

SUPPLIERS



CONSOLIDATED EXTERNAL COSTS

In 2020, the Group's **consolidated external costs** totalled about **€ 1.99 billion** (+2.6% compared to 2019). This change was due to the effects of opposing trends, including, on the one hand, the reduction in costs for the purchase and transport of energy component, and the increase in certain procurement costs brought about by the change in the scope of consolidation.

Procurement of goods, services and works related to the Group Companies subject to reporting are managed centrally by the **Purchases and Logistics Function** of the Parent Company, with the exception of Gori, AdF and Gesesa, which independently manage their business⁶⁷. The **total value** recorded in 2020, also including the amounts of the water companies that are not centrally managed, came to **over € 1.2 billion**, a slight drop compared to the previous year (over € 1.3 billion, including Gesesa and Gori)⁶⁸. Regarding the centrally-managed companies, the value of 2020 procurement was approximately € 1.1 billion in 2020, compared to the € 1.2 billion in 2019.

PROCUREMENT POLICIES

The Purchases and Logistics Function defines **policies and guidelines** and manages as a service the procurement of goods, services and works required by the Holding Functions and the main Group Companies. To perform its duties, it **values the technical skills of the buyers**, handles the **requests of "internal customers"** (Functions/Companies in the Group) and develops a **transparent relationship with suppliers**.

The Function also oversees the centralized management of

the Group's **materials, logistics and warehouses**, managing the **operations of the central warehouse** and the **local warehouses** to serve operating staff in the field. In 2020, the project for the **expansion of the S. Palomba Logistics Hub** was completed and a **new warehouse** was constructed, which increased the **storage capacity by an additional 5,000 m² on the ground and 2,100 pallet racks** and where the Company Acea Elabori built a **measurement laboratory to check water meters**, which is currently being tested.

The same year saw the **supply of new-generation electricity meters**, whose logistics flows are entirely managed through the use of **palmtops, which track their movement** between the Company's own internal warehouses and the external warehouses of its contractors.

DEALINGS WITH SUPPLIERS AND PROCUREMENT MANAGEMENT

The **Acea Code of Ethics** recalls the reference principles⁶⁹ that should guide **relations between Acea**, as a contracting authority and its suppliers (contractors and subcontractors):

- compliance with **rules and procedures**, including processes of due diligence aimed at assessing any **risks of corruption**;
- the principles of **transparency** and **protection of competition**;
- principles of **good faith, loyalty, professional propriety**;
- **promotion of ethical and sustainability aspects**, such as respect for the protection and safety conditions of workers, the quality of goods and services, respect for the environment and the pursuit of energy savings.

Suppliers issue a **declaration of acceptance and commitment to comply with the prescriptions contained in the Code of Ethics**, attached to the documents produced for participation in tender procedures for the awarding of works, goods and services. Any violation of the principles contained therein revealed by audits will result in the **exclusion from the tender or cancellation of the award**.

⁶⁷ For the NFD scope, see *Disclosing sustainability: methodological note*.

⁶⁸ It should be noted that the value of orders for Gori and Gesesa in 2019 came to a total of € 156 million (€ 144 million attributable to Gori, according to data adjusted after consolidation, and € 12 million attributable to Gesesa). In 2020, the total amount of orders for Gori, Gesesa and AdF, included for the first time in this reporting cycle, was € 177 million (about € 60 million for AdF, about € 101 million for Gori and about € 16 million for Gesesa).

⁶⁹ The *Acea Code of Ethics*, approved by the Board of Directors, is shared on the Company intranet and is available online at www.gruppo.aceait, "Governance" section. The Code devotes article 15 to suppliers, as well as numerous other references in the text. Particular attention is paid to social safeguards in higher-risk contexts: "In supply contracts with at-risk countries, defined as such by recognised organizations, contractual clauses have been introduced that involve: compliance of the supplier with specific social obligations (e.g. measures that guarantee employees respect for their fundamental rights, the principles of equal treatment and non-discrimination, protection against child labour)" (Code of Ethics, art. 15.2).

Acea mainly uses tenders⁷⁰ to identify suppliers, adopting transparency criteria: during 2020, **76% of procurements, managed centrally⁷¹, were assigned through a tender procedure**, a figure that is slightly down on 2019 (81%).

For centrally-managed Group companies, the Purchases and Logistics Function has **published on the website⁷²** – “Supplier” Area – **the documentation relating to purchases** regulated by the *Public Procurement Code*⁷³. **Operators who are interested in participating in tenders** can **freely access the portal of the Qualification Systems** and the portal for **participation in online calls for tenders**. The **web portal** is based on the same operational procedure as traditional tenders: it checks the adequacy of the supporting document, acknowledges possession of the el-

igibility requirements, discloses the bids and displays the ranking.

The Administration, Finance and Control Function **monitors the payment times of suppliers**. In 2020, for companies in the scope⁷⁴, the average delay of payments made was 42 days⁷⁵. The same figure, if weighted based on the amounts, decreases to approximately 23 days⁷⁶. This occurred for about 35% of the value of payments made during the year, while the **percentage of amounts paid on a regular basis was 65%, an improvement** compared to the 57% recorded in 2019.

Disputes⁷⁷ between the Company and suppliers mainly concern litigation due to failure to pay invoices and legal action concerning tender contracts.

COLLABORATION BETWEEN THE PARTIES FOR THE PROTECTION OF EMPLOYMENT AND MEASURES TO COMBAT COVID-19

The Joint Committee, set up by virtue of the **Protocol on Water Tender Contracts** between Acea SpA, Acea Ato 2, the Trade Unions and the Trade Federations, in recent years, by means of collaborative discussions, facilitated the transparency of information and reduced the number of critical issues regarding the safety and organisation of the work of contractor Company personnel. In an agreement with the Parties, Acea also confirmed its commitment to promote the **employment protection of workers**, combating forms of undocumented work or labour that does not comply with the applicable collective bargaining agreements. From 2019, in fact, the Labour-Management Relations Unit contributed to the drafting and application of the **social clause**, to safeguard employment levels **in the event of a change of contract**, for both water contracts and those for the electrical and water contact centre, guaranteeing the **transfer of staff from the outgoing companies to the incoming companies**, without repercussions in terms of employment.

The signing of the Protocol, shared for the regulation of Covid-19 containment and prevention measures in Water Tender Contracts,

on **19 June 2020** was particularly important. The Parties constituted an **“Advisory Committee for the analysis and proposal of improvement actions for safety in construction sites”** pursuant to the provisions of the “shared protocol for the regulation of measures for the prevention and containment of the spread of the Covid-19 virus in workplaces”.

