

ANNUAL FINANCIAL REPORT AS OF 31ST DECEMBER

2020

Ascopiave Group

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Annexes:

- Declaration by the Manager - Certification of the Consolidated Financial Statements pursuant to Article 81-ter of Consob regulation no. 11971;
- Report on Corporate Governance and Company Structure.

Board of Auditors:

- Report of the Board of Auditors on Financial Statements as of 31st December 2020.

Auditing Company:

- Independent Auditors' Report on the Consolidated Financial Statements as of 31st December 2020;
- Independent Auditors' Report on the Financial Statements as of 31st December 2020;
- Independent Auditors' Report on the Consolidated non-financial disclosure for 2020.

GENERAL INFORMATION

Directors, Officers and Company information

Board of Directors and Board of Auditors

Name	Office	Duration of office	From	To
Ceconato Nicola	Chairman of the Board of Directors and CEO*	2017-2019	28/04/2017	29/05/2020
Coin Dimitri	Indipendet Director	2017-2019	28/04/2017	29/05/2020
Martorelli Giorgio**	Indipendet Director	2017-2019	28/04/2017	29/05/2020
Lillo Antonella	Director	2017-2019	28/04/2017	29/05/2020
Pietrobon Greta	Indipendet Director	2017-2019	28/04/2017	29/05/2020
Quarello Enrico	Indipendet Director	2017-2019	28/04/2017	29/05/2020
Ceconato Nicola	Chairman of the Board of Directors and CEO*	2017-2019	28/04/2017	Approval of budget 2022
Pietrobon Greta	Indipendet Director	2020-2022	29/05/2020	Approval of budget 2022
Quarello Enrico	Indipendet Director	2020-2022	29/05/2020	Approval of budget 2022
Bet Roberto	Director	2020-2022	29/05/2020	Approval of budget 2022
Geronazzo Mariachiara	Indipendet Director	2020-2022	29/05/2020	Approval of budget 2022
Vecchiato Luisa	Director	2020-2022	29/05/2020	Approval of budget 2022
Novello Cristian	Indipendet Director	2020-2022	29/05/2020	Approval of budget 2022

(*)Powers and attributions of ordinary and extraordinary administration, within the limits of the law and of the Articles of Association and in observance of the reserves under the scope of the Shareholders' Meeting and the Board of Directors, according to the resolutions of the Board of Directors.

Name	Office	Duration of office	From	To
Schiro Antonio	President of the Board of Auditors	2017-2019	28/04/2017	29/05/2020
Biancolin Luca	Statutory Auditor	2017-2019	28/04/2017	29/05/2020
Marcolin Roberta	Statutory Auditor	2017-2019	28/04/2017	29/05/2020
Salvaggio Giovanni	President of the Board of Auditors	2020-2022	29/05/2020	Approval of budget 2022
Moro Barbara	Statutory Auditor	2020-2022	29/05/2020	Approval of budget 2022
Biancolin Luca	Statutory Auditor	2020-2022	29/05/2020	Approval of budget 2022

Supervisory Boards

In-Company Control Committee	From	To	In-Company Control Committee	From	To
Novello Cristian	29/05/2020	Approval of budget 2022	Pietrobon Greta	29/05/2020	Approval of budget 2022
Bet Roberto	29/05/2020	Approval of budget 2022	Quarello Enrico	29/05/2020	Approval of budget 2022
Geronazzo Mariachiar	29/05/2020	Approval of budget 2022	Vecchiato Luisa	29/05/2020	Approval of budget 2022

Independent Auditor

PriceWaterhouseCoopers S.p.A.

Registered office and Company data

Ascopiave S.p.A.
Via Verizzo, 1030
I-31053 Pieve di Soligo TV Italy
Tel: +39 0438 980098
Fax: +39 0438 82096

Investor relations

Tel. +39 0438 980098
Fax +39 0438 964779
e-mail : investor.relations@ascopiave.it

Share Capital: Euro 234,411,575 fully paid up
VAT ID 03916270261

Main economic and financial data of the Ascopiave Group

Economic figures

(Thousands of Euro)	Full Year 2020	% of revenues	Full Year 2019	% of revenues
Revenues	163,896	100.0%	124,911	100.0%
Gross operative margin	63,805	38.9%	44,898	35.9%
Operating result	29,151	17.8%	21,573	17.3%
Result for the period	58,701	35.8%	14,479	11.6%
Net result from transfer/disposal of assets		0.0%	478,737	383.3%
Net result for the period	58,701	35.8%	493,216	394.9%

The gross operating margin (EBITDA) is the result before amortisation/depreciation, write-down of receivables, financial management and taxes.

Capital data

(Thousands of Euro)	31.12.2020	31.12.2019
Net working capital	29,287	16,891
Fixed assets and other non current assets	1,210,134	1,122,433
Non-current liabilities (excluding loans)	(47,071)	(52,850)
Net invested capital	1,192,350	1,086,474
Net financial position	(338,447)	(212,981)
Total Net equity	(853,903)	(873,492)
Total financing sources	(1,192,350)	(1,086,474)

Please note that "Net working capital" means the sum of inventories, trade receivables, tax receivables, other current assets, accounts payable, tax payables (within 12 months), and other current liabilities.

Cash flow data

(Thousands of Euro)	Full Year	
	2020	2019
Net income of the Group	58,701	14,479
Cash flows generated (used) by operating activities	41,981	18,322
Cash flows generated/(used) by investments	(111,897)	(47,716)
Cash flows generated (used) by financial activities	24,787	29,775
Variations in cash	(45,128)	381
Cash and cash equivalents at the beginning of the year	67,031	59,353
Cash and cash equivalents at the beginning of the year - Companies held for sales	0	7,297
Cash and cash equivalents at the end of the year	21,902	67,031

REPORT ON OPERATIONS

Foreword

The Ascopiave Group closed 2020 with a net consolidated profit of Euro 58.7 million (Euro 493.2 million as of 31st December 2019), with a decrease of Euro 434.5 million compared to the previous year, attributable for Euro 44.0 million to the capital gain generated by the sale of the natural gas sales companies of the Ascopiave Group to the Hera Group.

The consolidated net assets as of 31st December 2020 amount to Euro 853.9 million (Euro 873.5 million as of 31st December 2019), and the net invested capital to Euro 1,192.4 million (Euro 1,086.5 million as of 31st December 2019). In 2020, the Group accomplished net investments for Euro 111.9 million (Euro 47.7 million in 2019), mainly for the purchase and increase in equity investments for Euro 68.6 million and the installation of electronic metres, as well as the development, maintenance and modernisation of gas distribution networks and facilities for Euro 43.3 million (Euro 34.4 million in 2019).

The process aimed at enhancing the gas sales activities and strengthening and consolidating the Group's presence in the distribution sector was completed on 19th December 2019. The business partnership approved on 17th June 2019 with Hera S.p.A. led to the establishment, through EstEnergy, of the largest Energy player in Northern-Eastern Italy to which the Ascopiave Group contributed with the sale of the gas and energy sales companies. As part of the operation, the Ascopiave Group also acquired the newly established company, consolidated on a line-by-line basis, Ap Reti Gas Nord Est S.r.l., to which the Hera Group had previously granted concessions for the distribution of gas, with approximately 188,000 users in Veneto and Friuli-Venezia Giulia.

In compliance with the provisions of accounting standard IFRS 5 "Non-current assets held for sale and discontinued operations" the economic figures of 2019 of the sales companies transferred were shown separately in a single line of the income statement.

The operating results achieved in 2019 by the companies involved in the partnership represent 100% of the result that the Group has consolidated, while the results achieved in 2020 by the Estenergy Group are recorded for the quota attributable to the Group (48%) in the item "Net result of companies consolidated using the equity method".

On 1st July 2019, the company Unigas Distribuzione S.r.l. was merged through acquisition into Ascopiave S.p.A.. Subsequent to this operation, the company Unigas Distribuzione S.r.l. was no longer consolidated using the equity method, but on a line-by-line basis. On the same date, Ascopiave S.p.A. transferred the merged unit to Edigas Edigas Distribuzione Gas S.p.A..

Activities

Ascopiave mainly operates in the sectors of natural gas distribution, as well as in other sectors related to the core business, such as heat management and co-generation.

The Group currently holds concessions and direct assignments for the supply of the service in 268 municipalities and has a distribution network extending for over 12,900 km providing services to a catchment area of approximately 777,000 users.

Strategic objectives

Ascopiave aims to pursue a strategy focused on the creation of value for its stakeholders, by maintaining the level of excellence in the quality of services offered, respecting the environment and social groups, to increase the value of the field in which it operates.

The Group intends to consolidate its leadership position in the gas sector on a regional level and is looking to reach a prominent position also at the national level, taking advantage of the liberalisation process currently underway. In this respect, Ascopiave follows a development strategy whose main guiding principles are dimensional growth, diversification in other divisions of the energy sector in synergy with the core business and the improvement of operative processes.

Operating performance

The volumes of gas distributed through the networks managed by the Group were 1,460.8 million cubic metres, with an increase of 37.2% compared to 2019, mainly due to the line-by-line consolidation of Unigas Distribuzione S.r.l. and the entry into the consolidation scope of Ap Reti Gas Nord-Est S.p.A.

The distribution network as of 31st December 2020 has an extension of 12,913 km, up 58 km compared to the previous year.

Operating results and financial position

Consolidated revenues in 2020 totalled Euro 163.9 million, compared to Euro 124.9 million recorded in the previous year. The increase in the turnover is mainly explained by the extension of the scope of consolidation, due to the entry into the consolidation scope of Ap Reti Gas Nord Est S.r.l. and the line-by-line consolidation of Unigas Distribuzione Gas S.r.l. (whose business unit was transferred to Edigas Distribuzione S.p.A.).

The Operating Result of the Group equals Euro 29.2 million, up Euro 7.6 million compared to 2019, mainly explained by the extension of the scope of consolidation.

The Net Result, equalling Euro 58.7 million, marks a decrease of Euro 434.5 million compared to the previous year, attributable for Euro 447.0 million to the capital gain generated by the sale of the natural gas sales companies of the Ascopiave Group to the Hera Group. This decrease was partially offset by the expansion of the scope of consolidation which resulted in the full recognition of the results achieved by Ap Reti Gas Nord Est S.r.l., acquired as part of the same partnership with the Hera Group and the results achieved by Unigas Distribuzione gas S.r.l., merged through acquisition effective 1st July 2019.

The results achieved in 2019 by the companies involved in the partnership finalised on 19th December 2019 with the Hera Group are recorded in the item "Net result of discontinued operations", which includes 100% of the result that the Ascopiave Group consolidated on 31st December 2019. This item includes the capital gain due to the sale of the stake in the companies, which led to the related deconsolidation, net of the costs incurred for its realisation. Conversely, the results achieved in 2020 by the Estenergy Group are recorded (for the portion attributable to the Ascopiave Group, 48%) in the item "Result of companies consolidated using the equity method" for Euro 18,310 thousand.

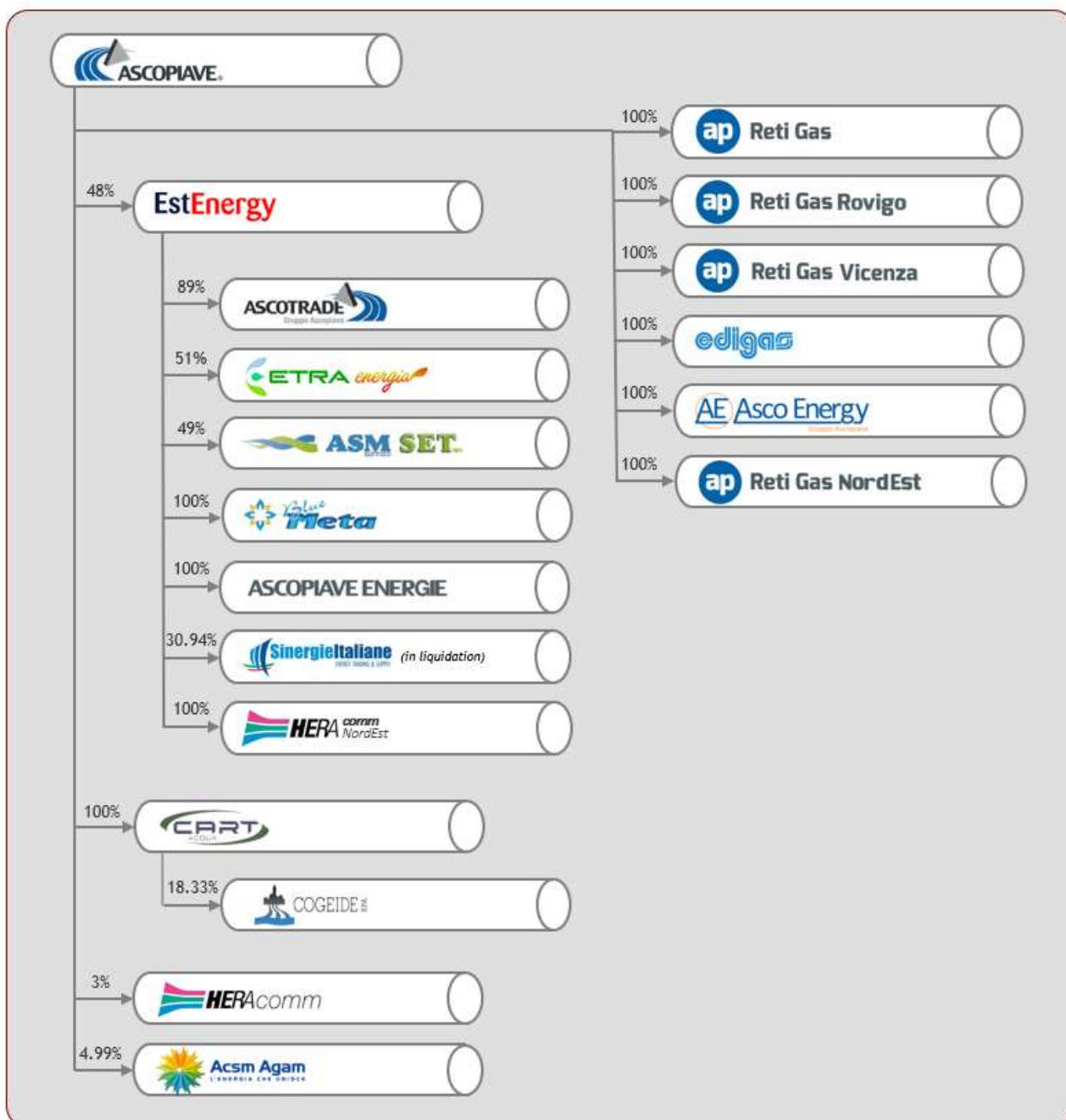
The Net Financial Position of the Group as of 31st December 2020 is equal to Euro 338.4 million, up Euro 125.5 million compared to Euro 213.0 million as of 31st December 2019.

The increase in financial indebtedness is determined by the cash flow of the period (given by the sum of the net result and amortisation and depreciation and provisions), which generated resources for Euro 93.4 million, the management of current assets, which absorbed financial resources for Euro 33.7 million, the investment activity which caused the expenditure of Euro 111.9 million and the management of equity (dividends and own shares) which absorbed resources for Euro 54.9 million.

The ratio of Net financial position to Net equity as of 31st December 2020 is 0.40 (0.24 as of 31st December 2019).

The structure of the Ascopiave Group

The table below shows the company structure of the Ascopiave Group as of 31st December 2020.



Reference economic context

During 2020, the world economy, which had already recorded the lowest growth in 2019 since the 2008-2009 financial crisis, was heavily affected by the health emergency caused by SARS Cov2. The epidemic broke out at different times in different nations, starting with Asian countries and continuing with other nations, including severely Italy, spreading to different parts of the world. The restrictive measures implemented by the various nations in order to contain the virus, which were particularly stringent in some periods, led to a significant decline in world production and demand for goods and services. During the summer, the pandemic slowed down due to various factors, such as the effects of the strong restrictive measures implemented in the previous months or due to the favourable season, enabling the economy of the various countries to recover part of the losses. The second wave of the virus broke out in autumn and, consequently, in the autumn and winter of 2020-2021, harsher restrictive measures were introduced at different times in different countries. At the same time, in the last weeks of the year, scientific and pharmaceutical research produced with unprecedented rapidity the first vaccines against Covid 19, which were approved by the competent bodies and administered to the population of the nations which had purchased the doses.

Due to the pandemic that affected a large part of the world, the OECD, in the December Economic Outlook, forecast a decline in world GDP of 4.2% in fiscal year 2020. A partial rebound is gradually expected in 2021 with the improvement of the health situation which could lead to a growth of 4.2%. The projection is strongly linked to the response of the individual countries to the epidemiological situation and the actions that will be implemented to make vaccines available to the population. The success of the vaccination campaign, assisted by a rapid release of the repressed demand and accumulated savings, would bring growth to 5%, while, in case of delays in the process, the expected growth is 2.5%.

The International Monetary Fund expects a contraction in growth of 4.2% for the Eurozone in 2020. The recovery, due to the restrictive measures adopted during the winter of 2020-2021, implemented to deal with the so-called second wave, will only be partial in 2021. If the mass vaccination campaigns are successful, the Eurozone should return to pre-pandemic levels only in 2022.

With regard to Italy, the OECD, in line with the forecasts of the Italian Government, expects a significant decrease in GDP in 2020 (-9.1%). A growth of 4.3% and 3.2% is expected respectively in 2021 and 2022.

Istat (Italian Institute of Statistics), in a recent press release, emphasised that the repeated economic downturns in employment recorded between March and June 2020, combined with that of December, led to employment levels lower than in December 2019 (-1.9%, or -444 thousand units). The contraction involved employees and freelancers of all age groups, with the exception of people over 50.

Gas distribution

Gas distribution, subsequent to the finalisation of the partnership between Ascopiave S.p.A. and the Hera Group, effective 19th December 2019, is the first activity of the Group in terms of contribution to company income.

This activity is carried out as a concession or direct assignment and, as such, is subject to strict regulation by the public authorities, with regards to both management methods and tariffs.

As it is known, Legislative Decree no. 164/00 introduced the compulsory allocation of the gas distribution service through a call for tenders, assuming that a competition mechanism for the selection of the provider would enable the end customer to contain costs and an improvement in the quality of the service supplied.

Law Decree 159/2007 (Law 222/2007) introduced, for the first time, the concept of Territorial Tender (Atem) for the management of the service, establishing that the tender procedures must be launched by territorial areas. Atem tenders were subsequently definitely adopted as a basic rule for the sector with Legislative Decree 93/2011 which has forbidden, commencing June 2011, the launch of invitations to tender in the individual Municipalities, ratifying the obligation to launch tenders exclusively in minimum territorial areas.

Therefore, the majority of analysts foresee, in the medium term, a strong concentration in the offer, with a reduction in the number of operators and an enlargement of the average size of the companies.

Since 2011, with special reference to calls for tenders in territorial areas, the regulatory framework of the industry was updated yet again through the issuance of a number of ministerial decrees.

In particular:

- 1) the Decree dated 19th January 2011 issued by the Ministry for economic Development in agreement with the Ministry for the Relationship with Regions and Territorial Cohesion, the territorial areas for issuing calls for tenders to entrust the gas distribution service were identified;
- 2) with subsequent Decree dated 18th December 2011, the municipalities belonging to each territorial area were also identified (the so-called Territorial Areas Decree);
- 3) the Decree issued by the Ministry for Economic Development and the Ministry of Employment and Social Policies on 21st April 2011 contained provisions ruling the social effects connected to the assignment of the new gas distribution concessions, thus implementing paragraph 6 of art. 28 of Legislative Decree no. 164 issued on 23rd May 2000 (the so-called Workforce Protection Decree);
- 4) with the Decree issued by the Ministry for Economic Development on 12th November 2011, the regulations concerning the criteria to be applied to calls for tenders and the evaluation of the offer for assigning the gas distribution service were approved (the so-called Decree for Criteria).

The issuance of ministerial decrees played a major role in giving certainty to the competitive environment within which operators will move in the coming years, thus laying the foundations for allowing the process of market opening - that started with the implementation of European directives - to produce the benefits hoped for.

The Ascopiave Group favourably welcomed the emerging regulatory framework, believing that it actually creates important opportunities for investments and development to qualified medium-sized operators, going in the direction of a positive rationalisation of the offer.

At the end of 2013, with Law Decree 23/12/2013, no. 145, converted with amendments into Law 9/2014, art. 15, paragraph 5 of Legislative Decree 164/2000, which governs the determination of the reimbursement value of the plants due to the outgoing operator at the end of the so-called “Transitional Period”, was substantially modified.

In June 2014, the Decree of the Minister of Economic Development containing the “Guidelines for criteria and application procedures for the assessment of the reimbursement value of natural gas distribution networks” entered into force, which, although formally aimed at explaining the criteria to assess the value of plants pursuant to art. 5 of Ministerial Decree 226/2011, essentially establishes a peculiar framework, which implements only to a minimum extent art. 5 above (in its original version, in force upon the issuance of the guidelines).

Subsequently, with Law Decree 91/2014, amended and converted into Law 116/2014, another substantial change was made to art. 15, paragraph 5 of Legislative Decree no. 164/2000. The contents of the revised text and its evolution are described in sections “National regulations” and “Goals and policies of the Group and description of risks” of this financial report.

Finally, in mid-2015, the Decree of the Ministry of Economic Development no. 106, dated 20th May 2015, amended the previous Ministerial Decree 226/2011, reformulating Article 5, concerning the criteria to calculate the value of the plants. The new Decree has basically “transferred” the content of the Guidelines (mentioned above) into its text. Concisely, this measure has made Article 5 compatible with the Guidelines, which would have been a specification/clarification.

The regulatory framework

Resolution dated 27th December 2019 569/2019/R/gas - Approval of the regulation of quality of gas distribution and metering services for the 2020-2025 regulatory period - Part I of the Consolidated text on the regulation of quality and tariffs of gas distribution and metering services for the 2020-2025 regulatory period. The resolution approves the regulation of the quality of gas distribution and metering services for the 2020-2025 regulatory period.

Resolution dated 27th December 2019 570/2019/R/gas - Tariff regulation of gas distribution and metering services for the period 2020-2025. The provision approves the regulation of tariffs for gas distribution and metering services for the 2020-2025 regulatory period.

Resolution dated 1st April 2020 106/2020/R/gas - Redetermination of reference tariffs for gas distribution and metering services, for the years 2009-2018. The provision redefines the reference tariffs for gas distribution and metering services for the years 2009-2018, on the basis of requests for data correction received by 15th February 2020.

Resolution dated 1st April 2020 107/2020/R/gas - Determination of the final reference tariffs for gas distribution and metering services, for the year 2019. Correction of a clerical error in the RTDG approved by Authority resolution 570/2019/R/gas. The provision approves the definitive reference tariffs for gas distribution and metering services for the year 2019, pursuant to article 3, paragraph 2, of the 2014-2019 RTDG, considering the requests for data correction submitted within 15th February 2020. It also corrects a clerical error found in the RTDG.

Resolution dated 14th April 2020 127/2020/R/gas - Determination of the temporary reference tariffs for gas distribution and metering services, for the year 2020. The provision approves the provisional reference tariffs for the gas distribution and metering services for the year 2020, pursuant to article 3, paragraph 2, of the RTDG, considering the requests for data correction submitted by 15th February 2020.

Resolution dated 12th May 2020 163/2020/R/gas - Determination of the bonuses and penalties relating to the safety recoveries of the natural gas distribution service for the year 2016. The provision determines, for the year 2016, the bonuses and penalties relating to safety recoveries of the natural gas distribution service.

Resolution dated 28th July 2020 289/2020/R/gas - Provisions on the reference tariffs for gas distribution and metering, for the years from 2017 to 2020, and on equalisation amounts on account for the year 2020. The provision approves the final reference tariffs for gas distribution and metering for the years 2017-2019 and the provisional reference tariffs for the year 2020, considering the requests for tariff redetermination presented by 6 distribution companies, and redefines the bimonthly equalisation down payments for the year 2020 for the same companies.

Resolution dated 4th August 2020 309/2020/R/gas - Down payments of bonuses relating to the safety of the natural gas distribution service for the year 2017. A down payment on the total net amount of the bonuses due for 2017 (algebraic balance of the bonuses and penalties of the natural gas distribution service) will be made in an amount equal to 80%.

Resolution dated 17th November 2020 463/2020/R/gas - Determination of starting levels and trend levels, for the years 2020-2025, regarding the settlement of bonuses-penalties of the natural gas distribution service. The Resolution aims to promote the quality of the network service, including metering, and the active management of the distribution networks.

Resolution dated 1st December 2020 501/2020/R/gas - Update of the obligations to put into service smart gas metres (G4-G6). Due to the Covid emergency, this resolution extends by one year the deadlines for the obligations to put into service the metres stated in Annex A attached to Authority's resolution dated 27th December 2013, 631/2013/R/gas.

Resolution dated 22nd December 2020 567/2020/R/gas - Determination of the bonuses and penalties relating to the safety of the natural gas distribution service for the year 2017. The provision determines, for the year 2017, the bonuses and penalties relating to the safety of the natural gas distribution service.

Resolution dated 22nd December 2020 568/2020/R/gas - Recognition of costs for the natural gas metering service, relating to remote reading/remote management systems and concentrators, for the years 2017 and 2018.

Resolution dated 29th December 2020 596/2020/R/gas - Update of tariffs for gas distribution and metering services, for the year 2021. This resolution approves the mandatory tariffs for natural gas distribution, metering and sale services, pursuant to article 42 of the RTDG, the tariff options for other gases, pursuant to article 70 of the RTDG, and the bimonthly equalisation amounts on account relating to the natural gas distribution service, pursuant to article 47 of the RTDG, for the year 2021.

Efficiency and energy saving obligations

The Letta Decree, in article 16, paragraph 4, states that natural gas distribution companies must pursue energy saving objectives and the development of renewable energy sources.

The definition of the national quantitative objectives and the criteria for the assessment of the results obtained was requested from the Ministry for Economic Development, in agreement with the Ministry of the Environment and Land Protection, which led to the issue of the ministerial decree of 20th July 2004.

With the Decree dated 21st December 2007, the Ministry for Economic Development reviewed and updated the Decree dated 20th July 2004, on the following points:

- the 2008 and 2009 objectives were reviewed in the light of an excess of offer of energy efficiency certificates recorded on the market;
- the objectives for the three-year period 2010 - 2012 were defined, considering the target of reduction of energy consumption fixed by the action plan as of 2016, equal to 10.86 MTOE;
- the efficiency and energy saving obligations for each year following 2007 were extended to distributors which, as of 31st December of two years prior to each year of obligation, connected more than 50,000 end customers to their distribution network.

The energy saving objectives, that apply both to natural gas and electricity distributors, set out by the Decree dated 20th July 2004, integrated by the Decree dated 21st December 2007, are equal to:

- 0.10 Million TOE for the year 2005;
- 0.20 Million TOE for the year 2006;
- 0.40 Million TOE for the year 2007;
- 1.00 Million TOE for the year 2008;
- 1.40 Million TOE for the year 2009;
- 1.90 Million TOE for the year 2010;
- 2.20 Million TOE for the year 2011;
- 2.50 Million TOE for the year 2012.

The fulfilment of energy saving is attested through the distribution of energy efficiency certificates, the so-called "White Certificates". In order to fulfil the obligations as specified by the Decree dated 20th July 2004, integrated by the Decree of 21st December 2007, and to thus see their White Certificates recognised, distributors can:

- implement interventions to improve the Energy efficiency of technology installed or related methods of use;
- purchase the White Certificates directly from third parties, by means of bilateral contracting or through negotiation in an appropriate market set up at Gestore dei mercati energetici (GME).

With Decree dated 28th December 2012, new objectives of annual primary energy savings were defined for the period 2013-2016 for the obliged distributors, and in particular:

- 4.6 Mtoe in 2013;
- 6.2 Mtoe in 2014;
- 6.6 Mtoe in 2015;
- 7.6 Mtoe in 2016;

For natural gas distributors, the quota of the above-mentioned obligations corresponds to the following white certificates:

- 3.04 million white certificates to be achieved in 2014
- 3.49 million white certificates to be achieved in 2015
- 4.28 million white certificates to be achieved in 2016

For years 2013 and 2014, the obligor must deliver a quota at least higher than 50% of its annual obligation that must be compensated in the next two years in order to avoid penalties. For years 2015 and 2016 the minimum value is set at 60% of the obligation, and it is always possible to compensate in the next two years in order to avoid penalties.

In addition, Decree dated 28th December 2012 gave effect to the provisions of Decree 28/2011 which sets that the activities of management, evaluation and savings certification related to energy efficiency projects undertaken as part of the mechanism of white certificates are transferred to the GSE - Gestore dei Servizi Energetici.

The Decree also extended to parties other than distribution companies and the Energy Saving Company (so-called ESCO), the opportunity to present projects in order to obtain white certificates.

Decree dated 11th January 2017, published in the Official Gazette no. 78 dated 3rd April 2017, defined the new national goals for energy saving for the relevant distribution companies for the years 2017-2020. For natural gas distributors the quota of the above-mentioned obligations corresponds to the following white certificates:

- 2.95 million white certificates to be achieved in 2017
- 3.08 million white certificates to be achieved in 2018
- 3.43 million white certificates to be achieved in 2019
- 3.92 million white certificates to be achieved in 2020

Furthermore, the decree dated 11th January 2017 defines the new guidelines for presenting energy efficiency projects: the old mechanism was reviewed by eliminating the “tau” coefficient, the useful life of projects was extended and the standardised forms were eliminated.

The Decree dated 10th May 2018 reviewed the tariff contribution for the subjects to which the obligation applies, introducing a ceiling of Euro 250 per TEE as a maximum reimbursement.

Furthermore, given the scarcity of certificates with respect to demand, “unsecured” certificates were introduced, that is, certificates issued by the GSE at the request of the distributors to which the obligation applies, which have at least 30% of the certificates of the current objective in the portfolio. Unsecured certificates can cost up to a maximum of 15 Euros/TEE and can possibly be redeemed the following year by the distributor.

By resolution dated 14th July 2020, ARERA revised the calculation of the tariff contribution by adding, among other things, the additional contribution that takes into account the market price of the target year and the scarcity of certificates on the market.

The companies of the Group Ap Reti Gas S.p.A., Ap reti Gas Vicenza S.p.A. and Edigas Distribuzione S.p.A. (subsequent to the merger of Unigas Distribuzione S.r.l. on 1st July and consequent transfer to Edigas), are subject to the obligations set out in Decrees dated 20th July 2004, 21st December 2007 and 28th December 2012, and are required to meet the energy saving requirements established annually by the GSE. As regards the new distribution company of the group, AP Reti Gas Nord Est S.r.l., in January 2020 a formal communication was sent to ARERA and the competent bodies for the assignment of the relevant obligations.

The GSE has the task of checking that each distributor is in possession of energy efficiency certificates that comply with the annual objective assigned to it (increased by any additional shares for compensation or updated following the introduction of new national quantity objectives) and of informing the Ministry for Economic Development, the Ministry for the Environment and the Protection of the Territory and Gestore del Mercato Elettrico (GME), of all certificates received and the outcome of the inspections.

If a distributor does not meet the agreed objective, it could incur an administrative penalty imposed by the Authority, implementing Law no. 481 dated 14th November 1995 and the indications of decree dated 28th December 2012.

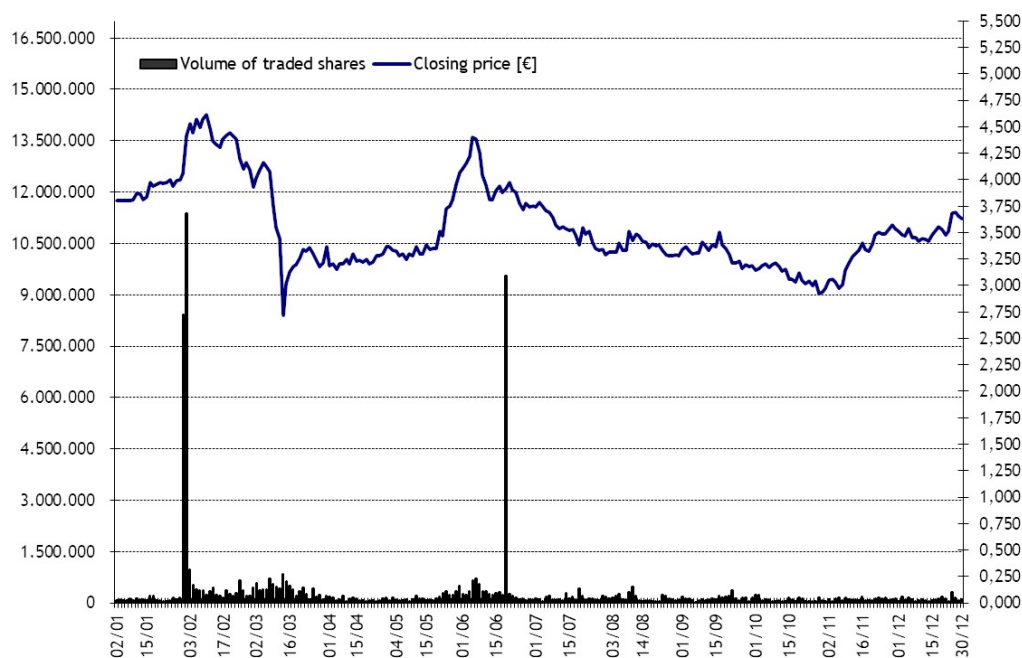
For further information on efficiency and energy saving relating to the companies of the Group, please see paragraph “Efficiency and energy saving”.

The delivery of the certificates relating to the 2019 target was originally scheduled for 31st May 2020 but was postponed to November 2020 due to Covid, while the deadline set for the end of May 2021 for the delivery of the 2020 target is currently confirmed. In October, CSEA made an extraordinary down payment equal to 19% of the 2019 target.

Ascopiave S.p.A. share trend on the Stock Exchange

As of 30th December 2020, the Ascopiave share registered a quotation of Euro 3.635 per share, marking a decrease of 4.5 percentage points as compared to the listing at the beginning of 2020 (3.805 Euro per share, referred to 2nd January 2020).

Capitalisation of the Stock Exchange as of 30th December 2020 was equal to Euro 857.19 million¹ (Euro 895.61 million at 30th December 2019).



During 2020, the quotation of the shares shows a decrease in performance (-4.5%). In the same period, the FTSE Italia All Share index decreased by 6.8%, while the FTSE Italia Star index and the sectorial index FTSE Italia Servizi di Pubblica Utilità increased respectively by 12.3% and 9.5%.

In the following table, we report the main shares and stock-exchange data as of 31st December 2020:

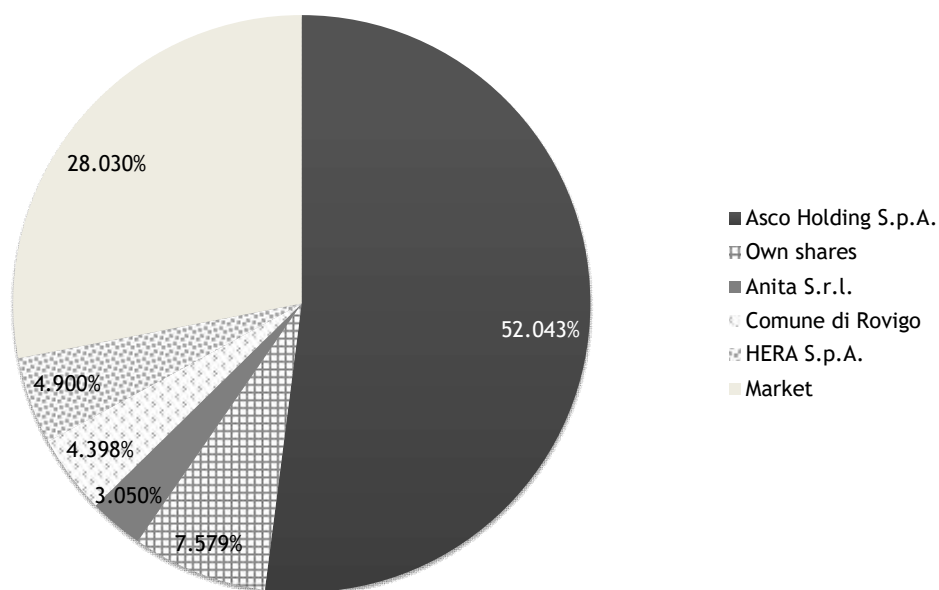
Share and stock-exchange data	30.12.2020	30.12.2019
Earning per share (Euro)	0.27	2.20
Net equity per share (Euro)	3.64	3.73
Placement price (Euro)	1.800	1.800
Closing price (Euro)	3.635	3.815
Maximum annual price (Euro)	4.610	4.250
Minimum annual price (Euro)	2.720	3.095
Stock-exchange capitalization (Million of Euro)	857.19	895.61
No. of shares in circulation	216,644,717	223,955,550
No. of shares in share capital	234,411,575	234,411,575
No. of own share in portfolio	17,766,858	10,456,025

Control of the Company

As of 31st December 2020, Asco Holding S.p.A. directly controls the majority of Ascopiave S.p.A. share capital as shown below.

¹ The Stock exchange capitalisation of the main listed companies active in the local public services (A2A, Acea, Acsm-Agam, Hera and Iren) as of 30th December 2020 was Euro 15.4 billion. Official data from Borsa Italiana (www.borsaitaliana.it).

The share composition of Ascopiave S.p.A., according to the number of shares held by the shareholders of the total shares forming the share capital, is as follows:



Internal processing on information received by Ascopiave S.p.A. pursuant to art. 120, Consolidated Financial Law.

Corporate Governance and Code of Ethics

During 2020, Ascopiave S.p.A. continued its operating improvement process of the corporate governance planned during past years, strengthening the risk management system and introducing further improvements to the tools in order to defend investors' benefits.

Internal audit

The activity plan of the Internal Audit structure is approved yearly by the Board of Directors of the Company. In particular, the audit activities included in the above-mentioned activity plan, based on a process for prioritising the main risks, concern both areas of compliance and business processes related to the business areas deemed highly strategic.

Manager in charge

The Manager in charge, helped by the Internal Auditing Supervisor and the Compliance Function, has reviewed the adequacy of the administrative and accounting procedures and has continued to monitor the important procedures for drafting financial information. To this end, the Company has adopted new tools of continuous auditing, allowing the automation of the control procedures.

Organisation, management, and control model pursuant to Italian Legislative Decree 231/2001

Ascopiave S.p.A. and all its subsidiaries have adopted an Organisation, management and control model; they have also embraced the Code of Ethics of the Parent company Ascopiave.

The Company, assisted by the Supervisory Board, constantly monitors the efficiency and adequacy of the Model adopted.

Ascopiave S.p.A. approved the "Ascopiave Group Whistleblowing Procedure", adopted by all Group subsidiaries, an integral part of the 231 Model (annex 3 of 231 Model). Complaints are handled by an "Alert Committee".

The Company has also continued promoting, disseminating and raising awareness of the Code of Ethics as concerns all its stakeholders, especially with business and institutional parties.

The 231 Model and the Code of Ethics are available in the corporate governance section at www.gruppoascopiave.it.

Transactions with related and affiliate parties

The Group has the following transactions with related parties with the following types of operating costs:

- ✓ Purchase of IT services from the associate ASCO TLC S.p.A.;
- ✓ Administrative services from the parent company Asco Holding S.p.A..

The Group has the following transactions with related parties with the following types of operating revenues:

- ✓ Lease of owned real properties to the associate ASCO TLC S.p.A.;
- ✓ Administrative and staff services from Ascopiave S.p.A. with the Parent company Asco Holding S.p.A.;

Subsequent to the finalisation of the partnership with the Hera Group on 19th December 2019, the gas and energy sales companies, which until that date were controlled by the Ascopiave Group, are controlled by Hera S.p.A.. The transactions with these companies, since the Ascopiave Group has a stake in the share capital of the new affiliate EstEnergy S.p.A., are shown as transactions with related parties.

During the year 2020, the transactions with the companies involved in the partnership produced revenues in relation to the following types of service:

- ✓ Interest income accrued on credit balances of the intragroup current accounts until termination;
- ✓ Natural gas transportation service on the local distribution network;
- ✓ Metering services performed as natural gas distributors and reading services;
- ✓ Administrative, IT, personnel and facility services.

During the year 2020, the transactions with the companies involved in the partnership produced costs in relation to the following types of service:

- ✓ Interest expense accrued on debit balances of the intragroup current accounts until termination.

As regards the national tax consolidation agreement and the relevant transactions, in 2019 the companies of the Ascopiave Group, subsidiaries as of 31st December 2019, except AP RETI GAS Nord Est S.r.l., joined a new national tax consolidation agreement with the parent company Ascopiave S.p.A.

We would like to point out that these relations are characterised by the highest transparency and are performed on an arm's length basis. As regards each relationship, please see the Explanatory Notes.

The table below shows the economic and financial nature of the transactions described above:

(Thousands of Euro)	Trade receivables	Other receivables	Trade payables	Other payables	Cost			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
Asco Holding S.p.A.	19		34	0	0	27	0	0	65	0
Total parent company	19	0	34	0	0	27	0	0	65	0
<i>Affiliated companies</i>										
Asco TLC S.p.A.	30	0	59	0	0	747	0	0	61	0
Bim Piave Nuove Energie S.r.l.	210	0	13	0	0	23	0	0	307	0
Total affiliated companies	240	0	72	0	0	770	0	0	368	0
<i>Transfer/disposal assets and subsidiary companies</i>										
Amgas Blu S.r.l.										
Estenergy S.p.A.	2,042	0	0	0	0	0	0	0	14,350	0
Ascotrade S.p.A.	5,029	0	81	0	0	0	0	0	43,760	0
Blue Meta S.p.A.	1,480	0	39	0	0	90	0	0	13,027	0
Etra Energia S.r.l.	106	0	0	0	0	0	0	0	477	0
Ascopiave Energie S.p.A.	1,034	0	83	0	0	95	0	0	8,638	0
ASM Set S.r.l.	511	0	107	0	0	93	0	0	3,593	0
Total Transfer/disposal assets and subsidiary compan	10,202	0	310	0	0	278	0	0	83,845	0
Total	10,460	0	416	0	0	1,075	0	0	84,278	0

Significant events during FY 2020

Publication of information document

On 1st January 2020, Ascopiave S.p.A. announced that the information document prepared pursuant to Article 71, Consob Regulation no. 11971/99, relating to the partnership between Ascopiave S.p.A. and the Hera Group, whose completion was communicated to the stock market on 19th December 2019, is available to the public at the premises of Borsa Italiana S.p.A., at the registered office of the Company, its website www.gruppoascopiave.it, and also on the authorised storage mechanism "eMarket Storage" (www.emarketstorage.com) managed by Spafid Connect S.p.A..

Ascopiave, territorial investments on the rise: over Euro 40 million envisaged in 2020

On 16th January 2020, Ascopiave S.p.A. announced that Ascopiave's Investment Plan, for the expansion and upgrade of its distribution network and enhancement of energy efficiency, underscores the sturdy connection between the Group and its catchment area.

Specifically, Ascopiave S.p.A. announced that, in 2020, the economic commitment of the Group - listed under the Star segment of Borsa Italiana, among the leading operators in the natural gas sector in the country - will be over Euro 40 million, against Euro 31 million in 2019. Disbursements will focus on the creation of new distribution infrastructure, extraordinary maintenance works and new allotments, in addition to the installation of smart metres, designed to help customers save by making their homes as energy sustainable as possible.

In the year just ended, the gas distribution works performed by the Ascopiave Group in Municipalities where it holds assignments involved 93 km of network, up +25% compared to 2018. Of these, over 52 km were in the Province of Treviso alone, where the subsidiary AP Reti Gas performed the works.

Again as regards this Province alone, investments already implemented or planned over the 2019-2021 three-year period concern 120 km of network, worth about Euro 16 million. The works include those in progress in Nervesa della Battaglia for approximately Euro 2.3 million, Castelfranco Veneto (about Euro 2 million), Fontanelle (approximately

Euro 1.5 million), San Biagio di Callalta (approximately Euro 1.5 million) and Pederobba (little over Euro 1 million), as well as those planned in 18 Municipalities in the Marca Trevigiana Area.

Purchase of Hera S.p.A. shares

Subsequent to the press release issued on 31st January 2020 by Hera S.p.A., informing that Hera S.p.A. had acquired a 2.5% stake in Ascopiave S.p.A., with a view to strengthening the partnership between the two companies, the Board of Directors of Ascopiave S.p.A. has approved the purchase of Hera S.p.A. shares, corresponding to approximately 0.4% of its share capital. Ascopiave will inform the market when the purchase is completed.

Resignation of Mr Giorgio Martorelli from the Board of Directors of Ascopiave S.p.A.

On 3rd February 2020, Ascopiave S.p.A. informed that it received the resignation of Mr Giorgio Martorelli, an independent and non-executive member of the Board of Directors of Ascopiave S.p.A., as well as a member of the Control and Risks Committee. The resignation was submitted for personal reasons.

Mr Martorelli had been elected by the Shareholders' Meeting on 28th April 2017 and was presented as a candidate jointly by Amber Capital Italia SGR S.p.A., being him the manager of the Alpha Ucits Sicav-Amber Equity Fund, and by ASM Rovigo S.p.A., a company controlled by the Municipality of Rovigo, both minority shareholders of Ascopiave S.p.A..

To the knowledge of the Company, Mr Martorelli did not hold any shares in Ascopiave S.p.A..

Subsequent to the resignation, the Board of Directors took appropriate action under the law and the Articles of Association.

Purchase of Acsm Agam S.p.A. shares

Ascopiave S.p.A. announced that on 7th February 2020 it purchased 7,241,661 shares of Acsm Agam S.p.A., a multi-utility company based in the Region of Lombardy and active in gas, water, electricity and environmental services, representing 3.67% of the share capital.

Subsequently, Ascopiave purchased additional shares, and now holds a stake equal to 4.99% of the share capital.

This investment is aligned with the strategic goals of the Group, since the activities and services managed by Acsm Agam S.p.A are consistent with the development lines pursued by the Ascopiave Group.

Information on Covid 19

During the first months of 2020, the whole world, starting with the Asian countries and then continuing with several other nations, including Italy, has been progressively struck by the international health emergency caused by the Covid 19 virus, the so-called Coronavirus, which spread rapidly throughout our peninsula especially in the northern regions, greatly affecting our country.

The Group has carefully and constantly monitored the evolution of the situation in the area where its activities are located, but also the development of the pandemic at an international level. In order to deal with the emergency, the Group has operated and is operating in absolute compliance with the decrees issued by the bodies in charge, both at national and local level, prioritising the health and safety of workers to such an extent that, a few days after the establishment of the lockdown by the Government, the necessary measures were quickly activated in order to enable almost all employees to work remotely in agile method, while guaranteeing business continuity in all permitted activities.

The Group's Management, by using external indicators and internally processed values, has assessed the potential impacts in terms of performance in order to be able to make any decisions aimed at mitigating any effects on the execution of the business.

During the peak of the emergency, the negative economic and financial effects did not affect the results at the reporting date, as they were offset by the positive effects deriving from the remedies implemented.

Although in the industry where the Group operates the emergency is less critical, the Management continues to constantly monitor the above-mentioned indicators, not only at the local but also at the national and/or international level, so as to be able to promptly respond if the crisis flares up.

Shareholders' agreements

Pursuant to current legal and regulatory provisions, Ascopiave disseminated to the public the extract of the shareholders' agreements sent to Ascopiave pursuant to art. 122, par. 1 of Italian Legislative Decree dated 24th

February 1998, no. 58 and published by the signatories of the agreements in the national newspaper “Italia Oggi” on 18th March 2020, 8th April 2020 and 27th May 2020.

Extraordinary and ordinary Shareholders’ meeting of 29th May 2020

The Shareholders’ Meeting of Ascopiave S.p.A. convened on 29th May 2020, chaired by Mr Nicola Ceconato, in extraordinary and ordinary session.

In extraordinary session, the Shareholders’ Meeting resolved to amend art. 3 (Duration) of the Articles of Association as suggested by the shareholder Asco Holding S.p.A., thus extending the duration of the Company from 2030 to 2060. In accordance with the provisions of the Articles of Association, the shareholders which have not participated in the approval of such resolution are not entitled to the right of withdrawal.

The Shareholders’ Meeting also approved the proposal of the Board of Directors to amend art. 6 (Shares) of the Articles of Association, adding a clarification on the mechanism for attributing increased voting rights already envisaged in the Articles of Association. Again, shareholders which have not participated in the approval are not entitled to the right of withdrawal.

Also in extraordinary session, the Shareholders’ Meeting resolved to introduce, consistent with the suggestion of the Board of Directors, a new article 6-*bis* of the Articles of Association, concerning the addition of a limit to the exercise of the right to vote for shareholders which qualify (or belong to a group in which there is a subject which qualifies) as operators in the sector of production and/or distribution and/or transport and/or purchase and/or sale of natural gas and/or electricity and/or the sector of energy efficiency and/or water supply and/or network services in general. Such resolution attributes to shareholders which did not contribute to its adoption (and, therefore, to shareholders which abstained, were absent or voted against) the right of withdrawal pursuant to article 2437, paragraph 1, *lett. g*), of the Italian civil code (the “Right of Withdrawal”).

The terms and conditions for exercising the Right of Withdrawal were communicated to Ascopiave’s shareholders within the deadlines and with the methods set out in the law.

As resolved by the Shareholders’ Meeting, the effectiveness of the resolution introducing art. 6-*bis* in the Articles of Association is subject to the condition that the number of shares subject to the Right of Withdrawal that have not been purchased by shareholders or third parties in the context of (i) the process of the right of subscription of the shares of the withdrawing shareholders offered to the other shareholders (the “Right of subscription”), (ii) the exercise of the right of first refusal by Ascopiave’s shareholders on any unsubscribed shares (the “Right of first refusal”) and (iii) a Public Offering, if any, and which therefore must be purchased by the Company, is less than 5% of the share capital (corresponding to a disbursement under the scope of the Company of less than Euro 45,771,201,21). It is understood that the Company may waive this condition within 20 working days from the closing date of the Right of subscription period (or, if the Company opts for a Public Offering, within 20 working days from the closing date of the Public Offering period).

Please note that, on 1st July 2020, Ascopiave S.p.A. announced that the aforementioned conditions of validity of the Shareholders’ resolution were fulfilled as regards the introduction of article 6-*bis* of the Articles of Association.

Finally, the extraordinary Shareholders’ Meeting of the Company resolved to amend articles 14 and 15 of the Articles of Association by increasing the number of members of the Board of Directors from 6 (six) to 7 (seven) and thereby aligning the relevant provisions of the Articles of Association concerning the appointment of the Board of Directors.

The Ordinary Shareholders’ Meeting approved the financial statements for the year and acknowledged the Group’s consolidated financial statements as at 31st December 2019, and resolved to distribute an ordinary dividend of Euro 0.2133 per share.

The ordinary Shareholders’ Meeting (i) approved with binding vote - pursuant to article 123-*ter*, paragraphs 3-*bis* and 3-*ter*, of TUF (Consolidated Finance Law) - the first section of the Report on the remuneration policy and on the fees paid prepared pursuant to article 123-*ter* of TUF (i.e. the remuneration policy for the year 2020); and (ii) expressed a favourable advisory vote - pursuant to article 123-*ter*, paragraph 6, of TUF - on the second section of the Report on the remuneration policy and on the fees paid prepared pursuant to article 123-*ter* of TUF (i.e. the report on the fees paid in 2019).

The ordinary Shareholders’ Meeting resolved on the appointment of the members of the Company’s Board of Directors and Board of Auditors, who will remain in office for three years and therefore until the approval of the financial statements for the year to end on 31st December 2022.

The Board of Directors appointed by the Shareholders' Meeting - which took office on 4th June 2020 upon the registration of the approved amendments to the Articles of Association in the Treviso-Belluno Companies Register - is composed of 7 directors elected from the lists of candidates submitted by the Shareholders.

Given the outcome of the votes, out of 177,301,187 shares attending the Shareholders' Meeting, list no. 1 presented by Asco Holding S.p.A. obtained 121,994,222 votes equal to 68.806% of the shares represented at the Shareholders' Meeting and 52.043% of the share capital; list no. 2 presented by ASM Rovigo S.p.A. obtained 41,101,839 votes equal to 23.182% of the shares represented at the Shareholders' Meeting and 17.534% of the share capital; list no. 3 presented by the Municipality of Spresiano together with 7 Municipalities obtained 14,205,126 votes equal to 8.012% of the shares represented at the Shareholders' Meeting and 6.060% of the share capital.

Therefore, in accordance with article 15.12 of the Articles of Association, from the list presented by the majority shareholder Asco Holding S.p.A., holding 52.043% of the share capital, Greta Pietrobon, Nicola Ceconato, Roberto Bet, Mariachiara Geronazzo, Enrico Quarello and Luisa Vecchiato were elected directors. From the list presented by ASM Rovigo S.p.A., second in terms of number of votes obtained, Cristian Novello was elected director, the first candidate of the same list. The Shareholders' Meeting also appointed Mr Nicola Ceconato as the Chairman of the Board of Directors.

Furthermore, the Shareholders' Meeting resolved on the total annual remuneration of the Board of Directors, to the tune of Euro 380,000, to be paid, in compliance with the current legislation, for Euro 80,000 to the Chairman and for Euro 50,000 to each of the other directors, with effect from the date of taking office and until the expiry of the mandate, without prejudice to the faculty of the Board to determine a further compensation for directors holding particular offices in accordance with the Articles of Association pursuant to article 2389, paragraph 3, Italian civil code.

Given the outcome of the votes for the appointment of the Board of Auditors, out of 177,301,187 shares attending the Shareholders' Meeting, list no. 1 presented by Asco Holding S.p.A. obtained 121,994,222 votes equal to 68.806% of the shares represented at the Shareholders' Meeting and 52.043% of the share capital; list no. 2 presented by ASM Rovigo S.p.A. obtained 41,308,493 votes equal to 23.298% of the shares represented at the Shareholders' Meeting and 17.622% of the share capital.

Therefore, the Board of Auditors appointed by the Shareholders' Meeting was elected from the lists of candidates presented by the Shareholders. Pursuant to article 22.5 of the Articles of Association, from the list submitted by the majority shareholder Asco Holding S.p.A., holding 52.043% of the share capital, which obtained the highest number of votes, Luca Biancolin and Barbara Moro were elected standing auditors, and Matteo Cipriano as alternate auditor. From the list presented by the shareholder ASM Rovigo S.p.A., holding 4.399% of the share capital, Giovanni Salvaggio was elected standing auditor and Chairman of the Board of Auditors and Marco Bosso as alternate auditor.

The Shareholders' Meeting also determined the remuneration of the Board of Auditors, pursuant to article 2402 of the Italian civil code, in the amount of Euro 40,000 gross per year for the Chairman of the Board of Auditors and Euro 27,000 gross per year for each standing auditor.

Furthermore, the ordinary Shareholders' Meeting resolved to approve certain changes to the regulation of the "Share-based long-term incentive plan - 2018-2020 LTI", as regards specifically the existing procedures for the review of the Plan and the possible technical methods for paying the bonus to terminated beneficiaries, mainly aimed at ensuring the correct operation of the Plan subsequent to any extraordinary transactions and/or events having a significant impact.

The Shareholders' Meeting of Ascopiave S.p.A., in ordinary session, approved a new plan to purchase and sell own shares, replacing the authorisation to purchase and sell own shares issued by the Shareholders' Meeting on 23rd April 2019, which is therefore to be considered revoked, for the non-executed portions.

Methods and terms for exercising the right of withdrawal for the shareholders of Ascopiave S.p.A.

On 4th June 2020, Ascopiave S.p.A. published clarifications regarding the methods and terms for exercising the right of withdrawal granted to the entitled shareholders in accordance with the terms and methods set out in the law.

Appointment of the Managing Director and Internal Committees

The Board of Directors of Ascopiave S.p.A., convened on 8th June 2020, appointed the Chairman Nicola Ceconato as the Company's Managing Director, conferring on him the appropriate powers. Furthermore, on the basis of the statements received from the persons concerned and the information in its possession, the Board ascertained, pursuant to the provisions of the Consolidated Finance Law and Implementation Criterion 3.C of the Code of Self-

conduct for Listed Companies, that the directors Greta Pietrobon, Mariachiara Geronazzo, Cristian Novello and Enrico Quarello fulfil the independence requirements set out in art. 148, paragraph 3 of the Consolidated Finance Law and art. 3 of the Code of Self-conduct for Listed Companies and that therefore the composition of the Board of Directors complies with the provisions of art. 147-ter of the Consolidated Finance Law and art. IA.2.10.6 of the Instructions to the Regulations of Borsa Italiana regarding STAR issuers.

The Board of Auditors verified the correct application of the assessment criteria and procedures adopted by the Board to evaluate the independence of its members.

Furthermore, on the same date, the Board of Auditors ascertained that its members fulfil the independence requirements set out in art. 148, paragraph 3 of the Consolidated Finance Law on the basis of the information received from the persons concerned. The composition of the Board of Auditors therefore complies with the provisions of article 148 of the Consolidated Finance Law.

The Board of Directors has also set up the Control and Risk Committee, appointing

- Cristian Novello (Chairman), independent director;
- Roberto Bet, non-executive director;
- Mariachiara Geronazzo, independent director.

In addition, the Board of Directors has established the Remuneration Committee, appointing:

- Greta Pietrobon (Chairwoman), independent director;
- Enrico Quarello, independent director;
- Luisa Vecchiato, non-executive director

The CV of each director and auditor, as well as the information relating to the lists of origin, can be consulted on Ascopiave's website, at www.gruppoascopiave.it.

Information on the purchase of own shares and launch of the programme for purchasing and selling treasury share approved by the Shareholders' Meeting held on 29th May 2020

Ascopiave announces the purchase on the electronic share market, in accordance with the authorisation to purchase treasury shares approved by the Shareholders' Meeting of 23rd April 2019 in the period between 1st January 2020 and 11th March 2020, of 1,538,580 ordinary shares at the average unit price of Euro 4.223, for a total value of Euro 6,497,910.18.

On 17th June 2020, Ascopiave S.p.A. resumed the purchases in implementation of the programme for purchasing and selling treasury shares approved by Ascopiave S.p.A.'s Shareholders' Meeting on 29th May 2020, and purchased on the electronic share market, in accordance with the same authorisation to purchase treasury shares, in the period between 17th June 2020 and 18th September 2020, 444,440 ordinary shares at the average unit price of Euro 3.4876, for a total value of Euro 1,550,036.96.

Final results of the exercise of the right of withdrawal

On 1st July 2020, Ascopiave S.p.A. announced that on 19th June 2020 the period for exercising the right of withdrawal granted to holders of Ascopiave S.p.A. shares who did not participate in the approval of the resolution introducing art. 6-bis of the Articles of Association of Ascopiave S.p.A. terminated.

The number of shares for which the withdrawal was exercised was less than 5% of the share capital, and therefore the resolution of the Shareholders' meeting concerning the introduction of the new art. 6-bis in the Articles of Association of Ascopiave S.p.A. was fully effective.

Notice to the Shareholders - Rights issue pursuant to article 2437-quater, Italian Civil Code

On 3rd July 2020, within the terms and in compliance with the methods set out in the law, Ascopiave S.p.A. published the notice to the shareholders pursuant to article 84 of Consob Regulation no. 11971/1999 announcing that the rights issue of 5,334,329 ordinary shares for which the right of withdrawal was exercised was filed with the Treviso Company Register, pursuant to art. 2437-quater, paragraph 2, Italian Civil Code.

Results of the Rights issue of 5,334,329 ordinary shares for which the right of withdrawal was exercised pursuant to art. 2437-quater, paragraph 2, Italian civil code

On 6th October 2020, Ascopiave S.p.A. ("Ascopiave" or the "Company") announced the expiration on 30th September 2020 of the period to join the Rights Issue (hereinafter, "Rights Issue" or "Offer") of 5,334,329 Ascopiave ordinary

shares addressed to holders of ordinary shares of the Company, listed on Mercato Telematico Azionario (MTA), for which the right of withdrawal was not exercised.

Ascopiave announced that, at the end of the subscription period, which started on 3rd July 2020 and ended on 30th September 2020 (both dates included), as 147,844 Subscription Right were exercised in total, 3,621 Shares were subscribed, representing 0.068% of the Shares, for a total value of Euro 14,140.73.

The Right of First Refusal was exercised for 2,895 Shares, equal to 0.054% of the Shares and for a total value of Euro 11,305.55.

Therefore, in light of the rights exercised by Ascopiave's shareholders, 3,621 Shares are subscribed and the Right of First Refusal was exercised for 2,895 Shares, totalling 6,516 Shares, representing 0.122% of the Shares, for a total value of Euro 25,446.29.

Ascopiave announced that 5,327,813 Shares, equal to 2.273% of the Company's share capital for a total value of Euro 20,806,175.33, remain unsubscribed.

Procedure for liquidating the remaining shares relating to the Rights Issue

With reference to the rights issue promoted by Ascopiave S.p.A. ("Ascopiave" or the "Company") on 3rd July 2020 of 5,334,329 Ascopiave ordinary shares (the "Rights Issue"), with reference to the announcement dated 6th October 2020 subsequent to the termination of the period for joining the Rights Issue, on 9th November 2020 Ascopiave's Board of Directors, also considering the share trend, resolved not to offer to the public the remaining 5,327,813 withdrawal shares.

Ascopiave's Board of Directors therefore approved the purchase by the Company of the 5,327,813 residual withdrawal shares, equal to 2.273% of the Company's share capital for a total value of Euro 20,806,175.33, using the Company's available reserves.

Please note that the withdrawal settlement (and, therefore, the payment of the liquidation value by, as the case may be, the Company and the shareholders who have exercised the right of subscription and right of first refusal) would take place on 10th December 2020 through the Monte Titoli system via the custodian banks, without any action being required on the part of the shareholders who have exercised the right of withdrawal, as well as on the part of the shareholders who have exercised the right of subscription and first refusal (provided that they have previously made available to their custodian bank the funds needed to pay the price of the shares purchased upon exercising the right of subscription and first refusal).

Ascopiave took out a sustainability loan to the tune of Euro 50 million, with objectives linked to sustainability indicators

On 30th November 2020, Ascopiave took out an ESG linked Loan with Intesa Sanpaolo S.p.A. for a total amount of Euro 50 million. The credit line will be effective for 3 years, with a rate connected to the achievement of specific targets of some environmental, social and governance ("ESG") indicators.

The relevant liquidity will be used for corporate finance management, with a view to prudence and in order to support the Group's future investments.

Such operation aims to combine sustainability and industrial growth, with the purpose of optimising ESG objectives with a view to creating value for all stakeholders.

Completion of the withdrawal procedure and the procedure for liquidating shares

On 11th December 2020 Ascopiave S.p.A. announced that, due to the shares for which the right of subscription and first refusal were not exercised, on 10th December 2020 the company purchased the 5,327,813 withdrawal shares, equal to 2.273% of the Company's share capital for a total value of Euro 20,806,175.33, using the Company's available reserves.

On the same date, the Company allocated to those entitled the shares for which the right of subscription and first refusal were exercised. Specifically, in light of the rights exercised by Ascopiave's shareholders, 3,621 Shares were subscribed and the Right of First Refusal was exercised for 2,895 Shares, totalling 6,516 Shares, representing 0.122% of the Shares, for a total value of Euro 25,446.29.

The aforementioned transactions were performed via Monte Titoli.

As a result of the above, as of 31st December 2020 Ascopiave S.p.A. holds 17,766,858 ordinary shares, equal to 7.579% of the share capital.

ASCOPIAVE: Ascopiave goes into integrated urban water management and acquires 100% of the share capital of Cart Acqua S.r.l.

On 18th December 2020, with the purchase of 100% of the share capital of Cart Acqua S.r.l., Ascopiave completed its first investment in integrated urban water management. Cart Acqua S.r.l., in addition to being directly operational in the water sector, within which it provides technical services, also holds an 18.33% stake in the share capital of Cogeide S.p.A., a company that operates under the “safeguard scheme” in integrated urban water management in 15 Municipalities of the Province of Bergamo.

In 2019, Cart Acqua S.r.l. generated revenues for technical services totalling Euro 237 thousand. At the end of the same financial year, the shareholders’ equity amounted to Euro 3.9 million and the net financial position was positive for Euro 140 thousand.

The investee company Cogeide S.p.A. serves a catchment area of over 100,000 inhabitants, managing approximately 880 km of network; on 31st December 2019, its EBITDA amounted to Euro 4.6 million. On the same date, shareholders’ equity amounted to Euro 25.8 million against a net financial debt of Euro 4.7 million.

The price, paid by cash, was Euro 8.0 million.

Additional significant events

Distribution of natural gas

The Group is active in the gas distribution sector through the companies Ap Reti gas S.p.A., Ap Reti gas Vicenza S.p.A., Ap Reti Gas Rovigo S.r.l., Edigas Esercizio Distribuzione Gas S.p.A. which, commencing 1st July 2019, also includes the former Unigas Distribuzione S.r.l., previously consolidated using the equity method. Effective 31st December 2019, the scope of the Group’s gas distribution companies also includes AP Reti Gas Nord Est S.r.l..

Natural gas distribution activity

Companies consolidated on a line-by-line basis

The Ascopiave Group manages concessions for the gas distribution service in 232 Municipalities in Veneto, Friuli, Lombardy, Emilia Romagna, Piedmont and Liguria.

The following table summarises the data of the Group’s gas distribution activity for the year 2020 and provides a comparison with 2019 data:

	Full Year	
	2019	2020
Volume of gas distributed (mln mc)	1,065	1,460
Length of distribution network in operation (Km)	10,443	12,914
Total distribution network laid / replaced	97	93
Total active gas meters (n.)	588,498	777,061
Total smart meters G4/G6 (n.)	339,798	463,158
Average time of arrival on site (minutes)	38,5	37.8
Distribution network inspected (%)	92.12%	80%

The planned inspection of the network in 2020, conducted entirely with in-house personnel and means, is well above the minimum standards required by the Regulatory Authority for Energy, Networks and the Environment (hereinafter, ARERA) for the distribution system and reflects the particular attention paid by the Group’s distribution companies to service safety.

The table below shows the percentages:

	target ARERA	Full Year		
		2018	2019	2020
High and medium pressure network inspected on the total (100% inspection obligation in 3 years)	> 100% in 3 anni	80.20%	92.84%	79.99%
Low pressure network inspected on the total (100% inspection obligation in 4 years)	> 100% in 4 anni	80.70%	91.76%	80.00%

All the indicators of safety (time of arrival at the place of call for the emergency service, programmed inspection of the network and measurement of the level of odorising) and continuity (service interruptions) have been maintained efficiently under control, in compliance with the service requirements set by ARERA.

	Full Year	
	2019	2020
Compliance with the time set for the execution of the services subject to specific commercial quality standards	98.3%	98.64%

In 2020, the company's emergency intervention service, active 365 days a year, 24/7, which can be contacted by means of the dedicated free-phone number, performed 8126 interventions, and the arrival time was on average 37.8 minutes, largely less than the 60 minutes envisaged by the Authority.

The correct odorization of gas was continuously monitored, performing a number of checks well above those prescribed by the Authority.

The schedule of operation and maintenance activities was respected, and performed almost exclusively by internal staff.

In 2020, the process for streamlining the organisational structure, aimed at optimising the use of resources and the synergy between the Group's distribution companies, was strengthened even more.

Specifically, the integration into the Group of the newly-established company AP Reti Gas Nord Est was very important: thanks to the prompt integration of the systems and procedures used by all Group companies, it was possible to create important synergies in all administrative and technical activities, in process control and human resources management, pursuing the objective of optimising the use of resources, insourcing tasks and increasing the opportunity for investments.

Co-generation

In 2020, the co-generation activity was carried out by the Research and Development Department of the Ascopiave Group on behalf of Asco Energy S.p.A.

As far as the activity of heat generation plants in co-generation is concerned, in 2020 three plants were managed:

- The plant "Le Cime a Mirano (VE)", its remote heating network was extended increasing the saturation level of connected household customers from 126% to 128%. The co-generation group has been operating at full capacity, working in winter to provide heating for connected clients and in summer to supply the absorber to produce cooling for air conditioning of connected users;
- The plant "Bella Mirano a Mirano (VE)" the saturation level of household customers is unchanged (115%). The saturation above 100% is since, in addition to the original project, in 2014 two new condos were connected to the remote heating network, which did not belong to the initial project, but connected subsequent to a contribution, which fully covers the costs, paid by the builders of the two new condominiums. The co-generation group has been operating at full capacity, working in winter to provide heating for connected customers;
- The plant "Cà Tron a Dolo (VE)" has maintained the same saturation of connected residential customers. However, as of today, only 50% of the new urban area envisaged in the agreement has been built. The co-

generation group has been operating at full capacity, working in winter to provide heating for connected customers;

As far as the activities on thermal plants are concerned, in 2020 the Group managed 5 plants.

Energy efficiency and saving

As regards the objectives applicable to the Group's natural gas distribution companies in relation to energy efficiency certificates (EEC), with the delivery at the end of November 2020, the 2018 objective was completed for all the relevant companies. In addition, also in November 2020, the minimum quota of about 60% of the 2019 target and an advance quota of the 2020 target were delivered for all the relevant companies.

The natural deadline for delivering the efficiency certificates, normally set on 31st May of each year, was postponed in 2020 to November 2020 due to the health emergency caused by the pandemic in progress, just like the disbursement of the grants related to their delivery. In January 2021, the Group distribution companies collected contributions totalling Euro 20,546 thousand.

As regards the 2020 objectives, the sum of the objectives for the three Group companies is 145,846 TEEs.

Fiscal revaluation and realignment of assets

In 2020, Italy was hit by the health emergency caused by SARS Cov2 which required extraordinary and urgent measures for the protection of health, including the lockdown adopted by our country, stricter in the period from March to May. The interruption of multiple activities, with the resulting financial struggle, required the adoption of extraordinary measures to support the economy. In this context, in August the Government issued the so-called "August Decree" (Italian Legislative Decree dated 14th August 2020, no. 104), converted into Law dated 13th October 2020, no. 126 (Official Gazette issued on 13th October 2020, no. 253, Ord. Suppl. No. 37), which entered into force on 14th October 2020. Specifically, article 110 of the decree recalls the provisions introduced in previous years on the subject of revaluation (keeping the validity of the clarifications provided in the past) but introduced some differences with respect to other measures, such as the possibility of revaluing individual assets rather than homogeneous categories, and for civil law purposes only, without recognising the higher values for tax purposes. The new provision, reserved only for companies that prepare their financial statements on the basis of Italian accounting standards, applies to the financial statements closed as of 31st December 2020, for revaluated assets that are recorded in the financial statements as of 31st December 2019 and in the financial statements as of 31st December 2020.

Some Group companies opted for the possibility granted by the decree, which also established the substitute tax to be paid for the purposes of the tax recognition of the higher values of the assets revaluated to the extent of 3%, to be paid in a maximum number of three annual instalments of the same amount and without interest. The civil and fiscal revaluation of the assets was performed by aligning the book value of the assets under concession registered in the assets of the Company to the RAB values declared and approved by the Regulatory Authority for Energy, Networks and the Environment (ARERA). The tax effects of the revaluation will commence in 2021, however, for the sole purpose of determining tax gains and losses, the effects of the revaluation will take effect in 2024. The internal authorisation process was completed by the date of preparation of the respective financial statements and, consequently, the effects of such revaluation were incorporated in the financial statements as of 31st December 2020. In compliance with the dictates of the decree, the revaluation of assets led to the formation of specific deferred tax reserves which, if distributed, shall be taxed for IRES purposes.

The companies that prepare financial statements in accordance with the international accounting standards, on the other hand, had the possibility of realigning the tax values of the fixed assets recorded to civil values against the payment of the same percentage of the substitute tax rate.

The Group companies decided not to take advantage of the possibility of releasing the aforementioned reserves with the payment of a 10% substitute tax because of the significant reserves already available.

On 30th December 2020, Law 178/2020 was published in the Official Gazette concerning the State Budget for the financial year 2021 and the long-term budget for the three-year period 2021-2023. Paragraph 83 of art. 1 extends the effects set forth in Article 110 of the "August Decree" also to other intangible assets, such as goodwill, excluded from revaluation so far. Specifically, it supplements paragraph 8 with "8-bis. The provisions of article 14 of Law no. 342 also apply to goodwill and other intangible assets recorded in the financial statements for the year in progress as of

31st December 2019”. The eligible Group companies consequently extended the application of the decree also to goodwill.

Significant events subsequent to the end of 2020

On 15th January the Board of Directors of Ascopiave S.p.A. approved the 2020-2024 strategic plan of the Ascopiave Group and, on 26th February, the subsidiary AP Reti Gas S.p.A. was selected by Aemme Linea Distribuzione S.r.l. and NED Reti Distribuzione Gas S.r.l. as an industrial partner for joint participation in the tenders for the assignment of the service in the Milano 2 and Milano 3 Territorial Areas. For further information, please refer to the paragraph on the events occurred subsequent to the end of 2020 in the explanatory notes.

Subscription, with the Municipalities involved, of a convention for the adoption of a shared procedure aimed at the agreed quantification of the “Residual Industrial Value” of the networks

The regulatory amendments which have replaced each other over the past years and in particular the legislation which governed the selection of the operator of the distribution service through the so-called “territorial calls for tenders” tool, have led to, among other things, the need to determine the Residual Industrial Value (RIV) of the plants owned by the Operators.

In relation to this aspect, the concession agreements governed two “paradigmatic” situations, namely:

- the early redemption (normally governed pursuant to Royal Decree no. 2578/1925) and
- the reimbursement from the (natural) expiration of the concession.

The eventuality of a “force of law” expiration, preceding the effective date of the “contractual” expiration, (as a rule) was not envisaged (and therefore governed) in the concession deeds.

Substantially, the case in question (earlier termination imposed by law) represents a “third category”, in some ways similar to the exercise of early redemption (from which, however, it differs significantly for the lack of a will independently formed to that effect by the Entity) and in other ways similar to the expiration of the concession term (which however has not expired).

At least until Ministerial Decree 226/2011, there were no laws and/or regulations which precisely defined the methods and criteria to determine the R.I.V. of the plants and which could therefore complement the contractual clauses, often deficient.

Legislative Decree no. 164/2000 as well, until the recent amendment introduced in the first place with Law Decree 145/2013, and then Law 9/2015, merely referred to Royal Decree 2578/1925 which, however, ratified the method of the industrial estimate without setting precise assessment parameters.

The situation illustrated above entailed the necessity to define specific agreements with the Municipalities aimed at reaching a shared estimate of the R.I.V.. The lack of such agreements in the past has often led to administrative and civil/arbitral litigations.

The situation of the Municipalities shareholders of Asco Holding S.p.A. was even more peculiar because, with the latter, there is not a real concession deed in an “accepted” form, but various deeds of assignment to Companies (“Azienda Speciale”, at the time). These deeds have ratified, at the same time, the continuation of the award of the service previously provided by the Bim Piave Consortium.

It is evident that, as deeds of assignment, a real regulation concerning the purchase and/or the termination of the management was not and could not be envisaged.

With the above-mentioned shareholder Municipalities, Ascopiave signed a convention, which implied hiring a renowned independent competent professional in order for him to determine the fundamental criteria to apply to calculate the RIV of the gas distribution plants.

The related negotiated procedure performed adopting the criterion of the most economically advantageous tender ended on 29th August 2011.

The expert wrote a Report (made available on 15th November 2011) on the “Fundamental criteria to calculate the RIV of the natural gas distribution plants located in the Municipalities currently served by Ascopiave S.p.A.” which was approved on 2nd December 2011 by Ascopiave’s Board of Directors and then by all 92 Local Entities by City Council Resolution.

In 2013, Ascopiave submitted the work progress report and the appreciation of the plants determined applying the criteria set in the Report, offering at the same time its willingness to perform the cross-examination with the Municipalities, aimed at analysing the documents.

To date, following the outcome of the technical cross-examination, 86 Municipalities (unchanged since 31st December 2015) have approved the residual value.

As part of the above process, the reciprocal relations mostly connected to the management of the service were governed as well, since both the payment of “one-off” amounts (2010 - signature of supplementary deeds) for Euro 3,869, and (since 2011) real fees for variable amounts and equal to the difference, if positive, between 30% of the “restriction on revenues” recognised by the tariff regulation and the amount already received by the Municipality itself as a dividend in 2009 (financial statements 2008) are envisaged.

In particular:

- Euro 3,869 thousand in 2010;
- Euro 4,993 thousand in 2011;
- Euro 5,253 thousand in 2012;
- Euro 5,585 thousand in 2013;
- Euro 5,268 thousand in 2014;
- Euro 5,258 thousand in 2015.
- Euro 5,079 thousand in 2016;
- Euro 5,190 thousand in 2017;
- Euro 5,258 thousand in 2018;
- Euro 5,482 thousand in 2019

were paid for a total amount of Euro 51,235 thousand.

During 2015, Ascopiave S.p.A. made available to the Municipalities belonging to the Minimum Territorial Areas of Treviso 2 - Nord and Venezia 2 - Entroterra and Veneto Orientale (69 municipalities out of 92), an update of the valuations of the plants as of 31st December 2014. Subsequently, in the two-year period 2016-2017, the municipalities belonging to the Treviso 2 - Nord and some municipalities belonging to the Treviso 1 - Sud area were provided with an update as of 31st December 2015, by applying the valuation criteria agreed upon and by providing a calculation of the assessment of private contributions to be deducted from the residual industrial value pursuant to Law 9/2014.

The contracting authorities in the territorial areas of Treviso 2 - Nord and Venezia 2 - Entroterra and Veneto Orientale sent ARERA the assessments of the reimbursements of some municipalities for the purposes of the verifications stated in the legislation. The Authority made some observations (then forwarded by the same contracting authorities) against which AP Reti Gas filed its counterclaims.

Litigations

LITIGATIONS ON THE VALUE OF PLANTS - CIVIL LAW

As of 31st December 2020 the following are pending:

MUNICIPALITY OF SANTORSO (Ascopiave S.p.A.):

An appeal is pending before the Court of Appeal of Venice, filed by the Municipality of Santorso (appeal of the final award dated 18th July 2017, which ordered the Municipality to pay Ascopiave the amount of Euro 1,346 thousand plus interest (effective the date of the ruling). Total expenses, offset between the parties, amounted to approximately Euro 221 thousand.

Upon the hearing before the Court of Appeal of Venice which was held on 9th January 2019, the Court set the hearing for the clarification of the conclusions on 27th May 2021.

On 18th December 2020, Ascopiave's Board of Directors approved the text of the settlement agreement that sets the value of the plants at Euro 1.25 million, in addition to VAT, the compensation of legal expenses and the instalment schedule of the amounts due by the Municipality over 12 years. The Municipal Council of Santorso should, in turn, have approved the agreement at the end of December. Initially, the execution was expected for January 2021. Unfortunately, certain accounting aspects of the Entity have delayed the signature, which should therefore take place in March, or at the latest, in April 2021.

LITIGATIONS ON THE VALUE OF PLANTS - ARBITRATIONS

As of 31st December 2020 no litigations are pending.

ADMINISTRATIVE/CIVIL LITIGATIONS - CONCERNING CONCESSIONS

As of 31st December 2020 the following are pending:

MUNICIPALITY OF SOVIZZO (AP Reti Gas S.p.A.):

The Municipality of Sovizzo initiated a civil Judgment with writ of summons served on AP Reti Gas S.p.A. on 21st February 2019. The Entity requires the payment of a concession fee amounting to Euro 65,000/year as from 1st January 2013.

The appearance hearing, initially scheduled for 19th June 2019, was postponed to 10th September. There are no further significant procedural events.

The reply briefs were filed in February 2020.

There are no further significant procedural events.

The Company, in the light of the previous negotiation agreements, challenges the claim of the Municipality and has therefore entered an appearance in compliance with the Law.

MUNICIPALITIES OF BRUSIMPIANO AND MARZIO (AP Reti Gas S.p.A.)

The two administrative judgments, pending before the Regional Administrative Court of Lombardy (Milan), initiated by AP Reti Gas S.p.A. in order to challenge the City Council resolutions adopted by the two Municipalities, communicated to the Company and concerning the belated exercise of the power of negotiation conferred on the same Municipalities in the original concession deed (which should have been exercised within 10 years from the beginning of the concession) were abandoned due to the agreement reached with all the Municipalities of the so-called “Valganna Area”.

All the Municipalities accepted the proposal of AP Reti Gas dated 26th June 2020, with a specific City Council resolution (which revoked the previous resolutions challenged).

MUNICIPALITIES OF CONCORDIA SAGITTARIA AND FOSSALTA DI PORTOGRUARO (AP Reti Gas S.p.A.)

Two administrative proceedings, pending before the Regional Administrative Court of Veneto, initiated by AP Reti Gas for the cancellation of the Municipal Council Resolutions no. 92 and 85 passed in 2020, by which the two Municipalities approved the respective estimates of the residual value of the plants, prepared by the technician appointed by the Contracting Authority (Metropolitan City of Venice) in accordance with the ministerial guidelines, and not, as required by art. 15, paragraph 5 of Italian Legislative Decree 164/2000 and as done previously, in application of the duly and promptly shared contractual criteria, with a value recognised to AP Reti Gas which is lower, respectively, by approximately Euro 412 thousand and Euro 375 thousand.

At present, there are no further procedural documents.

MUNICIPALITIES OF ALBIGNASEGO AND CADONEGHE (AP Reti Gas Nord Est S.R.L.)

Two administrative proceedings, pending before the Regional Administrative Court of Veneto, initiated by AcegasApsAmga (assignor of AP Reti Gas Nord Est), against the Municipalities of Albignasego and Cadoneghe, relating to the ownership of the networks in the parcelled areas.

At present there is no legal activity. AP Reti Gas Nord Est is considering whether to continue or abandon the aforementioned disputes.

ADMINISTRATIVE LITIGATIONS - NOT CONCERNING CONCESSIONS

As of 31st December 2020 the following are pending:

GUIDELINES - MINISTERIAL DECREE 22nd MAY 2014 (Ascopiave S.p.A.)

An appeal before the Council of State was filed (with deed dated 16th January 2017) by Ascopiave together with other distribution companies, against the Minister of Economic Development for the cancellation of Judgment no. 10341 dated 17th October 2016, by which the Regional Administrative Court of Lazio rejected the main appeal against Ministerial Decree 22nd May 2014 concerning the introduction of the Guidelines for the determination of the residual industrial value and the appeal for “additional grounds” against Ministerial Decree no. 106 dated 20th May 2015,

amending Ministerial Decree 226/2011.

As part of the same proceedings, the issues of constitutional legitimacy and/or preliminary ruling as concerns Law 9 and 116 of 2014, in the section which has modified art. 15, paragraph 5 of Legislative Decree 164/2000 (private contributions and time limit of agreements' validity) were raised.

The Council of State decided to refer the matter (of the legitimacy of the primary regulations) to the examination of the European Court of Justice.

The Court of Justice ruled that the European law does not preclude the national legislation challenged (but) in the sense that the law itself does not govern (and therefore is not affected by) the methods for determining the reimbursement value of the outgoing operators.

The hearing for the "re-assumption" of the case before the Council of State was held on 18th July. Ascopiave's lawyers reaffirmed the relevance of the issue of constitutionality of the legislation.

ARERA RESOLUTIONS ARG/GAS 310/2014 and ARG/GAS 414/2014 (now 905/2017) (Ascopiave S.p.A. - AP Reti Gas S.p.A.)

An appeal to the Regional Administrative Court of Lombardy - Milan against the ARERA, for the cancellation of the Resolutions ARG/gas 310 and 414/2014 related to the methods for assessing the RAB RIV delta, pursuant to art. 15, paragraph 5 of Legislative Decree 164/2000 (current text) when the difference is higher than 10%. To date, there are no further procedural steps.

Resolutions 310 and 414 were formally repealed by Resolution 905/2017 which, however, essentially reiterated the same regulation. Ascopiave S.p.A., therefore, together with other appellants AP Reti Gas S.p.A. (as assignee of Ascopiave and passive subject of the legislation), in order to avoid the declaration stating that the appeal would in any case be of no benefit to the claimants, appealed Resolution 905/2017 with "additional grounds".

On 3rd December 2019, the Company was notified of the imminent expiration of the proceedings. The Company has consequently filed the request for scheduling a hearing, within the deadlines set.

ANAC GUIDELINES ON ART. 177 LEGISLATIVE DECREE 50/2016 (AP Reti Gas S.p.A.)

AP Reti Gas S.p.A. (together with other primary operators of the gas and electricity distribution services, as well as with the intervention, *ad adiuvandum*, of Utilitalia) filed an appeal before the Regional Administrative Court for Lazio - Rome, for the cancellation of the ANAC Guidelines no. 11/2018, pursuant to art. 177 of Legislative Decree 50/2016.

Article 177 of Legislative Decree 50/2016 establishes that, from 18th April 2018, the holders of concessions whose amount is equal to or greater than Euro 150,000, if identified "without a tender procedure", will have to assign a share equal to 80% of their contracts through public tender procedures, for the remaining portion being able to resort to in-house or subsidiary/associated companies.

ANAC is in charge of supervision in accordance with the methods set out in its own Guidelines (no. 11/2018).

Such Guidelines - even though formally they do not produce binding effects on the matter - establish that the concessionaire is required to put out to tender (as they are included in the percentage of 80%) all the activities performed during the concession, including those performed directly with own means and resources, thereby drawing an outsourcing obligation from the regulation. The Special Committee of the Council of State considered this interpretation correct, but noted that, construed in this way, art. 177 could be unconstitutional.

When applied in this way, the regulation would have an extremely significant impact both on the business choices and employment levels of the Companies holding concessions with assignments without tenders (moreover, perfectly lawful at the time of their assignment).

Article 177, construed in this way, therefore, seems illegitimate both with regard to constitutional principles (e.g. free economic initiative pursuant to Article 42 of the Italian Constitution), and with regard to the "prohibition on worsening" sanctioned by Community law.

In this context, AP Reti Gas S.p.A., as the Group's main distribution company, challenged the aforementioned Guidelines, also raising the question of constitutional and Community legitimacy with regard to the primary rule.

Furthermore, on 2nd November 2018, ANAC, subsequent to a simple collection of data related to all existing concessions in any sector, submitted a report to the Government and Parliament on the state of the concessions (focusing in particular on the gas sector) stating that the latter would not comply with the regulations in force. As a precaution, the Appeal was supplemented with additional grounds concerning the aforementioned Report.

The discussion hearing was held on 22nd May 2019.

The Regional Administrative Court, in line with previous rulings related to the proceedings brought by other operators,

with Judgement no. 9326, published on 15th July, declared the appeal of AP Reti Gas inadmissible because the documents challenged are incapable of causing detriment.

The “positive” aspect of the ruling concerns the “disqualification” of the Guidelines no. 11 by the TAR. The Judges, in fact, considered the Guidelines as merely interpretative documents, as far as Part I is concerned, and not immediately detrimental documents, as far as Part II is concerned.

Specifically, Part I would not be suitable to identify the subjects required to apply art. 177 and/or the scope and methods of application of art. 177, but would only “outline principles of a general nature aimed at helping the administrations to which they are addressed to interpret the matter...”.

Part II, on the other hand, although self-qualified as “binding”, would not have an immediately detrimental nature because “... the economic operators who decide not to comply with the indications contained therein due to the peculiarity of the concession relationship do not immediately incur the penalty”.

Law Decree no. 32/2019, converted into Law no. 55/2019, extended the deadline contained in paragraph 2 of art. 177 which now reads: “The existing concessions stated in paragraph 1 must comply with the aforementioned provisions by 31st December 2020”.

AP Reti Gas filed an appeal.

Furthermore, as a merely prudential measure, essentially in order to avoid objections due to lack of interest, the Company also challenged ANAC Resolution 570/2019 (which approved the updated text of the Guidelines 11, although basically identical to the previous one).

The appeal trial is currently suspended because, in a similar appeal, the Council of State raised the issue of the constitutional legitimacy of art. 177 of Italian Legislative Decree 50/2016.

Press release of ANAC’s Chairman issued on 16th October 2019 (AP Reti Gas S.p.A.)

An appeal before the Regional Administrative Court of Lazio - Rome was brought by AP Reti Gas (together with other primary operators of gas and electricity distribution services), for the cancellation of the Press Release of ANAC’s Chairman dated 16th October 2019. Such provision basically intended to extend the obligations of the contracts under Legislative Decree 50/2016 (e.g. acquisition of CIG - Contract Reference Number - and payment of ANAC contribution) also to those contracts which are excluded from and even unrelated to the application of the Code.

After consulting other leading operators belonging to Utilitalia, AP Reti Gas, as the largest distribution company of the Ascopiave Group, for merely prudential reasons (as Press releases are not considered sources of mandatory rules), decided to file an appeal, notified on 24th December 2019.

ARERA RESOLUTION ARG/GAS 570/2019 and related procedure to access the documents (AP Reti Gas S.p.A.)

AP Reti Gas (together with other primary operators of gas distribution services) filed an appeal with the Regional Administrative Court of Lombardy - Milan against ARERA, for the cancellation of Resolution 570/2019/R/gas, illustrating the “*tariff regulation of gas distribution and metering services for the 2020-2025 period*”. The new regulatory framework envisages a strong and unjustified reduction in the tariff items covering the operating costs recognised to distributors. The appeal was filed on 25th February 2020.

Subsequent to the appeal by Italgas Reti, the Regional Administrative Court of Lombardy, with Judgement no. 1517 dated 04/08/2020, partially accepted the request of Italgas Reti, ordering ARERA to submit the documents used for determining the rate of return on invested capital (beta parameter).

Subsequently, Italgas initiated first a “compliance” procedure, aimed at enforcing the Judgement, then challenged it (obviously, for the non-accepted portions).

Both measures were notified to AP, as a mere Third-Party Counterparty.

AP Reti, in order to protect its legitimate interests, which only partially coincide with those of Italgas Reti, decided to intervene in the two judgments.

ASCO ENERGY - CONTARINA - PROJECT FINANCING (Asco Energy S.p.A.)

On 15th December 2019, Asco Energy S.p.A. filed an appeal with the Regional Administrative Court of Veneto for the cancellation of the resolution by which Contarina S.p.A. did not accept (in the opinion of Asco Energy S.p.A., without justification and in contrast with the conduct adopted by the company up to the presentation of the project) the project financing proposal submitted for the construction of a plant for the production of biomethane from wet waste. Due to the supplementary documentation acquired, additional grounds were brought.

To date there are no further procedural documents.

AWARD OF THE “BELLUNO” TERRITORIAL TENDER and related procedure to access the documents (AP Reti Gas S.p.A.)

AP Reti Gas S.p.A. filed an appeal with the Regional Administrative Court of Veneto against the award to Italgas Reti of the “Belluno” territorial tender, notified on 29th June 2020.

The main reasons essentially concern anomalies, therefore the concrete sustainability of Italgas Reti’s bid. Certain irregularities of the procedure are also contested.

Subsequent to the outcome of the accesses to the procedure documents performed on two different occasions, two appeals were filed for additional grounds.

In turn, Italgas Reti filed a cross-appeal against AP Reti Gas.

The appeal filed by AP Reti Gas pursuant to art. 116 of the Administrative Procedure Code, in order to access the parts of the tender indicated by Italgas as covered by secrecy, was accepted by order dated 16th October 2020.

With respect to the main appeal, on 2nd September 2020 the parties waived the discussion of the interim measure on the basis of the Municipality’s commitment not to sign the Contract until the outcome of the dispute.

Finally, the Regional Administrative Court set the hearing on the merits for January 2021. The Parties, however, by mutual agreement, also in consideration of the pending appeal relating to the procedure to access the documents, requested and obtained the postponement of the hearing to 16th June 2021.

Please note that the entire administrative process that led to the territorial tender was appealed by the Municipalities belonging to the Area against the Contracting Authority. Specifically, the municipalities intend to reset the entire procedure.

With Judgement no. 1208 dated 7th December 2020, the Regional Administrative Court of Veneto declared the appeal inadmissible. Allegedly, the plaintiff municipalities have appealed.

CIVIL LITIGATIONS - NOT CONCERNING CONCESSIONS

As of 31st December 2020 the following are pending:

REQUEST FOR DAMAGES DUE TO SUPPLY INTERRUPTION AGAINST AP RETI GAS VICENZA (AP Reti Gas Vicenza S.p.A.)

Two cases before the Court of Vicenza, initiated against AP Reti Gas Vicenza for compensation for damages resulting from plant downtime, for the temporary interruption of the supply (which occurred during activities on the distribution network, entrusted to the contractor Costruire e Progettare in Lombardia), brought by Ariston Cavi S.p.A. and Microfilm S.r.l..

The Company, while hoping for an amicable settlement, regularly entered an appearance and, exercising the negotiation indemnity, impleaded the contractor.

ASCOPIAVE - UNIT B (Ascopiave S.p.A.)

In order to obtain compensation for damages to the entrance floor of the “Unit B” (belonging to the headquarters in Pieve di Soligo), Ascopiave S.p.A., following the pre-trial technical investigation, filed a civil judgment before the Court of Treviso (RG 6941/2013) against: Bandiera Architetti S.r.l. (Progettisti), Mr Mario Bertazzon (Contract Manager) and Mr R. Paccagnella Lavori Speciali S.r.l. (Contractor).

The compensation request refers to an assessment of damage between approximately Euro 127 thousand (Expert witness estimate) and Euro 208 thousand (estimate of a Third-party firm).

All the Parties regularly appeared before the Court.

The Court, by Order dated 22nd December 2014, decided the complete renewal of the expert witness board. The “new” court-appointed expert witness assessed that the damage suffered by Ascopiave S.p.A. amounts to approximately Euro 120 thousand.

Based on the findings contained in the technical report, on 29th March 2016 an attempt was made to reach settlement in court. The attempt failed basically because an agreement was not reached regarding the subdivision of the amount between the debtors.

With Judgment no. 2007/2017, the Court accepted the application submitted by Ascopiave S.p.A., ordering the design firm (F.lli Bandiera), its insurance company (Groupama Assicurazioni) and the construction company (Ing. R. Paccagnella Lavori Speciali SRL) to pay damages, amounting to approximately Euro 208 thousand, and to reimburse

the costs of the proceedings (estimated at approximately Euro 17 thousand). Furthermore, the debtors' obligation to assume joint and several liability was ratified.

The project management (and consequently the insurance company, Unipol Sai) was found to be uninvolved in the damage, with a right to obtain compensation for the costs of the proceedings, amounting to about Euro 16 thousand.

With two separate documents, Groupama Assicurazioni and Ing. R. Paccagnella Lavori Speciali notified the appeal against the First Instance Judgment.

Ascopiave S.p.A. entered an appearance in accordance with the legal terms.

By Provision dated 7th June 2018, the Court of Appeal partially accepted the suspension request, limiting the provisional enforceability of the First instance sentence to the amount of Euro 150 thousand, against which Ascopiave S.p.A. is entitled to pursue the enforcement.

However, the attempts at forcible recovery of the aforementioned sum have been unsuccessful so far.

At the hearing of 28th June 2018, the Court of Appeal unified the appeals.

FORCED ENTRY - DEFAULT SERVICE (Gas distribution companies of the Ascopiave Group)

Pursuant to the regulatory obligation (specifically Art. 40.2 letter A of the Integrated Text for the Sale of Gas - TIVG), the Group distribution companies (AP Reti Gas S.p.A., AP Reti Gas Vicenza S.p.A., AP Reti Gas Rovigo S.r.l., AP Reti Gas Nord Est S.r.l. and Edigas Esercizio Distribuzione Gas S.p.A.), obtain forced entry to private property in order to disconnect utilities (when the metre is located in a private property) of Default Service (SDD) customers that are in default. As a rule, the Group proceeds pursuant to Art. 700 of the Italian Civil Procedural Code (but may also appeal pursuant to Article 703 of the Civil Procedural Code).

Appeals are made against final customers (or utility users), or, more rarely, against the owners of the property served.

For this purpose (and to meet provisions of the regulations), the company has created a management procedure that starts with the activation of the Default Service and ends with the termination (for any reason) of the Default Service.

The procedure also envisages to close any controversy via ordinary methods, collection of information, gathering of previous data and/or efforts to contact the involved final customers, notification of delays, past due notifications and, if all of the above prove unsuccessful, the opening of a judicial procedure, normally as an urgent appeal pursuant to Art. 700 of the Civil Procedural Code (or art. 703 Civil Procedural Code).

The status of the procedures (with annual consumption >500 Scm/year, those for which there is an obligation to sue) is as follows:

- 0 procedures have been sent to the Legal Office and await filing;
- 6 procedures have been filed (hearings already scheduled/under scrutiny), + 1 appeal to a dismissal, pending judgment;
- 20 procedures are in execution of judgment;
- 3 procedures for which the appeal was rejected;
- 1 procedure for which, after the appeal was rejected, the resulting complaint was also rejected;
- 16 procedures are being managed (an appeal could be necessary);
- 428 procedures have been completed (in various stages), but the amount is 523 if we also consider procedures with annual consumption <500 Scm/year.

Between 50 and 70 procedures for which legal action is likely to be taken are expected every year for all Group companies. From 2014 to 31st December 2020, the total legal fees (including taxes), for the procedures forwarded to the Law firms, amount to approximately Euro 418 thousand.

For these expenses, the law envisages partial tariff compensation (up to € 5,000 per procedure).

Relationships with Agenzia delle Entrate (Italian Tax Authority)

ROBIN TAX

Regarding the outstanding litigations with Agenzia delle Entrate, some claims are pending with local tax agencies and the Court of Cassation related to the implicit/express refusal to reimburse the additional IRES tax (so-called Robin Tax).

The Companies involved in the afore-mentioned litigations are: Ascopiave, Ap Reti Gas Rovigo, Edigas Esercizio Distribuzione gas, Unigas Distribuzione (merged into Ascopiave), Asco Energy (former Veritas Energia).

Since 2008, the additional IRES tax stated in Art. 81 of Law Decree 112/2008 applies to these companies. Subsequently, in 2015, the Constitutional Court declared that said tax would be unconstitutional. In the wake of said sentence, the companies requested the reimbursement of the unwarranted tax that had been paid. The tax authorities did not reply and by doing so they effectively denied the reimbursement, or expressly denied it. Several claims were filed based on a retroactive interpretation of said sentence, the legitimacy of which was confirmed by a Constitutional Law Attorney. Possible results of said claims are completely unpredictable, as the acceptance of the claim would cause a massive financial burden for the entire country. As regards the time expected to settle this litigation, no temporary framework can be provided, as these claims have been filed to various local courts with different response times. So far, only the appeals relating to the companies Ascopiave, Edigas Esercizio Distribuzione Gas and Unigas Distribuzione S.r.l. have been discussed.

With reference to the outcome of the litigations in progress, the result of the first instance was favourable to Agenzia delle Entrate and the companies decided to appeal against the judgement of the provincial tax commission. Currently, some regional tax commissions have already confirmed the first instance judgements (Ascopiave, Edigas Esercizio Distribuzione Gas). The other tax commissions, on the other hand, are still awaiting judgment.

The Company has decided to appeal in all 3 levels of judgment.

