

A full-page background image showing a person standing on a rocky mountain ridge, looking out over a vast sea of white clouds. In the distance, jagged, dark mountain peaks rise above the cloud layer under a pale sky. The overall tone is serene and majestic.

alperia

Our commitment to the future
Sustainability Report 2018

*energizing
south tyrol*



Alperia at a glance

(GRI 102-7)

1.3^{bn €}

Revenues
(2017: 1.1)

4.5^{TWh}

Net energy produced
(2017: 3.9)

-388^{bn €}

Net financial position
(2017: -422)

991^{people}

Internal staff
(2017: 940)

4^{TWh}

Electricity sold to end customers
(2017: 3.2)

367^{Mm³}

Natural gas sold to end customers
(2017: 328)

199^{GWh}

Heat distributed
(2017: 195)

1.9^{TWh}

Electricity trading
(2017: 2.3)

Data from 31.12.2018

Letter to our Stakeholders

(GRI 102-14)

Dear reader,

Alperia is following a path that will lead it to become a modern and innovative energy service provider. Along this path, sustainability is a fundamental pillar in terms of values, economy and business.

Our goal is to create a solid, modern, innovative company that can create long-term added value for its customers, for the community and for the province it operates in, South Tyrol. This commitment is determined by current megatrends, from climate change to digital innovation. These are risks and at the same time opportunities that will have – and for the most part are already having – a significant impact on our lives and which push Alperia to make concrete contributions through its work to the UN's Sustainable Development Goals. These are ambitious but decisive goals for a company like ours, whose future is closely linked to the well-being of society and the environment.

Sustainability is under way

We published our first Sustainability Report in 2017. This year, in presenting our second report, we can proudly say that we have reached 77% of the targets we set for 2018, taking important steps forward to integrate sustainability in a structured way within our corporate strategy, combining principles of economic efficiency with ones of social and ecological responsibility. From the very outset, we have involved our Stakeholders in order to determine together with them which issues are most important in terms of sustainability. We have defined our strategy in this way

'Our goal is to create a solid, modern, innovative company that can create long-term added value for its customers, for the community and for the area it operates in, South Tyrol.'

Mauro Marchi,
President of Alperia SpA's Supervisory Board



and set ourselves clear and measurable objectives. In 2018, we strengthened this commitment by creating ad hoc tools such as the Corporate Social Responsibility Steering Committee and the governance structure for CSR. In this way, we are confident that we can proceed even more effectively with the implementation of our sustainability programme.

In this report, Alperia indicates the progress it has made in the last year and the expectations it has set itself for the years to come. As we set out to do, we began to increase our share of turnover from sales of sustainable products and services by launching Alperia Green Gas, a climate-neutral gas certified by the renowned independent body TÜV NORD, on the market. We have enhanced the Smart Region in South Tyrol by working on three areas: telecommunications, e-mobility and energy efficiency. We have begun to put in place measures that will enable us to reduce greenhouse gases. We have established a system for monitoring consumption in facility management and introduced a new whistle-blowing platform to prevent any irregularities. All this while maintaining a high level of customer satisfaction and improving the well-being of our employees day after day.

Our responsibility to South Tyrol

In 2018, Alperia generated added value of €222 million of South Tyrol, and aims to create added value of €1.2 billion by 2021. The province in which we operate is in fact central to our business and we demonstrate this at all times.

Where possible and in full compliance with the rules of fair competition, we focus on the professionalism and excellence present in South Tyrol. Also in 2018, in fact, 60% of the number of purchase orders issued were for local suppliers.

We are proceeding with burying overhead power lines to ensure that our activities have as little impact as possible on the environment and the landscape. Currently 70% of our electricity grid has been laid underground. In addition, we constantly and thoroughly monitor the infrastructure and maintain its safety. Even in the case of extreme situations, like the violent wave of bad weather that hit South Tyrol at the end of October 2018 and isolated 50,000 users, Alperia was able to restore the service in a short time, without registering any permanent damage to plants or accidents



'We have achieved 77% of our targets for 2018, making important steps forward in integrating sustainability within the structure of our Company strategy and combining principles of economic efficiency with social and environmental responsibility.'

Wolfram Sparber,
President of Alperia SpA's Management Board

among staff, who are always kept up-to-date and are fully trained to handle even the most difficult situations.

In February 2018 we founded Alperia Bartucci, acquiring 60% of the shares of Bartucci S.p.A. We then started audits and energy efficiency operations, offering EPC (Energy Performance Contract) contracts to customers and allowing companies to implement a more efficient system using the best technologies on the market. The initial investment is supported by Alperia Bartucci, which is only paid through the savings actually generated. In 2018, 21 projects were carried out in EPC mode, with total annual savings of 4,661 toe (tonnes of oil equivalent).

These are just some of the measures implemented by Alperia during the year in order to actively contribute to the 2050 climate plan for the Autonomous Province of Bolzano – South Tyrol, reducing the emissions generated by our business and our customers and offering energy, services and sustainable heat, as demonstrated by our investments in extending district heating. All of this is based on hydroelectric resources, which are the backbone of our identity. In 2018 Alperia produced about 4 TWh of hydroelectric power, an increase of 18% since 2017.

Innovating together

For Alperia, supplying energy to South Tyrol means thinking about the future and seeing it as increasingly green, smart and efficient. For this reason, we believe it is essential to invest in research and development. Only companies that believe in innovation will be able to keep up with the times and plan for the future. Our Innovation Board is a working group made up of collaborators from various Business Units and Services. It promotes a multidisciplinary approach to innovation, with a dedicated budget of over €346,000 in 2018, out of a total of €1,056,716 invested in research and development. The group has worked on nine innovative ideas to achieve maximum added value for the company, the province and customers. Moreover, in 2018, we launched Alperia Startup Factory to promote new companies in the energy field. We have also carried out innovative projects such as Smart Land and Smart Edyna, continued to extend the fibre-optic network and set ourselves the goal of actively promoting electricity production and distribution. This means focusing on the creation and spread of energy communities and committing to virtual units of aggrega-

'We launched Alperia Green Gas, a climate-neutral gas certified by the renowned independent body TÜV NORD, on the market. We are also investing in innovation, research and development to make South Tyrol a cutting-edge Smart Region.'

Johann Wohlfarter,
CEO of Alperia SpA



tion, in order to make South Tyrol a role model in Italy. An example of this is the Regalgrid project developed at NOI Techpark in Bolzano.

In addition, we involved individuals and companies in a survey of smart cities that asked for their help in identifying priorities for action. Among the most requested areas are electric mobility, energy efficiency and digitalisation of activities.

Dialogue with our customers

Alperia supplies electricity, natural gas and district heating to 297,716 customers, including households, large and small businesses and public institutions, with an increase of 15% since 2017. These figures represent people, with whom Alperia wants to share and communicate with punctuality, transparency and closeness. For this reason, we have opened a new Energy Point in the area. We have continued to maintain high performance in customer service, responding to 97% of calls received each month and resolving complaints within 10 days, compared to the 40 days required by regulations. The result of our commitment is confirmed by our customers, 87% of whom were very satisfied with the service they received. Finally, to make us better known even to those who are not our customers, we have renewed the Open Day initiatives in which adults and children visit our power plants. We have done so with an additional focus on sustainability, certifying these as 'going green events', an award given by the Waste Management Office of the Autonomous Province of Bolzano – South Tyrol, which is obtained only if the planning, organisation and implementation of events are carried out according to sustainable criteria.

A close-knit team

The Alperia Group currently has 991 employees. These are people who operate in all areas of the energy sector and for whom we want to be an attractive employer, increasing the satisfaction rate of our employees. For this reason, we have harmonised certain trade union agreements and involved employees in our Communication Days. We know that one major challenge is the gender gap. Currently, 21% of our employees are women, but we will work to change things by stepping up measures aimed at younger women

to inspire them in regards to technology, IT and engineering. Also, 39% of the Group's workforce is over 51 years old, which means that a large number of experienced and qualified employees will soon be retiring. For this reason, we are developing a High Potential Programme for attracting and retaining talent, leveraging the value of our staff and further developing their skills and expertise.

As you will read in the pages of this document, therefore, many things have been done and many more still need to be done. Alperia is ready to continue its journey in the name of sustainability, providing South Tyrol with a future that is rich in clean, intelligent and renewable energy.



Mauro Marchi,
President of Alperia SpA's
Supervisory Board



Wolfram Sparber,
President of Alperia SpA's
Management Board



Johann Wohlfarter,
CEO of
Alperia SpA

Alperia's sustainability in numbers



c. 222^{bn €}

of **added value** for the province



60%

of supply contracts were with
local suppliers



70%

of our electricity grids are
underground



94%

of our staff have **permanent contracts**



33%

of members of our governance
bodies are **women**



88%

of fathers in 2018 took **paternity leave**



4,203^{GWh}

Net energy produced
from **renewable sources**



97%

of **calls answered**
on the toll-free number

2018 highlights

Governance

We have achieved 77% of our targets for 2018, as set out in the 2017-2021 Sustainability Plan, and created ad hoc tools such as the Corporate Social Responsibility Steering Committee and the CSR governance structure. In addition, we incorporated a sustainability objective into the assessment of the Group's bonus scheme and started to develop a KPI Dashboard for Top Management.

Strategy

We have implemented and updated some of the measures in the 2017-2021 Sustainability Plan and are working to integrate sustainability in a structured way within the 2019-2024 corporate strategy, combining principles of economic efficiency with social and ecological responsibility.

Risk Management

We want to identify and actively manage our sustainability risks. For this reason, we have begun to integrate aspects relating to Corporate Social Responsibility into the risk management process, with particular reference to ESG (Environmental, Social, Governance) issues.

Energy security

At the end of October 2018, a violent wave of bad weather hit the whole of northern Italy, demonstrating how devastating the effects of current climate change can be. Such phenomena are also having an impact on Alperia's operations. In total, 50,000 users in 33 South Tyrolean municipalities were left isolated by the weather. Alperia promptly managed the emergency, reconnecting within a few days with all users hit by the bad weather.

Economic Added value

In 2018 we created added value of €222 million for South Tyrol, made up of payments to public bodies, staff remuneration and benefits, assignments to local companies, sponsorships, donations and dividends to local partners. Thanks to this course of action, we will have created added value of €1.2 billion for South Tyrol by 2021.

Sustainable products and services

We have launched Alperia Green Gas, committing ourselves to offset the amount of CO₂ generated by investing in environmental protection projects. Alperia Green Gas's climate neutrality is officially certified on an annual basis by TÜV NORD, a renowned independent certification body.

Customer satisfaction

We tested our customers' satisfaction with the service we offer through a survey and 87% said they were satisfied. In order to ensure that we are more accessible, transparent and reliable, we have opened a new Energy Point in the area. We have maintained high performance in customer service, responding to 97% of calls received each month and resolving complaints in an average of up to 10 days, compared to the 40 days required by regulations.

Research and development

We have launched the Alperia Startup Factory to promote new companies in the energy field, developed innovative projects such as Smart Land and Smart Edyna and worked on EU research projects dedicated to smart grids. We have also extended the fibre-optic network and our Innovation Board has started nine innovation projects.

E-mobility

We have further expanded our recharging infrastructure in South Tyrol, signed interoperability agreements with major Italian and international partners and opened the hypercharger, the first recharging station for electric machines with a capacity of up to 300 kW in Italy. We are also continuing to electrify our company fleet and have signed agreements with Car Server, Jaguar and Unicredit.

Emissions

We want to support the 2050 climate plan for the Autonomous Province of Bolzano – South Tyrol by reducing our greenhouse gas emissions by 2021. Thanks to eco-sustainable technologies, since 2017 we have avoided emitting 8,600 tonnes of CO₂ into the atmosphere. In addition, we have created an in-house project team to promote the ecological mobility of employees, and planned the construction of a plant for district heating biomass in Merano.

Alperia key indicators

	2018	2017	2016	YtY variation
Province				
Added value for South Tyrol (EUR)	222,373,892	180,949,643	-	23%
Percentage of net energy produced by renewable sources	94%	93%	94%	1%
Percentage of power lines that are underground	70%	67%	-	4%
Number of power supply interruptions per customer	1.73	1.69	1.59	2%
Duration of power supply interruptions per customer (in mins)	27.36	20.74	23.66	32%
Availability index (for hydroelectric plants)	87.67%	89.76%	-	-2%
Environmental incidents	0	3	0	-100%
Percentage of orders to local companies (based on total number of orders)	60%	59%	-	2%
Green mission				
Percentage of energy consumption from renewable sources within the company	71%	72%	70%	-1%
Greenhouse gas intensity (CO ₂ tonnes released per MWh)	0.02	0.03	0.03	-25%
Customers				
Percentage of calls to the toll-free number answered	97%	97%	85%	0%
Number of complaints per 100 clients	0.18	0.23	-	-22%
Customer satisfaction	87%	-	-	

	2018	2017	2016	YtY variation
Employees				
Number of employees (persons)	991	940	946	5%
New employee hires (%)	6%	4%	4%	50%
Turnover of personnel (%)	6%	4%	5%	50%
Average training hours per employee	18,7 h	-	-	
Percentage of women in Alperia	21%	21%	20%	0%
Percentage of women in middle management	15%	-	-	
Average pay gap between men and women in the category white-collar workers	13%	17%		-24%
Percentage of fathers who took parental leave	88%	40%	100%	120%
Average length of paternity leave	2 weeks	-	-	
Return-to-work rate (women)	86%	100%	100%	-14%
Retention rate (one year later; women)	75%	100%	100%	-25%
Employee absentee rate (per 1,000 h)	5.5	5.87	5.05	-6%
Accident rate (per 1,000,000 h)	8.94	9.31	16.01	-4%
Lost day rate (per 1,000 h)	0.2	0.14	0.15	43%

Development and innovation				
Investment in research and innovation (EUR)	1,056,717	1,554,248	707,952	-32%
Percentage of employees involved in research and innovation projects	5%	-	-	
Share of revenues with sustainable products and services	49%	46%	29%	7%

Who we are

(GRI 102-1; 102-3; 102-4; 102-5; 102-6; 102-7)

Alperia is South Tyrol's leading energy service provider and one of the most important green energy companies in Italy. Our commitment is all-encompassing – we produce energy from renewable sources, mainly hydroelectric, holding the majority of shares in 34 hydroelectric plants, which are accompanied by seven photovoltaic plants and three parks, five district heating plants and one biomass plant in Ottana, Sardinia. We also manage an 8,628 km electricity distribution grid. Besides this, we sell energy, build renewable power plants, develop innovative solutions for energy efficiency, invest in the development of electric mobility and bring the benefits of ultra-broadband to South Tyrol. We respect the province where we operate, creating added value in the form of jobs, state-of-the-art infrastructure, green and renewable energy and community support. We dream of a sustainable, energy-efficient and innovative future for South Tyrol.

The parent company Alperia SpA is a joint-stock company created on 1 January 2016 from the merger of the two largest energy companies in the province

of Bolzano. The Autonomous Province of Bolzano – South Tyrol, which until 2017 held the majority stake, in October 2018 sold 8.07% of its shares to Selfin, a



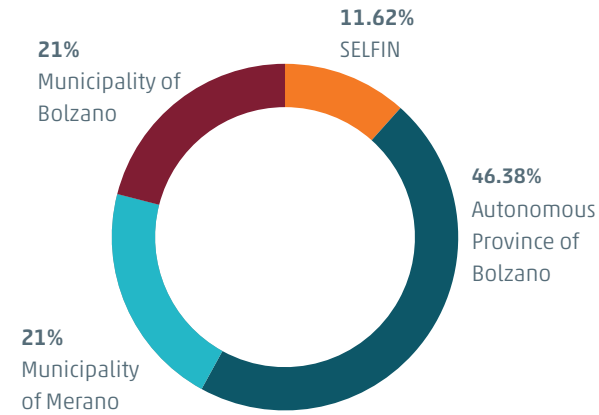
company owned by 100 municipalities in South Tyrol, thus decreasing its share from 54.45% to 46.38%. Today, Selfin owns 11.62% of the company, while the municipalities of Bolzano and Merano each hold

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21% of the shares. The head office is in Bolzano and there are other operational offices in South Tyrol and elsewhere in Italy.



Corporate structure

(GRI 102-1; 102-2; 102-6)

Alperia SpA is divided into five Business Units: Generation, Sales & Trading, Networks, Heat & Services and Smart Region, introduced in 2017, within which Alperia's 14 affiliates and 12 subsidiaries are incorporated (data referring to 31 December 2018).

In 2018, a new company was established within the Sales & Trading Business Unit: Alperia Trading Srl, which handles electricity and gas trading. In February 2018 we acquired 60% of Bartucci, one of the leading Italian operators for efficiency and

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integrated energy services. This deal accelerated the Group's transformation from a traditional utility to an all-round energy service provider, strengthening its capacity and reach.

Heat & Services

Alperia Smart Services Srl*
Sales of products and services

Alperia Trading 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

Production

PVB Power Bulgaria SpA
Electricity production

VEZ Svoghe SpA
Electricity production

VEZ Maritza Srl
Electricity production

Ottana Solar Power SpA*
Electricity production

Enerpass Scarl
Electricity production

SELSOLAR Rimini Srl*
Electricity production

Alperia Greenpower Srl*
Electricity production

Alperia Vipower SpA*
Electricity production

Azienda Elettrica Campo Tures Scarl
Electricity production

SELSOLAR Monte San Giusto Srl*
Electricity production

SF Energy Srl
Electricity production

Centrale Elettrica Moso Scarl
Electricity production

Smart Region

Alperia Fiber Srl*
Telecommunications

Alperia Smart Mobility Srl*
E-mobility

Alperia Bartucci SpA*
Energy efficiency

Net-works

Edyna Srl*
Electricity and gas distribution

Edyna Transmission Srl*
Electricity transmission

*Consolidated companies considered in this report.
Data per 31.12.2018.

Value chain

(GRI 102-9)

Alperia supplies energy to South Tyrol. Our work encompasses energy production, distribution and services. This has an impact not only on the company, but also on our suppliers and end customers and therefore along the entire value chain. A chain that follows the principles of sustainability.

Our energy sources are predominantly natural and local. The main one is water, which we draw from our local province of South Tyrol, providing sustainable energy products and services in return. We also procure biomass, which originates mainly from the areas closest to us, and certified palm oil which does not come from local suppliers. Through its subsidiary Biopower Srl, Alperia operates a biomass power plant in Ottana, Sardinia, which produces an average of 270 GWh per

year, equivalent of consumption for a town of 50,000 people. The raw material used is palm oil (or CPO, crude palm oil). It is only sourced from ISCC EU-certified suppliers. This certification guarantees the sustainability of the entire supply chain, from cultivation to the mill, storage to transport. The quality of the palm oil is chemically analysed as it must reflect the chemical characteristics demanded by Alperia. Controls are carried out by third-companies both when the product is loaded onto the ship and before it is unloaded.

Alperia also buys natural gas for its customers on request. It purchases the gas in Italy and does not import it directly from abroad. In Italy, 92.1% of gas comes from countries like Russia, Algeria, Qatar, Libya, the Netherlands and Norway, while 7.9% is extracted do-

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mestically. The gas Alperia buys is from a combination of all these sources.

In our first materiality survey, carried out in 2017, we defined a sustainability strategy committed to strengthen our relationship with the South Tyrolean community. We demand the same commitment of our suppliers when purchasing raw materials, and show the same commitment to our customers in the products and services that we provide to them.

In short, Alperia consumes:

- **water:** directly from South Tyrol
- **wood chips:** mainly from South Tyrol or neighbouring areas

Suppliers

Water
Wood chips
Palm oil
Gas
Machinery and technical equipment

Input

Heat

Production

Transmission

Distribution

Trading

Sales

- **natural gas:** purchased in Italy, the result of a mix of gas extracted in Italy and other countries
- **palm oil:** product purchased only from certified suppliers, including non-local ones
- **machinery and technical equipment:** products purchased locally, in Italy or abroad, depending on necessity
- **heat:** from the waste-to-energy plant in Bolzano

These materials are used to produce, transmit, distribute, trade and sell electricity and gas. Alperia provides its customers with electricity and gas, efficiency services, infrastructure and offerings for green mobility and fibre installation to make the internet connection smarter, faster and safer.

Output

Customers

Electricity
Fiber
Gas
Energy efficiency
Smart mobility

Corporate Governance

(GRI 405-1 – 102-18; GRI 102 – 16)

Alperia has adopted the two-tier system pursuant to Article 2409-octies of the Italian Civil Code, which provides for a Management Board composed of six members and a Supervisory Board also composed of six members, of whom three are appointed by the Autonomous Province of Bolzano – South Tyrol and Selfin Srl and three by the Municipalities of Bolzano and Merano. The composition of the two management bodies must ensure compliance with current legislation on gender balance (33% women). The Management Board has sole responsibility for the administration and management of the Company and thus also the preparation and implementation, once approved by the Supervisory Board, of the general strategic and programmatic policies of the Company and the Group. The Supervisory Board is required to monitor compliance with the law and the Articles of Association and with the principles of sound management and management of the company. In addition, the Supervisory Board approves certain operations approved by the Management Board, which are considered strategic in the Company By-laws.

The operational management of the Company rests with Management, which is made up of the General Manager, Johann Wohlfarter, the Deputy General Manager, Paolo Acuti, and the Corporate Strategy Director, Paolo Vanoni. The General Manager is the head of the department and is also a member of the Management Board. Like the Deputy General Manager, he holds the dual role of director and member of the Management Board, contributing to shaping the opinions of the Board. The Deputy Director General, Paolo Acuti, has also been appointed as a member of the Executive Committee and the Energy Management Board of Utilitalia, the Italian federation of energy, water and environmental companies.

The Internal Audit function, which carries out independent and objective assurance. It evaluates the effectiveness of the internal control system and helps the organisation pursue its goals by assessing whether the risk management and corporate governance processes are adequate and function effectively. It therefore assesses all corporate functions and

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departments, as well as all the systems, processes, directives, procedures and practices adopted by them, by the Parent Company and by the companies belonging to the corporate group.

33%

of members of our
governance 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



Supervisory Board (from left):
Sabine Fischer, Member
Maurizio Peluso, Member
Mauro Marchi, Chairman
Luitgard Spögler, Vice-Chairman
Manfred Mayr, Member
Helmuth Moroder, Member

Governance tools

(GRI 102-18)

For Alperia, the basis for all sustainable growth is responsible and value-oriented management based on the 21 ethical guidelines contained in the Code of Ethics and the values defined in the Golden Rules, that promote ethics, honesty, transparency, legality, fairness, impartiality, reliability, proximity, collaboration and dynamism. For this reason, the internal and external governance of the Group complies with the rules and principles of correctness identified with specific instruments. Golden Rules, the Code of Ethics and the Disciplinary Code have been developed by the Human Resources Department, in collaboration with the supervising technical departments and by the Internal Audit and Health, Safety & Environment Department.

The Organisational, Management and Control Model pursuant to Legislative Decree 231

The Organisational, Management and Control Model, required by Legislative Decree 231/01 (231 Model) is the set of organisational rules and procedures intended to prevent the committing of the offences governed by Legislative Decree 231/01. On 29 November 2018, Alperia SpA, the parent company, approved the updated complete version of its 231 OMC. During 2018, the 231 models for most of the companies controlled by Alperia were also updated. The models have been translated into Italian and German and published both on the

Group's website (www.alperigroup.eu) and on the intranet. It is essential to raise the awareness of Alperia employees about the value of the 231 Model. For this reason, dedicated e-learning training courses have been set up. Each Group company that has implemented a 231 model has also set up its 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. The Supervisory Board deals with all the internal functions of the company. 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. In 2018 at Alperia SpA, no infringements of the 231 Model were detected, nor any significant events with respect to Legislative Decree 231/01.

Whistle-blowing

A whistle-blowing procedure was implemented in 2018. This instrument, of American origin, is based on the idea that employees may be the first people aware of risks (fraud, crimes, offences or irregular conduct committed by persons within the company) and that they can report them in a timely manner. This procedure has become mandatory for all companies with a 231 organisational model. Alperia has therefore approved the updating of its 231 Model, establishing the procedure for whistle-blowing. Through the e-Whistle cloud platform. Employees and members of top management who in carrying out their functions

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become aware of illegal conduct or breaches of the Organisational, Management and Control Model pursuant to Legislative Decree 231/2001 or the Code of Ethics, can use this channel to make confidential reports. Each report is linked to an identification number and the identity of the reporter is revealed only in the event of an explicit request from the Prosecutor's Office, should investigations be carried out. Reports may not be made anonymously because, in accordance with legislation, if they are unfounded, the reporter can be sanctioned. Reports will be handled by the appropriate Supervisory Body, following precise criteria. In 2018, the Supervisory Bodies did not receive any reports through this new channel.

Anti-corruption measures

The Alperia Group develops initiatives aimed at preventing criminal fraud against the state and public administration, judicial corruption, and extortion and corruption of not only public administration but also private parties. Compliance with the law and fighting corrupt behaviour are established in the Group's Code of Ethics and are adopted in the operating practices and methods defined and spread through company procedures. The main tool for preventing corruption is the Organisation, Management and Control Model, required by Legislative Decree 231/01 (231 Model) of Alperia SpA and the 231 models for the individual Group companies.



Paolo Acuti, Deputy Director-General
and Johann Wohlfarter, Chief Executive Officer.



The Code of Ethics

Alperia has adopted a Group Code of Ethics, which defines the values, principles and rules that guide the conduct and activities of the Group and draws them to the attention of all those who work with companies belonging to Alperia. The Code of Ethics is an integral part of the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001. The provisions of the Group's Code of Ethics are addressed, without exception, to the directors and employees of the Group companies as well as to all those who collaborate in various capacities with them and are required to conduct themselves in line with the general principles of this Code of Ethics, without prejudice to respect for religious, cultural and social practices. The provisions contained in the Code of Ethics integrate the conduct that internal personnel are required to comply with, in accordance with the rules of due diligence to which employees are required to adhere, governed by the regulations on employment relationships. The Code of Ethics is binding for the conduct of all personnel of the Alperia Group or of all those who, for whatever reason, and regardless of the type of contractual relationship, contribute to the achievement of the company's aims and objectives. Under no circumstances may pursuit of the Alperia Group's interests justify behaviour that is contrary to this Code of Ethics or existing laws. The body responsible for monitoring the application of the Group's Code of Ethics is the Supervisory Body of Alperia Spa, established in accordance with the Organisation, Management and Control Model for the prevention of crimes pursuant to Legislative Decree 231/2001 and related regulations, which coordinates

the proper implementation and assessment of the Principles contained in the Code of Ethics with the Supervisory Bodies of each Alperia Group company and the relevant company functions. The Code of Ethics is available on the company's intranet and on the Alperia corporate website (www.alperiaigroup.eu).

Golden Rules and Disciplinary Code

Those who work at Alperia share the same values and vision, and for this reason, at a series of workshops involving all the Group's management, 10 Golden Rules have been drawn up, which each employee is required to observe. These 10 rules, posted at each company office, allow for the creation of a positive and equal working environment, in which every employee can make a contribution according to their abilities and with a sense of responsibility. All staff are also required to comply with the Disciplinary Code that sets out the duties of employees when carrying out their work, as well as internal company rules and regulations. Employees may not use their position to carry out (either during or outside working hours) activities in competition with or contrary to those of the company – especially for profit – nor may they receive gifts or compensation of any kind. Both documents are available in German and Italian on the Group's intranet page.



Left page: night view of the thermal storage tank of the district heating plant of Bolzano with the artistic installation of LED lights.

Sustainability Governance

Alperia has adopted a 2017-2021 Sustainability Plan in which it has indicated environmental, social and economic sustainability objectives that it intends to achieve. In 2018, we presented our first Sustainability Report, for 2017, approved by the Management Board and the Supervisory Board. It was an important milestone for us. A manual for non-financial reporting was also published. In order to better monitor the progress of projects and be more effective in our actions, we have created a Steering Committee on Corporate Social Responsibility (CSR Steering Committee) involving the heads of all departments and contact persons at the Business Units.

As part of the Communication & Marketing department, CSR Management coordinates all activities relating to Corporate Social Responsibility at the infra-company level of the Group, prepares the sustainability plan and the sustainability report, provides assistance to the technical services for the implementation of projects, reports to the governance bodies and makes recommendations on actions to be taken, coordinates the annual review of non-financial reporting and informs the CSR Steering Committee of ongoing activities. The latter plays an interface role between the Group's employees and CSR Management, provides information on current activities, creates awareness in the company on issues related to sustainability, detects and assesses

CSR Performance by presenting proposals for improvement, monitors the objectives and measures to be achieved in agreement with the employees of the technical services concerned. Four annual quarterly meetings are planned, during which participants discuss the measures implemented and monitor the progress of the 2017-2021 Sustainability Plan. The CSR Steering Committee includes CSR Management and service managers or employees in the areas of Human Resources, HSE, Procurement, Enterprise Risk, Corporate Strategy, Engineering, Controlling, Accounting, IT, Communication, Marketing, Production, Sales & Trading, Networks, Heat & Services and Smart Regions. The CSR Steering Committee met twice in 2018.

