BASE PROSPECTUS

A2A S.p.A.

(*incorporated with limited liability in the Republic of Italy*)

Euro 4,000,000,000
Euro Medium Term Note Programme

Under this Euro 4,000,000,000 Euro Medium Term Note Programme (the **Programme**), A2A S.p.A. (the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed Euro 4,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".

This Base Prospectus has been approved as a base prospectus by the *Commission de Surveillance du Secteur Financier* (the **CSSF**), as competent authority under Regulation (EU) 2017/1129 (the **Prospectus Regulation**). The CSSF only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CSSF should not be considered as an endorsement of the Issuer or of the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes.

The CSSF gives no undertaking as to the economic or financial opportuneness of the transactions contemplated by this Base Prospectus or the quality and solvency of the Issuer. Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.

References in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been admitted to the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU).

This Base Prospectus is available on the Issuer's website at https://www.a2a.eu/en/investors/debt.

This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Notes which are to be admitted to trading on a regulated market in the European Economic Area (the **EEA**). For these purposes, references(s) to the EEA include(s) the United Kingdom. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

The requirement to publish a prospectus under the Prospectus Regulation only applies to Notes which are to be admitted to trading on a regulated market in the EEA and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 1(4) and/or 3(2) of the Prospectus Regulation (and for these purposes, references to the EEA include the United Kingdom).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the **Final Terms**) which will be filed with the CSSF. Copies of Final Terms in relation to Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and listed on the Official List of the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplement to the Base Prospectus, if appropriate, or a drawdown prospectus or a new base prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Issuer has been rated "Baa2" (long term) with a "stable" outlook by Moody's Investor Service Inc. (**Moody's**) and "BBB" (long term) and "A-2" (short term) with a "stable" outlook by S&P Global Ratings (**Standard & Poor's**). The Programme has been rated "(P)Baa2" by Moody's, acting through Moody's France SAS, and "BBB" by Standard & Poor's, acting through S&P Global Ratings Europe Limited, France Branch. Each of Moody's and Standard & Poor's is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of Moody's and Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Amounts payable under the Floating Rate Notes will be calculated by reference to LIBOR, EURIBOR or CMS Rate, as specified in the relevant Final Terms. As at the date of this Base Prospectus, the ICE Benchmark Administration (as administrator of LIBOR and CMS Rate) is included in register of administrators maintained by the European Securities and Markets Authority (ESMA) under Article 36 of the Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**). As at the date of this Base Prospectus, the European Money Markets Institute (as administrator of EURIBOR) is included in the ESMA's register of administrators under Article 36 of the Benchmarks Regulation.

Co-Arrangers

BNP PARIBAS **IMI – Intesa Sanpaolo** **Mediobanca**

Dealers

Barclays	**BBVA**
BNP PARIBAS	**Crédit Agricole CIB**
Goldman Sachs International	**IMI – Intesa Sanpaolo**
Mediobanca	**Morgan Stanley**
MUFG	**Société Générale Corporate & Investment Banking**
UBI Banca	**UniCredit Bank**

The date of this Base Prospectus is 28 July 2020.

IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of Notes issued under the Programme for the purposes of Article 8 of the Prospectus Regulation. When used in this Base Prospectus, Prospectus Regulation means Regulation (EU) 2017/1129.

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

In respect of information in this Base Prospectus that has been extracted from a third party, the Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Although the Issuer believes that the external sources used are reliable, the Issuer has not independently verified the information provided by such sources.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Base Prospectus shall be read and construed on the basis that such documents are incorporated by reference and form part of this Base Prospectus.

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*"), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the CSSF.

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers

expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in Notes issued under the Programme of any information coming to their attention.

IMPORTANT – EEA AND UK RETAIL INVESTORS – If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA and UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or in the United Kingdom (the **UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended or superseded, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

MiFID II product governance / target market – The Final Terms in respect of any Notes will include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the EEA (including, for these purposes, without limitation, the United Kingdom, the Republic of Italy and Belgium) and Japan, see "*Subscription and Sale*".

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

(ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal and tax advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal and tax advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) or any U.S. State securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons as defined in Regulation S under the Securities Act unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction (see "*Subscription and Sale*").

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Presentation of Financial Information

The Group's financial information as at and for the years ended 31 December 2018 and 31 December 2019 included in this Base Prospectus has been derived from the audited consolidated financial statements of the Group for the financial years ended 31 December 2018 and 31 December 2019. Such consolidated financial statements are incorporated by reference herein (see "*Documents Incorporated by Reference*") and have been prepared in accordance with:

- Article 154-*ter* of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and CONSOB Regulation No. 11971 of 14 May 1999, as amended (**Regulation No. 11971**); and

- International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standard Board (**IASB**) and approved by the European Union. IFRS means all the revised international accounting standards (**IAS**) and all the interpretations of the International Financial Reporting Interpretations Committee (**IFRIC**), formerly known as the Standing Interpretations Committee (**SIC**).

- The accounting principles applied in preparing the Group's audited consolidated financial statements as at and for the year ended 31 December 2018 and 31 December 2019 are the same as those used to prepare the Group's audited consolidated financial statements as at and for the year ended 31 December 2017, except for:

    - the new Standard IFRS 9 – *Financial Instruments* – adopted by the Group starting from 1 January 2018 with no significant impact on the Group's consolidated financial statement;

    - the new Standard IFRS 15 – *Revenue from Contracts with Customers* – adopted by the Group starting from 1 January 2018 with no significant impact on the Group's consolidated financial statement;

    - the new IFRIC 22 Interpretation – *Foreign Currency Transactions and Advance Consideration* – on IAS 21 – *The Effects of Changes in Foreign Exchange Rates* – adopted by the Group starting from 1 January 2018 with no significant impact on the Group's consolidated financial statement;

    - the amendments to Standard IAS 40 – *Transfers of Investment Property* – effective from 1 January 2018 with no significant impact on the Group's consolidated financial statement;

    - the amendments to Standard IFRS 4 – *Insurance Contracts* – effective from 1 January 2018 with no significant impact on the Group's consolidated financial statement;

    - the new Standard IFRS 16 – *Leases* – adopted by the Group starting from 1 January 2019;

    - the amendments to Standard IFRS 9 – *Financial Instruments* – effective from 1 January 2019 with no significant impact on the Group's consolidated financial statement;

- the amendments to IAS 28 – *Investments in Associates and Joint Ventures* – effective from 1 January 2019 with no significant impact on the Group's consolidated financial statement;

- the amendments to IAS 19 – *Employee Benefits* – effective from 1 January 2019 with no significant impact on the Group's consolidated financial statement.

Alternative Performance Measures

This Base Prospectus and the documents incorporated by reference contain certain alternative performance measures (**APMs**) which differ from the IFRS-EU financial indicators adopted by the Group and presented in the audited consolidated financial statements as at and for the years ended, respectively, 31 December 2018 and 31 December 2019 and the press release dated 12 May 2020 headed "*A2A S.p.A. Board of Directors has examined and approved the quarterly Financial Information as at 31 March 2020*" relating to the certain unaudited consolidated interim data of A2A for the three month period ended 31 March 2020.

Such APMs are extracted directly from, respectively, the audited consolidated financial statements as at and for the years ended, respectively, 31 December 2018 and 31 December 2019 and the press release dated 12 May 2020 headed "*A2A S.p.A. Board of Directors has examined and approved the quarterly Financial Information as at 31 March 2020*" and are useful to present the results more efficiently and to analyse the financial performance of the A2A Group. In particular, AMPs, as well as comparatives with the previous period, are included, *inter alia*, in the section headed "*Consolidated results and report on operations*" of the report on operations for the financial year ended 31 December 2018 and 31 December 2019 (the **Report on Operations 2018** and **Report on Operations 2019**).

On 3 December 2015, CONSOB (*Commissione Nazionale per le Società e la Borsa*, the Italian securities and exchange commission) issued Communication No. 92543/15 that acknowledged the Guidelines issued on 3 October 2015 by ESMA concerning the presentation of APMs disclosed in regulated information and prospectuses published as from 3 July 2016 (the **Guidelines**). The Guidelines – which update the previous CESR Recommendation (CESR/05-178b) – are aimed at promoting the usefulness and transparency of APMs in order to improve their comparability, reliability and comprehensibility. In addition, ESMA also published a Questions and Answers (Q&A) document on the Guidelines, last updated on 30 October 2017, to promote common supervisory approaches and practices in the application of the Guidelines.

In line with the Guidelines, the definitions, contents, basis of calculation and criteria used to construct the APMs adopted by the A2A Group are described below.

Gross operating income (or EBITDA or Gross operating margin)

Gross operating income (otherwise referred to as **EBITDA**) is an operating performance indicator, calculated as "Net Operating Income" (otherwise referred to as **EBIT**) plus "Depreciation, amortization, provisions and write-downs".

This APM is used by A2A as financial target in presentations both within the A2A Group (business plans) and externally (such financial analysts and investors presentations); it represents a useful measure to assess the operating performance of the A2A Group (both as a whole and in terms of individual Business Unit), also through a comparison between the operating results of the reporting period with those relating to previous periods or years. Furthermore, such measure allows A2A to conduct trend analysis and compare internal efficiency performance over time.

Result from non-recurring transactions

The **Result from non-recurring transactions** is an alternative performance indicator designed to highlight the capital gains/losses arising from the valuation at fair value of non-current assets sold and the results from

the sale of equity investments in unconsolidated subsidiaries and associated companies and other non-operating income/expenses.

This indicator is placed between net operating income and the financial balance. In this way, net operating income is not affected by non-recurring operations, making it easier to measure the effective performance of the Group's ordinary operating activities.

This APM is used by A2A as a measure for the evaluation of the performance associated with non-current assets and liabilities held for sale (or disposal groups) of the A2A Group in internal presentations (business plans) and in external presentations (such as analysts and investors presentations).

Net fixed capital

The **Net fixed capital** is determined as the algebraic sum of:

- tangible assets;
- intangible assets;
- investments accounted for using the equity method and other non-current financial assets;
- other non- current assets and liabilities;
- deferred tax assets and deferred tax liabilities;
- provisions for risks, charges and liabilities for landfills;
- employee benefits.

This APM is used by the A2A Group as a financial target in presentations both within the Group (business plans) and externally (presentations to financial analysts and investors); it represents a useful measure for the evaluation of net fixed assets of the A2A Group as a whole, also through the comparison of the reporting period with those of the previous periods or years. Furthermore, such measure allows A2A to conduct analyses on operational trends and measure performance in terms of operational efficiency over time.

Working capital

The **Working capital** is calculated as the algebraic sum of:

- inventories;
- trade receivables and other current assets;
- trade payables and other current liabilities;
- current tax assets and tax liabilities.

This APM is used by the A2A Group as a financial target in presentations both within the Group (business plans) and externally (presentations to financial analysts and investors); it represents a useful measure of the ability to generate cash flow from operations within a period of twelve months, also through the comparison between the reporting period with those relating to previous periods or years. Furthermore, such measure allows A2A to conduct trend analysis and compare internal efficiency performance over time.

Capital employed / Net capital employed

The **Capital employed/Net capital employed** is calculated as the sum of Net fixed capital, Working capital and Assets/Liabilities held for sale.

This APM is used by the A2A Group as a financial target in presentations both within the Group (business plans) and externally (presentations to financial analysts and investors); it represents a useful measure for the evaluation of total net assets, both current and fixed.

Sources of funds

The **Sources of funds** are calculated as the sum of the "Equity" and "Total net financial position".

This APM is used by the A2A Group as a financial target in presentations both within the Group (business plans) and externally (presentations to financial analysts and investors); it represents the various sources by means of which the A2A Group is financed and the degree of autonomy that the A2A Group has in comparison with third party capital. Furthermore, it measures the financial strength of the A2A Group.

Net Financial Position/Net debt

Net Financial Position/Net debt is an indicator of the financial structure, calculated as the sum of net financial position beyond one year and net financial position within one year. Specifically, total net financial position beyond one year is obtained from the algebraic sum of:

- Total medium and long-term debt: the item includes the non-current portion of Bonds, Bank loans, Finance leases and Other non-current liabilities;
- Total medium and long-term financial receivables: this item contains Non-current financial assets (including those with related parties) and Other non-current assets.

Total current net debt is calculated as the algebraic sum of:

- Total short-term debt: the item includes the current portion of Bonds, Bank loans, Finance leases, Current financial liabilities with related parties and Other current liabilities;
- Total short-term financial receivables: this item includes Other current financial assets (including those with related parties) and Other current assets;
- Cash and cash equivalents and Cash and cash equivalents included in assets held for sale.

This APM is used by the A2A Group as a financial target in presentations both within the Group (business plans) and externally (presentations to financial analysts and investors) and it is useful for the purposes of measuring the Group's financial debt, also through the comparison between the reporting period with those relating to previous periods or years.

The A2A Group net financial position is calculated pursuant to CONSOB Communication no. DEM 6064293 of 28 July 2006 and in accordance with the ESMA/2013/319 Recommendation.

Investments in tangible and intangible assets (or Gross investments or Capex in tangible and intangible assets)

The **Investments in tangible and intangible assets** (otherwise referred to as **Gross investments**) are calculated as Investments on property, plant and equipment, intangible assets, as may be inferred by the information included in the Notes to the Balance Sheet.

This APM is used by the A2A Group as a financial target in in presentations both within the Group (business plans) and external (presentations to financial analysts and investors) and is a useful measure of the resources used in the maintenance and development of the investments of the A2A Group (as a whole and in terms of individual Business Unit), also through the comparison between the reporting period with those relating to previous periods or years. This allows A2A to conduct analyses on investment trends and measure performance in terms of operational efficiency over time.

Investors should not place undue reliance on these APMs and should not consider any APMs as: (i) an alternative to operating or net profit as determined in accordance with IFRS; (ii) an assessment of the Group's ability to meet cash needs alternative to as deduced from the cash flow from operating, investing or financing activities (as determined in accordance with IFRS); or (iii) an alternative to any other performance indicator provided by IFRS.

The APMs described above have been derived from historical financial information of the A2A Group and are not intended to provide an indication on the future financial performance, financial position or cash flows of the A2A Group itself. Furthermore, such APMs have been calculated consistently throughout the periods for which financial information is presented in this Base Prospectus.

APMs presented in this Base Prospectus, in the consolidated financial statements as at and for the years ended 31 December 2016 and 2017, the Interim Report at 30 June 2018 and the press release dated 13 November 2018 headed "*The Board of Directors of A2A S.p.A. has examined and approved the quarterly information at September 30, 2018*" (each of which incorporated in this Base Prospectus, see "*Documents incorporated by Reference*") should be also read in conjunction with the financial information presented or incorporated by reference in this Base Prospectus and derived from the audited consolidated financial statements for the years ended 31 December 2016 and 31 December 2017 and the Interim Report at 30 June 2018.

Certain Defined Terms and Conventions

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed to them in the section headed "*Terms and Conditions of the Notes"* or any other section of this Base Prospectus. In addition, the following terms as used in this Base Prospectus have the meanings defined below.

Presentation of Other Information

In this Base Prospectus:

- all references to **U.S. dollars**, **U.S.$** and **$** refer to United States dollars;
- all references to **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;
- certain figures have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them;
- certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Forward-Looking Statements

This Base Prospectus may contain forward-looking statements, including (without limitation) statements identified by the use of terminology such as "anticipates", "believes", "estimates", "expects", "intends", "may", "plans", "projects", "will", "would" or similar words and expressions. These statements are based on the Issuer's current expectations and projections about future events and involve substantial uncertainties. All statements, other than statements of historical facts, contained herein regarding the Issuer's strategy, goals, plans, future financial position, projected revenues and costs or prospects are forward-looking statements. Forward-looking statements are subject to inherent risks and uncertainties, some of which cannot be predicted or quantified. Future

events or actual results could differ materially from those set forth in, contemplated by or underlying forward-looking statements. The Issuer does not undertake any obligation to publicly update or revise any forward-looking statements.

CONTENTS

Clause **Page**

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus, including the documents incorporated by reference, and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplement to the Base Prospectus, if appropriate, or a drawdown prospectus or a new base prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

This Overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) No 2019/980 (the **Delegated Regulation**).

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

Issuer:	A2A S.p.A.
Issuer Legal Entity Identifier (LEI):	81560076E3944316DB24
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" below and include, among others, risks relating to changes to the overall economic situation caused by the economic crisis; risks relating to the revision of tariffs in the waste, water and energy sectors; operational risks; credit risks; liquidity and funding risks; interest rates risks; rating risks; risks relating to the legal proceedings; risks relating to the structure of the Group; risks relating to rendering concessions necessary for the Group to continue to engage in the business described in this Base Prospectus; and risks relating to changes in the regulatory and legislative framework within which the Group operates. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Euro Medium Term Note Programme
Arrangers:	BNP Paribas, Intesa Sanpaolo S.p.A. and Mediobanca – Banca di Credito Finanziario S.p.A.
Dealers:	Banco Bilbao Vizcaya Argentaria, S.A. Barclays Bank Ireland PLC Barclays Bank PLC BNP Paribas Crédit Agricole Corporate and Investment Bank Goldman Sachs International Intesa Sanpaolo S.p.A. Mediobanca – Banca di Credito Finanziario S.p.A. Morgan Stanley & Co. International plc

	MUFG Securities (Europe) N.V. Société Générale UniCredit Bank AG Unione di Banche Italiane S.p.A. and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*").
Issuing and Principal Paying Agent:	The Bank of New York Mellon, London Branch
Programme Size:	Up to Euro 4,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may, from time to time, increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Notes may be denominated in, subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency, provided that the minimum maturity will be at least one year and one day.
Issue Price:	Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form as described in "*Form of the Notes*".
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified

	Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes. Floating Rate Notes will have a minimum interest rate and may also have a maximum interest rate. Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Step Up Notes	Fixed Rate Notes and Floating Rate Notes may be subject to a Step Up Option if the applicable Final Terms indicates that the Step Up Option is applicable. The Rate of Interest for Step Up Notes will be the Initial Rate of Interest specified in the applicable Final Terms, provided that, for any Interest Period commencing on or after the Interest Payment Date immediately following a Step Up Event, if any, the Rate of Interest shall be increased by the Step Up Margin specified in the applicable Final Terms. For the avoidance of doubt, an increase in the Rate of Interest may occur no more than once in respect of the relevant Step Up Note.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Benchmark discontinuation:	If a Benchmark Event occurs in relation to an Original Reference Rate when any rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use it reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4.4(b) (*Successor Rate or Alternative Rate*)) and, in either case an Adjustment Spread if any (in accordance with Condition 4.4(c) (*Adjustment Spread*)) and any Benchmark Amendments (in accordance with Condition 4.4(d) (*Benchmark Amendments*)).

