



Sustainability Report 2017



*energizing
south tyrol*





Alperia at a glance

{GRI 102-7}

1,1^{billion €}

Revenues

3,9^{TWh}

Net produced energy

-422^{Mln €}

Net debt

940^{people}

Workforce

3,2^{TWh}

Electricity sold to end customers

328^{Mm³}

Natural gas sold to end customers

195^{GWh}

Distributed heat

2,3^{TWh}

Electricity trading

Data as at 31.12.2017

Letter to the stakeholders

{GRI 102-14}

Dear reader

Alperia is progressively turning from a traditional multi-service company into a modern, innovative energy service provider. Our goal is to create an economically stable company, that can create long-term added value for South Tyrol, its population and our customers. The 2017-2021 strategic plan defines how we will achieve this goal. Sustainability is a fundamental principle, because for us lasting business success can only be achieved if our activities are aligned with the interests of the environment and society.

Whether we are dealing with global warming, scarce resources or demographic changes, sustainability is a megatrend that will have a major impact on our lives in this century. This also implies change for Alperia, which we are facing with determination. We want to take this opportunity to play a proactive role in defining this change and in contributing to the achievement of the United Nations Sustainable Development Goals. Climate change, intelligent solutions for a secure and efficient energy supply, greater digitalization and demographic changes are just some of the challenges affecting the activities of Alperia.

Dialogue with our stakeholders

Sustainability is not a trend for us; rather, it has much to do with responsibility. We feel it is our duty to act according to principles of economic efficiency and social and environmental accountability. In 2016, we began developing a group-wide structured sustainability management system, with a view to reconciling economic, environmental and social objectives. We are pleased to present the first results of our work in this Sustainability Report. The contents of this report owe much to your input. For the first time, we have embarked on a structured process of stakeholder engagement, to find out which sustainability issues are most important to you, and what you expect from Alperia.

"Our goal is to create an economically stable company, that can create long-term added value for South Tyrol, its population and our customers"

Mauro Marchi,
Chairman of the Supervisory Board of Alperia SpA



In the report we indicate the sectors in which we are already well positioned today, but also those in which we can further improve. To this end, we have set ourselves an ambitious sustainability programme that we intend to implement in the coming years. Our main objectives include increasing employee and customer satisfaction, increasing the share of revenues from the sale of sustainable products and services, strengthening the Smart Region in South Tyrol, reducing energy consumption and emissions of greenhouse gases and creating €1,2 billion of added value for South Tyrol over five years.

Responsibility for South Tyrol

In 2017, Alperia generated added value of €181 million for South Tyrol in terms of dividends, employee salaries and appointments to local companies, and not only that. For us, a sustainable business does not start with the company's internal processes, but before, from upstream processes: how we procure our goods and services. Where possible, in compliance with the rules of fair competition, we pay attention to the professional skills and centres of excellence available locally. Thanks to the quality and variety of business resources in our region, in 2017 we were able to cover a large part of our sourcing requirements through local companies.

We also aim to continue pursuing energy efficiency in South Tyrol in the future and to minimize the impact of local infrastructures - especially that of overhead power lines. This is an important issue also for our stakeholders, who have repeatedly expressed their preference for the burying of power lines. We are working on this issue and to date 67% of our power lines have been installed underground. We also consider it our duty to actively support the objectives of the 2050 Climate Plan of the Autonomous Province of Bolzano. In this respect, we aim to reduce the emissions generated by our business. With the new district heating accumulation tower of the Bolzano district heating system - which stores the thermal energy of the waste-to-energy plant so that it can be used during demand peaks - we have already made an important step forward. The savings obtained have been quantified in more than 2.600 tonnes of avoided CO₂. On the other hand, we also aim to reduce our customers' emissions by offering sustainable energy, heat and services.

We focus on sustainable energy, especially on hydroelectric sources: in 2017 approximately 3,7 TWh of electricity were produced from renewable sources. This places us third in Italy for the production of energy from renewable sources. The use of renewables, and of new, more energy-efficient



"In 2016, we began developing a group-wide structured sustainability management system with a view to reconciling economic, environmental and social objectives"

Wolfram Sparber,
Chairman of the Management Board Alperia SpA

systems is becoming increasingly important. We want Alperia to be the engine and the creator of this development; in 2017 we invested more than €1 million in research and innovation, in order to seize the opportunities offered by smart grids, the new energy models and the new energy services, for the benefit of our customers and the company as a whole. As a result of this gradual repositioning, the Group will be less exposed to the risks of price fluctuations in the electricity market and to precipitation changes that affect hydroelectric production, thus achieving more stable results.

Focus on customers

As a modern energy service provider, Alperia aims to offer its customers intelligent, digital energy in the future. We are working on extending the fibre-optic network in South Tyrol, not only in cities but especially in rural areas. The first projects were started in Sesto, Chiusa and Tirolo. We want to shape the future of South Tyrol and implement the smart region through a series of activities in the areas of ultra-wideband, electric mobility and energy efficiency.

Proximity to customers and good service quality are becoming increasingly important, especially in the digital age. We want to offer our customers a fast, performance-oriented service. In 2017, 97% of all calls to the freephone number were answered by our customer service operators, around 14% more than the previous year. On the other hand, customer complaints increased by 52%, partly due to the increase in the total number of customers, and partly due to delays in the delivery of bills. However, 100% of customer complaints have been resolved. In order to reduce complaints, increase satisfaction and implement suitable customer-oriented measures, from 2018 we aim to carry out regular customer satisfaction surveys.

An employer with responsibilities

We are one of the largest employers locally, and as such we are also accountable towards our employees, who are among the company's most valuable assets.

By expanding our activity, we can offer new, quality jobs, especially to young people. This is all the more important if we consider the demographic evolution of our employees: 41% of the Group workforce is over 51 years old. This means that over the next few years, a large number of qualified and experienced employees will retire. To prevent a lack of skilled labour, when recruiting person-

"We want to shape the future of South Tyrol and implement the smart region through a series of activities in the areas of ultra-wideband, electric mobility and energy efficiency"

Johann Wohlfarter,
General Manager of Alperia SpA



nel we focus on the younger generation and support the access of women to the technical as well as other professions. Through our High Potential talent management programme, we intend to promote and further develop the potential of our junior staff. We also aim to promote programmes in collaboration with other public and private entities, to support the integration of migrants into the local society.

With our 940 employees - engaged in production, distribution, sales and trading, district heating, electric mobility, broadband and administration of the parent company - we want to make the energy turnaround a reality, while giving our staff the opportunity to engage proactively in building the future of energy. We believe that behind a successful, sustainable company there are always motivated and competent employees.

Sincerely



Mauro Marchi,
Chairman of the Supervisory Board of
Alperia SpA



Wolfram Sparber,
Chairman of the Management Board
Alperia SpA



Johann Wohlfarter,
General Manager of Alperia SpA

Key figures of sustainability in Alperia



approx.

181

Mln €

of local **added value**



59%

of contracts with suppliers
are entered into with
local suppliers



67%

of our power lines are
underground



98%

of our staff are hired on
permanent contracts



33%

of the members of our gov-
ernance bodies are
women (industry average,
not listed: 21%)



40%

of men who became fathers in 2017 took **paternity leave**



3.907
Gwh

net energy produced from **renewable sources**



more than 1
million €

invested in **research and development**



97%

of calls to the freephone number **answered**
(2016: 85%)



100%

of customer **complaints** resolved

Data per 31.12.2017

Our main goals

Strategy

Our goal is to integrate our sustainability strategy into our business strategy and to incorporate it into the 2017-2021 strategic plan.

Risk management

By 2019 we aim to make sustainability risks an integral part of our risk analysis, assessment and control.

Smart region

We want to shape the future of South Tyrol as a Smart Region, expand the ultra-wideband network and start innovative collaborations for the development of an intelligent infrastructure.

Sustainable products and services

We aim for a 100% "green" business and to steadily increase the share of turnover from sustainable energy between now and 2021.

Energy consumption

By 2021, we want to make our energy consumption more efficient through targeted energy-efficiency measures in our buildings and plants.

Added economic value

We want to create €1,2 billion of added value for South Tyrol over five years (reference year: 2017).

E-mobility

We want to promote electric mobility in South Tyrol, by installing 5,000 charging stations by 2021 and converting 50% of our electrifiable fleet into electric vehicles.

Emissions

We want to support the 2050 Climate Plan of the Autonomous Province of Bolzano and reduce our greenhouse gas emissions by 2021.

Customer satisfaction

We want to offer a fast, solution-oriented customer service, conduct periodic surveys and increase customer satisfaction.

Management of complaints

We want to proactively manage complaints to prevent reputational and operational risks, while implementing a standardised, group-wide complaints management system by 2021.

Workforce

We want to be an attractive employer for motivated employees and increase the employee satisfaction index from 3% to 43% by 2019.

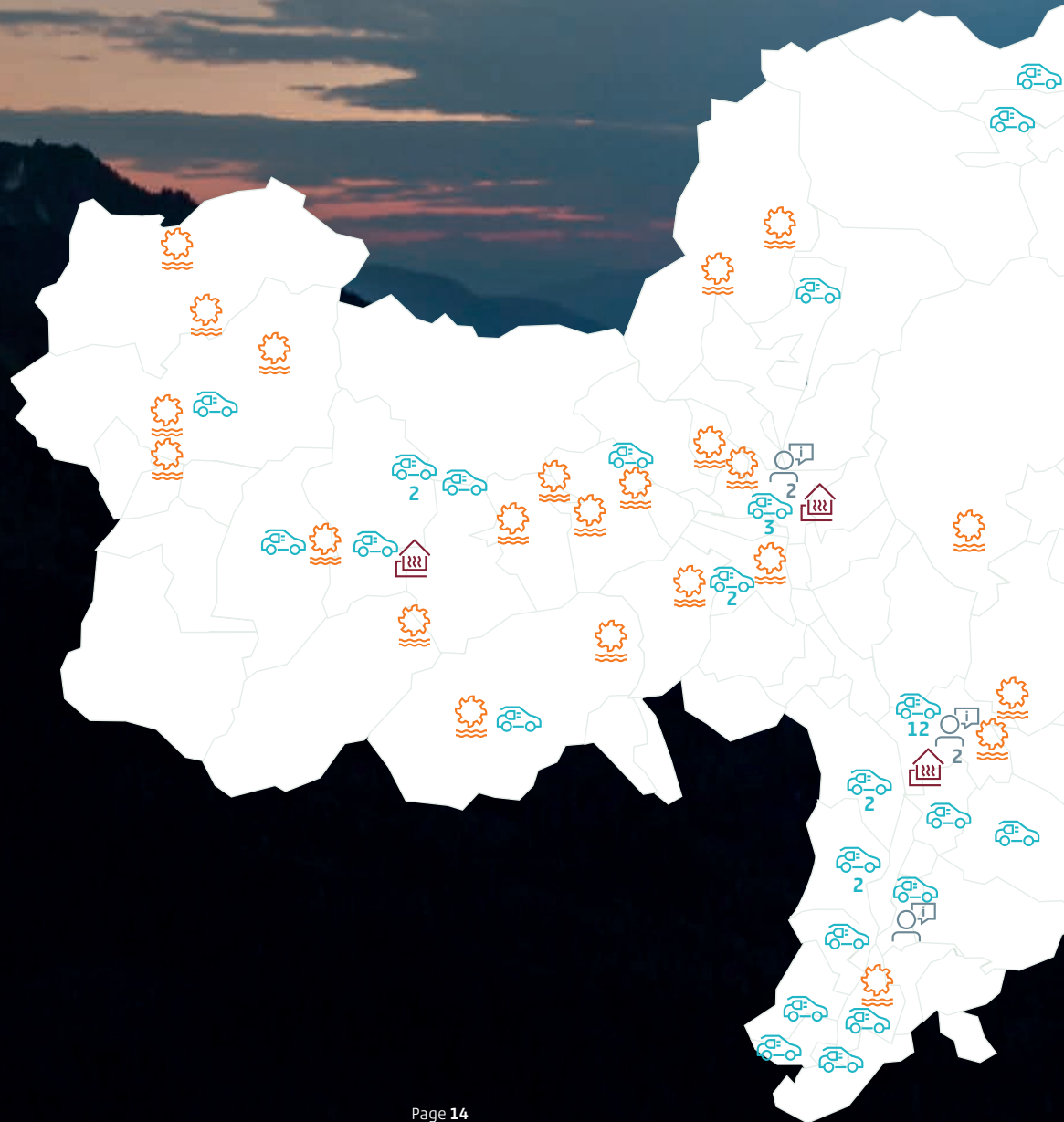
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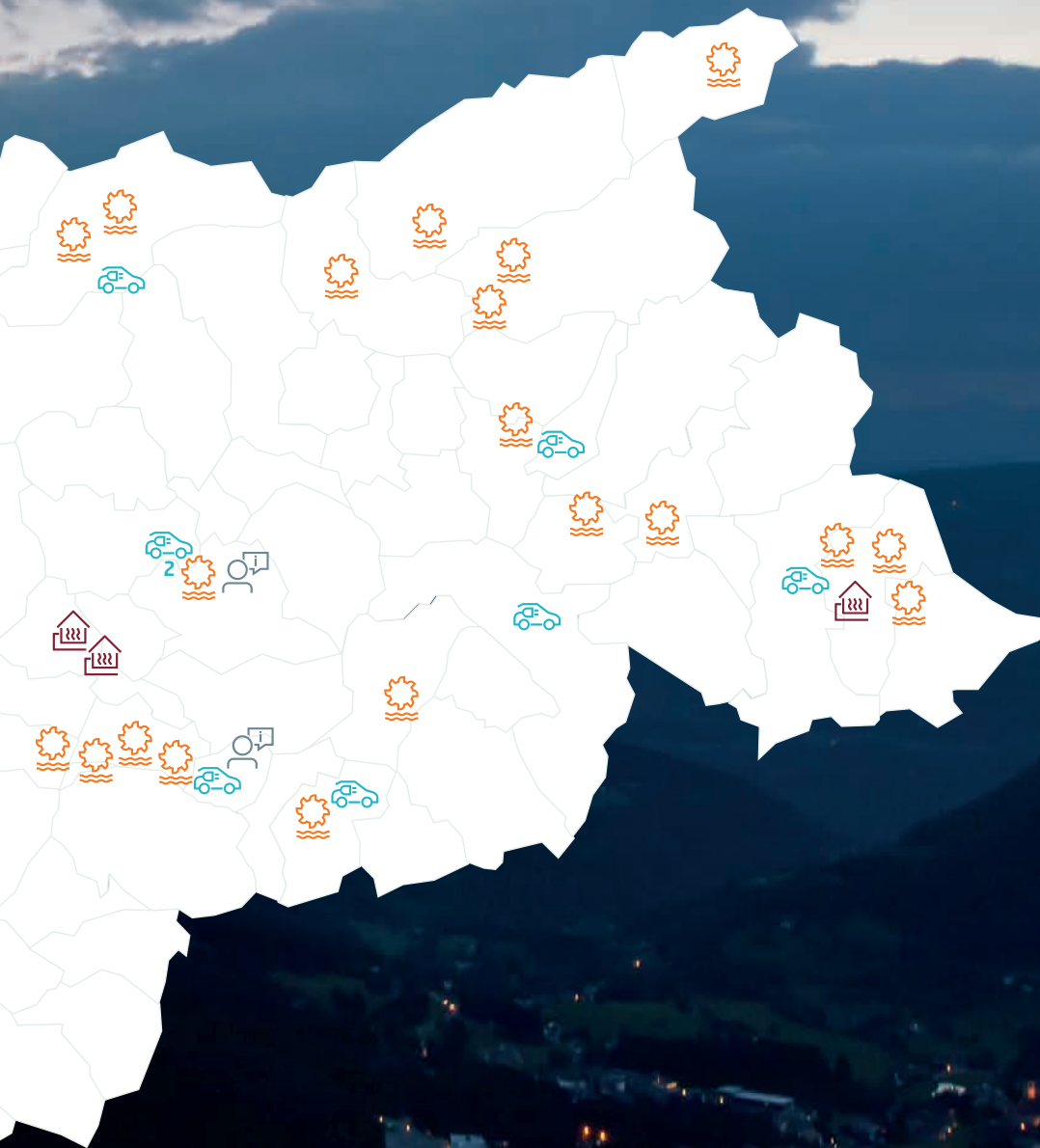
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Who we are





[GRI 102-1; 102-3; 102-4; 102-5; 102-6; 102-7 → Appendix figures 1, 8, 9]

The Alperia Group was formed on 1 January 2016 from the merger of the two largest South Tyrolean energy companies. Alperia is the leading provider of energy services in the province of Bolzano, and is one of Italy's leading green energy companies. We produce electricity from renewable sources, - especially from hydroelectric power - in 41 plants (in 33 of which we hold majority shares) located across the South Tyrol region. We manage the electricity distribution grid which covers approximately 8.778 km and 6 district heating plants in South Tyrol (in 5 of which we hold majority shares). We also have six photovoltaic plants in South Tyrol, as well as three photovoltaic power stations and a biomass power plant outside the province. We carry out energy sales and trading activities. We develop innovative energy solutions and are engaged in the fields of electric mobility and energy efficiency. We are also working to provide the advantages of the ultra-wideband network to the South Tyrol region. With Alperia we want to actively shape South Tyrol into a cutting-edge smart region of the future. Since the company's formation, our headquarters have been located in Bolzano; we have other operational offices across the South Tyrol region.





The parent company Alperia SpA is a joint stock company wholly owned by public entities: the Autonomous Province of Bolzano holds 54,45% of the share capital, the Municipality of Bolzano 21%, the Municipality of Merano another 21% and SELFIN, a company of Municipalities and South Tyrolean Districts (Comunità Comprensoriali) owns 3,55%.

-  Hydroelectric power plant
-  District heating plant
-  Electric charging station
-  Energy Point

Data per 31.12.2017.

Corporate Structure

{GRI 102-1; 102-2; 102-6}

Production

Göge Energia Srl
Electricity production

PVB Power Bulgaria SpA
Electricity production

Alperia Greenpower Srl*
Electricity production

VEZ Svoghe SpA
Electricity production

Ottana Solar Power SpA*
Electricity production

Alperia Vipower SpA*
Electricity production

SF Energy Srl
Electricity production

VEZ Maritza Srl
Electricity production

**Centrale Elettrica
Winnebach Scarl**
Electricity production

**Azienda Elettrica
Campo Tures Scarl**
Electricity production

**Centrale Elettrica
Moso Scarl**
Electricity production

Enerpass Scarl
Electricity production

Energy Welsperg Scarl
Electricity production

**SELSOLAR
Monte San Giusto Srl***
Electricity production

Centrale Prati Scarl
Electricity production

E-Werk Eggental Scarl
Electricity production

SELSOLAR Rimini Srl*
Electricity production

Energia Senales Scarl
Electricity production

E-Werk Breien Scarl
Electricity production

Puni Energia Scarl
Electricity production

Centrale Elettrica Dun Scarl
Electricity production

Smart Region

Alperia Fiber Srl*
Telecomunicazioni

**Alperia Smart
Mobility Srl***
Elettromobilità

Alperia Energy Srl*
Electricity and gas trading

Sales & Trading

Alperia Ecoplus Srl*
District heating

**Teleriscaldamento
Silandro Srl**
District heating

Biopower Sardegna Srl*
Biomass power plant

IIT Bolzano Scarl
Research and development
hydrogen sector

Bio.Te.Ma Srl
Biofuel
research and development

Medgas Italia Srl
Regasification

LNG MedGas Terminal Srl
Regasification

Heat & Services

Net- works

Edyna Srl*
Electricity and gas
distribution

Edyna Transmission Srl*
Electricity transmission

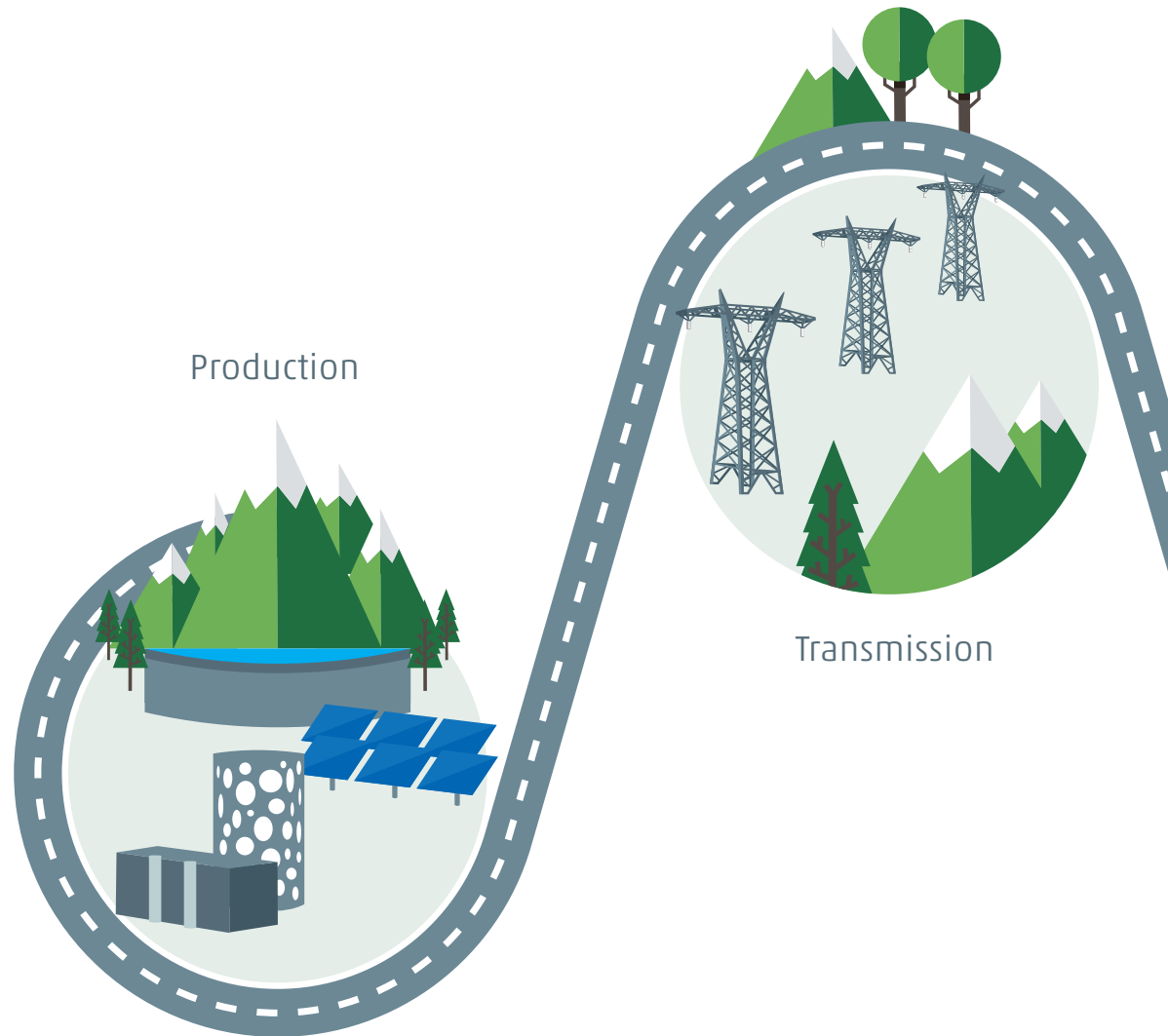
*Consolidated companies considered in this report.
Data per 31.12.2017 .

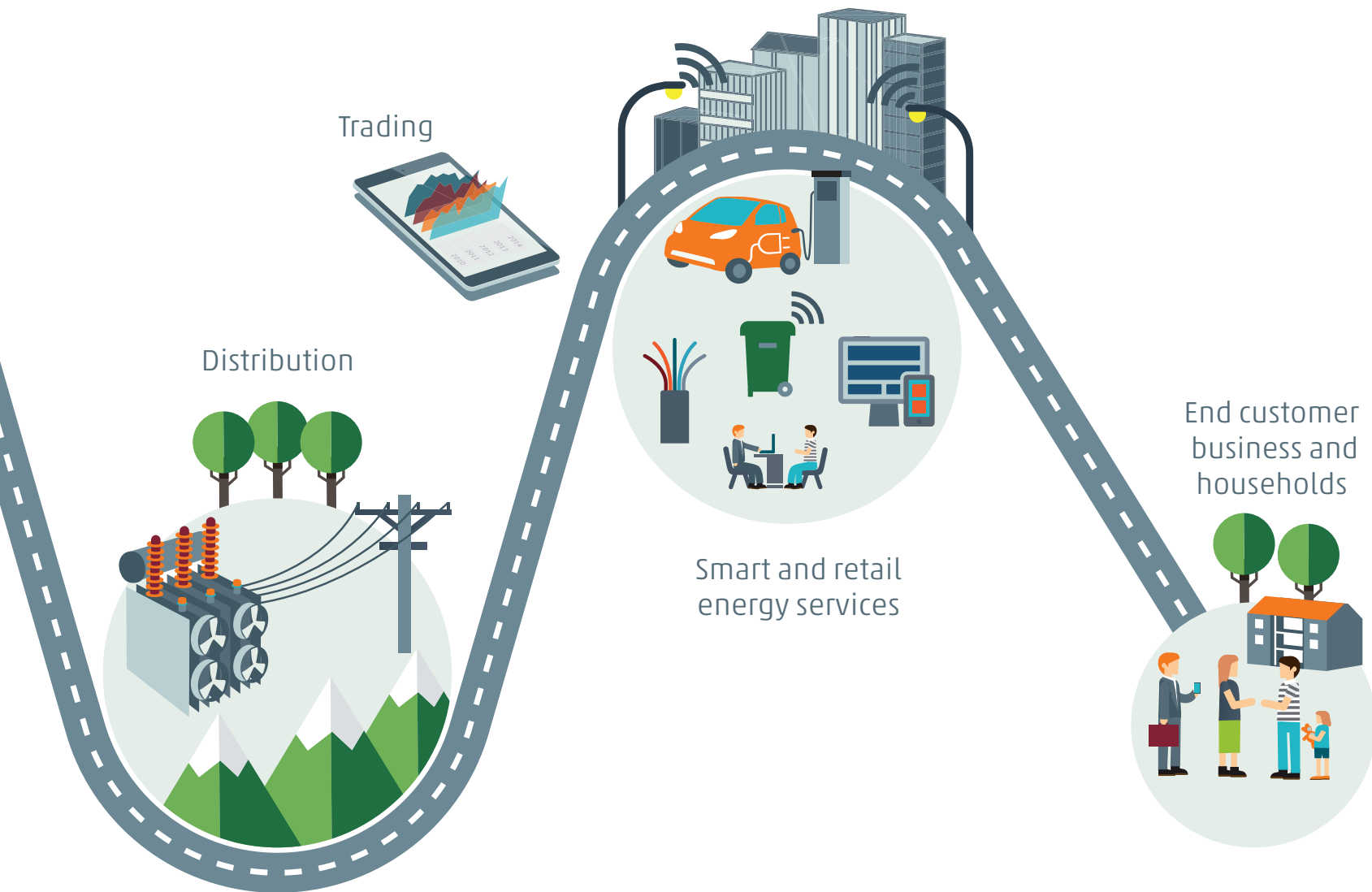
Value chain

{GRI 102-9}

The activities of Alperia range from energy production to distribution and the provision of energy services. The process has **social and economic impacts along the entire value chain**. These impacts do not only affect the company, but often extend beyond its sites and processes, for example through the purchase of raw materials or the consumption habits of our customers.

When performing the 2017 materiality analysis we made an initial analysis of the impacts from each business activity. As a next step, we want to **assess how we can improve our social and environmental footprint through tangible measures** along our entire value chain, towards a company approach that is **increasingly focused on sustainability**.





Corporate Governance

{GRI 405-1 → Appendix Figure 23}

For Alperia, the basis for sustainable growth is **responsible, value-oriented management**. The Company has adopted the two-tier system (Art. 2409h of the Italian Civil Code), which includes a six-member Management Board, and a Supervisory Board, also composed of six members, three of whom are appointed by the Autonomous Province of Bolzano and Selfin Srl and three by the Municipalities of Bolzano and Merano. Both boards must comply with the current laws on equal gender representation.

The **Management Board** has sole responsibility for the administration and management of the Company and therefore is also responsible for the preparation and implementation, once approved by the **Supervisory Board**, of the general strategic and programmatic policies of the Company and the Group. Meanwhile the Supervisory Board monitors compliance with the law and the company's bylaws, as well as with the principles of sound administration. It also approves specific mandatory operations approved by the Management Board, as required by the bylaws.