The governance structure for sustainability management at Group level, setting out bodies, roles and responsibilities, has been approved by Management. In 2018, a sustainability objective was also incorporated into the assessment of the Group's bonus scheme and a KPI Dashboard for Top Management was developed. With a view to further strengthening our commitment to sustainability, in 2019 we will be defining a Sustainability Policy for the Group with the HSE and implement the CSR Management Procedure to formalise the governance structure for the management of integrated sustainability.

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Guidelines on quality, safety, health and environmental protection

We are committed to improving the safety, environmental sustainability, quality and efficiency of our operations. For this reason, we have posted the Alperia HSE Policy at the individual Group offices, which includes:

- responding to customers' needs with care, willingness and courtesy
- preventing environmental pollution and ensuring the health and safety of employees and suppliers by adopting appropriate technical and organisational measures
- avoiding any negative impact on the environment, right from the planning stage, by laying down strict technical safety guidelines
- considering legislative constraints as minimum requirements upon which to operate, working in close collaboration and in harmony with the local community
- promoting the use of innovative technologies, reducing emissions of harmful substances in energy production and increasing plant safety
- encouraging the updating and continuous training of employees, making them aware of environmental, safety and quality issues
- external assignments only to qualified companies



Certifications obtained by the Group

- **OHSAS 18001** for occupational safety management
- **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)

South Tyrol Energy Table

Alperia regularly participates in the Technical Table on Energy convened by the Provincial Councillor for Energy. The Table brings together representatives of the business world, politicians and interest groups in the energy sector. The aim is to work together to define the general guidelines for the production and distribution of energy at the provincial level.

KlimaFactory

Alperia's business customers have the opportunity to apply for an Energy Audit, enabling them to participate in the KlimaFactory Programme (an initiative of the ClimateHouse Agency to improve energy efficiency at companies). After the audit, the company is awarded the logo and certificate of participation in the programme.

MOTUS-E

Association that brings together and represents the world interested in the success of electric mobility, with the aim of setting standards, carrying out network activities and defining best practices to promote the topic in Italy, and supporting government policy. The General Manager of Alperia, Johann Wohlfarter, is a member of its Board of Directors.

IEA DHC

Alperia is a member of the IEA Implementing Agreement on District Heating & Cooling including the integration of CHP, an international grid specialising in research and development on district heating and cooling systems with low environmental impact. The programme is part of the International Energy Agency (IEA), an autonomous agency founded in 1974 with the collaboration of 28 countries.

and individuals, demanding maximum commitment to compliance with environmental protection and safety standards

- operating in accordance with our Code of Ethics
- ensuring that processing data and information, rules on information processes, and managing physical, logical and organisational tools for processing information are all carried out according to security, availability and integrity requirements and in full compliance with privacy laws
- adopting and improving the integrated quality, environment and safety management system, a 231 organisational model, and the legal instruments available to prevent corruption and promote transparency
- limiting the risk of errors and improper conduct in economic and financial management, application of laws, environmental protection, work safety, transparency and privacy



Alperia in associations

(GRI 102-13)



Utilitalia

The Deputy General Manager, Paolo Acuti, has been appointed a member of the Executive Committee and the Energy Management Board of Utilitalia, the Italian federation of energy, water and environmental companies. Alperia is also a member of the Communication Commission of the Association and of the working group on "Corporate Social Responsibility and Sustainability".

The Association has a total of more than 500 organisations working in the water, environment, electricity and gas sectors. Alperia and the other associated companies have signed the "Pact for the Development of the Country", a planning document for the next three years that involves the State, local institutions, local communities, businesses

and citizens and is based on 4 points: the management of the energy and environmental transition towards the Green Economy, the development of an efficient infrastructure system, economic, social and environmental sustainability and the enhancement of the territories and communities served.



AGAW (Arbeitsgemeinschaft Alpine Wasserkraft)

AGAW's activities aim at encouraging the use of hydroelectric resources according to the highest technical and ecological standards. In addition to tangible projects in the

hydroelectric field, the aim is to raise the community's awareness of the contribution of hydroelectric energy to achieving the European climate objectives.



Euroheat

Alperia is part of Euroheat & Power, an international association representing the district heating and cooling sectors in Europe. By bringing together

industry players, policy makers and academia, Euroheat promotes sustainable heating and cooling.



Italian National Committee for Large Dams (ITCOLD)

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

Human rights

Respect for human rights is fundamental for Alperia. We adopt a system of values based on transparency and respect for the dignity, equality and freedom of each individual. This is a commitment that we make

both internally and externally, including in supplier selection, to the extent that purchase contracts and the Group's General Contract Terms and Conditions include a binding clause of respect for human rights. We have

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therefore identified the following human rights as pillars of the sustainability actions described in this Report, connecting them to the key themes of the 2017-2021 Sustainability Plan:



Health and Safety at Work

the right to a safe and healthy working environment and the right to physical and mental well-being

We monitor and maintain sites and plants in accordance with regulations to ensure a safe and healthy working environment. Alperia takes various measures to ensure the physical and mental well-being of its employees, whose satisfaction is verified in periodic surveys. These measures include: providing free apples at all company locations, including health-related offerings in the Welfare Package, installing drinking water dispensing machines at company premises, creating fitness and relaxation rooms at the new Merano headquarters (currently in the planning phase), and providing supplementary health insurance for employees.



Employee development

right to leisure and recreation, right to privacy, right to free expression of opinion, right to peaceful assembly, right to social security

Alperia offers its employees flexible working hours, allowing them to find a work-life balance. They are given the opportunity to apply to work part-time and in some cases can take advantage of telecommuting. Since 2018, additional forms of hourly flexibility for parents have been introduced and from 2019, childcare contributions will be extended to a larger number of employees. To ensure the right to leisure and recreation, we support the activities organised by CRAL, the Company Social Club, which helps to create a relationship of trust between people, based on mutual respect. By guaranteeing the right to privacy and social security, Alperia protects the confidentiality of the data and information in its possession.



Diversity and equal opportunities

the right to freedom of information and opinion, the right to non-discrimination, the right to family life, the right to fair and satisfactory remuneration

Every Alperia employee has the right to freely inform him/herself and express his/her opinions, without being discriminated against for any reason (such as racial, political, religious). We operate work-life balance and flexibility initiatives that allow employees to pursue their professional commitments in a calm and responsible way. All of this is assured while also guaranteeing professional and salary growth based on merit and skills



Risks and opportunities

(GRI 102-11, 102-15)

Global Megatrends

Extreme weather events, geopolitical tensions, economic fragility, cyber attacks: the world faces extraordinary risks whose impacts on individuals, businesses and communities can be potentially devastating. Given the specific sector in which we operate, our business is strongly affected by the current megatrends. Suffice it to mention the risks associated with climate change, given that water is our main resource.

According to the 14th edition of the 2019 Global Risks Report prepared by the World Economic Forum, the greatest global risk is extreme weather events, followed by the possible failure of climate change mitigation and adaptation plans. Natural disasters are the third most important global risk. And the numbers speak for themselves: climate change-related disasters have increased fivefold in just 50 years. In Italy alone, 2018 was the hottest year since 1800, with 148 extreme events, including 66 heavy rain floods and 41 tornadoes. The global cost of climate change by 2060 is estimated at US\$44 trillion and the main cause is fossil fuel consumption. All this calls for a decisive shift

towards renewable energies and the circular economy. If Europe were to adopt such systems, it could have profits of around €1.8 trillion by 2030, i.e. €900 billion more than maintaining the "linear" development model, not forgetting that the economic cost of traffic congestion would be reduced by 16% and CO₂ emissions could be halved compared to current levels.

The Global Risks Report also indicates for the first time in the 2019 forecast that cyber attacks are in the top five of major risks, encompassing the risk of data theft and associated fraud. In 2018, in fact, cyber attacks have doubled compared to 2017 and have affected 81% of large companies. Cyber crime also affects small and medium enterprises. The vulnerability of critical technology infrastructure is a growing concern for everyone: from states to individual users. It is therefore essential to protect information and data systems by adopting new strategies and cutting-edge technologies. This is also a need felt by Alperia, as demonstrated by the investments we have made in cyber security.

However, technological progress also opens up a wide range of new possibilities for companies such

as Alperia. Thanks to Smart Technologies, such as Smart Metering and Smart Grid, we can make energy consumption more efficient and ensure greater transparency for our customers. By optimising the use of networks, we can ensure safer supply and also reduce emissions. In addition, technological innovation favours the transition from a centralised "top-down" system to a decentralised and interactive system in which customers are both producers and users of energy. Consumers themselves demand more transparent, competitive, efficient and sustainable services in terms of energy and the environment. To actively involve these customers is to empower them. This shift also means that Alperia employees must stay up to date at all times through training, with an ever increasing focus on the development of their skills.

The energy challenge in South Tyrol

The IPCC, the Intergovernmental Panel on Climate Change, has renewed its Global Warming alert. Approved by 195 governments, the report shows how raising global temperature to 2°C above pre-industrial

levels could lead to devastating consequences, including rising sea levels, desertification of many areas, loss of habitats and natural species, and shrinking ice caps. This problem is also affecting South Tyrol.

According to the climate report produced by the Eurac Research Institute, the average annual temperature in the province has increased from the 1960s to the present day by 1.5°C. In the worst-case scenario, it could increase by a further 1.5°C by summer 2050. Such an increase would also have an impact on rainfall by 2100 and at 1,500 metres above sea level there could be 80-90% less snow than today, with even less water available in the summer months. Meanwhile, extreme phenomena such as torrential rains will become increasingly frequent.

What exposes South Tyrol most to these risks? Alperia has its headquarters in a province that is greener than many others: here we produce 5.3 tonnes of CO₂ equivalent per year per capita (against an Italian average of almost 7 tonnes), there are few industries that use fossil fuels, renewable sources are very widespread (led by biomass and hydroelectric, as demonstrated by Alperia itself) and emissions related to electricity consumption can be considered equal to zero. Despite this, traffic - especially on the Brenner axis - is responsible for 44% of the total greenhouse gas emissions, with figures higher than the national average. This is followed by the production of thermal energy: heating a pool of non-energy efficient buildings has an impact of 36%. The agricultural sector ranks third, with 18% of emissions, mainly methane and nitrous oxide, which is higher than the national average.



To this we need to add grey emissions, i.e. all emissions related to goods that are consumed in South Tyrol but have been produced elsewhere.

In view of this situation, the province has adopted the "South Tyrol 2050 Climate - Energy Plan", a strategic instrument that was signed back in 2011 and which is joined by numerous other plans, such as the CasaClima certification or the Green Mobility

programme. Alperia pursues these objectives in the belief that sustainability-led business management could present a major opportunity to respond to the challenges of the coming years.

Alperia and the SDGs

On 25 September 2015, the United Nations approved the Global Agenda for Sustainable Development and its 17 Goals to be achieved by 2030. The European Union took part in the negotiation process that led to the adoption of 2030 Agenda and the Sustainable

Development Goals (SDGs), launching a ten-year strategic framework for growth and employment in 2010 (Europe 2020). Today, this document has been expanded with new measures that aim, among other things, to achieve a cut of at least 32% in energy consumption and an increase in renewable energy in transport by 2030. According to the 2018 Report

drawn up by Asvis - Italian Alliance for Sustainable Development, however, in Italy the necessary cultural and economic shift to reach all 17 SDGs has not yet been decided. Aware of the essential role that energy can play in addressing these global challenges, Alperia is committed to making its contribution to the implementation of some of the 17 SDGs:



SDG 5 – Gender Equality: Achieving gender equality and empowerment (strength, self-esteem and self-awareness) of all women and girls;



SDG 7 – Affordable and Clean Energy: ensuring access for all to cheap, reliable, sustainable and modern energy systems, increasing the share of renewable energies, improving technologies and infrastructure that can facilitate access to clean energy;



SDG 8 – Decent Work and Economic Growth: promoting sustainable, inclusive and sustainable economic growth, full and productive employment and decent work for all;



SDG 9 – Industry, Innovation and Infrastructure: strengthening research and development to build a resilient infrastructure, promoting fairer and more responsible innovation and industrialisation;



SDG 11 – Sustainable Cities and Communities: reducing the negative environmental impact per capita of cities, making them more inclusive, safe and sustainable;



SDG 12 – Responsible Consumption and Production: adopting sustainable patterns of production and consumption by reducing economic, environmental and social costs. This means, among other things, managing natural resources efficiently, encouraging businesses to adopt sustainable practices and managing chemicals and waste in an environmentally friendly way;



SDG 13 – Climate Action: implement measures to combat climate change, as provided for in the Paris Agreement.

Management of risks and opportunities

Since its first year of activity, in 2016, Alperia has created an enterprise risk management system with the aim of making it an essential and systematic component of the decision-making processes.

There are two risk/opportunity pairings that have the greatest impact on the Group: the volatility of the price of energy, which led to the development of an ad hoc hedging system, and the volatility of production, which, being mostly linked to hydroelectric power, is affected by weather and rainfall trends. Alongside these are the market risks associated with investments planned and financed by the Green Bonds issued by Alperia, and regulatory risks, given that the energy sector in Italy is highly regulated. All these risks require constant monitoring by the Enterprise Risk Management and other functions.

The updating of environmental risk assessments in particular is coordinated by the HSE department. The level of environmental risk is established by crossing two variables: environmental significance and probability of occurrence. Each environmental aspect identified is then assessed with reference to the individual plant taking into account several factors: in the case of hydroelectric power plants, the site also includes the facilities in question, such as water intake systems or reservoirs. For distribution grids, however, reference is made to the grid as a whole with secondary facilities (e.g. substations or secondary substations). The primary plants are considered in the end as a single site. Together with the environmental risk related to a



specific aspect, the residual risk is also assessed taking into account the effectiveness of the corresponding containment measure.

In addition to continuous monitoring of financial risks, in 2018 an analysis of the operational risks faced by the main Alperia companies in terms of production and distribution was also carried out, including Alperia Greenpower, Edyna and Alperia Ecoplus. Specifically, plant risks were identified with particular focus on direct and indirect damage to which the Alperia Group is exposed, and risk mitigation initiatives were proposed and implemented where appropriate.

As part of the materiality analysis in 2017, the essential risks for the material issues were initially identified. These are managed by the departments and the relevant affiliates. Depending on the subject and the risk, they may also be included in company procedures, such as procedures relating to environmental risk assessments. Non-financial risks and their management are described in the relevant chapters of the financial

statements, as well as in the management approaches in the appendix.

In 2018, we began to draw up an assessment of the increased non-financial risks. In this regard, at the end of 2018 we began conducting interviews with all risk bearers to identify and assess current non-financial risks based on material issues. The mapping of major ESG (Environmental, Social and Governance) risks in Corporate Social Responsibility and their management will continue in 2019.

In addition, we have begun to set up the system for reporting to Top Management so as to facilitate the monitoring of corporate risks, including through the identification of specific indicators. The commitment will continue throughout 2019 because, in addition to identifying CSR risks at group level, we also intend to assess HSE risks for Alperia Greenpower in detail and set up a periodic monitoring and reporting process. This detailed analysis will be extended in the following years to the other main Group companies. We want to ensure that the management can make informed decisions for the medium and long term considering the potential risks with an organic and integrated vision.

Green Bond

In June 2016 Alperia SpA approved the establishment of a Euro Medium Term Note programme (EMTN programme) for a total amount of up to €600 million. In the period June 2016-October 2017 it issued four tranches under the EMTN programme for a total nominal amount of €475 million placed privately with qualified Italian and foreign 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 issue represents the fourth tranche of Alperia's EMTN-Programme and the first in Italy in Norwegian currency, thus consolidating its presence as an issuer on the European capital market. No new Green Bonds were issued in 2018. Alperia has used what it has obtained with the Green Bond to:

1. Refinancing debt used for the acquisition of a portfolio of:
- hydroelectric plants in Northern Italy: 249 MW generating about 0.9 TWh/year of energy. A similar amount of energy generated from conven-

- tional sources would have resulted in 0.76 Mt of CO₂ pollution per year in the case of coal plants and in 0.33 Mt of CO₂ pollution per year in the case of natural gas plants (combined cycle).
- photovoltaic systems in central Italy: 1 plant with a total of 4.3 MW of installed capacity generating about 4.4 GWh/year of energy. A similar amount of energy generated from conventional sources would have resulted in 3.74 kt of CO₂ pollution per year in the case of coal plants and in 1.62 kt of CO₂ pollution per year in the case of natural gas plants (combined cycle).
 - biomass power plant (wood chips) in Northern Italy: 1 plant with 9.5 MW of installed capacity generating about 20 GWh/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 (Eco Management and Audit Scheme), in the case of this plant this means that each year about 5.1 kt of CO₂ emissions are saved compared to the previous diesel heating system.

In 2019, the Green Bond will be used to refinance the biomass (vegetable oil) power plant in Sardinia: 36.5 MW generating about 258 GWh/year of energy. According to the report released by the Italian institute for environmental research named ISPRA (Istitu-

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to Superiore per la Ricerca Ambientale) combustion of biomass from vegetable oils is considered to be zero impact on CO₂ emissions; a similar amount of energy generated from conventional sources would have resulted in annual emissions of 0.22 Mt of CO₂ per year in the case of coal plants and in 0.1 Mt of CO₂ per year in the case of natural gas plants (combined cycle).

2. Refinancing of debt used for the purchase from another network operator of a section of the electricity distribution grid in the territory served by the company in Northern Italy.

These investments have allowed the connection to the electricity grid of 265 renewable energy production plants (hydroelectric, photovoltaic, biomass) with a total capacity of 51 MW and an average annual production of 91.5 GWh, avoiding the release of 32,000 tonnes of CO₂ into the environment.

3. Financing for the modernisation of hydroelectric power stations and the electricity distribution grid, which will continue in 2019.

These investments make it possible to:

- achieve a significant reduction in grid losses by increasing the efficiency of the entire electricity management system;
- increase the technological level of the grid by introducing various devices for “smart” solutions aimed at optimising energy flows in the grid and minimising the need for further grid extensions.
- increase the production of hydroelectric power by increasing the efficiency of the plant infrastructure

Alperia 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 assessment is limited to the Green Bond Principles 2017. In the course of the assessment, DNV GL also took into account the requirements of Version 2.1 of the Climate Bond; however, at the time of the verification, no Technical Criteria for hydroelectric power were available to the Issuer.

The financial magazine CFI.co (Capital Finance International) has included the Alperia Green Bond on the shortlist of the “Best Clean Energy Green Bond Issue Europe 2018”. A prestigious award with which CFI.co rewards the realities that have contributed most to the implementation of best practices in the economic and ethical field.

Overview of green bond emissions

Tranche	Issue date	Maturity date	Amount (EUR)	Placed amount (EUR)	% of the amount placed (end of 2018)	% 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	Ottobre 2027 (10 years)	100.000.000	83,140,526	83%	54%	29%	see below
			di cui:	18,793,436				Refinancing of debt used for the acquisition of a portfolio of hydroelectric and photovoltaic plants in Northern Italy
				35,480,450				Refinancing of the loan used to acquire a section of the electricity distribution grid in Northern Italy
				28,866,640				Finance for the modernisation of hydroelectric plants and of the electricity distribution grid

Sustainability strategy

4.1. Update of the 2017-2021 Strategic Plan

On 7 May 2018, the Management Board and the Supervisory Board of Alperia SpA approved the update of the 2017-2021 Strategic Plan of Alperia, evaluating positively the activities carried out, such as: the completion of the Group reorganisation, the establishment of the new Smart Region Business Unit and the establishment of the new Alperia Smart Mobility company that deals with solutions for electric mobility, the launch of Smart City projects and the rationalisation of the portfolio of investee companies (with the first disposal of minority interests in wind power), the obtaining of a BBB rating by Fitch, further financial transactions to extend maturities and lower the cost of debt with the issue of the fourth ten-year tranche of the Alperia Green Bond, the acquisition of 60% of Bartucci S.p.A., the third-largest ESCo (Energy Service Company) in Italy by number of Energy Efficiency Certificates (TEE) generated. Moreover, in October 2018, Alperia signed the agreement for the transfer of 70% of the shares of SUM - Servizi Unindustria Multiutilities S.p.A. to Alperia S.p.A.

The strategic guidelines of the 2017-2021 Plan have therefore been confirmed in a medium to long term perspective, with some updates that envisage:

1. Investments in the current perimeter of the group of over €454 million in the period 2017-2021,
2. Significant investments, in excess of €87 million, in the new Smart Region BU and €18 million in investments for additional innovative projects and for the digitalisation of assets and processes.
3. A further push to increase the efficiency of processes, to capture post-merger synergies, with combined savings in excess of €100 million, which will be equivalent to €28 million per year when in full swing.
4. Growth by external lines, to make the most of opportunities that may arise from the consolidation of the local utilities sector in North Italy, ensuring the rebalancing of the Group's mix.
5. Maintaining solid financial discipline with a NFP/EBITDA ratio significantly below 3x across the entire scope of the plan.
6. Growth in EBITDA and dividends.

Objectives should be pursued in keeping with environmental and social sustainability and local benefits provided for the communities served. The 2019-2024 Strategic Plan will be fully integrated with the action areas, objectives and initiatives set out in the sustainability strategy.

4.2. Materiality analysis (GRI 102-46)

To improve sustainability performance within the company, Alperia uses a reporting system based on an integrated management and reporting process. This report uses the Sustainability Reporting Standards defined by the Global Reporting Initiative (GRI). The central element of the standards is represented by the Materiality Analysis aimed at ensuring that the topics and sustainability indicators which are essential for Alperia are identified, managed and reported. The 15 most relevant issues, classified in the materiality matrix in order of importance, are as follows: security of supply, innovation, research and development, employee development, customer satisfaction, occupational health and safety, asset integrity, emissions, energy consumption, water, marketing and transparent communication, cyber security, diversity and equal opportunities, sustainable energy products and services, supplier management, economic development.

Materiality matrix (GRI 102-47)



Sustainability strategy and areas of action

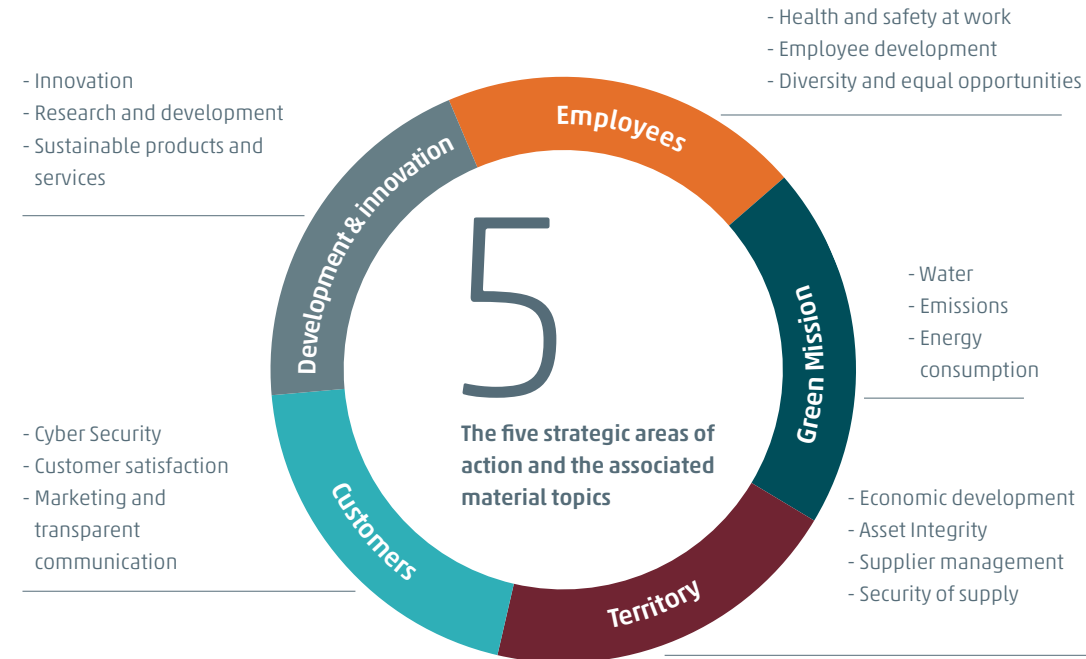
In order to transform Alperia from a classic integrated multiutility into a modern company that relies on smart grids, advanced value-added services and on the central role of the customer, reconciling economic, ecological and social objectives, we have defined an ambitious sustainability programme that we intend to implement by 2021. The 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 greenhouse gas emissions and creating €1.2 billion of added value for South Tyrol over five years.

The relevant sustainability issues, identified by the materiality matrix, define the areas of action with their respective key issues that allow us to measure the progress made in the implementation of our strategy, setting objectives and measures in agreement with the management. Five areas have been identified: Territory, Green Mission, Employees, Customers, Development and Innovation. Alperia views being sustainable as taking care of the territory, but also thinking about the well-being and satisfaction of its employees and its customers and encouraging the development of an increasingly smart and green South Tyrolean community, through investment in research and development in design cutting-edge energy models capable of reducing consumption, waste and emissions.

In 2018 Alperia made important steps in this direction, increasingly anchoring ecological, social and economic sustainability to governance and management processes to achieve a complete integration of the sustainability strategy in the 2019-2024 Strategic Plan. The 2017-2021 Sustainability Plan, approved in

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2018 by the Management Board and the Supervisory Board, was submitted to an annual audit to verify which measures were implemented and it emerged that 77% of the operational objectives set for 2018 had been achieved. The degree of achievement of the objectives also influences the company bonus.



Alperia reaches out

(GRI 102-40, 102-42, 102-43, 102-44)

The way we operate and the decisions we make spell out an identity: that of a Group that wants to contribute significantly to the growth of the territory in which it operates. We have created various tools and channels for reaching out to our stakeholders: shareholders and investors, customers, employees, riparian municipalities and municipalities in whose territory the power plants are located, suppliers, research institutes and interest groups, such as environmental, business and fisheries associations, trade unions and consumer

associations. We ask them about a wide range of issues, from environmental plans to innovation. Because only by working side by side can we create a smart and truly sustainable future.

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Customers

Alperia conducted a survey to identify customer satisfaction and any room for improvement. The questions were asked to a total of 257 people in a telephone survey and the result was very positive: 87% of those interviewed said they were very satisfied with the service offered by Alperia, 90% were very satisfied with the friendliness of the staff, 76% would recommend Alperia to friends and relatives. Not only that: about 65% of customers contacted Alperia through the dedicated service and 84% were satisfied with the answers they received, which for 53% of those interviewed were given in good time. Customers can also access the online portal to view their invoices: method used by 39% of the respondents to the survey, of which 56% were satisfied. More than 41% visited the website and read the brochures with a high satisfaction rate. Almost 50% of the respondents think that Alperia's invoices are easy to understand and 55% of the offerings proposed by the company meet their personal needs. We are in the process of drawing up improvement projects in this regard.

And that's not all, 903 private citizens and 148 companies took part in a survey on smart cities. It was a survey that Alperia conducted to understand how best to orient its offerings in this field. It emerged that 36% of private individuals would like to have an electric car in the next 5 years. Citizens are also satisfied with the internet connection, are interested in home automation and would like to see a more energy-efficient future. Among companies, interest in the diffusion of electric mobility stands out, added to an interest in fibre optic and, in general, for the digitalisation of the activities, the latter being an important indicator for the purposes of sustainability as it is linked to a reduction in the use of paper. In addition, it would be important for companies to have adaptive lighting and improve the energy efficiency of their operations.



Employees

In 2018 Alperia held its second Communication Day, which was attended by more than 850 employees. In the information event, each Business Unit director expressed his/her own vision with regard to the theme of digital innovation and recounted the objectives he/she intends to achieve in the field of sustainability, as envisaged in the 2017-2021 Sustainability Plan.



Research institutes

Alperia invests in research and innovation in collaboration with some of the most important research institutes in the Alpine area including the Eurac Research Institute with which it shares the LIFE4HeatRecovery project. The project, in which the Engineering & Consulting department of Alperia is involved, aims at developing a new generation of smart district heating networks, in which a large number of low temperature heat sources (10-40°C) available within the urban circle can be effectively integrated.



Owners and Investors

Alperia’s sustainability strategy is approved by its owners and supported by investors who are presented with the objectives set and achieved. The dialogue is developed through different channels: shareholders’ meeting, report of the Supervisory Board, periodic meetings with the owners.



