ecological transition.

Circular economy and **energy transition** are confirmed as the two pillars of the Plan that encompass the concrete actions of the Group, to which all the Business Units (Energy, Environment and Smart Infrastructures[1]) contribute**.**

2021 beyond expectations

The new strategy has allowed A2A to grow in the first year of the current ten-year Plan, to consolidate its businesses and strengthen its presence **throughout the country**.

In the context of the circular economy, the Group has finalized **the acquisition of the only industrial waste treatment plant in Calabria**, while new applications have been filed for the construction of waste treatment and disposal infrastructures in various regions of central and southern Italy.

To support the energy transition, portfolios of generation plants from renewable sources have been acquired, making it possible **to bring forward the objectives of increasing the generation of green energy provided for in the Plan by two years.** The agreements signed in February 2021 with Octopus Renewables and, in the last few days, with Ardian also go in this direction, which can enable A2A to acquire portfolios of both wind and photovoltaic plants located in Italy and Spain with a total power of 173 MW (Octopus) and 352 MW (Ardian). These operations will make it possible for the Group to consolidate its position as the second operator in renewables and its presence in Italy, also representing a first step in the development of renewable plants in Europe.

[1] New denomination of BU Networks

The growth of the customer base also outside the historical perimeter of A2A, thanks to the award of various lots in the Auctions for the Gradual Protection Service and a new impulse to commercial development towards business customers, has expanded the national dimension of the Group.

Ecological transition trend

The geo-political context and the evolution of the climate emergency have contributed to making the strategic pillars of the A2A Plan even more solid: circular economy and energy transition. COP26, held in Glasgow, highlighted the need to achieve decarbonization by 2050 and reinforced the importance of the greenhouse gas emissions targets set out in the Paris Agreement.

In the light of this raised awareness**, A2A has also decided to bring forward the zero emissions target by 10 years. By 2040, the Group will achieve carbon neutrality on direct and indirect emissions** (so-called scope 1 and scope 2) through a balanced and gradual mix of interventions: development of renewable energies, carbon capture and phase-down solutions for carbon intensive businesses. This virtuous path foresees the improvement of the Group's emission intensity by 2030 compared to the objective approved by the Science Based Targets initiative (216 gCO_2/kWh in the current Plan vs 230 gCO_2/kWh certified SBTi) and consequently the reduction of 49% of specific emissions of A2A compared to 2017.

Decarbonization and energy transition are also supported by the synergic contribution of the second pillar of the Plan, the circular economy. In fact, two important components derive from its valorization: green molecules such as those of hydrogen and biomethane.

New Strategic Developments: sustainable mobility, green hydrogen, bio-methane

The main new elements of the Plan update are part of the global goals of **reducing the carbon footprint**. About 30% of CO_2 emissions in Italy derive from the mobility sector. Reducing CO_2 emissions from the transport of goods and people will be possible with an increasingly significant penetration of electric cars and heavy vehicles powered by hydrogen and bio-LNG. In 2021, 8% of cars sold in Italy were electric (pure and plug-in hybrids) and this percentage is destined to grow in the coming years. To encourage the adoption of this sustainable **mobility model, A2A has quadrupled the installation of infrastructures envisaged** compared to the previous Plan: **24 thousand electric recharging points by 2030** with a focus on **low power** (up to 7kW) and **high power** (over 50kW) to favour both slow (e.g. overnight) and rapid (similar to that of traditional filling stations) delivery modes. For those mobility segments whose evolution is not foreseen towards electricity, A2A wants to make available green solutions such as **green hydrogen and bio-LNG**. In fact, the Group plans to develop **over 60 biomethane plants, of which at least five with liquefaction to obtain bio-LNG**, while to produce hydrogen it will be possible to exploit sources of energy produced continuously such as that of **waste-to-energy** plants, with a decentralized business model based on local ecosystems at the service of industry and heavy transport.