The operational management of the Company rests with **Management** which is made up of the Chief Executive Officer (CEO), Johann Wohlfarter, the Deputy Director-General Paolo Acuti, and the Corporate Strategy Director, Paolo Vanoni.

The Chief Executive Officer is the head of the organisation and is responsible for implementing management



Supervisory Board (from left):

Sabine Fischer, Member
Maurizio Peluso, Member
Mauro Marchi, Chairman

Luitgard Spögler, Vice-Chairman
Manfred Mayr, Member
Helmuth Moroder, Member



33%
of members of our
management bodies are women

Management Board (from left):
Paolo Acuti, Member and Deputy Director-General
Renate König, Member
Johann Wohlfarter, Member and Chief Executive Officer
Giuseppina Martelli, Vice-Chairman
Wolfram Sparber, Chairman
Siegfried Pohl, Member

policies. The company's bylaws require that the CEO also has to be a member of the Management Board. Therefore, just like the Deputy Director-General, he has a dual role as top manager and member of the Management Board, contributing to the Board's decision-making process.

The **Internal Audit** department provides independent, objective assurance, aimed at continuously monitoring the adequacy of the internal control and risk manage-

ment system and of the related organisation. It assists the organisation in pursuing its objectives through a systematic professional approach, which generates added value as it is designed to assess the adequacy of the control, risk management and corporate governance processes and their effective functioning.

The areas monitored by Internal Audit include all the corporate functions and departments, and all their systems, processes, directives, procedures and

practices, within the parent company and, in general, within the subsidiary companies. Internal Audit provides appropriate suggestions on how to **improve the governance process**. The objective of Internal Audit is to assess the adequacy and effectiveness of the internal control system.



The Management of Alperia SpA (from left):
Paolo Vanoni, Director of Corporate Strategy,
Johann Wohlfarter, General Manager and
Paolo Acuti, Deputy General Manager.

Governance tools

{GRI 102-18}

As a responsible, value-oriented company, Alperia manages internal and external governance with various tools, establishing the rules and principles of fairness and responsibility that must guide the conduct of our staff and partners. The documents are prepared by Internal Audit and Health, Safety and Environment (HSE), and by the Human Resources (HR) department, in cooperation with the relevant technical teams.

Organization, Management and Control Model and Code of Ethics

The Organizational, Management and Control Model, required by Legislative Decree 231/01 (231 Model) is the set of organizational rules and procedures intended to prevent the committing of the offences governed by Legislative Decree 231/01. The parent company, Alperia SpA, approved the full updated version of its 231 Model in September 2017. The subsidiary companies that have implemented a 231 Model have set up their own **Supervisory Board (SB)** with the task of overseeing the functioning and effectiveness of the 231 Model and making sure that all recipients comply with it. All recipients of the 231 Model are required to inform the Supervisory Board (anonymously) of any actual or potential offence covered by Legislative Decree 231/01 and/or of any infringements mentioned in the 231 Model.

One of the objectives of the **Group's Code of Ethics** is to promote and encourage a high standard of professionalism and to avoid any conduct that is in conflict with the company's interests, is not compliant with the law, or which contrasts with the Group's values.

The 231 Model and the Code of Ethics are available on the company's intranet and on the Alperia institutional website (www.alperia.eu). In 2017, no infringements of the 231 Model or the Code of Ethics were detected, nor any significant events with respect to Legislative Decree 231/01.

Anti-corruption measures

The Alperia Group takes structured action to prevent fraud against the State and the public administration, undue inducement to give or promise benefits, corruption and bribery, not only of the public administrations, but also of members of the public. **Legal compliance and the fight against corruption** are clearly established in the Group's Code of Ethics and are embodied in the practices and operating methods that are defined and disseminated through our procedures. The main tool for preventing corruption is the Organization, Management and Control Model, required by Legislative Decree 231/01 (231 Model) of Alperia SpA and the 231 Models of the individual Group companies.

Golden rules and disciplinary code

{GRI 102-16}

Alperia is committed to creating a positive work environment across the Group. To this end, it pursues a culture of **leadership and collaboration** that offers the opportunity for exchanging views on a level playing field, where employees can contribute their skills and knowledge to Alperia's success, creatively and in confidence, while actively taking responsibility.

To promote this work ethic, Alperia has established 10 **"golden rules"** for "being Alperia".

In addition, the **disciplinary code** applies to all personnel; it establishes the duties of employees in the performance of their work and the internal company rules and regulations they must comply with. Employees cannot take advantage of their position to take on paid or unpaid work (during or outside office hours) that competes with or conflicts with the company's business, nor may they receive gifts or compensation of any kind. Both documents are available in German and Italian on the Group's intranet page.

Sustainability governance

For Alperia, sustainability is not a trend, but an important component of the **2017-2021 Group Strategic Plan**. The objectives set out in the Plan must be pursued by taking into account environmental, social and economic sustainability. In November 2016, we introduced sustainability reporting for the entire Group in order to have a systematic, structured reporting system for key non-financial data and information.

This is linked to the development of an **integrated, group-wide sustainability management system**, on which we are currently working. Within the Corporate Communication team, which reports directly to the CEO, the Sustainability Team directs and coordinates the implementation of the sustainability strategy in cooperation with the Heads of the departments and of the subsidiaries, and is also responsible for sustainability reporting.

The Team of Directors, the Management Board and the Supervisory Board are directly involved in the process of defining objectives and measures, and are regularly informed about the implementation and current sustainability issues.

The goal of **integrating sustainability within Alperia's commercial strategy should be pursued in a consistent manner**.

Guidelines on quality, safety, health and environmental protection.

To ensure a **proper balance between energy use and respect for the environment**, Alperia aims to improve safety, environmental sustainability, quality and efficiency. To this end, specific guidelines have been prepared, which are displayed at the individual Group sites.

To achieve this goal, we are committed to:

- directing all our activities towards satisfying customers' expectations, **by offering courtesy and an assistance-oriented approach as a fundamental value and instrument for building customer loyalty;**
- **preventing environmental pollution** from the outset, and to ensuring the health and safety of employees and suppliers, as well as constantly improving the environmental impact and safety standards in our companies, through appropriate technical and organisational measures;
- avoiding, from the planning stage, any potentially adverse impacts on the environment, by establishing strict **technical guidelines on safety;**
- considering legislative constraints not as burdens, but as starting points and minimum requirements, working in **close collaboration and in harmony with the local community**, as a key player in the economic and social development of the region;
- promoting innovative technologies, by reducing all emissions of harmful substances in energy production and increasing **plant safety;**
- encouraging the continuing education and **improvement of employees**, by raising awareness on environmental, safety and quality matters;
- assigning contracts only to qualified companies and providers, demanding that they commit to compliance with environmental and safety laws and to **high quality standards;**
- operating in accordance with our code of ethics;
- ensuring that the processing of data and information, the governance of information processes and the management of physical, logical and organizational tools for the processing of information is carried out according to security, availability and integrity requirements and in full compliance with privacy laws;
- adopting and improving an **integrated quality, environment and safety management system**, a 231 Model, and the legal instruments available to prevent corruption and promote transparency;
- limiting the risks of errors and **incorrect behaviour in economic and financial management**, in the application of laws, in environmental protection, work safety, transparency and privacy.



Certifications obtained by the Group



OHSAS 18001
for safety at work



ISO 9001
for quality management



ISO 14001
for environmental management



ISO 27001
for data security and data protection



UNI CEI 11352
for ESCOs, energy services companies
that work to improve their customers'
energy efficiency by directly assuming
risk and guaranteeing successful
projects.

A selection of our external initiatives

{GRI 102-12}

CSR-Manager-Network

In June 2017, Alperia participated in a seminar of the CSR Manager Network on "Green Bonds as a business financing tool for strengthening sustainability projects", illustrating its experience at a conference. Alperia issued its first green bond in June 2016, and was the second company in Italy to use this innovative funding opportunity.

South Tyrol energy table

Alperia regularly participates in the technical energy table, which brings together representatives from the economic and political arena and from interest groups in the energy sector, with the objective of jointly and optimally defining the general guidelines for energy production and distribution in the province. The energy table is convened by the provincial Councillor for energy.

KlimaFactory

Alperia business customers can ask Alperia for an energy audit, allowing them to take part in the KlimaFactory program run by the CasaClima Agency to improve energy efficiency in companies. Once the audit has been carried out, the company obtains the KlimaFactory logo and certificate of participation.



Human rights

Respect for human rights and attention to the dignity, equality and freedom of the individual are recognized by Alperia, which considers compliance with these principles in its area of operation of paramount importance.

Following an analysis of the business activity, the following human rights were identified as relevant for Alperia and are dealt with in the sustainability report:

- Right to a safe and healthy working environment
- Right to rest and leisure
- Right to physical and mental well-being
- Right to privacy
- Right to freedom of opinion and expression
- Right to non-discrimination
- Right to family life
- Right to just and favorable remuneration and association
- Right to peaceful assembly
- Right to social security



Alperia in associations

[GRI 102-13]

Utilitalia



Since 2017 Alperia has been part of the working group on "Corporate Social Responsibility and Sustainability", set up by Utilitalia, a national association that brings together companies supplying services in the water, environment and energy sectors, representing them in Italian and European institutions. The group is currently working on developing a sustainability approach in the energy, environment and water segments. Alperia is also a member of the association's Communication Committee, a team of experts in charge of developing communication projects and information campaigns in support of Utilitalia.



Arbeitsgemeinschaft
Alpine Wasserkraft

AGAW (Arbeitsgemeinschaft Alpine Wasserkraft)

AGAW's activities aim at encouraging the exploitation of hydroelectric resources according to the highest technical and ecological standards. In addition to concrete projects in the hydroelectric field, the aim is to raise the community's awareness regarding the essential contribution of hydroelectric energy, which, being a clean source, is essential to achieve the European climate objectives. The AGAW working group is active in eight countries and currently comprises 21 active members.

Assoimprenditori Alto Adige

Alperia is a member of Assoimprenditori Alto Adige, which has about 500 member companies, with a total of 37,000 employees.



Italian National Committee for Large Dams (ITCOLD)

ITCOLD is the Italian national committee headed by ICOLD (International Commission On Large Dams) which works with international partners to ensure that new dams are safe, efficient, economically advantageous and have limited environmental impact. In addition to Alperia, some of the major national concessionaires (including A2A, Edipower, Edison and Enel) are members of the committee.

Risks and opportunities

{GRI 102-11, 102-15}

Alperia in the global context

Global warming, scarce resources or demographic changes: **sustainability megatrends** will radically influence and change our lives in this century. Some of the global megatrends also have potential effects on the activities of Alperia. A study in this area has shown that the following aspects will particularly affect the Group:

Technological progress: The increasing digitalization will radically change the energy sector; Smart technology (smart metering, smart grid), efficient energy storage devices and decentralized energy supply will open up new challenges for the operating environment.

Change in behaviours: Customers increasingly want to be actively involved, and increasingly require services and products that are transparent, innovative, energy efficient and have a low environmental impact.

Environmental risks: Due to climate change, global demographic growth and the consequent scarcity of resources, the transition to new forms of energy and the development of renewable sources are now indispensable. For businesses, these changes are a risk but also a great opportunity, namely of being able to actively contribute to this change. In recent years, awareness of sustainable development and the need

for consequent actions have grown globally. This topic has been included in the political agendas of the major nations. In 2015, the **United Nations (UN)** defined 17 globally valid targets for sustainable economic, social and environmental development, called the **Sustainable Development Goals (SDG)**. By 2030, these objectives will have to be achieved globally by all UN member states, including Italy. Therefore, companies in the individual countries have a great responsibility for supporting the objectives.

Sustainability management represents an **opportunity for Alperia to contribute significantly** to achieving these objectives and to actively face the challenges of the coming years. As part of its strategy, the Group pays special attention to the following SDGs:



SDG 7 - Affordable & Clean Energy



SDG 9 - Industry, Innovation & Infrastructure



SDG 11 - Sustainable Cities and Communities



SDG 12 - Responsible consumption and production



SDG 13 - Climate Action

Management of risks and opportunities

In 2016, its first year of activity, Alperia started building **a business risk management system**, with the aim of making it an essential, systematic component of management decision-making processes. For this reason, Alperia SpA initiated a risk assessment and reporting process. The most important assumptions used in the preparation of the model concern the Group's 2017-2021 multi-year strategic plan. This approach was chosen to focus attention on the risks that significantly influence the Group's results.

The risk assessment is based on two variables: The impact on operating results if the risk event occurred, and the probability of occurrence of the uncertain event. The risk is measured based on quantitative parameters. By involving individual departments, the risks, causes and corrective measures can be jointly identified. The current assessment method will be

EU Directive 2014/95/EU on the publication of non-financial information

In 2014, the EU issued guidelines on non-financial reporting, to encourage companies to shape their business on the basis of sustainability.

In December 2016, the directive was enacted into Italian law with Legislative Decree 254/2016. Large companies are now required to file a non-financial report together with their 2017 financial statements, to explain the measures they have taken to protect the environment, implement proper personnel management and ensure respect for human rights and the fight against corruption.

Companies also have to describe the main risks associated with these issues arising from their activities and, where possible, based on realistic short and medium-term assumptions or scenarios, describe the environmental, health and safety impact and any significant risk factor in the environmental and health areas. As with the financial statements, the non-financial report is audited. Being subject to the above legislation, Alperia complies with the decree by presenting this sustainability report.

regularly updated. More specifically, **monitoring activities** and a structured definition of corrective measures have been introduced. The objective is to more incisively integrate **risk management** into company processes, and to assess how sustainability risks can be represented and managed in a structured manner as part of Enterprise Risk Management.

The volatility of electricity and production prices are the two main risks that currently weigh significantly on business results and that as such require constant monitoring. In the "Base Prospectus" (Prospectus of 26.06.2016 available on the Alperia website www.alperia.eu under "Investor Relations") to be submitted to the Irish Stock Exchange in relation to the issue of green bonds, additional sustainability risks were identified:

Regulatory risks

Alperia operates in the **energy sector, which in Italy is highly regulated**; as such, Alperia has to deal with numerous environmental laws and regulations, which entail significant costs. These include environmental funds, which are described in more detail in the "Water" chapter on page 64.

The frequent, often hard to predict changes in the legislation and regulations applicable to the electricity and gas sector represent a risk for the company.

Climate risks

Climate change can have a **significant, long-term impact** on Alperia's business. Weather conditions such as decreasing rainfall, can negatively affect Alperia's current production and therefore its economic results. For a complete list and a detailed description of the risks, please refer to the "Prospectus".

For a description of the main financial risks to which Alperia SpA and the Group are exposed, please refer to the individual financial statements and the consolidated financial statements 2017.

Risk management and sustainability issues

Risks with regards to sustainability issues were analysed by the sustainability team during the 2017 materiality analysis, with reference to both business activities and megatrends. A description of these risks can be found in the chapters on the individual topics. For the next financial year, a **structured analysis and assessment of risks** are planned, with associated monitoring and control of those risks as part of sustainability management.

Green bond

Use of Proceeds

In June 2016 Alperia SpA approved the establishment of a Euro Medium Term Note Programme (EMTN programme) up to a total amount of 600 million euros, and in the period between June 2016 and October 2017 issued four tranches under the EMTN programme for a total nominal amount of 475 million euros privately placed with Italian and foreign qualified investors and listed on the regulated market of the Irish Stock Exchange.

In October 2017 Alperia placed a Green Bond on the European market for a total amount of 100 million with a 10-year maturity at a yield of 2,20% (the same as government bonds with the same maturity), destined exclusively for a Norwegian institutional investor. This issuance represents the fourth tranche of Alperia's EMTN-Program and the first in Italy in Norwegian currency, thus strengthening its presence as an issuer on the European capital market.

The net proceeds of the green bond issued by Alperia will exclusively be used for:

1. Refinancing debt used for the acquisition of a portfolio of:

- hydroelectric plants in Northern Italy: 249 MWs, generating about 0,9 TWh per year of energy. A similar amount of energy generated from conventional sources would have resulted in 0,76 Mton of CO₂ pollution per year in the case of coal plants and in 0,33 Mton of CO₂ pollution per year in the case of natural gas plants (combined cycle).
- photovoltaic plants in central Italy: two plants for 9,5 MW of installed power, generating about 11,4 GWh per year of energy. A similar amount of energy generated from conventional sources would have resulted in 9,69 Kton of CO₂ pollution per year in the case of coal plants and in 4,21 Kton of CO₂ pollution per year in the case of natural gas plants (combined cycle).
- biomass power plant (wood chips) in northern Italy: one plant of 9 MWs of installed power, generating about 20 GWh per year of energy. This plant has replaced a total system of equal power from domestic heating boilers powered by heating oil. According

to the declaration verified and accepted by EMAS (EMAS= EcoManagement and Audit Scheme - The European Community EcoManagement System and Audit), in the case of this plant, this means about 5.1 Kton per year of CO₂ pollution saved to the environment in comparison to the previous diesel fueled heating system.

- Biomass power plant (vegetable oil) in Southern Italy: 36.5 MWs, generating about 258 GWh per year of energy. According to the report released by the Italian institute for environmental research named ISPRA (Istituto Superiore per la Ricerca Ambientale) combustion of biomass from vegetable oils is considered to be zero impact on CO₂ emissions; the above means that this plant spares 0,22 Mton of CO₂ pollution per year in comparison with an equal amount of energy generated from conventional sources in the case of coal plants and 0, 1 Mton of CO₂ pollution per year in the case of natural gas plants.

2. Refinancing debt used for the acquisition of a stretch of electricity distribution network in the company's service territory in Northern Italy from another network operator.

3. Financing the modernization of Alperia's hydro-electric power plants and electricity distribution network.

These investments:

- have allowed the connection to the power grid of

265 renewable energy production plants (hydroelectric, photovoltaic, biomass) for a total power of 51 MW and an annual average output of 91.5 GWh, avoiding the introduction of 32.000 tons of CO₂ into the environment;

- have achieved a significant reduction in network losses by increasing the efficiency of the entire power management system;
- have increased the technological level of the grid by introducing several devices for "smart" solutions aimed to optimize power flows in the network and

minimizing network extensions needs.

Alperia has commissioned DNV GL Business Assurance Italia S.r.l. to provide a Green Bond eligibility assessment of the Bond. The scope of the DNV GL opinion is limited to the Green Bond Principles 2017.

DNV GL also considered the requirements of the Climate Bond Standard Version 2.1 during its assessment, however at the time of review, no Technical Criteria for Hydropower was available for Issuer use.

Overview of green bond issues

Tranche	Issue date	Maturity date	Amount (EUR)	Placed amount (EUR)	% of the amount placed (end of 2017)	% used for refinancing	% used for new projects	Description of the project
1.	June 2016	June 2023 (7 years)	100.000.000	100.000.000	100%	100%	0%	Refinancing of the debt used to acquire a portfolio of hydroelectric plants in Northern Italy
2.	June 2016	June 2024 (8 years)	125.000.000	125.000.000	100%	100%	0%	Refinancing of the debt used to acquire a portfolio of hydroelectric plants in Northern Italy
3.	December 2016	December 2026 (10 years)	150.000.000	150.000.000	100%	100%	0%	Refinancing of the debt used to acquire a portfolio of hydroelectric plants in Northern Italy
4.	October 2017	October 2027 (10 years)	100.000.000	59.237.648	59%	45%	14%	see below
			Of which:	9.510.948				Refinancing of the loan used to acquire a portfolio of hydroelectric, photovoltaic and biomass plants in Northern Italy
				35.480.450				Refinancing of the loan used to acquire a a section of the electricity distribution grid in Northern Italy
				14.246.250				Finance for the modernization of hydroelectric plants and of the electricity distribution grid

Materiality analysis

{GRI 102-46}

For Alperia, the development of a Group sustainability reporting system is not a goal, but a means to improve sustainability performance within the company. This requires an integrated management and reporting

process, which is currently being implemented. To guarantee the transparency and comparability of the process, Alperia applies the sustainability reporting standards defined by the Global Reporting Initiative

(GRI). At the core of the standards is the materiality analysis, aimed at ensuring that Alperia's essential sustainability issues and indicators are identified, managed and reported.

Prioritisation of material topics

1
2
3
4

Identification of topics:

Preparation of a "long list" of relevant sustainability issues based on competitor analysis, the relevant megatrends, the media, stakeholders' feedback and Alperia's activities. Result: **30 topics identified**

Internal definition of impact priority:

Assessment of the potential impacts (on a scale of 1 to 10 depending on the extent of the impacts) of Alperia's activities on the topics previously selected, during an internal workshop with the departments and subsidiaries involved. Result: **20 main topics**

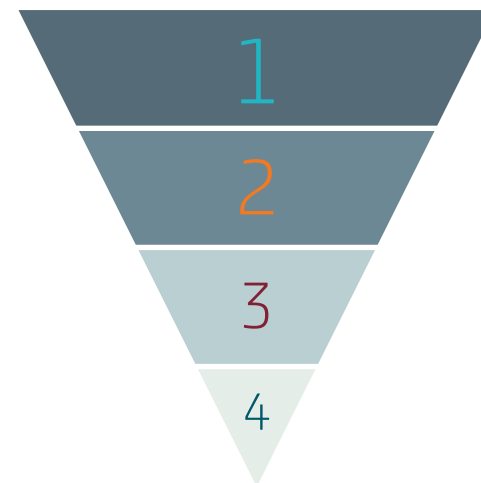
Definition of priorities by the stakeholders:

Stakeholders' assessment of the 20 selected topics, as part of an anonymous online survey (176 participants responded)

Preparation of the materiality matrix:

Selection and classification of topics based on importance; a topic is considered essential if:

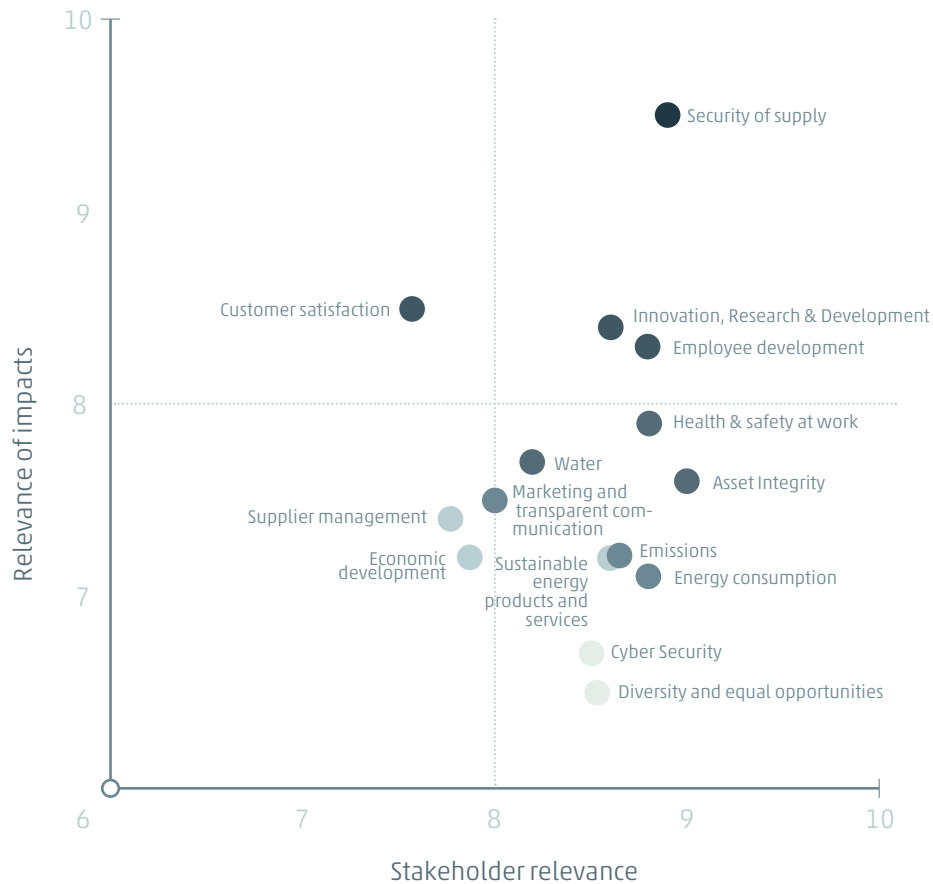
- it is one of the 10 main topics of the stakeholder survey; or
- it is one of the first 10 significant impacts; and / or
- it obtained more than 7 points in the stakeholder survey and also in the impact assessment. Result: **15 material topics**





Materiality matrix

{GRI 102-47}



Other relevant topics	Page
Local community	41
Biodiversity	67
Compliance	20
Materials	58
Creation of added value	42
Anti-corruption	23
Human rights	26

Strategy and areas of action

The 2017-2021 Group Strategic Plan, which aims to transform Alperia from a traditional integrated multi-utility into a **modern company that focuses on smart grids, advanced value-added services and customer centrality**, is a guiding principle for the Group, which aims to continue creating significant added value for South Tyrol. This new model of energy service provider strongly rooted in the local area has already been successfully implemented in other countries.

Alperia must be able to seize new opportunities and adopt **innovative energy models**, which is only possible through a strong commitment to development and research. Our employees are one of the key resources for business success: employees' appreciation of the work environment and continuous employee development have a considerable importance for Alperia.

Alperia intends to pursue its business activities while preserving its **"100% green" identity**, and to ensure that they are environmentally, socially and economically sustainable. These guiding principles are the basis of the Group's **sustainability strategy**, which was first developed in 2017. To this end, we have identified the **strategic areas of action** taking into account the Strategic Plan, the materiality analysis and the

stakeholders' interests, and we have defined the parameters for measuring progress, setting objectives and measures in common agreement with the Management. The effectiveness of this first sustainability strategy will be reviewed again in the current

reporting year and, if necessary, updated and adjusted. In addition, the sustainability strategy will be integrated when the 2017-2021 strategic plan is updated. The following chapters are organised according to the strategic areas of action.

- Innovation
- Research and development
- Sustainable products and services

- Cyber Security
- Customer satisfaction
- Marketing and transparent communication



Alperia in dialogue

{GRI 102-40, 102-42, 102-43, 102-44}

The **groups of Alperia's relevant stakeholders** have been defined within the materiality analysis. The reference groups with which Alperia is actively engaged include owners and investors, customers, employees, the riparian municipalities and other municipalities in whose region our plants are located, suppliers, research institutes and interest groups, such as environmental, business and fishing associations, trade unions and consumer associations. The definition of reference groups is updated regularly based on ongoing dialogues and the comprehensive implementation of the sustainability strategy.

To ensure **direct dialogue with the stakeholders**, open days, guided tours and other events are organised (more information on page 81).

In the current reporting period, stakeholders were widely involved in the materiality analysis, in particular for the joint definition of Alperia sustainability topics. Representatives from all the reference groups - **over 650 people overall** - were invited to participate in an online survey and to assess sustainability issues. The survey response rate was 26%, with greater participation of employees and research

institutes and lower response from the riparian municipalities and the municipalities that host the plants.