The Committee was composed of the Head of the Acea Ato 2 Procedure, the Head of Labour-Management Relations of the Acea Group, Employers of the Contracting Companies and their Representatives and RSPP, Territorial RLS and RLS and RSA of the Companies and by a representative from the territorial Trade Union Organisations Feneal-UIL, Filca-CISL, Fillea-CGIL.

The **duration of the Protocol depends on the permanency of the risk of contagion** from Covid-19 defined by the Authorities and the Relevant Bodies. Pursuant to the provision contained herein, the Committee carried out **systematic meetings on a weekly basis throughout 2020**. The meetings will continue also in the future, when necessary, and at least monthly.

DISPUTES WITH SUPPLIERS IN 2020

With regard to **non-payment of invoices** for supplies of goods, services and works, there has been a decrease in the number of disputes that have arisen: **12 in 2020** (compared to 22 in 2019). These are injunctions concerning invoices that were not paid for reasons of a formal nature and are quickly resolved by settlement proceedings.

With regard to the remaining litigation relating to **procurement contracts**, which mainly concerns the registering of reserves by contractors, contract terminations and compensation for damages, in **2020 8 legal actions** were initiated, with a decrease in the number of disputes (20 in 2019).

We point out, moreover, that **15 disputes were lodged for administrative reasons** (23 in the previous year) on the matter of **calls to tender**.

As at 31 December 2020, the **total number of disputes pending with suppliers** (including disputes initiated in previous years) **amounted to 137**, an increase compared to 2019, when there were 112 disputes, due to the scope of reporting being smaller.

The dispute situation outlined above was affected by the overall slowdown imposed on activities, including those of a legal nature.

⁷⁰ Acea issues tender procedures for the procurement of works, goods and services in compliance with current legislation (Legislative Decree no. 50/2016), with reference to the ordinary and special water and energy sectors. In particular, for tenders in special areas involving amounts below the EU threshold, Acea applies Internal Regulations consistent with the principles of the EU Treaty for the protection of competition. Finally, for tenders that do not fall within the scope of application of the *Code on public contracts* (so-called “extraneous or private law”), selection procedures are used which comply with the principles of free competition, equal treatment, non-discrimination, transparency and proportionality.

⁷¹ Equivalent to 86% of overall volumes, including companies that are not centrally managed.

⁷² In compliance with what is required by the National Anti-corruption Authority (ANAC) and envisaged by the so-called “Anti-corruption Law” (Law 190/2012).

⁷³ Legislative Decree no. 50 of 18 April 2016 and subsequent amendments and additions. *Code of Public Contracts*.

⁷⁴ The 2020 analysis produced by Administration, Finance and Control also included the companies Gori, AdF and Gesesa, which have provided data even through they are not managed at the centralised level. Apart from the data of these three companies, in direct comparison to 2019 performance, 2020 performance would have been an average delay of 42.5 days and a weighted average delay of 22 days, and 67% of amounts paid on time.

⁷⁵ The calculation of the data is the result of the simple average of the difference between the expiry date of the bill in the system and the date of actual payment.

⁷⁶ The calculation of the figure is the result of the average of the difference between the expiry date of the bill in the system and the date of actual payment weighted according to the amount of the bills.

⁷⁷ The figures for the 2020 dispute refer to all the Companies within the NFD scope (see *Disclosing Sustainability: Methodological Note*).

SUSTAINABILITY CRITERIA IN TENDERS

In 2020, for the Group Companies under analysis, including the three companies in the water segment that are not managed centrally, **over 6,500 orders/contracts** were processed, for a total of **more than 2,500 suppliers** involved (please see the *Order Analysis* below). Within the centralised management of tenders, which covers 86% of the total value of procurement within the 2020 scope of consolidation, amounting to around 3,000 orders/contracts managed, as a **requirement for participation**, for **100% of tenders for the award of works contracts** and for numerous contracts for the purchase of goods and services, Acea requires **UNI EN ISO 9001 quality management system and the UNI ISO 45001:2018 occupational health and safety certifications**. Furthermore, for **the 149 product categories subject to tender** and relating to the purchase of goods, services or works, **evaluation criteria of the technical offer based on the following systems are included during the tender process, when applicable: UNI EN 14001 – UNI CEI 50001 – ISO 37001 – FSC Chain of Custody**.

In 2020, these criteria were included in **potentially eligible tenders, awarded on the basis of the most competitive bid criterion** (57 eligible tenders out of a total of 102 tenders awarded with OEPV, equal to 56%). Specifically, for some tenders for water, electrical and civil engineering works awarded with the method indicated, **rewarding criteria** were also included regarding the use of **ecological vehicles, additional training of workers in the area of safety**, and the possession of **certifications** (where not already participation requirements) in the following areas: **environment, health/safety, energy efficiency, the use of environmentally sustainable materials and corruption**. Furthermore, sustainability criteria on materials, such as recycling, reuse and the reparability index, were also added to the Technical Specifications for Group Company procurement.

Out of the companies that are not managed centrally, Gesesa also required UNI EN ISO 9001, UNI EN ISO 50001 and UNI ISO 45001 certification as a requirement for an **electromechanical tender**. In May 2020, **the first tender** under the Procurement Code **dedicated to innovative start-ups and SMEs** registered on Acea's registers for innovative Start-ups and SMEs was launched, specifically in the "Robotics" and "Digital Infrastructure" categories. The tender included a technical proof-of-concept trial as part of the awarding of the contract, in order to test the effectiveness of the solutions proposed by the participants.

With attention to the "green" criteria in procurement practices, in its tender documents Acea includes as binding parameters or rewards the regulatory references to the **Minimum Environmental Criteria (MEC)** adopted by Decree of the Ministry for the Environment, Protection of Land and Sea⁷⁸. In 2020, the reference to CAMS was applied in tenders related to the rental services for **generators, ordinary and extraordinary maintenance contracts for lifting systems, the purchase of computers and printer cartridges**, thus expanding the product categories already covered by the CAMS in the event of a tender (such as paper, office furnishings, public lighting – supply and design of LED lighting fixtures – work clothes, cleaning of buildings, maintenance of green areas, vehicles), and confirming, also for the year in question, the application of **9 CAMs out of the 10 applicable to the Group's supply types**.