AUDIT OF THE REGIONAL DIRECTION OF VENETO

In September 2019, the companies Ascopiave S.p.A. and Ascotrade S.p.A. were inspected by the Regional Direction of Agenzia delle Entrate as regards the Ires, Irap and VAT sectors for the years from 2013 to the date of the inspection. The first stage of the audit was completed on 29th October 2019 with the issuance of a Report on Findings containing remarks on the direct and indirect taxes related to the years 2013 and 2014 of the subsidiary Ascotrade S.p.A., a company sold on 19th December 2019 to the Hera Group, for which Ascopiave issued a specific guarantee; the company presented its briefs against the Report on Findings. Subsequent to the submission of the briefs Agenzia delle Entrate issued the tax demand to Ascotrade relating to the disputed matters, following which the company filed an appeal with the Provincial Tax Commission of Venice. At the moment the case has been deferred until decision, after the panel met in the Council Chamber at the hearing for discussion on 24th November 2020.

The audit then continued with the issuance on 29th September 2020, against Ascotrade S.p.A., of the Report on Findings referring to the year 2015, subsequent to which, after the presentation of specific briefs, Agenzia delle Entrate issued a notice of assessment on 23rd December 2020, then appealed by the company before the Provincial Tax Commission of Venice, still pending.

The company, aided by the tax advisor, considers the risk as “possible” or “remote” and therefore has not made any provision.

Territorial areas

In 2011, the issuance of a number of ministerial decrees further defined the regulatory framework of the sector, regarding in particular the territorial calls for tenders.

Specifically:

- 1) the Decree dated 19th January 2011 issued by the Ministry for economic Development in agreement with the Ministry for the Relationship with Regions and Territorial Cohesion, the territorial areas for issuing calls for tenders to entrust the gas distribution service were identified; with subsequent Decree dated 18th December 2011, the municipalities belonging to each territorial area were also identified (the so-called Territorial Areas Decree);
- 2) the Decree issued by the Ministry for Economic Development and the Ministry of Employment and Social Policies on 21st April 2011 contained provisions ruling the social effects connected to the assignment of the new gas distribution concessions, thus implementing paragraph 6 of art. 28 of Legislative Decree no. 164 issued on 23rd May 2000 (the so-called Workforce Protection Decree);
- 3) with Decree no. 226 issued by the Ministry for Economic Development on 12th November 2011, the regulations concerning the criteria to be applied to calls for tenders and the evaluation of the bid for assigning the gas distribution service were approved (the so-called Decree for Criteria).

The issuance of ministerial decrees played a major role in giving certainty to the competitive environment within which operators will move in the coming years, thus laying the foundations for the process of market opening - that started with the implementation of European directives - to produce the benefits hoped for.

The Ascopiave Group - as indeed many other operators - has substantially appreciated the new regulatory framework, believing that it can create important opportunities of investment and development for medium-sized qualified operators, rationalising the offer.

At the end of 2013, the Government issued Law Decree 23/12/2013, no. 145, making changes to the regulatory framework with regard to the determination of the reimbursement value of the plants due to the outgoing operator at the end of the so-called "Transitional Period". The Decree was converted with amendments into Law no. 9/2014, which substantially changed the original provisions of the Decree on that aspect.

The conversion into Law of the Decree (Law no. 9/2014) made substantial changes to Article 15 of Legislative Decree no. 164/2000, providing that the new operators shall pay a reimbursement to the holders of assignments and concessions existing in the transitional period, calculated in compliance with the provisions of the agreements or contracts and, even if not inferable by the will of the Parties and for aspects which are not envisaged in those agreements or contracts, based on guidelines on operating criteria and methods for the assessment of the reimbursement value as per article 4, paragraph 6, of Law Decree dated 21st June 2013, no. 69, converted, with amendments, by Law dated 9th August 2013, no. 98. In any case, private contributions related to local assets (assessed in accordance with the methodology of tariff regulation in force) have to be deducted from the reimbursement value. If the reimbursement value is higher than 10% of the value of local assets calculated as per tariff regulation, net of public capital contributions and of private ones for local fixed assets, the granting local body submits the related evaluations detailing the reimbursement value to the Authority for Electricity and Gas and Water Supply System so that it can be checked before publishing the invitation to tender.

In addition, Law no. 9/2014 established that the deadlines envisaged in paragraph 3 of article 4 of Law Decree dated 21st June 2013, no. 69, converted, with amendments, by Law dated 9th August 2013, no. 98, are extended by four months and that the deadlines illustrated in Attachment 1 to the regulations of the Minister for Economic Development Decree dated 12th November 2011, no. 226 (so-called "Decree for Criteria"), related to provisions contained in the third grouping of Attachment 1 itself, and the deadlines illustrated in article 3 of the regulations, are extended by four months.

On 6th June 2014 the Decree of the Minister of Economic Development dated 22nd May 2014 was published in the Official Gazette, which approved the "Guidelines for criteria and application procedures for the assessment of the reimbursement value of natural gas distribution networks" pursuant to Article 4, paragraph 6, of Law Decree no. 69/2013, converted with amendments by Law no. 98/2013 and article 1, paragraph 16, of Law Decree no. 145/2013, converted with amendments into Law no. 9/2014. Pursuant to Law no. 9/2014, the "Guidelines for criteria and application procedures for the assessment of the reimbursement value of natural gas distribution networks" define the criteria to be applied to the valuation of reimbursement of facilities in order to integrate those aspects that are not already stated in the agreements or contracts and what cannot be deduced from the will of the parties.

The "Guidelines" feature several critical issues not only as concerns the resulting valuations, but also in terms of application scope, extremely extended by the Ministry, to the extent that all the agreements regarding the valuations of the facilities entered into by the operators and the Municipalities after 12th February 2012 (effective date of Ministerial Decree 226/2011) are believed to be ineffective.

Furthermore, these Guidelines contrast with the provisions of art. 5 of Ministerial Decree 226/2011 itself. This is inconsistent with the provision of law which refers to art. 4, paragraph 6 of Law Decree 69/2013, which, in turn, makes explicit reference to Article 5 of Ministerial Decree 226/2011.

Considering such illegitimacies, Ascopiave S.p.A. has appealed the Ministerial Decree dated 21st May 2014 (and as a consequence the Guidelines) before the administrative court (Regional Administrative Court of Lazio). As part of said proceedings, the issue of constitutional legitimacy and/or preliminary ruling was raised relating to the interpretation (mainly retrospective) of the new rules on the deduction of private contributions set forth by Law 9/2014.

Lastly, by Resolution 310/2014/R/gas - "Provisions for determining the reimbursement value of natural gas distribution networks", published on 27th June 2014, the Authority for Electricity, Gas and Water approved provisions for determining the reimbursement value of the gas distribution networks, implementing the provisions of Article 1, paragraph 16 of Law Decree dated 23rd December 2013, no. 145, converted with amendments by Law dated 21st February 2014, no. 9.

That provision states that the granting Local Entity shall send the Authority the verification documents containing a detailed calculation of the reimbursement value (RIV), if this value is 10% higher than the local RAB.

The Authority performs the checks set forth in Article 1, paragraph 16 of Law Decree no. 145/13 within 90 days from the date of receipt of the documentation by the Contracting Authorities, ensuring priority based on the deadlines for the publication of the calls for tender.

With Law no. 116/2014 dated 11th August 2014 (converted with amendments to law decree 24th June 2014 no. 91) the Legislator has envisaged a further extension of deadlines for the publication of invitations to tender. Specifically, for the areas belonging to the first group stated in Annex 1 of Ministerial Decree 226/2011, the time limit was extended by eight months; for the areas belonging to the second, third and fourth groups the deadline was postponed by six months and lastly for the areas of the fifth and sixth groups the extension is four months.

However, these postponements do not apply to those areas which, although they belong to the first six groups, are affected by earthquakes, because over 15% of the redelivery points are in the municipalities affected by the earthquakes of 20th and 29th May 2012, in compliance with the annex to the Decree of the Minister of economy and finance dated 1st June 2012.

The same law, further amending Article 15, paragraph 5 of Legislative Decree 2000, has finally determined that the redemption value is to be calculated in compliance with the provisions of the agreements or contracts, provided that the latter were entered into before the date of entry into force of Ministerial Decree dated 12th November 2011 no. 226, that is to say before 12th February 2012, thus affirming the principle of retroactive application of the Guidelines, which had already been appealed during the court action against the Guidelines.

On 14th July 2015, the Decree of the Minister of Economic Development and the Minister of Regional Affairs and Autonomies no. 106 dated 20th May 2015 was published in the Official Gazette, amending the decree dated 12th November 2011 no. 226 regarding the tender criteria for awarding the gas distribution service.

The most significant changes include:

- 1) the provisions concerning the value of the reimbursement of the plants to be applied in case of absence of specific agreements between the parties occurred before the entry into force of Decree no. 226/2011, which include to a large extent the provisions of the “Guidelines”.
- 2) a higher maximum threshold for the amount of the annual payments that may be offered in tenders to local authorities. This threshold, previously equal to 5% of the portion of the restriction on tariff revenues to cover the local capital costs, was brought to 10%;
- 3) the treatment of a number of important technical and economic aspects related to the tendered energy efficiency investments, concerning the value of the amounts to be paid to local authorities and the payments to cover the costs of the operator which implements the interventions and gains the related energy efficiency certificates.

Finally, the conversion into Law of the so-called “Decreto Mille Proroghe” (Law no. 21 dated 25/02/2016) introduces a further extension of the deadlines for the publication of invitations to tender. Specifically, for the areas belonging to the first group as described in Annex 1 of Ministerial Decree 226/2011, the deadline is further postponed by 12 months; for the areas belonging to the second group, by 14 months; for those belonging to the third, fourth, and fifth group, by 13 months; for the areas belonging to the sixth and seventh group, 9 months; 5 months for the areas of the eighth group.

The same regulation establishes the deadlines within which the Regions, or, as a last resort, the Ministry of Economic Development, should intervene, and repeals the penalties previously incurred by the Municipalities for the delay.

In 2015-2016, a number of tenders were published for the award of the service with Territorial procedure. Many of them did not follow the procedures required by law, which envisages, among other things, the prior examination by the Authority of the reimbursement amounts of the plants due to outgoing operators as well as the review of the invitation to tender’s overall content and annexes before publication. Moreover, most calls are also inconsistent, even significantly, with the instructions contained in the ministerial regulations, also with regard to the criteria for evaluating bids; according to the current regulations, such inconsistencies should be specifically justified by the Awarding Entities.

In this context, the standardisation of the tender process envisaged by the law is encountering serious difficulties, to the extent that the procedures may freeze due to a major litigation.

The Law dated 4th August 2017 no. 124 (Annual Market and Competition Act) introduced some legislative innovations concerning the natural gas distribution sector.

Specifically, article 1, paragraph 93, amends the provisions of article 15, paragraph 5, of legislative decree 164/00, exempting local entities from the obligation to send detailed assessments to the Authority if all the following conditions are met jointly:

- the local tender authority can also certify through a suitable third party that the reimbursement value has been determined by applying the provisions contained in the Guidelines dated 7th April 2014;
- the aggregated territorial VIR-RAB gap does not exceed 8%;
- the VIR-RAB gap of the individual Municipality does not exceed 20%;

Article 1, paragraph 93 states that, if the value of the net fixed assets is not in line with the sector averages according to the definitions of the Authority, the value of the net fixed assets relevant to the calculation of the gap is determined by applying the parametric valuation criteria defined by the Authority (see article 23, paragraph 1, RTDG).

Finally, article 1, paragraph 94, states that the Authority, with its own resolutions, shall define simplified procedures for the evaluation of the invitations to tender, applicable in cases where such invitations have been compiled in compliance with the standard invitation to tender, the standard book of conditions and the standard service contract, specifying that in any case, the tender documentation cannot deviate from the maximum scores envisaged for the tender criteria and sub-criteria by articles 13, 14 and 15 of the aforementioned decree 226/11, except within the limits set by the same articles with regard to some sub-criteria.

The Authority has implemented the provisions of Law no. 124/2017 with Resolution 905/2017/R/gas dated 27th December 2017.

The Municipality of Belluno, Awarding Entity of the Minimum Territory Area of Belluno, regularly followed the procedure set out in the regulations and published a tender in December 2016. In September 2017 the Group company AP Reti Gas S.p.A. participated in the tender, submitting its bid.

The tender documents were challenged by an operator participating in the call for bids. With Judgement no. 886/2017, the Regional Administrative Court of Veneto rejected the appeal. The plaintiff appealed against the decision to the Council of State, submitting an application for the suspension of the first instance provision.

The Council of State, by Judgement published on 22nd January 2019, rejected the appeal.

In December 2018, the Municipality of Schio, the contracting authority of the Territorial Area Vicenza 3 - Valli Astico Leogra e Timonchio, issued the invitation to tender for the concession of the gas distribution service. The Ascopiave Group currently manages the service in 28 municipalities in the Territorial Area, serving about 80,000 users. The Group companies AP Reti Gas S.p.A. and AP Reti Gas Vicenza S.p.A., holders of concessions in the Area, have challenged the call due to irregularities, filing an appeal before the Regional Administrative Court of Veneto.

On 8th May 2019, the hearing for the discussion of the merits was held, without any novelties.

Distribution of dividends

On 29th May 2020, the Shareholders' meeting approved the financial statements and the distribution of the ordinary dividend, to the tune of Euro 0.2133 per share, with ex-dividend date on 8th June 2020, record date on 9th June 2020 and payment on 10th June 2020.

Treasury shares

Pursuant to Article 40, Legislative Decree 127 2 d), as of 31st December 2020 the Company owns 17,766,858 own shares for a value of Euro 55,628 thousand (Euro 26,774 thousand as of 31st December 2019), recognised as a reduction in other reserves as can be seen in the Net Equity changes.

As of 18th September 2020, Ascopiave S.p.A. held 12,439,045 treasury shares, equal to 5.306% of the share capital for a value of Euro 34,821 thousand; subsequently, on 11th December 2020, it purchased 5,327,813 Shares, equal to 2.273% of the Company's share capital, for a total value of Euro 20,806,175.33.

The shares were purchased subsequent to the conclusion of the Subscription period of 5,334,329 ordinary shares, reserved for holders of ordinary shares of the Company listed on the Electronic Share Market (MTA), for which the right of withdrawal has not been exercised. At the end of the subscription period, 3,621 Shares representing 0.068% of the Shares for a total value of Euro 14,140.73 were subscribed and the Right of First Refusal was exercised for 2,895 Shares, equal to 0.054% of the Shares and a total value of Euro 11,305.55. Therefore, in light of the rights exercised

by Ascopiave shareholders, 3,621 Shares were subscribed and the Right of First Refusal was exercised for 2,895 Shares, for a total of 6,516 Shares, representing 0.122% of the Shares, for a total value of Euro 25,446.29. The remaining shares were consequently repurchased by Ascopiave S.p.A. as previously described.

Outlook for 2021

As far as the gas distribution activities are concerned, in 2021 the Group will continue its normal operations and service management and perform preparatory activities for the next invitations to tender for awarding concessions, which involve, among other things, updating the estimates of the reimbursement values of the plants currently managed and sharing them with the local authorities, as well as providing the contracting authorities with the data and information required by law.

Most Municipalities currently managed belong to Minimum Territorial Areas for which the maximum deadline to issue the call for tenders has expired. Only the contracting authorities in the Territorial areas of Vicenza 3 and Vicenza 4 have published the call, for which the application for participation should be submitted respectively within 31st December 2020 and 31st March 2021. In the light of the time required to submit bids and evaluate and select them, it is believed that possible transfers of management to potential new operators may be executed only in subsequent years.

As regards the economic results, in 2019 the Authority adopted the new tariff regulation for the 2020-2025 five-year period. The new provisions envisage a significant reduction in the revenue components intended to cover operating costs.

In this regard, the Group has appealed to the Regional Administrative Court of Lombardy - Milan together with other leading distribution operators. As regards energy efficiency obligations, it is presumable that the economic margin achievable in 2021 will be consistent with that achieved in 2020, due to the effect of the current regulations that control the purchase prices of the certificates and contributions granted.

The health emergency caused by the Covid 19 virus, in light of the Ascopiave Group's focus on the distribution business, had a minor effect on profitability in 2020 and, as the peak of the emergency is behind us, limited impacts are currently expected also on future profitability, since adequate credit risk hedging mechanisms are contained in the Grid Code, which governs the activity of distributors. Although the industry where the Group operates is less critical, the Management will continue to monitor the pandemic at the national and international level so as to promptly respond to the emergency which, after an improvement in the summer, showed a new significant recrudescence in October, with a considerable increase in infection rates throughout the national territory.

As regards electricity and gas sales, Ascopiave will obtain the benefits of the consolidation of its quota of the result of the minority stake in EstEnergy and the dividends distributed by Hera Comm - both companies are controlled by the Hera Group. Ascopiave has put options on these investments and it is possible that they will be exercised, in whole or in part, with a consequent impact on the Group's income statement and financial structure.

The actual results of 2021 could differ from those outlined above depending on various factors amongst which: the general macroeconomic conditions, the impact of regulations in the energy and environmental fields, the evolution of the on-going health emergency, success in the development and application of new technologies, changes in stakeholder expectations and other changes in business conditions.

Evolution of the COVID 19 emergency

In February/March 2020, the health emergency caused by Covid-19 concretely involved the entire territory where the Ascopiave Group operates and entailed a full-scale review of work organisation in order to take all the necessary preventive measures to ensure employees' safety and operational continuity for all Group companies.

After the first case of infection in Italy, on 21st February, which was followed by an urgent meeting of the Council of Ministers on 23rd February for the first important action by the government, on the same day, Sunday 23rd February, at the Ascopiave Group headquarters in Pieve di Soligo, as requested and directed by the Chairman Nicola Ceconato, a specific Crisis Unit was set up to handle the emergency, composed of: Roberto Zava (HR Director and Operational Coordinator of the Crisis Unit), Antonio Vendraminelli (Distribution SBU Director), Alberto Tomasoni (Health and Safety Officer), Romeo Ghizzo (IT), Luisa Bedin (Assets), Gabriele Kaserer (Organisation), Manlio Boscheratto (Staff).

The task entrusted to the Crisis Unit was to provide operational instructions aimed at supporting the activities of the Group companies by ensuring all the necessary measures to protect workers' health.

As regards communication, informative posters concerning a series of obligations imposed on employees, visitors or guests were posted at the entrance and in the most visible places of the company premises, and frequent notifications were sent by email to all employees.

The company ensured the daily cleaning and periodic sanitation of the premises, environments, workstations and common areas. It also stressed the importance of personal hygiene, providing workers with suitable detergents for frequent hand cleaning. It also equipped each worker with masks as airways protection devices and PPE (masks, gloves, goggles, coveralls, caps, gowns, etc...) compliant with the indications of the Health Authority and the activity performed.

As regards the measures adopted for handling the biological risk in the workplace, in addition to observing the regulations issued through the various Prime Ministerial Decrees and other provisions of the health authorities, in compliance with art. 13 of the protocol signed on 15th March 2020 (later updated on 24th April 2020) by the Government and the social partners, the so-called Central Committee, that is, concerning the Ascopiave Group as a whole, was established in agreement and with the participation of the trade unions (with equal representation) with the task of assessing and drafting the "shared regulatory protocol of measures to fight against and contain the spread of Covid-19 in the workplace"; sub-committees were also set up for subsidiaries.

The aforementioned "protocol" was implemented by the Committee and the main actions consisted of: adoption of all of the safety protocols; posting of the behavioural rules issued by the Ministry and the Italian Institute of Health and their diffusion to all workers through specific communications; transmission to all employees of communications, ordinances and Prime Minister Decrees; implementation of measures for distancing and avoiding the simultaneous presence of staff in offices and in common areas; activation of shifts for accessing the canteen of the headquarters with tables and chairs arranged in order to respect distances, initially, then the canteen service was suspended and subsequently resumed for fewer guests and with adequate distancing; minimisation of meetings and use of audio- or videoconferences; cancellation of meetings with third parties, consultants and collaborators and exclusion of their presence on site; reduction of all business trips and travels; review of criteria for accessing Group offices (the entrances were closed and access was limited to couriers for deliveries); rescheduling of operations for all technical, administrative and secretarial areas; strengthening of cleaning services; frequent sanitisation of the premises; maximisation of agile work where possible with implementation of technological equipment; promotion of the use of holidays or other possibilities given by collective bargaining tools; purchase, distribution or placement in the various areas of material for personal hygiene and for cleaning; purchase of PPE stocks; installation of non-contact thermometers for measuring body temperature at the entrance to the headquarters and placement in all offices of infrared thermometers for measuring body temperature. All this reduced the risk, so much so that no clusters or outbreaks occurred and the cases found were attributable to external situations.

With regard to employment, an exercise was started, starting from the "Distribution" area of the subsidiaries, to reschedule operations, and non-urgent activities were gradually minimised.

In particular, all construction sites and operating activities not directly related to the safety and continuity of the service were gradually suspended; all essential services were therefore guaranteed, specifically emergency intervention, facility surveillance and the operations aimed at ensuring the use of the service, such as activations and reactivations of end customers and the creation of connections for the activation of supplies. Together with the competent doctor, the risks deriving from the possible presence of infected or quarantined people were analysed, and the correct precautions to be adopted were identified, which envisage the use of specific personal protective equipment, distributed to all operating personnel.

In general, business continuity was guaranteed in all areas, although the employees were encouraged in all ways to leave the workplaces and remote work was facilitated by providing the necessary technological equipment. Personnel could only be present at the offices and workstations subject to the authorisation of their supervisor and only for valid and justified operational reasons. In total, this exodus has involved over 90% of the employees of the Pieve di Soligo headquarters and an equal or higher percentage in other headquarters, through the use of work from home for white-collar workers or the decision not to have external distribution personnel work at the headquarters, or through the use of holidays, leaves or other measures.

The first wave of the pandemic ended in May when a slow and planned return of almost all employees was coordinated, with the exception of the categories entitled to be absent from work pursuant to the Prime Minister Decrees or in the case of parents with children under the age of 14, who may request to work from home, with the

obligation to comply with a rigid protocol that involves a series of responsibilities on the part of employees before accessing the office including, before leaving their home, the measurement of their body temperature in order to prevent any person with a temperature above 37.5° from accessing the workplace.

In October, on the other hand, with the new governmental restrictions adopted as a result of the second wave of the pandemic, the organisational measures passed at the beginning of the emergency were re-implemented in the first months of 2021, with the progressive planned leave of employees from the offices maximising the use of agile work by providing the appropriate technological equipment; in addition, the use of holidays or leaves or other possibilities given by the contractual instruments was encouraged. The meetings of the Central Committee and the Local Committees were held regularly with discussions that concerned not only the aspects relating to company safety and the protection of workers, with updates on the arrivals and distribution of personal protective equipment, but that also covered general issues because the company's representatives reported a natural drop in activities, especially for some functions, and therefore the need to resort to the tools and contractual measures set out in the provisions (work from home, revision of production levels, shift plans, rescheduling, use of holidays, accumulated holidays, leaves, reduced working hours) aimed at enabling absence from work without losing remuneration. The meetings did not reveal any non-compliance with the ordinances issued.

A voluntary "Hour Bank" was specifically set up in agreement with the trade unions, in order to avoid using social security measures and support employees with a negative holiday balance who are currently inactive: the Ascopiave Group contributed with 480 working days, which made it possible to establish the fund to start the initiative, which was followed, in order to conclude a lagging trade union agreement on a particular issue relating to the increased payment of overtime work to employees in order to recover hours subsequent to the emergency, by a direct measure by Chairman Ceconato and a massive participation of employees who donated over 600 days of holidays; in this way the offer of days exceeded the demand, reaching over 1,100 days

Overall, as of 31st December, over 15 official and informal meetings of the Central Committee were convened and regularly held, while communications to employees throughout the Ascopiave Group on the emergency, always on the same date, were 47, demonstrating a continuous, complete and far-reaching information.

As for the staff of Ascopiave S.p.A. and the affiliate companies, the first resource tested positive for Covid-19 on 15th October, but the employee had already been working from home for some time, without accessing the headquarters or seeing colleagues; then, until 31st December, 25 more cases were recorded, mostly attributable to infections occurring within the family.

As a precaution, the Company intensified the daily cleaning and periodic sanitation of the premises.

Handling the Covid-19 emergency was very important both from an organisational point of view and in terms of involvement by maintaining a constant communication channel with employees, in order to notify them of the on-going regulatory changes and constantly invite them to comply with all the preventive rules to avoid contagion.

Information on COVID 19 and Consob notice dated 16th February 2021

During the year, the Group analysed the effects of the epidemic caused by SarsCov2 on the business and verified the economic and financial impacts caused by the virus on the Group's activities. Specifically, in relation to the focus areas highlighted by Consob on 16th February 2021, the Group:

- in applying IAS 1 "Presentation of financial statements" did not detect issues connected with the going concern assumption;
- in applying IAS 36 "Impairment of assets" did not identify any impairment caused by the deterioration of the economic prospects of the scenarios;
- in applying IFRS 9 "Financial instruments" and IFRS 7 "Financial instruments: Disclosures" did not find any significant impacts;
- in applying IFRS 16 "Leases" highlighted items of modest materiality.

For more information on the effects generated by the Covid 19 pandemic, please consult the dedicated paragraphs of this annual financial report and the non-financial disclosure integrated therein.

Goals and policies of the group and risk description

Credit and liquidity risk

The main financial instruments in use by our Group are represented by liquidity, bank debt and other forms of financing.

It is maintained that the Group is not exposed to credit risks greater than the product sector average, considering that it provides its business services to a limited number of operators in the gas sector, whose rules for accessing the services offered are established by the Regulatory Authority for Energy, Networks and the Environment and set out in the Network codes, which dictate contractual clauses that reduce the risks of default by customers. The Codes envisage, in particular, the release of suitable guarantees to partially cover the obligations assumed if the customer does not have a credit rating issued by leading international bodies.

To keep residual credit risks under control, there is in any case a bad debt provision equal to approximately 8.30% (2.67% as of 31st December 2019) of the total gross receivables from third parties for invoices issued; the increase in this percentage is ascribable to the factoring operation performed in December 2020, concerning the receivables of the distribution companies for the transport service.

Significant commercial operations take place in Italy.

Regarding the company's financial management, the directors consider that the generation of liquidity, deriving from operations, is suitable for covering its needs.

Risks relating to bids for the award of new concessions for the distribution of gas

As of 31st December 2020 the Ascopiave Group holds a portfolio of 268 natural gas distribution concessions (268 as of 31st December 2019). In compliance with the regulations in force governing the concessions held by the company, the calls for tenders for the new awards of the gas distribution service will be no longer announced for every single Municipality but exclusively for the territorial areas determined with Ministerial Decrees dated 19th January 2011 and 18th October 2011, and pursuant to the deadlines illustrated in Annex 1 attached to the Ministerial Decree on tender criteria and bid assessment standards, issued on 12th November 2011, and subsequent amendments. With new tenders being launched, Ascopiave S.p.A. may not be able to obtain one or more new concessions, or it could obtain them at less advantageous conditions than the current ones, with possible negative impacts on the operative activity and the economic, equity and financial situation, it being understood that, if the company is not awarded with a new concession, limited to the Municipalities currently managed by the company, it will obtain a reimbursement value envisaged for the outgoing operator.

Risks relating to the amount of reimbursement paid by the new operator

With regard to the concessions under which the Ascopiave Group also owns the gas distribution networks, Law no. 9 / 2014 establishes that the new operator shall pay a reimbursement calculated in compliance with the provisions of the agreements or contracts and, even if not inferable by the will of the Parties and for aspects which are not envisaged in those agreements or contracts, based on guidelines on operating criteria and methods for the assessment of the reimbursement value as per article 4, paragraph 6, of Law Decree dated 21st June 2013, no. 69, converted, with amendments, by Law dated 9th August 2013, no. 98. In any case, private contributions related to local assets (assessed in accordance with the methodology of tariff regulation in force) have to be deducted from the reimbursement value. In addition, if the reimbursement value is higher than 10% of the value of local assets calculated as per tariff regulation, net of public capital contributions and of private ones for local fixed assets, the granting local body submits the related evaluations detailing the reimbursement value to the Authority for Energy, Networks and the Environment so that it can be checked before publishing the invitation to tender.

The Minister for Economic Development Decree dated 12th November 2011 no. 226 establishes that the new operator acquires the property of the plant by paying the redemption value to the outgoing operator, except for any portion of it owned by the municipality.

In the periods following the first, transitional one, the reimbursement value to the outgoing operator shall be equal to the local net intangible assets, net of public capital contributions and of private ones for local fixed assets, calculated with reference to the criteria used by the Authority to determine the distribution tariffs (RAB). As far as this point is concerned, it should be noted that the Authority has recently intervened with Resolution 367/2014/R/gas, providing that the redemption value, referred to in Article 14, paragraph 8, of Legislative Decree no. 164/00, at the end of the

first period of concession is determined as the sum of: a) the residual value of the existing stock at the beginning of the concession period, assessed for all the fixed assets subject to transfer for consideration to the new operator in the second period of concession based on the redemption value, provided for in Article 5 of Decree 226/11, recognised to the outgoing operator in the first territorial concession, taking into account the depreciations and divestments recognised for tariff purposes in the concession period; b) the residual value of the new investments made in the concession period and existing at the end of the period, assessed based on the re-valued historical cost method for the period in which the investments are recognised in the final balance, as provided in Article 56 of the Tariff Regulation of Gas Distribution and Measurement Services (RTDG), and as the average between the net value determined based on the re-valued historical cost method and the net value determined based on standard cost assessment methods, pursuant to paragraph 3.1 of Resolution 573/2013/R/GAS, for the next period.

OPERATIONAL RISKS

Ascopiave oversees company processes and activities, respecting the health and safety of workers, protecting the environment, quality and energy saving in the services offered and complying with anti-bribery laws.

Risks of malfunctioning and/or interruption of the distribution service

Unexpected fortuitous events such as accidents, failure of equipment or control systems, drop in plant yield and exceptional events such as explosions, fires, or other similar circumstances, lead to risks of infrastructure malfunctioning including the possible unexpected interruption of the distribution service. Such events could entail a reduction in revenues and cause significant damage to people, property or the environment. The Group has entered into specific insurance agreements to cover the risks described. Although the insurance policies taken out are in line with the best practices, they may be insufficient to cover all the losses that the Group could suffer due to possible increases in expenses and/or compensation for damages to be paid.

Risks related to the protection of the environment, health and safety

The Group conducts its business in compliance with Italian and European Union legislation on environmental protection, observing the laws that govern and regulate the environment and safety. Despite the attention paid to this topic, it is not possible to exclude with certainty that the Group incurs costs or liabilities, even of a significant amount. In fact, the economic and financial repercussions of any environmental damage are difficult to predict, also considering the possible effects of new legislative and regulatory provisions for environmental protection, the impact of any technological innovations for environmental remediation, the possibility of disputes and the difficulty of determining their possible consequences, also in relation to the responsibility of third parties. The Group is remediating contaminated sites substantially due to the removal and disposal of waste (mainly for the demolition of obsolete facilities).

Risk associated with the installation of Smart Metres

A few years ago, the Group launched a plan to replace traditional metres with smart metres, which first of all involved metres of a class higher than G6 and subsequently also those of lower classes. In the first replacement stage, the new remotely read metres represented an emerging technology. The construction features set by the Authority urged manufacturers to design and build a product dedicated solely to the Italian market within the deadlines set by the ARERA. Moreover, the applicable technical legislation prepared by the CIG (Italian Gas Committee, regulatory body affiliated with UNI) was fully available only after 2015. The Group has started the installation of these appliances according to the schedules defined by the ARERA (only the company of the AP Reti Gas Nord Est Group is behind the planned programme); therefore there is a risk that malfunction levels will be higher than the historical performances recorded for traditional metres and that the company will incur greater maintenance costs.

Risks associated with energy efficiency certificates

Pursuant to art. 16.4 of Italian Legislative Decree no. 164/2000, natural gas distribution companies must pursue energy saving objectives in end uses and in the development of renewable sources; based on the results achieved, distributors are assigned the so-called Energy Efficiency Certificates, whose cancellation involves a reimbursement by Cassa per i Servizi Energetici e Ambientali financed through the funds established through the RE (Energy Saving) component of the distribution tariffs. The ARERA determines the specific energy saving objectives applicable to

electricity and natural gas distributors taking into account the annual national quantities of saving that must be pursued through the white certificate mechanism. There is a potential risk of economic loss for the Group due to any negative difference between the average purchase value of the certificates and the tariff contribution granted and/or any failure to achieve the assigned objectives.

Risk related to the implementation of the investment plan set forth in the concessions

Under the concessions for the distribution of natural gas, the concessionaire must fulfil some obligations, including commitments related to investments to be made over the duration of the concession. It is not possible to exclude that, even due to delays in obtaining authorisations and permits, such investments exceed the deadlines set, with the risk of charges being imposed on the Group.

Regulatory risk

The Group conducts its business in a regulated sector. The directives and regulatory provisions issued on the subject by the European Union and the Italian Government, the decisions of the ARERA and more generally any changes in the reference regulatory context may affect the operations, economic results and financial balance of the Group.

The evolution of the criteria for determining the reference tariff is particularly important. Future amendments to the regulations adopted by the European Union or at national level cannot be excluded, with unforeseen repercussions on the applicable regulatory framework and, consequently, on the Group's business and results.

Legal and non-compliance risk

The legal and non-compliance risk consists in the failure to comply, in whole or in part, with the European, national, regional and local regulations which the Group must observe upon conducting its activities. Breaching the rules may result in criminal, civil and/or administrative penalties as well as financial, economic and/or reputational damage. Specifically, among other things, the violation of the legislation protecting workers' health and safety and the environment and the breach of the regulations for the fight against bribery may result in penalties, even of a significant amount, imposed on the Group pursuant to the legislation on the administrative liability of entities (Italian Legislative Decree no. 231/01).

Human resources

As of 31st December 2020, the Ascopiave Group had a workforce of 463 employees, divided in the various companies as follows:

Companies	31.12.2020	31.12.2019	Var.
Ascopiave S.p.A.	87	92	-5
Ap Reti Gas S.p.A.	155	160	-5
Ap Reti Gas Rovigo S.r.l.	17	17	0
Edigas Esercizio Distribuzione S.p.A.	65	66	-1
Ap Reti Gas Vicenza S.p.A.	40	43	-3
Ap Reti Gas Nord Est S.p.A.	99	103	-4
Total companies consolidated with full consolidation method	463	481	-18

Compared to 31st December 2019, the workforce of the Ascopiave Group decreased by 18 units. The changes are attributable to the following companies:

- Ascopiave: -5 employees, explained by 1 new hire and 6 terminations;
- AP Reti Gas: -5 employees, explained by 8 new hires and 13 terminations;
- Edigas Esercizio Distribuzione Gas: -1 employee, explained by 1 termination;
- AP Reti Gas Vicenza: -3 employees, explained by 3 terminations;
- AP Reti Gas Nord Est: -4 employees, explained by 2 new hires and 6 terminations.

The following table sums up the categories of employees according to their qualification:

Companies	31.12.2020	31.12.2019	Var.
Executives	13	13	0
Office workers	297	307	-10
Manual workers	153	161	-8
Companies consolidated with full consolidation method	463	481	-18

Additional information

Seasonal nature of the activity

Since the execution of the partnership agreement with the Hera Group, finalised on 19th December 2019 with the transfer of the sales companies, the activity of the Ascopiave Group is not significantly affected by seasonality. The natural gas distribution business is in fact less influenced by the thermal trend recorded during the year, except for some minor items.

The Group is exposed to the effects of seasonality in relation to investments in affiliates which will be valued using the equity method and which are significantly exposed to seasonality, as they work in the natural gas sales sector.

Gas consumption changes considerably on a seasonal basis, with a greater demand in winter in relation to higher consumptions for heating. This seasonality influences the trend of revenues from gas sales and of procurement costs, while other operating costs are fixed and incurred by the Group in a uniform manner throughout the year. Therefore, the data and the information contained in the interim financial statements do not allow for immediate indications to be drawn regarding the overall performance for the year.

Remuneration of Directors and Auditors, general managers and managers with strategic responsibilities and shares held

For further information pertaining to the remuneration of Directors and Auditors, general managers and managers with strategic responsibilities and the shares they hold, please refer to the Remuneration Report drafted pursuant to Art. 123-*ter* of the Legislative Decree 58/1998 (Consolidated Finance Law), approved by the Board of Directors on 4th March 2021.

The aggregated remuneration to Directors, Auditors and Top Executives of the Group in 2020 amounts to Euro 1,149 thousand for Directors, Euro 98 thousand for Auditors and Euro 608 thousand for Top Executives, totalling Euro 1,757 thousand compared Euro 4,641 thousand in 2019, where Euro 2,277 thousand were related to the positive outcome of the partnership finalised on 19th December 2019.

Comments on the economic-financial results of the year 2020

Performance indicators

According to Consob communication DEM 6064293 dated 28th July 2006 and by recommendation CESR/05-178b on alternative performance indicators, we specify that besides the normal performance indicators set by the International Accounting Standards IAS/IFRS, the Group considers useful for monitoring its business, the use of other performance indicators, which, even if they do not appear in the afore-stated standards, have a considerable importance. In particular, we introduced the following indicators:

- **Gross operating margin (Ebitda):** defined by the Group as the result of amortisation and depreciation, write-downs of receivables, financial management and taxes.
- **Operating result:** this indicator is also included in the accounting principles we have adopted, and it is defined as the operating margin (Ebit) minus the balance of costs and non-recurrent revenues. The latter includes extraordinary incomes and losses, capital gains and losses for disposal of assets, insurance reimbursements, contributions and other less relevant positive and negative components.
- **Tariff revenues from gas distribution:** defined by the Group as the amount of revenue realised by the distribution companies of the Group for the application of tariffs for distribution and measurement of natural gas to their end customers, net of the equalisation amounts managed by Cassa per i Servizi energetici e Ambientali.

General operational performance and indicators

NATURAL GAS DISTRIBUTION	Full Year		Var.	Var. %
	2020	2019		
Companies consolidated with full consolidation method				
Number of concessions	268	268	0	0.0%
Length of distribution network (km)	12,913	12,855	58	0.5%
Number of POD	777,062	777,252	-190	0.0%
Volumes of gas distributed (scm/mlin)	1,460.8	1,064.6	396.2	37.2%
Companies consolidated with net equity consolidation method				
Number of concessions	0	0	0	n.a.
Length of distribution network (km)	0	0	0	n.a.
Number of POD	0	0	0	n.a.
Volumes of gas distributed (scm/mlin)	0.0	87.1	-87.1	-100.0%
Ascopiave Group*				
Number of concessions	268	268	0	0.0%
Length of distribution network (km)	12,913	12,855	58	0.5%
Number of POD	777,062	777,252	-190	0.0%
Volumes of gas distributed (scm/mlin)	1,460.8	1,107.1	353.7	31.9%

* Operating data of companies consolidated with net equity consolidation method are considered pro-quota

Comments on the trend of the main operational indicators of the Group's activity are reported below.

The value of each indicator is obtained by adding the values of the indicators of each consolidated company, weighting the data of the companies consolidated with the equity method according to the share of consolidation.

As far as the activity of gas distribution is concerned, in 2020 the volumes distributed through the networks managed by the fully consolidated companies of the Group totalled 1,460.8 million cubic metres, up 31.9% compared to the previous year, a change mainly explained by the entry in the consolidation scope of the company Ap Reti Gas Nord-Est S.r.l. and the line-by-line consolidation of the company Unigas Distribuzione S.r.l. commencing 1st July 2019.

As of 31st December 2020 the number of redelivery points (PDR) managed by the companies consolidated on a line-by-line basis was 777,062.

General operational performance - The Group's economic results

The economic data shown for comparison purposes, referring to 2019, were restated in compliance with IFRS 5. The results achieved by the companies involved in the partnership with the Hera Group were isolated in the item "Result of discontinued/divested operations" of the income statement.

	2020	% of revenues	2019	% of revenues
(Thousands of Euro)				
Revenues	163,896	100.0%	124,911	100.0%
Total operating costs	100,091	61.1%	80,013	64.1%
Gross operative margin	63,805	38.9%	44,898	35.9%
Amortization and depreciation	34,465	21.0%	23,325	18.7%
Provision for risks on credits	189	0.1%		0.0%
Operating result	29,151	17.8%	21,573	17.3%
Financial income	3,558	2.2%	142	0.1%
Financial charges	1,711	1.0%	1,259	1.0%
Evaluation of subsidiary companies with the net equity method	18,310	11.2%	648	0.5%
Earnings before tax	49,308	30.1%	21,105	16.9%
Taxes for the period	9,394	5.7%	6,626	5.3%
Result for the period	58,701	35.8%	14,479	11.6%
Net result from transfer/disposal of assets		0.0%	478,737	383.3%
Net result for the period	58,701	35.8%	493,216	394.9%
Group's Net Result	58,701	35.8%	493,216	394.9%
Third parties Net Result		0.0%		0.0%

Pursuant to CONSOB communication DEM/6064293 dated 28th July 2006, the alternative performance indicators are defined in paragraph "Performance Indicators" of the present report.

In 2020, the Group incomes amounted to Euro 163,896 thousand, marking an increase of 31.2% compared to the previous year. The following table reports the details of income.

	2020	2019
(Thousands of Euro)		
Revenues from gas transportation	110,631	80,370
Revenues from connections	468	354
Revenues from heat supply	(0)	10
Revenues from distribution services	4,527	3,849
Revenues from services supplied to Group compa	8,237	8,469
Revenues from ARERA contributions	36,373	29,176
Other revenues	3,659	2,618
Revenues	163,896	124,911

The increase in turnover is mainly due to the extension of the scope of consolidation due to the line-by-line consolidation of AP Reti Gas Nord Est S.r.l. and as a result of the merger through acquisition of the company Unigas Distribuzione S.r.l., previously consolidated using the equity method.

The **tariff revenues from gas distribution** (from Euro 80,370 thousand to Euro 110,631 thousand) increased by Euro 30,262 thousand compared to the previous year, mainly due to the extension of the consolidation scope.

The **revenues from energy efficiency certificates** (from Euro 29,176 thousand to Euro 36,373 thousand) increased by Euro 7,197 thousand compared to the previous year, partly due to the extension of the consolidation scope and partly to the rise in the assigned objectives.

The **operating result** in 2020 amounted to Euro 29,151 thousand, up Euro 7,578 thousand (+35.1%) compared to the previous year.

The improvement is due to several factors:

- increase in the tariff revenues on the activity of gas distribution for Euro 30,262 thousand;
- higher margin on energy efficiency certificates for Euro 523 thousand;
- negative change in other items of cost and revenues, equal to Euro 23,207 thousand.

The negative change in other items of cost and revenues, equal to Euro 22,276 thousand, is due to:

- higher other revenues for Euro 1,526 thousand;
- higher material and service costs and other charges equalling Euro 9,841 thousand, mainly due to the extension of the consolidation scope and specifically the concession fees accrued by the company Ap Reti Gas Nord Est S.r.l. and the distribution business unit managed by Unigas Distribuzione S.r.l.;
- higher staff costs for Euro 2,632 thousand, mainly due to the extension of the consolidation scope which led to the recognition of the personnel costs of AP Reti Gas Nord Est and Unigas Distribuzione starting from the date of the merger;
- an increase in amortisation and depreciation of fixed assets and provisions for Euro 11,329 thousand, mainly due to the extension of the consolidation scope.

The **net consolidated profit** in 2020, equal to Euro 58,701 thousand, records a decrease of Euro 434,515 thousand (-88.1%) compared to the previous year.

This change is due to the following factors:

- increase in the operating result, as previously stated, for Euro 7,578 thousand;
- increase in financial revenues for Euro 3,416 thousand, mainly influenced by dividends collected from investees for Euro 3,489 thousand;
- increase in financial charges for Euro 452 thousand;
- decrease in taxes for Euro 16,019 thousand, mainly influenced by the non-recurring effects related to the civil and fiscal revaluations and realignments performed in application of the so-called “August Decree” covering tax matters and the extension set out in the 2021 Budget Law, for Euro 15,648 thousand;
- higher result of companies consolidated through the equity method for Euro 17,662 thousand, related to the results achieved by the Estenergy Group, which included the sales companies of the group sold;
- lower net result from discontinued operations for Euro 478,737 thousand.

With regard to the change recorded by the result achieved by the companies consolidated using the equity method and the net result of discontinued operations:

- the measurement of the companies consolidated using the equity method as of 31st December 2020 is representative of the equity investment held by Ascopiave, equal to 48%, in the EstEnergy Group, established subsequent to the partnership with the Hera Group;
- the results achieved in 2019 by the companies involved in the partnership represent 100% of the profit produced by the companies that were consolidated by the Ascopiave Group as of 31st December 2019;
- in 2019 the share of profit of the companies consolidated using the equity method represents the result achieved by Unigas Distribuzione S.r.l. in the first six months of the year; the company was then merged through acquisition with effect from 1st July 2019.

Subsequent to the operation with the Hera Group, the result of the sales companies previously consolidated on a line-by-line basis was replaced by the portion of profit from the EstEnergy Group, by the dividends from the latter and from Hera Comm S.p.A. and by the margin produced by the fully acquired company, and consolidated on a line-by-line basis, AP Reti Gas Nord Est S.r.l..

The tax rate, calculated by normalising the pre-tax result of the effects of consolidation of the companies consolidated using the equity method and the dividends collected from Hera Comm and Acsm-Agam and net of the balance of taxes of the non-recurring benefit recorded in the year 2020, decreases from 32.4% in 2019 to 22.7%.

General operational performance - Financial situation

The table below shows the composition of the net financial position as requested in Consob communication no. DEM/6064293 dated 28th July 2006:

(Thousands of Euro)	31.12.2020	31.12.2019
A Cash and cash equivalents on hand	14	14
B Bank and post office deposits	21,889	67,017
D Liquid assets (A) + (B) + (C)	21,902	67,031
E Current financial assets	798	6,993
F Payables due to banks	(125,723)	(106,025)
G Current portion of medium-long-term loans	(40,024)	(30,778)
H Current financial liabilities	(1,065)	(17,156)
I Current financial indebtedness (F) + (G) + (H)	(166,812)	(153,959)
J Net current financial indebtedness (I) - (E) - (D)	(144,111)	(79,935)
K Medium- and long-term bank loans	(195,999)	(135,083)
L Non current financial assets	2,226	2,478
M Non-current financial liabilities	(563)	(441)
N Non-current financial indebtedness (K) + (L) + (M)	(194,336)	(133,046)
O Net financial indebtedness (J) + (N)	(338,447)	(212,981)

In accordance with CONSOB resolution no. 15519 dated 27th July 2006, the effects of the transactions with related parties are highlighted in the table in paragraph "Transactions with related parties" of this interim financial report.

The financial position increased from Euro 212,981 thousand as of 31st December 2019 to Euro 338,447 thousand as of 31st December 2020, reporting an increase of Euro 125,465 thousand. The extension of the consolidation scope had a minor effect on the net financial position as AP Reti Gas Nord Est S.r.l. had a nil financial position at the date of the transfer and, at the end of the year, the new subsidiary CART Acqua S.r.l. presented a financial position which was positive for Euro 203 thousand. The change recorded in net financial debt is mainly explained by the purchases, and increases, in equity investments and the purchases of own shares made during the year.

Pursuant to Consob communication no. DEM/6064293/2006, the following table shows the reconciliation between the Net financial position and the ESMA Net financial position:

(Thousands of Euro)	31.12.2020	31.12.2019
Net financial indebtedness	(338,447)	(212,981)
Non current financial assets	(2,226)	(2,478)
Net financial indebtedness ESMA	(340,672)	(215,459)

Some figures relating to the cash flows of the Group are reported below:

(Thousands of Euro)	Full Year	
	2020	2019
Net Income	58,701	493,216
Depreciations and amortizations	35,593	22,839
(a) Self financing	94,294	516,055
(b) Adjustments to reconcile net profit of changes in financial position generated by operating activities:	(51,688)	(497,734)
(c) Change in financial position generated by operating activities = (a) + (b)	42,606	18,322
(d) Change in financial position generated by investing activities	(113,029)	(47,715)
(e) Other financial position changes	(55,042)	(66,071)
Net financial position changes = (c) + (d) + (e)	(125,465)	(95,464)

The cash flow generated by operations (c), equal to Euro 42,606 thousand, was mainly due to self-financing for Euro 94,294 thousand and other negative financial variations amounting to Euro 5,688 thousand, related to the management of the net circulating capital for Euro -33,378 thousand and the measurement of companies consolidated through the equity method for Euro -18,310 thousand.

The management of net circulating capital absorbed financial resources amounting to Euro 33,378 thousand and was influenced mainly by the negative variation in the net operating capital which absorbed financial resources for Euro 9,404 thousand, the negative variation in the position towards the Inland Revenue for the accrual of IRES and IRAP taxes for Euro 2,345 thousand and the positive variation in the VAT position for Euro 331 thousand.

The following table shows in detail the changes in the net working capital during the period:

(Thousands of Euro)	Full Year	
	2020	2019
Inventories	(6,780)	(4,179)
Trade receivables and payables	24,001	5,823
Operating receivables and payables	(26,624)	4,452
Gains on disposal of investments	(3,489)	0
Severance pay and other funds	1,068	(132)
Current taxes	(9,394)	6,621
Taxes paid	(12,110)	(7,901)
Tax receivables and payables	(49)	4,733
Change in net working capital	(33,378)	9,417

Investment activities generated a cash requirement of Euro 113,029 thousand, of which Euro 44,431 thousand for net investments in tangible and intangible assets, mainly for works and developments of natural gas distribution facilities. The flows absorbed by investments in shareholdings are related to the purchase of stakes in Acsm Agam S.p.A. and in Cart Acqua S.r.l. and to the capital increase in Estenergy S.p.A., described in the paragraph “Significant events during FY 2020”, for a total amount of Euro 68,598 thousand.

Additional variations in the Net financial position concern dividends for Euro 26,188 thousand, determined by the balance between dividends distributed (Euro -47,442 thousand) and dividends received from affiliates (Euro +21,254 thousand). In 2020, Ascopiave S.p.A. purchased treasury shares on the electronic share market, generating a financial requirement of Euro 28,746 thousand.

The following table shows in detail the other changes in the financial position in 2020:



(Thousands of Euro)	Full Year	
	2020	2019
Sale of own shares	(28,746)	(9,793)
Dividends paid to Ascopiave S.p.A. shareholders	(47,442)	(75,163)
Dividends / (loss coverage) associated copaniesor jointly controlled companies	21,254	2,311
Other changes in financial position	(54,934)	(82,645)

General operational performance - Investments

During the year, the Group made investments in tangible and intangible assets for Euro 44,577 thousand, an increase as compared to the same period in the previous year of Euro 10,163 thousand. The increase is mainly explained by the expansion of the consolidation scope which includes the investments made by AP Reti Gas Nord Est S.r.l. (equal to Euro 8,667 thousand), and the investments made in the areas where the distribution unit previously managed by Unigas Distribuzione Gas S.r.l. is located.

Investments in infrastructures for the distribution of natural gas amounted to Euro 41,859 thousand and were connected to the construction and maintenance of natural gas network and distribution systems for Euro 19,421 thousand, the creation of connections for Euro 11,817 thousand and the installation of metres for Euro 10,621 thousand.

The other investments made during the period amounted to Euro 2,718 thousand concerning mainly the purchase of software licences used by the Group's distribution companies for the management of remote metering for Euro 1,816 thousand.

INVESTMENTS (Thousands of Euro)	Full Year	
	2020	2019
Connecting a gas users	11,817	7,876
Expansions, reclamations and network upgrades	17,489	11,356
Flowmeters	10,621	9,420
Maintenance	1,932	2,779
Raw material (gas) investments	41,859	31,431
Land and buildings	461	373
Industrial and commercial equipment	107	162
Forniture	15	23
Vehicles	276	196
Hardware e Software	1,816	2,214
Other investments	43	1
Other investments	2,718	2,970
Investments	44,577	34,401

Schedule of reconciliation of the of individual shareholders' equity with the consolidated Shareholders' Equity

	31.12.2020	31.12.2020	31.12.2019	31.12.2019
	Groups' operating result	Total net equity	Groups' operating result	Total net equity
(Thousands of Euro)				
Net equity and results for the year as recorded in the statutory financial statements of the parent company	35,932	808,286	521,266	850,739
Net equity and results for the year obtained by subsidiary companies net of the book values of the shareholdings	38,081	(6,062)	19,553	(29,319)
Variations				
Goodwill	986	20,950	493	18,605
Trade relation value, net of tax effects	(0)	4,140	(0)	(0)
Appreciation of gas distribution network, net of tax effects	(1,384)	31,994	(477)	33,379
Elimination of infra-group dividends	(19,825)	(0)	(20,687)	(0)
Effects of the evaluation of companies consolidated with the net assets method	582	582	(0)	(0)
Effects of the evaluation of joint companies consolidated with the net assets method	2,720	(7,749)	(0)	(0)
Effects of the tax relief of the goodwill	1,676	1,676	(0)	(0)
Other effects	(66)	85	(26,932)	89
Total variations, net of tax effects	(15,312)	51,679	(47,603)	52,073
Net Shareholders' equity and result for the period as recorded in the consolidated financial statement	58,701	853,903	493,216	873,493
Minority interests and results	(0)	(0)	(0)	(0)
Operating result and net equity for the period as recorded in the consolidated financial statement	58,701	853,903	493,216	873,493

NON-FINANCIAL ANNUAL DISCLOSURE

2020

Prepared in accordance with Italian Legislative Decree no. 254/2016

Message from the Chairman

The Non-Financial Annual Disclosure is a document that reports on the commitments and targets achieved by the Ascopiave Group responding to the expectations of the various stakeholders, but is also an informative tool regarding aspects relating to social issues and sustainability, growth, enhancement, expansion and efficiency, as well as strategic evolution, which are considered relevant on the basis of the company's activities and characteristics.

2020 was characterised by the extraordinary impacts of the Covid-19 pandemic. The Ascopiave Group acted promptly to ensure the health, safety and protection of its employees, adopting a series of measures (agile work, prevention, limited access to offices, sanitisation of the premises) in agreement with the trade unions and following the indications of the Protocol shared at the national level with the social partners.

In 2020, the Group also began a path of important evolution aimed at strengthening and consolidating its presence in the gas distribution sector but at the same time opening up other important scenarios in the water sector, the search for other energy sources and innovation, with a view to environmental sustainability in order to continue to contribute concretely to economic development in its areas of influence, a fundamental characteristic that has been distinguishing the history of the company and that will be the pivot of future development.

Our efforts are devoted to all the components of society, citizens, businesses and institutions, to continue to grow responsibly and protect employment levels now strongly undermined by a difficult socio-economic situation determined by a health crisis whose impacts are not yet measurable.

*The Chairman
Nicola Ceconato*

Comment on the methods adopted

This document of the Ascopiave Group (hereinafter also referred to as “Ascopiave”, the “Ascopiave Group” or the “Group”) constitutes the consolidated non-financial disclosure (hereinafter also referred to as “Non-Financial Disclosure” or “NFD”) prepared in accordance with Italian Legislative Decree 254/16 and the amendments dictated by Law no. 145 published in the Official Gazette on 30th December 2018.

The document herein illustrates all the elements needed to ensure the understanding of the Group’s business, its performance and results and the impact exerted on the issues considered relevant and set forth in Article 3 of Italian Legislative Decree 254/16 for the year 2020 (from 1st January to 31st December).

The aspects which are relevant to the Group and its stakeholders were defined on the basis of a structured materiality analysis process. Such analysis was conducted at the end of 2019 on the basis of the new corporate structure, taking into account the assessments of the top management and a selection of internal and external stakeholders (directors, employees, suppliers and some municipalities that are shareholders of Asco Holding S.p.A.) and reapproved by the Board of Directors on 25th February 2021. Despite the current global context affected by the on-going Covid-19 pandemic, the Directors did not deem it necessary to update the surveys conducted regarding the identification of material issues, as they considered that the effects of the pandemic could not modify the assessments of the stakeholders, who have already expressed their greater attention to issues such as workers’ health and safety, employment and corporate welfare, brought to light by the Covid-19 emergency.

The system for detecting the fundamental performance indicators has been implemented according to the principles «GRI Sustainability Reporting Standards», published in 2016, and subsequent versions, by the Global Reporting Initiative (GRI), according to the “Core” option. As regards the specific Standard GRI 403 (Health and safety at work), the most recent version of 2018 was adopted, and the specific Standard 207 (Taxes) published in 2019 was adopted for the applicable elements. Additionally, the “Electric Utilities Sector Disclosures” published by Global Reporting Initiative in 2013 have been taken into consideration.

The scope of the **data and information on operating results and cash flows** is the same as the Consolidated Financial Statements of the Ascopiave Group as at 31st December 2020.

The scope of the **social and environmental data and information** extends over the companies belonging to the Ascopiave Group as at 31st December 2020 which are consolidated on a line-by-line basis within the Group’s Consolidated Financial Statements, with the exception of Cart Acqua S.r.l.. For the latter company, purchased on 18th December 2020, only the data relating to employees (2 units) were considered.

In order to compare data over time and assess the performance of the Group’s activities, a comparison with the previous year is provided, where possible.

In order to give a fair representation of performance and ensure the reliability of data, we have minimised the use of estimates which, if any, are however based on the best available methodologies which are properly reported. Any restatements are highlighted in the individual paragraphs. For the purpose of compliance with the new requirements of the GRI 403 Standard, the occupational accidents for 2019 were restated with respect to those published in the 2019 NFD; for the 2019 data calculated with the old methodology, please consult the 2019 NFD, available on the Group’s website.

In order to prepare the Non-financial disclosure and collect non-financial data and information in a timely manner, the Group has adopted a reporting procedure, so as to guarantee the adoption of standardised methods for reporting and the implementation of an adequate internal control system at the Parent Company and the Subsidiaries, for the reporting year and future years.

The Ascopiave Group has undertaken a process of continuous improvement as concerns the issues and policies implemented with a view to reducing its environmental impact, developing social and personnel policies, protecting human rights along the entire supply chain and committing constantly to the fight against active and passive bribery. In January 2021, the Board of Directors approved the 2020-2024 Strategic Plan, which outlines the Group’s development in the coming years, clearly indicating the objectives to be pursued and the strategic levers that will

enable their achievement, within a sustainable growth path. In light of the publication of the 2020-2024 Strategic Plan and the on-going emergency, the Group will work in 2021 to define the Sustainability Plan, in order to integrate a sustainability strategy into the business and the company processes with specific targets.

The Group undertakes to gradually expand and improve its analysis of the risks generated and suffered connected to sustainability issues. In 2020, this analysis was integrated with a specific focus on the risks deriving from the Covid-19 pandemic (such as biological risk and cyber security), and the respective monitoring tools. At the same time, as regards Climate Change and its impacts, the Group is working on a preliminary analysis in accordance with the guidelines of the TCFD (Task force on Climate related Financial Disclosure) implemented by the European Commission. This analysis will make it possible to identify the main risks and opportunities that climate change can entail on company performance. These opportunities are an integral part of the 2020-2024 Strategic Plan.

FIGHT AGAINST ACTIVE AND PASSIVE BRIBERY

This issue is already monitored within the 231/01 Organisation Model adopted by the Parent Company and by the Subsidiaries, and the Group's Code of Ethics.

In 2019, the Ascopiave Group started a process for updating the 231 Models of the Parent Company Ascopiave and its subsidiaries, substantially completed in 2020, except for further updates that may be necessary as a result of regulatory developments. All Group employees were trained in this regard.

ENVIRONMENTAL, SOCIAL AND PERSONNEL POLICIES AND PROTECTION OF HUMAN RIGHTS

The Parent Company and the subsidiaries AP Reti Gas S.p.A. and AP Reti Gas Vicenza S.p.A. adopted an integrated Quality, Environment and Safety policy with the aim of formalising the principles set out in the international standards ISO 9001, ISO 14001 and OHSAS 18001/ISO 45001. In February 2021, Ascopiave S.p.A. also completed the adaptation of the OHSAS management system to the new UNI ISO 45001:2018 standard.

The objective for the year 2021 is to obtain the integrated QHSE certification (Quality, Health, Safety, and Environment) for the other three methane gas distribution companies of the Group: AP Reti Gas Rovigo S.r.l., Edigas Esercizio Distribuzione Gas S.p.A., and AP Reti Gas Nord Est S.r.l.. The companies Edigas Esercizio Distribuzione Gas and AP Reti Gas Nord Est have already acquired the quality certification, ISO 9001: 2015, in the two-year period 2019/2020.

Awaiting the completion of the integrated certification process of the three aforementioned management systems, the companies above have adopted practices and operating methods formalised by AP Reti Gas and AP Reti Gas Vicenza in the organisation of processes, the provision of services, environmental protection, and workplace safety.

The Ascopiave Group undertakes to implement the Policies adopted with a view to continuous commitment and improvement towards verifiable objectives, compliance with laws and regulations and protection of the environment and its people and collaborators.

The issues relating to the provision of the Service to Customers and Stakeholders are handled through specific integrated management systems for quality: the companies Ascopiave S.p.A., AP Reti Gas S.p.A., AP Reti Gas Vicenza S.p.A., Edigas Esercizio Distribuzione Gas S.p.A., AP Reti Gas Nord Est S.r.l. and Asco Energy S.p.A. are ISO 9001:2015 certified.

As regards respect for human rights, given the operational and regulatory context in which Ascopiave operates, the topic is relevant to the Group in that it maintains relations with its employees and suppliers, in compliance with the principles and values stated in the Group's Code of Ethics.

Considering the specific business sector, the Group's activities in the year in question do not entail significant water consumption; for this reason, while ensuring adequate understanding of the company's business, the information stated in art. 3, paragraph 2 of Decree 254, is not reported in this document. In the light of the acquisition of Cart Acqua S.r.l., operating in integrated urban water management, this information will be reported commencing next year.

Ascopiave's Non-Financial Disclosure is compiled annually: this 2020 NFD was approved by the Board of Directors of Ascopiave S.p.A. on 11th March 2021.

The Report was also subject to a limited audit ("limited assurance engagement" according to the principles stated in the ISAE 3000 Revised standard) by PwC which, at the end of the examination performed, issued a specific report on the compliance of the information provided in the Consolidated Non-Financial Disclosure prepared by Ascopiave pursuant to Italian Legislative Decree no. 254/16.

The NFD is an integral part of the Report on Operations, published in the "Investor Relations" section of the Company's website www.gruppoascopiave.it.

IDENTITY AND RESPONSIBILITY

Local presence of the Ascopiave group

The Ascopiave Group operates mainly in the natural gas distribution sector, as well as in other sectors related to the core business, such as energy efficiency and distributed generation and, through the stake in EstEnergy, is also active in the sale of gas and electricity.

The Group holds concessions and direct assignments for the management of the activity in 268 Municipalities, providing the service to approximately 775,000 users through a network which extends over 12,000 kilometres.

Ascopiave is also a partner of the Hera Group in the sale of gas and electricity, holding a 48% stake in the company EstEnergy, a leading operator in the sector with a portfolio of over 1 million sales contracts to end customers, mainly in the regions of Veneto, Friuli Venezia-Giulia and Lombardy.

Ascopiave is also present in the water sector, being a shareholder and technological partner of Cogeide, a company operating in integrated urban water management in 15 Municipalities of the Province of Bergamo, serving over 100,000 inhabitants through a network of 880 km.

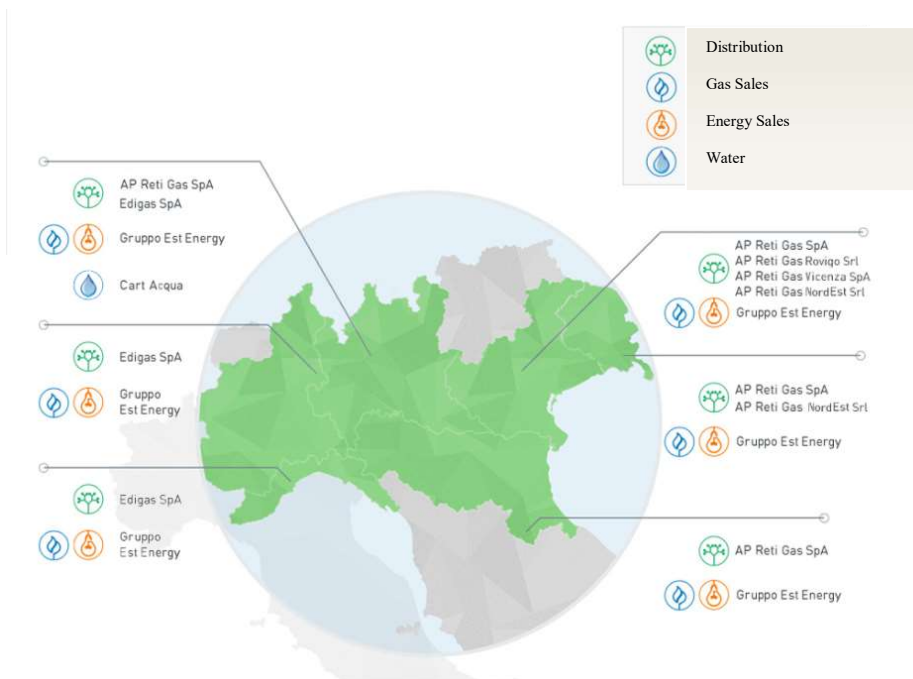
The distribution companies of the Ascopiave Group, with operational headquarters in Pieve di Soligo (TV), have an Emergency Service to solve issues related to the supply of gas on the networks managed, such as for example leaks, interruptions or irregularities in the supply and damage to the distribution facilities. The service is completely free from landlines and mobile phones, active 24 hours a day, every day of the year.

The bond with the territory has been a peculiarity of the Ascopiave Group since its incorporation. It is embodied by the services that the company renders and the initiatives it implements to meet the needs of the community and support struggling people.

Specifically, Ascopiave contributes to the economic well-being of the community, supporting social and cultural initiatives, aimed at health and prevention, sports, environmental and educational programmes, aid to populations affected by natural disasters, promotion of the local territory, support of local and historical specificities.

As part of the sale of gas and electricity, it promotes initiatives in favour of families in difficulty in addition to those already set out in the legislation.

The Ascopiave Group, thanks to successive company mergers, has increased the geographical areas in which it operates, so that it is now present, in addition to the province of Treviso, also in the rest of Veneto, in Friuli-Venezia Giulia, in Lombardy and Piedmont, in Emilia Romagna and Liguria.



Mission, values and strategic objectives

Mission

The Ascopiave Group operates directly in the natural gas distribution sector and, by participating in the partnership established with the Hera Group through the company EstEnergy, in the sale of gas and electricity. Through an effective and flexible organisation of managerial and technical skills, which are constantly enhanced and amplified, it aims to increase the economic value of the company and sustainable social and environmental development.

The Group's strategy is focused on the satisfaction of its stakeholders, on maintaining the levels of excellence of the services offered and on respecting the environment and responding to social needs, in order to enhance the context in which it operates.

The Ascopiave Group follows a development strategy whose main guiding principles are dimensional growth, diversification in other divisions in synergy with the core business and the improvement of operative processes.

The Group intends to consolidate its leadership in the gas sector on a regional level and reach a prominent position also at the national level.

As for the natural gas distribution segment, the Group intends to enhance its portfolio of concessions, aiming at confirming its service provision in the territorial areas served, in which it boasts a significant presence, and at expanding its activities to other fields.

Values

The fundamental values on which the Ascopiave Group bases its strategy are:

- Customer satisfaction

Upon conducting its business, the Ascopiave Group considers that offering a high quality service at competitive economic conditions to meet the needs and expectations of all stakeholders is paramount. This goal is achieved thanks to compliance with the methodological standards required by the legislation, the consolidated skills of the staff and the adoption of the best technologies.



- Protection of the environment and rational use of energy

In accordance with a development model compatible with the territory and the environment, the Ascopiave Group undertakes to manage its processes according to criteria of environmental protection and efficiency, through the identification, management and control of the impact of its activities, as well as through the rational use of energy resources.

- Safety in the workplace and workers' health

The Ascopiave Group considers the protection of workers' safety and health a top priority; therefore, the objective is not only to comply with the requirements of the specific regulations on the matter, but also to take action aimed at continuously improving the working conditions, promoting the integration of safety in all company activities and the accountability of the personnel.

- Continuous improvement

The Ascopiave Group believes that the continuous improvement of processes and systems is a necessary condition for the establishment and growth of the company in a competitive context and for meeting the needs of stakeholders. The continuous improvement process, i.e. the identification of areas for improvement and the definition of measurable parameters and objectives, is also implemented through the application of international certification standards on quality, safety and the environment.

- Respect and personal development of people

The Ascopiave Group, aware that the main key to success of each company consists in human resources, promotes the involvement of staff in achieving the company's strategic objectives and recognises the professional contribution of everyone, in a context of loyalty, mutual trust and cooperation, enhancing professional skills through training and growth.

- Innovation and change

The Ascopiave Group operates in an ever-changing socio-economic context, where innovation and change become fundamental aspects to face the challenges of the market in the name of efficiency and competitiveness.

- Sustainable development and cooperation with the community

All the activities of the Ascopiave Group are performed in the awareness of social responsibility towards stakeholders: employees, shareholders, customers, suppliers, communities, business and financial partners, institutions, professional associations and trade union representatives. The Ascopiave Group therefore adopts a growth model aimed both at increasing the economic value of the company and achieving sustainable development.

This set of values, the corporate ethical principles and the behavioural rules set out in the Code of Ethics inspire every day the activity of all of those who work, as employees or independent contractors, within the Group's sphere of action.

Strategic objectives

Ascopiave's strategy is inextricably intertwined with sustainability and is based on the pursuit of macro-objectives related to four of the main areas cherished by the company: the quality of services, people, the environment and social issues.

- **Attention to social issues to enhance the context in which the Ascopiave Group operates:** The Group has a strong focus on the local community and expresses its commitment also by supporting local initiatives in 7 areas of intervention: health and prevention, community and assistance, culture, history and traditions, sports, environment and emergencies (see chapter: *Local focus and community*);
- **Respect for the environment:** The commitment to the protection of the environment and the reduction of the environmental impact of the Ascopiave Group are guided by the integrated quality, environment and safety policy and continuously monitored for all of the activities of the organisation (see chapter: *Environmental sustainability*);
- **Excellence and quality of services offered:** The achievement of high quality standards of the service offered is the primary objective of the Ascopiave Group and applies both to commercial activities and to technical activities, such as the emergency service and network inspections (see chapter: *Customers and citizens served*);
- **Staff safety, well-being and development:** We promote actions aimed at minimising risks to the health and safety of our personnel and the development of appropriate work practices and conditions ensuring equal opportunities, through the elimination of all forms of discrimination; we offer development and training programmes aimed at enhancing the skills of our resources and consolidating the professionalism required by their role (see chapter: *Social sustainability*).

The Ascopiave Group's initiatives aim to combine sustainability and industrial growth by paying great attention and commitment to environmental issues, with the aim of minimising the impact of its activities.

Parent company's Governance

The system and the rules for the management and control of the company are the backbone of Ascopiave Group's business model and, together with the business strategy, are aimed at supporting the relationship of trust between the company and its stakeholders, contributing to the achievement of the operating results and promoting sustainable success in the long run. Transparency and fairness are the guiding principles for the Ascopiave Group upon defining its own Corporate Governance system, which is structured based on the general and special legislation in force, the Articles of Association, the Code of Ethics and the applicable best practices.

A Governance system structured in this way is capable of providing the best response to the challenges coming from the sector and the local context, thus allowing an open and transparent dialogue with the Local Entities. Ascopiave S.p.A. adopts a "traditional" Governance system that is characterised by the presence of the following corporate bodies:

- **Shareholders' Meeting**, which makes decisions on the supreme acts of governance of the company;
- **Board of Directors**, in charge of managing the company by assigning operational powers to appointed bodies and individuals;
- **Chairperson and Managing Director:** in addition to being the legal representative and having the powers established by the law and the Articles of Association as far as the operation of the corporate bodies (Shareholders' Meeting and Board of Directors) is concerned, (s)he steers and supervises the activities of the Board of Directors, in accordance with the fiduciary powers that make him/her the advocate of the legality and transparency of the company's business towards all shareholders; the Chairperson and Managing Director, in addition to being the legal and institutional representative and having the competences established by the law and the Articles of Association, has been granted with all the ordinary powers for the completion of the deeds relating to the Management, Coordination and Control of the company's functions and services, which can be exercised in compliance with the budget, the investment plan and the instructions of the Board of Directors and in accordance with the Code of Ethics, the unbundling legislation and, where applicable, the Procedure for Related Party Transactions;
- **Board of Auditors:** in charge of monitoring compliance with the law and the Articles of Association and the observance of the principles of correct administration, as well as of checking the adequacy of the organisational structure, the internal control system and the company's administrative and accounting system;

- **Auditing Company**, registered in the Register of Independent Auditors and in charge of external audit;
- **Supervisory Board**, established to monitor the operation of and compliance with the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01 (231 Model) and prevent the crimes set out in the same decree;
- **Remuneration Committee**, which intervenes on the issue of the remuneration of directors and assesses the criteria adopted for the remuneration of executives having strategic responsibilities;
- **Control and Risk Committee**, which is in charge of supporting, with adequate preliminary activities, the assessments and decisions of the Board of Directors pertaining to the internal control and risk management system, as well as those relating to the approval of interim financial reports.

Board of Directors - Members as of 31 st December 2020	
Nicola Ceconato	Chairman and Managing Director
Roberto Bet	Director
Mariachiara Geronazzo	Independent director
Cristian Novello	Independent director
Greta Pietrobbon	Independent director
Enrico Quarello	Independent director
Luisa Vecchiato	Director
Board of Auditors - Members as of 31 st December 2020	
Giovanni Salvaggio	Chairman
Luca Biancolin	Standing Auditor
Barbara Moro	Standing Auditor

Members of the Board of Directors		
Gender	Men	Women
7	4	3
%	57%	43%

Members of the Board of Directors			
Age	<30	30-50	>50
no.	0	4	3
%	0	57%	43%

231 Model and Code of ethics

Each Ascopiave Group company adopts its own 231 Model aimed at ensuring that corporate officers at all levels of the organisation do not engage in illicit conducts in the interest or for the benefit of the Group Companies.

The Code of Ethics of the Ascopiave Group, an integral part of the 231 Models, states that all activities must be carried out in compliance with the law and in accordance with the principles of fair competition, honesty, integrity, fairness and good faith, respecting the legitimate rights and interests of customers, employees, shareholders, business and financial partners and the communities.

The Model is periodically updated in order to reflect regulatory and jurisprudential developments and better respond to the company's organisational changes; this further guarantees the efficiency and transparency of the company's activities. During 2019, the Ascopiave Group started a process for updating the 231 Models of the parent company Ascopiave and the subsidiaries, substantially completed in 2020, except for further updates that may be necessary as a result of regulatory developments.

Specifically, the updated Model of the parent company Ascopiave was approved by the Board of Directors during the meeting held on 5th August 2019. In addition to updating the predicate offences, the text was simplified, for the sake of understanding and application, also by making explicit, both as regards the general part and the individual special parts, the main and mandatory obligations and/or prohibitions for all those who act and/or interface with Ascopiave and the Group companies, highlighting, in particular, the duty to submit alerts in the presence of potential violations or non-conformities, even if only alleged.

During 2019, the Company, in compliance with Law dated 30th November 2017, no. 179, also approved the “Ascopiave Group Whistleblowing Procedure” (adopted by all Group companies), annex 3 to the Model, with the aim of governing the procedure of receipt, analysis and processing of the Alerts, even transmitted anonymously or confidentially, relating to violations and/or critical issues connected to one or more of the following issues:

- Code of ethics;
- 231 Model;
- Procedures relating to and/or explaining the Code of Ethics or 231 Model;
- Internal Control and Risk Management System;
- Laws, regulations, or provisions of Public Authorities

Ascopiave therefore decided to extend the scope of the aforementioned Procedure beyond Legislative Decree 231/2001, deeming it a valid and effective tool for general verification and control, to safeguard the legality that must inspire the actions of the Company, and therefore of directors, employees, collaborators, consultants and suppliers, as well as, in general, anyone who is called to act and/or work for or on behalf of Ascopiave or the Group companies.

The Procedure protects whistle-blowers, within the limit of bad faith or unfounded alerts for gross negligence.

It envisages three main contact channels (letter, dedicated e-mail box and web platform) and assigns the management of alerts to an “Alert Committee”(composed of (i) Head of the Internal Auditing function, (ii) Director of Legal and Corporate Affairs (iii) the Supervisory Board of Ascopiave S.p.A.), in close cooperation with the Supervisory Boards of the individual Group companies.

The Procedure, however, does not modify, nor otherwise limits, or binds the prerogatives and autonomy assigned, by the law and/or the internal procedures, to the Boards of Auditors, and/or to the Supervisory Boards and/or the other Control bodies of Ascopiave and the Group companies. The contacts indicated in the Procedure complement and do not replace those of the Supervisory Boards.

The Code of Ethics of the Ascopiave Group, approved by the Board of Directors on 14th March 2013, states, among other things, that company assets may not be used under any circumstances for purposes contrary to mandatory rules of law, public order or morality, as well as in order to commit crimes. At the end of 2020, a revaluation and updating process was started, to be completed in 2021.

With regard to respect for and development of people, the Code of Ethics makes explicit and reaffirms the prohibition of any form of discrimination and in particular any discrimination based on race, nationality, gender, age, physical disability, sexual orientation, political or trade union opinions, philosophical views or religious beliefs. Ascopiave and the Group companies undertake to avoid and prosecute any type of harassment in the workplace, interpreting their entrepreneurial role both as the protection of working conditions and the protection of the psycho-physical integrity of the worker, respecting his/her moral personality, avoiding that the latter suffers illicit conditioning or unjustified nuisance.

As part of the on-going training process pursued by the Ascopiave Group, in 2020 all employees attended an in-depth online course dedicated to the issues covered in the 231 Model and the structure of the Models. The successful conclusion of the course was conditional on the outcome of the final test. This initiative follows a similar one implemented in 2016 (again intended for the employees of the entire Group), as well as other initiatives launched by individual companies in 2018/2019.



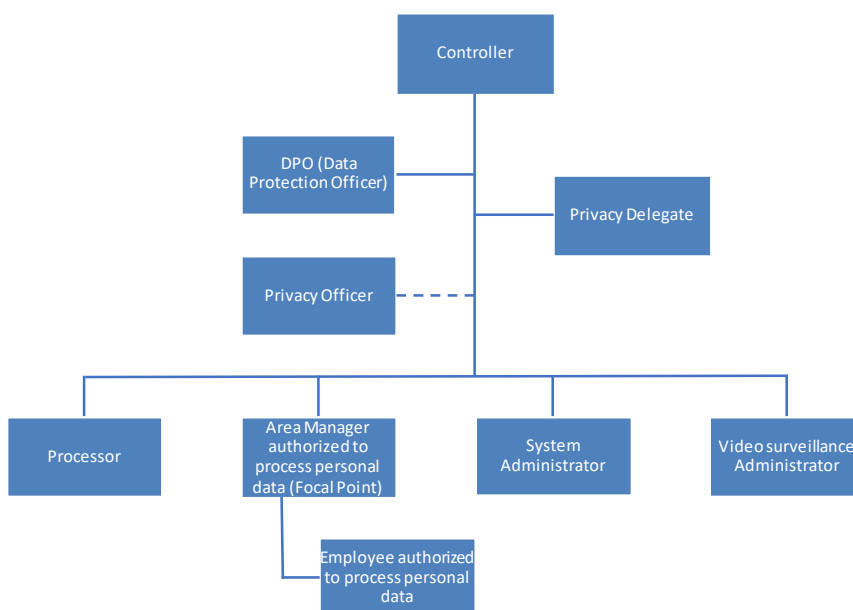
Compliance with privacy legislation

The Ascopiave Group, in order to safeguard the rights and freedoms of the “data subjects” (such as end customers, employees, collaborators, suppliers and private citizens in general), pays utmost attention to compliance with the privacy legislation, as most recently defined, pursuant to EU Regulation 2016/679 (or GDPR) and Italian Legislative Decree dated 30th June 2003 no. 196, as amended by Legislative Decree 101/2018 (so-called “Privacy Regulation”).

Ascopiave, together with the other Group companies, has adopted, first of all, its own “General” Privacy Policy, which can be consulted in the dedicated sections of the website of each Group company, aimed at governing the management structure created to comply with the Privacy Regulation. Specifically, the Privacy Policy contains:

- the definitions and general principles regarding Privacy;
- the roles, responsibilities and appointments of the figures relating to the management of issues related to the Privacy Regulation;
- the rights granted to the data subjects, whose data are processed, with limitations on their transfer;
- the principles, obligations, general rules and guidelines for data processing and document management.

The Policy envisages the following management structure, defining the roles of each figure involved:



Subsequent to the adoption of the Privacy Policy, Ascopiave and the other Group companies, consistent with the provisions of the GDPR and in order to complement the internal regulations, also prepared and adopted the detailed Policies, dedicated, respectively, to:

- Management of requests from data subjects related to the exercise of the rights stated in EU Regulation 2016/679;
- Privacy By Design;
- Data Breach;
- Data Protection Impact Assessment (DPIA);
- Data Retention.

Ascopiave, like the subsidiaries, pursuant to the GDPR, has also appointed the Data Protection Officer - DPO. In exercising his/her functions, the DPO is independent of the operational functions and has been provided with the human and financial resources necessary for the fulfilment of his/her duties.

Internal coordination is ensured by the Group's "Privacy Function", a collegial body (made up of the Privacy Officer, Ascopiave's Privacy Delegate and DPO), which combines the duties typical of the fulfilment of the obligations and procedures connected with the application of the Privacy Regulation, with duties typical of control and verification of management performance. In 2020 the Privacy Function met periodically both to assess the progress of the activities and to address specific and particularly important problems and/or issues.

In order to guarantee the necessary connection with the activities related to the core business conducted by the individual companies, some "Focal Points" were also identified, that is, persons designated (and appointed) by each Group company, who, by virtue of their strategic role within the individual organisations, in addition to the typical duties of each "Person authorised to process personal data", in their respective scopes, are called to: (1) oversee projects and activities that have and/or may have an impact on Personal Data (e.g. need to start a new Processing or need to modify or integrate an existing Processing), (2) assess privacy aspects, (3) constantly inform and, if applicable, timely alert the Privacy Function on the progress of activities affecting Privacy and on the most important situations (as regards specifically possible cases of Data Breach). Ascopiave has appointed its own Focal Points (also in light of the general services provided to the Group companies), while the distribution companies are completing their respective appointments.

During 2020, in addition to the constant updating of the Data Processing Registers pursuant to the GDPR, the Privacy Officer, in close collaboration with the DPO and the Privacy Function, renewed the appointments as "Person authorised to process data" for each employee, and as Data Processor (with regard to third parties in charge of processing Personal Data on behalf of one or several Group Companies). The Privacy Policies relating to the various businesses were also renewed, updated and revised.

As for the 231 Model, in 2020 all employees attended an in-depth online course dedicated to privacy issues and the structure adopted by the Ascopiave Group. The successful conclusion of the course was conditional on the outcome of the final test. In addition, in the course of 2021, more specific training stages are planned, dedicated for example to Focal Points.

A compliance analysis was also initiated, entrusted to an experienced, serious and reliable external consultant, aimed at assessing the adequacy, as well as identifying possible areas for improvement, of the management structure summarised above. The activity should end, with a specific evaluation report, in the first quarter of 2021.

In addition, initiatives are underway to adopt procedures aimed at improving the surveillance and implementation of security measures, as well as at periodically evaluating system administrators. Finally, the "Video Surveillance Regulation" is also under review and the relevant appointments will be completely renewed.

Possible risk factors associated with sustainability issues

The Group believes that effective risk management is a key factor in maintaining value over time. In order to achieve its strategic objectives, the Group, through its governance structure and Internal Control System, defines the guidelines of its risk management policy. The Ascopiave Group continuously monitors and manages the main potential risks to which it could be exposed, for each corporate function.

With reference to sustainability, the Group constantly monitors the main ESG risks, produced or suffered, deriving from its business operations, and is aware of the impacts it generates on the environment and society, strives to reduce the negative impacts of these risks and implements tools and actions aimed at their mitigation.

In particular, the main risk factors associated with the sustainability issues are reported below:

- **Governance and compliance risks:** Risks related to possible errors and/or frauds that may be committed; risks related to failure to comply with the rules and regulations applicable to the Group.
- **Economic and business responsibility:** market and strategic risks, or risks relating to general macroeconomic trends and/or trends specific to the markets in which the Group operates; risks associated with failure to meet any target for the supply of innovative energy services due to the presence of competitors which are already well-established in the target sectors and changes in the market scenario, risks of failure to implement national decarbonisation programmes, difficulties of the Group in dealing with growth and



investment strategies, risks related to geopolitical imbalances and changes in consumer choices by the end users.

- **Responsibility towards human resources:** risks associated with the failure to develop talents and their retention; risks relating to the health and safety of workers, connected to possible accidents and occupational diseases that involve the personnel working at the offices and at the operating sites; risks of discrimination against people and lack of respect for diversity and human rights; risks deriving from the impacts of the Covid-19 pandemic on the physical and mental well-being of staff, from work from home and the need to provide specific training.
- **Customer accountability:** risks associated with any downtimes of the plants and network infrastructures, malfunctions, misalignments or temporary unavailability of dedicated information systems, possible risks connected with the availability, integrity and confidentiality of information.
- **Environmental and Climate change risks:** risks associated with failure to comply with current and future environmental legislation; risks related to legislative/regulatory changes associated with the fight against climate change; physical risks, i.e. risks deriving from the progressive change in climatic conditions, linked to long-term alterations and extreme weather events, which expose the Group to risks of damage to infrastructures; risks associated with the drop in demand subsequent to the rise in average temperatures due to Global Warming; risks of transition to new energy sources and new distribution network infrastructures.
- **Risks towards the territory and the local community:** risks of an indirect nature linked to the performance of the Group; reputational and image risk; risk of failure to communicate with the target audience.
- **Cyber security risks:** risks of failure to protect IT systems and company data, possible cases of fraud and IT attacks, committed against companies with increasing frequency and complexity.

Subsequent to the analysis, the existing prevention measures were identified, also in the light of the issues considered material by the Group, reinforcing the progressive inclusion of social responsibility in the Group's managerial and strategic spheres.

The Group undertakes to manage effectively the risk factors listed above, implementing any procedures and systems designed to prevent any critical issues with the objective of protecting and increasing its value over time and generating further value for its stakeholders.

Specifically, the Group has adopted the following tools for controlling risks, some of which have been recently implemented:

- **231 Model:** Ascopiave S.p.A. and all the subsidiaries have adopted an Organisation, Management and Control Model, pursuant to Italian Legislative Decree dated 8th June 2001 no. 231, updated in 2019, whose purpose, among other things, is to set up a prevention and control system aimed at reducing the risk of committing offenses relevant to the company's activities; the 231 Model contains a specific section dedicated to crimes against workplace health and safety, environmental crimes and computer crimes and illicit data processing. All Group employees receive adequate training on the Model and its contents.
For further information on the 231 Model adopted by the Ascopiave Group, consult the section "231 Model and Code of Ethics" herein and refer to the "Corporate Governance" section of the website www.gruppoascopiave.it.
- **Code of Ethics:** The Code of Ethics of the Ascopiave Group, which is an integral part of the 231 Model, is a tool for defining the set of corporate ethical values that Ascopiave S.p.A. recognises, accepts and embraces, and the set of responsibilities it assumes upon maintaining internal and external relations. The Code of Ethics states that all the employees of the Ascopiave Group are required, within the scope of their functions, to participate in the process of risk prevention, environmental protection and protection of their own health and safety and those of their colleagues and third parties.
The subsidiaries have adopted the Parent Company's Code of Ethics and commit to disseminating the values thereof to their employees.

At the end of 2020, a process for reviewing and updating the Code of Ethics was initiated, to be completed in 2021.

For further information on the Code of Ethics of the Ascopiave Group, consult the section “231 Model and Code of Ethics” herein and refer to the “Corporate Governance” section of the website www.gruppoascopiave.it.

- **Ascopiave Group Whistleblowing Procedure:** in 2019 the Group adopted the procedure that governs the process of receipt, analysis and processing of alerts, through the dedicated reporting channels, ensuring the confidentiality of the whistle-blower. The procedure is aimed at ensuring the effectiveness of the alert system, promoting the corporate culture on the matter and ensuring that appropriate actions are taken, including penalties, and that all the measures necessary to avoid their recurrence are operational.

For further information on • Ascopiave Group Whistleblowing Procedure, consult the section “231 Model and Code of Ethics” herein and refer to the “Corporate Governance” section of the website www.gruppoascopiave.it.

- **Stakeholder engagement and materiality analysis:** in light of the new corporate structure and the importance of involving and communicating with stakeholders, at the end of 2019 the Group performed an engagement activity with its main stakeholders, which enabled the new materiality analysis. The analysis highlighted the material issues for the Group, the correct monitoring of which ensures proper risk management and a guide for defining corporate strategies.
- **“Financial risk management and control policy”** which aims to identify and manage the risks associated with financial management, such as interest rate, exchange rate and liquidity risk.
- **Training:** aware of the importance of enhancing and developing the skills of its resources, the Group has implemented a new system for planning and reporting training. During 2020, the Group provided all Group employees with training on the 231 Model, the Code of Ethics and Privacy; a particular focus was also dedicated to training on safety, prevention and health protection.
- **Health and Safety Management System,** (as stated in the Integrated Quality, Environment and Safety Policy) in compliance with the standard ISO 45001:2018 common to the parent company and certified subsidiaries (Ascopiave, AP Reti Gas and AP Reti Gas Vicenza are UNI ISO 45001:2018 certified, while the other distribution companies have adopted practices and procedures in compliance with Italian Legislative Decree 81/08). It defines the workplace health and safety management model. The system is intended as a guide and a tool to keep under control risks and legal obligations and to monitor and verify periodically and systematically the company’s compliance and the improvement objectives.
The model is aimed at guaranteeing legislative compliance, keeping workplace risks at levels considered acceptable or compliant with legal limits and reducing the level of risk in equal working conditions. The Group also monitors the accidents of workers of third-party companies that occurred at sites under the responsibility of the Ascopiave Group; in fact, according to the provisions of the Contract Conditions, the contractors of “open” contracts for network connections, maintenance and expansion must provide statistics on accidents on a yearly basis.
With particular reference to the impacts deriving from the Covid-19 pandemic, the biological risk in the workplace was managed, through access control measures, distancing and sanitisation of the premises, readjustment of production and administrative processes; for more information see the specific paragraphs in the “Social Sustainability” chapter.
- **Emergency and gas accident management plan:** defines the operational procedures to be adopted during an emergency and upon managing emergencies and accidents, in order to avoid the occurrence of risks for public safety and users, as well as to ensure continuity of services.
- **Integrated Quality and Environment Management System** (as stated in the Integrated Quality, Environment

and Safety Policy) compliant with the standards ISO 14001 and ISO 9001, common to the parent company and the certified subsidiaries: Ascopiave, AP Reti Gas and AP Reti Gas Vicenza. The Environmental System adopted envisages a practice for identifying, assessing and rating the environmental aspects and impacts related to Ascopiave and the ISO 14001 certified companies: this analysis allows each company to formalise an “Environmental Analysis” document and a “Register of environmental impacts”.

These documents are periodically updated also through the regular evaluation of specific monitoring indicators, essential for the management and continuous improvement of potential significant risks and opportunities.

- **Climate change:** the Group is working on a preliminary risk analysis of Climate change in accordance with the guidelines of the Task Force on Climate related Financial Disclosure (TCFD) implemented by the European Commission. This analysis will make it possible to identify the main risks and opportunities that climate change can entail on company performance. These opportunities are an integral part of the Ascopiave Group’s 2020-2024 Strategic Plan.
- **Privacy Policy:** the Group has implemented a series of measures aimed at adapting the organisational structure to the current legislation on privacy, as stated in the dedicated procedure, which can be consulted in the dedicated sections of the institutional websites of each Group company. During the year, all the Group employees attended an in-depth online course on privacy and a compliance analysis was launched with respect to the existing management structure in view of its updating.
For further information on the Privacy Policy of the Ascopiave Group, consult the section “Compliance with privacy legislation” herein and refer to the dedicated section of the website www.gruppoascopiave.it.
- **Sponsorships and investments for the community:** the Group supports projects and initiatives proposed by the Municipalities or associations in the social, cultural and sports fields, for public health prevention and promotion and support during emergency situations; in order to disburse contributions for commercial initiatives having a social impact in an impartial manner, the Group uses the internal Policy, according to which each company is required to report quarterly to the parent company the sponsorships activated.
- **Cyber security:** The protection of the integrity and confidentiality of data and information is part of the corporate digital strategy and is becoming increasingly important also in light of the new operations linked to the consequences of the Covid-19 pandemic.
The Group constantly works to ensure the protection of IT systems and data, to monitor the risks of network intrusion, corruption of sensitive data or processes, conducting prevention and detection activities and interventions against potential cyber-attacks. Vulnerability Assessments and Penetration Tests are periodically run in order to assess the effectiveness of the systems adopted, taking the necessary corrective actions to increase the security of the managed systems.
Specifically, during the year, as the use of remote work significantly increased, in addition to the security measures already normally in place, additional controls were activated on the company PCs used remotely in order to better manage the time that elapses between the connection to the Internet and the activation of the company VPN. The latter was configured on portable PCs so as to enable, once active, only operations towards the company network, thus benefiting from the security of a company connection.

Sustainability management system and technological innovation

Continuous improvement of processes and systems

Continuous improvement is a necessary condition, both for the company’s success and growth in a competitive environment, and for the qualification of the institutional image and the fulfilment of the emerging needs of the stakeholders. All this is achieved through the identification of areas for improvement, the definition of measurable benchmarks and objectives and the timely application of the international standards for quality, safety, environmental and energy service certifications.



Certifications

The Ascopiave Group has decided to incorporate aspects of economic, social and environmental sustainability into its strategies and activities, according to a progressive and organic process, consistent with the organisation's business objectives. With these decisions, the Group intends to make apparent an inclination towards sustainability that has always distinguished the Company.

In fact, since its foundation, Ascopiave has paid increasing attention to aspects such as:

- Quality, reliability, security of and accessibility to the gas distribution service for end customers and the community;
- Implementation of initiatives addressed to employees on the issues of health and safety, organisational climate and training;
- Respect for the community and promotion of initiatives for the benefit of the local community;
- Protection of the environment and energy resources;
- Search for cutting-edge solutions aimed at strengthening the economic system in favour of the entire community, through investments in infrastructure and innovative projects.

The Certifications of the Management Systems, progressively acquired and maintained, attest to the existence of a reliable and structured internal system, which allows us to supervise and manage in the best way the quality of the services provided, health and safety at work and the protection of the environment.

Testifying to its on-going commitment, as of 31st December 2020 the Ascopiave Group had the following types of system certifications:

- ISO 9001:2015 - Quality Management System - Guidelines, Requirements, Fundamentals;
- BS OHSAS 18001:2007 - Occupational Health and Safety Management System - Guidelines, Requirements;
- ISO 45001:2018 - Occupational Health and Safety Management System - Requirements and guide for use;
- ISO 14001:2015 - Environmental Management System - Guidelines, Requirements;
- UNI CEI 11352 - Energy Management: energy service companies (ESCO) - General requirements.

The following table shows the System Certifications as at 31st December 2020, associated with the individual Group companies:

Type of certification	Group company	Scope	Expiration
UNI EN ISO 9001:2015	Ascopiave S.p.A.	Provision of services for the Group companies	11/03/2021
UNI EN ISO 14001:2015	Ascopiave S.p.A.	Provision of services for the Group companies	11/03/2021
BS OHSAS 18001:2007	Ascopiave S.p.A.	Provision of services for the Group companies	08/03/2021
UNI EN ISO 9001:2015	AP Reti Gas S.p.A.	Methane gas distribution	07/06/2022
UNI EN ISO 14001:2015	AP Reti Gas S.p.A.	Methane gas distribution	21/10/2023
UNI EN ISO 45001:2018	AP Reti Gas S.p.A.	Methane gas distribution	21/10/2023
UNI EN ISO 9001:2015	AP Reti Gas Vicenza S.p.A.	Methane gas distribution	26/09/2022
UNI EN ISO 14001:2015	AP Reti Gas Vicenza S.p.A.	Methane gas distribution	26/09/2022

Type of certification	Group company	Scope	Expiration
UNI EN ISO 45001:2018	AP Reti Gas Vicenza S.p.A.	Methane gas distribution	03/12/2023
UNI EN ISO 9001:2015	Edigas Esercizio Distribuz. Gas S.p.A.	Methane gas distribution	30/07/2022
UNI EN ISO 9001:2015	AP Reti Gas Nord Est S.r.l.	Methane gas distribution	29/09/2023
UNI EN ISO 9001:2015	ASCO ENERGY S.p.A.	Heat management/Energy services	07/08/2023
UNI CEI 11352:2014	ASCO ENERGY S.p.A.	ESCO Energy service supply	15/10/2023

In 2020, the following new system certifications were acquired and/or updated:

- 06/2020: Three-year renewal of the ISO 14001 Environmental Certificate of the Company AP Reti Gas;
- 07/2020: Three-year renewal of the ISO 9001 Quality Certificate of the Company ASCO ENERGY.
- 09/2020: New ISO 9001:2015 Quality certificate of the distribution Company AP Reti Gas Nord Est.
- 10/2020: Three-year renewal of the Safety certification and adaptation to ISO 45001 for AP Reti Gas;
- 10/2020: Three-year renewal of the Safety certification and adaptation to ISO 45001 for AP Reti Gas Vicenza;
- 10/2020: Three-year renewal of ESCO, UNI CEI 11352, of the Company ASCO ENERGY.

Dialogue with stakeholders and materiality analysis

Upon formulating its strategies, the Ascopiave Group takes into consideration the indications and expectations of the main categories of stakeholders: for each of them, the specific composition, the most relevant and material topics (all the issues affecting the decisions, actions and performances of an organisation or its stakeholders are defined as “material”) and the listening and dialogue activities in progress have been identified. The main dialogue, consultation and engagement initiatives undertaken in 2020 are listed below, with the respective categories of related stakeholders:

Stakeholder	How we listened to and discussed with them
Shareholders and investors	<i>Conferences, periodic meetings, road shows, interim reports, press releases, institutional website, materiality analysis</i>
Staff (workers and their families, trade unions)	<i>Corporate meetings, one-to-one meetings, Internal committees, training courses, interviews, evaluations, internal investigations, intranet, Code of Ethics, materiality analysis, announcements</i>
Institutions and Communities (e.g. Bodies, Associations, Schools etc.)	<i>Technical round tables, meetings with local Mayors and other authorities, focus groups, press conferences, audit inspections, local events, cooperation with the Authorities, meetings with Associations, relations with Schools and Universities</i>
Customers (sales companies, end customers, families and private citizens, Businesses, local authorities, Consumer and professional associations)	<i>Call centre, meetings, service conferences, satisfaction surveys, focus groups, dedicated web sections, discussion with Representative committees and associations, Joint settlement</i>

	<i>processes</i>
Suppliers (suppliers of raw materials, suppliers of goods and services, local suppliers, suppliers having social significance - Social cooperatives - other business partners)	<i>Quality assessment dialogue, Regular meetings, audits at suppliers, E-procurement portal, Code of Ethics, materiality analysis</i>

Specifically, in 2020, in order to manage the complexity deriving from the emergency caused by the Covid-19 pandemic, the Group discussed more intensively with certain categories of stakeholders, such as employees, customers and suppliers. For more information, see the dedicated paragraphs in the “Social sustainability” chapter herein.