Representatives of the riparian municipalities

The riparian municipalities are fundamental interlocutors for Alperia, which has always been committed to respecting and protecting the territory in which it operates. For this reason, in 2018 it organised 4 “Open Days”, giving everyone the chance to discover the power plants up close and find out more about how they work. These were “Going Green Events”, events that have obtained sustainability certification and that have involved different targets, to encourage the development of a proper environmental education in young and old audiences alike. The events were organised at the Lasa hydroelectric plant, the district heating plant in Bolzano Sud, the Barbiano power plant and the Lana hydroelectric plant
In addition, in the municipalities of Sesto, Tirolo and Chiusa, where Alperia is expanding its fibre optic network, information evenings were organised to explain to the public the advantages of the new infrastructure. Alperia, in fact, has started the laying of the pipes that will allow, to those who request it, to surf at a speed of more than 100 Megabits per second. As explained during the evenings, Alperia uses the already available electricity and district heating pipes for the extension works, reducing excavation activities and the consequent inconveniences to a minimum.
Municipalities also participated in the digital innovation survey: 35 municipalities (out of a total of 116 municipalities in South Tyrol) with about 1000-1400 inhabitants responded. The responses showed that it is very important for municipalities to increase the number of charging stations for electric cars within the next 5 years, adopt adaptive public lighting technology, use video surveillance systems for crime management, and make public buildings more energy efficient (which 60% of the municipalities in South Tyrol are already doing). Less interest is shown in smart traffic lights or integrated systems for agriculture.



Interest groups

Alperia reaches out to numerous interest groups. In 2018, it signed several trade union agreements to further improve the working conditions of employees and to ensure full fairness of treatment for all (for example, the harmonisation of secondment and on-call allowances). Alperia also engages with bodies and associations that deal with energy issues and innovation.




Suppliers

For Alperia the commitment in the field of sustainability is 360°. For this reason, we have involved our suppliers in the search for sustainable solutions in various areas. An example of this is the introduction of biodegradable cups in the company, replacing the plastic cups used in the past.


Strategic objectives: We want to integrate sustainability in a structured way into our corporate strategy.

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 Integration of the sustainability strategy into the Strategic Plan 2017-2021	Update of the measures implemented and planned in the Sustainability Plan 2017-2021	- First integration of the sustainability strategy into the Strategic Plan 2017-2021 as part of the 2018/2019 updates. - Full integration of the sustainability strategy (areas of action with objectives and measures) into the new Strategic Plan 2019-2024	2020	-	-	ongoing	-

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

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 Implementation of a structured analysis and assessment of sustainability risks, followed by monitoring and control of risks in the context of sustainability and risk management.	Project started with the following objectives: - to integrate, within the corporate risk management process, the aspects concerning the management of Corporate Social Responsibility with particular reference to the Top ESG (Environmental, Social Governnace) risks for the Alperia Group in the areas of Environment, Health & Safety (“EHS”); - to define the related reporting system to Top Management, capable of encouraging constant monitoring of the main corporate risks, also through the identification of specific indicators	Continue the project: - Sustainability risks assessment : Analysis of HSE risks for Alperia Greenpower - Analysis of sustainability risks in the supply chain - Establishment of a periodic monitoring and reporting process for risk management at Group level	2019	-	-	ongoing	-

Strategic objectives: We want to use proactive complaint management to prevent reputational and operational risks.

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 Introduction of a uniform complaint handling system throughout the Group	Intruduction of a whistle-blowing platform	Introduction of a uniform complaint handling system throughout the Group (e.g. for riparian and host municipalities) with clear processes and responsibilities	2018-2021	-	-	ongoing	-



Territory

The future of South Tyrol is also ours. As a South Tyrolean company, Alperia feels responsible for the sustainable development of the environment and the communities in which it operates and is committed to creating added value for the territory in the form of clean energy, but also in terms of jobs, support for the local economy and infrastructure safety.



Ensuring access for all to cheap, reliable, sustainable and modern energy systems



Building a resilient infrastructure and promoting innovation and equitable, responsible and sustainable industrialisation



Making cities and human settlements inclusive, safe, durable and sustainable



Ensuring sustainable patterns of production and consumption

Economic development

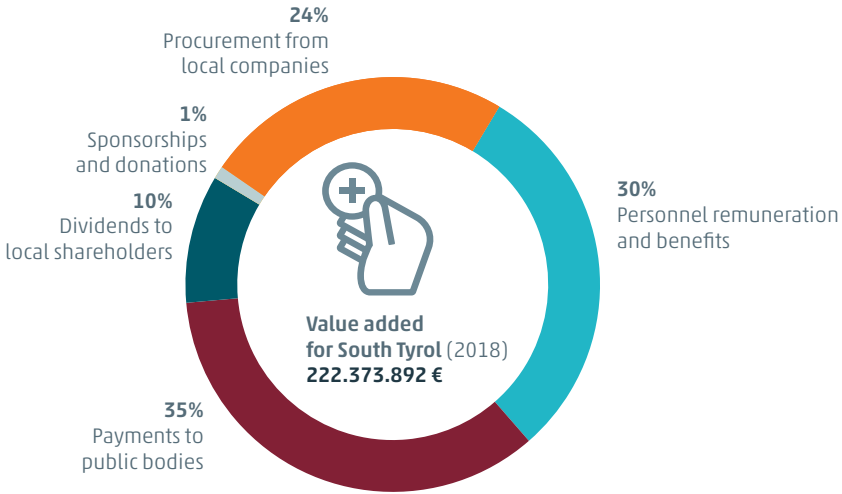
As indicated in the 2017-2021 Strategic Plan, Alperia pursues sustainable economic growth, characterised by a moderate level of indebtedness, a stable valuation of the Group and the generation of a level of cash flow that allows significant investments and the annual distribution of dividends to shareholders. We are diversifying our activities, both economically and geographically, so as to make our financial results increasingly less exposed to the risk of price and production fluctuations that characterise the hydroelectric power market. By orienting its activities in this way, Alperia aims to achieve more stable and less volatile results, with the creation of significant financial value in the medium and long term for South Tyrol. In addition, the indirect effects of the planned investments as outlined in the Strategic Plan for the next few years, such as the development of infrastructure and the Smart Region with which Alperia aims to make a significant contribution to the creation of an innovative and digital South Tyrol. The measures to achieve the objectives of the 2017-2021 Strategic Plan with its updates are available on the company website at www.alperigroup.eu in the News area.

Economic value (GRI 201-1)

The revenue generated by Alperia in 2018 was about

€1.3 billion, a significant increase over the last year (+€148.7 million) as a result of the increase in the cost of energy. Most of it, i.e. more than €1 billion, is earmarked for operating costs (approx. 90% energy purchase for trading). The trend is in line with 2017. As in the previous year, a significant share of over €222 million was allocated to South Tyrol in terms of direct value added. Specifically: nearly €77 million were paid to public entities in the form of taxes, environmental funds, concession fees and electricity supplied free of charge to the Province; €66 million were allocated to salaries and social security contributions paid to employees; €1.7 million were

paid in the form of sponsorships benefitting the local community (more information on sponsorships in the chapter "Transparent marketing and communication") and donations. Shareholders received €24 million in dividends, almost €3 million more than the previous year. Finally, South Tyrolean companies were entrusted with assignments for an amount of €53 million, a value that indirectly benefits the entire territory, without forgetting that with the taxes and duties paid, as well as with the dividends distributed, political institutions can finance numerous public services for the benefit of the population.



Social responsibility

Alperia each year allocates a budget of €100,000 to charitable donations. The Management Board selects the recipients of donations twice a year. In addition to these, Alperia employees themselves make donations during the Christmas period, renouncing corporate gifts and donating a total value of €25,000 to associations and organisations in South Tyrol. This initiative was also implemented in 2018, giving employees the opportunity to propose associations for which to make donations. Among the numerous proposals received, the Management has selected the following associations:

Cuore di bimbo (Heart of a Child): an association that helps families of children with heart disease by giving them help, answers, information and support, but above all courage and hope;
Il Sorriso - Das Lächeln (The Smile): association that helps and supports parents and friends of people with Down's syndrome;
Parkinson - South Tyrolean Association for Parkinson's and Related Diseases: an association that supports research in the field of Parkinson's disease and related diseases;
Wünschewagen - Sogni e vai (Dream Wagon): a company that helps health facilities and families to bring to fruition the last wishes of seriously ill people.

In addition, since 2018 Alperia has been providing the Autonomous Province of Bolzano – South Tyrol with unused service apartments, which are intended to accommodate immigrant families. The apartments are managed by the Red Cross. There are currently four families using these apartments.

Investment in infrastructure (GRI 203-1)

We want to ensure a secure and reliable energy supply. For this reason, we plan to invest €400 million over 5 years in our core business in order to improve plant performance in terms of availability, reliability and efficiency. In 2018, we invested more than €84 million, which is in addition to the €132 million invested in the first two years of operations. In particular, 43% in distribution networks, 31% in production, 9% in the Smart Region, 8% in district heating, and the remaining 8% in IT infrastructure, facilities, supply and trading and other areas. These are investments supporting the modernisation of the infrastructure in order to make it more stable, improving its resilience so that, even in the presence of various types of disruptions or in the event of an emergency, the networks can remain operational. Infrastructure investments also include those needed to make South Tyrol a cutting-edge Smart Region. This



includes the expansion of the ultra broadband network and the creation of a network that allows access to the Internet of Things.

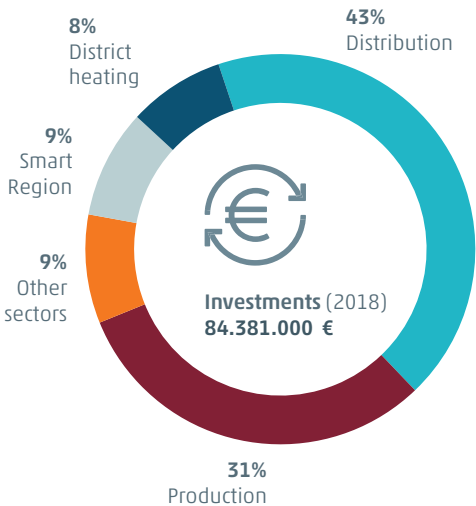
Investments in the Smart Region

Alperia is on the front line to help make South Tyrol a Smart Region at the forefront. For this reason, it has set up the Smart Region Business Unit, which is specifically responsible for implementing all the energy transition proposals. Being a Smart Region means digitalising the territory, electrifying mobility and reducing energy consumption efficiently in order to ensure an increasingly sustainable development of our territory. This is a goal that is achieved through an integrated digital infrastructure between public lighting, fibre optic, electric charging stations, video surveillance and IoT sensors. This is infrastructure that contributes to improving safety standards and ensuring greater efficiency in energy consumption.

According to the update of the 2017-2021 Strategic Plan of the Alperia Group, investments in the new Smart Region Business Unit are planned for over €87 million and investments in further innovative projects and digitalisation of assets and processes for €18 million.

There are three areas which the Smart Region Business Unit focuses on: Telecommunication, e-mobility and energy efficiency. In 2018, we invested almost €8 million in this area: €2.1 million in Alperia Bartucci, €4.6 million in Alperia Fiber and about €1 million in Alperia

Smart Mobility. In particular, we have connected our plants (46 Greenpower plants and 140 Edyna plants) to fibre optic, thus increasing the Group's resilience and giving greater security to the system. One of the most evident demonstrations took place between the end of October and the beginning of November 2018. Rains and strong winds hit the province leading to power cuts. However, contact with the systems which are connected with fibre optic cable was never lost. We have also started to expand these connections in the municipalities of Sesto, Chiusa and Tirolo with the aim of connecting approx. 3,500 real estate units.



Investments in the electricity grid

Alperia operates a low, medium and high voltage electricity grid through its subsidiary Edyna. The grid covers 8,628 km including plants and infrastructure. In order to guarantee a widespread and efficient coverage, investments in modernisation and expansion are made on an annual basis. Some of the main projects in 2018 were the following:

- the installation of Petersen coils: Petersen coils are electrical components that improve the reliability of power supply by limiting interruptions in the event of contact between foreign bodies (e.g. trees) and overhead lines;
- the purchase of vegetable oil transformers which have a lower environmental impact; and
- the inspection, cutting of plants, replacement of overhead lines with underground cables and creation of new high- and medium-voltage connections: Eydna inspects medium and high voltage overhead power lines every two years. The most recent inspection was carried out in November 2018, flying over the territory with a helicopter for three weeks in order to identify any critical issues. The analysis discovered involved 1,421 km of overhead electricity grids.

Investments in district heating

In 2018, investments in district heating amounted to €6.9 million and concerned the expansion of the district heating network in Merano and the expansion

of the district heating network in Bolzano, with the completion of the temporary connection to the hospital. A new biomass district heating plant will also be built in Merano: in 2018, the design of the works that will begin in 2019 was carried out, involving an area of 13,000 square metres. In total, there are about 2,158 exchangers serving several thousand families in South Tyrol.

Investments in hydroelectric power

Power generation from South Tyrolean hydroelectric sources in 2018 amounted to €26 million, €9 million more than in 2017. Hydropower is one of the major sources of renewable energy and is ideal for electricity production, considering the mountainous South Tyrolean landscape. In order to more efficiently exploit this important resource and increase the percentage of renewable energy, Alperia invests in the upgrading and modernisation of existing plants. Some of the most important interventions carried out in 2018 were:

- the renovation of the San Pancrazio plant in Val d'Ultimo: the work, consisting mainly of the replacement of the hydroelectric power generation unit (turbine and alternator), the electromechanical equipment of the power plant and the machine transformer, was completed in April 2018 with an investment of approximately €12 million;
- the renovation of the Santa Valburga hydroelectric plant in Val d'Ultimo: the work, which began in October 2018, will be completed in April 2019

with the replacement of the two hydroelectric power generation units (turbine and alternator) of the electromechanical equipment of the power station and of the machine transformers;

- the completion of the fish ladder on the Talvera at the Sarentino hydroelectric plant;
- the preliminary planning of the fish ladder on the Adige in Lasa;
- the abandonment of unused sockets and the restoration of the natural environment: the works are relevant to the hydroelectric plants of S. Valburga (Fonderia River intake), Molini (Lupoletto River and Casere River intakes), Sarentino (Grotta River intake), Ponte Gardena (Bremè River intake), Bressanone (Valles River intake) and Lasa (Foltin pumping stations on the Lasa River and San Giovanni Plima River).
- removal of sediment in the Vizze basin, an area that includes the Riedenau biotope, an environment of high natural value;
- the construction of a mini hydroelectric power plant for the use of the minimum vital flow in Lasa on the Rio Rosim to enhance the production of electricity from renewable sources: the mini power plant started operating in July 2018;
- the modification of the cooling systems from "open cycle" to "closed cycle" in the Glorenza hydroelectric plant to reduce the risk of contamination by recycled water from open cycle cooling. The change was deemed necessary because in open circuits the risk of contamination of the water returned to the water bodies is higher as the cooling water is drawn continuously and oil leakage could occur. In closed circuit systems, on the other hand, the






cooling water, after having drained the heat, is not directly poured into the water body but remains confined inside a cooling circuit.

The fish ladder on the Talvera at the Sarentino hydroelectric power plant.

Strategic objectives: We want to create added value for South Tyrol in various areas, including jobs, local taxes and social commitment.

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 1.2 billion added value for South Tyrol in 5 years	Creation of local added value (payments to public bodies, e.g. environmental funds, staff remuneration and benefits, assignments to local contractors, sponsorship and donations, dividends to local shareholders)	Creation of local added value (payments to public bodies, e.g. environmental funds, staff remuneration and benefits, assignments to local contractors, sponsorship and donations, dividends to local shareholders)	2017-2021	Local economic added value (EUR)	1,2 Mld	ongoing	222 mln
 Evaluation of cooperation opportunities for the integration of migrants in South Tyrol.		Meetings with social associations to explore opportunities for collaboration (e.g. Corporate Volunteering, internships)	2019	-	-	ongoing	-

Strategic objectives: We want to steer the future of South Tyrol towards a Smart Region.

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 Expansion of the ultra-wide-band network and creation of a network that allows access to the Internet of things in South Tyrol	Construction work on the FTTH access networks in Sesto, Chiusa and Tirol has begun. First 200 Building Entry Points (BEPs) activated between Tirol and Chiusa.	Optical Fiber Expansion	2017-2021	Number of households reached by the ultra-wide network	3.500	ongoing	200
 Promotion of cooperation for the development of an innovative and intelligent infrastructure	- Smart Edyna project started: laboratorium completed - Smart Land: Pilot phase for the engineering and testing of sensors and network completed. Go Live scheduled for March 2019	- Implementation Project Smart Edyna - Pilot project Smart Land	2017-2021	-	-	ongoing	-
 Active collaboration in research projects for the development of new solutions for smart grids	- SMARTNET: Execution of real tests on active and reactive power modulation of the main enabled manufacturers. - STORAGE4GRID: a real scenario was set up to evaluate the future demand for electric mobility for domestic and commercial/industrial use. - SMART CITY VIZZE: In the closing phase	Collaboration in research projects SMARTNET, SMART CITY VIZZE and STORAGE4GRID (ongoing)	2017-2021	Number of closed projects	3	ongoing	0

Security of supply

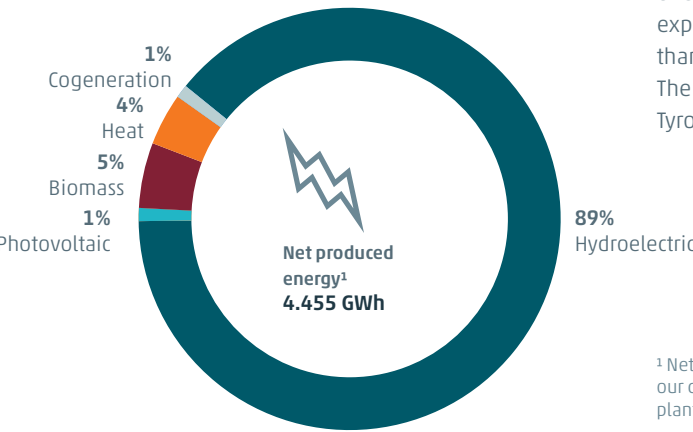
For Alperia, ensuring a secure and modern energy supply is a primary responsibility. For this reason, we monitor the systems and intervene with maintenance and modernisation activities. Good management helps to reduce failures by making the systems more resilient.

Green energy supply (GRI EU10; EU2)

In South Tyrol, more than 90% of the electricity produced in the region is of hydroelectric origin. Alperia operates 34 power stations, guaranteeing a sustaina-



4 TWh of hydroelectric power, an increase of 18% compared to 2017. In addition, Alperia produced 21 GWh from photovoltaic plants, 53 GWh from cogeneration and 221 GWh from biomass, 21% less than in 2017 following the breakdown recorded at the Biopower plant in Sardinia. Faced with rising electricity consumption, given the data collected by TERNA (2008-2017) and assuming that average production volumes do not change significantly, the hydroelectric production of the Alperia plants should be able to cover the demand for electricity in South Tyrol until the year 2050.



ble energy supply to the entire province. The quantity 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 2018 Alperia produced about

¹ Net electricity produced includes 100% of the energy produced in our consolidated plants (34 hydroelectric plants, 5 district heating plants, 9 photovoltaic plants and one biomass power station),

94%
percentage of net energy produced from renewable sources

A secure distribution grid

(GRI EU4; GRI EU28; GRI EU29)

Through the subsidiary Edyna, Alperia manages a large part of the electricity grid in South Tyrol, as well as a 113 km of natural gas distribution network in four municipalities, including Merano and partly Lagundo, Marlengo and Tirolo.



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

232.207

End customers connected to the electricity grid

8.628 km

electricity distribution lines, of which

70%
underground

2,6 TWh

electricity distributed in South Tyrol

Low voltage lines	5.100 km	of which 77,3% underground
Medium voltage lines	3.304 km	of which 62,6% underground
High voltage lines	155 km	of which 8,5% underground
High voltage Edyna Transmission	70 km	of which 5,8% underground
Primary substations	36	
Secondary substations	4.112	
Switching substation	48	

Increasingly, customers are themselves producers of electricity. An evolution that requires the distributor, in this case Edyna, to create more powerful and efficient networks. This is achieved by investing not only in infrastructure but also in research and development of smart grids. With smart grids production, storage, network management and consumption are part of a single system, so the electricity supply reaches higher levels of efficiency. Alperia is working on this new technology helping to shape the future of energy through research projects an extract of which is available in the chapter "Innovation".

Monitoring and accountability

Through a remote control centre in Bolzano, Edyna monitors the electricity and gas networks 24 hours a day, 365 days a year, ensuring a safe and high quality distribution service. Edyna takes care of the management of these networks and intervenes in the event of malfunctions with a 24-hour emergency service with bilingual staff answering telephone calls and experts who promptly resolve any faults. All unplanned outages of the distribution grid 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 the "worst lines", i.e. the lines that are most affected by issues, as well as the causes of the outages. Supply interruptions for customers in 2018 were 1.72 per client, with a 2% increase in SAIFI (Frequency of interruptions per customer)

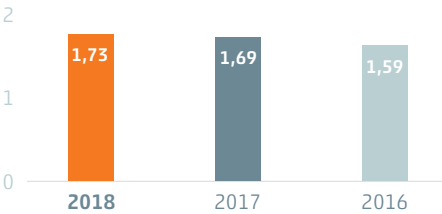
compared to 2017, with a duration of 27.36 minutes and a 32% increase in SAIDI (Power outage duration per customer). The SAIDI value, about 8 minutes higher than in 2017, was caused by a faulty transformer involving two primary cabins. The same incident also caused a slight increase in SAIFI percentages. With careful planning of the distribution grid, expansion of the remote control systems, optimisation of the availability service and future investments in software, the SAIDI-SAIFI indicators can be maintained and improved, which for Edyna's customers means better continuity of the power supply.

In order to limit inefficiencies, the following steps were taken in 2018:

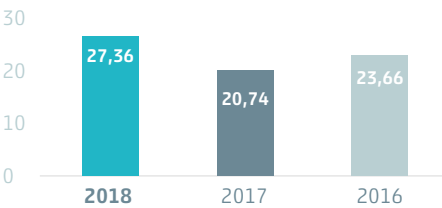
- improve the quality of the distribution service and modernise the network infrastructure in order to make it more stable and resilient;
- start the remote control on 53 newly built secondary substations already in service;
- inspect 50 overhead lines by helicopter and make 32 plant cuts below the lines to avoid damage to the grid.

In addition, Edyna is working to bury as many power lines as possible. Currently 70% of our total grid is underground. Burying reduces the environmental and landscape impact of visible pylons and overhead lines, improves network resilience even during extreme weather events and increases the quality of public supply. If we break down the grid into high, medium and low voltage, the situation is now as follows:

Number of supply outages per customer (SAIFI)



Duration of outage per customer (SAIDI) (in min.)



Floods and pylons

At the end of October 2018, a violent wave of bad weather hit the whole of northern Italy and South Tyrol was particularly badly hit. Although the wind gusts and thunderstorms were very strong, Alperia did not record any accidents among its personnel or serious damage to the plants. The critical issues identified concerned the following:

- Damage to several pylons in the high-voltage power line;
- Problems of telephone communication and radio links of the facilities in Val d’Ultimo; and
- Critical issues of various kinds in Val Isarco, Val Pusteria, Val Gardena, Val Sarentino and side valleys both due to the flow rates and the enormous amount of material transported by water. Many plants were temporarily out of operation and/or

limited due to clogging and regurgitation of discharges due to the high water levels of the rivers.

In total, 50,000 households in 33 municipalities became isolated. Alperia addressed the emergency promptly with 200 employees and third-party companies. Within 24 hours, the connections of 16,000 households, of which 4,000 had been more seriously damaged, were restored and in the following days, the remaining households were reconnected. Reservoirs and dams were always kept under control by Alperia Greenpower and the Civil Protection.

Left: Lake Rio Pusteria after the floods of October 2018. In the photo below: Damage to the Edyna power lines due to the same wave of bad weather.



District heating: sustainable heat

Through its subsidiary Alperia Ecoplus, Alperia operates 5 district heating plants: in Bolzano, Merano (where it designed the construction of a new biomass plant to be built in 2019), Sesto, Chiusa and Lazfons. The energy produced by district heating is one of the most environmentally friendly currently available and allows the replacement of unsafe and polluting gas-fired and oil-fired boilers with a single controlled, efficient and sustainable system. From the production plant, the heat is directly transported to the customer’s home through an underground network that generates annual savings on CO₂ emissions of several thousand tonnes.

The plants operate with biomass, with residual heat from industrial processes, with heat from the Bolzano waste to energy plant, used in the city district heating plant, or with methane gas. 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, the heat supply is always safe and guaranteed. At the moment, there are about 2,158 exchangers serving several thousand families throughout South Tyrol. The aim is to further expand the network. For this reason, in 2018, investments to expand district heating continued:

- in **Bolzano**: with an investment of €3 million, in 2018 new connections were made with the



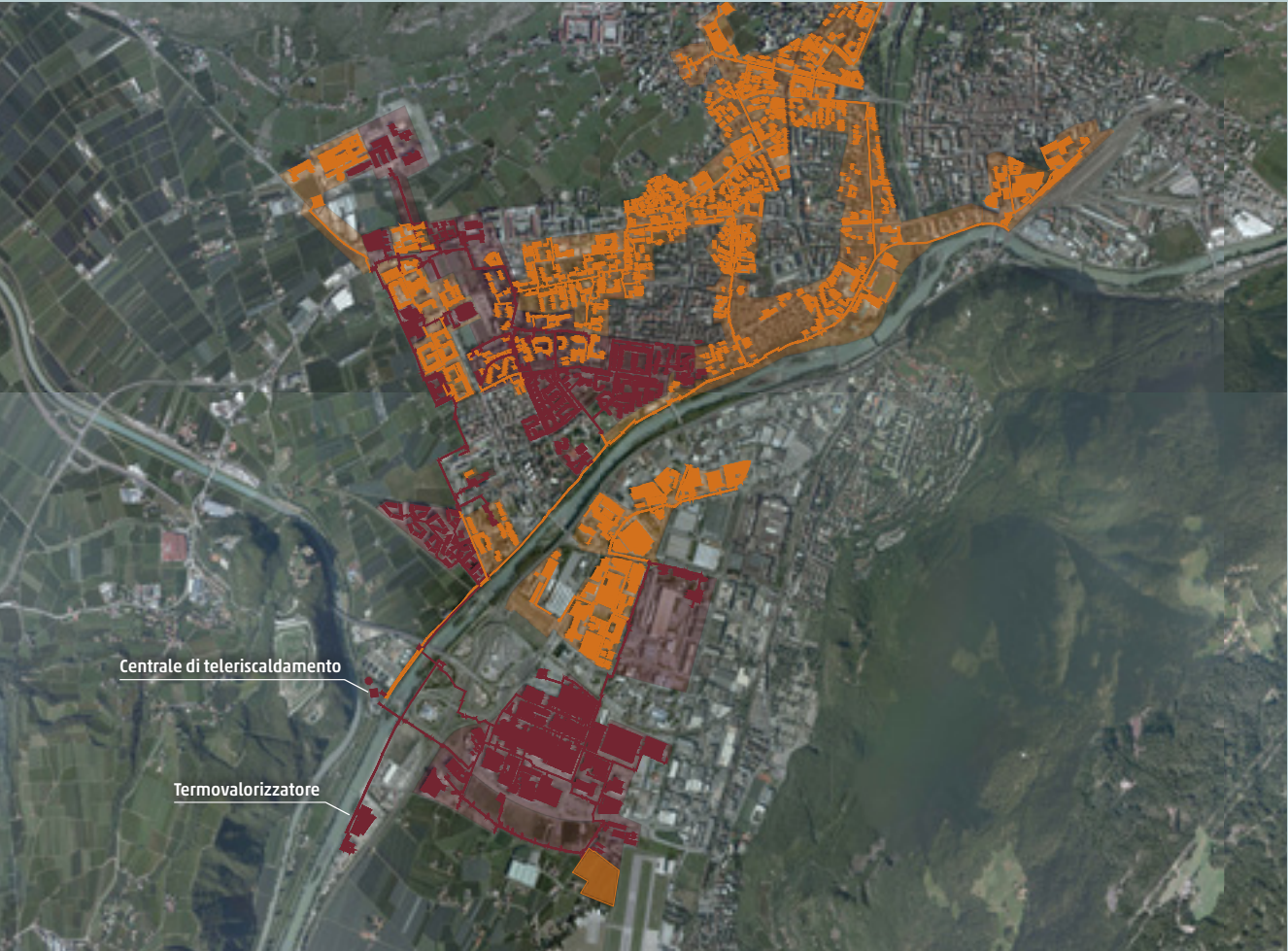
installation of 30 new exchangers. Work began in 2019 on a first lot on viale Druso (on the stretch that extends from the intersection of via Genova and via Alessandria along the cycle path on the right bank of the Isarco to the stadium and part of via Rovigo) and a second lot on viale Europa, via Sorrento, viale Druso, via Amalfi, via Roen, via Gaismair and the remaining part of via Rovigo. The extension work will be completed by autumn 2020. The buildings in the areas concerned can thus be connected to the grid and benefit from the sustainable heat provided by Alperia. The expansion will further reduce the consumption of fossil fuels and CO₂ emissions in the South Tyrolean capital, as provided for in the Climate Plan of the Municipality of Bolzano. From 2018 those who use district heating are entitled to the tax credit with VAT at 10%;

- in **Merano**: Alperia Ecoplus provides sustainable heat through the existing district heating grid in Merano and Lagundo to 450 substations (more

than 5,500 families and about 500 additional users among companies, schools and offices). A system that allows to avoid each year the emission of 8,000 tonnes of CO₂ approximately equal to the absorption of CO₂ of a forest of 5 square kilometres, corresponding to 1/5 of the area of the municipality of Merano. In 2018, the grid was further expanded and work will continue in 2019. The heat is produced in an environmentally friendly way in various plants, mainly in cogeneration. They are therefore plants that produce both heat and electricity at the same time, thus ensuring high energy efficiency. In addition, industrial waste heat is exploited, i.e. heat that accumulates as a by-product in industrial processes and that would otherwise be released into the environment without being used. In 2018 we also worked on the design of a new biomass plant in Merano, which will be built in 2019 to ensure an even more sustainable and reliable heat supply.