It should also be noted that, as part of its circular procurement approach, Gesesa has focused heavily on **recycling the material used** at the end of its life, as part of a project to revamp the Santa Lucia purification plant, which was carried out in 2020. Other projects will be carried out in 2021, implementing the same approach.

ANALYSIS OF PROCUREMENTS AND THE SUPPLY CHAIN

SCOPE

The information and data presented in the paragraph in an aggregated manner, for 2020 data, concern all companies included in the scope – please see *Disclosing Sustainability: Methodological Note* – including the three companies operating in the water sector, Gesesa, Gori and AdF, which are not managed centrally, whose data, where available, have been aggregated for ease of comparison with 2019 data. The two-year period was also illustrated according to the new division by business areas, which come into place in 2020. Some more detailed data related to the 2019 supply chain analysis, and for which full aggregation could not be performed, instead refer only to the centrally-managed scope (accounting for 88% of the 2019 order value). This is specified in the text.

2020 tenders for the supply of **goods**, the performance of **services** and the completion of **works**, as indicated above, were managed centrally by the Holding Company for all Companies subject to analysis, with the exception of Gesesa, Gori and AdF, although **the aggregate data for the year are presented here**. As initially mentioned, **contracts awarded** had a **comprehensive financial value** of over **€ 1.2 billion**⁷⁹, down slightly down from the aggregate figure

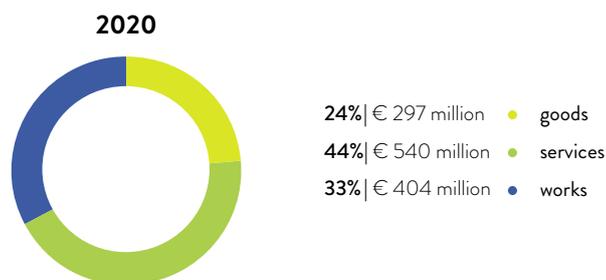
for 2019 (around € 1.3 billion). In absolute terms, the largest reduction in amounts compared to the previous year was recorded for goods (-36%), while services and works increased by 4% and 7% respectively (see table no. 36).

By analysing **the value of procurement** for the **macro-areas of business**, reorganised in accordance with the new macro-structure – Network Operations (electricity grids), Generation,

⁷⁸ From the website www.minambiente.it: "Minimum Environmental Criteria (CAM) are the environmental requirements defined for the various phases of the purchasing process, aimed at identifying the best design solution, product or service from an environmental point of view throughout the life cycle, taking into account market availability. [...] Their systematic and uniform application makes it possible to spread environmental technologies and environmentally preferable products".

⁷⁹ The amount of purchases managed at the centralised level refers to tenders awarded during the year, without any distinction between investments and operating cost, annual and multi-annual contracts. Purchases of commodities, regularisation orders and inter-Company orders are excluded. The figures for the three water companies that are not centrally managed, for a total of € 156 million, do include all purchase types.

CHART NO. 31 – VALUE OF PROCUREMENT OF GOODS, SERVICES AND WORKS AND PERCENTAGE ON TOTAL (2020)



NOTE Figures are rounded off to the nearest unit.

Commercial, Water Operations, Engineering Operations, Environment Operations (waste-to-energy and environmental services) and Corporate (Acea SpA) – we find a general **decrease** in the **overall numbers**, which correlate with the decrease in the “goods and services” item in particular, regarding

the **Generation, Commercial, Corporate, Environmental Operations** areas, and to a greater extent **Network Operations**. On the other hand, there was an **increase** in procurement for the **Water** and **Engineering segments** (please see chart no. 32 and table no. 36).

CHART NO. 32 – ORDERS (GOODS, SERVICES, WORKS) BY BUSINESS AREA (2019-2020)



NOTE Figures are rounded off to the nearest unit and the 2019 figures, to which the figures for Gesesa and Gori were also added, were reclassified according to the new macro organisational structure introduced in 2020, to facilitate the comparison of the two years. The **Network Operations** Department includes the Company Areti, the **Generation** Department includes companies Acea Produzione, Ecogena and, from 2020, all the FTV companies borne by Acea Sun Capital. Included in **Commercial** are: Acea Energia, Acea8cento (until July 2020) and, from 2020, Acea Innovation. The **Water Operations** Department includes the companies: Acea Ato 2, Acea Ato 5, Gori, Gesesa and, from 2020, also AdF. The **Engineering Operations** Department includes Acea Elabori. **Environment Operations** includes: Acea Ambiente, Aquaser and, from 2020, Acque industriali. Present in the **Corporate** segment is only Acea SpA.

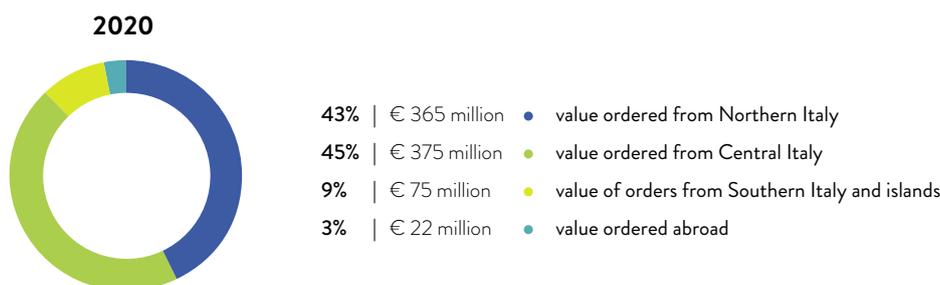
The Group Companies included in the scope of consolidation, as mentioned previously, made a total of **6,552 Purchase Orders** during the year, involving **2,529 suppliers**. The figures are not directly comparable with those of the previous year⁸⁰, due to the expansion of the scope of consolidation and, specifically, to the entry of AdF which, alone, accounted for over 1,700 orders/contracts and about 400 suppliers during the year. Taking **only centralized data** into consideration, in **2020 around 3,000 orders/contracts were managed**, compared with the more than 2,800 in 2019, indicating an increase that is reflected in the number of suppliers, which increased from 1,462 to 1,573.

The **geographical distribution of suppliers** for the year in question was relatively balanced, with **33% in the macro-area of northern Italy, 45% in central Italy**, of which 30% in Lazio and **20% in southern Italy and the islands**⁸¹, with the remainder abroad, at 2%. The **geographical distribution of the value of procurements among the macro-regions**, in terms of percentage of the total amounts (837 million for goods and services and 404 million for works), was more concentrated in northern and central Italy, which account for 89% of “goods and services” and 81% of “works”. During the year, 30% of the value of “goods and services” and **44% of the value of “works”** were concentrated in **Lazio** (charts nos. 33 and 34 and table no. 37).