In the online survey, stakeholders could also submit comments, requests and observations, which were taken into consideration in this sustainability report in the chapter dedicated to each topic. As a result of the online survey, **the following five main topics indicated by each stakeholder group were identified:**

1. Security of supply
2. Value for the territory
3. Sustainable energy products and services
4. Asset Integrity
5. Energy consumption

Customers

1. Employee development
2. Security of supply
3. Diversity & equal opportunities
4. Health and safety at work
5. Asset Integrity

Collaborators

1. Health and safety at work
2. Security of supply
3. Water
4. Asset Integrity
5. Emissions

Suppliers

1. Innovation, research and development
2. Energy consumption
3. Diversity & equal opportunities
4. Local community
5. Sustainable energy products and services

Owners and investors

Interest groups

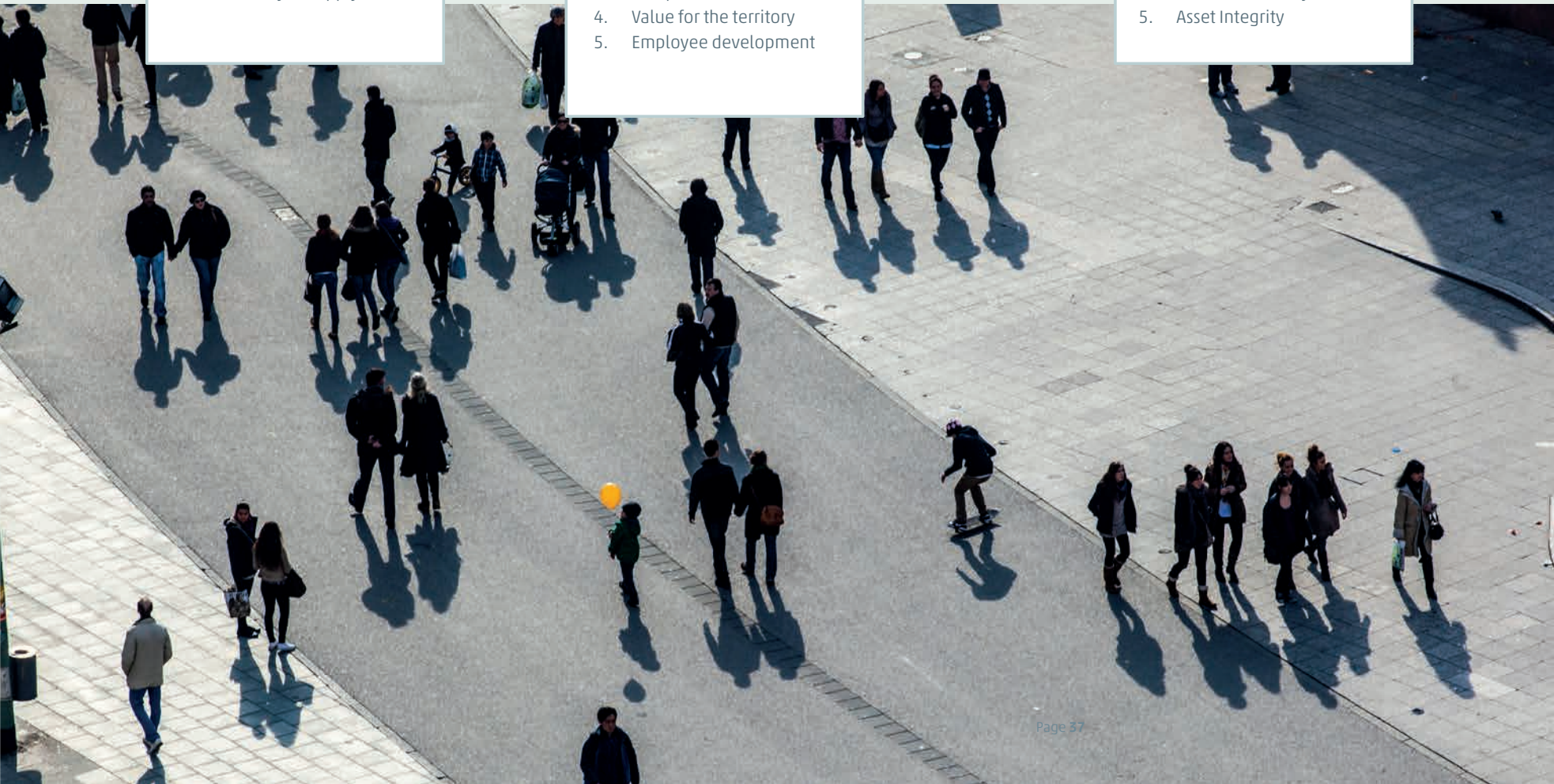
1. Emissions
2. Compliance
3. Asset Integrity
4. Cyber Security
5. Security of supply

Representatives of riparian municipalities

1. Asset Integrity
2. Security of supply
3. Compliance
4. Value for the territory
5. Employee development


Research institutes

1. Innovation, research and development
2. Energy consumption
3. Emissions
4. Health and safety at work
5. Asset Integrity







Strategic objective: We want to integrate sustainability in our business strategy in a structured way.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 <p>Integration of the sustainability strategy in the 2017-2021 Strategic Plan</p>	Identification of material topics, and of objectives and measures in relation to sustainability	Integration of the sustainability strategy (areas of action with objectives and measures) in the 2017-2021 Strategic Plan as part of the 2018/2019 updates	2019	-	-	-

Strategic objective: We want to identify and actively manage our sustainability risks.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 <p>Implementation of a structured analysis and assessment of sustainability risks, followed by monitoring and risk control in the framework of sustainability and risk management.</p>	<ul style="list-style-type: none"> - Sustainability risk survey as part of the 2017 materiality analysis - Analysis of commercial activities and megatrends - Qualitative description according to the material topic 	<ul style="list-style-type: none"> - Assessment of sustainability risks - Analysis of sustainability risks in the supply chain - Establishing a periodic monitoring and reporting process for risk management at Group level 	2019	-	-	-

Strategic objective: We want to proactively manage complaints, to prevent reputational and operational risks.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 <p>Introduction of a standardised, group-wide grievance mechanism</p>		Introduction of a standardised, group-wide system for handling grievances (e.g. riparian and hosting municipalities) with clear processes and responsibilities	2018-2021	-	-	-



Community

As a South Tyrolean company, Alperia takes its responsibility for nature, the population, the region and their future very seriously.

Alperia intends to create added value for South Tyrol in the form of clean energy, as well as in terms of jobs, support for the local economy and safe infrastructure.



Economic development

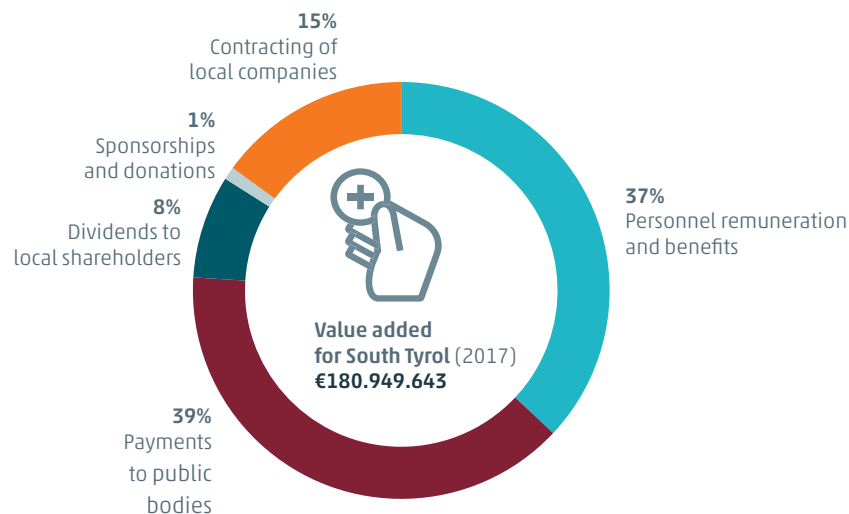
With the 2017-2021 Strategic Plan, presented to the public in March 2017 at a press conference, Alperia is pursuing the goal of sustainable economic growth. This is characterised by a moderate level of debt, stable value for the Group, and the generation of sufficient cash flows to carry out significant investments and pay constant dividends. Thanks to the numerous **economic and geographical diversification measures**, future financial results will be less sensitive to the risk of price fluctuations that characterise the hydroelectric energy market and at the same time less exposed to weather conditions that affect hydroelectric power production.

As a result, we will be able to achieve **more stable, less volatile results**, building significant financial value for South Tyrol over the medium and long term. Added to this are the indirect effects of the investments envisaged in the Strategic Plan for the coming years, for the development of infrastructures and the Smart Region. Alperia not only intends to **create added value** for the local area, but also to make a significant contribution to the creation of a smart, digital South Tyrol. The measures to achieve the objectives of the 2017-2021 Strategic Plan are contained in the communication of 29.03.2017, available on the company's website at www.alperia.eu in the News area.

Economic value

{GRI 201-1 → Appendix Figures 2, 3}

In 2017, Alperia generated revenues of €1,1 billion, most of which - €965 million - are allocated to operating costs (thereof around 90% to energy purchased for trading). **More than €180 million** were generated as direct added value for South Tyrol. About €70 million were paid to public bodies in various forms, including taxes, environmental levies, concession fees and electricity supplied free to the Province. €15,2 million were paid to owners as dividends, approximately €68 million were used to pay salaries and social security



contributions for employees, while €1,7 million were paid in the form of sponsorships with impacts on the local community (more information on sponsorships in "Transparent Marketing and Communication" on page 81) and donations. Finally, a further €26,5 million were spent on procurement of products and services from South Tyrolean companies. This added value generated by Alperia indirectly **benefits the entire region**. Political institutions can fund numerous public initiatives to the benefit of the population not only through the dividends received, but also using the taxes collected.

Social responsibility

In addition to added value, Alperia strives to act in a socially sustainable manner and as a leading company in South Tyrol, it takes its responsibility seriously. Alperia has a budget for donations of €100.000 per year, in addition to other charitable initiatives. For example, in 2017, for the second year running the Group did not give Christmas gifts to employees, instead making charitable donations for the equivalent amount of €25.000 in favour of South Tyrolean volunteer associations. In 2016 the amount was allocated to the following associations:

South Tyrol Doctors for the world: organisation of doctors, nurses and volunteers who provide help in areas affected by emergency situations and poverty;

Bressanone solidarity house: home for people in need, including homeless, refugees, children and young people in difficult family situations;

Medicus Comicus: association that organises Clown visits to hospitals in South Tyrol to bring a smile to sick children and their families;

Volontarius: association that provides assistance, food and clothing to immigrants and homeless people.

In 2017, staff were given the opportunity to propose the associations that could benefit from the donations. Among the numerous proposals received, the Management selected the following four South Tyrolean associations, to which the €25.000 were assigned on

behalf of the employees:

South Tyrol Food Bank: The association collects food in supermarkets and businesses, and distributes it to social associations and cooperatives in the public interests;

Il papavero - der Mohn: "The Poppy" association offers support for palliative care for both patients and their families;

Nemo: an association in support of South Tyrolean children suffering from chronic and complex diseases and therefore forced to recurrent therapies and hospitalizations;

Le formiche - die Ameisen: This association is part of the South Tyrolean Fair Trade movement and operates three shops, including two in Bolzano and one in Laives, which sell food produced under sustainable conditions and artistic craftsmanship of small producers in the southern countries.



In addition to the donation of funds, Alperia also seeks to support charitable associations and local cooperatives. Last year, the Company selected the social cooperative Clab of Bolzano to design the Christmas decoration for our customer offices. The cooperative promotes the integration of socially weaker and disadvantaged people, encouraging, among other things, the reintegration of people with disabilities in the job market.

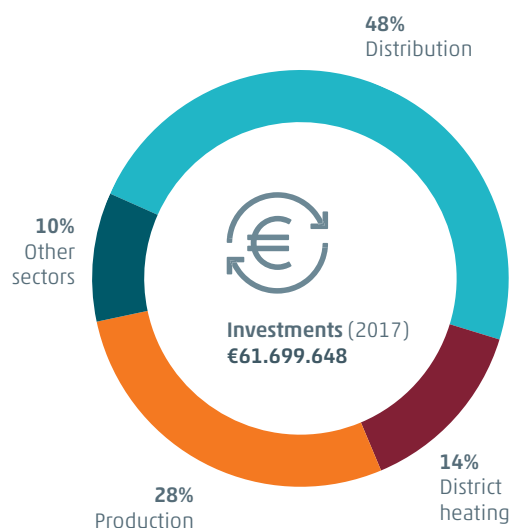


Christmas decoration of Alperia customer offices made by the social cooperative Clab of Bolzano.

Investments in infrastructure

{GRI 203-1 → Appendix Figure 4}

To ensure a **safe and efficient energy supply** for the South Tyrolean population and to offer modern, high value-added services for customers, Alperia invests large sums every year: In the first two years of activity, investments of over €132 million were made, part of which were refinanced by Alperia through the issue of a green bond in several tranches. A detailed list is published in the "Green Bond" section on page 30.



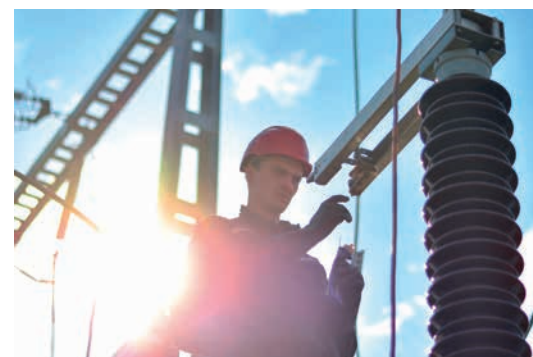
Investments in the electricity grid

In 2017 most of the investments, almost €30 million, were allocated to energy distribution. In South Tyrol, through its subsidiary Edyna, Alperia manages a low, medium and high voltage electricity network that extends for 8.778 km, with the related plants and infrastructures. To ensure widespread and efficient coverage, every year investments are made to **upgrade and modernize the network**. In recent years, almost all the highly critical red zones in South Tyrol have been refurbished, so that today only the municipality of Senales is classified as a "red zone". The goal is to unify and strengthen the network and improve its resilience. This means that the electricity grid remains operational in the event of service disruptions of various kinds. Investments in 2017 were mainly intended for the numerous **technical and qualitative upgrading of the medium-voltage network**, and for the upgrading of plants such as primary substations (extract from the main projects):

- New medium-voltage line in Vadena (Lower Atesina)
- Expansion of the medium-voltage line in the expansion area of Lana (Burgraviato)
- Installation of a new medium voltage underground line at Vandoies (Val Pusteria)
- Installation of a new medium-voltage underground line in Val Martello - Coldrano (Val Venosta)
- New medium-voltage line in Cermes-Marlengo (Burgraviato)
- New primary substation in Cardano and replacement of transformer with a more powerful one
- New 60 kV (kilovolt) line between the Lana industrial

area primary substation and the Val di Nova primary substation.

Where possible, **new underground power lines** will be laid, so as to minimise the environmental and landscape impact of visible pylons and overhead lines, while improving the resilience of the electricity network: for example, extreme weather events, such as heavy snowfall, will no longer cause disruptions or faults.



Investments in district heating

In 2017, investments in the district heating sector amounted to €8,6 million and essentially concerned the **expansion of the district heating network in Merano and the expansion of the district heating network in Bolzano** with the new thermal tank (for further information, see chapter "Sustainable products and services" on page 113).



Investments in the hydroelectric sector

In 2017, investments in the production of electricity from hydroelectric sources in South Tyrol amounted to almost € 17 million. Hydropower is one of the **major sources of renewable energy** and is ideal for electricity production, considering the mountainous conformation of the South Tyrolean landscape. In order to more efficiently exploit this important resource and increase the percentage of renewable energy, Alperia investments focus on the **upgrading and modernization of existing plants**. These works also contribute to improve safety at work and in the operation of power stations.


In 2017, Alperia invested in the maintenance and modernization of the Cardano, Naturno, Santa Valburga and San Pancrazio in Val d'Ultimo hydroelectric plants. The works at the San Pancrazio plant also involved the restoration of the penstock and replacement of the machine units; a Francis turbine was installed,






which is among the biggest in South Tyrol. In the last two years, at the Lasa plant, the new DMV (Deflusso Minimo Vitale) Rosim power plant has been constructed, which uses hydroelectric power both from the Rio Rosim outlet and from the Lasa power plant. In this way, Alperia guarantees an **even more efficient use of water resources**.

Top left, works for the laying of pipes for the extension of district heating; upper right corner, works to rebuild a penstock.

Strategic objective: We want to create added value for South Tyrol in various areas, including in terms of jobs, local taxes and social contributions.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 1.2 billion value added for South Tyrol in 5 years	Presentation of the value added, environmental projects, etc.	ongoing	2017-2021	Local economic added value (EUR)	1.2 billion	181 Mln
 Assessment of cooperation opportunities for the inclusion of migrants in South Tyrol		Meetings with social associations to explore opportunities for collaboration (e.g. Corporate Volunteering, traineeships)	2019	-	-	-

Strategic objective: We want to shape the future of South Tyrol into a Smart Region.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 Expansion of the ultra-broadband network and creation of a network that enables access to the internet of things in South Tyrol	Activation of the L2 transport structure	Expansion of the L1 optical fibre in Tirol, Sesto and Chiusa	2017-2021	Number of households reached by the ultra-wide network	76%	3%
 Promotion of cooperation for the development of an innovative and smart infrastructure	Creation of a neutral transmission platform for South Tyrol in collaboration with Huawei	Assessing potential PPPs and other collaborations for the promotion of smart solutions (e.g. public lighting)	2017-2021	-	-	-
 Active collaboration in research projects for the development of new solutions for smart grids	Collaboration in Smartnet, Smart City Vizze E Storage4grid research projects	Collaboration in Smartnet, Smart City Vizze E Storage4grid research projects	2017-2021	Number of completed projects	3	0

Security of supply

Alperia produces sustainable electricity in 33 hydroelectric power plants in South Tyrol, in nine photovoltaic plants (two in Central Italy, one in Sardinia and six smaller ones in South Tyrol) and in a biomass plant in Sardinia. The company also operates an electrical network of almost 8.778 km, serving most of the municipalities of South Tyrol. The company is **the largest provider of energy services in South Tyrol**; therefore it has the great responsibility of ensuring a safe and modern energy supply, especially of green energy from South Tyrolean hydroelectric resources.

Supply of green energy

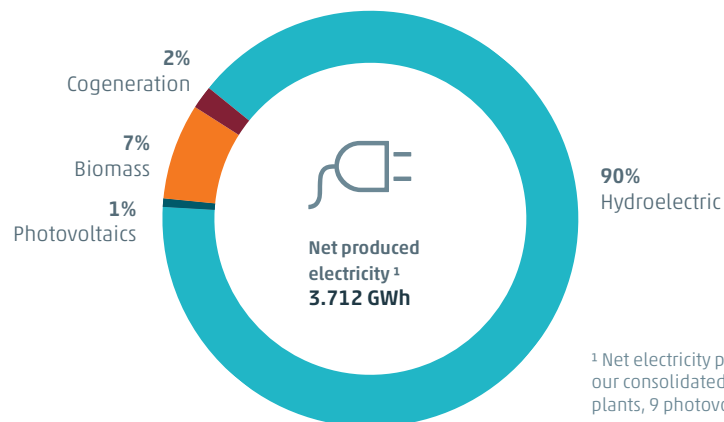
{GRI EU10 → Appendix Figure 8}

Thanks to its central position in the Alps and the abundance of water in the region, South Tyrol is particularly suited to making use of hydroelectric resources. Today more than **90% of the energy produced in the region is of hydroelectric origin**. Energy is produced in the numerous large and small hydroelectric plants located throughout the province. Alperia manages 33 hydroelectric plants, thus ensuring a sustainable supply of energy to the entire province. The quantities of electricity currently produced by Alperia through the exploitation of local hydroelectric resources are higher than the annual energy consumption in the province.

The average annual consumption of electricity in South Tyrol is around 3 TWh. In 2017 Alperia produced 3,3 TWh of hydroelectric energy, suffering a 9% reduction due to exceptionally low rainfall and snowfall. In addition, Alperia produced 24 GWh from photovoltaic plants, 66 GWh from cogeneration and 278 GWh from biomass.

Given the upward trend in electricity consumption, we may reasonably wonder for how long the energy requirements of the province will continue to be **met with the renewable energy produced locally**

from hydroelectric sources. From an assessment of the historical trend of electricity consumption in the Province in the period 2008-2016 (TERNA Data), there is an average annual increase of about 0,6%. Therefore, assuming that the average volumes of electricity production remain stable over time, and assuming that this trend of consumption growth remains constant over the next few years, it is safe to say that the hydroelectric production of Alperia plants **will be able to cover the demand for electricity in South Tyrol until the year 2050**.



¹ Net electricity produced includes 100% of the energy produced in our consolidated plants (33 hydroelectric plants, 5 district heating plants, 9 photovoltaic plants and one biomass power station),

A safe network for a constant supply of energy

{GRI EU4; GRI EU28; GRI EU29 → Appendix Figures 12, 13}

Through the subsidiary Edyna, Alperia manages a large part of the electricity grid in South Tyrol, as well as a 112 km of natural gas distribution network in four municipalities, including Merano. The main data concerning the distribution of electricity are shown below:

⚡ 8.778 km

Total electricity
distribution lines, of which

67%
underground

🏠 106

Municipalities supplied out of a total
of 116 municipalities in South Tyrol

⚡= 2,5 TWh

Electricity distributed in South Tyrol

👥 229.000

End customers connected to the electricity grid

Furthermore:

- 5.117 km low voltage lines
- 3.451 km medium voltage lines
- 210 km high voltage lines
- 33 primary AT / MT substations
- 4.025 secondary MV / LV substations
- 47 MV switching substation

"The number of underground power lines should be increased"

Comment by a representative of the riparian Municipalities

Alperia replies: In South Tyrol we operate a low, medium and high voltage electricity network of 8.778 km. To improve the landscape, the environment and the quality of supply for the citizens, we are working to bury as many power lines as possible. At present, over 5.845 km of power lines are buried, which is more than 67% of our overall network. If we break down the network into high, medium and low voltage, the situation is as follows:

- Low voltage: 5.117 km - of which 3.816 **underground**
- Medium voltage: 3.451 km - of which 2.018 **underground**
- High voltage: 210 km - of which 12 **underground**

Alperia's goal is to lay new underground power lines where possible, so as to minimize the environmental and landscape impact produced by visible pylons and overhead lines, while improving the resilience of the electricity network: for example, extreme weather events, such as heavy snowfall, will no longer cause disruptions or faults (for more information see chapter "Investment in infrastructure" page 44).

Alperia's goal is to guarantee a **safe and modern electricity supply** to South Tyrol in the future. The electricity distribution system is becoming increasingly complex and flexible. Today, more and more customers have become producers themselves, generating small amounts of electricity from different sources to be fed into the local electricity grid. The energy distributor must therefore face this new development, **by setting up a powerful and above all efficient distribution network**. To achieve this goal, significant investments are planned in the next few years to strengthen the network, to research and develop smart grids, to ensure a suitable network is in place for the future and to install innovative and efficient solutions. An excerpt of current research projects can be found in the "Innovation" chapter on page 106.

Safety is responsibility

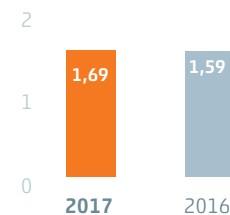
Through a **centralized Remote Control Centre** in Bolzano, Edyna monitors and manages the electricity networks and the gas network, thus guaranteeing a safe and high quality distribution service. Through a remote control system the networks are **monitored 24 hours a day every day of the year**, to enable prompt action in case of faults or issues. An emergency service is available 24 hours a day: the bilingual staff collects telephone reports and disruptions are promptly solved directly by the Remote Control Centre or by technicians on site.

All unplanned outages of the distribution network are recorded at the Remote Control Centre and analysed

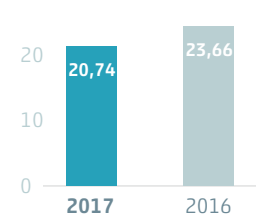
during monthly meetings. These meetings are attended by the four Area Managers (East Zone, West Zone, Central Zone, South Zone), and by the managers of the Technical Area and Network Operation, to identify, first, the "worst lines", i.e. the lines that are most affected by issues, and then the causes of the outages. At this stage, improvement actions are defined with the goal of **reducing the number and duration of the outages**. The main improvement actions undertaken in 2017 were the following:

- detailed check of overhead lines for a more efficient management of green pruning around the lines;
- installation of remotely controlled substations to improve network monitoring;
- optimization of the emergency response service in the Remote Control Centre;
- development of detailed emergency plans in the Remote Control Centre.

Number of supply outages per customer



Duration of outage per customer (minutes)



Sustainable heat for South Tyrol

Today district heating is the **most environmentally friendly system** to provide heat. From the production plant, the heat is supplied directly to customers through an underground district heating network. A large number of gas and diesel-fuelled boilers can therefore be replaced with safe and clean systems, and every year we can **save several thousand tonnes of CO₂ emissions**. Through its subsidiary Alperia Ecoplus, Alperia manages five district heating systems in Bolzano, Merano, Chiusa, Lazfons and Sesto ¹. For the production of thermal energy inside the plants, the

the chapter on page 72). Alperia also uses the **residual heat from industrial processes**, as in the Merano plant, and the heat from the Bolzano waste-to-energy plant, which is used in the city district heating plant. For demand peaks or in the event of failures in the biomass boiler, district heating plants **also have boilers or cogenerators** (plants that produce electricity and heat at the same time and therefore ensure extremely high energy efficiency levels) that are fuelled by natural gas. As a result, heat supply is always safe and guaranteed.

The district heating network in Bolzano has been in

district heating can be extended to more than 10.000 households and to hundreds of public buildings and companies, thus ensuring **optimal use of the residual heat from the waste-to-energy plant**. Following to this expansion of the network, 50.000 tonnes of CO₂ emissions can be saved, corresponding to the amount of CO₂ absorbed by 4 million trees. This result is **in line with the forecasts of the CO₂ Plan of the Municipality of Bolzano and the Bolzano Sustainable Energy Action Plan**.

To ensure a safe supply of heat to customers at all times, the Bolzano district heating plant has an accu-



company **mainly uses biomass (wood)** and therefore a renewable energy source, which is neutral from the point of view of CO₂ emissions. By using the wood from our region we also promote the care of our forest resources and reduce CO₂ emissions thanks to shorter transport routes (to learn more about emissions see



operation for around 30 years and supplies heat for heating and hot water. Alperia is expanding the district heating network in the regional capital to increase the number of households, companies and public bodies, such as the Hospital of Bolzano, that can benefit from this sustainable, economic and safe heat. Therefore,



¹ Overall, the Group manages six district heating plants in South Tyrol; of these, the Silandro power plant, managed by the district heating company Silandro Srl, an affiliate in which Alperia has a minority stake, is not consolidated.

mulator over 40 meters high, in which the energy from the waste-to-energy plant is stored and from which heat can be drawn during demand peaks, for example during morning hours. **Inside the tower, 5.850 m³ of water are stored; this water is brought to a 95 ° C temperature using the residual heat from the waste-to-energy plant; thus, the corresponding thermal energy is stored.** Once the accumulator is filled, an amount of energy up to 220 MWh can be provided to the district heating network. To **improve the architecture of the storage tank, which is visible from afar,** the structure was clad with backlit aluminium panels.

The cladding has large holes of different sizes representing the water bubbles in a boiler which, at night,

are illuminated with a play of light using 220 LED lamps. The project was designed by architect Valentina Bonato from Bolzano in collaboration with the artist Julia Bornefeld and was selected through a competition of ideas, in collaboration with the Chamber of Architects of Bolzano. Alperia presented the storage tank and its plans to expand the district heating network in November 2017, **during an open day.**



Did you know that...

Biomass is neutral in terms of CO₂ emissions?

During the combustion of heating oil, gas or wood, carbon dioxide is produced. When fuel oil or gas is burned, CO₂ is released which has been accumulating in the atmosphere for millions of years. When burning wood instead, carbon dioxide is released into the atmosphere for an amount equal to the quantity a tree absorbs from the atmosphere during its life. The same happens if wood rots unused in a forest. For this reason, burning wood does not affect the CO₂ balance.



A virtually perfect circuit

The Bolzano district heating system in detail



In the municipal solid waste-to-energy plant, heat is generated from waste (1). The steam produced by the combustion activates a turbine (2) for the production of electricity.

The residual heat (3) is used by the Alperia district heating plant. The district heating plant is used by Alperia to meet citizens' request for heat.

In addition to the heat from the waste-to-energy plant, we have a heat storage tank (4) and spare boilers and cogenerators (5) to cope with demand peaks.

From the power plant, the heat, in the form of hot water, is fed into the district heating network (6), a closed circuit of underground pipes.

The heated water flows into the district heating network and reaches your home. Here, thanks to the heat exchanger (7), energy is used to heat the sanitary water of individual houses and of heating systems. This occurs without the flowing of water. After the heat has been released, the water goes back to the plant through

the district heating network (8) to be heated again and resume its cycle. In addition to heating private homes, the district heating system meets the energy needs of many public buildings in the city, including the Hospital of Bolzano (9).