Plan for the expansion of the district heating network in Bolzano



The plan for the expansion of the district heating network of the capital. The existing sections by beginning of 2019 are shown in red; the network extensions planned for the next few years are shown in orange.

Strategic objectives: We want to ensure a secure and efficient energy supply.

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 Investments of 400 million euro over 5 years in the core business	Investments in measures to improve plant performance in terms of availability, reliability and efficiency.	Investments in measures to improve plant performance in terms of availability, reliability and efficiency.	2017-2021	Investments (EUR)	400 mln	ongoing	84 mln
	Construction of a small hydroelectric power plant to use the minimum vital flow of the Rio Rosim (Lasa) to boost the production of electricity from renewable sources. Commissioned in July 2018.	Construction of a small hydroelectric power station for the use of the minimum vital flow in Tel and to increase the production of electricity from renewable sources.	2018-2020	-	-	ongoing	
 Expansion of the district heating network in Bolzano	- Expansion of the connections and the network (60 new exchangers) - Price reduction for heat in Bolzano (tax reduction)	Expansion of the connections and the network	2017-2021	Number of exchangers (Bolzano)	-	ongoing	229 (Bolzano) 2158 (Alto Adige)
 Reduce the number of power outages and of the duration of power outages	Improvement of service quality and modernisation of network infrastructure to improve network stability	Improvement of service quality and modernisation of network infrastructure to improve network stability	2019	High SAIDI Concentration (minutes)	28	ongoing	15,09
	Remote control of 53 distribution cabins already in service and newly built.	Remote control of distribution cabins already in service and newly built.	2019	Average SAIDI concentration (minutes)	45	ongoing	20,85
	Gradual switching of network operation from insulated neutral system to compensated neutral system via Petersen coil: substation Cardano and substation Colle in 2018	Gradual switching of network operation from insulated neutral system to compensated neutral system	2019	Low SAIDI concentration (minutes)	68	ongoing	42,79
	Plants inspection (44 in 2018) and plants cutting (28 in 2018) programm for overhead lines.	Plants inspection and cutting programm for overhead lines.	2019	High SAIFI Concentration (Frequency of interruptions per customer)	1,2	ongoing	0,66
	Replacement of overhead line sections with underground cables and construction of new high and medium voltage lines	Replacement of overhead line sections with underground cables and construction of new high and medium voltage lines	2019	Medium SAIFI Concentration (Frequency of interruptions per customer)	2,25	ongoing	1,25
	Realization of new automations on the network for a better selectivity of faults: Installation of 5 circuit breakers in distribution cabins of critical lines	Realization of new automations on the network for a better selectivity of faults	2019	Low SAIFI Concentration (Frequency of interruptions per customer)	4,3	ongoing	2,98

Asset Integrity

The Technical Security of Plants

(GRI EU21)

Alperia operates 34 large and small hydroelectric plants in South Tyrol, 14 dams and 17 minor works. Hydroelectric plants produce renewable energy. These are very complex plants, located in potentially sensitive places in terms of accidents, natural disasters and terrorist attacks.

Alperia guarantees high standards of safety and operational efficiency, striving to minimise management risks. This aspect is managed both by the individual Business Units and at Group level. In 2018, the availability of hydroelectric plants was 87.67% compared to a target of 85.89%. Good asset integrity management aims to increase plant availability through more accurate planning of maintenance operations and therefore fewer breakdowns. In fact, the availability index is influenced for the most part by the planned unavailability (therefore by the correct planning of interventions on the plants) and, to a lesser extent, by breakdowns.

A significant failure occurred at the Alperia Biopower power plant in Ottana, Sardinia, and it took about



4,5 months to repair during which the generators were out of order. Production was therefore reduced by 50,000 megawatts per hour. The failure was caused by a water leak on a piston but did not cause any injuries. The group was back in operation in mid October 2018. In 2018 the same plant obtained the renewal of the ISO 14000 certification, maintaining the AIA, the Integrated Environmental Authorisation. It is a virtuous system that employs cutting-edge bio-renewable energies and is ready to restart in the event of a blackout, i.e. it allows the other power plants to restart. Such a system requires very high levels of maintenance. Improvement projects are constantly being planned: in 2019, a control and optimisation system will be installed, the computerisation of the management system will be improved, training hours on environmental issues will be increased, the air expeller of the generators will be boosted to help circulate fresh air through them, and a metering system will be implemented to reduce NOx (nitrogen oxides that are produced as by-products during combustion that occurs using air).

In addition, the waste areas will be better organised and the waste sent for disposal will be reduced by 30%, the automatic fire extinguishing system will be completed and the grass growing in the area of about 30,000 square metres surrounding the plant will be further maintained. Finally, a dual channel for data transmission and a disaster recovery redundancy system for managing emission information will be created.

Environmental accidents

The Alperia plants, in the event of failure, could cause environmental accidents. For example, the failure of a transformer could cause oil contamination to the soil. For this reason, Alperia assesses the risk of such events and possible corrective measures. In 2018 there were no environmental accidents. In 2016, at the discharge channel of the Tel hydroelectric power plant, a pipe for the hydraulic operation of a sluice gate broke down. This fault caused the spillage of oil to the ground and water. The oil used was biodegradable (Panolin). Steps were taken to contain the spill. The fault was then repaired and the area affected by the oil spill was restored.

Vegetable oil

Energy companies around the world are looking for safer and more efficient ways to provide electricity to communities, reducing their environmental impact. The main interest is to replace mineral oil, normally used as an insulator for transformers, with different and more sustainable materials. Alperia has been studying alternative solutions for several years and is considering the purchase of vegetable oil-based transformers. The advantages are numerous: the fluid has a combustion point twice as high as that of mineral oil so it significantly reduces the risk of fire compared to the mineral oils currently used, vegetable oils are not dangerous for human health and the environment, they are a renewable substance, can be reused and are characterised by

their high biodegradability. In case of explosion and/or breakdown, the mineral oil transformers will be replaced with vegetable oil transformers that will be purchased in Italy and must meet certain technical specifications. Priority will be given to protected areas such as nature parks or areas crossed by rivers and/or streams within 15 metres.



Dam Safety

More than 200 employees work in the hydroelectric power stations, taking care of the control and maintenance of both the dam works and all the components of each hydroelectric plant. Dams are equipped with an extensive monitoring system that detects the hydraulic and structural developments to ensure hydraulic safety. The main data are transmitted to the Remote Control Centre in Bolzano which monitors them in real time. The monitoring data as a whole are managed remotely by the technicians

from the hydro-civil service of Bolzano. Twice a year, representatives of the Technical Office for the Dams of Venice of the Ministry of Infrastructure visit the plant and perform thorough inspections together with the responsible engineer appointed by Alperia Greenpower or his/her substitute. The Dams Office of the Autonomous Province of Bolzano – South Tyrol is responsible for checking the smaller dams. Its officials, accompanied by the Alperia Greenpower technician appointed to the task, carry out annual or semi-annual inspections.

Each large dam has a Civil Protection Document drawn up by the Autonomous Province of Bolzano – South Tyrol and an internal procedure that covers employee actions in the event of significant weather events (flood management). The security personnel at the dam are qualified and authorised to carry out operations on the discharge components, even in the absence of telephone communications. Alperia periodically trains the staff in charge of flood management and in the event of major weather events ensures a closer monitoring of the dams with specialist technical staff. The first phase of a flood event is not considered an emergency because the presence of dams can delay or reduce the discharged flow rates compared to the incoming flow rates. Through this management, Alperia has the opportunity to retain the volume of water that flows downstream during floods (lamination), reducing the disruptive force. This ensures greater safety for the population and containment of the destructive effects on the ecosystem.

Investment and cooperation with Civil Protection

In addition to the dams, the intake and outlet works, the shut-off valves, the electromechanical machinery and all other important components are regularly checked by specialised personnel. This way weaknesses can promptly be detected and actions undertaken to increase plant safety. For this reason, investments in

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infrastructure are significant and in 2018 amounted to €84 million, €22 million more than the previous year. Improving safety also means being able to handle emergency situations. For this reason, for Alperia, it is essential to train its employees and strengthen the relationship of collaboration with the Fire Department and the Civil Protection. In 2018 a memorandum of understanding was signed with the Civil Protection



Agency of the Autonomous Province of Bolzano – South Tyrol for the development of joint initiatives to protect the population and the territory. During flood events, data on the amount of reservoir and the flow rate discharged and derived from the large dams are shared by the Alperia Greenpower Remote Control Centre at the Civil Protection operations room of the Province.

Alperia Ecoplus, the company that manages the district heating plants, has also organised fire simulations inside the district heating plant with the recovery of the injured, involving the rescue teams of the Fire Department and the White Cross. The simulation allows rescuers to become familiar with the system and coordinate rescue activities together with Alperia staff.

Edyna, the electricity distribution company, has also strengthened its cooperation with the local fire brigade and the Civil Protection. In 2018, it informed the Bolzano Remote Control Centre to the South Tyrolean Voluntary Fire Brigade Association and the heads of the provincial administration and the districts about the work processes carried out, clarifying the technical details of the distribution systems. The aim of the meetings is to further increase the level of safety during interventions. It is planned to use the dedicated radio communication network of the Provincial Civil Protection to manage serious emergencies in a timely and safe manner.

Penstocks

A hydroelectric power plant uses the hydraulic energy contained in water to obtain electrical energy. This step does not take place directly, but requires a series of transformations and some fundamental components. These include penstocks: pipes made mainly of metallic material situated inside or outside a mountain. They are equipped with closing and safety devices that serve to intercept the flow of water. At the entrance to the hydroelectric plant, each penstock is also fitted with a regulating device connected directly



Emergency exercises are regularly organised at the district heating plants. In the photo above: simulation at one of the plants in Merano. To the right: the penstocks of the Cardano hydroelectric power plant.

to the turbines in order to regulate the flow of water or to block its flow. The special feature of a penstock is the high operating pressure. Due to the uneven mountain terrain, penstocks usually have numerous changes of direction to follow the variations in slope; these are critical points where forces due to high pressures are concentrated. Therefore anchor blocks absorb and discharge to the ground oscillations of the pipelines under pressure.

Aerial inspections

During 2018 the company Edyna, responsible for the management of the distribution networks, carried out controls on the overhead lines. During these controls one of the helicopters crashed. The accident occurred in Verano, just below the upper station of the cable car that connects the mountain village to the valley floor near Postal. On board the aircraft were the pilot and a







Thanks to the use of drones, inaccessible parts of plants, such as penstocks or dams, can be inspected more easily, such as the dam of Fontana Bianca in the photo above.

technician, an employee of a contracted firm. No one was injured. The helicopter belonged to a Trentino company that has been operating in the air transport sector for 25 years. The Public Prosecutor's Office and ENAC conducted all the necessary investigations. Edyna carried out internal checks on compliance with the contract, verified the condition of the pilot and the technician and carried out an on-site inspection, with orographic and network analysis. These verifications following the event did not reveal any anomalies or non-compliance with the work procedures of Edyna.

Strategic objectives: We want to ensure maximum safety in our facilities, to protect personnel, the population and the surrounding areas.

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 Definition of a group-wide KPI for Asset Integrity	<ul style="list-style-type: none">- Evaluation of which KPIs are already measured in the various Business Units- Analysis of operational risks (e.g. risk of technical damage, e.g. breakage of dams or pipes, which also has consequences for the environment)- Evaluation of a suitable indicator- Incorporation of KPIs for asset integrity in sustainability reporting		2018	Environmental incidents	-	achieved	0
 Development of a secure and stable communication network for major emergencies with the provincial Civil Protection.	Agreement signed and collaboration activities started.		2018	-	-	achieved	-

Supplier management

(GRI 102-9, GRI 102-10; GRI 204-1; GRI 308-1; GRI 414-1 and 414-3)

From production to distribution to sales, Alperia purchases its materials, raw materials and services from more than 2,000 Italian and foreign suppliers with direct social and environmental impacts. The Alperia Procurement Service makes all purchases for the Group centrally, with the aim of making them as “local” as possible, where possible, and ecologically and socially sustainable.

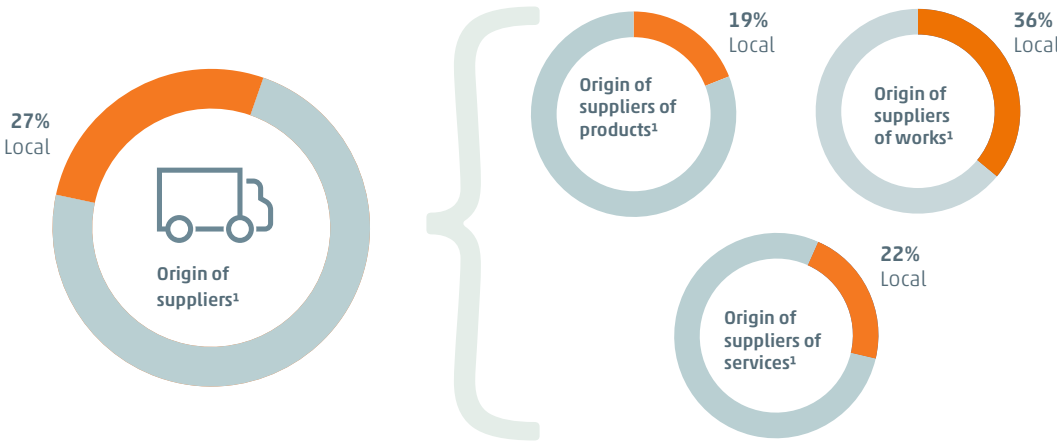
In 2018, we approved and implemented the new General Terms and Conditions and the purchase contracts and included a clause for human rights. For the significant tenders we have started to analyse the minimum sustainability requirements related to the product. An example of this are the tenders launched for the removal service and for the new low environmental impact Alperia headquarters in Merano, which must be built in accordance with the minimum environmental criteria set out in the relevant ministerial decrees. Specifically:

For the removal service, all the assessment elements being examined are linked to the measures adopted by the bidding party to promote environmental sustainability, especially with regard to the type of packaging used and the innovative solutions adopted to reduce the quantity, weight and volume of the same. The environmental management and sustainability measures

relating to the means of transport used in the operations and further improved environmental management and sustainability measures used in the provision of services were also taken into account. All this means that higher scores are awarded to bids involving the use of electrically-powered vehicles, Euro 5 or Euro 4, while those with Euro 3 vehicles and those with internal combustion engines are rated less favourably;

The construction of the new Alperia headquarter in Merano requires a holistic approach to design with a

sparing use of environmental resources, sustainable and efficient energy management, the use of environmentally friendly and non-toxic materials, attention to comfort and the reduction of operating costs. The building must be designed so that it can monitor the characteristics of the environment that affect human health and well-being, such as temperature, humidity, light and acoustics according to the “LEED and WELL” model based on parameters such as: the reduction of the building’s energy requirements, the sustainability of the life cycle of materials, the development of sus-



¹based on the volume of purchases in euro

tainable and efficient architecture, the creation of heat islands, attention to the beneficial effects of natural and artificial lighting, user comfort and the elimination of architectural barriers. Suppliers will then be assessed according to these characteristics.

In 2018 60% of purchase orders issued went to local suppliers resident in South Tyrol. For Alperia it is important to promote the local economy, even if it is not always possible given the peculiarity of the activity carried out, because of legal requirements and the need to comply with the rules on public procurement. 27% of products and services, based on the volume of purchases in euro, are purchased locally. Among them:

- Origin of the suppliers of products: 19% local (2018), 41% local (2017);
- Origin of suppliers of works: 36% (2018), 51% local (2017);
- Origin of supplier of services: 22% (2018), 15% local (2017);

In general, the number of orders has remained unchanged compared to 2017, but the total volume of purchases has changed, going from about €78 million (of which €26.5 million for South Tyrolean suppliers) to about €197 million in 2018 (of which more than €53 million for local suppliers). The value created for local suppliers has therefore increased in terms of absolute volume, although it has decreased in percentage terms because some large purchases were made outside the province as these were materials that could not be purchased in South Tyrol.

The products purchased are divided into product categories according to their financial relevance: 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 represent a smaller percentage of the total volume of purchases.





For Alperia, sustainable and responsible economic management concerns not only internal processes within the company, but also external ones. All Alperia suppliers must accept the principles of the Group’s Code of Ethics and uphold them, starting from the respect and protection of human rights, health and safety at work, as well as respect for the environment and sustainability. We use a variety of tools to verify that our suppliers comply with precise environmental and social standards:

- **Register of suppliers:** in 2017 Alperia created a structured register of suppliers. To join the register, suppliers must provide information and self-assessments, completing a questionnaire and documenting the actions taken in certain areas such as safety at work. The register is continuously updated. Suppliers dealing with certain product categories subject to a three-year qualification must demonstrate that they have specific social/ environmental certifications (e.g. SO 14001, OSHAS 18001, EMAS) or equivalent measures in place;
- **Tender:** for the Group’s supply tenders, Alperia

has begun to establish a process for assessing the minimum sustainability requirements associated with the product. This mechanism means that the focus on certain types of supplies is checked by a selection process that is entirely geared towards sustainability criteria;

- **Vendor Rating System:** the Vendor Rating System is a tool that guarantees the quality of suppliers and minimises the risk of loss and dependence. The instrument will be complemented by sustainability criteria and will become fully operational as from 2019. The system provides that the collaboration of suppliers of strategic importance is evaluated internally on the basis of a standard questionnaire in which the services provided, safety standards, commitment to environmental sustainability, etc. are considered. The assessment was launched in 2018 on a sample selection and no critical issues were identified.
- **Supplier audit:** Alperia can carry out supplier audits for all suppliers, verifying the information received and carrying out on-site visits and interviews. Two audits were carried out as of year end.

Strategic objectives: We want to make our purchases as local and ecologically and socially sustainable as possible.

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 100% of the purchase contracts and the General Terms and Conditions at Group level contain a clause of respect for human rights.	- Draft of the new General Terms and Conditions of business and human rights clause in purchase contracts	Implementation of the new General Terms and Conditions of Business	2019	Share of purchase contracts containing a human rights clause	100%	ongoing	-
 100% of significant tenders contain minimum sustainability requirements related to the product	- Definition of a process to evaluate the minimum sustainability requirements related to the product to be considered in significant tenders - Introduction of minimum sustainability requirements in tenders (e.g. transport service), defined by the requesting Unit	- Analysis of the main product categories according to sustainability aspects - Implementation of a process of assessment of the minimum sustainability requirements related to the product by the requesting Units - Introduction of biodegradable glasses and glass bottles - Introduction of minimum sustainability requirements related to the product for office supplies and cleaning supplies	2019	Share of significant tenders containing minimum product-related sustainability requirements	100%	ongoing	-
 100% of new suppliers are assessed according to specific social and environmental requirements (e.g. indication of accidents at work)	-	All new suppliers must be included in the supplier list and have certain certifications (e.g. SO 14001, OSHAS 18001, EMAS) depending on the product category.	2019	Share of new suppliers assessed on the basis of specific social and ecological requirements	100%	ongoing	100%
 The Vendor Rating System contains sustainability criteria	Inclusion of safety and environmental sustainability criteria	Inclusion of criteria for safety, social and environmental sustainability.	2018		-	achieved	-





Green Mission

Alperia plans its activities ensuring the best possible balance between economic objectives and protection of the environment, health, safety, climate and biodiversity, engaging in research and development of innovative solutions that provide for the use of alternative energy sources with lower environmental impact and less resource consumption.



Ensuring sustainable patterns of production and consumption



Take urgent action to combat climate change and its consequences

Water

(ALP6; ALP7)

Alperia produces electricity from renewable sources through 34 hydroelectric power stations located in the valleys of South Tyrol. In addition, it manages 14 large dams and 17 minor works spread over the territory.

After being taken from the water intake systems, the water is returned to the environment. A hydroelectric plant, however, can interfere with the normal modelling activity of a watercourse for which several interventions are planned. The dams and reservoirs retain part of the solid materials transported. As agreed with the competent authorities, Alperia recovers and disposes this material as waste.

Through the management of dams, Alperia also regulates the volume of water that flows downstream during floods (rolling), reducing the maximum flow rate and the disruptive force of the water. This ensures greater safety for the population and containment of any destructive effects on the ecosystem. The management of hydroelectric power stations in South Tyrol, whose concession has been renewed, is



also accompanied by the adoption of environmental measures. Through the compensation funds, in collaboration with the Autonomous Province of Bolzano – South Tyrol, the riparian municipalities and the Fishing Associations, various measures are implemented to improve watercourses, interventions to consolidate fish populations, ladders to climb to the water intake systems and interventions to conserve and improve the environment and the landscape.

Minimum Vital Flow

A hydroelectric plant reduces the river flow in the section between the dam 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” (MVF) is discharged, called “environmental flow”. In the summer period or in the months when snow melt is high, the flow rate of Alpine rivers is usually higher, while when the temperature drops, rivers record minimum flow rates (“lean flow rates”). During flood events and when the natural flow rates are high, the plants derive up to the maximum flow rate allowed by the concession decrees, while in periods of low water levels, in some sections of the riverbeds, there may be a significant reduction in the flow rate. The planned Minimum Vital Flow preserves the natural biological and physical processes of the river ecosystem. In the Autonomous Province of Bolzano – South Tyrol, the release of the VMD from a hydroelectric bypass is regulated by the new General Plan for the Use of Public Waters (PGUAP). The release of MVF (l/sec) in 2018 was 38.883, in line



with the values of 2017 (38.178 l/sec). In 2018, there was no complaint or sanction for failure to comply with MVFs.

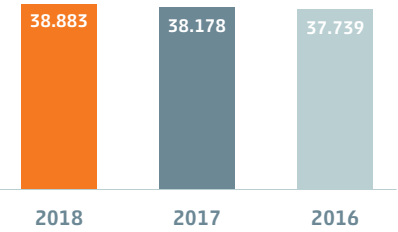
With the renewal of the concessions, some outlets were no longer authorised, contributing to the MVF. In 2018, the Province prepared the plan for the demolition and restoration of the obsolete intakes belonging to the hydroelectric plants of S. Valburga (Fonderia River intake), Molini (Lupoletto River and Casere River

The "Lago Verde", the South Tyrolean artificial reservoir located at the highest altitude (2529 meters above sea level)

intakes), Sarentino (Grotta River intake), Ponte Gardena (Bremè River intake), Bressanone (Valles River intake) and Lasa (Foltin pumping stations on the Lasa River and San Giovanni Plima River). Demolition and restoration work is scheduled to start in 2019. In addition, in July 2018, a mini-hydroelectric power plant was commissioned to use the MVF in Lasa (Rosim River) to boost the production of electricity from renewable sources.

In addition, the Authority has asked Alperia to prepare studies on flow rate fluctuations. Derivations 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. The return in the watercourse downstream of the power plant is therefore intermittent. Flow fluctuations take place once or twice during a day: These pulsations create problems for the aquatic environment as they compromise the natural reproduction of some fish communities, especially the salmonoids. The studies

Release of MVF (l/sec)



prescribed by the Authority are intended to analyse the current state with regard to the extent of flow fluctuations and the impact on the watercourse concerned, and to evaluate improvement measures. They were conducted for the Lana plant, which impacts on the Valsura stream, for the Molini di Tures plant, which impacts on the Selva dei Molini River, for the Bressanone hydroelectric plants, which impacts on the Isarco River, and for the Glorenza plant, which impacts on the Puni River and the Adige River. Following a special monitoring system, the quantity of water to be released for the period of the concession has been defined for 4 large plants and activities will continue for the remaining 7 plants.

Sediment management

Mountain watercourses exert a slow but continuous erosion on the ground and rocks. The solid material (gravel and silt) deposited in the reservoirs disturbs the functionality of the hydraulic works and reduce their storage capacity. In order to manage the accumulated sediment, mechanical removal is the main method in small reservoirs, while in the large reservoirs controlled release is used through the opening of the deep discharge components in the dams. The periodic drains of the basins allows the material retained to flow downstream, to carry out work on the interception works, to maintain the basin's useful storage capacity over time and to restore the bed of the watercourse to best possible conditions. In accordance with the legislation in force, Alperia has submitted reservoir management plans to the relevant



Removal of sediment in the
Vizze basin

Authorities. The 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. 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.

Between April and May 2018, Alperia Greenpower, a subsidiary of Alperia, carried out an extraordinary maintenance operation with the removal of the sediments deposited in the Melago basin, in the Curon Venosta plant. About 8,000 m³ of sediment were gradually drained, over a period of two weeks, leading to the Carlino River's cloudiness of the water. This was an extraordinary maintenance operation which, according to the management plan of the basin,

in accordance with Provincial Law 8/2002, must take place at multi-yearly intervals.

In 2018, removal of sediment in the Vizze basin, an area that includes the Riedenau biotope, an environment of high natural value, was also completed. The work was carried out by dredging the area immediately upstream of the dam with the help of a mobile suction pump and transferring the sediment adjacent to the basin. The technique adopted allowed the intervention to be carried out with minimum environmental impact, controlling the amount of sediment flowing downstream and therefore the degree of turbidity. The control measurements made indicated very low values, below the permitted threshold. The land affected by the sedimentation tank for the deposit of the extracted sediment has been remodelled and restored.

The removal of sediment in the Monguelfo reservoir is planned for 2019. This removal will involve dredging, using techniques similar to those used for the Vizze basin. The extracted sediment will be deposited on the shore through the use of geo tubes.

Flooding and the disposal of solids in watercourses

Approximately 500 tonnes of waste collected from watercourses are disposed of each year. An exceptional event occurred at the end of October 2018. The flood did not cause accidents to Alperia Greenpower personnel or cause serious damage to the facilities. In fact, the reservoirs of the large dams have been kept

under control and managed by means of internal flood management procedures. As far as the solid material being transported is concerned, there were some critical issues, especially in Val Isarco, Val Pusteria, Val Gardena, Val Sarentino and side valleys, where a large quantity of trunks, branches and plastic equal to about 400 tonnes was found. The material was recovered, placed on the riverbank and transported after its separation to a recovery/recycling centre. Many run-of-river systems have been temporarily out of operation and/or limited by clogging grids and regurgitation from discharges due to the high water level in the rivers, but there was no permanent damage. This is also thanks to the efficiency of the Alperia Greenpower staff and the staff of the Cardano Remote Control Centre who worked uninterruptedly, even at night, to manage the exceptional event and bring the situation back to normal.

Obstacles to the migration of fish fauna

A further environmental problem is the presence of insurmountable obstacles for the fish fauna that can cause the interruption of the migratory flows and the movements towards the areas of reproduction and nutrition. The intake works of hydroelectric plants can also provide a barrier for the migration of fish. To encourage the improvement of the life of fish species, artificial passages (fish ladders) to the water intake systems are planned for some plants. In August 2018, the fish ladder in the Sarntal valley in Rabenstein (Corvara) came into operation. The Hunting and Fishing Office and the Water Protection Office have carried out the relevant tests, approving the new

0 (zero)

number of times in 2018 that
legal provisions on minimum vital flows
were not complied with

passage that allows the drop caused by the dam to be divided uniformly into 16 small tanks, allowing fish and other aquatic species to easily overcome the difference in level. In 2019, the functionality of the camera-based monitoring of the transition will be implemented, increasing the number of fish passing. The ladder was developed as part of the environmental plans associated with the operation of hydroelectric power plants. The fish ladder in Lasa (Castelbello), which Alperia designed in 2018 and which will come into operation in 2020, will also be financed through the environmental fund.

Finally, in order to rebalance the distribution of the fish species in collaboration with the fishing associations, every year fish fry replenishment is carried out. The fish species introduced are established by the relevant Authorities.

Environmental Plans

For the first time – and the only time in Italy – the granting of concessions for large hydroelectric power plants in 2011 was linked to important environmental measures and the allocation of the necessary financial resources. For the entire thirty-year duration of the concessions, Alperia will allocate €400 million to environmental projects for the benefit of the riparian municipalities or the municipalities hosting the power plants.

The types of measures for which compensation funds can be used, as defined in Provincial Resolution no. 199/2017, are:

- 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 infrastructure;
- 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 concessions 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, 43 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. Part of the environmental funds is made available to the Autonomous Province of Bolzano – South Tyrol and used to improve the aquatic habitat. These include, for example, the redevelopment of the Talvera stream and the renovation of the banks of the Isarco river in Bolzano. Added to these measures 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.