The Ascopiave Group believes in dialogue with the territory and has joined many organisations that protect the same interests; the main associations in which the Group participates are listed below: Assonime, Utilitalia, Unindustria, Anigas, Assolombarda.

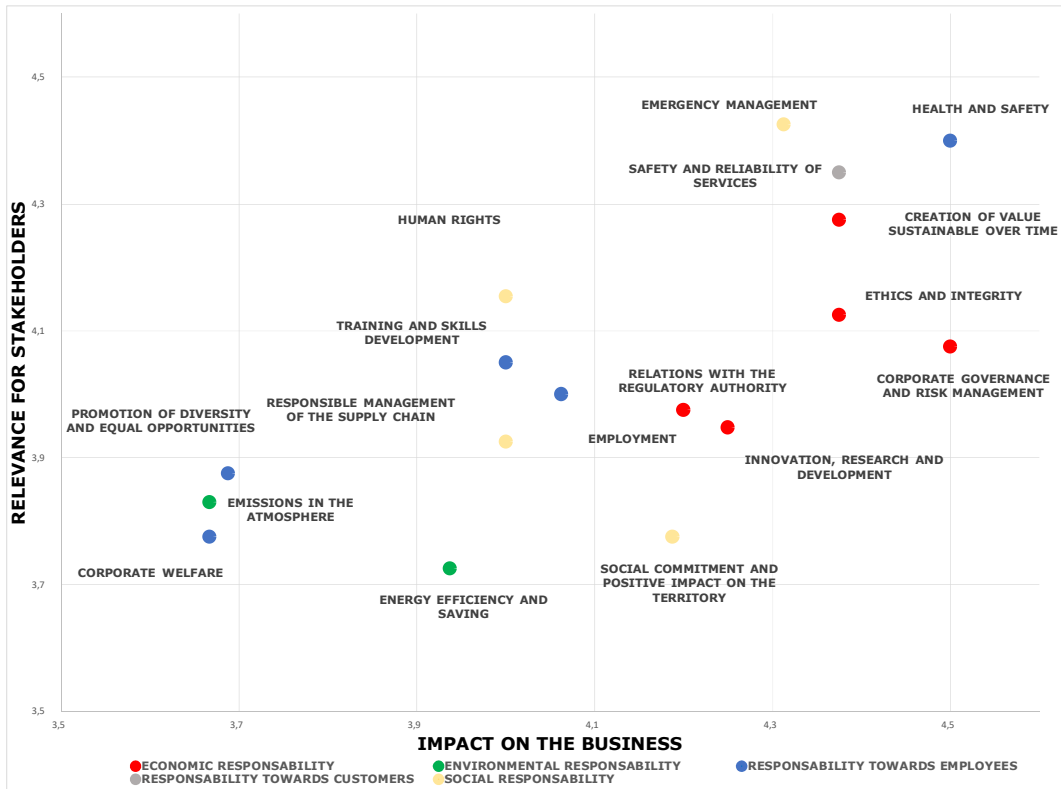
Analysis of the sustainability issues relevant to the Ascopiave Group and its stakeholders

In order to identify the economic, social and environmental topics that are most relevant to the Group and that influence or could significantly influence the assessments, actions and decisions of internal and external stakeholders, the Ascopiave Group performed a structured materiality analysis. This analysis was conducted at the end of 2019, on the basis of the new corporate structure, and has highlighted the social, environmental, economic and governance issues of greatest importance for the company and its stakeholders. The analysis was based on the materiality principle as required by the GRI reporting standard and comprised the following steps:

- **Identification of the potentially relevant issues for the Ascopiave Group:** first, the issues relevant to the Group and its stakeholders were identified through interviews with the Management and the analysis of internal (Code of Ethics, Financial Report, institutional website, etc.) and external (sector studies and publications) documentation, as well as through a structured benchmarking analysis with respect to the industry best practices;
- **Evaluation of the relevant issues for the Ascopiave Group:** in order to prioritise the relevant issues, the Group has submitted an evaluation questionnaire to a selection of its employees, suppliers and Municipalities shareholders of Asco Holding S.p.A., collecting 40 responses; the results gathered from the survey were cross-checked with the evaluations of the members of the Board of Directors and Heads of function. The issues were evaluated on a scale of 1 to 5.
- **Identification of material issues for the Ascopiave Group:** by processing the results, on the basis of the materiality threshold chosen (scores above 3.5), it was possible to define the new materiality matrix of the Ascopiave Group, which consists of 17 material issues (divided into 5 macro areas: economic responsibility, social responsibility, responsibility towards employees, responsibility of service towards customers, environmental responsibility);
- **Approval of the materiality analysis** by the Ascopiave Group Board of Directors.

The materiality analysis was reapproved by the Board of Directors on 25th February 2021. Despite the current global context affected by the on-going Covid-19 pandemic, the Directors reconfirmed the material issues previously identified, as they considered that the effects of the pandemic could not modify the assessments of the stakeholders, who have already expressed their greater attention to issues such as workers’ health and safety, employment and corporate welfare, brought to light by the Covid-19 emergency.

The topic relating to the use of water, stated in Italian Legislative Decree 254/16, has not emerged as a material issue from the analysis conducted for the year 2020 and therefore will not be further explored within this document.



ECONOMIC SUSTAINABILITY

Sustainable development and cooperation with the community

Ascopiave and the Group companies perform all their activities bearing in mind their Social Responsibility towards their stakeholders: employees, shareholders, suppliers, communities, customers, institutions, trade associations and trade union representatives. Ascopiave therefore adopts a growth strategy aimed, on the one hand, at increasing the economic value of the company and, on the other hand, at developing and affecting the social context.

Operating results and cash flow data

As evidenced by the figures reported below, the Ascopiave Group has been able to create wealth, by focusing on its human capital, making the most of and developing its resources and their professionalism, adopting efficient practices of personnel management and introducing innovations. The company, over the years, has expanded its range of action and continues to have all the credentials to pursue its important growth process and still be an integral part of the local context, contributing to the creation of well-being and development.

<i>Main operating results (in millions of Euro)</i>	2019	2020
Revenues	124.9	163.9
Gross operating margin	44.9	63.8
Operating result	21.6	29.2
Earnings before taxes	21.1	49.3
Consolidated net profit	14.5	58.7
Group net profit	493.2	58.7

With the operation completed on 19th December 2019, Ascopiave strengthened its position in the gas distribution sector by acquiring new assets and reaching 775,000 users served.

<i>Group total</i>	2019	2020
million m3 of gas distributed	1,151.7	1,460.8

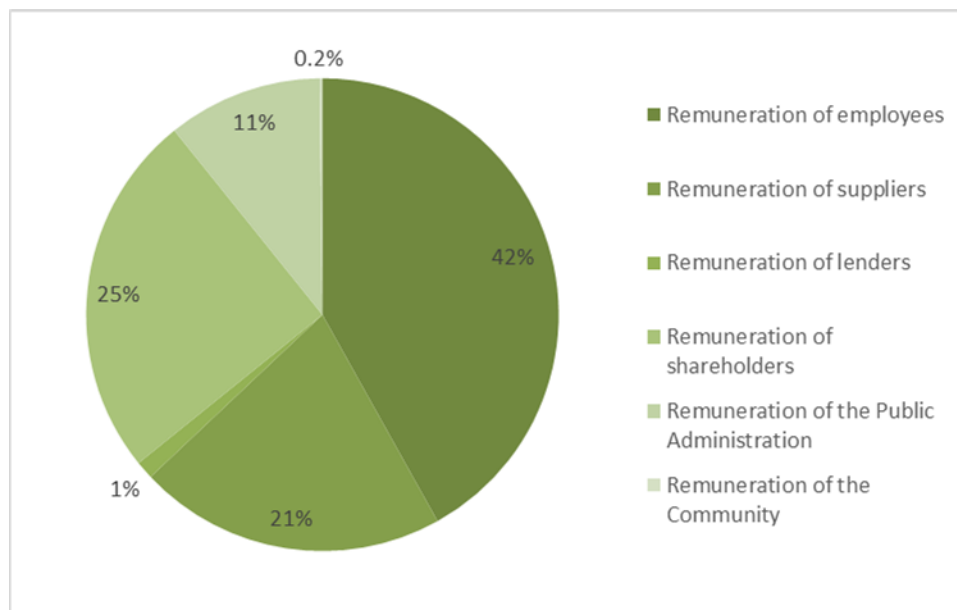
The ability to maintain profitability in the medium and long term, therefore, guarantees an adequate remuneration of shareholders but also contributes to the generation of value for many stakeholders: the existing employment levels were maintained, customers were granted access to energy services, local initiatives were financed, our suppliers benefited from upstream and downstream activities, the public administration received social security contributions, etc..

Production and distribution of added value

The economic value generated by the Group and consequently distributed to the stakeholders is represented by the scheme of generated and distributed value. This figure is determined by the value generated in the reference period, net of amortisation, depreciation and write-downs, and the value redistributed, in various forms, to the Group's stakeholders. A portion of the economic value is retained by the Group in the form of amortisation, depreciation and reserves.

This value was inferred from the items of the income statement used in the Group's Consolidated Financial Statements as of 31st December 2020.

The economic value generated by the Ascopiave Group in 2020 amounted to Euro 197.6 million and was redistributed to the stakeholders as shown in the tables below:



Economic value directly generated and distributed (in thousands of Euros)	2020
(A) Economic value directly generated	197,615
(B) Economic value distributed	138,553
(A-B) Economic value retained	59,062

Breakdown of the economic value distributed (in thousands of Euros)	2020
Remuneration of employees	29,192
Remuneration of suppliers	58,048
Remuneration of lenders	1,711
Remuneration of shareholders	34,663
Remuneration of the Public Administration	14,679
Remuneration of the Community	257
Total economic value distributed	138,553

Approach to taxation

The tax approach of the Ascopiave Group is inspired by the principles outlined in its Code of Ethics, which describes the behaviours to be adopted with reference to accounting, financial reporting and internal control, in order to ensure the timely fulfilment of all tax obligations and monitor and mitigate tax risks. The Group operates according to the principle of legality, respecting the tax laws and regulations in force in Italy, and establishes relationships of collaboration and transparency with the tax authorities. Ascopiave acts with honesty and integrity, aware that taxes contribute to economic and social development.

In order to ensure the reliability of the administrative-accounting system and the correct representation of the operating results, financial position and cash flows of the Company and the Group in internal documents, financial statements and other corporate communications, as well as in disclosures addressed to investors, the public or the Supervisory Authorities, the accounting records must be transparent and based on the truth, accuracy and completeness of the information.

The existence of an adequate internal control system is a value recognised by the Ascopiave Group because controls contribute to improving corporate efficiency. The task of ensuring the correct fulfilment of tax obligations and of providing support to the various corporate functions on tax issues is entrusted to the Board of Directors and the

Corporate Governance structure, which defines the principles and guidelines for correct implementation. Top executives are duly informed on the most complex and important tax issues. The governance of the tax aspects can also be supported by the “Control and Risks” Committee, with consultative and propositional functions on decisions and assessments on the subject of risk management and approval of financial statements.

As far as the corporate income tax (IRES) is concerned, the subsidiaries of Ascopiave S.p.A. exercised the option for the national tax consolidation agreement pursuant to art. 117/129 of the Unified Law on Consolidated Income (T.U.I.R) for the three-year period 2019-2021. Ascopiave S.p.A. acts as the consolidating company and determines a single tax base for the group of companies that joined the national tax consolidation.

In 2020, the taxes of the Ascopiave Group in Italy amounted to almost Euro 20.5 million, including local and state taxes.

Investments

Confirming the commitment to the creation of a sustainable business in the long run and in order to offer an excellent service to its customers, in 2020 the Ascopiave Group made investments totalling Euro 43.9 million (Euro 34.4 million in 2019), mainly in the development, maintenance and renovation of gas distribution networks and plants and in the installation of metering equipment.

<i>Type of investment</i>		
<i>Thousands of Euros</i>	2019	2020
Connections	7,876	11,817
Expansions, remediation and upgrades of the network	11,356	17,489
Metres	9,420	10,621
Reduction facilities	2,779	1,932
Methane investments	31,431	41,859
Land and buildings	373	461
Equipment	162	107
Furniture	23	15
Vehicles	196	276
Hardware and software	2,214	1,816
Other investments	1	43
Other investments	2,970	2,718
Total	34,401	44,577

Relations with the Regulatory Authority

The Ascopiave Group conducts its main activity in sectors subject to regulation. The directives and regulatory provisions issued on the matter by the European Union and the Italian Government, the ARERA Decisions and more generally the modification of the reference regulatory framework can have a significant impact on the operations, economic results and financial balance of the Group.

Specifically, the natural gas distribution sector is governed by the Regulatory Authority for Energy, Networks and the Environment (ARERA) which, through specific measures, determines and updates the tariffs applied to users, defines the minimum levels of quality and safety of the services provided and establishes the methods for non-discriminatory access and use of the infrastructures.

The Authority also performs consultative functions vis-à-vis the Parliament and the Government, to which it can submit alerts and proposals.

The regulation relating to the procedures for launching the Minimum Territorial Area tenders for awarding the service in concession, including the criteria for the evaluation of the bids, is primarily under the scope of the Ministries, with an important role exercised by the Ministry for Economic Development.

Ascopiave maintains a constructive dialogue with ARERA and the Ministry for Economic Development in order to contribute to the definition of a clear, transparent and stable regulatory framework, which safeguards the sustainable development of the gas system and ensures satisfactory conditions of profitability and financial balance for operators.

To this end, Ascopiave constantly monitors the regulatory evolution of the sector, assesses in advance its economic, financial, operational, organisational and strategic impacts, taking the necessary initiatives vis-à-vis the competent institutional subjects to promote its point of view and contribute to guiding the regulation towards sustainable choices compatible with the corporate objectives.

If it deems that the choices made are prejudicial to its legitimate interests, the Group considers the activation of the appropriate means of judicial protection.

With regard to the provisions issued by ARERA, Ascopiave participates both independently and through its professional association in the consultation procedures, formulating its own proposals and observations.

Position of the Ascopiave Group in the gas supply chain

Before establishing a contractual relationship with the Ascopiave Group, the supplier must qualify as a “supplier and/or contractor” by registering in the supplier register.

In order to be able to apply and become a partner of the Ascopiave Group, the supplier must fulfil and maintain the requirements established by the Procurement Code and other criteria set by the company, in line with Ascopiave’s values:

- Respect for human rights, workers and the environment;
- Scrupulous observance of labour law, specifically as concerns the obligations regarding child labour and female employment, sanitary conditions and health and safety, trade union rights and employment of foreign workers, and the fight against and emergence of undeclared employment;
- The correct and timely fulfilment of remuneration, contributory, insurance and tax obligations;
- Compliance with the principles of legality, transparency and fairness in business;
- The highest degree of professionalism and diligence, as well as utmost honesty and good faith in relations with the Ascopiave Group.

Each supplier and contractor must ensure that the aforementioned requirements are maintained until the termination of the contract, observe the Code of Ethics of the Ascopiave Group, the prescriptions and procedures set out in the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01, regularly fulfil all obligations concerning safety in the workplace and not engage in behaviours or practices that are anti-competitive or incompatible with laws, regulations and third-party rights.

Finally, the supplier approval system adopted is also based on the standards UNI EN ISO 9001 (quality certification), UNI EN ISO 14001 (environmental certification) and UNI EN ISO 45001 (former OHSAS 18001) (occupational health and safety), which provide the Ascopiave Group with a structured and complete system of procedures that the contractors must also respect.

Supplier selection

Suppliers and contractors are selected in compliance with the principles of competition and equality, on the one hand, and on the basis of objective assessments regarding competitiveness, quality, usefulness and price, on the other hand. The Ascopiave Group does not maintain relationships with companies in relation to which situations of dubious legitimacy or conflict of interests arise and, where economically compatible, favours the use of local contractors, strengthening its bond with the territory and encouraging the economic development of the latter, as the Group believes that it is easier to interact with local businesses, which feel involved in the development of the offer of public services to the citizens.

With regard to the execution of works and in order to guarantee an adequate level of specialisation in the approval process, the types of assignments are grouped into Product Categories divided into critical levels. Each level

corresponds to different criteria for evaluating candidates.

Any further checks can be conducted to investigate aspects of professionalism, reliability, solvency, etc. of the supplier being examined, for the purpose of ascertaining that the declarations given by the latter are true.

NUMBER OF CERTIFIED SUPPLIERS	2019	2020
ISO 9001	413	463
ISO 14001	146	176
ISO 45001 (former OH SAS 18001)	159	189

The Ascopiave Group pays attention to the certifications held by its suppliers in the environmental, quality and health and safety areas, which are those most in line with the Company's sustainability choices.

As concerns contractors in particular, also in 2020 all new suppliers were included in an assessment process according to the social and environmental criteria described above. As early as the selection stage, the supplier must certify the existence of any management systems adopted or commit to observing the principles thereof in the absence of specific certifications. In addition, for large-scale works (generally above Euro 500 thousand), the Group ascertains the correctness and authenticity of the suppliers' requirements and qualifications, especially with regard to compliance with laws and regulations, by applying directly to the relevant Authorities and/or bodies.

The systematic use of electronic procedures is aimed at better responding to market needs, at the same time increasing the degree of collaboration between the Group and its partners.

E-procurement Portal

During 2020, 127 invitations to tender were published on the e-procurement portal for the purchase of goods, services and works for a total amount of approximately Euro 46 million, in addition to numerous requests for quotations, relating to purchases of a less significant amount, which occur with "traditional" procedures.

The online supplier register has 1,433 registered and approved subjects to date.

The solutions of the On-line supplier register help the Ascopiave Group to identify - in a very extensive market - the best supply alternatives for its needs under sustainable conditions (in terms of time dedicated to research and assessment, risk management, cost etc.). The information can be collected, approved and evaluated on the basis of objective benchmarks and systematically updated almost automatically so as to guarantee the exchange of information both with the supply markets and with the various contact persons involved. The e-procurement system improves the company's performance also in terms of inventory management costs.

Value distributed to suppliers

In terms of purchase volume, in 2020 the Ascopiave group collaborated with 838 suppliers, for a total of 4,637 purchase orders and about Euro 50 million invoiced, excluding purchases of gas and electricity.

Number of suppliers and purchase orders	2019	2020
Number of suppliers	805	838
Number of purchase orders	4,262	4,637

If we analyse the wealth distributed to suppliers in order to assess the impact on the local economy, we find that about half of the value invoiced in 2020 refers to local suppliers (i.e. based in North-Eastern Italy). Although Ascopiave does not intend to favour specific categories of suppliers (in terms of their geographical origin), the impact of the Group on the area where its presence is strongest is nevertheless apparent. In 2020, the Ascopiave Group in fact collaborated with 445 local suppliers, which account for 53.10% of the total, for a total invoiced value of approximately Euro 25.8 million.

Number of suppliers by geographical area	2019	2020
North-Eastern Italy	407	445
North-Western Italy	343	327
Central Italy	37	47
Southern Italy and islands	5	4
Foreign countries	13	15
Total	805	838

Purchases by geographical area (in thousands of €)	2019	2020
North-Eastern Italy	22,104	25,784
North-Western Italy	15,518	17,149
Central Italy	7,768	6,613
Southern Italy and islands	334	174
Foreign countries	97	232
Total	45,821	49,952

SOCIAL SUSTAINABILITY

Respect for and development of people

Ascopiave, aware that the main keys to success for every enterprise are its human resources, ensures that human rights are respected, promotes the involvement of staff in the achievement of the company's strategic objectives and recognises the professional contribution of people in a context of loyalty, mutual trust and collaboration, making the most of professional skills through training and development activities.

The people of Ascopiave

The Ascopiave Group considers people as the main resource for achieving strategic objectives and as a fundamental value for the growth and development of its business and service to the communities involved.

A fundamental element of the managerial approach is accountability at all levels, which takes concrete shape in respect for the roles, in the relationship between the supervisor and the worker and in the work of inter-functional teams. As stated in its Code of Ethics (delivered to all employees at the time of recruitment), Ascopiave undertakes to implement initiatives that make the most of and develop the skills, the creativity and the active participation of its employees, in order to increase their motivation and foster personal growth.

The Group believes that the work and the professional potential are the determining factors for pay and career progression. The selection, recruitment, training, management, development and remuneration policies are strictly based on merit and skills, and an exclusively professional evaluation, without any discrimination. The Group actively commits to ensuring equal opportunities for female employment by developing work-life balance projects.

The activities of the Ascopiave Group are managed in full compliance with the regulations in force on labour, social security contributions, salary, taxes and insurance obligations, and on the prevention of and protection from accidents and occupational safety.

The Group undertakes to disseminate and consolidate the culture of safety at work and to raise awareness of risks by using the resources required to guarantee the health and safety of the recipients, the customers and the communities in which it operates.

The employees, at every level, of Ascopiave and the Group companies are expected to collaborate in order to maintain within the company a climate of mutual respect for the dignity, honour and reputation of everyone.



Staff characteristics

As of 31st December 2020, the human resources employed by the Ascopiave Group amounted to 465 units. Please note that 2 resources pertain to the company Cart Acqua S.r.l. and joined the Ascopiave Group on 18th December 2020.

Group Total	2019		2020	
	Men	Women	Men	Women
Employees	376	105	360	105
Total	481		465	

99.6% of employees are employed on permanent contracts, confirming the Ascopiave Group's commitment to guaranteeing a stable working relationship and therefore making the most of the professional contribution of each person within the company. Furthermore, 90% of employees are employed full-time.

The Group does not resort to any atypical contractual forms as it greatly values the professional contribution of each person and commits to building long-lasting relationships based on the principles of loyalty, mutual trust and collaboration.

Group Total	2019		2020	
	TEMPORARY CONTRACT	PERMANENT CONTRACT	TEMPORARY CONTRACT	PERMANENT CONTRACT
Men	5	371	1	359
Women	0	105	1	104
Total	5	476	2	463

Based on the Group's operational areas, all the above figures refer to Italy

As regards female presence within the Companies, about one-third of white-collar workers are women, whereas the small number of women (1) in blue-collar positions is explained by the specific nature of the sector and the activity performed.

PROVINCE OF RESIDENCE/DOMICILE	No. of employees 2020
Province of Treviso	205
Province of Padua	80
Province of Vicenza	55
Province of Rovigo	20
Province of Piacenza	4
Province of Pordenone	9
Province of Udine	19
Province of Savona	10
Province of Bergamo	46
Province of Mantua	6
Province of Varese	6
Province of Biella	5
Total	465

Group Total	Men		Women		TOTAL	
	2019	2020	2019	2020	2019	2020
Executives	12	13	1	1	13	14
Managers	21	20	5	6	26	26
White-collar workers	183	176	98	97	281	273
Blue-collar workers	160	151	1	1	161	152
Total	376	360	105	105	481	465



The average age of the workforce is medium-high, between 30 and 50 years in 53.5% of cases; employees under the age of 30 account for 5.2% of the workforce while 41.3% are over 50.

Age groups	<30		30-50 included		>50	
	2019	2020	2019	2020	2019	2020
Executives	0	0	4	4	9	10
Managers	0	0	10	10	16	16
White-collar workers	12	16	161	160	108	97
Blue-collar workers	6	8	79	75	76	69
Total	18	24	254	249	209	192

Staff recruitment and turnover rate

One element that highlights the solidity of the Group and its commitment to stable and on-going employment is the turnover rate that stands at low and physiological values. In 2020, the turnover rate was 6.2%.

In addition, the Ascopiave Group hired 11 people in 2020, reaching a recruitment rate of 2.8%. As far as age groups are concerned, people between 30 and 50 years and resources <30 years were hired in equal measure.

Group Total	Recruitments 2019			
	M	F	Tot.	% tot.
Age groups				
<30 years	5	0	5	27.8%
30-50 years included	8	4	12	4.7%
>50	0	0	0	0%
Total	13	4	17	3.53%

Group Total	Recruitments 2020			
	M	F	Tot.	% tot.
Age groups				
<30 years	5	2	7	29.2%
30-50 years included	3	2	5	2.2%
>50	1	0	1	0.5%
Total	9	4	13	2.8%

*2 resources from the acquisition of Cart Acqua S.r.l.

Group Total	Terminations 2019			
	M	F	Tot.	% tot.
Age groups				
<30 years	1	1	2	11.1%
30-50 years included	5	4	9	3.5%
>50	22	3	25	12.0%
Total	28	8	36	7.5%

Group Total	Terminations 2020			
	M	F	Tot.	% tot.
Age groups				
<30 years	0	0	0	0%



30-50 years included	9	2	11	4.8%
>50	16	2	18	8.5%
Total	25	4	29	6.2%

Portion of senior managers hired locally

85.7% of the senior managers (executives) of the entire Group are employed from the local community.

	2020
Total number of Group executives	14
Number of executives hired in the Italian region where they work	12
% of senior managers hired locally	85.7%

Development and growth of human capital

The development of human resources is one of the fundamental objectives of the Ascopiave Group, which is achieved through the direct involvement of employees in the development of training plans upon:

- Recruitment;
- Transfers to other job positions;
- Organisational changes and/or technical/technological innovations that significantly modify the professional content;
- Paths of professional growth.

Training

TRAINING HOURS 2019	AVERAGE HOURS MEN	AVERAGE HOURS WOMEN	TOTAL AVERAGE HOURS
Executives	4.6	20.0	5.8
Managers	39.6	7.2	32.8
White-collar workers	24.8	7.8	18.6
Blue-collar workers	23.2	4.0	23.1
Total	24.3	7.9	20.6

TRAINING HOURS 2020	AVERAGE HOURS MEN	AVERAGE HOURS WOMEN	TOTAL AVERAGE HOURS
Executives	10.7	30	12.2
Managers	14.7	7.4	13
White-collar workers	19	9.5	15.6
Blue-collar workers	16	0	15.9
Total	17.2	9.5	15.5

Particular attention is paid to constant training and refresher courses for employees and figures specifically dedicated to safety management (persons appointed and supervisors).

In 2020, the total training hours (calculated as the sum of all the hours used by all workers) were around 7,200, with an average of 15.5 hours per worker. The courses covered various aspects of health prevention and protection.



Incentive and remuneration policies

The Ascopiave Group promotes the management and motivation of people through incentive and development policies and instruments. To this end, every year the Group defines and plans schemes complementing those deriving from organisational changes and/or contractual automatisms; such schemes are not envisaged in the contract but enhance individual professional skills.

Ascopiave has developed a streamlined and efficient assessment system through which most of the employees periodically receive an evaluation. In this regard, in 2018 a long-term incentive plan was approved, based on performance indicators and the trend of the Group's shares, in favour of executive directors and managerial staff with strategically relevant functions. The adoption of the Plan, called the "2018-2020 long-term incentive plan", was aimed at encouraging and retaining the Ascopiave Group's directors and employees who hold the positions of greater responsibility.

Furthermore, the Ascopiave Group has implemented an incentive system based on objectives (so-called MBO), which envisages a remuneration mechanism according to which the allocation of a variable bonus is dependent on the achievement of corporate and individual objectives. The system aims to consolidate the commitment of the entire organisation to the strategic lines and promote personal development, increasing the accountability and growth of all staff, according to objective and fair criteria.

Equal opportunities and corporate welfare

EXCERPT FROM THE CODE OF ETHICS

"All forms of discrimination must be avoided and in particular any discrimination based on race, nationality, gender, age, physical disability, sexual orientation, political or trade union opinions, philosophical views or religious beliefs. Ascopiave and the Group companies undertake to avoid and prosecute any type of harassment in the workplace, interpreting their entrepreneurial role both as the protection of working conditions and the protection of the psycho-physical integrity of the worker, respecting his/her moral personality, avoiding that the latter suffers illicit conditioning or unjustified nuisance."

The Ascopiave Group does not discriminate in any way its employees and is sensitive to the issues of equal opportunities both as concerns personnel selection and management, and the organisation of work. The Code of Ethics of the Ascopiave Group, in fact, expressly states the Companies' commitment to non-discrimination and equal opportunities; any violation of these rights is recognised as a breach of the Code of Ethics.

Ascopiave pays particular attention to the work-life balance of its workers: specifically, by virtue of a contract which provides for exceptions to the national collective bargaining agreement, the company ensures flexibility for the beginning and end of the working day and allows working mothers with children aged up to 11 to get a part-time job and/or benefit from a more convenient working time.

Employees can also apply for part-time contracts and, at 31st December 2020, 47 contracts had been activated (approximately 10% of total), requested in 87.2% by women workers. The Group also offers the opportunity to benefit from the company canteen service even in the case of part-time working hours.

Group Total	FULL TIME		PART TIME	
	2019	2020	2019	2020
Men	370	354	6	6
Women	63	64	42	41
Total	433	418	48	47

Based on the Group's operational areas, all the above figures refer to Italy



In 2020, 39 parental leaves were granted, divided equally between the male and female population of the Group (54% women, 46% men). All employees returned to work at the expiration of the leave. 100% of those who returned to work were still employed by the company 12 months later.

PARENTAL LEAVES AND RE-ENTRY RATES			
AS OF 31ST DECEMBER 2019			
NO. OF EMPLOYEES	M	F	T
No. of employees entitled to parental leave	376	105	481
No. of parental leaves granted	2	8	10
No. of workers who returned to work after benefitting from the parental leave	2	8	10
AS OF 31ST DECEMBER 2020			
NO. OF EMPLOYEES	M	F	T
No. of employees entitled to parental leave	360	105	465
No. of parental leaves granted	18	21	39
No. of workers who returned to work after benefitting from the parental leave	18	21	39

Benefits granted to employees

The Ascopiave Group has defined, with the trade unions of the individual companies, 2nd level agreements according to which employees are granted a performance bonus, commensurate with the achievement of a system of indicators of profitability, efficiency, productivity and quality. The agreements envisage the possibility for the beneficiary of receiving the bonus in the form of Corporate Welfare services, benefitting from additional tax and social security advantages. Furthermore, in order to manage the delivery of the services more effectively, the Group has implemented an internal platform for taking advantage of the services. The platform offers a wide range of benefits, ranging from education and training, to social security and health services, to the purchase of other goods and services from suppliers accredited on the platform. Many employees used the services in 2020: approximately 22% of staff converted a portion of their 2019 performance bonus into their Welfare account.

As additional corporate welfare measures, the Group offers its employees the possibility of benefitting from:

- Contractual Complementary Pension Schemes (Pegaso, Solidarietà Veneto, Previdai Negri);
- Complementary Healthcare Insurance, with the Group's contribution for the gas-water contract staff;
- Welfare plan for all companies according to which employees can use their 2020 performance bonus, increased by 15%, for welfare services (complementary pension scheme, healthcare services, cultural services, baby-sitting, etc.).

Covid-19

The health emergency caused by Covid-19, which involved the entire territory where the Ascopiave Group operates, entailed a complete review of the work organisation in order to adopt all the necessary prevention measures to ensure the safety of employees and the business continuity of all Group companies. After the first infection in Italy, on 21st February, which was followed by an urgent meeting of the Council of Ministers on 23rd February for a first important governmental intervention on the subject, on the same day, Sunday 23rd February at the Group's headquarters in Pieve di Soligo, a specific Crisis Unit was set up to handle the emergency; the unit began to operate immediately, favouring since the next day the implementation of all the precautionary measures dictated by the Authorities in order to avoid contacts between people and disseminating extensively, in the company offices and to the workers, the rules for social distancing and personal hygiene.

In compliance with art. 13 of the protocol signed on 15th March 2020 by the Government and the social partners, the so-called Central Committee, that is, concerning the Ascopiave Group as a whole, was established in agreement and with the participation of the trade unions (with equal representation) with the task of assessing and drafting the

“shared regulatory protocol of measures to fight against and contain the spread of Covid-19 in the workplace”; sub-committees were also set up for subsidiaries.

With regard to employment levels, an exercise was started, starting from the “Distribution” area of the subsidiaries, to reschedule operations, and non-urgent activities were gradually minimised. In particular, all construction sites and operating activities not directly related to the safety and continuity of the service were gradually suspended; all essential services were therefore guaranteed, specifically emergency intervention, facility surveillance and the operations aimed at ensuring the use of the service, such as activations and reactivations of end customers and the creation of connections for the activation of supplies. Together with the competent doctor, the risks deriving from the possible presence of infected or quarantined people were analysed, and the correct precautions to be adopted were identified, which envisage the use of specific personal protective equipment, distributed to all operating personnel.

In general, the continuity of the company remained active in all areas, although the employees were encouraged in all ways to leave the workplaces and agile work was maximised where possible with implementation of technological equipment. At the offices, staff could only be present with the authorisation of their manager for emergency reasons. In total, this exodus has involved over 90% of the employees of the Pieve di Soligo headquarters, and an equal or higher percentage in other headquarters, through the use of work from home for white-collar workers or the decision not to have external distribution personnel work at the headquarters, or through the use of holidays, leaves or other measures. A voluntary “hour bank” was also established, with the contribution of the company and the employees, to support workers with a negative balance of holidays and with non-deferrable tasks.

In May, a slow and planned return of almost all employees was coordinated, with the exception of the categories entitled to be absent from work pursuant to the Prime Minister Decrees or in the case of parents with children under the age of 14, who may request to work from home) with the obligation to comply with a rigid protocol that involves a series of responsibilities on the part of employees before accessing the office including, before leaving their home, the measurement of their body temperature in order to prevent any person with a temperature above 37.5° from accessing the workplace. In October, on the other hand, with the new governmental restrictions adopted as a result of the second wave of the pandemic, the organisational measures approved at the beginning of the emergency were re-implemented in the first months of 2021, with the progressive planned leave of employees from the offices maximising the use the agile work by providing the appropriate technological equipment; in addition, the use of holidays or leaves or other possibilities given by the contractual instruments was encouraged.

As regards the measures adopted for handling the biological risk in the workplace, in addition to observing the regulations issued through the various Prime Ministerial Decrees and other provisions of the health authorities, through the specially established Committee, a “shared regulatory protocol of measures to fight against and contain the spread of Covid-19 in the workplace” was adopted, containing the guidelines and recommendations for companies and workers both in terms of prevention and containment of the pandemic. The main actions consisted of:

- ✓ adoption of all of the safety protocols,
- ✓ posting of the behavioural rules issued by the Ministry and the Italian Institute of Health and their diffusion to all workers through specific communications,
- ✓ transmission to all employees of communications, ordinances and Prime Minister Decrees,
- ✓ implementation of measures for distancing and avoiding the simultaneous presence of staff in offices and in common areas,
- ✓ activation of shifts for accessing the canteen with tables and chairs arranged in order to respect distances, initially, then the canteen service was suspended and subsequently resumed for fewer guests and with adequate distancing;
- ✓ minimisation of meetings and use of audio- or videoconferences,
- ✓ cancellation of meetings with third parties, consultants and collaborators and exclusion of their presence on site,
- ✓ reduction of all business trips and travels,
- ✓ review of criteria for accessing Group offices (the entrances were closed and access was limited to couriers for deliveries to the warehouse),

- ✓ rescheduling of operations for all technical, administrative and secretarial areas,
- ✓ strengthening of cleaning services,
- ✓ maximisation of agile work where possible with implementation of technological equipment,
- ✓ promotion of the use of holidays or other possibilities given by collective bargaining tools;
- ✓ purchase, distribution or placement in the various areas of material for personal hygiene and for cleaning;
- ✓ purchase of PPE stocks;
- ✓ installation of non-contact thermometers for measuring body temperature at the entrance to the headquarters and placement in all offices of infrared thermometers for measuring body temperature.

All this reduced the risk, so much so that no clusters or outbreaks occurred and the cases found were attributable to external situations.

To assess the state of well-being of employees and the judgments and suggestions regarding the initiatives undertaken, the “Committee for the application and verification of the rules of the regulatory protocol” met regularly, with the participation of the company’s trade union representatives and the workers’ health and safety representative. During these meetings, the methods adopted in the anti-contagion safety regulations were implemented both through the adoption of remote work for most employees, and with regard to the prevention measures adopted in the company and the health and safety conditions in the workplace.

Throughout 2020, operations were characterised by the incessant provisions regarding the epidemiological emergency to which the Company responded with a continuous series of measures aimed at contrasting the spread of the virus, by favouring remote work, reducing trips to other offices, except as strictly necessary, limiting contacts between people, adopting protective measures, and restricting access to common areas. With regard to the latter, every employee, collaborator, supplier or visitor who needed to enter the company for the most diverse reasons, had to sign a statement assuming certain obligations, primarily declaring that his/her body temperature was below 37.5° C. This statement had to be signed each day, both in hard copy and through a special “app”, downloadable to mobile phones, tablets or PCs, entered in the Zucchetti system, by all employees. Communications on compliance with regulations were also periodically sent by e-mail to the mailbox of each employee and, from an organisational point of view, each head of function constantly monitored remote work.

Occupational health and safety

Ascopiave and the Group companies believe that the protection of workers’ health and safety is a priority: therefore, the objective is not only to comply with the requirements of the specific applicable regulations, but also to implement actions aimed at the continuous improvement of the working conditions. Safety is promoted within all company activities.

For the Group, the prevention of accidents and occupational diseases is an essential objective of its business activity.

The key elements of the health and safety policy are:

- Measures aimed at increasing the economic value of the company, in full compliance with safety;
- Implementation of activities in full compliance with rules and regulations on the health and safety of workers;
- Continuous training of personnel, in order to raise awareness of the importance of working according to the laws and regulations in force, as well as of the consequences that may affect their own safety;
- Definition and review of quality, safety and environment targets, in order to maintain an adequate control system and provide resources for their achievement.

BS OHSAS 18001 certification: “Occupational Safety Management System”

The Ascopiave Group has defined guidelines common to all the Group companies in order to promote a Safety



Management System complying with the requirements of the OHSAS 18001 standard, increasingly effective and efficient, able to guarantee not only the observance of the mandatory rules but also a continuous improvement, in line with the objectives of the corporate safety policy. The BS OHSAS 18001 certification was obtained in 2011 and reconfirmed again in 2020. The system is fully integrated with those for Quality and the Environment, thus guaranteeing a shared working culture, based on professionalism and efficiency.

The transition to the management system compliant with the UNI ISO 45001 standard for the companies Ascopiave S.p.A., Ap Reti Gas Nord Est S.p.A., Ap Reti Gas Rovigo S.r.l. and Edigas Esercizio Distribuzione S.p.A. is expected for 2021, while the companies AP Reti Gas S.p.A. and AP Reti Gas Vicenza S.p.A. obtained the ISO 45001 certification in October 2020.

Thanks to the certified Occupational Health and Safety Management System, Ascopiave is able to monitor the risks related to work, improve performance, make the work environment safer, respect and apply correctly the relevant laws and ensure compliance in the event of inspection.

The Ascopiave Group adopts a preventive approach envisaging the active involvement of all stakeholders and a scrupulous assessment of health and safety risks. Furthermore, the Group has set up a specific organisation to ensure the correct and adequate performance of activities aimed at eliminating or minimising risks, to guarantee the correct flow of information between employer and employee regarding risks in the workplace. Workers report any dangers to the person in charge of safety, who liaises with the Health and Safety department. In addition, each worker reports to the Workers' Health and Safety Representative who can also collect reports on the occasion of the inspections conducted by virtue of his/her powers.

The Ascopiave Group pays particular attention to the analysis of accidents, detailing every type of activity that caused the event. In this regard, an accident management procedure governs all activities related to reporting and the subsequent stages of analysis and implementation of the improvement measures.

In 2020, there were 8 workplace accidents in total involving operational staff. The injuries were mainly due to accidents and consisted in bruises, sprains, impacts and muscle strains.

The continuous commitment of the Ascopiave Group, combined with the search for continuous improvement, is reflected by the data that we derive from the indexes below: accidents remain basically constant in absolute terms but with a decreasing trend in relative terms because of the extended scope due to the merger of the company Ap Reti Gas Nord Est S.r.l..

Accidents at work*	2019	2020
Total number of deaths due to accidents at work	0	0
Total number of serious accidents at work (excluding deaths) which resulted in over 180 days of absence	0	0
Total number of recordable accidents at work	9	8
Hours worked	613,463	753,792
Multiplier for the calculation	1,000,000	1,000,000
Rate of deaths due to accidents at work	0.00	0.00
Rate of serious accidents at work (excluding deaths)	0.00	0.00
Rate of recordable accidents at work	14.67	10.61

* The data relating to accidents at work are reported in line with the specific standard GRI 403-9 Occupational health and safety (2018). In the 2019 NFD, instead, the standard referred to the previous version GRI 403-2 (2016). In 2019, data were presented in accordance with the new methodology required by the GRI Standards so that they could be compared with 2020 data. For the data calculated with the old methodology in 2019, please consult the 2019 NFD, available on the Group's website.

Index composition:

- Rate of deaths due to accidents at work: (number of deaths resulting from accidents at work/number of hours worked) *1,000,000
- Rate of serious work-related injuries (excluding deaths): (number of serious work-related injuries/number of hours worked) *1,000,000
- Rate of recordable occupational injuries: (number of recordable occupational injuries/number of hours worked) *1,000,000

Data do not include commuting accidents.

Data do not include Asco Energy S.p.A..

The periodic safety meeting is held annually at Ascopiave and the Group companies: health and safety issues are discussed pursuant to art 35 of Italian Legislative Decree 81/2008. In addition, a process for reporting and managing near-misses and dangers makes it possible to promptly identify and solve issues that may expose workers to health and safety risks, improving occupational safety levels over time.

Ascopiave and the Group companies appointed a competent doctor who, in 2020, performed 353 medical examinations, finding 156 cases of complete suitability and 197 with prescriptions.

Particular attention is devoted to the constant training and refresher courses for employees and for positions specifically dedicated to safety management (managers and persons appointed). In 2020, the total training hours (calculated as the sum of all hours attended by all workers) were 3,024, with an average of about 6.53 hours per employee. The lessons covered various aspects of prevention and protection and health and safety in the workplace.

On-site safety for third-party companies

In order to also improve the safety conditions of the personnel of the supplier companies working in our offices and plants, the Ascopiave Group has established specific procedures that govern their access and operation. Third-party companies must inform the Ascopiave Group of any accidents in which their staff is involved during their work at the company's sites.

Work relationships with third parties not directly hired by the Ascopiave Group are governed by art. 26 of Italian Legislative Decree 81/08 covering obligations related to tender contracts or agreements with freelancers and employment agencies. Since 2016, the Contract Conditions require the parties to "open" contracts for connections, maintenance and network expansions to provide the statistics relating to the accidents occurred during the year on the sites under the responsibility of the Ascopiave Group.

In 2020, there were 3 accidents on site, a figure emerging from the 26 companies involved in the works.

Furthermore, the Ascopiave Group also involves the suppliers who work at its sites in safety training: courses, updates and meetings are addressed to the employers/managers when the work starts and whenever the specific nature of the work requires it.

Accidents at work of external workers operating in construction sites*	2019	2020
Total number of deaths due to accidents at work	0	0
Total number of serious work accidents (excluding deaths)	0	0
Total number of recordable work accidents	6	3

*The temporal data for the calculation of the accident rates are not available

Covid-19 health and safety of workers

In early 2020, almost all countries in the world, and especially Italy, were affected by the Covid-19 pandemic. The subsequent health emergency resulted in the need to assume certain commitments towards employees, such as the immediate suspension of services classified as non-urgent and work from home for non-operational staff. In this regard, Ascopiave and the Group companies adopted the necessary measures to combat the spread of Covid-19 in the workplace. Particularly in the Distribution business, special protocols were set up for workers operating in external third-party premises (such as the homes of end users). For each specific service, in relation to the evolution of the procedural, organisational and technological reference framework adopted by each company and aimed at minimising the probability of transmission of the infection, the methods adopted were adapted and/or integrated on a case-by-case basis, to ensure full compliance with legislative updates and scientific developments on the subject. Specifically, this activity was performed through the verification and discussion of the prevention strategies implemented, the monitoring, supervision and control activities, the information and training activities of all personnel and third-party employees, and the effectiveness of the measures adopted and their compliance with the specific purposes.

All employees were informed about the preventive measures and sanitation rules to be respected in the workplace and about the instructions for the correct use of personal protective equipment; at the same time, external suppliers, customers and users were informed about how to access the company.

CUSTOMERS AND CITIZENS SERVED

Customers and markets served

The Ascopiave Group is one of the main national operators in the natural gas distribution sector. The Group owns concessions and direct assignments for the management of distribution activities in 268 Municipalities, supplying the service to a market segment of 775,000 inhabitants, through a distribution network which spreads over 12,000 kilometres.

Ascopiave is also a partner of the Hera Group in the sale of gas and electricity, holding a 48% stake in EstEnergy, a leading operator in the sector with a portfolio of over 1 million sales contracts to end consumers, mainly in the regions of Veneto, Friuli Venezia-Giulia and Lombardy.

Thanks to its broad customer base and the quantity of gas sold, the Group is currently one of the main operators in the industry at a national level.

The Ascopiave Group continues working towards the achievement and maintenance of high quality standards of the service offered to customers and licensor Municipalities; these operations and services feature complex plant design, construction and management stages, which require high professionalism and careful monitoring of the conditions of service, as well as periodic maintenance to guarantee safety and efficiency over time in compliance with the applicable regulations.

The Ascopiave Group's primary objectives are:

- To maintain the highest level of quality of the gas supply service;
- To ensure an efficient and safe gas distribution network without service downtime.

These commitments are based on the desire to lead the company towards an excellent service in order to become a high quality partner. For this reason, the company's activity is constantly aimed at improving its business with investments based on innovative and pioneering services for the benefit of the community.

Thanks to shared values which are determining for its growth, the Ascopiave Group is close to the territory, to the municipal administrations and to local associations, contributing to their sustainable social and environmental development. With this set of intentions, the company wants to contribute to the growth of the surrounding area while respecting sustainability and implementing environmentally friendly solutions in order to make the community aware of energy saving, safety and respect for the environment. With a penchant for volunteering, the Group also supports socially valuable initiatives, bringing tangible aid to citizens and trying to assist the most disadvantaged categories through concrete tools for granting subsidies.

The Ascopiave Group is a major industrial company, attentive to people, social issues and local needs.

The development of technological innovation projects has also led the Company to evolve towards efficiency and saving, confirming an excellent service quality.

Quality, safety and continuity of service

Service quality indicators represent, in qualitative and quantitative terms, the performance levels of the service provided. They concern:

- Commercial quality (mainly relating to the ability to perform rapidly activities such as the preparation of quotations and the execution of works at the end customers' premises, the activation and deactivation of the supply, timeliness in personalised appointments);
- Technical quality (emergency response times, number of checks performed for odorization and percentage of network inspected).

Below are the results considered satisfactory by the Ascopiave Group in 2019 and 2020 for each of the quality indicators established:



Service Quality Indicators	2019	2020
Compliance with the maximum time set for rendering services under specific commercial quality standards	98.34%	99.18%
Punctuality in appointments agreed with the end customer	99.96%	99.70%

Facility inspection plan

The Group's attention to plant safety and service continuity is demonstrated by the increasingly concrete commitment to prevention, through inspections on the distribution network as summarised in the following table:

Inspections and leakages of the gas network	2019	2020
No. of checks performed for odorization	1,337	1,726
% of high and medium pressure network inspected of total	92.84%	80.5%
% of low pressure network inspected of total	91.76%	80.2%

During 2020 there were no accidents related to the company facilities involving the population and the community.

Intervention plan

Since 1969, when the Ascopiave Group began equipping the territory with methane facilities and networks, a highly qualified team of engineers and technicians has been applying the most forward-looking technologies in order to guarantee high quality standards in the construction of distribution networks and systems. The design phase is characterised by the use of technologically advanced IT tools and state-of-the-art equipment for the simulation of fluid dynamics configurations in the entire network. This allows us to:

- Ensure the optimal use of the networks, through the correct configuration of the pressures and design the components of the entire network, so as to guarantee continuity of supply even in any "out of order" situations of some plants;
- Forecast the need to adjust the pipeline supply capacity;
- Plan effective network replacements so as to adapt them to the local emerging urban/industrial development needs.

Upon building the facilities, the Ascopiave Group has always adopted the most advanced construction solutions, technologies and equipment, and entrusted the construction to contractors with proven experience in the sector and proportionate skills. Supply continuity, by-pass works and no-dig techniques are just some of the measures taken to ensure an efficient and effective service and a safe management of the construction sites.

Emergency service

The Group offers an Emergency Service to solve problems related to the supply of gas on the networks managed, such as leaks or seepage, interruptions or irregularities in supply, and damage to the distribution facilities. The service is completely free both from the landline and mobile phones and is available 24 hours a day, every day of the year.

All the calls received are recorded and their outcome is monitored.

Gas Emergency Service	2019	2020
% of answers within 120 sec.	99.64%	99.28%
% of calls with intervention compliant with the standard*	99.17%	99.68%
Average time taken to arrive on site (minutes)	38.48	39.17

* 60 minutes on average, but for some plants the standard envisages different deadlines



Emergency management plan

The Ascopiave Group has adopted a “Plan for handling gas emergencies and accidents” which defines the responsibilities, objectives, activities, organisational structure and methods for collecting, recording and transmitting the information needed to ensure a rapid and effective management of emergency situations or accidents involving the gas distribution service. An emergency is defined as any event that involves the gas distributed through a network, which may result in serious and/or extensive effects on safety and the continuity of the distribution service. The definition also applies to any event that causes the interruption of the gas supply to at least 250 end Customers without notice when the supply is not reactivated within 24 hours from the start of the interruption.

In 2020 there were no gas incidents or emergencies for causes attributable to the distributor.

TERRITORY AND COMMUNITY

Social commitment

The Ascopiave Group has a company policy that expresses a strong focus on the territory and the local community with a vision based on social commitment, solidarity, support for non-profit groups and Associations which, in agreement with the Municipalities, work in favour of the community.

Distribution of sponsorships and donations by area

2020 was characterised by the pandemic caused by the Covid-19 virus and consequently fewer requests of support for local initiatives were received, as the virus prevention measures led to the cancellation of hundreds of events. Nevertheless, a response was given to some primary needs, in some cases also and precisely to try to bring back a climate of serenity and normality in social life, negatively affected and restrained subsequent to the pandemic. Particular attention was paid to the initiative of the Region of Veneto which opened a current account to collect donations in favour of the health system in the front line against the Coronavirus.

Donations in favour of local community associations:

2020		
Type of activity	Total disbursed (€)	No. of subjects
Health and prevention	13,500	8
Community and assistance	22,500	10
Culture, history, traditions	112,500	10
Sports	7,000	2
Emergencies	100,000	1
Miscellaneous	2,000	1
Total	257,500	32

Many actions and initiatives are aimed at the above, supported by Ascopiave, but also by the other companies of the Group, with a view to cooperation with the community.

The Groups contributes in many ways: involvement in projects for supporting the communities, also in partnership with local organisations, aimed at addressing significant issues both for the territory and for the Group; medium-long term actions related to community development and relations with associations operating in the social, welfare, environmental and cultural fields, with foundations and research institutes; support to municipalities to help low-income groups, support educational, cultural and sporting activities, children coming from disadvantaged families, help or assist the elderly or people with disabilities, contribute to the purchase of vehicles or equipment to promote the removal of architectural barriers or public health and more.

Ascopiave communicates with the territory through various means and the main areas of intervention at a social level are the following:

- **Health and prevention:** activities in support of health and prevention in general, including activities to foster medical and scientific research and training;
- **Community and assistance:** support for non-profit associations or organisations that work on social issues and initiatives aimed at assisting disadvantaged and financially struggling people; solidarity and interventions in the social and welfare field;
- **Culture:** cultural, artistic and musical initiatives with a strong educational focus, initiatives to promote local specialties and actions aimed at preserving and capitalising on the artistic, historical and cultural heritage of the territories in which the Group operates;
- **Sports:** support for sporting initiatives that embody universal values such as dedication and commitment to improve the physical condition, as an aid to socialisation, as an education factor, as an example of respect and loyalty;

- **Environment:** support for initiatives for the protection of the environment and to raise awareness of issues such as resource saving and the reduction of environmental impacts.
- **Emergencies:** contributions to support and aid populations that have suffered damages as a result of natural disasters, conflicts, etc.

Main campaigns and initiatives of the Ascopiave Group for the local community

Given the year characterised by the pandemic, the main initiatives supported in 2020 by the companies of the Ascopiave Group in favour of the territory and the local community concerned issues relating to health, prevention, community and assistance, in addition of course to the Coronavirus emergency. Initiatives included the purchase of a temporary fabric structure for the Red Cross, equipment for the Civil Protection, groceries for people in need, support for socio-cultural sectors, actions in favour of the fight against cancer, educational and recreational opportunities for people with disabilities, information and support for the elderly; a video was also sponsored on the occasion of the international day for the elimination of violence against women.

Among the main initiatives undertaken during 2020, the Ascopiave Group donated the sum of Euro 100,000 to the health system of the Region of Veneto, which worked hard with its structures and operators to tackle the epidemic.



"25 Novembre Giornata internazionale contro la violenza sulle donne": 25th November international day against women violence

ENVIRONMENTAL SUSTAINABILITY

Fundamental values and Environmental policy

The set of values, the corporate ethical principles and the behavioural rules set out in the Code of Ethics inspire every day the activity of all of those who work, as employees or independent contractors, within the Group's sphere of action.

The Environmental Policy was adopted by the Parent Company and by the two leading distribution companies. Integrated into Quality and Safety, it expresses the principles and values in the environmental area adopted by the Parent Company Ascopiave and consisting in:

- Sensitivity to ecological issues that limit the impact on the environment of activities and services;
- Research and development of technologies aimed at safeguarding resources and reducing the environmental impact and related risks.
- Deep respect for the environment in providing the service, by optimising the management of special waste and the consumption of the resources used (water, fuels and energy);
- Constant compliance with legal standards and requirements for the protection of the environment and risk prevention for the safeguard of the environment in direct processes (employees) and in indirect ones, entrusted to qualified suppliers and contractors;
- Continuous training of personnel, so that they are aware of the importance of working according to the laws and regulations in force, as well as of the consequences that may affect both their own safety and the surrounding environment;
- Definition and review of specific environmental objectives, maintaining an adequate control system and providing the resources needed to achieve them.

Environmental protection and rational use of energy

In accordance with a development model compatible with the territory and the environment, Ascopiave undertakes to manage its processes according to principles of environmental protection and efficiency, through the identification, management and control of its environmental aspects, as well as through the rational use of energy resources. Ascopiave is a large enterprise operating on the national scale whose daily objective is to distribute energy, in addition to providing services to the community minimising the environmental impact of its activities also thanks to serious and careful research, technological developments and investments.

UNI EN ISO 14001 Certification “Environmental Management Systems”

Our sensitivity to ecological issues, combined with the indirect economic benefits resulting from choices that limit the impact on the environment of the activities and services rendered, were decisive factors for the decision to adopt an Environmental Management System, primarily for the activity of methane gas distribution.

The decade-long and considerable experience with the Quality Management System has motivated the Ascopiave Group in the pursuit of the Environmental Management System certification and the Occupational Health and Safety certification: the joint certification of Ascopiave for the activity of methane gas distribution was obtained in October 2011. The Integrated Certification was then transferred to the subsidiary AP Reti Gas S.p.A. on 1st July 2016 subsequent to the transfer of the business unit.

On 24th June 2020, AP Reti Gas's ISO 14001 Certificate was renewed with expiration on 21st October 2023.

On 3rd April 2017, Ascopiave acquired 100% of the share capital of the gas distribution company Pasubio Group S.p.A. which subsequently changed its name to “AP Reti Gas Vicenza S.p.A.”, acquiring the pre-existing integrated Quality, Safety and Environment certifications, duly transferred.



The UNI EN ISO 14001 Environmental Management System, integrated with the Quality and Occupational Health and Safety systems, certifies that the organisation is committed daily to such issues: this choice guarantees constant commitment to the improvement of environmental performance and the constant review of the main documents for the analysis and assessment of environmental risks by the Parent Company and the two certified companies dealing with methane gas distribution: AP Reti Gas S.p.A. and AP Reti Gas Vicenza S.p.A..

These operating practices and procedures are also strictly applied by the other three Distribution Companies of the Group: AP Reti Gas Rovigo S.r.l., Edigas Esercizio Distribuzione Gas S.p.A. and AP Reti Gas Nord Est S.r.l.

Ascopiave Parent company integrated QHSE certification

On 12th March 2018, the Parent Company Ascopiave obtained the Certifications attesting that its Management Systems are compliant with the reference standards UNI EN ISO 9001, BS OHSAS 18001, UNI EN ISO 14001, in relation to the following scope: “Provision of services for the Group companies Ascopiave”.

For ISO 14001, Ascopiave has adopted a simplified Environmental Analysis, because of its reduced environmental impacts (soil, water, emissions, special waste, energy and fuel consumption).

The renewal of certifications and the adaptation of “Safety” to the ISO 45001 standard will be formalised by the certification body in February 2021, earlier than three-year deadline set for March 2021.

Company’s fleet

The Ascopiave Group has 306 corporate vehicles powered by diesel fuel, gasoline and methane.

Considering that Ascopiave operates locally, the impact on vehicular traffic linked to its fleet can be considered negligible: nevertheless, the Group constantly monitors fuel consumption. Overall, fuel consumption recorded a proportional increase due to the acquisition of the fleet of AP Reti Gas Nord Est, offset by a decrease in consumption caused by the Covid 19 emergency.

FUEL CONSUMPTION	2019	2020
Gasoline (in thousands of litres)	15	19
Diesel fuel (in thousands of litres)	360	356
Methane (in thousands of kg)	-	4

As far as the Group’s fleet is concerned, in 2020 the portion of vehicles in the efficiency category EURO 6 increased to 36%.

VEHICLE TYPE	NO. OF VEHICLES	% EURO CATEGORY		
		% EURO 6	% EURO 5, EURO 4	% EURO 3, 2, 1 and 0
Diesel fuel	267	36.33% (97 vehicles)	61.80% (165 vehicles)	1.87% (5 vehicles)
Gasoline	17	29.41% (5 vehicles)	58.82% (10 vehicles)	11.76% (2 vehicles)
Bifuel	22	36.36% (8 vehicles)	63.63% (14 vehicles)	0% (0 vehicles)

Energy management and emissions

In 2020, despite the Covid 19 pandemic, with the consequent interruption of all activities, the Research and Development Division designed and contracted works for the construction of a new photovoltaic system of approximately 180 kW in the headquarters in Pieve di Soligo, to be combined with a new heat pump, replacing an existing boiler. The works are in progress and will end in 2021.

Group Total	2019	2020
Natural Gas (Sm ³)	2,130,518	2,212,070
Car fuel - Diesel fuel (lt)	360,016	356,231
Car fuel - Gasoline (lt)	15,255	18,612
Car fuel - Methane (kg)	0	4,069
Electricity purchased (kWh)	3,070,883	2,947,808
Electricity produced by solar panels (kWh)	214,199	219,192

Group Total	2019	2020
Natural Gas (GJ)	75,107	78,093
Car fuel - Diesel fuel (GJ)	12,928	12,792
Car fuel - Gasoline (GJ)	490	598
Car fuel - Methane (GJ)	0	212
Electricity purchased (GJ)	11,055	10,612
Electricity produced by solar panels (GJ)	771	789
TOTAL ENERGY CONSUMPTION (GJ)	100,351	103,096

Electricity produced by solar panels

In line with its commitment to reducing environmental impacts, in June 2011 the Group put into service a photovoltaic station, integrated into the roof of the building used as a warehouse/archive for the exclusive use of the registered office.

In 2020, the amount of self-produced electricity was equal to 219 thousand kWh, an increase of 2% as compared to 2019; self-consumed energy decreased by 2% as a result of reduced use of offices due to Covid.

	2019 GJ	2020 GJ
Self-produced quantity	771	789
Self-consumed %	97%	95%

District heating/Cogenerators

In 2020, the total methane consumption for the Dolo/Mirano (VE) plant, amounted to 415 thousand Sm³, producing 1,373 thousand kWh of electricity in total, and a total thermal production of 1,736,000 kWh. Compared to the previous year, gas consumption increased, with a consequent rise in thermal and electrical production. These increases are essentially linked to a growth in consumption associated with the users connected to the plants, while maintaining the overall efficiency ratio of gas consumed to energy produced $\geq 80\%$.

Methane consumption [thousands of Sm ³]	2019	2020
Cogenerators CA' TRON - Dolo (VE)	53	64



Cogenerators BELLA MIRANO - Mirano (VE)	54	60
Cogenerators LE CIME - Mirano (VE)	248	291
Electricity produced [thousands of kWh]	2019	2020
Cogenerators CA' TRON - Dolo (VE)	161	201
Cogenerators BELLA MIRANO - Mirano (VE)	165	192
Cogenerators LE CIME - Mirano (VE)	850	980
Thermal energy produced [thousands of kWh]	2019	2020
Cogenerators CA' TRON - Dolo (VE)	292	282
Cogenerators BELLA MIRANO - Mirano (VE)	286	332
Cogenerators LE CIME - Mirano (VE)	1040	1,122

Methane consumption [GJ]	2019	2020
Cogenerators CA' TRON - Dolo (VE)	1,868	2,259
Cogenerators BELLA MIRANO - Mirano (VE)	1,904	2,118
Cogenerators LE CIME - Mirano (VE)	8,743	10,273
Total methane consumption	12,515	14,651
Electricity produced [GJ]	2019	2020
Cogenerators CA' TRON - Dolo (VE)	580	724
Cogenerators BELLA MIRANO - Mirano (VE)	594	691
Cogenerators LE CIME - Mirano (VE)	3,060	3,528
Total electricity production	4,234	4,943
Thermal energy produced [GJ]	2019	2020
Cogenerators CA' TRON - Dolo (VE)	1,051	1,015
Cogenerators BELLA MIRANO - Mirano (VE)	1,030	1,195
Cogenerators LE CIME - Mirano (VE)	3,744	4,039
Total thermal energy produced	5,825	6,250
Production efficiency [(kWh+ kWh) / kWh comb.] %	2019	2020
Cogenerators CA' TRON - Dolo (VE)	87	78
Cogenerators BELLA MIRANO - Mirano (VE)	85	89
Cogenerators LE CIME - Mirano (VE)	79	75

The efficiency of the cogenerators combined with district heating has made it possible to save 39 TOEs (tons of oil equivalent).

Energy efficiency initiatives

As regards the enhancement of the efficiency of the headquarters in addition to the expansion of the photovoltaic system, other activities have not been implemented yet, because the health emergency has slowed down and postponed all the planned efficiency processes.

The Ascopiave Group has pursued the objectives set for energy savings through interventions on customers, initiatives within the company and the plants and through the purchase of Energy Efficiency Certificates (TEE), while continuing to promote efficiency.

2020 benefitted from some existing energy efficiency projects:

- Efficiency improvement project relating to the renovation of the external envelope of two nursing homes, one in Treviso and one in Pieve di Soligo.
- Efficiency improvement project relating to the public lighting system in the Municipality of Vidor (TV)
- Efficiency improvement project relating to the public lighting system in the Municipality of Coseano (UD)



GROUP COMPANY	DESCRIPTION OF ACTION IMPLEMENTED IN 2020	QUANTIFIED SAVINGS OF TOEs and/or CO ₂ equivalent emissions
Ascopiave S.p.A.	Enhancement of the efficiency of nursing homes	60 TOEs / 142 ton CO ₂ equivalent
Ascopiave S.p.A.	Enhancement of the efficiency of public lighting system	100 TOEs / 150 ton CO ₂ equivalent
Ascopiave S.p.A.	Replacement of headquarters' heat pump	8 TOEs / 12 ton CO ₂ equivalent
Asco Energy S.p.A.	Cogeneration	39 TOEs / 92 ton CO ₂ equivalent

In 2020, Ascopiave continued to develop efficiency projects through the subsidiary Asco Energy S.p.A., proposing itself to third parties as a promoter of initiatives aimed at energy efficiency. Specifically, important efficiency projects were studied with an industrial laundry and a state-owned company that manages the integrated water and sewerage service, in order to obtain new energy efficiency certificates. In 2020, Asco Energy performed energy efficiency certificates transactions in favour of the group's companies to which the obligation applies, for a quantity equal to 90169 EEC.

The Research and Development Division was equipped with high-level technical staff, in particular figures specialising in the field of Energy Efficiency and Project Management, and EPC. The structure thus has several graduates in industrial engineering and economics, who are EGE certified according to the UNI CEI 11352 standard for the Industrial and civil sector, EMAS certified as "NACE code 84.11 Environmental Reviewer Consultant", Lead Auditor of Management Systems for the Environment UNI EN ISO 14001. The employees are guided by executives, graduates with proven experience, specialised in managerial engineering.

In 2020, the Research and Development Division renewed, on behalf of Asco Energy, the UNI UN ISO 9001:2015 and UNI CEI 11352 certifications for ESCO companies.

In 2020, in cooperation with the other structures of the group, a series of technical and economic assessments were launched for the acquisition of 7 active plants for the production of renewable electricity; the finalisation of the acquisition is scheduled for 2021.

Cogeneration/District Heating

The Group has managed cogeneration plants and the respective district heating networks serving around 700 civil, commercial and public customers and some thermal plants serving condominiums.

These plants contribute to the improvement of air quality in the urban centres in which they are located because, thanks to their construction, the installation of individual thermal facilities is avoided (the latter are certainly less efficient both in terms of consumption and CO₂ emissions). With district heating, heat production is centralised in more efficient and better controlled stations than domestic boilers. Control is continuous, both as concerns combustion processes and atmospheric emissions.

In 2020, the most significant plants managed by the Group, in terms of environmental friendliness, were four:

- The "Le Cime" plant in Mirano (Venice): this is a trigeneration plant, operating in winter for the supply of thermal energy for heating the connected customers and in summer to supply the absorber for the production of refrigeration energy for cooling the same customers. The plant benefited from the incentive deriving from the Green Certificates which in 2014, the last year of the incentives, produced 294 green certificates. At the end of 2016, another 51 customers of a new real estate complex built near the station were connected, allowing in 2020 the improvement of its overall efficiency, avoiding the installation of 51 new single-family boilers and their respective CO₂ emissions.
- The "Bella Mirano" plant in Mirano (Venice): it provides thermal energy in district heating and electricity to the grid. The plant in 2015 recorded an increase from 89% to 100% in the saturation of connected residential customers. During 2020, the saturation level remained unchanged. Thanks to the efficient management of the

plant, in accordance with Italian Ministerial Decree dated 5th September 2011, the company obtained, as in 2020, 24 EECs (energy efficiency certificates) equal to 24 TOEs saved (tons of oil equivalent);

- The “Cà Tron” plant in Dolo (Venice): in the cogeneration station combined with the district heating grid, compared to last year, the degree of saturation of users remained unchanged. In 2020, thanks to the efficient management of the plant, in accordance with Italian Ministerial Decree dated 5th September 2011, 15 EECs (energy efficiency certificates) were achieved, equal to 15 TOEs saved (tons of oil equivalent), increasing by 90%;
- The “S. Silvestro” plant in Vetrego di Mirano (Venice): in operation since 2014, it is our first thermal system, completely powered by renewable sources. In 2020, the plant produced about 109 MWh of thermal energy, allowing a saving of about 10 TOEs (tons of oil equivalent), thanks to the use of “renewable” fuel; the balance of CO₂ emissions is zero.

NAME OF PLANT MANAGED IN 2020	DESCRIPTION	QUANTITY OF ENERGY PRODUCED (kWh)	WHITE CERTIFICATES GENERATED
CA' TRON - Dolo (VE)	Cogeneration plant combined with district heating	482,160	15
BELLA MIRANO - Mirano (VE)	Cogeneration plant combined with district heating	523,796	24
LE CIME - Mirano (VE)	Trigeneration plant combined with district heating	2,102,425	-
San Silvestro - Vetrego di Mirano (VE)	Pellet heating plant combined with district heating	109,430	-

Emissions

The following table shows the main CO₂ emissions generated in 2020 by the Ascopiave Group:

Group Total	2019	2020
Direct and Indirect emissions		
Scope 1	Tons CO₂ EQ	Tons CO₂ EQ
Natural Gas	4,201	4,369
Diesel fuel	954	944
Gasoline	36	44
Methane	0	11
Total Scope 1	5,192	5,368
Scope 2 - Location Based		
Electricity purchased	977	830
Scope 2 - Market Based		
Electricity purchased	1,463	1,373

Sources used:

- The data relating to electricity and gas consumption in 2020 were extracted from the billing system of the energy sales companies. The indicators and sources of reference listed below referring to 2020 have not been published yet by the bodies in charge, so the 2019 indicators have been used temporarily.
- Data from MISE publication dated 28th February 2017 “Monitoring of greenhouse gas emissions for the period (2013-2020) for stationary plants”

<http://www.minambiente.it/pagina/monitoraggio-dellemissioni-di-gas-ad-effetto-serra-il-periodo-2013-2020-gli-impianti>

- *Figures contained in the publication in the monthly magazine Quattroruote of 11th January 2017 "Consumption and emissions: updated data and everything you need to know"*
http://www.quattroruote.it/news/eco_news/2010/01/15/consumi_ed_emissioni_per_capirne_di_pi%C3%B9.html
- *Year 2019: emission factor relating to Italy's national "residual mix" equal to 465.89 gCO₂/kWh (Source: European Residual Mixes 2019 Version 1.0, 2020-05-29).*

Waste management

Production and storage of Special Waste

The Ascopiave Group uses a specific IT programme to support and standardise the management of Special Waste for all Group companies that handle Special Waste (the Parent Company and the distribution companies). This type of management has succeeded in standardising both document registration and filing practices and the annual MUD (unified form of environmental declarations)².

The waste generated during the various production stages is collected in special containers, chosen according to their type (barrels, garbage bins, bags, boxes, etc.), adequately identified and stored in areas specifically defined in order to avoid dispersion into the environment (Temporary Storage). Where applicable, the Group had maintained the registration in the SISTRI (waste traceability control system) in all the Sites and Local Units that produced hazardous waste, namely all the sites that managed the production and disposal of Special Waste (even in small quantities), of the Parent Company and all the distribution companies.

ECOBX for the disposal of used toner cartridges

Used toner cartridges are disposed of through ECOBOX. The consolidated practice, used for over three years now, is supported by a specific Operating Instruction, included in the Ascopiave Integrated Management System and adopted by all Group companies that use rented printers contracted by the Parent Company. Two different periodic delivery methods have been defined, which have in common the supply of the ECOBOX and the deadline, at least annual:

- ❖ Agreements with the inter-municipal Centres for Differentiated Waste Collection (CERD): agreements with institutional centres for the ecological disposal of used toner cartridges of the company's photocopiers;
- ❖ Agreements with private companies in the absence of a public collection service: in the absence of such agreements the Ascopiave Group has defined a procedure according to which waste is collected by a private company authorised to transport waste, with the formalisation of a specific "private agreement"; unlike the procedure with local cooperatives, the collection involves the preparation of the form (FIR).

Thanks to ECOBOX, the Administrative Offices and the local offices do not have to manage the two EWC codes (080318 - 160216) as "Special waste", and the Loading and unloading register for this type of waste does not apply to Ascopiave and its subsidiaries.

Recovery and disposal of Special Waste

The waste is collected and sent to recovery or disposal operations within the expiration date of the Temporary Storage chosen by the waste producer (quarterly or annual frequency). Currently, for the Ascopiave Group, only the Warehouse of AP Reti Gas S.p.A. Headquarters needs to respect a quarterly expiration for its Temporary Storage. The other Storages, among which Ascopiave's registered office, maintain an annual frequency.

The Group subsidiaries, namely Ascopiave and the distribution companies, deliver the special waste to the authorised disposal or recovery facility via accredited transporters: once the suppliers have been approved subsequent to the

² Defined as the unified form of environmental declarations; the declaration is the annual report of the loading and unloading registers of special waste by each Local Unit.

verification of the required qualifications, the periodic renewal of the Authorisations is monitored and updated by using software dedicated to special waste management.

Both AP Reti Gas and AP Reti Gas Vicenza are authorised by the Register of Environmental Managers to transport their own non-hazardous special waste to the Authorised Recovery Facility.

In 2020, no special waste was transferred to the destination facilities with authorised owned vehicles.

In the two-year period 2019-2020, no complaints/reports were received about this environmental aspect from the parties involved, and no critical issues regarding the disposal of waste were recorded.

Group Total 2019					
kg	Recovered	Recycled	Disposed of	Total	%
Non-hazardous	224,688	0	3,373	228,061	99.2%
Hazardous	1,880	0	0	1,880	0.8%
Total	226,568	0	3,373	229,941	
%	98.5%	0%	1.5%	100%	
Group Total 2020					
kg	Recovered	Recycled	Disposed of	Total	%
Non-hazardous	222,305	0	1,469	223,774	99.5%
Hazardous	1,190	0	45	1,235	0.5%
Total	223,495	0	1,514	225,009	
%	99.3%	0%	0.7%	100%	

The percentage of “Recovered” Waste in the two-year period is confirmed at 99%. There are territorial exceptions for the provision of EWC codes as “disposal” and not “recovery”.

Some warehouses in the Lombardy/Piedmont Area of the companies AP Reti Gas and Edigas, in 2020 delivered the hazardous waste EWC 150111* for disposal (D15), for a percentage of 5.3% of the Group’s total production; normally this type of waste is always “recovered”, both in the Group and in the national territory.

The main categories of special waste produced by the Ascopiave Group, having a greater impact in terms of quantity produced, are:

EWC Code	Type of Special Waste	2019 %	2020 %
150101 - 200101	Paper and cardboard packages / paper and cardboard	9.5%	7.4%
150103 - 170201	Wooden packaging / wood	5.4%	2.9%
160213* - 160214	Waste of electrical/electronic equipment	5.4%	9.3%
150106	Mixed materials packaging	7.1%	4.2%
170402	Aluminium	41.9%	36.5%
170405	Iron and steel	28%	37.6%

All Hazardous special waste (0.5%), deriving from the use of products purchased for maintenance and/or resulting from disposal of equipment, is attributable to Ascopiave (EWC 160213*), and the distribution companies (EWC 150111* - EWC 150202* - EWC 160601*).

The table shows the special hazardous waste produced in the 2019/2020 two-year period.

Compared to the past, the EWC 160114* and the EWC 160307* are no longer present:

EWC Code	Type of Special Waste (kg)	2019	2020
150111*	Mix of packaging containing dangerous substances	449	476
160213*	Electronic equipment containing hazardous components	391	159
150202*	Absorbents, filter materials, wiping cloths contaminated by hazardous substances	0	45
160601*	Lead batteries	1,040	555

Environmental initiatives

Electric vehicle charging station

A charging station for the electric vehicles of the company was installed at the headquarters in Pieve di Soligo, with a power of 22 kW.

The charging station is located in the parking lot opposite the office open to the public, and is therefore also available to external users.

Reduction of plastic consumption

In order to reduce plastic waste deriving from the consumption of bottled water by employees, 12 drinking water dispensers were installed at the offices of Pieve di Soligo and Treviso.

Furthermore, reusable bottles made of Tritan were distributed to employees, free of charge. Tritan is an ecological material, completely safe for health, which can be reused for a long time.

ANNEX: GRI STANDARD TABLES

Boundaries and impacts of material issues

The following chart shows the activities and/or group of activities that have been defined as material for the Ascopiave Group. For these aspects, the “Impact boundary” column shows the subjects that can generate an impact, whether inside or outside the Ascopiave Group. Furthermore, the “Type of impact” column indicates the role of the Group in relation to the impact generated with respect to each material aspect, i.e. if the organisation directly causes the impact, contributes to its generation or is directly connected to the impact through a business relationship.

Material Aspect	GRI Aspect	Impact boundary	Type of impact
Creation of value sustainable over time	Operating results	Ascopiave Group	Caused by the Group
Corporate Governance and risk management	Anti-bribery	Ascopiave Group	Caused by the Group
Innovation, Research and Development	-	Ascopiave Group	Caused by the Group
Consumption and energy management	Energy	Ascopiave Group	Caused by the Group
Emissions in the atmosphere	Emissions	Ascopiave Group	Caused by the Group
Emergency management	Consumer health and safety	Ascopiave Group	Caused by the Group and directly connected to its activities
Employment	Employment	Ascopiave Group	Caused by the Group and directly connected to its activities
Training and skills development	Training and education	Ascopiave Group	Caused by the Group
Contribution to the development of the territory	Presence on the market	Ascopiave Group	Caused by the Group and directly connected to its activities
Promotion of diversity and equal opportunities	Diversity and equal opportunities	Ascopiave Group	Caused by the Group
Health and safety of workers	Health and safety in the workplace	Ascopiave Group	Caused by the Group and directly connected to its activities
Responsible management of the supply chain	Procurement practices Social evaluation of suppliers Environmental evaluation of suppliers	Ascopiave Group, suppliers, contractors and business partners	Caused by the Group and directly connected to its activities
Corporate welfare	Employment	Ascopiave Group	Caused by the Group

Safety and reliability of services	Consumer health and safety	Ascopiave Group	Caused by the Group and directly connected to its activities
Relations with the regulatory authority	-	Ascopiave Group	Caused by the Group
Protection of human rights	Non-discrimination Assessment of respect for human rights	Ascopiave Group, suppliers, contractors and business partners	Caused by the Group and directly connected to its activities
Ethics and Integrity	Anticompetitive practices Environmental compliance Socio-economic compliance Taxes	Ascopiave Group	Caused by the Group

Chart connecting the scopes set out in Italian Legislative Decree 254 with the reference documents

Reference documents: Report on Operations (RO); Corporate Governance Report (CGR); Non-Financial Disclosure (NFD).

Scopes of Leg. Decree 254/2016	Requirements of Italian Legislative 254/2016	References to 2020 documents
Business management model	Art. 3.1, par. a) Description of the business model for the management and organisation of the company's activities, including any models adopted pursuant to Italian Legislative Decree 231/2001	<i>RO: Corporate Governance and Code of Ethics</i> <i>CGR: 11.3. ORGANISATION MODEL Pursuant to Italian Legislative Decree no. 231/2001</i> <i>NFD: IDENTITY AND RESPONSIBILITY</i>
Policies	Art. 3.1, par. b) Description of the policies implemented by the company, including those regarding due diligence	<i>RO: Corporate Governance and Code of Ethics</i> <i>CGR: 11.3. ORGANISATION MODEL Pursuant to Italian Legislative Decree no. 231/2001</i> <i>NFD: COMMENT ON THE METHODS ADOPTED, IDENTITY AND RESPONSIBILITY, SOCIAL SUSTAINABILITY, ENVIRONMENTAL SUSTAINABILITY</i> <i>Policy for quality, environment and occupational safety</i>
Risk management model	Art. 3.1, par. b) Description of the main risks, generated or suffered, and deriving from the company's activities	<i>CGR: 11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM</i> <i>NFD: IDENTITY AND RESPONSIBILITY</i>

People	Art 3.2, par. d) Information concerning the management of personnel, including gender equality, the implementation of conventions of international organisations and dialogue with the social partners	<i>RO: Human resources</i> <i>NFD: SOCIAL SUSTAINABILITY</i>
	Art 3.2, par. c) Information regarding the impact on health and safety	<i>NFD: SOCIAL SUSTAINABILITY</i>
Environment	Art 3.2, par. a, b, c) Use of energy resources, distinguishing between those produced from renewable and non-renewable sources, use of water resources; greenhouse gas emissions and polluting emissions into the atmosphere; impact on the environment	<i>NFD: ENVIRONMENTAL SUSTAINABILITY</i>
Social issues	Art 3.2, par. d) Information regarding social aspects	<i>NFD: SOCIAL SUSTAINABILITY, CUSTOMERS AND CITIZENS SERVED, TERRITORY AND COMMUNITY</i>
Respect for human rights	Art 3.2, par. e) Information regarding respect for human rights and measures taken to prevent violations thereof and discriminatory behaviour	<i>NFD: SOCIAL SUSTAINABILITY</i>
Fight against bribery	Art 3.2, par. f) Information concerning the fight against active and passive bribery	<i>RO: Corporate Governance and Code of Ethics</i> <i>CGR: 11.3. ORGANISATION MODEL Pursuant to Italian Legislative Decree no. 231/2001</i> <i>NFD: IDENTITY AND RESPONSIBILITY</i>

GRI Content Index

The approach to the management of the issues and the specific standard topics covered were prepared according to the reporting standards of the 2016 Global Reporting Initiative (GRI) Sustainability Reporting Standards, with the exception of the specific Standard GRI 403 (Occupational Health and Safety), published in 2018. In addition, the “Electric Utilities Sector Disclosures” published by the Global Reporting Initiative in 2013 were taken into consideration.

Code	Indicator	Page	Comments and omissions
GENERAL STANDARD DISCLOSURE			
COMPANY PROFILE			
102-1	Name of the organisation	63	
102-2	Main brands, products and/or services	63	
102-3	Headquarters	63	
102-4	Countries in which the organisation operates	63	
102-5	Ownership structure and legal form	19; 66-67	
102-6	Markets served	63	
102-7	Organisation size	9, 19, 28, 63, 84	
102-8	Workforce characteristics	84; 88	
102-9	Description of the Organisation’s supply chain	63; 81	
102-10	Significant changes in the Organisation and its supply chain	60	
102-11	Application of the prudential approach to risk management	70-73	
102-12	Signing or adoption of codes of conduct, principles and charters developed by external bodies/associations related to economic, social and environmental performance	73-75	
102-13	Main partnerships and affiliations	76	
EU 1	Installed capacity by energy source	103-104	
EU 2	Net energy produced by type of plant	101-104	
EU 4	Length of the Electricity/Gas distribution network	63	
STRATEGY AND ANALYSIS			

102-14	Statement by the highest decision-making authority	59	
ETHICS AND INTEGRITY			
102-16	Organisation's values, principles, standards and codes of conduct	64-65	
GOVERNANCE			
102-18	Organisation's governance structure	66-67	
INVOLVEMENT OF STAKEHOLDERS			
102-40	List of stakeholders	75-76	
102-41	Collective bargaining agreements	112	100% of the organisation's employees are covered by national collective bargaining agreements
102-42	Identification and selection of stakeholders	74-75	
102-43	Stakeholder engagement approach	74-76	
102-44	Material aspect emerging from stakeholder engagement	76-77	
REPORTING PRACTICES, MATERIAL ASPECTS AND REPORTING BOUNDARIES			
102-45	Entities included in the Consolidated Financial Statements	60	
102-46	Definition of the contents of the report and the material aspect boundaries	76-77; 108-109	
102-47	List of the aspects identified as material	77; 108-109	
102-48	Changes to information contained in previous reports	60; 92	
102-49	Significant changes in terms of material aspects and their boundaries	60	
102-50	Reporting period	60	
102-51	Date of publication of the most recent report	62	
102-52	Reporting frequency	62	
102-53	Useful contacts for information on the report	112	info@ascopiave.it
102-54	"In accordance" option chosen	60	

102-55	Table of GRI content	111-119	
102-56	External assurance	347	

Code	Indicator	Page	Comments and omissions
SPECIFIC STANDARD DISCLOSURE			
CATEGORY: ECONOMIC			
ECONOMIC PERFORMANCE			
103-1	Material aspect and boundary	77; 108-109	
103-2	Aspect management approach	78-80	
103-3	Assessment of the aspect management approach	78-80	
201-1	Direct economic value generated and distributed	78-79	
PRESENCE ON THE MARKET			
103-1	Material aspect and boundary	77; 108-109	
103-2	Aspect management approach	63; 86	
103-3	Assessment of the aspect management approach	63; 86	
202-2	Percentage of senior managers hired from the local community	86	
PROCUREMENT PRACTICES			
103-1	Material aspect and boundary	77; 108-109	
103-2	Aspect management approach	81-83	
103-3	Assessment of the aspect management approach	81-83	
204-1	Proportion of spending on local suppliers	83	
ANTI-BRIBERY			
103-1	Material aspect and boundary	77; 108-109	
103-2	Aspect management approach	67-68	
103-3	Assessment of the aspect management approach	67-68	

205-1	Operations assessed with respect to bribery risks	114	100% of the areas have been reviewed through the application of the 231 Model
UNFAIR COMPETITION			
103-1	Material aspect and boundary	77; 108-109	
103-2	Aspect management approach	67-68	
103-3	Assessment of the aspect management approach	67-68	
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	114	No legal action of this nature during the reporting period
TAX			
207-1	Approach to taxation	79-80	
207-2	Tax governance, control and risk management	79-80	
207-3	Stakeholder engagement and management of concerns related to tax	79-80	
207-4	Country-by-country reporting	114	For more information, please consult the Annual Financial Statements; please note that the Group only operates in Italy.
CATEGORY: ENVIRONMENT			
ENERGY			
103-1	Material aspect and boundary	77; 108-109	
103-2	Aspect management approach	99-104;107	
103-3	Assessment of the aspect management approach	99-104;107	
302-1	Energy consumption within the organisation	101	
EMISSIONS			
103-1	Material aspect and boundary	77; 108-109	

103-2	Aspect management approach	104-105	
103-3	Assessment of the aspect management approach	104-105	
305-1	Direct greenhouse gas emissions (Scope 1)	104-105	
305-2	Indirect greenhouse gas emissions (Scope 2)	104-105	
WATER DISCHARGES AND WASTE			
103-1	Material aspect and boundary	77; 108-109	
103-2	Aspect management approach	105-107	
103-3	Assessment of the aspect management approach	105-107	
306-2	Waste by type and disposal method	107	
ENVIRONMENTAL COMPLIANCE			
103-1	Material aspect and boundary	77; 108-109	
103-2	Aspect management approach	99	
103-3	Assessment of the aspect management approach	99	
307-1	Non-compliance with environmental laws or regulations	115	During the reporting period, the Group did not receive significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations
ENVIRONMENTAL ASSESSMENT OF SUPPLIERS			
103-1	Material aspect and boundary	77; 108-109	
103-2	Aspect management approach	82	
103-3	Assessment of the aspect management approach	82	
308-1	New suppliers that were screened using environmental criteria	82	The indicator refers only to suppliers classifiable as contractors
CATEGORY: SOCIAL			

EMPLOYMENT			
103-1	Material aspect and boundary	77; 108-109	
103-2	Aspect management approach	84-86; 88-89	
103-3	Assessment of the aspect management approach	84-86; 88-89	
401-1	New employee hires and staff turnover	85-86	
401-2	Benefits offered to full-time employees which are not offered to temporary or part-time employees	89	There are no cases of differences in company benefits for part-time and fixed-term employees
401-3	Parental leave	88	
OCCUPATIONAL HEALTH AND SAFETY (2018)			
103-1	Material aspect and boundary	77; 108-109	
103-2	Aspect management approach	89-93	
103-3	Assessment of the aspect management approach	89-93	
403-1	Occupational health and safety management system	91-92	
403-2	Hazard identification, risk assessment, and incident investigation	92	
403-3	Occupational health services	93	
403-4	Worker participation, consultation, and communication on occupational health and safety	92	
403-5	Worker training on occupational health and safety	93	
402-6	Promotion of worker health	91-93	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	91-93	
403-9	Work-related injuries	92-93	With reference to third-party firms, disclosure is provided only as regards the number of accidents that occurred during work at the Ascopiave Group's sites.
EDUCATION AND TRAINING			

103-1	Material aspect and boundary	77; 108-109	
103-2	Aspect management approach	86-87	
103-3	Assessment of the aspect management approach	86-87	
404-1	Average hours of training per year and per employee	87	
DIVERSITY AND EQUAL OPPORTUNITIES			
103-1	Material aspect and boundary	77; 108-109	
103-2	Aspect management approach	66-67; 83-85; 88	
103-3	Assessment of the aspect management approach	66-67; 83-85; 88	
405-1	Diversity of government bodies and employees	66-67; 84-85	
NON-DISCRIMINATION			
103-1	Material aspect and boundary	77; 108-109	
103-2	Aspect management approach	65; 68; 83-84; 88	
103-3	Assessment of the aspect management approach	65; 68; 83-84; 88	
406-1	Incidents of discrimination and actions taken	117	During the reporting period, the Group did not record any episodes related to discriminatory practices
ASSESSMENT OF RESPECT FOR HUMAN RIGHTS			
103-1	Material aspect and boundary	77; 108-109	
103-2	Aspect management approach	67-68; 83-84	
103-3	Assessment of the aspect management approach	67-68; 83-84	
412-1	Activities that were reviewed or whose impact on human rights was assessed	118	100% of the areas have been reviewed through the application of the 231 Model.
SOCIAL ASSESSMENT OF SUPPLIERS			

103-1	Material aspect and boundary	77; 108-109	
103-2	Aspect management approach	82	
103-3	Assessment of the aspect management approach	82	
414-1	New suppliers that were screened using social criteria	82	The indicator refers only to suppliers classifiable as contractors
HEALTH AND SAFETY OF CONSUMERS			
103-1	Material aspect and boundary	77; 108-109	
103-2	Aspect management approach	95-96	
103-3	Assessment of the aspect management approach	95-96	
416-2	Cases of non-compliance with health and safety impacts of products and services	118	No cases of non-compliance
EU 25	Number of accidents related to corporate facilities	96	
SOCIAL AND ECONOMIC COMPLIANCE			
103-1	Material aspect and boundary	77; 108-109	
103-2	Aspect management approach	67-68	
103-3	Assessment of the aspect management approach	67-68	
419-1	Non-compliances with social and economic regulations and laws	118	No cases of non-compliance
MATERIAL ASPECTS NOT RELATED TO SPECIFIC DISCLOSURES OF GRI STANDARDS			
INNOVATION, RESEARCH AND DEVELOPMENT			
103-1	Material aspect and boundary	77; 108-109	
103-2	Aspect management approach	102-103	
103-3	Assessment of the aspect management approach	102-103	
RELATIONS WITH THE REGULATORY AUTHORITY			
103-1	Material aspect and boundary	77; 108-109	
103-2	Aspect management approach	80-81	

103-3	Assessment of the aspect management approach	80-81	
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Ascopiave Group

Consolidated financial statements charts

as of 31st December 2020



Consolidated assets and liabilities statement

(Thousands of Euro)		31.12.2020	31.12.2019 *
ASSETS			
Non-current assets			
Goodwill	(1)	49,272	47,914
Other intangible assets	(2)	577,413	567,194
Tangible assets	(3)	33,443	34,694
Shareholdings in Controlled and Affiliated companies	(4)	436,805	395,943
Shareholdings in other companies	(4)	78,925	54,002
Other non-current assets	(5)	4,154	3,296
Non current financial assets	(6)	2,226	2,478
Advance tax receivables	(7)	30,122	19,390
Non-current assets		1,212,359	1,124,910
Current assets			
Inventories	(8)	14,912	8,132
Trade receivables	(9)	33,587	43,124
Other current assets	(10)	75,964	46,830
Current financial assets	(11)	798	6,993
Tax receivables	(12)	3,583	1,263
Cash and cash equivalents	(13)	21,902	67,031
Current assets		150,747	173,373
ASSETS		1,363,106	1,298,283
Net equity and liabilities			
Total Net equity			
Share capital		234,412	234,412
Own shares		(55,628)	(26,774)
Reserves		675,119	665,854
Net equity of the Group		853,903	873,492
Net equity of Others		0	0
Total Net equity	(14)	853,903	873,492
Non-current liabilities			
Provisions for risks and charges	(15)	2,412	1,344
Severance indemnity	(16)	4,770	4,931
Medium- and long-term bank loans	(17)	195,999	135,083
Other non-current liabilities	(18)	26,905	24,553
Non-current financial liabilities	(19)	563	441
Deferred tax payables	(20)	12,984	22,021
Non-Current liabilities		243,632	188,374
Current liabilities			
Payables due to banks and financing institutions	(21)	165,747	136,803
Trade payables	(22)	66,774	52,082
Tax payables	(23)	5,174	4,728
Other current liabilities	(24)	26,263	25,549
Current financial liabilities	(25)	1,065	17,156
Current liabilities from derivative financial instruments	(26)	548	98
Current liabilities		265,570	236,417
Liabilities		509,203	424,791
Net equity and liabilities		1,363,106	1,298,283

*in order to improve the comparability of the data shown for comparative purposes, the 2019 FY was restated by dividing the item equity investments into the two items shown: "equity investments in subsidiaries and affiliates" and "equity investments in other companies".

In accordance with CONSOB resolution no. 15519 dated 27th July 2006, the effects of the transactions with related parties are shown in the specific representation contained in the paragraph "Transactions with related parties" of this annual financial report.



Comprehensive consolidated income statement

(Thousands of Euro)		Full Year	
		2020	2019
Revenues	(27)	163,896	124,911
Total operating costs		100,280	80,013
Purchase costs for other raw materials	(28)	1,782	1,358
Costs for services	(29)	36,776	31,732
Costs for personnel	(30)	17,132	14,500
Other management costs	(31)	44,700	33,902
Other income	(32)	109	1,479
Amortization and depreciation	(33)	34,465	23,325
Operating result		29,151	21,573
Financial income	(34)	3,558	142
Financial charges	(34)	1,711	1,259
Evaluation of subsidiary companies with the net equity method	(34)	18,310	648
Earnings before tax		49,308	21,105
Taxes for the year	(35)	9,394	(6,626)
Result of the year		58,701	14,479
Net result from transfer/disposal of assets	(36)	0	478,737
Net result for the year		58,701	493,216
Group's Net Result		58,701	493,216
Third parties Net Result		(0)	(0)
Consolidated statement of comprehensive income			
1. Components that can be reclassified to the income statement			
Fair value of derivatives, changes in the period net of tax		(398)	(98)
2. Components that can not be reclassified to the income statement			
Actuarial (losses)/gains from remeasurement on defined-benefit obligations net of tax		9	(124)
Fair value Shareholdings in other companies other companies		(1,807)	(0)
Total comprehensive income		56,505	492,994
Group's overall net result		56,505	492,994
Third parties' overall net result		(0)	(0)
Base income per share		0.271	2.202
Diluted net income per share		0.271	2.202

In accordance with CONSOB resolution no. 15519 dated 27th July 2006, the effects of the transactions with related parties are shown in the specific representation contained in the paragraph "Transactions with related parties" of this annual financial report.



Statement of changes in consolidated shareholders' equity

	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Net result for the period	Group's net equity	Net result and net equity of others	Total net equity
(migliaia di Euro)									
Balance as of 1st January 2020	234,412	46,882	(26,774)	(535)	126,292	493,216	873,493	0	873,492
Result for the year						58,701	58,701		58,701
Other operations					(398)		(398)		(398)
Fair value Shareholdings in other companies					(1,807)		(1,807)		(1,807)
Severance indemnity IAS 19 discounting of the financial year				9			9		9
Total result of overall income statement				9	(2,205)	58,701	56,505	(0)	56,505
Allocation of 2019 result					493,216	(493,216)	(0)		(0)
Dividends distributed to Ascopiave S.p.A. shareholders					(47,442)		(47,442)		(47,442)
Long-term incentive plans					108		108		108
Others movements					94		94		94
Purchase of own shares			(28,854)				(28,854)		(28,854)
Balance as of 31th December 2020	234,412	46,882	(55,628)	(527)	570,063	58,701	853,904	0	853,903

	Share capital	Legal reserve	Own shares	Reserves IAS 19 actuarial differences	Other reserves	Net result for the period	Group's net equity	Net result and net equity of others	Total net equity
(Thousands of Euro)									
Balance as of 1st January 2019	234,412	46,882	(16,981)	(35)	134,664	44,625	443,567	4,303	447,869
Result for the year						493,216	493,216	0	493,216
<i>of which:</i>									
<i>Result of continuing operations</i>						14,479	14,479		14,479
<i>Result of discontinuing operations</i>						478,737	478,737		478,737
Other operations					(98)		(98)	(0)	(98)
<i>of which:</i>									
<i>Altri movimenti delle continuing operations</i>					(98)		(98)		(98)
Severance indemnity IAS 19 discounting of the financial year				(124)			(124)	(0)	(124)
<i>of which:</i>									
<i>Discounting of continuing operations</i>				(124)			(124)		(124)
Total result of overall income statement				(124)	(98)	493,216	492,994	0	492,994
Allocation of 2018 result					44,625	(44,625)	(0)		(0)
Dividends distributed to Ascopiave S.p.A. shareholders					(75,163)		(75,163)		(75,163)
Dividends distributed to minorities of discontinuing operations							(0)		(0)
Others movements					6,662		6,662	(4,303)	2,360
Purchase of own shares			(22,376)		15		(22,361)		(22,361)
Business aggregations			12,583	(377)	15,586		27,793		27,793
Balance as of 31th December 2019	234,412	46,882	(26,774)	(535)	126,292	493,216	873,493	0	873,492



Consolidated statement of cash flows

	Full Year	
	2020	2019
Net income of the Group	58,701	14,479
Cash flows generated (used) by operating activities		
Adjustments to reconcile net income to net cash		
Companies held for sale operating result	0	478,737
Amortization	34,082	22,839
Svaluation of assets		
Bad debt provisions	189	0
Variations in severance indemnity	(109)	(120)
Current assets / liabilities on financial instruments	52	0
Net variation of other funds	1,068	(12)
Evaluation of subsidiaries with the net equity method	(18,310)	0
Dividends from equity investments	(3,489)	0
Gains on disposal of investments	0	(472,334)
Gains on disposal of investments net income discontinued assets	0	(35,189)
Interests paid	(1,396)	(914)
Taxes paid	(12,110)	(7,901)
Interest expense for the year	1,594	1,188
Taxes for the year	(9,394)	6,621
Total adjustments	(6,500)	(7,085)
Variations in assets and liabilities		
Inventories	(6,780)	(4,179)
Accounts payable	9,396	(10,031)
Other current assets	(29,332)	(2,539)
Trade payables	14,604	15,854
Other current liabilities	574	8,516
Other non-current assets	(858)	1,006
Other non-current liabilities	2,352	2,300
Total variations in assets and liabilities	(10,044)	10,927
Cash flows generated (used) by operating activities	42,157	18,322
Cash flows generated (used) by investments		
Investments in intangible assets	(43,417)	(33,141)
Realisable value of intangible assets	0	867
Investments in tangible assets	(1,015)	(2,202)
Realisable value of tangible assets	0	35
Disposal/(acquisitions) in investments and avances	0	616,214
Investment flows for business aggregations	(68,598)	(629,489)
Cash flows generated/(used) by investments	(113,029)	(47,716)
Cash flows generated (used) by financial activities		
Net changes in debts due to other financiers	374	33
Net changes in short-term bank borrowings	(29,840)	(35,370)
Net variation in current financial assets and liabilities	(9,447)	(1,029)
Purchase of own shares	(28,854)	(9,793)
Ignitions loans and mortgages	336,700	429,000
Redemptions loans and mortgages	(217,000)	(309,000)
Dividends distributed to Ascopiave S.p.A. shareholders'	(47,442)	(75,163)
Dividends distributed from discontinued assets	0	28,786
Cash flows from discontinued assets / liabilities	21,254	2,311
Cash flows generated (used) by financial activities	25,744	29,775
Variations in cash	(45,128)	381
Cash and cash equivalents at the beginning of the year	67,031	59,353
Cash and cash equivalents at the beginning of the year of the Companies held for sale	0	7,297
Cash and cash equivalents at the end of the year	21,902	67,031

In accordance with CONSOB resolution no. 15519 dated 27th July 2006, the effects of the transactions with related parties are shown in the specific representation contained in the paragraph "Transactions with related parties" of this annual financial report.

EXPLANATORY NOTES



Company information

Ascopiave S.p.A. (hereinafter “Ascopiave”, the “Company” or the “Parent Company” and, jointly with its subsidiaries, the “Group” or the “Ascopiave Group”) is a legal entity under Italian law.