⁸⁰ To obtain a comparison, if one removes the 2020 orders/contracts data for the AdF contribution (1,735 orders/contracts), the largest in the new scope, a total of 4,817 orders/contracts is obtained, and this can be compared with the 2019 figure, which includes the contribution from Gori and Gesesa (1,068 orders/contracts for Gori and 756 for Gesesa), and comes to 4,667, with evidence of a slight increase. Similarly, by removing the 2020 figure for the number of suppliers from AdF’s contribution (421 suppliers), one obtains a total of 2,103 suppliers which, when compared to the 2019 figure of 2,062, including Gori and Gesesa (414 and 186 suppliers, respectively), it would mirror the slight increase.

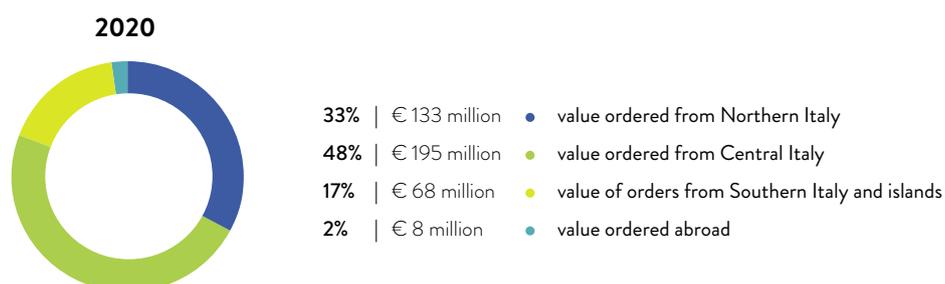
⁸¹ For the 2019 figures managed at the centralised level, equivalent to 88% of the supply, supplier distribution was equivalent to 33% in northern Italy, 57% in central Italy and 8% in southern Italy and the islands, although this is not directly comparable with 2020.

CHART NO. 33 – GEOGRAPHICAL DISTRIBUTION OF THE AMOUNTS USED FOR THE PURCHASE OF GOODS AND SERVICES IN ITALY AND ABROAD (2020)



NOTE Figures are rounded off to the nearest unit.

CHART NO. 34 – GEOGRAPHICAL DISTRIBUTION OF THE AMOUNTS OF WORKS AWARDED IN ITALY AND ABROAD (2020)



NOTE Figures are rounded off to the nearest unit.

The macro-data for 2020 procurement presented in table no. 36 relate to all the companies within the scope of consolidation, including Gori, Gesesa and AdF, which are not centrally managed by the Holding Company. In order to facilitate comparison between the two-year period, 2019 data were integrated with the data for Gori and Gesesa (in the 2019 NFD scope) and broken down according to the new division of business areas,

which came into place in 2020. The regarding 2020 procurement nationwide, shown in table no. 37, also refer to all the Companies within the scope however, unlike the previous table, 2019 data have not been combined with the data of Gori and Gesesa and therefore refer only to the centrally-managed scope (amounting to 88% of total procurement during the year in question).

TABLE NO. 36 – PROCUREMENT NATIONWIDE (2019-2020)

	u. m.	2019 ^(*)	2020	Δ % 2020/2019
VALUE OF CONTRACTS				
goods	million €	461	297	-36
services	million €	518	540	4
works	million €	378	404	7
total	million €	1,357	1,241	-9
GOODS, SERVICES AND WORKS AS A PERCENTAGE OF TOTAL ORDERS				
goods	%	34	24	-30
services	%	38	44	15
works	%	28	33	16
VALUE OF ORDERS BY BUSINESS AREA ^(**)				
Network Operations	million €	344	212	-38
Generation	million €	36	28	-21
Commercial	million €	94	86	-9
Water operations	million €	596	633	6
Engineering Operations	million €	19	37	95

TABLE NO. 36 – PROCUREMENT NATIONWIDE (2019-2020) (continued)

Environment Operations	million €	103	82	-20
Corporate	million €	166	162	-2

NUMBER OF PURCHASE ORDERS MANAGED

POs for goods, services and works	no.	4,667	6,552	40
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(*) In 2019, figures for Gori and Gesesa were also included; the comparability of data from 2020 and 2019 was only affected by the wider scope of DNF 2020, mainly impacted by the entry of AdF (that accounts for around 60 million procurements and 1,735 POs, for example).

(**) The distinction by business area reflects the new macrostructure which came into force in 2020; to ensure comparison of the general figures of the procurements, the 2019 figures were reclassified according to the same subdivision of the areas.

NOTE All the figures in the table are rounded off to the nearest unit.

TABLE NO. 37 – PROCUREMENT NATIONWIDE (2019-2020)

	u. m.	2019 (*)	as % of total/year	2020	as % of total/year
NUMBER OF SUPPLIERS OF GOODS, SERVICES AND WORKS NATIONWIDE					
suppliers north Italy	no.	484	33%	819	33%
suppliers central Italy	no.	836	57%	1147	45%
suppliers Lazio	no.	654	45%	757	30%
suppliers south Italy and islands	no.	110	8%	516	20%
foreign suppliers	no.	32	2%	47	2%
total suppliers	no.	1,462	100%	2,529	100%
GEOGRAPHICAL BREAKDOWN OF AMOUNTS FOR GOODS AND SERVICES					
value ordered from Northern Italy	million €	287	33%	365	43%
value ordered from Central Italy	million €	505	57%	375	45%
value ordered from Lazio	million €	385	44%	252	30%
value of orders from southern Italy and islands	million €	53	6%	75	9%
value ordered abroad	million €	33	4%	22	3%
total value of orders for goods and services	million €	878	100%	837	100%
GEOGRAPHICAL BREAKDOWN OF AMOUNTS FOR WORKS					
value ordered from Northern Italy	million €	49	15%	133	33%
value ordered from Central Italy	million €	249	77%	195	48%
value ordered from Lazio	million €	242	75%	177	44%
value of orders from southern Italy and islands	million €	25	8%	68	17%
value ordered abroad	million €	0	0%	8	2%
total ordered for works	million €	323	100%	404	100%

(*) The 2019 figures do not include Gori and Gesesa (for a total of € 156 million), for which all the information represented in the table was not available, and therefore cannot be directly compared with the 2020 column, that comprises all the companies within the scope of DNF 2020 (see *Communicate sustainability: methodological note*).