In order to ensure that the environmental funds are used in a targeted manner, each hydroelectric plant has an Advisory Board that prepares proposals. It 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.

In addition to the works already carried out in the large hydroelectric plants of Santa Valburga-Pracomune, San Pancrazio, Lana, Sarentino, Cardano,



Ponte Gardena, Bressanone, Lappago, Molini di Tures, Brunico, Marlengo, Tel, Vizze, Glorenza, Castebello, Lasa and San Floriano, environmental funds will also be made available for the plant in Barbiano in 2019.

Strategic objectives: We want to minimise the impact of our hydroelectric power stations on nature and the environment and actively protect the biological diversity of watercourses.

	Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
	Compliance with legal provisions on Minimum Vital Flow	- Monitoring and maintenance of intake facility - Monitoring activities for 4 hydroelectric plants concluded and final MVF established for the entire concession period	Monitoring and maintenance of intake structures: Continued monitoring activities for the other seven hydroelectric plants	2019	Compliance with provisions on minimum vital flow	100%	ongoing	100%
	Construction of fish ladders and compensation measures	- Construction of fish ladders in Rabenstein (Sarentino power station) - Financing (through an environmental fund) of various measures to improve the morphology of watercourses affected by hydroelectric derivations (about 25% of the environmental funds for each hydroelectric plant are allocated to river requalification by the Province;)	- Construction of a fish ladder for the Lasa intake facility (Castelbello power station) - Financing (from the environmental fund) of various measures to improve the morphology of watercourses affected by hydroelectric derivations	2017-2020	-	-	ongoing	-
	Renaturalization and restoration of the original landscape in disused plants	Abandoning 8 minor intake facilities and restoring the natural environment	Demolition and restoration work on natural beds	2017-2019	-	-	ongoing	-
	Reduce the risk of contamination from recycled water from open-cycle cooling	Modification of the cooling systems from 'open cycle' to 'closed cycle' in the hydroelectric plant in Glorenza		2018	-	-	achieved	-

Energy consumption

(GRI 302-1)

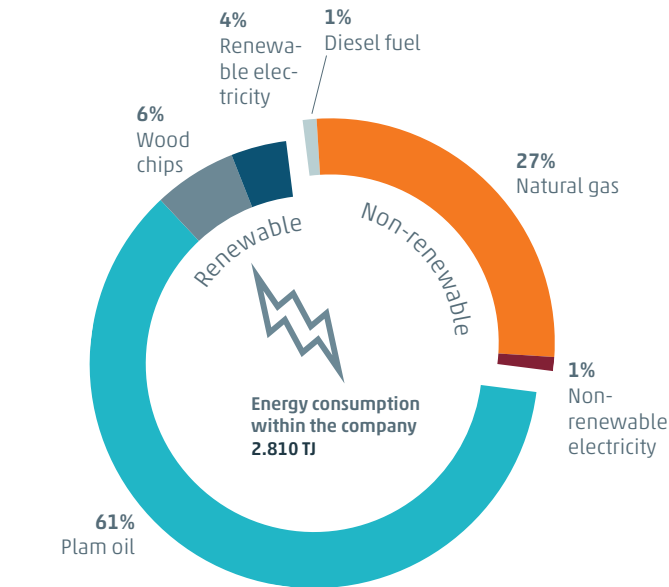
The Group's direct energy consumption concerns the use of fuel for the production of electrical and thermal energy in plants (cogeneration, thermal power stations, boilers) as well as non-renewable primary energy sources not directly related to energy production (e.g. heating, transport fuels, etc.), used in carrying out activities. Indirect energy consumption, i.e. the energy the Group purchases and consumes, relates to the Group's plants and sites. 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 2018, the Group's direct and indirect energy consumption deriving from operating companies, customer offices and the Group's representative offices, amounted to around 2.8 million TJ. 29% of direct energy consumption originates from non-renewable sources (electricity, gas oil and natural gas) while 71% is from renewable sources (electricity, thermal energy, palm oil and wood chips).

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. In particular, it prefers to use energy from renewable sources, both in the production sectors and in the sites. Two out of five district heating systems have, for instance, installed photovoltaic panels. In addition, Alperia promotes the energy efficiency of buildings, systems and the entire system. A structured reporting system has been developed at Group level.

Alperia has also obtained the UNI 11352 certification attesting to the results in terms of energy savings achieved by the companies that provide energy services in industry and has launched an energy audit project at its headquarters in Bolzano and at the power plants in Sesto, Cardano, Bressanone and Ponte Gardena. A number of recommendations have emerged, including: to have a monitoring system through the installation of electricity meters, to implement an ISO 50001 energy management system, to reduce losses through elevator transformers and possible heat recovery, to evaluate the

replacement of oil and electric boilers. Once the potential for energy savings has been identified, the obligation under Legislative Decree 102/2014 (Energy Diagnosis Obligation) will be fulfilled and the diagnostic data sent to ENEA.



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

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
	Establishment of energy management at group level	Once the data collection system was created, a summary of the data was published in the 2017 Sustainability Report.	2018-2019	-	-	ongoing	-
	Reduce the energy consumption of buildings and plants through targeted energy efficiency initiatives	Carrying out an energy audit and identifying potential savings in plants	2018-2021	Energy consumption (TJ)	tbd	ongoing	2.810
		- Carrying out an energy audit and identifying potential savings in plants - Establishment of a system for monitoring consumption in Facility Management - Installation of measuring instruments at all consumption data collection points - Launch of energy efficiency projects at the headquarters Dodiciville and Resia and at the power plant in Cardano together with the Business Units Generation, Networks and the Facility Management department of Alperia SpA					

Emissions

(GRI 305-1; 305-2; 305-3; 305-4; 305-5; 305-7)

The Provincial Council of Bolzano has launched the Climate Strategy 2050 with which it intends to make South Tyrol a recognised “Klimaland”. To achieve this, it is essential to reduce the consumption of electricity, reduce CO₂ emissions and cover residual energy needs with energy from clean, safe and mainly South Tyrolean sources: CO₂ emissions, which are largely attributable to the energy sector, contribute significantly to the increase in greenhouse gases, which are responsible for climate change and are covered by the Kyoto Protocol and the United Nations Framework Convention on Climate Change (UNFCCC) at international level. The greenhouse gases or climate-altering gases considered are carbon dioxide (CO₂) and sulphur hexafluoride (SF₆). In Europe, annual emissions amounted to 9 tonnes of CO₂ per capita, while South Tyrol accounted for 5 tonnes of CO₂ per capita. The plan foresees the reduction to 1.5 tonnes of CO₂ per capita per year.

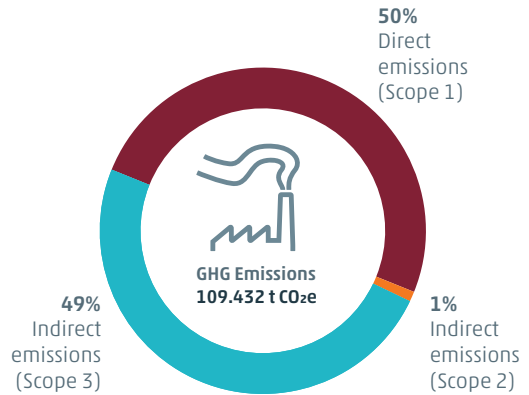


Alperia supports the 2050 climate plan

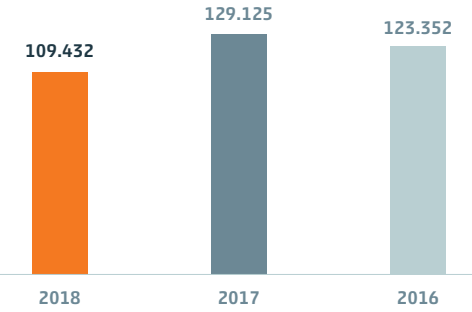
Alperia contributes to the achievement of the objectives set by the provincial climate plan by reducing both its own emissions and those of its customers through the purchase of energy, heat and green services. The plants, offices and points of sale are periodically monitored with a special report to 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. Our Group's activities generate atmospheric emissions both directly, through production, and indirectly through the procurement of electricity from third parties:

- Scope 1: all direct emissions of greenhouse gases produced by sources owned by the Group, i.e. 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).

After implementing regular monitoring of greenhouse gases and identifying possible reduction measures, we plan to define a target for reducing emissions at Group level. The summary of the data collected was published in the 2017 Sustainability Report and we have created an internal project team to evaluate the possibilities of promoting the ecological mobility of employees. We are also evaluating the use of biogas. It is important to remember that pollutants such as NO_x and SO_x have negative effects on climate, ecosystems, habitats, agriculture, human and animal health, leading to deterioration of air quality and acidification. These emissions come from combustion processes (a small part of the Alperia business). In 2017, the estimated generation by the Group was: 129.125 tonnes of direct and indirect CO₂e. In 2018 there was a total of direct and indirect CO₂e emissions of 109.432 T, of which 8 t SO_x and 44 t NO_x. The change with respect to the previous year is the result of the accident at the Alperia Biopower power plant in Sardinia, which



GHG Emissions (Scope 1, 2, 3) in tonnes of CO₂e



resulted in lower consumption of diesel. 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 0.02 CO₂ te/MWh is obtained.

Measures to reduce emissions: storage tanks

We believe it is very important to reduce emissions through the application of eco-sustainable technologies. For this reason, in recent years we have already put storage tanks in both Sesto and Bolzano into operation. The Bolzano plant in particular has a capacity of 5,800 m³. This infrastructure exploits the thermal energy coming from the municipal solid waste incinerator of Bolzano, reducing, as provided by the CO₂ Plan of the Municipality, the consumption of fossil fuels

0,02
tonnes of CO₂e emitted per MWh
(Greenhouse Gas Intensity) in 2018



and CO₂ emissions in the city. A saving of 6,000 tonnes of CO₂ was achieved (2,600 T CO₂ in 2017, reference year 2015), using energy from secondary raw material (waste).
The tank was tested in 2018. In the same year, the district heating network of Merano and Bolzano was extended in order to offer the advantages of this sustainable system to an increasing number of households. In addition, a biomass plant will be built in Merano, which was designed in 2018.

Green mobility for employees

Alperia is committed to spreading behaviour that is more attentive to sustainability and environmental protection among its employees as well. For this reason, we have accelerated the electric mobility plan dedicated to our corporate fleet: by the end of 2020, we will have 120 electric/hybrid vehicles and 170 by






2021. We have already started this process in 2018, equipping the company's fleet with 51 electric vehicles and 8 hybrid vehicles. In addition, employees who already have an electric or hybrid vehicle have the opportunity to park it free of charge at the Alperia headquarters in Bolzano in via Dodiciville and to use - for a fee - the recharge station. Finally, a dedicated team will be in charge of investigating the sensitivity of Alperia employees to sustainable green mobility in order to understand, through a dedicated survey, how to encourage more environmentally friendly travel.

Noise pollution

Alperia is committed not only to reducing CO₂ emissions from its activities, but also to limiting the environmental noise produced by its plants. Detailed information on these topics can be found in the EMAS 2017 statement of Alperia Greenpower, Alperia Vipower (EMAS 2018) and the EMAS 2016 statements of Alperia Ecoplus, available on the website www.alperiaigroup.eu. The acoustic values measured by the district heating plants are within the limits set by the regulations in force.

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

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 Establishment of reporting on greenhouse gas emissions at group level	<ul style="list-style-type: none">- Once the data collection system was created, a summary of the data was published in the 2017 Sustainability Report.- Creation of an internal project team to assess the possibilities of encouraging the ecological mobility of employees.	<ul style="list-style-type: none">- Implementation of regular monitoring of greenhouse gases and identification of possible reduction measures (e.g. evaluation of an incentive system to promote the use of public transport by employees, e-mobility, energy efficiency projects)- Setting a group-wide emission reduction target- Evaluation of the possibility of using Biogas	2017-2021	CO ₂ - Intensity (t CO ₂ eq/Mwh of energy produced (gross))	tbd	ongoing	0,02
 Reduction of emissions in the 'heat and services' sector through the application of eco-sustainable technologies and optimisations	Design of a biomass plant in Merano	Construction of a biomass plant in Merano and emission reductions by switching from gas to biomass	2017-2021	Tonnes CO ₂ eq	-	ongoing	109.432
 In three years, 50% of its fleet of electrifiable vehicles will circulate at zero emissions.	The company fleet has 51 electric vehicles and 8 hybrid vehicles.	Acceleration of the Electric Mobility Plan: fleet turnover is accelerated to have 120 electric/hybrid vehicles by the end of 2020 and 170 by 2021.	2017-2021	Number of electric vehicles in your fleet	120 veicoli elettrici/ibridi entro il 2020 e 170 entro il 2021	ongoing	59



Customers

The industry in which we operate is highly regulated and very complex, but our goal is to make it simpler, more transparent and more efficient by providing our customers with a high quality service to ensure them a smart and digital energy future.



Ensuring access for all to cheap, reliable, sustainable and modern energy systems



Building a resilient infrastructure, promoting innovation and equitable, responsible and sustainable industrialisation



Making cities and human settlements inclusive, safe, durable and sustainable



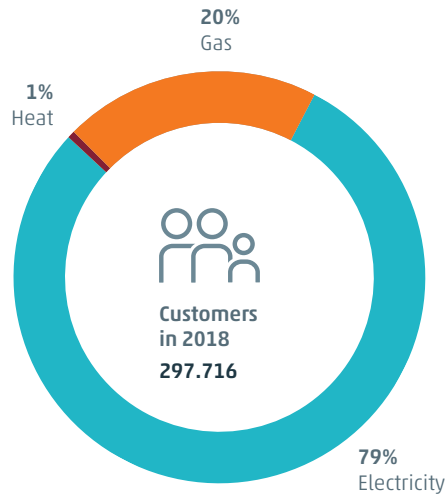
Ensuring sustainable patterns of production and consumption

Customer Satisfaction

(GRI EU3; GRI 417-1; 417-2; 417-3; ALP8)



Alperia supplies electricity, natural gas and district heating to a total of 297,716 customers (electricity collection points), households, large and small businesses and public institutions, an increase of 17% compared to 2017 (253,674 customers). 79% of customers have signed contracts for electricity (236,000), 20% for gas (60,000), 1% for heat (1,716). A performance in line with that of previous years.



A modern service offering and close to the customer (ALP1, ALP2)

Punctuality, transparency and proximity: are three fundamental aspects of the relationship with the customer. For this, we have created a multi-channel communication network. In addition to the call centre with bilingual local staff, the online portal reserved for customers to manage the energy supply from home and the website www.alperia.eu which can also be accessed via app, we have 9 Energy Points located throughout the province. These are offices where customers can have immediate, high quality and easily accessible personalised advice. In addition to the 3 Energy Points in Bolzano and 2 in Merano, we have one in Ora, one in Ortisei, one in Brunico opened in 2018 in collaboration with Azienda Pubbliservizi Brunico and one in Bressanone, the latter in collaboration with ASM Bressanone. Through the website or the app, the customer can find out beforehand how many people are waiting at each Energy Point, in order to reduce waiting times at the counter.

With more than 100,000 end customers, the sales company and subsidiary Alperia Energy, as required by

law, also has a toll-free number, active at least 35 hours per week, which customers can contact. The toll-free number must comply with the service quality criteria imposed by the Authority (ARERA). The call centre is staffed by local and bilingual staff who respond to customer requests Monday to Thursday from 8am to 4pm, and on Fridays from 8am to 12pm. Since 2017, a better level of service has been achieved thanks to the start of a collaboration with an external call centre that covers calls when all the Alperia lines are occupied, to avoid the customer hanging up after a long wait. This model was maintained also in 2018. The authority requires a monthly response rate of 85% for calls received on the inbound freephone number. A performance that Alperia has far exceeded, effectively responding to 97% of the calls received each month (the company aims to reach 99%). The same efficiency is found in the handling of complaints which are addressed within 10 days (according to the regulations, the company should respond within 40 days and from 1 January 2019 within 30 days. A novelty that Alperia will use to further improve its performance, responding to complaints within just 7 days). As required by law, Alperia also divides the reports received by category, distinguishing between information requests and actual complaints. There were 533 complaints in 2018, down from 587 in the previous year. Registered complaints are divided into the following reference categories: contracts, arrears and suspension, market, invoicing, measurement, connections, work and technical quality, social bonuses, commercial quality and more. In 2018, 59% of complaints were registered for the "invoicing" category, with particular reference to the sub-category "payments and refunds" which, compared to the other from

0,18

number of complaints
per 100 customers
(industry average: 1,29)

sub-categories (self-reading, recalculations, incorrect estimated consumption, periodicity and closing invoice, etc.) had an incidence of 34%.

In addition, since 2017, an energy conciliation service has been set up to which the customer can have access after making a complaint to the operator. Alperia, both in 2017 and 2018, attended only one meeting at the reconciliation service. This a trend that it intends to maintain also in 2019.

In 2018 Alperia carried out a survey on customer satisfaction with regard to quality and service offered. The








survey was carried out by telephone on a sample basis among customers who had authorised the company to process the data. The results exceeded expectations: 87.2% of customers were very satisfied with both the products and the sales service and, above all, with the company's geographical location. Just 9.3% of respondents said they were less than satisfied. The good result achieved demonstrated the ability by the operators in the Alperia front office in managing requests and in responding to customer questions. To ensure that they are well prepared, the company organises two training days a year (the last one was dedicated to the new Green Gas product) and offers them the myRetail service available in the myAlperia area. In addition, the possibility of innovating in the service through the use of chatbots is being explored. The needs of the front office were the subject of both the Alperia Startup Factory, the contest for startups launched by Alperia and the Innovation Board projects.



87%

percentage of clients satisfied
with Alperia's service

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

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 99% of calls to the toll-free number are answered.	Additional external hotline	Additional external hotline	2019	Share of telephone calls answered	99%	ongoing	97%
 100% of complaints received from customers are processed within 30 days	Complaints handled by the dedicated office	- Ensure timely handling of complaints within 10 days (where possible). - Continuation of the complaints service	2019	Share of processing of complaints	100%	ongoing	100%
 100 % of customer complaints are resolved	Complaints handled by the dedicated office	- Ensure timely handling of complaints within 10 days (where possible). - Continuation of the complaints service	2019	Share of solving of complaints	100%	ongoing	100%
 For a better understanding of the causes, from 2018 100% of complaints will be subdivided into subgroups and analysed	Measure achieved		2018	Share of complaints analysed	100%	achieved	100%
 Improving customer satisfaction	Conduct a customer satisfaction survey for the first time in 2018	Carry out of a periodic customer satisfaction survey	2018-2021	Customer Satisfaction Index	tbd	ongoing	87,2%

Transparent marketing and communication

(GRI 102-43; GRI 417-1; 417-2; 417-3; ALP8)

We are convinced that clear and timely communication is the first step to establishing a lasting and trustworthy relationship with our customers and all stakeholders. For this reason, we pay great attention to internal and external communication, building relationships based on long-term collaboration. During 2018, in particular, we communicated through:

- **Press and online:** announcements, PR articles, customer web page (www.alperia.eu) and institutional website (www.alperigroup.eu), social media, online portal and customer apps. In total, about 1800 articles appeared in the local press and 30 articles in the national press with over 2400 web presences during the year. These were articles with neutral sentiment, mostly linked to the activities presented by Alperia, of which an overview is available on the group's website. The same site has been subject to some changes: with the aim of strengthening the culture of sustainability, in 2018 we dedicated a specific section to this issue on the www.alperigroup.eu website



and offset all emissions from the Group's online portal and websites (the CO₂ Neutral certificate is visible online);

- **Energy Point:** in 2018 we opened a new Energy Point in Brunico. Here, as in the other 8 Energy Points located in the area, there are qualified consultants, call centre staff, brochures and leaflets and TV channels in the waiting rooms;
- **Events and Sponsorships:** we organise trade fairs, open days in hydroelectric power stations, sponsored events in the fields of sport, culture, the environment and safety;
- **Surveys:** every year we carry out a survey on brand perception. The results of the survey carried out in 2018 showed perfect consistency between the desired communication and the communication actually received by customers. In addition, Alperia conducts surveys on the transparency of communication and marketing and has commissioned a survey aimed at companies, individuals and municipalities to test their expectations with regard to smart services.
- **Informative evenings:** we have organised informative evenings regarding the installation of fibre optic in the municipalities involved

Paper communications with customers and for internal use are made on 100% FSC (Forest Stewardship Council) certified paper and CO₂ emissions are offset. Every year, advertising materials are screened for the most sustainable alternatives. The possible implementation of a mechanism to monitor complaints relating to the transparency of communication and marketing, is being assessed and procedures for the proactive



involvement of stakeholders established. Finally, it should be noted that all our commercial offerings as presented on the website www.alperia.eu have been independently verified and have been found to comply with the "Consumer Code".

A guided tour of the hydroelectric power plant in Barbiano during the "Open day" in 2018.

Energy prices

The year 2018 was marked by a sharp rise in prices for both electricity and gas. The impact on the prices charged to end customers on the free market, but also in the protected market, are due to the increase in international conflicts that have led to the increase in the cost of oil. In particular, according to the information provided by the Regulatory Authority for Energy, Networks and the Environment (ARERA), which plays a key role in setting prices in the Italian market, the increase for electricity for the typical household is mainly the result of the significant increase in the cost of purchasing the raw material (+7.3% on the expenditure of the typical customer), as well as by a slight adjustment of dispatching costs (+0.3% on the expenditure of the typical customer). The increase for gas is mainly due to the strong growth of the CMEM component related to procurement costs, +4.5% on the expenditure for the typical customer¹.

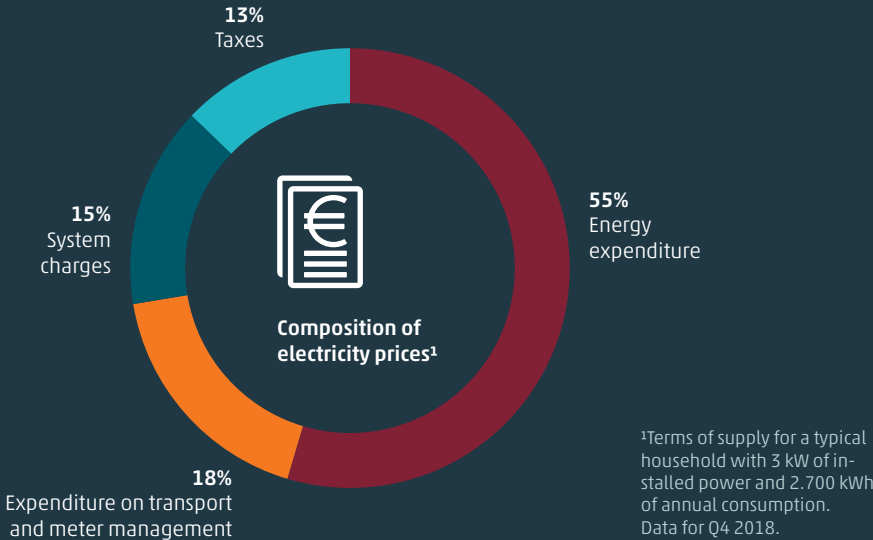
Pipeline maintenance and infrastructure investments also contribute to the increase in the final price. In addition, global warming is leading states to focus increasingly on renewable energy sources. As ARERA itself points out, in Europe the increase in the prices of natural gas is accompanied by the increase in the prices of gas transported by sea (LNG) on the Asian markets. Moreover, there is uncertainty regarding the total or partial shutdown of the 22 nuclear reactors out of a total of 58 in France.

Regarding market innovations, it is worth mentioning the project for the UVAC - Virtual Consumer Enabled

Unit introduced by Terna for its aggregated participation in the dispatching market, including for renewable sources; the system with which Terna has always guaranteed a full balance between energy demand and supply, relying on some conventional plants powered by fossil fuels, is now also open to renewable plants through a pilot project that could have an even greater impact in the future.

Every three months, ARERA, an independent institution responsible for regulating and monitoring the electricity and gas sector in order to protect consumer interests, updates energy prices for customers. Alperia's offerings for families are based on these

prices. The cost includes the price of energy and the sales and marketing components. For electricity to actually reach the customer, a fee 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 which are 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.



Communication Day

In December 2018 we organised a "Communication Day" for all our employees. We did it to share the company's vision, present the most important projects and objectives to be achieved, with the motto of "Think Smart". Sustainability, efficiency and a spirit of innovation will mark the future of our Group. Fully understanding the reasons for the choices we make at the level of individual companies and the Group and believing in what we do is a fundamental lever for us to act in a conscious and sustainable manner. The second day dedicated to organised communication in two years was organised in December (the first was held in April 2017). These are opportunities that we consider important to keep employees updated on the progress of the strategies of the Alperia world and to further strengthen the link with the company. And after the information part, space for conviviality with the Christmas dinner.

Sponsorships

To contribute to the development of the community in which it operates, Alperia supports projects and organisations based in South Tyrol. These are initiatives in which the company recognises itself and whose values it shares. Sponsorships are divided into 4 areas: sports sector (youth sports, mass sports and high level sporting associations), culture (music, theatre, dance), environmental protection and safety. Each sponsorship is in full compliance with the guidelines published on the company website (www.alperigroup.eu).



Sponsorship applicants must submit an application on the online portal. Applications are evaluated first by verifying the completeness of the documentation submitted and compliance with the conditions. They are then submitted to the Management Board of Alperia SpA, which decides on the acceptance or rejection of the application and the extent of the contribution. In 2017, the sponsorship procedure was

2°

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

assessed by Internal Audit, with a follow-up in 2018, which was positively received: the indications given by the Internal Audit department have been fully implemented in order to make the procedure even more transparent.

EUREGIO Environment Award

Alperia participated as the main supporter in the EUREGIO Environment Award, a competition that was launched in 2018 for the 10th time at the Euroregion level to raise awareness and motivate citizens to an active environmental protection, encouraging



In the photo above, the awarding of the EUREGIO environment prize; in the photo on the right, Alperia on stage with the other finalists of the "Best established brand" at the Charge Awards 2018 in Reykjavik.

innovation in the environmental sector. The award, which was presented in Innsbruck on 21 December 2018, saw companies present innovative projects and gave private individuals the opportunity to put forward ideas for concrete environmental protection measures. South Tyrol is thus working together with Tyrol and Trentino to strengthen its position as a "Klimaland" with a view to a future free from harmful emissions, driven by clean and sustainable energy. In addition, as part of the Environment Award, Alperia handed over an Energy Award.

Charge Energy Branding Award

Alperia was ranked among the best energy brands in the world, being among the top 5 finalists in the "Best Established Brand" category of the Charge Energy Branding Award 2018, a prize that is awarded annually to energy providers that have distinguished themselves with regard to the management and communi-



cation of their brand. 80 companies from all over the world competed for the award and Alperia was the only Italian company to have been shortlisted. The other finalists were companies from Germany, Finland and Canada. The selection was made by a group of independent international experts, including branding agencies, business consultants, universities and marketing experts. The award was handed over at the Charge Energy Branding conference held at the end of September in Reykjavik, Iceland. The nomination confirms the consistent management of the brand and long-term communication strategies.

Going Green Events

In the conviction that we can also contribute to the protection of the environment through events and promote sustainable practices in the community, Alperia has certified its events as "Going Green Events". The certification, given by the Waste Management Office of the Autonomous Province of Bolzano – South Tyrol, is obtained only if the planning, organisation and implementation of the events are carried out according to sustainable criteria. The use of environmentally friendly products, energy efficiency, waste management, the valorisation of local products and social responsibility are evaluated. These goals are in line with the long-term climate strategy presented by the South Tyrolean Provincial Council, which has set itself the goal of reducing annual CO₂ emissions per capita by 2020 to below 4 tonnes and by 2050 to below 1.5 tonnes. The commitment of the suppliers involved in the events is therefore fundamental and

they must apply sustainability criteria in terms of resources, waste, mobility, catering, energy, communication, acoustics and bonuses (alcohol and removal of barriers). Four events were awarded the "Going Green Event" label: the four open days at the power plant. Specifically:



"Lana meets Jazz"

The Lana hydroelectric power plant staged a concert. Thanks to the collaboration with AC Lana local sustainable products were served in the name of full sustainability. Visitors were asked to travel to the power plant on foot or by bicycle to encourage green mobility;

"Cycling in Lasa"

In conjunction with the "Marmor&Marillen" festival, which celebrates the harvest of apricots and the famous local marble, Alperia organised an open day at the Lasa power station, located on the Val Venosta cycle path. For the cyclists a pit stop was organised while those who arrived by train were given the opportunity to rent a bike.



"District heating for all sports"

On the occasion of BolzanoInBici, an event during which the city of Bolzano is closed to traffic, Alperia offered the population (more than 300 participants) the opportunity to visit the district heating plant of Bolzano, reaching it directly by bicycle. Outside the plant, the sports associations of Bolzano, Baseball Club Pool77 and Sportcity Bolzano, offered visitors to try out various sports activities such as archery or baseball.