As of 31st December 2020 the majority share of the Company’s share capital, amounting to Euro 234,411,575, was held by Asco Holding S.p.A.; the remainder was distributed among other private shareholders. Ascopiave is listed since December 2006 on the Mercato Telematico Azionario - STAR Segment - organised and managed by Borsa Italiana S.p.A..

The registered office of the Company is in Pieve di Soligo (TV), via Verizzo, 1030, Italy.

The publication of the Financial report as of 31st December 2020 of the Ascopiave Group was authorised by resolution of the Board of Directors on 11th March 2021.

The activities of the Ascopiave Group

Ascopiave mainly operates in the sector of distribution of natural gas, as well as in other sectors related to the core business, such as heat management and co-generation.

The Group owns concessions and direct assignments for the management of the activity of gas distribution in 268 municipalities (268 municipalities as of 31st December 2019, has a distribution network extending for over 12,910 km (12,855 km as of 31st December 2019) and provides a service to a catchment area bigger than 1 million inhabitants.

The process aimed at enhancing the gas sales activities and strengthening and consolidating its presence in the distribution sector was completed on 19th December 2019. Such process led to the execution between the Ascopiave Group and the Hera Group of a partnership which ratified the establishment, through EstEnergy, of the largest Energy player in Northern-Eastern Italy. As part of the transaction, Ascopiave S.p.A. sold its stakes in the sales companies to EstEnergy, from which it then acquired a 48% stake, while the Hera Group sold the entire stake held in Ap Reti Gas Nord Est S.r.l. to Ascopiave, in addition to a 3% stake in Hera Comm.

General drafting criteria and compliance with IFRS

The Ascopiave Group Consolidated Financial Statements are prepared pursuant to IFRS, that is all the “International Financial Reporting Standards”, “International Accounting Standards” (IAS), all the interpretations of the “International Financial Reporting Committee” (IFRIC), previously “Standing Interpretations Committee” (SIC) adopted by the European Commission pursuant to the procedure set forth in EC Directive no. 1606/2002 issued by the European Parliament and Council on 19th July 2002.

The accounting principles adopted are consistent with those used as of 31st December 2019, except as described in the following paragraph “Accounting principles, amendments and interpretations effective from 1st January 2020”.

The consolidated financial statements are expressed in Euro, the currency used in the economy where the Group operates, and includes the Consolidated assets and liabilities statement, the Comprehensive consolidated income statement, the Consolidated statement of changes in shareholders’ equity, the Consolidated statement of cash flows and the Explanatory notes. All the values reported in the statements and explanatory notes are expressed in thousands of Euros, unless otherwise indicated.

The values used for consolidation were gathered from income statements and balance sheets prepared by the Directors of the individual subsidiaries. These data have been adjusted and reclassified, where necessary, to ensure compliance with international accounting standards and with the classification criteria applied throughout the Group. These financial statements as of 31st December 2020 were approved by the Board of Directors of the Company on 11th March 2021.

Financial statements representation

The items of the consolidated assets and liabilities statement are classified into “current” and “non-current”; those in the comprehensive consolidated income statement are classified by their nature in multi-step format.

The statement of changes in shareholders’ equity presents the opening and closing balances of each net equity item reconciling them through the profit or loss for the period, any operation with shareholders (if applicable) and other variations in the net equity.

The statement of cash flows has been defined according to the “indirect” method, by adjusting operating income of non-monetary components. We believe that these patterns adequately represent the economic situation and financial position.

IAS/IFRS accounting standards and related IFRIC interpretations approved and applicable to the financial statements of the years starting after 1st January 2020

Hereby is a brief description of amendments, improvements and interpretations applicable to financial reports as of 31st December 2020 and effective 1st January 2020. The standards, amendments and interpretations which by their nature cannot be adopted by the Company are excluded from the list.

Conceptual Framework for Financial Reporting

On 29th March 2018, IASB published the revised version of the Conceptual Framework for Financial Reporting together with a document that updates the references to the previous Conceptual Framework contained in the IFRSs, providing:

- ✓ an updated definition of assets and liabilities;
- ✓ a new chapter on the topics of measurement, derecognition and disclosure;
- ✓ clarifications on some postulates for compiling the financial statements, such as the principle of prudence and the substance over form concept.

These changes are effective since 1st January 2020.

IFRS 3 - Business Combination

On 22nd October 2018, IASB published the amendments to IFRS 3 - Business Combinations, with the aim of identifying the criteria according to which a successful acquisition regards a business or a group of assets that, as such, do not meet the definition of business set out in IFRS 3. These changes will be effective for the business combinations that will occur commencing 1st January 2020.

IAS 1 and IAS 8

On 31st October 2018, IASB published the amendments to IAS 1 and IAS 8, clarifying the definition of “material information”, in order to establish whether to include a disclosure in the financial statements. These changes are effective since 1st January 2020.

IFRS 9, IAS 39 and IFRS 17 - Interest Rate Benchmark Reform

IASB, on 26th September 2019, IASB published amendment to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform, modifying provisions on hedge accounting stated in IFRS 9 and IAS 39. These changes are effective since 1st January 2020.



IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet mandatorily applicable and not adopted ahead of time as of 31st December 2020

Amendment to IFRS 16 Leases Covid-19 - Related Rent concessions

On 28th May 2020, IASB issued the document that provides a practical expedient that enables lessees not to consider as changes to the lease agreement the concessions that occur as a direct consequence of the Covid-19 pandemic. The amendment is effective from financial years commencing on or after 1st June 2020. Early application is allowed, even in financial statements not yet approved as of 28th May 2020.

IFRS 9, IAS 39, IFRS 7m IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform, Phase 2

On 27th August 2020, IASB published amendments to IFRS 9, IAS 39, IFRS 7m IFRS 4 and IFRS16 - Interest Rate Benchmark Reform, Phase 2, relating to the reform of the reference indices for determining interest rates. These changes are effective from 1st January 2021. Early application is permitted.

IFRS accounting standards, amendments and interpretations not yet approved by the European Union

At the reporting date, the competent bodies of the European Union have not completed yet the approval process necessary for the adoption of the amendments and principles described below.

Amendments to IAS 1

On 23rd January 2020, IASB issued the document to clarify the requirements for the classification of liabilities as current or non-current. These changes will be effective from 1st January 2023 subsequent to the postponement of the date of entry into force due to the Covid-19 pandemic.

Amendments to IFRS 3

On 14th May 2020, IASB issued the document to update a reference to the Conceptual Framework for Financial Reporting without modifying the accounting requirements for business combinations. These changes will be effective from 1st January 2022.

IAS 16 - Property, plant and equipment

On 14th May 2020, IASB issued the document to introduce changes that prohibit a company from deducting from the cost of property, plant and equipment the proceeds from the sale of items produced while the company is preparing the asset for the intended use. Proceeds from sales and related costs must be recognised in the income statement. These changes will be effective from 1st January 2022.

IAS 37 - Provisions, contingent liabilities and contingent assets

On 14th May 2020, IASB issued the document specifying which costs must be included in assessing whether a contract is onerous. These changes will be effective from 1st January 2022.

Annual improvements to IFRSs - 2018-2020 cycle

On 14th May 2020, IASB issued several amendments as part of the standards' annual improvement programme; most of the changes are clarifications or corrections to existing IFRSs, or changes resulting from modifications recently made to IFRSs. Annual improvements make minor changes to IFRS 1 "First adoption of International Financial Reporting Standards", IFRS 9 "Financial instruments", IAS 41 "Agriculture" and the illustrative examples accompanying IFRS 16 "Leases".

These improvements are applicable from 1st January 2022.



Name and registered office of the company in charge of drafting the consolidated financial statements

With reference to the information required by Art. 2427, item 22-5 and-6 of the Italian Civil Code, we specify that Company Ascopiave S.p.A. with registered office in Via Verizzo 1030, Pieve di Soligo (TV) drafts the Consolidated Financial Statement of smaller group of which it is part as a subsidiary company. The entirety of this Consolidated Financial Statement is available at its registered office. Furthermore, the Company Asco Holding S.p.A. with registered office in Via Verizzo 1030, Pieve di Soligo (TV) drafts the Consolidated Financial Statement of largest group of which it is part. The entirety of this Consolidated Financial Statement is available at its registered office; the company closes the financial year on 31st July.

Business combinations

On 1st July 2020, for the company Unigas Distribuzione S.r.l., one year passed since the completion of the business combination conducted with the aforementioned company. Since the terms stated in IFRS 3 have elapsed, the originally consolidated book values are now final.

On 19th December 2020, one year passed since the completion of the business combination conducted with the Hera Group which resulted in the incorporation of the largest operator in the energy sector in Northern and Eastern Italy, with over one million customers, and the simultaneous reorganisation of the respective gas distribution activities. Since the terms stated in IFRS 3 have elapsed, the originally consolidated book values are now final.

Ascopiave goes into integrated urban water management and acquires 100% of the share capital of Cart Acqua S.r.l.

On 18th December 2020, with the purchase of 100% of the share capital of Cart Acqua S.r.l., Ascopiave completed its first investment in integrated urban water management.

Cart Acqua S.r.l., in addition to being directly operational in the water sector, within which it provides technical services, also holds an 18.33% stake in the share capital of Cogeide S.p.A., a company that operates under the “safeguard scheme” in integrated urban water management in 15 Municipalities of the Province of Bergamo.

Consolidation area and principles

The consolidated financial statements include the financial statements of all the subsidiaries. The Group controls an entity (including the structured entities) when the Group is exposed, or is entitled, to the variability of results from such entities and has the possibility of influencing these outcomes through the exercise of power over the entity. The financial statements of the subsidiaries are included in the Consolidated financial statements commencing the date on which control is taken until the date such control ceases. The costs incurred in the acquisition process are recognised in the year they are incurred. The assets and liabilities, the charges and income of companies consolidated with the line-by-line method are fully included in the consolidated financial statements; the book value of investments is eliminated against the corresponding share of equity of the investee companies. Receivables and payables, as well as the costs and revenues arising from transactions between companies included in the consolidation area are entirely eliminated; the capital gains and losses arising from transfers of assets between consolidated companies, the gains and losses deriving from transactions between consolidated companies related to the sale of assets that remain as inventories of the purchasing company, the write-downs and write-backs of investments in consolidated companies, as well as intercompany dividends are also eliminated.

At the date of acquisition of control, the net equity of the investee companies is determined by attributing to the individual assets and liabilities their current value. Any positive difference between the acquisition cost and the fair value of the net assets acquired is recognised as “Goodwill”; if negative, it is recognised in the income statement.

The equity and profit shares attributable to minority interests are recorded in specific items of the shareholders' equity and income statement. In the case of acquisition of partial control, the equity share of minority interests is



determined on the basis of the share of the current values assigned to assets and liabilities at the date of acquisition of control, excluding any goodwill attributable to them (so-called partial goodwill method); in relation to this, the minority interests are measured at their total fair value, also including the goodwill (negative goodwill) attributable to them. The choice of the methods for determining the goodwill (negative goodwill) is made based on each individual business combination operation.

In the case of shares acquired subsequent to the acquisition of control (purchase of minority interests), any positive difference between the acquisition cost and the corresponding portion of equity acquired is recognised in the equity; similarly, the effects arising from the sale of minority interests without loss of control are recognised in equity.

If the acquisition value of the shares is higher than the net equity pro-quota value of the investees, the positive difference is attributed, where possible, to the net assets acquired based on their fair value while the remainder is recorded in an item of assets, "Goodwill".

The value of goodwill is not amortised but is subject to, at least on an annual basis, an impairment test when facts or changes in the circumstances indicate that the carrying value cannot be realised. Goodwill is booked at cost, net of impairment losses. If the carrying value of the investments is lower than the net equity pro-quota value of the investees, the negative difference is recognised in the income statement. The acquisition costs are booked in the income statement.

Associated companies are those over which a significant influence is exercised, which is presumed to exist when the shareholding is between 20% and 50% of the voting rights, or, if lower, when there are elements that confirm the existence of a significant influence. Investments in affiliates are initially recorded at cost and subsequently accounted for using the equity method. The carrying value of these investments is in line with the Shareholders' equity and includes the recording of the higher values attributed to assets and liabilities and any goodwill identified upon acquisition. The unrealised gains and losses generated on transactions between the Parent Company/Subsidiaries and the investee valued with the equity method are eliminated based on the value of the stake held by the Group in the investee; the unrealised losses are eliminated, except when they represent an impairment.

The financial statements of subsidiaries used for the purpose of preparing the Consolidated Financial Statements are those approved by the respective Boards of Directors. The data of the companies consolidated on a line-by-line basis or with the equity method are adjusted, where necessary, to harmonise them with the accounting standards used by the Parent company, which are in accordance with the IFRSs adopted by the European Union.

The companies included in the consolidation area as of 31st December 2020 and consolidated through the line-by-line or equity method are the following:

Company name	Registered offices	Paid-up capital	Group interest	Direct controlling interest	Indirect controlling interest
Parent company					
Ascopiave S.p.A.	Pieve di Soligo (TV)	234,411,575			
100% consolidated companies					
AP Reti Gas S.p.A.	Pieve di Soligo (TV)	100,000	100.00%	100.00%	0%
AP Reti Gas Rovigo S.r.l.	Rovigo (RO)	7,000,000	100.00%	100.00%	0%
Edigas Esercizio Distribuzione Gas S.p.A.	Pieve di Soligo (TV)	3,000,000	100.00%	100.00%	0%
Asco Energy S.p.A.	Pieve di Soligo (TV)	1,000,000	100.00%	100.00%	0%
AP Reti Gas Vicenza S.p.A.	Pieve di Soligo (TV)	10,000,000	100.00%	100.00%	0%
AP Reti Gas Nord Est S.r.l.	Padova (PD)	15,000,000	100.00%	100.00%	0%
Cart Acqua S.r.l.	Orio al Serio (BG)	50,000	100.00%	100.00%	0%
Affiliated Companies					
Estenergy S.p.A.	Trieste (TS)	299,925,761	48.00%	48.00%	0%
Cogeide S.p.A.	Mozzanica (BG)	16,945,026	19.00%	19.00%	0%

Subsequent to the execution of the partnership between the Ascopiave Group and the Hera Group on 19th December 2019, with effect from 31st December 2019, the Group purchased 100% of the company Reti Gas Nord Est S.r.l., therefore the data shown at the end of 2019 already included the balance sheet figures related thereto.

Furthermore, commencing 1st July 2019, subsequent to the merger through acquisition of Unigas Distribuzione Gas S.r.l. into Ascopiave S.p.A., the company is no longer consolidated using the equity method its operating results and balance sheet figures are represented within Edigas Esercizio Distribuzione Gas S.p.A., a company to which Ascopiave S.p.A. transferred the business unit relating to the activity previously conducted by Unigas Distribuzione S.r.l.. On 18th December 2020, Ascopiave purchased 100% of the share capital of CART Acqua S.r.l. consolidating its balance sheet figures on a line-by-line basis as of 31st December 2020.

Synthesis data of companies consolidated on a line-by-line basis

Description	Revenues from sales and service supply	Net result	Net equity	Net financial position (liquid assets)	Reference accounting principles
Parent company					
Ascopiave S.p.A.	53,413	35,932	808,286	311,911	IFRS
100% consolidated companies					
AP Reti Gas S.p.A.	87,802	26,994	325,736	(9,323)	IFRS
AP Reti Gas Nord Est S.r.l.	25,662	5,823	135,564	(8,917)	IFRS
Edigas Esercizio Distribuzione Gas S.p.A.	22,699	4,019	64,456	14,558	Ita Gaap
AP Reti Gas Vicenza S.p.A.	19,625	191	17,469	21,544	Ita Gaap
AP Reti Gas Rovigo S.r.l.	4,585	1,428	20,200	2,971	Ita Gaap
Asco Energy S.p.A.	24,341	(373)	749	5,438	Ita Gaap
Cart Acqua S.r.l.	198	32	3,860	(203)	Ita Gaap

**the operating results of the subsidiary CART Acqua S.r.l. are not consolidated as the business combination was completed on 18th December 2020.*

Information on consolidated subsidiaries with minority interests

The company Ascopiave S.p.A. does not hold interests in subsidiaries in which third parties hold minority interests.

Measurement criteria

The accounting principles adopted by the Group are reported below:

Goodwill: the goodwill obtained from the acquisition of business units operating in the distribution and sale of gas is initially booked at cost and represents the excess of the purchase price compared to the portion pertaining to the purchaser for the net fair value referred to values identifying the current and potential assets and liabilities.

After the initial booking, goodwill can no longer be amortised and is reduced by any impairment.

Goodwill is subjected to an annual recoverability analysis, or a more frequent one if events or changes in circumstances occur which can lead to the emergence of possible impairments.

With the intent of analysing the recoverability, the goodwill acquired through groups of companies is allocated, as of the acquisition date, to each of the units (or groups of units) that generate financial flows with the Group that it is held would benefit from the synergy effects of the acquisition, without regard to the allocation of other assets or liabilities of these units (or groups of units).

Units generating financial flows:

- (i) represent the lowest level, within the Group, to which the goodwill is monitored for internal management purposes;
- (ii) are no greater than one sector, as defined in the primary or secondary indication scheme of the Group pursuant to IFRS 8 "Product information sector".

Impairment is determined by defining the recoverable value of a unit, which generates flows (or groups of units) to which goodwill is allocated. When the recoverable value of a unit which generates flows (or group of units) is less than

the book value, an impairment is indicated. In cases in which the goodwill is attributed to a cash generating unit (or group of units) whose assets are partially divested, the goodwill associated with the transferred assets is considered in order to determine the positive or negative change derived from the operation. Goodwill transferred in such cases is calculated based on the values relative to the asset transferred with respect to the assets still held regarding the same unit.

Other intangible fixed assets: intangible assets mainly include assets pertaining to concessions between the public and the private sectors (so-called service concession agreements) related to development, financing, management and maintenance of infrastructures in concession, of which:

- (i) the lessor controls or regulates the services supplied by operator through the infrastructure and their prices;
- (ii) the lessor controls through property, ownership of benefits or in other ways any significant remaining profit-sharing at the end of the concession.

Other intangible assets also include the recognition of the fair value of charges paid to the awarding entities (Municipalities) and/or the outgoing operators subsequent to the assignment and/or the renewal of the relevant invitation to tender to award the service of natural gas distribution.

As concerns the amortisation period:

- (i) the concessions for the service of natural gas distribution are amortised on a straight-line basis, based on the duration of the concession period. The amortisation period of the concessions acquired by the Ascopiave Group is equal to twelve years pursuant to the regulatory framework.

After initial recognition, intangible assets with a defined useful life are booked net of the accumulated relevant amortisation operations and net of any impairments, determined with the same basis indicated below for tangible assets. The useful life is then re-examined on an annual basis, and any changes, if necessary, made prospectively.

Assets acquired under leases are booked at fair value, net of taxes due by the lessee or, if lower, at the current value of the minimum lease payments, including any sum payable for the exercise of the option to purchase, in intangible assets offsetting the financial debt to the lessor.

Any profits or losses deriving from the sale of an intangible asset is determined as the difference between the disposal value and the book value of the asset, and are reported in the income statement at the time of the sale.

Duration and residual value of assets under concession: The gas distribution activity is carried out as a concession, i.e. the local public bodies entrust the supply of the service to the company. Regarding the duration of concessions, Legislative Decree n. 164/00 (so-called Letta Decree) stated that all concessions should be put to tender by the end of the “transitional period” (for the Ascopiave Group, after 31st December 2012 or in the following years in the event of extension of the original deadline) and that the new term of the concessions will not exceed twelve years. On expiry of the concessions, the operator, upon the sale of its distribution networks, except for assets to be relinquished, receives compensation as defined by the criteria of the industrial estimate.

In relation to the estimates made by management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above mentioned industrial value.

Tangible fixed assets: tangible assets are booked at their historic cost, including accessory costs directly ascribable to the putting into operation of the asset for the use for which it was acquired.

Lands - both free of constructions and annexed to civil and industrial buildings - were generally accounted for separately and are not depreciated since they are elements with an unlimited useful life.

Maintenance and repair costs that are not subject to valuing and/or extending the residual useful life of assets, are spent in the year in which they are borne. Otherwise, they are capitalised.

Tangible assets are presented net of the relevant accumulated depreciation, and any losses of value determined according to the basis described below. Amortisation is calculated in uniform instalments based on the estimated useful life of the asset for the company, which is re-examined annually, and any changes, if necessary, are made prospectively.

The main economical-technical rates used are as follows:

Buildings	2%
Equipment	8,5% - 8,3%
Furniture	8.80%
Electronic equipment	16.20%
Basic hardware and software	20%
Motocars, motor vehicles and similar	20%

The book value of tangible fixed assets is subject to verification in order to report any loss of value, should events or changes of situation suggest that the book value may not be recovered. Should there be an indication of this type and, in the event the book value should exceed the presumed realisation value, the assets are devalued so as to reflect their realisation value. The realisation value of the tangible fixed assets is represented by the greater of the net sales price and the value of use.

Impairments are reported in the income statement with the costs for depreciation and write-downs. Such impairments are restored should the reasons for their cause cease to exist.

When the asset is sold or if there are no future economic benefits expected from the use of the asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between the sale value and the book value) is entered in the income statement of the year of the above-mentioned elimination.

Leases

The accounting standard IFRS 16 “Leases” defines a single model for the recognition of lease agreements, eliminating the distinction between operating and financial leases, and envisaging the entry of an asset for the right to use the good and a liability for the lease. An agreement is, or contains, a lease if, in exchange for consideration, it grants the right to control the use of a specified asset for a period of time. Assets for the right to use leased goods are initially valued at cost, and subsequently depreciated over the duration of the lease agreement defined in the analysis, taking into account the reasonably exercisable extension or termination options. The cost of the assets for the right to use includes the value initially recognised of the lease liability, the initial direct costs incurred, the estimate of any restoration costs to be incurred at the end of the agreement and the down payments relating to the lease made on the date of the first transaction net of leasing incentives received. The related liabilities for leased goods are initially valued at the present value of the payments due for the fixed instalments to be paid on the date of signing the lease and for the exercise price of the purchase option and the redemption option if reasonably exercisable, discounted using the implicit interest rate of the lease, if determinable, or the marginal borrowing rate at the date. Liabilities for leased goods are subsequently increased by the interest accruing on said liabilities and decreased in correlation with the payments of lease instalments. Liabilities for leased assets are in any case redetermined to take into account the changes made to the payments due for the lease, adjusting the asset consisting in the right of use by an equal value. However, if the book value of the asset consisting in the right of use is zero and there is a further reduction in the evaluation of the lease liability, this difference is recognised in profit or loss.

In the event of changes in the lease agreement, such changes are recorded as a separate lease, when rights of use on one or more underlying assets are added and the lease consideration increases by an amount that reflects the stand-alone price for the increase in the subject of the lease. In relation to the changes that are not recognised as a separate lease, the lease liability is recalculated by discounting the payments due for the lease revised using a revised discount rate, based on the new duration of the contract. These adjustments to liabilities are recognised by changing accordingly the asset consisting in the right of use, recognising any profit or loss relating to the partial or total termination of the agreement in the profit and loss account.

No assets for rights of use are recognised in relation to: i) short-term leases; ii) leases where the underlying asset is of modest value. Payments due for these types of lease agreements are recognised as operating costs on a straight-line basis.

The depreciation/amortisation of the asset for the right of use is recognised under operating costs in the profit and loss account, and the interest expense accrued on the lease liability, if not subject to capitalisation, in the financial section. The income statement also includes: i) the rents relating to short-term and low-value lease agreements, as permitted in a simplified way by IFRS 16; and ii) the variable lease rents, not included in the determination of the lease liability (e.g. rents based on the use of the leased asset).

Shareholdings:

The shareholdings recognised in this item relate to long-term investments deriving from:

- shareholdings accounted for using the equity method;
- other shareholdings measured at fair value

Shareholdings in affiliate companies, i.e. in which the Group has a significant influence, are accounted for using the net equity method. The profit and loss account shows the share of the Group in the operating profit of the affiliate. If an affiliate company detects adjustments directly attributable to the net equity, the Group recognises its share and includes it, where applicable, in the statement of changes in the net equity.

In the event the loss attributable to the Group exceeds the book value of the shareholding, the latter is cancelled and any excess is recognised in a special fund to the extent that the Group has legal or constructive obligations towards the subsidiary to cover its losses or, however, to make payments on its behalf.

Subsequent to the application of the equity method, the Group assesses whether it is necessary to recognise a further impairment of its investment in the affiliate. Regardless of the presence of impairment indicators, the Group assesses at each reporting date whether there is objective evidence that the equity investment in the affiliate has suffered an impairment. In this event, the Group calculates the amount of the loss as the difference between the recoverable amount of the affiliate and its book value in its financial statements, entering this difference in the profit (loss) account for the year and classifying it in the “share of the result of affiliate companies”.

Shareholdings in other companies: financial assets consisting of investments in companies other than affiliates and joint ventures (generally with a percentage of ownership of less than 20%) are called investments in other companies and fall within the category of financial assets measured at fair value which, normally, corresponds in the stage of the first recognition to the consideration of the transaction including directly attributable transaction costs. Any subsequent changes in fair value are recognised in the income statement (FVPL) or, if the option stated in the standard is exercised, in the comprehensive income statement (FVOCI) under the item “Reserve of instruments at FVOCI”. For equity investments valued at FVOCI, impairments and the accumulated profits or losses in the event of sale of the equity investment are never recognised in the income statement; only dividends distributed by the investee are recognised in the income statement when:

- ✓ the Group becomes entitled to receive the dividend;
- ✓ it is probable that the economic benefits deriving from the dividend will flow to the Group;
- ✓ the amount of the dividend can be reliably measured.

The Group has opted for representation in the comprehensive income statement (FVOCI).

Other non-current assets: are booked at their nominal value adjusted for any impairment, corresponding to the amortised cost.

Financial assets

The Group classifies its financial assets into the following categories identified by IFRS 9:

- ✓ financial assets measured at amortised cost;
- ✓ assets at fair value with the contra-item “Other components of comprehensive income” (FVOCI);
- ✓ assets at fair value with the contra-item “Profit or loss for the year” (FVTPL).

Financial assets measured at amortised cost: this category includes the financial assets for which the following conditions are met: (i) the asset is held within a business model whose objective is the possession of the asset aimed at the collection of contractual financial flows; and (ii) the contractual terms of the asset envisage cash flows represented solely by payments of principal and interest on the amount of the principal to be returned. These mainly refer to receivables from customers and/or loans that contain a significant financial component. Trade receivables that do not contain a significant financial component are instead recognised at the price defined for the related transaction. Subsequent measurements of the assets belonging to this category are valued at amortised cost, using the effective interest rate. Any provisions for the write-down of such receivables are determined with the forward looking approach using a three-stage model: 1) recognition of expected losses in the first 12 months upon initial recognition of the receivable if the credit risk has not increased; 2) recognition of expected losses over the life of the receivable if

the credit-related risk increases significantly as compared to the initial recognition; interest is recognised on a gross basis; 3) recognition of the additional losses expected over the life of the receivable as the losses occur; interest is recognised on a net basis.

Assets at fair value with the contra-item “Other components of comprehensive income” (FVOCI): financial assets with the following characteristics are classified in this category: (i) the asset is held within a business model whose objective is achieved both through the sale of the asset itself and through the collection of contractual cash flows; and (ii) the contractual terms of the asset include cash flows represented solely by payments of principal and interest on the amount of the principal to be returned. Any write-downs for permanent losses in value and interest income are recognised in profit or loss for the year.

Assets at fair value with the contra-item “Profit or loss for the year” (FVTPL): this category includes all the financial assets that do not meet the conditions, in terms of business model or characteristics of the flows generated, for the purposes of measurement at amortised cost or at fair value with a contra-entry in the comprehensive income statement. The assets belonging to this category are classified under current or non-current assets according to their natural maturity and recorded at fair value upon initial recognition. During the subsequent measurement, the profits and losses deriving from changes in fair value are reported in the income statement in the period in which they are detected.

Value adjustments: the impairment of financial assets measured at amortised cost is evaluated by applying a model based on expected credit losses. The Group has decided to assess the credit risk assuming a total write-down of receivables past due by over 365 days and a partial write-down of those overdue by more than 180 days already in the past. The predictive process is supported by the monthly use of the provision for doubtful accounts set aside based on the execution of cycles of reminders and recovery of outstanding receivables. The historical series relating to past years have shown that the write-down made in predictive terms is a reasonable overestimate of the actual losses that the Group incurs due to its end customers.

Inventories: inventories are booked at whichever of the following is lower: purchase and/or manufacturing cost, determined pursuant to the weighted average cost basis, or the estimated realisable net value. The net realisation value is determined based on the estimated sales price in normal market conditions, net of direct sales costs. Obsolete and/or slow to realise inventories are written down in relation to their presumed possibility of use or future realisation. The write down is eliminated in the following years, should the reasons for its cause cease to exist.

Inventories of energy efficiency certificates: inventories of energy efficiency certificates are entered at purchase cost, determined according to the weighted average cost method.

Trade receivables and other current assets: trade receivables and other current assets, whose expiry is within normal commercial trading terms, are not discounted back and are booked at amortised cost net of the relevant value losses. These are suited to their presumed realisation value through the reporting in a specific adjustment fund, which is constituted when there is objective evidence that the Group will be unable to receive credit for the original value. Provisions to the reserve for doubtful accounts are reported in the income statement. Additionally, the Group sells some of its trade receivables through sale operations of receivables (“factoring”). Factoring transactions are without recourse.

Cash and cash equivalents: they include cash values, values available at sight and other short-term financial investments. They are booked at nominal value.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, part of a financial asset or parts of a group of similar financial assets) is cancelled from the financial statements when:

- ✓ the rights to receive financial flows from the asset are extinguished;

- ✓ the Group retains the right to receive financial flows from the asset, but has assumed the contractual obligation to transfer them entirely and without delay to a third party;
- ✓ the Group has transferred the right to receive the financial flows from the asset and (a) has substantially transferred all the risks and benefits of ownership of the financial asset or (b) has not transferred or retained substantially all the risks and benefits of the asset, but has transferred control of the same.

In cases where the Group has transferred the rights to receive financial flows from an asset and has neither transferred or retained substantially all the risks and benefits or has not lost control over the asset, the asset is recognised in the Group's financial statements to the extent of its continuing involvement in the asset itself. The continuing involvement that takes the form of a guarantee on the transferred asset is valued at the lower of the initial book value of the asset and the maximum value of the consideration that the Group may be required to pay.

In cases where the continuing involvement takes the form of an option issued and/or purchased on the transferred asset (including cash-settled options or similar), the extent of the Group's involvement corresponds to the amount of the transferred asset that the Group will be able to repurchase; however, in the case of a put option issued on an asset measured at fair value (including cash-settled options or similar), the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the exercise price of the option.

Financial liabilities

A financial liability is cancelled from the financial statements when the obligation underlying the liability is extinguished, cancelled or fulfilled.

In cases where an existing financial liability is replaced by another one of the same lender, under substantially different conditions, or the conditions of an existing liability are substantially changed, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with recognition in the income statement of any differences between the book values.

Own shares: Re-acquired own shares are taken as a decrease in the assets. The original cost of own shares, benefits from sales and any other subsequent variation are recognised under the net equity.

Benefits for employees: benefits guaranteed to employees, paid when or after employment ceases, by means of programmes with defined benefits or grants (Employees' leaving indemnities) or with other long-term benefits are recognised in the period when the right accrues. The liability related to defined benefit/grant plans, net of any plan assets, is determined based on actuarial assumptions and is recognised on an accrual basis consistent with the employment period required to obtain the benefits. Defined benefit plans also include severance indemnity (TFR) owed to the employees of the Group companies pursuant to Article 2120 of the Italian Civil Code, accrued prior to the reform of this regulation occurred in 2007 (Finance Act of 27th December 2006 no. 296), subsequent to which, for companies employing more than 50 persons and for quotas accrued commencing 1st January 2007, the Severance indemnity is classified as a defined contribution plan.

The Group's obligations are separately determined for each plan, by estimating the present value of future benefits that employees have accrued during the current year and in previous financial periods. This calculation is performed using the projected unit credit method.

The components of the defined benefits are recognised as follows:

- (i) the re-measurement components of liabilities, which include actuarial gains and losses, are recognised immediately in Other comprehensive income (loss);
- (ii) costs related to the provision of services are recognised in the profit and loss statement;
- (iii) net financial charges in the defined benefit liability are recognised in the income statement.

The re-measurement components recognised in Other comprehensive income (loss) are never reclassified in the profit and loss statement of the following years.

For the Severance indemnity accrued after 1st January 2007, the company is only required to pay contributions to the State (so-called Fondo INPS) or to a trust fund or a legally separate entity (so-called Fund) and is determined based on contributions due.

Moreover, the Group has signed compensation plans partly based on Ascopiave S.p.A. shares and settled through the delivery of shares (stock option plans, long-term incentive plans), recognised as liabilities and measured at fair value



at the end of each accounting period and up to the time of payment (approval of 2017 financial statements). Any subsequent change in fair value is recognised in the profit and loss statement.

The remaining part of the plan instead is paid in the form of options that can only be sold for cash. The cost of cash operations is evaluated initially at the fair value as of the date of allocation. In particular, the plans adopted by the Group include the allocation of rights including acknowledgement in favour of the beneficiaries of an extraordinary payment linked to the achievement of pre-set objectives, the financial settlement of which is based on the trend of the share title. This fair value is booked in the period until maturation with reporting of a corresponding payable. The liability is re-calculated upon each reporting date, until the date of settlement, with all changes made to the fair value reported in the income statement.

In 2020, the compensation plans relating to the 2018 - 2020 three-year period accrued in part; as a consequence, reserves for the portions to be settled by share-based payments were established. Pursuant to the rules governing the plan, there were no other allocations in the period, since the benefits will accrue at the end of the financial year. These compensation plans are recognised in compliance with the requirements set out in IFRS 2.

For more details on the compensations paid during the year 2020, please refer to "Section II" of the Remuneration Report, prepared pursuant to Art. 123-ter, Legislative Decree no. 58/1998 (TUF).

Provisions for risks and charges: The provisions for risks and charges concern costs and charges of a given type, and of certain or probable existence, which on the closing date of the financial year are undetermined in terms of amount or due date.

Provisions are reported when:

- i) There likely is a current obligation (legal or implicit) that derives from a past event;
- ii) An outlay of resources is likely in order to meet the obligation;
- iii) A reasonable estimate can be made as to the amount of the obligation.

On the other hand, where it is not possible to carry out a probable estimate as to the obligation, or alternatively, it is deemed that the outlay of financial resources is only possible and not probably, the relevant potential liability is not entered in the financial statements, but rather mentioned appropriately in the explanatory notes.

Provisions are reported at the representative value of the best estimate of the amount that the company would pay to extinguish the obligation, or to transfer it to third parties at the reporting date. If the effect of discounting is significant, the allocations are determined by discounting back the expected future financial flows at a pre-tax rate which reflects the market's current valuation in relation to time. When discounting is carried out, the increase in the allocation due to the passing of time is reported as a financial charge.

Stock grants to employees

The Group has granted incentive plans based on equity instruments, on the basis of which the Group receives services from its employees, collaborators or delegated directors in exchange for stock grants ("units"). The fair value of the services received is recognised as a cost of labour. The total amount of the cost is determined on the basis of the fair value of the units granted and its offsetting item is an equity reserve.

The overall cost is recognised over the vesting period, when all the service conditions envisaged for vesting the rights must be satisfied. At each reporting date, the Group reviews the estimates based on the number of options expected to vest based on vesting conditions, not market conditions. The effect of any changes compared to the original estimates is recognised in the consolidated income statement with an offsetting item in equity.

Financial liabilities: financial liabilities, other than derivative financial instruments, include the medium and long-term loans recorded initially at fair value, net of any transaction costs incurred and, subsequently, measured at amortised cost, calculated by applying the effective interest rate, net of principal repayments already made.

When a condition of a long-term financing contract is violated, on or before the date of the financial statements, causing the liability to become payable on demand, the liability is classified as current, even if the lender has agreed - after the reference date of the financial statements and before the authorisation for its publishing - not to require the payment because of the breach. The liability is classified as current because, as of the date of the financial statements, the entity does not have an unconditional right to defer its settlement for at least twelve months after that date.

Trade payables and other payables: trade payables, whose expiry is within normal commercial trading terms, refer to liabilities resulting from trade transactions and are recognised at amortised cost.

Payables in a currency other than the account currency are booked at the exchange rate of the day of the transaction and, subsequently, are converted at the exchange rate as of the date of financial statements. Any profit or loss deriving from conversion is reported in the income statement.

Derivative financial instruments: the Group holds derivative instruments for the purposes of hedging its exposure to the risk of changes in interest rates. The transactions which, pursuant to risk management policies, satisfy the requirements of the international accounting standards for hedge accounting, are classified as “hedging transactions” (and recognised as set out below). On the contrary, those which, despite having hedging purposes, do not meet the requirements envisaged by the international standards, are classified as “trading transactions”. In this event, the changes in fair value of derivatives are recognised in the profit and loss account in the period in which they occur. The fair value is determined based on the reference market value.

Derivatives embedded in financial assets/liabilities are separated and assessed at fair value, except for cases where the strike price of the derivative at the starting date is close to the value determined based on the amortised cost of the reference asset/liability. In this event, the valuation of the embedded derivative is absorbed in the valuation of the asset/financial liability.

The fair value measurement of the above-mentioned contracts is performed by using pricing models and based on market data as at 31st December 2020.

Fair value hierarchy

Financial assets and liabilities measured at fair value are classified in a three-level hierarchy based on the methods for determining the fair value itself, or based on the relevance of the information (input) used in determining their value:

- (i) **Level 1**, financial instruments whose fair value is determined on the basis of a price listed in an active market;
- (ii) **Level 2**, financial instruments whose fair value is determined using valuation techniques that use benchmarks which can be observed directly or indirectly on the market. This category includes instruments valued on the basis of market forward curves and short-term contracts for difference;
- (iii) **Level 3**, financial instruments whose fair value is determined using valuation techniques that use benchmarks which cannot be observed on the market, that is using exclusively internal estimates.

The Group, as of 31st December 2020 has only one type of financial instruments on interest rates falling within the scope of level 1 and a second type attributable to the level 3 hierarchy on the fair value measurement of equity investments in other companies - ACSM AGAM S.p.A. and Hera Comm S.p.A..

Revenues and costs: revenues and costs are booked on an accrual basis.

The recognition of revenue from contracts with customers is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations, represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified on the basis of the stand-alone selling price of each good or service; (v) recognition of the revenue when the relevant performance obligation is fulfilled, i.e. when the promised good or service is transferred to the customer; the transfer is considered completed when the customer obtains control of the good or service, which can occur continuously (*over time*) or at a specific time (*at a point in time*).

Depending on the type of operation, revenues are entered based on the following specific criteria:

- (i) the revenues from natural gas transportation are recognised at the time when the supply or the service are provided - although not yet invoiced - and are determined by combining estimates with the values recorded during the financial year based on the so-called reference tariffs, in order to determine the restriction on total revenues as provided for by the regulations issued by the ARERA;

- (ii) the contributions received by users for connection services or for parcelling works, if not in relation to costs incurred into for network extension, are reported in the income statement;
- (iii) the revenues for service performance are recognised regarding the level of completion of the activity, based on the same criteria applied to works performed upon order. In case it is impossible to determine their value, the revenues will not be not booked until the amounts of the costs incurred into are deemed recovered;
- (iv) Revenues are entered net of all discounts, rebates and premiums, as well as the taxes directly connected.

Public contributions: public contributions are reported when there is a reasonable certainty that they will be received and all relevant conditions are met. When public contributions are linked to costs components, they are reported as income, but are systematically divided up over the periods, to be measured to the costs they are intended to offset. In case the contribution is related to an asset, the asset and the contribution are recorded at their nominal value and their recording into the income statement is accounted for progressively along the useful life of the reference asset, with constant shares.

Private contributions: it should be noted that private contributions received up to 31st December 2013 for the construction of connections to users were fully entered in the income statement when the costs for their construction were incurred and the work was commissioned. The contributions received for the construction of these works that were not related to the costs incurred for their construction were suspended in liabilities and recognised in the income statement when the conditions were fulfilled. The private contributions received for the construction of connections to users are recorded from 1st January 2014 in liabilities at the moment of payment and recorded to the income statement from the date of connection construction, consistent with the recognition of costs to which the works refer and their useful life.

Financial income and expenses: income and costs are booked on an accrual basis according to the interest accrued on the net value of the relevant financial assets and liabilities, using the actual interest rate.

Income taxes: current taxes are calculated based on an estimate of the income before tax and are entered at the amount that is expected to be recovered or paid to the tax authorities. The rates and tax regulations used to calculate the amount are those issued or basically issued upon year end. Current taxation relating to elements reported directly under assets are reported directly as assets and under the other items of the comprehensive income statement.

As far as the Tax on Company Revenue is concerned (IRES), Ascopiave S.p.A.'s subsidiaries (AP Reti Gas S.p.A., AP Reti Gas Rovigo S.r.l., AP Reti Gas Vicenza S.p.A., Edigas Distribuzione Gas S.p.A., Asco Energy S.p.A.) benefited of the national tax consolidation regime pursuant to art. 117/129 of the Unified Law on Revenue Taxes (TUIR) for the 2019 - 2021 three-year period. This option enables the calculation of IRES based on a taxable amount equalling to the mathematical sum of the positive and negative taxable amounts of the single companies that comprise the consolidation. Ascopiave S.p.A. acts as consolidating company and determines a single taxable amount for the entire group of companies that are part of the national consolidation regime.

Each of the participating companies transfers its income tax (taxable income or tax loss) to the consolidating company recognising therefore in the income statement the item "tax consolidation charges" or "tax consolidation income" for an amount equal to the current IRES rate for the financial year (or the loss transferred), that will be paid or used by the parent company Ascopiave S.p.A..

Deferred tax assets are reported against all deductible temporary differences and for tax assets and liabilities brought forward, to the extent that the existence of suitable future tax income that enables the use of deductible temporary differences and tax assets and liabilities brought forward is probable, except for the following:

- (i) when deferred payable tax assets connected with deductible temporary differences derive from the initial reporting of an asset or liability in a transaction that is not a company merger and that, at the time of the transaction itself, has no effect on the profit of the year calculated for the purposes of the statements, nor on the profit or loss calculated for tax purposes;
- (ii) regarding taxable temporary differences associated with holdings in subsidiaries, associated companies and joint ventures, the deferred tax assets are reported only in the amount in which it is probable that the deductible temporary differences will reverse in the immediate future and that there is suitable tax income against which the temporary differences can be used.

Earnings per share: Earnings per share are calculated by dividing the net income for the period attributable to the Company's shareholders by the weighted average number of shares net of own shares. For the purposes of the calculation of the basic earnings per share, we specify that the numerator is the economic result for the period less the share attributable to third parties. There are no preference dividends, conversions of preferred shares or similar effects that would adjust the results attributable to the holders of ordinary shares in the Company. Diluted profits for shares result as equal to those for shares in that ordinary shares that could have a dilutive effect do not exist and no shares or warrants exist that could have the same effect.

Use of estimates

The preparation of the financial statements requires the directors to provide estimates and assumptions based on complex and/or subjective judgments, estimates based on experience and assumptions deemed to be reasonable and realistic based on information available at the time of the estimate. This affects the values of the assets and liabilities reported on the consolidated financial statements, as well as costs and revenues and information relating to potential assets and liabilities as of that date. If, in the future, such estimates and assumptions, which are based on the management's best assessment, differ from the actual circumstances, they shall be modified so as to be appropriate in the period in which the circumstances arise.

Estimates are used to report:

- Duration and residual value of the goods in concession: the gas distribution activity is carried out as a concession, i.e. the local public bodies entrust the supply of the service to the company. Regarding the duration of concessions, Legislative Decree no. 164/00 (Letta Decree) stated that all concessions should be put to tender by the end of the "transitional period" (for the Ascopiave Group, between 31st December 2010 and 31st December 2012) and that the new term of the concessions will not exceed twelve years. On expiry of the concessions, the operator, upon the sale of its distribution networks, except for assets to be relinquished, receives compensation as defined by the criteria of the industrial estimate. In relation to the estimates made by management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above-mentioned industrial value. Estimates are also used to assess the effects of disputes on the application of distribution and/or sale tariffs, and those with the municipalities for the acknowledgement of the redemption value of assets as under the concession, returned upon its expiry;
- Impairments of non-financial assets: At each reporting date, the Group assesses whether there are impairments of all non-financial assets. Goodwill is tested for possible impairments at least annually and during the year if such indicators exist; this requires an estimate of use value of the cash-generating unit to which goodwill is assigned, in turn based on the estimated cash flows expected from the unit and their discounting based on a suitable discount rate. As of 31st December 2020, the book value of goodwill amounted to Euro 49,272 thousand (2019: Euro 47,914 thousand). Further details can be found under Note 1;
- Provisions for risks on receivables, obsolete inventories, the useful lives of intangible and tangible fixed assets and related amortisation and depreciation, employee benefits and payment plans based on stock options (so-called phantom stock option), taxes and provisions for risks and charges.

The estimates and assumptions are reviewed periodically, and the variations are immediately reflected in the income statement. In applying the Group accounting principles, the Directors have taken decisions based on the stated discretionary evaluations, with a significant effect on the values reported on the statements. However, the uncertainty surrounding these assumptions and estimates may determine results that, in the future, will need to be significantly adjusted at the book value of such assets and/or liabilities.

Impairment of assets

The Group performs at least once a year an impairment test on tangible and intangible assets if their useful lives are indefinite or, more often, in the presence of events suggesting that their carrying amount may not be recoverable. Goodwill is tested for possible reductions in value at least annually and during the year if such indicators exist; this test requires an estimate of use value of the cash-generating unit to which goodwill is assigned, in turn based on the estimated cash flows expected from the unit and their discounting based on a suitable discount rate.

Energy Efficiency Certificates



The Energy Efficiency Certificates purchased during the year are recognised in the income statement at the cost incurred. The portion of certificates not yet purchased but needed to achieve the target of the financial year is recognised at the current market value of the price of the certificates themselves. The relevant contribution that will be paid by CSEA upon the cancellation of the certificates is entered in the item “revenues” at the current value of the contribution itself determined on the basis of the repayment price expected at the end of the year.

Amortisation and depreciation

Amortisation and depreciation are calculated based on the estimated useful life of the asset or the remaining term of the concession; the useful life is determined by the directors, with the assistance of technical experts, when the asset is entered in the financial statements; the assessments about the duration of the useful lives are based on historical experience, market conditions and expectations of future events that could affect the useful life, including technological innovations. On a regular basis, the company evaluates technological and sector changes, dismantling and close-down charges and the recovery value in order to update the asset’s remaining useful life. This periodic update may lead to a change in the depreciation/amortisation period and thus the depreciation/amortisation quota for future periods.

Duration and residual value of assets under concession: The gas distribution activity is carried out as a concession, i.e. the local public bodies entrust the supply of the service to the company. Regarding the duration of concessions, Legislative Decree no. 164/00 (so-called Letta Decree) stated that all concessions should be put to tender by the end of the “transitional period” (for the Ascopiave Group, between 31st December 2010 and 31st December 2012) and that the new term of the concessions will not exceed twelve years. On expiry of the concessions, the operator, upon the sale of its distribution networks, except for assets to be relinquished, receives compensation as defined by the criteria of the industrial estimate. In relation to the estimates made by management for determining the depreciation method, the net book value of assets at the expiration of the concession should not be higher than the above mentioned industrial value. Estimates are also used to assess the effects of disputes on the application of distribution and/or sale tariffs, and those with the municipalities for the acknowledgement of the redemption value of assets as under the concession, returned upon its expiry.

Provisions for risks

These provisions have been devised by adopting the same procedures as in the previous years and by referring to the updated reports prepared by the lawyers and consultants who are examining the disputes, as well as based on the procedural developments of the latter.

Provision for doubtful accounts

The provision for doubtful accounts reflects the estimated losses connected with the receivables of the company. Provisions have been established to cover specific cases of insolvency, as well as in relation to expected bad debts estimated based on experience with respect to receivables with a similar risk profile.

COMMENTS ON THE MAIN CONSOLIDATED BALANCE SHEET ITEM

Non-current assets

1. Goodwill

Goodwill, equal to Euro 49,272 thousand as of 31st December 2020, shows a change compared to 31st December 2019 of Euro 1,359 thousand, explained by the contractual adjustment for the purchase of the gas distribution company AP Reti Gas Nord Est S.r.l..

This amount refers in part to the surplus value created by the delivery of the gas distribution networks by partner municipalities in the period between 1996 and 1999, and in part to the surplus value paid during the acquisition of some business units related to the distribution of natural gas. Among these, there is the goodwill recognised subsequent to the merger through acquisition of Unigas Distribuzione S.r.l. into Ascopiave S.p.A., for Euro 9,368 thousand, and the purchase of the entire share capital of the newly established company AP Reti Gas Nord Est S.r.l., for Euro 15,508 thousand (of which Euro 14,149 thousand recorded at the end of the previous year and Euro 1,359 thousand related to the adjustment). With regard to the latter, please note that the allocation made, except for the adjustment paid, has not changed during the year. At the reporting date, this allocation is final due to the expiry of the term of 12 months stated in the IFRS 3 standard.

The balance of goodwill recorded at the end of the periods considered is shown in the following table:

(Thousands of Euro)	31.12.2019	Increase	Decrease	31.12.2020
Distribution of natural gas	47,914	1,359		49,272
Total goodwill	47,914	1,359		49,272

Pursuant to International Accounting Standard 36, goodwill is not subject to amortisation, but its impairment is verified at least annually.

In order to determine the recoverable amount, the goodwill is allocated to the Cash Generating Unit composed of the natural gas distribution activity (gas distribution CGU).

The impairment test on goodwill has been carried out by comparing the recoverable value of the activities with their accounting value, including the goodwill allocated to them. As no reliable criteria exist to evaluate the sale value between the aware and available parties in the activity of gas distribution, other than the criteria put forward in literature to evaluate business units, the recoverable value of the tested assets is determined by using the value-in-use.

The recoverable amount of gas distribution CGU has been estimated using the Discounted Cash Flow method, discounting the operating financial flows generated by the assets themselves at a discount rate representative of the cost of capital.

The financial flows used to calculate the recoverable amount implement the forecasts formulated by the management with regard to the assets currently held by the Group and assuming that it will continue to hold them. The economic-financial projections used were inferred from the strategic plan approved by Resolution of the Board of Directors on 15th January 2021.

Regarding the activity of gas distribution, the current sector legislation establishes that the natural gas distribution service is awarded by means of tender procedures in the minimum territorial areas within pre-established time limits. The tenders for the award of the service in the territorial areas where the Group currently holds most of its municipal concessions have not been published yet. Considering that the date of the possible start of future territorial tenders is uncertain, the assessment methods adopted to determine the use value of the gas distribution CGU - assumes that the

Group, during the five-year period 2020-2024, will maintain the management of the current portfolio of concessions, as envisaged in the first scenario (scenario A) of the strategic plan.

It was hypothesised that in the 2021-2024 period the management would generate financial flows in line with those envisaged in scenario while, considering the uncertainty that bears on the renewal of concessions, it has been decided to estimate the final value of the gas distribution CGU by assuming two alternative scenarios:

- scenario 1: The Group obtains in 2024 the renewal of all the concessions and assignments in effect on 31st December 2020;
- scenario 2: The Group ends the activity of gas distribution in 2024, realising the reimbursement value of the plants as per Art. 15 of Legislative Decree no 164/2000.

Regarding scenario 1, the terminal value has been estimated as an estimate of perpetuity as from the last year specified in the financial forecasts, and considering the economic terms and conditions of the renewals.

The growth factor (g) used for the purpose of calculating the terminal value, has been estimated at 1.3% (1.46% as of 31st December 2019), in line with the long-term inflation rate forecast for Italy by the Economist Intelligence Unit (EIU).

The cost of capital (WACC) of the gas distribution CGU was calculated assuming:

- a) a levered beta coefficient determined with reference to the unlevered betas of companies active in comparable sectors;
- b) a level of financial leverage (ratio financial debt to own means) derived from the analysis of the structure of the financing sources of listed companies active in comparable sectors;
- c) a market risk premium equal to 5.5% (5.5% as of 31st December 2019), defined as the (long-term historical) yield spread between shares and bonds on mature financial markets;
- d) a risk-free rate equal to the average daily yield of long-term Italian government bonds (10-year BTP) in the 12 months preceding 31st December 2020;
- e) the cost of debt determined on the basis of the indications provided by ARERA;
- f) an additional risk premium for the calculation of the cost of equity (Ke) equal to 1.6% (1% as of 31st December 2019) due to the different scale with respect to comparables.

Based on these elements, the average weighted cost of the post-tax capital is equal to 4.76% (5.16% as of 31st December 2019). This rate has been used for discounting cash flows in the period 2021-2024.

The cost of capital used to determine the value of the perpetuity and the rate of discounting of the terminal value is equal to 5.29% (5.72% as of 31st December 2019) and was calculated based on the above parameters and providing for an additional risk premium for the calculation of the cost of equity (Ke) of 2.6% (2% as of 31st December 2019) to consider the uncertainty on the possible renewal of the concessions and their conditions of extension.

Considering the assumptions described, both in scenario 1 and in scenario 2, the recoverable amount of the gas distribution CGU is higher than the accounting values and therefore the conditions are not met to write down the goodwill for impairment.

The estimate of the recoverable value of the cash generating units requires discretion and the use of estimates by the management. Several factors related to the evolution of the regulatory context could require a reassessment of any impairment losses. The circumstances and events that could cause a further verification of impairment losses are constantly monitored by the Company.

Ascopiave S.p.A. is a share interest holding that performs direction and strategic coordination activities in the Ascopiave Group. Pursuant to IAS 36 accounting standard, we verified the recoverability of the so-called "corporate assets" of Ascopiave S.p.A. i.e. the assets and liabilities related to the main Ascopiave S.p.A. assets that have not been allocated in the CGUs during the first level impairment tests. The test has been carried out on a consolidation level (second level test) as prescribed in IAS 36. We verified the net invested capital of Ascopiave, net of share interests not consolidated on a line-by-line basis. Specifically, the recoverable amount was calculated as the sum of

the recoverable amounts of (i) the gas distribution CGU and the "other activities" CGU, (ii) other shareholdings, determined in the first-level impairment test, and the recoverable amount (iii) of the corporate CGU. About the recoverable amount of Ascopiave, the cash flows used are consistent with the forecasts set forth by company management for the years 2021-2024. The terminal value has been determined as an estimate of a perpetuity based on results expected for 2024.

The weighted cost of capital (WACC) was estimated as the weighted average of WACC amounts calculated for the gas distribution CGU and the "other activities" CGU, weighted by the incidence of the related revenues.

In conclusion, the recoverable amount is higher than the accounting values and therefore it is not necessary to write down Goodwill for impairment.

Although the conditions to write-down goodwill are not met, please note that the test conducted highlighted the need to proceed with the write-down for the impairment of the entire value of the tangible assets held by the company Asco Energy S.p.A. for Euro 383 thousand and with the partial write-down of the minority interest held in the listed company ACSM-AGAM S.p.A. for Euro 1,807 thousand.

2. Other intangible fixed assets

The changes in the historical cost and accumulated amortisation of other intangible assets at the end of the period under examination are shown in the following table:

(Thousands of Euro)	31.12.2020			31.12.2019		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patent and intellectual property rights	6,915	(5,813)	1,103	6,600	(5,700)	900
Concessions, licences, trademarks and similar rights	15,860	(11,537)	4,324	15,256	(10,458)	4,798
Other intangible assets	9,685	(4,420)	5,265	9,685	(4,199)	5,486
Tangible assets under IFRIC 12 concession	1,035,350	(491,578)	543,771	1,003,824	(462,330)	541,495
Tangible assets in progress under IFRIC 12 concession	20,783	0	20,783	13,649	0	13,649
Intangible assets in progress and advances payments	2,167	0	2,167	868	0	868
Other intangible assets	1,090,760	(513,348)	577,413	1,049,882	(482,688)	567,194

The changes in intangible assets in the year under examination and the previous one are shown in the following table:

(Thousands of Euro)	31.12.2019							31.12.2020
	Net value	Change for the period	Extension of the scope of consolidation	Decrease	Reclassifications	Amortizations during the period	Depreciations	Net value
Industrial patent and intellectual property rights	900	254	5			55		1,103
Concessions, licences, trademarks and similar rights	4,798	604	0			1,078		4,324
Other intangible assets	5,486	0	0			220		5,265
Tangible assets under IFRIC 12 concession	541,495	33,603	0	2,078		30,388	(1,139)	543,771
Tangible assets in progress under IFRIC 12 concession	13,649	7,135	0	1		0		20,783
Intangible assets in progress and advances payments	868	1,821	0		(522)	0		2,167
Other intangible assets	567,194	43,417	5	2,079	(522)	31,742	(1,139)	577,413

(Thousands of Euro)	31.12.2018							31.12.2019
	Net value	Change for the period	Extension of the scope of consolidation	Decrease	Reclassifications to tangible assets	Amortizations during the period	Depreciations	Net value
Industrial patent and intellectual property rights	52	863	45		(18)	42		900
Concessions, licences, trademarks and similar rights	5,876	0	0			1,078		4,798
Other intangible assets	3,833	0	4,372		(2,598)	121		5,486
Tangible assets under IFRIC 12 concession	333,934	26,790	201,510	1,877		19,905	(1,042)	541,495
Tangible assets in progress under IFRIC 12 concession	7,693	5,120	869	32		0		13,649
Intangible assets in progress and advances payments	491	377	0			0		868
Other intangible assets	351,878	33,149	206,796	1,909	(2,616)	21,145	(1,042)	567,194

The investments made during the financial year 2020 amount to Euro 43,417 thousand and mainly refer to costs incurred for the realisation of the infrastructures for natural gas distribution. The extension of the scope of consolidation determined an increase in intangible assets of Euro 5 thousand.

Industrial patents and intellectual property rights

During the period considered, the item "Industrial patents and intellectual property rights" registered investments for

Euro 254 thousand, mainly explained by the costs incurred for the management software employed by the Group's distribution companies.

Concessions, licences, trademarks and similar rights

This item includes costs paid to awarding entities (Municipalities) and/or outgoing operators after the award and/or the renewal of the relevant tenders for the assignment of the natural gas distribution service, rather than the costs incurred for the acquisition of licences. During the year, the item did not register significant changes and the variation is mainly explained by amortisation. The assignments obtained, following the implementation of Legislative Decree no. 164/00 (Letta Decree), are amortised with a useful life of 12 years in compliance with the period stated in the decree.

Other intangible fixed assets

During the year, the item did not record investments and the change is mainly explained by amortisation.

Leased plants and machinery

The item reports the costs incurred into for the construction of facilities and distribution network of natural gas, the related connections as well as for the installation of metering and reduction groups. At the end of the year, the overall net positive change amounts to Euro 2,277 thousand, mainly explained by depreciation for the period and the investments made. The investments, including the reversals of assets under construction, totalled Euro 33,603 thousand.

The infrastructures located in Municipalities in which the invitation to tender for the distribution of natural gas has not been launched, are depreciated by applying the lower amount between the technical life of plants and the useful life indicated by the ARERA in tariff regulations. The technical life of plants has been assessed by an independent external expert who has determined the technical obsolescence of the infrastructures.

Intangible assets under construction under concession

The item includes the costs incurred for the construction of the natural gas distribution plants and systems constructed partially on a time and materials basis and not completed at the end of the period. The item increased by Euro 7,135 thousand.

Intangible assets under construction

The item includes the costs incurred for the purchase and development of management software not completed at the end of the year and related to the core business of natural gas distribution.

3. Tangible assets

The changes in the historical cost and accumulated depreciation of tangible assets at the end of the periods under examination are shown in the following table:

(Thousands of Euro)	31.12.2020				31.12.2019			
	Historic cost	Accumulated depreciation	Provision for impairment	Net value	Historic cost	Accumulated depreciation	Provision for impairment	Net value
Lands and buildings	43,545	(15,983)	(265)	27,297	43,451	(14,743)		28,709
Plant and machinery	4,042	(1,798)	(1,059)	1,184	3,783	(1,699)	(995)	1,089
Industrial and commercial equipment	4,488	(3,798)		689	4,381	(3,688)		693
Other tangible assets	20,692	(17,954)		2,738	20,136	(17,149)		2,988
Tangible assets in progress and advance paym	650	0	(55)	595	499	0		499
Rights of use	1,668	(728)		940	991	(275)		717
Other tangible assets	75,083	(40,262)	(1,379)	33,443	73,242	(37,554)	(995)	34,694

The changes in tangible assets in the year under examination and the previous one are shown in the following table:

	31.12.2019							31.12.2020
(Thousands of Euro)	Net value	Change for the period	Extension of the scope of consolidation	Decrease	Impairment write-downs	Amortizations during the period	Net value	
Lands and buildings	28,709	102	0	8	(265)	1,240	27,297	
Plant and machinery	1,089	258	0		(64)	99	1,184	
Industrial and commercial equipment	693	60	0			64	689	
Other tangible assets	2,988	259	36		(55)	545	2,738	
Tangible assets in progress and advance payments	499	151	0			0	595	
Rights of use	717	616	0			392	940	
Other tangible assets	34,694	1,445	36	8	(383)	2,340	33,443	

	31.12.2018								31.12.2019
(Thousands of Euro)	Net value	Change for the period	Extension of the scope of consolidation	First time adoption IFRS 16	Decrease	Reclassifications to intangible assets	Amortizations during the period	Depreciations	Net value
Lands and buildings	28,522	59	1,419		60		1,233		28,709
Plant and machinery	1,162	13	7				93		1,089
Industrial and commercial equipment	492	142	119				59		693
Other tangible assets	2,366	1,089	380		2	(265)	582		2,988
Tangible assets in progress and advance payments	182	352	0		35				499
Rights of use	0	(0)	0	991			275		717
Other tangible assets	32,724	1,655	1,925	991	97	(265)	2,242	0	34,694

The investments made in 2020 amount to Euro 1,445 thousand and mainly relate to the costs incurred for the purchase of other assets and rights of use.

The write-downs are related to the impairment test performed on the financial flow generated by the management of the cogeneration and heat supply plants, the results of which showed an impairment in the value of the plants for a total amount of Euro 383 thousand. This amount integrates the write-down made in 2017 bringing to zero the net book value of the plants.

Land and buildings

This item is mainly made up of the buildings owned in relation to company offices, peripheral offices and warehouses. During the year, the item registered investments for Euro 93 thousand related to the extraordinary maintenance of company headquarters.

The write-downs performed subsequent to the impairment tests are equal to Euro 265 thousand.

Plants and machinery

The item "Plants and machinery" registered investments for Euro 258 thousand related to the extraordinary maintenance of the systems of the company headquarters.

The write-downs performed subsequent to the impairment tests are equal to Euro 64 thousand.

Industrial and commercial equipment

The item "Industrial and commercial equipment" registered investments equal to Euro 60 thousand. It includes costs incurred for the purchase of equipment for the maintenance service of the distribution plants and for metering activity.

Other assets

The investments made during financial year are equal to Euro 259 thousand and they mainly relate to the costs incurred for the purchase of hardware and phones (Euro 219 thousand). The extension of the scope of consolidation resulted in an increase in the item of Euro 36 thousand.

Tangible assets under construction and advance payments

The item mainly includes costs incurred for extraordinary maintenance of company headquarters and/or peripheral warehouses. During the year, the item changed by Euro 151 thousand.

The write-downs performed subsequent to the impairment tests are equal to Euro 55 thousand.

Rights of use

The item includes the rights of use related to the application of IFRS 16. The effect of the application of the new standard mainly concerned operating leases relating to tangible fixed assets: lease of buildings and rental of vehicles



and trucks. During the year, the change recorded was Euro 616 thousand.

4. Equity investments

The following table shows the changes in the shareholdings in affiliate companies and in other companies at the end of each period considered:

(Thousands of Euro)	Net value	Increase	Decrease	Measurement with fair value	Measurement with the equity method	Net value
Shareholdings in associated companies	395,943	40,316	(17,764)		18,310	436,805
Shareholdings in other companies	54,002	26,730		(1,807)		78,925
Shareholdings	449,945	67,046	(17,764)	(1,807)	18,310	515,729

During the year, the item “Equity investments” recorded an overall increase of Euro 65,785 thousand due, for Euro 33,056 thousand to investments in affiliates and, for Euro 30,396 thousand, to investments in other companies.

The table below shows the details of the equity investments recognised at the end of the financial years considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Partecipazione in Estenergy S.p.A.	428,998	395,943
Partecipazione in Cogeide S.p.A.	7,806	0
Shareholdings in associated companies	436,804	395,943
Partecipazione in Hera Comm S.p.A.	54,000	54,000
Partecipazione in ACSM - AGAM SPA	24,923	0
Partecipazione in Banca di Credito Cooperativo del	1	1
Partecipazione in Banca Alto Vicentino	1	1
Shareholdings in other companies	78,925	54,002
Shareholdings	515,729	449,945

Equity investments in subsidiary and affiliate companies

At the end of the year, investments in affiliate companies were recorded for a total of Euro 436,805 thousand, an amount entirely related to the 48% stake held in EstEnergy S.p.A., in its new configuration, and the stake in Cogeide S.p.A..

With regard to the stake in Estenergy, equal to Euro 428,998 thousand, in 2019, the sales businesses of the Ascopiave Group (Ascotrade S.p.A., Ascopiave Energie S.p.A., Blue Meta S.p.A. and the joint ventures Asm Set S.r.l. and Etra Energia S.r.l.) and the stake in Sinergie Italiane S.r.l., and those of the Hera Group (Hera Comm Nord-Est S.r.l.) were transferred to the new configuration of the Company. 52% of the share capital of the new EstEnergy is held by the Hera Group and 48% by Ascopiave (which acquired its share, at the price described above, on the basis of an equity value of 100% of EstEnergy equal to Euro 824,881 million). On 27th May 2020, a share capital increase of Euro 67,729 thousand was approved which resulted in an increase in the equity investment held by Ascopiave S.p.A. for Euro 32,510 thousand. The overall change recorded by the item, equal to Euro 33,056 thousand, is also explained by the dividends distributed by the same for Euro 17,764 thousand and by the valuation using the equity method of the consolidated results achieved by the affiliate for Euro 18,310 thousand. The valuation with the equity method represents the results accrued during the year by the Estenergy Group pertaining to Ascopiave S.p.A.. The difference between the book value equal to Euro 428,998 thousand and 48% of the share of the EstEnergy Group’s equity is linked to the higher values recognised upon acquisition and allocated to the customer list and residually to goodwill. On the basis of the shareholders’ agreements signed with the Hera group, the Ascopiave Group does not hold control.

The table below shows the operating results, financial position and cash flows of the Estenergy Group at the reporting date:



(Values referred to pro-rata participation in Million of Euro)	Full Year 2020 pro-rata	Full Year 2020
Non-current assets	326.1	679.3
Current assets	170.6	355.5
Net equity of the Group	346.8	722.4
Third parties net equity	2.1	4.4
Non-current liabilities	53.3	111.0
Current liabilities	94.5	197.0
Revenues	363.1	756.5
Costs	324.0	675.1
Gross operative margin	39.1	81.4
Amortization and depreciation	14.0	29.2
Operating result	25.0	52.2
Net result of the Group	18.4	38.4
Third parties net result	1.3	2.6
NFP	(13.6)	(28.4)

The extension of the scope of consolidation which occurred on 18th December 2020 with the acquisition by the parent company Ascopiave S.p.A. of 100% of the shares of the company CART Acqua S.r.l., led to the registration of the stake held by the latter in Cogeide S.p.A. which represents 18% of the shares. The equity investment is registered for a value of Euro 7,806 thousand. Given the corporate structure of Cogeide S.p.A., and the powers attributed to Ascopiave S.p.A., the Company was classified as an affiliate and, as the acquisition date is close to the reporting date of the year 2020, the price paid was considered the best indicator for the fair value of the investment. The business combination was provisionally recognised as of 31st December 2020 in accordance with the international accounting standard IFRS 3.62.

Other investments

At the end of the year, other equity investments amounted to Euro 78,925 thousand, recording an increase compared to 31st December 2019 of Euro 24,923 thousand. The change is explained by the purchase of 4.99% of the share capital of Acsm Agam S.p.A. which resulted in an overall increase in the item equal to Euro 26,730 thousand. The company's shares are listed; however, these data were not used for the measurement as the stock's free float is limited as are the transactions on the reference market. Therefore, the Company deemed it appropriate to adjust this value based on the data of the economic-financial plan published by the investee. The fair value of the investment recognised as of 31st December 2020 was determined by applying valuation techniques based on Discount cash flow (DCF) considering various updated scenarios following the publication by the company of the 2021-25 business plan. The change in the scenarios with respect to the acquisition date, also related to the evolution of the SarsCov2 health emergency and the extension of the restrictive measures, highlighted a range of values of the shareholding held. The directors decided to use an intermediate scenario for its evaluation, a scenario that showed a current value lower than the registration value of the investment and the consequent reduction in value of Euro 1,806 thousand. By virtue of the choice made by the Group for this Business Model, this difference, deriving from the fair value at the purchase date and the fair value at the reporting date, was recorded in OCI.

The item also includes other equity investments, already recorded at and unchanged since the end of the previous year, consisting of 3% of the share capital of Hera Comm for Euro 54,000 thousand, acquired upon signing the commercial partnership with the Hera Group, completed on 19th December 2019, and the residual equity investments, equal to Euro 2 thousand, relating to the stakes in Banca Prealpi SanBiagio Credito Cooperativo - Soc. Coop. for Euro 1

thousand and in Banca Alto Vicentino S.p.A. for Euro 1 thousand. The equity investment in Hera Comm S.p.A. was valued at cost due to the absence of other indicators.

Ascopiave S.p.A. has put options on the equity investment held in the affiliate company EstEnergy and on the stake in Hera Comm which, at the end of the year, showed a nil fair value.

5. Other non-current assets

The following table shows the breakdown of “Other non-current assets” at the end of each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Security deposits	1,353	1,171
Other receivables	2,802	2,125
Other non-current assets	4,154	3,296

Non-current assets recorded an overall change compared to the previous year equal to Euro 858 thousand. This is mainly explained by the reclassification, for Euro 522 thousand, of intangible fixed assets under construction under concession and for Euro 182 thousand by the increase in the item “security deposits”.

Non-current receivables recognised at the end of the year refer to guarantee deposits for Euro 1,353 thousand and other receivables for Euro 2,802 thousand. The latter also include the receivable from the municipality of Santorso, equal to Euro 748 thousand. The value corresponds to the net book value of the distribution plants delivered in August 2007 to the same municipality, following the date of expiry of the concession, on 31st December 2006. The value of the receivables from the municipality corresponds to what the municipality of Santorso has been asked to pay as per the “Letta” legislative decree, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal.

As of 31st December 2020 there is an on-going litigation with the municipality mentioned, in order to define the value of compensation of distribution systems delivered. The Group, also following the opinion of the legal advisor, believes that the result of the litigation and arbitration procedures is uncertain. The evolution of these disputes can be found in the paragraph “Litigations” of these financial statements.

6. Non-current financial assets

The table below shows the balance of non-current financial assets at the end of each reporting period:

(Thousands of Euro)	31.12.2020	31.12.2019
Other non-current financial assets	2,226	2,478
Non-current financial assets	2,226	2,478

Non-current financial assets decreased from Euro 2,478 thousand in 2019, to Euro 2,226 thousand in the period in question, without significant changes. The item mainly includes the receivable due 12 months after the reporting date from the municipality of Costabissara with which a settlement agreement was signed in 2019 for assessing the value of the natural gas distribution infrastructure, which had been delivered on 1st October 2011. The parties agreed on an amount of Euro 3,000 thousand, of which Euro 1,000 thousand paid within 30 days of signing the agreement, while the remainder will be paid in 12 annual instalments having the same amount. The value entered under non-current financial assets represents the portion due beyond 12 months from the reporting date and, due to the duration of the agreed instalments, the item was discounted.

7. Advance tax receivables

The following table highlights the balance of advance tax receivables at the end of each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Advance tax receivables	30,122	19,390
Advance tax receivables	30,122	19,390

Advance taxes increase from Euro 19,390 thousand in 2019 to Euro 30,122 thousand in the reference period, marking an increase of Euro 10,732 thousand. In calculating the taxes, reference was made to the IRES rate and, where applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 31st December 2020 and at the time when it is estimated that any temporary differences will be carried forward.

The Group companies AP Reti Gas S.p.A., AP Reti Gas Rovigo S.r.l. and Edigas Distribuzione S.p.A. decided to exercise the option stated in art. 110 of Law Decree no. 104 dated 14th August 2020 (the so-called “August Decree”) converted into Law 13th October 2020, no. 126 (Official Gazette issued on 13th October 2020, no. 253, Ord. Suppl. No. 37), which entered into force on 14th October 2020 as well as the extension granted by Law 178/2020 concerning the State Budget for the financial year 2021 and long-term budget for the three-year period 2021-2023. The tax relief on the civil and fiscal revaluations of the assets and the values generated by the realignment of the fiscally deductible values to the fiscal values of goodwill, resulted in: the recognition in the income statement of the substitute tax that will be paid to the tax authorities in compliance with the decree and the recognition of deferred tax assets related to the higher amortisation and depreciation that these companies may deduct in future years, respectively Euro 3,043 thousand and Euro 5,763 thousand. These changes led to an overall increase in the item equal to Euro 8,806 thousand.

The item is broken down as follows in the years shown for comparison purposes:

Description	31.12.2020			31.12.2019		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Allocation of bad debt provisions	928	24.0%	223	906	24.0%	217
Allocation of inventory write-down	39	28.2%	11	33	28.2%	9
Amortizations IRES 24% + IRAP 4,2%	4,605	28.2%	1,299	4,689	28.2%	1,322
Risks fund	923	24.0%	221	923	24.0%	221
Exceeding amortizations over 2013	2,711	28.2%	764	6,638	28.2%	1,872
Tax relief on amortizations IRES 24% + IRAP 4,2%	10,792	28.2%	3,043	0	28.2%	0
Tax relief on amortizations	24,012	24.0%	5,763	0	28.2%	0
Other IRES 24% + IRAP 4,2%	5,050	28.2%	1,424	5,041	28.2%	1,422
PILT - Phantom stock option - risks fund	1,875	24.0%	450	1,040	24.0%	250
Risks fund	174	27.9%	49	180	27.9%	50
Other IRES 24%	3,106	24.0%	746	470	24.0%	113
IRES 24% exceeding amortizations	62,932	24.0%	15,104	57,911	24.0%	13,899
Other IRES 24% + 3,9%	6	27.9%	2	70	27.9%	20
Other - gas distribution IRES 24% + IRAP 4,2%	55	28.2%	16	0	28.2%	0
Total advance taxes	117,208		30,122	77,901		19,395

Current assets

8. Inventories

The following table shows how the item is broken down for each period considered:



(Thousands of Euro)	31.12.2020			31.12.2019		
	Gross value	Bad debt provision	Net value	Gross value	Bad debt provision	Net value
Fuels and warehouse materials	9,254	(39)	9,295	7,374	(39)	7,335
Energy efficiency certificates	5,697		5,697	797	0	797
Fuels and warehouse materials	14,951	(39)	14,912	8,171	(39)	8,132

As of 31st December 2020, inventories are equal to Euro 14,912 thousand, marking an increase of Euro 6,780 thousand as compared to 31st December 2019. This is mainly explained by the stock of energy efficiency certificates by the Group's ESCO and not sold at the reporting date, resulting in an increase in inventories equal to Euro 4,900 thousand. Please note that during the year the subsidiary AP Reti Gas Nord Est S.p.A., which became operational commencing 31st December 2019, set up the necessary inventories, resulting in an increase in inventories of Euro 2,033 thousand, net of which, the item would have showed a decrease of Euro 152 thousand, explained by the lower quantity of material in stock at the warehouses of the distribution companies.

Goods in stock are used for maintenance works or for the construction of distribution plants. In the latter case materials are reclassified as Tangible Fixed Assets once installation is complete.

Inventories are entered net of the provision for loss in value of stock, equal to Euro 39 thousand, in order to adapt their value to the opportunities for their clearance or use.

9. Trade receivables

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Receivables from customers	8,463	18,966
Receivables for invoices to be issued	25,816	24,665
Bad debt provisions	(692)	(506)
Trade receivables	33,587	43,124

Trade receivables, from Euro 43,124 thousand in 2019 to Euro 33,587 thousand in the reference period, mark a decrease of Euro 9,538 thousand.

The decrease is mainly explained by the transfers of trade receivables by the Group distribution companies to factoring companies without recourse for a total amount of Euro 13,383 thousand. Net of the effects of factoring, the increase in trade receivables is Euro 3,887 thousand, an effect partially explained by the extension of the scope of consolidation at the end of the previous year due to the finalisation of the partnership with the Hera Group with the acquisition of AP Reti Gas Nord Est S.r.l. which had no receivables at the end of the previous year, while at the end of 2020 it records trade receivables for Euro 7,718 thousand, resulting in a change of the same amount. The extension of the scope of consolidation related to the acquisition of CART Acqua S.r.l. determined the recognition of trade receivables for Euro 48 thousand.

The trade receivables consist mainly in receivables from the natural gas sales companies that work in the area where the gas distribution network managed by the Group companies is located.

Receivables from customers are expressed net of the billing down payments and are payable within the following 12 months.

The provision for doubtful accounts, equal to Euro 692 thousand, represents the risks to which the Group's distribution companies are exposed and in 2020 required additional amounts to the tune of Euro 189 thousand as an adjustment of the existing provisions.

The changes in the provision for doubtful accounts during 2020 are shown in the following table:



(Thousands of Euro)	31.12.2020	31.12.2019
Bad debt provisions	506	3,715
Bad debt provisions from acquisitions	0	39
Provisions	189	0
Adoption IFRS 5 - Companies held for sale		(3,244)
Use	(3)	(3)
Final bad debt provision	692	506

The following table highlights the composition of accounts receivables for invoices issued based on ageing, highlighting the capacity of the allowance for doubtful accounts as compared to receivables with seniority:

(Thousands of Euro)	30.09.2020	31.12.2019
Gross trade receivable invoices issued	8,463	18,966
- allowance for doubtful accounts	(692)	(506)
Net trade receivables for invoices issued	7,771	18,460
Aging of trade receivables for invoices issued		
- to expire	6,410	17,434
- expired within 6 months	1,243	863
- overdue by 6 to 12 months	23	244
- expired more than 12 months	787	425

10. Other current assets

The following table shows the breakdown of the item at the end of each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Tax consolidation receivables	694	1,927
Annual pre-paid expenses	323	687
Advance payments to suppliers	3,196	4,267
annual accrued income	19	93
Receivables due from CSEA	68,169	35,508
VAT Receivables	1,124	1,635
UTF and Provincial/Regional Additional Tax receiv	40	74
Other receivables	2,399	2,638
Other current assets	75,964	46,830

Other current assets, from Euro 46,830 thousand to Euro 75,964 thousand, mark an increase of Euro 29,134 thousand. The extension of the scope of consolidation, occurred with the acquisition of AP Reti Gas Nord Est S.r.l. subsequent to the finalisation of the partnership with the Hera Group, resulted in an increase in other assets Euro 213 thousand while the acquisition of CART Acqua S.r.l. resulted in an increase in other current assets of Euro 69 thousand.

Net of the effects described, the item showed an increase compared to 31st December 2019 of Euro 28,852 thousand, mainly attributable to the higher receivables from Cassa Servizi Energetici ed ambientali in relation to energy

efficiency certificates. The increase is mainly explained by the postponement of the natural deadline set for the cancellation of efficiency certificates, normally scheduled for 31st May, and extended to November 2020 due to the Covid-19 health emergency. As a result, at the reporting date, the receivables deriving from the certificates purchased in order to fulfil the 2019 objective as well as the quota of the 2020 objective are entered. The effect described is accompanied by the rise in the objectives assigned to the Group's distribution companies. In January 2021, the companies to which the energy saving objectives apply collected contributions for Euro 20,546 thousand.

In 2019, the national tax consolidation contract with Asco Holding S.p.A. ceased due to the lack of some necessary requirements. The receivables recorded in both periods refer to previous positions and do not relate to taxes accrued during the year. In 2019, the Group companies joined the national tax consolidation agreement with Ascopiave S.p.A.. The receivables from the CSEA, equal to Euro 68,169 thousand, are calculated based on the quantities of energy efficiency certificates delivered in November 2020 which will be adjusted at the end of the regulatory period, and the quantities accrued until 31st December 2020 but not delivered on the same date. The unit contribution used for the economic quantification of the fulfilment is equal to the final contribution set for objectives related to closed regulatory periods, and equal to the fair value of the forecast contribution for the contributions being accrued and, as of 31st December 2020, equal to Euro 250 (Euro 250 as of 31st December 2019; source STX).

11. Current financial assets

The following table shows the composition of current financial assets at the end of each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Associated companies	0	6,195
Other financial current assets	798	798
Current financial assets	798	6,993

Current financial assets mark a decrease of Euro 6,195 thousand, from Euro 6,993 thousand at 31st December 2019 to Euro 798 thousand in the reference period. The decrease is mainly explained by the termination in the first quarter of 2020 of the intercompany current accounts that the parent company Ascopiave S.p.A. maintained with the sales companies involved in the partnership finalised with the Hera Group on 19th December 2019 for Euro 6,195 thousand. At the end of the period, the item also included the short-term portion of the receivables from Hera S.p.A. relating to the settlement agreement on excise duties for Euro 400 thousand, the receivables from the municipality of Creazzo for Euro 138 thousand and the short-term portion of the receivables from the municipality of Costabissara for Euro 165 thousand, subsequent to the settlement agreement reached with the Local Body in 2019.

12. Tax receivables

The following table shows the composition of tax receivables at the end of each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Receivables related to IRAP	583	556
Receivables related to IRES	2,922	572
Other tax receivables	78	134
Tax receivables	3,583	1,263

Tax receivables, from Euro 1,263 thousand to Euro 3,583 thousand in the reference period, mark an increase of Euro 2,320 thousand as compared to 31st December 2019 mainly due to the increase in IRES receivables. The item includes the residual credit, minus the taxes for 2020, of the IRAP advances paid and the IRES advances.

13. Cash and cash equivalents

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Bank and post office deposits	21,889	67,017
Cash and cash equivalents on hand	14	14
Cash and cash equivalents	21,902	67,031

Cash and cash equivalents decreased from Euro 67,031 thousand in 2019 to Euro 21,903 thousand in the reference period, recording a decrease of Euro 45,128 thousand and they mainly refer to the bank accounting balance and to the company funds.

For a better understanding of the changes in cash flows in 2020, please refer to the statement of cash flows.

Net financial position

At the end of the periods considered, the net financial position of the Group is as follows:

(Thousands of Euro)	31.12.2020	31.12.2019
Cash and cash equivalents	21,902	67,031
Current financial assets	798	6,993
Current financial liabilities	(1,065)	(17,156)
Payables due to banks and financing institutions	(165,747)	(136,803)
Net short-term financial position	(144,111)	(79,935)
Non current financial assets	2,226	2,478
Medium- and long-term bank loans	(195,999)	(135,083)
Non-current financial liabilities	(563)	(441)
Net medium and long-term financial position	(194,336)	(133,046)
Net financial position	(338,447)	(212,981)

For comments on the main dynamics that caused changes in the net financial position, please refer to the analysis of the Group's financial data reported under the paragraph "Comments on the economic and financial results of financial year 2020" and under the paragraph "Medium- and long-term loans" of these Annual financial statements.

Consolidated shareholders' equity

14. Shareholders' equity



Ascopiave S.p.A. share capital as of 31st December 2020 is made up of 234,411,575 ordinary shares, fully subscribed and paid, with a par value of Euro 1 each.

The shareholders' equity at the end of the periods considered is analysed in the following table:

(Thousands of Euro)	31.12.2020	31.12.2019
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(55,628)	(26,774)
Reserves	569,536	125,756
Group's Net Result	58,701	493,216
Net equity of the Group	853,903	873,492
Net equity of Others		(0)
Total Net equity	853,903	873,492

Consolidated shareholders' equity at 31st December 2020 amounted to Euro 853,903 thousand, marking a decrease compared to 2019 of Euro 19,589 thousand. Changes in the consolidated shareholders' equity during the period, excluding the result achieved, are mainly explained by the distribution of dividends for Euro 47,442 thousand and the purchases of treasury shares for Euro 28,854 thousand.

At the end of the year the company held treasury shares for a total value of Euro 55,628 thousand, up Euro 28,854 thousand compared to 31st December 2019.

As of 31st December 2020 Ascopiave S.p.A., subsequent to the purchases made during the period, held 17,766,858 shares, equal to 7.579% of the share capital, for the value indicated above.

The hedge accounting reserve recorded at the end of the year represents the current value of the derivative financial instruments signed by Ascopiave S.p.A. in order to hedge against any interest rate fluctuations related to the loans taken out. Such reserve, as at 31st December 2020, shows a negative balance of Euro 496 thousand.

With regard to the assets and liabilities related to assets from derivatives, please refer to the paragraph "Risk and uncertainty factors" herein which highlights their effects.

Non-current liabilities

15. Provisions for risks and charges

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Provisions for pension for gas sector employees	1,853	1,285
Other reserves for risks and charges	559	59
Provisions for risks and charges	2,412	1,344

Provisions for risks and charges increased from Euro 1,344 thousand in 2019 to Euro 2,412 thousand in the reference period, up Euro 1,068 thousand, mainly explained by the recognition of costs accrued in the period in question for

long-term incentive plans for Euro 593 thousand. These amounts refer to the portion accrued in the year and relate to the 2018-2020 three-year period, as set out in the plans for the accrual of the bonus.

The increase in provisions for other risks and charges, equal to Euro 500 thousand, is mainly explained by the provision allocated by the subsidiary AP Reti Gas Nord Est S.r.l. due to the charges that the company could incur because of the energy efficiency objectives set for 2020. The obligation related to the Company's facilities has not been formally reassigned by the Regulatory Authority for Energy, Networks and the Environment (ARERA) but, due to its size and volumes managed, the Company is supposed to achieve energy saving objectives. The company has consequently recorded the net charge that it could accrue in relation to the 2020 target due to the purchase of the necessary certificates and their transfer to the Authority or to the transferor company of the business unit. The quantity of certificates required for the 2020 objective was estimated in-house.

The provisions registered as of 31st December 2019 were cancelled due to the absence of the conditions that had determined their registration in previous years and, consequently, the provisions recorded as of 31st December 2020 derive entirely from allocations during the year.

The changes in the period under examination are shown in the following table:

(Thousands of Euro)	
Reserves for risks and charges as of 1st January 2020	1,344
Provisions for risks and charges	1,152
Use of provisions for risks and charges	(84)
Provisions for risks and charges as of 31st december 2020	2,412

The following table shows the composition of provisions for risks and charges by type:

(Thousands of Euro)	31.12.2020	31.12.2019
Risk of litigation with suppliers	559	59
Retirement fund and similar obligations	1,853	1,285
Total	2,412	1,344

The "retirement fund and similar obligations" item includes commitments to employees and directors regarding long-term incentive plans for the cash portion.

16. Severance indemnity

Severance indemnity decreases from Euro 4,931 thousand as of 1st January 2020 to Euro 4,770 thousand as of 31st December 2020, marking a decrease of Euro 161 thousand.

The extension of the scope of consolidation occurred subsequent to the purchase of 100% of the company CART Acqua S.r.l. determined an increase in the item equal to Euro 49 thousand.

The following table shows the changes in the item in the period considered:

(Thousands of Euro)	
Severance indemnity as of 1st January 2020	4,931
Retirement allowance	(1,519)
Payments for current services and work	1,454
Actuarial loss/(profits) of the period (*)	(96)
Severance indemnity as of 31st december 2020	4,770

* including the interest cost booked in the income statement.

The liability for employee severance indemnities are measured using an actuarial method, its value is therefore sensitive to changes in assumptions. The main assumptions used in the measurement of severance indemnities are the discount rate, the annual average percentage of outgoing employees and the maximum retirement age of employees. The discount rate used for the measurement of the liability resulting from employee severance indemnity is determined regarding the market yields of high quality fixed-income securities for which the due dates and amounts correspond to the due dates and amounts of future payments envisaged. For this plan, the average discount rate that reflects the estimated due dates and amounts of future payments relating to the 2020 plan is 0.33% (0.79% as of 31st December 2019).

The other main assumptions of the model are:

- mortality rate: survival table IPS55
- invalidity rate: INPS tables year 2000
- personnel turnover rate: 3.00%
- increase in remuneration rate: 1.50%
- inflation rate: 0.50%
- anticipation rate: 2.00%

The sensitivity analysis on the actuarial value of the provision did not highlight significant discrepancies compared to the value accounted in the statement.

The cost of work activities has been included in the costs of personnel, while the interest cost, equal to Euro 27 thousand, is booked in “Other financial costs”.

17. Medium- and long-term loans

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Loans from Cassa Centrale Banca	7,041	7,833
Loans from European Investment Bank	12,000	16,750
Loans from INTESA SAN PAOLO SPA	80,000	40,000
Loans from BNL	42,250	46,500
Loans from CREDIT AGRICOLE FRIULADRIA	18,000	24,000
Loans from UBI BANCA SPA	10,041	
Loans from MEDIOBANCA	26,667	
Medium- and long-term bank loans	195,999	135,083
Current portion of medium-long-term loans	40,024	30,778
Medium- and long-term bank loans	236,023	165,861

Medium and long term loans, mainly represented as of 31st December 2020 by the payables of the Parent Company to Intesa Sanpaolo for Euro 80,000 thousand, BNL for Euro 42,250 thousand, Mediobanca for Euro 26,667 thousand, Crédit Agricole Friuladria for Euro 18,000 thousand, UBI BANCA for Euro 10,041 thousand and the European Investment Bank for Euro 12,000 thousand, increase from Euro 165,861 thousand to Euro 236,023 thousand, up Euro 70,162 thousand, mainly explained by the loan taken out with Intesa Sanpaolo for Euro 50,000 thousand, the loan with Mediobanca for Euro 30,000 thousand and the loan with Ubi Banca for Euro 20,000 thousand, net of the payment of the instalments in the period.

Specifically:

- The loan with Intesa Sanpaolo, disbursed in November 2019 for a total amount of Euro 50,000 thousand, as of 31st December 2020 has a residual debt of Euro 40,000 thousand, with the entry of Euro 10,000 thousand in due to banks and short-term loans.

The contract envisages the fulfilment of certain financial covenants to be checked each year on the Group's consolidated data prepared in compliance with the IFRS, which at the reporting date were fulfilled:

- NFP / Ebitda adj $\leq 4.5x$,
 - PFN / Equity $\leq 1x$.
- The loan with Intesa Sanpaolo, disbursed in November 2020 for a total amount of Euro 50,000 thousand, equal to the residual debt as of 31st December 2020, has no amounts in due to banks and short-term loans. The contract envisages the fulfilment of certain financial covenants to be checked each year on the Group's consolidated data prepared in compliance with the IFRS, which at the reporting date were fulfilled:
- NFP / Ebitda adj $\leq 4,5x$,
 - PFN / Equity $\leq 1x$.
- The loan with BNL, granted in August 2019 for an amount equal to Euro 30,000 thousand, as of 31st December 2020 has a residual debt of Euro 27,000 thousand, with the entry of Euro 6,000 thousand in due to banks and short-term loans.

The bank granted the company a moratorium on the capital portion due in August 2020, extending the duration of the repayment schedule by six months.

The contract envisages the fulfilment of certain financial covenants to be checked each year on the Group's consolidated data prepared in compliance with the IFRS, which at the reporting date were fulfilled:

- NFP / Ebitda adj $\leq 4,5x$,
 - RAB \geq Euro 300,000 thousand.
- The loan with BNL, disbursed in 2017 for an amount equal to Euro 30,000 thousand, as of 31st December 2020 has a residual debt of Euro 23,750 thousand, with the entry of Euro 2,500 thousand in due to banks and short-term loans.

The bank granted the company a moratorium on the capital portion due in August 2020, extending the duration of the repayment schedule by six months.

The contract envisages the fulfilment of certain financial covenants to be checked each year on the Group's consolidated data prepared in compliance with the IFRS, which at the reporting date were fulfilled:

- NFP / Ebitda adj $\leq 4,5x$,
 - RAB \geq Euro 300,000 thousand.
- The loan with Mediobanca, disbursed in December 2020 for a total amount of Euro 30,000 thousand, equal to the residual debt as of 31st December 2020, with the entry of Euro 3,333 thousand in due to banks and short-term loans.

The contract envisages the fulfilment of certain financial covenants to be checked every six months on the Group's consolidated data prepared in compliance with the IFRS, which at the reporting date were fulfilled:

- NFP / Ebitda adj $\leq 4.5x$,
 - PFN / Equity $\leq 1x$.
- The loan with Crédit Agricole Friuladria, disbursed in October 2019 for an amount equal to Euro 30,000 thousand, as of 31st December 2020 has a residual debt of Euro 24,000 thousand, with the entry of Euro 6,000 in due to banks and short-term loans.

The contract envisages the fulfilment of certain financial covenants to be checked every six months on the Group's consolidated data prepared in compliance with the IFRS, which at the reporting date were fulfilled:

- NFP / Ebitda adj $\leq 4.5x$,
 - RAB $>$ Euro 450.000 thousand.
- The loan with Ubi Banca, disbursed in May 2020 for an amount equal to Euro 20,000 thousand, as of 31st December 2020 has a residual debt of Euro 16,690 thousand, with the entry of Euro 6,648 in due to banks and short-term loans. No financial covenants apply to the loan.

- The loan with the European Investment Bank, paid in two tranches in 2013 equalling Euro 45,000 thousand, as of 31st December 2020 has a residual debt of Euro 16,750 thousand, with the entry of Euro 4,750 thousand in due to banks and short-term loans.

The contract envisages the fulfilment of certain financial covenants to be checked every six months on the Group's consolidated data prepared in compliance with the IFRS, which at the reporting date were fulfilled:

- Ebitda adj / Financial charges $> 5x$,
- NFP / Ebitda adj $< 4.5x$.
- RAB \geq Euro 300 thousand.

- The loan with Cassa Centrale Banca, granted at the beginning of 2018 for an amount equal to Euro 10,000 thousand, as of 31st December 2020 has a residual debt of Euro 7,833 thousand, with the entry of Euro 792 thousand in due to banks and short-term loans. No financial covenants apply to the loan.

As a guarantee of the fulfilment of the obligations associated with the loan agreements with BNL (only the one taken out in 2017) and the European Investment Bank, the Parent Company has transferred to the banks a share of future receivables arising from the reimbursement of the value of assets related to gas distribution concessions of the subsidiary AP Reti Gas S.p.A..

The following table shows the deadlines of medium- and long-term loans:

	31.12.2020
(migliaia di Euro)	
Year 2021	40,024
Year 2022	43,408
Year 2023	90,095
Year 2024	33,253
Beyond 2024	29,242
Medium- and long-term bank loans	236,023

18. Other non-current liabilities

The following table shows how the items are broken down for each period considered:

	31.12.2020	31.12.2019
(Thousands of Euro)		
Security deposits	823	401
Multi-annual passive prepayments	26,082	24,152
Other non-current liabilities	26,905	24,553

Other non-current liabilities increased from Euro 24,553 thousand in the previous year to Euro 26,905 thousand in the reference period, with an increase of Euro 2,352 thousand.

The item increased by Euro 1,930 thousand due to the performance of long-term deferred income, which was recognised against revenues for contributions received from private and public entities for the construction of the distribution network or connections to the gas network and related to the useful life of the gas distribution plants. The suspension of revenues is explained by the content of Law no. 9/2014 which envisages the full deduction of contributions from private individuals from the value of technical assets held under concession within the scope of gas distribution.

Security deposits recorded at the end of the year changed by Euro 422 thousand and refer to deposits received from the natural gas sales companies that work in the area where the gas distribution network managed by the Group companies is located, for the transport of the raw material.

19. Non-current financial liabilities

The following table shows how the item is broken down at the end of each period considered:



(Thousands of Euro)	31.12.2020	31.12.2019
Payables due to leasing companies (over 12 months)		
Non-current financial liabilities	563	441

Other non-current liabilities increased from Euro 441 thousand to Euro 563 thousand with an increase of Euro 122 thousand. The increase is mainly explained by the execution of operating lease agreements for rentals of company offices and vehicles.

20. Deferred tax payables

The following table shows the balance of the item at the end of each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Deferred tax payables	12,984	22,021
Deferred tax payables	12,984	22,021

Payables for deferred taxation decrease from Euro 22,021 thousand in the previous year to Euro 12,984 thousand in the reference period, marking a decrease of Euro 9,037 thousand.

The subsidiary AP Reti Gas S.p.A. decided to exercise the option stated in art. 110 of Law Decree no. 104 dated 14th August 2020 (the so-called "August Decree") converted into Law 13th October 2020, no. 126 (Official Gazette issued on 13th October 2020, no. 253, Ord. Suppl. No. 37), which entered into force on 14th October 2020 as well as the extension granted by art 83 of Law 178/2020 concerning the State Budget for the financial year 2021 and long-term budget for the three-year period 2021-2023. The tax relief on the realignment of the tax values of the registered assets led to the recognition of the payable related to the substitute tax that will be paid to the tax authorities in compliance with the law and the consequent cancellation, for Euro 8,410 thousand, of the payables entered for deferred taxes on such temporary differences.

Deferred tax payables mainly include the tax effects deriving from the dynamics of amortisation of gas distribution networks. In calculating the taxes, reference was made to the IRES rate and, where applicable, to the IRAP rate in force, in relation to the tax period which includes the date of 31st December 2020 and at the time when it is estimated that any temporary differences will be carried forward.

Description	31.12.2020			31.12.2019		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Exceeding amortizations	5	24.0%	1	25,546	24.0%	6,131
Severance indemnity	19	24.0%	4	21	24.0%	5
Exceeding amortizations	45,861	28.2%	12,933	47,338	28.2%	13,349
Other	188	24.0%	45	227	24.0%	54
Goodwill deductibility for tax purposes	0	28.2%	0	8,799	28.2%	2,481
Total deferred tax payables	46,073		12,984	81,931		22,021

Current liabilities

21. Amounts due to banks and current portion of medium- / long-term loans

The following table shows how the item is broken down for each period considered:



(Thousands of Euro)	31.12.2020	31.12.2019
Payables due to banks	125,723	106,025
Current portion of medium-long-term loans	40,024	30,778
Payables due to banks and financing institutions	165,747	136,803

Payables to banks increase from Euro 136,803 thousand in the previous year to Euro 165,747 thousand in the reference period, up Euro 28,944 thousand and include debtor accounting balance to credit institutions and the short-term quota of loans.