Redemption:	The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.
Denomination of Notes:	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum denomination of each Note will be Euro 100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Issuer Call	The applicable Final Terms may provide that the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.
Clean-Up Call	The applicable Final Terms may provide that, in the event that 20 per cent. or less of the initial aggregate principal amount of a particular Series of Notes (including any Notes issued pursuant to Condition 15 (*Further Issues*) remains outstanding, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the outstanding Notes in that Series at par together with any interest accrued to the date set for redemption.
Relevant Event Put:	The applicable Final Terms may provide that, upon the occurrence of a Put Event (as described below), Notes will be redeemable at the option of the Noteholders upon giving notice to the Issuer on a date or dates specified prior to their stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer and

	specified in the applicable Final Terms. A Put Event will be deemed to have occurred if any of (A) a Change of Control, a Concession Event or a Sale of Assets Event (each a Relevant Event, as described in Condition 6.5) occurs, (B) at the time of the later of the first public announcement and the occurrence of the Relevant Event, the Notes carry from any Rating Agency, a Rating Event (as defined in Condition 6.5) occurs, and (C) in making the relevant decision relating to the Rating Event (as defined in Condition 6.5), the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision resulted, in whole or in part, from the Relevant Event.
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 7 (*Taxation*). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 3 (*Negative Pledge*).
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 9 (*Events of Default*).
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Rating:	The Programme has been rated "(P)Baa2" by Moody's and "BBB" by Standard & Poor's. Each of Moody's and Standard & Poor's is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of Moody's and Standard & Poor's is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with such CRA Regulation. Notes issued under the Programme may be rated or unrated by anyone or both rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Approval, Listing and Admission to Trading:	Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law. Condition 15 (Meetings of Noteholders and Modifications) and the provisions of the Agency Agreement concerning the meetings of Noteholders and the appointment of a Noteholders' Representative in respect of the Notes are subject to compliance with the laws of the Republic of Italy.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA (including, for these purposes, without limitation, the United Kingdom, Belgium and the Republic of Italy), and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".
United States Selling Restrictions:	Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms.

RISK FACTORS

In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors, and certain factors which it currently deems not to be material may become material as a result of the occurrence of events beyond the Issuer's control. The Issuer has identified in this Base Prospectus a number of factors which could materially and adversely affect its business and ability to make payments due in respect of the Notes. Some of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

These are the principal risks that the Issuer considers to be material; however, there may be additional risks of which the Issuer is not currently aware or that may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate, and any of these risks could also have a negative effect on the ability of the Issuer to fulfil its obligations under the Notes.

The following risks are presented in categories, with the most material risk factor presented first in each category and the remaining risk factors presented in an order which is not intended to be indicative either of the relative likelihood that each risk will materialize or of the magnitude of their potential impact on the business, financial condition and results of operations of the Issuer and the Group.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the industry(ies) in which it operates together with all other information contained in this Base Prospectus, including in particular, the risk factors described below, and any document incorporated by reference herein. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus, including the documents incorporated by reference, and reach their own views, based upon their own judgement and upon advice from such financial, legal, tax and other professional advisers as they deem necessary, prior to making any investment decisions.

MATERIAL RISKS THAT ARE SPECIFIC TO THE ISSUER AND THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES ISSUED UNDER THE PROGRAMME

- **RISK RELATED TO THE CURRENT PANDEMIC**

Covid-19 virus emergency

The outbreak of the SARS-CoV-2 pandemic (**COVID-19**), first identified in December 2019 in China, has now also spread rapidly worldwide and is having considerable effects on global health systems, people's habits and capital markets and thus on national economies and daily life, the economic and financial extent and end of which is difficult to predict.

The implications of such outbreaks depend on a number of factors, such as the duration and spread of the outbreak as well as the timing, suitability and effectiveness of measures imposed by authorities, the availability of resources, including human, material, infrastructure and financial resources, required to implement effective responses to the respective situation at international, national and regional level as well as the level of civil compliance with such measures.

With reference to A2A Group, the economic and financial results as at and for the period ended 31 March 2020 have been affected by both a weakening energy sector (already apparent from the fourth quarter of 2019) as well as the effects of the COVID-19 pandemic. The forward prices of commodities, particularly gas and its effects on energy prices, continue to be weak and A2A Group believes it reasonable to consider that the negative effects of the lock-down may continue to have an impact over the next few quarters. Furthermore, a contraction in the volume of certain commercial (small business temporarily or permanently closed, impacting the Group due to the decrease in the volumes of waste collected/recovered/disposed of) and industrial activities (SME temporarily or permanently closed, impacting the Group due to the lower volumes of electricity produced and sold) , the higher costs for safety equipment (such as masks, gloves, overalls, temperature detectors etc.) and potential liquidity crises of A2A customers could negatively affect the Group's revenues and margins.

A more precise quantification will, however, only be possible once the methods and speed of the recovery of economic activities are clarified.

- **REGULATORY RISKS**

Adverse evolution of the regulated environment in which the Group operates.

The Group operates in a highly regulated environment, which has and is expected to continue to have a material impact on the performance of the Group (see also "*Description of the Issuer – Licenses*" and "*Regulation*", below). Changes in applicable legislation and regulations, whether at a national or European level, as well as in the regulation of the competent regulatory agencies, including the Italian Regulatory Authority for Energy, Networks and Environment (Autorità di Regolazione per Energia, Reti e Ambiente – ARERA)[1], could negatively affect the Group's operations, revenues, margins and return on assets, for both existing operations and planned future developments.

The Group's regulated activities are dependent on, and governed by, concessions, licenses and other permits

The Group's regulated activities are dependent on concessions from national and local authorities (integrated water service, natural gas distribution, waste management, public lighting, hydroelectric plants, electricity distribution). No assurances can be given that A2A or any member of the Group will maintain or renew existing concessions, or enter into new concessions in new areas allowing the Group to carry on its core business after the expiry of each relevant concession, nor that any new concessions entered into or renewed will be on terms as good as those of its current concessions.

As at the date of this Base Prospectus, the main issues related to the Group's concessions are the following:

- the integrated water service concession in the province of Brescia (currently managed by the A2A Group) which the Board of Directors of the competent EGA (*Ente di Governo dell'Ambito*) has assigned to Acque Bresciane S.r.l. (a total public company). Acque Bresciane S.r.l. will take over the management of the integrated water service only upon payment to the A2A Group of the residual takeover value of the concessions;
- the large-scale concessions held by the Group in Valtellina, for a nominal concession power of approximately 200 MW, which have expired and are currently managed under a "temporary continuation" regime. The new rules introduced by the Simplification Law give powers and authority to set regulations, procedures and criteria for awarding concessions to the regions, which may be entrusted to private economic operators identified by tender, or to both public and private companies. The law of the Lombardy Region, establishing criteria for tendering, was published in April 2020 (Regional Law 8 April 2020, n. 5) but uncertainty remains as to its interpretation by the

[1] The Law No. 205 of 27 December 2017 (2018 Budget Law) extended the regulatory and control powers of the Authority for Electricity, Gas and the Water System (AEEGSI, now ARERA) to the waste cycle, including separated, urban and similar waste.

Italian courts, how the new procedures, criteria and scheduling will operate for awarding concessions and how the authority will ultimately be granting any future concessions;

- the natural gas distribution network "Milan 1 - City and Plant of Milan" Minimal Territorial Areas (**ATEM**), which was awarded in September 2018 to A2A's subsidiary Unareti S.p.A. ("Unareti") and is still under dispute before the Council of State due to an appeal against the ruling of the Regional Administrative Court of the Lombardy Region, which excluded both competitors from the tender procedure; the hearing of the Council of State was held on 9 July 2020 and Unareti is waiting for the final decision (for further information, see also the section of the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2019 headed "*Update of the main legal and tax disputes still pending*", incorporated by reference in this Base Prospectus).

Furthermore, each concession is governed by agreements with the relevant grantor requiring the relevant concession holder to fulfil certain obligations (including performing regular maintenance). Each concession holder is subject to penalties or sanctions for the non-performance or default under the relevant concession. Failure by a concession holder to fulfil its material obligations under a concession, if such failure is left unremedied, could lead to early termination of the concession by the grantor. Furthermore, in accordance with general principles of Italian law, a concession can be terminated early for reasons of public interest. In either case, the relevant concession holder might be required to transfer all of the assets relating to the operation of the concession to the grantor or to the incoming concession holder. In the case of early termination of a concession, the concession holder might be entitled to receive a compensation amount determined in accordance with the terms of the relevant concession-agreement. However, there can be no assurance that any amount due, if any, to the relevant member of the Group will be actually paid and/or timely paid and/or will be adequate compensation for the loss of the relevant concession and disposal of the related assets. Furthermore, disputes often arise between the parties regarding the quantification of the indemnity due to the former concession holder, which can have an impact on the Group's business plan and activity.

The Group is exposed to revision of tariffs in waste, water and distribution networks sectors

The Group operates, *inter alia*, in the waste, water and distribution networks sectors and is exposed to a risk of variation of the relevant tariffs. The tariffs are determined and adjusted by the relevant authorities and may be subject to variations as a consequence of periodic revisions resulting from investigations by the relevant authority concerning, *inter alia*, efficiency improvements and the actual implementation of planned investments by the companies managing the related service.

As far as the integrated waste management service is concerned, pursuant to Article 1, paragraph 527, of Law no. 205 of 27 December 2017 (*i.e.*, the 2018 Budget Law), the ARERA published the first measures regarding tariff regulation and transparency (Resolution 443/2019/R/rif), which applies to the 2020/2021 tariff receipts, but there is still uncertainty about the Resolution's implementing methods with regard to the tariffs.

Uncertainties as to how determine tariffs and/or decreases in tariffs payable by the end users to A2A and/or the members of the Group could adversely affect the Group's business, results of operations and financial condition.

The Group's ability to achieve its strategic objectives could be impaired if it is unable to maintain or obtain the required licences, authorizations, permits, approvals and consents

In order to carry out and expand its business, the Group needs to maintain or obtain a variety of permits and approvals from competent authorities and agencies. The processes for obtaining these permits and approvals are often lengthy, complex, unpredictable and costly. If the Group is unable to maintain or obtain the relevant permits and approvals, its ability to achieve its strategic objectives could be impaired with an adverse impact on the Group's business and results of operations, financial position and cash flows.

The Group's operations are subject to extensive environmental statutes, rules and regulations

The Group's compliance with environmental statutes, rules and regulations on, *inter alia*, air emissions, water discharges and the management of hazardous and solid waste involves significant costs relating to environmental monitoring, installation of pollution control equipment, emission fees, maintenance and upgrading of facilities, remediation and permitting. The costs of compliance with legal environmental requirements now existing or not yet adopted may increase in the future. An increase in such costs, unless promptly recovered, could have an adverse impact on the Group's business and results of operations, financial position and cash flows.

- **FINANCIAL RISKS**

Liquidity and funding risks

Liquidity risk is the risk that the Issuer might not be able to fully meet its obligations when due. New financial resources may not be available (funding liquidity risk) or the Issuer may be unable to promptly convert assets into cash on the market (asset liquidity risk). This may materially and adversely affect the Issuer's results of operations and financial condition should the Issuer be obliged to incur additional costs or, in extreme cases, threaten the Issuer's future as a going concern and lead to insolvency.

Should it be required, the Issuer's ability to borrow in the banking or capital markets to meet the financial requirements of the Group is also dependent on, among other things, the prevailing market conditions and the rating of the Issuer at the time of the funding need. There are no assurances that the Issuer will be able to access financing under equal or better conditions than those it currently enjoys.

Commodity and energy price risk

The Group is exposed to the volatility of the price of commodities, i.e. the risk associated with unexpected changes in the prices of energy raw materials (electricity, natural gas, coal and fuel oil) and the prices of CO2 emission allowances (EUAs), as well as the currency exchange rate associated with them. Significant, unexpected and/or structural changes in the price of commodities, especially in the medium term, could lead to a decrease in the Issuer's gross operating margins and cash flows. The Issuer manages the risk of fluctuation in the price of raw materials by constantly monitoring the overall exposure of the Group's portfolio, setting a hedging strategy that partially or totally hedges the position accordingly. There is no guarantee that the hedging strategy undertaken at any time neutralizes the risk completely.

The Group's credit rating and financial market conditions may affect its ability to obtain funding

As at the date of this Base Prospectus, the long-term debt credit rating assigned to A2A is "Baa2" (stable outlook) by Moody's and "BBB" (stable outlook) by Standard & Poor's. Each of Moody's and Standard & Poor's is established in the European Union and is registered under the CRA Regulation. As such each of Moody's and Standard & Poor's is included in the list of credit ratings agencies published on the European Securities and Markets Authority website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.

Since a credit rating assesses the credit worthiness of an entity and informs investors about the probability of such entity being able to service its debt, credit ratings play a critical role in determining the costs for entities accessing the capital market in order to borrow funds and the rate of interest they can achieve. Therefore, the Issuer's future ability to access capital markets, other financing instruments and related costs may depend, *inter alia*, on the credit rating assigned to A2A. A downgrade of A2A's rating by Moody's and/or Standard & Poor's may therefore increase costs of funding and/or refinancing of debt or even jeopardize further issuances. The prices of A2A's existing bonds may deteriorate following a downgrade.

In addition, the Issuer's credit ratings are potentially exposed to the risk of potential downgrades of the sovereign credit rating of the Republic of Italy. On the basis of the methodologies used by Standard &

Poor's and Moody's, a potential downgrade of Italy's credit rating may drag along the credit rating of Italian issuers, such as the Issuer, and increase the likelihood that the credit rating of the Notes (if any) could be downgraded, with a consequent adverse effect on the market value of the Notes and/or a consequent adverse effect on the Issuer's ability to fulfil its obligations under the Notes.

The Group is exposed to counterparty risk arising from its commercial activity

Counterparty risk represents A2A's exposure to potential losses that could be incurred if a commercial or financial counterparty fails to meet its obligations. This risk arises primarily from economic or financial factors (*i.e.*, where the counterparty defaults on its obligations), as well as from factors that are technical or commercial, or administrative or legal in nature (such as disputes over the type or quantity of goods supplied, the interpretation of contractual clauses, supporting invoices, etc.). The Group's exposure to counterpart risk is mainly due to its growing commercial activity as a seller of electric power and natural gas in the deregulated market. A single default by a major financial counterparty, or a significant increase in current default rates by counterparties generally, could adversely affect the business, results of operations and financial condition of the Issuer and the Group.

The financing agreements that the Group has entered into contain restrictive covenants that limit its operations

The long-term loan agreements of the Group contain customary clauses and covenants such as "negative-pledge" clauses, "material change" clauses, "cross-default" clauses, "additional guarantees" clauses and "acceleration" clauses, requiring the maintenance of particular financial ratios or credit ratings, constraining the Group's operations. Failure the meet these obligations, when not promptly remedied, may trigger the acceleration of the outstanding debt repayment, possibly entailing liquidity risk. A similar effect may also be generated by the triggering of any early repayment obligation, caused by, *inter alia*, a change of control or a rating event with respect to certain financial indebtedness.

Interest rate risk

The Group is subject to interest rate risk arising from its financial indebtedness that varies depending on whether such indebtedness is at fixed or floating rate. As at 31 December 2019, approximately 80%of A2A's financing sources is represented by fixed rate instruments (taking into account the hedging policies in place). Changes in interest rates affect the market value of financial assets and liabilities of the Group and the level of finance charges.

- **BUSINESS ACTIVITIES AND INDUSTRY RISKS**

Risks related to macroeconomic trends and GDP growth rates

Global economic cycles can affect the Group's activities due to their effects on commodity prices (please refer to the specific commodities section for more information) as well as domestic GDP growth rates.

As A2A mainly operates in the domestic markets, a slowdown in the domestic economy growth could lead to a reduction in consumption and/or industrial production, with a negative impact on energy production, demand for electricity and gas consumption, demand for waste collection and treatment and other services offered by the Group, reducing current financial performance and negatively influencing the implementation of future planned developments.

Risks related to socio-environmental context

Possible actions promoted by some stakeholders in opposition to the presence of plants, amplified through the use of social networks, due to a negative perception of some activities (such as waste-to-energy activities) in the areas served (the so-called "Not In My Back Yard" phenomenon) could hinder the transition or conversion programs of some plants (such as, waste-to-energy and waste recovery plants) as well as growth in some business areas planned by the Group. Any of these factors could adversely affect the

implementation of development programs and the Issuer's reputation and, in turn, the business revenues, results of operations and financial condition of the Group.

With specific reference to the Generation and Trading Business Unit, in November 2019 the "Capacity Market" tenders for delivery in 2022 and 2023 have been held following and according to the authorizations and rules set by the Ministry of Economic Development, the ARERA and Terna. A2A has been awarded nearly 5 GW/year of capacity offered over the 2022-2023 delivery period. Some operators have filed an appeal to quash the aforementioned awards.

Increasing competition in the retail electric / natural gas markets

In Italy, energy markets are subject to increasing competition. The Group faces competition (i) in its domestic free market electricity business, where competition is represented by other integrated electricity producers and traders / resellers, both Italian and European, that sell electricity in the Italian market to industrial, commercial and residential clients; and (ii) in its domestic natural gas business, where it faces increasing competition from both national and international natural gas suppliers, including vertically integrated international gas producers from countries with large gas reserves. Competition can put pressure on margins achieved on the free market, increase churn and make new net customer acquisitions more difficult / expensive.

The provisions of Law 4 August 2017, no. 124 on the termination of price protection regimes for customers in the electricity and gas sectors, set for 1 January 2022 (Law no. 8 of 28 February 2020) will implement the full liberalization of the energy market. Precise, definitive criteria governing this transition have not yet been set by the competent authorities, but the final outcome is expected to move the customer base that as at 31 December 2021 has not opted for a free market supplier autonomously to the free market, most likely through an auction mechanism. As at 31 December 2019 A2A Group still has a total of 1,233 million customers under the "protected price scheme". How the mechanism will be implemented may have potential negative effect on the Group results of operations.

Hydrological droughts or other changes in weather and atmospheric conditions

The Group's business is affected in several ways by atmospheric conditions. The Issuer is particularly dependent upon hydrological conditions prevailing from time to time in the geographic regions where the relevant hydroelectric generation facilities are located. Average temperatures influence customer natural gas, heating and electricity consumption needs, driving sales of heating or cooling energy sources, as the case may be. Very high temperatures in warmer season can cause damage to electricity distribution networks, leading to interruptions of electricity supply because of higher power demand, with potential penalties levied on the distributor. Weather conditions influence power generation results in many ways, including both overall power demand and production mix at country level (wind, PV, or rain levels).

Furthermore, extreme weather phenomena (such as floods and landslides) may affect the Group assets as well as third-party infrastructures necessary for the performance of the Group's operating activities (such as electricity transmission lines) and/or infrastructures relating to the hydraulic systems (such as channels, dams and pipelines) and, as a consequence, the Group's production activities and business results.

Operational risks due to the ownership and management of power stations, co-generation and waste-to-energy plants, distribution networks and plants

The Issuer owns and operates power stations, co-generation and waste-to-energy plants, distribution networks and plants. Extreme weather phenomena, natural disasters, fire, terrorist attacks, mechanical and/or electrical breakdown of or damage to equipment or processes, accidents and labour disputes can cause significant damage to the assets and, at worst, production capacity may be compromized.