NOTE All the figures in the table are rounded off to the nearest unit. The “northern Italy” geographical area includes Valle d’Aosta, Piedmont, Lombardy, Veneto, Trentino-Alto Adige, Friuli Venezia Giulia, Emilia-Romagna and Liguria; “central Italy” includes Tuscany, Umbria, Marche, Lazio, Abruzzo and Molise; “southern Italy and islands” includes Campania, Basilicata, Apulia, Calabria, Sicily and Sardinia. The geographical area “abroad” includes suppliers that are mainly European.

SUSTAINABILITY IN THE SELECTION AND ASSESSMENT OF SUPPLIERS: FROM QUALIFICATION TO ONGOING CONTRACTS

Various **systems for qualifying suppliers of works, goods and services** are active in Acea in observance of principles of competition and equal treatment.

The **Supplier Qualification Unit**:

- coordinates working groups to identify the **qualification requirements**;
- draws up the **Qualification Regulations**;
- establishes **Qualification Systems** of European significance⁸² and **Supplier Lists** for so-called “below threshold” or private contracts.

During the year, the product tree shared among the centrally-managed Group Companies⁸³ included **537 product groups** and, as at 31 December 2020, the responsible Unit had managed **147 qualification Lists/Systems**.

Companies can access a portal for qualification via Acea’s corporate website (www.gruppo.aceait, “Suppliers” section), which is integrated with the supplier database, and enter directly **online applications for registration in the Qualification Systems/Lists** related to the product groups of interest. The designated Unit examines them, **verifying that they meet the requirements and managing communications with the supplier**. During 2020, a **total of 798 applications for registration** in the **Qualification Systems/Lists** were **processed** (+14% compared to the 700 applications in 2019), amounting to **616 successful applications** in total. Specifically:

- **164** qualification applications processed for “works” Qualification Systems;
- **452** qualification applications processed for Qualification Systems/Suppliers’ Lists for “goods and services”.

In June 2020, the Acea Group’s new purchasing portal was launched, “Jagger-one”; to this end, during the first half of the year, the modules for the **integrated management of tenders, supplier data and qualification** were designed and developed, which were preparatory activities for the **implementation of the Group’s Vendor Rating**, which was launched in the last quarter of the year and shown below in the relevant box.

The **qualification requirements** requested of suppliers to register on the Qualification System are “**standard**” – these include **requirements of a moral nature envisaged by the laws in force** in the sector – and “**specific**”, i.e. they refer to the product group or groups included in each Supplier List.

Among the specific requirements, in some cases **Acea requires its potential suppliers** to have **certain Authorisations and/or certifications**:

- **UNI EN ISO 9001 certification** (binding requirement for all the “works” product groups and for almost all the “goods and services” Qualification Systems);
- **UNI EN ISO 14001 certification** (for inclusion in Qualification Systems for special non-hazardous waste, cleaning services, armed surveillance service and concierge/reception);
- **Registration with the National Environmental Operators’ Register** or authorisation to manage a plant for the recovery/disposal of waste (for inclusion in Waste Management Systems);

- **OHSAS 18001/UNI ISO 45001 certification** (for inclusion in the Qualification System for the electro-mechanical maintenance of industrial plants and cleaning services);
- **UNI EN 15838:2010 certification** (for inclusion in the “Call Centre and Back Office” Qualification System);
- **SA8000 certification** (for inclusion in the “Cleaning services” Qualification System);
- **UNI 10891 certification** (for inclusion in the “Armed surveillance service and concierge/reception” Qualification System).

For admission to the Qualification Systems of Community-wide significance, **companies wishing to qualify must declare their availability to undergo an audit at the administrative head office**, aimed at assessing the truthfulness and adequacy of the documentation provided, **and at the operating plants** or product warehouses, in order to assess the implementation and application of the active management systems.

The **assessment of suppliers** involves different types of controls that are implemented **depending on the List and the different “statuses” that the supplier acquires** with respect to Acea:

- **during the qualification phase**;
- **qualified**;
- **qualified with contract in progress**.

In order to be able to register for the Qualification Systems relating to the Single Regulations for Goods and Services and Works which, for 2020, were **110 out of 147 total Qualification Systems/Lists** (“qualification phase”), on the Vendor Management platform suppliers must complete a **self-assessment questionnaire on the Quality, Environment, Safety, Energy and Social Responsibility management systems** that are considered **important for sustainability**.

In 2020, **363 suppliers completed the self-assessment questionnaire** (245 for goods and services and 118 for works), a **5% increase** compared to the 345 of 2019. They represent over **83% of the total number of qualified suppliers in the year** (equal to 438)⁸⁴.

As mentioned above, the **platform was updated** during the year and only part of the questionnaires received could be tracked by the online system, which is why the precise results of the analysis are not shown here. During 2020, the Manage Systems Unit commissioned **60 Desktop Audits** from a specialised Company to verify the compliance of the declarations made by suppliers in the self-assessment questionnaire, which was completed during the qualification phase.

Furthermore, in continuity with a practice that has been consolidated for several years, **Purchasing and Logistics**, in synergy with the Sustainability Planning & Reporting Unit, sent a panel of **79 Group suppliers** (117 in 2019) an **in-depth questionnaire** to assess their commitment on **environmental issues**, with a particular focus on energy consumption. **37 companies responded to the questionnaire in full** and the results of the survey are shown in the **Relations with the environment** section, in the chapter on **The Use of Materials, Energy and Water** (Energy consumption paragraph), to which reference is made.

⁸² Pursuant to article 134 of Legislative Decree no. 50/2016 as amended.

⁸³ Therefore, all companies within the NFD scope, as per the Methodological Note, with the exception of Gesesa, Gori and AdF, the latter falling within the scope as of this reporting cycle.

⁸⁴ The number of qualified suppliers does not coincide with the 616 successfully processed applications for registration in Qualification Systems, as suppliers can also register in more than one Qualification System.

AdF also applies **preferential sustainability criteria**, where relevant, when **registering operators on the Suppliers List** and when qualifying them in one or more of the product categories contained within it. For example, by requesting ISO 14001:2015 certification from operators applying for qualification in the product category: drain

cleaning services – waste disposal. Furthermore, AdF launched the **Circular Economy Protocol** in 2020, aiming to **protect local suppliers and enhance the quality and socio-environmental sustainability of the supply chain**, which was **drafted with the involvement of stakeholders** (please see the box for more details).