The following table shows the allocation of Group's credit lines used and available and related rates applied as of 31st December 2020:

Bank	Type of line of credit	Credit line at 31/12/2020	Rate at 31/12/2020	Use of credit line at 31/12/2020
Banca di Credito Cooperativo delle Prealpi	Long-term mortgage	3,916	1.83%	3,916
Banca Europea per gli Investimenti	Long-term mortgage	6,250	0.27%	6,250
Banca Europea per gli Investimenti	Long-term mortgage	10,500	0.51%	10,500
Banca Monte dei Paschi di Siena	Endorsement loan	11,000	n.d.	0
Banca Monte dei Paschi di Siena	Cash loan	5,000	n.d.	0
Banca Nazionale del Lavoro	Cash loan	49,000	0.20%	24,000
Banca Nazionale del Lavoro	Long-term mortgage	23,750	1.92%	23,750
Banca Nazionale del Lavoro	Long-term mortgage	27,000	0.56%	27,000
Banca Nazionale del Lavoro	Endorsement loan	1,000	n.d.	125
Banca Nazionale del Lavoro	Derivatives line	500	n.d.	219
Banca Popolare dell'Emilia Romagna	Cash loan	10,000	0.20%	10,000
Banca Sella	Cash loan	5,000	n.d.	0
Banco BPM	Cash loan	20,000	0.19%	20,000
Banco BPM	Endorsement loan	5,000	n.d.	1,287
Cassa centrale BCC Italiano	Long-term mortgage	3,916	1.83%	3,916
Credito Emiliano	Cash loan	30,000	0.02%	30,000
Credit Agricole Corporate	Long-term mortgage	12,000	0.58%	12,000
Credit Agricole Friuladria	Long-term mortgage	12,000	0.58%	12,000
Credit Agricole Friuladria	Cash loan	3,000	0.20%	3,000
Credit Agricole Friuladria	Derivatives line	1,320	n.d.	160
Intesa SanPaolo	Cash loan	45,000	0.25%	10,000
Intesa SanPaolo	Long-term mortgage	40,000	0.41%	40,000
Intesa SanPaolo	Derivatives line	1,330	n.d.	112
Cassa Depositi e Prestiti	Endorsement loan	9,943	n.d.	9,943
Mediobanca	Long-term mortgage	30,000	0.42%	30,000
Unicredit	Cash loan	31,600	0.10%	28,700
Unicredit	Endorsement loan	29,210	n.d.	4,371
Unione di Banche Italiane	Cash loan	10,000	0.25%	0
Intesa SanPaolo	Long-term mortgage	50,000	0.49%	50,000
Unione di Banche Italiane	Long-term mortgage	16,690	0.55%	16,690
Banca Nazionale del Lavoro	Endorsement loan	75	n.d.	75
Unicredit	Cash loan	500	n.d.	0
Unicredit	Endorsement loan	500	n.d.	109
Unione di Banche Italiane	Endorsement loan	107	n.d.	107
Unicredit	Cash loan	3,000	n.d.	0
Unicredit	Endorsement loan	3,000	n.d.	85
Banca Alto Vicentino	Endorsement loan	1,527	n.d.	1,527
Intesa SanPaolo	Cash loan	50	n.d.	0
Intesa SanPaolo	Endorsement loan	2,457	n.d.	2,457
Unicredit	Cash loan	0	0.00%	0
Unicredit	Cash loan	5,000	n.d.	0
Unicredit	Endorsement loan	5,000	n.d.	200
Unicredit	Endorsement loan	8,746	n.d.	0
Unicredit	Cash loan	500	n.d.	0
Unicredit	Endorsement loan	500	n.d.	0
		534,887		382,499

Note: the total uses do not correspond to the total due to banks because the use of the line for the issue of bank guarantees does not generate due to banks

22. Trade payables

The following table shows how the item is broken down at the end of each period considered:



(Thousands of Euro)	31.12.2020	31.12.2019
Payables to suppliers	4,733	3,046
Payables to suppliers for invoices not yet receive	62,041	49,036
Trade payables	66,774	52,082

Trade payables increase from Euro 52,082 thousand in the previous year to Euro 66,774 thousand in the reference period, marking an increase of Euro 14,692 thousand. The extension of the scope of consolidation occurred with the acquisition of AP Reti Gas Nord Est S.r.l. subsequent to the business partnership finalised with the Hera Group on 19th December 2019, led to the recognition of trade payables totalling Euro 3,502 thousand. The company became operational on 31st December 2019 and at that date had no trade payables; consequently, trade payables accrued at the end of 2020 led to a change in the Group's trade payables of the same amount. The extension of the scope of consolidation related to the acquisition of CART Acqua S.r.l. resulted in the recognition of trade payables equal to Euro 87 thousand.

Net of the effects described, trade payables decreased by Euro 841 thousand, mainly due to the energy efficiency targets.

The item mainly includes the payables to suppliers of materials and services for the extension or maintenance of the natural gas distribution network, the purchase of the energy efficiency certificates needed to achieve the objectives set as well as for consultancy services received during the period in question.

The payables connected with the purchase of the energy efficiency certificates needed to achieve the energy saving objectives that the Group distribution companies must fulfil are calculated by evaluating the amounts of certificates accrued until the reporting date. The unit cost of certificates not purchased at the reporting date is the fair value of the prices recorded in the relevant market, calculated on 31st December 2020, and amounting to Euro 260 (Euro 260 on 31st December 2019).

23. Payables to tax authorities

The following table shows how the item is broken down at the end of each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
IRAP payables	801	82
IRES payables	4,373	4,646
Tax payables	5,174	4,728

Tax payables, from Euro 4,728 thousand in the previous year to Euro 5,174 thousand in the reference period, mark an increase of Euro 446 thousand. The extension of the scope of consolidation with the acquisition of AP Reti Gas Nord Est S.r.l. subsequent to the business partnership finalised with the Hera Group on 19th December 2019, determined the recognition of tax payables totalling Euro 3,432 thousand. The company became operational on 31st December 2019 and at that date had no tax payables; consequently, the tax payables accrued at the end of 2020 resulted in a change in the item of the same amount.

Net of the change described, tax payables decreased by Euro 2,986 thousand, explained by the payment of taxes in full settlement of the previous year net of the payables accrued during the period towards the tax authorities for IRES and IRAP, as well as by the registration of the payable associated with the tax relief on the revaluated and realigned amounts pursuant to the "August" Legislative Decree and the 2021 Budget Law. With regard to the latter, please note that the payable entered for the substitute tax is equal to Euro 1,568 thousand. In 2019, the Group companies joined the national tax agreement with the parent company S.p.A..

24. Other current liabilities

The following table shows how the item is broken down for each period considered:



(Thousands of Euro)	31.12.2020	31.12.2019
Advance payments from customers	514	221
Amounts due to parent companies for tax consol	20	1,668
Amounts due to social security institutions	1,495	1,120
Amounts due to employees	3,921	6,207
VAT payables	315	495
Payables to revenue office for withholding tax	850	966
Annual passive prepayments	743	661
Annual passive accruals	680	698
Other payables	17,725	13,514
Other current liabilities	26,263	25,549

Other current liabilities increased from Euro 25,549 thousand in 2019 to Euro 26,263 thousand in 2020, marking an increase of Euro 714 thousand. The change is mainly explained by higher payables to Cassa per i Servizi Energetici e Ambientali (CSEA) totalling Euro 4,463 thousand as regards the tariff components related to natural gas transport, partly offset by lower payables to the staff for Euro 2,287 thousand.

The extension of the scope of consolidation with the acquisition of AP Reti Gas Nord Est S.r.l. subsequent to the business partnership finalised with the Hera Group on 19th December 2019, led to the recognition of other current liabilities totalling Euro 7,061 thousand. The company became operational on 31st December 2019 and at that date it presented other minor current liabilities; consequently, the payables accrued at the end of the period in question resulted in a change in the item of the same amount. The extension of the scope of consolidation related to the acquisition of CART Acqua S.r.l. determined the recognition of other current liabilities equal to Euro 44 thousand.

Advances from clients

Advances from clients represent the amounts paid by the customers as a contribution for works of allotments and connection and realisation of thermal plants in progress as of 31st December 2020.

Tax consolidation payables

In 2019, the national tax consolidation agreement with Asco Holding S.p.A. ceased due to the change of the financial year. The payables recorded as of 31st December 2020 refer to previous positions.

Welfare payables

Welfare payables include the payables for the welfare obligations to pension institutions for company employees and directors, accrued as of 31st December 2020 but not yet paid as of year-end.

Payables to personnel

The amounts due to employees include holidays not taken, deferred remuneration and bonuses earned as of 31st December 2020 but not paid out on that date and the relevant social security contributions. The item decreased by Euro 2,287 thousand, from Euro 6,207 thousand in 2019 to Euro 3,921 thousand in the reference period. The change is mainly explained by the increase in the days of holidays used during the year, partly explained by the governmental measures implemented by the company for the safety of its personnel, favouring the measures to contain the SARS Cov2 virus.

VAT payables

Payables to the tax authorities for VAT at the end of the period amount to Euro 315 thousand and record a decrease compared to the previous year of Euro 180 thousand.

Annual deferred income

Other deferred income is mainly attributable to the grants received for the construction of the natural gas distribution network and the relevant connections.

Annual accrued liabilities

Accrued liabilities refer mainly to State fees and the fees granted to local licensing bodies for the extension of the concession for the distribution of natural gas, awaiting the territorial calls for tenders.

Other payables

At the end of the year 2020 the item showed a balance of Euro 17,725 thousand, recording an increase compared to the previous year of Euro 4,211 thousand. The item also includes, in addition to payables to Cassa per i Servizi Energetici e Ambientali (CSEA) concerning the tariff components of natural gas transport, the payables for personnel charges accrued as of 31st December 2020.

25. Current financial liabilities

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Shareholders for dividends	(0)	(0)
Financial payable within 12 months	685	16,889
Payable to leasing companies within 12 months	380	267
Current financial liabilities	1,065	17,156

Current financial liabilities decrease from Euro 17,156 thousand in 2019 to Euro 1,065 thousand in the reference period, marking a decrease of Euro 16,091 thousand.

The decrease is mainly explained by the termination of the intercompany current accounts that the parent company Ascopiave maintained with the sales companies involved in the partnership finalised with the Hera Group on 19th December 2019. The financial payables recorded at the end of the previous year amounted to Euro 16,204 thousand, resulting in a change of the same amount in the item.

Financial payables related to the application of the international accounting standard IFRS 16 recorded a change equal to Euro 113 thousand during the year due to the signature of new agreements net of the payment of the rents for the period. They represent financial payables expiring within twelve months for operating lease agreements signed for rentals of company offices and vehicles.

26. Current liabilities from derivative financial instruments

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Liabilities on derivatives on raw material	548	98
Current liabilities from derivative financial instrume	548	98

Current liabilities on derivative financial instruments relate to interest rate hedging contracts executed by the parent company Ascopiave in 2019 and 2020. With regard to the assets and liabilities related to assets from derivatives, please refer to the paragraph "Risk and uncertainty factors" herein, which illustrates their effects.

Liabilities on derivatives are represented by the fair value of the following derivatives existing as of 31st December 2020, whose financial manifestation will be divided based on the duration of the underlying loan:

#	Counterparty	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Notional	MtM (€/000)
1	BNL	Interest Rate Swap	Euribor 6M	09-Aug-19	09-Feb-20	09-Feb-25	Vanilla: Fixed - Float	27,000,000 €	220
2	Credit Agricole	Interest Rate Swap	Euribor 6M	17-Sep-19	01-Oct-19	27-Sep-24	Vanilla: Fixed - Float	24,000,000 €	160
3	Intesa Sanpaolo	Interest Rate Swap	Euribor 6M	30-Nov-20	30-Nov-20	30-Nov-23	Vanilla: Fixed - Float	50,000,000 €	123
4	Mediobanca	Interest Rate Swap	Euribor 6M	02-Dec-20	02-Dec-20	02-Dec-25	Vanilla: Fixed - Float	30,000,000 €	45
Total								131,000,000 €	548

The financial instruments measured at fair value belong to the 1st evaluation hierarchical level.

COMMENTS ON THE MAIN CONSOLIDATED PROFIT AND LOSS ACCOUNT ITEMS

Revenues

27. Revenues

The following table shows the composition of the item by type of activity in the fiscal periods considered:

(Thousands of Euro)	Full Year	
	2020	2019
Revenues from gas transportation	110,631	80,370
Revenues from connections	468	354
Revenues from heat supply	(0)	10
Revenues from distribution services	4,527	3,849
Revenues from services supplied to Group compa	8,237	8,469
Revenues from ARERA contributions	36,373	29,176
Other revenues	3,659	2,618
Revenues	163,896	124,911

At the end of the period considered, the Ascopiave Group's revenues amounted to Euro 163,896 thousand, an increase of Euro 38,985 thousand compared to the previous year (Euro 124,911 thousand). The increase is mainly explained by the expansion of the consolidation scope which occurred during the previous year with the merger through acquisition of the gas distribution unit managed by Unigas Distribuzione S.r.l. effective 1st July 2019 and by the completion of the partnership with the Hera Group and the consequent consolidation of AP Reti Gas Nord Est S.r.l. as of 31st December 2019. With regard to Unigas Distribuzione, the expansion of the scope of consolidation led to the line-by-line consolidation of the results achieved from that date, while previously the revenues were recorded under financial income and charges in the item "profit/loss of companies valued using the equity method".

Revenues are substantially entirely generated in Italy.

The *transportation of natural gas* on the distribution network generated revenues for Euro 110,631 thousand, with an increase of Euro 30,262 thousand compared to the previous year. The change is mainly explained, as mentioned previously, by the extension of the scope of consolidation which led to the recognition of the Restriction on total revenues of the merged unit and the new consolidated company.

The Restriction on total revenues is determined, year after year, based on the number of redelivery points the Company served during the reference period, as well as on the reference price, whose values are established and published by ARERA. The item "revenues from gas transport" includes an equalisation amount of 1,507 thousand, an increase as compared to the same period in the previous year of Euro 796 thousand. The equalisation amount varies according to the seasonality and the temperature trend as it results from the difference between the revenues charged to the sales companies for the natural gas transport service (contracts due to lower consumption) and the Restriction on Total Revenues recognised in the period in question.

The revenues derived from *services provided by distributors*, being equal to Euro 4,527 thousand, increased compared to the same period in the previous year by Euro 678 thousand. The change is mainly explained by the extension of the scope of consolidation which determined the recognition of the revenues achieved by the consolidated company AP Reti Gas Nord Est S.r.l. and the revenues from services rendered in the territory where Unigas Distribuzione Gas S.r.l., a company merged through acquisition effective 1st July 2019, operated. The increase was partly offset by a decrease in activities requested by customers on metres during the lockdown imposed at the national level due to the Covid-19 health emergency.

Revenues for services provided to Group companies show a decrease of Euro 232 thousand compared to the previous year, and amount to Euro 8,237 thousand as of 31st December 2020.

The *contributions made by the Regulatory Authority for Energy, Networks and the Environment* at the end of the period amount to Euro 36,373 thousand, up Euro 7,197 thousand compared to the previous year. The increase

recorded is mainly explained by the recognition of revenues related to the energy efficiency objectives of the plants previously managed by Unigas Distribuzione Gas S.r.l. and by the rise in the same objectives for the year in question. The contributions are paid for the achievement of objectives set by the Authority itself in terms of energy saving and published by resolution, which defines the specific obligations of primary energy savings by the distributors to which such obligations apply. The contributions recognised as of 31st December 2020 are calculated by evaluating the quantities of energy efficiency certificates accrued as compared to the 2020 target (regulatory period June 2020 - May 2021). Due to the Covid-19 health emergency, the deadline set for 31st May 2020 for the delivery of the efficiency certificates necessary for the fulfilment of the objectives was postponed to November. The unit contribution used for the economic quantification of the fulfilment of the obligation is the fair value of the forecast contribution for the contributions being accrued and, as of 31st December 2020, equal to Euro 250 (Euro 250 as of 31st December 2019; source STX).

The item “*Other revenues*” increased from Euro 2,618 thousand in 2019, to Euro 3,600 thousand in the reference period, with an increase of Euro 982 thousand. The change is mainly explained by the increase in bonuses granted by the Regulatory Authority for Energy, Networks and the Environment (ARERA) for the activities conducted to ensure the safety of natural gas distribution plants.

28. Cost of other raw materials

The following table shows the costs relating to the purchase of other raw materials during the relevant financial periods:

(Thousands of Euro)	Full Year	
	2020	2019
Purchase of other raw material	1,782	561
Purchase costs for other raw materials	1,782	1,358

At the end of the period considered, the costs incurred for the purchase of other raw materials are equal to Euro 1,782 thousand, up Euro 423 thousand compared to the previous year. The change is mainly explained by the recognition of the costs incurred upon conducting the activities in the facilities previously managed by Unigas Distribuzione S.r.l. subsequent to the merger through acquisition effective 1st July 2019. The extension of the scope of consolidation resulted in the line-by-line consolidation of the results achieved commencing that date; the costs were previously recorded in financial income and charges under the item “profit/loss of companies measured with the equity method”.

The consolidation of AP Reti Gas Nord Est S.r.l. commencing 31st December 2019 determined the entry of costs for Euro 422 thousand.

This item mainly includes costs related to the purchase of materials for the maintenance of the natural gas distribution infrastructure and odorization.

29. Costs for services

Costs for services for the relevant periods are analysed in the following table:

(Thousands of Euro)	Full Year	
	2020	2019
Costs for counting meters reading	1,032	776
Costs for mailing bills		2
Mailing and telegraph costs	508	107
Maintenance and repairs	3,382	2,533
Consulting services	3,834	3,323
Commercial services and advertisement	98	98
Sundry suppliers	1,794	1,858
Directors' and Statutory Auditors' fees	1,682	1,244
Insurances	662	727
Personnel costs	518	709
Other managing expenses	1,378	1,669
Costs for use of third-party assets	21,889	18,684
Costs for services	36,776	31,732

The costs for services incurred during the financial year increase by Euro 5,044 thousand compared to the previous year, from Euro 31,732 thousand as of 31st December 2019 to Euro 36,776 thousand in the reference period, mainly explained by the expansion of the scope of consolidation which led to the recognition of the costs incurred for the management of the distribution facilities previously managed by Unigas Distribuzione S.r.l. until 1st July 2019 and by AP Reti Gas Nord Est S.r.l..

The costs incurred for *metre reading*, amounting to Euro 1,032 thousand, as compared to the same period in the previous year, increased by Euro 256 thousand (Euro 776 thousand as of 31st December 2019) mainly explained by the expansion of the scope of consolidation.

The costs for *maintenance and repairs* increase from Euro 2,533 thousand in 2019, to Euro 3,382 thousand in the reference period, with an increase of Euro 848 thousand, mainly explained by the expansion of the scope of consolidation. The item mainly includes costs related to software fees and expenses incurred for routine facility maintenance.

At the end of the period in question, the costs incurred for *consultancy* amounted to Euro 3,834 thousand, up Euro 511 thousand compared to the previous year. The change recorded is mainly explained by the expansion of the consolidation scope.

The item *remuneration of directors and auditors* increased by Euro 438 thousand compared to the previous year and amounts to Euro 1,682 thousand.

Compared to the previous year, the costs incurred for staff, amounting to Euro 518 thousand, recorded a decrease of Euro 191 thousand. The reduction is mainly explained by the lower costs incurred during the lockdown and the months in which agile work was encouraged.

Other operating costs decreased by Euro 291 thousand compared to the previous year, and amount to Euro 1,378 thousand.

The item *costs for use of third-party assets* mainly includes the fees paid to the Local Authorities for the management of natural gas distribution concessions and recorded an increase of Euro 3,205 thousand compared to the previous year. The change is mainly explained by the recognition of fees accrued as concerns the facilities previously managed by Unigas Distribuzione S.r.l., subsequent to the merger through acquisition effective 1st July 2019, and AP Reti Gas Nord Est S.r.l.

30. Costs for staff



The following table shows the breakdown of personnel costs in the periods considered:

(Thousands of Euro)	Full Year	
	2020	2019
Wages and salaries	19,368	15,618
Social security contributions	6,146	4,864
Severance indemnity	1,357	1,085
Other costs	38	65
Total cost for staff	26,909	21,632
Costo for staff capitalized	(9,777)	(7,132)
Costo for staff	17,132	14,500

The cost for staff is net of costs capitalised by the companies of natural gas distribution as against increases in intangible assets for works performed on a time and material basis, which are directly attributed to the implementation of facilities for the distribution of natural gas and recorded as an asset.

Costs for staff increase from Euro 21,632 thousand in 2019, to Euro 26,909 thousand in the reference period, up Euro 5,277 thousand. The change is mainly explained by the extension of the consolidation scope which determined the recognition of costs incurred by the subsidiary AP Reti Gas Nord Est S.r.l., for Euro 5,505 thousand, and the extension of the consolidation scope subsequent to the merger through acquisition of Unigas Distribuzione Gas S.r.l. which took place on 1st July 2019.

As of 31st December 2020, costs for long-term incentive plans were recognised totalling Euro 454 thousand and costs for short-term incentive plans were recognised totalling Euro 477 thousand.

In accordance with IFRS 2, the cost of the long-term incentive plans had an offsetting item in the shareholders' equity reserves for Euro 66 thousand for the portion to be paid in shares and in the retirement funds for Euro 388 thousand for the cash portion. The amounts recorded for long-term incentive plans refer to the last year of the 2018-2020 period, as set out in the plans for the accrual of the bonus.

Capitalised personnel cost registered an increase of Euro 2,646 thousand, from Euro 7,132 thousand in 2019 to Euro 9,777 thousand in the reference period. The expansion of the scope of consolidation has in fact more than offset the negative effects deriving from the Covid-19 health emergency which, during the lockdown, had determined a decrease in investments and a consequent reduction in the hours worked for this purpose. Personnel costs capitalised by AP Reti Gas Nord Est S.r.l. were Euro 2,387 thousand.

Personnel costs consequently increased by Euro 2,632 thousand.

The table below shows the average number of Group employees by category at the end of the indicated periods:

Description	31.12.2020	extension of the scope of consolidation	net of extension of the scope of consolidation	31.12.2019	variation
Executives (medium)	13	0	13	13	0
Office workers (medium)	304	68	236	231	5
Manual workers (medium)	158	35	123	122	1
Total staff	475	103	372	366	6

The extension of the scope of consolidation is related to the average employees of AP Reti Gas Nord Est S.r.l., because the first consolidation of such company occurred on 31st December 2019, and the staff of Unigas Distribuzione S.r.l. merged through acquisition effective 1st July 2019.

31. Other operating costs

The following table shows the breakdown of other operating costs in the periods considered:



(Thousands of Euro)	Full Year	
	2020	2019
Provision for risks on credits	189	
Other provisions	559	
Membership and ARERA fees	709	539
Capital losses	942	715
Extraordinary losses	647	32
Other taxes	2,077	732
Other costs	883	656
Costs of contracts	1,116	325
Energy efficiency certificates	37,578	30,903
Other management costs	44,700	33,902

Other operating costs increase from Euro 33,902 thousand in 2019 to Euro 44,700 thousand in the reference period, up Euro 10,798 thousand. This change is mainly due to higher costs incurred for the purchase of Energy efficiency certificates (Euro +6,674 thousand) related to the higher efficiency and energy saving objectives applicable to the Group companies. The higher objectives assigned are primarily explained by the energy efficiency objectives related to the extension of the scope of consolidation with the merger through acquisition of Unigas Distribuzione Gas S.r.l. effective 1st July 2019.

The costs recognised at the reporting date for the purchase of energy efficiency certificates are calculated by evaluating the amounts of certificates accrued as compared to the 2020 target (regulatory period June 2020 - May 2021). The unit cost for certificates not purchased at the reporting date is the fair value of the prices recorded in the relevant market, calculated on 31st December 2020 and amounting to Euro 260 (Euro 260 on 31st December 2019).

The increase in the item other taxes, from Euro 732 thousand to Euro 2,077 thousand in the reference period, is mainly due to higher payments for TOSAP and IMU related to the extension of the scope of consolidation with the acquisition of AP Reti Gas Nord Est S.r.l. (through the partnership concluded with the Hera Group on 19th December 2019) and, for the main part, explained by the non-deductibility of the value added tax (VAT) applied to the costs incurred for performing the operation itself.

At the end of the year, provisions equal to Euro 559 thousand were allocated. Energy efficiency obligations, in fact, should apply to the subsidiary AP Reti Gas Nord Est S.r.l. also in consideration of its size and plants managed. The Regulatory Authority for Energy, Networks and the Environment (ARERA) has not modified the objectives previously assigned for the 2020 financial year, leaving the amount of certificates that derives from the plants managed by the new company to the transferor. Pursuant to the agreements between the parties involved in the commercial partnership between the Ascopiave Group and the Hera Group, the objectives for 2020 are attributable to the newly established company AP Reti Gas Nord Est S.r.l. which manages the plants and which consequently has allocated a provision for risks representative of the probable charges that the company will incur in relation to the finding and purchase of the certificates needed to fulfil its part of the objective, during 2021, and their transfer to AcegasApsAmga S.p.A.. The provision recorded represents the entire quantity related to the year 2020, estimated at 45,537 certificates.

The increase recorded in the item "other costs", from Euro 656 thousand to Euro 865 thousand in the reference period, is mainly explained by the donations made by the parent company Ascopiave S.p.A. in favour of the Veneto Region for the management of the Covid-19 health emergency.

32. Other operating revenues

The following table shows a breakdown of other operating income in the periods considered:

(Thousands of Euro)	Full Year	
	2020	2019
Other income	109	1,479
Other income	109	1,479

At the end of the period considered, the item “other operating revenues” shows a decrease of Euro 1,370 thousand, from Euro 1,479 thousand as of 31st December 2019, to Euro 109 thousand in the reference period. In the previous period the item included the surplus value connected with the settlement agreement signed with the municipality of Costabissara concerning the value of the sale of the distribution facilities.

33. Amortisation, depreciation and write-downs

Amortisation and depreciation for the relevant periods are analysed in the following table:

(Thousands of Euro)	Full Year	
	2020	2019
Intangible fixed assets	31,742	21,145
Tangible fixed assets	1,948	1,967
Impairment losses and reversals assets	392	275
Amortization and depreciation	34,465	23,325

Amortisation and depreciation show an increase compared to the previous year of Euro 11,140 thousand, from Euro 23,325 thousand as of 31st December 2019, to Euro 34,465 thousand in the reference period.

The increase is mainly explained by the extension of the scope of consolidation which resulted in the recognition of amortisation and depreciation of AP Reti Gas Nord Est S.r.l. and the facilities previously managed by Unigas Distribuzione S.r.l., merged through acquisition on 1st July 2019.

Financial income and expense

34. Financial income and expense

The following table shows a breakdown of financial income and expenses in the periods considered:

(Thousands of Euro)	Full Year	
	2020	2019
Interest income on bank and post office accounts	1	68
Other interest income	67	75
Distribution of dividends from controlled companies	3,489	0
Financial income	3,558	142
Interest expense on banks	180	131
Interest expense on loans	1,363	944
Other financial expenses	169	184
Financial charges	1,711	1,259
Profit / (loss) of companies measured using the equity method	18,310	
Result quota from jointly controlled companies		648
Evaluation of subsidiary companies with the net equity method	18,310	648
Total net financial expenses	20,157	(468)

At the end of the year, the balance between financial income and expenses showed a gain of Euro 1,847 thousand, an increase as compared to the previous year of Euro 2,964 thousand at the end of which it showed a negative balance of Euro 1,117 thousand. The change is mainly explained by the dividends received from the stakes held in HERA COMM S.p.A. for Euro 2,700 thousand and ACSM - AGAM S.p.A. for Euro 789 thousand.

The items “other interest income” and “other expenses”, net of dividends received, show a decrease of Euro 73 thousand and an increase of Euro 452 thousand respectively. The increase in financial charges is mainly explained by the interest accrued on the loans that the Parent Company took out during the reference period.

The item “Result quota from jointly controlled companies” does not show balances in 2020, while it recorded a balance equal to Euro 648 thousand, at the end of the same period in the previous year. The item included the operating results achieved by Unigas Distribuzione S.r.l. as of 30th June 2019. On 1st July 2019 the company was merged through acquisition resolved by the Shareholders of the companies and consequently, commencing that date, the items that made up this net change are fully recognised in the consolidated financial statements of the Group.

The item “profit / (loss) of companies measured using the equity method” includes the consolidated profits achieved by the associate Estenergy S.p.A., a company in which the Ascopiave Group holds a 48% stake subsequent to the completion of the business partnership with the Hera Group on 19th December 2019. At the end of the period in question, the consolidated results of the associate showed profits amounting to Euro 18,310 thousand.

Taxes

35. Taxes in the reference period

The table below shows the breakdown of income taxes over the periods considered, distinguishing the current component from the deferred and advance ones:

(Thousands of Euro)	Full Year	
	2020	2019
IRES current taxes	8,050	6,815
IRAP current taxes	1,407	1,150
(Advance)/Deferred taxes	(19,725)	(1,223)
Substitute tax	1,568	
Taxes previous years	(693)	(115)
Taxes for the period	(9,394)	6,626

Taxes accrued decreased from Euro 6,626 thousand in the previous year to a positive balance of Euro 9,394 thousand in the reference period, recording a decrease of Euro 16,019 thousand.

The change is mainly explained by the non-recurring variations in receivables and payables for temporary tax differences recognised at the end of the year. Normalising these effects, which will be described below, the taxes for the year are equal to Euro 6,254 thousand, down Euro 372 thousand.

The change recorded in receivables and payables for temporary tax differences is mainly explained by the effects deriving from the tax relief on the revaluations of fixed assets and goodwill as well as the realignment of tax values to civil values performed by some Group companies; therefore, please consult the paragraph "Significant events in FY 2020" herein for more information. These operations resulted in: the recognition in the income statement of the substitute tax that will be paid to the tax authorities in accordance with the decree (Euro 1,568 thousand) and the registration of the deferred tax assets related to the increase in depreciation and amortisation that these companies will be able to deduct in future years, determining a positive effect equal to Euro 8,806 thousand. Similarly, the realignment of tax values resulted in the cancellation, for Euro 8,410 thousand, of the payables recorded for deferred taxes on these temporary differences. The overall positive net effect on the tax item is consequently equal to Euro 15,648 thousand.

The table below shows the incidence of tax on the result before tax for the periods considered:

(Thousands of Euro)	Full Year	
	2020	2019
Earnings before tax	49,308	21,105
Taxes for the period	9,394	(6,626)
Percentage of income before taxes	(19.1%)	31.4%

The tax-rate as of 31st December 2020 is -19.1% compared to 31.4% in the previous year. The change is mainly explained by the significant variation in the results achieved by the companies measured with the equity method, changed in relation to the different structure of the Group during the years under comparison, and by the non-recurring effects of receivables and payables for temporary tax differences.

The tax rate normalised of this effect is 22.7%, down 9.7% compared to 32.4% in 2019.

The item was also affected by the positive effects deriving from the decrees issued due to Covid-19 which entailed a decrease in the tax burden.

Net result of divested companies

The following table shows the details of the net result of the divested companies in the periods considered:



(Thousands of Euro)	Full Year	
	2020	2019
Net result from transfer/disposal of assets		478,737
Net result from transfer/disposal of assets		478,737

The item highlights the result achieved by the divested companies at the end of the previous year and reclassified pursuant to IFRS 5 due to the partnership with the Hera Group finalised on 19th December 2019. The item included the gross capital gain generated by the sale of the investments in the companies involved in the partnership, and the costs incurred for the completion of the transaction, accompanied by the related tax effect. This effect was further influenced by the results achieved by the sales companies at that date, and by the dividends that they distributed to the parent company Ascopiave S.p.A. in May 2019.

Non-recurrent components

Pursuant to CONSOB communication no. 15519/2005, we announce that no non-recurrent economic components exist in the financial report as of 31st December 2020.

Transactions deriving from unusual and/or atypical operations

Pursuant to CONSOB communication N. DEM/6064296 dated 28th July 2006, we report that during 2020 no unusual and/or atypical operations occurred.

OTHER COMMENTS ON THE ANNUAL FINANCIAL REPORT AS OF 31ST DECEMBER 2020

Business combinations

On 1st July 2020, for the company Unigas Distribuzione S.r.l., one year passed since the completion of the business combination conducted with the aforementioned company. Since the terms stated in IFRS 3 have elapsed, the originally consolidated book values are now final.

On 19th December 2020, one year passed since the completion of the business combination conducted with the Hera Group which resulted in the incorporation of the largest operator in the energy sector in Northern and Eastern Italy, with over one million customers, and the simultaneous reorganisation of the respective gas distribution activities. Since the terms stated in IFRS 3 have elapsed, the originally consolidated book values are now final.

Ascopiave goes into integrated urban water management and acquires 100% of the share capital of Cart Acqua S.r.l.

On 18th December 2020, with the purchase of 100% of the share capital of Cart Acqua S.r.l., Ascopiave completed its first investment in integrated urban water management.

Cart Acqua S.r.l., in addition to being directly operational in the water sector, within which it provides technical services, also holds an 18.33% stake in the share capital of Cogeide S.p.A., a company that operates under the “safeguard scheme” in integrated urban water management in 15 Municipalities of the Province of Bergamo.

The purchase was financially settled for an amount equal to Euro 8,000 thousand.

The business combination was provisionally recognised as of 31st December 2020 in accordance with the international accounting standard IFRS 3.62.

Values recorded at 31 december 2020

	Accounting value	IFRS Effects	Higher values allocated to the distribution network	Fair value at the acquisition date
(Thousands of Euro)				
Other intangible assets	5			5
Tangible assets	36			36
Shareholdings	3,666		4,140	7,806
Non-current assets	3,706	0	4,140	7,846
Trade receivables	48			48
Other current assets	69			69
Tax receivables	14			14
Cash and cash equivalents	203			203
Total current assets	333	0	0	333
Totale assets	4,040	0	4,140	8,180
Severance indemnity	49			49
Total non-current liabilities	49	0	0	49
Trade payables	87			87
Other current liabilities	44			44
Total current liabilities	131	0	0	131
Total liabilities	180	0	0	180
Total Assets/liabilities of the acquired company	3,860	0	4	8,000
Goodwill arising from the acquisition				203
Total cost of acquisition				7,797
Cash flow of the entity				203
Payments				8,000
Cash flow absorbed by the acquisition				7,797

Commitments and risks

Guarantees given

As of 31st December 2020, the Group provided the following guarantees:

Guarantees to companies within the consolidation area:

(Thousands of Euro)	31.12.2020	31.12.2019
Guarantees on credit lines (letter of comfort)	5,849	3,849
On execution of works (letter of comfort)	1,623	1,292
On UTF offices and regions for taxes on gas (letter of comfort)	0	150
On distribution concession (letter of comfort)	6,485	3,390
On purchase/sale of shares (letter of comfort)	500	500
On agreements for transport of gas (letter of comfort)	0	675
On participation in the tender	75	75
Total	14,533	9,931

Guarantees issued by Ascopiave S.p.A. in favour of the sales companies involved in the business partnership:

(Thousands of Euro)	31.12.2020	31.12.2019
On credit lines	34,799	41,882
Patronage on derivative financial instruments	23,400	23,400
Patronage of electricity agreements	3,000	0
Guarantees on credit lines (letter of comfort)	0	102
On agreements for transport of gas (letter of comfort)	1,850	2,510
On agreements for transport of electricity (letter of comfort)	0	104
On agreements for transport of gas (letter of comfort)	0	2,852
On agreements for transport of electricity (letter of comfort)	0	14,700
On purchase of gas agreements (letter of comfort)	0	126
Totale	63,049	85,676

The letters of comfort on lines of credit and gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l. in liquidation, a stake sold to the Hera Group, amount as of 31st December 2020 to Euro 23,799 thousand, down Euro 1,533 thousand compared to 31st December 2019.

Risk and uncertainty factors

Information on agreements not disclosed in the balance sheet

Pursuant to art. 2427, first paragraph, point 22-ter, Italian Civil Code, introduced by Legislative Decree 173 on 23rd November 2008, please note that the company has not entered into agreements not disclosed in the balance sheet.

Management of financial risk: objectives and criteria

The operations of the Group are mainly financed through short-term and medium/long-term bank loans, lease contracts with the possibility of purchase and short-term bank deposits at sight and short-term. The recourse to such forms of financing, which are in part at variable rates, exposes the Group to the risk connected with the fluctuation of interest tax rate, that successively determine possible variations in financial costs.

Operations expose the Group to the possibility of receivable risks with the counterparties.

The Group, furthermore, is subject to liquidity risks because the available financial resources may not be sufficient to meet its financial obligations, in the terms and deadlines forecast.

The Board of Directors re-examines and agrees the policies for risk management, described hereinafter.

Interest rate risk



The Group manages its liquidity needs both through temporary credit lines and short-term loans at variable rates which, due to their continuous fluctuation, do not make it easy to hedge against interest rate risk, and through medium/long-term loans with fixed and variable rates.

The medium-long term loans managed by the Group, with variable and fixed rates, have a residual debt as of 31st December 2020 of Euro 236,023 thousand and due dates between 1st January 2021 and 28th February 2030.

Medium and long term loans at variable rate envisage reimbursement between 2020 and 2025, and as of 31st December 2020 had a residual balance of Euro 147,750 thousand (Euro 81,500 thousand as of 31st December 2019), of which Euro 131,000 thousand hedged by a financial derivative instrument, and therefore with neutralised interest rate risk.

As of 31st December 2020, the derivative instruments to hedge against the risk of changes in interest rates, relating to the loans taken out with BNL, Crédit Agricole - Friuladria, Intesa Sanpaolo and Mediobanca, detailed in paragraph no. "Current liabilities on derivative financial instruments", and whose mark to market is negative for Euro 548 thousand, are effective.

The loans with BNL, Cassa Centrale Banca, Intesa Sanpaolo and UBI Banca are not exposed to interest rate risks, as they envisage the application of a fixed rate, with a residual debt at the end of the year of Euro 88,273 thousand.

The loans above are subjected to financial covenants which were respected at the reporting date.

Please refer to Paragraph no. 17 "Medium and Long Term Loans" for additional details.

Sensitivity analysis of the interest rate risk

The following table shows the impacts on the Group's Pre-tax result of the possible variations in interest rates in a reasonably possible interval.

(Thousands of Euro)	March	June	September	December	
Net Financial Position 2020	(218,171)	(297,043)	(316,741)	(338,752)	
Borrowing rates of interest	0.05%	0.00%	0.00%	0.00%	
Lending rates of interest	0.31%	0.33%	0.34%	0.32%	
Borrowing rate of interest plus 200 basis points	2.05%	2.00%	2.00%	2.00%	
Lending rates of interest plus 200 basis points	2.31%	2.33%	2.34%	2.32%	
Borrowing rate of interest reduced of 50 basis points	0.00%	0.00%	0.00%	0.00%	
Lending rates of interest reduced of 50 basis points	0.00%	0.00%	0.00%	0.00%	
Net Financial Position recalculated with the increase of 200 basis points	(219,259)	(298,524)	(318,338)	(340,460)	
Net Financial Position recalculated with decrease of 50 basis points	(217,899)	(296,673)	(316,342)	(338,325)	Total
Effect on pre-tax result of the increase of 200 basis points	(1,088)	(1,481)	(1,597)	(1,708)	(5,873)
Effect on pre-tax result of the decrease of 50 basis points	272	370	399	427	1,468

The sensitivity analysis, obtained by simulating a variation on interest tax rates applied on the credit lines of the Group equal to 50 basis points in decrease (with a minimum limit of zero basis points) and 200 basis points in increase, maintaining unchanged all the other variables, leads to an estimation of an effect on the result before taxes which is negative for Euro 5,873 thousand or positive for Euro 1,468 thousand.

Receivable risk

Because of the sale of the equity investments in the gas and electricity sales business, the Group's operating activity is no longer exposed to credit risks caused by the failure to fulfil commercial obligations by the end customers.

The Group provides its business services to a limited number of players in the gas sector; if compensation for such services is not received or overdue, this could negatively affect the economic results and the financial balance, but credit protection is supported by the application of the guarantee mechanisms set forth in the Grid Code.

Liquidity risk

The liquidity risk consists in the lack of available and sufficient financial resources in order to meet the Group's financial obligations, in the forecast terms and deadlines, due to the impossibility of raising new funds or selling assets on the market, affecting the income statement if the Group is forced to incur additional costs to meet its obligations, or in case of insolvency entailing risks for the business.

The Group constantly aims at highest balance and flexibility of financing sources and uses, minimising that risk. The two main factors influencing Group liquidity are on the one hand the resources generated or absorbed by operations

or investments, on the other hand the debt expiry characteristics and renewal.

Specific risks of the business sectors in which the Group operates

Regulations

The activities performed by the Ascopiave Group in the gas sector are subject to regulations. Directives and regulatory measures adopted in the European Union and by the Italian Government, as well as the resolutions of the Regulatory Authority for Energy, Networks and the Environment, can have a significant impact on the operations, the operating results and the financial balance. Future changes in the regulatory policy adopted by the European Union or at the national level could have unexpected effects on the regulatory reference framework and, consequently, on the activity and results of the Group.

Public grants received

With reference to the changes introduced by Law no. 124 dated 4th August 2017 “Annual competition act”, art. 1 par. 125-129, the following contributions were received from Public entities in 2019, mainly concerning works on user connections and the natural gas distribution network.

Grantor Entities			
Beneficiary institution	Name / Company name	Type of operation	Amount (Euro)
AP RETI GAS Nord Est S.r.l.	COMUNE DI VARMO	interventions on gas derivations	340
AP RETI GAS Nord Est S.r.l.	PROVINCIA DI PADOVA	gas distribution network	3,249
AP RETI GAS Nord Est S.r.l.	COMUNE DI VIVARO	interventions on gas derivations	1,461
AP RETI GAS Nord Est S.r.l.	COMUNE DI PADOVA	gas distribution network	49,000
AP RETI GAS S.p.A.	COMUNE DI MASERADA SUL PIAVE	interventions on gas derivations	1,674
AP RETI GAS S.p.A.	COMUNE DI CHIONS	gas distribution network	7,158
AP RETI GAS S.p.A.	COMUNE DI CUNARDO	interventions on gas derivations	785
AP RETI GAS S.p.A.	COMUNE DI PONTE DI PIAVE	interventions on gas derivations	587
AP RETI GAS S.p.A.	COMUNE DI CASTELLO DI GODEGO	interventions on gas derivations	6,886
AP RETI GAS S.p.A.	COMUNE DI FONTE	interventions on gas derivations	1,639
AP RETI GAS S.p.A.	COMUNE DI SESTO AL REGHENA	interventions on gas derivations	1,185
AP RETI GAS S.p.A.	COMUNE DI CAMPOSAMPIERO	interventions on gas derivations	2,565
AP RETI GAS S.p.A.	COMUNE DI TORRE DI MOSTO	gas distribution network	19,410
AP RETI GAS S.p.A.	COMUNE DI SARMATO	interventions on gas derivations	2,617
AP RETI GAS S.p.A.	COMUNE DI CUNARDO	interventions on gas derivations	1,127
AP RETI GAS S.p.A.	PROVINCIA DI TREVISO	interventions on gas derivations	2,287
AP RETI GAS S.p.A.	COMUNE DI MAROSTICA	interventions on gas derivations	595
AP RETI GAS S.p.A.	COMUNE DI MONTECCHIO PRECALCIN	interventions on gas derivations	503
AP RETI GAS S.p.A.	COMUNE DI BORSO DEL GRAPPA	interventions on gas derivations	461
AP RETI GAS S.p.A.	COMUNE DI MANSUE'	interventions on gas derivations	1,386
AP RETI GAS S.p.A.	COMUNE DI CUGLIATE FABIASCO	interventions on gas derivations	2,300
AP RETI GAS S.p.A.	COMUNE DI FERRERA DI VARESE	interventions on gas derivations	3,970
AP RETI GAS S.p.A.	COMUNE DI SAN VENDEMIANO	interventions on gas derivations	1,415
AP RETI GAS S.p.A.	COMUNE DI PONTE DI PIAVE	interventions on gas derivations	1,219
EDIGAS ESERCIZIO DISTRIBUZIONE GAS S.p.A.	COMUNE DI ALBENGA	interventions on gas derivations	4,249
EDIGAS ESERCIZIO DISTRIBUZIONE GAS S.p.A.	COMUNE DI CARISIO	gas distribution network	5,650
EDIGAS ESERCIZIO DISTRIBUZIONE GAS S.p.A.	COMUNE DI ALBENGA	gas distribution network	17,948
AP RETI GAS VICENZA S.p.A.	COMUNE DI COSTABISSARA	interventions on gas derivations	3,099
AP RETI GAS ROVIGO S.R.L.	COMUNE DI ROVIGO	gas distribution network	22,540

Management of Capital

The primary objective of the management of the Group's capital is to guarantee that a solid credit rating is maintained, as well as suitable levels of the capital indicator. The Group can adapt the dividends paid to shareholders, reimburse capital or issue new shares.

The Group checks its capital by means of a debt/capital ratio.

The Group includes financial charges and other payables in its net debt, net of liquid funds and equivalents.

(Thousands of Euro)	31.12.2020	31.12.2019
Financial position in the short term	144,111	79,935
financial position in the medium-long term	194,336	133,046
Financial gross debt	338,447	212,981
Share capital	234,412	234,412
Own shares	(55,628)	(26,774)
Reserves	616,418	172,638
Undistributed net profit	58,701	493,216
Total Net equity	853,903	873,492
Total capital and gross debt	1,192,350	1,086,474
Debt/Net assets ratio	0.40	0.24

The debt/net equity ratio as of 31st December 2020 is 0.40, a worsening as compared to 31st December 2019, when it amounted to 0.24.

The trend of this indicator is related to the combined effect of the change in the Net financial position, which worsened by Euro 125,771 thousand in 2020, and the Shareholders' equity, which decreased by Euro 33,863 thousand, changes due in part to the distribution of dividends and investments made during the period and in part to the normal flow of operations.

Representation of financial assets and liabilities by category

The breakdown of financial assets and liabilities by categories and their fair value (IFRS 13) as of 31st December 2020 and as of 31st December 2019 is as follows:

(Thousands of Euro)	31.12.2020					Fair value
	A	B	C	D	Total	
Other non-current assets			3,191		3,191	3,191
Non current financial assets			2,226		2,226	2,226
Trade receivables and Other current assets			104,519		104,519	104,519
Current financial assets			798		798	798
Cash and cash equivalents			21,902		21,902	21,902
Medium- and long-term bank loans				195,999	195,999	195,999
Other non-current liabilities				823	823	823
Non-current financial liabilities				563	563	563
Payables due to banks and financing institutions				165,747	165,747	165,747
Trade payables and Other current liabilities				91,780	91,780	91,780
Current financial liabilities				1,065	1,065	1,065
Current liabilities from derivative financial instruments		548			548	548

(Thousands of Euro)	31.12.2019					Fair value
	A	B	C	D	Total	
Other non-current assets			2,326		2,326	2,326
Trade receivables and Other current assets			85,001		85,001	85,001
Current financial assets			6,993		6,993	6,993
Cash and cash equivalents			67,031		67,031	67,031
Medium- and long-term bank loans				135,083	135,083	135,083
Other non-current liabilities				7,900	7,900	7,900
Non-current financial liabilities				441	441	441
Payables due to banks and financing institutions				136,803	136,803	136,803
Trade payables and Other current liabilities				76,652	76,652	76,652
Current financial liabilities				17,156	17,156	17,156
Current liabilities from derivative financial instruments		98			98	98

Legend

- A - Assets and liabilities at fair value directly recognised in the Profit and Loss Account
- B - Assets and liabilities at fair value directly recognised in Equity (including hedging derivatives)
- C - Assets for granted loans and receivables (including cash equivalents)
- D - Financial liabilities recognised at amortised cost

Remuneration of Auditing Company

Pursuant to Art. 149-duodecies of Consob Issuers' Regulation, hereby a full overview of remuneration of the Auditing Company for 2020 is provided. Payment includes both the auditing service and additional services as well.

Type of services	Entity providing the service	Recipient	Fees (Thousand of Euro)
Audit	PricewaterhouseCoopers S.p.A	Ascopiave S.p.A.	107
	PricewaterhouseCoopers S.p.A	Controlled companies	108
Audit and other services	PricewaterhouseCoopers S.p.A	Ascopiave S.p.A.	7
	PricewaterhouseCoopers S.p.A	Controlled companies	29
Other services	PricewaterhouseCoopers S.p.A	Ascopiave S.p.A.	103
	PricewaterhouseCoopers S.p.A	Controlled companies	0
Total			355

Business segment reporting

The sector information is provided with reference to the business sectors in which the Group operates. Business sectors are identified as primary segments of activities. The criteria used for identifying the activity segments have been inspired by the methods whereby management runs the Group and assigns managerial responsibilities.

Based on the information required by the IFRS 8 “Business Segment Reporting, Operative segments”, the company has identified as segments to be reported the activities of gas distribution and other. Specifically, the segment “Other” includes the cogeneration and heat supply activity and the parent company.

Information for geographic sectors is not provided, since the Group does not have any business activity outside of the national territory.

The following tables show the information on revenues concerning the business segments of the Group in 2020 and 2019.

Financial year 2020 (Thousand of Euro)	Gas distribution	other	31.12.2020 New entities Value	Elisions	Total
Net revenues of third-party customers	131,526	7,156	25,214		163,896
Intra-group revenues among the segments	3,185	33,808	448	(37,442)	0
Segment revenues	134,711	40,965	25,662	(37,442)	163,896
Operating result before amortization	52,998	(6,033)	16,651		63,616
Ammortization	23,313	1,962	9,190		34,465
Operating result	29,685	(7,995)	7,460		29,151
Result before taxes	29,517	12,335	7,456		49,308
Assets	530,342	555,055	202,560	75,149	1,363,106
Liabilities	(97,655)	(316,317)	(20,082)	(75,149)	(509,203)

Financial year 2019 (Thousand of Euro)	Gas distribution	other	31.12.2019 New entities Value	Elision	Total
Net revenues of third-party customers	116,932	7,979	0		124,911
Intra-group revenues among the segments	2,308	4,804	0	(7,112)	(0)
Segment revenues	119,239	12,783	0	(7,112)	124,911
Operating result before amortization	48,311	(3,413)	0		44,898
Ammortization	21,773	1,552	0		23,325
Operating result	26,538	(4,965)	0		21,573
Result before taxes	26,211	(5,106)	0		21,105
Assets	762,857	590,768	0	(55,341)	1,298,283
Liabilities	(133,965)	(346,167)	0	55,341	(424,791)

Earnings per share

As required by the IAS 33 accounting standard, the following information is provided about the calculation of basic and diluted earnings per share.

The basic earnings per share are calculated by dividing the net income for the period attributable to the Company's shareholders by the number of shares, net of own shares.

For the purposes of calculating the profit per base share, the numbering used the financial result of the period less the share attributable to third parties.

There are no preference dividends, conversions of preferred shares or similar effects that would adjust the results attributable to the holders of ordinary shares in the Company.

Diluted profit per share is equal to that per share in that ordinary shares that could have a dilutive effect do not exist and no shares or warrants exist that could have the same effect.

The result and the number of ordinary shares used to calculate base earning per share, identified according to the method set out in IAS 33 are reported below:

(Thousands of Euro)	Amount at 31st December 2020	Amount at 31st December 2019
Net profit attributable to parent company shareholders	58,701	493,216,000
Weighted average number of ordinary share including own shares, for the purpose of earnings per share	234,411,575	234,411,575
Weighted average number of own share	12,274,075	11,076,867
Weighted average number of ordinary share excluding own share, for the purpose of net income per share	222,137,500	223,334,708
Earning per share (in Euro)	0.264	2.208

Transactions with related parties

The transactions with related parties in the financial period considered are detailed in the following table:

(Thousands of Euro)	Trade receivables	Other receivables	Trade payables	Other payables	Cost			Revenues		
					Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
Asco Holding S.p.A.	19		34	0	0	27	0	0	65	0
Total parent company	19	0	34	0	0	27	0	0	65	0
<i>Affiliated companies</i>										
Asco TLC S.p.A.	30	0	59	0	0	747	0	0	61	0
Bim Piave Nuove Energie S.r.l.	210	0	13	0	0	23	0	0	307	0
Total affiliated companies	240	0	72	0	0	770	0	0	368	0
<i>Transfer/disposal assets and subsidiary companies</i>										
<i>Amgas Blu S.r.l.</i>										
Estenergy S.p.A.	2,042	0	0	0	0	0	0	0	14,350	0
Ascotrade S.p.A.	5,029	0	81	0	0	0	0	0	43,760	0
Blue Meta S.p.A.	1,480	0	39	0	0	90	0	0	13,027	0
Etra Energia S.r.l.	106	0	0	0	0	0	0	0	477	0
Ascopiave Energie S.p.A.	1,034	0	83	0	0	95	0	0	8,638	0
ASM Set S.r.l.	511	0	107	0	0	93	0	0	3,593	0
Total Transfer/disposal assets and subsidiary compan	10,202	0	310	0	0	278	0	0	83,845	0
Total	10,460	0	416	0	0	1,075	0	0	84,278	0

Relationships deriving from the tax consolidation with Asco Holding S.p.A.:

Ascopiave S.p.A., AP Reti Gas S.p.A., AP Reti Gas Rovigo S.r.l., Edigas Esercizio Distribuzione Gas S.p.A. and Asco Energy S.p.A. had joined the consolidation of tax relations held by the Parent company Asco Holding S.p.A.. The tax consolidation ceased due to the change of the reporting date of the latter, which no longer coincides with 31st December. Consequently, the current assets and liabilities refer only to previous positions.

Relationships deriving from the tax consolidation with Ascopiave S.p.A.:

During the year, the companies AP Reti Gas S.p.A., AP Reti Gas Rovigo S.r.l., Edigas Esercizio Distribuzione Gas S.p.A., AP Reti Gas Vicenza S.p.A. and Asco Energy S.p.A. joined the national tax consolidation with the parent company Ascopiave S.p.A.. The contract is valid for three years and is effective commencing the 2019 tax year.

As concerns parent companies

The revenues recorded vis-à-vis the parent company Asco Holding S.p.A. pertain to administration, treasury management and staff services.

As concerns subsidiaries of the parent company

Costs for services to the associate Asco TLC S.p.A. refer to a rental fee for the servers. Revenues for the aforementioned subsidiary derive from service contracts signed between the parties.

As regards affiliates:

- with Estenergy S.p.A.:
 - o Trade receivables refer to the natural gas transportation service on the distribution network recorded by AP Reti Gas Nord Est S.r.l.;
 - o Revenues for services are connected to revenues for gas transportation and distribution services recorded by AP Reti Gas Nord Est S.r.l.;
- with Ascotrade S.p.A.:
 - o Trade receivables refer to the natural gas transportation service on the distribution network recorded by AP Reti Gas S.p.A. and administrative, IT, personnel and facility services provided by Ascopiave S.p.A.;
 - o Trade payables relate to natural gas and electricity supplies incurred by Ascopiave S.p.A. and AP Reti Gas S.p.A.;
 - o Costs for goods concern the purchase of gas and electricity incurred by AP Reti Gas S.p.A. and Ascopiave S.p.A.;
 - o Revenues for services are connected to revenues for gas transportation and distribution services

recorded by AP Reti Gas S.p.A. and administrative, IT, personnel and facility services provided by Ascopiave S.p.A.;

- Other revenues relate to interest accrued on the intragroup current account with Ascopiave S.p.A..

- with Blue Meta S.p.A.:

- Trade receivables refer to the natural gas transportation service on the distribution network with Edigas Distribuzione Gas S.p.A. and administrative, IT, personnel and facility services provided by Ascopiave S.p.A.;
- Trade payables relate to natural gas and electricity supplies incurred by Edigas Distribuzione Gas S.p.A.;
- Costs for goods concern the purchase of gas and electricity incurred by Edigas Distribuzione Gas S.p.A.;
- Other costs relate to interest payable on the intragroup current account with Ascopiave S.p.A.;
- Revenues for services are connected to revenues for gas transportation and distribution services recorded by Edigas Distribuzione Gas S.p.A. and administrative, IT, personnel and facility services provided by Ascopiave S.p.A.;

- with Etra Energia S.r.l.:

- Trade receivables refer to the natural gas transportation service on the distribution network recorded by AP Reti Gas S.p.A. and administrative, IT, personnel and facility services provided by Ascopiave S.p.A.;
- Other costs relate to interest payable on the intragroup current account with Ascopiave S.p.A.;
- Revenues for services are connected to revenues for gas transportation and distribution services with AP Reti Gas S.p.A. and AP Reti Gas Vicenza S.p.A. and administrative, IT, personnel and facility services provided by Ascopiave S.p.A.;

- with Ascopiave Energie S.p.A.:

- Trade receivables refer to the natural gas transportation service on the distribution network with AP Reti Gas S.p.A. and AP Reti Gas Vicenza S.p.A. and administrative, IT, personnel and facility services provided by Ascopiave S.p.A.;
- Trade payables relate to supplies of natural gas and electricity with Ascopiave S.p.A. and AP Reti Gas S.p.A.;
- Costs for goods concern the purchase of gas and electricity incurred by AP Reti Gas S.p.A. and Ascopiave S.p.A.;
- Revenues for services are connected to revenues for gas transportation and distribution services with AP Reti Gas S.p.A. and AP Reti Gas Vicenza S.p.A. and administrative, IT, personnel and facility services provided by Ascopiave S.p.A.;

- with ASM Set S.r.l.:

- Costs for goods are related to the purchase of gas with AP Reti Gas Rovigo S.r.l.;
- Costs for services refer to administrative services provided to Ascopiave S.p.A.;
- Revenues for services are connected to revenues for gas transportation and distribution services with AP Reti Gas Rovigo S.r.l.;

The letters of comfort on lines of credit and on gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l in liquidation amount as of 31st December 2020 to Euro 23,999 thousand (Euro 25,332 thousand as of 31st December 2019).

Furthermore:

- the economic relations between the companies of the Group and subsidiaries and associates occur at market prices and are eliminated in the process of consolidation;
- the operations set up by the companies of the Group with related parties are part of normal management activity and are regulated at market prices;
- with reference to the provisions of art. 150, paragraph 1 of Italian Legislative Decree no. 58 of 24th February 1998, no operations have been carried out that could potentially represent a conflict of interest with companies of the Group, by members of the Board of Directors.

On 24th November 2010, the Board of Directors approved a procedure for operations with related parties (the “Procedure”). Said Procedure disciplines the operations with related parties by the Company, directly or by proxy of subsidiary companies, as set forth by Art. 2391-*bis* of the Italian Civil Code pursuant to the National Commission for Publicly Traded Companies (CONSOB) Decision no. 17221 dated 12th March 2010 and subsequent modifications.

The Procedure was implemented on 1st January 2011 and took the place of the previous regulation regarding the issue of operation with related parties, approved by the Board of Directors of the Company on 11th September 2006 (and following modifications).

For the contents of the Procedure, please refer to the document, available online on the Company website at the following URL: <http://www.gruppoascopiave.it/wp-content/uploads/2015/01/Procedura-per-le-operazioni-con-parti-correlate-GruppoAscopiave-20101124.pdf>.

In order to implement correctly the Procedure, a periodic map of all the so-called Related Parties is drafted, to delimit and apply to them the control provisions and the contents of the document. Company Directors are required to declare, when applicable, possible conflicts of interest in the performance of the afore-mentioned transactions.

Financial statements representation pursuant to Consob resolution 15519/2006

Please find below the Financial statements representation showing the effects of the transactions with related parties pursuant to Consob resolution no. 15519 dated 27th July 2006:

Consolidated assets and liabilities statement

(Thousands of Euro)	31.12.2020	Of which related parties						31.12.2019	Of which related parties						
		A	B	C	D	Total	%		A	B	C	D	Total	%	
ASSETS															
Non-current assets															
Goodwill	49,272							47,914							
Other intangible assets	577,413							567,194							
Tangible assets	33,443							34,694							
Shareholdings in Controlled and Affiliated companies	436,805			436,805		436,805	100.0%	395,943		395,943			395,943	100.0%	
Shareholdings in other companies	78,925							54,002							
Other non-current assets	4,154							3,296							
Non current financial assets	2,226							2,478							
Advance tax receivables	30,122							19,390							
Non-current assets	1,212,359			436,805		436,805	36.0%	1,124,910		395,943			395,943	35.2%	
Current assets															
Inventories	14,912							8,132							
Trade receivables	33,587	19	240	10,202		10,461	31.1%	43,124	10	19	23,595		23,624	54.8%	
Other current assets	75,964	612				612	0.8%	46,830	646				646	1.4%	
Current financial assets	798							6,993			6,195		6,195	88.6%	
Tax receivables	3,583							1,263							
Cash and cash equivalents	21,902							67,031							
								0							
Current assets	150,747	631	240	10,202		11,073	7.3%	173,373	656	19	29,790		30,465	17.6%	
ASSETS	1,363,106	631	240	447,007		447,877	32.9%	1,298,283	656	19	425,733		426,408	32.8%	
Net equity and liabilities															
Total Net equity															
Share capital	234,412							234,412							
Own shares	(55,628)							(26,774)							
Reserves	675,119							665,854							
Net equity of the Group	853,903							873,492							
Net equity of Others	0							0							
Total Net equity	853,903							873,492							
Non-current liabilities															
Provisions for risks and charges	2,412							1,344							
Severance indemnity	4,770							4,931							
Medium- and long-term bank loans	195,999							135,083							
Other non-current liabilities	26,905							24,553							
Non-current financial liabilities	563							441							
Deferred tax payables	12,984							22,021							
Non-current liabilities	243,632							188,374							
Current liabilities															
Payables due to banks and financing institutions	165,747							136,803							
Trade payables	66,774	34	72	310		416	0.6%	52,082	4	512			516	1.0%	
Tax payables	5,174							4,728							
Other current liabilities	26,263							25,549							
Current financial liabilities	1,065							17,156			16,204		16,204	94.5%	
Current liabilities from derivative financial instruments	548							98							
Current liabilities	265,570	34	72	310		416	0.2%	236,417	4	16,716			16,720	7.1%	
Liabilities	509,203	34	72	310		416	0.1%	424,791	4	16,716			16,720	3.9%	
Net equity and liabilities	1,363,106	34	72	310		416	0.0%	1,298,283	4	16,716			16,720	1.3%	

*in order to improve the comparability of the data shown for comparative purposes, the 2019 FY was restated by dividing the item equity investments into the two items shown: "equity investments in subsidiaries and affiliates" and "equity investments in other companies".

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties



Comprehensive consolidated income statement

(Thousands of Euro)	Full Year 2020	Of which related parties						Full Year 2019	Of which related parties					
		A	B	C	D	Total	%		A	B	C	D	Total	%
Revenues	163,896	65	368	83,631		84,064	51.3%	124,911	54	96	4,305		4,455	3.6%
Total operating costs	100,280	27	770	278	2,153	3,228	3.2%	80,013		663		1,573	2,236	2.8%
Purchase costs for raw material (gas)								1,358						
Purchase costs for other raw materials	1,782													
Costs for services	36,776	27	770	278	1,682	2,757	7.5%	31,732	663		930	1,593	5.0%	
Costs for personnel	17,132				471	471	2.7%	14,500			643	643	4.4%	
- of wicht non recurrent														
Other management costs	44,700							33,902						
Other income	109							1,479						
Amortization and depreciation	34,465							23,325						
Operating result	29,151	38	(402)	83,353	(2,153)	80,837	277.3%	21,573	54	(567)	4,305	(1,573)	2,219	10.3%
Financial income	3,558				3,489	3,489	98.0%	142			2		2	1.5%
Financial charges	1,711							1,259			4		4	0.3%
Evaluation of subsidiary companies with the net equity method	18,310			18,310		18,310	100.0%	648			648		648	100.0%
Earnings before tax	49,308	38	(402)	101,663	1,336	102,635	208.2%	21,105	54	(567)	4,952	(1,573)	2,866	13.6%
Taxes for the period	9,394							6,626						
Result for the period	58,701	38	(402)	101,663	1,336	102,635	174.8%	14,479	54	567	4,952	1,573	2,866	19.8%
Net result from transfer/disposal of assets								478,737						
Net result for the period	58,701	38	(402)	101,663	1,336	102,635	174.8%	493,216	54	567	4,952	1,573	2,866	0.6%
Group's Net Result	58,701							493,216						
Third parties Net Result														
Consolidated statement of comprehensive income														
1. Components that can be reclassified to the income statement														
Fair value of derivatives, changes in the period net of tax	(398)							(98)						
Income tax relating to components of comprehensive income														
2. Components that can not be reclassified to the income statement	9													
Actuarial (losses)/gains from remeasurement on defined- benefit obligations net of tax	(1,807)							(124)						
Total comprehensive income	56,505	38						492,994						
Group's overall net result	56,505							492,994						
Third parties' overall net result														
Base income per share	0.271							2.202						
Diluted net income per share	0.271							2.202						

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties

Consolidated statement of cash flows

(Thousands of Euro)	2020	Of which related parties					Total	2019	Of which related parties					Total
		A	B	C	D	A			B	C	D			
Net income of the Group	58,701						14,479							
Cash flows generated (used) by operating activities														
Adjustments to reconcile net income to net cash														
Companies held for sale operating result	0					0	478,737						0	
Amortization	34,082					0	22,839						0	
Revaluation of assets	1,322					0	0						0	
Bad debt provisions	189					0	0						0	
Variations in severance indemnity	(109)					0	(120)						0	
Current assets / liabilities on financial instruments	52					0	0						0	
Net variation of other funds	1,068					0	(12)						0	
Evaluation of subsidiaries with the net equity method	(18,310)			(18,310)		(18,310)	0						0	
Dividends from equity investments	(3,489)					0	0						0	
Gains on disposal of investments	0					0	(472,334)						0	
Gains on disposal of investments net income discontinued assets	0					0	(35,189)						0	
Interests paid	(1,396)					0	(914)						0	
Taxes paid	(12,110)					0	(7,901)						0	
Interest expense for the year	1,594					0	1,188						0	
Taxes for the year	(9,394)					0	6,621						0	
Total adjustments	(6,500)	0	0	(18,310)	0	(18,310)	(7,085)							
Variations in assets and liabilities														
Inventories	(6,780)					0	(4,179)						0	
Accounts payable	9,396	(9)	221	13,393		13,605	(10,031)	32	44	(21,568)	0		(21,492)	
Other current assets	(29,332)	(34)	0	0	0	(34)	(2,539)	2,388	0	0	0	0	2,388	
Trade payables	14,604	34	68	(202)	0	(100)	15,854	0	(172)	(4,957)	0		(5,129)	
Other current liabilities	574				0	0	8,516	(1,523)	0	0			(1,523)	
Other non-current assets	(858)					0	1,006			7,510			7,510	
Other non-current liabilities	2,352					0	2,300						0	
Total adjustments and variations	(10,044)	(9)	289	13,191	0	13,471	10,927	897	(128)	(19,015)	0		(18,245)	
Cash flows generated (used) by operating activities	42,157	(9)	289	(5,119)	0	(4,839)	18,322	897	(128)	(19,015)	0		(18,245)	
Cash flows generated (used) by investments														
Investments in intangible assets	(43,417)					0	(33,141)						0	
Realisable value of intangible assets	0					0	867						0	
Investments in tangible assets	(1,015)					0	(2,202)						0	
Realisable value of tangible assets	0					0	35						0	
Disposal/(acquisitions) in investments and advances	0					0	616,214						0	
Investment flows for business aggregations	(68,598)		(9,358)	(33,510)	(26,730)	(69,598)	(629,489)						0	
Cash flows generated/(used) by investments	(113,029)	0	(9,358)	(33,510)	(26,730)	(69,598)	(47,716)	0	0	0	0		0	
Cash flows generated (used) by financial activities														
Net changes in debts due to other financiers	374					0	33						0	
Net changes in short-term bank borrowings	(29,840)					0	(35,370)						0	
Net variation in current financial assets and liabilities	(9,447)			10,009		10,009	(1,029)	0	0	(10,853)	0		(10,853)	
Purchase of own shares	(28,854)					0	(9,793)						0	
Ignitions loans and mortgages	336,700					0	429,000						0	
Redemptions loans and mortgages	(217,000)					0	(309,000)						0	
Dividends distributed to Ascopiave S.p.A. shareholders'	(47,442)					0	(75,163)						0	
Dividends distributed from discontinued assets	0					0	28,786						0	
Cash flows from discontinued assets / liabilities	21,254					0	2,311						0	
Cash flows generated (used) by financial activities	25,744	0	0	10,009	0	10,009	29,775			(10,853)			(10,853)	
Variations in cash	(45,128)						0						0	
Cash and cash equivalents at the beginning of the year	67,031						0						0	
Cash and cash equivalents at the beginning of the year of the Companies h	0						0						0	
Cash and cash equivalents at the end of the year	21,902						0						0	

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties



Consolidated net debt

(migliaia di Euro)	31.12.2020	Of which related parties						31.12.2019	Of which related parties						
		A	B	C	D	Total	%		A	B	C	D	Total	%	
A Cash and cash equivalents on hand	14							14							
B Bank and post office deposits	21,889							67,017							
C Securities held for trading															
D Liquid assets (A) + (B) + (C)	31,903							67,031							
E Current financial assets	798							6,993		6,195			6,195	88.6%	
F Payables due to banks	(125,723)							(106,025)							
G Current portion of medium-long-term loans	(40,024)							(30,778)							
H Current financial liabilities	(1,065)							(17,156)		(16,204)			(16,204)	94.5%	
I Current financial indebtedness (F) + (G) + (H)	(166,812)							(153,959)		(16,204)			(16,204)	10.5%	
J Net current financial indebtedness (I) - (E) - (D)	(144,110)							(79,935)		(10,009)			(10,009)	12.5%	
K Medium- and long-term bank loans	(195,999)							(135,083)							
L Non current financial assets	2,226							2,478							
M Non-current financial liabilities	(563)							(441)							
N Non-current financial indebtedness (K) + (L) + (M)	(194,336)							(133,046)							
O Net financial indebtedness (J) + (N)	(338,446)							(212,981)		(10,009)			(10,009)	4.7%	

Legend for the Related parties column heading:

A Parent companies

B Associates

C Affiliates and Jointly controlled companies

D Other related parties

The values reported in the tables above refer to the related parties listed below:

Group A - Parent companies:

- Asco Holding S.p.A.

Group B - Affiliates and Jointly controlled companies:

- Asco TLC S.p.A.

Group C - Associates:

- Estenergy S.p.A. (Group)

Group D - Other related parties:

- Board of Directors
- Auditors
- Strategic managers

Significant events subsequent to the end of 2020

The Board of Directors has approved the Ascopiave Group's 2020-2024 strategic plan.

On 15th January 2021, the Board of Directors of Ascopiave S.p.A, in a meeting chaired by Mr Nicola Ceconato, approved the 2020-2024 strategic plan of the Ascopiave Group.

The plan envisages a sustainable growth process that will improve corporate profitability while maintaining a balanced financial structure and a stable and advantageous distribution of dividends. Economic and financial highlights:

- EBITDA in 2024: Euro 87 million (+Euro 25 million compared to 2020 preliminary financial statements)
- Net profit in 2024: Euro 51 million (+Euro 11 million compared to 2020 preliminary financial statements)
- Investments in 2020-2024: Euro 497 million
- Net debt in 2024: Euro 500 million
- Financial leverage (Net financial position / Shareholder's equity) in 2024: 0.57
- Forecast of dividends distributed: 16 cents per share in 2020, with an increase of 0.5 cents per share in subsequent years until 2024.

The plan develops a scenario that leverage the tenders won by the Group, if any, for the gas distribution service. This opportunity, which depends, among other things, on the actual publication schedule of the calls for tenders, involves a further estimated growth in EBITDA of Euro 20 million by 2024 and an increase in investments of Euro 188 million.

AP Reti Gas S.p.A., a company of the Ascopiave group, was chosen by Aemme Linea Distribuzione S.r.l. and NED Reti Distribuzione Gas S.r.l. as an industrial partner for joint participation in tenders for the gas distribution service in the Milano 2 and Milano 3 Territorial Areas

On 26th February 2021, AP Reti Gas S.p.A., a company of the Ascopiave Group, was informed by Aemme Linea Distribuzione S.r.l. and NED Reti Distribuzione Gas S.r.l., state-owned companies active in the management of the gas distribution service in 20 municipalities of the province of Milan, that it was selected as an industrial partner for joint participation in each of the two future tenders for the assignment of the service in the Milano 2 and Milano 3 Territorial Areas (the "Territorial Tenders"). The company was chosen by means of a competitive procedure where AP Reti Gas submitted an economic-industrial bid (the "Tender for the Selection of the Industrial Partner").

Based on the partnership agreement with Aemme Linea Distribuzione and NED Reti Distribuzione Gas, a company will be incorporated upon winning a Territorial Tender: 51% of the share capital of such company will be held by the two state-owned companies and the remaining 49% by AP Reti Gas, with the possibility of establishing two companies at most if both Territorial Tenders are won. The governance of the companies to be incorporated will enable the Ascopiave Group to fully consolidate their accounting values.

AP Reti Gas will capitalise such companies through a capital contribution in proportion to the value of the assets that will be transferred by the state-owned partners, in addition to a premium. The values of the contributions by the state-owned partners will be commensurate with the actual reimbursement value of the plants currently managed by the same state-owned partners updated on the date of the transfer of these plants to the companies to be incorporated, net of the capital value of the loans taken out in relation to the investments made.

If the partnership obtains the management of both concessions, assigned through the Territorial Tenders in 2023, Ascopiave, on the basis of the information currently available, estimates an equity investment in both companies of approximately Euro 82 million.

In the coming months, the parties will define the details of the partnership, the shareholders' agreements and the articles of association of the companies to be established on the basis of the principles defined in the partnership agreement within 31st July 2021, a deadline that can be extended by mutual agreement between the parties but in any case soon enough to participate in the Territorial Tenders.

At present, the Ascopiave Group expects to be able to meet the financial commitments related directly and indirectly to participation in the future Territorial Tenders covered by the partnership agreement with Aemme Linea Distribuzione and NED Reti Distribuzione Gas by resorting to financial debt. The firm BonelliErede was the legal advisor of AP Reti Gas upon participating in the Tender for the Selection of the Industrial Partner.

Goals and policies of the Group



As for the natural gas distribution segment, the Group intends to enhance its portfolio of concessions, aiming at confirming its service provision in the territorial areas served, in which it boasts a significant presence, and at expanding its activities to other fields, with the goal of increasing its market share and strengthen its local leadership. As for the gas and electricity sale segment, at the end of 2019 the Group launched a business partnership with the Hera Group through joint participation in Estenergy, the parent company of a Group boasting over one million energy customers, a primary entity in Northern-Eastern Italy. Ascopiave intends to continue the partnership, while relying on the possibility of exercising the sale option on its stakes should it need to finance new investment opportunities in sectors that the Group considers more interesting, as indicated in the 2020-2024 strategic plan approved and presented to the market on 15th January 2021.

Pieve di Soligo, 11th March 2021

The Chairman of the Board of Directors
Nicola Ceconato



Ascopiave S.p.A.

ANNUAL FINANCIAL REPORT

as of 31st December 2020

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Foreword

Pursuant to the provisions set forth in Legislative Decree no. 32 dated 2nd February 2007, with which EU Directive 2003/51/EC was implemented, the Company avails itself of the possibility to draw up and prepare a single document for both the Report on Operations of the Parent Company Ascopiave S.p.A. and the Report on Consolidated Operations, to be included in the Consolidated Financial Statements.

Therefore, the Report on Consolidated Operations also contains all information relating to the financial statements of Ascopiave S.p.A., as required by article 2428 of the Italian Civil Code.

Activities performed by the Company

The Company only conducts one type of business consisting in the management of investments and the provision of services to the investees.

ASCOPIAVE S.p.A.

Statement of assets and liabilities

(Thousands of Euro)		31.12.2020	31.12.2019 *
ASSETS			
Non-current assets			
Other intangible assets	(1)	10,013	12,709
Tangible assets	(2)	26,186,921	26,927,335
Shareholdings in controlled companies	(3)	1,002,516,181	960,647,744
Shareholdings in other companies	(3)	78,923,305	54,000,528
Other non-current assets	(4)	1,264,439	1,257,361
Non current financial assets	(5)	2,225,705	2,477,651
Advance tax receivables	(6)	1,540,669	1,384,963
Non-current assets		1,112,667,232	1,046,708,290
Current assets			
Trade receivables	(7)	4,425,863	10,967,316
Other current assets	(8)	10,050,951	8,375,879
Current financial assets	(9)	46,252,984	37,471,359
Tax receivables	(10)	2,588,366	308,904
Cash and cash equivalents	(11)	20,568,118	65,743,849
Current assets		83,886,282	122,867,307
ASSETS		1,196,553,515	1,169,575,598
Net equity and liabilities			
Share capital		234,411,575	234,411,575
Own shares		(55,627,661)	(26,773,538)
Reserves		629,502,581	643,100,745
Total Net equity	(12)	808,286,495	850,738,782
Non-current liabilities			
Provisions for risks and charges	(13)	1,142,073	674,599
Severance indemnity	(14)	258,110	289,267
Medium- and long-term bank loans	(15)	195,998,756	135,082,818
Other non-current liabilities	(16)	8,800	8,800
Non-current financial liabilities	(17)	88,345	64,081
Deferred tax payables	(18)	5,588	6,094
Non-current liabilities		197,501,673	136,125,659
Current liabilities			
Payables due to banks and financing institutions	(19)	165,741,781	136,027,741
Trade payables	(20)	2,391,613	4,819,397
Tax payables	(21)		4,575,429
Other current liabilities	(22)	2,954,898	6,457,082
Current financial liabilities	(23)	19,129,522	30,733,334
Current liabilities from derivative financial instruments	(24)	547,533	98,173
Current liabilities		190,765,347	182,711,156
Liabilities		388,267,020	318,836,816
Net equity and liabilities		1,196,553,515	1,169,575,598

* in order to improve the comparability of the data shown for comparative purposes, the 2019 FY was restated by dividing the item equity investments into the two items shown: "equity investments in subsidiaries and affiliates" and "equity investments in other companies".

In accordance with CONSOB resolution no. 15519 dated 27th July 2006, the effects of the transactions with related parties are shown in the specific representation contained in the paragraph "Financial statement representation provided in accordance with CONSOB resolution 15519/2006" of this annual financial report.

Comprehensive income statement

(Thousands of Euro)	FY		
	2020	2019	
Revenues	(25)	53,413,259	35,424,927
Ricavi da terzi		41,965,969	23,343,281
Ricavi da società controllate		11,447,290	12,081,646
Total operating costs		18,477,514	15,954,468
Purchase costs for other raw materials	(26)	12,468	12,300
Costs for services	(27)	9,693,390	9,709,667
Costs for personnel	(28)	6,781,747	6,908,711
Other management costs	(29)	2,041,573	729,720
Other income	(30)	51,665	1,405,931
Amortization and depreciation	(31)	1,542,417	1,514,412
Operating result		33,393,328	17,956,048
Financial income	(32)	266,935	602,199
Financial charges	(32)	1,681,108	1,238,290
Earnings before tax		31,979,155	17,319,956
Taxes for the period	(33)	3,952,531	560,966
Result for the period		35,931,686	17,880,922
Net result from transfer / disposal assets	(34)		503,384,776
Net result for the period		35,931,686	521,265,698
Statement of comprehensive income			
1. Components that can be reclassified to the income statement			
Fair value of derivatives, changes in the period net of tax		(397,652).	(98,173).
2. Components that can not be reclassified to the income statement			
Actuarial (losses)/gains from remeasurement on defined-benefit obligation net of tax		8,556	(10,955).
Fair value valuation of investment in other companies		(1,806,983).	
Total comprehensive income		33,735,607	521,156,570

In accordance with CONSOB resolution no. 15519 dated 27th July 2006, the effects of the transactions with related parties and the effects of non-recurring income and charges are shown in the specific representation contained in the paragraph “Financial statement representation provided in accordance with CONSOB resolution 15519/2006” of this annual financial report.

Statement of changes in shareholders' equity

	Share capital	Legal reserve	Own shares	Other reserves	Reserves IAS 19 actuarial differences	Net result for the period	Total net equity
Balance as of 1 st January 2020	234,411,575	46,882,315	(26,773,538)	75,004,152	(51,419)	521,265,698	850,738,782
Result for the period						35,931,686	35,931,686
Severance indemnity IAS 19 discounting of the financial year					8,556		8,556
Fair value Shareholdings in other companies				(1,806,983)			(1,806,983)
Other operations				(397,652)			(397,652)
Total result of overall income statement				(2,204,635)	8,556	35,931,686	33,735,607
Allocation of 2019 result				521,265,698		(521,265,698)	-
Dividends distributed to Ascopiave S.p.A. shareholders				(47,441,540)			(47,441,540)
Long-term incentive plans				107,769			107,769
Purchase of own shares			(28,854,122)				(28,854,122)
Balance as of 31 st December 2020	234,411,575	46,882,315	(55,627,661)	546,731,444	(42,864)	35,931,686	808,286,495

(Euro)	Share capital	Legal reserve	Own shares	Other reserves	Reserves IAS 19 actuarial differences	Net result for the year	Total net equity
Balance as of 1st January 2019	234,411,575	46,882,315	(16,980,868)	93,879,041	(40,464)	41,979,291	400,130,890
Result for the year						521,265,698	521,265,698
Other operations				(98,173)			(98,173)
IAS 19 TFR actualization for the year					(10,955)		(10,955)
Total result of overall income statement				(98,173)	(10,955)	521,265,698	521,156,570
Allocation of 2018 result				41,979,291		(41,979,291)	(0)
Dividends paid to shareholders				(75,163,155)			(75,163,155)
Long-term incentive plans				15,194			15,194
Purchase of own shares			(22,375,799)				(22,375,799)
Company aggregations			12,583,129	14,391,954			26,975,082
Balance as of 31 st December 2019	234,411,575	46,882,315	(26,773,538)	75,004,152	(51,419)	521,265,698	850,738,782

Statement of cash flows

(Thousands of Euro)	FY	
	2020	2019
Net income of the year	35,931,686	17,880,922
Cash flows generated (used) by operating activities		
Adjustments to reconcile net income to net cash		
Companies held for sale operating result		503,384,776
Amortization	1,542,417	1,514,412
Variations in severance indemnity	(22,601)	7,692
Current assets / liabilities on financial instruments	51,709	98,173
Net variation of other funds	575,242	707,012
Gains on disposal of investments		(479,128,616)
Interests paid	(1,391,678)	(1,214,284)
Interest expense for the period	1,561,710	1,234,225
Taxes paid	11,279,559	1,110,182
Taxes for the period	(3,952,531)	(560,966)
Total adjustments	9,643,828	27,152,605
Variations in assets and liabilities		
Accounts payable	6,541,453	(5,693,484)
Other current assets	(1,675,072)	(4,785,402)
Trade payables	(2,427,785)	2,785,764
Other current liabilities	(17,984,095)	1,472,019
Other non-current assets	(7,078)	1,822,912
Total variations in assets and liabilities	(15,552,577)	(4,398,191)
Cash flows generated (used) by operating activities	30,022,936	40,635,336
Cash flows generated (used) by investments		
Investments in intangible assets	(7,550)	(9,404)
Investments in tangible assets	(818,009)	(1,188,153)
Disposal/(acquisitions) in investments and avances		616,213,569
Investment flows for business aggregations		
Investment flows from discontinued assets / liabilities	(68,598,197)	(629,488,689)
Cash flows generated/(used) by investments	(69,423,757)	(14,472,676)
Cash flows generated (used) by financial activities		
Net changes in debts due to other financiers	24,264	(213,154)
Net changes in short-term bank borrowings	(29,070,022)	(35,013,648)
Net variation in current and non-current financial assets and liabilities	(8,529,678)	(12,796,213)
Net variation in current financial assets and liabilities vs subsidiary companies	(11,603,812)	(5,835,954)
Purchase of own shares	(28,854,122)	(9,792,669)
Ignitions loans and mortgages	336,700,000	429,000,000
Redemptions loans and mortgages	(217,000,000)	(309,000,000)
Dividends distributed to Ascopiave S.p.A. shareholders'	(47,441,540)	(75,163,155)
Cash flows generated (used) by financial activities	(5,774,910)	(18,814,794)
Variations in cash	45,175,731	7,347,866
Cash and cash equivalents at the beginning of the period	65,743,849	58,395,983
Cash and cash equivalents at the end of the period	20,568,118	65,743,849

In accordance with CONSOB resolution no. 15519 dated 27th July 2006, the effects of the transactions with related parties are shown in the specific representation contained in the paragraph "Financial statement representation provided in accordance with CONSOB resolution 15519/2006" of this annual financial report.

IAS/IFRS ACCOUNTING STANDARDS ADOPTED IN THE PREPARATION OF THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2020

Drafting criteria and compliance with IFRS

The Ascopiave S.p.A. Financial Statements as of 31st December 2020 were prepared in accordance with the IFRS, that is all the “International Financial Reporting Standards”, “International Accounting Standards” (IAS), all the interpretations of the “International Financial Reporting Committee” (IFRIC), previously “Standing Interpretations Committee” (SIC) adopted by the European Commission in accordance with the procedure set forth in EC Directive no. 1606/2002 issued by the European Parliament and Council on 19th July 2002 as well as with the provisions issued for the implementation of Art. 9 of Legislative Decree no. 38/2005.

The annual financial report was prepared based on the principle of going concern and historical cost, considering the adjustments as appropriate, except for the budget items that under IFRS must be recognised at fair value as described in the evaluation criteria.

The accounting principles used are consistent with the ones used for the Statement year ended 31st December 2019, except for the instances set forth in the Accounting Standards paragraph and amendments and interpretations applicable from 1st January 2020 onward. For comparative purposes, the data are presented with the income data of the Statement for the year ended 31st December 2019.

The Auditing company PricewaterhouseCoopers S.p.A. performed the independent audit of the Financial Statements as the company in charge of accounting review for the main Group companies.

These Financial Statements are drafted in Euro, as the currency of the country where the company operates. They include the Balance Sheet, Comprehensive Income Statement, Statement of Changes in Equity and Cash Flow Statement and Explanatory Notes. All values stated in the tables and in explanatory notes are expressed as thousands of Euro, unless otherwise specified.

These Financial Statements as of 31st December 2020 were approved by the Board of Directors of the Company on 11th March 2021.

Financial statements representation

The items of the balance sheet are classified into “current” and “non-current”; those in the comprehensive income statement are classified by their nature according to the multi-step format.

The statement of changes in Shareholders’ equity presents the opening and closing balances of each net equity item reconciling them through the profit or loss for the period, any operation with shareholders (if applicable) and other variations in the net equity.

The Statement of cash flows has been defined according to the “indirect” method, by adjusting operating income of non-monetary components. We believe that these patterns adequately represent the operating results, financial position and cash flows.

IAS/IFRS accounting standards and related IFRIC interpretations approved and applicable to the financial statements of the years starting after 1st January 2020

Hereby is a brief description of amendments, improvements and interpretations applicable to financial reports as of 31st December 2020 and effective 1st January 2020. The standards, amendments and interpretations which by their nature cannot be adopted by the Company are excluded from the list.

Conceptual Framework for Financial Reporting

On 29th March 2018, IASB published the revised version of the Conceptual Framework for Financial Reporting together with a document that updates the references to the previous Conceptual Framework contained in the IFRSs, providing:

- ✓ an updated definition of assets and liabilities;
- ✓ a new chapter on the topics of measurement, derecognition and disclosure;
- ✓ clarifications on some postulates for compiling the financial statements, such as the principle of prudence and the substance over form concept.

These changes are effective since 1st January 2020.

IFRS 3 - Business Combination

On 22nd October 2018, IASB published the amendments to IFRS 3 - Business Combinations, with the aim of identifying the criteria according to which a successful acquisition regards a business or a group of assets that, as such, do not meet the definition of business set out in IFRS 3. These changes will be effective for the business combinations that will occur commencing 1st January 2020.

IAS 1 and IAS 8

On 31st October 2018, IASB published the amendments to IAS 1 and IAS 8, clarifying the definition of “material information”, in order to establish whether to include a disclosure in the financial statements. These changes are effective since 1st January 2020.

IFRS 9, IAS 39 and IFRS 17 - Interest Rate Benchmark Reform

IASB, on 26th September 2019, IASB published amendment to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform, modifying provisions on hedge accounting stated in IFRS 9 and IAS 39. These changes are effective since 1st January 2020.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet mandatorily applicable and not adopted ahead of time as of 31st December 2020

Amendment to IFRS 16 Leases Covid19 - Related Rent concessions

On 28th May 2020, IASB issued the document that provides a practical expedient that enables lessees not to consider as changes to the lease agreement the concessions that occur as a direct consequence of the Covid-19 pandemic. The amendment is effective from financial years commencing on or after 1st June 2020. Early application is allowed, even in financial statements not yet approved as of 28th May 2020.

IFRS 9, IAS 39, IFRS 7m IFRS 4 and IFRS16 - Interest Rate Benchmark Reform, Phase 2

On 27th August 2020, IASB published amendments to IFRS 9, IAS 39, IFRS 7m IFRS 4 and IFRS16 - Interest Rate Benchmark Reform, Phase 2, relating to the reform of the reference indices for determining interest rates. These changes are effective from 1st January 2021. Early application is permitted.

IFRS accounting standards, amendments and interpretations not yet approved by the European Union

At the reporting date, the competent bodies of the European Union have not completed yet the approval process necessary for the adoption of the amendments and principles described below.

Amendments to IAS IAS 1

On 23rd January 2020, IASB issued the document to clarify the requirements for the classification of liabilities as current or non-current. These changes will be effective from 1st January 2023 subsequent to the postponement of the date of entry into force due to the Covid-19 pandemic.

Amendments to IAS IFRS 3

On 14th May 2020, IASB issued the document to update a reference to the Conceptual Framework for Financial Reporting without modifying the accounting requirements for business combinations. These changes will be effective from 1st January 2022.

IAS 16 - *Property, plant and equipment*

On 14th May 2020, IASB issued the document to introduce changes that prohibit a company from deducting from the cost of property, plant and equipment the proceeds from the sale of items produced while the company is preparing the asset for the intended use. Proceeds from sales and related costs must be recognised in the income statement. These changes will be effective from 1st January 2022.

IAS 37 - *Provisions, contingent liabilities and contingent assets*

On 14th May 2020, IASB issued the document specifying which costs must be included in assessing whether a contract is onerous. These changes will be effective from 1st January 2022.

Annual improvements to IFRSs - 2018-2020 cycle

On 14th May 2020, IASB issued several amendments as part of the standards' annual improvement programme; most of the changes are clarifications or corrections to existing IFRSs, or changes resulting from modifications recently made to IFRSs. Annual improvements make minor changes to IFRS 1 "First adoption of International Financial Reporting Standards", IFRS 9 "Financial instruments", IAS 41 "Agriculture" and the illustrative examples accompanying IFRS 16 "Leases".

These improvements are applicable from 1st January 2022.

Use of estimates

The preparation of the financial statements requires the directors to provide accounting estimates based on complex and/or subjective assumptions, on experience and assumptions that are considered reasonable and realistic and that are known at the time of the estimate. The use of these estimates affects the values of the assets and liabilities reported on the financial statements as well as the amounts of costs and revenues and the information relating to potential assets and liabilities in the period considered. If, in the future, such estimates and assumptions, which are based on the Management's best assessment, differ from the actual circumstances, they shall be modified so as to be appropriate in the period in which the circumstances arise.

Estimates are used to report:

- Impairment of non-financial assets: the Company assesses whether there are permanent reductions in the value of all non-financial assets. In particular, goodwill is tested for possible reductions in value at least annually and

during the year if such indicators exist; this requires an estimate of the use value of the cash-generating unit to which goodwill is allocated, in turn based on the estimated cash flows expected from the unit and their discounting based on a suitable discount rate.

- Provisions for doubtful accounts, inventory obsolescence, useful lives of intangible fixed assets and their amortisation and depreciation.
- Benefit plans for employees and share-based payment plans (so-called phantom stock option).
- Taxes and provisions for risks and charges.

The estimates and assumptions are reviewed periodically, and the variations are immediately reflected in the income statement. In applying the accounting principles, the directors have taken decisions based on the stated discretionary evaluations, with a significant effect on the values reported on the statements. However, the uncertainty surrounding these assumptions and estimates may determine results that, in the future, will need to be significantly adjusted at the book value of such assets and/or liabilities.

Measurement criteria

The accounting standards adopted by Ascopiave S.p.A. are reported below:

Other intangible fixed assets: intangible assets mainly include assets pertaining to patent and software rights.

After the initial recognition, as they have a defined useful life, intangible assets are booked net of the accumulated relevant amortisation operations and net of any impairments, determined with the same basis indicated below for tangible assets. The useful life is then re-examined on an annual basis, and any changes, if necessary, made prospectively.

Any profits or losses deriving from the sale of an intangible asset are determined as the difference between the disposal value and the book value of the asset, and are reported in the income statement at the time of the sale.

Tangible fixed assets: tangible assets are booked at purchase cost, including ancillary costs directly ascribable to the putting into operation of the asset for the use for which it was acquired.

Lands - both free of constructions and annexed to civil and industrial buildings - are booked separately and are not depreciated since they are elements with an unlimited useful life.

Maintenance and repair costs which do not increase the value and/or extend the residual useful life of the assets are entered in the year in which they are incurred. Otherwise, they are capitalised.

Tangible assets are presented net of the relevant accumulated depreciation, and any impairments determined according to the basis described below. Depreciation is calculated in uniform instalments based on the estimated useful life of the asset for the company, which is re-examined annually, and any changes, if necessary, are made prospectively.

The main economical-technical rates used are as follows:

Buildings	2%
Equipment	8,5% - 8,3%
Furniture	8.80%
Electronic equipment	16.20%
Basic hardware and software	20%
Motocars, motor vehicles and similar	20%

The book value of tangible fixed assets is subject to verification in order to report any impairments, should events or changes of situation suggest that the book value may not be recovered. Should there be an indication of this type and in the event the book value should exceed the presumed recoverable amount, the assets are depreciated until they reach their realisable value. The recoverable amount of the tangible fixed assets is the greater of the net selling price and the value-in-use.

Impairments are reported in the Income Statement in the costs for depreciations and write downs. Such losses of value are restored should the reasons for their cause cease to exist.

When the asset is sold or if there are no future economic benefits expected from the use of the asset, it is eliminated from the financial statements and any loss or profit (calculated as the difference between the selling value and the book value) is entered in the Income Statement of the year of the above-mentioned elimination.

Leases

The accounting standard IFRS 16 “Leases” defines a single model for the recognition of lease agreements, eliminating the distinction between operating and financial leases, and envisaging the entry of an asset for the right to use the good and a liability for the lease. An agreement is, or contains, a lease if, in exchange for consideration, it grants the right to control the use of a specified asset for a period of time. Assets for the right to use leased goods are initially valued at cost, and subsequently depreciated over the duration of the lease agreement defined in the analysis, taking into account the reasonably exercisable extension or termination options. The cost of the assets for the right to use includes the value initially recognised of the lease liability, the initial direct costs incurred, the estimate of any restoration costs to be incurred at the end of the agreement and the down payments relating to the lease made on the date of the first transaction net of leasing incentives received. The related liabilities for leased goods are initially valued at the present value of the payments due for the fixed instalments to be paid on the date of signing the lease and for the exercise price of the purchase option and the redemption option if reasonably exercisable, discounted using the implicit interest rate of the lease, if determinable, or the marginal borrowing rate at the date. Liabilities for leased goods are subsequently increased by the interest accruing on said liabilities and decreased in correlation with the payments of lease instalments. Liabilities for leased assets are in any case redetermined to take into account the changes made to the payments due for the lease, adjusting the asset consisting in the right of use by an equal value. However, if the book value of the asset consisting in the right of use is zero and there is a further reduction in the evaluation of the lease liability, this difference is recognised in profit or loss.

In the event of changes in the lease agreement, such changes are recorded as a separate lease, when rights of use on one or more underlying assets are added and the lease consideration increases by an amount that reflects the stand-alone price for the increase in the subject of the lease. In relation to the changes that are not recognised as a separate lease, the lease liability is recalculated by discounting the payments due for the lease revised using a revised discount rate, based on the new duration of the contract. These adjustments to liabilities are recognised by changing accordingly the asset consisting in the right of use, recognising any profit or loss relating to the partial or total termination of the agreement in the profit and loss account.

No assets for rights of use are recognised in relation to: i) short-term leases; ii) leases where the underlying asset is of modest value. Payments due for these types of lease agreements are recognised as operating costs on a straight-line basis.

The depreciation/amortisation of the asset for the right of use is recognised under operating costs in the profit and loss account, and the interest expense accrued on the lease liability, if not subject to capitalisation, in the financial section. The income statement also includes: i) the rents relating to short-term and low-value lease agreements, as permitted in a simplified way by IFRS 16; and ii) the variable lease rents, not included in the determination of the lease liability (e.g. rents based on the use of the leased asset).

Shareholdings: The shareholdings recognised in this item relate to long-term investments deriving from:

- Shareholdings in subsidiaries
- Shareholdings in jointly controlled companies
- Shareholdings in affiliates;
- Other Shareholdings

Shareholdings in subsidiaries, Shareholdings in jointly controlled companies and Shareholdings in affiliates:

The comparison between the book value of the investments in subsidiaries, jointly controlled companies and affiliates and the share pertaining to the Company could give rise to situations in which the value recorded in the financial statements differs from the total shareholders' equity of the investee at the reporting date.

For the purposes of the annual verification of the possible impairment of the carrying amounts of investments in subsidiaries, jointly controlled companies and affiliates, the Directors determine the value-in-use for each of them.

The value-in-use is calculated by using the projection of the cash flows contained in the economic and financial plans of the individual subsidiaries that have been approved by the Board of Directors. After examining the results of the impairment test on the individual shareholdings, any value adjustments are recorded.

The main benchmarks adopted upon evaluating the value-in-use, both in terms of growth rates for the periods subsequent to those illustrated in the plans and in terms of the discount rate, are consistent with those considered in the impairment tests of the goodwill allocated to the CGUs in the consolidated financial statements, to which reference should be made for further details.

Shareholdings in other companies: financial assets consisting of investments in companies other than affiliates and joint ventures (generally with a percentage of ownership of less than 20%) are called investments in other companies and fall within the category of financial assets measured at fair value which, normally, corresponds in the stage of the first recognition to the consideration of the transaction including directly attributable transaction costs. Any subsequent changes in fair value are recognised in the income statement (FVPL) or, if the option stated in the standard is exercised, in the comprehensive income statement (FVOCI) under the item "Reserve of instruments at FVOCI". For equity investments valued at FVOCI, impairments and the accumulated profits or losses in the event of sale of the equity investment are never recognised in the income statement; only dividends distributed by the investee are recognised in the income statement when:

- ✓ the Group becomes entitled to receive the dividend;
- ✓ it is probable that the economic benefits deriving from the dividend will flow to the Group;
- ✓ the amount of the dividend can be reliably measured.

The Group has opted for representation in the comprehensive income statement (FVOCI).

Other non-current assets: are booked at their nominal value adjusted for any impairment, corresponding to the amortised cost.

Financial assets: the Company classifies its financial assets into the following categories identified by IFRS 9:

- financial assets measured at amortised cost;
- assets at fair value with the contra-item "Other components of comprehensive income" (FVOCI);
- assets at fair value with the contra-item "Profit or loss for the year" (FVTPL).

Financial assets measured at amortised cost: this category includes the financial assets for which the following conditions are met: (i) the asset is held within a business model whose objective is the possession of the asset aimed at the collection of contractual financial flows; and (ii) the contractual terms of the asset envisage cash flows represented solely by payments of principal and interest on the amount of the principal to be returned. These mainly refer to receivables from customers and/or loans that contain a significant financial component. Trade receivables that do not contain a significant financial component are instead recognised at the price defined for the related transaction. Subsequent measurements of the assets belonging to this category are valued at amortised cost, using the effective interest rate. Any provisions for the write-down of such receivables are determined with the forward looking approach using a three-stage model: 1) recognition of expected losses in the first 12 months upon initial recognition of the receivable if the credit risk has not increased; 2) recognition of expected losses over the life of the receivable if the credit-related risk increases significantly as compared to the initial recognition; interest is recognised on a gross basis; 3) recognition of the additional losses expected over the life of the receivable as the losses occur; interest is recognised on a net basis.