Circular Economy, 7 billion investments in 2021-2030

In updating the Plan, A2A has revised upwards all the economic and business targets linked to the circular economy pillar.

Investments, up 18% with an **EBITDA target of 1.2 billion** euros, are intended for activities to close the waste cycle, those for the recovery of waste heat for the benefit of district heating and the integrated water cycle.

2021 confirmed the Italian structural criticalities in waste management and, unlike the main European countries, Italy is a long way from eliminating the use of landfills. In terms of polluting gases, landfills emit about 50% more CO_2 than waste-to-energy plants (WtE) and do not allow energy or heat recovery. With the update of the Industrial Plan, **A2A has further raised the objectives related to the recovery of material and energy** from waste and agri-food and livestock waste. The Plan envisages the **construction of new material recovery plants** for a total of **2.2 million tonnes by 2030**. The main developments will focus on the treatment of the wet fraction and paper, through which A2A will be able to grow until a complete closure of the waste cycle is achieved.

In the **water cycle**, the Group's goal is to contribute to overcoming EU infringements by **reducing linear water losses by 23%** (m^3/km/day) and developing a **new purification capacity**. In **district heating**, the use of energy recovered from thermal waste or from renewable sources will be doubled over the course of the plan.

Energy Transition, 11 billion investments in 2021-2030

The ongoing climate crisis highlights the need to accelerate the energy transition from fossil to renewable sources. In this context, A2A **increases investments by 9%** with an **EBITDA target of 1.7 billion euros by 2030**: the revision of the Strategic Plan includes the anticipation of the growth of the portfolio of green plants and a strong increase in electric mobility.

A2A **accelerates growth in green energy generation** with **the installation of 20% of the new renewable capacity** by 2023 (vs 8% in the previous Plan). Thanks to the acceleration in renewables, the Group has expanded the production of green energy with 4.7 TWh more than the previous Plan. The new development pipeline, equal to 2.5 GW, is made up of a balanced technological mix - 61% solar and 39% wind - and project progress in line with expectations.

To ensure the **flexibility** of the national electricity system, A2A will develop a mix of solutions including a new gas combined cycle enabled for blending with hydrogen, a new gas peaker (already authorized), electrochemical storage and 4 CCGT upgrades (already authorized) which contribute to the 1.7 GW increase in new flexibility by 2030.

A2A confirms its commitment to the **electrification of consumption** - with growth of 150% of the electricity customer base by 2030 - and the simultaneous improvement of the services offered, spreading a culture in support of responsible consumption.

In the **E-Mobility segment, A2A quadruples the installation target of charging points for electric vehicles** (24,000 in 2030 vs 6,000 in the previous Plan), with a relative market share in Italy of 15-20%, activating investments equal to 300 million euros, with the aim of confirming itself among the top three national Charging Point Operators. The development of the Mobility Service Provider activities is also planned, with over 200 thousand customers of the recharge service expected at the end of the Plan.

Social & Governance

ESG targets have been increasingly integrated in A2A strategy and, in this Strategic Plan Update, the Group have selected challenging targets in the Social and Governance dimension.
The first year of the Strategic Plan has been marked by increased attention in the management of human resources due to the prolonged Covid-19 emergency, accelerating a full digitalization of activities and guaranteeing the necessary support to work safely to all the operative resources working for essential services right across the territory. A2A continued its activities of *talent attraction* and *employer branding* thanks to the utilisation of digital platforms, with **1,300 new entries**. Training courses for employees were provided for a total of more than **216 thousand hours**, involving **9,400 employees**.
Furthermore, among the trends outlined in the Strategic Plan, **60% of employees** have been involved in sustainability and UN SDG training, aiming to reach all employees by 2026.
A2A's approach to **diversity and inclusion** is founded on integrity principles and on the safeguard of people in the work environment. To confirm this approach, last year A2A adopted the Human Rights