"Open Doors in Barbiano"

KM 0 products, such as chestnuts, were served, and children were able to observe the "fauna" of rivers equipped with real magnifying glasses.






Two of the "Going Green Events" held by Alperia to open its plants to the public. On the left, the event "Lana meets Jazz" and on the right, the day of the open doors at the district heating plant in Bolzano.

Strategic objectives: We want to make our marketing and internal communications transparent, up-to-date and stakeholder-oriented.

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 Expansion of contents dedicated to sustainability on the web	- Updating the sustainability web page - CO ₂ neutral certificate - Corporate and sales internet pages (incl. customer portal web)		2018	-	-	achieved	
 Regular stakeholder dialogue on sustainability issues	Different dialogues with different stakeholder groups: - Customer satisfaction survey - Survey among municipalities on smart services - Fibre information days for municipalities and local population - Day of open doors in hydroelectric power stations for the local population - Conventions for personnel	- Conduct of a round table and stakeholder surveys - Reinforce internal communication on sustainability (e.g. My Alperia)	2017-2021	-	-	ongoing	
 Reduction of complaints related to the transparency of communication & marketing	Customer satisfaction survey with questions about transparency of communication and marketing	- Assess the possible implementation of a complaint mechanism for monitoring complaints relating to transparency of communication and marketing - Establish procedures for proactive stakeholder engagement in order to prevent complaints (e.g. information events in the case of large projects)	2018-2021	Number of complaints relating to the transparency of marketing and internal communication	tbd	ongoing	
 100% compliance with the voluntary provisions and codes of conduct on the transparency of marketing communication	- Implementation of Internal Audit recommendations 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".	Follow-up of the Internal Audit for compliance with the guidelines on sponsorship	2019	Compliance with voluntary provisions and codes of conduct on the transparency of marketing communications	100%		100%

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

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 Taking sustainability aspects into account when procuring advertising material	- 100% of printed materials are already FSC-certified and CO ₂ emissions are offset. - Introduction of annual screening of advertising materials for more sustainable alternatives	- 100% of printed materials are already FSC-certified and CO ₂ emissions are offset - annual screening of advertising materials for more sustainable alternatives	2019	-	-	ongoing	-
	Consider sustainability aspects in customer documents and advertising material	- The Christmas decorations in the customer offices were created by a social cooperative	2019			ongoing	
 Certification of 'open days' as 'Going green event'	- Evaluation of the requirements and definition of the modalities of implementation - Open Days Certification as 'Going Green Event'		2018		-	achieved	
 Increase in the number of customers receiving electronic invoices		Introduction of incentives to motivate customers to switch to electronic billing	2019	% of customers receiving their bills electronically	90%	ongoing	24%

Cyber Security

(GRI 418-1)

As an energy service provider, Alperia manages a large amount of data: personal data of customers, employees and partners, technical data relating to customer consumption, distribution infrastructure, power and heat generation plants. The Alperia computer system is complex and structured and manages a huge amount of data. Aware of the importance of ensuring the protection of this information heritage, especially in the digital age, Alperia pays the utmost attention to ensuring the security of this information in terms of confidentiality, privacy, consistency and availability of access control.

IT security is handled by a dedicated unit led by a Security Manager who works within the IT Department. This unit defines and supervises IT security architecture and systems, deals with identity management and access control systems and intervenes in the event of any IT attacks. Managing cyber security means avoiding unauthorised access to systems and the possibility of theft of sensitive or personal data or confidential information. For this reason, Alperia constantly updates its security systems, working on both external and internal protection.



1 Who we are	4 Green mission	7 Development and innovation
2 Sustainability strategy	5 Customers	8 Appendix
3 Territory	6 Employees	9 GRI Content Index



Some figures related to safety in Alperia

In 2018, Alperia's protection systems blocked an average of 3,000 spam mails and more than 11,000 malicious connection attempts every day, down from 2017. Each month Alperia identifies and blocks an average of:

- 70 viruses (+312% compared to 2017 when there were 17),
- 40 pieces of spyware (software that collects information about a user's online activity); almost twice as many as in 2017 when there were 22;
- 1 million malicious, suspicious or prohibited Internet activities (+67% compared to 600,000 in 2017);
- 120 malicious or unauthorised applications (there were 80 in 2017);
- 250,000 malicious or prohibited items of content (there were 300,000 in 2017).

As the numbers show, the threats are growing constantly. Consequently, defence systems must always be up to date in order to be able to combat them effectively, guaranteeing the necessary security for company systems.

Increasingly cyber attacks occur through highly advanced technologies involving artificial intelligence and machine learning. These systems are checked through advanced technologies based on the assessment of the daily behaviour of employees which identify any anomalies. The Group's e-mail is also protected against spam and malware. Additionally, the Group intends to make use of system security analyses through external organisations specialising in the management of top-level security software, in order to identify any shortcomings and strengthening defences where necessary.

In 2018 the GDPR management system was implemented and the European regulation for the protection of privacy, with training distributed to all company staff and internal audit activities. A dedicated group was responsible for the implementation of the regulations and the enhancement of the IT security infrastructure.

In addition, a security IT infrastructure has been set up and strengthened, a business continuity infrastructure for open systems has been created and in 2019 a list of recommendations that Alperia will have to take into account in order to strengthen its infrastructure will be drawn up, including a work plan to implement it. Possible internal threats have also been monitored through specific analytic systems. Updating activities continue with testing of the disaster recovery plan and the adoption of protection systems against ransomware threats. All this with the aim of keeping the entire security system updated and effective.



The Digital Officer has analysed the entire existing pool of applications, identifying gaps and defining the road map for all areas of the company, in particular Accounting, Asset Management, Marketing & Sales, and the structures for collecting big data from an IoT perspective. New targets have been identified, a new IT platform for procurement has been implemented and a process has been set up that gives customers the opportunity to interact with Alperia also through digital tools to improve contracts. The "Try & Test"

0 (zero)

cases of theft or loss
of customer data
identified during 2018



was not only on a technological level but also on a cultural level, through the introduction of functional cross-working groups.





In this context, it is crucial to be always trained and up-to-date. For this reason, employees who have access to sensitive data have taken part in training days and dedicated exercises. These activities were accompanied by courses on MS Office and D3 courses and will

be enhanced in 2019 with the launch of an online course on Cyber security and the safe use of digital media for all Group personnel. To this end, specific interventions will be carried out in the workplace area for employees with a more consistent use of e-learning tools.

The Cyber Security system adopted by Alperia complies with ISO27001 certification, an international standard

that recognises the Group's adoption of a system for the reliable and secure management of company information systems (IT and documents), in order to monitor and reduce management costs, ensure and demonstrate adequate levels of service, monitor and reduce the risks of possible disruption and limit the risks of service interruption. The certification is subject to an annual audit, in addition to further checks carried out by the Group's Internal Audit Department. In 2019 it is intended to assess whether suppliers are also certified according to ISO 27001 and participation in specialist security events (ITASEC, Clusit, etc.) is planned. In 2018, there were no IT security incidents (classified as 'incidents' in the regulations) relating to cyber security. Finally, particular attention was paid to the management of the security system during the activities carried out with startups.

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

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 100% compliance with the legal provisions on privacy	- Supported the group in the implementation of the GDPR management system for privacy issues - Internal privacy audit	Search for a software application for the management of GDPR problems and for the control of compliance	2019	% of compliance	100%	ongoing	100%
 No security incidents with regard to information management and data protection	- Confirmation of ISO 27001 Certification (Information Security Management) - Assess whether our suppliers are certified according to ISO 27001	- ISO 27001 certification (Information Security Management) for 2019 - Assess whether our suppliers are certified according to ISO 27001	2019	Security incidents	0	ongoing	0
 Ensure business continuity in the event of cyber incidents (e.g. server failures, power outages)	- Establishment and enhancement of the IT security infrastructure. - Implementation of the Business continuity infrastructure for the open part of the systems. - Implementation of an internal threat analysis system (Dark-trace)	- Testing and executing the Disaster Recovery Plan - Adoption of systems to reduce ransomware threats - Keeping the entire safety system up to date with the state of the art	2017-2021	-	-	ongoing	-
 Create a culture of information security among our employees in order to reduce risks	Distributed GDPR training for corporate staff	Development of an online course on cyber security and the safe use of digital media for all Group personnel	2017-2021	-	-	ongoing	-



Employees

Alperia believes in the value of people. The results achieved in just two years of activity as a single Group, both in terms of services provided and innovative capacity and sustainable growth, would have been impossible without a close-knit, competent and motivated team. A team that contributes, day after day, with a sense of responsibility not only to the development of the Group but also to that of the entire South Tyrolean territory.



Achieving gender equality and women's empowerment, generating increased strength, self-esteem and self-awareness



Promoting sustainable, inclusive and sustainable economic growth, full and productive employment and decent work for all;

Employee development

(GRI 102-8; GRI 401-1; 404-3)

The Alperia Group currently has 991 employees. People who 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. 94% of the Group's employees are on permanent contracts (98% in 2017), 90% of whom work full time (as in 2017). The number of new hires increased compared to previous years: 59 - of which 13 were women. The rate of new hires therefore rose by 6%, compared to 4% in 2017 when 34 new hires were made.

94%

employees on permanent contracts



6%

rate of new hires in 2018 (59 persons)

Most of the Group's employees are subject to the provisions of the National Collective Bargaining Agreement for Employees in the Electricity Sector. Any contractual changes are negotiated at state level and Alperia applies these changes to all existing contracts. At local level Alperia is in dialogue with the representatives of the relevant trade union organisations in South Tyrol and in 2018 it unified the framework conditions at Group level. Employees who were hired before the merger of the existing companies were subject to different framework conditions. These conditions have now been aligned thanks to four harmonisation agreements (on travel, availability, use of meal vouchers and performance bonuses) signed by the Corporate HR Department and the trade unions.

Changing human resources in the digital age

The Corporate HR Department of Alperia SpA is responsible for developing a uniform personnel policy for the entire Group. In 2018, a new HR information system was introduced, which makes it possible to integrate all employee data into Group-wide report-



ing, thus improving management (so-called personal reporting). Moreover, Alperia, aware of the changes underway, is accompanying employees into the new era of the world of work characterised by continuous learning and digitalisation. In 2018, almost 17,700 hours of training were provided: this is in the conviction that being constantly updated is fundamental in order to contribute to the development of the Group. The training hours cover various topics ranging from digitalisation to safety at work, from the 231 regulation to languages (Italian, German and English). In the energy sector there is also a need for specialist professional profiles such as environmental engineers,

Energy Managers, Energy Traders, environmental technicians, as well as professional figures in the digital sector. The latter are professions in continuous evolution who Alperia trains internally through individual development plans, investing in the growth of each of its employees.

The evolution of leadership and personnel

Following the findings of the 2017 survey carried out in collaboration with Great Place to Work®-Institute Italia on the corporate climate, Alperia organised workshops on leadership in order to create a stronger team spirit among management and contribute to a uniform leadership culture. The courses were highly appreciated both by the managers who took part in them and by the employees themselves, as emerged from feedback interviews organised by Human Resources (272 in 2018 for employees of Alperia Energy, the sales company, with the intention of extending them to all employees of the Group). Aware of the importance of the role of management, Alperia will be further strengthening its courses by implementing a leadership programme in 2019. Having a competent, authoritative and respected management

18,7

average hours of training per employee in 2018 (industry average: 15 hours)



helps to strengthen the team spirit and the link with the company, thus limiting the turnover rate which in 2018 was at 6%, 54 people, a slight increase compared to 2017 when it was 4% (equal to 40 people). However, it should be noted that most of the turnover is due to retirement. In 2019, a new anonymous survey will be carried out to assess the evolution of the corporate climate with the aim of increasing employee satisfaction by 3% to reach 43%.

Also in 2018, individual employee development plans continued and in 2019 High Potential programmes will be added. The aim of these programs is to give an incentive to employees and to young talents who will become part of the Alperia world.



6%

turnover rate in 2018
(54 persons)

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

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
	Increase in the employee satisfaction index to 43% (+3%)	- Implementation of a periodic employee satisfaction survey - Creating non-monetary incentives, for example by allowing periods of unpaid leave for high potentials	2019	Employee satisfaction index	43%	ongoing	41% (2016)


Strategic objectives: We want to support and challenge our employees in their further development.

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
	Continuation and further development of individual development plans for future managers	Extension of individual development plans to additional categories of employees	- Extension of individual development plans to additional categories of employees - Offer training courses also for employees in non-active service	2017-2021	Individual development plans individuelle (No)	ongoing	19
	Creation of a High Potential Program	A development plan with individual measures was made for the high potentials in 2018.	A talent management programme will be set up for young talent to be found on the job market in which high potential employees may also take part.	2018-2021	-	ongoing	-
	Promote digital skills	MS Office Courses - D3 Courses	- Offer a course on cyber security in the form of e-learning - Offer MS office courses - ongoing	2017-2021	-	ongoing	-
	Expansion of e-learning programmes	Preparation of the training material and the related test	Implementation of the platform by February 2019	2018-2021	-	ongoing	-

Strategic objectives: We want to establish an open and transparent communication culture.

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 Organise regular feedback interviews with employees	Feedback interviews carried out in Alperia Energy and individual areas of Alperia S.p.A. - 272 employees in total	Group-wide extension of annual interviews	2019	% of employees who regularly conduct feedback interviews	100%	ongoing	27%
 Raising managers' awareness of their exemplary role through targeted workshops	Individual courses have been identified in which managers have been able to participate	Leadership workshops planned for 2019	2019	Number of workshops for managers	-	ongoing	-

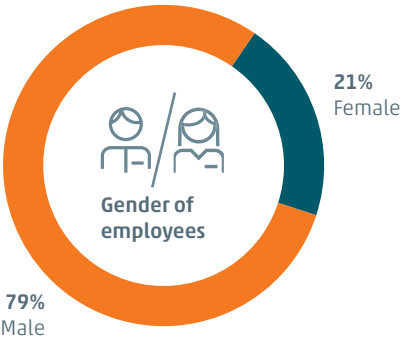
Strategic objectives: We want uniform and fair framework conditions at group level.

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 Harmonisation of the trade union agreements of the Alperia Group	Various trade union agreements in the areas of business travels, food service, standby duty, CIMA/FISDE have been concluded at Group level	Trade union agreements on telework, possibly smart working, harmonisation of the contributions paid by the company into the supplementary pension funds, etc.	2019	Number of new harmonised trade union members for the whole group	4	ongoing	9

Diversity and equal opportunities

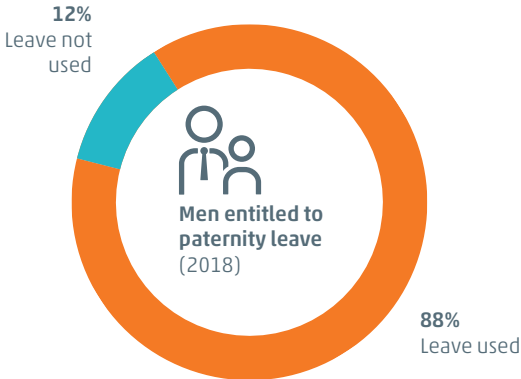
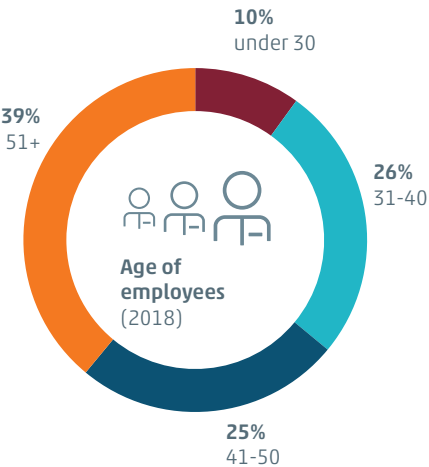
(GRI 405-1; GRI 405-2; GRI 401-3)

Alperia currently employs 195 female employees (21%). This imbalance is due to the sector in which the Group operates. In the technical sectors, such as energy production and distribution, more men are employed, while in the energy sales company and in the parent company Alperia SpA there is a more balanced presence of women. In the future, Alperia, which has considered the establishment of a pink quota in the technical sector, would like to attract more women in the technical professions and for this reason has planned several initiatives, intensifying the measures that are aimed at younger girls to attract them to technology, computer science and engineering. In fact, information days were held at the Technologische Fachoberschule (IT, technical insti-



tute) in Brunico, presenting the professional profiles available at Alperia. We also participated in the Job Speed Dating organised by the University of Bolzano. These initiatives will be consolidated in future through participation in the Career Days organised by the Universities of Innsbruck and Trento, holding an information day at girls' schools, contacting the technical secondary schools of Bolzano and conducting interviews with women already employed at Alperia in the technical professions so that they can be taken as a role model by the girls.

Aware of the fact that it is often difficult to find a proper work-life balance, especially for parents and single parent families, as well as for employees with family members in need of care, Alperia has expanded its work-life balance tools: from flexible working hours, also available for those who use part time, to teleworking Economic contributions for childcare



have been extended, from 2018, not only to the municipalities affiliated with the company but to all the provincial realities affiliated. In this way, many more families will be able to benefit from the support.

Since 2017 the Group has been certified as a family-friendly company by the Autonomous Province of Bolzano – South Tyrol and in 2019 a Committee for Equal Opportunities and Equal Welfare will be created with the trade unions. To further facilitate parenting, Alperia intends to strengthen smart working in 2019 and is also encouraging fathers to take parental leave thereby helping to improve the gender balance in the company. This is confirmed by positive data for employees who became parents in 2018 and took parental leave: 88% of men and 100% of women. The average duration of parental leave for women is about 8 months, for men about 2 weeks. After parental leave, 100% of men and 86% of women returned to the company to work.

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2 Sustainability strategy	5 Customers	8 Appendix
3 Territory	6 Employees	9 GRI Content Index


At Alperia, the pay gap between men and women for employees was 13%. This is the category with the highest proportion of women, but it also includes a high proportion of male technicians. The latter receive additional wage variables for on-call duty, contributing to the pay gap between men and women. In middle management, women on average earn 7% less than their male colleagues, while in the top management category they earn 23% less. In general, the number of females in executive and management positions is considerably lower: only 12% of top management and 15% of middle management are women. These are two major challenges to be addressed in the coming years.

In terms of average age, 39.1% of the Group's workforce (or 368 employees) is over 51 years of age. In the coming years, therefore, a large number of employees will retire, which is why it is even more important for Alperia to invest in future generations. It does so with all the instruments mentioned and guaranteeing all its employees, regardless of age, gender, linguistic origin or disability, a fair remuneration policy and career opportunities.

13%
gender pay gap between men and women in the category employees (industry average: 10%)



Strategic objectives: We want to attract more women to the technical professions.

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 Expansion of targeted staff marketing measures to raise public awareness of “women in technical professions”.	- IT Brunico: Presentations of professional profiles in Alperia - Job Speed Dating UNIBZ	- Information day in girls schools: - Participation in the Career Day Uni Innsbruck und Uni TN - Contacts with the technical secondary schools of Bolzano - Training Equal Opportunities Committee - Interview with women employed by Alperia in technical professions	2019	Women's share of the workforce (%)	-	ongoing	21%

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

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 Promotion of flexible reduced hours for men and women and managers	- Flexible timetables for part time employees - Part time employees in 2018	- Verify tools for 'smart working' and start negotiations with trade unions	2018-2021	Share of part-time staff (%)	-	ongoing	10%

Health and safety at work

(GRI 403-2)

We want to ensure the highest level of safety in the workplace for our employees and external staff. For this reason, we require the utmost attention, awareness and training to reduce the risks arising from the management of all work activities.

Safe working

Each company in the Alperia Group has a Health, Safety & Environment manager who is also the Head of the Prevention and Protection Service (RSPP). Since 1994, this figure has been responsible for all procedures to protect workers, analysing and forecasting the occurrence of conditions that are dangerous to their safety. This is therefore a mandatory and indispensable figure for maintaining a safe and healthy working environment. For the management of accidents and near misses, a procedure has been adopted that makes the communication of such events systemic and faster. In addition, Alperia has implemented and certified an integrated Environmental - Safety - Quality Manage-



ment System in accordance with ISO 14001, OHSAS 18001, ISO 9001 and ISO 27001 standards. Continuous improvement relates to both the Management System and the features. The external audits by the (third party) certification body covered all integrated management systems and a full cycle of internal audits was carried out in parallel. As required by the rules, each certified organisation carries out an annual review based on the results of the previous year when the improvement programmes for the following years are approved. In addition, a further review is carried out at Group level to assess the overall development. A monthly report on quality, asset integrity, environment and safety is prepared to make all human resources responsible and there is discussion at regular meetings of any occupational accidents.

With critical infrastructure that could generate even serious emergency situations, Alperia has signed an

agreement with the Civil Protection, planning common actions and creating communication systems facilitated. There has also been digitalisation of the management of health surveillance through a dedicated computer system and we have equipped ourselves with a new method of managing and monitoring risk assessment in order to improve the management of health and safety of workers.

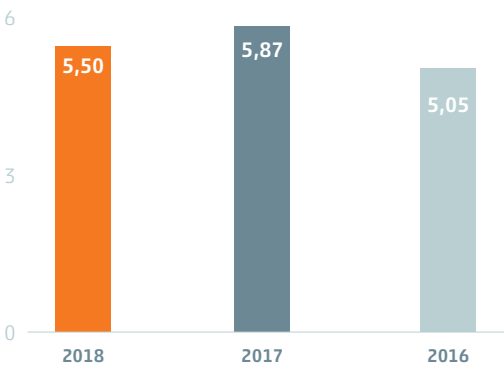
In 2018, the number of accidents involving Group employees remained the same as in 2017 (i.e. 13), but the number of lost days increased as the accidents were more serious. The Incident Frequency Index (IF) rose from 9.31 to 8.94, the Incident Severity Index (IG) from 0.14 to 0.20 and the days of absence from 192 to 293.

To increase attention to the risk of accidents, Alperia has provided 3,093 hours of training courses on safety at work and "Lessons Learnt".

Health and safety for our contractors

Alperia assesses not only the accident performance within its own Group, but also that of significant external companies. A system for collecting data (e.g. hours worked) was set up in 2018 and an accident reporting procedure was introduced. The data collected is internally disseminated through the monthly HSE report. In addition, the contractual terms and conditions include specific clauses dedicated to the health and safety of employees. Not only are the services provided by contractors subject to monitor-

Rate of absence from work (per 1.000 hours)



ing and surveillance, but they are also assessed by means of a specific rating system. The process of qualification and assessment of suppliers was revised in 2017 and updated in 2018 with the adoption of a new procedure that will be further refined in 2019.

Focus on employee health

Directly related to the well-being and health of employees is the rate of absenteeism: healthy workers are less likely to apply for sick leave. At Group level, the absenteeism rate in 2018 was 5.5 (per 1,000 hours), 6% lower than in 2017. The number of days of absence affects the amount of the production bonus. Occupational diseases contracted in 2018 were 0 (zero), as in 2017.

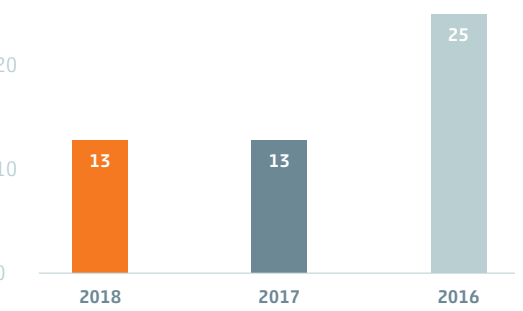
Alperia offers the opportunity for employees to use part or all of the productivity bonus to take advantage of welfare services (reimbursement of school expenses for a family member or reimbursement of expenses for the care of living family members). Alperia also provides a supplementary health insurance policy that offers the opportunity to choose between a national fund and a local fund. Furthermore, in 2018 it took out an insurance in the case of accidents at work and non-professional accidents in the event of permanent disability.

"MyIdeas" is the tool with which employees propose initiatives and ideas. In 2018 glass water bottles were introduced with a view to sustainability, they can be filled daily with drinking water and made available to all employees, avoiding plastic drinking bottles.

Alperia has supported the creation of a single CRAL (Company Social Club) where Group employees can

meet to organise after-work activities. (There were previously two CRALs, as there were two pre-merger companies.) Through the CRAL, Alperia has also encouraged the signing of agreements with some sports centres in Bolzano and with other companies in the area. Fitness areas are also planned in the new headquarter in Merano.



Number of lost work day incidents



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

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 Reduction of the absentee rate	<ul style="list-style-type: none"> - At the new company headquarters in Merano, the planning of a fitness and relaxation room was requested. - Alperia's social club (CRAL/BFV) has made various agreements with fitness centres - Reduction of premium in case of certain absences - Free apples for employees 	Continuation of what started in previous years	2019	Absentee rate	-		5,5

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

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 Detect all accidents of significant external companies	Created a data collection system for accidents involving significant external companies, these are disseminated in-house through the monthly HSE report.		2019	Frequency and severity of accidents involving external companies	tbd	achieved	-
 No accidents involving employees or external companies	<ul style="list-style-type: none"> - Accident analysis and distribution of information and 'Lesson's Learnt' to all employees - Training measures - Distribution of monthly periodic HSE reports - Discussion of occupational accidents at regular meetings - Internal audit of occupational safety training 	<ul style="list-style-type: none"> - Accident analysis and distribution of information and 'Lesson's Learnt' to all employees - Training measures - Distribution of monthly periodic HSE reports - Discussion of occupational accidents at regular meetings - Follow-up and implementation of Internal Audit recommendations 	2019	Number of accidents with lost days	0	ongoing	13 (employees) 0 (external companies)

Development and innovation

Alperia is at the forefront of transforming the South Tyrolean territory into one of the most developed smart areas in Europe, developing new and revolutionary solutions for the energy sector and beyond, as in the case of e-mobility. This mission is achieved by adopting an open innovation approach that promotes research both inside and outside the company, in collaboration with some of the most important Italian exponents of academic and technological excellence.



Ensuring access for all to cheap, reliable, sustainable and modern energy systems



Building a resilient infrastructure, promoting innovation and equitable, responsible and sustainable industrialisation



Making cities and human settlements inclusive, safe, durable and sustainable



Ensuring sustainable patterns of production and consumption

Innovation, research and development

(GRI EU8)

For Alperia, innovating means making its products, activities and services evolve 360° from a smart, integrated and sustainable point of view, guaranteeing substantial added value for the customer and for the companies with which it works. For this reason, in line with the 2017-2021 Strategic Plan, it invests in applied research and development projects with partners both in Italy and abroad in order to ensure the development of a solid and sustainable long-term business model.

Convinced that the best ideas can be born both inside and outside the company, Alperia has created the Innovation Board: a working group made up of collaborators from various Business Units and Services with whom it promotes a multidisciplinary approach to innovation with a dedicated budget of over €346,000 in 2018, out of a total of around €1 million invested in research and development. It should be noted that in 2018, unlike the previous two years, investments in R&D focused more on human capital, rather than on instruments and material technologies. During several workshops



held in 2017 and 2018, the Innovation Board examined the Group's investment plans and the areas of interest defined in the 2017-2021 Strategic Plan, presenting 12 projects to management and creating teams working on these projects. Every three months the Innovation Board organised a meeting for the controlling of projects and the exchange of new ideas.

For Alperia, innovate means experimenting with new possibilities, while at the same time accepting the risk of failure. Nine projects were selected, of which two are in the initial stage. Each of them is followed and developed with the aim of achieving maximum added value for the company, the territory and the customer.

Since 2018, the Innovation Board has had a system of governance and controlling of all activities to ensure that they do not overlap and that each employee can report the hours spent. The issues addressed are followed up with a periodic report and are the subject of a quarterly meeting in which the progress achieved is presented.

Alperia Startup Factory

In 2018 we launched the Alperia Startup Factory: a competition of ideas for innovation in the field of renewable energy and the green economy. Alperia Startup Factory brings together startups, innovative SMEs, university research projects and young talents who have created winning solutions ready to face

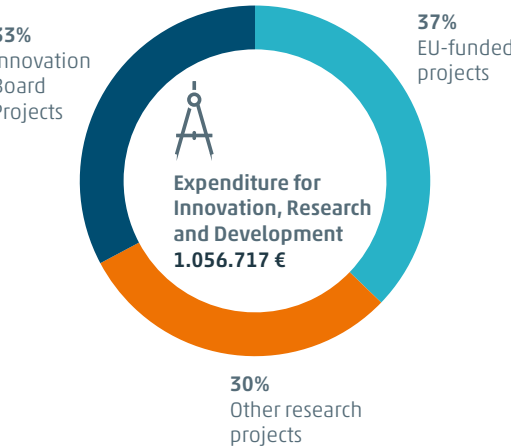
the prototyping phase and subsequent market testing. Five fields of application have been identified: Smart Mobility, for innovative business solutions ranging from electric cars to energy columns to new charging systems; Smart Home & Building Automation, for waste-to-energy and automated management, including remotely, of public and private buildings; Public Lighting, with innovative and technologically advanced solutions for the management of lighting in public spaces at reduced costs and with greater energy savings; Hydropower, with analysis and predictive monitoring systems applied in the field of hydropower to avoid possible energy losses and leaks, and Call Centre Optimisation, to develop chatbots and platforms that allow optimisation of the interaction between customers and



operators, thus improving the end customer experience. After a careful selection, Alperia selected 20 startups that presented themselves with video-pitches. Out of these 20, 8 were selected to participate in the Innovation Camp organised in December 2018 at NOI Techpark in Bolzano. The winning projects will be supported with a budget that covers the costs of prototyping and market testing and will benefit from the knowledge, resources and know-how of the Group. Each phase of the acceleration process is followed with a specific mentoring action and will be subject to periodic meetings to discuss the main aspects and possible critical issues of each project. The initiative as a whole will be completed in May 2019.