Strategic objective: We want to guarantee a secure and efficient energy supply.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 Investments of € 400 million over 5 years in the core business	For a detailed description of the main investments see p. 44ff	Investments in measures to improve plant performance in terms of availability, reliability and efficiency.	2017-2021	Investments (EUR)	400 Mln	62^{Mln}
		Construction of a mini-hydro power plant for use of the minimum vital flow at Tel and Lasa (Rio Rosim) to strengthen the production of electricity from renewable sources	2018-2020	Built capacity (MWh)	1	0
 Extension of the district heating network in Bolzano	Renewal of the district heating plant in South Bolzano with addition of heat storage tank	Expansion of connections and network	2017-2021	Heat customers (no.)	-	1.623
 Reduction of number and duration of power outages		Improvement in service quality and modernization of the network infrastructure to improve network stability	2018	High concentration SAIDI	28	5,9
	Remote management of secondary substations already in service	Remote management of secondary substations already in service	2018	Medium Concentration SAIDI	45	16,9
	Gradual transition of the grid operation from isolated neutral to compensated neutral	Gradual transition of the grid operation from isolated neutral to compensated neutral via a Petersen coil	2018	Low concentration SAIDI	68	35,8
	Inspection and tree cutting programme for overhead lines	Inspection and tree cutting programme for overhead lines	2018	High concentration SAIFI	1,2	0,24
	Replacement of sections of overhead lines with underground cables and construction of new MV and HV connections	Replacement of sections of overhead lines with underground cables and construction of new HV and MV connections	2018	Medium concentration SAIFI	2,25	1,22
	Implementation of new automations on the network for better fault selectivity	Implementation of new automations on the network for better fault selectivity	2018	Low concentration SAIFI	4,3	3,25

Asset Integrity

Technical safety of plants

{GRI EU21}

Alperia manages 33 hydroelectric power plants in South Tyrol with 15 large dams and related barrage structures, five district heating plants, an electricity network of over 8.700 km and a gas network in the municipality of Merano with related infrastructures. These facilities are very complex and **located in potentially sensitive locations** in terms of accidents, natural disasters and terrorist attacks.

To minimise operating risks, Alperia **guarantees high standards of safety and operational efficiency to protect employees and the population.**

This aspect is managed within each Business Units. The objective is to assess which strategic indicators can be used to manage the Asset Integrity issue at intra-group level.



Safety of dams

Currently **more than 220 people are employed in the hydroelectric plants, in control and maintenance operations**, concerning both barrage structures and all the components of each hydroelectric plant. More specifically, dams are equipped with an extensive monitoring system that detects the hydraulic and structural behaviour of the structures and the reservoirs to ensure hydraulic safety. The main data are transmitted to the Remote Control Centre in Bolzano which monitors them in real time. Twice a year, representatives of the Technical Office for the Dams of Venice of the Ministry of Infrastructure visit the plant and **perform accurate inspections**. The Dams Office of the Autonomous Province of Bolzano is responsible for checking the smaller barrages.

Each plant has a Civil Protection Document drawn up by the Autonomous Province of Bolzano and an internal regulation, which defines in detail how employees should behave in case of accidents or floods. **In the event of major weather events**, Alperia reinforces the dam protections with specialised technical personnel; the supervisory staff present at the dam is qualified and authorised to manoeuvre the outlet control units, even if telephone communications are interrupted. Alperia ensures the periodic **training of personnel responsible for flood management**. During floods, real-time data concerning the reservoir level and the discharge and intake flow rate of large dams, are sent from the Remote Control Centre of Alperia to the control room of the Civil Protection of the Autonomous Province of Bolzano. In the initial phase of a flood

event during which the dams can delay or reduce the flow discharged from the dams compared to incoming flows, the management of the dams and plants is not considered an emergency. Through these controls, Alperia can retain the volume of water that flows downstream during floods (lamination), reducing the maximum flow rate and consequently the disruptive force of the water. As a result greater safety can be **ensured for the population and the destructive effects on the ecosystem can be contained**.

Investments



Inspections and monitoring concern not only the dams, but also the other elements of the plant, such as intake structures, diversion structures, shut-off valves, electromechanical machinery, etc., which are regularly checked by specialized personnel. Through these checks, weaknesses can be **promptly detected and actions can be undertaken to increase the plant safety**. In recent years, Alperia or its predecessors have made significant investments for the **maintenance and modernization of the plants**. As a result, a high level of safety of the plants has also been maintained. The goal of modernizing the hydroelectric power plants, thereby constantly improving safety, must be pursued also in the coming years. A significant portion of the profits deriving from the hydroelectric exploitation of water will continue to be used for the extraordinary maintenance of the plants.

In addition, for greater safety of district heating systems, **emergency management exercises** are pe-

riodically carried out. To this end, Alperia Ecoplus, the company that manages the district heating systems, organizes - together with the relevant Fire Brigade and White Cross rescue teams - fire simulations inside the district heating plant involving the rescue of wounded people. Through the simulation, rescuers become familiar with the system and train in coordinating rescue activities together with Alperia staff. In 2017, simulations were carried out at the Merano and Sesto plants.

In general, Alperia attaches great importance to **good collaboration with the local Fire Brigade**. In an emergency, the ability to rely on effective and well-coordinated cooperation is crucial. In November 2017 Edyna, the South Tyrol distribution company, took part in the information day reserved for district officials of the Provincial Union of South Tyrol Volunteer Fire Brigade Corps. On that occasion, Edyna and the Fire Brigade had the opportunity to exchange views on working methods and technical details of the plants, to further improve cooperation in the event of disruptions of the electricity grid. For more information on safe supply see page 47.

Strategic objective: We want to guarantee maximum safety of our systems, to protect employees, the population and the surrounding areas.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 Definition of a strategic indicator at Group level for Asset Integrity	-	<ul style="list-style-type: none"> - Assess which indicators are already being monitored in the various Business Units - Analysis of operational risks (e.g. risk of potential technical damage, such as breakage of dams or pipes, which also have an impact on the environment) - Evaluation of suitable indicator 	2019	tbd	tbd	-
 Development of a secure and stable communication network with the Provincial Civil Protection in the event of serious emergencies.	-	Signing of a declaration of intent with the Civil Protection Agency of the Autonomous Province of Bolzano for the preventive planning of actions between the two organisations in case of emergency to protect the population and the local area.	2018	-	-	-

Supplier management

{GRI 102-9; GRI 102-10; GRI 204-1; GRI 308-1; GRI 414-1; GRI 103-1 → Appendix Figures 5, 6, 7}

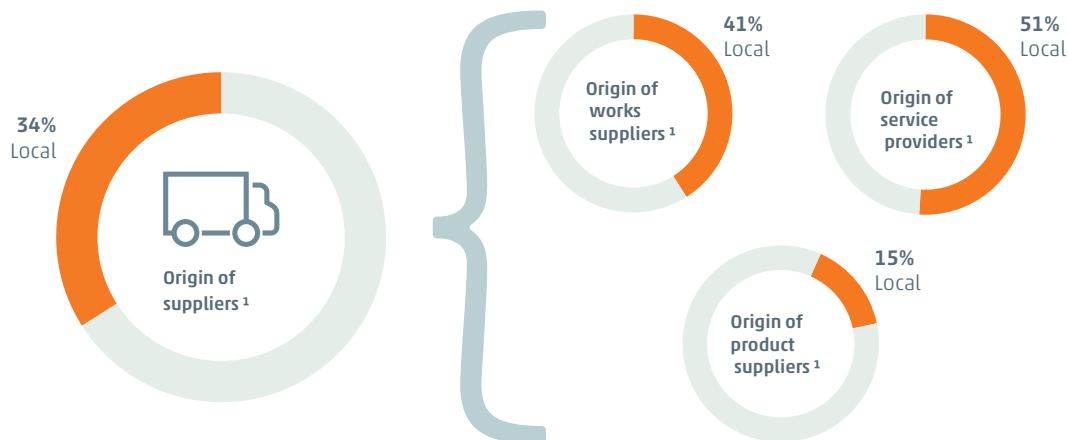
For Alperia, sustainable and responsible economic management regards not only the company's internal processes, but also the upstream processes, such as the procurement of goods and services. As a full provider of energy services - engaged in all areas of the energy sector, from production to distribution to sale - Alperia purchases its materials, raw materials and services from **more than 2.000 Italian and foreign suppliers**. This implies direct social and environmental impacts and, for Alperia, the challenge of ensuring a sustainable and possibly local supply chain.

Focus on local suppliers

The Procurement Service of Alperia carries out **all purchases for the Group at a centralized level**, from technical materials to raw materials and services. The products purchased are divided into product categories according to their financial relevance: the first category includes the most important products, the third category the least important ones. The majority of purchases pertains to the Group's core business. This item includes plant components and technical equipment, such as cables, transformers and turbines, as well as raw materials such as natural gas, wood, oil, lubricants and chemical products for the production and distribution of electricity and for district heating.

Office supplies, on the other hand, account for a smaller percentage of the total volume of purchases, which during the year in question was approx. € 78 million, of which € **26,5 million from South Tyrolean suppliers**. In this regard, it should be noted that most of the plant components purchased outside South Tyrol, such as transformers, cannot be sourced locally. In the "works" and "services" category, for which we also rely on local suppliers, the percentages are higher.

If we consider the number of orders issued in 2017, we note that **59% of them refer to local companies**. For the South Tyrolean company Alperia, it is important to make purchases locally to promote the provincial economy, although this is not always possible due to the peculiarity of the activity carried out and regulatory constraints as well as the need to comply with the law on public procurement.



¹ based on the volume of purchases in euros

"Priority must be given to criteria such as environmental management and occupational safety"

Comment from a customer

Alperia replies: accountability in the value chain.

In addition to the attention paid to local suppliers, Alperia verifies that suppliers comply with specific environmental and social standards. For this reason, in 2017 the company set up a structured supplier register, which led to a significant change in the supply chain in terms of structure and selection of suppliers. To be included in this register, all suppliers must first provide information and self-assessments. They must therefore complete a questionnaire and document the actions implemented in certain areas such as occupational safety. The register is continuously updated. For product categories subject to qualification, the qualification is valid for three years. To qualify for certain product categories, the supplier must prove that it has a specific social / environmental certification or in any case that it has implemented equivalent measures.

All Alperia suppliers must accept and endorse the principles of the Group's Code of Ethics. This implies in particular respect and protection of human rights, health and safety at work, as well as respect for the environment and sustainability. 100% of new suppliers have been assessed using environmental and social criteria.

Purchase of certified palm oil

Through its subsidiary Biopower Sardegna Srl (wholly owned by Alperia since December 2017), Alperia operates a **biomass power plant** in Ottana, in the province of Nuoro, in central Sardinia, that produces an average of 270 GWh per year. The raw material used is palm oil. The palm oil used has a **sustainability certification** that guarantees its origin from a sustainable and environmentally friendly cultivation of oil palms.

Vendor Rating System

To ensure the quality of suppliers and minimize the risk of loss and dependence, **the main suppliers of Alperia will be assessed in the future.** For this reason, a vendor rating system has been set up which will take effect in 2018. This means that collaboration with strategic suppliers, i.e. those of the first and second product categories, will be assessed internally on the basis of a standard questionnaire. In the future, assessment criteria will also be supplemented with **social sustainability criteria.**





Supplier audit

For each contract signed with a new supplier, Alperia can perform an audit and verify the supplier's data, by checking the information received as well as on the basis of on-site inspections and interviews. No audits were carried out as of year end, but in future, audits will be used as an instrument of control as necessary.



Alperia scrupulously verifies that the suppliers with which it has business relations, comply with precise environmental and social standards.

Strategic objective: We want our purchases to be as "local" and sustainable as possible from an environmental and social point of view.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 <p>100% of purchase contracts and the General Terms and Conditions of Contract at Group level contain a human rights clause.</p>	-	Definition of the clause and inclusion in the new General Terms and Conditions of Contract and in purchase contracts	2018	Share of purchase contracts that contain a clause for the protection of human rights	100%	0%
 <p>100% of significant tenders contain minimum product-related sustainability requirements</p>	-	<ul style="list-style-type: none"> - Analysis of main product categories according to sustainability criteria - Definition and implementation of a process to assess minimum product-related sustainability requirements 	2019	Share of significant tenders containing minimum product-related sustainability requirements	100%	0%
 <p>100% of new suppliers are assessed according to specific social and environmental requirements (e.g. information on accidents at work)</p>	-	All new suppliers must be included in the supplier register and must have specific certifications (for example SO 14001, OSHAS 18001, EMAS) depending on the product category.	2019	Share of new suppliers assessed on the basis of specific social and environmental requirements	100%	100%
 <p>The Vendor Rating System contains sustainability criteria</p>	Criteria for environmental sustainability set	Vendor rating system supplemented with social sustainability criteria	2018	-	-	-





Green Mission

With a view to ensure sustainable business development, in planning its activities Alperia is committed to ensuring the best possible balance between economic initiatives and environmental protection. Alperia acknowledges its responsibility in ensuring that each business activity or practice promotes the protection of health, safety, the environment, climate and biodiversity, as well as the systems of values and principles on energy efficiency and sustainable development, and undertakes to carry out research and development of more efficient innovative solutions that envisage both consumption savings and the use of alternative energy sources with lower environmental impact.



Water

{ALP6; ALP7 → Appendix Figure 14}



Alperia manages the production of electricity from renewable sources through 33 hydroelectric power stations in South Tyrol that are located in the different valleys of the provincial area. Hydroelectric plants produce renewable energy and do not consume



On the left the Neves lake that feeds the Lappago hydroelectric plant. In the photo above, the Vernago lake in Val Senales that feeds the Naturno hydroelectric plant in Val Venosta.

natural resources. The water used in the energy production process, after having been drawn from intake structures, **is returned to the environment** (river or lake) through outlet structures.

The shaping action of a watercourse is performed through multiple processes related to the erosion, transport and deposit of sediments. The intensity of this action, depends not only on the flow rate and speed of a river and the nature of the rocks over which the water flows, but also on the quality and quantity of the material transported. The attrition of the material transported against the banks and the bottom of the riverbed can considerably accentuate the erosive action of the stream. **A hydroelectric plant can interfere with the normal modelling action of a watercourse** as the barrage structures and the reservoirs retain some of the solid materials transported. In particular, the reservoirs are subject to progressive burying which reduces their storage capacity. Since the transport of materials is a natural phenomenon and since the reservoir storage capacity is beneficial for the multiple uses of water, the materials are returned downstream through planned operations that are agreed with the relevant Authorities. The material recovered from the grids placed upstream of the intake structures is not always natural and organically biodegradable. It is recovered and disposed of by the Company as waste.

Through the management of dams with greater reservoir capacity, Alperia can **adjust the volume of water that flows downstream during floods** (lamination), reducing the maximum flow rate and



consequently the disruptive force of the water. As a result **greater safety can be ensured** for the population and the destructive effects on the ecosystem can be contained. For more information on technical safety, see chapter "Asset Integrity" on p. 55.

The fish ladder built on the Isarco near the Barbiano hydroelectric plant intake.

In accordance with the legislation in force, Alperia has submitted reservoir management projects to the relevant Authorities. The burying of artificial reservoirs is subject to specific water protection rules and



"Areas affected by damming systems will increasingly suffer negative impacts, as rainfall is increasingly scarce and the water cycle is disturbed. All this must be taken into account to develop appropriate compensation measures"

Comment by a representative of the riparian municipalities and the central host municipalities

Alperia replies: The management of hydroelectric power plants in South Tyrol is supported by the implementation of environmental measures. For the first time, and unique case in Italy, granting of the concessions for large hydroelectric plants in 2011 was linked to important environmental measures and the allocation of the necessary financial resources. Alperia provided environmental funds for 14 large hydroelectric plants every year: Santa Valburga-Pracomune, San Pancrazio, Lana, Sarentino, Cardano, Ponte Gardena, Bressanone, Lappago, Molini di Tures, Lasa, Brunico, Glorenza-Castelbello, Tel and San Floriano.

Throughout the thirty-year concession, Alperia will allocate around €400 million to environmental projects for the benefit of the riparian municipalities affected by the presence of the plants. In doing so, it will implement numerous conservation and improvement measures for the environment and the landscape previously identified by the advisory boards of the individual hydroelectric plants. The types of measures for

which compensation funds can be used, as defined in Provincial Resolution no. 199/2017, are the following:

- measures in favour of the aquatic ecosystem
- measures to improve the environmental and social sustainability of energy supply
- measures in support of nature, the landscape and the ecosystem
- measures to prevent and protect against natural disasters and to secure rural infrastructures
- measures to prevent and adapt to climate change
- measures to improve energy efficiency
- measures in the field of technical protection of the environment

The resources allocated to environmental measures are uniformly distributed throughout the duration of the concession and their use is defined on the basis of three-year plans. A part of these investments is directly allocated to individual municipalities. So far, 41 riparian municipalities received environmental funding and

completed several projects, including: improvement of the waste water purification system, restoration or improvement of natural environments, energy saving measures, measures to reduce pollution and preserve the Alpine landscape.

Another part goes to the Province of Bolzano Alto Adige, which uses it primarily in projects to improve the aquatic habitat, such as the rehabilitation of the Talvera Torrent and the restructuring of the banks of the Isarco River in Bolzano.

Added to these are the measures implemented by the concessionaire with the objective of improving the environmental impact of hydroelectric production plants, such as the construction of fishways or the environmental monitoring of water sections to ensure and optimize the minimum vital flow.

provisions; the general objective set by the law is to ensure that the reservoir capacity is maintained and to **safeguard both the quality of the reservoir water and the groundwater**. The management plan aims to maintain and gradually restore the capacity of the reservoir and ensure, with the utmost priority, the functioning of the discharge and intake systems, in addition to defining measures for the protection of water resources. In drawing up these plans, Alperia has developed **partnerships with local associations** in the area, in addition to the constant control by the Provincial Offices such as the Water Protection Office and the Hunting and Fishing Office.

Minimum Vital Flow

A hydroelectric plant reduces the river flow in the section between the barrage structure and the outlet structure. In order for the river to have an adequate minimum flow also in that section, a quantity of water called "minimum vital flow" (DMV) is discharged, which is now also called **"environmental flow"**.

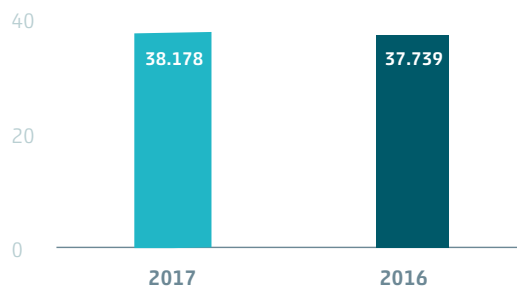
In the summer, the flow rate of Alpine rivers is usually higher due to more abundant rainfall. **High flow rates also occur in the months of May and June** when the melting of the snowpack is greater. When the temperature drops considerably, especially in the months of January and February, rivers experience the minimum flow rates ("low flows"). During floods and in general when the natural flow rates are high, water is drawn by plants, according to their size, up to the maximum capacity allowed by the concession decrees



and water in the riverbeds is abundant. During low flow periods, a significant reduction of the flow rate can occur in some stretches of the riverbeds up to values that are defined as Minimum Vital Flow.

The Minimum Vital Flow **preserves the natural biological and physical processes of the river ecosystem**. In the Autonomous Province of Bolzano, the discharge of the Minimum Vital Flow from a

Environmental flow discharge (l/sec)



0 (zero)

number of times in 2017 that
legal provisions on minimum vital flows
were not complied with

hydroelectric plant is governed by the new General Plan for the Use of Public Waters (PGUAP) which envisages the introduction, upon the renewal of the hydroelectric concession, of new parameters consisting of both a fixed and a variable level of environmental flow.

Biodiversity

Hydroelectric plants that use large reservoirs concentrate production in the time slots in which the energy requirement reaches peak levels, while in the rest of the day production is strongly reduced or even suspended. It follows that discharge to the watercourse downstream of the plant is intermittent. The influence of **flow fluctuation is greater in the winter periods characterized by low flow**, as the difference between the normal flow and the flow during maximum production is greater. The problems that discharge fluctuations cause to the watercourse ecology include:

"Environmental funds should be used in a controlled manner"

Comment by a collaborator

Alperia replies: To ensure that use of environmental funds is properly targeted, the hydroelectric plant Advisory Board develops proposals for environmental improvement and for the sustainable development of the municipalities involved. The advisory board is made up of four representatives of the Province (Environment Agency, Nature division, landscape and land development, Civil Protection Agency and Hunting and Fishing Office), a representative for each of the riparian municipalities involved and a representative of the concessionaire. The plan of measures drawn up by the Advisory Board must be approved by the Municipalities, the concessionaire and the Provincial Government.





- Flow fluctuations generally take place once or twice during a day: a sudden increase in the flow occurs in the watercourse bed followed by a lowering of the level when production is stopped or greatly reduced.
- Parts of the river bed, that are wet when the plant is in production, remain dry during plant downtime and cannot therefore be used by the aquatic species living there.

The continuous **changes in flow rate** affect the natural reproduction of fish communities, in particular of salmonids, which takes place precisely during the winter low flow periods, when the fluctuation effect is greater. Upon renewal of the hydroelectric concessions for large plants, which took place in 2011, the granting Authority prescribed that the Concessionaire, including Alperia, prepare **studies for the individual plants to analyse the state of affairs** regarding the extent of flow fluctuations and the impact on the concerned watercourse, also assessing measures to improve the situation. These studies, currently in progress, concern the hydroelectric plants of Bressanone, which have repercussions on the Isarco River, that of Lana, which has repercussions on the Valsura Torrent and that of Molini di Tures (together with the Lappago plant) which has repercussions on the Rio Selva dei Molini.

With regard to flow pulses in the Adige River, the analysis found that this watercourse has serious morphological deficiencies that are accentuated by the presence of several hydroelectric plants located in the same catchment basin; measures to mitigate them can only be assessed as part of a multi-sectoral study.

We must also consider that in the network of river basins there are several plant elements that fish cannot overcome and which, in the absence of special measures, cause the interruption of migratory flows towards reproduction and feeding areas. To **rebalance the distribution of fish species** and enable fishing activity, in some plants, in collaboration with the fishing Associations, each year fish fry replenishment is carried out in accordance with Concession Regulations. The fish species introduced are established by the relevant Authorities. In addition, each plant contributes, based on its capacity, to setting up a fund which is used to finance **various works for strengthening the native fish populations of our waterways**. To improve fish species life in some cases artificial passages (fish ladders) are constructed on the barriers.

Strategic objective: We want to minimize the natural and environmental impact of our hydroelectric plants and actively protect the biological diversity of watercourses.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 <p>Compliance with legal provisions on the minimum vital flow</p>	-	Monitoring and maintenance of intake systems	2018	Compliance with provisions on minimum vital flow	100%	100%
 <p>Construction of fish ladders and compensation measures</p>	-	<ul style="list-style-type: none"> - Construction of a fish ladder at the Lasa intake (Castelbello power station) - Financing (through the environmental fund) of various measures for the morphological improvement of watercourses affected by hydroelectric plants - Construction of fish ladders in Rabenstein (Sarentino plant) 	2017-2019	-	-	-
 <p>Renaturalisation and restoration of the original landscape in disused facilities</p>	-	Abandon several minor intakes and restore the natural environment	2017-2019	-	-	-
 <p>Reducing the danger of contamination from recycled water derived from open-cycle cooling</p>	-	Modification of cooling systems from open cycle to closed cycle in the Gloreza hydroelectric plant	2018	-	-	-

Energy consumption

{GRI 302-1 → Appendix Figure 15}

The Group's direct energy consumption concerns the use of fuel for the production of electrical and thermal energy in plants (cogeneration, thermal power stations, boilers) as well as non-renewable primary energy flows not directly related to energy production (e.g. heating, transport fuels, etc.), used in carrying out our activities.

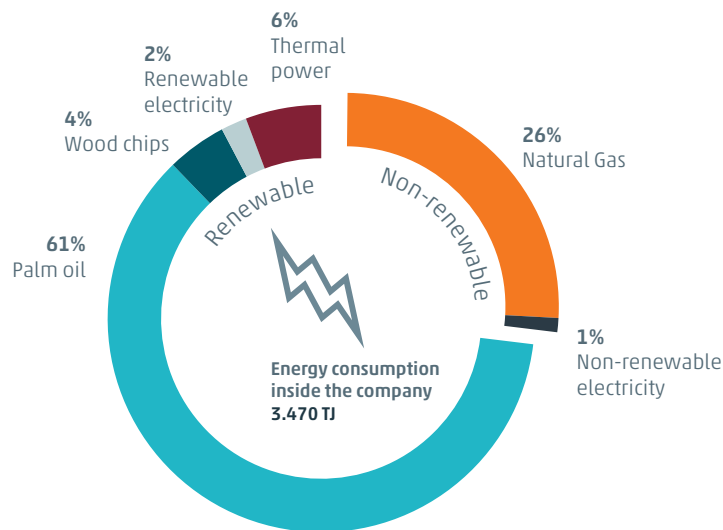
Indirect energy consumption, i.e. the energy the Group purchases and consumes, refers to the Group's production sites and plants. **The electricity used by energy production plants is partly self-produced and the associated data are included in direct fuel consumption.** Where such uses exceed self-production, electricity is **purchased from third parties** and is accounted for in the Group's indirect energy consumption.

In 2017, the Group's direct and indirect energy consumption that refers to the operating companies, the customer offices and the Group's representative offices, amounted to around 3.5 million TJ. **Direct energy consumption originates for 27% from non-renewable sources** (electricity, gas oil and natural gas) **and for the remaining 73% from renewable sources** (electricity, thermal energy, palm oil and wood chips) in terms of energy values in TJ.



As stated in the company's policy commitments,

Alperia pays special attention to promoting processes and activities that are as safe and as environmentally friendly as possible, by using advanced criteria and technology in the fields of environmental protection, energy efficiency and sustainable use of resources. More specifically, it prefers to use energy from renewable sources, both in production and in its offices. Two out of five district heating systems have installed photovoltaic panels.

Alperia pursues the objective of **promoting the energy efficiency of buildings and systems**, system efficiency, for example the reduction of network losses, and the use of climate-friendly energy within the company. To this end, a **structured reporting system at Group level** is currently being developed, followed by the development of a detailed management approach that will be published in the next Sustainability Report.



Strategic objective: We want to make our energy consumption more efficient.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 Energy management at Group level	Detecting consumption at Group level	Implementing periodic energy monitoring and energy management	2018-2019	-	-	-
 Reduction of energy consumption in buildings and plants through targeted energy efficiency initiatives	Detecting consumption at Group level	<ul style="list-style-type: none"> - Performing an energy audit and identifying savings opportunities in plants - Setting up a consumption monitoring system in Facility Management 	2018-2021	Energy consumption (TJ)	tbd	3.470

Emissions

{GRI 305-1; 305-2; 305-3; 305-4 → Appendix Figure 16}

Reduce the consumption of electricity, reduce CO₂ emissions and cover residual energy needs with energy from clean, safe and mainly South Tyrolean sources: these are the objectives set by the Provincial Council of Bolzano through the climate plan called **"2050 climate strategy"**. The plan maps out the road for turning South Tyrol into a recognized "Klimaland".

CO₂ emissions, largely attributable to the energy sector, contribute significantly to the increase in greenhouse gases. In South Tyrol, annual emissions amount to five tonnes of CO₂ per capita. At European level, this figure rises to nine tonnes. **Compared to the rest of Europe, South Tyrol is already ahead.** The South Tyrolean climate plan goes as far as requiring a future reduction in emissions to 1,5 tonnes of CO₂ per capita per year. Emissions of greenhouse gases are an important contributor to climate change and are governed by the **"Kyoto Protocol" and the "United Nations Framework Convention on Climate Change" at the international level.** The greenhouse gases or climate-altering gases considered are carbon dioxide (CO₂) and sulphur hexafluoride (SF₆).



Alperia supports the 2050 climate plan

To achieve these provincial objectives, **Alperia has set itself the goal of reducing its emissions on the one hand, and on the other to reduce the emissions of its customers through the purchase of green energy, heat and services.**

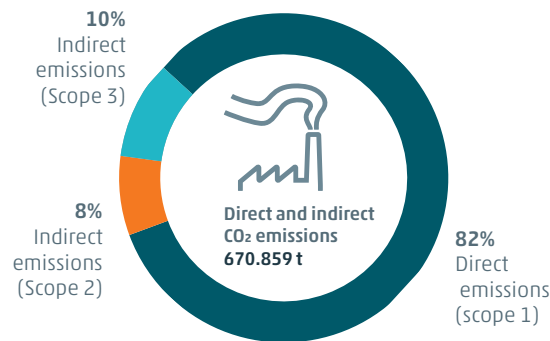
The production centres, offices and points of sale are periodically monitored to verify their regulatory compliance and to internally promote the continuous improvement of environmental performance, preventing pollution and reducing the waste of resources and materials wherever possible.

Aware of the impact of CO₂ emissions on climate change and the atmosphere in general, in addition to the UNI 11352 certification, which certifies the results achieved in terms of energy savings by companies that provide energy services to the industrial and civil sectors (Alperia Energy, the sales company), Alperia has acquired a stake in a company specialized in the field of energy efficiency. **With the acquisition of 60% of Bartucci SpA, Alperia opens up new horizons for the design and implementation of energy efficiency measures**, with a view to ensure continuous improvement. For more information, see the chapter "Sustainable Products and Services" on p. 113.

The Group's activities generate atmospheric emissions both directly, for production, and indirectly through the procurement of electricity from third parties (if any).