Policy, has committed to a Diversity, Equity and Inclusion statement and has been officially included in the Bloomberg LP Gender Equality Index.In 2021, A2A increased by +11% (vs 2020) the percentage of **women representation in the Group's boards**. A new indicator, *Gender Balance in Group companies' boards*, has been created to guarantee that the less represented gender achieves at least one third of representation in the boards, aiming to achieve, in 2030, 90% in this indicator (43% in 2021). A2A is also committed to achieving a figure of 50% in the **women among new hires** indicator in 2026 (+5% vs 2021F) and, finally, to reach, in 2030, the 21% target of hours worked in **remote working**.
The pathway to increase a sustainable Supply Chain continues, also confirming the adoption of two new policies: *Responsible Procurement* to promote social responsibility practices amongst suppliers, stimulating ESG performance along all the supply chain, and *Stakeholder Engagement* to strengthen the link with the territory. In year 1 of the Strategic Plan, 95% of purchases have been entrusted to **Italian suppliers**, 50% of purchases came from suppliers **assessed with ESG indicators** (target 90% in 2030) and the commitment to reach, in 2030, a target of 30% in the impact of sustainability criteria in *vendor rating* process has been confirmed.

For A2A, innovation means the creation of an open, broad-reaching and interconnected ecosystem. In 2021, the Group met 643 **start-ups** of which seven entered in the portfolio via Corporate Venture Capital (CVC). Through the **ecosystem of innovation**, 43 trials and tests and 11 crowdfunding initiatives were set up and one patent has been registered. A2A spreads the culture of innovation by stimulating a widespread and continuous participation of employees in different **initiatives** (ideas contests, intrapreneurship programmes, etc.): in 2021, more than 3,000 were involved with 546 ideas proposed, of which eight became prototypes under construction.

The commitments to 2030 in innovation consist in reaching **100% CAPEX aligned with UN SDGs**, confirming the Group as the first Italian CVC fund on energy transition and circular economy, increasing by 40% projects under experimentation and focusing on AI.

Economic Targets

Billion euros	2021F	2023	2026	2030
Energy EBITDA	0.6	0.80	0.94	1.20
Waste EBITDA	0.3	0.36	0.54	0.85
Smart Infrastructures EBITDA	0.5	0.50	0.65	0.89

	2020	2021	2022	2023	2026	2030
Group EBITDA (Billion euros)	**1.2**	**~1.4**	**1.40-1.45**	**~1.60**	**~2.08**	**~2.90**
Group Net Income[1] (Million euros)	**335**	**~400**	**330-370**	**>400**	**~500**	**~780**

[1] Excluding non-recurring items

GROUP EBITDA AND NET PROFIT

The Strategic Plan 2021-2030 Update presents growth in terms of EBITDA even more ambitious than the previous Plan, going from about 1.4 billion euros in 2021 to about 2.9 billion euros in 2030, with a 2020-2030 CAGR close to 9%.

The EBITDA of the Energy Business Unit is expected to double, going from 0.6 billion euros in 2021 to about 1.2 billion euros in 2030, mainly following the strong contribution of the new RES capacity (+3.9 GW vs 2020) that is developed together with the customer base (+150% Power customers and +25% Gas customers vs 2021), also following the end of the protected market. Investments in flexibility and the start-up of one new high-efficiency CCGT plant are also planned to ensure safety and flexibility of the national grid in the important transition phase to renewables.

The growth in the Waste Business Unit is attributable to the acquisition of treatment plants for the closure of the waste cycle as well as the strengthening of material and energy recovery. EBITDA is expected to increase from 0.3 billion euros in 2021 to 0.85 billion euros in 2030.

Finally, in the Smart Infrastructures Business Unit, EBITDA is expected to increase from 0.5 billion euros in 2021 to 0.89 billion euros in 2030. The important investments planned will be directed above all to the development of the electricity and water networks (with management of purification plants) and the upgrading of district heating. The e-mobility sector will also be powered, with the new ambition to be one of the top three Italian charging operators: in 2030, in fact, A2A Group will own 15-20% of Italian market share with more than 24 thousand charging points thanks to more than 0.3 billion euros in CAPEX. The EBITDA linked to this business will be 80 million euros in 2030.