All these risk factors could cause increased costs. Furthermore, these risks could cause damage or destruction to the Group's facilities and, in turn, injuries to third parties or damage to the environment, along with ensuing lawsuits and penalties imposed by the relevant authorities.

Information technology risk

The Group's operations are supported by complex information systems, specifically with regard to its technical, commercial and administrative divisions. In particular, the Group uses information technology systems to record, process and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory, legal and tax requirements. Additionally, the Group collects and stores sensitive data, including intellectual property, proprietary business information and the proprietary information and personally identifiable information of customers, service providers and employees, in data centres and on information technology networks. Operating these information technology systems and networks, and processing and maintaining this data, in a secure manner, are critical to the Issuer's business operations. Increased information technology security threats and more sophisticated computer crime pose a risk to the security of the Group's systems and networks and the confidentiality, availability and integrity of its data. A security failure or breach could expose the Group and its customers, service providers and employees to risks of misuse of information or systems, the compromise of confidential information, loss of financial resources, manipulation and destruction of data and operational disruptions, which in turn could adversely affect the Group's reputation, competitive position, businesses and results of operations. Security breaches could also result in litigation, regulatory action, unauthorized release of confidential or otherwise protected information and corruption of data, as well as higher operational and other costs of implementing further data protection measures.

Legal and non-compliance risk

Legal and non-compliance risk concerns the failure to comply, in full or in part, with the European, national, regional and local rules and regulations with which the Group must comply for the activities that it carries out. The violation of such rules and regulations may result in criminal, civil and/or administrative proceedings and/or penalties, as well as damage to the Issuer's balance sheet, financial position and reputation. With regard to specific cases, the violation of regulations for the protection of workers' health and safety and of the environment, and the violation of anti-corruption rules or data protection rules, may also result in sanctions against A2A and its subsidiaries based on the administrative liability of entities (Legislative Decree no. 231 of 8 June 2001).

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features, distinguishing between factors which may occur in relation to any Notes (but is not intended to be an exhaustive description):

Risks applicable to all Notes

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Redemption for tax reasons.

If, as a result of a change in the applicable laws or regulations, the Issuer becomes obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Italy or certain other relevant jurisdictions or any political subdivision thereof or any authority therein or thereof having power to tax, the Notes may be redeemed at the option of the Issuer in accordance with the Conditions. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing market rates and this could affect the market value of an investment in the relevant Notes.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

In respect of any Notes issued as "Green Bonds" there can be no assurance that the relevant use of proceeds will be suitable for the investment criteria of an investor.

If in respect of any issue of Notes there is a particular use of proceeds including Eligible Green Projects (as defined under "*Use of Proceeds*" below), this will be specified in the applicable Final Terms. Prospective investors should have regard to the information set out in such Final Terms regarding use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary.

In the event that the Issuer decides to apply the proceeds from the issue of any Notes for Eligible Green Projects, no assurance can be given by the Issuer or the Dealers that the use of such proceeds for any Eligible Green Projects which have been defined in accordance with the broad categorisation of eligibility for green projects set out by the International Capital Market Association (ICMA) Green Bond Principles. will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or

investment portfolio mandates, in particular with regard to any direct or indirect environmental sustainability or social impact of any projects or uses the subject of, or related to, any Eligible Green Projects.

In addition, there can be no assurance that the relevant project(s) or use(s) (including those the subject of, or related to, any Eligible Green Projects) will be capable of being implemented in or substantially in the manner described in the Final Terms and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such project(s) or use(s). Nor can there be any assurance that any such projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Notes.

Furthermore, it should be noted that there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or such other equivalent label, nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Green Projects will meet any or all investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any project~~(s)~~ or use~~(s)~~ the subject of, or related to, any Eligible Green Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may or may not be made available in connection with the issue of any Notes and in particular with any Eligible Green Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion or certification may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes or the projects financed or refinanced toward an amount corresponding the net proceeds of the relevant issue of Notes in the form of "Green Bonds". In addition, any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Dealers or any other person to buy, sell or hold any such Notes. Any such opinion or certification is only current as of the date it is released. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

Furthermore, in the event that such Notes are listed or admitted to trading on any dedicated green, environmental, sustainable or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, for example with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects. Additionally, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Dealers or any person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

Any such event or failure to apply the proceeds of any issue of Notes for any project(s) or use(s), including any Eligible Green Projects, and/or the withdrawal of any opinion or certification as described above or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on, and/or any such Notes no longer being listed

or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended by the Issuer to finance Eligible Green Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used to finance or refinance green project.

The relevant proceeds will be used for Eligible Green Projects in the manner described in "Use of Proceeds" set out in the applicable Final Terms and in this Base Prospectus.

Step Up Notes may not be a suitable investment for all investors seeking exposure to assets with sustainability characteristics

Although the interest rate relating to the Step Up Notes is subject to upward adjustment in certain circumstances specified in the "*Terms and Conditions of the Notes*" (the **Conditions**), such Notes may not satisfy an investor's requirements or any future legal or *quasi* legal standards for investment in assets with sustainability characteristics. Step Up Notes are not being marketed as green bonds since the Issuer expects to use the relevant net proceeds for general corporate purposes and therefore the Issuer does not intend to allocate the net proceeds specifically to projects or business activities meeting environmental or sustainability criteria, or be subject to any other limitations associated with green bonds.

In addition, the interest rate adjustment in respect of Step Up Notes depends on a definition of, as the case may be, Renewable Installed Capacity Amount and/or Biomethane Produced and/or Emission Target 2°C that may be inconsistent with investor requirements or expectations or other definitions relevant to renewable energy and/or greenhouse gas emissions and/or biomethane produced. The Issuer includes within Renewable Installed Capacity Amount, the sum of the installed capacity of renewable power plants which can include any of the following types of plants: solar photovoltaic panels, solar thermal energy systems, geothermal energy systems, landfill gas systems, low-impact hydropower, and wind turbines owned by the Issuer or its consolidated subsidiaries or joint operations or by merged and acquired companies. The Renewable Installed Capacity Amount is calculated in good faith by the Issuer and reported by the Issuer in its NFD Report. The Issuer defines Biomethane Produced as the total biomethane produced by facilities that treat the organic fraction of municipal solid waste (**OFMSW Plants**) owned by the Issuer or its consolidated subsidiaries or joint operations or by merged and acquired companies as of a given date reported by the Issuer in its NDF Report, as calculated in good faith by the Issuer. The Issuer defines Emission Target 2°C as the Scope 1 CO_2 emission intensity, being the ratio between absolute greenhouse gas emissions and energy production (electricity and heat) from sources that are owned or controlled by the Issuer or its consolidated subsidiaries or joint operations or by merged and acquired companies, as calculated in good faith by the Issuer and reported in its NFD Report. In each case, the Issuer has not obtained third-party analysis of its definition of Renewable Installed Capacity or Biomethane Produced or Emission Target 2°C or related definitions or how such definitions relate to any sustainability-related standards other than (a) the relevant External Verifier's confirmation pursuant to the relevant External Verifier Assurance Report, in accordance with its customary procedures, of, as relevant, (i) the Renewable Installed Capacity Amount of the Issuer (or its consolidated subsidiaries or joint operations or by merged and acquired companies) as of the Renewable Installed Capacity Amount Reference Date, (ii) the Biomethane produced by plants owned by the Issuer (or its consolidated subsidiaries or joint operations or by merged and acquired companies) as of the Biomethane Produced Reference Date and (iii) the Emission Target 2°C as of the Emission Target 2°C Reference Date, each according to the Issuer's definition thereof and (b) the Limited Assurance Report prepared by the independent auditors of the Issuer in respect of the Group's NFD Report.

Although the Issuer targets (i) increasing the proportion of its total installed capacity constituted by renewable sources, (ii) increasing the biomethane produced by its OFMSW Plants and (iii) decreasing its direct greenhouse gas emissions, there can be no assurance of the extent to which it will be successful in doing so or that any future investments it makes in furtherance of these targets will meet investor expectations or any binding or non-binding legal standards regarding sustainability performance, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental,

sustainability or social impact. Adverse environmental or social impacts may occur during the design, construction and operation of any investments the Issuer makes in furtherance of these targets or such investments may become controversial or criticized by activist groups or other stakeholders. An Emission Target 2°C Event shall not occur in the case of the failure of the Issuer to satisfy the Emission Target 2°C Condition as a result of certain events described in the Conditions. Lastly, no Event of Default shall occur under the Step Up Notes, nor will the Issuer be required to repurchase or redeem such Notes, if the Issuer fails to increase its Renewable Installed Capacity Amount or Biomethane Produced, or fails to reach its Emission Target 2°C.

A portion of the Group's indebtedness may include certain triggers linked to sustainability key performance indicators

A portion of the Group's indebtedness may include certain triggers linked to sustainability key performance indicators such as total renewable installed capacity amount, biomethane produced and greenhouse gas emissions (see "*Step Up Notes may not be a suitable investment for all investors seeking exposure to assets with sustainability characteristics*") which must be complied with by the Issuer, and in respect of which a Step Up Option applies. The failure to meet such sustainability key performance indicators will result in increased interest amounts under such Notes, which would increase the Group's cost of funding and which could have a material adverse effect on the Group, its business prospects, its financial condition or its results of operations.

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be "benchmarks", (including the London interbank offered rate (**LIBOR**) and the euro interbank offered rate (**EURIBOR**)) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

Regulation 2016/1011 (the **Benchmarks Regulation**) applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of benchmark within the EU (which for these purposes, includes the United Kingdom). Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmark Regulation could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. The FCA has indicated through a series of announcements that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

Separately, the euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system.

It is not possible to predict with certainty whether, and to what extent, LIBOR and EURIBOR will continue to be supported going forwards. This may cause LIBOR and EURIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks (including EURIBOR and LIBOR): (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could result in, *inter alia*, adjustment to the terms and conditions, discretionary valuation by the Calculation Agent or other consequences in relation to the Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a "benchmark".

The "*Terms and Conditions of the Notes*" provide for certain fallback arrangements in the event that a published benchmark (including any page on which such benchmark may be published (or any successor service)) becomes unavailable, including the possibility that the rate of interest could be set by reference to a Successor Rate or an Alternative Rate determined by an Independent Adviser in consultation with the Issuer and that such Successor Rate or Alternative Rate may be adjusted (if required) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of Successor Rates and Alternative Rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequence could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any of the international or national reforms and the possible application of the benchmark replacement provisions of Notes in making any investment decision with respect to any Notes referencing a benchmark.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

The conditions of the Notes contain provisions which may permit their modification without the consent of all investors.

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution, and including those Noteholders who voted in a manner contrary to the majority.

The value of the Notes could be adversely affected by a change in applicable law or administrative practice.

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus, save that provisions convening meetings of Noteholders and the appointment of a Noteholders' Representative in respect of any Series of Notes are subject to compliance with mandatory provisions of Italian law. No assurance can be given as to the impact of any possible judicial decision or change to English law and/or Italian law (where applicable) or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued.

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such case, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severe adverse effect on the market value of Notes.

Delisting of the Notes

Application has been made for Notes issued under the Programme to be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange and Notes issued under the Programme may also be admitted to trading, listing and/or quotation by any other listing authority, stock exchange or quotation system (each, a **listing**), as specified in the relevant Final Terms. Such Notes may subsequently be delisted despite the best efforts of the Issuer to maintain such listing and, although no

assurance is made as to the liquidity of the Notes as a result of listing, any delisting of the Notes may have a material effect on a Noteholder's ability to resell the Notes on the secondary market.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes.

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European (including United Kingdom) regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU or the United Kingdom and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU and non-UK credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered or UK-registered credit rating agency or the relevant non-EU and non-UK rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. If the status of the rating agency rating the Notes changes, European (including United Kingdom) regulated investors may no longer be able to use the rating for regulatory purposes and the Notes may have a different regulatory treatment. This may result in European (including United Kingdom) regulated investors selling the Notes which may impact the value of the Notes and any secondary market. The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the

publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

Potential conflicts of interest with the Calculation Agent

Any Calculation Agent appointed under the Programme (whether the Agent, any Paying Agent or otherwise) is the agent of the Issuer and not the agent of the Noteholders. Potential conflicts of interest may exist between the Calculation Agent (if any) and Noteholders (including where a Dealer acts as a Calculation Agent), including with respect to certain determinations and judgments that such Calculation Agent may make pursuant to the Conditions that may influence amounts receivable by the Noteholders during the term of the Notes and upon their redemption.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published shall be incorporated by reference in, and form part of, this Base Prospectus:

(a) The auditors' report and audited consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2018 of the Issuer, available at http://dl.bourse.lu/dlp/103fba2d58d4e34bdbaee382ec987103b2 , including the information set out at the following pages:

Consolidated balance sheet.....	Pages 6 to 7
Consolidated income statement.....	Page 8
Consolidated statement of comprehensive income	Page 9
Consolidated cash-flow statement.....	Pages 10 to 11
Statement of changes in Group equity.....	Pages 12 to 13
Consolidated balance sheet pursuant to Consob Resolution No. 17221 of March 12, 2010	Pages 20 to 21
Consolidated income statement pursuant to Consob Resolution No. 17221 of March 12, 2010	Page 22
Notes to the consolidated annual report	Pages 23 to 139
Attachments to the notes to the consolidated annual report	Pages 141 to 156
Independent Auditors' Report.....	Pages 157 to 164

(b) the report on operations for the financial year ended 31 December 2018 (the **Report on Operations 2018**), available at http://dl.bourse.lu/dlp/10b21c5ced07054c578b96803be09efd24 including the information set out at the following pages:

Key figures of the A2A Group	Pages 9 to 26
Scenario and market	Pages 27 to 31
Evolution of the regulation and impacts on the Business Units of the A2A Group	Pages 33 to 73
Consolidated results and report on operations (other than the paragraph headed "*Outlook for operations*").....	Pages 75 to 96
Analysis of main sectors of activities.....	Pages 97 to 116
Risks and uncertainties.....	Pages 117 to 130
Other information.....	Pages 135 to 137

(c) the consolidated disclosure of non-financial information in accordance with Italian Legislative Decree no. 254/2016 for the year ended 31 December 2018 of the Issuer (the **Integrated Report**

2018), available at http://dl.bourse.lu/dlp/10e4cba3b6bacd47f5b430781e00756d58 including the information set out at the following pages:

The A2A Group and its business model	Pages 8 to 15
Governance	Pages 18 to 27
Sustainability strategy	Pages 30 to 43
Stakeholder engagement and materiality analysis	Pages 46 to 51
Financial capital	Pages 54 to 59
Manufacturing capital	Pages 62 to 73
Natural capital	Pages 76 to 93
Human capital	Pages 96 to 109
Intellectual capital	Pages 112 to 119
Relational capital	Pages 122 to 159
Independent Auditor's Report	Pages 160 to 163

(d) the auditors' report and audited consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2019 of the Issuer, available at http://dl.bourse.lu/dlp/100da6b45715a04338bf7d33cd3576b1f3 including the information set out at the following pages:

Consolidated balance sheet	Pages 6-7
Consolidated income statement	Page 8
Consolidated statement of comprehensive income	Page 9
Consolidated cash-flow statement	Pages 10-11
Statement of changes in Group equity	Pages 12-13
Consolidated balance sheet pursuant to Consob Resolution No. 17221 of March 12, 2010	Pages 20-21
Consolidated income statement pursuant to Consob Resolution No. 17221 of March 12, 2010	Page 22
Notes to the consolidated annual report	Pages 24-135
Attachments to the note to the consolidated annual report	Pages 138-152
Independent Auditors' Report	Pages 154-159

(e) the report on operations for the financial year ended 31 December 2019 (the **Report on Operations 2019**), available at http://dl.bourse.lu/dlp/1023e4f1d84cad406a94909b889e2ace98 including the information set out at the following pages:

Key figures of the A2A Group	Pages 10-26
Scenario and market	Pages 28-31
Evolution of the regulation and impacts on the Business Units of the A2A Group	Pages 34-84
Consolidated results and report on operations (other than the paragraph headed "*Outlook for operations*").....	Pages 86-104
Analysis of main sectors of activities	Pages 106-125
Risks and uncertainties	Pages 128-142
Other information	Pages 148-149

(f) the consolidated disclosure of non-financial information in accordance with Italian Legislative Decree no. 254/2016 for the year ended 31 December 2019 (the **Integrated Report 2019**) of the Issuer, available at http://dl.bourse.lu/dlp/10981f7e9bcdc24cf292847271e0c1cdf6 , including the information set out at the following pages:

The A2A Group and its business model	Pages 9-16
Governance	Pages 19-30
Sustainability strategy.....	Pages 33-46
Stakeholder engagement and materiality analysis	Pages 49-56
Financial capital.....	Pages 59-65
Manufacturing capital	Pages 67-79
Natural capital	Pages 81-100
Human capital.....	Pages 103-120
Intellectual capital.....	Pages 123-133
Relational capital	Pages 135-184
Independent Auditor's Report	Pages 187-189

(g) The press release headed "*A2A S.p.A. Board of Directors has examined and approved the quarterly Financial Information as at 31 March 2020*" published by A2A on 12 May 2020 and available at http://dl.bourse.lu/dlp/107a2e6273a9a44151b61b070068bc608e , including the information set out at the following pages:

A2A Group – Results by Business Unit	Pages 3-6
Balance sheet	Pages 6-12
Financial position	Pages 12-15
Accounting standards and changes in the consolidation	Page 16

scope .....

Alternative performance indicators (APIs)..... Page 17

Consolidated balance sheet..... Page 18

Consolidated income statement ..... Page 19

Consolidated statement of comprehensive income..... Page 19

Consolidated cash-flow statement ..... Page 20

Statement of changes in Group equity..... Page 21

The information incorporated by reference that is not included in the cross reference lists above is considered as additional information and is not required by the relevant schedules of the Delegated Regulation.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the CSSF in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable, be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg and will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The Issuer will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

Any websites included in this Base Prospectus are for information purposes only and do not form part of this Base Prospectus.

FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will initially be issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Global Note** and, together with a Temporary Global Note, each a **Global Note**) which, in either case, will:

(i) if the Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**); and

(ii) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) for definitive Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 9 (*Events of Default*)) has occurred and is continuing (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous

period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes (other than Temporary Global Notes) and on all interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 9 (*Events of Default*). In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void at 8.00 p.m. (London time) on such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 28 July 2020 and executed by the Issuer.

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme which have a denomination of Euro 100,000 (or its equivalent in any other currency) or more.

[2][**PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**) or in the United Kingdom (the **UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97(the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.]

MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

[*Date*]

A2A S.p.A.