We consider here:

- **Scope 1:** all direct emissions of greenhouse gases produced by sources owned by the Group, that is to say the CO₂ emissions generated by fuels burnt in energy production plants and those produced by the company owned fleet/ vehicles;
- **Scope 2:** CO₂ emissions originating from the Group's indirect consumption, or the emissions generated by the purchase of electricity from third-party suppliers and consumed both in plants and in sites;
- **Scope 3:** all the emissions that, although connected to the core business and the business in general, are not directly controlled by the Group. Currently, this only includes the rented car fleet and the emissions from the well to the tank. These are associated with the extraction, refining and transportation of raw fuel sources (such as palm oil and natural gas).



The new thermal storage tank at the Bolzano district heating plant, 40 meters high, with its plays of light architecturally enhances the entrance into the capital at night.

Pollutants such as NO_x and SO_x have adverse effects on climate, the ecosystems, the habitat, agriculture, and human and animal health, and lead to the deterioration of air quality and acidification. These emissions come from combustion processes, which affect a small part of the Alperia business. In 2017, the Group estimated generation was: 4 t SO₂ and 48 t NO_x. A detailed analysis of the Group's activities has also shown that there are **no activities that involve the emission of other climate-altering gases.**

Given the vast share of renewable energy used by Alperia, an overall GHG Intensity of 0,17 CO₂e/MWh is obtained.

0,17

tonnes of CO₂e emitted per MWh
(Greenhouse Gas Intensity) in 2017

Measures to reduce emissions

To demonstrate its commitment to reducing emissions: in 2013 the Group started the **construction of a thermal storage tank** with a capacity of 5.800 m³ to support the district heating plant in south Bolzano. Installation of this infrastructure was aimed at exploiting the thermal energy from the solid urban waste incinerator of Bolzano, and ensures optimal **exploitation of waste heat from the waste-to-energy plant**, reducing consumption of fossil fuels and CO₂ emissions in the city as required by the CO₂ Plan of the Municipality of Bolzano.

The results of the use of this infrastructure are reflected in the reduced consumption recorded in 2017, when the storage tank was used at full capacity throughout the year. The savings achieved **with the new tank**, taking 2015 as base year, has been quantified in more than **2.600 tonnes of avoided CO₂**, through the use of energy from secondary raw material (waste) and, above all, by avoiding the consumption of a fossil resource that would have been used to meet demand.

The initiative, in addition to reducing the environmental impact in terms of emissions, was also selected to have a minimal impact on the landscape of the city of Bolzano. For the construction of the tank, Alperia launched a competition of architectural ideas in collaboration with the Order of Architects of Bolzano.

Alperia aims to **further optimize the district heating systems**, using increasingly eco-friendly technologies.

In this regard, the following measures were already implemented in 2017:

- Commissioning of the heat storage tank in Sesto and a similar tank in Bolzano for optimal and efficient thermal exploitation.
- Transition to biomass, a sustainable source, for thermal production at the district heating plant in Chiusa.
- Continuous expansion of the district heating networks of Merano and Bolzano to offer the advantages of the sustainable district heating system to an increasing number of users.
- Further connections.

In addition, together with the energy efficiency commitments that result in an overall reduction in emissions, the Group has a highly efficient company car fleet, with electric cars accounting for 10% of total vehicles: overall **emissions are reduced to 229 g**

CO₂ e/km, and the goal is to ensure that 50% of the "electrifiable" fleet will be emission-free by 2019.




Noise pollution

The objective pursued by Alperia is not only the reduction of its CO₂ emissions but also of the **external environmental noise** from the production plants.

Detailed information on these topics can be found in the EMAS 2017 statement of Alperia Greenpower, Alperia Vipower and the EMAS 2016 statements of Alperia Ecoplus, available on the website www.alperia.eu.



Strategic objective: We want to support the 2050 Climate Plan of the Province of Bolzano-Alto Adige and reduce our greenhouse gas emissions.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 <p>Set up a reporting on greenhouse gas emissions at Group level</p>	<p>Detection of greenhouse gas emissions at Group level</p>	<ul style="list-style-type: none"> - Implementation of regular monitoring of greenhouse gases and identification of potential mitigating measures (e.g. assessment of a system of incentives to promote the use of public transport by employees, e-mobility, energy efficiency projects) - defining a group emissions reduction target 	2017-2021	CO ₂ - Intensity t/MWh of energy produced (gross)	tbd	0,17
 <p>Reduction of emissions in the "heat and services" sector through the application of environmentally sustainable technologies and optimization measures</p>	<ul style="list-style-type: none"> - Commissioning of the heat storage tank in Sesto - 2017 transition to biomass in Chiusa - Closure of the Bolzano storage tank project - Constant expansion of the district heating network in Bolzano and Merano - Additional connection of power plants to biomass 	<p>Construction of a biomass plant in Merano and emission reductions through the transition from gas to biomass</p>	2017-2021	Tons of CO ₂ eq (Scope 1)	-	553.582
 <p>In three years, 50% of the electrifiable vehicle fleet will operate with zero emissions.</p>	<ul style="list-style-type: none"> - Inventory of current vehicle fleet with special attention to the possible replacement of vehicles. - Order 10 additional electric vehicles 	<p>Acceleration of the e-mobility plan: fleet turnover is accelerated to achieve 120 electric/hybrid vehicles by the end of 2019.</p>	2017-2019	Number of electric vehicles in fleet	120 electric/hybrid vehicles by 2019 and 170 by 2021	54 (already in the company or already ordered in 2017)



Customers

Alperia intends to improve and enhance its customer service and service quality to become a leader in energy services, offering its customers a smart and digital energy future.

The energy sector in which Alperia operates is highly regulated and the company is therefore subject to numerous rules and regulations.

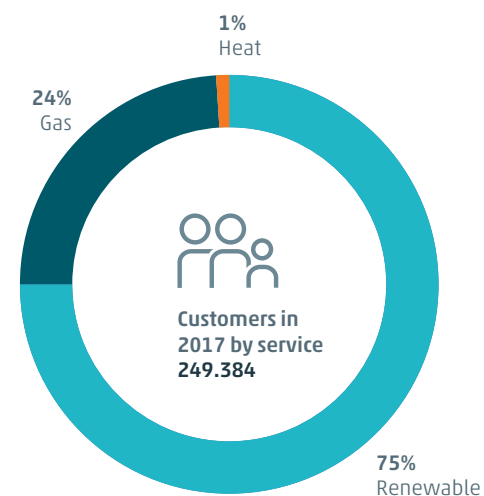


Customer satisfaction

{EU3 → Appendix Figure 17}



Alperia supplies electricity, natural gas and district heating to a total of 249.384 customers, including households, large and small businesses as well as public institutions.





Did you know that ...

In Italy, starting from 1 July 2007 (liberalisation of the electricity market), a distinction has been made in the electricity sector between the free market and the protected categories market. On the free market all customers can freely choose the supplier and the conditions for the supply of electricity. They can choose from among all the offers of the various suppliers those that are most suited to their needs; the commercial and contractual conditions for the supply of energy are then directly negotiated between the customer and the supplier, without the involvement of the Regulatory Authority for Energy, Networks and the Environment (ARERA). If, on the other hand, users decide not to change the electricity tariff and the supplier, they fall within the protected categories market. The electricity price and the contractual conditions will then be defined by the national industry Authority and updated periodically. The law provides that service in the protected categories market will be abolished during year 2019 and the Authority is trying to outline the future impact on customers.

97%

percentage of calls
to the toll-free number
answered

Proximity to customers and modern services

[ALP1, ALP2 → Appendix Figures 18, 19]

Proximity to customers and good service quality are becoming increasingly important, especially in the digital age. To meet the different needs of customers, our proximity to customers is guaranteed through **multiple channels**: the offer is made through a call centre with local bilingual staff, an online portal reserved for customers who can conveniently manage their energy supply from home, as well as **eight Energy Points** in the region for personalized advice (three in Bolzano, two in Merano, and one in Ora, Ortisei and Bressanone - the latter in collaboration with ASM Bressanone). To avoid unnecessary waiting times, the customer can first inquire through the website www.alperiaenergy.eu and also through the app about the number of customers waiting at each Energy Point.

With more than 100.000 end customers, the affiliate sales company Alperia Energy is required to provide its customers with a **toll-free number, which is active at least 35 hours per week**, which customers can call for their supply requirements. The toll-free number must comply with the service quality criteria imposed by the Authority (ARERA). In the Alperia call centre, the service is provided by **local and bilingual workers** who reply to customer inquiries on the freephone number from Monday to Thursday, from 8am to 4pm, and on Friday from 8am to 12 noon. In 2017, a better level of service was achieved thanks to the start of a successful collaboration with an external call centre service that covers peaks when all Alperia lines are busy, so as to avoid long waits which cause the customers to hang






100%

percentage of solved complaints

up. Through this collaboration, in 2017 **each month the call centre received an average of 4.400 customer calls**, replying to 97% of them (in 2016 the average response rate was 85%).

With regard to complaints, in 2017 there was a higher number compared to the previous year, from 385 to 587, for two main reasons: **the number of customers has increased** and delays in periodic billing led customers to complain about not receiving invoices on time. Alperia resolved the complaints within the 40-day period required by the Authority (ARERA). To better understand the causes and improve customer satisfaction, since 2017 Alperia has **classified and analysed** complaints. From 2018 a first customer satisfaction survey will be conducted. The results will be announced in the 2018 sustainability report.

Strategic objective: We want to offer our customers a fast, solution-oriented customer service.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 99% of calls to the toll-free number are answered	Additional external hotline	Additional external hotline	2018	Percentage of telephone calls answered	99%	97%
 100% of complaints received from customers are processed within 40 days	Complaints office has been set up	- Ensure timely handling of complaints within 10 days (where possible) - Continuation of the complaints service	2018	Percentage of complaints promptly processed	100%	100%
 100% of customer complaints are solved	Complaints office has been set up	- Ensure timely handling of complaints within 10 days (where possible) - Continuation of the complaints service	2018	Percentage of timely solutions	100%	100%
 For a better understanding of the causes, from 2018 all complaints will be divided into sub-groups and analysed	New complaint form prepared	- Use of new complaint form - Analysis of complaints	2018	Percentage of complaints analysed	100%	0%
 Improvement of customer satisfaction		Introduction of regular customer satisfaction survey to detect customer satisfaction	2018-2021	Customer satisfaction index	tbd	not available

Transparent marketing and communication

{GRI 102-43; GRI 417-1 → Appendix Figure 21}

Alperia is committed to providing clear, customer-oriented communications on its energy services, as well as general information. We use different channels to communicate with the various stakeholders, reaching customers in different ways:



Press and online: Announcements, PR articles, customer web page (www.alperiaenergy.eu) and institutional website (www.alperia.eu), social media, online portal and customer apps



Energy Point: Qualified consultants at branches open to the public and at the call centre, information brochures and leaflets, TV channels in waiting rooms



Events and Sponsorships: Trade fairs, open days at hydroelectric power stations, sponsored sporting and cultural events



"Now is the time for a general transition from 3 to 4,5 kW, as more and more energy is consumed in the home"

Comment from a customer

Alperia replies: In 90% of Italian homes, the available electrical power - that is, the maximum power available from the grid - is 3 kilowatts (plus a 10 percent tolerance). This is the standard threshold that was set in the 1970s at national level. If this limit is exceeded for a certain time - because you might be using the oven, washing machine, hairdryer and fan at the same time - the meter trips. To counter this problem, the contracted power can be increased, but this involves higher costs. The cost of this increase is set by the Italian Regulatory Authority for Energy, Networks and Environment (ARERA): in addition to a one-off payment, a charge is levied each month. In April 2017 Alperia introduced a new offer: with 'Alperia Family' the customer has 4,5 kW of power available for the price of 3 kW. This rate is based on the current price that ARERA provides for 3 kW of power. It is reviewed every three months by the National Industry Authority, and the 'Alperia Family' offer is adjusted accordingly, based on that price. In practical terms this means that Alperia does not pass on the additional monthly tariff to its customers. When taking up the offer, an additional one-off cost may be charged if the customer requests an increase in available power. By using this tariff, Alperia is supporting the transition from 3 kW to 4,5 kW. However, the choice to increase power, and the choice of tariff, is left to the customer.

Bill 2.0

As with many areas of the energy industry, the Italian National Energy Authority **also regulates electricity and gas bills**, defining what the bills should contain, and the terminology used. The "Bill 2.0" was introduced in January 2016, aimed at simplifying and clarifying electricity and gas bills. All the key information on the energy supply and the breakdown of the final amount shown on the bill has to be printed on the first page. The Authority has also created **a glossary explaining each individual item on the bill**.

Alperia has published this document in Italian, with a German translation, on the customer webpage (www.alperiaenergy.eu), along with a reading guide on the contents of electricity and gas bills. In the interests of sustainable environmental development, Alperia offers its customers **the option to switch to electronic billing**. Customers no longer receive



paper bills, but will be notified by text or email as soon as the bill is available on the customer portal. This means that bills no longer have to be printed or physically delivered, which **reduces paper and exhaust fumes**, thus making a contribution to environmental protection. To encourage more and more customers to switch to e-billing, Alperia will in future charge a symbolic amount for all paper invoices.



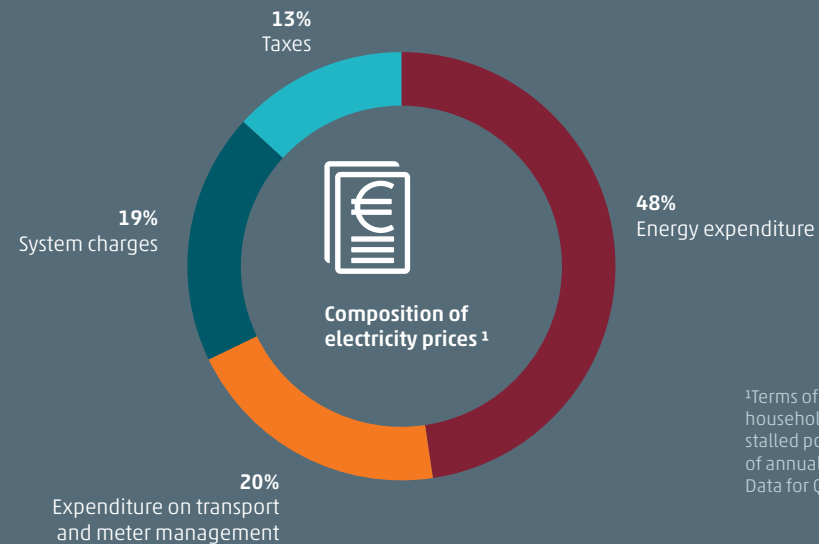
"I don't understand why the price of electricity is higher in our country than in neighbouring ones"

Comment from a customer

Alperia replies: The price of electricity in Italy is at EU level, although slightly above average. However, there are EU countries where electricity prices are significantly higher. This was shown in a recent study by Eurostat, the Statistical Office of the European Union, which compared average household electricity prices per 100 kWh in the first half of 2017. The survey revealed that Denmark and Germany (EUR 30,5) have the highest prices, followed by Belgium (EUR 28) and Ireland (EUR 23,1). Italy is in seventh place, after Spain and Portugal, with an average cost of EUR 21,4 per 100 kWh. In Italy, ARERA plays a key role in determining electricity and gas prices. This independent institution is tasked with regulating and monitoring the electricity and gas sector in the interests of the consumer, promoting efficiency and appropriate levels of service quality. Every three months, ARERA updates the energy prices for customers in the protected market. Alperia's family offers are based on these prices.

Energy expenditure includes the price of energy and the sales and marketing components. For electricity to actually reach the customer, a fee

But what influences the price of electricity? The final cost of an Italian electricity bill consists of four components:



¹Terms of supply for a typical household with 3 kW of installed power and 2.700 kWh of annual consumption. Data for Q4 2017.

must be paid to the grid operator for the use of the distribution networks. This includes transport, distribution and metering costs.

The system charges are set by law, and are designed to cover the costs of activities in the public interest, such as research and development, the decommissioning of nuclear power plants and the promotion of renewable energies.

Taxes consist of excise duty and value added tax (VAT). VAT is currently levied at 10% on domestic customers and at 22% on non-domestic customers.

Sponsorships

As a South Tyrolean public company, Alperia has clear responsibilities towards South Tyrol and its inhabitants. The Group intends to create significant added value for the Province, in terms of secure jobs and a safe energy supply and infrastructure, but also in terms of **social commitment through sponsorship**. Alperia only supports projects and organisations based in South Tyrol that the company can relate to. Alperia **is involved in the sports sector** (in particular youth sports, mass sports and high-level sports associations) but also in the **cultural arena** (music, theatre, dance) and in **environmental protection and safety**.

Alperia has adopted sponsorship guidelines so that its resources are used in a targeted way; these guidelines are published on the company website (www.alperia.eu) and apply to all sponsorship applicants. Sponsorship applications must be submitted online via the Sponsorship Application Portal; requests received via other channels will not be considered. All requests are examined to ensure that the documentation is complete and accurate and that all the required conditions have been met, before being submitted to the Management Board of Alperia SpA, which decides whether to accept or reject the application, and the amount of the contribution.

4°




Alperia's place on the list of
South Tyrolean companies most
active in sports sponsorship



Strategic objective: We want to establish a transparent, up-to-date and stakeholder-oriented marketing communication and internal communication

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 Expansion of web content dedicated to sustainability	-	Updating of web content	2018	-	-	-
 Regular meetings between stakeholders on sustainability issues	Conducting an online stakeholder survey	Conducting discussion panels and stakeholder surveys	2017-2021	-	-	-
 Reduction of complaints about the transparency of marketing and internal communications	-	<ul style="list-style-type: none"> - Assess the possible implementation of a system to monitor complaints about the transparency of marketing and internal communications - Establish procedures for proactive stakeholder involvement in order to prevent complaints (e.g. informative events for major projects) 	2018-2021	Number of complaints about the transparency of marketing and internal communications	tbd	unknown
 Full compliance with voluntary guidelines and codes of conduct on transparency of marketing communications	-	<ul style="list-style-type: none"> - Internal audit for compliance with sponsorship guidelines - Independent verification of our commercial offers as presented on our website www.alperiaenergy.eu, in accordance with the 'Consumer Code'. 	2018	Compliance with voluntary guidelines and codes of conduct on the transparency of marketing communications	100%	100%

Strategic objective: We want to make our marketing and communication initiatives socially and economically sustainable.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 <p>Consider aspects related to sustainability in the sourcing of advertising material</p>	<ul style="list-style-type: none"> - All printed matter is already FSC certified, and CO₂ emissions are offset. - A social cooperative produced all the Christmas decorations in the customer offices 	Introduction of annual screening of advertising materials for more sustainable alternatives	2018	-	-	-
 <p>Certification of open days as "Going green events"</p>		<ul style="list-style-type: none"> - Assessment of requirements and implementation - Certification of open days as Green events 	2018	Number of events certified	-	0
 <p>Increase in the number of customers receiving e-bills</p>	Electronic invoicing introduced for new contracts in 2017, from 2018 available for all customers in the free market	Introduction of additional cost of EUR 1 per bill, to motivate customers to go paperless	2019	% of customers receiving their bills in electronic format	90%	16%

Cyber Security

[GRI 418-1 → Appendix Figure 20]

In the digital age, security and data protection are becoming increasingly important for businesses. As an energy service provider, Alperia deals with services to the local area, and as such, through its systems it manages commercial and technical relationships with much of the community; this means that a large amount of data, including the **personal data of customers, staff and partners, as well as more technical data on customer consumption**, distribution infrastructures, electricity and heat generation plants, are processed electronically. All this is also very important for public safety.

Alperia pays **the utmost attention and is fully committed to ensuring the security** of this information in terms of confidentiality, privacy, consistency and availability of access controls, in order to protect customers, its services, and the local area.

Managing cyber security means the total prevention of unauthorised access to systems and the possibility of theft of sensitive or personal data or confidential information. This means **installing state of the art security systems**, to protect the computer systems used to manage this information, control the perimeter and avoid unauthorised external or internal access.





Some figures related to safety in Alperia

In 2017, Alperia's protection systems blocked (daily average):

- **5.000** spam e-mails;
- more than **20.000** malicious connection attempts.

Each month Alperia identifies and blocks an average of:

- **17** viruses;
- **22** pieces of spyware (software that collects information about a user's online activity);
- **600.000** malicious, suspicious or prohibited internet activities;
- **80** malicious or unauthorised applications;
- **300.000** malicious or prohibited items of content.

In Alperia, cyber security is managed according to the **ISO27001 certification** standard. This is a regulated and controlled method, checked annually, to ensure the secure management of information systems, which are constantly updated to reduce **the risks of intrusion and therefore of loss or theft of data.**

Every year, in addition to the external ISO27001 certification audit, Alperia's Internal Audit department performs further checks.

We have set up an internal department for the management of IT security and appointed a Security Manager within the IT Department. This unit defines and supervises the IT security architectures and systems, identity management and **access control**, and manages protection and response to any cyber attacks.

Training and continuous professional development are the most effective tools for dealing with computer security problems. This is why Alperia IT staff attend



0 (zero)





**cases of theft or loss
of customer data
identified during 2017**

various conferences on national IT security, such as the conference of CLUSIT, the Italian Information Security Association.

In addition, employees with access to sensitive data frequently participate in training and exercises on security and data protection issues.

In 2017, **there were no IT security incidents (classified as 'incidents' in the regulations)** relating to cyber security.

Strategic objective: We want to ensure the protection of all data and the compliance with applicable safety standards.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 <p>Total compliance with privacy laws</p>	Group-wide verification of compliance with privacy regulations	Introduction of uniform privacy guidelines and training on these guidelines	2018	Percentage Compliance	100%	100%
 <p>No security incidents involving information management and data protection</p>	<ul style="list-style-type: none"> - ISO 27001 (Information Security Management) Certification - Assess whether our suppliers are certified to ISO 27001 standard 	<ul style="list-style-type: none"> - ISO 27001 (Information Security Management) Certification - Assess whether our suppliers are certified to ISO 27001 standard 	2018	Security incidents	0	0
 <p>Ensure business continuity in the event of computer incidents (such as server or power failures)</p>	Preparation of emergency plans	Strengthening the IT infrastructure	2017-2021	-	-	-
 <p>Create a culture of information security among our employees to reduce risks</p>	-	Presentation of corporate cyber security procedures and guidelines through training and communications	2017-2021	-	-	-



Employees

The energy sector is constantly evolving: the rise of digitisation is a major challenge. Working conditions and requirements for employees are constantly changing. Alperia intends to contribute actively to these developments, believing that successful and sustainable companies have interested, motivated and competent workers behind them.



Employee development

{GRI 102-8; GRI 401-1 → Appendix Figures 22, 25, 26}

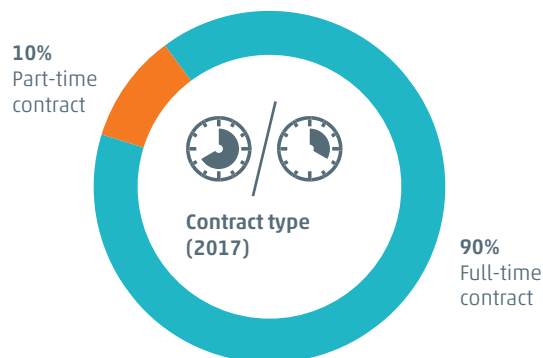
The Group currently has 940 employees. They operate in all areas of the energy sector: power generation in hydroelectric power plants, electricity distribution, district heating network management, energy sales and customer service, electric mobility, ultra-wideband network and management.

Most employees work full-time, on permanent contracts.



Change process in the human resources sector

After the merger in 2016, one of the most important challenges **was to unify the existing staff systems**. Alperia SpA's Human Resources Department is responsible for the personnel management of all Group companies.



98%

Group employees
on permanent
contracts

The new IT system is due to be introduced in 2018 and this will allow all data to be integrated, to allow standardised reporting by all staff, thus improving data quality.

4%

rate of new hires
in 2017 (34 persons)





Employee opinions count

A successful, sustainable company is founded on satisfied, motivated employees. Alperia regularly **carries out staff surveys** at Group level to ascertain the climate within the company. The last survey was conducted in 2016. The HR Department deliberately chose the first year after the merger, when the level of satisfaction was relatively low, following the changes and reorganisation. The survey also gave employees the **opportunity to directly communicate** their comments and suggestions for improvement. Alperia worked on the anonymous survey with **Great Place to Work®-Institute Italia**, an international research and consulting firm that assists companies in developing an employee-oriented corporate culture. The results of the survey showed the need to focus on areas such as teamwork, leadership, information and communication, but also on issues such as HR tools, processes, and work tools. The survey highlighted the need to strengthen cooperation and understanding within the Group and

to improve information flows and digitalization. Based on this evidence, **practical measures** were taken, some of which were already implemented in 2017:

- The company launched **MyIdeas**, an IT tool to collect employee improvement proposals: all employees can send suggestions about internal processes or observations about their work to the company via the intranet portal. The HR Department reviews the feasibility of the ideas and implements them where possible. The tool has been online since August 2017 and by the end of the year some 40 proposals had been made, some of which have already been implemented.
- **'Skype for Business'** has been installed on all computers: digitalization and innovative communication tools are opening up new possibilities for cooperation, and for designing the working environment. This speeds up communication, reduces the unnecessary exchange of emails and improves and simplifies inter-departmental cooperation.
- **Feedback interviews** with employees have been introduced, and will be conducted on a regular basis.
- **Workshops with management** have been introduced to strengthen the corporate culture and team building.

With these targeted measures, we want to increase employee satisfaction. Our goal is to increase the satisfaction rate from 3% to 43% in the next employee survey.

Staff in the digital age

{GRI 404-1}

Alperia believes that qualified and competent employees form the basis for a company's success. Our Group intends to make full use of the experience, specialist skills, innovative ideas and social expertise of our staff, by continuing to invest in their **training**. **More than 12.000 hours of training** are provided each year at Group level. Some of the courses, such as safety at work, are compulsory but we also offer a number of courses that are tailored to individual employees and their specific skills. The energy sector **requires specialised professional roles** such as environmental engineers, energy managers, energy traders, environmental technicians and digital consultants. Given that these are relatively new and constantly evolving professions, it is often difficult to find skilled staff on the labour market. To prevent any shortage of qualified personnel, Alperia invests internally in continuous training by means of **individual development plans**. Alperia trusts in the willingness of its employees to engage and develop professionally.

To improve the digital skills of its employees, in 2017 Alperia offered courses in MS Office, in addition to Italian, German and English language courses, which are also delivered **through online platforms**.

Leadership in digital transformation

{GRI 404-3, GRI 401-1}

With the digital age, the requirements for employees and management are also changing. Lean working methods, flexible processes, and the ability to adapt to customer needs are important factors in the company's success. This is why clear, transparent communication within the company, a strong team spirit, a solution-oriented approach and equal relations between peers as well as between management and employees are essential. All this requires **awareness of an active corporate culture** and a leadership style inspired by this principle.

Leadership in the digital era means trusting employees and enabling them to integrate into a team and work with a spirit of responsibility. In order to strengthen the role of management, in 2017 Alperia organised **various leadership workshops for all Group managers**, which will be regularly repeated in the future. In addition, all Group employees started attending feedback interviews, carried out by their line managers, who have been trained for this purpose.


Alperia considers **fair treatment** and fair leadership to be important. A management which is aware of employees' needs, and thus offers them a **stimulating environment, can strengthen motivation and cooperation** and thus the bond with the company. This leads **to low staff turnover**, which in turn helps make the company stable and efficient and enjoy long-term economic success.



4%

turnover rate in 2017
(40 people)

Strategic objective: We want to be an attractive employer for motivated employees.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 <p>Increase employee satisfaction to 43% (+3%)</p>	Implemented a regular biennial employee satisfaction survey, and practical measures based on the 2016 survey (for example, the introduction of Skype for business, ideas management), introduction of a new careers page, and of exit interviews.	Create non-monetary incentives, for example by allowing periods of unpaid leave for high potentials	2019	Employee satisfaction index	43%	41% (2016)


Strategic objective: We want to support and stimulate our employees in their further development.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 <p>Continuation and further development of individual development plans for future managers</p>	Development plans for all managers	<ul style="list-style-type: none"> - Extension of individual development plans to other categories of employees - Also offer training courses for employees on leave 	2017-2021	-	-	-
 <p>Creating a High Potential Programme</p>	-	Identifying High Potentials and preparing a development programme	2018-2021	-	-	-
 <p>Promoting digital skills</p>	Offer of MS Office courses	Developing a course on cyber security and the safe use of digital media	2017-2021	-	-	-
 <p>Expanding e-learning programmes</p>	Offering e-learning language courses	Introducing an e-learning platform	2018-2021	-	-	-

Strategic objective: We want to establish a culture of open, transparent communication.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 Organising regular employee feedback interviews	Introduced in Alperia Energy and in some parts of Alperia SpA	Extending feedback interviews to all Alperia Group employees	2018	% of employees who regularly conduct feedback interviews	100%	0%
 Raising managers' awareness of their importance as role models, with targeted workshops		Organising workshops for managers	2018	Number of workshops for managers	-	-

Strategic objective: We want standardised, fair conditions at Group level.