Two snapshots of the Startup
Factory Innovation Camp hosted
at the NOI Tech Park in Bolzano.



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 works in particular with South Tyrolean actors, such as local entrepreneurs, the University of Bolzano, the EURAC Research centre, IDM South Tyrol and NOI Techpark Bolzano. The multilingualism of South Tyrol is considered to be an advantage for the sharing of innovative ideas from the German and Italian worlds. Expertise in hydroelectric and district heating plants as well as in 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.

A selection of current research projects

LIFE4HeatRecovery

The Engineering & Consulting department of Alperia has worked with partners EURAC Research, COGEME SpA and Linea Group Holding on the LIFE4HeatRecovery project. The project aims to develop a new generation of smart district heating networks that can also use low temperature (10-40°C) heat sources. Usually this type of heat, coming for example from waste water, from scraps from air conditioning systems or from industrial refrigeration systems, would not be usable, but the new solutions designed by Alperia allow us to take a decisive step forward. The advantages are considerable, since more than one heat source can be used and the heat loss through the pipes is limited because the distances between the supplier and the users are shorter. In addition, the energy which normally is released into the environment, thereby contributing to global warming, is instead recycled for heating buildings. The project, which will be developed by a consortium of 10 public and private actors including energy consultants, utilities and researchers, will be implemented in four real district heating networks: in Ospitaletto (Brescia), in Wüstenrott in Germany, and in Rotterdam and Heerlen in the Netherlands.

Smart Edyna and SmartNet

In 2018 Edyna, the Group's distribution company, launched the Smart Edyna project, which aims to create a smart citadel at the Alperia headquarter in Via Resia, Bolzano, to carry out research and innovation in various fields: water reuse, waste management, light sensors and access control. The project, now in its start-up phase, will be completed in 2020.

Also in the Smart area is the SmartNet project, in which Edyna works with 21 partners from 9 European countries. The project lasts three years and focuses on the crucial issue of how to optimise the storage of electricity produced from renewable sources in the grid by carrying out tests on the modulation of the active and reactive power of the main licensed producers. In addition to Edyna, the Technical University of Denmark, Vodafone (Luxembourg), Endesa (Spanish energy company), Terna (the main grid operator in Italy), Sintef Energi As (Norwegian research structure) and Visto (Belgian research institute) are also involved.

1 Mln €

total investments in Innovation,
Research & Development in 2018

Smart City Vizze

There are numerous renewable energy plants in South Tyrol: photovoltaic systems on roofs, small hydroelectric plants along streams and biomass plants in agricultural areas. Renewable energy is non-programmable energy, produced when the source is available. But with the change in energy production, the function of the electricity grid also changes: not only is there provision for bringing energy from large power plants to users, but also for managing the entry of energy into the grid by numerous small plants distributed throughout the country. For this reason, it is increasingly important to communicate with users and the Smart City Vizze pilot project is a good example of this. In Val di Vizze there are many producers of energy from renewable sources and the project, managed with the Politecnico di Milano, aims to develop a platform for the distribution of energy that in real time uses information from the national grid, energy producers and consumers of energy. In Prati di Vizze, near Vipiteno, an installed primary substation that presents an ideal opportunity for experimentation because the network with which it interfaces is loaded with production from renewable sources (hydroelectric, photovoltaic and biomass) and therefore subject to the phenomenon of the so-called "reversal of flow". 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 dispatchment, control and management. Algorithms developed specifically for forecasting the production of energy



from renewable sources, interpolating historical production data and weather forecasts, allows forecasting of the behaviour of the grid by including these data in the numerical model. Being able to anticipate any critical issues or congestion is important because it allows for the implementation of appropriate resolution actions, giving precise dispatching orders to producers. The role of active users is therefore central to the project: they make their systems available for the solving of 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 so that the grids can be managed using innovative protections that ensure a better quality of service when the medium-voltage grid is active.

Regalgrid Project

Alperia has set itself the ambitious goal of actively promoting distributed electricity production, also by focusing on the creation and spread of energy communities and committing to virtual units of aggregation, in order to make South Tyrol a role model at national level. To this end Alperia has signed a framework agreement of collaboration with the company Regalgrid Europe S.r.l., one of the leaders in the digital energy sector with innovative



Top left: an interactive model
simulating the Smart City Vizze
project. Top right: the operating
model of an energy community
with Regalgrid.

services dedicated to individuals, companies and communities of producers and consumers of energy. The collaboration involves the provision of a proprietary and patented platform that offers the user advanced features for the monitoring, optimisation and real-time management of self-produced and consumed energy (in this case the consumer is called a “prosumer”), at the level of both individual users and communities.

In practice, the Regalgrid® Digital Energy platform allows the prosumer to further evolve by accessing a community of interconnected prosumers, with the aim of optimising energy flows to meet the needs of each of them, reducing consumption and investment costs dedicated to self-production devices and any domestic storage. The user becomes even more aware of his needs as the energy provider becomes more aware of the needs of the customer. All this contributes to customising the offerings resulting in savings on bills and greater transparency.

The project is also particularly important in the light of the recently issued European directive, which provides greater incentives for energy communities in which the consumer is also a producer and can accumulate and share the energy produced.

The trailblazer of this innovative approach is the NOI Techpark in Bolzano, where Alperia has implemented the first energy community in South Tyrol and one of the first in Italy: through the devices developed by Regalgrid, seven business users were connected virtually to the existing photovoltaic system on the roof of one of the buildings in the park and equipped with specific storage systems and hybrid inverters supplied by Huawei. In the second phase of the pilot project, the community will be expanded by connecting new users together with charging stations for electric vehicles that may be equipped with dedicated storage units.




The services and technological solutions developed

are able not only to forward and receive the production, storage and consumption data of each user, but also to manage the energy flows between the interconnected users by optimising them through a specific algorithm developed by Regalgrid.

Storage4grid

Storage4Grid is a research and innovation project funded by the Horizon 2020 programme of the European Union in which Alperia collaborates both with Alperia Smart Mobility and with Edyna. The project, setting up a real scenario, intends to assess the future demand for electric mobility for domestic and commercial/industrial use by increasing the diffusion of storage technologies between the distribution network level and the end user level. All this through the development of a new holistic methodology for the modelling, planning, integration, management and assessment of distributed energy storage systems. Two examples of storage are already installed in the parking lot of Edyna.

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

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 Creation of a central and multi-disciplinary innovation management system	- Establishment of a central control of projects for R&D and definition of KPIs; - Preparation of annual budget plans for innovation projects - Elaboration of proposals for innovation processes - Innovation Board: nine active projects plus two additional projects at an early stage; periodic report on current issues, quarterly meeting to present progress achieved with the project	Innovation Board: Project implementation and monitoring	2017-2021	Investments in research and innovation (EUR Mln); Number of employees involved in research and innovation projects	tbd	ongoing	1 mln € 46 Employees
 Collaboration and search for synergies with companies, start-ups and research institutes (OPEN INNOVATION)	Alperia Startup Factory: Competition for the promotion of new companies in the energy sector: Selection of the five winning start-ups	Implement projects with winning start-ups	2017-2021	Number of projects with Startups	5	ongoing	0
 Development of tools (e.g. my-Alperia improvement proposals system, workshops, etc.) to give space and visibility to ideas and promote an “intrapreneur” attitude of employees.	Alperia Startup Factory: 60 Alperia employees involved in the conception and implementation in team with the startups, also to spread internal know-how on the theme “Startup experience” and evaluation, technology and transmission of business models Innovation Board: 52 employees (project managers and team members) registered for projects of the Innovation Board	Creation of an intranet page to raise awareness on the theme of innovation.	2017-2021	Number of proposals on the internet portal	-	ongoing	49

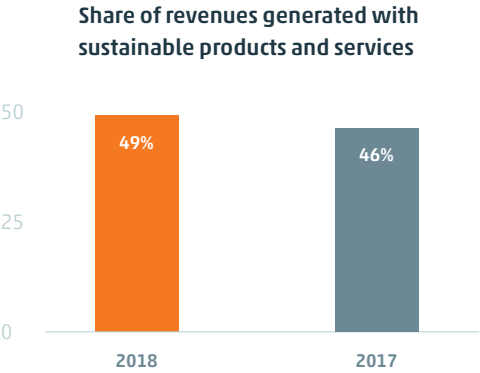
Sustainable products and services

(GRI EU7; 302-5; ALP4; ALP5)

90% of the energy produced in South Tyrol is of hydroelectric in origin. Alperia contributes significantly through the management of hydroelectric power plants and the provision of sustainable products and services. In 2018, the share of profit generated by sustainable products and services is 49% (compared to 2017 when it was 46%) and the goal is to continue to increase this share. The product groups that have been defined as “sustainable” are: production and sale of electricity from hydroelectric, photovoltaic and biomass power and heat from district heating, Green Gas, energy efficiency and electric mobility services.

Green Energy from South Tyrol

Alperia is one of Italy’s leading green energy companies. In 2018, the Group produced about 4 TWh of energy from renewable sources, including hydroelectric and solar. Most power stations are certified: This means that they produce 100% CO₂-free renewable energy, in accordance with



current legislation. Alperia makes these renewable energies available to its customers in South Tyrol, both private and business, in line with the 2050 Climate Plan of the province of Bolzano (to learn more, visit the website www.ambiente.provincia.bz.it). Thus, by choosing Alperia’s offering, electricity customers are contributing directly to climate protection. In addition, companies that use electricity from sustainable sources have direct competitive advantages: not only is their reputation strengthened, but they are also able to meet the standards required to obtain some of the most important environmental labels within the European Union. The standards are particularly important in the agricultural and tourism sectors. Alperia supports its business customers who buy green energy from the South Tyrolean hydroelectric source by giving visibility to their choice, providing them with a free, comprehensive communication package. The package also includes Green Energy certification, a

metal tag and a Green Energy logo, which can be published on the website, on printed materials or on product packaging. This service is available to those who choose the Green Gas offering. In this way, companies can make their contribution to increasing the percentage of energy consumption from renewable sources visible to the outside world. To the customers of the most protected service (TU.GG.), which in South Tyrol are managed by Alperia, the company provides the energy mix provided by the Regulatory Authority for Energy Networks and Environment (ARERA).

Green Gas

Important news for 2018 is the launch of the Alperia Green Gas offering. Green gas is climate-neutral, which means that all the greenhouse gas emissions generated have been offset by a climate protection project certified annually by TÜV NORD, a renowned independent certification body. Alperia supports projects that promote energy efficiency, sustainable green energy production or reforestation.

In the last 800,000 years, there has never been such a high amount of greenhouse gases in the atmosphere. Humans are responsible for 80% of global warming due to the use of fossil fuels and industrial processes. The use of gas entails the emission of CO₂. In order to achieve climate neutrality, it is therefore necessary to achieve emission savings elsewhere. For this reason Alperia has launched its Green Gas with which it sustains projects that promote energy

efficiency and environmental protection, offsetting the emissions generated. All projects supported by Alperia comply with the “Gold Standard” and/or the “Verified Carbon Standard”, the two most common standards, and meet the criteria and requirements of the Kyoto Protocol.

If we consider the average values of greenhouse gas emissions, the lion’s share is accounted for by private consumption (heating, power supply, car transport, flights, domestic appliances) with a total of about 8 tonnes of CO₂. Compensating for greenhouse gas emissions contributes to a climate neutral and environmentally friendly lifestyle. With the purchase of the Green Gas, therefore, Alperia’s customers have the guarantee that all greenhouse gas emissions generated have been offset with a certified climate protection project.

Both private and corporate customers can take advantage of the new Alperia Green Gas offering, combined with one of Alperia’s green electricity offerings. The bill will only be sent digitally, to avoid the additional emissions caused by the postal service. In the future, the intention is to develop new “green” products, to carry out a feasibility study on the theme of biogas and to develop energy communities and prosumers.

Energy efficiency

Alperia accompanies its customers towards the adoption of cleaner, greener and renewable energy



not only by producing and distributing energy from non-fossil sources, but also by offering a complete energy audit for companies, during which the processes and energy flows are analysed. In February 2018, Alperia founded Alperia Bartucci, acquiring 60% of the shares of Bartucci S.p.A., a leading Italian company specialising in the design and implementation of industrial energy efficiency measures and integrated energy services. With this acquisition Alperia has further strengthened the area of energy efficiency and is in line with the 2017-2021 Strategic Plan of the Group. Alperia Bartucci is part of the Smart Region Business Unit, and currently it follows more than 300 customers located throughout Italy. It has a work team of more than 50 professionals who are able to identify the best solutions to minimise the energy consumption of production processes. Multitech Efficiency Management is the approach with which it offers its services to companies.

Certified with UNI 11352 since 2012 and ISO 9001

since 2015, Alperia Bartucci carries out energy efficiency projects at its customers' premises with its own investments through EPC (Energy Performance Contract) contracts. This contract is based on the principle of combining the advantages of third-party financing for the purchase of technology with the performance-based remuneration of the customer. The advantage for businesses is clear: they implement a more efficient system as a result of the best technologies on the market and without any initial investment; the investment is supported by Alperia Bartucci, which is only paid through the savings actually generated.

Alperia Bartucci also offers its customers energy efficiency interventions based on a patented proprietary technology: Alperia Bartucci is in fact capable of designing, developing and implementing Advanced Control Systems (APC), based on multivariable and predictive algorithms, which are able to automatically regulate a production process in order to pursue a reduction in costs related to primary energy consumed.

In 2018, 21 projects were carried out in EPC mode, with total annual savings of 4,661 toe (tonnes of oil equivalent). Also in 2018, Alperia Bartucci Spa was awarded 218,387 TEEs (Energy Efficiency Certificates) for 70 projects carried out by customers for which Alperia Bartucci Spa, as an ESCo, has applied in recent years for energy efficiency certificates (1 TEE = 1 toe). Alperia Bartucci provides consulting services for the energy system in various industrial sectors, both for large companies and for small and medium-sized

enterprises and public and private buildings. In addition, it conducts research and development projects on new technologies, always based on energy efficiency. The Energy Management consultancy allows clarification of what the possible inefficiencies may be and how to intervene with concrete measures. Alperia offers business customers the opportunity to carry out a Web Energy Check, comparing their performance with that of other companies in the sector.

In 2019, Alperia Bartucci will be developing a monitoring system to measure the value of energy efficiency in terms of environmental sustainability, reporting on the interventions made with customers. It will also be carrying out energy efficiency tests at the headquarters of the parent company Alperia and at other Group sites, with the installation of assessment and monitoring systems that will assess not only energy performance but also the waste produced, accidents and diversity/equal opportunities. All this is aimed at obtaining the ISO 14001 and ISO 40001 certifications that should be added to the ISO 9001 certification.

Finally, it should be noted that 2018 saw the signing of a partnership between the Cassa di Risparmio di Bolzano and Alperia Bartucci, which provides for Sparkasse's business consultants to offer companies extensive advice on solutions in the field of energy efficiency.

E-mobility for a sustainable future

Alperia firmly believes in the future of green mobility and from 2016 has been working to ensure that South Tyrol can become a model territory in this field. With the Alperia Smart Mobility company, set up as part of the Smart Region Business Unit, it offers a complete range of services ranging from the supply of green energy to the recharging of electric cars through an extensive network of public electricity columns to all-inclusive offerings for individuals and businesses. South Tyrol currently has 300 charging stations (100 public and 200 private), powered 100% by green energy from hydroelectric power plants and by 2021 will have as many as 5,000 charging points installed throughout the province. These installations are proceeding less quickly than expected, adapting to market trends.

By joining one of the We-drive offerings offered by Alperia, you can book and activate the charging stations directly from your smartphone. Downloading the Alperia Smart Mobility app, in fact, you can view in real time the columns in the area and check their availability (at the moment there have been about 200 downloads of the App).

At the end of 2018, the number of kWh withdrawn from the 300 charging stations was 510,000 (190,000 in 2017), the number of km covered was 3,060,000 (estimated figure - half as much in 2017) and the CO₂ saved accounted for 525,300 kg (estimated figure, 195,000 kg in 2017).

The biggest innovation of 2018 is called the "hypercharger": the first hyper fast charging station inaugurated in Merano by Alperia and developed by the South Tyrolean company alpitronic. The column reaches a power of 150 kW, three times the power of normal fast columns and in the future will be able to



reach up to 300 kW, recharging the car in less than half an hour. The special feature of the hypercharger is its modularity: it is possible to start from lower power and then upgrade the column by adding modules and then power. To charge their cars, Alperia customers simply need to use their Alperia card or the application available for smartphones.

Through an innovative software system, developed together with Siemens Italia, you can also access the charging station by paying directly on site by credit card or PayPal. In addition, the hypercharger is equipped with two cables that allow you to charge

two electrical vehicles at the same time.

In 2018, Alperia further strengthened its efforts in the field of e-mobility by signing interoperability agreements. Alperia is the only company with a fully interoperable network, leading South Tyrol to stand



The new "hypercharger" charging station in Merano, the first of its kind in Italy. The power output is 150 kW, three times the power of normal fast charging stations.

out as one of the best infrastructure areas in Europe. Interoperability is even more important for a border area like this and is a significant signal for tourism. The estimated potential catchment area is 400,000 users with 30% of the monthly refills that already take place in roaming. For this reason Alperia has signed an important bilateral agreement with Enel X, an Enel Group company dedicated to the development of electric mobility and digital services, for the interoperability of charging stations. Both Enel and Alperia customers will be able to use the electric vehicle charging stations of both operators, thus being able to make more extensive journeys. This is an important collaboration that gives Alperia's customers the opportunity to use the approximately 1,800 Enel recharging stations installed throughout Italy, using their own electric car even for long-distance journeys.

Another important collaboration is the one started with the Hubeject recharging network, through which Alperia customers can use about 12,000 recharging stations for electrical vehicles scattered throughout Europe: from Germany, Austria and Switzerland to England, Denmark, Norway and Sweden. It is a network that is constantly being developed and expanded with new partners and stations. Hubeject, in fact, brings together about 250 different operators in a single network making it increasingly feasible to travel by electric car in Europe. Alperia customers, by accessing the Smart Mobility app on the Hubeject e-Roaming platform, can have access to all the charging stations available in Europe, displaying the free ones in the vicinity and foreign travellers have at

their disposal the charging points installed by Alperia, with payments easily made through the Smart Mobility Card.

Projects have also been launched with other major companies: 30 hypercharger stations will be installed at some Jaguar LR Italia network dealerships and a pilot project will be launched with UniCredit, involving the activation of charging networks at the banking group's branches and the launch of a dedicated app. The project will start in Milan and Verona and then be rolled out to the rest of the branches.

Alperia also contributes to the action of Motus-E, an association composed of industrial operators, academia and environmental and consumer associations that aims to accelerate the development of electric mobility in Italy through dialogue with institutions, public involvement and the dissemination of training and information programmes. For the future, it is essential to develop the regulatory framework on electric mobility so that we can have effective legislation on the subject, starting with the issue of billing at the column.

Finally, to promote sustainable mobility, in 2019 Alperia will merge with Dolomiti Energia Holding, a company that produces and supplies electricity and natural gas from the Autonomous Province of Trento, to form a new company called "Neogy". The company, thanks to the union of the two existing networks, will start with an initial supply of 350 charging stations already present in the region and will plan

major investments to expand the existing infrastructure of charging stations. The programme will include the creation of public charging stations and dedicated charging points at commercial and accommodation facilities, accompanied by a wide range of domestic, corporate and public charging services. The activity will be focused not only in the provinces of Trento and Bolzano but will immediately be extended to other areas of the country. And to ensure the total environmental sustainability of electric mobility, all Neogy charging stations will be powered by 100% renewable energy, produced in hydroelectric power plants belonging to Alperia and the Dolomiti Energia Group.




	service stations		kWh		km driven		kg CO ₂ saved	
	2017	2018	2017	2018	2017	2018	2017	2018
Public stations	50	100	100,000	150,000	600,000	900,000	103,000	154,500
Private stations	50	200	90,000	360,000	540,000w	2,160,000	92,700	370,800
Total	100	300	190,000	510,000	1,140,000	3,060,000	195,700	525,300



Strategic objectives: We want to make 100% of our business 'green'.

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 Development of new business activities in line with the '100% Green DNA'.	<ul style="list-style-type: none">- Launch 'Alperia Green Gas'- Cassa di Risparmio e Alperia Bartucci: New partnership for consulting on energy efficiency for companies- Agreement with Car Server to promote electric mobility	<ul style="list-style-type: none">- Development of two new green combination products- Carrying out of a feasibility study on biogas- Business development for Energy Communities and Prosumers	2017-2021	-	-	ongoing	-
 Increase the share of sales of sustainable products and services	<ul style="list-style-type: none">- Evaluation of non-sustainable components in the product portfolio and possibilities for improvement	<ul style="list-style-type: none">- Initiative to sell green products (electricity, gas, thermal services) / training of sales staff	2017-2021	Revenue share of sustainable products and services	-	ongoing	49%

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

Operational objectives	Measures implemented in 2018	Measures planned in 2018	Deadlines	KPI	Target value	Status	Value 2018
 Installation of 5.000 charging stations	<ul style="list-style-type: none">- Expansion of the charging infrastructure- implementation of Interoperability at national and international level;- Inauguration of the first public hyper-charger in Italy;- Arrangements with Jaguar and Unicredit to install charging stations at some of their locations/dealers	<ul style="list-style-type: none">- Expansion of the charging infrastructure- Development of a new app to book a charging stations	2017-2021	Number of charging stations	5.000	ongoing	300



Appendix

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

Territory

Economic Growth

Figure 1: Financial Indicators (GRI 102-7)

	Unit	2018	2017	2016	YtY variation
Revenues	EUR	1.272.182.146	1.123.490.760	1.198.192.638	13%
Net Financial Position	EUR	-387.653.511	-421.765.304	-525.067.000	-8%

Figure 2: Direct economic value generated and distributed (GRI 201-1)

	2018		2017		2016		YtY variation
	EUR	%	EUR	%	EUR	%	
Direct economic value generated:	1.272.182.146		1.123.490.760		1.198.192.638		13%
Revenues	1.272.182.146		1.123.490.760		1.198.192.638		13%
Economic value distributed:	1.228.491.345		1.121.559.780		1.171.198.449		10%
Operating costs ¹	1.067.875.802	84%	962.787.064	85,7%	1.016.056.476	85%	11%
Employee wages and benefits	68.525.722	5%	67.720.277	6%	66.766.390	6%	1%
Payments to providers of capital	13.443.507	1%	19.524.556	1,7%	18.606.436	2%	-31%
Payments to government ²	76.939.902	6%	69.869.747	6,2%	67.718.880	6%	10%
Community investments ³	1.706.412	0,1%	1.658.137	0,1%	2.050.267	0,2%	3%
Economic value retained:	43.690.801	3%	1.930.980	0,2%	26.994.189	2,3%	2163%

¹The purchase of energy for trading purposes account for about 90% of the operating costs.
²This item includes taxes (IRES, IRAP, IMU, etc) and other payments such as „canoni idrici, demianali, rivieraschi, energia gratuita, fondi ambientali, etc.)
³This item includes sponsoring costs and donations

Figure 3: Value for South Tyrol (GRI 201-1)

	Unit	2018	%	2017	%	YtY variation
Employee wages and benefits	EUR	66.384.082	30%	67.720.277	37%	-2%
Payments to government	EUR	76.939.902	35%	69.869.747	39%	10%
Dividends to local governments	EUR	24.000.000	10%	15.200.000	8%	58%
Community investments	EUR	1.706.412	1%	1.658.137	1%	3%
Local Procurement	EUR	53.343.496	24%	26.501.483	15%	101%
Total	EUR	222.373.892	100%	180.949.643		23%

Figure 4: Infrastructure investments and services supported (GRI 203-1)

	Unit	2018	Proportion %	2017	2016	YtY variation
Energy distribution	EUR	36.520.000	43%	29.663.000	32.500.000	23%
Teleheating & services	EUR	6.866.000	8%	8.596.000	18.400.000	-20%
Energy production - mandatory	EUR	17.147.000	20%	13.663.000	8.083.000	25%
Energy production - stay in business	EUR	9.009.000	11%	3.420.000	3.733.000	163%
Smart Region	EUR	7.718.000	9%			
IT infrastructure	EUR	4.294.000	5%	1.135.317	2.235.000	278%
Supply & trading	EUR	412.000	0%	825.000	1.059.000	-50%
Facility investments	EUR	1.587.000	2%	1.646.225	1.823.000	-4%
Other investments	EUR	828.000	1%	2.751.106	2.756.000	-70%
Total	EUR	84.381.000	100%	61.699.648	70.589.000	37%

Security of Supply

Figure 5: Energy capacity (GRI EU10)

	Unit	
Projected energy demand in South Tyrol in 2050 (GWh) ¹	GWh	3.690
Produced electricity from hydroelectric sources by Alperia in 2018 (GWh)	GWh	3.961
Hydroelectric capacity in 2018 (GW) ²	GW	ca.1,4

Figure 6: Net energy output broken down by primary energy source ¹ (GRI EU2)

	Unit	2018	% of total energy output	2017	2016	YtY variation
Total net produced electric energy	Gwh	4256		3712	4043	15%
thereof						
Hydro	Gwh	3961	89%	3344	3681	18%
Photovoltaic	Gwh	21	1%	24	22	-13%
Cogeneration (gas/gasoline)	Gwh	53	1%	66	66	-20%
Biofuel	Gwh	221	5%	278	274	-21%
Total net produced energy for heating ²	Gwh	199	4%	195	182	2%
Total net energy output	Gwh	4455		3907	4225	14%

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9 GRI Content Index

¹Data calculated based on data taken from the ‚Piano Clima Energia-Alto Adige-2050‘ and ‚dati statistici TERNA 2017
²Number only covers the total hydroelectric installed capacity of the plants managed by Alperia

Figure 7: Quantity of products provided (GRI 102-7)

	Unit	2018	2017	2016	YtY-Variation
Electricity sold to end customers	Gwh	3994	3212	3460	24%
Trading	Gwh	1907	2310	5226	-17%
Thermal energy sold to end customers	Gwh	199	195	182	2%
Natural gas sold to end customers	MSmc	367	328	371	12%

Figure 8: Distribution network (GRI EU4)

	Unit	2018		2017		2016		YtY variation	
Length of transmission and distribution lines		Above ground	Under-ground	Total	Percentage of under-ground lines	Above ground	Under-ground	Total	Percentage of under-ground lines
High tension	km	211	13	224	6%	198	12	210	6%
Medium tension	km	1237	2067	3304	63%	1433	2018	3451	58%
Low tension	km	1155	3945	5100	77%	1301	3816	5117	75%
Total	km	2603	6025	8628	70%	2932	5846	8778	67%

¹Net energy output includes energy produced in our consolidated plants (34 hydroelectric plants, 5 heating plants, 3 photovoltaic parks and 7 plants, 1 biofuel plant) at 100%
²Includes thermal energy produced by biomass, gas, gasoline and waste

Gas distribution network	Unit	2018	2017	YtY variation
	km	113	112	1%

Municipalities supplied with electricity and gas out of a total of 116 South Tyrolean municipalities	Unit	2018	2017	YtY variation
nr. municipalities		98	98	0%

End customers connected to the electricity grid	Unit	2018	2017	YtY variation
nr. households		232207	229000	1%

Electricity distributed in South Tyrol	Unit	2018	2017	YtY variation
	TWh	2,6	2,5	4%

Substations	Unit	2018	2017	YtY variation
Primary HV/MV substations	nr.	36	33	9%
Secondary HV/MV substations	nr.	4112	4025	2%
MV switching substations	nr.	48	47	2%

Figure 9: System Average Interruption Frequency/Duration Index (SAIFI/SAIDI) (GRI EU28/29)

	Unit	2018	2017	2016	YtY variation
SAIFI (Frequency of interruptions per customer)	nr	1,73	1,69	1,59	2%
SAIDI (Power outage duration per customer)	minutes	27,36	20,74	23,66	32%

Asset Integrity

Figure 10: Energy availability (GRI EU30)

Availability factor ¹	Unit	2018	2017	2016	YtY variation
Energy source	Hydro	% 87,67	89,76	not available	-2%
	Photovoltaic	% not available	not available	not available	

¹This indicator is not available for 2016. 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.