The development of margins is well balanced, not only between the various Business Units but also in terms of the timescale. Growth is already expected starting from the first years with EBITDA expected to increase to 1.60 billion euros in 2023, vs 1.4 billion euros in 2021.

Group Net Income, excluding non-recurring items, is also expected to increase consistently, going from 335 million euros in 2020 to about 780 million euros in 2030 (+9% CAGR).

INVESTMENTS

The Update of the Strategic Plan, to enable the achievement of the ambitious objectives as described above, foresees 18 billion euros in the period 2021-2030, increased by 2 billion euros with respect to the Strategic Plan presented last year. This increase is attributable to:

- +0.6 billion euros Energy Business Unit, due to the further growth in RES acquisition, to the increase in investments for existing plants in terms of flexibility and to the maintenance of existing hydroelectric concessions;
- +0.8 billion euros Waste Business Unit, following the important upgrade in the biomethane/bioenergy business and the identification of further investment initiatives in the Waste-to-Energy business;
- +0.6 billion euros Smart Infrastructures Business Unit, for the development of investments in the Networks division and for new targets identified in the e-mobility business.

Of the 18-billion-euro investments by the Group in 2021-2030, most is focused on the energy transition (61%, equal to about 11 billion euros), with about 7 billion euros destined for the development of the circular economy.

The Group's commitment to sustainability is strong: about 70% of total investments fall into the category of sustainable investments in line with the criteria identified by the EU Taxonomy. 90% of the investments contribute to the sustainability objectives defined by the United Nations (UN SDGs).

From the point of view of the Business Units, the Energy BU is the recipient of around 7 billion euros (39% of the total) of investments, the Waste BU of around 5 billion euros (28%) and the Smart Infrastructures BU of around 6 billion euros (33%).

Finally, about 70% of the investments concern regulated or contractualized businesses.

DIVIDENDS

The Strategic Plan 2021-2030 Update, despite the increase in investments, confirms the targets of dividend distribution to shareholders:

- At least 8.2 euro cents per share on the profit for 2021
- At least 8.5 euro cents per share on the profit for 2022
- At least 8.7 euro cents per share on the profit for 2023

For the following years, a minimum growth of 3% per year is expected.

CAPITAL STRUCTURE AND SUSTAINABLE FINANCE

The Strategic Plan 2021-2030 Update confirms the attention to a balanced capital structure aimed at maintaining A2A's profile at a solid *investment grade*. The FFO / NetDebt ratio always remains above the security threshold, peaking at 28.8% in 2030.

Funding needs will be managed with the most suitable instruments to ensure adequate diversification of sources and investors. The average cost of debt, already decreasing in the last few years thanks to the actions of optimization of A2A capital structure, is expected to further decrease over the next 10 years (<1.7%), thanks also to the favourable general rates scenario although rates are predicted to increase in the next few years. In the Strategic Plan Update, the average long-term debt duration is more than seven years.

The pathway towards sustainable finance, started in 2018 with the first sustainability-linked revolving credit line, was subject to a steep acceleration in 2021 through:

- publication of the Sustainable Finance Framework, the first framework combining Green and Sustainability-Linked among Italian issuers;
- issuance of an inaugural Sustainability-Linked Bond and the first Green Bond with investments aligned to EU taxonomy;
- subscription of a Sustainability-Linked credit line with social implications, donating minor (or major) interests to *Banco dell'energia Onlus*.

These actions allowed A2A to achieve a share of ESG debt equal to 44% in 2021. The financial strategy in the Strategic Plan will make it possible to increase the weight of sustainable finance, achieving 70% in 2026 and 80% in 2030, improving the targets set in the previous Plan (respectively 60% and 70%).

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