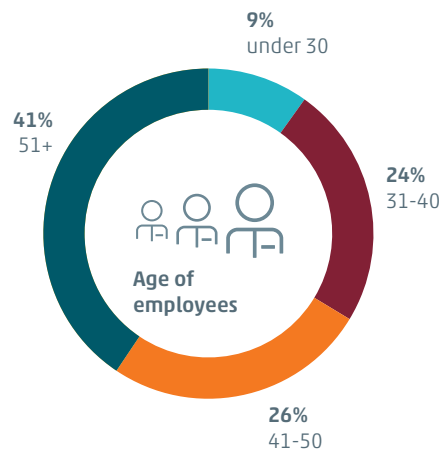
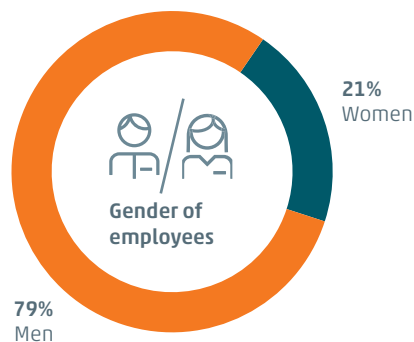
Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 Harmonising the Alperia Group trade union agreements	Negotiations with trade unions in progress	Establishing standardised, fair conditions for all employees	2018	Number of new harmonised union arrangements for the whole group	4	5

Diversity and equal opportunities

{GRI 405-1; GRI 405-2 → Appendix Figures 23, 24, 27, 28}

Added value through diversity

Alperia currently employs 940 people, **193 of whom are women (21%)**. This imbalance is due to the **technical nature of Alperia's operations**; in general, more men than women work in the energy industry. In Alperia, this depends on the type of activity: while more men are employed in technical sectors such as energy production and distribution, in the energy sales company and in the parent company Alperia SpA the ratio of men to women is more balanced. To improve this imbalance, Alperia has set the long-term goal of **attracting more women into the technical professions**. To do this, we have planned measures to attract younger women into technology, IT and engineering.



41% of the Group's workforce is over 51 years of age. This means that over the next few years, a large number of qualified and experienced employees will retire. In attempting to prevent the threat of a shortage of skilled labour, we focus on the recruitment of younger staff.

Alperia is aware of **its responsibility as one of the largest employers in South Tyrol**.

This is why it intends to offer Group employees a discrimination-free environment characterised by opportunity, regardless of age, gender, linguistic origin or disability. For Alperia this includes both equal pay as

well as equal opportunities and career opportunities for women and men.

In 2016, the gender pay gap in the EU was 16%, while in Italy it was 5,3% on average. The position at Alperia presented a pay gap of 9% in 2017; This means that women on average earned 9% less than men in similar positions. To bridge this gap, Alperia is working to find **measures to balance out the pay situation**.

9%

**average gender pay gap
in Alperia (Italian average: 5,3%)**

"The work-life balance for families with children should be improved"

An employee's comment

Alperia replies: Reconciling the work-life balance is particularly difficult for parents and single parents, but also for employees with family members needing care or who are elderly. Alperia is aware of this, and invests in achieving a balance between family and work. As part of a process of continuously improving the work-life balance, we are careful to develop and implement a personnel policy that is responsive to the needs of families. In 2017, the Autonomous Province of Bolzano certified the entire Group as a family-friendly company.

The measures introduced within the company to meet the family needs of our employees include flexible working hours, part-time opportunities, and teleworking. Alperia has also introduced initiatives at Group level for all employees, such as financial contributions for caring for young children. Creating a family-friendly and a respectful work environment promotes greater employee satisfaction and loyalty and contributes to sustainable productivity. This is confirmed by the positive figures for employees who have taken maternity and paternity leave and then returned to work. In this sector, Alperia also intends to encourage fathers to take paternity leave, to achieve a better balance between men and women in the company. Alperia is known as one of the largest employers in South Tyrol and, by having public shareholders, aims to set an example for other companies.

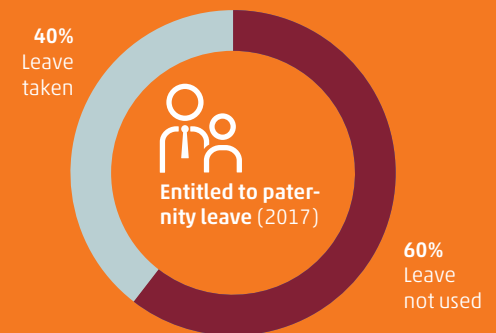
All measures pursued within our sustainable personnel pol-




icy aim to create a working environment that brings added value to the company and to all stakeholders, employees, customers and citizens.

100%


of Alperia employees who returned to work in 2016 after their maternity leave remained in the company in 2017



Strategic objective: We want to attract more women to technical professions.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 <p>Extension of targeted marketing measures by personnel to raise awareness of the issue of 'women in technical professions'.</p>	-	<ul style="list-style-type: none"> - Assessment of the feasibility of a women's quota in the technical field, - Interview with women employed in technical professions at Alperia - Information day at schools for girls 	2018	Women's quota in the workforce	-	21%

Strategic objective: We want to be a family-friendly company for both women and men.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 <p>Promotion of flexible shorter working hours for men and women and managers</p>	Carrying out the Work and Family Audit	<ul style="list-style-type: none"> - Implementing the measures defined in the Work and Family Audit - Assessing the achievable reduction of working hours in individual departments - Increasing flexibility, also by introducing new, flexible working models 	2018-2021	Quota of part-time staff	-	10%

Health and safety at work

{GRI 403-2 → Appendix Figures 29, 30}

Alperia attaches the utmost importance to the health and safety of its employees, and for this reason requires all workers to commit to managing their activities and attending training to develop their skills, so that risks can be dealt with in a more informed way.

Safe working

In 2017, accident rates for Group employees were as follows: Frequency Index (FI) 9,31 and Severity Index (SI) 0,14, **down from 2016** when the FI was 16,01 and SI 0,15.

In 2017, the focus was on training courses in occupational safety; For example; **a safety day** was organised for Alperia employees such as grid workers, whose duties are potentially hazardous due to the close contact with technical installations.

An accident management and "near miss" procedure has been developed at Group level, so that incidents are reported quickly across the organisation, and to support the cause analysis process which forms the basis for improvement actions.

To this end, Alperia has promoted the application and extension of certified management systems, which

were already in place in the previous companies. Currently, all the staffed operational companies have implemented and certified an integrated environmental, safety and quality management system in compliance with ISO 14001, OHSAS 18001, ISO 9001 and ISO 27001 standards. 'Continuous improvement' is characterised by improvements to both the Management System and to performance.

Certifications are a target for newly established or acquired companies.

External audits by the independent certification body have covered all the integrated management systems; in parallel, a complete cycle of internal audits has also

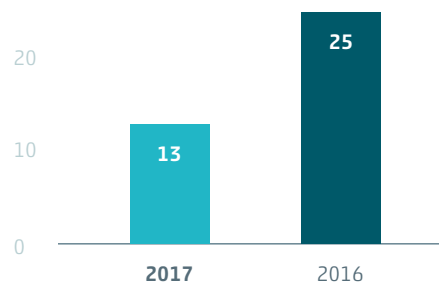


been performed.

Each certified organisation is required to perform an annual review of the results of the previous year, during which **improvement programmes** for subsequent years are approved, and a further review is carried out at Group level to assess overall performance.

Alperia has digitised the management of health supervision using a dedicated computer system and a new method of risk assessment and monitoring, in order to improve health and safety management.

Days off work due to accidents



Health and safety for our contractors

We also put great emphasis on accident prevention performance when selecting contractors, and our terms and conditions include specific health and safety clauses.

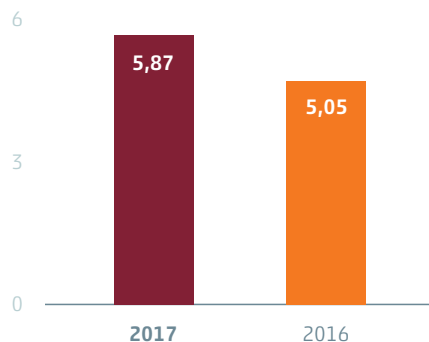
The work performed by contractors is monitored, supervised and evaluated in order to keep the vendor rating updated. In 2017, the process of qualification and evaluation of suppliers was completely revised. More information on our vendor rating system can be found in the chapter on supplier management, on page 58.

Focus on employee health

Alperia also attaches great importance to promoting the health of its employees, as healthy workers require less sick leave and therefore have a lower rate of absence. The absenteeism rate at Group level in 2017 increased by 16%, a rise that can be attributed to more days of absence (+40%) combined with an increase in

working hours. The number of days' absence affects the amount of the production bonus.

Rate of absence from work (per 1.000 h)



Alperia implements various measures to promote a healthy and respectful working environment:

- Each employee can use part or all of the production bonus to benefit from a **Welfare programme**, saving money. For example, they can claim reimbursement of school fees for a family member (such as nursery costs, school or university fees, school books and babysitting costs) or claim reimbursement of the costs of caring for dependent family members (such as care of the elderly).
- All employees benefit from **supplementary health insurance**, which gives them the choice between a national health insurance scheme and a state insurance scheme.



Did you know that ...

Most of the Group's employees are subject to the provisions of the National Collective Bargaining Agreement for Employees in the Electricity Sector.


{GRI 102-41}

Changes to this agreement are negotiated at national level and Alperia applies the changes to all existing contracts. At local level, Alperia is in dialogue with representatives of trade union organisations in South Tyrol and is engaged in standardising the framework conditions at Group level. Employees who were hired before the merger of the existing companies are therefore subject to different framework conditions. The Corporate HR Department, together with the trade unions, aims to create a level playing field for all employees.



- In 2017, all employees were covered by **insurance against work and non-work accidents** in the event of permanent disability. Alperia aims to provide this additional service to its employees and, consequently, to all their family members.

0 (zero)
occupational diseases
contracted in 2017

Strategic objective: We want to actively promote the health of our employees.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 Reduction in the rate of absence	<ul style="list-style-type: none"> - Health offers (fitness studio) as part of the Welfare Package; provision of company health insurance; - Free apples for employees at all company locations - Reduction of the performance bonus in the event of frequent absences 	<ul style="list-style-type: none"> - Availability of fitness and relaxation rooms at the new company headquarters in Merano - Evaluating the possibility of providing drinking water installations. - Exploring the possibility of a special agreement with fitness clubs 	2018	Absenteeism rate	-	5,87

Strategic objective: We want to ensure the highest level of safety in the workplace for our employees and external staff (external companies).

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 Monitor all incidents of major external firms	Introduction of occupational safety criteria for the admission of external firms to the list of suppliers	<ul style="list-style-type: none"> - Contractual obligation for major external firms to regularly communicate their safety at work data to Alperia - Detection and analysis of accidents at external companies 	2019	Frequency and severity of accidents of external firms	tbd	-
 No accidents involving employees or external firms	<ul style="list-style-type: none"> - Training measures (eg Edyna/Greenpower Safety Day) - Distribution of monthly HSE periodic reports - Discussion of accidents at work at regular meetings 	Accident analysis and distribution of information and Lessons Learnt to all employees	2018	Number of accidents with days lost	0	16



Development and Innovation

The energy sector is changing rapidly. Today we know that traditional energy sources, such as oil, gas and coal, will run out in the near future and that their use has a major environmental impact. In contrast, the use of renewable energy sources and new systems for more efficient energy use is increasing. Alperia intends to be a driving force and play a leading role in this development, encouraging innovation in various fields.



Innovation, Research & Development

{GRI EU8 → Appendix Figure 3}



For Alperia, innovation is not only the creation of a new product or the improvement of an existing one, but can also be a service, a process or an activity.

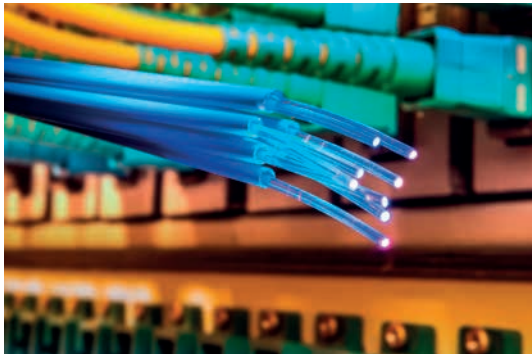
It is essential that innovative development represents **substantial added value for the customer or for the efficiency of the company.**

Alperia's main pillars in terms of innovation are applied research and development with competent



partners in Italy and abroad, the continual assessment of the advantages for customers and the development of a solid and sustainable long-term business model. The objectives of Alperia's innovation projects are in line with the 2017-2021 Strategic Plan.

The company considers **multilingualism** and the Italian and German culture of South Tyrol to be an advantage and a **significant added value** for the sharing of innovative ideas from both areas. Expertise in hydroelectric and district heating plants as well as in



Open Innovation

In order **to exploit synergies and create added value** Alperia works on various projects, in partnership with local and international partners from the scientific world and industry, including research institutes, companies and startups.

The Group is a **member of local networks** and is therefore in regular contact with South Tyrolean stakeholders, such as local businesspeople, the University of Bolzano, the EURAC Research Centre and IDM Alto Adige.

the electricity grid also allows Alperia to directly apply innovative technologies.

Pilot projects in South Tyrol enable small but concrete steps to be taken to test, improve and scale new solutions and technological processes and then **apply them to the market** when they are ready.



1,5 Mln €

total investment in research (2016: 0,7 Mln)

Vision 'Alperia and innovation': the orange signs symbolise Alperia research projects that are already underway. New project ideas are indicated in blue.

The photo at the top right shows the interdisciplinary workshop to explain the innovation board's project ideas.



Innovation Board

Alperia believes that every innovation is based on a good idea, and these ideas can come from outside but also emerge from within the company. This is why Alperia aims **to promote innovation within the Group and among its employees**. For us, innovation means moving away from a 'compartmentalised' mentality towards a multidisciplinary approach.

The Innovation Board has been established to promote this approach within the company. This working group includes managers from different Business Units and Services. Together they are **tasked with promoting innovative projects and new initiatives**, which they communicate in-house, developing ideas and proposals for management and monitoring innovation. During various workshops in 2017, the Innovation Board examined **the Group's investment plans and the areas of interest defined in the 2017-2021 Strategic Plan**. The first workshop

defined the fields within which innovative projects need to be researched and developed. It also **analysed the way in which existing research and development projects can be exploited for innovation purposes**. In a second phase, the working group **developed practical project ideas** and presented them during an expanded workshop in which all the managers participated. The aim was to persuade them to support and get behind these projects. Finally, the members of the Innovation Board drew up multiannual budget proposals, so that the ideas developed could reach the prototype phase.

For Alperia, innovation means experimenting with new possibilities, while at the same time accepting the risk of failure. Innovation projects are therefore developed in several smaller phases and then constantly monitored, and closed if necessary. The criteria applied are always **the added value for the company, the local area and the benefit of the customer**.

A selection of current research projects

Optimum

The Optimum project - "Dynamic Optimisation of Programmable Hydroelectric Plants" - the aim is to analyse the two key variables governing the management of a hydroelectric plant in a basin; **study of the water flow and market price for economic optimisation and safer management** of the basin itself.

The project involves an intense research partnership between Alperia and two different Faculties (Faculty of Science and Technology and Faculty of Economics and Management) at the **Free University of Bolzano**. The Optimum project is divided into two phases:

1. **the construction of water flow forecasting** models and models aimed at maximising economic results while respecting technical constraints (including production profiles, hourly and daily maximums and minimums) and organisational limitations;
2. **the application of advanced techniques** in the final models at all stages of construction (modelling, calibration, nowtesting, backtesting, and case study) to ensure the models are flexible enough to include a thorough structural analysis that can be done later.

The results expected from the hydrological part of the project are also of interest to institutional bodies active in this field. The project began in 2017 and is expected to last two years.



Measurements on the Val Senales glacier, which feeds the Vernago reservoir and Naturno power station. Knowing how to model the effects of melting snow is necessary to build forecasting models to help Alperia optimise energy production and its actions on the energy markets.

Smart City Vizze

One of the current challenges for electricity distribution is **the management and dispatch of an increasing amount of energy produced from non-programmable renewable sources**, while ensuring the same quality of service to end users. Alperia's Smart City Vizze experimental project was created to meet these needs.

Engineers from Alperia's Engineering & Consulting department, in association with the Remote Control department and Edyna, the Group's distribution company, supported by **the Polytechnic University of Milan, scientific partner of the project**, have been focusing since 2014 on the development of a smart distribution management system to be installed and tested at the primary substation in Prati di Vizze (near Vipiteno) with the underlying medium voltage lines. This primary substation is ideally suited to experimentation. The grid it connects to is fed **by energy from renewable sources** (hydroelectric, photovoltaic and biomass) and therefore subject to the 'reverse flow' phenomenon.

This situation is ideal **for testing the coordination between the supply and demand for electricity**, also in view of regulatory changes in which energy distributors will play a new, active role in electricity grid dispatch, control and management.

In cooperation with the Polytechnic University of Milan, Alperia analysed the characteristics of the network and its operating conditions in order to create a numerical

model of the network to be used for the next steps of the project.

Algorithms developed specifically for forecasting the production of energy from renewable sources, interpolating historical production data and weather forecasts, were used to forecast grid behaviour by including them in the numerical model. By anticipating any critical issues or congestion, it is possible to implement **appropriate corrective actions**, giving precise dispatching orders to producers. The role of active users is therefore central to the project: they make their systems available to solve grid problems, accepting that active and reactive power needs to be modulated (up or down) according to the status of the grid. This is enabled by installing communication devices that allow Alperia's Remote Control Centre to acquire information from the system and send regulation set-points.

The project also includes a study of the 'extended substation' concept. This means that the grids **can be managed using innovative protections that ensure a better quality** of service when the medium-voltage grid is active.

Sinfonia

The Sinfonia project (2014-2019), **co-financed by the European Commission** under the Seventh Framework Programme for Research and Technological Development, will transform **parts of Bolzano, to make the city a model of sustainability in Europe**.



Work on extending the Smart Grid, as part of the Smart City Vizze project.

The South Tyrolean project partners Alperia, EURAC, the Municipality of Bolzano, IDM, the IPES Institute for Social Building and CasaClima have been working together on various fronts for a number of years now **to develop new energy concepts** and are committed to implementing measures to reduce energy consumption. Renovated buildings, new district heating technologies and smart grid solutions will make Bolzano **a model of energy development that can also be applied in other cities**.

Firstly, Alperia collaborates with other partners in developing theoretical concepts to create a new energy model. In particular, it deals with power generation, including a feasibility study focussed **on assessing the potential for heat recovery from**




industrial processes.

In the second part of the project, Alperia's role is **to intervene in the district heating network**. The power supply of one of the engines of the district heating plant in Alperia in Bolzano Sud has been changed: thanks to a natural gas and hydrogen mix, the engine's polluting emissions can be reduced by up to 60%. At the same time, Alperia is testing and creating **a new system for the intelligent management of the production, distribution and use of heat from district heating** in order to boost energy savings and reduce environmental impact.

The benefits of Sinfonia extend beyond the city. The experience of Bolzano will lead to the development of an energy development model that can also be applied in other European towns and cities. This is why Sinfonia is not just a local initiative, but **involves a total of 23 partners from eight European countries**. Among these, five cities have already planned to follow in Bolzano's footsteps: Borås in Sweden, Seville in Spain, La Rochelle in France, Paphos in Cyprus and Rosenheim in Germany.



Strategic objective: We want to contribute actively to the energy future and develop new technological solutions with innovative research projects.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 Creation of centralised and multi-disciplinary innovation management	Establishment of an Innovation Board to initiate and coordinate innovation projects at group level	<ul style="list-style-type: none"> - Establishment of centralised monitoring of R&D projects and definition of KPIs; - preparation of annual budget projects for innovation projects - prepare proposals for innovation processes 	2017-2021	Investment in research and innovation (EUR) Number of employees in research and innovation projects	tbd	1,5 Mln
 Cooperation and search for synergies with businesses, startups and research institutes (OPEN INNOVATION)	<ul style="list-style-type: none"> - Initiation of project partnerships - Alperia Start-up Initiative - Active participation in local and international networks and active cooperation with other local stakeholders, such as the University of Bolzano, EURAC, and IDM 	Alperia Start-up Initiative: Competition for the promotion of new energy companies	2017-2021	Number of projects with Startups	5	0
 Development of tools (improvement proposals system on the intranet portal, workshops, etc) to create space for ideas and encourage an entrepreneurial mindset among the workforce.	System of proposals for improvement introduced	Continuation of the system of proposed improvements	2017-2021	Number of proposals on the intranet portal	-	37

Sustainable products and services

{GRI EU7 → Appendix Figure 32}

Sustainability and environmental protection are becoming increasingly important in an era of climate change. Demand for renewable energy is increasing. **Today more than 90% of the energy produced in the region is of hydroelectric origin.** Alperia makes a major contribution to this by operating hydroelectric power stations in South Tyrol.

With a range of sustainable products and services, which is constantly expanding, Alperia also intends to pursue its 'green' path in the future. **Sustainable products and services currently account for 31% of revenues;** Alperia's aim is to continue to grow this share.

The following product groups have been defined as 'sustainable': production and sale of electricity from hydroelectric, photovoltaic and biomass power and heat from district heating, as well as energy efficiency and electric mobility services.



Green Energy from South Tyrol

Alperia is **one of Italy's leading green energy companies**. The Group's hydroelectric power stations in South Tyrol produce around 3,3 TWh/year of electricity from renewable sources. Most power stations **are certified**: This means that they produce 100% CO₂-free renewable energy, in accordance with current legislation. Alperia makes these renewable

31%

Share of revenues achieved with sustainable products and services

energies available to its private and business customers in South Tyrol (unless they consciously make other choices). **In choosing Alperia's offer, electricity customers contribute directly to climate protection.**

Energy from South Tyrol's hydroelectric power not only contributes to the environment, but also to the local economy. Companies that use electricity from sustainable sources can now enjoy **direct competitive advantages**. Companies strengthen their environmental image in this way, and are able to meet some of the standards required to obtain the various EU environmental certifications. These standards are particularly important for agriculture and tourism.

Alperia supports its business customers who purchase South Tyrolean **hydroelectric green energy in making their commitment to a sustainable energy future externally visible** and provides them with a free, comprehensive communication package. The package includes Green Energy certification, **a metal tag and a Green Energy logo**, which can be published on the website, on printed materials, on product packaging and much more. In this way, companies can demonstrate their contribution to an increase in the percentage of energy consumed from renewable sources, **in line with the province of Bolzano's Climate Plan 2050** (to find out more, visit www.ambiente.provincia.bz.it).

TU.GG. customers - customers on the protected market - need to be supplied with the energy mix required by the energy regulator, ARERA.

Energy Management for greater energy efficiency

Alperia promotes clean, green renewable energy. As energy supplier, it is not just about promoting energy from non-fossil sources, **but also about the more efficient use and saving of energy**. Energy is too valuable to waste, particularly in times of increased energy consumption. Companies with their own production sites have a high energy demand. This situation can be mitigated by the right measures. By using energy more efficiently, **consumption of resources is reduced and in the long term so are business costs**.

Alperia helps companies to use energy resources intelligently, offering them ancillary services. As part of its **Energy Management** consulting service, Alperia offers a full energy audit, during which it analyses the energy processes and flows within the company. This forms the basis for defining the **potential for energy savings** and practical measures are developed to optimise energy use and increase energy efficiency.

Alperia offers business customers the opportunity to carry out a quick online web energy check. This way, the energy efficiency of your business can be quickly and easily evaluated and compared with other companies in the industry.

In order to further develop the area of energy efficiency and provide customers with higher quality services, in December 2017 Alperia founded **Alperia Bartucci** for energy efficiency and innovative energy services. Alperia has acquired 60% of the shares of Bartucci SpA, a leading Italian company in the sector,



specialising in the planning and implementation of measures for industrial energy efficiency and integrated energy services. The acquisition is in line with the Group's 2017-2021 Strategic Plan.

Towards a sustainable future with electric mobility

High fuel prices, limited availability of fossil fuels and climate change are altering the ways in which we travel. The ambitious target is **clean, sustainable mobility**. South Tyrol must become a model region.



The key to the success of Alperia's e-mobility is not only having an extensive public charging system. It is just as important to offer charging options where cars are parked for a long time: at home, in garages or outside the supermarket. This is why Alperia has developed **customised offers for retail and business customers**



Alperia, South Tyrol's largest energy supplier, has been working on electric mobility **since 2016 and now offers a full range of e-mobility services**, from green energy to electric car charging at a large network of public charging points in South Tyrol, through to all-inclusive packages for individuals and businesses. All of Alperia's public charging points, which currently number around 50 in South Tyrol, **are entirely powered by green energy** from South Tyrolean hydroelectric power stations. We have set ourselves the ambitious target of having 5000 electric charging points installed by 2021.



and these were launched in June 2017.

Since November 2017, Alperia has been **offering private individuals the option of long-term electric car rental** in partnership with Raiffeisen and Car Server, one of Italy's leading car rental companies. In return for a one-off payment and a monthly fee, the customer receives a new electric car, with all the services that a car requires. Businesses and individuals can benefit from Drive Different. Through this offer, Alperia aims **to make the transition to electric cars simpler and affordable** especially for private individuals.


Thanks to Alperia's extensive and constantly expanding charging network, you can drive worry-free using locally produced green energy from Alperia hydroelectric power stations.



Strategic objective: We want to make our business activity '100% green'.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 <p>Development of new business activities in line with our '100% Green DNA'</p>	<ul style="list-style-type: none"> - Purchase of shares in the energy efficiency consultancy Bartucci - Establishment of a new Smart Region Business Unit (including electric mobility and ultra-wideband) 	-	2017-2021	-	-	-
 <p>Increase the share of revenues with sustainable products and services</p>	-	Evaluation of unsustainable components in the product portfolio and potential for improvement (certified gas, CO ₂ offset, additional purchase of 100% certified electricity)	2017-2021	Share of revenues of sustainable products and services	-	31%

Strategic target: We want to promote electromobility and the necessary charging infrastructure in South Tyrol.

Operational objectives	Measures in 2017	Scheduled measurements	Deadlines	KPI	Target value	Current year - 2017
 <p>Installation of 5000 charging stations</p>	Establishment of the company and activation of the business area	Extension of the charging infrastructure	2017-2021	Number of charging stations	5.000	105

New forms of transport in South Tyrol





105

New charging points




51

Alperia public charging
stations active in South Tyrol



116.000 kWh

Recharges performed at our charging stations



696.000 km

Distance covered by electric cars supplied with green
energy Alperia (equal to 17 times around the world)



120 t CO₂

Emissions avoided with electric charging

Data as at 31.12.2017

Appendix

Please note: for numeric data the comma is used as decimal separator.

Territory

Figure 1: Financial indicators {GRI 102-7}

	Unit	2017	2016	YoY-variation
Revenues	EUR	1.123.490.760	1.198.192.638	-6%
Net Financial Position	EUR	-421.765.304	-525.067.000	-20%

Figure 2: Direct economic value generated and distributed {GRI 201-1}

	Unit	2017	%	Unit	2016	YoY-variation
Direct economic value generated:	EUR	1.123.490.760		EUR	1.198.192.638	-6%
Revenues	EUR	1.123.490.760		EUR	1.198.192.638	
Economic value distributed:	EUR	1.123.490.760		EUR	1.171.198.449	
Operating costs ¹	EUR	964.718.044	86%	EUR	1.016.056.476	-5%
Employee wages and benefits	EUR	67.720.277	6%	EUR	66.766.390	1%
Payments to providers of capital	EUR	19.524.556	2%	EUR	18.606.436	5%
Payments to government ²	EUR	69.869.747	6%	EUR	67.718.880	3%
Community investments ³	EUR	1.658.137	0,1%	EUR	2.050.267	-19%
Economic value retained ⁴	EUR	1.930.980	0,2%	EUR	26.994.189	

¹The purchase of energy for trading puposes account for about 90% of the operations costs.