ADF'S CIRCULAR ECONOMY PROTOCOL RECEIVED A SPECIAL MENTION AT COMPRVERDE 2020

The Company AdF, that operates in the management of SII in OTA 6 Ombrone, in Tuscany (in particular in the provinces of Grosseto and Siena), created, with the objective to support development in the area of reference and increase the sustainable performance of said area, the **Circular Economy Protocol**, entrusting part of the goods, services and works, not subject to Procurement Code provisions, to less local economic operators. To that end, AdF implemented a Qualification System suitably dedicated to the “non core business” contracts, creating an “*ad hoc* Register”, available online from November, and accessible only to local businesses.

The companies interested in enrolling should meet the requirements of quality, price and reliability, and also **share the same ethic on innovating procedures and committing to reducing environmental and social risks and impact**, and committing to a transparent and responsible work relationship. In the assessment of services, social and environmental responsibility will also be considered and the suppliers will be subject to assessment on these aspects. To enrol on the register, in addition to stating that you are compliant with the corporate principles of the *Code of Ethics* and the MOG 231/2001, there are also “**incentivising criteria**”, such as, for example, the hiring of personnel belonging to “protected categories” as well as regulatory provisions, good safety practices on work sites, as well as regulatory compliance, vehicles with low environmental impact, etc. The number of incentivising criteria included, as specified in the Circular Economy Regulations adopted by AdF, and which can be viewed at www.fiora.it, is relative to the bracket required.

The supply procedure will continue to be based on principles of free competition, equal treatment, non-discrimination, transparency, economy, correctness, health and safety, inclusion and diversity and social security compliance. In that view, AdF has focussed attention also on the issue of financial support to its suppliers, who may have difficulty finding resources, by signing two **Agreements with local credit institutions**, to offer **low-interest financial facilities to companies that enrol in the AdF registers on circular economy**.

The initiative was well received and, though the *ad hoc* Register was only online from November, 29 suppliers had already enrolled by 31.12.2020. The Protocol is the result of activities of **sharing and comparison between AdF and its stakeholders**, including the institutions and local actors, such as Tuscany Region and local bodies, AIT, ARERA, Trade Unions, Trade Union Organisations, the University of Siena and the University Hub of Grosseto, local Credit Institutions and Associations, that participated in the preparation of the document, providing methods that were fundamental in obtaining the final version.

The Protocol, **the first initiative of its type in the water sector Italy**, received – on 9 October 2020 – significant recognition at the national level, by the **Compraverde Buygreen Forum 2020**, dedicated to public and private Green Procurement politics, projects, goods and services, for a fairer and more sustainable economy, receiving a **special mention at the Compraverde awards**, in the “**Vendor Rating and Sustainable Purchases**” section of the large enterprises category, for its “*great care dedicated to the territory, demonstrated through the creation of a dedicated register for local sustainable suppliers*”.

Once qualified, the supplier’s headquarters can be subjected to a second-party **Audit on Quality, Environment, Safety, Energy and Social Responsibility (QEESR) Management Systems** to verify the **actual application** of active certified Management Systems and the management methods of **other areas relevant to sustainability**. In 2020, **the situation related to the Covid-19** pandemic prevented audits being carried out at suppliers’ headquarters, which were partly replaced by **audits on the Teams platform** and the **remote** sharing of documentary evidence. Although the number of audits in the year does not allow for a comparison with previous years, nor does it allow for significant statistics to be compiled, this method **made it possible to maintain an active relationship with the supply chain on quality, environmental, safety, energy and**

social responsibility issues and allowed for a more in-depth documentary analysis.

Each supplier was **sent feedback** indicating the degree of compliance per scheme and overall, as well as a **report with recommendations for improvement**.

Over the year, Acea also continued with the **TenP working group** as part of the **Global Compact Network Italy** to raise awareness around the supply chain.

Furthermore, **Acea Ato 2**, during a recent procurement of Granular Activated Carbon used for water purification, add a provision to its purchase specifications to conduct **Audits at manufacturing plants located abroad**, especially in “at-risk countries” (please see the relevant box).

ACEA ATO 2 AUDIT ACTIVITIES AT PRODUCTION SITES OF GOODS SUPPLIED ABROAD

The Acea Group’s *Ethics Code*, as already recalled, “*in compliance with the Universal Declaration of Human Rights, the ILO Conventions and principles issued by the United National Global Compact, to which Acea formally and sustainably complies*”, regulates, in article 15, relationships with supplies and also covers cases of contracts with suppliers from “at-risk countries”, as defined by the Organisations acknowledged.

In compliance with this principle, **Acea Ato 2**, in cases of the **provision of Granular Activated Carbon**, materials mainly used in water treatment procedures for water for human consumption, **included in its Chapter on purchases provisions on the performance of Audits** at production plants, in order to verify the level of compliance with

specific local regulations or even simply with social and environmental recommendations.

To that end, the Company composed a dedicated work group that, during 2020, implemented the **preparatory activities for the development of the Audits** to be carried out at the relevant plants, identifying and contacting **local organisations specialised in social and environmental due-diligence issues**. These local consultants were **identified in conjunction with the Ministry of Economic Development, that follows with interest the initiative**. For 2021, the first Audit will be carried out at the **two plants located in India** that manufacture Granular Activated Carbon for Acea Ato 2.

In order to **assess suppliers during the contract execution stage**, Acea implemented the **Group Vendor Rating** during the year, which will run on the new e-procurement platform and **monitor various performance indicators**,

including a **composite sustainability indicator**. For the latter's calculation model, **the Company ECOVADIS was involved in the project** (please see the relevant box for more details).

IMPLEMENTED THE GROUP VENDOR RATING PROJECT AND PARTNERSHIP WITH ECOVADIS

The implementation of the new purchases portal of the "Jagger-one" Group, as indicated in the chapter, was also in preparation of the second part of the project, with the aim to **activate the Group's Vendor Rating**, and was launched in September 2020.

The Group's Vendor Rating system, that will be implemented on expiry of the other Vendor Models previously applied, by Areti, for example, aims to analyse, **evaluate and monitor the performance of the suppliers to increase the level of competition and quality of the services provided and products supplied**. The model was defined for goods, services, works and for the combined product supplier/group, using criteria that was objective (non-discretionary) and as automatic as possible. The **Vendor Rating index** is calculated on the basis of the weighted combination of detail indicators that monitor the main aspects relative to the **execution phases of the contract: punctuality, quality and safety**. The model includes an **additional rewarding indicator** that monitors **aspects related to social and environmental sustainability**.