Legal entity identifier (LEI): 81560076E3944316DB24

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the Euro 4,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 28 July 2020 [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation(the **Base Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus in order to obtain all the relevant information. The Base Prospectus has been published on the website of the Issuer (www.a2a.eu). The Base Prospectus and, in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the Final Terms will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

[2] Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

[*Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.*]

1.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]
	(c)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*provide issue amount/ISIN/maturity date/issue date of earlier Tranches*] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below, which is expected to occur on or about [*date*]][Not Applicable]
2.	Specified Currency or Currencies:		[ ]
3.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
4.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
5.	(a)	Specified Denominations:	[ ] *(N.B. Notes must have a minimum denomination of EUR 100,000 (or equivalent))* *(Note - where multiple denominations above [Euro 100,000] or equivalent are being used the following sample wording should be followed:* *"[Euro 100,000] and integral multiples of [Euro 1,000] in excess thereof up to and including [Euro 199,000]. No Notes in definitive form will be issued with a denomination above [Euro 199,000]."*)
	(b)	Calculation Amount (in relation to calculation of interest in global form see Conditions):	[ ] (*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations*.)
6.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable]

		(*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
7.	Maturity Date:	S*pecify date or for Floating rate notes* - Interest Payment Date falling in or nearest to [*specify month and year*]]
8.	Interest Basis:	[[ ] per cent. Fixed Rate[, subject to the Step Up Option]] [[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate[, subject to the Step Up Option]] [Floating Rate: CMS Linked Interest[, subject to the Step Up Option]] [Zero Coupon] (further particulars specified below)
9.	Change of Interest Basis:	[*Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 12 and 13 below and identify there*][Not Applicable]
10.	Put/Call Options:	[Investor Put] [Relevant Event Put] [Issuer Call] [Clean-Up Call] [(further particulars specified below)] [Not Applicable]
11.	[Date [Board] approval for issuance of Notes obtained:	[ ] [and [ ], respectively]] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

12.	Fixed Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Rate(s) of Interest:	[The Notes are subject to the Step Up Option]/[The Notes are not subject to the Step Up Option] [The Initial Rate of Interest is – *delete unless the Notes*

		are subject to the Step Up Option] [ ] per cent. per annum payable in arrear on each Interest Payment Date [(further particulars specified in paragraph 15 below) - *delete unless the Notes are subject to the Step Up Option*]
(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date (*Amend appropriately in the case of irregular coupons*)
(c)	Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[ ] per Calculation Amount
(d)	Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
(e)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]
(f)	[Determination Date(s):	[[ ] in each year][Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*
13.	Floating Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
		[The Notes are subject to the Step Up Option]/[The Notes are not subject to the Step Up Option] [(further particulars specified in paragraph 15 below) - *delete unless the Notes are subject to the Step Up Option*]
(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day

		Convention/[*specify other*]]
(c)	Additional Business Centre(s):	[ ]
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ][(the **Calculation Agent**)]
(f)	Screen Rate Determination:	
	• Reference Rate and Relevant Financial Centre:	[[ ] month [LIBOR/EURIBOR]/[CMS Reference Rate]. Relevant Financial Centre: [London/Brussels/*specify other Relevant Financial Centre*] Reference Currency: [ ] (*only relevant for CMS Reference Rate*) Designated Maturity: [ ] (*only relevant for CMS Reference Rate*) Specified Time: [ ] in the Relevant Financial Centre
	• Interest Determination Date(s):	[ ] *(in the case of LIBOR (other than Sterling or euro LIBOR)):* [Second London business day prior to the start of each Interest Period] *(in the case of Sterling LIBOR):* [first day of each Interest Period] *(in the case of euro LIBOR or EURIBOR):* [the second day on which the TARGET2 System is open prior to the start of each Interest Period] *(in the case of a CMS Rate where the Reference Currency is euro):*[Second day on which the TARGET2 System is open prior to the start of each Interest Period] *(in the case of a CMS Rate where the Reference Currency is other than euro):*[Second [*specify type of day*] prior to the start of each Interest Period]
	• Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*) (*In the case of CMS Linked Interest Note, specify relevant screen page and any applicable headings and captions*)
(g)	ISDA Determination:	
	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]

		• Reset Date:	[ ] (*In the case of a LIBOR or EURIBOR or CMS Rate based option, the first day of the Interest Period*) *(N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)*
	(h)	Linear Interpolation:	[Not Applicable/Applicable - the Rate of interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
	(i)	Margin(s):	[The initial Margin is – *delete unless the Notes are Step Up Notes*] [+/-] [ ] per cent. per annum
	(j)	Minimum Rate of Interest:	[[ ] per cent. per annum] / [as set out in the Conditions]
	(k)	Maximum Rate of Interest:	[ ] per cent. per annum
	(l)	Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] 30E/360 (ISDA)] *(See Condition 4 (Interest) for alternatives*)
14.	Zero Coupon Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield:	[ ] per cent. per annum
	(b)	Reference Price:	[ ]
	(c)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]
15.	Step Up Option		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub- paragraphs of this paragraph*)
	(a)	Step Up Event:	[Renewable Installed Capacity Amount Event] [and] [Biomethane Produced Event] [and] [Emission Target 2°C Event] (*Include all applicable Step Up Events)*

(*In relation to a Renewable Installed Capacity Amount Event only*)

[(i) Renewable Installed Capacity Amount Reference Date: [●]

(ii) Renewable Installed Capacity Percentage Threshold: [●]

(iii) External Verifier: [●]]

(*In relation to a Biomethane Produced Gas Emissions Event only*)

[(i) Biomethane Produced Reference Date: [●]

(ii) Biomethane Produced Threshold: [●] Mm3

(iii) External Verifier: [●]]

(*In relation to a Emission Target 2°C Event only*)

[(i) Emission Target 2°C Reference Date: [●]

(ii) Emission Target 2°C Threshold: [●]

(iii) External Verifier: [●]]

(b) Step Up Margin: [●] per cent. per annum

PROVISIONS RELATING TO REDEMPTION

16. Notice periods for Condition 6.2 (*Redemption and Purchase – Redemption for tax reasons*): Minimum period: [ ] days
Maximum period: [ ] days

17. Issuer Call: [Applicable/Not Applicable]
(*If not applicable, delete the remaining subparagraphs of this paragraph*)

(a) Optional Redemption Date(s): [ ]

(b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount]/[Make-whole Amount]

(*if Make-Whole Amount is selected, include the following items of this subparagraph)*

- Reference Bond: [*Insert applicable Reference Bond*/FA Selected Bond]
- Quotation Time: [11.00 a.m. [London/*specify other*] time]
- Redemption Margin: [[ ] per cent/Not Applicable]

(c) If redeemed in part:

	(i)	Minimum Redemption Amount:	[ ]
	(ii)	Maximum Redemption Amount:	[ ]
(d)	Notice periods:		Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
18.	Clean-Up Call (Condition 6.4):		[Applicable/Not Applicable]
(a)	Notice Periods:		Minimum period: [ ] days Maximum period: [ ] days (N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)
19.	Investor Put:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount:	[ ] per Calculation Amount
	(c)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
20.	Relevant Event Put:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)

21.	Optional Redemption Amount:	[ ] per Calculation Amount
22.	Final Redemption Amount:	[ ] per Calculation Amount
23.	Early Redemption Amount payable on redemption for taxation reasons or on event of default:	[ ] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	
	(a) Form:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event]] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event] (*N.B. The option for an issue of Notes to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: "*[*Euro 100,000*] *and integral multiples of* [*Euro 1*,000] *in excess thereof up to and including* [*Euro 199,000*]."
	(b) [New Global Note:	[Yes][No]]
25.	Additional Financial Centre(s):	[Not Applicable/*insert relevant financial centre*] (*Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 13(c) relates*)
26.	Talons for future Coupons to be attached to Definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made. In such event, on and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of the Paying Agent in exchange for a further Coupon sheet. Each Talon shall be deemed to mature in the Interest Payment Date on which the final Coupon comprised in the relevant Coupon sheet matures.]/[No]

THIRD PARTY INFORMATION

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from

information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of A2A S.p.A.:

By: .....
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing and Admission to trading	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Luxembourg Stock Exchange's][ ] [regulated] and listed on [the Official List of the Luxembourg Stock Exchange][ ] market with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the Luxembourg Stock Exchange's][ ] [regulated] and listed on [the Official List of the Luxembourg Stock Exchange][ ] market with effect from [ ].] (*Where documenting a fungible issue need to indicate that original Notes are already committed to trading.*)
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:	[Not Applicable]/[The Notes to be issued [[have been]/[are expected to be]] rated [insert details] by [insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms]. Each of [defined terms] is established in the [European Union/United Kingdom] and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of [defined terms] is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with such Regulation.] [*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider*.] *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating*.)

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[*Need to include a description of any interest, including a conflicting interest, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement*:

"Save for the fees [of [*insert relevant fee disclosure*]] payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or lending and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business[, in particular, [the/certain of the Managers/Dealers], have granted loans to the Issuer and/or certain affiliates of the Issuer, as the case may be, and part of the proceeds from the issue of the Notes may be used by the Issuer to repay such loans]"]/ [*Amend as appropriate if there are other interests*]

[(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.*)]

4. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

(i)	Use of Proceeds:	[The net proceeds of the issuance of Notes will be applied by the Issuer to finance or refinance, in whole or in part, Eligible Green Projects, as set forth in "Use of Proceeds" in the Base Prospectus and as further specified on the Issuer's website at [ ]] (*Applicable only in case of securities to be classified as green bonds. If not applicable, delete this paragraph*)
(ii)	Estimated net proceeds:	[ ]

5. YIELD (*Fixed Rate Notes only*)

Indication of yield:	[ ]

6. OPERATIONAL INFORMATION

(i)	ISIN:	[ ]
(ii)	Common Code:	[ ]
(iii)	CFI:	[[See/[[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
(iv)	FISN	[[See/[[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available] *(If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable")*
(v)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and	[Not Applicable/*give name(s) and number(s)*]

	the relevant identification number(s):	
(vi)	Delivery:	Delivery [against/free of] payment
(vii)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(viii)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] / [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

7. DISTRIBUTION

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/*give names*]
(iii)	Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
(iv)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(v)	U.S. Selling Restrictions:	[TEFRA D/TEFRA C/TEFRA not applicable]]
(vi)	Prohibition of Sales to EEA and UK Retail Investors:	[Applicable/Not Applicable] *(If the Notes clearly do not constitute "packaged" products or the Notes do not constitute "packaged" products and a key information document will be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)*

(vii) Prohibition of Sales to Belgian Consumers: [Applicable/Not Applicable]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes shall complete the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Final Terms" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by A2A S.p.A. (the **Issuer**) pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(i) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;

(ii) any Global Note; and

(iii) any definitive Notes issued in exchange for a Global Note.

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 28 July 2020 and made between the Issuer, The Bank of New York Mellon, London Branch as issuing and principal paying agent (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents). The Agent, the Calculation Agent (if any is specified in the applicable Final Terms) and the Paying Agents, together referred to as the **Agents**.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note and complete these Terms and Conditions (the **Conditions**). References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. The expression **Prospectus Regulation** means Regulation (EU) 2017/1129. For the purposes of the Conditions and unless states otherwise, references to the European Economic Area include the United Kingdom.

Interest bearing definitive Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) have the same terms and

conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 28 July 2020 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

In the Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer, and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and

subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

2. STATUS OF THE NOTES

The Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

3. NEGATIVE PLEDGE

So long as any of the Notes remain outstanding, the Issuer will not, and will ensure that none of its Material Subsidiaries (as defined in Condition 9 (*Events of Default*)) will, create or permit to subsist any mortgage, charge, lien, pledge, *garanzia reale* under Italian law or other security interest having a similar effect (each a **Security Interest**) upon, or with respect to, the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness (as defined below) without, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, taking any and all necessary action to ensure that:

(a) all amounts payable by the Issuer under the Notes and any related Coupons are secured by the Security Interest equally and rateably with such Relevant Indebtedness; or

(b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders,

provided, however, that:

(i) the foregoing restrictions will not apply to (A) any Security Interest existing over the assets of a company which becomes a Material Subsidiary of the Issuer after the date of the relevant Final Terms where such Security Interest already exists at the time that such a company becomes a Material Subsidiary of the Issuer (provided that such Security Interest was not created in contemplation of, or in connection with, that company becoming a Material Subsidiary of the Issuer and provided further that the amounts secured have not been increased in contemplation of, or in connection with, that company becoming a Material Subsidiary of the Issuer) and (B) any Security Interest created in substitution of any Security Interest permitted under paragraph (i)(A) above over the same or substituted assets provided that the principal amount secured by the substitute Security Interest does not exceed the principal amount outstanding and secured by the initial Security Interest; and

(ii) nothing in this Condition shall prevent the Issuer or any of its Material Subsidiaries from creating or permitting to subsist any Security Interest to secure Relevant Indebtedness upon, or with respect to, any of its present or future assets (including receivables) or revenues or any part thereof which is created (A) pursuant to any securitisation, asset backed financing or like arrangement whereby all payment obligations in respect of the Relevant Indebtedness or any guarantee of or indemnity in respect of the Relevant Indebtedness, as the case may be, secured by such Security Interest or having the benefit of such secured guarantee or other

indemnity, are to be discharged solely from such assets (including receivables) or revenues or (B) in connection with Project Finance Indebtedness incurred in the form of Relevant Indebtedness (as defined below).

For the purposes of these Conditions:

Group means the Issuer and its Subsidiaries;

Relevant Indebtedness means (A) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other instruments which are, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and (B) any guarantee or indemnity of any such indebtedness.

Project means any project carried out, directly and/or indirectly, by an Person pursuant to one or more contracts for (i) the ownership, acquisition (in each case, in whole or in part), development, design, construction, upgrading, leasing, operation and/or maintenance of any asset(s) (including, without limitation, Concession(s) granted by public entities and/or authorities), infrastructure or businesses reasonably related thereto, incidental thereto or in furtherance thereof and/or (ii) the ownership and/or acquisition (in each case, in whole or in part) of any interest or equity participations in, or shareholder loans to, one or more Persons, directly and/or indirectly, holding and/or managing such assets, infrastructure or Concession(s) and/or operating such businesses, where any member of the Group has an interest in the Person (whether alone or together with other partners) and any member of the Group finances and/or refinances the investment required in the project with Project Finance Indebtedness, shareholder loans and/or such Person's share capital or other equity contributions.

Project Finance Indebtedness means any present or future Indebtedness for Borrowed Money (as defined in Condition 9.2) incurred to finance or refinance a Project where the recourse of the creditors thereof is limited to any or all of (a) the relevant Project (including, for the avoidance of doubt, the Concession(s) or assets related thereto and the cash flows arising therefrom), (b) the share capital of, or other equity contribution to, the Person or Persons developing, financing or otherwise directly or indirectly involved in the relevant Project, (c) the proceeds deriving from the enforcement of any security taken over all or any part of the assets relating to the Project (including, for the avoidance of doubt, any interest or equity participations in the relevant Person or Persons holding, directly and/or indirectly, the relevant assets or Concession(s) and/or operating the relevant business) and (d) other credit support (including, without limitation, completion guarantees and contingent equity obligations) customarily provided in support of such indebtedness, provided that, for the purposes of Condition 9.1(c), Project Finance Indebtedness shall not include sub-paragraph (d) above.

4. INTEREST

4.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or

(b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction.

The resultant figure (including after application of any Fixed Coupon Amount or Broken Amount to the Calculation Amount in the case of Fixed Rate Notes in definitive form) shall be rounded to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

(a) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(b) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

4.2 Interest on Floating Rate Notes

(a) Interest Payment Dates

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date or the relevant payment date if the Notes become payable on a date other than an Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 4.2 - (a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre (other than TARGET2 System (as specified below)) specified in the applicable Final Terms;

(b) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and

(c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the specified Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or the Calculation Agent, as applicable, under an interest rate swap transaction if the Agent or the Calculation Agent, as applicable, were acting as Calculation Agent (as defined in the ISDA Definitions (as defined below)) for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is a period specified in the applicable Final Terms; and

(C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

(A) Floating Rate Notes other than CMS Linked Interest Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

I. the offered quotation; or

II. the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (Relevant Financial Centre time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the specified Margin (if any), all as determined by the Agent or the Calculation Agent, as applicable. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent or the Calculation Agent, as applicable, for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

In the event that the Relevant Screen Page is not available or if, in the case of I above, no such offered quotation appears or, in the case of II above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph, the Agent shall request each of the Reference Banks to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date specified in the applicable Final Terms.

If two or more of the Reference Banks provide the Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the specified Margin (if any), all as determined by the Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time (being 11.00 a.m. London time, in the case of a determination of the London inter-bank offered rate (**LIBOR**), or 11.00 a.m. Brussels time, in the case of a determination of the Euro-zone inter-bank offered rate (**EURIBOR**)) on the relevant Interest Determination Date specified in the applicable Final Terms, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference

Rate is EURIBOR) or the inter-bank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the specified Margin (if any) or, if fewer than two of the Reference Banks provide the Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date specified in the applicable Final Terms, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the inter-bank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the specified Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different specified Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the specified Margin relating to the relevant Interest Period in place of the specified Margin relating to that last preceding Interest Period).

For the purposes of this sub-paragraph (A):

Reference Banks means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Issuer and in the case of a determination of a Reference Rate that is not LIBOR or EURIBOR, the principal office of four major banks in the inter-bank market of the Relevant Financial Centre or as specified in the applicable Final Terms.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(B) Floating Rate Notes which are CMS Linked Interest Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be determined by the Calculation Agent by reference to the following formula:

CMS Rate plus Margin

If the Relevant Screen Page is not available, the Calculation Agent shall request each of the CMS Reference Banks to provide the Calculation Agent with its quotation for the Relevant Swap Rate at approximately the Specified Time on the Interest Determination Date in question. If at least three of the CMS Reference Banks provide the Calculation Agent with such quotation, the CMS Rate for such Interest Period shall be the arithmetic mean of such quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

If on any Interest Determination Date less than three or none of the CMS Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent as at the last preceding Interest Determination Date (though substituting, where a different specified Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the specified Margin relating to the relevant Interest Period in place of the specified Margin relating to that last preceding Interest Period).

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

For the purposes of this sub-paragraph (B):

CMS Rate shall mean the applicable swap rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity, expressed as a percentage, which appears on the Relevant Screen Page as at the Specified Time on the Interest Determination Date in question, all as determined by the Calculation Agent.

CMS Reference Banks means (i) where the Reference Currency is Euro, the principal office of five leading swap dealers in the inter-bank market, (ii) where the Reference Currency is Sterling, the principal London office of five leading swap dealers in the London inter-bank market, (iii) where the Reference Currency is United States dollars, the principal New York City office of five leading swap dealers in the New York City inter-bank market, or (iv) in the case of any other Reference Currency, the principal Relevant Financial Centre office of five leading swap dealers in the Relevant Financial Centre inter-bank market, in each case selected by the Issuer.

Designated Maturity, **Margin** and **Relevant Screen Page** shall have the meaning given to those terms in the applicable Final Terms.