²This item includes taxes (IRES, IRAP, IMU, etc) and other payments such as "canoni idrici, demianali, rivaschi, energia gratuita, fondi ambientali", etc.

³This item includes sponsoring costs and donations.

⁴Net profit excluding appreciations (31,6 mio €)

Figure 3: Value created for South Tyrol {GRI 201-1}

	Unit	2017	%
Employee wages and benefits	EUR	67.720.277	37%
Payments to government	EUR	69.869.747	39%
Dividends to local governments	EUR	15.200.000	8%
Community investments	EUR	1.658.137	1%
Local Procurement	EUR	26.501.483	15%
Total	EUR	180.949.643	

Figure 4: Infrastructure investments and services supported {GRI 203-1}

Type of significant infrastructure investment projects	Unit	2017	2016	YoY-variation
Energy distribution	EUR	29.663.000	32.500.000	-9%
Teleheating & services	EUR	8.596.000	18.400.000	-53%
Energy production - mandatory	EUR	13.663.000	8.083.000	69%
Energy production - stay in business	EUR	3.420.000	3.733.000	-8%
IT infrastructure	EUR	1.135.317	2.235.000	-49%
Supply & trading	EUR	825.000	1.059.000	-22%
Facility investments	EUR	1.646.225	1.823.000	-10%
Other investments	EUR	2.751.106	2.756.000	0%
Total	EUR	61.699.648	70.589.000	-13%

Figure 5: Proportion of spending on local suppliers¹ {GRI 204-1}

	Unit	2017 ²	2016 ³
Percentage of products and services purchased locally (based on expenditure in EUR)	EUR	34%	not available
Percentage of works (Arbeiten) purchased locally (expenditure)	EUR	41%	not available
Percentage of services (Dienstleistungen) purchased locally (expenditure)	EUR	51%	not available
Percentage of products (Waren) purchased locally (expenditure)	EUR	15%	not available
Percentage of contracts awarded locally (based on number of contracts)	EUR	59%	not available

¹The organization's geographical definition of 'local' is defined as the province South Tyrol.

²164 orders for Edyna were not yet included in the calculation due to different reporting systems and the ongoing process of centralisation.

³ Due to the lack of centralised systems after the merger, 2016 data is not available.

Figure 6: New suppliers that were screened using environmental and social criteria {GRI 308-1, GRI 414-1}

	Unit	2017	2016
Percentage of new suppliers that were screened using environmental and social criteria ¹	%	100%	-

¹New system, implemented in 2017

Figure 7: Significant investment agreements and contracts that include human rights clauses¹ {GRI 412-3}

	Unit	2017	2016
Number of significant investment agreements and contracts that include human rights clauses	nr.	0	0
Percentage of significant investment agreements and contracts that include human rights clauses	nr.	0%	0%

¹Currently our contracts do not include a clause on human rights. We plan to include a clause in the course of 2018.

Figure 8: Net energy output broken down by primary source¹ {GRI EU2}

	Unit	2017	2016	YoY-Variation
Net total produced electricity	GWh	3.712	4.043	-8%
thereof Hydro	GWh	3.344	3.681	-9%
Photovoltaic	GWh	24	22	9%
Cogeneration (gas and gasoline)	GWh	66	66	0%
Biofuel	GWh	278	274	1%
Net total produced thermal energy ²	GWh	195	182	7%
Net total energy output	GWh	3.907	4.225	-8%

¹Net energy output includes energy produced in our consolidated plants (33 hydroelectric plants, 5 heating plants, 9 photovoltaic plants and 1 biofuel plant) at 100%

²Includes thermal energy produced by biomass, gas, gasoline and waste

Figure 9: Quantity of products sold {GRI 102-7}

Quantity of products provided	Unit	2017	2016	YoY-Variation
Electricity sold to end customers	Gwh	3212	3461	-7%
Electricity trading	GWh	2310	5226	-56%
District heating sold to end customers	GWh	195	182	7%
Natural gas sold to end customers	Mm ³	328	371	-12%

Figure 10: Energy availability factor¹ {GRI EU30}

Availability factor (%)	Unit	2017	2016	YoY-Variation
Energy source Hydro	%	89,76	not available	
Photovoltaic	%	not available	not available	

¹This indicator is not available for 2016. For 2017, this indicator refers exclusively to AGP (100%) and Vipower (100%) plants. It is not available for photovoltaic plants. The availability factor of a power plant is the amount of time that it is able to produce electricity over a certain period, divided by the amount of the time in the period.

Figure 11: Energy capacity {GRI EU10}

	Unit	
Projected energy demand in South Tyrol in 2050 ¹	GWh	3.711
Produced electricity from renewable sources by Alperia in 2017	GWh	3.712
Hydroelectric capacity in 2017 ²	MWh	ca. 1400
Capacity under construction ³	MWh	1

¹Data calculated based on data taken from the "Piano Clima Energia-Alto Adige-2050" and "dati statistici TERNA 2016"

²Number only covers the hydroelectric energy capacity of the plants managed by Alperia

³Energy recovery plant Rio Rosim

Figure 12: System Average Interruption Frequency/Duration Index (SAIFI/SAIDI) {GRI EU28/29}

	Unit	2017	2016	YoY-Variation
SAIFI (Frequency of interruptions per customer)	nr.	1,69	1,59	6%
SAIDI (Power outage duration per customer)	minutes	20,74	23,66	-12%

Figure 13: Length of above and underground transmission and distribution lines {GRI EU4}

Length of transmission and distribution lines 2017	Unit	Above ground	Under-ground	Total	% of under-ground lines
High tension	km	198	12	210	6%
Medium tension	km	1.433	2.018	3.451	58%
Low tension	km	1.301	3.816	5.117	75%
Total	km	2.932	5.846	8.778	67%

Green mission

Figure 14: Water {ALP6, ALP7}

		2017	2016	YoY-Variation
Water released for minimum flow	liters per second	38.178	37.739	1%
Incidents of non compliance with MVF requirement	nr.	0	0	

Figure 15: Energy consumption within the organization³ {GRI 302-1}

	Unit ¹	2017	Proportion	2016	YoY-Variation
Total energy consumption within the organization from non-renewable sources	TJ	936	27%	943	-1%
Gasoline	TJ	6	0%	6	0%
Natural gas	TJ	891	26%	899	-1%
Electricity for own consumption (produced and aquired)	TJ	39	1%	38	3%
Total energy consumption within the organization from renewable sources	TJ	2.534	73%	2.315	10%
Palmoil	TJ	2.111	61%	1.900	11%
Wood chips	TJ	157	4%	103	52%
Electricity for own consumption (produced)	TJ	68	2%	134	-49%
Heat for own consumption (aquired) ²	TJ	199	6%	178	12%
Total energy consumption within the organization	TJ	3.470		3.258	7%

¹Conversion factors used based on the IPPC Guidebook 2006.

²Includes purchased heat used for incinerator in Bolzano (75% in 2017). The rest was used for autoconsumtion.

³Single values have been rounded. Total matches sum of actual not rounded values.

Figure 16: GHG Emissions¹ {GRI 305-1; GRI 305-2; GRI 305-3; GRI 305-4}

	Unit	2017	2016	YoY-Variation
Gross direct (Scope 1) GHG emissions	tCO ₂ e	550.870	538.394	2%
Biogenic CO ₂ emissions (Scope 1)	tCO ₂ e	2.756	2.117	30%
Gross location-based energy indirect (Scope 2) GHG emissions ²	tCO ₂ e	52.451	47.097	11%
Gross other indirect (Scope 3) GHG emissions ³	tCO ₂ e	64.826	59.156	10%
Total GHG emission	tCO ₂ e	670.859	646.764	4%
GHG emissions intensity ratio for the organization (Scope 1)	tCO ₂ e /Mwh of produced energy (gross)	0,14	0,13	
GHG emissions intensity ratio for the organization (Scope 2)	tCO ₂ e /Mwh of produced energy (gross)	0,01	0,01	
GHG emissions intensity ratio for the organization (Scope 3)	tCO ₂ e /Mwh of produced energy (gross)	0,02	0,01	
GHG emissions intensity ratio for the organization (Overall) ⁴	tCO ₂ e /Mwh of produced energy (gross)	0,17	0,15	

¹The main gases included are CO₂ and SF₆; Emission Factors used according to DEFRA (car fleet, palmoil), ISPRA (gas, gasoline), IPPC Guide-book 2006 (biogenic emissions from wood chip biomass); data consolidated according to financial control; data aggregated based on the GHG Protocol

²Location based emission factor used for purchased electricity: TERNA (2016) based on the Italian energy mix; emission factor used for purchased heat: EURAC (2010)

³Includes rented car fleet and well-to-tank associated emissions (emissions associated for the extraction, refining and transport of raw fuel material sources such as palmoil or natural gas). Emission factors used: DEFRA and cargo manifest.

⁴Scope 1,2 and 3 emissions are included in the intensity ratios. Biogenic emissions are included in ratio.

Customers

Figure 17: Number of customer accounts {GRI EU3}

Type	Unit	2017	%
Electricity customers	nr.	188.817	75%
Heating customers ¹	nr.	1.623	1%
Gas customers	nr.	58.944	24%
Total customers	nr.	249.384	4%

¹Excluding Silandro (658 contracts in 2017)

Figure 18: Monthly average of calls answered - green number {ALP1}

	Unit	2017	2016	YoY-Variation
Monthly average of calls answered - green number	%	97%	85%	14%

Figure 19: Customer complaints {ALP2}

	Unit	2017	2016	YoY-Variation
Number of complaints within the reporting period	nr.	587	385	52%
i. thereof number of complaints addressed within the reporting period	nr.	587	385	52%
ii. thereof number of complaints solved within the reporting period	nr.	587	385	52%
Number of unsolved complaints including prior periods	nr.	0	0	0%
Resolution rate customer complaints within the reporting period	nr.	100%	100%	0%
Number of customer complaints within the reporting period, addressed within 40 days	nr.	100%	100%	0%

Figure 20: Customer privacy {GRI 418-1}

Customer privacy	Unit	2017	2016
Total number of substantiated complaints received concerning breaches of customer privacy	nr.	0	0
i. complaints received from outside parties and substantiated by the organization	nr.	0	0
ii. complaints from regulatory bodies	nr.	0	0
Total number of identified leaks, thefts, or losses of customer data.	nr.	0	0

Figure 21: Incidents of non-compliance concerning product and service information and labeling {GRI 417-2}

Number of incidents of non-compliance concerning product and service information and labeling	Unit	2017	2016
with regulations resulting in a fine or penalty	nr.	0	0
with regulations resulting in a warning	nr.	0	0
with voluntary codes	nr.	0	0

Employees

Figure 22: Information on employees {GRI 102-8}

		Total number of employees		Employment contract				Employment type			
				Permanent		Temporary		Full-time		Part-time	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Women	headcount	193	188	189	188	4	0	119	117	74	71
Percentage according to employment contract/type		%	20%	21%	20%	19%	0%	14%	14%	78%	75%
Men	headcount	747	758	730	756	17	2	726	734	21	24
Percentage according to employment contract/type		%	80%	79%	80%	81%	100%	86%	86%	22%	25%
Total ¹	headcount	940	946	919	944	21	2	845	851	95	95
Percentage of total employees		%	100%	100%	98%	2%	0,2%	90%	90%	10%	10%

¹Employees who leave the organisation on 31.12. are not included in total number of employees per 31.12.

Figure 23: Diversity of governance bodies {GRI 405-1}

Diversity Governance Bodies		Unit	Total	under 30	31-40	41-50	51+
			2017	2016	2017	2017	2017
Women	headcount		4	4	0	0	2
	%		33%	33%			
Men	headcount		8	8	0	1	2
	%		67%	67%			
Total	headcount		12	12	0	1	4
	%		100%	100%			

Figure 24: Diversity of employees {GRI 405-1}

Diversity Employees	Unit	Total		under 30	31-40	41-50	51+
		2017	2016	2017	2017	2017	2017
Total	headcount	940	946	89	225	242	384
	%	100%	100%	9%	24%	26%	41%
thereof women	headcount	193	188				
	%	21%	20%				
thereof men	headcount	747	758				
	%	79%	80%				
thereof employees with diasabilities	headcount	29	30				
	%	3%	3%				

Figure 25: New employee hires {GRI 401-1}

New employee hires	Unit	Total	under 30	31-40	41-50	51+
		2017	2016	2017	2017	2017
Women	headcount	9	8	4	3	2
Percentage of new employee hires	%	26%	24%			
Men	headcount	25	26	9	13	3
Percentage of new employee hires	%	74%	76%			
Total new employee hires	headcount	34	34	13	16	5
Total headcount per 31.12.	headcount	935	946			
New employee hire rate	%	4%	4%			

Figure 26: Employee turnover {GRI 401-1}

Employee turnover ¹	Unit		Total	under 30	31-40	41-50	51+
		2017	2016	2017	2017	2017	2017
Women	headcount	4	13	1	2	0	1
	%	10%	28%				
Men	headcount	36	33	5	7	5	19
	%	90%	72%				
Total employee turnover	headcount	40	46	6	9	5	20
Total headcount per 31.12.	headcount	940	946				
Employee turnover rate ²	%	4%	5%				

¹Employee turnover: employees who leave the organization voluntarily or due to dismissal, retirement, or death in service; turnover per 31.12.

²Employees who leave the organisation on 31.12. are included in employee turnover.

Figure 27: Parental leave {GRI 401-3}

	Unit	Men		Women	
		2017	2016	2017	2016
Total number of employees that were entitled to parental leave ¹	headcount	42	9	13	26
Total number of employees that took parental leave ²	headcount	17	9	13	26
	%	40	100	100	100
Total number of employees that returned to work in the reporting period after parental leave ended	headcount	17	9	4	4
Total number of employees that returned to work in 2016 after parental leave ended that were still employed 12 months (ending in the reporting period 2017) after their return to work	headcount	9	0	4	0
Return to work rate ³	%	100%	100%	100%	100%
Retention rate ⁴	%	100%	100%	100%	100%

¹Based on total entitlements known to the employer

²Includes compulsory leave (only for the mother) and optional leave (usable also by the father)

³New employee hire rate= Total amount of new hires (headcount) during the reporting period as per 31.12. / Total number of employees (headcount) per 31.12.

⁴Employee turnover rate= Total number of employees (headcount) who left the company voluntarily or due to dismissal, reitirement or death in service per 31.12. / Total number of employees (headcount) per 31.12.

Figure 28: Ratio of basic salary and remuneration of women to men {GRI 405-2}

Ratio of basic salary and remuneration of women to men	Unit	2017	2016	YoY-Variation
Top management ¹	ratio	0,96	0,97	-1%
Middle managment	ratio	0,97	1,13	-14%
White-collar employees	ratio	0,92	1,01	-
Blue-collar employees ²	ratio	0,8		
Average group ratio	ratio	0,9	1,03	-13%

¹Includes directors and direct reports

²There are only two women in this category

Figure 29: Types of occupational diseases, occupational disease rate, and absenteeism [GRI 403-2]

Employees	Unit	2017	2016	YoY-Variation
Incidents of occupational diseases	nr.	0	0	0%
Lost work days due to occupational diseases	days	0	0	0%
Lost work days due to abentees of all kind ¹	days	10.717	7.633	40%
Hours worked	hours	1.396.937	1.194.147	17%
Hours scheduled to be worked	hours	1.824.863	1.511.618	21%
Occupational disease rate (per 1.000.000 h)	nr.	0	0	0%
Absentee rate (per 1.000 h)	rate	5,87	5,05	16%

¹Absentee excludes permitted leave absences such as holidays, study, maternity or paternity leave and compassionate leave. 'Lost days' count begins the day after the absence.

Figure 30: Types of injury and rates of injury, lost days, and number of work-related fatalities¹ [GRI 403-2]

Employees	Unit	2017	2016	YoY-Variation
Fatalities	nr.	0	0	0%
Lost work day incidents	nr.	13	25	-48%
Lost days ²	days	192	228	-16%
Hours worked	hours	1.396.937	1.561.512	-11%
Incident rate (per 1.000.000 h) ³	rate	9,31	16,01	-42%
Lost day rate (per 1.000h)	rate	0,14	0,15	-6%

¹Data for contractors are currently not available. It is planned to collect this information by 2019.

²When calculating 'lost days', 'days' means 'calendar days' ; 'lost days' count begins the day after the accident

³Minor (first-aid level) injuries are not included in the injury rate (IR); fatalities are included in the injury rate (IR)

Research & Innovation

Figure 31: Research expenditure aimed at providing reliable electricity and promoting sustainable development
{GRI EU8}

	Unit	2017	2016	YoY-Variation
Renewable energy technologies	EUR	160.000	160.000	0%
Transmission and distribution technologies e.g. smart grids and micro grids	EUR	604.732	331.601	82%
Advanced generation technologies, e.g. carbon capture storage	EUR	404.932	112.575	259%
Innovative sustainability related services e.g. smart metering	EUR	384.584	103.776	271%
Total research expenditure	EUR	1.554.248	707.952	120%

Figure 32: Revenues with sustainable products and services¹ {GRI EU7}

	Unit	2017	2016	YoY-Variation
ALP4: Share of revenues with sustainable products and services (%)	%	31%	29%	6%

¹Revenues include production and sale of hydro & solar energy, biomass and district heating and services related to energy efficiency and green mobility

Alperia's management approaches

Territory

Security of supply

103-1 Explanation and definition

This issue was identified as material in the 2017 materiality analysis, both in terms of impacts and of stakeholders. The direct impacts on electricity customers in South Tyrol are due to Alperia's electricity production and distribution activities. Alperia limits itself to its core business, namely electricity production and distribution.

103-2 The management approach and its components

As the largest energy supplier in South Tyrol, Alperia aims to ensure a safe and efficient supply of electricity from renewable sources. This is also in the light of the Climate Plan 2050 of the Autonomous Province of Bolzano-Alto Adige, which provides for the promotion of renewable energy. In view of the growing demand for electricity in South Tyrol, it is essential to supply and produce sufficient renewable energy now and in the future. The energy distribution system is becoming increasingly complex and decentralised, and needs to respond more flexibly to energy production and demand. Alperia needs to respond to this evolution, and to develop an efficient and intelligent network. The Group defines responsibilities internally. The remote control centre in Bolzano is responsible for reporting any malfunction or breakdown in the electricity supply service. The service, provided by bilingual operators, is available 24/7, 365 days a year. Alperia budgets for investments to improve service quality and upgrade network infrastructure to increase stability. They are reported annually in the sustainability report under Investments.

103-3 Evaluation of the management approach

Management systems are regularly reviewed and monitored against set indicators; electricity distribution is subject to the requirements of the national supervisory authority (ARERA). The systems are constantly updated.

Supplier management

103-1 Explanation and definition

This issue was identified as material both in terms of impacts and by stakeholders. As a comprehensive energy service provider, Alperia purchases its products, materials and raw materials from various Italian and foreign suppliers. This leads to direct social and environmental impacts throughout the supply chain.

103-2 The management approach and its components

In selecting suppliers and commercial partners, Alperia aims to ensure respect for environmental and safety standards in the workplace and to work with suppliers and commercial partners to make the entire supply chain more transparent, production increasingly eco-sustainable, and where possible to give preference to local suppliers. To this end, Alperia is working to create a complete list of suppliers, defining the sustainability criteria and standards with which suppliers must comply. Responsibility for this topic has been defined internally. The volume of purchases from local suppliers is regularly recorded and reported annually in the context of sustainability reporting.

103-3 Evaluation of the management approach

The effectiveness of the management approach is regularly reviewed and monitored on the basis of set indicators. To ensure the quality of suppliers and to minimise the risk of loss and dependence,

in the future Alperia's main suppliers will be evaluated according to a Vendor Rating System. The evaluation criteria are also integrated with sustainability criteria. For each contract signed with a new supplier, Alperia can perform an audit and verify the supplier's data, by checking the information received as well as on the basis of on-site inspections and interviews.

Economic development

103-1 Explanation and definition

This issue has been identified as essential in terms of impacts but above all by stakeholders. Alperia is one of the largest companies in South Tyrol and all its shareholders are public institutions. The Group's economic growth therefore has direct and indirect impacts both internally and externally.

103-2 The management approach and its components

Alperia aims to generate significant added value for the various stakeholder groups in the area every year, in order to boost local economic development (including dividends, salaries, taxes and environmental levy). In addition, economic growth has indirect effects, such as investments in the development of infrastructure or the Smart Region in South Tyrol, with which Alperia intends to create ecological added value for the province and to make its own contribution to a smart and digital South Tyrol. Responsibilities are defined within the company. The financial resources used are recorded annually in the context of sustainability reporting and reported externally.

103-3 Evaluation of the management approach

Effectiveness is assessed annually on the basis of previously defined indicators and, if necessary, adjusted.

Asset Integrity

103-1 Explanation and definition

This issue was identified as essential both in terms of impacts and by stakeholders, in particular by riparian and host municipalities as well as stakeholders. For Alperia, the topic includes safety measures and plant security management that can protect employees and residents. Business activity therefore has direct and indirect impacts on the environment, the economy and society.

103-2 The management approach and its components

Alperia's distribution infrastructure and power plants, reservoirs and dams are considered sensitive to accidents, natural disasters or terrorist attacks. Alperia therefore seeks to minimise the risks through investments in safety and modernisation. Regular drills and comprehensive emergency plans are carried out to prepare for emergencies. A serious accident would not only have impacts on the surrounding areas, but would also have direct impacts on the company itself. Responsibilities have been defined within each Business Unit.

103-3 Evaluation of the management approach

The evaluation is carried out regularly in the individual Business Units. Additional external inspections are carried out regularly and in accordance with the legal requirements for plant safety

Green mission

Water

103-1 Explanation and definition

This issue was identified as key by stakeholders and in terms of impacts. Alperia's activities in the field of hydroelectric production have direct impacts on water ecosystems.

103-2 The management approach and its components

Alperia operates 33 hydroelectric plants with large and small discharges, 15 large dams and 17 smaller sites in South Tyrol. Hydroelectric power stations are plants that produce 'renewable' energy and do not consume natural resources; The water used in the energy production process, after being taken from the intake structures, is returned to the environment (river or lake) through a canal or tunnel. The quantities of water withdrawn and turbinated are determined by concession decrees (administrative acts issued by the Province of Bolzano regulating the use of water for hydroelectric plants) which also provides for the quantities to be released into the downstream sections (minimum vital outflows) in order to ensure the functioning of the aquatic ecosystem.

Through the management of compensation funds deriving from the management of large hydroelectric power plants, whose concession has been renewed or is currently being extended, various measures to improve water courses (morphological improvements, removal of obstacles to fish migration,

renaturation, measures to assist native species of fish fauna, etc.) are implemented in partnership with the Autonomous Province of Bolzano and the municipalities bordering the river. For some plants, in order to rebalance the distribution of fish species and to allow fishing, every year, the competent Offices of the Province and Fishing Associations provide for the breeding of fish in accordance with the Concession Regulations.

To encourage the improvement of the life of fish species, artificial passages (fish ladders) to the intake structures are planned for some plants. Responsibilities have been defined within the company.

The operation of hydroelectric power stations in South Tyrol is accompanied by the adoption of environmental measures. For the first time, and the only case in Italy, the granting of concessions for large hydroelectric power plants in 2011 is linked to important environmental measures and the allocation of the necessary financial resources. Alperia has provided environmental funds annually for 14 large hydroelectric plants: Santa Valburga-Pracomune, San Pancrazio, Lana, Sarentino, Cardano, Ponte Gardena, Bressanone, Lappago, Molini di Tures, Lasa, Brunico, Glorenza-Castelbello, Tel, and San Floriano.

For the entire 30-year duration of the concession, Alperia will allocate approximately EUR 400 million to environmental projects, to benefit the riparian municipalities affected by the presence of the power stations. In so doing, it will implement numerous environmental and landscape conservation and improvement projects previously identified by the boards of the individual hydroelectric plants. Currently there is no centralised complaint mechanism; complaints are handled locally at the individual power plants. We have set a target to implement a centralised complaint mechanism by 2021.

103-3 Evaluation of the management approach

For the large branches, the concession for which was renewed in 2011 (a total of 11 large plants), Alperia is obliged to manage a monitoring system that measures the quality of the watercourse concerned. Water quality monitoring is carried out in agreement with the Province of Bolzano. Any adjustments are made during the year.

Emissions

103-1 Explanation and definition

This issue was identified as essential in the 2017 materiality analysis in terms of impacts and by stakeholders. Alperia's direct impacts are generated by the operation of hydroelectric and district heating

plants and electricity distribution infrastructures.

103-2 The management approach and its components

Alperia aims to minimise noise pollution, electromagnetic fields and CO₂ emissions deriving from its activities. To this end, a reporting system structured at Group level is currently under development, which will be followed by the preparation of a comprehensive management approach to be published in the next Sustainability Report. Alperia Ecoplus (which manages district heating), Alperia Greenpower and Alperia Vipower (which manage hydroelectric power plants) sites are certified according to the ISO 14001: 2015 standard and EMAS. This topic is coordinated centrally by the HSE department and then implemented in the individual BUs. The relative budgets are drawn up internally.

103-3 Evaluation of the management approach

A structured reporting system is currently being developed for this issue. The evaluation and effectiveness of the management approach will be described in detail from the next financial year.

Energy consumption

103-1 Explanation and definition

This issue was identified as essential in the 2017 materiality analysis in terms of impacts but above all by stakeholders. Alperia's direct impacts are generated by the operation of hydroelectric and district heating plants and electricity distribution infrastructures.

103-2 The management approach and its components

Alperia aims to promote energy efficiency and system efficiency (eg, reduction of grid losses) and climate-friendly energy use within the company itself. To this end, a reporting system structured at Group level is currently under development, which will be followed by the preparation of a comprehensive management approach to be published in the next Sustainability Report. Alperia Ecoplus (which manages district heating), Alperia Greenpower and Alperia Vipower (which manage hydroelectric power plants) sites are certified according to the ISO 14001: 2015 standard and EMAS. This topic is coordinated centrally by the HSE department and then implemented in the individual BUs. The relative budgets are drawn up internally.

103-3 Evaluation of the management approach

A structured reporting system is currently being developed for this topic. The evaluation and effectiveness of the management approach will be described in detail from the next financial year.

Customers

Customer satisfaction

103-1 Explanation and definition

This topic has been identified as essential, especially in terms of impacts. Clearly this is also very important for stakeholders, but it is not among the top 10 key issues. Alperia's direct impacts derive from the sale of electricity, gas and district heating. The impacts concern both the domestic customers of the protected and free market and district heating customers, as well as business customers (small and medium) and large customers.

103-2 The management approach and its components

Alperia pursues the goal of improving and expanding customer service and service quality, minimising complaints. The complaint mechanism made available to customers is a freephone number answered by bilingual local operators. Customers can also contact freephone operators by email. Complaint response times are strictly regulated by the national regulator (ARERA), which obliges operators to comply with and, if necessary, improve on these requirements. Responsibilities have been defined within the company. A complaint control centre has been set up to ensure that complaints are dealt with promptly.

103-3 Evaluation of the management approach

The national supervisory authority (ARERA) regularly reviews and monitors the achievement of the aims and compliance with its requirements. A customer satisfaction survey is planned for 2018. Adjustments or improvements are also made during the year, whenever necessary.

Transparent marketing and communication

103-1 Explanation and definition

This topic was identified as material in the materiality analysis both by stakeholders and in terms of impacts. Direct impacts are generated by Alperia's energy sales to about 250,000 customers served.

103-2 The management approach and its components

Alperia aims to perform responsible, authentic and adequate marketing. This implies a transparent and understandable pricing structure and customer communication, the guarantee of adequate and fair offers and transparent and verifiable sponsorship. Only projects that comply with the guidelines published online are considered for sponsorship. In terms of customer communication, Alperia is committed to providing clear and comprehensible information and energy bills. Any margin of manoeuvre is very limited due to the numerous requirements imposed by the national authority for the sector (AEEGSI). For example, the information that needs to be included in the electricity bill is prescribed in detail and leaves little room for creativity. Customer service consultants receive complaints on the freephone number, by email or directly at customer office counters. Responsibilities have been defined within the company. The budget for marketing and sponsoring activities is defined annually.

103-3 Evaluation of the management approach

The evaluation is carried out regularly. Effectiveness is monitored several times a year on the basis of set indicators and, where necessary, adjustments are made.