In the final quarter of the year, the following phases were carried out:

- assessments and in-depth analyses of single indicators and their calculation methods;
- integration of the model with new indicators aimed at monitoring any faults in the strategic components in the execution phase and any technical non-compliance in the works execution phase;
- implementation of the **"Phase 1 indicators"**; these are automatic

indicators, whose data required for the calculation are extracted directly from the source systems (response to invitations, suspensions/Black List, inspection, penalties for tardiness and technical penalties).

The Group Companies were actively involved in the project, especially **the Units designated to the management of contracts, works, assessments on levels of safety at the construction sites and management of safety at work**, to define holders, methods of collecting and transmitting the relevant data, recorded using templates needed to calculate the **"Phase 2 indicators"**, used for monitoring the **performance of the supplier in the contract execution phase** (reserves, appeals, safety assessments at construction sites and accidents). All the data will be received in the system automatically and objectively, so as to guarantee that the evaluation of the supplier is transparent and impartial.

The indicator relative to monitoring the levels of sustainability of supplier practices will be calculated by **ECOVADIS**, the most important European platform for evaluating CSR companies, whose contract was finalised in December 2020. The model covers the evaluation of the Company services in order to calculate the sustainability rating according to **21 CSR criteria related to the environment, work and human rights, ethics and sustainability in purchases**. The project will continue in 2021 and will integrate sustainability indicators into the Vendor Rating model.

HEALTH AND SAFETY ALONG THE SUPPLY CHAIN: AWARENESS RAISING AND AUDITS

Acea considers **occupational safety** a key element of its strategy and has adopted a **safety management model for managing safety along the supply chain** at Group level. Specifically, the Group has structured multiple activities to assess and control the management of safety by suppliers, which are overseen by dedicated organisational structures within the Holding Company and the Operating Companies.

The **Site Safety Unit, in Acea Elabiori, is the structure of reference at Group level** and manages the **safety of works and services contracted out** by Group companies (mainly Acea Ato 2, Acea Ato 5, Areti and Acea Ambiente), **ensuring compliance with the highest standards** and with regulations⁸⁵. To this end, it offers:

- **support and assistance to the Works Manager** and general Safety Coordination;
- **Coordination of Safety in the design phase and during execution** at specific sites;
- **safety inspections** for works and services that do not require coordination during execution;
- **services ancillary** to safety inspection activities.

Site safety inspections are mainly related to the **main works** that are the subject of **maintenance contracts for networks and ser-**

vices in the water and electricity sectors, but also concern minor contracts⁸⁶.

Activities are distinguished into works requiring **Safety Coordination during the Execution phase** (Coordinators appointed as needed by the Works Director) and works **with random safety inspections**.

The inspections are managed with computer systems to facilitate the operations of the organisational structure. Indeed, the adopted management model provides timely support for the technical and professional audits of contractors, subcontractors and self-employed workers. It makes **on-site controls more efficient**, assigning to safety inspectors **work orders to be verified based on a "rating" higher than a certain threshold**. It allows a Safety Coordinator to be appointed during execution or design, where required.

For the interventions carried out during the year the following people were involved:

- **19 Safety Coordinators** in the Execution and Design phase, assigned to specific worksites as needed;
- **18 Safety Inspectors**, who assessed and verified the safety standard through random inspections;
- **5 Planners**, who followed the planning and dispatching of the safety inspections to the sites of the contractors;
- **13 Technical Support resources**, who managed the technical and professional audits of the companies engaged in the contracts.

⁸⁵ Legislative Decree no. 81/08 "Consolidated Act on Safety", as amended.

⁸⁶ Such as electrical or electromechanical maintenance work carried out on plants, meter changes, road repairs, video-inspections and sewerage pumping, etc.

In 2020, the Site Safety Unit:

- carried out the activities in **support of the technical and professional audits of 617 companies** (38% of contractors and 61% of subcontractors and “operated equipment rentals”⁸⁷), about **70% more** than in 2019 (360 companies);
- activated **Safety Coordination in the Execution phase for 286 tasks** and carried out **Safety Coordination in the Design phase for 76 tasks**;
- **carried out 14,904 on-site safety**⁸⁸ inspections (+19% compared to 2019).

Following **occupational health and safety audits**, carried out during the **Site Safety Unit’s** inspections, a **total of 1,457 non-conformities were found**⁸⁹ (962 “minor”, 337 “medium” and 158 “major”), **down compared to the 2019 figures**⁹⁰ **despite the increase in the number of visits carried out**. During the execution of the contract, any conduct that **infringes the current regulations are also corrected** and specific problems that emerge during the work are thoroughly investigated. **During the verification** of the staff of contractor and subcontractor companies, the Site Safety Unit **ascertains that the Employer has provided basic health and safety training** and, where applicable, **specific training**.

SAFETY CHECK PROJECT

The Innovation Unit of the Parent Company and Acea Elabori launched an experiment to test a solution that enables remote assessments of the safety conditions of personnel that carry out their work in construction sites, as well as the level of compliance with provisions issued by the Employer on Health and Safety.

The Safety Check system, that uses sensors aimed at the safety of operators, enables the identification of potentially dangerous systems and creates an alert system using suitable IoT sensors on site, represents a valid auxiliary instrument to further improve the Company’s safety standards.

The Site Safety Unit and all Group Companies that independently manage site audits, either in whole or in part, also contribute to **protecting the safety of contractors working on the construction sites**, by meeting the employers of the companies before the start of work to **inform them of the standards adopted**. In fact, **all contractors are informed in accordance with the relevant Operational Instruction**, from the relevant Units in charge of managing the contract, from the Works Management and by the relevant Safety Coordinators for the Execution of the Works (the latter where provided for by current legislation), **through the DUVRI** (Single Risk Assessment Document, to be attached to the contract), **the SCP** (Safety and Coordination Plan) or **specific coordination meetings**.

For example, **at the beginning of the Covid-19 pandemic**, AdF, which carries out its own site inspections, held **coordination meetings with the contracting companies**, defining a shared intervention procedure to minimise the movement of contracted staff and to assess potential infections. These meetings were repeated during 2020 in order to ensure that site procedures and documents were in compliance with national and regional regulations. **Gori** communicated with all its suppliers regarding the emergency and the measures it adopted to contain the infection in the workplace. Furthermore, in Acea the **Training Camp** is operational, a space dedicated to providing training on health and safety at work for staff, which is **used** by the Group’s operating companies to **also train contractors** to safely carry out specific activities related to

the contracts they had been awarded (ascent/descent on medium and low voltage power line poles, access to confined, underground areas, etc.).