Relevant Swap Rate means:

(i) where the Reference Currency is Euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**)) with a designated maturity determined by the Calculation Agent by reference to the ISDA Definitions;

(ii) where the Reference Currency is Sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day

of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the Designated Maturity is greater than one year, to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Designated Maturity is one year or less, to GBP-LIBOR-BBA with a designated maturity of three months;

(iii) where the Reference Currency is United States dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating United States dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and

(iv) where the Reference Currency is any other currency of if the Final Terms specify otherwise, the mid-market swap rate as determined in accordance with the applicable Final Terms.

Representative Amount means an amount that is representative for a single transaction in the relevant market at the relevant time.

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Agent or the Calculation Agent, as applicable, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent or the Calculation Agent, as applicable, will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or

(B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit

being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(e) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent or the Calculation Agent, as applicable, by straight line linear interpolation by reference to two rates based

on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent or the Calculation Agent, as applicable, shall determine such rate at such time and by reference to such sources as the Issuer determines to be appropriate.

Designated Maturity means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) Notification of Rate of Interest and Interest Amounts

The Agent or the Calculation Agent, as applicable, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 13 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 13 (*Notices*). For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2 by the Agent or the Calculation Agent, as applicable, shall (in the absence of wilful default, fraud or manifest error) be binding on the Issuer, the Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default or fraud) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Agent or the Calculation Agent, as applicable, in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 Step Up Option

This Condition 4.3 is applicable to Notes (**Step Up Notes**) only if the Step Up Option is specified in the applicable Final Terms as being applicable.

The Rate of Interest for Step Up Notes will be the Initial Rate of Interest specified in the applicable Final Terms, provided that for any Interest Period commencing on or after the Interest Payment Date immediately following a Step Up Event, if any, the Rate of Interest shall be increased by the Step Up Margin specified in the applicable Final Terms. The occurrence of a Step Up Event will be notified by the Issuer to the Agent and, in accordance with Condition 13 (Notices), the Noteholders on the Step Up Event Notification Date. Such notice shall be irrevocable and shall specify the Rate of Interest, the Step Up Margin and the Step Up Date.

For the avoidance of doubt, an increase in the Rate of Interest may occur no more than once in respect of the relevant Step Up Notes.

For the purposes of this Condition 4.3:

Biomethane means the combustible gas product of the anaerobic digestion of different biomass (including the organic fraction of municipal solid waste) substrates;

Biomethane Produced means the total Biomethane produced (expressed in Mm3) by OFMSW Plants owned by the Issuer or its consolidated subsidiaries or joint operations or by merged and acquired companies as of a given date reported by the Issuer in its NFD Report, as calculated in good faith by the Issuer, confirmed by the External Verifier as of the Biomethane Produced Reference Date and published by the Issuer on or prior to the Step Up Event Notification Date on its website in accordance with Condition 14 (*Available Information*) and in accordance with applicable law;

Biomethane Produced Condition means the notification in writing by the Issuer to the Agent and the Noteholders in accordance with Condition 13 (*Notices*) on the Step Up Event Notification Date that the Biomethane Produced as of the Biomethane Produced Reference Date was equal to or higher than the relevant Biomethane Produced Threshold; and that such Biomethane Produced as of the Biomethane Produced Reference Date has been confirmed by the External Verifier in accordance with its customary procedures;

Biomethane Produced Event means the failure of the Issuer to satisfy the Biomethane Produced Condition;

Biomethane Produced Reference Date is the date specified in the applicable Final Terms;

Biomethane Produced Threshold means the threshold expressed in Mm3 specified in the applicable Final Terms as being the Biomethane Produced Threshold;

CO_2 means carbon dioxide;

CO_2 Emission Intensity means the ratio between absolute GHG Emissions (expressed in grams of CO_2eq) and Energy Production (expressed in kWh), as calculated in good faith by the Issuer and published by the Issuer in the NFD Report;

CO_2eq means carbon dioxide equivalent;

Criteria 3.0 means a document (available since 05/23/2018 to 10/15/2019) released by the Science Based Target Initiative that includes the list of compulsory recommendation that must be met in order for target(s) to be recognized by the Science Based Targets initiative (SBTi);

Emission Target 2°C means the Scope 1 CO_2 Emission Intensity (expressed in grams of CO_2 per kWh) aligned with the trajectory of the 2°C scenario modelled on the Intergovernmental Panel on Climate Change (**IPCC**) Fifth Assessment Report which gives the highest likelihood of staying within a global target temperature rise of less than 2°C in the year 2100, as calculated in good faith by the Issuer, confirmed by the External Verifier as of the Emission Target 2°C Reference Date and published by the Issuer on or prior to the Step Up Event Notification Date on its website in accordance with Condition 14 (*Available Information*) and in accordance with applicable law;

Emission Target 2°C Condition means the notification in writing by the Issuer to the Agent and the Noteholders in accordance with Condition 13 (*Notices*) on the Step Up Event Notification Date that the Emission Target 2°C as of the Emission Target 2°C Reference Date was equal to or lower than the relevant Emission Target 2°C Threshold, and that such Emission Target 2°C as of the Emission

Target 2°C Reference Date has been confirmed by the External Verifier in accordance with its customary procedures;

Emission Target 2°C Event means the failure of the Issuer to satisfy the Emission Target 2°C Condition, *provided that* no Emission Target 2°C Event shall occur in case of the failure of the Issuer to satisfy the Emission Target 2°C Condition due to either:

(a) an amendment to, or change in, any applicable laws, regulations, rules, guidelines and policies, applicable to and/or relating to (i) the closure of the thermo-electric power plants owned by the Issuer or its consolidated subsidiaries or joint operations or by merged and acquired companies, being delayed or (ii) a required conversion of the thermo-electric power plants owned by the Issuer or its consolidated subsidiaries or joint operations or by merged and acquired companies, to gas power plants; or

(b) the relevant energy concessions granted to the Issuer or its consolidated subsidiaries or joint operations or by merged and acquired companies, being amended, revoked or the relevant expiration date being shortened;

Emission Target 2°C Reference Date is the date specified in the applicable Final Terms;

Emission Target 2°C Threshold means the threshold expressed in grams per kWh specified in the applicable Final Terms as being the Emission Target 2°C Threshold;

Energy Production is the activity indicator for the power generation sector and represents the number of MWh generated;

External Verifier means:

(a) in relation to a Renewable Installed Capacity Amount Event, a qualified provider of third-party assurance or attestation services appointed by the Issuer on or prior to the Issue Date of the Notes to review the Issuer's statement of the Renewable Installed Capacity Amount, as specified in the applicable Final Terms; and

(b) in relation to a Biomethane Production Event, a qualified provider of third-party assurance or attestation services appointed by the Issuer on or prior to the Issue Date of the Notes, to review the Issuer's statement of the Biomethane Production Amount, as specified in the applicable Final Terms; and

(c) in relation to a Emission Target 2°C Event, a qualified provider of third-party assurance or attestation services appointed by the Issuer on or prior to the Issue Date of the Notes to review the Issuer's statement of the Emission Target 2°C, as specified in the applicable Final Terms;

External Verifier Assurance Report has the meaning given to it in Condition 14 (*Available Information*);

GHG means greenhouse gases, being gases which absorb and emit radiation in the atmosphere contributing to the greenhouse effect, including (among others) carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFC), perfluorocarbons (PFC), sulfur hexafluoride (SF6) and nitrogen trifluoride (NF3);

GHG Emissions means the release of GHG into the atmosphere, reported in the form of amount of emissions in metric tonnes of CO_2eq;

GHG Report is a section included in the NFD Report focused on the Science Based Target initiatives (**SBTi**), providing the Group's physical emissions for the Group's chosen Inventory boundary in accordance with Science Based Target Criteria 3.0;

Initial Rate of Interest means the initial Rate of Interest specified in the applicable Final Terms;

Inventory means a quantified list of the Group's GHG Emissions and sources;

kWh means kilowatt hour

Limited Assurance Report has the meaning given to it in Condition 14 (*Available Information*);

Mm3 means millions of cubic metres;

MW means megawatt;

MWh means megawatt hour;

NFD Report has the meaning given to it in Condition 14 (*Available Information*);

OFMSW Plant means a facility that treats (through an anaerobic digestion process) the organic fraction of municipal solid waste, with the aim of producing Biomethane;

Renewable Installed Capacity means the maximum instantaneous power (on the nameplate) expressed in MW that a renewable power plant, (which can include any of the following types of plants: solar photovoltaic panels, solar thermal energy systems, geothermal energy systems, landfill gas systems, low-impact hydropower, and wind turbines) is able to produce;

Renewable Installed Capacity Amount means the amount of installed capacity (expressed in MW) owned by the Issuer or its consolidated subsidiaries or joint operations or by merged and acquired companies as of a given date but excluding hydro plants capacity already owned by the Group as at 31 December 2019 – reported by the Issuer in its NFD Report, as calculated in good faith by the Issuer, confirmed by the External Verifier as of the Renewable Installed Capacity Amount Reference Date and published by the Issuer on or prior to the Step Up Event Notification Date on its website in accordance with Condition 14 (*Available Information*) and in accordance with applicable law;

Renewable Installed Capacity Amount Condition means the notification in writing by the Issuer to the Agent and the Noteholders in accordance with Condition 13 (*Notices*) on the Step Up Event Notification Date that the Renewable Installed Capacity Amount as of the Renewable Installed Capacity Amount Reference Date was equal to or exceeded the relevant Renewable Installed Capacity Amount Threshold; and that such Renewable Installed Capacity Amount as of the Renewable Installed Capacity Amount Reference Date has been confirmed by the External Verifier in accordance with its customary procedures;

Renewable Installed Capacity Amount Event means the failure of the Issuer to satisfy the Renewable Installed Capacity Condition;

Renewable Installed Capacity Amount Reference Date is the date specified in the applicable Final Terms;

Renewable Installed Capacity Amount Threshold means the threshold specified in the applicable Final Terms as being the Renewable Installed Capacity Amount Threshold;

Science Based Target Criteria 3.0 means the document entitled "SBTi Criteria and Recommendations, TWG-INF-002, Version 3.0 dated May 23, 2018" (in respect of submissions

made between 23 May 2018 and 15 October 2019) released by the SBTi that includes the list of compulsory recommendations that must be met in order for target(s) to be recognized by the SBTi;

Science Based Target initiatives or **SBTi** means the initiative that stems from the collaboration between the Carbon Disclosure Project (**CDP**), the United Nations Global Compact (**UNGC**), the World Resources Institute (**WRI**) and the World Wide Fund for Nature (**WWF**) aimed at verifying alignment with the indications of the Paris Agreement reached at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (**COP 21**);

Scope 1 means direct GHG Emissions which occur from sources that are owned by or controlled by the Issuer or its consolidated subsidiaries or joint operations or by merged and acquired companies, including biogas losses released in owned or controlled landfills, losses from natural gas distribution networks under management, or emissions from combustion in owned or controlled power plants vehicles owned or controlled process equipment;

Step Up Date means:

(a) in relation to a Renewable Installed Capacity Amount Event, the first day of the next Interest Period following the date on which the Issuer is required to publish the NFD Report as of and for the period ending on the Renewable Installed Capacity Amount Reference Date pursuant to Condition 14 (*Available Information*); and

(b) in relation to a Biomethane Produced Event, the first day of the next Interest Period following the date on which the Issuer is required to publish the NFD Report as of and for the period ending on the Biomethane Produced Reference Date pursuant to Condition 14 (*Available Information*); and

(c) in relation to an Emission Target 2°C Event, the first day of the next Interest Period following the date on which the Issuer is required to publish the NFD Report as of and for the period ending on the Emission Target 2°C Reference Date pursuant to Condition 14 (*Available Information*);

Step Up Event means either a Renewable Installed Capacity Event and/or a Biomethane Produced Event and/or an Emission Target 2°C Event, as specified in the applicable Final Terms;

Step Up Event Notification Date means a Business Day falling no later than 30 days prior to the Step Up Date; and

Step Up Margin means the amount specified in the applicable Final Terms as being the Step Up Margin.

4.4 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13 (*Notices*).

4.5 Benchmark Discontinuation

This Condition 4.4 is applicable to Notes only if the Floating Rate Note Provisions are specified in the applicable Final Terms as being applicable.

(a) Independent Adviser

If a Benchmark Event occurs (as may be determined by the Issuer) in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4.4(b) (*Successor Rate or Alternative Rate*)) and, in either case, an Adjustment Spread if any (in accordance with Condition 4.4(c) (*Adjustment Spread*)) and any Benchmark Amendments (in accordance with Condition 4.4(d) (*Benchmark Amendments*)).

An Independent Adviser appointed pursuant to this Condition 4.4(a) shall act in good faith and in a commercially reasonable manner as an expert and in consultation with the Issuer. In the absence of bad faith, fraud and gross negligence, the Independent Adviser shall have no liability whatsoever to the Issuer, the Paying Agents, the Calculation Agent (if any is specified in the applicable Final Terms), the Noteholders or the Couponholders for any determination made by it pursuant to this Condition 4.4.

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4.4(a) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this Condition 4.4(a) shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 4.4(a).

(b) Successor Rate or Alternative Rate

If the Independent Adviser determines that:

(i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 4.4(c) (*Adjustment Spread*)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 4.4); or

(ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 4.4(c) (*Adjustment Spread*) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 4.4).

(c) Adjustment Spread

If the Independent Adviser determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

Notwithstanding any other provision of Condition 4 (*Interest*), if in the opinion of the Agent or the Calculation Agent, as applicable, there is any uncertainty between two or more alternative courses of action in making any determination or calculation under Condition 4 (*Interest*), the Agent or the Calculation Agent, as applicable, shall promptly notify the Issuer thereof and the Issuer shall direct the Agent or the Calculation Agent, as applicable, in writing as to which alternative course of action to adopt. If the Agent or the Calculation Agent, as applicable, is not promptly provided with such direction it shall notify the Issuer thereof and the Agent or the Calculation Agent, as applicable, shall be under no obligation to make such calculation or determination.

(d) Benchmark Amendments

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 4.4 and the Independent Adviser determines (i) that amendments to these Conditions and the Agency Agreement, including but not limited to Relevant Screen Page, are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the Benchmark Amendments) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 13 (*Notices*), without any requirement for the consent or approval of Noteholders, vary these Conditions and the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 4.5(d), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(e) Notices

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 4.4 will be notified promptly by the Issuer to the Agent or the Calculation Agent, as applicable, and each Paying Agent and, in accordance with Condition 13 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

(f) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 4.4(a) *(Independent Adviser*) to Condition 4.4(d) (*Benchmark Amendments*), the Original Reference Rate and the fallback provisions provided for in Condition 4.2(B)(ii) (*Screen Rate Determination for Floating rate Notes*) will continue to apply unless and until a Benchmark Event has occurred.

For the purposes of this Condition 4.4:

Adjustment Spread means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines is required to be applied to the Successor Rate or the Alternative Rate

(as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);

(b) the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Issuer determines that no such industry standard is recognised or acknowledged); or

(c) the Independent Adviser determines (acting in good faith and in a commercially reasonable manner) to be appropriate;

Alternative Rate means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 4.4(b) (*Successor Rate or Alternative Rate*) is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes and with an interest period of a comparable duration to the relevant Interest Period;

Benchmark Amendments has the meaning given to it in Condition 4.4(d);

Benchmark Event means:

(a) the Original Reference Rate ceasing be published for a period of at least 5 Business Days or ceasing to exist; or

(b) a public statement by the administrator of the Original Reference Rate that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(c) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or

(d) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used, either generally or in respect of the Notes, in each case within the following six months; or

(e) a public statement by the supervisor of the administrator of the Original Reference Rate announcing that such Original Reference Rate is no longer representative or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes, in each case within the following six months; or

(f) it has become unlawful for the Agents, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate.

provided that in the case of paragraphs (b) to (e) above, the Benchmark Event shall occur on:

(A) in the case of (b) above, the date of the cessation of the publication of the Original Reference Rate;

(B) in the case of (c) above, the discontinuation of the Original Reference Rate;

(C) in the case of (d) above, the date on which the Original Reference Rate is prohibited from being used; or

(D) in the case of (e) above, the date on which the Original Reference Rate is deemed no longer to be representative or become subject to restrictions or adverse consequences,

and not (in any such case) the date of the relevant public statement (unless the date of the relevant public statement coincides with the relevant date in (A), (B), (C) or (D) above, as applicable).

For the avoidance of doubt, the Agents shall not be obliged to monitor or inquire whether a Benchmark Event has occurred or have any liability in respect thereof.

Independent Adviser means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 4.4(a) (*Independent Adviser*);

Original Reference Rate means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes;

Relevant Nominating Body means, in respect of a benchmark or screen rate (as applicable):

(a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (C) a group of the aforementioned central banks or other supervisory authorities, or (D) the Financial Stability Board or any part thereof;

Successor Rate means the rate that the Independent Adviser determines is a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

5. PAYMENTS

5.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*).

5.2 Presentation of definitive Notes and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

5.3 Payments in respect of Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

5.4 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

5.5 Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 8 (*Prescription*)) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(i) in the case of Notes in definitive form only, in the relevant place of presentation; and

(ii) in each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;

(b) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open;

(c) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

5.6 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 7 (*Taxation*);

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 (*Taxation*).

6. REDEMPTION AND PURCHASE

6.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount (which will be 100 per cent. of the nominal amount of the Notes) specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

6.2 Redemption for tax reasons

Subject to Condition 6.6, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable), if:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as

defined in Condition 7 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent to make available at its specified office to the Noteholders (i) a certificate signed by a Director of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Agent shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the holders of Notes or Coupons.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.6 (*Redemption and Purchase – Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

6.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

The Optional Redemption Amount will either be the specified percentage of the nominal amount of the Notes stated in the applicable Final Terms or, if a Make-whole Amount is specified in the applicable Final Terms, will be an amount calculated by the Agent equal to the higher of:

(a) 100 per cent. of the nominal amount of the Notes to be redeemed; or

(b) the sum of the present values of the nominal amount of the Notes to be redeemed and the Remaining Term Interest on such Notes (exclusive of interest accrued to the Optional Redemption Date) discounted to the Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) 366) at the Reference Bond Rate (as defined below), plus the specified Redemption Margin,

plus in each case, for the avoidance of doubt, any interest accrued on the Notes to, but excluding, the Optional Redemption Date.