Figure 11: Environmental incidents

Environmental incidents	2018	2017	2016	YtY variation
Number of environmental incidents	0	3	0	
Number of significant environmental incidents	0	1	0	
Financial impact of environmental incidents ¹	0	not available	0	0%

¹This includes fines paid and costs for clean up.

Supplier Management

Figure 12: Proportion of spending on local suppliers¹ (GRI 204-1)

	Unit	2018	2017 ²	2016 ³	YtY variation
Percentage of products and services purchased locally (based on expenditure in EUR)	%	27%	34%	not available	-21%
Percentage of works purchased locally (based on total works expenditure)	%	36%	41%	not available	-12%
Percentage of services purchased locally (based on total service expenditure)	%	22%	51%	not available	-57%
Percentage of products purchased locally (based on total products expenditure)	%	19%	15%	not available	24%
Percentage of contracts awarded locally (based on number of contracts)	%	60%	59%	not available	2%

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

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

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

Figure 13: New suppliers that were screened using environmental and social criteria (GRI 308-1, GRI 414-1)

	Unit	2018	2017	2016¹	YtY variation
Percentage of new suppliers that were screened using environmental and or social criteria.	%	100	100	-	0%

¹Data for 2016 not available, new system implemented in 2017

Figure 14: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening¹ (GRI 412-3)

	Unit	2018	2017	2016	YtY variation
Number of significant investment agreements and contracts that include human rights clauses	Nr	0	0	0	0%
Percentage of significant investment agreements and contracts that include human rights clauses	%	0	0	0	0%

¹Clause was defined at the end of 2018 and will be rolled out to all significant contracts in 2019.

Green Mission

Water

Figure 15: Water (ALP6, ALP7)

	Unit	2018	2017	2016	YtY variation
Water released for minimum flow	l/sec	38.883	38.178	37.739	2%
Incidents of non compliance with MVF requirements	Nr	0	0	0	0%

Energy Consumption

Figure 16: Energy consumption within the organization² (GRI 302-1)

	Unit¹	2018	Proportion (%)	2017	Proportion (%)	2016	Proportion (%)	YtY variation
Total energy consumption within the organization from non-renewable sources	TJ	803,36	29%	1.004,91	30%	1.013,57	32%	-20%
Gasoline	TJ	36,85	1%	103,10		102,95		-64%
Natural gas	TJ	752,46	27%	862,70		872,50		-13%
Electricity for own consumption (produced and acquired)	TJ	19,05	1%	39,11		38,12		-51%
Total energy consumption within the organization from renewable sources	TJ	2.001,57	71%	2.335,24	70%	2.135,69	68%	-14%
Palmoil	TJ	1.707,64	61%	2.110,86		1.899,58		-19%
Wood chips	TJ	167,61	6%	156,71		102,57		7%
Electricity for own consumption (produced)	TJ	126,32	4%	67,67		133,53		87%
Total energy consumption within the organization	TJ	2.809,92	100%	3.340,16	100%	3.144,26	100%	-16%

¹Conversion factors used based on the IPCC Guidebook 2006
²Data for 2016 and 2017 restated due to an update in calculation method

Emissions

Figure 17: GHG Emissions ¹ {GRI 305}

	Unit	2018	2017	2016	YtY variation
Gross direct (Scope 1) GHG emissions	tCO ₂ e	50.964	56.971	57.626	-11%
thereof biogenic CO ₂ emissions	tCO ₂ e	3.368	2.756	2.117	22%
Gross location-based energy indirect (Scope 2) GHG emissions ²	tCO ₂ e	1.885	3.325	3.137	-43%
Gross other indirect (Scope 3) GHG emissions ³	tCO ₂ e	53.214	66.074	60.473	-19%
Total GHG emission	tCO ₂ e	109.432	129.125	123.352	-15%
GHG emissions intensity ratio for the organization⁴	tCO ₂ e /Mwh of produced energy (gross)	0,02	0,03	0,03	-25%

Proportion of emissions	
Scope 1	50%
Scope 2	1%
Scope 3	49%

¹The main gases included are CO₂ and SF₆; Emission Factors used according to DEFRA (car fleet, biogenic emission) and ISPRA (gas, gasoline); data consolidated according to financial control; data aggregated based on the GHG Protocol
Biogenic emission out of wood chip biomass are calculated with IPPC Guidebook (2006), Palm oil with DEFRA; Data for 2016 and 2017 restated due to an update in calculation method

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 pf raw fuel material sources such as paloil 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

Customer Satisfaction

Customer Accounts

Figure 18: Number of customer accounts¹ (GRI EU3)

Type	Unit	2018	2017	YtY variation
Electricity customer accounts	nr.	236000	193000	22%
Heating customer accounts	nr.	1716	1674	3%
Gas customer accounts	nr.	60000	59000	2%
Total customer accounts	nr.	297716	253674	17%

¹customer accounts= connections to the grid (POD) as per 31.12.

Figure 19: Monthly average of calls answered - green number (%) (ALP1)

	Unit	2018	2017	2016	YtY variation
Monthly average of calls answered - green number	%	97%	97%	85%	0%

Figure 20: Customer complaints (ALP2)

	Unit	2018	2017	2016	YtY-Variation
Number of complaints within the reporting period	Nr	533	587	385	-9%
i. of which number of complaints addressed within the reporting period	Nr	533	587	385	-9%
ii. of which number of complaints solved within the reporting period	Nr	533	587	385	-9%
Number of unsolved complaints including prior periods	Nr	0	0	0	0%
Resolution rate customer complaints within the reporting period	%	100%	100%	100%	0%
Number of customer complaints within the reporting period, addressed within 40 days	%	100%	100%	100%	0%
Complaint rate (per 100 customers)		0,18	0,23	-	-22%

Figure 21: Customer Satisfaction Index (ALP3)

	Unit	2018²	2017	2016
Customer Satisfaction Index¹	%	87%	not available	not available
Customer Satisfaction Index - Clients Business	%	85%	not available	not available
Customer Satisfaction Index - Clients Private	%	89%	not available	not available

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¹Percentage of clients (business and retail) who are overall satisfied with Alperia's services
²Survey was performed for the first time in 2018

Transparent Marketing and Communication

Figure 22: Incidents of non-compliance concerning product and service information and labelling (GRI 417-2)

Number of incidents of non-compliance concerning product and service information and labelling	Unit	2018	2017	2016	YtY variation
with regulations resulting in a fine or penalty	nr	0	0	0	0%
with regulations resulting in a warning	nr	0	0	0	0%
with voluntary codes	nr	0	0	0	0%

Figure 23: Incidents of non-compliance concerning marketing communications (GRI 417-3)

Number of incidents of non-compliance concerning marketing communications	2018	2017	2016
with regulations resulting in a fine or penalty	0	0	0
with regulations resulting in a warning	0	0	0
with voluntary codes¹	0	0	0

¹Sponsorship and donation guideline

Cyber Security

Figure 24: Customer Privacy (GRI 418-1)

	2018	2017	2016	YtY variation
Total number of substantiated complaints received concerning breaches of customer privacy	0	0	0	
i. complaints received from outside parties and substantiated by the organization;	0	0	0	
ii. complaints from regulatory bodies.	0	0	0	
Total number of identified leaks, thefts, or losses of customer data.	0	0	0	

Figure 25: Other indicators related to cyber security:

	2018	2017	YtY variation
During the year Alperia's protection systems blocked (daily average):			
spam e-mails	3.000	5.000	-40%
malicious connection attempts	22.000	20.000	10%
Each month Alperia identifies and blocks an average of:			
viruses	70	17	312%
pieces of spyware (software that collects information about a user's online activity)	40	22	82%
malicious, suspicious or prohibited internet activities	1.000.000	600,000	67%
malicious or unauthorised applications	120	80	50%
malicious or prohibited items of content	250.000	300.000	-17%

Employees

Employee Development

Note: Employee indicators do not include employees of Alperia Bartucci SpA due to the fact that HR reporting systems are not yet fully integrated.

Figure 26: Information on employees and other workers (GRI 102-8)

		Total number of employees			Employment contract						Employment type					
		2018	2017	2016	Permanent			Temporary			Full-time			Part-time		
		2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
Women	Headcount	195	193	188	182	189	188	13	4	0	121	119	117	74	74	71
Percentage according to employment contract/type		21%	21%	20%	20%	21%	20%	24%	19%	0%	14%	14%	14%	78%	78%	75%
Men	Headcount	750	747	758	708	730	756	42	17	2	729	726	734	21	21	24
Percentage according to employment contract/type		79%	79%	80%	80%	79%	80%	76%	81%	100%	86%	86%	86%	22%	22%	25%
Total ¹	Headcount	945	940	946	890	919	944	55	21	2	850	845	851	95	95	95
Percentage of total employees		100%	100%	100%	94%	98%	99,8%	6%	2%	0,2%	90%	90%	90%	10%	10%	10%

¹Employees who left the organisation on 31.12. are not included in total number of employees per 31.12.; Directors are included in employee numbers

Figure 27: New employee hires and employee turnover (GRI 401-1)

New employee hires			Total	under 30	31-40	41-50	51+	
		2018	2017	2016	2018	2018	2018	2018
Women	Headcount	13	9	8	3	7	3	0
Percentage of new employee hires		% 22%	26%	24%				
Men	Headcount	46	25	26	16	18	8	4
Percentage of new employee hires		% 78%	74%	76%				
Total new employee hires	Headcount	59	34	34	19	25	11	4
Total headcount per 31.12.	Headcount	945	940	946				
New employee hire rate		% 6%	4%	4%				

Employee turnover¹			Total	under 30	31-40	41-50	51+	
		2018	2017	2016	2018	2018	2018	2018
Women	Headcount	10	4	13	4	3	0	3
	%	19%	10%	28%				
Men	Headcount	44	36	33	3	6	2	33
	%	81%	90%	72%				
Total employee turnover	Headcount	54	40	46	7	9	2	36
Total headcount per 31.12.	Headcount	945	940	946				
Employee turnover rate	%	6%	4%	5%				

¹Employee turnover: employees who leave the organization voluntarily or due to dismissal, retirement, or death in service; turnover per 31/12; Employees who leave the organization on 31.12. are included in employee turnover.

Figure 28: Average training hours (GRI 404-1)

Average training hours per employee - Gender		Unit	Total		
			2018	2017	2016
Women	hours	14,9	not available	not available	
Men	hours	19,7	not available	not available	
Total		hours 18,7	not available	not available	

Average training hours per employee - Employee category		Unit	Total		
			2018	2017	2016
Top Management (Directors and Direct Reports)	hours	31,5	not available	not available	
Middle Management (Second and Third Level)	hours	28,4	not available	not available	
Employees	hours	16,5	not available	not available	

Figure 29: Performance and career development reviews (GRI 404-3)

Percentage of employees receiving regular performance and career development reviews - Gender		Unit	Total		
			2018	2017	2016
Women	%	4%	0%	0%	
Men	%	3%	0%	0%	
Total		% 4%	0%	0%	

Percentage of employees receiving regular performance and career development reviews - Employee category		Unit	Total		
			2018	2017	2016
Top Management (Directors and Direct Reports)	%	36%	100%	100%	
Middle Management (Second and Third Level)	%	9%	0%	0%	
Employees	%	1%	0%	0%	

Diversity and equal opportunities

Figure 30: Diversity of governance bodies and employees (GRI 405-1)

Diversity Governance Bodies		Total			under 30	31-40	41-50	51+
		2018	2017	2016	2018	2018	2018	2018
Women	Headcount	4	4	4	0	0	2	2
	%	33%	33%	33%				
Men	Headcount	8	8	8	0	0	1	7
	%	67%	67%	67%				
Total	Headcount	12	12	12	0	0	3	9
	%	100%	100%	100%	0%	0%	25%	75%

Diversity Employees		Total			under 30	31-40	41-50	51+
		2018	2017	2016	2018	2018	2018	2018
Women	Headcount	195	193	188				
	%	21%	21%	20%				
Men	Headcount	750	747	758				
	%	79%	79%	80%				
Employees with disabilities	Headcount	24	29	30				
	%	3%	3%	3%				
Total	Headcount	945	940	946	92	244	241	368
	%	100%	100%	100%	10%	26%	25%	39%

Figure 31: Ratio of basic salary and remuneration of women to men (GRI 405-2)

Ratio of basic salary and remuneration of women to men	Unit	Total		YtY variation
		2018	2017 ⁴	
Top management ¹	Ratio	0,77	0,78	-1%
Middle management ²	Ratio	0,93	1,06	-12%
White-collar employees	Ratio	0,87	0,83	5%
Blue-collar employees ³	Ratio	0,62	0,75	-17%

¹ Includes directors and direct reports

² Includes 2nd and 3rd level reports

³ Data not representative, as there is only one women in this category, who is not a specialized worker.

⁴ Data was restated, due to a change in calculation methodology

Percentage of female employees per category		2018
Top management		12%
Middle management		15%
White-collar employees		32%
Blue-collar employees		0,4%

Percentage of employees per category based on total number of employees		2018
Top management		6%
Middle management		10%
White-collar employees		57%
Blue-collar employees		26%

Figure 32: Parental leave³ (GRI 401-3)

		Men			Women		
		2018	2017	2016	2018	2017	2016
Total number of employees that were entitled to parental leave ¹	Headcount	16	42	9	7	13	26
Total number of employees that took parental leave ²	Headcount	14	17	9	7	13	26
	%	88%	40%	100%	100%	100%	100%
Total number of employees that re-turned to work in the reporting period after parental leave ended	Headcount	14	17	9	6	4	4
Total number of employees that re-turned to work in 2017 after parental leave ended that were still employed 12 months (ending in the reporting period 2018) after their return to work	Headcount	15	9	0	6	4	0
Return to work rate ⁴	%	100%	100%	100%	86%	100%	100%
Retention rate ⁵	%	88%	100%	100%	75%	100%	100%

¹Based on total entitlements known to the employer with starting date after 1.1.2018
²Based on the entitlements with starting date after 1.1.2018
³Includes compulsory leave (only for mother) and optional leave (usable also by the father)
⁴Total number of employees that did return to work after parental leave/
Total number of employees due to return to work after taking parental leave*100
⁵Retention rate = Total number of employees retained 12 months after returning to work following a period of parental leave/ Total number of employees returning from parental leave in the prior reporting *100period(s)

Health and safety at work

Figure 33: Health: Types of occupational diseases, occupational disease rate, and absenteeism (GRI 403-2)

Employees	2018	2017	2016	YtY variation
Incidents of occupational diseases	0	0	0	0%
Lost work days due to occupational diseases	0	0	0	0%
Lost work days due to absentees of all kinds ¹	10.033	10.717	7.633	-6%
Hours worked	1.454.474	1.396.937	1.194.147	4%
Hours scheduled to be worked	1.822.583	1.824.863	1.511.618	-0%
Occupational disease rate (per 1.000.000 h)	0	0	0	0%
Absentee rate (per 1000 hours)	5,50	5,87	5,05	-6%

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 34: Safety: Types of injury and rates of injury, lost days, and number of work-related fatalities (GRI 403-2)

Employees	2018	2017	2016	YtY variation
Fatalities	0	0	0	0%
Lost work day incidents	13	13	25	0%
Lost days ¹	293	192	228	53%
Hours worked	1.454.474	1.396.937	1.561.512	4%
Incident rate (per 1.000.000 h) ²	8,94	9,31	16,01	-4%
Lost day rate (per 1000h)	0,20	0,14	0,15	43%

¹When calculating 'lost days', 'days' means 'calendar days' ; 'lost days' count begins the day after the accident
²Minor (first-aid level) injuries are not included in the injury rate (IR); fatalities are included in the injury rate (IR)

Contractors	2018	2017	2016	YtY variation
Fatalities	0	not available	not available	0
Lost work day incidents	1	not available	not available	0
Lost days ¹	13	not available	not available	0
Hours worked	584.353	not available	not available	0
Incident rate ²	1,71	not available	not available	0
Lost day rate	0,02	not available	not available	0

¹When calculating 'lost days', 'days' means 'calendar days' ; 'lost days' count begins the day after the accident
²Minor (first-aid level) injuries are not included in the injury rate (IR); fatalities are included in the injury rate (IR)

Development and Innovation

Innovation, research and development

Figure 35: Innovation, Research and development activity and expenditure aimed at providing reliable electricity and promoting sustainable development (GRI EU8)

	Unit	2018	2017	2016	YtY variation
Number of employees working on R&D Projects	number of employees	46	not available	not available	
Hours of employees worked on R&D Projects	hours	not available	not available	not available	
Total R&D expenditure	EUR	1.056.717	1.554.248	707.952	-32%
EU Projects	EUR	393.169			
Other Research Projects	EUR	317.196			
Innovation Board Projects	EUR	346.352			

Sustainable Products and Services

Figure 36: Sustainable products and services¹ (GRI EU7/ALP4)

	2018	2017 ²	YtY variation
Share of revenues with sustainable products and services (%)	49%	46%	7%

¹Revenues include production and sale of hydro & solar energy, biomass and district heating and services related to energy efficiency and green mobility; Data include revenues related to 50% of SFE energy production sold by Alperia Energy; Revenues relate to pro quota energy quantities; Revenues of the sale of green labelled electricity sold to end customers are based on the estimation of average revenues based on cancelled Guarantees of Origine.
²Data restated due to updated calculation method

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.

Omissions: Grievance Mechanism

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.

Omissions: Grievance Mechanism

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.

Omissions: Grievance Mechanism

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.

Omissions: Grievance Mechanism

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 transmission 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 foresees the audit of family and work for 2018. 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. Moreover a whistleblowing platform was introduced. In 2018 new career development plans were drawn up. 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. This was not conducted in 2018. However feedback sessions with employees were held (272 in 2018 for Alperia SpA, Alperia Energy) with the objective to extend these to the rest of the Group. Any corrections are made continuously throughout the year. Measures sent via intranets

are reviewed and evaluated quarterly and, if necessary, approved and implemented. In 2018 a whistleblowing system was introduced. This involves employees and aims to detect risky behavior at an early stage (such as fraud, crimes, offences or other unethical behavior committed by persons within the company).

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. The creation of a Welfare and Equal opportunity Committee is foreseen. This will consist of 4 members of trade unions and 4 member of Alperia. 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. 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 2019 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 Content Index

(GRI 102-55)

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 16-19	none		
	102-2 Activities, brands, products, and services	See chapter ,The company and its values', page 16-19	none		
	102-3 Location of headquarters	See chapter ,The company and its values', page 16-19	none		
	102-4 Location of operations	See chapter ,The company and its values', page 16-19	none		
	102-5 Ownership and legal form	See chapter ,The company and its values', page 16-19	none		
	102-6 Markets served	See chapter ,The company and its values', page 16-19	none		
	102-7 Scale of the organization	See chapter ,The company and its values', page 18 and Annex Figure 7	none		
	102-8 Information on employees and other workers	See chapter ,Employees', page 105ff and Annex Figure 26	102-8-b	Not appli- cable	Split by region: Alperia is a regional company.
	102-8-d: No significant portion of the organization's activi- ties 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 sea- sonal variations in the tourism or agricultural industries).				
	102-8-f: Data based on actual employee numbers regis- tered 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 20,21 and chapter ,Supply chain man- agement', p.68ff	none		
	102-10 Significant changes to the organization and its supply chain	See chapter ,Methodological Note', page 177ff and chapter ,Supply chain manage- ment', p.68ff	none		
	102-11 Precautionary Principle or approach	See chapter ,Opportunities and risks', page 34ff	none		
	102-12 External initiatives	See chapter ,The company and its values', page 30	none		
	102-13 Membership of associations	See chapter ,The company and its values', page 31	none		
	EU1 Installed capacity	See Annex ,Figure 5'	none		
	EU2 Net energy output	See chapter ,Security of supply', p.55ff and Annex ,Figure 8'	none		
	EU3 Number of residential and commercial customer accounts	See chapter ,Customers', p. 87ff and Annex ,Figure 18'	none		
	EU4 Length of above and underground transmission and distribution lines by regulatory regime	See chapter ,Security of supply', p. 55ff and Annex ,Figure 8'	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 34ff	none		
	Ethics and integrity				
	102-16 Values, principles, standards, and norms of behav- ior	See chapter ,The company and its values', page 27	none		
	Governance				
	102-18 Governance structure	See chapter ,The company and its values', page 22ff	none		
	Stakeholder engagement				
	102-40 List of stakeholder groups	See chapter ,Strategy and objectives', p. 44ff	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. 44ff	none		
	102-43 Approach to stakeholder engagement	See chapter ,Strategy and objectives', p. 44ff	none		
	102-44 Key topics and concerns raised	See chapter ,Strategy and objectives', p. 44ff	none		
	Reporting practice				
	102-45 Entities included in the consolidated financial statements	See Annex ,Methodological Note', p.177ff	none		
	102-46 Defining report content and topic Boundaries	See Annex ,Methodological Note', p.177ff	none		
	102-47 List of material topics	See Annex ,Methodological Note', p.177ff	none		
	102-48 Restatements of information	See Annex ,Methodological Note', p.177ff	none		
	102-49 Changes in reporting	See Annex ,Methodological Note', p.177ff	none		
	102-50 Reporting period	See Annex ,Methodological Note', p.177ff	none		
	102-51 Date of most recent report	See Annex ,Methodological Note', p.177ff	none		
	102-52 Reporting cycle	See Annex ,Methodological Note', p.177ff	none		
	102-53 Contact point for questions regarding the report	See Annex ,Methodological Note', p.179	none		
	102-54 Claims of reporting in accordance with the GRI Standards	See Annex ,Methodological Note', p.177ff	none		
	102-55 GRI Content Index	See Annex ,GRI Content Index', p.164ff	none		
	102-56 External assurance	See Annex ,Assurance Statement', p.174ff	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. 50ff	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. 50ff 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. 51ff	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.51ff 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. 68ff	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. 68ff and Annex ,Figure 12'	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. 80ff	none		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. 80ff and Annex ,Figure 16'	none		
	302-5 Reductions in energy requirements of products and services	See chapter 'Sustainable Products and Services', p. 128ff			

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. 74ff	none		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		
Alperia Own 2017	ALP6 Water released for minimum flow	See chapter ,Water' p. 74ff and Annex ,Figure 15'	none		
	ALP7 Incidents of non compliance with MVF requirements	See chapter ,Water' p. 74ff and Annex ,Figure 15'	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. 82ff	none		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 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	See chapter ,Emissions', p.82ff and Annex ,Figure 17'	none		
	305-2 Energy indirect (Scope 2) GHG emissions	See chapter ,Emissions', p.82ff and Annex ,Figure 17'	none		
	305-3 Other indirect (Scope 3) GHG emissions	See chapter ,Emissions', p.82ff and Annex ,Figure 17'	none		
	305-4 GHG emissions intensity	See chapter ,Emissions', p.82ff and Annex ,Figure 17'	none		
	305-5 Reduction of GHG emissions	See chapter ,Emissions', p.82ff	none		
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	See chapter ,Emissions', p.82	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. 68ff	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. 68ff and Annex ,Figure 13'	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. 105ff	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. 105ff and Annex ,Figure 27	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. 111 and Annex ,Figure 32'	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. 115ff	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. 115ff and Annex ,Figure 33, 34'	GRI 403-2-b		
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. 107ff	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. 107ff	404-1		
	404-3 Percentage of employees receiving regular performance and career development reviews	See chapter ,People development', p.91ff and Annex Figure 29	none		
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. 111ff	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. 111ff and Annex ,Figure 30'	none		
	405-2 Ratio of basic salary and remuneration of women to men	See chapter ,Diversity and equal opportunity' p. 111ff and Annex ,Figure 31'	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', p. 68	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. 68ff and Annex ,Figure 14'	none		
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.68ff	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 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	See chapter ,Supply chain management' p. 68ff and Annex ,Figure 13'	none		

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
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. 92ff	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 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	See chapter ,Clients' p. 92ff	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. 92ff Annex ,Figure 22'	none		
	417-3 Incidents of non-compliance concerning marketing communications	See chapter ,Clients' p. 92ff Annex Figure 23	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. 92ff	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. 100ff	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. 100ff and Annex ,Figure 24'	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. 55ff	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.50ff 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.55ff and Annex ,Figure9'	none		
	EU28 Power outage frequency	See chapter ,Security of supply', p.55ff and Annex ,Figure 9'	none		
	EU30 Average plant availability factor by energy source and by regulatory regime	See chapter ,Security of supply', p.55ff 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. 92ff	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. 92ff and Annex ,Figure 19'	none		
	ALP2 Customer complaints	See chapter ,Customer satisfaction, p. 92ff and Annex ,Figure 20'	none		
	ALP3 Customer satisfaction index	See chapter ,Customer satisfaction, p.92ff and Annex Figure 21	ALP3		
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. 121ff	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. 121ff and Annex ,Figure 35'	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. 121ff	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. 121ff and Annex ,Figure 36'	none		
	ALP5 Description of new business initiatives with sustainable products and services	See chapter ,Sustainable products and services', p. 121ff	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. 62ff	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. 62ff	none		

Report of the independent auditing firm

(GRI 102-56)



ALPERIA SPA

INDEPENDENT AUDITOR'S REPORT ON THE
CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT
TO ARTICLE 3, PARAGRAPH 10, OF LEGISLATIVE DECREE
NO. 254/2016 AND ARTICLE 5 OF CONSOB REGULATION
NO. 20267 OF JANUARY 2018

YEAR ENDED 31 DECEMBER 2018



Independent auditor's report on the consolidated non-financial statement
pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018

To the 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 "Group" or "Alperia Group") for the year ended 31 December 2018 prepared in accordance with article 4 of the Decree and approved by the Management Board on 28 March 2019 (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.



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 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 Group, with reference to the management of the matters specified by article 3 of the Decree;
 - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
 - 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 Edyna Srl and Alperia Ecoplus 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 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, Edyna Srl and Alperia Ecoplus Srl at their respective registered offices, which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out 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 2018 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Trento, 16 April 2019

PricewaterhouseCoopers SpA

Signed by

Alberto Michelotti
(Partner)

Signed by

Paolo Bersani
(Authorized signatory)

This report has been translated from the original, which was issued in Italian, solely for the convenience of international readers. We have not performed any verification procedures on the English translation of the NFS of Alperia Group as of 31 December 2018.

Methodological note

(GRI 102-45, 102-48 - 102-52, 102-54)

This Sustainability Report is the Consolidated Non-financial statement pursuant to the Legislative Decree no. 254/2016 and presents the activities and data of the Alperia Group according to the reporting boundaries for the reporting period of the consolidated financial statements 2018. Any variations are indicated with footnotes next to the data in question. 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 a decimal separator.

List of companies consolidated according to the 2018 consolidated financial statements:

Business Unit	Company	Shareholding (%)	Plants (no.)
Generation	Alperia Greenpower Srl	100%	32 hydroelectric power plants; 7 photovoltaic plants
	Ottana Solar Power SpA	100%	1 photovoltaic facility
	Selsolar Rimini Srl	80%	1 photovoltaic facility
	Alperia Vipower SpA	77%	2 hydroelectric power stations
	Selsolar Monte San Giusto GmbH	60%	1 photovoltaic facility
Sales & Trading	Alperia Energy Srl	100%	
Networks	Edyna Srl	100%	
	Edyna Transmission Srl	100%	
	Alperia Trading Srl	100%	
Heat & Services	Alperia Ecoplus Srl	100%	5 district heating plants
	Biopower Sardegna Srl	100%	1 biomass power plant
Smart Region	Alperia Fiber GmbH	100%	
	Alperia Smart Mobility GmbH	100%	
	Alperia Bartucci SpA	60%	

The company Alperia Bartucci SpA was integrated into the Alperia Group in 2018. Data integration at group level has not yet been fully implemented. In the following areas, the data of Alperia Bartucci SpA have not yet been consolidated:

- Supplier management
- Customer satisfaction
- Employee indicators
- Innovation, Research & Development

In addition, the company Alperia Trading Srl was established in 2018. The company is fully consolidated in the data.

The company AEW Reti SpA has been liquidated. As it was no longer operational in the last budgetary cycle, this does not impact data.

Following the improvement of the data collection systems, the following indicators for the year 2017 have been adapted for better comparability:

- ALP4: Share of revenues with sustainable products and services
- GRI EU3: Number of customer accounts
- GRI 201-1: Direct economic value generated and distributed

- GRI 405-2: Ratio of basic salary and remuneration of women to men
- Energy Consumption and GHG Emissions

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.

Contact

(GRI 102-53)

Brand & Communication Alperia

CSR Management: Kathrin Madl (kathrin.madl@alperia.eu)

Graphic design & Layout: Mauro Babic

Responsible for the consolidated non-financial statement: Stefan Stabler

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

Editorial deadline: 19 April 2019

Sustainability Report 2018

Consolidated Non-Financial Statement 2018
pursuant to Italian Legislative Decree No. 254/2016

Alperia SpA

Via Dodiciville 8
39100 Bolzano, Italy
T +39 0471 986 111
www.alperigroup.eu