Given the exceptional situation in 2020, the **Parent Company** established a **Coronavirus Prevention Committee** which is also committed to **coordinating with the Group Companies** and **with the Contractors** (see also the *Personnel* chapter, *Protection of Occupational Health and Safety* paragraph).

The Companies that carried out site inspections during the year, **above and beyond the work of the Site Safety Unit**, took the **Parent Company’s guidelines into consideration**. Specifically, in order to check compliance with the safety procedures introduced to counteract the spread of Covid-19, **Acea Ato 2** carried out 374 audits during the year, while **Acea Ato 5** carried out 9. Both Companies also saw to raising awareness amongst the employees of contractors regarding occupational health and safety.

This also applies to Companies that are not managed centrally. For example, **AdF carried out 356 audits to check safety conditions and compliance with Covid-19 regulations**, finding 18 deviations relating to missing documents and no cases of procedural issues and/or missing PPE, and **Gori carried out 1,142 on-site health and safety audits**. **Gesesa** carried out regular (weekly) audits on both internal staff and civil engineering companies/suppliers to check compliance with the limitations imposed by the Prime Ministerial Decree (access to the premises, social distancing, etc.). The information collected was sent to the Parent Company.

⁸⁷ Operated equipment rental is a contract that involves the rental of work equipment and the performance of a specialized operator, essential for the operation/use of the equipment itself.

⁸⁸ The number includes visits for all types of contracts, both main ones and “minor ones”.

⁸⁹ For the main contracts, as envisaged in the contract documentation, the results of audits are recorded according to four categories: compliant or non-applicable, minor (generally corrected on the spot), medium and major infractions. The non-conformities are associated with corrective actions and penalties applied by the contracting Company on the basis of the provisions of the tender documentation, and, serious infractions may lead to the suspension of works.

⁹⁰ When they were registered, following around 12,400 inspections, 1,741 non-conformities (1,141 minor, 367 medium and 233 major).

With reference to the “**Protocol shared for the regulation of measures to prevent and contain the spread of the Covid-19 virus in workplaces**” undersigned on 14 March 2020 by Trade Union and employment organisations in accordance with the Government and integrated on 24 April 2020, for the entire duration of the pandemic, **each Company**, to carry out its work activities, **was obligated to adopt suitable technical measures** (anti-contagion safety measures). These measures, the same for all involved, follow the logic of precaution and regard the management of the health emergency, **both in relation to work sites and the procurement of foods and supply**, and apply to the owners of the canteens and to all the sub-contractors and subsuppliers present.

Acea SpA and the Group Companies, in compliance with the regulatory provisions, **have defined specific measures to develop activities within the Company sites, including also those carried out by personnel of the supplier/contracting companies**, with a duty to **comply with the protocols on anti-contagion safety defined**, with the penalty of being forced to leave the Company sites in the event of non-compliance; monitoring activities were also carried out to ensure the correct and efficient adoption of the measures established, through periodic checks.

In the Parent Company a Coronavirus Prevention Committee was set up for the centralised management of risk mitigation measures and **internal provisions** for coordination with the Group Companies, as well as **information and coordination with the contract companies**.

Beyond the temporary health emergency, Acea works with the conviction that it is necessary to qualify **the Company’s commitment along the entire value chain**.

One of the most relevant aspects relates to the working conditions and the **health and safety** of the staff of companies supplying goods, services or works, which are entrusted by the contracting companies to manage or operate a part or all of their business processes. To this end, the Sustainability Planning and Reporting and the Occupational Safety Units of the Parent Company, along with the Units of the Holding Company or the Operating Companies in charge, in various capacities, of relations with suppliers, created a project called **Sustainability and Safety, a Virtuous Pairing**, aiming to actively involve the contractors who work with Acea to put on training sessions and to improve the process of collecting and reporting accident data in particular.

During the year, the **Occupational Safety Unit** was able to hold a **single awareness-raising meeting with Acea SpA contractors, at the La Fornace Conference Centre, on the issue of safety**, during which, in addition to showing the firms the I-Auditor platform used for the operational management of contracts, also introduced the *Sustainability and Safety, a Virtuous Pairing* project and presented the most important KPIs that all contractors, of works and certain types of services, should provide, starting from the next year. To **test the process of collecting new KPIs, a pilot survey was carried out** on a sample of around 150 contractors, the majority managed by Acea Elabori also on behalf of Group Companies.

From the analysis of the data provided by the **81 companies** that **responded** to the survey, **of which 16% in the top-list of suppliers in terms of volume of orders**, it emerged that: there were **40 occupational accidents** involving Acea’s contractors’ staff during the year, of which **3 were due to work transfers** and **almost all (36) involved minor injuries**. The **main causes of accidents** are **tripping, impacts,**

slipping, cuts, crushing and falls from height. The **frequency index** is **7.93**, while the gravity index is **0.33**. There were no fatal accidents. Lastly, **no cases of occupational diseases** were recorded for contractors’ staff during the year.

INVOLVEMENT OF SUPPLIERS ALSO IN OTHER SENSITIVE ISSUES

Some Group Companies also carry out activities for the **involvement and awareness of suppliers with respect to other aspects**, such as technological evolution and Group guidelines, so that there is constant alignment and adequate training of partners working on behalf of the Company.

In 2020, **Areti** continued with its training campaign on the “mass replacement of metering units” and “user management – tablet use for meter change”, training **101 operators of its contractors**, amounting to a total of **592 hours of training** divided into 19 training sessions.

Furthermore, **50 workers** of contractors were trained to use a new type of “joints”, which will be implemented by **Areti** during 2021, for a total of **350 hours of training**, carried out with the contribution of the supplier and 4 internal teachers.

Finally, **Acea Energia** monitors the **quality of the sales service provided by the door-to-door and/or telemarketing agencies** in the “domestic” and “micro-business” segments of the deregulated market, and in accordance with the Agency Mandate, **it trains those who work in the name and on the behalf of Acea so that they can convey adequate information to customers** (please also see the chapter on *Customers*). In 2020, Acea Energia carried out a **training programme**, providing **714 hours of training** in total, of which 300 hours were delivered to **668 door-to-door sellers**, for a total of 60 days, and 414 hours delivered to **teleselling agency workers**.