In the Conditions:

FA Selected Bond means a government security or securities selected by the Financial Adviser as having an actual or interpolated maturity comparable with the remaining term of the Notes that

would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the remaining term of the Notes;

Financial Adviser means an independent and internationally recognised financial adviser selected by the Issuer;

Redemption Margin shall be as set out in the applicable Final Terms;

Reference Bond shall be as set out in the applicable Final Terms or the FA Selected Bond;

Reference Bond Price means, with respect to the Optional Redemption Date, (a) the arithmetic average of the Reference Government Bond Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Bond Dealer Quotations, or (b) if the Agent obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations;

Reference Bond Rate means, with respect to the Optional Redemption Date, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Bond, assuming a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price for such Optional Redemption Date;

Reference Government Bond Dealer means each of five banks selected by the Issuer, or their affiliates, which are (a) primary government securities dealers, and their respective successors, or (b) market makers in pricing corporate bond issues;

Reference Government Bond Dealer Quotations means, with respect to each Reference Government Bond Dealer and the Optional Redemption Date, the arithmetic average, as determined by the Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) at the Quotation Time specified in the applicable Final Terms on the Reference Date quoted in writing to the Agent by such Reference Government Bond Dealer; and

Remaining Term Interest means, with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from and including the Optional Redemption Date.

All notifications, opinions, determinations, certifications, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6.3 by the Agent, shall (in the absence of negligence, wilful default or fraud) be binding on the Issuer, the Agent, the Paying Agents and all Noteholders and Couponholders.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 (*Notices*) not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 (*Notices*) at least five days prior to the Selection Date.

6.4 Clean-Up Call

If Clean-Up Call is specified as being applicable in the applicable Final Terms, in the event that 20 per cent. or less of the initial aggregate principal amount of a particular Series of Notes (including any Notes issued pursuant to Condition 16) remains outstanding, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the outstanding Notes in that Series at par together with any interest accrued to the date set for redemption.

6.5 Redemption at the option of the Noteholders (Investor Put/Relevant Event Put)

This Condition 6.5 applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholders, such option being referred to as an **Investor Put** or a **Relevant Event Put**, as the case may be. The applicable Final Terms contains provisions applicable to any Investor Put or Relevant Event Put, as the case may be, and must be read in conjunction with this Condition 6.5 for full information on any Investor Put or Relevant Event Put, as the case may be. In particular the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If:

(a) Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 (*Notices*) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, upon the expiry of such notice; and/or

(b) Relevant Event Put is specified as being applicable in the applicable Final Terms and a Put Event (as defined below) has occurred, upon the holder of any Note giving to the Issuer in accordance with Condition 13 (*Notices*) during the period ending on the 60th day following the public announcement of the relevant Put Event (the **Relevant Notice Period**),

the Issuer will, subject to, and in accordance with, the terms specified in the applicable Final Terms, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

The Optional Redemption Amount will be the specified percentage of the nominal amount of the Notes stated in the applicable Final Terms.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the applicable notice period/Relevant Notice Period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the applicable notice period/Relevant Notice Period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice (as referred to above) or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6.5 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.5 and instead to declare such Note forthwith due and payable pursuant to Condition 9 (*Events of Default*).

For the purposes of Condition 6.5(b) above, a **Put Event** shall be deemed to occur if:

(a) Any of (A) a Change of Control, (B) a Concession Event or (C) a Sale of Assets Event (each, a **Relevant Event**) occurs; and

(b) at the time of the later of the first public announcement and the occurrence of the Relevant Event, the Notes carry from any Rating Agency either:

(i) an investment grade credit rating (BBB-/Baa3/BBB-, or equivalent, or better), and such rating from any Rating Agency is within 180 days of the later of the first public announcement and the occurrence of the Relevant Event either downgraded to a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse) or withdrawn and is not within such 180-day period subsequently (in the case of a downgrade) upgraded to an investment grade credit rating by such Rating Agency or (in the case of a withdrawal) replaced by an investment grade credit rating from any other Rating Agency; or

(ii) a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse), and such rating from any Rating Agency is within 180 days of the later of the first public announcement and the occurrence of the Relevant Event downgraded by one or more notches (for illustration, Ba1 to Ba2 being one notch) and is not within such 180-day period subsequently upgraded to its earlier credit rating or better by such Rating Agency; or

(iii) no credit rating, and no Rating Agency assigns within 90 days of the later of the first public announcement and the occurrence of the Relevant Event an investment grade credit rating to the Notes

(each, a **Rating Event**), and

(c) in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision(s) resulted, in whole or in part, from the Relevant Event;

A **Change of Control** shall be deemed to occur if more than 50 per cent. of the share capital of the Issuer, or more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer, is acquired by any Person or Persons Acting in Concert (other than Reference Shareholders);

A **Concession Event** shall be deemed to occur if at any time one or more of the Concessions (as defined below) granted to the Issuer or to any of its Material Subsidiaries is terminated (prior to the original stated termination date) or revoked in accordance with its terms or otherwise expires at its or their original stated termination date(s) and is not extended or renewed, and such Concession or, as the case may be, Concessions, taken together (in the case the termination of more than one Concession), constitute the whole or a substantial part of the Group's business, as defined in Condition 9.1(e), provided that the *prorogatio* regime to which a Concession may be subject between its expiry at the relevant stated termination date and the extension, renewal or new award of such Concession will not constitute a Concession Event.

Rating Agency means S&P and/or Moody's and/or any other internationally recognised rating agency which has assigned a rating (which rating was originally solicited by the Issuer) to any of the Issuer and/or the Issuer's debt and/or the Programme, where **Moody's** means Moody's Investors Service Limited and **S&P** means S&P Global Ratings Services, a division of S&P Global Inc.

A **Sale of Assets Event** shall be deemed to occur if at any time (i) the Issuer or any of its Material Subsidiaries is required by applicable law to sell, transfer, contribute, assign or otherwise dispose of assets comprising the whole or a substantial part of the Group's business, as defined in Condition 9.1(e), or (ii) if such assets are expropriated (*espropriati*) on the basis of an order of a public authority having jurisdiction over the Issuer or the relevant Material Subsidiary.

Concession means a written contract, an authorisation, a statutory provision or an administrative instrument or similar arrangements pursuant to which an entity is entrusted by one or more public national or local authorities or entities (such as, inter alios, ministries or municipalities) with the management of public services/utilities or services of public interest including, without limitation, environmental services (such as, inter alia, waste collection and treatment, and municipal cleaning), integrated water services, gas distribution and supply (including, inter alia, district heating and heat management), electricity generation and co-generation and electricity distribution and the construction (if any), management and operation of related plants and similar facilities.

Person(s) Acting in Concert shall have the meaning set forth in Article 101-*bis* of Italian Legislative Decree No. 58 of 24 February 1998 and relevant implementing measures;

Reference Shareholders means the municipality of Milan and the municipality of Brescia.

6.6 Early Redemption Amounts

For the purpose of Condition 6.2 above and Condition 9 (*Events of Default*):

(a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and

(b) each Zero Coupon Note will be redeemed at its Early Redemption Amount calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^{y}$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days

from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365),

6.7 Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Where permitted by applicable law and regulation, all Notes purchased pursuant to this Condition 6.7 may be cancelled or held, reissued or resold at the discretion of the relevant purchaser.

6.8 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 6.7 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

6.9 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3 or 6.5 above or upon its becoming due and repayable as provided in Condition 9 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.6(b) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13 (*Notices*).

7. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) presented for payment in the Republic of Italy; or

(b) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5.5 (*Payments – Payment Day*)); or

(d) in relation to any payment or deduction of any interest, principal or other proceeds of any Notes or Coupons on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996 or future similar law and any related implementing regulations (each as amended or supplemented from time to time; or

(e) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts are paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Republic of Italy; or

(f) where such withholding or deduction is imposed on a payment pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto (collectively, **FATCA**).

As used herein:

(i) **Tax Jurisdiction** means the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer become subject in respect of payments made by it of principal and interest on the Notes and Coupons; and

(ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13 (*Notices*).

8. PRESCRIPTION

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 (*Payments – Presentation of definitive Notes and Coupons*) or any Talon which would be void pursuant to Condition 5.2 (*Payments – Presentation of definitive Notes and Coupons*).

9. EVENTS OF DEFAULT

9.1 Events of Default

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing:

(a) if default is made in the payment in the Specified Currency of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 14 days; or

(b) if the Issuer fails to perform or observe any of its other obligations under the Conditions and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days following the service by a Noteholder on the Issuer of notice requiring the same to be remedied; or

(c) if (i) any Indebtedness for Borrowed Money (as defined below) (other than, for the avoidance of doubt, Project Finance Indebtedness) of the Issuer or any Material Subsidiary (as defined below) becomes, or becomes capable of being declared, due and repayable prior to its stated maturity by reason of an event of default (however described) and otherwise than at the option of the Issuer; or (ii) the Issuer or any Material Subsidiary fails to make any payment in respect of any Indebtedness for Borrowed Money (other than, for the avoidance of doubt, Project Finance Indebtedness) on the due date for payment and any such failure is not cured within any originally applicable grace period; or (iii) any security given by the Issuer or any Material Subsidiary for any Indebtedness for Borrowed Money (other than, for the avoidance of doubt, Project Finance Indebtedness) becomes enforceable; or (iv) default is made by the Issuer or any Material Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money (other than, for the avoidance of doubt, Project Finance Indebtedness) of any person, provided that no such events under (i) to (iv) above shall constitute an Event of Default if (1) the Issuer or the relevant Material Subsidiary is contesting in good faith by all appropriate means, including, where applicable, in a competent court or before a competent arbitration panel, that the relevant Indebtedness for Borrowed Money (other than Project Finance Indebtedness) or any such guarantee and/or indemnity is due and/or enforceable, as appropriate or (2) the aggregate Indebtedness for Borrowed Money (other than, for the avoidance of doubt, Project Finance Indebtedness) relating to all such events which shall have occurred and be continuing and, in the case of (iii) only the amount recovered or sought to be recovered, shall amount to less than Euro 50,000,000 (or its equivalent in any other currency or currencies); or

(d) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries (otherwise than for the purpose of a Permitted Reorganisation (as defined below) that, in the case of a Permitted Reorganisation relating to the Issuer, does not result in a Rating Downgrade (as defined below)) and such order or resolution is not discharged or cancelled within 60 days, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Noteholders; or

(e) if (A) the Issuer, acting directly or through its Material Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of the Group's business as it is at any given time (otherwise than for the purpose of a Permitted Reorganisation that, in the case of a Permitted Reorganisation relating to the Issuer, does not result in a Rating Downgrade), save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Noteholders (and provided that neither the occurrence of (1) a Concession Event nor (2) a Sale of Assets Event (each as defined in Condition 6.5) shall give rise to an Event of Default under this Condition 9.1(e)(A), or (B) the Issuer or any of its Material Subsidiaries stops or announces that it shall stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent (for the purposes of this paragraph (e), a **substantial part** of any entity's business means a part of the relevant entity's business which accounts for 25 per cent. or more of the consolidated total assets and/or consolidated total revenues as determined by reference to the most recently available audited consolidated IFRS financial statements of the Issuer); or

(f) if (A) proceedings are initiated against the Issuer or any of its Material Subsidiaries under any applicable liquidation (*liquidazione coatta*), insolvency (*fallimento*), composition (*concordato preventivo*), reorganisation (*amministrazione straordinaria*) or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver (*curatore*), manager, administrator (*commissario straordinario o liquidatore*) or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Material Subsidiaries or, as the case may be, in relation to the whole or any part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or any part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of any of them and (B) in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order) unless initiated by the relevant company, is not discharged within 60 days; or

(g) if the Issuer or any of its Material Subsidiaries (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(h) if it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or any such obligations cease or will cease to be legal, valid, binding and enforceable; or

(i) if any event occurs which, under the laws of the Republic of Italy, has an analogous effect to any of the events referred to in paragraphs (d) to (g) above,

then any holder of a Note may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

9.2 Definitions

For the purposes of the Conditions:

Indebtedness for Borrowed Money means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (a) money borrowed, (b) liabilities under or in respect of any loan, acceptance or acceptance credit, (c) any note, bond, debenture, debenture stock, loan stock or other security issued, offered or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or part for a consideration other than cash;

Material Subsidiary means at any time any fully consolidated Subsidiary of the Issuer:

(a) whose total revenues (consolidated in the case of a Subsidiary which itself has Subsidiaries, and without taking into account intra-group revenues) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case not less than 10 per cent. of the consolidated total revenues of the Issuer or, as the case may be, consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated

respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries;

(b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary,

A certificate signed by one Director of the Issuer that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary, shall, in the absence of manifest error, be conclusive and binding on all parties;

Permitted Reorganisation means any reorganisation carried out, without any consent of the Noteholders being required in respect thereof, in any one transaction or series of transactions, by any of the Issuer or any Material Subsidiary, by means of any reorganisation, merger, demerger, consolidation, reconstruction, contribution in kind, conveyance, sale, assignment, transfer, lease of, or any kind of disposal of all or any of its assets or its going concern or other similar arrangement (including, without limitation, leasing of the assets or going concern) while solvent and in which the Issuer or, as the case may be, such Material Subsidiary, is the continuing entity under which the assets and liabilities of the Issuer or the relevant Material Subsidiary are assumed by the entity resulting from such reorganisation and, where the same involves the Issuer, such entity assumes the obligations of the Issuer in respect of the Notes, and an opinion of an independent legal adviser of recognised standing in the Republic of Italy has been delivered to the Agent confirming the same prior to the effective date of such reorganisation;

Person means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

A **Rating Downgrade** will be deemed to have occurred if, at the time of the later of the first public announcement and the effective date of the Permitted Reorganisation, the Notes carry from any Rating Agency either:

(i) an investment grade credit rating (BBB-/Baa3/BBB-, or equivalent, or better), and such rating from any Rating Agency is within 180 days of the later of the first public announcement and the effective date of the Permitted Reorganisation either downgraded to a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse) or withdrawn and is not within such 180-day period subsequently (in the case of a downgrade) upgraded to an investment grade credit rating by such Rating Agency or (in the case of a withdrawal) replaced by an investment grade credit rating from any other Rating Agency; or

(ii) a non-investment grade credit rating (BB+/Ba1/BB+, or equivalent, or worse), and such rating from any Rating Agency is within 180-days of the later of the first public announcement and the effective date of the Permitted Reorganisation downgraded by one or more notches (for illustration, Ba1 to Ba2 being one notch) and is not within such 180-day period subsequently upgraded to its earlier credit rating or better by such Rating Agency; or

(iii) no credit rating, and no Rating Agency assigns within 90 days of the later of the first public announcement and the effective date of the Permitted Reorganisation an investment grade credit rating to the Notes,

provided that, in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision(s) resulted, in whole or in part, from the Permitted Reorganisation;

Subsidiary means, in relation to any Person (the **First Person**) at any particular time, any other Person (the **Second Person**):

(a) whose majority of votes in ordinary shareholders' meetings of the Second Person is held by the First Person; or

(b) in which the First Person holds a sufficient number of votes giving the First Person a dominant influence in ordinary shareholders' meetings of the Second Person;

(c) which is under the dominant influence of the First Person by virtue of certain contractual relationships between the First Person and the Second Person;

and (where the First Person is the Issuer or another Italian entity) as provided by Article 2359 of the Italian Civil Code.

10. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and Agent may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

11. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

(a) there will at all times be an Agent;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

(c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.4 (*Payments – General provisions applicable to payments*). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 13 (*Notices*).

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

12. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8 (*Prescription*).

13. NOTICES

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London, and (b) if and for so long as the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange and are listed on the Official List of the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg or the Luxembourg Stock Exchange's website, www.bourse.lu. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such websites the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second business day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14. AVAILABLE INFORMATION

This Condition 14 is applicable to Notes (**Step Up Notes**) only if the Step Up Option is specified in the applicable Final Terms as being applicable.

Beginning with the annual financial statements of the Issuer for the fiscal year ending on 31 December published after the Issue Date, in relation to Step Up Notes in respect of which the applicable Final Terms specifies the Step Up Event being a Renewable Installed Capacity Amount Event or a Biomethane Produced Event or an Emission Target 2°C Event, the Issuer will publish on its website and in accordance with applicable laws (i) its Renewable Installed Capacity Amount

and/or Biomethane Produced and/or its Emission Target 2°C, in each case as indicated in the Group's consolidated disclosure of non-financial information in accordance with Italian Legislative Decree 254/2016 (as amended and supplemented from time to time) or equivalent document prepared pursuant to applicable legislation, and subsequent amendments and supplements thereto (which shall include, for the avoidance of doubt, the Group's GHG Report) (the **NFD Report**) and (ii) an independent auditor's report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of CONSOB Regulation adopted with Resolution n. 20267 of January 18, 2018 (**the Limited Assurance Report**). Each Limited Assurance Report and NFD Report will be published concurrently with the publication of the independent auditor's reports on the annual financial reports and will have the same reference date as the relevant independent auditor's report; provided that to the extent the Issuer reasonably determines that additional time is required to complete any Limited Assurance Report and the NFD Report, then the relevant Limited Assurance Report and the NFD Report may be published as soon as reasonably practicable, but in no event later than 30 days, subsequent to the date of publication of the independent auditor's report.

Furthermore, on or before the relevant Step Up Event Notification Date following each Biomethane Produced Reference Date and/or Emission Target 2°C Reference Date and/or Renewable Installed Capacity Amount Reference Date, as applicable, the Issuer will publish on its website an assurance report issued by the External Verifier in respect of, as applicable, its Biomethane Produced at the relevant Biomethane Produced Reference Date and/or its Emission Target 2°C at the relevant Emission Target 2°C Reference Date and/or its Renewable Installed Capacity Amount as at the relevant Renewable Installed Capacity Amount Reference Date (the **External Verifier Assurance Report**). The External Verifier Assurance Report will be published as soon as reasonably practicable following each Biomethane Produced Reference Date and/or Emission Target 2°C Reference Date and/or Renewable Installed Capacity Amount Reference Date, as applicable, but in no event later than the Step Up Event Notification Date.

15. MEETINGS OF NOTEHOLDERS AND MODIFICATION

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification of these Conditions, the Notes, the Coupons or any of the provisions of the Agency Agreement. All meetings of the Noteholders will be held in accordance with applicable provisions of Italian law in force at the time (including, without limitation, Legislative Decree No. 58 of 24 February 1998 as amended) and the By-laws of the Issuer in force from time to time. Accordingly, the provisions contained in the Agency Agreement shall be deemed to be amended, replaced and supplemented to the extent that any Italian laws, legislation, rules and regulations dealing with the meetings of the Noteholders or the relevant provisions in the By-laws of the Issuer are amended at any time while the Notes remain outstanding. Without prejudice to the foregoing, in accordance with Article 2415 of the Italian Civil Code, the meeting of Noteholders is empowered to resolve upon the following matters: (i) the appointment and revocation of the Noteholders' Representative, (ii) any amendment to these Conditions, (iii) motions for the composition with creditors (*concordato*) of the relevant Issuer; (iv) establishment of a fund for the expenses necessary for the protection of the common interests of the Noteholders and the related statements of account; and (v) any other matter of common interest to the Noteholders.

Italian law currently provides that such a meeting may be convened by the Issuer or the Noteholders' Representative (as defined below) at their discretion and, in any event, shall be convened by either of them upon the request of any Noteholder(s) holding not less than 5 per cent. in nominal amount of the Notes for the time being remaining outstanding. If the meeting has not been convened following such request of the Noteholders, the same may be convened by a decision of the competent court in accordance with the provisions of Article 2367, paragraph 2, of the Italian Civil Code. Every such

meeting shall be held at such time as indicated in the notice of meeting and at such place as provided pursuant to Article 2363 of the Italian Civil Code.