Assets at fair value with the contra-item “Other components of comprehensive income” (FVOCI): financial assets with the following characteristics are classified in this category:

- 1) the asset is held within a business model whose objective is achieved both through the sale of the asset itself and through the collection of contractual cash flows; and
- 2) the contractual terms of the asset include cash flows represented solely by payments of principal and interest on the amount of the principal to be returned.

Any write-downs for permanent losses in value and interest income are recognised in profit or loss for the year.

Assets at fair value with the contra-item “Profit or loss for the year” (FVTPL): this category includes all the financial assets that do not meet the conditions, in terms of business model or characteristics of the flows generated, for the purposes of measurement at amortised cost or at fair value with a contra-entry in the comprehensive income statement. The assets belonging to this category are classified under current or non-current assets according to their natural maturity and recorded at fair value upon initial recognition. During the subsequent measurement, the profits and losses deriving from changes in fair value are reported in the income statement in the period in which they are detected.

Value adjustments: the impairment of financial assets measured at amortised cost is evaluated by applying a model based on expected credit losses. The Company has decided to assess the credit risk assuming a total write-down of receivables past due by over 365 days and a partial write-down of those overdue by more than 180 days already in the past. The predictive process is supported by the monthly use of the provision for doubtful accounts set aside based on the execution of cycles of reminders and recovery of outstanding receivables. The historical series relating to past years have shown that the write-down made in predictive terms is a reasonable overestimate of the actual losses that the Company incurs due to its end customers.

Trade receivables and other current assets: trade receivables and other current assets, whose expiry is within normal commercial trading terms, are not discounted back and are booked at amortised cost net of the relevant value losses. These are suited to their presumed realisation value through the reporting in a specific adjustment fund, which is constituted when there is objective evidence that the Company will be unable to receive credit for the original value. Provisions to the reserve for doubtful accounts are reported on the income statement.

Cash and cash equivalents: they include cash values, values available at sight and other short-term financial investments. They are booked at nominal value.

Derivative financial instruments: the Company holds derivative instruments for the purposes of hedging its exposure to the risk of changes in interest rates. The transactions which, pursuant to risk management policies, satisfy the requirements of the international accounting standards for hedge accounting, are classified as “hedging transactions” (and recognised as set out below). On the contrary, those which, despite having hedging purposes, do not meet the requirements envisaged by the international standards, are classified as “trading transactions”. In this event, the changes in fair value of derivatives are recognised in the profit and loss account in the period in which they occur. The fair value is determined based on the reference market value.

Derivatives embedded in financial assets/liabilities are separated and assessed at fair value, except for cases where the strike price of the derivative at the starting date is close to the value determined based on the amortised cost of the reference asset/liability. In this event, the valuation of the embedded derivative is absorbed in the valuation of the asset/financial liability.

The fair value measurement of the above-mentioned contracts is performed by using pricing models and based on market data as at 31st December 2020.

Fair value hierarchy

Financial assets and liabilities measured at fair value are classified in a three-level hierarchy based on the methods for determining the fair value itself, or based on the relevance of the information (input) used in determining their value:

- **Level 1**, financial instruments whose fair value is determined on the basis of a price listed in an active market;
- **Level 2**, financial instruments whose fair value is determined using valuation techniques that use benchmarks which can be observed directly or indirectly on the market. This category includes instruments valued on the basis of market forward curves and short-term contracts for difference;
- **Level 3**, financial instruments whose fair value is determined using valuation techniques that use benchmarks which cannot be observed on the market, that is using exclusively internal estimates.

The Company, as of 31st December 2020 has only one type of financial instruments on interest rates falling within the scope of level 1 and a second type attributable to the level 3 hierarchy on the fair value measurement of equity investments in other companies - ACSM AGAM S.p.A. and Hera Comm S.p.A..

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, part of a financial asset or parts of a group of similar financial assets) is cancelled from the financial statements when:

- ✓ the rights to receive financial flows from the asset are extinguished;
- ✓ the Group retains the right to receive financial flows from the asset, but has assumed the contractual obligation to transfer them entirely and without delay to a third party;
- ✓ the Group has transferred the right to receive the financial flows from the asset and (a) has substantially transferred all the risks and benefits of ownership of the financial asset or (b) has not transferred or retained substantially all the risks and benefits of the asset, but has transferred control of the same.

In cases where the Group has transferred the rights to receive financial flows from an asset and has neither transferred or retained substantially all the risks and benefits or has not lost control over the asset, the asset is recognised in the Group's financial statements to the extent of its continuing involvement in the asset itself. The continuing involvement that takes the form of a guarantee on the transferred asset is valued at the lower of the initial book value of the asset and the maximum value of the consideration that the Group may be required to pay.

In cases where the continuing involvement takes the form of an option issued and/or purchased on the transferred asset (including cash-settled options or similar), the extent of the Group's involvement corresponds to the amount of the transferred asset that the Group will be able to repurchase; however, in the case of a put option issued on an asset measured at fair value (including cash-settled options or similar), the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the exercise price of the option.

Financial liabilities

A financial liability is cancelled from the financial statements when the obligation underlying the liability is extinguished, cancelled or fulfilled.

In cases where an existing financial liability is replaced by another one of the same lender, under substantially different conditions, or the conditions of an existing liability are substantially changed, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with recognition in the income statement of any differences between the book values.

Own shares: Re-acquired own shares are taken as a decrease in the assets. The original cost of own shares, benefits from sales and any other subsequent variation are recognised under the net equity.

Benefits for employees: benefits guaranteed to employees, paid when or after employment ceases, by means of programmes with defined benefits or grants (Employees' leaving indemnities) or with other long-term benefits are recognised in the period when the right accrues. The liability related to defined benefit/grant plans, net of any plan assets, is determined based on actuarial assumptions and is recognised on an accrual basis consistent with the employment period required to obtain the benefits. Defined benefit plans also include severance indemnity (TFR) owed to the employees of the Company pursuant to Article 2120 of the Italian Civil Code, accrued prior to the reform of this regulation occurred in 2007 (Finance Act of 27th December 2006 no. 296), subsequent to which, for companies employing more than 50 persons and for quotas accrued commencing 1st January 2007, the Severance indemnity is classified as a defined contribution plan.

The Company's obligations are separately determined for each plan, by estimating the present value of future benefits that employees have accrued during the current year and in previous financial periods. This calculation is performed using the projected unit credit method.

The components of the defined benefits are recognised as follows:

- (i) the re-measurement components of liabilities, which include actuarial gains and losses, are recognised immediately in Other comprehensive income (loss);
- (ii) costs related to the provision of services are recognised in the profit and loss statement;
- (iii) net financial charges in the defined benefit liability are recognised in the income statement.

The re-measurement components recognised in Other comprehensive income (loss) are never reclassified in the profit and loss statement of the following years.

For the Severance indemnity accrued after 1st January 2007, the company is only required to pay contributions to the State (so-called Fondo INPS) or to a trust fund or a legally separate entity (so-called Fund) and is determined based on contributions due. Moreover, the Company has signed compensation plans partly based on Ascopiave S.p.A. shares and settled through the delivery of shares (stock option plans, long-term incentive plans), recognised as liabilities and measured at fair value at the end of each accounting period and up to the time of payment (approval of 2017 financial statements). Any subsequent change in fair value is recognised in the income statement. The remaining part of the plan instead is paid in the form of options that can only be sold for cash. The cost of cash operations is evaluated initially at the fair value as of the date of allocation. In particular, the plans adopted by the Company include the allocation of rights including acknowledgement in favour of the beneficiaries of an extraordinary payment linked to the achievement of pre-set objectives, the financial settlement of which is based on the trend of the share title. This fair value is booked in the period until maturation with reporting of a corresponding liability. The liability is recalculated upon each reporting date, until the date of settlement, with all changes made to the fair value reported on the income statement. In 2020, the compensation plans relating to the 2018 - 2020 three-year period accrued in part; as a consequence, reserves for the portions to be settled by share-based payments were established. Pursuant to the rules governing the plan, there were no other allocations in the period, since the benefits will accrue at the end of the financial year. These compensation plans are recognised in compliance with the requirements set out in IFRS 2.

For more details on the compensations paid during the year 2020, please refer to "Section II" of the Remuneration Report, prepared pursuant to Art. 123-ter, Legislative Decree no. 58/1998 (TUF).

Provisions for risks and charges: The provisions for risks and charges concern costs and charges of a given type, and of certain or probable existence, which on the closing date of the financial year are undetermined in terms of amount or due date.

Provisions are reported when:

- i) There likely is a current obligation (legal or implicit) that derives from a past event;
- ii) An outlay of resources is likely in order to meet the obligation;
- iii) A reasonable estimate can be made as to the amount of the obligation.

On the other hand, where it is not possible to make a reliable estimate as to the obligation, or alternatively, it is deemed that the outlay of financial resources is only possible and not probable, the relevant potential liability is not entered in the financial statements, but rather mentioned appropriately in the explanatory notes.

Provisions are reported at the representative value of the best estimate of the amount that the company would pay to extinguish the obligation, or to transfer it to third parties at the reporting date. If the effect of discounting is significant, the allocations are determined by discounting back the expected future financial flows at a pre-tax rate which reflects the market's current valuation in relation to time. When discounting is carried out, the increase in the allocation due to the passing of time is reported as a financial charge.

Stock grants to employees

The Group has granted incentive plans based on equity instruments, on the basis of which the Group receives services from its employees, collaborators or delegated directors in exchange for stock grants ("units"). The fair value of the services received is recognised as a cost of labour. The total amount of the cost is determined on the basis of the fair value of the units granted and its offsetting item is an equity reserve.

The overall cost is recognised over the vesting period, when all the service conditions envisaged for vesting the rights must be satisfied. At each reporting date, the Group reviews the estimates based on the number of options expected to vest based on vesting conditions, not market conditions. The effect of any changes compared to the original estimates is recognised in the consolidated income statement with an offsetting item in equity.

Financial liabilities: financial liabilities include the medium and long-term loans recorded initially at fair value, net of any transaction costs incurred and, subsequently, measured at amortised cost, calculated by applying the effective interest rate, net of principal repayments already made.

When a condition of a long-term financing contract is violated, on or before the date of the financial statements, causing the liability to become payable on demand, the liability is classified as current, even if the lender has agreed - after the reference date of the financial statements and before the authorisation for its publishing - not to require the payment because of the breach. The liability is classified as current because, as of the date of the financial statements, the entity does not have an unconditional right to defer its settlement for at least twelve months after that date.

Trade payables and other liabilities: trade payables, whose expiry is within normal commercial trading terms, refer to liabilities resulting from trade transactions and are recognised at amortised cost.

Payables in a currency other than the account currency are booked at the exchange rate of the day of the transaction and, subsequently, are converted at the exchange rate as of the date of financial statements. Any profit or loss deriving from conversion is reported in the income statement.

Revenues and costs: revenues and costs are booked on an accrual basis.

The recognition of revenue from contracts with customers is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations, represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified on the basis of the stand-alone selling price of each good or service; (v) recognition of the revenue when the relevant performance obligation is fulfilled, i.e. when the promised good or service is transferred to the customer; the transfer is considered completed when the customer obtains control of the good or service, which can occur continuously (over time) or at a specific time (at a point in time).

Revenues are entered net of all discounts, rebates and premiums, as well as the taxes directly connected.

Financial income and expenses: income and costs are booked on an accrual basis according to the interest accrued on the net value of the relevant financial assets and liabilities, using the actual interest rate.

Income taxes: current taxes are calculated based on an estimate of the income before tax and are entered at the amount that is expected to be recovered or paid to the tax authorities. The rates and tax regulations used to calculate the amount are those issued or basically issued upon year end. Current taxes relating to elements reported directly under assets are reported directly as assets and under the other items of the comprehensive income statement.

As far as the Tax on Company Revenue (IRES) is concerned, the subsidiaries of Ascopiave S.p.A. exercised the option for the national tax consolidation regime pursuant to art. 117/129 of the Unified Law on Revenue Taxes (TUIR) for the 2019 -2021 three-year period. This option enables the calculation of IRES based on a taxable amount equal to the mathematical sum of the positive and negative taxable amounts of the single companies that comprise the consolidation. Ascopiave S.p.A. acts as consolidating company and determines a single taxable amount for the Group of companies that are part of the national consolidation regime.

Each of the participating companies transfers its income tax (taxable income or tax loss) to the consolidating company recognising therefore in the income statement the item “tax consolidation charges” or “tax consolidation income” for an amount equal to the current IRES rate for the financial year (or the loss transferred), that will be paid or used by the parent company Ascopiave S.p.A..

Deferred tax assets are reported against all deductible temporary differences and for tax assets and liabilities brought forward, to the extent that the existence of suitable future tax income that enables the use of deductible temporary differences and tax assets and liabilities brought forward is probable, except for the following:

- when deferred payable tax assets connected with deductible temporary differences derive from the initial reporting of an asset or liability in a transaction that is not a company merger and that, at the time of the transaction itself, has no effect on the profit of the year calculated for the purposes of the statements, nor on the profit or loss calculated for tax purposes;
- regarding taxable temporary differences associated with holdings in subsidiaries, associated companies and joint ventures, the deferred tax assets are reported only in the amount in which it is probable that the deductible temporary differences will reverse in the immediate future and that there is suitable tax income against which the temporary differences can be used.

Earnings per share: Earnings per share are calculated by dividing the net income for the period attributable to the Company's shareholders by the weighted average number of shares net of own shares. For the purposes of the calculation of the basic earnings per share, we specify that the numerator is the profit for the period. There are no preference dividends, conversions of preferred shares or similar effects that would adjust the results attributable to the holders of ordinary shares in the Company. Diluted profit per share is equal to that per share in that ordinary shares that could have a dilutive effect do not exist and no shares or warrants exist that could have the same effect.

Asset impairment: the Company performs at least once a year an impairment test on tangible and intangible assets if their useful lives are indefinite or, more often, in the presence of events suggesting that their carrying amount may not be recoverable.

Amortisation and depreciation: amortisation and depreciation are calculated based on the estimated useful life of the asset or the remaining term of the concession; the useful life is determined by the directors, with the assistance of technical experts, when the asset is entered in the financial statements; the assessments about the duration of the useful lives are based on historical experience, market conditions and expectations of future events that could affect the useful life, including technological innovations. On a regular basis, the company evaluates technological and sector changes, dismantling and close-down charges and the recovery value in order to update the asset's remaining useful life. This periodic update may lead to a change in the depreciation/amortisation period and thus the depreciation/amortisation quota for future periods.

Provisions for risks: these provisions have been devised by adopting the same procedures as in the previous years and by referring to the updated reports prepared by the lawyers and consultants who are examining the disputes, as well as based on the procedural developments of the latter.

Provision for doubtful accounts: the provision for doubtful accounts reflects the estimated losses connected with the receivables of the company. Provisions have been established to cover specific cases of insolvency, as well as in relation to expected bad debts estimated based on experience with respect to receivables with a similar risk profile.

INFORMATION ON MANAGEMENT AND COORDINATION ACTIVITIES

Ascopiave S.p.A. is not subject to management and coordination activities by Asco Holding S.p.A. since it operates in conditions of corporate and entrepreneurial autonomy with respect to its parent company. Asco Holding S.p.A. avails itself of some services offered by Ascopiave S.p.A. and other subsidiary companies of the latter, on an arm's length basis, for organisation and economic reasons.

EXPLANATORY NOTES AND COMMENTS ON THE MAIN ITEMS OF THE STATEMENT OF ASSETS AND LIABILITIES

Non-current assets

1. Other intangible fixed assets

The changes in the historical cost and accumulated amortisation of intangible assets at the end of each period considered are shown in the following table:

(Thousands of Euro)	31.12.2020			31.12.2019		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Industrial patent and intellectual property rights	3,276	(3,267)	9	3,269	(3,267)	2
Concessions, licences, trademarks and similar rights	52	(51)	1	52	(50)	1
Other intangible assets	12	(12)	0	12	(12)	0
Tangible assets under IFRIC 12 concession	0	0	0	9	0	9
Other intangible assets	3,340	(3,330)	10	3,342	(3,329)	13

The following table highlights the changes in other intangible fixed assets during the period:

(Thousands of Euro)	31.12.2019					31.12.2020
	Net value	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
Industrial patent and intellectual property rights	2	8		0		9
Concessions, licences, trademarks and similar rights	1	0		1		1
Tangible assets under IFRIC 12 concession	9	(9)	0	0	0	0
Other intangible assets	13	(2)	0	1	0	10

Industrial patents and intellectual property rights

During the year, the item “Industrial patents and intellectual property rights” changed by Euro 8 thousand.

Concessions, licenses, trademarks and similar rights

The item did not change during the year except for amortisation equal to Euro 1 thousand.

2. Tangible fixed assets

The changes in the historical cost and accumulated depreciation of tangible assets at the end of each period considered are shown in the following table:

(Thousands of Euro)	31.12.2020			31.12.2019		
	Historic cost	Accumulated depreciation	Net value	Historic cost	Accumulated depreciation	Net value
Lands and buildings	37,716	(14,147)	23,568	37,622	(13,047)	24,575
Plant and machinery	2,017	(1,292)	724	1,758	(1,228)	530
Industrial and commercial equipment	173	(166)	7	171	(158)	13
Other tangible assets	10,422	(9,187)	1,235	10,263	(8,957)	1,306
Tangible assets in progress and advance paym	466	0	466	364	0	364
Rights of use	407	(222)	185	205	(65)	140
Other tangible assets	51,201	(25,014)	26,187	50,383	(23,456)	26,927

The following table highlights the changes in the tangible fixed assets item during the year under consideration:

	31.12.2019				31.12.2020	
	Net value	Change for the period	Decrease	Amortizations during the period	Depreciations	Net value
(Thousands of Euro)						
Lands and buildings	24,575	93		1,100		23,568
Plant and machinery	530	258		64		724
Industrial and commercial equipment	13	2		7		7
Other tangible assets	1,306	159		229		1,235
Tangible assets in progress and advance payments	364	103		0		466
Rights of use	140	203		140		185
Other tangible assets	26,927	818	0	1,542	0	26,187

Land and buildings

This item is mainly made up of the buildings owned in relation to company headquarters, offices and secondary warehouses. At the end of the year, the item registered investments for Euro 93 thousand and depreciation amounted to Euro 1,100 thousand.

Plants and machinery

The item Plants and machinery increased from Euro 530 thousand in the previous year, to Euro 724 thousand in the year considered, recording investments for Euro 258 thousand. Depreciation amounted to Euro 64 thousand.

Industrial and commercial equipment

The item “Industrial and commercial equipment” registered investments for Euro 2 thousand and depreciation amounted to Euro 7 thousand.

Other assets

In the period considered, the item “other assets” registered investments for Euro 159 thousand, mainly related to costs for hardware and telephone equipment.

Tangible assets in progress and advance payments

The item mainly includes costs incurred for extraordinary maintenance of company headquarters and/or peripheral warehouses. During the year, the item changed by +Euro 103 thousand.

Rights of use

The item includes the rights of use related to the first application of IFRS 16 on 1st January 2019. The effect of the application of the new standard mainly concerned operating leases relating to tangible fixed assets such as rental of property and vehicles. During the year, the change recorded by the item is Euro 203 thousand and depreciation amounted to Euro 140 thousand.

3. Equity investments

The following table summarises the investments held by Ascopiave S.p.A. as of 31st December 2020:

Name	Location	Share capital	Total net equity	Result for the year	%	Book value
Controlled companies						
AP Reti Gas S.p.A.	Pieve di Soligo (TV)	1,000,000	325,736,289	26,993,777	100%	298,740,636
AP Reti Gas Nord Est S.r.l.	Padova (PD)	15,000,000	135,563,964	5,822,992	100%	169,358,530
AP Reti Gas Rovigo S.r.l.	Rovigo (RO)	7,000,000	20,199,722	1,427,948	100%	14,964,474
AP Reti Gas Vicenza S.p.A.	Pieve di Soligo (TV)	10,000,000	17,468,660	190,586	100%	16,300,000
Edigas Esercizio Distribuzione Gas S.p.A.	Pieve di Soligo (TV)	3,000,000	64,455,734	4,019,243	100%	66,090,648
Asco Energy S.p.A.	Pieve di Soligo (TV)	1,000,000	749,166	(373,371)	100%	609,220
Cart Acqua S.r.l.	Orio al Serio (BG)	50,000	3,859,643	31,960	100%	8,000,000
Total shareholdings in controlled companies						574,063,508
Joint companies						
Estenergy S.p.A.	Trieste (TS)	299,925,761			48%	428,452,673
Total shareholdings in joint companies						428,452,673
Shareholdings in other companies						
Banca Prealpi SanBiagio Credito Cooperativo - Soc. Coop.	Tarzo (TV)					528
Hera Comm S.p.A.	Imola (BO)	53,595,899			3%	54,000,000
ACSM AGAM S.p.A.	Monza (MB)	197,343,805			4.99%	24,922,777
Total shareholdings in other companies						78,923,305

At the end of the year, investments in subsidiary and affiliate companies were recorded for a total of Euro 1,002,516 thousand, an increase compared to the previous year of Euro 41,868 thousand. The item includes equity investments in subsidiaries for Euro 574,063 thousand and affiliates for Euro 428,453 thousand.

Equity investments in subsidiaries recorded an increase compared to the previous year equal to Euro 9,359 thousand, related for Euro 1,359 thousand to the adjustment paid for the purchase in the previous year of 100% of the shares of AP Reti Gas Nord Est S.r.l., subsequent to the completion of the commercial partnership with the Hera Group, and for Euro 8,000 thousand to the purchase on 18th December 2020 of 100% of the shares of the company CART Acqua S.r.l..

Equity investments in affiliates represent the 48% stake held in EstEnergy S.p.A., in its new configuration. With regard to the stake in Estenergy, equal to Euro 428,453 thousand, in 2019, the sales businesses of the Ascopiave Group (Ascotrade S.p.A., Ascopiave Energie S.p.A., Blue Meta S.p.A. and the joint ventures Asm Set S.r.l. and Etra Energia S.r.l.) and the stake in Sinergie Italiane S.r.l., and those of the Hera Group (Hera Comm Nord-Est S.r.l.) were transferred to the new configuration of the Company. 52% of the share capital of the new EstEnergy is held by the Hera Group and 48% by Ascopiave (which acquired its share, at the price described above, on the basis of an equity value of 100% of EstEnergy equal to Euro 824,881 million). On 27th May 2020, a share capital increase of Euro 67,729 thousand was approved which resulted in an increase in the equity investment held by the Company for Euro 32,510 thousand.

At the end of the year, other equity investments amounted to Euro 78,923 thousand, recording an increase compared to 31st December 2019 of Euro 24,923 thousand. The change is explained by the purchase of 4.99% of the share capital of Acsm Agam S.p.A. which resulted in an overall increase in the item equal to Euro 26,730 thousand. The fair value of the investment recognised as of 31st December 2020 was determined by performing an impairment test, considering various updated scenarios following the publication by the company of the business plan. The change in the scenarios with respect to the acquisition date, also related to the evolution of the SarsCov2 health emergency and the extension of the restrictive measures, highlighted a range of values of the shareholding held. The company's shares are listed;

however, these data were not used for the measurement as the stock's free float is limited as are the transactions on the reference market. Therefore, the Company deemed it appropriate to adjust this value based on the data of the economic-financial plan published by the investee. The directors decided to use an intermediate scenario for its evaluation, a scenario that showed a current value lower than the registration value of the investment and the consequent reduction in value of Euro 1,807 thousand. By virtue of the choice made by the Group for this Business Model, this difference, deriving from the fair value at the purchase date and the fair value at the reporting date, was recorded in OCI.

The item also includes other equity investments, already recorded at and unchanged since the end of the previous year, consisting of 3% of the share capital of Hera Comm for Euro 54,000 thousand, acquired upon signing the commercial partnership with the Hera Group, completed on 19th December 2019, and the residual equity investments, equal to Euro 1 thousand, relating to the stakes in Banca Prealpi SanBiagio Credito Cooperativo - Soc. Coop.

Ascopiave S.p.A. has put options on the equity investment held in the affiliate company EstEnergy and on the stake in Hera Comm which, at the end of the year, showed a nil fair value.

The shareholders' equity and operating result of the subsidiaries or affiliates shown in the tables above relate to the draft financial statements for the year ended 31st December 2020 and approved by the Boards of Directors of the investee companies.

The comparison between the book value of the investments in subsidiaries and affiliates and the share pertaining to the Company gives rise to situations in which the value recorded in the financial statements is higher than the total shareholders' equity of the investee at the reporting date.

For the purposes of the annual verification of the possible impairment of the carrying amounts of investments in gas distribution subsidiaries, the Directors determine the value-in-use for each of them.

The value-in-use is calculated by using the projection of the cash flows contained in the 2021-2023 economic and financial plans of the individual subsidiaries that have been approved by the Board of Directors on 4th March 2021. After examining the results of the impairment test on the individual shareholdings, as mentioned earlier, a write-down was recorded for the investment in ACSM AMGA S.p.A.; no write-downs were necessary for the other investee companies.

The main benchmarks adopted upon evaluating the value-in-use, both in terms of growth rates for the periods subsequent to those illustrated in the plans and in terms of the discount rate, are consistent with those considered in the impairment tests of the goodwill allocated to the CGUs in the consolidated financial statements.

The recoverable amount of the CGUs has been estimated using the Discounted Cash Flow method, discounting the operating financial flows generated by the assets themselves at a discount rate representative of the cost of capital.

The financial flows used to calculate the recoverable amount implement the economic-financial forecasts formulated by the management with regard to the assets currently held by the Company and assuming that it will continue to hold them. The economic-financial projections used were inferred from the strategic plan approved by Resolution of the Board of Directors on 15th January 2021.

Ascopiave S.p.A. is a share interest holding that performs direction and strategic coordination activities in the Ascopiave Group. Pursuant to IAS 36 accounting standard, we verified the recoverability of the so-called "corporate assets" of Ascopiave S.p.A. i.e. the assets and liabilities related to the main Ascopiave S.p.A. assets that have not been allocated in the CGUs during the first level impairment tests. The test has been carried out on a consolidation level (second level test) as prescribed in IAS 36. We verified the net invested capital of Ascopiave, net of share interests not consolidated on a line-by-line basis. Specifically, the recoverable amount was calculated as the sum of the recoverable amounts of:

- 1) the "other activities" CGU,
- 2) other shareholdings, determined in the first-level impairment test, and the recoverable amount,
- 3) the corporate CGU.

About the recoverable amount of Ascopiave Ascopiave S.p.A., the cash flows used are consistent with the forecasts set forth by company management for the years 2021-2024. The terminal value has been determined as an estimate of a perpetuity based on results expected for 2024.

The weighted cost of capital (WACC) was estimated as the weighted average of WACC amounts calculated for the “other activities” CGU, weighted by the incidence of the related revenues.

In conclusion, the recoverable amount is higher than the accounting values.

Although the conditions to write-down goodwill are not met, please note that the test conducted highlighted the need to proceed with the partial write-down of the minority interest held in the listed company ACSM-AGAM S.p.A. for Euro 1,807 thousand.

As regards the book value of the investment in Cart Acqua S.r.l., as it was acquired towards the end of the year, the price paid represents the fair value.

4. Other non-current assets

The following table shows the breakdown of “Other non-current assets” at the end of each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Security deposits	516	509
Other receivables	748	748
Other non-current assets	1,264	1,257

Other non-current assets increased from Euro 1,257 thousand in 2019, to Euro 1,264 thousand in 2020, recording an increase of Euro 7 thousand.

The item “Other receivables” is composed of:

- Receivables from the Municipality of Santorso, for Euro 748 thousand. The value corresponds to the net book value of the distribution plants delivered in August 2007 to the same municipality following the date of expiry of the concession, on 31st December 2006. The value of the receivables corresponds to what the municipality of Santorso has been asked to pay as per the “Letta” legislative decree, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal.

As of 31st December 2020, there is an on-going litigation with the municipality mentioned above. Please consult the paragraph “Litigations” of these financial statements for more information.

5. Non-current financial assets

Non-current financial assets amount to Euro 2,226 thousand, as shown in the following table:

(Thousands of Euro)	31.12.2020	31.12.2019
Other receivables of a financial nature over 12 months	2,226	2,478
Non-current financial assets	2,226	2,478

The item refers to the receivables from the municipalities of Creazzo and Costabissara.

As regards the municipality of Creazzo the infrastructure was delivered subsequent to the natural expiry of the concession on 31st December 2004. The value of the receivables corresponds to the amount that the municipality of Creazzo has been asked to pay as per the “Letta” legislative decree, article 15, paragraph 5, as indemnification of the industrial value of the network, in line with the estimations outlined in a suitable appraisal.

In order to reach an amicable settlement of the dispute, on 1st March 2017 the technicians in charge of estimating the plants proposed a comprehensive value of Euro 1,678 thousand (to be paid in instalments over 12 years). The value entered under non-current financial assets represents the portion due beyond 12 months from the reporting date and, due to the duration of the agreed instalments, the item was discounted.

The Municipality, with City Council Resolution no. 18 dated 22nd March 2018, definitively approved the settlement deed above, executed on 2nd August 2018.

As regards the receivable from the municipality of Costabissara, it will be collected beyond 12 months from the reporting date. A settlement agreement was signed with the Municipality on 3rd June 2019 for assessing the value of the natural gas distribution infrastructure, which had been delivered on 1st October 2011. The parties agreed an amount of Euro 3,000 thousand, of which Euro 1,000 thousand paid within 30 days from the date of signing the agreement, while the remainder will be paid in 12 annual instalments having the same amount. The value entered in non-current financial assets represents the portion due beyond 12 months from the reporting date and, due to the duration of the agreed instalments, the item was discounted.

6. Deferred tax assets

Deferred tax assets increase from Euro 1,385 thousand, to Euro 1,541 thousand, recording an increase of Euro 156 thousand as highlighted in the table below which shows the balances in the two years under comparison:

(Thousands of Euro)	31.12.2020	31.12.2019
Advance tax receivables	1,541	1,385
Advance tax receivables	1,541	1,385

The Company has performed a full accounting of advance taxes concerning temporary differences between taxable values and book values, as the Company supposes that future tax bases could take up all temporary differences that generated them. In determining the advanced taxes, we referred to IRES (taxes on company income) and, where applicable, to the IRAP in force when the temporary differences are expected to be carried forward. In particular, a 24% IRES tax rate and a 4.2% IRAP rate were applied.

The total value of the temporary differences and the amounts on which the deferred tax assets were calculated are as follows:

Description	31 December 2020			31 December 2019		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Allocation of bad debt provisions	464	24.0%	111	464	24.0%	111
Exceeding amortizations IRES	4,593	24.0%	1,102	4,520	24.0%	1,085
Personnel incentive	1,363	24.0%	327	787	24.0%	189
Total advance taxes	6,419		1,541	5,771		1,385

Current assets

7. Trade receivables

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Receivables from customers	2,513	7,301
Receivables for invoices to be issued	1,913	3,666
Trade receivables	4,426	10,967

Trade receivables are entered net of the advance payments and mainly relate to invoicing of various administration, financial, legal and IT services that Ascopiave S.p.A. maintains with other companies of the Ascopiave Group.

The item decreases from Euro 10,967 thousand in the previous year, to Euro 4,426 thousand in the year considered, down Euro 6,541 thousand.

All receivables from clients are entirely made up of Italian debtors.

At the end of the year, no doubtful accounts that would require further provisions have been identified.

Trade receivables will be collectable within the following year and currently there are no significant outstanding expired receivables.

(Thousands of Euro)	31.12.2020	31.12.2019
Gross trade receivable invoices issued	2,513	76,617
- allowance for doubtful accounts	0	(3,715)
Net trade receivables for invoices issued	2,513	72,902
Aging of trade receivables for invoices issued		
- to expire	2,390	10,957
- expired within 6 months	112	0
- overdue by 6 to 12 months	0	0
- expired more than 12 months	10	10
- expired more than 5 years	1	0

8. Other current assets

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Tax consolidation receivables	3,546	646
Annual pre-paid expenses	184	220
Advance payments to suppliers	193	241
annual accrued income	0	66
VAT Receivables	988	1,597
UTF and Provincial/Regional Additional Tax receivables	40	74
Other receivables	5,100	5,532
Other current assets	10,051	8,376

Other current assets showed an increase of Euro 1,674 thousand, from Euro 8,376 thousand in 2019, to Euro 10,051 thousand in 2020. The increase is mainly explained by higher tax consolidation receivables for Euro 2,900, partially offset by the lower VAT receivables for Euro 609 thousand and other receivables for Euro 431 thousand.

Other receivables are mainly explained by the receivable from Edigas Esercizio Distribuzione Gas S.p.A. relating to the differential between the transferred accounting items and the value attributed for the purposes of the transfer equal to Euro 4,986 thousand occurred in 2019.

9. Current financial assets

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Financial receivables from subsidiaries and associates	45,552	36,771
Other financial current assets	701	701
Current financial assets	46,253	37,471

Current financial assets are in the tune of Euro 46,253 thousand, marking an increase of Euro 8,782 thousand compared to the previous year. The item mainly includes the credit balances of the cash pooling current accounts through which the company manages the Group Treasury, granting the necessary funding to its subsidiaries and jointly controlled companies, in order to meet their financial requirements.

The breakdown of the credit balances of current accounts with subsidiaries and affiliates in the two financial years is shown below:

(Thousands of Euro)	31.12.2020	31.12.2019
Intercompany current account AP Reti Gas Rovigo S.r.l.	3,005	708
Intercompany current account Edigas Esercizio Distribuzione Gas S.p.A.	15,379	10,430
Intercompany current account AP Reti Gas Vicenza S.p.A.	21,731	16,685
Intercompany current account Asco Energy S.p.A.	5,438	2,753
Receivables from subsidiaries	45,552	30,576

(Thousands of Euro)	31.12.2020	31.12.2019
Intercompany current account Ascotrade S.p.A.	0	4,272
Intercompany current account Amgas Blu S.r.l.	0	1,296
Intercompany current account ASM Set S.r.l.	0	627
Receivables from affiliates or divested companies	0	6,195

The change in receivables from subsidiaries highlights an increase in loans granted at the end of the year equal to Euro 14,976 thousand.

Receivables from affiliates or divested companies decrease by Euro 6,195 thousand, equal to the total receivables recorded at the end of the previous year. The cash pooling current accounts with such companies were closed in March subsequent to the finalisation of the business partnership with the Hera Group which took over as the parent company. The residual amount concerns the short-term portion of the receivables from the municipality of Creazzo and the short-term portion of the receivables from the municipality of Costabissara.

10. Tax receivables

The following table shows the composition of tax receivables at the end of each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Receivables related to IRAP	283	283
Receivables related to IRES	2,301	
Other tax receivables	5	26
Tax receivables	2,588	309

Tax receivables amount to Euro 2,588 thousand, up Euro 2,279 thousand compared to 2019. The balance of the position towards the tax authorities for IRES, at the end of the previous year, showed a debt and, consequently, the receivables at 31st December 2020 show a change of the same amount in the item under examination.

11. Cash and cash equivalents

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Bank and post office deposits	20,565	65,741
Cash and cash equivalents on hand	3	3
Cash and cash equivalents	20,568	65,744

The item includes bank accounts and the cash equivalents in the company funds. Cash equivalents at the end of the fiscal year amount to Euro 20,568 thousand, down Euro 45,176 thousand compared to the previous year. For a better understanding of changes in the cash flows occurred during the year, please refer to the statement of cash flows.

Equity

12. Equity

The shareholders' equity at the end of the periods considered is analysed in the following table:

(Thousands of Euro)	31.12.2020	31.12.2019
Share capital and reserves	772,355	329,473
Net Result for the period	35,932	521,266
Total Net equity	808,286	850,739

The composition of the net shareholders' equity is reported below:

(Thousands of Euro)	31.12.2020	31.12.2019
Share capital	234,412	234,412
Legal reserve	46,882	46,882
Own shares	(55,628)	(26,774)
Reserves	546,731	75,004
Reserve for severance pay discount ias 19	(43)	(51)
Net Result for the period	35,932	521,266
Total Net equity	808,286	850,739

Shareholders' equity as of 31st December 2020 amounted to Euro 808,286 thousand, a decrease of Euro 42,453 thousand compared to 31st December 2019.

Changes in the consolidated shareholders' equity during the period, excluding the result achieved, are mainly explained by the distribution of ordinary dividends approved by the Shareholders' Meeting held on 29th May 2020. In ordinary session, the Shareholders' Meeting resolved to distribute an ordinary dividend of Euro 0.2133 per share. This ordinary dividend was paid on 10th June 2020, with ex-dividend date on 8th June 2020 and record date on 9th June 2020.

Pursuant to Article 40, Legislative Decree 127 2 d), as of 31st December 2020 the Company owns 17,766,858 own shares for a value of Euro 55,628 thousand (Euro 26,774 thousand as of 31st December 2019), recognised as a reduction in other reserves as can be seen in the Net Equity changes.

As of 18th September 2020, Ascopiave S.p.A. held 12,439,045 treasury shares, equal to 5.306% of the share capital for a value of Euro 34,821 thousand; subsequently, on 11th December 2020, it purchased 5,327,813 Shares, equal to 2.273% of the Company's share capital, for a total value of Euro 20,806,175.

The shares were purchased subsequent to the conclusion of the Subscription period of 5,334,329 ordinary shares, reserved for holders of ordinary shares of the Company listed on the Electronic Share Market (MTA), for which the right of withdrawal has not been exercised. At the end of the subscription period, 3,621 Shares representing 0.068% of the Shares for a total value of Euro 14,140 were subscribed and the Right of First Refusal was exercised for 2,895 Shares, equal to 0.054% of the Shares and a total value of Euro 11,306. Therefore, in light of the rights exercised by Ascopiave shareholders, 3,621 Shares were subscribed and the Right of First Refusal was exercised for 2,895 Shares, for a total of 6,516 Shares, representing 0.122% of the Shares, for a total value of Euro 25,446.

The remaining shares were consequently repurchased by Ascopiave S.p.A. as previously described.

The hedge accounting reserve recorded at the end of the year represents the current value of the derivative financial instruments signed by Ascopiave S.p.A. in order to hedge against any interest rate fluctuations. Such reserve, as at 31st December 2020, shows a negative balance of Euro 496 thousand. At the reporting date, effects totalling Euro 117 thousand were recorded in the income statement.

With regard to the assets and liabilities related to assets from derivatives, please refer to the paragraph "Hedging policies" herein which highlights their effects.

The changes in the shareholders' equity in FY 2020 are reported in the following tables:

Shares in circulation as of 31st December 2020 and 31st December 2019

(Number of shares)	31.12.2020	31.12.2018
Number of shares from shareholders' capital	234,412	234,412
Number of shares in portfolio	(17,767)	(10,456)
Total number of shares in circulation	216,645	223,956

Value of the shares in circulation (Thousands of Euro)	31.12.2020	31.12.2018
Ordinary shares	234,412	234,412
Own shares in portfolio	(55,628)	(26,774)
Total value of shares in circulation	178,784	207,638

Revenues (losses) entered directly in the Shareholders' Equity

As of 31st December 2020, losses for Euro 1,850 thousand were entered directly in the Shareholders' Equity. This reserve gathers actuarial gains and losses deriving from the assessment of current defined-benefit plans that will never be reclassified under profit and loss account for Euro 43 thousand related to the severance indemnity and Euro 1,807 thousand related to the fair value measurement of the equity investment in ACSM-AGAM S.p.A. described in the paragraph "Shareholdings" of this annual financial report.

Pursuant to article 2427-bis of the Italian Civil Code, the prospects indicating the origin, possibility of use and distribution of net equity items are reported below:

Description	Amount	Possibility of use	Portion available	Usage in the previous three financial period	
				For coverage of losses	For other reasons
Share capital	234,411,575 -		-		
CAPITAL RESERVES					
Share premium fund	171,613 A, B, C		171,613		
Own shares	(55,627,661) -		-		
EARNINGS RESERVES					
Legal reserve	46,882,315 B		-		
Extraordinary reserve					
Free reserve					
Other reserve	578,071,036 A, B, C		578,071,036		
Reserve for revaluation positive balances		A, B, C			
Extraordinary reserve from contribution		A, B, C			
Advances on dividends		A, B, C			
Profit/(loss) carried forward	(31,554,069) A, B, C		(31,554,069)		
Total	537,943,234		546,688,580		
Portion non available					
Residual value of available portion			546,688,580		

Note: "A" = capital increase "B" = coverage of losses, "C" = distribution to shareholders

The share premium fund is available considering that the legal reserve reached a value equal to one fifth of the share capital, in accordance with statutory provisions.

Non-current liabilities

13. Reserves for risks and charges

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Provisions for pension for gas sector employees	1,142	675
Reserves for risks and charges	1,142	675

The increase in the provision for risks and charges amounting to Euro 467 thousand is mainly explained by the recognition of costs accrued in the period in question for long-term incentive plans granted to some Company employees. These amounts refer to the portion accrued in the year and relate to the 2018-2020 three-year period, as set out in the plans for the accrual of the bonus.

14. Severance indemnity

The changes in severance indemnity in the year considered are shown in the following table:

(Thousands of Euro)	
Severance indemnity as of 1 st January 2020	289
Retirement allowance	(360)
Payments for current services and work	320
Actuarial loss/(profits) of the period	9
Severance indemnity as of 31st December 2020	258

The liability of the severance indemnity is calculated with the actuarial method. Its value is therefore subjected to variation between the various assumptions. The main assumptions used for the measurement of the severance indemnity is the discount rate, the average yearly employee turnover and maximum retiring age of employees.

The discount rate used to measure the liability deriving from severance indemnity is determined from market trend of high quality bonds (AA rating or better) with due dates and amounts corresponding to due dates and amounts of expected future payments. For this plan, the average discount rate reflecting the due dates and amounts of future payments for 2020 amounts to 0.33% (0.79% as of 31st December 2019).

The main additional assumptions of the model are:

- Mortality rate: IPS55 survival table
- Inability rates: INPS tables year 2000
- Personnel rotation rate: 3.00%
- Annual probability rate of TFR down payment: 2.00%
- Increase in remuneration rate: 1.50 %
- Inflation rate: 0.50%

The sensitivity analysis on the actuarial evaluation of the provision did not highlight substantial discrepancies compared to the value entered in the financial statements.

The current cost related to work performance is included as personnel costs, while the interest cost is recorded under financial income and expense for Euro 2 thousand.

15. Medium- and long-term loans

The following table shows how the item is broken down at the end of the periods considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Loans from Cassa Centrale Banca	7,041	7,833
Loans from European Investment Bank	12,000	16,750
Loans from Intesa San Paolo S.p.A.	80,000	40,000
Loans from BNL	42,250	46,500
Loans from Credit Agricole Friuladria	18,000	24,000
Loans from Ubi Banca S.p.A.	10,041	
Loans from Mediobanca	26,667	
Medium- and long-term bank loans	195,999	135,083
Current portion of medium- and long-term bank loans	40,024	30,028
Medium- and long-term bank loans	236,023	165,111

Medium and long term loans, mainly represented as of 31st December 2020 by the payables of the Parent Company to Intesa Sanpaolo for Euro 80,000 thousand, BNL for Euro 42,250 thousand, Mediobanca for Euro 26,667 thousand, Crédit Agricole Friuladria for Euro 18,000 thousand, UBI BANCA for Euro 10,041 thousand and the European Investment Bank for Euro 12,000 thousand, increase from Euro 165,111 thousand to Euro 236,023 thousand, up Euro 70,912 thousand, mainly explained by the loan taken out with Intesa Sanpaolo for Euro 50,000 thousand, the loan with Mediobanca for Euro 30,000 thousand and the loan with Ubi Banca for Euro 20,000 thousand, net of the payment of the instalments in the period.

Specifically:

- The loan with Intesa Sanpaolo, disbursed in November 2019 for a total amount of Euro 50,000 thousand, as of 31st December 2020 has a residual debt of Euro 40,000 thousand, with the entry of Euro 10,000 thousand in due to banks and short-term loans.
The contract envisages the fulfilment of certain financial covenants to be checked each year on the Group's consolidated data prepared in compliance with the IFRS, which at the reporting date were fulfilled:
 - o NFP / Ebitda adj \leq 4.5x,
 - o PFN / Equity \leq 1x.
- The loan with Intesa Sanpaolo, disbursed in November 2020 for a total amount of Euro 50,000 thousand, equal to the residual debt as of 31st December 2020, has no amounts in due to banks and short-term loans.
The contract envisages the fulfilment of certain financial covenants to be checked each year on the Group's consolidated data prepared in compliance with the IFRS, which at the reporting date were fulfilled:
 - o NFP / Ebitda adj \leq 4,5x,
 - o PFN / Equity \leq 1x
- The loan with BNL, granted in August 2019 for an amount equal to Euro 30,000 thousand, as of 31st December 2020 has a residual debt of Euro 27,000 thousand, with the entry of Euro 6,000 thousand in due to banks and short-term loans.
The bank granted the Company a moratorium on the capital portion due in August 2020, extending the duration of the repayment schedule by six months.
The contract envisages the fulfilment of certain financial covenants to be checked each year on the Group's consolidated data prepared in compliance with the IFRS, which at the reporting date were fulfilled:
 - o NFP / Ebitda adj \leq 4,5x,
 - o RAB \geq Euro 300,000 thousand.
- The loan with BNL, disbursed in 2017 for an amount equal to Euro 30,000 thousand, as of 31st December 2020 has a residual debt of Euro 23,750 thousand, with the entry of Euro 2,500 thousand in due to banks and short-term loans.

The bank granted the Company a moratorium on the capital portion due in August 2020, extending the duration of the repayment schedule by six months.

The contract envisages the fulfilment of certain financial covenants to be checked each year on the Group's consolidated data prepared in compliance with the IFRS, which at the reporting date were fulfilled:

- o NFP / Ebitda adj \leq 4,5x,
- o RAB \geq Euro 300,000 thousand.

- The loan with Mediobanca, disbursed in December 2020 for a total amount of Euro 30,000 thousand, equal to the residual debt as of 31st December 2020, with the entry of Euro 3,333 thousand in due to banks and short-term loans.

The contract envisages the fulfilment of certain financial covenants to be checked every six months on the Group's consolidated data prepared in compliance with the IFRS, which at the reporting date were fulfilled:

- o NFP / Ebitda adj \leq 4.5x,
- o PFN / Equity \leq 1x.

- The loan with Crédit Agricole Friuladria, disbursed in October 2019 for an amount equal to Euro 30,000 thousand, as of 31st December 2020 has a residual debt of Euro 24,000 thousand, with the entry of Euro 6,000 in due to banks and short-term loans.

The contract envisages the fulfilment of certain financial covenants to be checked every six months on the Group's consolidated data prepared in compliance with the IFRS, which at the reporting date were fulfilled:

- o NFP / Ebitda adj \leq 4.5x,
- o RAB $>$ Euro 450.000 thousand.

- The loan with Ubi Banca, disbursed in May 2020 for an amount equal to Euro 20,000 thousand, as of 31st December 2020 has a residual debt of Euro 16,690 thousand, with the entry of Euro 6,648 in due to banks and short-term loans. No financial covenants apply to the loan.

- The loan with the European Investment Bank, paid in two tranches in 2013 equalling Euro 45,000 thousand, as of 31st December 2020 has a residual debt of Euro 16,750 thousand, with the entry of Euro 4,750 thousand in due to banks and short-term loans.

The contract envisages the fulfilment of certain financial covenants to be checked every six months on the Group's consolidated data prepared in compliance with the IFRS, which at the reporting date were fulfilled:

- o Ebitda adj / Financial charges $>$ 5x,
- o NFP / Ebitda adj $<$ 4.5x.
- o RAB \geq Euro 300 thousand.

- The loan with Cassa Centrale Banca, granted at the beginning of 2018 for an amount equal to Euro 10,000 thousand, as of 31st December 2020 has a residual debt of Euro 7,833 thousand, with the entry of Euro 792 thousand in due to banks and short-term loans. No financial covenants apply to the loan.

As a guarantee of the fulfilment of the obligations associated with the loan agreements with BNL (only the one taken out in 2017) and the European Investment Bank, the Parent Company has transferred to the banks a share of future receivables arising from the reimbursement of the value of assets related to gas distribution concessions of the subsidiary AP Reti Gas S.p.A..

The following table shows the deadlines of medium- and long-term loans:

(Thousands of Euro)	31.12.2020
Financial year 2021	40,024
Financial year 2022	43,408
Financial year 2023	90,095
Financial year 2024	33,253
After 31 st December 2024	29,242
Total medium and long-term loans	236,023

16. Other non-current liabilities

The following table shows how the items are broken down for each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Security deposits	9	9
Other non-current liabilities	9	9

Other liabilities did not change during the year.

17. Non-current financial liabilities

The following table shows how the item is broken down at the end of each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Debts for rights of use beyond 12 months	88	64
Non-current financial liabilities	88	64

Non-current financial liabilities increase from Euro 64 thousand in 2019 to Euro 88 thousand in the year considered, up Euro 24 thousand. The item includes the financial payable that will be disbursed beyond twelve months in relation to operating lease agreements for property and company vehicles recognised in accordance with IFRS 16.

18. Deferred tax payables

The following table shows the balance of the item at the end of each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Deferred tax payables	6	6
Deferred tax payables	6	6

Deferred taxes amount to Euro 6 thousand, unchanged compared to the previous year.

The Company has recognised in full deferred taxes on temporary differences between taxable values and book values. In determining the advanced taxes, we referred to IRES (taxes on company income) and, where applicable, to the IRAP in force when the temporary differences are expected to be carried forward. In particular, a 24% IRES tax rate, and a 4.2% IRAP tax rate were applied.

The total value of the temporary differences and the related amounts on which the liabilities for deferred taxes gave been detected are detailed below:

Description	31 December 2020			31 December 2019		
	Temporary differences	Tax rate	Total effect	Temporary differences	Tax rate	Total effect
Exceeding amortizations	5	24.0%	1	5	24.0%	1
Severance indemnity	19	24.0%	5	21	24.0%	5
Total deferred tax payables			6			6

Current liabilities

19. Amounts due to banks and current portion of medium/ long-term loans

The following table shows how the items are broken down at the end of each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Payables due to banks	125,718	106,000
Current portion of medium-long-term loans	40,024	30,028
Payables due to banks and financing institutions	165,742	136,028

At the end of FY 2020, short-term bank payables are composed of short-term bank loans and negative bank account balances for Euro 125,718 thousand and short-term loan instalments for Euro 40,024 thousand. The total increase, amounting to Euro 29,714 thousand, is mainly explained by greater use of the credit lines available.

The following table shows the detail of Ascopiave S.p.A. credit lines used and available and the respective rates applied as of 31st December 2020:

Banks	Type	Credit lines 31 dec 2020	Interest rate 31 dec 2020	Debt 31 dec 2020
Banca di Credito Cooperativo delle Prealpi	Bank loan	3,916	1.83%	3,916
Banca Europea per gli Investimenti	Bank loan	6,250	0.27%	6,250
Banca Europea per gli Investimenti	Bank loan	10,500	0.51%	10,500
Banca Monte dei Paschi di Siena	Cash loans	11,000	n.a.	-
Banca Monte dei Paschi di Siena	Guarantees	5,000	n.a.	-
Banca Nazionale del Lavoro	Guarantees	49,000	0.20%	24,000
Banca Nazionale del Lavoro	Bank loan	23,750	1.92%	23,750
Banca Nazionale del Lavoro	Bank loan	27,000	0.56%	27,000
Banca Nazionale del Lavoro	Cash loans	1,000	n.a.	125
Banca Nazionale del Lavoro	Financial derivatives	500	n.a.	219
Banca Popolare dell'Emilia Romagna	Guarantees	10,000	0.20%	10,000
Banca Sella	Guarantees	5,000	n.a.	-
Banco BPM	Guarantees	20,000	0.19%	20,000
Banco BPM	Cash loans	5,000	n.a.	1,287
Cassa centrale BCC Italiano	Bank loan	3,916	1.83%	3,916
Credito Emiliano	Guarantees	30,000	0.02%	30,000
Credit Agricole Corporate	Bank loan	12,000	0.58%	12,000
Credit Agricole Friuladria	Bank loan	12,000	0.58%	12,000
Credit Agricole Friuladria	Guarantees	3,000	0.20%	3,000
Credit Agricole Friuladria	Financial derivatives	1,320	n.a.	160
Intesa SanPaolo	Guarantees	45,000	0.25%	10,000
Intesa SanPaolo	Bank loan	40,000	0.41%	40,000
Intesa SanPaolo	Financial derivatives	1,330	n.a.	112
Cassa Depositi e Prestiti	Cash loans	9,943	n.a.	9,943
Mediobanca	Bank loan	30,000	0.42%	30,000
Unicredit	Guarantees	31,600	0.10%	28,700
Unicredit	Cash loans	29,210	n.a.	4,371
Unione di Banche Italiane	Guarantees	10,000	0.25%	-
Intesa SanPaolo	Bank loan	50,000	0.49%	50,000
Unione di Banche Italiane	Bank loan	16,690	0.55%	16,690
Total		503,925		377,939

The higher uses existing as of 31st December 2020 compared to the previous year depend mainly on the medium/long-term loans taken out with Intesa Sanpaolo, Mediobanca and UBI Banca and the particularly advantageous rates applied to short-term loans.

20. Trade payables

The following table shows how the item is broken down at the end of each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Payables to suppliers	1,116	957
Payables to suppliers for invoices not yet received	1,275	3,863
Trade payables	2,392	4,819

Trade payables decrease from Euro 4,819 thousand in the previous year to Euro 2,392 thousand in the year considered, marking a decrease of Euro 2,428 thousand. The decrease is mainly explained by the lower balances for invoices to be received for Euro 2,588 thousand, partially offset by higher payables for Euro 159 thousand. At the end of 2019, payables related to the consultancy services received as part of the finalisation of the extraordinary operation which took place on 19th December 2019 were recorded.

Trade payables are payable within the following fiscal year.

21. Payables to tax authorities

The following table shows how the item is broken down at the end of each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
IRES payables		4,575
Tax payables		4,575

The balance of the IRES position towards the tax authorities, at the end of 2020, showed a credit and, consequently, the payables recorded on 31st December 2019 show a change of the same amount in the item under examination.

22. Other current liabilities

The following table shows how the item “Other current liabilities” is broken down for each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Amounts due to parent companies for tax consolidation	0	1,200
Amounts due to social security institutions	341	242
Amounts due to employees	1,323	3,671
Payables to revenue office for withholding tax	263	364
Annual passive prepayments	643	615
Other payables	385	365
Other current liabilities	2,955	6,457

At the end of the fiscal year, other current liabilities amount to Euro 2,955 thousand marking a decrease of Euro 3,502 thousand as compared to 2019.

The decrease is mainly explained by the lower payables recorded for the tax consolidation, which decrease by Euro 1,200 thousand, and the lower payables to personnel for Euro 2,348 thousand. At the end of the previous year the item included the bonuses paid at the closing of the partnership with the Hera Group.

“Payables to welfare institutions” refers to payables of welfare contributions for the months of November and December that were paid during the first months of 2021. The “amounts due to employees” include holidays not taken, deferred remuneration and bonuses earned as of 31st December 2020 but not paid out on that date.

23. Current financial liabilities

The following table shows the breakdown of the item “Current financial liabilities” at the end of each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Financial payables within 12 months	19,061	30,663
Debts for rights of use within 12 months	69	70
Current financial liabilities	19,130	30,733

Current financial liabilities amount to Euro 19,130 thousand, down Euro 11,604 thousand compared to the previous year, mainly due to the balances recorded in cash pooling current accounts with subsidiaries and affiliates, through which the company manages the Group Treasury.

The item is composed of financial payables to AP Reti Gas S.p.A. for Euro 9,503 thousand and AP Reti Gas Nord Est S.r.l. for Euro 8,873 thousand.

The financial payables related to the application of IFRS 16 changed by Euro 1 thousand during the year. They represent financial payables expiring within twelve months for operating lease agreements signed for rentals of company offices and vehicles.

24. Current liabilities from derivative financial instruments

The following table shows how the item is broken down for each period considered:

(Thousands of Euro)	31.12.2020	31.12.2019
Current liabilities from derivative financial instruments	548	98
Current liabilities from derivative financial instruments	548	98

Current liabilities on derivative financial instruments at the end of the year amounted to Euro 548 thousand.

During the year, the Company signed a derivative contract to hedge against interest rates. As regards the assets and liabilities related to assets on derivatives, please consult the section “Hedging policies” of this report which highlights the effects related to them.

Liabilities on derivatives are represented by the fair value of the derivatives existing as of 31st December 2020, whose financial manifestation will be distributed over the next 12 months.

#	Counterpart	Type of instrument	Underlying Commodity	Trade date	Effective date	Expiry date	Position	Contractual notion	MTM (€/000)
1	BNL	Interest Rate Swap	Euribor 6M	09-Aug-19	09-Feb-20	9-feb-25	Vanilla: Fixed - Float	27,000,000 €	220
2	Credit Agricole	Interest Rate Swap	Euribor 6M	27-Sep-19	01-Oct-19	27-set-24	Vanilla: Fixed - Float	24,000,000 €	160
3	Intesa Sanpaolo	Interest Rate Swap	Euribor 6M	30-Nov-20	30-Nov-20	30-nov-23	Vanilla: Fixed - Float	50,000,000 €	123
4	Mediobanca	Interest Rate Swap	Euribor 3M	02-Dec-20	02-Dec-20	2-dic-25	Vanilla: Fixed - Float	30,000,000 €	45
Total								131,000,000 €	548

The financial instruments measured at fair value belong to the 1st evaluation hierarchical level.

Net financial position

The table below shows the composition of the net financial position as requested in Consob communication no. DEM/6064293 of 28th July 2006:

(Thousands of Euro)	31.12.2020	31.12.2019
Cash and cash equivalents	20,568	65,744
Current financial assets	46,253	37,471
Current financial liabilities	(19,130)	(30,733)
Payables due to banks and financing institutions	(165,742)	(136,028)
Net short-term financial position	(118,050)	(63,546)
Non-current financial assets	2,226	2,478
Medium- and long-term bank loans	(195,999)	(135,083)
Non-current financial liabilities	(88)	(64)
Net medium and long-term financial position	(193,861)	(132,669)
Net financial position	(311,912)	(196,215)

Ascopiave S.p.A. Net Financial Position saw an increase of Euro 115,696 thousand compared to the previous year, for a total amount of Euro 311,912 thousand.

No covenants or negative pledges are set out in the short-term bank loans, while the loans granted by the European Investment Bank, Banca Nazionale del Lavoro, Crédit Agricole Friuladria, Intesa Sanpaolo and Mediobanca envisage covenants - to be verified based on the results of the consolidated financial statements - described in the paragraph "Medium-long term loans" herein.

Pursuant to Consob resolution no. 15519 dated 27th July 2006, the effects of the relations with related parties are illustrated in the specific scheme shown in paragraph "Financial statements representation pursuant to Consob resolution 15519/2006" herein.

Pursuant to Consob communication no. DEM/6064293/2006, the following table shows the reconciliation between the Net financial position and the ESMA Net financial position:

(Thousand of Euro)	31.12.2020	31.12.2019
Net financial position	(311,912)	(196,215)
Non-current financial receivables	2,226	2,478
ESMA net financial position	(309,686)	(193,737)

COMMENTS ON THE MAIN INCOME STATEMENT ITEMS

Revenues

25. Revenues

The following table shows the revenues in the periods considered:

(Thousands of Euro)	FY	
	2020	2019
Revenues from services supplied to Group companies	11,819	12,091
Other revenues	515	335
Distribution of dividends from controlled companies	41,079	22,999
Revenues	53,413	35,425

At the end of the period, the item amounted to Euro 53,413 thousand, up Euro 17,988 thousand compared to the previous year.

Revenue from general services to Group companies decreased by Euro 272 thousand, from Euro 12,091 thousand in the previous year, to Euro 11,819 thousand in the year considered.

Revenues from distribution of dividends of subsidiaries increased by Euro 18,080 thousand, from Euro 22,999 thousand in the previous year, to Euro 41,079 thousand in the year considered. The change is mainly explained by the collection of dividends from the investee companies Estenergy S.p.A. for Euro 17,764 thousand in the new configuration, ACSM - AGAM S.p.A. for Euro 789 thousand and Hera Comm S.p.A. for Euro 2,700 thousand.

The item "other revenues" increased from Euro 335 thousand in 2019 to 515 thousand in the year considered, up Euro 180 thousand.

Operating costs

26. Cost of raw materials

The following table reports the costs relating to the purchase of raw materials during the financial periods considered:

(Thousands of Euro)	FY	
	2020	2019
Purchase of other raw material	12	12
Purchase costs for other raw materials	12	12

The costs for the purchase of other raw materials amount to Euro 12 thousand, unchanged since 2019 and include costs for the purchase of consumables.

27. Costs for services

Costs for services for the relevant periods are analysed in the following table:

(Thousands of Euro)	FY	
	2020	2019
Mailing and telegraph costs	506	100
Maintenance and repairs	2,168	1,859
Consulting services	2,763	3,125
Commercial services and advertisement	96	95
Sundry suppliers	396	439
Directors' and Statutory Auditors' fees	1,247	937
Insurances	615	542
Personnel costs	390	647
Other managing expenses	842	1,253
Costs for use of third-party assets	672	712
Costs for services	9,693	9,710

The costs for services amounted to Euro 9,693 thousand, recording a decrease compared to the previous year of Euro 17 thousand. This is mainly due to the decrease in costs for consultancy services incurred in the year, expenses for various utilities and staff expenses. The decreases in costs incurred for staff are explained by the measures to contain the spread of the SarsCov2 virus approved or strongly recommended by the Government, and embraced by the company, which resulted in a reduction in the number of employees who work at the company offices. These decreases were partially offset by the increase in postal and telegraphic expenses, expenses for maintenance and repairs, fees for directors and auditors and insurance cost.

Personnel costs include travel and mission expenses, costs for the canteen service and for training and education and record a decrease of Euro 257 thousand compared to the previous year.

The item "Costs for the use of third-party assets" includes costs for software rights and licences as well as the rental costs for company offices. At the end of the reference period, the item decreased by Euro 40 thousand.

28. Personnel cost

Personnel costs for the relevant periods are analysed in the following table:

(migliaia di Euro)	FY	
	2020	2019
Wages and salaries	4,959	5,069
Social security contributions	1,486	1,454
Severance indemnity	320	330
Other costs	17	56
Total personnel costs	6,782	6,909
Capitalized personnel costs		
Personnel costs	6,782	6,909

Personnel costs are reported net of capitalised costs in relation to increases in intangible assets for works carried out partially on a time and material basis, which are directly attributed to the construction and extraordinary

maintenance of company offices.

The item decreased from Euro 6,909 thousand in the previous year, to Euro 6,782 thousand in 2020, down Euro 127 thousand. At the end of the year, costs for long-term incentive plans were recognised totalling Euro 347 thousand, down Euro 3 thousand compared to the previous year.

In accordance with IFRS 2, the cost of the long-term incentive plans had an offsetting item in the shareholders' equity reserves for the portion to be paid in shares and in the retirement funds for the cash portion. The amounts recorded for long-term incentive plans refer to the first year of the 2018-2020 period, as set out in the plans for the accrual of the bonus.

The table below shows the average number of employees, divided by category, at the end of 2020 and at the end of 2019:

Description	31.12.2020	31.12.2019	Variation
Managers	9	10	(1)
Office workers	79	80	(2)
Manual workers	2	4	(2)
No. of personal employed	90	94	(5)

Some employees of the company hold a multi-annual incentive scheme.

29. Other operating costs

The following table shows the breakdown of other operating costs in the periods considered:

(Thousands of Euro)	FY	
	2020	2019
Membership and ARERA fees	233	222
Extraordinary losses	116	17
Other taxes	1,211	186
Other costs	395	305
Costs of contracts	87	
Other management costs	2,042	730

The item "Other operating costs" marks an increase of Euro 1,313 thousand compared to the previous year, from Euro 730 thousand to Euro 2,042 thousand in the year considered. The increase in other taxes, from Euro 186 thousand to Euro 1,211 thousand in the year considered, is mainly explained by the non-deductibility of the value added tax (VAT) applied to the costs incurred for performing the partnership concluded with the Hera Group on 19th December 2019.

30. Other operating revenues

The following table shows a breakdown of other operating income in the periods considered:

(Thousands of Euro)	FY	
	2020	2019
Other income	52	1,406
Other income	52	1,406

At the end of the period considered, the item amounts to Euro 52 thousand, a decrease of Euro 1,354 thousand compared to the previous year. In the previous period the item included the surplus value connected with the settlement agreement signed with the municipality of Costabissara concerning the value of the sale of the distribution facilities.

31. Amortisation, depreciation and write-downs

Amortisation and depreciation for the relevant periods are analysed in the following table:

(Thousands of Euro)	FY	
	2020	2019
Intangible fixed assets	1	1
Tangible fixed assets	1,401	1,449
Amortization of rights of use	140	65
Amortization and depreciation	1,542	1,514

Amortisation and depreciation at the end of the period considered amount to Euro 1,542 thousand, an increase compared to the previous year of Euro 28 thousand.

The recognition method of operating leases led to the entry of higher amortisation and depreciation costs totalling Euro 75 thousand for the rental of company cars and property.

32. Net financial income and expenses

Financial income and expenses in the years considered are analysed in the following table:

(Thousands of Euro)	FY	
	2020	2019
Interest income on bank and post office accounts	1	67
Other interest income	266	535
Financial income	267	602
Interest expense on banks	179	119
Interest expense on loans	1,359	940
Other financial expenses	143	180
Financial charges	1,681	1,238
Total net financial expenses	1,414	636

The item “Financial income and expenses” is negative and amounts to Euro 1,414 thousand, an increase as compared to the previous year of Euro 778 thousand. The change is mainly explained by the increase in medium-term loans taken out by the company.

Subsequent to the first application of IFRS 16, financial charges amounting to Euro 4 thousand were recorded.

33. Taxation for the period

The table below shows the breakdown of income taxes over the periods considered, distinguishing the current component from the deferred and advanced ones:

(Thousands of Euro)	FY	
	2020	2019
IRES current taxes	(2,992)	(786)
IRAP current taxes	(156)	336
Taxes previous years	(804)	(111)
Taxes for the period	(3,953)	(561)

Taxes for the period increase from Euro 561 thousand in the previous year, to Euro 3,953 thousand in the year considered, up Euro 3,392 thousand.

The table below shows the incidence of income tax:

(Thousands of Euro)	FY	
	2020	2019
Earnings before tax	31,979	17,320
Taxes for the period	3,953	561
Percentage of income before taxes	12.4%	3.2%

The actual tax rate increased from 3.2% in 2019 to 12.4% in the year considered, marking an increase of 9.2%.

(Thousands of Euro)	FY			
	2020		2019	
Applicable ordinary rate	24.0%		24.0%	
Earnings before tax	31,979		17,320	
Theoretical tax burden	7,675	24.0%	4,157	24.0%
Dividend taxation	(9,366)	(29.3%)	(11,807)	(68.2%)
Non-taxable costs / (income) (vehicles, telephones)	(1,301)	(4.1%)	8,547	49.3%
Advance / deferred taxes	(156)	(0.5%)	(336)	(1.9%)
IRES effective tax charge	(3,148)	(9.8%)	561	3.2%
IRAP (current and deferred)	0	0.0%	0	0.0%
Total effective tax burden	(3,148)	(9.8%)	561	3.2%
Actual rate	(9.8%)		3.2%	

34. Net result of discontinued/divested operations

The following table shows the details of the net result of discontinued/divested companies:

(Thousands of Euro)	FY	
	2020	2019
Net result of discontinued/divested operations		503,385
Net result of discontinued/divested operations		503,385

The item highlights the result achieved by the divested companies at the end of the previous year and reclassified

pursuant to IFRS 5 due to the partnership with the Hera Group finalised on 19th December 2019. The item included the gross capital gain generated by the sale of the investments in the companies involved in the partnership, and the costs incurred for the completion of the transaction, accompanied by the related tax effect. This effect was further influenced by the results achieved by the sales companies at that date, and by the dividends that they distributed to the parent company Ascopiave S.p.A. in May 2019.

(Thousands of Euro)	FY	
	2020	2019
Gains by sale of companies		488,669
Cost associated with carrying out the operation		(7,679)
Tax effect related to the economic effects of the transaction		(6,111)
Result achieved by the companies sold in 2019		28,786
Net Result of companies sold		503,665

OTHER COMMENTS

Non-recurring components

Pursuant to CONSOB communication no. 15519/2005, we announce that no non-recurrent economic components exist in the financial report as of 31st December 2020.

The item “Net result of discontinued operations” in 2019 includes revenues and costs related to the closing of the partnership between Ascopiave S.p.A. and the Hera Group, as described in the paragraph “Net result of discontinued/divested operations” herein.

Information on related parties

The Company is controlled by Asco Holding S.p.A. which holds 52.043% of the shares.

All transactions with the companies of the Group are part of the ordinary management of the enterprise and are performed on an arm’s length basis. In 2020, no other transactions were carried out with companies or entities belonging to Shareholders or directors of the Company, of the parent companies and of the subsidiary companies.

(Thousands of Euro)	Trade		Other		Costs			Revenues		
	receivables	receivables	payables	payables	Goods	Services	Other	Goods	Services	Other
<i>Parent company</i>										
Asco Holding S.p.A.	19	612	34	0	0	27	0	0	65	0
Total parent company	19	612	34	0	0	27	0	0	65	0
<i>Affiliated companies</i>										
Asco TLC S.p.A.	30	0	59	0	0	747	0	0	60	0
Bim Piave Nuove Energie S.r.l.	211	0	9	0	0	19	0	0	306	0
Total affiliated companies	240	0	68	0	0	766	0	0	366	0
<i>Subsidiary companies</i>										
AP Reti Gas S.p.A.	883	1,763	2	9,503	0	0	18	0	2,644	5,927
Edigas Esercizio Distribuzione Gas S.p.A.	238	21,304	13	0	0	43	0	0	510	1,821
AP Reti Gas Vicenza S.p.A.	169	21,795	13	0	0	33	0	0	395	149
AP Reti Gas Rovigo S.r.l.	102	3,144	19	0	0	46	0	0	258	475
Asco Energy S.p.A.	80	5,467	0	0	0	0	0	0	92	66
AP Reti Gas Nord Est S.r.l.	210	0	23	8,873	0	33	2	0	517	2
Total subsidiary companies	1,683	53,473	70	18,376	0	155	19	0	4,415	8,440
<i>Associated companies</i>										
Estenergy S.p.A.	0	0	0	0	0	0	0	0	0	0
Ascotrade S.p.A.	734	0	20	0	0	0	0	0	3,988	0
Blue Meta S.p.A.	154	0	29	0	0	90	0	0	933	0
Etra Energia S.r.l.	77	0	0	0	0	0	0	0	214	0
Ascopiave Energie S.p.A.	175	0	30	0	0	95	0	0	1,041	0
ASM Set S.r.l.	99	0	105	0	0	93	0	0	257	0
Total associated companies	1,240	0	184	0	0	278	0	0	6,433	0
Total	3,182	54,085	357	18,376	0	1,225	19	0	11,280	8,440

The companies listed in the following table were subsidiaries until 19th December 2019; then, subsequent to the closing of the partnership between Ascopiave S.p.A. and the Hera Group, they are affiliates and their data is reported for the sake of completeness of information.

Ascopiave S.p.A. has the following transactions with related parties with the other Group companies:

- ✓ debit of some insurance costs by the parent company Asco Holding S.p.A.;
- ✓ purchase of some administrative services, call centres, credit management;
- ✓ sales of counter services, personnel management, IT service, real estate service management, optical storage, staff services such as quality, privacy and safety of workers;
- ✓ sales of accounting and management of regulatory compliance;
- ✓ sales of administration and finance services;
- ✓ debit to Group companies of accounting and information technology services, and of any external expenses

- incurred;
- ✓ Agreement for the regulation of treasury relations designed to offset cash surpluses and deficiencies among the group companies;
 - ✓ Agreement for the participation in the group consolidation with the subsidiaries AP Reti Gas S.p.A., Edigas Esercizio Distribuzione Gas S.p.A., AP Reti Gas Vicenza S.p.A., AP Reti Gas Rovigo S.r.l. and Asco Energy S.p.A..

On 24th November 2010, the Board of Directors approved a procedure for transactions with related parties (the "Procedure"). Said Procedure regulates the transactions with related parties by the Company, directly or by proxy of subsidiary companies, as set forth by Art. 2391-*bis* of the Italian Civil Code pursuant to the National Commission for Publicly Traded Companies (CONSOB) Decision no. 17221 dated 12th March 2010 and subsequent amendments.

The Procedure took effect on 1st January 2011 and replaced the previous regulation regarding transactions with related parties, approved by the Board of Directors of the Company on 11th September 2006 (and subsequent amendments).

For the contents of the Procedure, please refer to the document, available online on the Company website at the following URL: <http://www.gruppoascopiave.it/wp-content/uploads/2015/01/Procedura-per-le-operazioni-con-parti-correlate-GruppoAscopiave-20101124.pdf>.

In order to implement correctly the Procedure, all the so-called Related Parties are mapped, to delimit and apply to them the control provisions and the contents of the document. Company Directors are required to declare, when applicable, possible conflicts of interest in the performance of the aforementioned transactions.

Financial statements representation pursuant to Consob resolution 15519/2006

Please find below the Financial statements representation showing the effects of the transactions with related parties and the effects of non-recurring income and expenses shown pursuant to Consob resolution no. 15519 dated 27th July 2006.

Assets and liabilities statement

(Thousands of Euro)	31.12.2020	of which related parties						31.12.2019	of which related parties					
		A	B	C	D	Total	%		A	B	C	D	Total	%
ASSETS														
Non-current assets														
Other intangible assets	10							13						
Tangible assets	26,187							26,927						
Shareholdings in Controlled and Affiliated companies	1,002,516		574,064	428,453		1,002,517	100.0%	960,648	564,705	395,943		960,648	100.0%	
Shareholdings in other companies	78,923				78,923	78,923	100.0%	54,001			54,001	54,001	100.0%	
Other non-current assets	1,264							1,257						
Non current financial assets	2,226							2,478						
Advance tax receivables	1,541							1,385						
Non-current assets	1,112,667		574,064	428,453	78,923	1,081,440	97.2%	1,046,708	564,705	395,943	54,000	1,014,648	96.9%	
Current assets														
Trade receivables	4,426	19	1,683	1,240	241	3,183	71.9%	10,967	9	4,041	5,763	89	9,902	90.3%
Other current assets	10,051	612	7,920	11		8,543	85.0%	8,376	646	5,437	42		6,125	73.1%
Current financial assets	46,253		45,552			45,552	98.5%	37,471		30,576	6,195		36,771	98.1%
Tax receivables	2,588							309						
Cash and cash equivalents	20,568							65,744						
Current assets	83,886	631	55,155	1,251	241	57,278	68.3%	122,867	655	40,054	12,000	89	52,797	43.0%
Assets	1,196,554	631	629,219	429,704	79,164	1,138,718	95.2%	1,169,576	655	604,759	407,942	54,089	1,067,445	91.3%
NET EQUITY AND LIABILITIES														
Total Net equity														
Share capital	234,412							234,412						
Own shares	(55,628)	(20,806)				(20,806)	37.4%	(26,774)						
Reserves and result of the period	629,503							643,101						
Total Net equity	808,286	(20,806)				(20,806)	-2.6%	850,739						
Non-current liabilities														
Provisions for risks and charges	1,142							675						
Severance indemnity	258							289						
Medium- and long-term bank loans	195,999							135,083						
Other non-current liabilities	9							9						
Non-current financial liabilities	88							64						
Deferred tax payables	6							6						
Non-Current liabilities	197,502							136,126						
Current liabilities														
Payables due to banks and financing institutions	165,742							136,028						
Trade payables	2,392	34	70	184	68	356	14.9%	4,819	96	569	37	702	14.6%	
Tax payables								4,575						
Other current liabilities	2,955							6,457	1,200			1,200	18.6%	
Current financial liabilities	19,130		18,376			18,376	96.1%	30,733	13,775	16,204		29,979	97.5%	
Current liabilities from derivative financial instruments	548							98						
Current liabilities	190,765	34	18,446	184	68	18,732	9.8%	182,711	15,071	16,773	37	31,881	17.4%	
Liabilities	388,267	34	18,446	184	68	18,732	4.8%	318,837	15,071	16,773	37	31,881	10.0%	
Net equity and liabilities	1,196,554	(20,772)	18,446	184	68	(2,074)	-0.2%	1,169,576	15,071	16,773	37	31,881	2.7%	

In order to improve the comparability of the data shown for comparative purposes, the 2019 FY was restated by dividing the item equity investments into the two items shown: "equity investments in subsidiaries and affiliates" and "equity investments in other companies".

Legend for the Related parties column heading:

A Parent companies and shareholders

B Subsidiaries

C Affiliates and Jointly controlled companies

D Associates and other related parties

The values reported in the tables above refer to the related parties listed below:

Group A - Parent companies and shareholders:

- Asco Holding S.p.A.

Group B - Subsidiaries:

- AP Reti Gas S.p.A.
- AP Reti Gas Rovigo S.r.l.
- AP Reti Gas Vicenza S.p.A.
- AP Reti Gas Nord Est S.r.l.

- Edigas Esercizio Distribuzione Gas S.p.A.
- Asco Energy S.p.A.

Group C - Affiliates and Jointly controlled companies:

- Amgas Blu S.r.l.
- Ascotrade S.p.A.
- ASM Set S.r.l.
- Blue Meta S.p.A.
- Estenergy S.p.A.
- Etra Energia S.r.l.
- Ascopiave Energie S.p.A.
- Sinergie Italiane S.r.l. in liquidation
- Hera Comm Nord Est S.r.l.

Group C - Other related parties:

- Asco TLC S.p.A.
- Bim Piave Nuove Energie S.r.l.
- Hera Comm S.p.A.
- Board of Directors
- Auditors
- Strategic managers

Income statement

(Thousands of Euro)	FY	of which related parties						FY	of which related parties					
	2020	A	B	C	D	Total	%	2019	A	B	C	D	Total	%
Revenues	53,413	65	4,415	6,432	365	11,277	21.1%	35,425	53	11,415	258	356	12,082	34.1%
Total operating costs	18,478	27	155	278	765	1,225	6.6%	15,954		129		1,574	1,702	10.7%
Purchase costs for other raw materials	12							12						
Costs for services	9,693	27	155	278	765	1,225	12.6%	9,710		129		931	1,059	10.9%
Costs for personnel	6,782							6,909				643	643	9.3%
Other management costs	2,042							730						
Other income	52							1,406						
Amortization and depreciation	1,542							1,514						
Operating result	33,393	38	4,260	6,154	400	10,052	30.1%	17,956	53	11,287	258	1,218	10,379	57.8%
Financial income	267		204			204	76.4%	602		490	2		492	81.7%
Financial charges	1,681		19			19	1.2%	1,238		182	4		186	15.0%
Earnings before tax	31,979	38	4,445	6,154	400	10,237	32.0%	17,320	53	11,594	257	1,218	10,685	154.5%
Taxes for the year	3,953		8,233			8,233	208.3%	561						
Result of the year	35,932							17,881						
Net result from transfer/disposal of assets								503,385		22,708	6,078		28,786	5.7%
Net result for the year	35,932							521,266						

Legend for the Related parties column heading:

A Parent companies and shareholders

B Subsidiaries

C Affiliates and Jointly controlled companies

D Associates and other related parties

The values reported in the tables above refer to the related parties listed below:

Group A - Parent companies and shareholders:

- Asco Holding S.p.A.

Group B - Subsidiaries:

- AP Reti Gas S.p.A.
- AP Reti Gas Rovigo S.r.l.
- AP Reti Gas Vicenza S.p.A.
- AP Reti Gas Nord Est S.r.l.
- Edigas Esercizio Distribuzione Gas S.p.A.
- Asco Energy S.p.A.
- Amgas Blu S.r.l.
- Ascotrade S.p.A.
- Blue Meta S.p.A.
- Etra Energia S.r.l.
- Ascopiave Energie S.p.A.

Group C - Affiliates and Jointly controlled companies:

- ASM Set S.r.l.
- Estenergy S.p.A.
- Sinergie Italiane S.r.l. in liquidation
- Hera Comm Nord Est S.r.l.

Group C - Other related parties:

- Asco TLC S.p.A.
- Bim Piave Nuove Energie S.r.l.
- Hera Comm S.p.A.
- Board of Directors
- Auditors
- Strategic managers

Net financial indebtedness

(Thousands of Euro)	31.12.2020	of which related parties						31.12.2019	of which related parties						
		A	B	C	D	Total	%		A	B	C	D	Total	%	
A Cash and cash equivalents on hand	3							3							
B Bank and post office deposits	20,565							65,741							
D Liquid assets (A) + (B) + (C)	20,568							65,744							
E Current financial assets	46,253		45,552			45,552	98.5%	37,471	30,576	6,195			36,771	98.1%	
F Payables due to banks	(125,718)							(106,000)							
G Current portion of medium-long-term loans	(40,024)							(30,028)							
H Current financial liabilities	(19,130)		(18,376)			(18,376)	96.1%	(30,733)	(13,775)	(16,204)			(29,979)	97.5%	
I Current financial indebtedness (F) + (G) + (H)	(184,871)		(18,376)			(18,376)	9.9%	(166,761)	(13,775)	(16,204)			(29,979)	18.0%	
J Net current financial indebtedness (I) - (E) - (D)	(118,050)		27,176			27,176	-23.0%	(63,546)	16,801	(10,009)			6,792	####	
K Medium- and long-term bank loans	(195,999)							(135,083)							
L Non current financial assets	2,226							2,478							
M Non-current financial liabilities	(88)							(64)							
N Non-current financial indebtedness (K) + (L) + (M)	(193,861)							(132,669)							
O Net financial indebtedness (J) + (N)	(311,912)		27,176			27,176	-8.7%	(196,215)	16,801	(10,009)			6,792	-3.5%	

Legend for the Related parties column heading:

A Parent companies and shareholders

B Subsidiaries

C Affiliates and Jointly controlled companies

D Associates and other related parties

The values reported in the tables above refer to the related parties listed below:

Group A - Parent companies and shareholders:

- Asco Holding S.p.A.

Group B - Subsidiaries:

- AP Reti Gas S.p.A.
- AP Reti Gas Rovigo S.r.l.
- AP Reti Gas Vicenza S.p.A.
- AP Reti Gas Nord Est S.r.l.
- Edigas Esercizio Distribuzione Gas S.p.A.
- Asco Energy S.p.A.

Group C - Affiliates and Jointly controlled companies:

- Amgas Blu S.r.l.
- Ascotrade S.p.A.
- ASM Set S.r.l.
- Blue Meta S.p.A.
- Estenergy S.p.A.
- Etra Energia S.r.l.
- Ascopiave Energie S.p.A.
- Sinergie Italiane S.r.l. in liquidation
- Hera Comm Nord Est S.r.l.

Group C - Other related parties:

- Asco TLC S.p.A.
- Bim Piave Nuove Energie S.r.l.
- Hera Comm S.p.A.
- Board of Directors
- Auditors
- Strategic managers

Statement of cash flows

(Thousands of Euro)	FY	of which related parties					FY	of which related parties				
	2020	A	B	C	D	Total	2019	A	B	C	D	Total
Net income of the Group	35,932						17,881					
Cash flows generated (used) by operating activities												
Adjustments to reconcile net income to net cash												
Companies held for sale operating result						0	503,385					0
Amortization	1,542					0	1,514					0
Variations in severance indemnity	(23)					0	8					0
Current assets / liabilities on financial instruments	52					0	98					0
Net variation of other funds	575					0	707					0
Gains on disposal of investments						0	(479,129)					0
Interests paid	(1,392)					0	(1,214)					0
Interest expense for the year	1,562					0	1,234					0
Taxes paid	11,280					0	1,110					0
Taxes for the year	(3,953)					0	(561)					0
Variations in assets and liabilities	(15,553)						(4,398)					
Accounts payable	6,541	10	2,358	(4,523)	152	(2,155)	(5,693)	33	(898)	(5,763)	(89)	(6,628)
Other current assets	(1,675)	(34)	2,483	(31)	0	2,418	(4,785)	1,110	(4,986)	(42)	0	(3,918)
Trade payables	(2,428)	34	(26)	(385)	31	(346)	2,786	0	96	569	37	702
Other current liabilities	(17,984)	0	(1,200)	0	0	(1,200)	1,472	0	1,200	0	0	1,200
Other non-current assets	(7)	0	0	0	0	0	1,823	0	0	0	0	0
Total variations in assets and liabilities	(5,909)	10	3,615	(4,939)	183	(1,131)	22,754	1,143	(4,589)	(5,235)	(52)	(8,733)
Cash flows generated (used) by operating activities	30,023	10	3,615	(4,939)	183	(1,131)	40,635	1,143	(4,589)	(5,235)	(52)	(8,733)
Cash flows generated (used) by investments												
Investments in intangible assets	(8)					0	(9)					0
Investments in tangible assets	(818)					0	(1,188)					0
Disposal in investments and advances	0					0	616,214		616,214			616,214
Investment flows for business aggregations	(68,598)		(9,358)	(32,510)	(26,729)	(68,598)	(629,489)		(179,546)	(395,943)	(54,000)	(629,489)
Cash flows generated/(used) by investments	(69,424)	0	(9,358)	(32,510)	(26,729)	(68,598)	(14,473)	0	(179,546)	220,271	(54,000)	(13,275)
Cash flows generated (used) by financial activities												
Net changes in debts due to other financiers	24	0	0	0	0	0	(213)	0	0	0	0	0
Net changes in short-term bank borrowings	(29,070)					0	(35,014)					0
Net variation in current financial assets and liabilities	(8,530)	0	(15)	(6,195)	0	(6,210)	(12,796)	0	(9,521)	4,213	0	(5,309)
Net variation in current financial assets and liabilities vs subsidiary companies	(11,604)	0	4,601	(16,204)	0	(11,603)	(5,836)	0	(3,325)	(3,191)	0	(6,516)
Purchase of own shares	(28,854)					0	(9,793)					0
Ignitions loans and mortgages	336,700					0	429,000					0
Redemptions loans and mortgages	(217,000)					0	(309,000)					0
Dividends distributed to Ascopiave S.p.A. shareholders ¹	(47,442)					0	(75,163)					0
Cash flows generated (used) by financial activities	5,775	0	4,586	(22,399)	0	(17,813)	(18,815)	0	(12,847)	1,021	0	(11,825)
Variations in cash	45,176						0					(7,348)
Cash and cash equivalents at the beginning of the year	(65,744)					0	(58,396)					0
Cash and cash equivalents at the end of the year	20,568					0	65,744					0

Legend for the Related parties column heading:

A Parent companies and shareholders

B Subsidiaries

C Affiliates and Jointly controlled companies

D Associates and other related parties

The values reported in the tables above refer to the related parties listed below:

Group A - Parent companies and shareholders:

- Asco Holding S.p.A.

Group B - Subsidiaries:

- AP Reti Gas S.p.A.
- AP Reti Gas Rovigo S.r.l.
- AP Reti Gas Vicenza S.p.A.
- AP Reti Gas Nord Est S.r.l.
- Edigas Esercizio Distribuzione Gas S.p.A.
- Asco Energy S.p.A.

Group C - Affiliates and Jointly controlled companies:

- Amgas Blu S.r.l.
- Ascotrade S.p.A.
- ASM Set S.r.l.
- Blue Meta S.p.A.
- Estenergy S.p.A.
- Etra Energia S.r.l.

- Ascopiave Energie S.p.A.
- Sinergie Italiane S.r.l. in liquidation
- Hera Comm Nord Est S.r.l.

Group C - Other related parties:

- Asco TLC S.p.A.
- Bim Piave Nuove Energie S.r.l.
- Hera Comm S.p.A.
- Board of Directors
- Auditors
- Strategic managers

Report of financial assets and liabilities by category

The Report of financial assets and liabilities by category and their related fair value (IFRS 13) at 31st December 2020 and 31st December 2019 is detailed as follows:

(Thousands of Euro)					31.12.2020	
	A	B	C	D	Total	Fair value
Shareholdings in other companies		78,923			78,923	78,923
Other non-current assets			1,264		1,264	1,264
Non-current financial assets			2,226		2,226	2,226
Trade receivables and Other current assets			14,100		14,100	14,100
Current financial assets			46,253		46,253	46,253
Cash and cash equivalents			20,568		20,568	20,568
Medium- and long-term bank loans				195,999	195,999	195,999
Other non-current liabilities				9	9	9
Non-current financial liabilities				88	88	88
Payables due to banks and financing institutions				165,742	165,742	165,742
Trade payables and Other current liabilities				4,704	4,704	4,704
Current financial liabilities				19,130	19,130	19,130
Current liabilities from derivative financial instruments		548			548	548

(Thousands of Euro)					31.12.2019	
	A	B	C	D	Total	Fair value
Other non-current assets			1,257		1,257	1,257
Non-current financial assets			2,478		2,478	2,478
Trade receivables and Other current assets			18,817		18,817	18,817
Current financial assets			37,471		37,471	37,471
Cash and cash equivalents			65,744		65,744	65,744
Medium- and long-term bank loans				135,083	135,083	135,083
Other non-current liabilities				9	9	9
Non-current financial liabilities				64	64	64
Payables due to banks and financing institutions				136,028	136,028	136,028
Trade payables and Other current liabilities				11,276	11,276	11,276
Current financial liabilities				30,733	30,733	30,733
Current liabilities from derivative financial instruments				98	98	98

Legend

- A - Assets and liabilities at fair value directly recognised in the Profit and Loss Account
- B - Assets and liabilities at fair value directly recognised in Equity (including hedging derivatives)
- C - Assets for granted loans and receivables (including cash equivalents)
- D - Financial liabilities recognised at amortised cost

Earnings per share

As required by the IAS 33 accounting standard, the following information is provided about the calculation of basic and diluted earnings per share.

The basic earnings per share are calculated by dividing the net income for the period attributable to the Company's shareholders by the number of shares, net of own shares.

There are no preference dividends, conversions of preferred shares or similar effects that would adjust the results attributable to the holders of ordinary shares.

Diluted profit per share is equal to that per share in that ordinary shares that could have a dilutive effect do not exist and no shares or warrants exist that could have the same effect.

The result and the number of ordinary shares used to calculate base earning per share, identified according to the method set out in IAS 33 are reported below:

(Thousands of Euro)	Amount at 31 st December 2020	Amount at 31 st December 2019
Net profit attributable to parent company shareholders	35,932	521,266
Weighted average number of ordinary share including own shares, for the purpose of earnings per share	234,411,575	234,411,575
Weighted average number of own share	12,274,075	11,076,867
Weighted average number of ordinary share excluding own share, for the purpose of net income per share	222,137,500	223,334,708
Earning per share (in Euro)	0.162	2.334

Fees to the Auditing Company

Pursuant to Article 149-*duodecies* of the Consob Issuer's Regulations, this item includes the fees paid in 2020 for auditing services and for services other than audit provided by the Auditing firm. No services were provided by entities belonging to its network.

Type of services	Entity providing the service	Recipient	Fees (Thousand of Euro)
Audit	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	107
Statutory audit of separate accounts	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	7
Other services	PricewaterhouseCoopers S.p.A.	Ascopiave S.p.A.	103
Total			218

Commitments and risks

Guarantees given

As of 31st December 2020, the company provided the following potential bank guarantees:

(Thousands of Euro)	31 st December 2020	31 st December 2019
On credit lines	40,648	38,132
Patronage on derivative financial instruments	23,400	23,400
On purchase of electricity agreements (letter of comfort)	3,000	6,849
On execution of works (letter of comfort)	962	912
On UTF offices and regions for taxes on gas (letter of comfort)	1,850	2,660
On UTF offices and regions for taxes on electricity (letter of comfort)	0	104
On distribution concession (letter of comfort)	2,397	1,863
On purchase of company shares (letter of comfort)	500	500
On credit lines	0	102
On agreements for transport of gas (letter of comfort)	0	3,445
On participation in the tender	75	75
On agreements for transport of electricity (letter of comfort)	0	14,700
On purchase of gas agreements (letter of comfort)	0	126
Totale	72,832	92,868

The letters of comfort on lines of credit and gas purchase contracts issued in favour of the subsidiary Sinergie Italiane S.r.l. in liquidation, a stake sold to the Hera Group, amount as of 31st December 2020 to Euro 23,799 thousand, a decrease of Euro 1,533 thousand compared to 31st December 2019.

Hedging policies

Information pertaining to agreements not stated in the balance sheet

Pursuant to art. 2427, first paragraph, point 22-*ter*, Italian Civil Code, introduced by Legislative Decree 173 on 23rd November 2008, we announce that the company has not entered into agreements not disclosed in the balance sheet.

Management of financial risk: objectives and criteria

The main financial liabilities of Ascopiave S.p.A. include bank loans, lease contracts with the possibility of purchase and short-term debit bank balances. The main objective of these financial liabilities is to finance the company's operating activities. Ascopiave S.p.A. holds several financial assets such as trade receivables and short-term deposits and reserves that derive directly from the company's operating activity.

The main risks generated by the financial instruments of Ascopiave S.p.A. are the interest rate risk and the liquidity risk. The Board of Directors re-examines and identifies the policies for risk management, described hereinafter.

Interest rate risk

Ascopiave S.p.A. manages its liquidity needs both through temporary credit lines and short-term loans at variable rates which, due to their continuous fluctuation, do not make it easy to hedge against interest rate risk, and through medium/long-term loans with fixed and variable rates.

The medium-long term loans, with variable rates, including those subsequently hedged against interest rate risk, envisage reimbursement between 2020 and 2025, with residual balance as of 31st December 2020 of Euro 147,750 thousand (Euro 81,500 thousand as of 31st December 2019), as of 31st December:

- Loan with the European Investment Bank disbursed in August 2013 with a residual debt as of 31st December 2020 of Euro 16,750 thousand,
- Loan with BNL disbursed in August 2019 with a residual debt as of 31st December 2020 of Euro 27,000

- thousand, hedged by a financial derivative, for which the interest rate risk is therefore neutralised,
- Loan with Crédit Agricole - Friuladria granted in October 2019 with a residual debt as of 31st December 2020 of Euro 24,000 thousand, hedged by a financial derivative, for which the interest rate risk is therefore neutralised,
- Loan with Intesa Sanpaolo granted in November 2020 for Euro 50,000 thousand, equal to the residual debt as of 31st December 2020, hedged by a financial derivative, for which the interest rate risk is therefore neutralised,
- Loan with Mediobanca granted in December 2020 for Euro 30,000 thousand, equal to the residual debt as of 31st December 2020, hedged by a financial derivative, for which the interest rate risk is therefore neutralised.

As of 31st December 2020, the derivative instruments to hedge against the risk of changes in interest rates, relating to the loans taken out with BNL, Crédit Agricole - Friuladria, Intesa Sanpaolo and Mediobanca, detailed in paragraph no. 20 “Current liabilities on derivative financial instruments” and whose mark to market amounts to Euro 548 thousand in total, are effective.

The following loans are not exposed to interest rate risks, as they envisage the application of a fixed rate:

- the loan taken out with BNL in August 2017, with a residual debt as of 31st December 2020 of Euro 23,750 thousand,
- the loan signed with Cassa Centrale Banca the beginning of 2018, with a residual debt as of 31st December 2020 of Euro 7,833 thousand,
- the loan taken out with Intesa SanPaolo in November 2019, with a residual debt as of 31st December 2020 of Euro 40,000 thousand,
- the loan signed with UBI Banca sottoscritto in May 2020, with a residual debt as of 31st December 2020 of Euro 16,690 thousand.

The loans above are subjected to covenants calculated on the consolidated data of the Ascopiave Group.

Please refer to Paragraph no. 16 “Medium and Long Term Loans” for additional details.

Sensitivity analysis of the interest rate risk

The following table shows the impacts on the Company’s Pre-tax result of the possible variations in interest rates in a reasonably possible interval, keeping all the other variables constant.

(Thousands of Euro)	March	June	September	December	
Net Financial Position 2020	(229,909)	(282,158)	(289,628)	(311,912)	
Borrowing rates of interest	0.53%	0.47%	0.89%	0.53%	
Lending rates of interest	0.40%	0.38%	0.37%	0.32%	
Borrowing rate of interest plus 200 basis points	2.53%	2.47%	2.89%	2.53%	
Lending rates of interest plus 200 basis points	2.40%	2.38%	2.37%	2.32%	
Borrowing rate of interest reduced of 50 basis points	0.03%	0.00%	0.39%	0.03%	
Lending rates of interest reduced of 50 basis points	0.00%	0.00%	0.00%	0.00%	
Net Financial Position recalculated with the increase of 200 basis points	(231,056)	(283,565)	(291,088)	(313,484)	
Net Financial Position recalculated with decrease of 50 basis points	(229,623)	(281,806)	(289,263)	(311,519)	Total
Effect on pre-tax result of the increase of 200 basis points	(1,146)	(1,407)	(1,460)	(1,572)	(5,586)
Effect on pre-tax result of the decrease of 50 basis points	287	352	365	393	1,396

The sensitivity analysis, obtained by simulating a variation on interest tax rates applied on the credit lines of the Company equal to 50 basis points in decrease (with a minimum limit of zero basis points) and 200 basis points in increase, maintaining unchanged all the other variables, leads to an estimation of an effect on the result before taxes which is negative for Euro 5,586 thousand (2019: Euro 3,467 thousand) or positive for Euro 1,396 thousand (2019: Euro 867 thousand).

Receivable risk policy

Credit risk represents the Company's exposure to potential losses arising from the counterparties' failure to meet their obligations. The failure or delay in the payment of fees owed may have a negative impact on the economic and financial stability of the Company.

Considering the type of business of Ascopiave S.p.A., said risk is of little concern to the Company.

Liquidity risk

Ascopiave S.p.A. constantly pursues the aim of maintaining the stability and flexibility between financing sources and uses, in its capacity as treasury manager for the Group.

The two main factors influencing the liquidity of Ascopiave S.p.A. are, on the one hand, the resources generated or absorbed by operations or investments, on the other hand, and the expiry and debt renewal characteristics.

Under note 16, medium/long-term financial payables are detailed according to their date of expiry, as of 31st December 2020.

Liquidity requirements are constantly monitored by the Treasury Department of Ascopiave S.p.A., in order to ensure that financial resources are easily identifiable and collectible, or that appropriate investments are made in relation to cash or cash equivalents.

The Directors believe that the reserves and credit lines currently available, as well as those that will be generated by the operating and financial activities, will enable the fulfilment of the requirements connected to investments, management of circulating capital and to the reimbursement of debt upon date of expiry.

Management of Capital

The primary objective of the management of Ascopiave S.p.A. is to guarantee that a solid credit rating is maintained, as well as suitable levels of the capital indicator. Ascopiave S.p.A. can adapt the dividends paid to shareholders, reimburse capital or issue new shares.