Cyber Security

103-1 Explanation and definition

The topic has been identified as material in the context of the materiality analysis. Alperia contributes directly to data security through its commercial activity in its markets. The Group reports on its activities and measures in the area of data security and data protection. Information security protects Alperia's know-how and the security of the general public, ensuring the supply of electricity, gas and heat and Internet distribution in its territory. The Group defines the boundary of information security as the set of all the boundaries that derive from the different areas involving IT and business. These are the boundaries and their impacts: data centres, cloud computing, wifi, mobile and local networks, Internet of Things, production plants, distribution plants, telecommunications, smart grids, and trans-

mission systems.

Specific limitations derive from the business organisational structure of the various BUs and areas each with their own specific needs.

103-2 The management approach and its components

Management approaches include, among other things, certifications such as ISO 27001 and business continuity plans (INS-212. 01 Business Continuity - Disaster Recovery IT), the plans for the prevention of security threats (INS-105. 02 Information risk management, INS-220. 11 IT vulnerability management), etc. The management approach aims to establish a state-of-the-art data protection standard and a security standard and to prevent as far as possible negative impacts inside and outside the company. Tools for this purpose include ISO 27001 and the team capable of providing a professional response in the event of a cyber-attack (INS-220.10. 10 Incident Handling IT). Alperia has defined the internal responsibilities (eg Security Officer) and coordinates security-related projects, such as the implementation of the GDPR (General Data Protection Regulation). The Group also participates in national safety conferences (eg CLUSIT) and promotes the training and continuous updating of its employees on the subject of security and data protection.

103-3 Evaluation of the management approach

Evaluation of the management approach. Management systems are evaluated on a regular basis (from daily to annually). For example, since 2015, ISO certifications are evaluated annually. The effectiveness of management systems is also regularly reviewed and monitored on the basis of set indicative figures and procedures. The necessary adjustments are constantly implemented throughout the year, if and when required.

Employees

Employee development

103-1 Explanation and definition

This topic was identified as key both in terms of impacts and by stakeholders. With a workforce of almost 1000 employees, the Alperia Group is one of South Tyrol's largest employers, active in all areas of the energy sector, from production and distribution to the sale of energy and innovative services. This activity has direct and indirect impacts both inside and outside the company.

103-2 The management approach and its components

The energy sector is constantly evolving, with increasing demands and in this context, the specialisation and qualification of employees is becoming increasingly important. To prevent any shortage of skilled labour, Alperia is intensifying partnerships with universities and secondary schools and pursues the objective of ensuring regular training and further training of its staff. In order to increase satisfaction and performance, reduce fluctuations and ensure high quality work, Alperia is committed to supporting its employees in various ways. In addition to promoting health in the workplace, the company also offers measures to improve compatibility between work and family life, such as flexible working hours and various models of part-time working. The management approach also provides for the maintenance of the audit of family and work for 2017. Responsibilities have been defined within the company. A complaint tool has been created on the company intranet page: myIdeas gives all employees the chance to submit suggestions for improving a service, a work process, occupational health and safety, or measures that contribute to greater motivation or stronger identification with the company. When calculating economic value, we also take into account the added value we pass on to our employees.

103-3 Evaluation of the management approach

The management approach is regularly evaluated, also through the 'family and work' audit. To assess and verify the effectiveness of the management approach, we conduct a regular employee satisfaction survey in cooperation with research and consulting firm Great Place to Work. This survey was conducted in 2016. Any corrections are made continuously throughout the year. Measures sent via intranets are reviewed and evaluated quarterly and, if necessary, approved and implemented.

Diversity & Equal Opportunities

103-1 Explanation and definition

In the 2017 materiality analysis, the issue was identified as material, particularly by stakeholders. Direct impacts for Alperia - one of the largest employers in South Tyrol, with almost 1000 employees - are mainly due to the high average age and the relatively low percentage of women due to the specificity of the technical sector in which Alperia operates.

103-2 The management approach and its components

Promoting diversity and equal opportunities is important for a successful business. This improves adaptability to changing market conditions and increases the attractiveness of employers. Alperia is committed to providing a non-discriminatory working environment and equal opportunities for all Group employees, regardless of age, gender, linguistic origin or any disability. For Alperia this also implies the guarantee of equal pay and equal career opportunities for men and women. There are relatively few women in Alperia, due to the particular nature of its technical sector. This is why the company is trying to bring more and more women into technical professions. In terms of human resources management, particular attention is paid to the hiring of disabled staff and to compliance with the legal quotas, which in Alperia are slightly lower than for companies in other sectors due to the technical nature of the electricity industry. Responsibilities have been defined within the company. When calculating economic value, we also take into account the added value we pass on to our employees. Currently there is no structured grievance mechanism for employee complaints in place.

103-3 Evaluation of the management approach

The effectiveness of the management approach is evaluated regularly. Any corrections are made continuously throughout the year.

Occupational Health & Safety

103-1 Explanation and definition

This topic was identified as key both in terms of impacts and by stakeholders. There are certainly direct impacts for Alperia, one of the largest employers in South Tyrol, which counts almost 1000 employees.

103-2 The management approach and its components

Alperia aims to minimise the risk of accidents for its employees, especially in areas classified as hazardous, such as plants and infrastructure. This is achieved through regular training of employees in safety, personal protective equipment (PPE) and continuous renewal of work equipment. Alperia is committed to providing ever greater protection for employees and third party companies in the area of health, safety and the environment. Alperia has promoted and completed the implementation of certified integrated management systems (ISO 14001, OHSAS 18001, ISO 9001) for all its main companies with employees; during the past year, all monitoring visits and/or renewal of certified management systems were successfully carried out, with the transition to the new ISO 9001: 2015 and

ISO 14001: 2015 standards.

Besides the traditional protection of health and safety at work, Alperia is committed to promoting the health of its employees through targeted measures and to lower the rate of absence. Das Thema wird zentral in der Abteilung HSE gesteuert. This issue is supervised by the HSE department. In addition, there are security officers and teams in their respective affiliates.

103-3 Evaluation of the management approach

The evaluation is carried out regularly, including through the OHSAS certification audit. Effectiveness is monitored several times during the year using set indicators, with adjustments made where necessary. During the year, regular meetings (Management Reviews) were held for each certified company, so as to share results of the improvement programmes, internal and external audits, the progress of training processes for environmental and safety issues and the general results of health monitoring. In October, the Group's overall review of environmental, safety and quality management systems took place, during which the 2018 objectives were approved.

Development and Innovation

Innovation, Research & Development

103-1 Explanation and definition

This issue was identified as key both in terms of impacts and by stakeholders, especially owners and investors, as well as research bodies. Alperia promotes innovation in the energy sector through numerous research projects. The fact that it runs several hydroelectric and district heating plants, as well as the electricity grid, enables Alperia to test and apply the most innovative technologies. This has direct and indirect impacts on society, the environment and the economy.

103-2 The management approach and its components

Alperia places great emphasis on innovation and research in order to respond efficiently and effectively to the challenges of the energy market and to provide a modern energy supply and cutting-edge energy services in the future. The Group collaborates with local and international partners, in various projects aimed at promoting research and the development of intelligent systems for efficient energy distribution and production (smart grids, smart cities, smart meters). Responsibilities are defined internally with the involvement of all Business Units. Expenses are reported annually in the context of

sustainability reporting.

103-3 Evaluation of the management approach

The evaluation is carried out through regular project controlling. In future effectiveness will be monitored annually on the basis of key data.

Sustainable products and services

103-1 Explanation and definition

This issue was identified as key, above all by stakeholders, in particular customers. Direct impacts are mainly generated for private customers and Alperia business, while indirect impacts on the environment are in relation to the development of sustainable products and services.

103-2 The management approach and its components

Alperia aims to develop its current product portfolio in the direction of greater sustainability, and to offer customers sustainable and innovative products and services designed to achieve energy savings and more efficient use of energy. The goal should be to use sustainable resources and, in addition, to save energy and use it more efficiently. In this way Alperia and its customers will contribute significantly to the reduction of CO₂ emissions, as provided for in the Climate Plan 2050 of the Autonomous Province of Bolzano-Alto Adige. Responsibility lies with the respective Business Units. The share of revenues generated by sustainable products and services and investments to expand the range of sustainable products is accounted and published in the annual report.

103-3 Evaluation of the management approach

We have set ourselves the goal of increasing the share of revenue with sustainable products and services. The achievement of goals and the implementation of agreed measures is regularly monitored and evaluated as part of sustainability management.

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
GRI 101: Foundation 2016					
General Disclosures					
GRI 102: General Disclosures 2016	Organizational profile				
	102-1 Name of the organization	See chapter ,The company and its values', page ,14-17'	none		
	102-2 Activities, brands, products, and services	See chapter ,The company and its values', page ,14-17'	none		
	102-3 Location of headquarters	See chapter ,The company and its values', page ,14-17'	none		
	102-4 Location of operations	See chapter ,The company and its values', page ,14-17'	none		
	102-5 Ownership and legal form	See chapter ,The company and its values', page ,14-17'	none		
	102-6 Markets served	See chapter ,The company and its values', page ,14-17'	none		
	102-7 Scale of the organization	See chapter ,The company and its values', page ,3' and Annex ,Figure 1,9'	none		
	102-8 Information on employees and other workers	See chapter ,Employees', page ,90ff' and Annex ,Figure 22'	102-8-b	Not applicable	Split by region: Alperia is a regional company.
	102-8-d: No significant portion of the organization's activities are performed by workers who are not employees.				
	102-8-e: No significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c (such as seasonal variations in the tourism or agricultural industries).				
	102-8-f: Data based on actual employee numbers registered in the HR software.				

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
GRI 102: General Disclosures 2016	102-9 Supply chain	See chapter ,The company and its values', page ,18,19' and chapter ,Supply chain management', p.58ff	none		
	102-10 Significant changes to the organization and its supply chain	See chapter ,Reporting Boundaries', page ,146' and chapter ,Supply chain management', p.58ff	none		
	102-11 Precautionary Principle or approach	See chapter ,Opportunities and risks', page 28	none		
	102-12 External initiatives	See chapter ,The company and its values', page 26	none		
	102-13 Membership of associations	See chapter ,The company and its values', page 27	none		
	EU1 Installed capacity	See Annex ,Figure 10'	none		
	EU2 Net energy output	See chapter ,Security of supply', p.47ff and Annex ,Figure 8'	none		
	EU3 Number of residential and commercial customer accounts	See chapter ,Customers', p. 76ff and Annex ,Figure 17'	none		
	EU4 Length of above and underground transmission and distribution lines by regulatory regime	See chapter ,Security of supply', p. 47ff and Annex ,Figure 13'	none		
	Strategy				
	102-14 Statement from senior decision-maker	See chapter ,Letter to our stakeholders', page 4ff	none		
	102-15 Key impacts, risks, and opportunities	See chapter ,Opportunities and risks', page 28ff	none		
	Ethics and integrity				
	102-16 Values, principles, standards, and norms of behavior	See chapter ,The company and its values', page 23	none		
	Governance				
	102-18 Governance structure	See chapter ,The company and its values', page 20ff	none		
	Stakeholder engagement				
	102-40 List of stakeholder groups	See chapter ,Strategy and objectives', p. 36ff	none		

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
GRI 102: General Disclosures 2016	102-41 Collective bargaining agreements	100 % of total employees are covered by collective bargaining agreements.	none		
	102-42 Identifying and selecting stakeholders	See chapter ,Strategy and objectives', p. 36ff	none		
	102-43 Approach to stakeholder engagement	See chapter ,Strategy and objectives', p. 36ff	none		
	102-44 Key topics and concerns raised	See chapter ,Strategy and objectives', p. 36ff	none		
	Reporting practice				
	102-45 Entities included in the consolidated financial statements	See Annex ,Reporting Boundaries', p.156	none		
	102-46 Defining report content and topic Boundaries	See Annex ,Reporting Boundaries', p.156	none		
	102-47 List of material topics	See Annex ,Reporting Boundaries', p.156	none		
	102-48 Restatements of information	See Annex ,Reporting Boundaries', p.156	none		
	102-49 Changes in reporting	See Annex ,Reporting Boundaries', p.156	none		
	102-50 Reporting period	See Annex ,Reporting Boundaries', p.156	none		
	102-51 Date of most recent report	See Annex ,Reporting Boundaries', p.156	none		
	102-52 Reporting cycle	See Annex ,Reporting Boundaries', p.156	none		
	102-53 Contact point for questions regarding the report	See Annex ,Reporting Boundaries', p.156	none		
	102-54 Claims of reporting in accordance with the GRI Standards	See Annex ,Reporting Boundaries', p.156	none		
	102-55 GRI content index	See Annex ,GRI content index', p.142	none		
	102-56 External assurance	See Annex ,Assurance Statement', p.152ff	none		
Material Topics					
GRI 200 Economic Standard Series					
Economic Performance					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	See Annex ,Management Approach: Economic Value'; chapter ,Economic value' p. 42	none		
	103-2 The management approach and its components		103-2-b-vi: Grievance mechanism	Information unavailable	Currently there is no centralised grievance mechanism in place. We have set a target to implement a centralised grievance mechanism by 2021.
	103-3 Evaluation of the management approach		none		
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	See chapter ,Economic value' p. 42ff and Annex ,Figure 2,3'	none		

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
Indirect Economic Impacts					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	See Annex ‚Management Approach: Economic Value‘; chapter ‚Economic value‘ p. 44ff	none	Information unavailable	Currently there is no centralised grievance mechanism in place. We have set a target to implement a centralised grievance mechanism by 2021.
	103-2 The management approach and its components		103-2-b-vi: Grievance mechanism		
	103-3 Evaluation of the management approach		none		
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	See chapter ‚Economic value‘ p.44ff and Annex ‚Figure 4‘	none		
Procurement Practices					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	See Annex ‚Management Approach: Supply chain management‘; chapter ‚Supply chain management‘ p. 58ff	none	Information unavailable	Currently there is no centralised grievance mechanism in place. We have set a target to implement a centralised grievance mechanism by 2021.
	103-2 The management approach and its components		103-2-b-vi: Grievance mechanism		
	103-3 Evaluation of the management approach		none		
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	See chapter ‚Supply chain management‘ p. 58ff and Annex ‚Figure 5‘	none		The organisation’s geographical definition of ‚significant location of operations‘ is defined as the province of South Tyrol.
GRI 300 Environmental Standards Series					
Energy					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	See Annex ‚Management Approach: Energy consumption‘; chapter ‚Energy consumption‘ p. 70ff	none	103-2-b-vi: Grievance mechanism	Currently there is no centralised grievance mechanism in place. Grievances are currently managed at a local level by the plants. We have set a target to implement a centralised grievance mechanism by 2021.
	103-2 The management approach and its components		103-2-b-vi: Grievance mechanism		
	103-3 Evaluation of the management approach		none		
GRI 302: Energy 2016	302-1 Energy consumption within the organization	See chapter ‚Energy consumption‘ p. 70ff and Annex ‚Figure 15‘	none		
	302-5 Reductions in energy requirements of products and services				

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
Water					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	See Annex ,Management Approach: Water'; chapter ,Water' p. 62ff	none		
	103-2 The management approach and its components		103-2-b-vi: Grievance mechanism		Currently there is no centralised grievance mechanism in place. Grievances are currently managed at a local level by the plants. We have set a target to implement a centralised grievance mechanism by 2021.
	103-3 Evaluation of the management approach		none		
Alperia Own 2017	ALP6 Water released for minimum flow	See chapter ,Water' p. 62ff and Annex ,Figure 14'	none		
	ALP7 Incidents of non compliance with MVF requirements	See chapter ,Water' p. 62ff and Annex ,Figure 14'	none		
Emissions					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	See Annex ,Management Approach: Emissions'; chapter ,Emissions' p. 72ff	none		
	103-2 The management approach and its components		103-2-b-vi: Grievance mechanism		Currently there is no centralised grievance mechanism in place. Grievances are currently managed at a local level by the plants. We have set a target to implement a centralised grievance mechanism by 2021.
	103-3 Evaluation of the management approach		none		
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	See chapter ,Emissions', p.72ff and Annex ,Figure 16'	none		
	305-2 Energy indirect (Scope 2) GHG emissions	See chapter ,Emissions', p.72ff and Annex ,Figure 16'	none		
	305-3 Other indirect (Scope 3) GHG emissions	See chapter ,Emissions', p.72ff and Annex ,Figure 16'	none		
	305-4 GHG emissions intensity	See chapter ,Emissions', p.72ff and Annex ,Figure 16'	none		
	305-5 Reduction of GHG emissions	See chapter ,Emissions', p.72ff	none		
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	See chapter ,Emissions', p.73	none		

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
Supplier Environmental Assessment					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	See Annex ,Management Approach: Supply chain management'; chapter ,Supply chain management' p. 58ff	none	Information unavailable	Currently there is no centralised grievance mechanism in place. We have set a target to implement a centralised grievance mechanism by 2021.
	103-2 The management approach and its components		103-2-b-vi: Grievance mechanism		
	103-3 Evaluation of the management approach		none		
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	See chapter ,Supply chain management' p. 58ff and Annex ,Figure 6'	none		
GRI 400 Social Standards Series					
Employment					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	See Annex ,Management Approach: People development'; chapter ,People development' p. 91ff	none		
	103-2 The management approach and its components		none		
	103-3 Evaluation of the management approach		none		
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	See chapter , People development', p. 91ff and Annex ,Figure 25, 26'	401-1-a /401-1-b	Not applicable	Split by region: Alperia is a regional company.
	401-3 Parental leave	See chapter , Diversity and Equal Opportunity', p. 99 and Annex ,Figure 27'	none		
Occupational Health and Safety					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	See Annex ,Management Approach: Workplace Health & Safety'; chapter ,Workplace Health & Safety' p. 101ff	none	Information unavailable	Currently there is no centralised grievance mechanism in place. We have set a target to implement a centralised grievance mechanism by 2021.
	103-2 The management approach and its components		103-2-b-vi: Grievance mechanism		
	103-3 Evaluation of the management approach		none		
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	See chapter ,Workplace Health & Safety', p. 101ff and Annex ,Figure 29, 30'	GRI 403-2-b	Information unavailable	Data for contractors is currently not available. We plan to gather this information by 2019.
Training and Education					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	See Annex ,Management Approach: People development'; chapter ,People development' p. 91ff	none		
	103-2 The management approach and its components		none		
	103-3 Evaluation of the management approach		none		

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	See chapter ,People development', p. 91ff	404-1	Information unavailable	With the introduction of a new reporting system, this information should be available next year.
	404-3 Percentage of employees receiving regular performance and career development reviews	See chapter ,People development', p.91ff	none		Currently only top management receives regular performance reviews. As of 2018 it is planned that all employees receive regular performance reviews.
Diversity and Equal Opportunity					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	See Annex ,Management Approach: Diversity and equal opportunity'; chapter ,Diversity and equal opportunity' p. 98	none		
	103-2 The management approach and its components		103-2-b-vi: Grievance mechanism	Information unavailable	Currently there is no centralised grievance mechanism in place. We have set a target to implement a centralised grievance mechanism by 2021.
	103-3 Evaluation of the management approach		none		
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	See chapter ,Diversity and equal opportunity' p. 98 and Annex ,Figure 23'	none		
	405-2 Ratio of basic salary and remuneration of women to men	See chapter ,Diversity and equal opportunity' p. 98 and Annex ,Figure 28'	none		
Human Rights Assessment					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	See Annex ,Management Approach: Supply chain management'; chapter ,Supply chain management', 58ff and p. 26	none		
	103-2 The management approach and its components		103-2-b-vi: Grievance mechanism	Information unavailable	Currently there is no centralised grievance mechanism in place. We have set a target to implement a centralised grievance mechanism by 2021.
	103-3 Evaluation of the management approach		none		
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	See chapter ,Supply chain management' p. 58ff and Annex ,Figure 7'	none		Currently our contracts do not include a clause on human rights. We plan to include a clause in the course of 2018.
Supplier Social Assessment					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	See Annex ,Management Approach: Supply chain management'; chapter ,Supply chain management' p.58ff	none		
	103-2 The management approach and its components		103-2-b-vi: Grievance mechanism	Information unavailable	Currently there is no centralised grievance mechanism in place. We have set a target to implement a centralised grievance mechanism by 2021.
	103-3 Evaluation of the management approach		none		

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	See chapter ,Supply chain management' p. 58ff and Annex ,Figure 6'	none		
Marketing and Labeling					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	See Annex ,Management Approach: Marketing and transparent communication'; chapter ,Clients' p. 81ff	none		
	103-2 The management approach and its components		103-2-b-vi: Grievance mechanism	Information unavailable	Currently there is no centralised grievance mechanism in place. We have set a target to implement a centralised grievance mechanism by 2021.
	103-3 Evaluation of the management approach		none		
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	See chapter ,Clients' p. 81ff	none		Requirements are mainly related to information contained on our invoices.
	417-2 Incidents of non-compliance concerning product and service information and labeling	See chapter ,Clients' p. 81ff Annex ,Figure 21'	none		
	417-3 Incidents of non-compliance concerning marketing communications	See chapter ,Clients' p. 81ff	none		There were no known incidents in 2016 and 2017 of non-compliance with voluntary sponsoring and donation codes.
	ALP8 Complaints concerning intransparent communication and marketing	See chapter ,Clients' p. 81ff	ALP8	Information unavailable	Currently there is no centralised grievance mechanism in place. We have set a target to implement a centralised grievance mechanism by 2021.
Customer Privacy					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	See Annex ,Management Approach: Cyber security'; chapter ,Cyber security' p. 87ff	none		
	103-2 The management approach and its components		none		
	103-3 Evaluation of the management approach		none		
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	See chapter ,Cyber security' p. 87ff and Annex ,Figure 20'	none		
Availability and Reliability					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	See Annex ,Management Approach: Security of supply' and chapter ,Security of supply', p. 47ff	none		
	103-2 The management approach and its components		none		
	103-3 Evaluation of the management approach		none		

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
G4 Electric Utilities Sector Disclosures 2013	EU10 Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime	See chapter 'Security of supply', p.47ff and Annex 'Figure 10'	Split by regulatory regime	Not applicable	Split by regulatory regime is not applicable.
	EU29 Average power outage duration	See chapter 'Security of supply', p.47ff and Annex 'Figure 12'	none		
	EU28 Power outage frequency	See chapter 'Security of supply', p.47ff and Annex 'Figure 12'	none		
	EU30 Average plant availability factor by energy source and by regulatory regime	See chapter 'Security of supply', p.47ff and Annex 'Figure 10'	Split by regulatory regime	Not applicable	Split by regulatory regime is not applicable.
Customer Satisfaction					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	See Annex 'Management Approach: Customer satisfaction' and chapter 'Customer satisfaction', p. 78ff	none		
	103-2 The management approach and its components		none		
	103-3 Evaluation of the management approach		none		
Alperia Own 2017	ALP1 Monthly average of calls answered - Green Number	See chapter 'Customer satisfaction', p. 78ff and Annex 'Figure 18'	none		
	ALP2 Customer complaints	See chapter 'Customer satisfaction', p. 78ff and Annex 'Figure 19'	none		
	ALP3 Customer satisfaction index	See chapter 'Customer satisfaction', p. 78ff	ALP3	Information unavailable	Currently there is no data available to measure the customer satisfaction index. A regular customer satisfaction survey is planned to be conducted as of 2018.
Research & Development					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	See Annex 'Management Approach: Innovation, Research & Development' and chapter 'Innovation, Research & Development', p. 106ff	none		
	103-2 The management approach and its components		none		
	103-3 Evaluation of the management approach		none		
G4 Electric Utilities Sector Disclosures 2013	EU8 Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development	See chapter 'Innovation, Research & Development', p. 106ff and Annex 'Figure 31'	none		

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
Sustainable Products and Services					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	See Annex ‚Management Approach: Sustainable products and services‘ and chapter ‚Sustainable products and services‘, p. 113ff	none	Information unavailable	Currently there is no centralised grievance mechanism in place. We have set a target to implement a centralised grievance mechanism by 2021.
	103-2 The management approach and its components		103-2-b-vi: Grievance mechanism		
	103-3 Evaluation of the management approach		none		
G4 Electric Utilities Sector Disclosures 2013 / Alperia Own 2017	EU7/ ALP4 Share of revenues with sustainable products and services	See chapter ‚Sustainable products and services‘, p. 113ff and Annex ‚Figure 32‘	none	Information unavailable	Currently there is no centralised grievance mechanism in place. We have set a target to implement a centralised grievance mechanism by 2021.
	ALP5 Description of new business initiatives with sustainable products and services	See chapter ‚Sustainable products and services‘, p. 113ff	none		
Disaster/Emergency Planning and Response					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	See Annex ‚Management Approach: Asset integrity‘ and chapter ‚Asset integrity‘, p. 55ff	none	Information unavailable	Currently there is no centralised grievance mechanism in place. We have set a target to implement a centralised grievance mechanism by 2021.
	103-2 The management approach and its components		103-2-b-vi: Grievance mechanism		
	103-3 Evaluation of the management approach		none		
G4 Electric Utilities Sector Disclosures 2013	EU21 Disaster/Emergency Planning and Response	See chapter ‚Asset integrity‘, p. 55ff	none		

Report of the independent auditing firm

{GRI 102-56}



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

Alperia SpA

Year ended 31 december 2017



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

To the directors of Alperia 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, we have performed a limited assurance engagement on the consolidated non-financial statement of Alperia SpA and its subsidiaries (hereafter the "Alperia Group") for the year ended 31 December 2017 prepared in accordance with article 4 of the Decree and approved by the Management Board on 29 March 2018 (hereafter the "NFS").

Responsibility of the Directors and of the Supervisory Board on the NFS

Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by the GRI - Global Reporting Initiative ("GRI Standards"), identified by them as the reporting standard.

Directors are responsible, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

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.

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 and/or faced by the group.

The Supervisory Board 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 Italy 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 and with the GRI Standards. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (hereafter “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 particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Alperia Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and the 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 Alperia Group's consolidated financial statements;
4. understanding of the following matters:
 - business and organisational model of the Alperia Group, with reference to the management of the matters specified by article 3 of the Decree;
 - policies adopted by the Alperia Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
 - main risks, generated and/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 particular, we held meetings and interviews with the management of Alperia SpA and with the personnel of Alperia Green Power Srl and Edyna Srl, 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 Alperia Group:

- at a group 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 their 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, Alperia SpA at their headquarter office in Bolzano, Alperia Green Power Srl and Edyna Srl at their respective registered offices, which were selected on the basis of their activities and of their contribution to the performance indicators at a consolidated level, we carried out site visits 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.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Alperia Group as of 31 December 2017 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Other aspects

The comparative information presented in the NFS relating to the financial year ended 31 December 2016 has not been subjected to any procedures.

Trento, 20 April 2018

PricewaterhouseCoopers SpA

Signed by

Alberto Michelotti
(Partner)

Signed by

Paolo Bersani
(Authorized signatory)

This report has been translated from the Italian original solely for the convenience of international readers.

Reporting boundaries

GLR 102-45, 102-48 – 102-52, 102-54}

This Sustainability Report is a consolidated non-financial report as defined in Italian Legislative Decree No. 254/2016, which examines the activities and indicative figures of the Alperia Group according to the reporting limits and reporting period of the 2017 consolidated financial statements. Deviations are indicated next to the data in question with footnotes. The company was

recently established. Due to the consolidation of the existing data collection systems, in some cases comparable data for the year 2016 is not available. For numeric data the comma is used as decimal separator. List of companies consolidated according to the 2017 consolidated financial statements:

Business Unit	Company	Investment	Plants
Energy production	Alperia Greenpower Srl	100%	31 hydroelectric power plants; 6 photovoltaic systems
	Ottana Solar Power SpA	100%	1 photovoltaic park
	Selsolar Rimini Srl	80%	1 photovoltaic park
	Alperia Vipower SpA	77%	2 hydroelectric power stations
	Selsolar Monte San Giusto Srl	60%	1 photovoltaic park
Sales & Trading	Alperia Energy Srl	100%	
Networks	Edyna Srl	100%	
	Edyna Transmission Srl	100%	
	AEW Reti SpA ¹	100%	
Heat & Services	Alperia Ecoplus Srl	100%	5 district heating plants
	Biopower Sardegna Srl	100%	1 biomass power plant
Smart Region	Alperia Fiber Srl	100%	
	Alperia Smart Mobility Srl	100%	

As this is the first Alperia Sustainability Report, there has been no restatement of information contained in previous reports and nor are there changes in the scope and limits of the issues covered compared to previous reporting periods. The Alperia Sustainability Report is published annually. The report has been prepared in accordance with GRI standards: 'Core option'

In order to make the Sustainability Report more readable, we have avoided the dual gender indication of terms by only using the male form.

¹ Non-operating company in liquidation

Contact

{GRI 102-53}

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We would like to thank all our Alperia colleagues who have contributed to the creation of this Report.

Editorial deadline: 20th April 2018