Such a meeting will be validly held if (i) in the case of a sole call meeting, there are one or more persons present being or representing Noteholders holding at least one-fifth of the principal amount of the outstanding Notes; or (ii) (a) in the case of a first meeting, there are one or more persons present being or representing Noteholders holding at least one half of the aggregate nominal amount of the Notes for the time being outstanding; (b) in the case of a second meeting, following adjournment of first meeting for want of quorum, there are one or more persons present being or representing Noteholders holding more than one third of the aggregate nominal amount of the Notes for the time being outstanding; and (c) in the case of any further adjourned meeting, there are one or more persons present being or representing Noteholders holding at least one fifth of the aggregate nominal amount of the Notes for the time being outstanding, provided however that that the Issuer's By-laws may in each case (to the extent permitted under the applicable Italian law) provide for a higher quorum.

The majority required to pass a resolution at any meeting (including any adjourned meeting) convened to vote on any resolution will be one or more persons holding or representing at least two thirds of the aggregate nominal amount of the Notes for the time being outstanding represented at the meeting; provided, however, that (A) certain proposals (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons) may only be sanctioned by a resolution passed at a meeting (including adjourned meetings as provided under Article 2415 of the Italian Civil Code) of Noteholders by the higher of (i) one or more persons holding or representing not less than one half of the aggregate principal amount of the outstanding Notes, and (ii) one or more persons holding or representing not less than two thirds of the Notes represented at the meeting, *provided however that* a different majority (higher or lower depending on the circumstances and the amount of Notes represented at the meeting) may be required pursuant to Article 2369 paragraph 7, of the Italian Civil Code and (B) the Issuer's by-laws may in each case (to the extent permitted under applicable Italian law) provide for higher majorities.

Officers and statutory auditors of the Issuer shall be entitled to attend the Noteholders' meetings but not participate or vote with reference to the Notes held by the Issuer. Any resolution duly passed at any such meeting shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

A representative of the Noteholders (*rappresentante comune*) (the **Noteholders' Representative**), subject to applicable provisions of Italian law, will be appointed pursuant to Article 2417 of the Italian Civil Code in order to represent the Noteholders' interests under these Conditions and to give effect to resolutions passed at a meeting of the Noteholders. If the Noteholders' Representative is not appointed by a meeting of such Noteholders, the Noteholders' Representative shall be appointed by a decree of the court where the Issuer has its registered office at the request of one or more Noteholders or at the request of the Board of Directors of the Issuer. The Noteholders' Representative shall remain appointed for a maximum period of three years but may be reappointed again thereafter and shall have the powers and duties set out in Article 2418 of the Italian Civil Code.

In derogation from Article 2415 of the Italian Civil Code, the Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to:

(a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Coupons or the Agency Agreement which, in the sole opinion of the Issuer, is not prejudicial to the interests of the Noteholders; or

(b) any modification of the Notes, the Coupons or the Agency Agreement which, in the sole opinion of the Issuer, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of applicable law or with the provisions of the Issuer's By-laws (*statuto*) applicable to the convening of meetings, quorums and the majorities required to pass a resolution entered into force at any time while the Notes remain outstanding.

Any such modification shall be binding on the Noteholders and the Couponholders and shall be notified to the Noteholders in accordance with Condition 13 (*Notices*) as soon as practicable thereafter.

For the avoidance of doubt, any variation of the Conditions and the Agency Agreement to give effect to the Benchmark Amendments in accordance with Condition 4.4 (*Benchmark Discontinuation*) shall not require the consent or approval of Noteholders or Couponholders.

16. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the issue price, the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing law

The Agency Agreement, the Deed of Covenant, the Notes, the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes and the Coupons are governed by, and shall be construed in accordance with, English law. Condition 14 (*Available Information*) and the provisions of the Agency Agreement concerning the meetings of Noteholders and the appointment of a Noteholder's Representative in respect of the Notes are subject to compliance with the laws of the Republic of Italy.

18.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Noteholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons) and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. To the extent allowed by law, the Noteholders and the Couponholders may take any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Notes and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Notes and the Coupons) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

18.3 Appointment of Process Agent

The Issuer appoints The Italian Chamber of Commerce and Industry for the UK at 1 Princes Street, London W1B 2AY, United Kingdom or, if different, its registered office for the time being as its agent for service of process, and undertakes that, in the event of The Italian Chamber of Commerce and Industry for the UK ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer as stated in the applicable Final Terms, either:

(a) for its general corporate purposes, which include making a profit and/or refinancing existing indebtedness of the Issuer and/or of its subsidiaries; or

(b) to finance or refinance, in whole or in part, Eligible Green Projects (as defined below).

Only Tranches of Notes financing or refinancing Eligible Green Projects (referred to under (b) above) will be denominated "Green Bonds".

In case of project divestment, an amount equal to the net proceeds of the "Green Bonds" will be used to finance or refinance other Eligible Green Projects.

For the purposes of this section:

Eligible Green Projects means projects with a positive impact in terms of environmental sustainability, in accordance with the broad categorisation of eligibility for green projects pursuant to the then applicable "Green Bond Principles" set out by the International Capital Market Association, as will be further specified under "Use of Proceeds" set out in the applicable Final Terms.

DESCRIPTION OF THE ISSUER

OVERVIEW

A2A S.p.A. (**A2A** or the **Issuer**) and its consolidated subsidiaries (together, the **Group** or the **A2A Group**) form one of Italy's largest local utility groups, with more than 2.6 million customers (electricity and gas) and approximately Euro 7,324 million revenues and Euro 1,234 million EBITDA for the financial year ended 31 December 2019.

The Group's main areas of activity include the generation, sale and distribution of electricity, the sale and distribution of gas, the generation, distribution and sale of heat through district heating networks, the management of waste and the management of integrated water cycles and smart city projects. In particular, the Issuer operates in these business segments through seven business units. In this respect, see also "*– The Issuer*" *and* "*– Group Structure and Business Model*" below.

A2A is one of the most diversified players in terms of business mix, well positioned in all sectors in which it operates. In particular, A2A is a leading national energy producer, with approximately 8.7 GW installed and a production mix geared towards renewable sources, with hydroelectricity representing around a quarter of installed capacity. In Italy, A2A is the leader in environmental services and district heating; it is one of the largest operators in electricity distribution networks and among the leading players in gas; in the environmental sector, A2A is the number-one player in terms of electricity generation by waste-to-energy plants.[3] In particular, in the environmental sector, A2A Ambiente S.p.A. (**A2A Ambiente**) is one of the largest companies in the waste disposal sector in Italy by EBITDA[4]. Moreover A2A is the second largest electricity generation operator in Italy by installed capacity.[5]

Consolidated results as of 31 December 2019

In 2019, the Revenues of the A2A Group amounted to Euro 7,324 million, 12.8 per cent. up on the previous year.

The increase in revenues was mainly due to greater sales on the free market, in particular to large customers and revenues from gas sales thanks to higher volumes sold on the free market and intermediated on the wholesale market, partially offset by lower revenues related to environmental markets.

The revenues of the ACSM-AGAM group, consolidated starting from July 2018, came to Euro 420 million in 2019 (Euro 187 million in 2018, referring to the second half-year only post completion of the relevant aggregation process).

In 2019, EBITDA came to Euro 1,234 million (Euro 1,231 million as at 31 December 2018). The contribution of the ACSM-AGAM group, consolidated starting from 1 July 2018, was equal to Euro 69 million (Euro 41 million in 2018, including the result of the former ASPEM group consolidated in the first half of 2018). Net of non-recurring items (which amounted to Euro 39 million in 2018 and Euro 42 million in 2019), in 2019 EBITDA was therefore in line with 2018.

Furthermore, EBIT amounted to Euro 687 million, increased by Euro 99 million compared to 2018 (Euro 588 million in 2018). Such increase was due to:

- lower write-offs compared with the previous year (*i.e.*, Euro 9 million net write-offs in 2019 and Euro 160 million net write-offs in 2018);

[3] Source: A2A elaboration based on publicly available data.
[4] Source: A2A internal elaboration of publicly available information.
[5] Source: elaboration from data sourced from public websites and ARERA (*Autorità Regolazione Energia, Reti e Ambiente*) data.

- higher amortisation/depreciation (Euro -39 million) due to: (i) full year consolidation of the ACSM-AGAM group, (ii) the application of the standard IFRS 16, (iii) the acquisition of new assets and (iv) greater investments during the year;

- higher net provisions for risks in 2019, mainly deriving from the lesser release in 2019 of provisions for risks and receivables, which exceeded releases in the previous year (Euro -16 million).

Net write-offs applied in 2019 refer to:

- the reversal of impairment loss, for Euro +127 million, of the 400 MW Mincio, Chivasso and Sermide plants;

- the impairment write-off of the Monfalcone plant equal to Euro -3 million (Euro -116 million in 2018);

- the write-off of the Grottaglie landfill for Euro -48 million considering the expected reduction in future profitability, following the rejection of the appeal by the Council of State against the ruling of the Lecce Regional Administrative Court no. 143/2019 and consequent confirmation of the quashing of DD45/18, which had permitted a substantial change to the IEA relative to the landfill, with subsequent resumption of disposal activities;

- the impairment write-off of the goodwill of the electricity networks for Euro -85 million (Euro -44 million in 2018).

Group net profit for 2019 reached Euro 389 million (Euro 344 million in 2018), up Euro 45 million (+13.1 per cent.).

In 2018, Group net profit was affected not only by the impairment resulting from the relevant tests (Euro -128 million, net of the related tax effects), but also by the effects of the renegotiation of the agreement for the exercise of the put option over the portion of the share capital held by A2A in the Montenegro company EPCG for Euro 21 million, the capital gain of Euro 6 million on the sale of the investment in the coal mine Rudnik uglja ad Pljevlja and the badwill of approximately Euro 8 million, related to the acquisition of plants operating in Italy in the photovoltaic sector, owned by Talesun.

In 2019, Group net profit was affected by the impairment test results, net of the tax effects (Euro -6 million) and the portion of the write-off of Grottaglie attributable to minorities (Euro +17 million).

Excluding the abovementioned effects, the Group's "ordinary" net profit in 2019 was Euro 378 million (Euro 438 million in 2018).

The Net Financial Position at 31 December 2019 amounted to Euro 3,154 million (Euro 3,022 million as at 31 December 2018). Excluding the accounting effects of the application of IFRS16 (Euro -109 million) and the impact of changes in scope (Euro +53 million), the Net Financial Position as at 31 December 2019 came to Euro 3,098 million.

THE ISSUER

Overview

A2A is a joint stock company (*società per azioni*) incorporated under Italian Law on 8 December 1910 (originally under the name of *Azienda elettrica municipale*). Its registered office is at Via Lamarmora 230, 25124, Brescia, Italy and it is registered with the Companies' Register of Brescia under number 11957540153, tax code and VAT number 11957540153. A2A operates under the legislation of the Republic of Italy. A2A may be contacted by telephone at +39 030 35531 and by e-mail at info@a2a.eu. A2A's website is http://www.a2a.eu.

A2A has been established until 31 December 2100, subject to extension. Pursuant to Article 4 of its by-laws, the corporate objects of A2A is to carry out, either directly or through investment companies and entities, activities in the field of research, production, supply, transportation, transformation, distribution, sale, use and recovery of energy resources and of integrated water cycle. The Issuer may also carry out activities in the field of other network services, including the installation, maintenance, connection and testing of telecommunications systems, as well as provide public services in general and carry out activities instrumental, connected and ancillary to those indicated above, including services in the field of waste collection, treatment and disposal of urban and environmental hygiene in general. In these fields, the Issuer may also carry out activities regarding study, consulting and design, except for activities expressly reserved by law. The Issuer may perform any and all transactions deemed necessary or useful for the attainment of its corporate purpose; it may execute, *inter alia*, real and personal property, commercial, industrial and financial transactions and any transaction which is connected to the achievement of its corporate purpose, except for the collection of savings from the general public and the carrying out of reserved activities under Legislative Decree No. 58 of 24 February 1998. In addition, the Issuer may acquire interests and equity investments in other companies or businesses, both Italian and foreign, whose corporate purpose is similar, connected or ancillary to A2A's and may grant security interests and/or personal guarantees to secure obligations connected with the conduct of corporate business, including for the benefit of subsidiaries and/or affiliate entities and companies.

As at the date of this Base Prospectus, A2A has a paid-up share capital of Euro 1,629,110,744.04 divided into 3,132,905,277 ordinary shares having a par value of Euro 0.52 each. The ordinary shares of A2A are listed on the *Mercato Telematico Azionario*, the screen based market of the Italian Stock Exchange (Borsa Italiana S.p.A.) and are included in the FTSE Mib (**Blue Chips**) and in the FTSE Italia All-Share Utilities super-sector index. As at the date of this Base Prospectus, A2A had a market capitalisation of approximately Euro 4.0 billion.

History and developments

A2A in its current form was created on 1 January 2008 from the merger by way of incorporation of AMSA Holding S.p.A. (**AMSA**) and the local utility of Brescia, ASM Brescia S.p.A. (**ASM**) into the former energy and waste utility of Milan AEM S.p.A. (**AEM**) (the **Merger**). The company resulting from the Merger changed its name into A2A. The driving force behind the merger was the need to create a utilities group with sufficient critical mass and vertical integration to compete successfully in the increasingly deregulated Italian utilities sector and also at a European level.

After the Merger, A2A undertook a significant rationalisation / reorganisation process, which led to:

- the conversion of most of its financial interests (so called "peripheral assets") into industrial assets: in June 2008, A2A had on its balance sheet Euro 3.3 billion of financial investments (such as TdE/Edison, Endesa Italia, Edipower, etc.), which were progressively converted into industrial assets and fully consolidated within, and managed by the Group (for example, the stake in Endesa Italia was converted into the Monfalcone thermoelectric plant and hydroelectric facilities in Calabria);

- the divestment of non-core activities; and

- internal rationalisation / reorganisation, through the reduction of the overall number of Group companies.

In the recent past, A2A carried out:

1) the acquisition of a 51 per cent. stake in the share capital of LGH on 4 August 2016. LGH is the multi-utility based in Cremona (AEM), Pavia (ASM), Lodi (ASTEM), Rovato (COGEME) and Crema (SCS/SCRP) operating in the environment (including the complete waste management cycle, from collection and transportation to disposal and recovery of recyclable materials, using both LGH-

owned and leased equipment), energy (including generation and sale of electricity, district heating, sale and distribution of natural gas, sale of photovoltaic systems) and telecommunication ITC (Internet and broadband, ICT, data centre, voice, data) sectors;

2) the aggregation project involving A2A, Lario Reti Holding S.p.A., ASPEM S.p.A., Azienda Energetica Valtellina Valchiavenna S.p.A. and ACSM-AGAM S.p.A. relating to common developments to be carried out in the northern area of Lombardy, having as its main purpose the sharing of strategic guidelines of growth aimed at achieving commercial, industrial and operative synergies, through a corporate and industrial reorganisation.

3) the sale of the entire shareholding held by A2A in EPCG in Montenegro;

4) the acquisition of four different PV portfolios from the companies Re-Energy, Novapower, Impax and Talesun which led to a significant increase in the photovoltaic portfolio (being, as at the date of this Base Prospectus, equal to 99MW of installed capacity);

5) the acquisition by A2A Ambiente of the entire holding in Areslab S.r.l. and of a 90 per cent. stake in Electrometal S.r.l., companies that treat and recover industrial waste, whose acquisition has strengthened the group's circular economy;6) other minor M&A transactions mainly involving companies within the Market Business Unit.

For further information on recent transactions carried out by the Group see also "– *Further relevant information*" and " – *Significant events after 31 December 2019*"below.

STRATEGY

On 3 April 2019, the Board of Directors of A2A approved the Group's 2019-2023 Strategic Plan, which was an evolution of the 2018-2022 Strategic Plan. The successful achievement of the targets of the first year of the 2018-2022 Strategic Plan repositioned A2A in the new competitive environment, mainly in the following key priority areas: (i) energy market; (ii) waste sector; (iii) outstanding customer service and new solutions for the changing market needs; and (iv) cross-business management of networks.

The 2019-2013 Strategic Plan focused on three macro-trends (*i.e.* the circular economy, energy transition and smart solutions) and the following three strategic guidelines (*TEC*):

1. *T – Transformation*: strengthening and evolving the reference business model and leveraging the strengths of A2A's four business lines;

2. *E – Excellence*: organizational agility, operational excellence and process efficiency, decreasing the risk and enhancing adjacent businesses;

3. *C – Community*: attraction and professional development of the Group's people, and enhanced involvement of the external ecosystem for innovation.

The three strategic guidelines were supported by a strong framework represented by sustainability, the inspiring principle of the A2A Group's development and evolution.

T - Transformation

In the five-year period 2019-2023, the A2A Group planned to focus on the following tasks:

- flexible and greener energy: undertaking a process of transformation towards a greener generation portfolio, as well as providing adequacy and flexibility services through leadership consolidation in flexible CCGT (combined cycle gas turbine) plants and exploration of innovative flexibility services;

- more solutions to involve customers: focusing on, *inter alia*, development of outstanding customer services and value added services in safety, comfort and energy-saving, digitalization and performance of advisory services, as well as fostering growth in new services such as the electric mobility business;

- value from end to beginning: becoming Italian leader in, *inter alia*, recycling with downstream integration with high-quality secondary raw materials and developing new waste-to-energy capacity;

- smarter and more reliable: *inter alia*, increasing quality of networks, stability and reliability of the electric grid and water cycle performance.

E – Excellence

In the five-year period 2019–2023, the A2A Group planned to focus on operational excellence issues. The positive experience with the EN&A Project, which was focused on efficiency levers, has given rise to the launch of the Mistral Project. Mistral, focusing on improving operational excellence, is expected to work on the bottom-up redesign of processes, including through the transformation of the managerial culture (*agile* organization). The 2019-2023 Strategic Plan envisaged investments in digitalization and technological innovation.

C – Community

In the 2019-2023 period, A2A was expected to increase its focus on the context in which it operates, both in relation to its internal community (Group people) and its external community, the ecosystem that continuously interacts with the Group and that increasingly requires sharing, collaboration and joint development.

The Group's people strategy was set out in several initiatives, including (i) digital readiness, (ii) creation of staff unit pooling and dynamic sizing of corporate and business units and (iii) people caring, diversity management and gender equality programs.

Moreover, the A2A Group intended to implement an *agile* smart work place through a real estate optimisation plan which includes new buildings in the Municipalities of Milan, Bergamo and Brescia and smart offices.