Ascopiave S.p.A. checks its capital by means of a debt/capital ratio, i.e. dividing the net debt by the total capital plus the net debt. Ascopiave S.p.A. includes financial charges, trade and other payables in its net debt, net of liquid funds and equivalents.

(Thousands of Euro)	31.12.2020	31.12.2019
Medium- and long-term bank loans	195,999	135,083
Financial position in the medium-long term	145,174	70,284
Financial gross debt	341,172	205,367
Share capital	234,412	234,412
Reserves	537,943	95,062
Undistributed net profit	35,932	521,266
Total Net equity	808,286	850,739
Total capital and gross debt	1,149,459	1,056,105
Debt/Net assets ratio	0.42	0.24

Hedging policies for risks deriving from fluctuations of interest rates

The Company is exposed to risks deriving from fluctuations of interest rates mainly in relation with short-term payables and the portion of floating-rate medium/long-term loans to banks.

Significant events subsequent to the end of the financial year

The Board of Directors has approved the Ascopiave Group's 2020-2024 strategic plan.

On 15th January 2021, the Board of Directors of Ascopiave S.p.A, in a meeting chaired by Mr Nicola Ceconato, approved the 2020-2024 strategic plan of the Ascopiave Group.

The plan envisages a sustainable growth process that will improve corporate profitability while maintaining a balanced financial structure and a stable and advantageous distribution of dividends. Economic and financial highlights:

- EBITDA in 2024: Euro 87 million (+Euro 25 million compared to 2020 preliminary financial statements)
- Net profit in 2024: Euro 51 million (+Euro 11 million compared to 2020 preliminary financial statements)
- Investments in 2020-2024: Euro 497 million
- Net debt in 2024: Euro 500 million
- Financial leverage (Net financial position / Shareholder's equity) in 2024: 0.57
- Forecast of dividends distributed: 16 cents per share in 2020, with an increase of 0.5 cents per share in subsequent years until 2024.

The plan develops a scenario that leverage the tenders won by the Group, if any, for the gas distribution service. This opportunity, which depends, among other things, on the actual publication schedule of the calls for tenders, involves a further estimated growth in EBITDA of Euro 20 million by 2024 and an increase in investments of Euro 188 million.

AP Reti Gas S.p.A., a company of the Ascopiave group, was chosen by Aemme Linea Distribuzione S.r.l. and NED Reti Distribuzione Gas S.r.l. as an industrial partner for joint participation in tenders for the gas distribution service in the Milano 2 and Milano 3 Territorial Areas.

On 26th February 2021, AP Reti Gas S.p.A., a company of the Ascopiave Group, was informed by Aemme Linea Distribuzione S.r.l. and NED Reti Distribuzione Gas S.r.l., state-owned companies active in the management of the gas distribution service in 20 municipalities of the province of Milan, that it was selected as an industrial partner for joint participation in each of the two future tenders for the assignment of the service in the Milano 2 and Milano 3 Territorial Areas (the "Territorial Tenders"). The company was chosen by means of a competitive procedure where AP Reti Gas submitted an economic-industrial bid (the "Tender for the Selection of the Industrial Partner").

Based on the partnership agreement with Aemme Linea Distribuzione and NED Reti Distribuzione Gas, a company will be incorporated upon winning a Territorial Tender: 51% of the share capital of such company will be held by the two state-owned companies and the remaining 49% by AP Reti Gas, with the possibility of establishing two companies at most if both Territorial Tenders are won. The governance of the companies to be incorporated will enable the Ascopiave Group to fully consolidate their accounting values.

AP Reti Gas will capitalise such companies through a capital contribution in proportion to the value of the assets that will be transferred by the state-owned partners, in addition to a premium. The values of the contributions by the state-owned partners will be commensurate with the actual reimbursement value of the plants currently managed by the same state-owned partners updated on the date of the transfer of these plants to the companies to be incorporated, net of the capital value of the loans taken out in relation to the investments made.

If the partnership obtains the management of both concessions, assigned through the Territorial Tenders in 2023, Ascopiave, on the basis of the information currently available, estimates an equity investment in both companies of approximately Euro 82 million.

In the coming months, the parties will define the details of the partnership, the shareholders' agreements and the articles of association of the companies to be established on the basis of the principles defined in the partnership agreement within 31st July 2021, a deadline that can be extended by mutual agreement between the parties but in any case soon enough to participate in the Territorial Tenders.

At present, the Ascopiave Group expects to be able to meet the financial commitments related directly and indirectly to participation in the future Territorial Tenders covered by the partnership agreement with Aemme Linea Distribuzione and NED Reti Distribuzione Gas by resorting to financial debt. The firm BonelliErede was the legal advisor of AP Reti Gas upon participating in the Tender for the Selection of the Industrial Partner.

Litigations

LITIGATIONS ON THE VALUE OF PLANTS - CIVIL LAW

As of 31st December 2020 the following are pending:

MUNICIPALITY OF SANTORSO:

An appeal is pending before the Court of Appeal of Venice, filed by the Municipality of Santorso (appeal of the final award dated 18th July 2017, which ordered the Municipality to pay Ascopiave the amount of Euro 1,346 thousand plus interest (effective the date of the ruling). Total expenses, offset between the parties, amounted to approximately Euro 221 thousand.

Upon the hearing before the Court of Appeal of Venice which was held on 9th January 2019, the Court set the hearing for the clarification of the conclusions on 27th May 2021.

On 18th December 2020, Ascopiave's Board of Directors approved the text of the settlement agreement that sets the value of the plants at Euro 1.25 million, in addition to VAT, the compensation of legal expenses and the instalment schedule of the amounts due by the Municipality over 12 years. The Municipal Council of Santorso should, in turn, have approved the agreement at the end of December. Initially, the execution was expected for January 2021. Unfortunately, certain accounting aspects of the Entity have delayed the signature, which should therefore take place in March, or at the latest, in April 2021.

ADMINISTRATIVE LITIGATIONS - NOT CONCERNING CONCESSIONS

As of 31st December 2020 the following are pending:

GUIDELINES - MINISTERIAL DECREE 22nd MAY 2014

An appeal before the Council of State was filed (with deed dated 16th January 2017) by Ascopiave together with other distribution companies, against the Minister of Economic Development for the cancellation of Judgment no. 10341 dated 17th October 2016, by which the Regional Administrative Court of Lazio rejected the main appeal against Ministerial Decree 22nd May 2014 concerning the introduction of the Guidelines for the determination of the residual industrial value and the appeal for "additional grounds" against Ministerial Decree no. 106 dated 20th May 2015, amending Ministerial Decree 226/2011.

As part of the same proceedings, the issues of constitutional legitimacy and/or preliminary ruling as concerns Law 9 and 116 of 2014, in the section which has modified art. 15, paragraph 5 of Legislative Decree 164/2000 (private contributions and time limit of agreements' validity) were raised.

The Council of State decided to refer the matter (of the legitimacy of the primary regulations) to the examination of the European Court of Justice.

The Court of Justice ruled that the European law does not preclude the national legislation challenged (but) in the sense that the law itself does not govern (and therefore is not affected by) the methods for determining the reimbursement value of the outgoing operators.

The hearing for the "re-assumption" of the case before the Council of State was held on 18th July. Ascopiave's lawyers reaffirmed the relevance of the issue of constitutionality of the legislation.

ARERA RESOLUTIONS ARG/GAS 310/2014 and ARG/GAS 414/2014 (now 905/2017)

An appeal to the Regional Administrative Court of Lombardy - Milan against the ARERA, for the cancellation of the Resolutions ARG/gas 310 and 414/2014 related to the methods for assessing the RAB RIV delta, pursuant to art. 15, paragraph 5 of Legislative Decree 164/2000 (current text) when the difference is higher than 10%. To date, there are no further procedural steps.

Resolutions 310 and 414 were formally repealed by Resolution 905/2017 which, however, essentially reiterated the same regulation. Ascopiave S.p.A., therefore, together with other appellants AP Reti Gas S.p.A. (as assignee of Ascopiave and passive subject of the legislation), in order to avoid the declaration stating that the appeal would in any case be of no benefit to the claimants, appealed Resolution 905/2017 with “additional grounds”.

On 3rd December 2019, the Company was notified of the imminent expiration of the proceedings. The Company has consequently filed the request for scheduling a hearing, within the deadlines set.

CIVIL LITIGATIONS - NOT CONCERNING CONCESSIONS

As of 31st December 2020 the following are pending:

ASCOPIAVE - UNIT B

In order to obtain compensation for damages to the entrance floor of the “Unit B” (belonging to the headquarters in Pieve di Soligo), Ascopiave S.p.A., following the pre-trial technical investigation, filed a civil judgment before the Court of Treviso (RG 6941/2013) against: Bandiera Architetti S.r.l. (Progettisti), Mr Mario Bertazzon (Contract Manager) and Mr R. Paccagnella Lavori Speciali S.r.l. (Contractor).

The compensation request refers to an assessment of damage between approximately Euro 127 thousand (Expert witness estimate) and Euro 208 thousand (estimate of a Third-party firm).

All the Parties regularly appeared before the Court.

The Court, by Order dated 22nd December 2014, decided the complete renewal of the expert witness board. The “new” court-appointed expert witness assessed that the damage suffered by Ascopiave S.p.A. amounts to approximately Euro 120 thousand.

Based on the findings contained in the technical report, on 29th March 2016 an attempt was made to reach settlement in court. The attempt failed basically because an agreement was not reached regarding the subdivision of the amount between the debtors.

With Judgment no. 2007/2017, the Court accepted the application submitted by Ascopiave S.p.A., ordering the design firm (F.lli Bandiera), its insurance company (Groupama Assicurazioni) and the construction company (Ing. R. Paccagnella Lavori Speciali SRL) to pay damages, amounting to approximately Euro 208 thousand, and to reimburse the costs of the proceedings (estimated at approximately Euro 17 thousand). Furthermore, the debtors’ obligation to assume joint and several liability was ratified.

The project management (and consequently the insurance company, Unipol Sai) was found to be uninvolved in the damage, with a right to obtain compensation for the costs of the proceedings, amounting to about Euro 16 thousand.

With two separate documents, Groupama Assicurazioni and Ing. R. Paccagnella Lavori Speciali notified the appeal against the First Instance Judgment.

Ascopiave S.p.A. entered an appearance in accordance with the legal terms.

By Provision dated 7th June 2018, the Court of Appeal partially accepted the suspension request, limiting the provisional enforceability of the First instance sentence to the amount of Euro 150 thousand, against which Ascopiave S.p.A. is entitled to pursue the enforcement.

However, the attempts at forcible recovery of the aforementioned sum have been unsuccessful so far.

At the hearing of 28th June 2018, the Court of Appeal unified the appeal.

Relationships with Agenzia delle Entrate (Italian Tax Authority)

ROBIN TAX

Regarding the outstanding litigations with Agenzia delle Entrate, some claims are pending with local tax agencies and the Court of Cassation related to the implicit/express refusal to reimburse the additional IRES tax (so-called Robin Tax).

The Companies involved in the afore-mentioned litigations are: Ascopiave, Ap Reti Gas Rovigo, Edigas Esercizio Distribuzione gas, Unigas Distribuzione (merged into Ascopiave), Asco Energy (former Veritas Energia).

Since 2008, the additional IRES tax stated in Art. 81 of Law Decree 112/2008 applies to these companies.

Subsequently, in 2015, the Constitutional Court declared that said tax would be unconstitutional. In the wake of said sentence, the companies requested the reimbursement of the unwarranted tax that had been paid. The tax authorities did not reply and by doing so they effectively denied the reimbursement, or expressly denied it. Several claims were filed based on a retroactive interpretation of said sentence, the legitimacy of which was confirmed by a Constitutional Law Attorney. Possible results of said claims are completely unpredictable, as the acceptance of the claim would cause a massive financial burden for the entire country. As regards the time expected to settle this litigation, no temporary framework can be provided, as these claims have been filed to various local courts with different response times. So far, only the appeals relating to the companies Ascopiave, Edigas Esercizio Distribuzione Gas and Unigas Distribuzione S.r.l. have been discussed.

With reference to the outcome of the litigations in progress, the result of the first instance was favourable to Agenzia delle Entrate and the companies decided to appeal against the judgement of the provincial tax commission. Currently, some regional tax commissions have already confirmed the first instance judgements (Ascopiave, Edigas Esercizio Distribuzione Gas). The other tax commissions, on the other hand, are still awaiting judgment.

The Company has decided to appeal in all 3 levels of judgment.

AUDIT OF THE REGIONAL DIRECTION OF VENETO

In September 2019, the companies Ascopiave S.p.A. and Ascotrade S.p.A. were inspected by the Regional Direction of Agenzia delle Entrate as regards the Ires, Irap and VAT sectors for the years from 2013 to the date of the inspection. The first stage of the audit was completed on 29th October 2019 with the issuance of a Report on Findings containing remarks on the direct and indirect taxes related to the years 2013 and 2014 of the subsidiary Ascotrade S.p.A., a company sold on 19th December 2019 to the Hera Group, for which Ascopiave issued a specific guarantee; the company presented its briefs against the Report on Findings. Subsequent to the submission of the briefs Agenzia delle Entrate issued the tax demand to Ascotrade relating to the disputed matters, following which the company filed an appeal with the Provincial Tax Commission of Venice. At the moment the case has been deferred until decision, after the panel met in the Council Chamber at the hearing for discussion on 24th November 2020.

The audit then continued with the issuance on 29th September 2020, against Ascotrade S.p.A., of the Report on Findings referring to the year 2015, subsequent to which, after the presentation of specific briefs, Agenzia delle Entrate issued a notice of assessment on 23rd December 2020, then appealed by the company before the Provincial Tax Commission of Venice, still pending.

The company, aided by the tax advisor, considers the risk as “possible” or “remote” and therefore has not made any provision.

Proposal of the Board of Directors to the Shareholders' Meeting

The Board of Directors of Ascopiave S.p.A., considering the results of the period and solidity of the capital of the Group, will propose to the Shareholders' Meeting the distribution of a dividend of Euro 0.16 per share, for a total of Euro 34.7 million; this amount is calculated on the basis of outstanding shares at the end of 2020.

Ascopiave S.p.A. announces that, if approved on first call, the dividend will be paid on 5th May 2021, with ex-dividend date on 3rd May 2021 (record date on 4th May 2021) and, if approved on second call, the dividend will be paid on 9th June 2021 with ex-dividend date on 7th June 2021 (record date 8th June 2021).

The Board of Directors will not propose to any amount to legal reserve, as it is already equal to one fifth of the share capital but suggests allocating the residual amount, to the tune of Euro 1.3 million, to the extraordinary reserve.

Pieve di Soligo, 11th March 2021

The Chairman of the Board of Directors
Nicola Ceconato

DECLARATION

regarding the Consolidated Financial Statements for the accounting period 2020, pursuant to Article 81-ter, Consob Regulation N. 11971 dated 14th May 1999, subsequent amendments and additions.

1) The undersigned dr. Nicola Ceconato in his capacity as Chairman of the Board of Directors, and dr. Riccardo Paggiaro, Officer Responsible for preparing the Corporate Financial Reports of Ascopiave S.p.A. hereby certify, pursuant to the guidelines of Article 154-bis, paragraphs 3 and 4, Legislative Decree n. 58, dated 24th February 1998:

- their appropriateness with respect to the characteristics of the company, and
- the actual adoption of administrative and accounting procedures in preparing the Consolidated Financial Statements for the period 1st January 2020 –31st December 2020

2) We also declare that:

2.1 the consolidated financial statements:

- (a) have been written in accordance with IFRS International Accounting Principles adopted by the European Union as well as with the provisions of regulations based on Article 9, Legislative Decree n. 38/2005;
- (b) correspond to the information in the books and other accounting records;
- (c) to our best knowledge, provide a true and fair representation of the performance and financial position of the Issuer and the group of companies included in the consolidation.

2.2 the report on operations contains a reliable analysis of operations and performance, as well as the situation of the Issuer and of the companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed;

Pieve di Soligo – 11th March 2021

Chairman of the Board of Directors	Officer Responsible for the preparation of Corporate Financial Reports
<p>dr. Nicola Ceconato</p> <p><i>signature</i></p>	<p>dr. Riccardo Paggiaro</p> <p><i>signature</i></p>

DECLARATION

regarding the Financial Statements for the accounting period 2020, pursuant to Article 81-ter, Consob Regulation N. 11971 dated 14th May 1999, subsequent amendments and additions.

1) The undersigned dr. Nicola Ceconato in his capacity as Chairman of the Board of Directors, and dr. Riccardo Paggiaro, Officer Responsible for preparing the Corporate Financial Reports of Ascopiave S.p.A. hereby certify, pursuant to the guidelines of Article 154-bis, paragraphs 3 and 4, Legislative Decree n. 58, dated 24th February 1998:

- their appropriateness with respect to the characteristics of the company, and
- the actual adoption of administrative and accounting procedures in preparing the Financial Statements for the period 1st January 2020 –31st December 2020

2) We also declare that:

2.1 the financial statements for the period ended 31 December 2020:

- (a) have been written in accordance with IFRS International Accounting Principles adopted by the European Union as well as with the provisions of regulations based on Article 9, Legislative Decree n. 38/2005;
- (b) correspond to the information in the books and other accounting records;
- (c) to our best knowledge, provide a true and fair representation of the performance and financial position of the Issuer.

2.2 the report on operations contains a reliable analysis of operations and performance, as well as the situation of the Issuer, together with a description of the main risks and uncertainties to which they are exposed.

Pieve di Soligo – 11th March 2021

Chairman of the Board of Directors	Officer Responsible for the preparation of Corporate Financial Reports
dr. Nicola Ceconato <i>signature</i>	dr. Riccardo Paggiaro <i>signature</i>

REPORT ON CORPORATE GOVERNANCE AND COMPANY STRUCTURE

In accordance with Article 123-*bis* Consolidated Financial Act

Issuer: Ascopiave S.p.A.

Website: www.gruppoascopiave.it

Financial Year of Reference: 2020

Date of approval of the Report: March the 11th, 2021

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GLOSSARY

Code/Corporate Governance Code: The Corporate Governance Code of listed companies approved in July 2018 by the Committee for *Corporate Governance* and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria. It should be noted that in January 2020 the *Corporate Governance* Committee approved a new edition of the Code applicable from the first financial year beginning subsequent to December the 31st, 2020 under the title of “**Corporate Governance Code**”.

Civ. code/ c.c.: the Italian Civil Code.

Board or Board of Directors: The Issuer’s Board of Directors.

Issuer or Company: The Issuer of listed shares to which the Report refers.

Year: The Corporate year to which the Report refers.

Group: Gruppo Ascopiave.

Market Abuse Regulation or MAR: Regulation (UE) No.596/2014 of the European Parliament and of the European Union Council dated April the 16th, 2014 and relating regulations of implementation.

Consob Issuer Regulations: The Regulations issued by Consob under the resolution No.11971 of 1999 (as subsequently amended) relating to issuers.

Consob Market Regulations. The Regulations issued by Consob under the resolution No.16191 of 2007 (as subsequently amended) relating to markets.

Consob Related Parties Regulations: The Regulations issued by Consob under Resolution No.17221 dated March the 12th, 2010 (as subsequently amended) relating to operations with related parties.

Stock Exchange Regulations: The Regulations of the markets organized and managed by Borsa Italiana S.p.A.

Stock Exchange Regulations Instructions: Instructions to the Regulations with regards to markets organized and managed by Borsa Italiana S.p.A.

Report: Report on the corporate governance and structures that the companies must draw up pursuant to Article 123-*bis* Consolidated Financial Act.

Consolidated Financial Act: Legislative Decree dated February the 24th, 1998, No.58.

1. ISSUER PROFILE

Ascopiave Group is one of the main national players in the field of natural gas distribution. The Group holds concessions and direct assignments for the management of the activity in 268 Municipalities, providing the service to approximately 775,000 users through a network of over 12,000 kilometres.

Ascopiave S.p.A. is also *partner* of the Hera Group in selling gas and electricity, holding 48% stake in Est Energy S.p.A., leading operator in the sector with a portfolio of over 1 million sales contracts to final consumers, mainly in Veneto, Friuli Venezia Giulia and Lombardia.

On December the 18th, 2020, Ascopiave S.p.A. completed its first investment in the water service sector having purchased 100% of the share capital of Cart Acqua S.r.l., which holds an 18.33% stake in Cogeide S.p.A., a company that operates the integrated water service in 15 towns in the province of Bergamo.

Since December the 12th, 2006, Ascopiave has been listed in the Star segment of the Italian Stock Exchange.

The Issuer is organised according to the traditional management and control model, pursuant to Article 2380-*bis* and following of the Italian Civil Code, with the Shareholders' Meeting, the Board of Directors and the Board of Auditors as well as a separate Auditing Company (external firm).

As of the date of approval of the draft financial statement as of December the 31st 2020, Ascopiave S.p.A. is not a SME-enterprise according to the definition identified by Article 1, paragraph 1, letter *w-quater.1*) of the Consolidated Financial Act and regulated by the implementing provisions as per Article 2-*ter* of the Issuers Regulation. Therefore Ascopiave S.p.A. is not included in the List of Issuers of listed "SME" shares published on the institutional site of CONSOB (<http://www.consob.it/web/area-pubblica/emittenti-quotati-pmi>).

The Report on Corporate Governance, Company structure and the Company Articles of Association, can all be viewed on the Company's website (www.gruppoascopiave.it).

2. INFORMATION on the OWNERSHIP STRUCTURES (Article 123 *bis*, first paragraph, Consolidated Financial Act) as of 31/12/2020

a) Structure of Share Capital

Amount in Euro of the subscribed and paid in Share Capital (S.C.): 234,411,575.00

Types of shares making up the Share Capital:

	Number of Shares	% against S.C.	Listed/Not Listed	Rights and Obligations
Ordinary Shares	234,411,575	100%	STAR	Each share represents one vote. (*) The shareholders' rights and obligations are provided by articles 2346 and following of the Italian Civil Code and by the Company Articles of Association.

(*) It should be noted that the Ascopiave S.p.A. Shareholders' Meeting of April, the 23rd, 2019, in extraordinary session, approved an amendment to Article 6 of Ascopiave's Articles of Association in order to provide for the mechanism of the increase in voting rights, as per Article 127-*quinquies* of the Consolidated Financial Act. It should also be noted that the Extraordinary Shareholders' Meeting of Ascopiave S.p.A. of May the 29th, 2020 also approved an amendment to Article 6 of the Articles of Association of Ascopiave, in light of Consob's recent orientation (Notification No.0214548 of April the 18th, 2019).

In particular, the mechanism of the increase will allow the attribution of 2 voting rights for each Ascopiave share that has belonged to the same shareholder for a continuous period of at least 24 months starting from the registration in a special list, which has been set up by the Company at its registered office. The person in charge of managing the Special List was also appointed.

The shares are indivisible and give the holders equal rights, except for treasury shares for which this right is suspended as long as they remain the property of Ascopiave.

On the date of approval of this Report, no rights were assigned to subscribe new issued shares.

Although it is not an incentive plan with increases, including bonus share capital, it should be noted that the Shareholders' Meeting on April the 26th, 2018 approved a long-term incentive share-based plan for the 2018-2020 three-year period ("Long-Term Share-Based Incentive Plan LTI 2018-2020"), reserved to the executive directors and to some managers of Ascopiave SpA and of its subsidiaries.

Subsequently, the Ordinary Shareholders' Meeting of May the 29th, 2020 resolved to approve certain amendments to the regulations of the LTI 2018-2020 Long-Term Share-Based Incentive Plan, with particular regard to the existing procedures of the Plan revision and the possible technical procedures of the bonus disbursement for terminated beneficiaries, mainly for the purpose of ensuring the proper functioning of the Plan following any transactions and/or events of an extraordinary nature of significant impact.

Regarding this incentive plan, please refer to the remuneration report drawn up pursuant to Article 123-*ter* of the Consolidated Financial Act.

b) Restrictions on the Transfer of Equities

There are no restrictions concerning the transfer of equities.

c) Significant Share-holdings

At the date of approval of this report, that is March the 11th, 2021, the significant shares in the Issuer's capital, according to that resulting from the communications made in compliance with Article 120 of Consolidated Financial Act and resulting from the shareholders' register, are as follows:

Declarant	Direct Shareholder	% ordinary capital	% on voting capital
Asco Holding S.p.A.	Asco Holding S.p.A.	52.043%	52.043%
Ascopiave S.p.A.	Ascopiave S.p.A.	7.579%(1)	7.579%%(1)
Municipality of Rovigo	ASM Rovigo S.p.A.	4.398%	4.398%
Anita S.r.l.	Anita S.r.l.	3.050%	3.050%
Hera S.p.A.	Hera S.p.A.	4.900%	4.900%

In the course of 2020 and up to the date of this report, Ascopiave S.p.A. has received the following communications concerning significant holdings pursuant to Article 120 of the Consolidated Financial Act, relating to Ascopiave S.p.A. share capital::

- January the 31st 2020: communication issued by Amber Capital UK LLP of ownership of 3.629% (previous situation: 5.189%); it should also be noted that, on Consob's institutional website, no further communications have been published by Amber Capital UK LLP as Amber Capital UK LLP has requested exemption, pursuant to Article 119-*bis* paragraph 7 of the Issuers' Regulations;
- January the 31st, 2020: communication issued by A2A S.p.A. of ownership of 4.163% (previous situation: 0%);
- March the 11th, 2020: communication issued by Ascopiave S.p.A. of ownership of 5.027% (previous situation: 3.007%);
- June the 29th, 2020: communication from Hera S.p.A. of ownership of 4.900% (previous situation: 0%);
- June the 22nd, 2020: communication issued by A2A S.p.A. of ownership of 2.163% (previous situation: 4.163%);
- January the 22nd, 2021: communication issued by Ascopiave S.p.A. of ownership of 7.579% (previous situation: 5.027%);

It is to be specified that as of the approval date of this report, i.e. on March the 11th, 2020, the treasury shares in the Issuer's portfolio amounted to 17.776.858¹.

¹ Including 1,975 *bonus share*, charged at the value of EUR 1.00.

d) Equities Granting Special Rights

No securities granting special control rights have been issued.

The Shareholders' Meeting of Ascopiave S.p.A. held on April the 23rd, 2019, as extraordinary session, approved the modification of Article 6 of Ascopiave's Articles of Association in order to implement the procedure for increasing the voting right, pursuant to Article 127-*quinquies* of the Consolidated Financial Act. Subsequently, the Shareholders' Meeting of Ascopiave S.p.A. held on May the 29th, 2020, again as extraordinary session, amended Article 6 of the Articles of Association in order to conform the statutory regulation of the mechanism of the vote increase to the interpretation made by Consob through relevant Notification No.0214548.

In particular, the mechanism of the increase will allow the attribution of 2 voting rights for each Ascopiave share that has belonged to the same shareholder for a continuous period of at least 24 months starting from the registration in a special list set up by the Company at its registered office. The person in charge of managing the Special List was also appointed.

On July the 5th, 2019, the Board of Directors of Ascopiave S.p.A., pursuant to the provisions of paragraph 6.10 of the Articles of Association: (i) adopted the "Rules for Increased Voting" (http://www.gruppoascopiave.it/wpcontent/uploads/2019/09/AscopiaveRegolazioneVotoMaggiorato_05072019.pdf) with the aim of setting the procedures for registering, keeping and updating the Special List in compliance with the applicable regulations, the Articles of Association and the business practices, so as to ensure the timely exchange of information between the shareholders, the Company and the Intermediaries; and (ii) appointed a person in charge for managing the Special List.

The Regulations for the increased vote and the related form for enrolling to the special list for the increased vote are available on Ascopiave website www.gruppoascopiave.it, "*Corporate Governance*" Section - "Increased Vote".

e) Employees share participation: mechanism for exercising the voting rights

There is no system of employee shareholding.

f) Restrictions to the Voting Right

The Shareholders' Meeting of Ascopiave S.p.A. held as extraordinary session on May the 29th, 2020 introduced, with the new Article 6-*bis* of the Articles of Association, a clause limiting the right to vote applied to shareholders who meet the definition of "Operators" and to subjects related to them, with consequent suspension of the voting rights held in excess of the threshold of 5% of the total voting rights that can be exercised overall and without prejudice to the exercise of the equity rights and other administrative rights connected to the shareholding owned by the subject who suffers the so-called "cap on voting". The voting cap applies (i) to "Operators", meaning by them the operators in the field of production and/or distribution and/or transportation and/or purchase and/or sale of natural gas and/or electricity and/or the energy efficiency sector and/or the water service and/or the network service in general, and (ii) to each subject entitled to vote who belongs to a group in which there is an Operator, meaning by the "group" the subsidiaries, parent companies or companies subject to the same control, pursuant to ex-Article 93 of Legislative Decree No.58/1998, as the subject entitled to vote in question.

The introduction of a limit to the vote addressed not to the generality of shareholders, but to a specific category of shareholders, i.e. the Operators and the subjects related to them, is interpreted with a view of protecting the corporate interest from potential interests in conflict, through the inclusion of a tool for articulating the right to vote expressly permitted by the law. In particular, the newly introduced clause takes advantage of the opportunity offered by the current legislation in force to resort to the autonomy of the articles of association in order to limit the influence of some shareholders. In particular, Article 2351, paragraph 3, of the Italian Civil Code, now also applicable to listed companies following Legislative Decree No. 91/2014 (converted by Law No.116/2014), establishes that the Articles of Association may provide that, in relation to the quantity of shares held by the same person, the voting right is limited to a maximum extent (or provide for staggered voting rights).

Compared to the text of Article 2351, paragraph 3 of the Italian Civil Code, the wording of the clause introduced in Article 6-*bis* of the Articles of Association does not refer to the shares owned, but to the voting rights that can be exercised, taking into account that the Company's Articles of Association contain increased voting mechanism. Therefore, in order to reach the 5% threshold: (i) on the one hand, the increase in the voting right accrued (or waived) by shareholders other than the shareholder subject to the "voting cap", will increase (or reduce) the calculation basis, (ii) on the other hand, should the shareholder subject to the "voting cap" accrue the conditions to benefit from the increase in his voting rights, any exceeding of the 5% threshold (and, consequently, the exceeding shares for which the voting right will be suspended) will be determined on the basis of the voting rights available to the shareholder as increased due to the increased voting mechanism. Moreover, in order to allow for an effective application of the clause and to avoid evasive behaviour, it is envisaged that the "*basket*" of voting rights to be taken into account for the purpose of exceeding the relevance threshold includes the voting rights that can also be exercised by subjects connected in various ways with the shareholder to whom the "cap on voting rights" is applied, i.e. not only to the subjects belonging to the same group as this shareholder, but also to the subjects linked to this shareholder by a shareholders' agreement concerning the Company's shares and to the companies included in the portfolio of funds that may be managed on a discretionary basis by this shareholder or by the subjects connected to him.

The effectiveness of the resolution of the Shareholders' Meeting of May the 29th, 2020 was subject to the condition that the number of shares subject to the right of withdrawal that should have been purchased by the Company was less than 5% of the share capital. On June the 19th, 2020, the period has expired for the exercise of the right of withdrawal due to the holders of shares of Ascopiave S.p.A. who did not participate in the approval of the resolution introducing Article 6-*bis* of the Articles of Association of Ascopiave S.p.A.. The number of shares for which the withdrawal was exercised was less than 5% of the share capital, and therefore the resolution of the Shareholders' Meeting concerning the introduction of the new Article 6-*bis* in the Ascopiave S.p.A. Articles of Association became thus fully effective.

g) Agreements between Shareholders

As of the date of this report, there is a shareholders' agreement (hereinafter referred to as the "Agreement"), communicated to Ascopiave on March the 18th, 2020, for a total of 13,909,426 ordinary Ascopiave shares, equal to 5.934% of the share capital, divided as follows:

- * Municipality of Spresiano 1.625%;
- * Municipality of Trevignano 0.147%;

- * Municipality of Giavera del Montello 0.975%;
- * Municipality of Mareno di Piave 1.476%;
- * Municipality of Pieve di Soligo 0.074%;
- * Municipality of Segusino 0.813%;
- * Municipality of Follina 0.813%;
- * Municipality of Riese Pio X 0.011%;

The Agreement is attributable to a voting syndicate with which the adherents intended to regulate the exercise of the right to vote in the ordinary and extraordinary shareholders' meetings of Ascopiave SpA in order to express their vote in a univocal and consistent manner in the shareholders' meetings of the Company, with the intention of protecting in the best way possible the interest of the entities they administer and to enhance the shareholding investment.

It should be noted that during 2020, on March the 16th, 2020, April the 5th, 2020 and May the 26th, 2020, three separate shareholders' agreements were signed between some shareholders, including the Agreement, concerning the commitment to consult each other and agree on the expression of a favourable vote in the shareholders' meeting for a list of candidates for the election of the members of the Board of Directors of Ascopiave S.p.A. and for a list of candidates for the election of statutory and alternate Auditors as members of the Board of Auditors of Ascopiave S.p.A. itself, and having a transitory nature and, with the exception of the Agreement, lasting until the actual holding of the Shareholders' Meeting of Ascopiave SpA on May the 29th, 2020, convened for the renewal of the offices of the Board of Directors and the Board of Statutory Auditors.

h) *Change of control* clauses and provisions of the Articles of Association regarding takeover bid

The Issuer and its subsidiaries have not drawn up any significant agreements that become effective, are changed or cancelled in the event of a change of control of the contracting company.

With regards to takeover bid, the Issuer has not provided in the Articles of Association for any derogation to the provisions of the Consolidated Financial Act. The Issuer's Articles of Association does not furthermore provide for the application of the neutralization rules pursuant to Article 104-*bis*, subpar 2 and 3 of the Consolidated Financial Act.

i) Power to increase the Share Capital and to purchase the treasury stock

During the 2020 financial year, the Shareholders' Meeting did not grant the Board of Directors any powers to increase the share capital.

The Shareholders' Meeting held on May the 29th, 2020 approved the renewal of the authorisation, pursuant to Articles 2357 and 2357-*ter* of the Italian Civil Code, for the purchase and disposal of treasury shares, subject to revocation of the previous authorization granted by the Shareholders' Meeting held on April the 23rd, 2019.

In particular, the Shareholders' Meeting authorised the Company (i) to purchase, on one or more occasions, a maximum number, on a revolving basis, of 46,882.315 ordinary shares of Ascopiave or a different number representing a portion not exceeding the maximum limit of 20% of the share capital, also taking into account the shares already owned by the Company and those that may be owned from time to time by subsidiaries, for a period of 18 months from the date of the resolution; and (ii) to carry out deeds of disposal, without time limits, of the purchased treasury shares and/or any shares that may be held in the Company's portfolio.

The authorisation to purchase and dispose of treasury shares is granted, in general, in order to provide the Company with a valid instrument that allows it to acquire treasury shares to be used, among other things, for the execution of investment transactions consistent with the Company's strategic guidelines, including through the exchange, contribution, assignment, sale or other deed of disposal of treasury shares, for the acquisition of shareholdings or share packages or for other capital transactions that involve the assignment or disposal of treasury shares (such as, for example, mergers, demergers, issuance of convertible bonds or *warrants*, etc.).

The authorization was also requested in order to allow the Company to carry out, among other things, the operations listed below: i) to intervene, through authorized independent intermediaries, and in accordance with the applicable legislation, to regularize the trading and price trends; (ii) to offer shareholders an additional monetization tool for their investment; (iii) to acquire treasury shares to be allocated, where appropriate, to service any share-based incentive plans reserved for directors and/or employees and/or collaborators of the Company or other companies controlled by it or its parent company.

The purchase operations may be carried out according to any of the methods permitted by the legislation, including regulatory, pro-tempore in force, to be identified from time to time at the discretion of the Board of Directors or by the director delegated for this purpose. Disposal operations may be carried out in any manner deemed appropriate in relation to the purposes that will be pursued.

The unit price for the purchase of Ascopiave ordinary shares may not be more than 10% higher or lower than the reference price recorded for the Ascopiave share in the trading session preceding each single purchase transaction.

As regards the price for the disposal of treasury shares purchased, the Shareholders' Meeting only determined the minimum price, which may not be more than 10% lower than the reference price recorded by the share in the stock exchange session prior to each individual disposal transaction, it being understood that this limit may not be applied in certain cases specified in the resolution.

The number of treasury shares in portfolio as of December the 31st, 2020 was 17,766,858 , equal to 7.5793% of the share capital, for a counter value of €55,627,660.56.

It should be noted that on March the 11th, 2021, the date of approval of this report, the treasury shares in the portfolio amounted to 17,766,858 shares (equal to 7.5793% of the share capital).

No company controlled by Ascopiave holds its shares.

l) Management and co-ordination activity

Despite some economic relationships with the parent company Asco Holding S.p.A., the Issuer believes not being subject to any management and coordination activity pursuant to Articles 2497 et following of the Italian Civil Code, as Asco Holding S.p.A. does not issue directives to its subsidiary and there is no connection between the two organizational-functional companies since decisions regarding Ascopiave and its subsidiaries are taken, as far as their respective competences are concerned, exclusively within the Board of Directors of the Issuer and by the administrative bodies of the Issuer's subsidiaries. Consequently, Ascopiave S.p.A. considers it has always operated in conditions of corporate and business autonomy regarding its parent company Asco Holding S.p.A.

We specify that:

- The information requested as per Article 123-*bis*, first par., lett. i) ("the agreements between the company and the directors... that provide for compensations in case of resignations or dismissal without a just cause or if their business relationship ends after a public offer of purchase") are illustrated in the section of the Report dedicated to the Compensation of the Directors (Section 9);
- The information requested as per Article 123-*bis*, first paragraph, letter l) ("the regulations applicable to the appointment and substitution of Directors...and changes to the Articles of Association, if different from those legislative and of the regulations applicable in supplementary way") are illustrated in the section of the Report dedicated to the Board of Directors (Section 4.1);

3. COMPLIANCE

The Issuer has complied with the Corporate Governance Code, adopting the principles and the application criteria it envisages; any failure to comply will be motivated in this Report.

The Corporate Governance Code is publicly available on the website of the Italian Stock Exchange (www.borsaitaliana.it).

We inform you that the Board of Directors held on January the 15th, 2021 adhered to the new *Corporate Governance* Code of listed companies promoted by the Corporate Governance Committee of Borsa Italiana SpA (hereinafter referred to as the "*Corporate Governance* Code").

The Issuer is not subject to non-Italian provisions of law that influence the Issuer's own *corporate governance* structure.

4. 4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND SUBSTITUTION

The Issuer's Articles of Association that regulate the composition and nomination of the Board (Articles 14 and 15) are qualified to guarantee the respect of the dispositions introduced by Law 262/2005 (Article 147-*ter* of the Consolidated Financial Act) and by Legislative Decree No.303 dated December the 29th, 2006, Law No.120 dated July the 11th, 2011 and Law No.160 dated December the 27th, 2019.

On March the 20th, 2020, the Board of Directors approved, pursuant to Article 19 of the Articles of Association, the adjustment of Article 15 to the new regulatory provisions on gender balance in the composition of corporate bodies, precisely in order to align the provisions of the Articles of Association with the provisions of Law No. 160 of December the 27th, 2019. This law amended, inter alia, Article 147-*ter* of the Consolidated Financial Act, introducing a new allocation criterion, to be applied from the first renewal of the administrative bodies after January the 1st, 2020, by virtue of which at least two-fifths (rounded up to the nearest whole number if the application of this criterion results in a non-integer number) of the effective members of the administrative body must be reserved for the less represented gender for six consecutive terms.

Subsequently, on May the 29th, 2020, the Shareholders' Meeting approved amendments to Articles 14 (with reference to the composition of the Board of Directors) and 15 of the Articles of Association (with reference to the appointment of the Board of Directors) in order to introduce an increase in the number of directors from 6 (six) to 7 (seven), to increase the number of directors

taken from the list obtaining the highest number of votes from five to six, as well as to integrate the mechanism for replacing directors in compliance with the legal and regulatory provisions set forth in relation to gender balance.

Pursuant to Article 15 of the Articles of Association, the members of the Board of Directors are appointed by means of list voting on the basis of lists submitted by shareholders who, alone or together with other shareholders, own at the date of submission of the list a number of shares with voting rights in the shareholders' meeting resolutions on the appointment of members of the management and control bodies ("relevant shares") representing at least 2.5% of the share capital, or, if different, the maximum participation in the share capital required for the submission of lists according to the applicable legislative and regulatory provisions ("shareholding"). The shareholding shall be reported in the summons notice of the Assembly, which shall take a decision on the appointment of the Board of Directors.

Article 15 of the Company Articles of Association states that the lists presented by the shareholders be deposited at the Company Headquarters within the deadline envisaged, every time, by the current and relevant regulations.

Together with each list, within the terms indicated above, relevant declarations must be filed in which each candidate accepts his/her candidacy and certifies, under his/her own responsibility, the non-existence of causes of ineligibility, incompatibility and disqualification, as well as the compliance with further requirements prescribed by the applicable legislation as in force in its up-to-date version. The first candidate on each list must meet the independence requirements envisaged by Article 148, subpar 3 of Legislative Decree dated February the 24th, 1998, No.58 (and subsequent amendments) and by the codes of conduct drawn up by market management companies to which the Company has adhered..

The lists having at least 3 candidates cannot be exclusively composed of candidates of the same gender (male or female). These lists shall include a number of candidates of the lesser represented gender in such a way as to ensure that the composition of the Board of Directors complies with the legal and regulatory provisions, as in force in their up-to-date version, on gender balance (male and female).

At the outcome of the vote by the Shareholders' Meeting, if two or more submitted lists have obtained a percentage of votes equal to at least half of that required for the submission of the lists themselves under the Articles of Association:

- (i) all candidates, up to a maximum of 6 (six), will be elected from the list that obtains the highest number of votes and they will be elected as directors, in the progressive order in which they are indicated in this list, except as provided below, to ensure the balance between genders in compliance with the applicable provisions of law and regulation;
- (ii) the first candidate will be elected from the second list by number of votes obtained and that is not connected in any way, not even indirectly, with the shareholders who presented or voted the list resulting first by number of votes, and he will be elected as director of the list itself;
- (iii) in the event of equality of votes between two or more lists, the candidates of the list that has been presented by the shareholders who own the largest holding or, alternatively, by the largest number of shareholders, will be elected, except as provided below, to ensure the balance between genders in compliance with the applicable provisions of law and regulation.

If, at the end of the voting, the legal and regulatory requirements relating to the balance between male and female gender are not complied with, the candidate of the most represented gender elected last in progressive order from the list that has obtained the highest number of votes shall be excluded and shall be replaced by the first non-elected candidate, taken from the same list, belonging to the other gender. This replacement shall be carried out until a number of candidates belonging to the less represented gender are elected in such a way as to ensure that the composition of the Board of Directors complies with the legal and regulatory provisions in their up-to-date version in force on the subject of gender balance (male and female). Should it be not possible to implement this replacement procedure in order to ensure compliance with the legal and regulatory provisions in their up-to-date version in force, on the subject of gender balance (male and female), then the missing directors shall be elected by the Shareholders' Meeting using the ordinary procedures and majorities, subject to the presentation of candidates belonging to the less represented gender.

With particular reference to gender diversity, it should be noted that the Shareholders' Meeting of May the 29th, 2020 resolved to renew the Board of Directors in compliance with the provisions of Law No.160 of December the 27th, 2019, which amended, among other things, Article 147-ter of the Consolidated Financial Act, introducing a new allocation criterion under which at least two-fifths (rounded up to the nearest whole number if the application of this criterion results in a non-integer number) of the effective members of the administrative body must be reserved for the less represented gender, for six consecutive terms of office

The appointment mechanism through the so-called list vote guarantees transparency, as well as rapid and adequate information on the personal and professional characteristics of the candidates. The Board of Directors did not establish an internal committee for the proposals of appointment as member of the Board of Directors, not deeming it necessary, keeping these functions inside the Board of Directors, in line with the Application Criterion 4.C.2 of the Corporate Governance Code. This choice was dictated by the fact that the applicable regulatory provisions and the provisions of the articles of association - such as, in particular, the appointment through "list vote" – give adequate transparency to the recruitment and indication of candidates, also in consideration of the size of the Issuer and of the limited number of members of the administrative and control bodies.

If during the financial year, for whatsoever reason, one or more directors taken from the list that obtained the highest number of votes ("Majority Directors") is out, and despite this the majority still holds, the Board will substitute the missing Majority Directors through co-optation, in accordance with Article 2386 of the Italian Civil Code., it being understood that if one or more missing majority Directors are Independent directors, other independent directors must be co-opted, respecting applicable regulations governing gender balance. The directors thus remain in charge until the following Meeting that will confirm their appointment or substitution with the ordinary procedures and majorities, as an exception to the list vote system previously indicated.

If during the year, for whatsoever reason, one or more directors taken from the first list that obtained the second highest number of votes ("Minority Director") is out and, despite this the majority still holds, the Board will substitute the missing Minority Directors with the first non-elected candidates part of the same list, only if they are still eligible and willing to accept the post, or, if defecting, to the first list following for number of votes between those that achieved a number of votes equal to at least the minimum threshold envisaged in paragraph 15.10 of the Articles of Association, without prejudice, in both cases, to the applicable regulations governing gender balance. The terms of the substitutes elapse along with the directors in charge at the

moment of their joining the Board, as an exception to the provisions set forth in Article 2386.1 of the Italian Civil Code; in the event one or more missing Minority Directors are independent directors, they have to be substituted with other independent directors; if it is not possible to proceed with the afore-stated terms, for insufficient choice on the lists or for the non-availability of the candidates, the Board shall proceed with co-optation of a director chosen by the Board according to Article 2386 of the Italian Civil Code and pursuant to law, in order to respect the legal and regulatory prescriptions related to the presence of the minimum number of independent directors, respecting applicable regulations governing gender balance and also, if possible, the principle of minority representation. The director thus co-opted will remain in charge till the following Meeting that will confirm his appointment or replacement with the ordinary procedures and majorities, as an exception to the list vote system.

Succession plans

In view of the *governance* structure, of the decision-making system and of the powers, as well as the organizational structure adopted by the Issuer and Ascopiave Group, (where the operating sectors of the companies are divided into activities of raw material distribution and sales to the final customers), aimed at ensuring an adequate separation between the direction, management and control functions and to promote the effective implementation of power balance between the top management, the Board of Directors has decided not to adopt a plan for the succession of executive directors, according to the guidelines 5.C.2 of the Corporate Governance Code.

Furthermore, please refer to the replacement procedure of the Directors already envisaged by the existing Articles of Association. In particular, the three-year term of office of all directors, established by Article 15 of the Company Articles of Association, as well as the replacement of the members of the Board of Directors who ceased to hold office before the expiry of the term

4.2. STRUCTURE

Pursuant to Article 14 of the Articles of Association, the Board of Directors consists of seven (7) members, who may or may not be shareholders, appointed by the Ordinary Shareholders' Meeting. The Board of Directors resolves with the favourable vote of the majority of the directors present. In the event of an equal number of votes, the decision obtaining the vote of the Chairman of the Board of Directors shall be deemed approved.

The Shareholders' Meeting held on May the 29th 2020, as an extraordinary session, examined and approved the following amendments to Articles 14 and 15 of the Articles of Association:

- increase in the number of members of the Board of Directors from 6 (six) to 7 (seven); increase from 5 (five) to 6 (six) of the number of directors drawn from the list with the highest number of votes;
- integration of the mechanism for the replacement of directors in compliance with the legal and regulatory provisions on the balance between genders, providing that in the event when it is not possible to implement the replacement procedure in order to ensure compliance with the legal and regulatory provisions, as applicable in their up-to-date version in force, on the distribution between genders (male and female), the missing directors shall be elected by the shareholders' meeting using the ordinary procedures and majorities, subject to the submission of candidates belonging to the less represented gender.

The members of the Board of Directors remain in charge for three financial years, and their term expires at the date of the Meeting called to approve the Financial Statement relating to the last year

of their office; no different expires are established for the members of the Board. The members of the Board of Directors may be re-elected

Below reported is the information relating to the appointment of the current Board of Directors in the fiscal year 2020.

The Ascopiave Board of Directors, appointed during the Meeting held on May the 29th, 2020, is currently composed of 7 (seven) members who will remain in charge until the date of the Meeting summoned to approve the Financial Statement relating to the year ended on December the 31st, 2022.

In this Meeting 3 lists with no correlation have been submitted, among which there are no connections.

The Directors have been taken from the list presented by the majority shareholder Asco Holding S.p.A. The Director Mr. Cristian Novello has been taken from the minority list no. 2 presented by ASM Rovigo S.p.A. (holder of an interest equal to 4.399% of the share capital).

A summary of the lists submitted and of the voting results is reported below:

SUBMITTING PARTY	LIST OF CANDIDATES	LIST OF ELECTED CANDIDATES	% VOTES OBTAINED IN RELATION TO THE VOTING CAPITAL
List No.1 Asco Holding S.p.A.	1. Greta Pietrobon 2. Nicola Ceconato 3. Roberto Bet 4. Mariachiara Geronazzo 5. Enrico Quarello 6. Luisa Vecchiato	1. Greta Pietrobon 2. Nicola Ceconato 3. Roberto Bet 4. Mariachiara Geronazzo 5. Enrico Quarello 6. Luisa Vecchiato	68.806%
List No.2 ASM Rovigo S.p.A.	1. Cristian Novello 2. Edoardo Gaffeo	1. Cristian Novello	23.182%
List No.3 Municipalities participating in the shareholders' agreement notified to the Company on March the 18th, 2020.	1. Gloria Paulon 2. Mario Collet	-	8.012%

For the detailed composition of the Board of Auditors for the fiscal year 2020, refer to Table 2 attached to the Report.

In accordance with the Application Guideline 1.C.1 letter i). of the Code, the main professional skills of the executive director in charge and the seniority from the first appointment are presented:

- Dr. Nicola Ceconato, **Chairman and CEO, (“Chief Executive Officer”²)** beginning of term May the 4th, 2017, at his second mandate (**independent non-executive director**).
Born in Treviso on June the 16th, 1965. He graduated in economics and business from Cà Foscari University of Venice in 1991. Expert in economic matters, enrolled in the Register of Accountants, in the Register of Statutory Auditors, in the Register of Consultants and Office Technicians at the Court of Treviso and at the College of Economists of Barcelona (Spain).
He has been working as Professional Accountant since 1994. He has a long experience as a Director of public and private companies, member of Boards of Statutory Auditors, Statutory Auditor, Bankruptcy Trustee, Judicial Commissioner and tax and corporate consultant in various public and private companies. Of particular importance is the experience acquired in M&A transactions and in extraordinary transactions for the reorganization of corporate groups. He also deals with international tax and corporate consultancy and company valuation. He was Councillor for budget, finance and tax in a local public body from 2004 to 2014.
- Mr. Enrico Quarello, already in office since February the 14th, 2012, at his fourth mandate (**independent non-executive director**).
Born in Castelfranco Veneto (TV) on November the 10th, 1974. He has held numerous management and coordination positions in international cooperation programmes, especially in the Balkan area. He has founded and directed several third sector initiatives in the production/commercial and social fields. From 2005 to 2011 he was a member of the Board of Directors of COOP Adriatica, one of the largest Italian companies operating in organised distribution, where he was a member of the Executive Committee. From July 2011 he assumed the role of Head of Relations and Territorial Activities of COOP Adriatica. Today he holds the office of Director of Social Policies and Territorial Relations of COOP Alleanza 3.0.
- Law. Greta Pietrobon, in office since April the 24th, 2014, at her third mandate (**independent non-executive director**). (**“Lead Independent Director”³**).
Born in Paese (TV) on October the 18th, 1983. She graduated in law in 2009. Since February 2014, she has been a freelancer in the fields of private law and criminal law in her law firm in Paese (TV). She is a member of the Bar.
- Law. Roberto Bet, in office since May the 29th, 2020, for his first term (**non-executive and non-independent director**).
Born in Mariano Comense (CO) on April the 22nd, 1976. He graduated in 2004 from the University of Padua with a Master's Degree in Law. After a period of legal practice and passing the State examination, he has been a member of the Treviso Bar Association since 2008 and is qualified to practice before the Court of Cassation and higher courts. He has been practising law in his own firm since 2008. He has held public offices in the municipality of Codognè as a member of municipal commissions, mayor and is currently a municipal councillor; he has been a regional representative on the board of the Sinistra Piave Land Reclamation Consortium, in the Province of Treviso he has been a member of the National Commission for the Environment and Territory of the Union of Italian Provinces and a provincial councillor, he has chaired the investigative body of the national horse racing discipline; he has been a president of the Eastern Veneto Basin Council. Since September 2020 he has been a regional councillor of the Veneto Region.

² We specify that, on January the 28th, 2021, the Board of Directors qualified the Chairman and Chief Executive Officer, Dr. Nicola Ceconato, as **Chief Executive Officer** of the Issuer, also pursuant to the *Corporate Governance Code*.

³ We specify that Lawyer Greta Pietrobon was appointed **Lead Independent Director** by the Board of Directors on January the 28th, 2021..

- Dr. Mariachiara Geronazzo, in office since June the 4th, 2020, for her first term (**independent non-executive Director**).
Born in Valdobbiadene (TV) on December the 10th, 1969. She graduated from the University of Trieste in 2002 with a degree in economics and business administration.
She has been a member of the Order of Chartered Accountants of Treviso since 2006 and a member of the Register of Auditors since 2007. She is currently a chartered accountant and auditor, works as a director and auditor for private companies and has worked as a chartered accountant in various accounting firms.
- Dr. Luisa Vecchiato, in office since June the 4th, 2020, for her first term (**Non-executive and non-independent Director**).⁴
Born in Castelfranco Veneto (TV) on April the 4th, 1965. She graduated in business administration at the Ca 'Foscari University of Venice on March the 19th, 1994. She practices as a chartered accountant and auditor, works as a tax and corporate consultant, is an administrator and partner of a real estate management company and an accounting services company, she was a member of the Board of Liquidators of the Consorzio Portuario di Treviso from 1998 to 2013, she has exercised the function of bankruptcy trustee at the Court of Treviso.
- Law. Cristian Novello, in office since June the 4th, 2020, for the first term (**independent non-executive Director**).
Born in Noale (VE) on November the 17th, 1982. He graduated in law from the University of Padua in 2007. He worked as an independent lawyer until 2015; as of today he is the administrative and legal manager at Veneto Acque S.p.A.

The Directors' professional *curricula* are filed at the company's headquarters and available on the Issuer's institutional website www.gruppoascopiave.it under the *Investor Relations* section.

For the sake of completeness of the information on the events of the 2020 financial year, please note that, following the resignation presented on February the 3rd, 2020 by Mr Giorgio Martorelli, who had been appointed from the minority list (List No. 2 presented jointly by AMBER CAPITAL ITALIA SGR S.P.A., AMBER CAPITAL UK LLP and ASM Rovigo S.p.A.), the Board of Directors of Ascopiave S.p.A, held on February the 7th, 2020, having acknowledged that Mr. Claudio Paron, the second person taken from the minority List No. 2, was not available to take up the office of director, and having ascertained that there were no further candidates on the list in which Mr. Giorgio Martorelli and Mr. Claudio Paron were present, and that there were no other minority lists, it resolved not to co-opt the resigning director, since, in view of the time it would have taken to identify a new director and the imminence of the Shareholders' Meeting (to be held on April the 23rd, 2020 in first call and on May the 29th, 2020 in second call) which had been called, among other things, to renew the corporate bodies, and considering that the number of independent directors was 3 and therefore adequate, it did not consider it urgent to identify a candidate to integrate the Board of Directors.

Diversity Policies and Criteria

⁴Dr .Luisa Vecchiato, appointed during the ordinary Shareholders' Meeting held on May the 29th, 2020, in office from June the 4th, 2020, was a non-independent director until January the 28th 2021 and, subsequently, an independent director.

With regard to diversity policies with reference to the composition of the Board of Directors, pursuant to the current Articles of Association, the composition of the Board of Directors must guarantee the balance between genders required by law. In particular, at least two-fifths of the current Board of Directors consists of directors of the least represented gender.

The current Board of Directors was appointed in 2020 and will remain in office until the date of the Shareholders' Meeting to be called to resolve on the financial statements for the financial year 2022.

Refer to the professional *curricula* of the Directors filed at the registered office and available on the Issuer's corporate website www.gruppoascopiave.it in the *Investor Relations* section, to have more information about their training, professional paths, and skills.

With particular reference to the gender balance, it should be noted that the Shareholders' Meeting held on May the 29th, 2020 approved the amendments to the Articles of Association aimed at ensuring that the directors are elected according to a criterion ensuring gender balance, based on the requirements of new Article 147-ter, paragraph 1-ter, of the Consolidated Financial Act that provides that "*The least represented gender shall have at least two fifths of the elected directors.*"

It should also be noted that on January the 24th, 2020, in compliance with the recommendations of the Application Criterion 1.C.1. h) of the Corporate Governance Code for listed companies and considering that, upon approval of the financial statement for the 2019 financial year, its term of office expired, the outgoing Board of Directors, taking into account the results of the self-assessment ("*board review*") for the 2019 financial year, expressed to the shareholders, in view of the renewal of the administrative body for the 2020-2022 financial years, the guidelines for managers and professionals whose presence in the new Board of Directors was deemed appropriate. First of all, the Board suggests that the shareholders ensure, in compliance with the constraints and rules of *corporate governance*, adequate continuity in the composition of the administration body to enhance the know-how of Ascopiave S.p.A. acquired by the Directors, needed to continue and support the current development stage of the Group.

In addition, the Company's Board of Directors believes that an optimal composition of the Issuer's administration body can be guaranteed by complying with some requirements identified for the position of Chairman and Chief Executive Officer, as well as for the position of member of the Board of Directors.

In formulating these guidelines, the Board of Directors has underlined the importance of achieving in the composition of the Board of Directors an adequate diversity of gender, age, seniority in office, complementarity of professional and managerial experience, also taking into account the characteristics and importance of the positions previously held.

For a complete description of the aforementioned requirements for the Chairman and CEO and for the members of the Board of Directors, please refer to the document "Guidelines of the Board of Directors of Ascopiave S.p.A. to Shareholders about the Future Structure of the Board of Directors" published on January the 24th, 2020 on the Company's website (www.gruppoascopiave.it "*Investor relator*"-"Shareholders' Meetings" section) and at the authorized storage mechanism "*eMarket Storage*" (www.emarketstorage.com) of Spafid Connect SpA.

Maximum Accumulation of the Offices Held in Other Companies

The Board has not deemed it necessary to define any general guideline regarding the maximum number of administrative and control functions held in other companies that can be deemed compatible with an efficient implementation of the role of director of the Issuer, keeping into account the directors' participation in the Committees constituted inside the Board, without prejudice to the duty of each Director to assess the compatibility of the position of a director and an auditor held in other companies listed in regulated markets, financial companies, banks, insurance brokers, or companies of significant size, with the diligent fulfilment of the tasks accepted as a Director of the Issuer.

Table 4 attached to this Report contains a list of the main companies where each director holds management or control tasks, in particular in companies listed on regulated markets, including foreign ones, in financial companies, banks, insurance or large companies, with evidence if the company where the task is performed belongs to the group controlling or including the Issuer.

The Board, following the verification of the positions held by its Directors in other companies, considered that the number and quality of the positions held does not interfere and is, therefore, compatible with the effective performance of the office of director at the Issuer.

Induction Programme

During the fiscal year, in line with the Application Guideline 2.C.2 of the Corporate Governance Code, the members of the Board of Directors were adequately informed about the main legislative and regulatory developments (including the new *Corporate Governance Code*) affecting the sector in which the Issuer operates, on *business* issues, on the principles of correct risk management, on the exercise of the functions of the corporate bodies, through the divulgation of information during meetings and in the pre-board report.

Members of the Board of Directors were offered the opportunity to attend a *Master in Corporate Governance & Capital Markets*.

4.3. ROLE OF THE BOARD OF DIRECTORS

During the financial year 16 (sixteen) Board meetings were held on the following dates: January the 24th, 2020, February the 7th, 2020, February the 28th, 2020, March the 9th, 2020, March the 13th, 2020, March the 20th, 2020, April the 6th, 2020, May the 11th, 2020, May the 22nd, 2020, May the 28th, 2020, June the 8th, 2020, June the 12th, 2020, August the 3rd, 2020, September the 11th, 2020, November the 9th, 2020 and December the 18th, 2020.

The duration of the board meetings was on average about 2 (two) hours.

At the date of this report, i.e. on March the 11th, 2021, since the beginning of 2021, 7 (seven) meetings were held on January the 15th, 2021, January the 28th, 2021, February the 12th, 2021, February the 19th, 2021, February the 25th, 2021, March the 4th, 2021 and March the 11th, 2021.

The 2021 calendar of the main company events (already sent to the market and to Borsa Italiana S.p.A. in accordance with regulatory provisions) includes 3 (three) further meetings on the following dates:

- May the 13th, 2021 – approval of the Quarterly Report as of March the 31st, 2021;
- August the 5th, 2021 – approval of the Half Year Report as of June the 30th, 2021;
- November the 11th, 2021 – approval of the Quarterly Report as of September the 30th, 2021;

During the financial year 2020, in line with the Application Guideline 1.C.5. of the Financial Act, the Chairman of the Board of Directors and CEO has, with the support of the Corporate Affairs Department, compatibly with the organisation needs and the content of the discussed topics, and in order to guarantee thorough and timely pre-board information, transmitted the support documents for the meeting of the Board at least three working days before the scheduled date the Directors and Auditors, failing any further need or urgent situation.

Where, in some specific cases, it has not been possible to provide the necessary information with adequate advance, the Chairman has checked that adequate and punctual investigations are carried out during the board sessions.

In addition, with the support of the Corporate Affairs Department, the Chairman of the Board of Directors has made sure that the topics on the agenda may be devoted the necessary time to allow a constructive debate, by encouraging, during the meetings, contributions from the Directors.

In line with the Application Guideline 1.C.6, during 2020, the Director of Legal and Corporate Affairs of the Company has participated to 16 (sixteen) meetings of the Board of Directors. Furthermore, with reference to the topics discussed, other Issuer's Managers and heads of the company departments concerned, according to the subject, or external consultants, have been invited to attend the Board of Directors meetings in order to provide the appropriate in-depth examination of the topics on the agenda.

The Board of Directors plays a primary role in the Ascopiave system of Corporate Governance, as it determines the company's strategic goals and those of the subsidiaries belonging to the Group it heads, ensuring that they are achieved,) without prejudice to the compliance with the management autonomy of the companies belonging to Ascopiave Group, subject to the functional and accounting separation regime (so-called *unbundling*).

Pursuant to Guideline 1.C.1 Letter a) of the Corporate Governance Code, the following are among the exclusive functions of the Board of Directors::

- the examination and approval of the strategic, industrial and financial plans of the Issuer and of the Group it heads, the periodic monitoring of the related implementation;
- and the definition of the corporate governance system of the Issuer and of the Group structure.

Pursuant to the "Guidelines on the Performance of the Management and Coordination Powers by Ascopiave S.p.A.", approved by the Board of Directors of Ascopiave S.p.A. in 2012 and subsequently on June the 16th, 2016, and on September the 11th, 2020, the parent company Ascopiave S.p.A draws up the business plan and the group *budget* and establishes the guidelines to be implemented by the individual companies of the Group in the process of drawing up their

respective plans and *budgets*, without prejudice to the observance of the management autonomy of the Ascopiave Group companies subject to the functional and accounting separation regime (so-called *unbundling*).

To allow for the preparation of the group business plan and *budget*, in compliance with the procedures, tools and planning and programming schedules executed and disseminated by the parent company, the administrative body of each subsidiary will be responsible for submitting to the parent company information and forecasts which follow the above guidelines, as well as to work according to the approved annual business plans and *budgets*, by providing periodic audits through periodic final reports. The parent company shall check the compliance of the business plans and of the annual *budgets* of the subsidiary companies with the guidelines provided and any eventual deviation from the periodic financial reports.

The planning and *budgeting* guidelines set by the parent company for the group companies subject to unbundling obligations, consider the powers and prerogatives envisaged by the *unbundling* rules for the Independent Committee and for the vertically integrated company (so-called *unbundling*).

With particular reference to the gas distribution service, the parent company exercises its management and coordination powers, ensuring compliance with the purposes of functional unbundling, in accordance with the provisions of Article 13 of the Consolidated Financial Act. In particular, the *budget* objectives defined by the parent company for the Group companies subject to functional unbundling obligations refer to: i) the annual level of investments; ii) the level of indebtedness; iii) the profitability of activities managed and investments made. The Parent Company's Board of Directors approves the consolidated *budget* of the Group, based on the *budgets* approved by each single subsidiary in line with the planning and *budgeting* guidelines mentioned above and in compliance with the Group *policies* and procedures.

The Board of Directors plays an important role in the correct management of corporate information and in the relationships with the shareholders.

To this aim, Article 19 of the Company Articles of Association states that the Board of Directors has the broadest powers to manage the Company, without any exception, and the power to take all actions it deems advisable for the implementation and achievement of the corporate goals, with the only exception of those strictly reserved by the law to the shareholders.

Furthermore, always pursuant to Article 19 of the Articles of Association, the resolutions to be taken in compliance with Article 2436 of the Italian Civil Code fall under the responsibility of the Board of Directors and cannot be delegated. They deal with:

- mergers and demergers in accordance with Articles. 2505, 2505-*bis*, 2506-*ter*, of the Italian Civil Code;
- creation or elimination of secondary branches;
- transfer of the registered office within Italy;
- indication of the directors who have legal representation;
- capital reduction because of a shareholder's withdrawal;
- amendment to the Articles of Association according to mandatory regulations,

It is understood that these resolutions may also be taken by the shareholders during an extraordinary session.

In line with the Application Guideline 1.C.1. Letter c), the Board has evaluated, on March the 13th, 2020, regarding the 2019 financial year, and on March the 4th 2021, regarding the 2020 financial

year, the suitability of the organisational, administrative and general accounting structure of the Issuer, with specific reference to the Internal Control system and to the management of risks of the Issuer and his subsidiary companies. Within the scope of this activity the Board has made use of the support offered by the Control and Risk Committee, by the Head of the Internal Audit Department and by the Director in charge of drawing-up the corporate accounts, availing of the procedures and checks implemented in accordance with Law No.262/2005, and of the interaction with the Board of Statutory Auditors, the Supervisory Body and the Independent Auditors.

In 2012, the Ascopiave Board of Directors S.p.A. adopted the document "Guidelines relating to the Management and Coordination", subsequently updated on June the 16th, 2016 and on September the 11th, 2020, which regulates the implementing mechanisms of management and coordination, the information and control flows between the Issuer and its subsidiaries. The document, approved by the shareholders' meetings of the individual subsidiaries and subsequently adopted by their individual boards of directors, is an integral part of the Group's *governance* system.

Ascopiave S.p.A. and the subsidiaries have been provided with an organization, management and control model ("Model 231") pursuant to the Legislative Decree No.231/2001 and have adopted the Ascopiave Group's Code of Ethics. Each company of the Group has appointed a Supervisory Body, in charge of supervising the implementation and effectiveness of Model 231.

In 2019, the Ascopiave Group started updating Models 231. Namely, the Model of the parent company Ascopiave was approved by the Board of Directors during the meeting held on August the 5th, 2019; this model is currently being further updated.

In compliance with Law as of November the 30th, 2017, No.179, on the date of May the 13th, 2019 the Board of Directors of Ascopiave S.p.A. approved the "Ascopiave Group Reporting Procedure", an integral part of Model 231 (attachment 3), adopted by all Ascopiave Group subsidiaries.

The Board, in line with the Application Criterion 1.C.1. Letter e), has assessed, on a quarterly basis, the general performance of the company, verifying the Company's financial, operating and consolidated results. These results, and the *performance* indicators, were compared with the planned data.

In application of Criterion 1.C.1 Letter f) of the Corporate Governance Code, the Board of Directors of Ascopiave, in view of the system of delegated powers in force, is responsible for deciding on transactions of significant strategic, economic, capital or financial importance for the Issuer.

If such operations are carried out by the subsidiaries, the above-mentioned document "Guidelines on the Exercise of Management and Coordination Powers" provides that, in compliance with sectoral regulations on the subject of administrative and accounting separation, the administrative bodies of the subsidiaries shall submit the following deeds for prior examination and approval by the parent company, for any appropriate resolutions, operations of significant strategic, economic, equity or financial importance, such as, by way of example:

- agreements with *competitors* and *partners* which, by virtue of their subject matter, nature, commitments, constraints which may directly or indirectly arise from them, may have a lasting effect on the freedom of strategic entrepreneurial choices (e.g. *partnerships*, *joint ventures*, etc.);

- acts and operations involving the entrance in (or the exit from) geographic and/or products markets;
- investment and divestment transactions in tangible and intangible assets worth more than €3 million;
- deeds of purchase and disposal of companies or company branches;
- deeds of conferment, purchase, sale or disposal of shareholdings, including controlling and associated shareholdings and interests in other companies, as well as the stipulation of agreements on the exercise of the rights inherent in such shareholdings;
- deeds and operations of transformation, merger and demerger, as well as capital transactions, issues of convertible bonds;
- assumption or granting of loans or guarantees/*sureties* in the interest of Group companies or in the interest of other parties for an amount exceeding € 1 million;
- deeds of purchase of goods and services committing the subsidiaries for a duration over 12 months, non-renewable, and/or for an amount exceeding € 500,000;
- deeds of purchase of consultancy services and professional appointments, amounting individually to over € 100,000;
- amendments to the company's articles of association, as well as the establishment and closure of secondary offices;
- with reference to the gas distribution sector, with regard to participation in tenders for the assignment of the gas distribution service, the parent company may supervise the profitability of the investments made by the Independent Operator; approves the annual financial plan, or other equivalent instrument, drawn up by the Independent Operator and relating to the management of its activities and the development of its infrastructure; set limits on the levels of indebtedness by the Independent Operator in its activities;
- hiring of managerial staff.

In line with the Application Guideline 1.C.1, Letter g) on January the 24th, 2020, the Board of Directors has completed the self-assessment on the functioning of the Board itself and of its internal Committees. The assessment process was carried out on the basis of qualitative criteria, by comparing the structure and functioning of the Board of Directors and of the internal committees with reference to the *best practices* and current regulations. For the assessment, the Board has not made use of external consultants, but of professionals internal to the Company.

On the date of January the 24th, 2020, in compliance with recommendations of Application Criterion 1.C.1. h) of the Corporate Governance Code and considering that, with the approval of the financial statements for the 2019 financial year, its term of office would have expired, the Board of Directors of Ascopiave S.p.A., taking into account the results of the self-assessment ("*board review*") referred to the 2019 financial year, expressed to the shareholders, in view of the renewal of the administrative body, the guidelines on the managerial and professional figures whose presence on the new Board of Directors was considered appropriate. In this regard, please refer to paragraph 4.2 "Structure", in particular section "Diversity Criteria and Policies".

Pursuant to the new *Corporate Governance* Code, adopted by Ascopiave S.p.A. at the meeting of January the 15th, 2021, the self-assessment ("*board review*") may take place on a three-yearly basis, in view of the renewal of the Board of Directors.

In particular, the Code provides that the Board of Directors shall periodically assess the effectiveness of its activities and the contribution made by its individual members, through formalised procedures the implementation of which it supervises.

In particular, the *board review* focuses on the size, structure and actual functioning of the Board of Directors and its committees, also considering its role in defining the strategies and monitoring management performance and the adequacy of the internal control and risk management system.

In line with the provisions of the *Corporate Governance Code*, therefore, the Board of Directors of Ascopiave intends to schedule the *board review* before the expiry of the current three-year term, formalizing this process according to the methods to be defined within the new board regulation that it intends to adopt during 2021.

The Shareholders' Meeting did not authorise any exceptions to the prohibition of competition as specified by Article 2390 of the Italian Civil Code.

4.4. DELEGATED BODIES

Chief Executive Officer

With resolution dated June the 8th, 2020, the Issuer's Board of Directors, appointed during the meeting held on May the 29th, 2020, resolved to grant the Chairman of the Board of Directors, Dr. Nicola Ceconato, the office of CEO, conferring on him the relevant powers.

The Chairman of the Board of Directors and Chief Executive Officer, Dr. Nicola Ceconato, in addition to the legal and institutional representation and the competences due to him according to the Law and the Articles of Association, was conferred with powers for the implementation of the operations of management, coordination and control of the activities of Ascopiave SpA functions and corporate services, which can be performed in accordance with the *budget* and the investment plan, as well as the guidelines of the Board of Directors and the administrative and accounting separation regime (so-called *unbundling*).

In summary, the following main assignments have been given to the Chairman and Chief Executive Officer, by value and subject:

- Coordinating the activity of the Board of Directors and implementing the related resolutions;
- Taking care of the relationships with the shareholders;
- Managing the institutional relationships and promoting the Company image;
- Elaborating medium-long term strategies, submitting their contents to the Board of Directors;
- approving, entering into, amending, terminating contracts for the purchase and sale of goods, raw materials, movable estate, services, the economic content of which does not exceed the amount of €1,500,000 for each single transaction and series of related transactions, within the limits of the *budget*;
- Authorizing and granting professional appointments, consultancies, services, of amounts not exceeding €100,000 per single contract with obligation to periodically report to the Board of Directors;

- Purchasing, even through financial lease agreements, selling or exchanging plant, machinery, equipment, brands and patents of amounts not exceeding €500,000 for each individual transaction, within the *budget* limits;
- Stipulating, modifying, terminating credit and loan opening agreements, agreeing on loan concessions and other banking facilities, up to a maximum limit of €5,000,000.00 per single contract;
- Requesting and/or issuing guarantees in the interest of Ascopiave and/or its subsidiaries or investee companies, for commitments falling within the activities referred to in the related corporate purpose, of amounts up to €5,000,000.00 per single transaction or series of related transactions.

On January the 15th, 2021, the Board of Directors of Ascopiave SpA examined and adhered to the new *Corporate Governance Code*. Recommendation No.4 of the *Corporate Governance Code* requires the Board of Directors to define the allocation of management powers and to identify who among the executive directors holds the position of *chief executive officer* ("CEO"). This Recommendation falls within the STAR requirements envisaged by Article 2.2.3, paragraph 3 of the Italian Stock Exchange Regulations. Furthermore, the new *Corporate Governance Code* involves, in the organization of the internal control and risk management system, the CEO as the person in charge of establishing the maintenance of the internal control and risk management system and assigns him certain tasks pursuant to Recommendation 34 of Article 6 of the *Corporate Governance Code*. At its meeting held on January the 28th, 2021, the Board of Directors therefore resolved to qualify the Chairman and Chief Executive Officer, Dr. Nicola Ceconato, as CEO also pursuant to the new *Corporate Governance Code*.

Chairman of the Board of Directors

See above par. "Chief Executive Officer"

Information to the Board

In accordance with Article 19.5 of the Company Articles of Association , the delegated parties report on at least a quarterly basis to the Board of Directors and Board of Auditors as to their work, general management trends, foreseeable evolution and the most economically, financially and equity important operations performed by the Company and its subsidiaries; specifically, the Chairman provides information as to the operations in which he has an interest on his own behalf or on that of third parties.

With regards to the provisions of the Articles of Association, it should be noted that the delegated parties report and involve the board on the activity performed at each meeting of the Board of Directors. The management results and related *performance* indicators are instead communicated upon approval of the annual and half-yearly financial statements and the intermediate management reports.

4.5. OTHER EXECUTIVE DIRECTORS

There are no other executive directors further than the Chairman and Chief Executive Officer, Dr. Nicola Ceconato, who was qualified as CEO of the Issuer by the Board of Directors on January the 28th, 2021, also pursuant to the new *Corporate Governance Code*).

4.6. INDEPENDENT DIRECTORS

In the course of 2020 financial year, in the Issuer's Board of Directors there were four independent directors (four independent directors of the previous board of directors), in line with the Application Guideline 3.C.3 of the Corporate Governance Code. The non-executive Directors and Independent Directors are, in terms of number and authority, such as to guarantee that their judgement can have significant influence on the Issuer's board resolutions. The non-executive Directors and Independent Directors shall bring their specific competencies to board discussions, contributing to the decision-making process in accordance with the Company interests.

The number of independent directors (4 out of a board of 7) is adequate both based on the provisions of Article IA.2.10.6 of the Stock Exchange Instruction, and in relation to the size of the Board and to the Issuer's activity; ; furthermore, this is sufficient to the constitution of the committees within the board that the Company has deemed appropriate to adopt.

In line with the provisions of the Application Principle 3.P.2 of the Corporate Governance Code, which recommends to assess the independence of Directors after the appointment of the Board of Directors, and in line with Application Criterion 3.C.4, it should be noted that at the meeting of June the 8th, 2020, the new Board of Directors assessed the independence requirements of the non-executive directors Mrs. Greta Pietrobon, Mrs. Mariachiara Geronazzo, Mr. Cristian Novello and Mr. Enrico Quarello.

During this meeting, the new Board of Directors resolved to consider that the non-executive directors Mrs. Luisa Vecchiato and Mr. Roberto Bet did not meet the requirements necessary to qualify them as independent directors, consistently with the statements made by the same directors during the prior acceptance of the position of directors.

Furthermore, pursuant to the recommendations contained in the Application Criterion 3.C.4, the Board of Directors has announced the results of its assessments, after the appointment, also through a press release issued to the market.

In performing such evaluations, the Board of Directors adopted the Application Guidelines 3.C.1. and 3.C.2. as specified by the Corporate Governance Code. The Independent Directors meet therefore the independence requirements listed in Article 148, 3rd paragraph, Letters a) b) and c) of the Consolidated Financial Act, since each one of them:

- (i) does not control the Issuer, directly or indirectly, even through subsidiaries, fiduciary companies or on behalf of third parties, nor are able to exercise undue influence;
- (ii) does not participate, directly or indirectly, in any company agreement where one or more subjects may exercise control or significant influence on the Issuer;
- (iii) is not and was not in the previous 3 fiscal years, an important party (by such, meaning Chairman, legal representative, Chairman of the Board of Directors, and executive Director or Manager with strategic responsibility) of the Issuer or of a holding of the Issuer of strategic relevance or of a company under common management with the Issuer or of a company or body which, even with others, through a representational company agreement, controls the Issuer or is able to exercise significant influence;
- (iv) does not have, or did not have, during the previous year, directly or indirectly (e.g. through subsidiaries or companies of significance in the sense specified by the previous point (iii)), or

- as a *partner* of a professional studio or consultancy company) significant commercial, financial or professional relations, or subordinate working relations: (a) with the Issuer, with its subsidiary, or with one of its relevant partners, in the sense specified by the previous point (iii), (b) with a subject that, even jointly with others, through a representational company agreement, controls the Issuer or – given that it is a body or company -with the partners, in the sense specified by the previous point (iii);
- (v) without prejudice to what specified under the previous point (iv), holds any independent or subordinate working relations, or other relations of an economic or professional nature such as to compromise independence: (a) with the Issuer, with one of its holdings or parent companies, or with the companies subject to common management; (b) with the Issuer Directors; (c) with subjects that are married or related up to the fourth level with the Company's Directors as under the previous point (a);
- (vi) does not receive or did not receive in the previous three fiscal years from the Issuer or from a holding or subsidiary a significant additional fee in addition to the “fixed” fee as non-executive Company Director and to the remuneration for participation in the committees recommended by this Code, including participation in incentives linked to company *performance* even based on shares;
- (vii) has not been a Director of the Issuer for more than nine years during the last twelve years;
- (viii) does not hold the office of Executive Director in another company in which an Executive Director of the Issuer holds an office of Director;
- (ix) is not a member or director of a company or of one belonging to the network of companies tasked with the auditing of the Issuer's accounting;
- (x) is not a close family member of a person who finds himself in any of the situations as specified under the previous points and, in any case, is a husband, wife, relative or similar within the fourth grade of the Issuer Directors of the subsidiaries, of the companies controlling it and those subject to common management.
- (xi) They are not in the conditions set by Article 2382 of the Italian Civil Code

By virtue of the resolution adopted by the Board of Directors held on January the 15th, 2021, Ascopiave has adhered to the new *Corporate Governance* Code of Borsa Italiana S.p.A.. Recommendation 6 of Article 2 of the Corporate Governance Code requires the Board of Directors to assess the independence of each non-executive director immediately after appointment as well as during the term of office when circumstances relevant to independence arise and in any case at least once a year.

Furthermore, Article 2.2.3, paragraph 3, Letter m) of the Italian Stock Exchange Regulations, in the version updated on January the 4th, 2021, for the purpose of maintaining the qualification in the STAR segment, requires the issuer to apply the guidelines and recommendations envisaged in Article 2 (excluding recommendations 5, third and fourth paragraphs, and recommendation 8) of the new *Corporate Governance* Code, as regards the structure of the Board of Directors, as well as the role and functions of the non-executive and independent directors.

Consistently, on January the 28th, 2021, the Board of Directors carried out the annual assessment of the compliance with the independence requirements as envisaged by Article 2.2.3, paragraph 3, letter m) of the Italian Stock Exchange Regulations, pursuant to Article 2 of the new *Corporate*

Governance Code and also with reference to Article 147-ter, paragraph 4, which refers to Article 148, paragraph 3, of Legislative Decree No.58 of February the 24th, 1998 - Consolidated Financial Act.

For the purposes of this assessment, the Board of Directors, at its meeting of January the 28th, 2021, defined the following quantitative and qualitative criteria to assess the significance referred to in Letters c) and d) of Recommendation 7 of the new *Corporate Governance Code*:

- for the purposes of Recommendation 7, letter c) of the *Corporate Governance Code*, the following is to be considered "significant":
 - (a) a relationship of commercial or financial nature (with Ascopiave and/or with companies controlled by it and/or with Asco Holding and/or with their respective directors or *top managers*) whose overall annual consideration in favour of the director (or of companies controlled by the director or of which the director is an executive director): (i) amounts to 5% or more of the total annual turnover of the director (in the case of a director who is a sole proprietor) or of the company or body over which the director has control or of which he is an executive director; and/or (ii) amounts to 20% or more of the total annual costs incurred by Ascopiave for services attributable to the same type of contractual relationship as the commercial or financial relationship in question;
 - (b) a relationship of a professional nature whose overall annual fee is envisaged in favour of the director (or the professional firm or consultancy company of which the director is a *partner*): (i) a) in case of a consultant acting as an individual professional, it amounts to 20% or more of the relative total annual turnover; or b) in case of a consultant who is a *partner* of a law firm or a consultancy company, it amounts to an extent equal to or greater than 5% of the total annual turnover of the law firm or consultancy company and/or (ii) it amounts to an extent equal to or greater than 20% of the overall annual costs incurred by Ascopiave for services attributable to assignments of a similar nature to the professional relationship in question.

It is understood that, even in the event of failure to exceed the quantitative parameters referred to in points (a) and (b), a relationship of a commercial, financial or professional nature is to be considered "significant" for the purposes of Recommendation 7, Letter c) of the *Corporate Governance Code* if it is deemed by the Board of Directors to be capable of influencing the autonomy of judgement and independence of a director of the Company in the performance of his duties. Therefore, purely by way of example, in case of a director who is a *partner* of a professional firm or a consultancy company, the Board of Directors, regardless of the quantitative parameters indicated above, may consider as "significant" a relationship that (i) may have an effect on the position and/or role held by the director within the consultancy firm/company and/or (ii) pertains to important operations of Ascopiave and the Ascopiave Group and may, therefore, be of relevance for the director in reputational terms.

- For the purposes of Recommendation 7, Letter d) of the *Corporate Governance Code*, an additional remuneration received by a director for positions in Ascopiave, Asco Holding or in companies controlled by Ascopiave, is to be considered "significant", if, overall and on an annual basis, it exceeds 90% of the fixed annual remuneration received by this director for his position of director of Ascopiave (including any remuneration envisaged for participation in internal board committees).

It is understood that for the purposes of the *Corporate Governance Code* (a) "fixed remuneration for office" means: (i) the remuneration determined by the Shareholders' Meeting for all directors or established by the management body for all non-executive directors within the overall amount approved by the Shareholders' Meeting for the entire administrative body; and

(ii) any remuneration awarded on account of the particular office held by the individual non-executive director within the Board of Directors (Chairman, Deputy Chairman, *Lead Independent Director*), defined according to the best practices set forth in Recommendation 25 of the *Corporate Governance Code*; (b) "remuneration for participation in internal board committees" means the remuneration that the individual director receives due to his participation in the internal board committees envisaged by the *Corporate Governance Code* or by committees/bodies envisaged by the current legislation, with the exclusion of remuneration deriving from participation in any executive committees. It is also understood that, for the purposes of determining the "additional remuneration" received by a director of Ascopiave, the "fixed remuneration for the office" and the "remuneration for participation in internal board committees" (as defined above pursuant to the *Corporate Governance Code*) received by this director from subsidiaries and/or at Asco Holding are deemed relevant.

It should be noted that the fact of being a "close family member" of a person who is in one of the aforementioned situations is also a circumstance likely to compromise the independence of a director, where "close family members" include, but are not limited to, parents, children, spouses who are not legally separated, and cohabitants.

Moreover, in order to specify the circumstances of Recommendation 7, Letter b) of the *Corporate Governance Code*, where reference is made to the subsidiary having strategic importance, the Board of Directors, on January the 28th, 2021, established that all the subsidiaries of Ascopiave SpA have strategic importance.

Following the annual verification of compliance of the directors with the independence requirements pursuant to Article 2.2.3, paragraph 3, Letter m) of the Italian Stock Exchange Regulations, carried out at the meeting of the Board of Directors held on January the 28th, 2021 on the basis of the information provided by the non-executive directors, also having regard to any circumstance that affects or may appear to affect the independence of the director, and taking into account the predefined quantitative and qualitative criteria, the Board of Directors concluded that the non-executive directors Mrs. Greta Pietrobon, Mrs. Luisa Vecchiato, Mr. Cristian Novello and Mrs. Mariachiara Geronazzo meet the independence requirements pursuant to Article 2 of the *Corporate Governance Code* and pursuant to paragraph 3 of Article 148 of the Consolidated Financial Act; whereas the non-executive directors Mr. Enrico Quarello and Mr. Roberto Bet do not meet the independence requirements pursuant to Article 2 of the *Corporate Governance Code* and pursuant to paragraph 3 of Article 148 of the Consolidated Financial Act; and it qualified the Chairman and Chief Executive Officer Dr. Nicola Ceconato as non-independent.

With reference to the director Mr. Enrico Quarello, having examined his position pursuant to Recommendation 7 of the new *Corporate Governance Code* and related Q&A, the conclusion was reached that the independence requirement in relation to the following cases was no longer valid:

- during the month of February 2021, nine years will have passed since his first appointment as director of Ascopiave S.p.A. and, therefore, the relative circumstance envisaged by Letter e) of Recommendation 7 of the new Code will be clarified;
- Furthermore, on the basis of examination of the Q&A functional to the publication of the new *Corporate Governance Code*, it is found that, having regard to his position as a member of the Executive Committee of AP Reti Gas S.p.A. and AP Reti Gas Nord Est S.r.l., subsidiaries of strategic importance of the Ascopiave Group, he can be qualified as an "executive director" of these subsidiaries. Therefore, in light of this qualification of executive director - as recently clarified by the Q&A - he would fall within the relative cases b) and f) of Recommendation 7 of the Code that compromise the independence requirement.

The compliance with independence requirements for the director Mrs. Luisa Vecchiato (previously qualified as non-independent) was acknowledged at the same meeting of the Board of Directors

For the sake of completeness of the information on the events of the 2020 financial year, please note that, following the resignation presented on February the 3rd, 2020 by Mr Giorgio Martorelli, who had been appointed from the minority list (List No. 2 presented jointly by AMBER CAPITAL ITALIA SGR S.P.A., AMBER CAPITAL UK LLP and ASM Rovigo S.p.A.), the Board of Directors of Ascopiave S.p.A, which met on February the 7th, 2020, having acknowledged that Mr Claudio Paron, the second person taken from the minority List No. 2, was not available to take up the office of director, and having ascertained that there were no further candidates on the list in which Mr. Giorgio Martorelli and Mr. Claudio Paron were present, and that there were no other minority lists, it resolved not to co-opt the resigning director, since, in view of the time it would have taken to identify a new director and the imminence of the Shareholders' Meeting (to be held on April the 23rd, 2020 in first call and on May the 29th, 2020 in second call) which had been called, among other things, to renew the corporate bodies, and considering that the number of independent directors was 3 and therefore adequate, it did not consider it urgent to identify a candidate to integrate the Board of Directors.

In line with Application Criterion 3.C.5 of the Corporate Governance Code, after the appointment of the Board of Directors, the Board of Statutory Auditors verified, during its meeting of June the 8th 2020, the correct application of the criteria and procedures of assessment adopted by the new Board to evaluate the independence of its members and the results of this control was disclosed by means of a press release circulated to the market.

Furthermore, during 2020, in particular at the meeting held on June the 8th, 2020, the Board of Statutory Auditors also verified the compliance with the independence requirements of its members.

The same checks were carried out on January the 28th, 2021 and the outcome of these checks is disclosed through the publication of this report.

On March the 11th, 2019 the Board of Directors of Ascopiave SpA deemed it appropriate to set up an Independent Directors Committee to which only the independent directors of Ascopiave SpA belong. In line with Application Criterion 3.C.6, the independent directors met at least once a year. In particular, the Independent Directors Committee met 1 (one) time during the 2020 financial year in the absence of the other directors on the following date: February the 7th, 2020.

For further information on the establishment, composition and operation of the Independent Directors Committee, please refer to paragraph 17 “Further Corporate Governance Practices”.

4.7. LEAD INDEPENDENT DIRECTOR

Recommendation 13 of the *Corporate Governance* Code envisages the appointment of the *Lead Independent Director* if the Chairman is the CEO or the principal responsible for the management of the company or if the Chairman is vested with significant management powers.

At its meeting held on January the 28th, 2021, the Board of Directors identified Dr. Nicola Ceconato as the principal manager in charge of the corporate management, i.e.

CEO, also pursuant to the new *Corporate Governance* Code, who is also in charge of the establishment and maintenance of the internal control and risk management system pursuant to Recommendation 32 of the *Corporate Governance* Code. He then appointed the director Mrs. Greta Pietrobon as *Lead Independent Director* of Ascopiave SpA pursuant to Recommendation 13 of the *Corporate Governance* Code. The *Lead Independent Director* held a first meeting with the independent directors on February the 25th, 2021.

5. PROCESSING OF CORPORATE INFORMATION

5.1. PROCEDURE FOR THE MANAGEMENT AND PROCESSING OF PRIVILEGED INFORMATION, FOR THE DISCLOSURE OF INFORMATION TO THE PUBLIC AND FOR THE MANAGEMENT OF THE REGISTER OF PERSONS WHO HAVE ACCESS TO PRIVILEGED INFORMATION

The Issuer's Board of Directors updated the previous code of conduct for market announcements deciding, during its meeting on October the 19th, 2016, to adopt the new "Procedure for the Management and Treatment of Confidential Information, for the Dissemination of Information to the Public and for the Management of Subjects with Access to Privileged Information" pursuant to the entry into force of the new EU Regulation 596/2014 (" *Market Abuse Regulation*" or " *MAR* "), applicable as of July the 3rd, 2016, and in compliance with the provisions of the Consolidated Financial Act and the Issuers' Regulation, to the extent compatible with "MAR", the Regulations for the execution of European source and the Application Criterion 1.C.1 Letter j) of the *Corporate Governance* Code

On January the 28th, 2021, the Board of Directors of Ascopiave SpA approved the updated version of the "Procedure for the Management and Processing of Privileged Information, for the Dissemination of Communications to the Public and for the Management of the Register of Subjects with Access to Privileged Information".

The "Procedure for the Management and Processing of Privileged Information, for the Dissemination of Communications to the Public and for the Management of the Register of Subjects with Access to Privileged Information" contains provisions relating to:

- management and processing of confidential information;
- procedures to be respected for the disclosure of privileged information directly dealing with Ascopiave S.p.A. and/or its subsidiaries, with reference, in this latter case, to relevant information for the purpose of Ascopiave's *price sensitivity*;
- management of the Register of persons who can access to Specific Relevant Information and Price Sensitive Information.

The person in charge of keeping the records is responsible for keeping and updating the Register of persons who have access to the Specific Relevant Information and Price Sensitive Information, the management of which is carried out according to the criteria and methods specified in the aforementioned Procedure.

Furthermore, pursuant to Article 2.6.1 of the Stock Exchange Regulations, the Board held on June the 23rd, 2015 appointed the Head of the Compliance Function and the Strategy, Planning and Control Director - *Investor Relator*, as his substitute, as the Information Officer of Ascopiave SpA, assigning the task of complying with the statutory and regulatory requirements to the

aforementioned Information Officer, with particular reference to those regarding mandatory corporate disclosure and dissemination to the market of information relating to transactions subject to the "*Internal Dealing Code*" (see paragraph 8 of the "Procedure for the Management and Processing of Privileged Information, for the Dissemination of Communications to the Public and for the Management of the Register of Subjects with Access to Privileged Information") (see paragraph 5.2).

It should be noted that the "Procedure for the Management and Processing of Privileged Information, for the Dissemination of Communications to the Public and for the Management of the Register of Subjects with Access to Privileged Information" can be consulted on the Issuer's website www.gruppoascopiave.it in the section *Corporate Governance/System and Rules/Privileged Information Management Procedure* section.

5.2. INTERNAL DEALING

The Issuer's Board of Directors decided at its meeting of October the 19th, 2016 to update the "*Internal Dealing Code*", under the new EU Regulation. 596/2014 ("*Market Abuse Regulation*" or "MAR") and, in particular, the related Article 19 of the Delegate Commission Regulation (EU) 2016/522, of the Execution Regulation (EU) 2016/523 and of the regulations and national rules on this matter.

The "*Internal Dealing Code*" was also updated on February the 21st, 2018 and, subsequently, on January the 28th, 2021, in line with regulatory amendments.

The "*Internal Dealing Code*" governs the methods and times for communicating information to Ascopiave SpA, Consob and the market, relating to transactions carried out directly or indirectly by the so-called relevant subjects, by the relevant shareholders and by the subjects closely related to the ordinary shares of Ascopiave SpA or to debt securities, derivative instruments or other financial instruments connected to them.

This code is available on the Issuer's website www.gruppoascopiave.it in the section *Corporate Governance/System and Rules/Internal Dealing Code*.

6. INTERNAL BOARD COMMITTEES

Within the Issuer's Board of Directors, the Compensation Committee, the Risks and Control Committee and the Independent Directors Committee have been established.

For further information on the establishment, composition and operation of the Independent Directors Committee, please refer to paragraph 17 "Further Corporate Governance Practices".

7. APPOINTMENT COMMITTEE

As stated in the previous paragraph "4.1. Appointment and Replacement" of this Report, the Board of Directors has not established to set up a committee for the appointment proposals as member of the Board of Directors, not deeming it necessary, and keeping this functions to the entire Board of Directors, in line with the provisions of the Application Criterion 4.C.2 of the Corporate Governance Code. This choice was dictated by the fact that the applicable regulatory provisions and the provisions of the articles of association - such as, in particular, the appointment mechanism through the "list vote" – give adequate transparency to the selection and indication of

candidates, also in consideration of the size, the *governance* structure and the shareholding structure of the Issuer.

The decision to reserve the Appointments Committee's functions to the entire Board of Directors was taken, subject to prior verification of compliance with the conditions set out in criterion 4.C.2. of the Corporate Governance Code, reserving adequate time during the Board meetings for the task of identifying the most suitable persons to hold positions within the various *corporate governance* bodies of the Company..

8. COMPENSATION COMMITTEE

In accordance with Principle 6.P.3 of the Code, the Company's Board of Directors has set up an internal Compensation Committee.

Composition and Operation of the Compensation Committee

The Compensation Committee of the Issuer is composed of three Directors.

With reference to the current Board of Directors, the members of the Compensation Committee were appointed during the Board meeting of June the 8th, 2020, pursuant to the provisions of Principle 6.P.3 of the Corporate Governance Code

As of the date of this report, the Compensation Committee is composed of the independent director Mrs. Greta Pietrobon, acting as its Chairman, the non-executive director Mr. Enrico Quarello and the independent director Mrs. Luisa Vecchiato (see Table 2).

The director Mrs. Greta Pietrobon has acquired adequate experience as a member of the Board of Directors, pursuant to Principle 6.P.3 of the Corporate Governance Code.

During the 2020 financial year, 3 (three) meetings of the Compensation Committee were held, on March the 6th, 2020, June the 8th, 2020 and September the 4th, 2020. The duration of the meetings amounted to approximately 1 hour. The Committee also met, after the end of the Financial Year, on January the 26th, 2021, on February the 9th, 2021, on February the 26th, 2021 and on March the 2nd, 2021. As at the current date, further meetings of the Committee have been scheduled for the 2021 Financial Year. The Committee meeting was also attended by the Board of Statutory Auditors and, for the in-depth discussions of certain items on the agenda, by a number of the Company employees.

Functions of the Compensation Committee

For the details of the functions of the Compensation Committee, see Section I, chapter 2.4 of the Report on Compensation, prepared in compliance with Article 123-ter of the Consolidated Financial Act. It should be noted that the Rules of the Compensation Committee, which was adopted in its original form on September, the 12th, 2006, was amended on December the 19th, 2011.

At the date of March the 6th, 2020 the Committee met to discuss the following issues, among others:

- Compensation Report pursuant to Article 123-ter of the Consolidated Financial Act: assessments on the 2020 Compensation Policy, verification of the consistency of remuneration paid in 2019 and the 2019 Compensation policy;
- Examination of the MBO Plan 2019 results.

Subsequent to the end of the Financial Year, on January the 26th, 2021 and on February the 9th, 2021, the Committee met to discuss, among other topics, the examination of the recommendations of the new *Corporate Governance Code* and the adjustment of the targets of the long-term incentive plans for the three-year period 2018-2020 and full cash payment to the terminated beneficiaries of the sales companies.

The minutes of the Committee meetings were regularly written, in line with the Application Guideline (4.C.1., Letter d).

The Committee, while performing its tasks, has accessed the necessary information and the corporate functions pertinent to its assignment, in line with the Application Guideline 4.C.1, Letter e).

No financial resources have been granted to the Internal Control Committee, since it avails of the corporate assets and structure of the Issuer, in order to perform its tasks.

9. COMPENSATION OF THE DIRECTORS

The information in this Section refers to the relevant parts of the Remuneration Report about the Compensation policy published pursuant to Article 123-*ter* of the Consolidated Financial Act.

In particular, please refer to the Remuneration and Compensation Report for the following information:

- General remuneration policy;
- Share-based remuneration plans;
- Remuneration of executive directors;
- Remuneration of managers with strategic responsibilities;
- Incentive mechanisms for the manager in charge of preparing the corporate accounting documents;
- Remuneration of non-executive directors;
- Indemnity of directors in the event of resignation, dismissal or termination of the relationship as a consequence of a take-over bid (ex. Article 123-*bis*, subparagraph.1, letter i, Consolidated Financial Act).

10. RISKS AND CONTROL COMMITTEE

In line with the provisions of Principle 7.P.3., Letter a), n. (ii) and 7.P.4. the Board has established an internal Control and Risk Committee.

The Board of Directors of the Issuer, on September the 11th, 2006, simultaneously approved the Control and Risks Committee Regulations, in compliance with the new Corporate Governance Code, with the following subsequent amendments dated February the 23rd, 2011 and January the 24th, 2013.

Composition and Functioning of the Control and Risks Committee

The Issuer's Control and Risk Committee is composed of three members.

Following the appointment of the new Board of Directors, which took place at the Shareholders' Meeting held on May the 29th, 2020, the new Control and Risk Committee was appointed during the Board meeting of June the 8th, 2020, which is made up of the Independent Director Mr. Cristian Novello, acting as Chairman, and by the Independent Director Mrs. Mariachiara Geronazzo and the Non-Executive Director Mr. Roberto Bet.

In accordance with Principle 7.P.4 of the Corporate Governance Code, the Control and Risk Committee is composed of independent directors. The Director Mr. Cristian Novello has expertise in risk management, acquired by virtue of positions held in other companies; the director Mrs. Mariachiara Geronazzo has skills in accounting and tax matters acquired through her experience as a freelance professional; finally, the director Mr. Roberto Bet has expertise in juridical and legal matters acquired through the positions held and in the exercise of his profession.

During the financial year 2020, 6 (six) meetings of the Control and Risk Committee were held on March the 6th, 2020, May the 11th, 2020, May the 28th, 2020, August the 3rd, 2020, September the 7th, 2020 and November the 6th, 2020. The average duration of the meetings was approximately 1 hour. For details about the participation of members in these meetings, refer to Table 2 attached.

For the year 2021, meetings of the Committee are scheduled for the 4 (four) meetings of the Board of Directors set for the approval of the annual, semi-annual and quarterly results of the Company. After the end of the financial year and up to the date of this Report, 4 (four) Committee meetings were held on January the 14th, 2021, January the 26th, 2021, February the 9th, 2021 and March the 4th, 2021.

The meetings of the Committee were attended by the Board of Statutory Auditors and, where requested, by certain Directors or Department Managers of the Company, in line with Application Criterion 7.C.3 of the Code.

Functions Assigned to the Risks and Control Committee

In line with the Application Guideline 7.C.1, the Control and Risks Committee, in its role of supporting the Board of Directors, expresses its opinion about:

- (i) the definition of guidelines for the Internal Control and Risk Management system, so that the main risks concerning the Company and its subsidiaries are correctly identified, and properly assessed, handled and monitored, thus determining compatibility criteria of those risks with a healthy and consistent business management;
- (ii) the assessment, with at least yearly frequency, of the adequacy of the internal control and risks management system in comparison with the corporate characteristics and with the profile of the risks taken, as well as with its effectiveness;
- (iii) the work plan scheduled at least annually by the *Internal Auditing Officer*;
- (iv) the description, in the corporate governance report, of the main characteristics of the internal control and risk management system and the methods of coordination between the parties involved in it;
- (v) the results presented by the statutory auditor in the eventual letter of recommendations and in the report on key matters arisen during the statutory audit.

The Control and Risk Committee, furthermore, in supporting the Board of Directors:

- (i) assesses, together with the manager in charge of preparing the corporate accounting documents, once heard the statutory auditor and the Board of Auditors, the correct application of accounting principles and their uniformity for the purposes of preparing the consolidated financial statements;
- (ii) expresses opinions on specific issues regarding the identification of key business risks;
- (iii) reviews the periodic reports related to the assessment of the system of internal control and risk management, and those prepared by the *Internal Auditing* Department;
- (iv) monitors the independence, adequacy, effectiveness and efficiency of the *Internal Auditing* department;
- (v) may ask the *Internal Auditing* Department to perform audits on specific operational areas, by simultaneously communicating it to the Chairman of the Board;
- (vi) reports to the Board of Directors at least once every six months, in occasion of the approval of the annual financial report and statements, on its activity and the adequacy of the system of internal control and risk management;
- (vii) delivers a preventive motivated opinion on the Company interest to the completion of transactions with related parties, as well as on the convenience and accuracy of the related conditions, pursuant to the Procedure for transactions with related parties approved by the Board of Directors of the company on November the 24th, 2010;
- (viii) delivers a preventive motivated opinion on the proposals made by the Director in charge of the internal control system and risk management to the Board of Directors regarding the functions of appointment and dismissal of the *Internal Auditing* Officer, the allocation to the same of adequate resources for the fulfilment of his responsibilities, as well as the determination of his Compensation in line with the company policy;
- (ix) performs the other duties which, from time to time, will be assigned to him by the Board of Directors.

During the fiscal year, the Control and Risk Committee has delivered its opinion in favour of the Board of Directors on the adequacy of the internal control and risk management system. The Committee has examined the Audit Plan 2020/2021 and the periodic reports prepared by the *Internal Auditing* Department about the progress of the work in the field of *internal auditing*, the reports drawn up by the Manager in charge, with particular regard to the activities of *risk analysis* and to the implementation of the necessary measures to provide reasonable assurance regarding the true and fair representation of the economic, patrimonial and financial information according to the provisions of Law No.262/2005

During its meetings, the Committee also discussed the most suitable initiatives with regards to the auditing activities for 2020, in view of progressive improvement of the Internal Control and Risk Management system.

The minutes of the Committee meetings were regularly written, in line with Application Guideline 4.C.1., Letter d).

In carrying out its functions, the Committee has been entitled to access the information and company departments necessary for the performance of its duties as well as to make use of external consultants, under the terms established by the Board, in line with Application Criterion 4. C.1., Letter e).

No financial resources have been granted to the Committee, since it avails of the corporate assets and structure of the Issuer, in order to perform its tasks.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

With reference to the 2020 financial year, below provided is the description of the internal control system implemented pursuant to the Corporate Governance Code in force until December the 31st, 2020

Ascopiave has adopted a system of internal control and risk management in accordance with the Corporate Governance Code for listed companies and in line with the *best practices* of reference.

The Board of Directors, under the definition of the strategic, industrial and financial plans, defined the nature and level of risk consistent with the strategic goals, including in its assessments all the risks that may be relevant in view of sustainability of the issuer's activity in the medium to long term, in line with the Application Guideline 1.C.1., Letter b).

On January the 15th, 2021 the Board of Directors of Ascopiave S.p.A. approved the 2020-2024 strategic plan of the Ascopiave Group, which traces the development lines of the Group in the coming years, clearly indicating the targets to be pursued and the strategic levers that will enable them to be achieved. Ascopiave SpA has defined the new multi-year strategic plan by including in the process of preparing the plan an assessment of the level of risk compatible with the strategic goals of the Issuer, in line with the Application Criterion 1.C.1., Letter b), in particular by including in its assessments the risks that may be relevant from the perspective of sustainability in the medium to long term. Ascopiave will first of all be committed to seizing the opportunities and responding to the challenges that in the near future will derive, on the one hand, from the transformation of the energy sector towards greater environmental sustainability and, on the other, from the opening of the gas distribution market, with the start of tenders for the assignment of the service. Secondly, the Group will activate a path of growth and diversification in other synergic, sustainable *businesses* with a risk profile consistent with that of the activities currently undertaken, including the biomethane, renewable energy, energy efficiency and water services. The action plan leverages the Group's current solid positioning, its industrial and financial capabilities and the enhancement and development of its current skills, with a view to creating value for shareholders and other key *stakeholders*. The envisaged growth path will take place within a framework of overall economic-financial, social and environmental sustainability, confirming a stable and attractive remuneration for shareholders. The strategy that will guide the Group to 2024 is based on four pillars: growth in the *core business* of gas distribution, diversification into synergistic sectors, economic and operational efficiency and innovation.

The Board of Directors has defined the guidelines of the internal control and risk management system, so that the main risks affecting the Issuer and its subsidiaries are correctly identified, as well as adequately measured, managed and monitored, determining the compatibility of these risks with a management of the company that is consistent with the identified strategic goals, in line with the Application Criterion 7.C.1., Letter a).

During 2020, the following risk management activities continued under the coordination of the *Chief Financial Officer*:

- Application of the *Policy "Management and Control of Financial Risks"*;

- application of the Procedure "EMIR Regulation Compliance" adopted by the Board of Directors of Ascopiave S.p.A., as well as by the other subsidiaries, which regulates the methods to be adopted in order to meet the requirements of the European EMIR Regulation regarding the use of derivative instruments (i.e. timely confirmation of transactions, periodic reconciliation of the portfolio with the counter party, reporting of all derivatives stipulated to specific *trade repositories* approved by ESMA), also respecting an adequate accounting *framework* in line with *Hedge Accounting*.

It should be noted that, following the completion of the *partnership* with the Hera Group, Ascopiave SpA no longer exercises management and coordination over the associated commercial companies and, therefore, the aforementioned Group *Policies* are no longer applicable to them; moreover, the *Policy* of "Management and Control of Energy Risks" is no longer applied to the Ascopiave Group as it is specific for the procurement activities.

We also inform you that currently the "EMIR Regulation Compliance" procedure applies only to Ascopiave SpA following the signing in 2019 and in the second half of 2020 of bank loan agreements, regulated at a variable rate, for which it was deemed appropriate to hedge the risk changes in interest rates through the use of financial derivatives, the situation of which is constantly monitored by the *Chief Financial Officer*

The internal control and risk management system is embodied in the set of rules, procedures and organizational structures aimed at identifying, measuring, managing and monitoring the main risks. In line with Principle 7.P.1. of the Code, this system is integrated into the more general organizational and corporate governance structures adopted by the Issuer, taking into account the reference models and the *best practices* existing on national and international level.

The system is aimed at ensuring the safeguarding of corporate assets, the efficiency and effectiveness of corporate processes, the reliability of information provided to corporate bodies and the market, compliance with laws and regulations as well as with the Articles of Association and internal procedures.

We inform you that during 2020 the project to update the Group's *Policies* continued, also in relation to risk management, necessary following the changes in the organizational structure of Ascopiave SpA, which, following the operational start-up of the *partnership* with the Hera Group, effective from December the 19th, 2019, consolidated the Group's *business* in gas distribution.

In particular, during the financial year and up to the date of approval of this Report, the Board of Directors of Ascopiave SpA approved/updated the following documents:

- on September the 11th, 2020 the "Guidelines on the Exercise of the Power of Direction and Coordination by Ascopiave SpA" were updated;
- on November the 9th, 2020, the "Procedure for the Management of Energy Efficiency Certificates of the Ascopiave Group - TEE" was approved;
- on January the 15th, 2021, the "*Policy* - Management and Control of Financial Risks" was updated;
- on January the 15th, 2021, the "EMIR Regulation Compliance Procedure" was updated
- on January the 28th 2021, the "Code of Conduct on *Internal Dealing* " was updated;
- on January the 28th, 2021, the "Procedure for the Management and Processing of Confidential Information, for the Dissemination of Information to the Public and for the Management of the Register of Subjects with Access to Privileged Information" was updated;
- on February the 12th, 2021, the "*Budget Procedure*" was updated.

Roles and Functions

The internal control and financial risk management system of Ascopiave involves different stakeholders who perform specific roles and responsibilities:

- Board of Directors;
- Director in charge of internal control and risk management;
- Control and Risk Committee;
- Supervisory Board pursuant to the Legislative Decree. No.231/2001;
- Manager responsible for preparing corporate accounting documents;
- Internal Auditing Officer;
- Statutory Auditors;
- Statutory auditing company.

The Board of Directors is in charge of defining the nature and the level of risk consistent with the strategic objectives of the Company, considering all risks that may be significant in view of the medium-long term sustainability of the Issuer's activity. The Board of Directors, subject to the opinion of the Control and Risk Committee, is committed to establish the guidelines of the internal control and risk management system, assessing its adequacy at least once per year. To this end, the Board relies on the work carried out by the Control and Risk Committee and by the Administrator in charge of the internal control and risk management. The Control and Risk Committee supports, with suitable preliminary investigation, the assessments and the decisions of the Board of Directors regarding the internal control and risk management system, as well as those relating to the approval of periodic financial reports.

The Internal Auditing Officer is in charge of verifying that the internal control and risk management system is active and adequate.

Furthermore, within the framework of the guidelines of the internal control and risk management system established by the Board of Directors and within the framework of the directives for implementing such guidelines, the heads of each *business unit* and corporate management of the Company are committed to define, manage and monitor the effective the effective operation of the internal control and risk management system with reference to their own sphere of competence.

All employees, according to their respective roles, contribute to ensure an effective functioning of the internal system and risk management system of Ascopiave.

In accordance with the requirements of Article 2.2.3, paragraph 3, Letter (I) of the Stock Exchange Regulations, on March the 27th, 2008 Ascopiave set an organizational, management and control framework, pursuant to Article 6 of the Legislative Decree dated June the 8th, 2001, No.231, also identifying a Body in charge of overseeing the adequacy and the effective implementation of the Model; for its details, please refer to paragraph 11.3 of this document.

Existing Risk Management and Internal Control System in relation to the Financial Reporting Process

The internal control and risk management system is aimed at providing the reasonable certainty that the diffused accounting information supplies to the users a true and correct representation of the management facts, allowing the release of the certifications and declarations requested by law

on the correspondence of the document results, of the books and accounting writings of the acts and communications of the company diffused to the market and related to the accounting information also within the year, and also the appropriateness and effective application of the administrative and accounting procedures during the period interested by the accounting documents (year balance, half year balance and intermediate management report) and on the drawing-up of the same according to the international accounting standards.

In this regard, it should be recalled that, as specified in the previous Reports on corporate governance and ownership structures, Ascopiave, as an Italian company with shares negotiated in an Italian regulated market, must appoint a Manager in charge of preparing the corporate accounting documents (Manager in Charge), to whom the law attributes specific powers, responsibilities and certification and declarations obligations.

As a consequence, on July the 19th, 2007 the Board appointed a Manager in charge, to whom it entrusted the task to prepare proper administrative and accounting procedures for the creation of the accounting informative diffused to the market, and also to supervise the effective respect of these procedures, attributing him proper powers and instruments for implementing related functions.

The Manager in charge started the “262 Project”, with the aim of ascertaining the consistency of the Internal Control System to supply a reasonable certainty about the true and proper representation of the economic, equity and financial information.

The Board has entrusted this task to the Issuer's *Chief Financial Officer*, to whom he has assigned adequate powers and means for performing the duties in accordance with the provisions of Article 154-*bis* of Legislative Decree No.58 of February the 24th, 1998.

The risk management and internal control system is based on the following characterising elements:

- set of company procedures relevant for preparation and circulation of financial information, comprising, among others, operating instructions for financial statements and *reporting*;
- identification process of the main risks connected to the financial information and of the main controls for the acknowledged risks (*financial risk assessment*) that brought to the recognition, for each relevant accounting area, of the financial processes/flows considered critical and the activities of control supervising these financial processes/flows and also the elaboration of appropriate control matrices that describe for each process considered critical and/or sensitive for “262 Project”, the control standard activities (key controls) and the concerning *process owners*. The company processes and related matrices are periodically assessed and, where appropriate, updated;
- *process owners* to whom the update of the matrices of the controls is entrusted; the *Chief Financial Officer* is responsible for the verification and the periodical update of the administrative-accounting procedures of the Group;
- periodical assessment of the appropriateness and of the effective application of the identified key controls. The assessment is carried out every six months at the time of preparation of the financial statements and the half-yearly report and is performed by the Head of *Internal Audit*, in coordination with the Manager in charge. In particular, the tests on the half-year verifications are carried out on the basis of the priorities identified during the *risk assessment* stage with the support of the Compliance Department (headed by the Legal and Corporate Affairs Department) in coordination with the *Internal Auditing Officer*; in addition, the Compliance Department also carries out monthly verification activities with the support of *continuous auditing IT* tools, in coordination with the *Internal Auditing Officer*;
- external attestation process based on the reports and declarations made by the Executive in Charge pursuant to Article 154-bis of Legislative Decree No.58/1998 within the framework of

the general process of preparation of the annual financial statement or the half-year financial report or the intermediate management report, also on the basis of the performed controls and subject to the accounting control model, the content of which is shared with the Chairman and Chief Executive Officer, who submits the report or declaration to the Board of Directors, together with the accompanying accounting document, for the relating approval by the latter. For the purposes of internal *reporting*, the Executive in Charge periodically refers to the Control and Risk Committee, to the Board of Auditors and to the Supervisory Committee about the development procedures of the assessment process of the control system and also about the results of the evaluations performed to support the released certifications or declarations.

Upon advice of the Control and Risks Committee, the Board of Directors held on March the 13th, 2020 with reference to the 2019 financial year, and on March the 4th, 2021 with reference to the 2020 financial year, assessed the adequacy of the internal control and risk management with respect to the characteristics of the company and the risk profile assumed, as well as its effectiveness, in compliance with the provisions of Application Criterion 7.C.1, Letter b).

The assessment was conducted on the occasion of the presentation of financial results for the period, as well as during the regular meetings of the Board, through the constant flow of information guaranteed by the players of the internal control and risk management system.

11.1. EXECUTIVE DIRECTOR IN CHARGE OF INTERNAL CONTROL AND RISKS MANAGEMENT SYSTEM

The Board of Directors has appointed Dr. Nicola Ceconato (Chairman of the Board of Directors and Chief Executive Officer) as the director in charge of the internal control and risk management system, responsible for establishing and maintaining an effective internal control and risk management system, in line with Principle 7.P.3., Letter a), n. (i).

This choice has been made based on the importance that Dr. Ceconato holds within Ascopiave.

In accordance with the Application Guideline 7.C.4. of the Code, the executive director in charge of supervising the functioning of the internal control system:

- identifies the main company risks considering the characteristics of the Issuer's activities and those of its subsidiaries, submitting them to a periodical Board's examination;
- implements, within the scope of the powers appointed to him, the guidelines defined by the Board, designing, realising and managing the in-company control system, constantly checking the overall suitability and efficiency;
- adapts this system to the dynamics of the operative conditions and legislative and regulatory situation;
- can ask the *Internal Auditing* Department to perform verifications on specific areas of operation and on the compliance with the rules and the procedures in the execution of business operations;

- sets up, in case it is needed, a constant flow of information with the Control and Risks Committee and with the Board of Directors about the issues and concerns raised, so that the Committee (or the Board) can take appropriate action.

On January the 28th, 2021, the Board of Directors appointed Dr. Cecconato as CEO, also pursuant to the new *Corporate Governance Code*, who is also in charge of setting up and maintaining the internal control and risk management system, also pursuant to Recommendation 32 of the *Corporate Governance Code*.

11.2. INTERNAL AUDITING OFFICER

The *internal auditing* officer is, since June 2015, Dr. Sandro Piazza, advisor with proper professional qualifications and independence, who has gained extensive experience in the field of *Internal Auditing* and compliance activities.

The appointment of Dr. Sandro Piazza took place following the favourable opinion of the Director in charge of the Internal Control and Risks Committee, based on the technical knowledge and skills of the professional experience to perform the task.

Pursuant to the Guideline 7.C.3., Letter b) the *Internal Auditing* Officer is assigned with the task of verifying that the system of internal control and risk management is adequate and works properly.

Until July 2019, the *Internal Auditing* Department comprised, in addition to the Manager, two additional resources with specific expertise in internal control activities and economic-financial issues.

In July 2019 the Compliance Dept. was set up (headed by the Legal and Corporate Affairs Department of Ascopiave S.p.A.), and it included two resources that were previously part of the *Internal Auditing* Department.

Among its activities, the Compliance Department also supports any eventual operational audits by the *Internal Auditing* Officer, acting as contact point for gathering the necessary information.

The *Internal Auditing* Department is not responsible for any operational area and reports to the Chairman of the Board of Directors of Ascopiave.

On proposal of the Director in charge of the internal control and risk management system, upon approval of the Control and Risk Committee and after having heard the Board of Auditors, the Board of Directors is entitled to appoint and dismiss the *Internal Auditing* Officer, ensuring that he is provided with the adequate resources to perform his work. In addition, the Board of Directors is entitled to approve, on an annual basis, the work plan prepared by the *Internal Auditing* Officer, after consultation with the Control and Risk Committee, having heard the Board of Auditors and the Administrator in charge for the internal control and risk management system.

The *Internal Auditing* Officer, pursuant to the Application Guideline 7.C.5. of the Code:

- verifies, either continuously or in relation to specific needs and in compliance with international standards, the operation and the suitability of the internal control and risk management system; the activity is regulated by an *audit* plan, approved annually by the Board of Directors, based on a structured analysis and prioritization of key risks;

- has direct access to all information useful to perform his tasks;
- draws up periodic reports containing adequate information about his work, the way in which the risk management is carried out, as well as on the compliance with plans for their reduction, further to an assessment on the suitability of the internal control and risk management system and he transmits them to the Chairmen of the Board of Auditors and of the control and risk Committee, to the Chairman of the Board of Directors and to the Director in charge of the system of internal control and risk management;
- draws up timely reports on major events and transmits them to the Chairmen of the Board of Auditors, of the Control and Risk Committee and of the Board of Directors as well as to the Director in charge of the internal control system and risk management;
- verifies, as part of the *audit* plan, the reliability of information systems including systems of accounting.

For carrying out the activities, if deemed appropriate and if authorized by the Board of Directors or by its representatives, the *Internal Auditing* Officer may request the support of external professional experts in this field or of tools that support the activity.

During the financial year, the *Internal Auditing* Officer performed a verification of the internal control system and risk management of the Issuer on the basis of the control instruments implemented in the previous fiscal years.

The *Internal Auditing* Officer, during the financial year, has ensured the submission of systematic and periodical information about the outcomes of the performed activity, addressing it to the Chairmen of the Control and Risks Committee and of the Board of Auditors, as well as to the Director in charge of supervising the internal control and risk management system, in order to enable them to fulfil the tasks assigned in the field of supervision and assessment of the system of internal control and risk management.

The Internal Auditing Officer is also member and coordinator of the Whistleblowing Committee, a collegial body set up after the adoption of the "Whistleblowing Group Reporting Procedure", on May the 13th, 2019.

11.3. ORGANISATION MODEL ex Legislative Decree No.231/2001

On March the 27th, 2008, the Issuer adopted the organisation, management and control model for the prevention of crime with the aims specified by Legislative Decree No.231/2001 ("Model 231") and subsequent integrations.

The Board of Directors of Ascopiave SpA, at the meeting of August the 5th, 2019, upon proposal of the Supervisory Body, approved the updating of the general part of the Model.

During 2020, a project was launched for all the companies of the Group aimed at preparing a new special section to cover the "Tax crimes".

Along with the adoption of the model, the Company appointed a Supervisory Committee to supervise on the operation and compliance with the model itself, taking into consideration the

requisites required by the relevant legislation and the indications deriving from the guidelines of the relevant category associations as well as from the *best practices* in the sector.

On August the 3rd, 2020, the Board of Directors of Ascopiave S.p.A. appointed the new Supervisory Body of Ascopiave S.p.A., composed of Lawyer Fabio Pavone (Chairman of the Board), Dr. Luca Biancolin - who also holds the position of member of the Board of Statutory Auditors of Ascopiave S.p.A. and Dr. Roberta Marcolin..

During the financial year 2020, in carrying out the duties assigned by law and by the Board of Directors of Ascopiave to the Supervisory Body, 12 (twelve) meetings were held, and they were all reported on minutes by the Chairman .

During the meeting of May the 13th, 2019, the Board of Directors of Ascopiave SpA approved the "Ascopiave Group Reporting Management Procedure" (so-called Whistleblowing), as an integral part of Model 231 in compliance with Law No.179/2017, which amended Article 6 of the Legislative Decree No. 231/2001.

The "Ascopiave Group Reporting Management Procedure" was adopted by all the Ascopiave Group subsidiaries, and it provides for three main contact channels (letter, dedicated e-mail and web platform) and assigns the reports management to a "Reporting Committee".

The Reporting Committee, a collegial body set after the adoption of the "Ascopiave Group Reporting Management Procedure", on May the 13th, 2019, is made up of the *Internal Auditing Officer*, the Legal and Corporate Affairs Director and the Supervisory Body of Ascopiave SpA

During the financial year 2020, the Reporting Committee of Ascopiave S.p.A. met on February the 24th, 2020, July the 20th, 2020, September the 8th, 2020, September the 21st, 2020 and November the 3rd, 2020. In 2021, up to the date of this Report, the Committee also met on February the 15th, 2021.

The "Ascopiave Group Reporting Management Procedure" is published on the Issuer's website www.gruppoascopiave.it in the section of *Corporate Governance/System and Rules/Model 231*.

The summary document of Model 231 consists of a general part which illustrates the reference regulatory system, the model definition procedure and the elements which constitute the model; other special parts are also documented depending on the types of crime that the model aims at preventing, including:

- crimes against the public administration
- corporate crimes
- *market abuse*
- health and safety at work
- environmental crimes
- Informatics crimes
- receiving of stolen goods and money recycling and laundering
- corruption between private parties

The Supervisory Body has set up, during the previous years, a structured collection of information flows by the business parties so called Apical, designed to obtain information about significant events that occurred during the operations that may be attributable to the risk areas identified in Model 231.

For the dissemination of the model, the general part of the same is available on the Issuer's website www.gruppoascopiave.it in the section *Corporate Governance/System and Rules/Model 231*. In addition, the Ascopiave Group Code of Ethics, approved by resolution of the Board of Directors of Ascopiave S.p.A. of May the 14th, 2013, is available on the Issuer's website www.gruppoascopiave.it in the section *Corporate Governance/System and Rules/Code of Ethics*.

11.4. AUDITING COMPANY

Auditing is entrusted to the company PriceWaterhouseCoopers S.p.A.

The appointment was made by the Shareholders' Meeting on April the 23rd, 2015. The appointment will expire upon approval of the financial statement as of December the 31st, 2023.

11.5. MANAGER RESPONSIBLE FOR DRAWING UP THE COMPANY ACCOUNTING DOCUMENTS

The Board of Directors of Ascopiave SpA, which met on October the 15th, 2018, subject to the opinion of the Board of Statutory Auditors and to verification of the requirements of integrity and professionalism envisaged by the Articles of Association, appointed Dr. Riccardo Paggiaro on October the 31st, 2018 as *Chief Financial Officer*, in charge for drawing up the accounting and corporate documents pursuant to Article 154-*bis* of the Legislative Decree No.58/98 and as strategic manager of the Ascopiave Group. Dr. Paggiaro, graduate in Economics from Ca 'Foscari University of Venice in 2001, Accountant and Auditor, has gained significant experience in administration, finance and control after a multi-year course in tax and corporate finance at primary consulting and auditing company. Since 2011 he has held the position of Head of Finance & Treasury of the Ascopiave Group and of Administrative Manager for the subsidiaries, as well as holding positions in Group companies.

In accordance with Article 25 of the Issuer's Articles of Association, the manager responsible for drawing up the corporate accounting documents must meet not only of the honourable requirements described by current legislation for all those performing functions of administration and management, but also the professional requirements as follows (i) having graduated in economics, finance or a subject related to company management and organisation, (ii) having matured a total experience of at least three years in administration or control activities, or having performed managerial tasks with capital companies, or administrative or managerial tasks, or held offices of auditor or consultant as Articles of Association and accountant with businesses in the fields of credit, finance or insurance, or in any case in the fields that are closely related or inherent to the activity performed by the Company, involving the management of economic and financial resources.

Furthermore, those who do not meet the integrity requirements referred to in Article 147- *quinquies* of Legislative Decree No.58 dated February the 24th, 1998 may not be appointed to the office of Executive in charge of Financial Reporting and, if already appointed, shall be removed from the same position.

Following the obligatory but not binding opinion of the Board of Auditors, the Board of Directors appoints the Manager in Charge, setting out his compensation.

The Board of Directors grants the appointed Manager suitable powers and means to perform his duties, in accordance with the provisions of article 154-*bis* of Legislative Decree No.58 dated February the 24th, 1998

11.6. COORDINATION BETWEEN THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Issuer has implemented mechanisms of interaction between the parties involved in the system of internal control and risk management aimed to ensure the coordination and the effective performance of specific tasks. Among these, it is to be noticed the performance of regular meetings between the bodies and the departments responsible for internal control and risk management, the participation of the Board of Statutory Auditors and the *Internal Auditing* Officer to the meetings of the Control and Risks Committee.

Furthermore, it should be noted that during 2020 no meetings were held for the purpose of exchanging information pursuant to Article 151 of the Consolidated Financial Act with the control bodies of Ascopiave and the subsidiaries of the Ascopiave Group. As of the date of this report, an exchange of information pursuant to Article 151, paragraph 2 of the Consolidated Financial Act has been assessed and is being implemented on a quarterly basis through mutual notes and/or written reports.

12. INTERESTS OF THE DIRECTORS AND OPERATIONS WITH RELATED PARTIES

On November the 24th, 2010, the Board approved the text of the Code on Related Parties Transactions (hereinafter referred to as the "Code"). The Code governs the operations with related parties performed by the Company, either directly or through subsidiaries, in accordance with the provisions set forth in the Regulations adopted pursuant to Article 2391-*bis* of the Italian Civil Code by the National Committee for the Companies and the Stock Market, (CONSOB) with resolution No. 17221 dated March the 12th, 2010 and further amendments ("Regulations").

The Code came into effect as of January the 1st, 2011 and it has replaced the previous regulation governing Related Parties Transactions approved by the Board of Directors of the Company on September the 11th 2006 (subsequently modified).

For the contents of the Code, see the document available on the Issuer's website www.gruppoascopiave.it in the section of *Corporate Governance/System and Rules/Related Regulation*.

In compliance with the provisions of Article 3, paragraph 2, of Consob Resolution No.21624 of December the 10th, 2020, Ascopiave will adapt the Procedure for Transactions with Related Parties within June the 30th 2021.

In order to implement the procedure, a mapping of the so-called Related Parties is periodically performed, to which the contents and the controls envisaged by the document are applied. The Directors are also required to declare, if existent, any interests in conflict with the performing of the transactions in question.

13. APPOINTMENT OF AUDITORS

The appointment and replacement of auditors is governed by the laws and regulations of Article 22 of the Issuer's Articles of Association.

The Board of Auditors is composed of three statutory auditors and two alternate auditors, whose office lasts three years and which can be re-elected. At least one of the statutory auditors should be: (i) a woman, if the majority of the statutory auditors are men; ; (ii) a man, if the majority of the statutory auditors are women, unless otherwise envisaged by the provisions of laws and regulations, in force in their respective updated versions, on the subject of gender distribution (male and female).

In accordance with Article 22 of the Issuer's Articles of Association, the whole Board of Auditors is appointed based on lists presented by the Shareholders. The Shareholders who alone, or together with other Shareholders, at the time of presentation hold a share of at least 2.5% of the share capital, or, where otherwise, the maximum share of the share capital required for the presentation of lists as specified by applicable provisions of law and regulations, may present lists. The interest share will be specified in the summons notice to the Meeting called to deliberate the appointment of the Board of Auditors.

Each list shall consist of two sections: one for the appointment of the standing auditors, the other for the appointment of the alternate auditors. The lists must indicate at least one candidate for the office of Standing Auditor and one candidate for the office of Alternate Auditor. Each candidate may stand as a candidate for election on only one list, under penalty of ineligibility. The lists containing a total of three or more candidates must contain a sufficient number of candidates in both sections to ensure that the composition of the Board of Statutory Auditors, both as a standing and as an alternate member, complies with the provisions of the relevant laws and regulations in force in their respective updated versions on the subject of gender balance (male and female).

The lists, signed by the Shareholders presenting them, or by the Shareholder who has been delegated to present them and provided with the documentation specified by this Articles of Association and by current provisions of law and regulations, must be filed at the company headquarters within the terms of the applicable provisions of laws and regulations. If, upon expiry of the terms set out by the applicable provisions of law and regulations, only one list of candidates has been presented, or indeed none, the meeting shall deliberate by relative majority of shareholders. In case of a tie between candidates, there will be a second ballot between these, with a further voting by the meeting.

Where two or more lists are presented, election of the Board of Auditors shall take place as follows:

- (i) in the progressive order in which they have been indicated in the various sections of the list, the following will be appointed from the list that has obtained the greatest number of votes:
 - (a) two standing auditors and (b) one alternate auditor, to ensure the balance between genders in compliance with the applicable legal and regulatory provisions;
- (ii) in the progressive order in which they have been indicated in the various sections of the list, the following will be appointed from the list that has obtained the greatest number of votes, and which is not connected, even indirectly, with the shareholders who presented or voted the list that obtained the greatest number of votes: (a) one standing auditor, who will also hold the office of Chairman of the Board of Auditors, and (b) one alternate auditor and, where available, further alternate auditors ready to replace the minority member, up to a maximum of three. Where this is not possible, the first candidate of the list having obtained the next greatest number of votes, and who is not connected, even indirectly, with the shareholders who presented or voted the list that obtained the greatest number of votes, will be appointed alternate auditor;

- (iii) should votes for two or more lists be equal, the candidates of the list presented by shareholders holding the greatest share, will be appointed, or, subordinate to this, that presented by the greatest number of shareholders, without prejudice to applicable regulations governing gender balance.

Should one or more standing auditors taken from the list that had obtained the greatest number of votes (the 'Majority Auditors') stand down during the year, where possible, the alternate auditor from the same list will replace him, without prejudice to applicable regulations governing gender balance. Where proceeding as above is not possible, the Meeting must be called in order to integrate the Board with the ordinary majorities and methods, in accordance with article 2401, paragraph 3 of the Italian Civil Code, as an exception to the list voting system previously specified, respecting applicable regulations governing gender balance. Should one or more standing auditors taken from the list that had obtained the second greatest number of votes (the 'Minority Auditors') stand down during the year, where possible, the alternate auditor from the same list will replace him, always in compliance with applicable regulations governing gender balance. Where proceeding as above is not possible, the Meeting must be called in order to integrate the Board with the ordinary majorities and methods, in accordance with article 2401, paragraph 3 of the Italian Civil Code, as an exception to the list voting system previously specified, and in order to respect, where possible, the principle of minority representation.

The Meeting held to deliberate on the integration of the Board of Auditors shall proceed in any case with the appointment or replacement of the members of said Board, without prejudice to the need to ensure that the structure of the Board of Auditors complies with the provisions of law and current regulations, and with the Issuer's Articles of Association .

Without prejudice to the provisions of the previous paragraph, should the Meeting integrate the Board of Auditors, it shall resolve with ordinary majorities and methods, as an exception to the list voting system, which will only apply in the event of replacement of the entire Board of Auditors.

14. STRUCTURE AND FUNCTIONING OF THE BOARD OF AUDITORS

The Board of Auditors appointed by the Ordinary Meeting held on May the 29th, 2020 and in office until approval of the financial statement as of December the 31st, 2022, is structured as follows:

Name	Position
Giovanni Salvaggio	Chairman of the Board of Auditors
Luca Biancolin	Statutory auditor
Barbara Moro	Statutory auditor
Matteo Cipriano	Alternate auditor
Marco Bosco	Alternate auditor

The standing auditors Mr. Luca Biancolin and Mrs. Barbara Moro and the alternate auditor Mr. Matteo Cipriano were taken from the list presented by the majority shareholder Asco Holding SpA. The Chairman of the Board of Statutory Auditors Mr. Giovanni Salvaggio and the alternate auditor Mr. Marco Bosco were taken from List No.2 presented by ASM Rovigo SpA. There are no connections between the two presented lists.

For the detailed composition of the Board of Auditors for the year 2020, please refer to Table 3 attached to the Report.

Below reported are the 2 presented lists:

SUBMITTING PARTY	LIST OF CANDIDATES	LIST OF ELECTED CANDIDATES	% VOTES OBTAINED IN RELATION TO THE VOTING CAPITAL
List No.1 Asco Holding S.p.A.	Statutory auditors 1. Mr. Luca Biancolin 2. Mrs. Barbara Moro Alternate auditor 1. Mr. Matteo Cipriano	Statutory auditors 1. Mr. Luca Biancolin 2. Mrs. Barbara Moro Alternate auditor 1. Mr. Matteo Cipriano	68.806%
List No.2 ASM Rovigo S.p.A.	Statutory auditor 1. Mr. Giovanni Salvaggio Alternate auditor 1. Mr. Marco Bosco	Statutory auditor 1. Mr. Giovanni Salvaggio Alternate auditor 1. Mr. Marco Bosco	23.298%

Please refer to Table 5 for the list of other companies listed on regulated markets, including foreign ones, in financial, banking, insurance or large companies, different from the Issuer in which the same Auditors have responsibilities of administration or control.

Here below is the personal and professional history of each Auditor:

- Chairman, Mr. Giovanni Salvaggio: a member of the Order of Chartered Accountants of the province of Rovigo and an auditor registered in the same register since 2000. He has been Chairman of the Board of Directors and member of the Board of Statutory Auditors of numerous public and private companies. He is a frequent speaker at professional conferences and is currently an adjunct professor of tax law at the University of Ferrara. He acts as a sole auditor for the Municipalities of Salcedo and Borgoricco.
- Statutory Auditor, Mr. Luca Biancolin: Registered in the Association of Business Consultants and Professional Accountants of Treviso and in the Legal Auditors Registry, he practices in her office in Conegliano (TV). He is currently director and auditor in various public and private law companies. He has been a statutory auditor of Ascopiave S.p.A. since April 2014.
- Statutory Auditor, Mrs. Barbara Moro: enrolled in the Order of Chartered Accountants and Accounting Experts of Treviso. She has gained many years of professional experience in the field of taxation, bankruptcy procedures and real estate enforcement procedures. She is currently a member of several boards of statutory auditors in joint stock companies and cooperatives.
- Alternate auditor, Mr. Matteo Cipriano: enrolled in the Roll of Chartered Accountants and in the Roll of Auditors since 2003. He has collaborated with several tax firms. Currently he carries out tax and civil law consultancy activities aimed at joint-stock companies, *tax due diligence* activities, planning of extraordinary transactions and corporate reorganizations.
- Alternate auditor, Mr. Marco Bosco: enrolled in the Register of Auditors and the Order of Chartered Accountants of Treviso and in the list of Auditors of local authorities of the Veneto Region since 2010. He has gained many years of experience as a statutory auditor and auditor also of Local Authorities, as a technical consultant to the Court and in various public and private sector companies. He currently practices at his office in Treviso.

The professional curricula of the auditors pursuant to articles 144-*octies* and 144-*decies* of the Consob Issuers Regulation are available on the Issuer's website in the section "*investor relations*".

During the financial year 2020, 9 (nine) meetings of the Board of Statutory Auditors were held on the following dates: January the 24th, 2020, March the 27th, 2020, April the 23rd, 2020, June the 8th, 2020, August the 3rd, 2020, September the 28th, 2020, October the 26th, 2020, November the 9th, 2020, December the 29th, 2020.

The average duration of the meetings was 4 hours.

For details on the participation of the Auditors to the Board meetings, see Table 3 attached to this report.

During the financial year 2021, the Board of Auditors will meet at least every 90 days, pursuant to Article 2404 of the Italian Civil Code. After the end of the fiscal year, until the date of this report, the Board of Auditors met on January the 28th, 2021, February the 12th, 2021 and February the 25th, 2021. There are 12 (twelve) meetings scheduled for 2021 by the current Board of Statutory Auditors.

There have been no changes in the composition of the Board of Statutory Auditors since the end of the financial year.

Diversity Policies and Criteria

With regard to the diversity policies on the composition of the Board of Statutory Auditors, it is hereby stated that, pursuant to the current Articles of Association, the composition of the Board of Statutory Auditors must guarantee the balance between genders, as required by law.

Refer to the professional *curricula* of the Auditors filed at the registered office and available on the Issuer's corporate website www.gruppoascopiave.it in the section *Investor Relations*, to have more information about their training, professional paths, and skills.

With particular reference to gender balance, we also inform you that the Board of Directors on March the 20th, 2020 approved, pursuant to Article 19 of the Articles of Association, the adaptation of Article 22 to the new regulatory provisions on balance between genders in the composition of the corporate bodies, in order to align provisions of the Articles of Association with the provisions of Law No.160 of December the 27th, 2019.

The delegated bodies have reported in a suitable and timely manner to the Board of Auditors concerning all activities performed, the general management trends and predictable evolution, as well as on the most important operations in terms of size and characteristics performed by the Issuer and its subsidiaries, specified by the Law and the Articles of Association, and therefore at least once a quarter.

In line with the Application Criterion 8.C.1 of the Corporate Governance Code, the Board of Auditors, at its meeting on June the 8th, 2020, the first after its appointment, verified the existence of the requirements of independence of its members, in accordance with the provisions in the Guideline 8.C.1 of the Corporate Governance Code. The verification did not reveal any element that lead to the disappearance of this need for independence. Subsequently, this verification was carried out at the meeting of January the 28th, 2021.

During the Financial Year, in particular at the meeting of January the 24th, 2020, the previous Board of Statutory Auditors had verified the persistence of compliance with the independence requirements for its members on the date of the meeting, informing the Board of Directors of the outcome.

During the fiscal year, in line with the Application Guideline 2.C.2 of the Corporate Governance Code, the members of the Board of Directors were adequately informed about the main legislative and regulatory developments affecting the industry in which the Issuer operates, as well as about the performance of the corporate bodies functions, through the divulgation of information during meetings and in the pre-board report.

The Issuer specifies that any Auditor who, on his own behalf or that of third parties, holds an interest in a given Issuer operation, must inform the other auditors and the Chairman of the Board as to the nature, terms, origin and extent of such interest, in a full and timely manner.

The Board of Auditors in the conduct of its business, is regularly coordinated with the *Internal Auditing Officer* and with the Control and Risks Committee, in line with the Application Guidelines 8.C.4 and 8.C.5. of the Code.

15. RELATIONSHIPS WITH THE SHAREHOLDERS

The Issuer has deemed of his interests - as well as a duty to the market - to set up a continuous dialogue from the time of listing, founded on reciprocal understanding of roles, with the general information of the shareholders. This dialogue will, in any case, take place in compliance with the procedure for the external communication of company documents and information. Article 2.2.3 subpar. 3 Letter k) of the Stock Exchange Regulations also states, with specific reference to companies intending to obtain listing of their shares with the 'STAR' qualification, the compulsory appointment of a professionally qualified person from within their organisational structure (*Investor Relator*) in charge of specifically managing relationships with investors.

Regarding the above, and in accordance with the recommendations of Principle 9 of the Corporate Governance Code, the Company's Board of Directors appointed during the meeting held on July the 24th, 2006 Mr. Giacomo Bignucolo as *Investor Relator* and responsible for relationship with investors.

Finally, Ascopiave has set up a specific '*investor relations*' section within its website (www.gruppoascopiave.it), in which information concerning the company and important for its shareholders is available.

Within the framework of implementation of the provisions of the new *Corporate Governance Code*, Ascopiave is expected to adopt a procedure for dialogue with shareholders during the 2021 financial year.

16. MEETINGS

In accordance with Article 11.1 of the Issuer's Articles of Association, the subjects legitimated by the authorised intermediary may participate in the Meetings, in accordance with the current and relevant regulations.

Any legitimated subject may be represented by another person, not necessarily a shareholder, upon presentation of a written proxy, in accordance with the current and relevant regulations. The proxy can also be assigned electronically, through the procedures envisaged by regulations currently in force. Moreover, in accordance with the provisions set forth in the summons notice, the electronic notification of the proxy can be sent by accessing the dedicated section of the Company's website, i.e. by sending the document to the certified email address of the Company (Article 11, paragraph 2 of the Company Articles of Association).

The regulations concerning Board activities, applicable to listed companies, have been considerably overhauled, following the coming into effect of Legislative Decree No.27 dated January the 27th 2010, the adoption of Directive 2007/36/EC of the European Parliament and of the Council of July the 11th, 2007, on the exercise of certain shareholders' rights in listed companies (the so-called "*Shareholders' Rights Directive*" or "SHRD").

Now, therefore, the Shareholders' Extraordinary Meeting dated April the 28th, 2011 has resolved to integrate Article 11 of the Company Articles of Association by adding the paragraph 11.3 which

envisages that the Company can appoint for each meeting an individual that may receive a proxy from those who have the right to vote with instructions on how to vote on each or some of the proposals on the agenda (the "Designated representative").

The Shareholders' Meeting of May the 29th, 2020 was held in accordance with the procedures set forth in Article 106, paragraph 2, of the "Cura Italia" Legislative Decree, according to which (i) the shareholders entitled to vote could only attend the Shareholders' Meeting through the designated representative; and (ii) the other subjects entitled to attend could participate in the Meeting only by means of telecommunication that guaranteed the identification of the participants, without, in any case, the need for the Chairman of the Meeting and the Secretary taking the minutes to be in the same place.

In order to facilitate the Shareholders' participation to the Meetings, the Articles of Association also specifies that the Meeting may take place with interventions in different, separate and distant places that are audio/video connected, as long as formal meeting procedures and the principle of good faith and equal treatment of shareholders, are observed (Article 12, paragraph 1 of the Articles of Association).

With reference to the Criterion 9.C.3 of the Corporate Governance Code, the Company's Ordinary Meeting held on July the 5th, 2006 resolved to adopt the Meeting Regulations (subsequently amended by the Meeting held on April the 28th, 2008 and by the Meeting held on April the 28th, 2011), which came into effect as from the date of the Start of Negotiations (<http://www.gruppoascopiave.it/investor-relations/assemblee>). These Regulations are specifically aimed at governing the Shareholders' Meetings, guaranteeing a correct and orderly holding of such, and, in particular, the right of each shareholder to intervene on the matters under discussion. It constitutes a valid instrument by which to guarantee protection of all Shareholders' rights and the correct formation of the Meeting's will.

Among the other things, the Regulations provides that the Chairman shall lead the discussion, giving the floor to those who may legitimately intervene (i.e. those who have the right to participate in the meeting based on the law and Articles of Association), who may have requested it.

Those with a right to intervene who wish to speak, must request to do so of the Chairman, after his having read the item on the meeting agenda to which the request refers, and after discussion has been opened, before the Chairman declares discussion of the item over.

The above mentioned request must be made by the raising of the hand, should the Chairman not have arranged for a written request procedure. Where procedure involves the raising of the hand, the Chairman will allow the person who has raised his hand first to speak. Should it be impossible to establish who raised his hand first, the Chairman will allow participants to speak in accordance with the order established by himself, in his own judgement. Where a written request procedure is implemented, the Chairman shall allow participants to speak based on the order of entry.

The Chairman and/or, upon his invitation, the Directors and Auditors, regarding their respective functions or as the Chairman deems fit in relation to the meeting agenda, shall answer those legitimately able to participate, after each intervention, or rather after having completed all interventions on each item on the agenda, in accordance with what specified by the Chairman.

Those who have the right to intervene, the Directors and Auditors, have the right to speak on each of the items on the agenda, and to formulate proposals to their regard.

Those with a right to intervene can ask questions related to the matters in the agenda even before the meeting, through the procedures specified in the summon notice.

The questions submitted prior to the Meeting by those with a right to intervene, are answered during the Meeting itself, provided that the requested information has been accessible according to the applicable regulations and as long as the Chairman is able to give a single answer to the questions concerning the same topic.

In light of the amendments to regulations concerning related party transactions pursuant to the Regulations adopted by Consob with resolution No.17221 on March the 12th, 2010 (and further amendments) and taken into consideration the new regulations introduced by Legislative Decree No.27/2010 implementing the Directive 2007/36/EC (the so-called “Shareholders’ Rights Directive”), the Shareholders’ Meeting held on April the 28th, 2011 has resolved to integrate the Company Articles of Association by adding a new article recorded as “Related Party Transactions”. This regulation gives the Board of Directors the possibility to approve the transactions of greater relevance within the scope of the Board of Directors as well as to implement the transactions of greater relevance within the scope of the Shareholders’ Meeting, despite a contrary opinion of the Independent Directors, provided that the shareholders meeting authorizes and approves the transaction’s execution and the Shareholder’s Meeting itself takes its resolutions both based on the legal majorities and on the favourable vote of the majority of unrelated voting shareholders and provided that the unrelated shareholders present at the Shareholders’ Meeting represent at least 10% of the share capital with voting rights.

The Board has reported back to the Meeting on the activity performed and planned, and has acted to ensure that the Shareholders are suitably informed as to all elements necessary in order to make a knowledgeable decision.

3 (three) directors attended the ordinary and extraordinary Shareholders' Meeting of May the 29th, 2020 while the other directors justified their absence.

The procedures for the exercise of the functions of the Compensation Committee were illustrated to the shareholders, in the context of the shareholders' meeting of May the 29th, 2020, through the publication of the Report on the compensation policy and on the compensation paid and through the discussion of its contents.

During the 2020 financial year, no situations arose for which it was necessary to involve the Board of Directors regarding significant changes in the market capitalization of the Issuer or in the composition of its shareholding structure in such a way as to make it necessary to propose amendments to the Articles of Association to the Shareholders' Meeting in relation to the percentages established for the exercise of the prerogatives set to protect minorities. To this regard, we would specify that in applying Article 144 *quarter* of the Consob Issuer Regulations 11971/1999 for the presentation of lists for the appointment of members of the Board of Directors and the Board of Auditors, Articles 15.2 and 22.2 of the Issuer’s Articles of Association requires a percentage threshold of 2.5% of the share capital with voting rights, or other percentage that may be specified or stated by provisions of law or regulations.

It is recalled that the Shareholders' Meeting of Ascopiave SpA of April the 23rd, 2019, in an extraordinary session, had approved to amend Article 6 of Ascopiave's Articles of Association in order to introduce the mechanism of the increase in voting rights, as per Article 127- *quinquies* of the Consolidated Financial Act.

It should be noted that the Regulations for the increased vote and the relevant application form for inclusion in the special list for the assignment of the increased vote are available on Ascopiave website www.gruppoascopiave.it, "*Corporate Governance*" Section - "Increased Vote".

For further information on the increased vote, please refer to the paragraph "Securities conferring special rights".

17. FURTHER CORPORATE GOVERNANCE OPERATIONS

The Board of Directors of Ascopiave SpA adopted in 2012, and subsequently updated on June the 16th, 2016 and on September the 11th, 2020, the document "Guidelines on the Exercise of the Power of Management and Coordination", which regulates the implementation mechanisms of the management and coordination, the information and control flows between the Issuer and the subsidiaries, in compliance with the prerogatives envisaged by the *unbundling* regulations for the Independent Operator and for the vertically integrated company (so-called *unbundling*). The document, approved by the shareholders' meetings of the individual subsidiaries and subsequently adopted by their individual boards of directors, is an integral part of the Group's *governance* system.

On March the 11th, 2019, the Board of Directors of Ascopiave S.p.A. set up a new internal board committee called the Independent Directors Committee.

The establishment of this intra-board committee is in line with the recommendations of the Application Criterion 3.C.6. of the Corporate Governance Code that recommends that the Issuer's independent directors meet at least once a year in the absence of the other directors. The structure and functioning of this intra-board committee is in line with the Application Criterion 4.C.1 of the Corporate Governance Code. The Independent Directors Committee is composed of all the independent Directors of Ascopiave S.p.A. (see Table 2).

During the financial year 2020, 1 (one) meeting of the Independent Directors Committee were held, on February the 7th, 2020. The average duration of the meetings was approximately half an hour

The Chairman and the other two members of the Board of Statutory Auditors attended the Committee meeting upon invitation of the Committee.

18. CHANGES SINCE THE END OF THE FISCAL YEAR IN QUESTION

Since the end of the Financial Year, the following changes have taken place in the *Corporate Governance* structure, without prejudice to the "traditional" corporate governance system adopted by the Issuer:

- on January the 15th, 2021 the Board of Directors adopted the new *Corporate Governance* Code for listed companies promoted by the *Corporate Governance* Committee of Borsa Italiana S.p.A.;
- at its meeting held on January the 28th, 2021, the Board of Directors identified Dr. Ceconato as the main person responsible for management, i.e. CEO, also pursuant to the new *Corporate*

- Governance* Code, who is also in charge of the establishment and maintenance of the internal control and risk management system also pursuant to the new *Corporate Governance* Code;
- at the same meeting of January the 28th, 2021, the Board of Directors appointed then the independent director Mrs. Greta Pietrobon as *Lead Independent Director* of Ascopiave SpA pursuant to Recommendation 13 of the new *Corporate Governance* Code

19. CONSIDERATIONS ON THE LETTER OF DECEMBER the 22nd, 2020 BY THE CHAIRMAN OF THE *CORPORATE GOVERNANCE* COMMITTEE

On December the 22nd, 2020, the Chairman of the *Corporate Governance* Committee, Mrs. Patrizia Grieco, sent a letter to all the chairmen of the administrative bodies and, for information, to the managing directors and supervisory bodies of the Italian listed companies. This letter sets out the main areas of improvement for 2021 (hereinafter referred to as the "Recommendations of the Committee for 2021" or "Recommendations") found in the listed companies with respect to the application of the previous *Corporate Governance* Code, which emerged following the monitoring carried out by the Committee, the results of which are set out in the enclosed "The 8th Report on the Application of the *Corporate Governance* Code".

Furthermore, with reference to the application of the new *Corporate Governance* Code, the Committee has specified that it considers it useful that corporate practices promptly adapt to the inspiring principles of the new edition of the Code, especially in terms of sustainability, consolidating and strengthening the evolution already under way in this direction. In order to facilitate the application of the *Corporate Governance* Code, the Committee approved the first collection of clarifications, Q&A, which identify some general criteria for its application.

Considering that 2021 will be the first year of application of the *Corporate Governance* Code and in light of the monitoring results set out in the 2020 Report, the Committee deemed it useful to reconsider in the letter the set of recommendations provided over the last four years, formulating some specific indications in the areas characterised by the persistence of significant elements of weakness, the overcoming of which appears functional also for the purpose of a better application of the most innovative aspects of the new edition of the *Corporate Governance* Code.

The recommendations of the Chairman of the *Corporate Governance* Committee formulated in the letter of December the 22nd, 2020 were examined during the meeting of the Board of Directors held on January the 28th, 2021. These recommendations were examined by the Control and Risk Committee at its meeting on January the 26th, 2021. At this meeting, the Board of Directors reviewed the recommendations of the *Governance* Committee in order to assess the effective implementation of the recommendations and to identify possible governance developments, in light of the adherence to the new *Corporate Governance* Code as well. The recommendations outlined in the letter were also submitted to the Board of Statutory Auditors and the Risk Control Committee.

Below is a summary of the initiatives planned and/or undertaken by Ascopiave, broken down by topic, in line with the recent recommendations made by the *Corporate Governance* Committee on December the 22nd, 2020.

Sustainability

With reference to the first recommendation of integrating the sustainability of business activity into the definition of the corporate strategies and compensation policy, the Board of Directors of Ascopiave promotes the primary objective of the sustainable success of business activity in the definition of the corporate strategies and compensation policy. To this end, the Board of Directors of Ascopiave adopted the new Code of *Corporate Governance*, Article 1, Principle I of which promotes sustainable success.

In particular, within the framework of the approval process for the new 2020-2024 Strategic Plan, which took place on January the 15th, 2021, the Board of Directors integrated the sustainability of the company's activities into the definition of corporate strategies. Sustainability is a part of the internal control and risk management system, also based on analysis of the relevance of factors that may affect the generation of value in the long term.

In the course of 2021, for the purposes of compliance with the new *Corporate Governance Code*, the process of reviewing and updating the policy for the remuneration of directors, auditors and *top management* must be functional to the pursuit of the sustainable success of the company and the *retention* and incentivisation of professionalism.

In particular, the *performance* targets must be consistent with the strategic goals, being aimed at promoting sustainable success, including, where relevant, also non-financial parameters/indices of non-profitability, to be also assessed in the preparation of the new long-term incentive plan.

It should also be noted that Section I of this report, entitled "Compensation Policy", will be updated for the purposes of compliance with the new *Corporate Governance Code* and the Consolidated Financial Act and will therefore also contain, where relevant, references to non-financial parameters.

Finally, the Ascopiave Board of Directors intends to prepare a new long-term incentive plan, in compliance with current legislation, to be submitted for approval at the next Shareholders' Meeting.

Pre-board Information

With reference to the second recommendation to the Board of Directors to ensure the adequate management of information flows to the Board of Directors, ensuring that confidentiality requirements are protected without compromising the completeness, usability and timeliness of the information, during the 2020 financial year, in line with Application Criterion 1.C.5 of the Code, in compliance with organisational requirements and the content of the topics dealt with, and in order to ensure complete and timely pre-board information, the Chairman of the Board of Directors and Chief Executive Officer has ensured that the supporting documentation for the Board meeting is brought to the attention of the directors and statutory auditors at least three days before the established date, except in cases of necessity and urgency.

The Company has not contemplated any waivers for mere confidentiality reasons, however, where, in specific cases, it has not been possible to provide the necessary information sufficiently in advance, the Chairman has ensured that adequate and timely investigations are carried out during the board sessions

Furthermore, in line with the provisions of the new *Corporate Governance Code*, in the course of 2021 the Board of Directors of the Company intends to define and to implement an internal regulation on the performance of the work of the Board of Directors and of the intra-board committees. This regulation will also explicitly define the terms and methods for sending the pre-meeting documentation, within which there will be no time limits that can be waived for mere confidentiality reasons.

Application of the Independence Criteria

With reference to the third recommendation on the application of the independence criteria, in the 2020 financial year, the Board of Directors proceeded with the assessment of the independence of the non-executive directors on January the 24th, 2020 (prior to the renewal of the bodies during the Shareholders' Meeting held on May the 29th, 2020) and, therefore, on June the 8th, 2020 (following the appointment of the new bodies), on the basis of the Corporate Governance Code in force until 2020; as a result of these assessments, there were no cases of non-application or exceptions to the application of the criteria.

With particular reference to the recommendation to define in advance the quantitative and/or qualitative criteria to be used for the assessment of the significance of the relationships under examination, on January the 28th, 2021, in line with the provisions of the new *Corporate Governance Code*, adopted by resolution of January the 15th, 2021, the Board of Directors of Ascopiave defined the quantitative and qualitative criteria to assess the significance referred to in letters c) and d) of Recommendation 7 of the new *Corporate Governance Code*. At the same meeting, the Board of Directors then proceeded with the annual assessment of the independence of the non-executive directors, in line with the recommendations of the new *Corporate Governance Code* and taking into account the relevant *Q&A*.

Self-assessment by the Board of Directors

The *board review* referred to the 2019 financial year was carried out on the basis of the provisions of the previous Corporate Governance Code. In particular, the results of the *board review* were illustrated in the 2019 *Governance Report*.

With reference to the fourth recommendation to assess the contribution of the Board of Directors to the definition of strategic plans, in line with the provisions of the new *Corporate Governance Code*, the Board of Directors of the Company intends to schedule the *board review* before the expiry of the current three-year mandate, formalising this process according to the methods to be defined within the new board regulations that the Board of Directors intends to adopt during 2021.

With particular reference to the role of the Board of Directors in defining strategies, the *board review* will also take into account that the Board of Directors of Ascopiave held on January the 15th, 2021 approved the 2020-2024 Strategic Plan.

For the purposes of alignment with the recommendations of the new *Corporate Governance Code*, the Board of Directors of Ascopiave intends to formalise a specific procedure for carrying out the *board review*, integrating it into the new board regulations that it intends to adopt during 2021, which will assign to the Board the specific role of overseeing the *board review* process.

Appointment and Succession of Directors

With reference to the fifth recommendation to report promptly on the activities carried out by the Appointments Committee in the event that it is unified with the Compensation Committee or its functions are attributed to the plenary meeting of the Board of Directors, it should be noted that in 2020 the Board of Directors did not set up an internal nomination committee, as it did not recognize it necessary, reserving the related functions to the entire Board of Directors, in line with the provisions set forth in Application Criterion 4.C.2 of the previous Corporate Governance Code. It should be noted that this choice of *governance* is also in line with the provisions of

Recommendation 16 of the new *Corporate Governance Code* since the majority of the Company's Board of Directors is made up of the independent directors.

In particular, adequate space is reserved during the Board meetings for accomplishment of the task of identifying the most suitable figures to cover the positions within the various *corporate governance* bodies.

With specific reference to the functions of the appointment committee assigned to the plenary meeting of the Board, it should be noted that, on January the 24th, 2020, the outgoing Board of Directors, taking into account the results of the *board review* referred to the 2019 financial year, had expressed to the shareholders, in view of the renewal of the corporate bodies, the guidelines on the managerial and professional figures whose presence on the new Board was deemed appropriate.

It should be noted that the recommendation to express an orientation with reference to the optimum composition of the Board of Directors, pursuant to the new *Corporate Governance Code*, is not mandatory for Ascopiave, since it can be classified as a "concentrated ownership company".

Moreover, *Q&A 19* clarifies that the new *Corporate Governance Code* invites shareholders who present the majority lists to make proposals on the number of members, term of office and compensation. On the occasion of the next renewal of the corporate bodies, the Board of Directors of Ascopiave will invite the shareholders presenting a majority list to make proposals on the number, duration of the term of office and compensation.

Finally, with reference to the recommendation to "provide, at least in large companies, a succession plan for executive directors that identifies at least the procedures to be followed in the event of early termination of office", it should be noted that during 2020, Ascopiave did not contemplate the formalization of a succession plan for the Chairman and Chief Executive Officer: this recommendation does not apply to the Company, as it can be classified as a "concentrated ownership company".

Compensation Policies

With reference to the sixth recommendation to the Board of Directors and the competent compensation committees, to strengthen the link between variable compensation and long-term *performance* targets, including, where relevant, also non-financial parameters, it should be noted that, during 2020, Ascopiave has applied *performance* targets related to financial parameters only. Since the new *Corporate Governance Code* states that the *performance* targets must be consistent with the strategic goals and aimed at promoting sustainable success, including, where relevant, non-financial parameters as well, Ascopiave undertakes to prepare a report on its compensation policy and the compensation paid according to the new Schedule 7-*bis* of Annex 3A of the Issuers' Regulations.

It should also be noted that Section I of this report, entitled "Compensation Policy", will be updated for the purposes of compliance with the new *Corporate Governance Code* and the Consolidated Financial Act and will therefore also contain, where relevant, references to non-financial parameters.

With regard to the recommendation to limit to exceptional cases, after adequate explanation, the possibility of disbursing sums not linked to predetermined parameters (i.e. *ad hoc bonuses*), the Board of Directors of the Company, assisted by the Compensation Committee, will examine this recommendation in the process of reviewing and updating the Compensation Policy during the 2021 financial year.

With reference to the recommendation concerning the definition of criteria and procedures for the assignment of end-of-office indemnities, it should be noted that the 2020 Compensation Policy, approved with a binding vote by the Shareholders' Meeting of May the 29th, 2020, did not provide for end-of-office indemnities.

Should the Ascopiave Board of Directors, assisted by the Compensation Committee, deem it appropriate to examine the introduction of the end-of-office indemnity in the Compensation Policy for the 2021 financial year, it will comply with recommendations Nos. 27 and 31 of the *Corporate Governance Code*.

Finally, with reference to the recommendation to verify that the amount of compensation paid to non-executive directors and members of the control body is adequate for the competence, professionalism and commitment required by their office, the targets of the 2020 Compensation Policy are summarised below:

- (i) to attract and motivate qualified professional resources for the pursuit of the targets of the Company and the Group,
- ii) to incentivize the permanence of such resources, to increase the value of the Company in a sustainable manner and to align the interests of the management with the medium-long term interests of the shareholders.

To achieve these targets, the 2020 Compensation Policy has been defined on the basis of the following principles:

- iii) sustainability;
- iv) correct integration of various components of the compensation;
- v) respect and appreciation of people;
- vi) continuous monitoring of market practices and trends;
- vii) compliance.

It should also be noted that the decisions regarding the compensation of newly appointed directors and statutory auditors were taken by the Ascopiave Shareholders' Meeting on May the 29th, 2020.

During the 2021 financial year, the Board of Directors of Ascopiave (assisted by the Compensation Committee) will comply with the new Corporate Governance Code in the annual review and update of the Compensation Policy for the 2021 financial year

It should be noted that the approval of the 2021 Compensation Policy will be subject to a binding vote by the Shareholders' Meeting.

TABLES

TABLE 1: INFORMATION ON THE OWNERSHIP STRUCTURE

	N° Shares	% against S. C.	Listed/Not Listed	Rights and Obligations
Ordinary Shares	234,411,575	100%	STAR	Each share is equivalent to one vote (*) The shareholders' rights and obligations are those stated in Articles 2346 et seq of the Italian Civil Code and the Articles of Association of the Company

(*) It should be noted that the Ascopiave S.p.A. Shareholders' Meeting of April the 23rd, 2019, in extraordinary session, approved an amendment to Article 6 of Ascopiave's Articles of Association in order to provide for the mechanism of the increase in voting rights, as per Article 127-*quinquies* of the Consolidated Financial Act. It should also be noted that the Extraordinary Shareholders' Meeting of Ascopiave S.p.A. of May the 29th, 2020 also approved an amendment to Article 6 of Ascopiave's Articles of Association, in light of Consob's recent orientation (Notification No.0214548 of April the 18th, 2019).

In particular, the mechanism of the increase will allow the attribution of 2 voting rights for each Ascopiave share that has belonged to the same shareholder for a continuous period of at least 24 months starting from the registration in a special list, which has been set up by the Company at its registered office. The person in charge of managing the Special List was also appointed.

SIGNIFICANT CAPITAL EQUITY INVESTMENTS AT THE DATE OF APPROVAL OF THE REPORT OR ON MARCH THE 11th, 2021 (pursuant to Article 120 of Consolidated Financial Act and the information reported in the Shareholder's Structure of Ascopiave S.p.A. on Consob corporate website)

Declarant	Direct Shareholder	% ordinary capital	% on voting capital
Asco Holding S.p.A.	Asco Holding S.p.A.	52.043 %	52.043 %
Ascopiave S.p.A.	Ascopiave S.p.A.	7.579%(1)	7.579%(1)
Municipality of Rovigo	ASM Rovigo S.p.A.	4.398 %	4.398 %
Anita S.r.l.	Anita S.r.l.	3.050%	3.050%
Hera S.p.A.	Hera S.p.A.	4.900%	4.900%

(1) Figure referring to shares actually owned by Ascopiave S.p.A. as of March the 11th, 2021, including 1,975 bonus shares, carrying value € 1.0

TABLE 2: TABLE 2: BOARD OF DIRECTORS AND COMMITTEES STRUCTURE AS OF 31/12/2020.

Board of Directors													Control and Risk Committee		Compensation Committee		Independent Auditors Committee	
Position	Members	Date of Birth	Date of the first appointment *	Start of Term	End of Term	List **	Exec.	Non-exec.	Indep. From Code	Indep. Cons. Fin. Act	No. other offices ***	(*)	(**)	(*)	(**)	(*)	(**)	(*)
Chairman CEO •	Nicola Ceconato	1965	28/04/2017	04/06/2020	Fin Stats 2022	M	X	-	-	-	2	16/16	-	-	-	-	-	-
Director	Greta Pietrobon	1983	24/04/2014	04/06/2020	Fin Stats 2022	M	-	X	X	X	-	16/16	M (till 04/06/2020)-	3/3	P (from 04/06/2020)	2/2	M	1/1
Director	Quarello Enrico	1974	14/02/2012	04/06/2020	Fin Stats 2022	M	-	X	X	X	1	16/16	P (till 04/06/2020) -	3/3	M	3/3	M	1/1
Director	Roberto Bet	1976	29/05/2020	04/06/2020	Fin Stats 2022	M	-	X	-	-	-	5/6.	M (from 04/06/2020)	3/3	-	-		
Director	Mariachiara Geronazzo	1969	29/05/2020	04/06/2020	Fin Stats 2022	M	-	X	X	X	-	6/6	M (from 04/06/2020)	3/3	-	-	M (from 04/06/2020)	-
Director	Luisa Vecchiato	1965	29/05/2020	04/06/2020	Fin Stats 2022	M	-	X	-	-	-	6/6	-	-	M (from 04/06/2020)	2/2	-	-
Director	Cristian Novello	1982	29/05/2020	04/06/2020	Fin Stats 2022	m	-	X	X	X	-	6/6	P (from 04/06/2020)	3/3	-	-	M (from 04/06/2020)	-

-----TERMS EXPIRED DURING THE FINANCIAL YEAR-----

Director	Giorgio Martorelli ****	1976	28/04/2017	04/05/2017	03/02/2020	m	-	X	X	X	1	1/1	M (till 03/02/2020)	-	-	M (till 03/02/2020)	-	
Director	Antonello Lillo ****	1961	28/04/2017	04/05/2017	04/06/2020	M	-	X	-	-	3	10/10	-	-	M (till 04/06/2020)	1/1	-	-
Director	Dimitri Coin	1970	28/04/2011	04/05/2017	04/06/2020	M	-	X	X	X	0	9/10.	M (from ... 07/02/2020 till 04/06/2020)	3/3	P (till 04/06/2020)	1/1	M (till 04/06/2020)	1/1
Number of meetings held during financial year: 16						Control and Risk Committee: 6			Compensation Committee 3			Independent Auditors Committee 1						
State quorum requested for the election of one or more minority directors (Article 147-ter Consolidated Financial Act): 2.5%																		

OBSERVATIONS

The symbols listed below should be entered in the "Office" column:

- This symbol indicates the director in charge of the internal control and risk management system.
- ◊ This symbol specifies the person responsible for the Issuer's management (*Chief Executive Officer* or CEO).
- ◌ This symbol indicates the Lead Independent Director (LID).
- * The date of first appointment of each director is the date on which the director was appointed for the first time (ever) in the issuer's Board of Directors.
- ** This column shows the list from which each director has been appointed ("M": majority list; "m": minority list; "BoD": the list submitted by the Board of Directors).
- *** This column specifies the number of offices held as a director or auditor by the person in question in other companies listed on regulated markets, including foreign markets, in financial, banking, insurance or large companies. It should be noted that companies that are not defined as SMEs within the meaning of Community Recommendation 2003/361/EC have been defined as large companies. The Report on corporate *governance* exhaustively lists the offices.
- **** It should be noted that the office of director Mr. Giorgio Martorelli was terminated on February, the 3rd, 2020, i.e. after the end of the 2019 financial year. In addition, it should be noted that the other offices relating to the directors Mr. Martorelli and Mr. Lillo refer to December the 31st, 2019 and have already been disclosed in the previous *Governance* Report.

(*). This column indicates the attendance of directors at the meetings of the BoD and the Committees, respectively (number of meetings attended compared to the total number of meetings at which attendance was possible).

(**). This column specifies the role of the director within the Committee: "P": Chairman; "M": member.

TABLE 3: BOARD OF AUDITORS STRUCTURE AS OF 31/12/2020

Board of Statutory Auditors									
Position	Members	Date of Birth	Date of the first appointment *	Start of Term	End of Term	List (M/m)**	Independence code	Attendance to meetings ***	Other offices held ****
Chairman	Mr. Giovanni Salvaggio	1968	29/05/2020	29/05/2020	Fin Stats 2022	m	X	6/6	-
Statutory auditor	Mr. Luca Biancolin	1952	24/04/2014	29/05/2020	Fin Stats 2022	M	X	9/9	2
Statutory auditor	Mrs. Barbara Moro	1977	29/05/2020	29/05/2020	Fin Stats 2022	M	X	6/6	-
Alternate auditor	Mr. Matteo Cipriano	1974	29/05/2020	29/05/2020	Fin Stats 2022	M	X	-	-
Alternate auditor	Mr. Mario Bosco	1974	29/05/2020	29/05/2020	Fin Stats 2022	m	X	-	-
Auditors retired during the accounting fiscal year									
Chairman	Mr. Antonio Schiro	1970	28/04/2017	28/04/2017	Fin Stats 2019	m	X	3/3	0
Statutory auditor	Mrs. Roberta Marcolin	1968	28/04/2017	28/04/2017	Fin Stats 2019	M	X	3/3	0
Alternate auditor	Mr. Achille Venturato	1966	24/04/2014	28/04/2017	Fin Stats 2019	M	X	-	-
Alternate auditor	Mr. Pierluigi De Biasi	1956	28/04/2017	28/04/2017	Fin Stats 2019	m	X	-	-
Number of meetings held during financial year: 9									
State quorum requested for the election of one or more minority directors (ex-Article 148 of Consolidated Financial Act): 2.5%									

OBSERVATIONS

* The date of the first appointment of each auditor is the date on which the auditor was appointed for the first time (ever) in the Issuer's Board of Auditors.

** This column shows the list from which each auditor has been appointed ("M": majority list; "m": minority list).

*** This column indicates the attendance of auditors at the meetings of the Board of Auditors (number of meetings attended/number of meetings held during the actual term of office of the person in question).

**** This column shows the number of offices held as a director or auditor by the person under consideration pursuant to Article 144-*quinquiesdecies* of the Consolidated Financial Act and its implementing provisions contained in Consob Issuer Regulations. The complete list of offices is published by Consob on its website in accordance with Article 144-*quinquiesdecies* of Consob Issuer Regulations.

It should also be noted that the positions held in companies not defined as SMEs have been indicated pursuant to the Community Recommendation 2003/361/EC.

TABLE 4: OFFICES OF THE DIRECTORS IN OTHER COMPANIES as of 31/12/2020.

<i>Dr. Nicola Cecconato</i> <i>Chairman and CEO</i> <i>(from 04/05/2017)</i>	Office	Company
	<i>Director</i> <i>(from May 2017)</i>	<i>Pasta Zara S.p.A.</i>
	<i>Director</i> <i>(from December 2019)</i>	<i>Hera Comm S.p.A.</i>
<i>Mr. Enrico Quarello</i> <i>Independent Director</i> <i>(from 14/02/2012)</i>	Office	Company
	<i>Director</i> <i>(from May 2019)</i>	<i>Robintur S.p.A.</i>

TABLE 5: OFFICES OF THE AUDITORS IN**OTHER COMPANIES as of 31/12/2020.**

<i>Mr. Luca Biancolin</i>	Office	Company
<i>Member of the Board of Auditors (from 28/04/2017)</i>	<i>Chairman of the Board of Auditors (from February 2016)</i>	ARPA Veneto
	<i>Member of the Board of Auditors (From July 2018)</i>	Mobilità di Marca S.p.A.

ASCOPIAVE S.P.A.

Registered Office in Pieve di Soligo (TV), Via Verizzo 1030
Share capital Euro 234.411.575.00 fully paid up
Fiscal Code – VAT Number – Companies’ Register of Treviso - Belluno 03916270261

“REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS’ MEETING

pursuant to Article 153 of Legislative Decree 58/1998 (TUF / Consolidated Law on Finance) and Article 2429, paragraph 2 of the Civil Code”

To the Shareholders,

the Board of Statutory Auditors, pursuant to Article 153 of Legislative Decree 58/1998 (TUF / Consolidated Law on Finance) and Article 2429, paragraph 2, of the Civil Code, is called on to report to the Shareholders' Meeting on the supervisory activities performed by it as well as on any omissions and improper events it may have detected. The Board of Statutory Auditors can also make comments and proposals regarding the financial statements, their approval and other matters within its jurisdiction.

During the year, the supervisory tasks, attributed to the Board of Statutory Auditors by the applicable provisions of law and regulations, were performed.

In accordance with the provisions of Article 2403 of the Civil Code ("Duties of Statutory Auditors"), the Board of Statutory Auditors has performed its duties by supervising compliance with the law and the Articles of Association, compliance with the principles of correct administration and in particular, the adequacy and proper functioning of the organizational, administrative and accounting system adopted by the Company.

The task of the statutory audit of the accounts pursuant to Article 14 of Legislative Decree no. 39 of 27th January 2010 has been assigned to the external auditing company PricewaterhouseCoopers S.p.A. (PWC).

During the financial year ended 31st December 2020, we performed the supervisory activities required by law, according to the rules of conduct for the Board of Statutory Auditors recommended by the National Council of Chartered Accountants and Accounting Experts.

With regard to the activities performed during the year, also in compliance with the indications provided by CONSOB communication DEM / 102SS64 of 6th April 2001, its subsequent amendments and additions, and with the indications contained in the Code of Conduct (currently Corporate Governance Code), we report the following:

- 1) The Board of Statutory Auditors supervised compliance with the law and the articles of association by respecting the periodicity envisaged in Article 23, paragraph 3 of the Articles of Association. We obtained information from the Directors on the activities and on the main operations approved from an economic, financial and equity viewpoint, which were implemented by the Company, its subsidiaries and associates, during the year. In this regard, we can reasonably affirm that these operations comply with the law and the Articles of Association and that they are not manifestly imprudent, risky or in conflict with the resolutions passed by the corporate bodies or such as to compromise the integrity of the company’s equity. Furthermore, from the information provided by the Directors to us, in accordance with the law, no operations performed by them are deemed to be in conflict with the interests of the Company.
- 2) We assessed as complete the information provided by the Board of Directors in the management report, with regard to atypical and / or unusual transactions, including intra-group transactions and transactions with related parties. The Board of Statutory Auditors also assessed the information provided by the Board of Directors in the notes to the financial statements relating to intercompany and related party transactions, of an ordinary nature, and we believe these transactions to be congruous and in the Company's interests.
- 3) The external auditors PWC S.p.A., have issued the reports pursuant to Article 14 of Legislative Decree no. 39 of 27th January 2010 and Article 10 of EU Regulation no. 537/2014, regarding the separate financial statements

and the consolidated financial statements of the Group on 31st December 2020, prepared in accordance with the International Financial Reporting Standards - IFRS adopted by the European Union.

- 4) The external auditors PWC S.p.A., in charge of the legal audit, have released the report on the “Non-financial consolidated declaration 2020” of ASCOPIAVE S.p.A. and its subsidiaries for the financial year ended 31st December 2020, pursuant to Article 3, paragraph 10, Legislative Decree 254/2016 and Article 5 of the CONSOB Regulation no. 20267: report prepared pursuant to Article 4 of the Decree and approved by the Board of Directors on 25th February 2021.
- 5) No claims to the Board of Statutory Auditors pursuant to Article 2408 of the Civil Code were submitted during the year.
- 6) No other complaints to the court pursuant to Article 2409 of the Civil Code were received during the year.
- 7) For the 2020 accounting period, the fees of the external auditors, PWC S.p.A. for their legal audit activities, amounted to € 354,557 (three hundred and fifty-four thousand, five hundred and fifty-seven), of which € 215,370 (two hundred and fifteen thousand, three hundred and seventy) related to the accounting audit, € 35,965 (thirty-five thousand, nine hundred and sixty-five) for the legal audit of the separate annual statements for ASCOPIAVE S.p.A and its subsidiaries, and € 103,222 (one hundred and three thousand, two hundred and twenty-two) for Other Services, for ASCOPIAVE S.p.A..

No activities were assigned to PWC S.p.A. falling outside of Article 160, paragraph 1-ter of Legislative Decree 58/1998 (TUF / Consolidated Law on Finance) and related CONSOB regulations, nor any implementation or responsibilities prohibited by Article 5, paragraph 1, of EU Regulation 537/2014.

- 8) In view of the statement of independence issued by PWC S.p.A. in accordance with Article 17 paragraph 9 letter a) of Legislative Decree 39/2010 and regarding the functions conferred upon it by ASCOPIAVE S.p.A. and subsidiaries, as shown above, the Board of Statutory Auditors deems that there are no grounds to doubt the independence of the external auditing company.

The external auditors, PWC S.p.A., has stated the following in its Report on the Financial Statements: “We are independent from the company ASCOPIAVE S.p.A., in compliance with the regulations and principles of ethics and independence envisaged by Italian legislation on accounting audits of financial statements”.

- 9) The Board of Statutory Auditors held 9 meetings to perform its supervisory activities.
The Board of Statutory Auditors attended all 16 meetings held by the Board of Directors and the Extraordinary and Ordinary Meetings of the Shareholders on 29th May 2020.

The Board of Statutory Auditors also attended all 6 sessions held by the Internal Control and Risk Committee, the 3 meetings of the Remuneration Committee and the meeting of the Independent Directors Committee on 7th February 2020.

- 10) We evaluated and supervised, within our scope of work, compliance with the principles of fair administration and the adequacy of the Company’s organizational structure, through the acquisition of information from Managers of the Company’s departments and through meetings with the external auditors, to reciprocally exchange relevant facts and figures.
- 11) We assessed and watched over the consistency of the internal control system and had periodic meetings with the Internal Audit Manager of the Company. We did an in-depth analysis of the corrective measures proposed and received relevant updates, on at least a quarterly basis, of the related status, with particular care related to compliance issues. In this regard, we have taken note of the activities performed by the Internal Controls Manager during 2020. Our activities have revealed nothing untoward which may be considered an indicator of inadequacy or criticality of the internal control system.
- 12) We supervised and evaluated the consistency of the administrative-accounting system as a reliable tool for representing operations correctly, through:
 - i. The examination of the reports of the Director in charge of preparing the accounting and corporate documents, concerning the Administrative and Accounting structure and the Internal Control System, as well as the Company Information produced;
 - ii. Obtaining timely and periodic information from the Managers of the respective functions;
 - iii. Relations with the control bodies of the subsidiaries pursuant to paragraphs 1 and 2 of Article 151 of Legislative Decree no. 58/1998 (TUF / Consolidated Law on Finance);
 - iv. Participation in the work of the Control and Risk Committee;
 - v. The receipt of adequate updates on the activity performed by the Supervisory Committee set up by the Company in accordance with the provisions of Legislative Decree 231/2001.

No anomalies emerged from the activities which could be considered indicators of the inadequacy of the administrative-accounting system.

- 13) The Board of Statutory Auditors has acquired knowledge and supervised, within the scope of our work, the adequacy of the instructions given by the Company to its subsidiaries, pursuant to Article 114, paragraph 2, of Legislative Decree 58/1998 (TUF / Consolidated Law on Finance), through the gathering of information from the Managers of the competent corporate functions and meetings with the auditing firm, as well as with the Boards of Statutory Auditors of the subsidiaries themselves, for the purpose of reciprocal exchange of relevant facts and figures.
- 14) The Board of Statutory Auditors held meetings with the managers of the auditing firm, also pursuant to Article 150, paragraph 3, of Legislative Decree 58/1998, during which no facts or situations emerged which require highlighting in this report.
- 15) The Board of Statutory Auditors supervised the methods of compliance and actual implementation of the Code of Conduct (currently Corporate Governance Code) and the Code of Ethics & Conduct of ASCOPIAVE S.p.A., pursuant to Article 149, paragraph 1, letter c-bis, of Legislative Decree 58/1998 (TUF / Consolidated Law on Finance).

The Board of Statutory Auditors has taken note of the verification performed by the Board of Directors regarding the independence of the directors, verifying the correct application of the criteria and procedures and assessment adopted. The Board of Statutory Auditors also verified the continuation of the independence of its members, in accordance with the provisions of the Code of Conduct (currently Corporate Governance Code) in force.

- 16) The Board of Statutory Auditors has viewed and obtained information on the organizational and procedural activities performed, pursuant to Legislative Decree no. 231/2001 and Legislative Decree no. 61/2002, concerning the administrative liability of Entities and the responsibility for the crimes envisaged by these regulations. The Supervisory Committee, established by the Board of Directors, has reported to the Board of Statutory Auditors on the activities performed during the 2020 financial year, highlighting the activities to ensure compliance with the legislation in force.
- 17) In compliance with the provisions of "International Accounting Standards - IAS 24" concerning the definition of related parties, it should be noted that these are fully indicated in the paragraph "Relations with related parties", in the chapter "Other comments to the 2020 annual financial report".
- 18) The Director in charge of preparing the accounting and corporate documents has released the declaration required by Article 154-bis of Legislative Decree 58/1998 (TUF / Consolidated Law on Finance), with reference to the separate and consolidated financial statements of ASCOPIAVE S.p.A. closed on 31st December 2020, expressing an overall positive evaluation.
- 19) The Board of Auditors highlights that among the significant events that occurred during the financial year that, following the press release published by Hera S.p.A. on 31st January 2020 in which it was announced that Hera S.p.A. had acquired a 2.5% stake in Ascopiave S.p.A., with a view to strengthening the partnership between the two companies, the Board of Directors of Ascopiave S.p.A. resolved to proceed with the purchase of Hera S.p.A. shares for an amount approximately equal to 0.4% of its share capital.
- 20) The Board of Statutory Auditors highlights, among the significant events that occurred during the year, that:
 - on 7th February 2020, Ascopiave S.p.A. purchased 7,241,661 shares of Acsm Agam S.p.A., a Lombardy Multi-utility operating in the network and environmental services, equal to 3.67% of the share capital. Subsequently, Ascopiave S.p.A. proceeded with further purchases of shares until it held 4.99% of the share capital;
 - on 29th May 2020, the Extraordinary General Meeting of Shareholders resolved to amend art. 3 (Duration) of the Articles of Association, extending the duration of the company from 2030 to 2060.

The Shareholders' Meeting also approved the proposal of the Board of Directors to amend art. 6 (Shares) of the Articles of Association, by inserting a clarification with regard to the mechanism for attributing the increase in voting rights already envisaged by the Articles of Association.

Moreover, the Shareholders' Meeting resolved to introduce, in line with the proposal made by the Board of Directors, a new art. 6-bis of the Articles of Association concerning the introduction of a limit to the exercise of voting rights for shareholders who qualify (or belong to a group in which there is a qualifying subject) as operators in the production and/or distribution and/or transportation and/or purchase and/or sale of natural gas

and/or electricity and/or the energy efficiency sector and/or the water service and/or the network service in general.

Finally, the Shareholders' Meeting resolved to amend Articles 14 and 15 of the Articles of Association, increasing the number of members of the Board of Directors from 6 to 7 and aligning the relevant provisions of the Articles of Association concerning the appointment of the Board of Directors;

- on 18th December 2020 Ascopiave S.p.A. completed its first investment in the integrated water service sector by purchasing 100% of the share capital of Cart Acqua S.r.l.. Cart Acqua S.r.l., as well as operating directly in the water sector, in which it provides technical services, also holds an 18.33% stake in the share capital of Cogeide S.p.A., a company that operates under the safeguard mechanism in the management of the integrated water service in 15 Towns of the Bergamo Province.

Cart Acqua S.r.l generated revenues for technical services to the amount of € 237 thousand in 2019. At the end of the same year, shareholders' equity amounted to € 3.9 million, and the net financial position was positive by € 140 thousand.

The investee company Cogeide S.p.A. serves a catchment area of more than 100 thousand inhabitants, managing approximately 880 km of network, and as of 31st December 2019, it achieved EBITDA of € 4.6 million.

At the same date, shareholders' equity stood at € 25.8 million, compared with net borrowings of € 4.7 million.

The price paid in cash by Ascopiave S.p.A. was equal to € 8.0 million.

- 21) The Board of Statutory Auditors has also received analytical information on the impairment test performed by the auditing firm KPMG Advisory S.p.A. confirming the values of goodwill and some high-value financial assets entered in the balance sheet. The related details have been provided by the Board of Directors in the financial statements and are consistent with international accounting principles and Consob guidelines.

The Board of Statutory Auditors is not aware of other facts or elements that are relevant and / or worthy of being brought to the attention of the Shareholders' Meeting.

In consideration of the above, on the basis of the control activity performed during the year, there are no impediments to the approval of the financial statements on 31st December 2020 and to the proposal of the Board of Directors, with regard to the destination of the result of the fiscal period.

Pieve di Soligo, 31st March 2021

Giovanni Salvaggio – Chairman

Luca Biancolin – Statutory Auditor

Barbara Moro – Statutory Auditor



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Ascopiave SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ascopiave Group (the Group), which comprise the consolidated assets and liabilities statement as of 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Ascopiave SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311



Key Audit Matters

Auditing procedures performed in response to key audit matters

Recoverability of Goodwill
*Note 1 to the consolidated financial statements
"Goodwill"*

As of 31 December 2020, the Ascopiave Group recorded a goodwill amounting to Euro 49,3 million, representing 4% of total assets, partly referred to the major value resulted from the transfer of the gas distribution networks carried out by shareholders and partly referred to the consideration paid at the time of acquisition of some company branches belonging to the business of gas distribution.

We focused on this item of the financial statements since the assessment of the recoverability of the goodwill allocated to the cash generating unit represented by the distribution of gas ("Gas distribution") implies a high degree of evaluation and judgment as it requires Company management to use assumptions and a certain level of discretion in developing the evaluation model.

The valuation of the recoverable amount of the cash generating unit has been carried out by the Company management using the Discounted Cash Flow Method ("DCF"), discounting at a rate representing the cost of capital the operating cash flows generated by cash generating units, as per the 2021-2024 business plan, and the terminal value assessed on the basis of the estimate of a permanent sustainable profitability forecasted on the expected profitability for the year 2024.

In particular, it should be noted that the current sectorial legislation provides that the natural gas distribution service is awarded according to bidding procedures to be carried out with a predefined timing. Since the renewal of the concessions has a certain degree of uncertainty, with reference to the valuation of the cash generating unit "Gas distribution" the Company management assumed two alternative scenarios:

- a) Obtainment of the renewal of all the concessions and assignments in place as at 31 December 2020 in 2024;
- b) Termination of the gas distribution service in

Our audit procedures concerned the recoverability of the goodwill value and were performed by carrying out the following tests:

- We performed an understanding and evaluation of the methodology adopted by the company's management to test the recoverability of the values allocated to the cash generating unit for the distribution of gas ("Gas distribution").
 - Procedures were furthermore carried out in order to obtain audit evidence on the estimation of cash flow projections and on the data included in the business plans for the period 2021-2024, also with reference to the various scenarios assumed for the valuation of the cash generating unit "Gas distribution".
 - Discussions were held with the Company management in order to understand and examine the business strategies and a critical analysis was performed on the most significant assumptions that underlie the new industrial plan, also using sector references and comparisons between the previous years' budgeted and final results.
 - Experts from the PwC network have been involved to conduct a critical examination of the model used and the calculation of the Weighted average cost of capital (WACC) and of the expected long-term growth rate (g) used in the test development.
 - An independent sensitivity analysis was developed on the WACC and g rates applied for the determination of the recoverable values of the cash
-



Key Audit Matters

Auditing procedures performed in response to key audit matters

2024, realizing a reimbursement value of the plants in concession regime pursuant to art.15 of the Legislative Decree n°164/2000.

generating units, recalculating the recovery values through rates that differ by half a percentage point compared to those used.

- We tested the correct determination of the assets and liabilities book value attributed to each cash generating unit, including the allocated goodwill, to compare it with the recoverable amount.
- Finally, the completeness and correctness of the disclosure in the financial statements has been evaluated, taking into consideration the applicable financial statement framework.

Recoverability of the value of the investments in subsidiaries and associated companies

Note 4 to the consolidated financial statements “Equity investments”

As of 31 December 2020, the Ascopiave Group registered shareholdings in associated companies totalling Euro 436.8 million, representing 32% of total assets.

At year-end, in accordance with its internal procedures, the Company management, regardless of the existence of indicators of impairment, deemed it appropriate to carry out the impairment test on all equity investments, comparing their book value with the related recoverable value represented by the higher between the fair value and the use value.

We focused on this item of the financial statements because of the amount involved and because of the evaluation criteria applied by the Company management when applying the equity method.

The evaluation at equity of the associated

Our audit procedures concerned the recoverability of the value of the investments and were performed by carrying out the following tests:

- We performed an understanding and evaluation of the methodology adopted by the Company management to test the recoverability of the investments’ value for the subsidiaries.
- Audit procedures were furthermore carried out in order to obtain audit evidence on the estimation of cash flow projections and on the data included in the business plans for the period 2021-2024 used for each investment,.
- Discussions were held with the Company management in order to



Key Audit Matters

company EstEnergy SpA, pertaining to the gas trade and power sector, was determined by the Company management by referring to the results of the period recorded by the EstEnergy sub-Group also considering the assessments and allocations made following the acquisition, duly updated. Moreover, the Company management carried out an impairment test on the investment by applying the Discounted Cash Flow method (“DCF”), discounting at a rate representing the cost of capital the operating cash flows generated by the company, as per the 2021-2024 business plan, and the terminal value assessed on the basis of the estimate of a permanent sustainable profitability forecasted on the expected profitability for the year 2024.

Pursuant to the applicable accounting principles, the Company management allocated to the investment in the associated company Cogeide SpA, wholly owned by Cart Acqua Srl, the major value arising from the first consolidation of the latter, acquired on 18 December 2020 by the Ascopiave Group. The Company management considered that the purchase value is representative of the fair value at year-end as it derives from a transaction between independent parties.

Auditing procedures performed in response to key audit matters

understand the business strategies and a critical analysis was performed on the most significant assumptions that underlie the new industrial plans, also using sector references and comparisons between the previous years’ budgeted and final results.

- Experts from the PwC network have been involved to conduct a critical examination of the model used and the calculation of the Weighted average cost of capital (WACC) and the expected long-term growth rate (g) used in the test development.
- An independent sensitivity analysis was developed on the WACC and g rates applied for the determination of the recoverable values of the investments, recalculating the recovery values through rates that differ by half a percentage point compared to those used.
- We performed an understanding and evaluation of the equity method applied by the Company management for the evaluation of the investment in the associated company EstEnergy SpA.
- The agreements relating to the acquisition of the subsidiary Cart Acque Srl were examined to ascertain the adequacy of its purchase price.
- Finally, the completeness and correctness of the disclosure in the financial statements has been evaluated, taking into consideration the applicable financial statement framework.



Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Ascopiave SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to



continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 23 April 2015, the shareholders of Ascopiave SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2015 to 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.



Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Ascopiave SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Ascopiave Group as of 31 December 2020, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Ascopiave Group as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Ascopiave Group as of 31 December 2020 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Ascopiave SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement. Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Treviso, 31 March 2021

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of Ascopiave SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ascopiave SpA (the Company), which comprise the assets and liabilities statement as of 31 December 2020, the statement of comprehensive income, statement of changes in shareholders equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters

Auditing procedures performed in response to key audit matters

Recoverability of the value of the investments in subsidiaries and associated companies

Note 3 to the financial statements "Equity investments"

As of 31 December 2020 Ascopiave SpA recorded shareholdings in subsidiaries and associated companies totalling Euro 1,003 million, representing 84% of total assets.

At year-end, in accordance with its internal procedures, the Company management, regardless of the existence of possible impairment indicators, deemed it appropriate to carry out the impairment test on all equity investments, comparing the book value of the latter with the related recoverable value, represented by the higher between the fair value and the use value.

We focused on this item of the financial statements since the assessment of the recoverability of such investments' value recorded in the financial statements implies a high degree of evaluation and judgment as it requires Company management to use assumptions and a certain level of discretion in developing the evaluation model.

The evaluation of the recoverable amount of the investments in subsidiaries has been carried out by the Company management using the discounted cash flow method ("DCF"), that is discounting at a rate representing the cost of capital the operating cash flows generated by the companies, as per the 2021-2024 business plan for each investee company, and the terminal value assessed on the basis of the estimate of a permanent sustainable profitability forecasted on the expected profitability for the year 2024.

In this respect, it should be noted that the current sectorial legislation provides that the natural gas distribution service is awarded according to bidding procedures to be carried out with a predefined timing. Since the renewal of the concessions has a certain degree of uncertainty, with reference to the valuation of companies

Our audit procedures concerned the recoverability of the value of the investments in subsidiaries and associated companies and were performed by carrying out the following tests:

- We performed an understanding and evaluation of the methodology adopted by the company's management to test the recoverability of the investments' value for the subsidiaries belonging to the gas distribution and other activities.
- Audit procedures were furthermore carried out in order to obtain audit evidence on the estimation of cash flow projections and on the data included in the business plans for the period 2021-2024 used for each investment, also with reference to the various scenarios assumed for the valuation of those belonging to the gas distribution sector.
- Discussions were held with the Company management in order to understand the business strategies and a critical analysis was performed on the most significant assumptions that underlie the new industrial plans, also using sector references and comparisons between the previous years' budgeted and final results.
- Experts from the PwC network have been involved to conduct a critical examination of the model used and the calculation of the Weighted average cost of capital (WACC) and the expected long-term growth rate



Key Audit Matters	Auditing procedures performed in response to key audit matters
<p>belonging to the gas distribution sector, such as AP Reti Gas SpA, AP Reti Gas Rovigo Srl, Edigas Esercizio Distribuzione Gas SpA, AP Reti Gas Nord Est Srl and AP Reti Gas Vicenza SpA, the management assumed two alternative scenarios:</p> <p>a) Obtainment of the renewal of all the concessions and assignments in place as at 31 December 2020 in 2024;</p> <p>b) Termination of the gas distribution service in 2024, realizing a reimbursement value of the plants in concession regime pursuant to art.15 of the Legislative Decree n°164/2000.</p> <p>On 18 December 2020 Ascopiave SpA acquired a controlling interest in Cart Acqua Srl; the Company management considered that the purchase value is representative of the fair value at year-end as it derives from a transaction between independent parties.</p> <p>With reference to the associated company EstEnergy SpA belonging to the gas and power trade sector, the Company management recorded the investment at cost pursuant to the applicable accounting principles. The Company management assessed the recoverability of the item by means of an impairment test based on the Discounted Cash Flow method, discounting at a rate representing the cost of capital the operating cash flows generated by the company, as envisaged by the 2021-2024 business plan, and the terminal value determined on the estimated permanent sustainable profitability based on the FY 2024 expected profitability.</p>	<p>(g) used in the test development.</p> <ul style="list-style-type: none"> - An independent sensitivity analysis was developed on the WACC and g rates applied for the determination of the recoverable values of the investments, recalculating the recovery values through rates that differ by half a percentage point compared to those used. - The agreements relating to the acquisition of the subsidiary Cart Acque Srl were examined to ascertain the adequacy of the price. - Finally, the completeness and correctness of the disclosure in the financial statements has been evaluated, taking into consideration the applicable financial statement framework.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and



significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 23 April 2015, the shareholders of Ascopiave SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2015 to 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Ascopiave SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Ascopiave SpA as of 31 December 2020, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Ascopiave SpA as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Ascopiave SpA as of 31 December 2020 and are prepared in compliance with the law.



With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Treviso, 31 March 2021

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers



ASCOPIAVE SPA

**INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED
NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,
PARAGRAPH 10, OF LEGISLATIVE DECREE NO. 254/2016 AND
ARTICLE 5 OF CONSOB REGULATION NO. 20267 OF JANUARY
2018**

YEAR ENDED 31 DECEMBER 2020



Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018

To the Board of Directors of Ascopiave SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have undertaken a limited assurance engagement on the consolidated non-financial statement of Ascopiave SpA and its subsidiaries (the "Group") for the year ended 31 December 2020 prepared in accordance with article 4 of the Decree, presented in the specific section of the Report on Operations, and approved by the Board of Directors on 11 March 2021 (the "NFS").

Responsibilities of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree, with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016, and updated to 2019, by the GRI - Global Reporting Initiative (the "GRI Standards") and, limited to some indicators, with the "G4 Sector Disclosure – Electric Utilities" defined in 2013 (hereafter "G4 Sector Disclosure"), indicated at paragraph "Comment on the methods adopted" of the NFS, identified by them as reporting standards.

The Directors are also responsible, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

PricewaterhouseCoopers SpA

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Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree, with the GRI Standards and, limited to some indicators, with the G4 Sector Disclosure. We conducted our work in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (“ISAE 3000 Revised”), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In detail, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standard adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with the information reported in the Group's consolidated financial statements;
4. understanding of the following matters:
 - business and organisational model of the Group with reference to the management of the matters specified by article 3 of the Decree;
 - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
 - key risks generated or faced by the Group with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;



5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.

In detail, we held meetings and interviews with the management of Ascopiave SpA and with the personnel of AP Reti Gas SpA, and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at holding level:
 - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify its consistency with available evidence;
 - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the following companies, Ascopiave SpA and AP Reti Gas SpA, which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out meetings and interviews during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Ascopiave Group as of 31 December 2020 has not been prepared, in all material respects, in accordance with articles 3 and 4 of the Decree, with the GRI Standards and, limited to some indicators, with the “G4 Sector Disclosure – Electric Utilities”.

Treviso, 31 March 2021

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(Partner)

Signed by

Paolo Bersani
(Authorised signatory)

This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2020 translation.

Ascopiave Group

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