On 19 March 2020, the Board of Directors of the A2A Group has examined and approved the Group's strategic plan for 2020 until 2024 (the **2020-2024 Strategic Plan**). Considering that the Board of Directors which approved the 2020-2024 Strategic Plan was going to expire and that, in any case, such plan was drawn up before the Covid-19 health emergency, the Board of Directors (then in charge) considered it useful to submit the 2020-2024 Strategic Plan to the new Board of Directors for any changes, additions and updates.

The 2020-2024 Strategic Plan represents an evolution of the Strategic Plan approved last year, with a renewed focus on sustainability actions and targets.

The 2020-2024 Strategic Plan is, in fact, designed starting from the definition of challenging ESG (environmental social governance) objectives for each business unit, set out within three main sustainability spheres:

– Climate Action: decarbonization, targeting the phase-out of oil and coal plants by 2025, with a tangible commitment to supporting the energy transition through the development of new renewable sources and solutions to improve the flexibility and adequacy of the electricity system;

– Circular Economy: recovery of materials and energy in the areas where the Group operates according to the best waste management standards and the management of the integrated water cycle;

– Smart Solutions: digitalization of services and adoption of innovative and cutting-edge technological solutions to support, in particular, energy efficiency and the electrification of consumption.

In each of these areas, A2A set challenging objectives to be achieved by 2024 and charted out a longer-term development path that extends to 2030.

In particular, the 2020-2024 Strategic Plan accelerates significantly along four lines:

– **+ RES (Renewable Energy Sources)**: further expansion in renewables, through M&A transactions and greenfield developments, reaching 500 MW by 2024 and with a growth target of >1.5 GW by 2030, to reach a 40 per cent. share of renewable energy in the A2A generation portfolio. Investments of over Euro 600 million have been planned for this goal;

– **+ Customers**: a new and more ambitious role for A2A, participating in a national and no longer local market, reaching a market share of 10 per cent. following the complete liberalization of the market envisaged in 2022. The customer base is also expected to increase through a new fully accessible online platform which is planned to acquire 500,000 fully digital customers in five years;

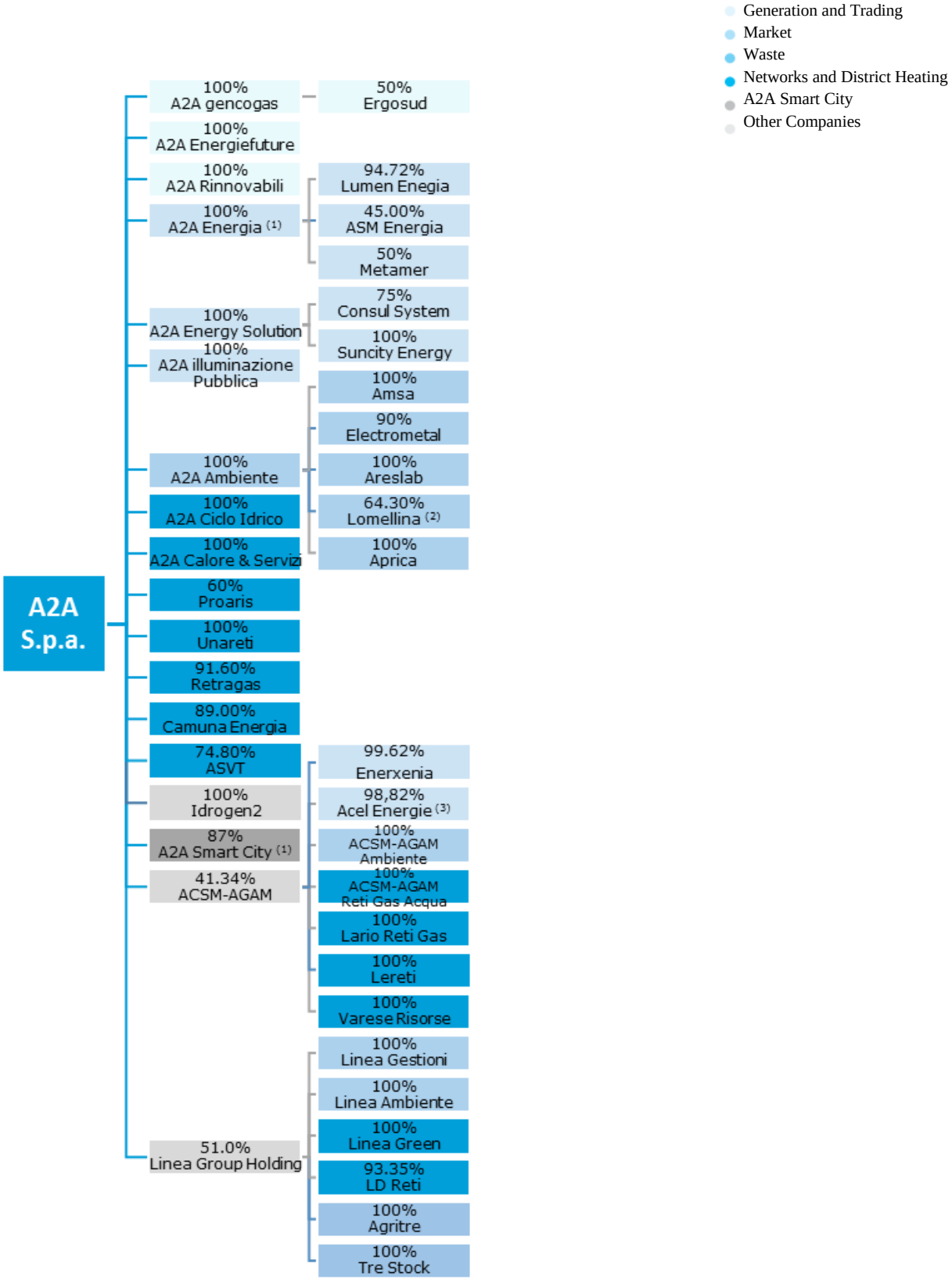
– **+ Recycle**: in the context of an inefficient and fragmented waste market, A2A aims to become a leader in material recovery, with 12 new municipal solid waste (MSW) treatment plants, nine of which have already been authorised;

– **+ Resilient electrical networks**: rebalancing the mix between gas and electricity in the distribution segment, with an increase in RAB (regulatory asset base) by 2024 (Euro +299 million in electricity grids, Euro +61 million in gas), and with an improvement in the network's resilience through the installation of 2G smart meters (96 per cent. by 2024) and the development of electric mobility infrastructure.

Group Structure and Business Model

Group Structure

The following chart shows the Group structure as at the date of this Base Prospectus.



(1) 12.8% of A2A Energia held through Linea Group Holding S.p.A.

(2) 37,70% of Lomellina held through Linea Ambiente
(3) 1,70% of Acel Energie held through Serenissima Gas

Business Model

The Issuer manages its diversified core business through principally wholly owned subsidiaries, in accordance with unbundling legislation, while it is responsible for strategic vision, planning, control, financial management and coordination of the A2A Group activities. It also provides services to support the business and operating activities of subsidiaries companies (administrative, legal, supply, and personnel management services, information technology and communications) in order to optimize the resources available and use existing expertise in the most efficient manner. These services are regulated by intercompany agreements.

The Issuer implemented a centralised treasury model aimed at reducing external debt and optimizing liquidity. In this context, the Issuer has signed intercompany agreements, which entitle the parent company to manage cash and funding on behalf of the subsidiaries, and, in some cases, if the subsidiary has borrowed funds from the parent, issue intercompany loans between the parent and its subsidiary.

Finally, the Issuer provides its subsidiaries with office space and operating areas, as well as related services and owns hydroelectric plants (Valtellina, Calabria, Udine and Mese)

Until 31 December 2019, the Group was managed through seven business units (each a **Business Unit**), each operating in a specific business area:

4. **Generation and Trading Business Unit**, dedicated to the management of the Group's plants portfolio (e.g., thermoelectric, hydroelectric and other renewable plants) and the energy portfolio of the Group;

5. **Market Business Unit**, dedicated to the retail sale of electricity and natural gas to end customers (free market and customers served under the protected scheme), the activities related to public lighting, energy efficiency and electric mobility;

6. **Waste Business Unit**, dedicated to the management of all waste cycle activities (*i.e.*, waste collection and street sweeping, treatment, disposal and energy recovery);

7. **Networks and District Heating**, dedicated to the distribution and sale of heat and electricity produced by cogeneration plants as well as heat management services, the activities related to the management of electricity and gas networks and the management of the entire integrated water cycle;

8. **International Business Unit**, dedicated to identifying and developing international cross-business development initiatives for the Group;

9. **A2A Smart City**, dedicated to providing technological infrastructure that allow for integrated, online, digital services. Starting from 1 January 2020, A2A Smart City has been included in the Network and District Heating Business Unit;

10. **Corporate Business Unit**, dedicated to providing guidance, strategic direction, coordination and control of industrial operations, as well as services in support of the business and operating activities (e.g. administrative and accounting services, legal services, procurement, personnel management, information technology and communications).

The breakdown into Business Units reflects the organisation of the financial reports analysed by the management and the Board of Directors of A2A in order to manage and plan the Group's business.

Description by Business Unit

Generation and Trading Business Unit

The aim of the Generation and Trading Business Unit is twofold:

- maximizing plant's availability and efficiency and minimizing operating and maintenance (O&M) costs ("Generation"). Electricity generation is one of the Group's historical businesses and the Group is a key player in the Italian market with consolidated experience in plant operation, a diversified and flexible fuel mix and a net installed thermoelectric and hydroelectric generation capacity for the market of 8.7 GW, as at 31 December 2019. Since 2017, the Group has increased the green part of its generation portfolio by acquiring photovoltaic plants with a total installed capacity of 99MW. As of 31 December 2019, the plant portfolio is composed of:

Capacity (MW)	31 December 2019
GAS	5,503
COAL	305
OIL	886
HYDRO	1,876
PHOTOVOLTAIC	99
TOTAL	**8,669**

Source: A2A internal data.

- maximizing the profit from the management of the energy portfolio through the purchase and sale of electricity, fuel (gaseous and non-gaseous) and environmental certificates on domestic and foreign wholesale markets ("Trading"). In addition, it includes trading of all energy commodities (gas, electricity) on domestic and foreign markets and manages gas shipping activities for itself and others over third party owned networks both in Italy and abroad. The energy requirements of the Group and its customers are covered by means of (i) its own generation facilities, (managed in order to optimise the availability of production capacity), (ii) third parties' generation facilities under contract, (iii) trading on wholesale energy markets (including IPEX, the Italy's power exchange for spot transactions), and also as a counterparty in bilateral trading contracts outside the regulated markets (OTC), and (iv) buying and selling on regulated markets abroad and/or by taking part in brokerage platforms.

Main companies pertaining to the Generation and Trading Business Unit are:

- A2A (hydroelectric plants);
- A2A Gencogas S.p.A. (thermoelectric plants);
- A2A Energiefuture S.p.A. (coal plant and oil plant);
- A2A Rinnovabili S.p.A. (solar plants).

The following tables show the main quantitative data for the Generation and Trading Business Unit.

Operational Data & KPI **Electricity sector (*GWh*)**	**31 December 2019**	**31 December 2018**
SOURCES		
Net production	**18,095**	**17,551**
- thermoelectric production	13,353	12,948
- hydroelectric production	4,619	4,539
- photovoltaic production	123	64
Purchases	**33,284**	**33,758**
- power exchange	15,854	12,364
- wholesalers	3,913	3,089
- Trading/Service portfolio	13,517	18,305
TOTAL SOURCES	**51,379**	**51,309**
USES		
Sales to Group retailers	11,979	8,960
Sales to other wholesalers	11,474	11,622
Sales on the power exchange	14,409	12,422
Trading/Service portfolio	13,517	18,305
TOTAL USES	**51,379**	**51,309**

Sales figures also include losses.

Source: Consolidated financial statements for the year ended 31 December 2019 and Consolidated financial statements for the year ended 31 December 2018

The Group's electricity output in 2019 amounted to 18,095 GWh, in addition to purchases of 33,284 GWh, for total availability of 51,379 GWh.

In 2019, thermoelectric generation amounted to 13,353 GWh (12,948 GWh in 2018). Higher output of CCGT plants more than offset the decrease in production of the coal plant of Monfalcone (penalized by an insufficiently profitable price scenario). In addition, hydroelectric production increased (+80 GWh) thanks to higher production from the Calabria reservoirs and photovoltaic production increased (+59 GWh) as a consequence of the acquisition of solar plants at the end of 2019.

Purchases of electricity amounted to 33,284 GWh (33,758 GWh at 31 December 2018). More purchases on the exchange and wholesale markets compared to the previous year were more than offset by lower volumes traded as part of trading/service activities in 2019 compared to 2018.

Sales to the Group retailers (*i.e.*, the Market Business Unit) increased in 2019 (+33.7 per cent.) compared to 2018, along with sales on IPEX (the Italy's power exchange for spot transactions) (+16 per cent.). On the contrary, other wholesale sales slightly decreased and the quantities intermediated in service/trading activities decreased by 26.2 per cent.

Overall in 2019, the electricity sales of the Generation and Trading Business Unit totalled 51,379 GWh (51,309 GWh in 2018).

Operational data & KPI **Gas sector (*Millions of cubic meters*)***	**31 December 2019**	**31 December 2018**
SOURCES		
Procurement	6,301	5,092
Withdrawals from stock	(39)	30
Internal consumption/GNC	(16)	(15)
Trading/Service portfolio	8,905	5,267
TOTAL SOURCES	**15,151**	**10,374**
USES		
Market Business Unit uses	2,033	1,585
Thermoelectric uses	2,357	2,098
Heat and services and Waste Business Unit uses	79	101
Wholesalers	1,777	1,323
Trading/Service portfolio	8,905	5,267
TOTAL USES	**15,151**	**10,374**

** Quantities are shown in terms of standard cubic metres with an equivalent Gross Calorific Value (GCV) of 38100 MJ on redelivery.*

Source: Consolidated financial statements for the year ended 31 December 2019 and Consolidated financial statements for the year ended 31 December 2018

The volume of gas sold in 2019 amounted to 15,151 million cubic meters, increasing by 46 per cent. over the corresponding period of 2018 (10,374 million cubic meters).

In particular, there was an increase in the volume of gas sold to wholesalers (+454 million cubic meters), the amount sold to the Market Business Unit (+448 million cubic meters) and the volume traded in the Trading/Service Portfolio (+3,638 million cubic meters). Gas for thermoelectric uses increased by +12.3 per cent. due to higher consumption by combined-cycle facilities in 2019, while the amount of gas sold to the other Business Units of the Group decreased (-22 million cubic meters).

The following table shows the main financial data for the Generation and Trading Business Unit:

Financial data (*Millions of Euro*)	**31 December 2019**	**31 December 2018**
Total revenues	4,399	3,854
Gross Operating Income – EBITDA	301	370
per cent. of revenues	6.8%	9.6%
Depreciation, amortisation, provisions and write-downs	(36)	(293)
Net operating income	265	77

per cent. of revenues	6.0%	2.0%
Gross Investments	88	57

Source: consolidated financial statements for the year ended 31 December 2019 and consolidated financial statements for the year ended 31 December 2018.

In the year ended on 31 December 2019, the revenues generated by the Generation and Trading Business Unit amounted to Euro 4,399 million, up Euro 545 million compared to 2018. The increase was mainly due to higher volumes sold on the wholesale markets, particularly gas, partly offset by lower revenues from the environmental markets.

The EBITDA of the Generation and Trading Business Unit amounted to Euro 301 million, a decrease of Euro 69 million compared to 2018. Net of the non-recurring items (equal to Euro 14 million in 2019 and Euro 11 million in 2018), Ordinary EBITDA dropped by Euro 72 million. Such decrease was mainly due to the loss of contributions related to green certificates and other incentives (e.g. feed-in tariff for the Mese plant) which had been significant in 2018 (approximately equal to Euro 100 million).

The ensuing reduction in margins, amplified by a lower margins recorded on the ancillary services market and on conventional thermoelectric plants (coal and oil) was significantly limited by the Generation and Trading Business Unit, thanks to the positive results achieved by the CCGT plants, the greater hydroelectric generation and the greater contribution made by the photovoltaic sector.

Gross Investments amounted to Euro 88 million in 2019 and are mainly related to extraordinary maintenance works carried out on the CCGT plants (approximately equal to Euro 48 million) and on the hydroelectric units of Valtellina, Mese, Udine and Calabria (approximately equal to Euro 14 million). In addition, the Group has also carried out development works on the Brindisi plant and on other thermoelectric plants, with a total investment of Euro 19 million.

Electricity generation – Further information

The minimum level of electricity demand throughout a day is known as "base load". The Group generally satisfies its base load sales through thermoelectric power generation while daily peaks in demand are principally met through increased reliance on the Group's hydroelectric plants, whose presence in the Group's asset base permits greater operational flexibility and faster responses to variations in demand. Hydroelectric plants are operated under concessions granted by the relevant public authorities (for further information see " — *Concessions*" and "*Regulation*", below). During periods of extended high levels of consumption, such as daytime hours, the Group relies on both thermoelectric and hydroelectric power to meet increased base load needs.

The Group is insured against technical breakdowns and environmental damage and monitors its hydroelectric dams continuously through a programme of scheduled and *ad hoc* inspections. The competent authority for dams in Italy is the *Direzione Generale per le Dighe e le Infrastrutture idriche ed elettriche*, which evaluates the status of each dam every six months and certifies each dam for operation annually. The Group has annual certifications of its thermoelectric plants under the voluntary European Eco-Management and Audit Scheme (**EMAS**) and various Quality Assurance Systems (**QAS**) standards, such as ISO9001 in relation to quality management systems, ISO14001 in relation to environmental management systems and BSOHSAS 18001 in relation to occupational health and safety management.

Market Business Unit

The activities of the Market Business Unit are related to:

- the retail sales of electricity and natural gas to customers in the free market and sales to customers served under protection scheme (*"servizio di maggior tutela" or "safeguarded market"*),

- the management of public lighting (including traffic regulation systems and votive lamps), and
- energy efficiency.

At the moment, following the (partial) liberalization of the market, all end users of gas and electricity have the right to withdraw from their incumbent supply contracts and to choose a different energy (electricity and gas) provider on the open market. In such cases, prices and terms of the supply can be freely determined by the parties. However, domestic customers and small businesses meeting certain criteria that do not opt for the free market, fall under the regulated market ("*servizio di maggior tutela*") for which the relevant Regulatory Authority establishes the electricity and gas tariffs. Instead, all other customers that are not eligible for the regulated market and are temporarily without a contract fall into the "*safeguarded market*", which ensures the supply of electricity and gas (rates are determined through auction). In addition, Law Decree approved on February 29, 2020 (known as Milleproroghe) modified the Competition Law enacted in 2017, providing:

- the delay of the end of gas protection regime for domestic customers to 1 January 2022;
- the delay of the end of electricity protection regime
    - to 1 January 2021 for small enterprises,
    - to 1 January 2022 for domestic customers and micro-enterprises;
- customers without a contract will be supplied through a safeguard service assigned by auction.

For further information on gas and electricity services see "*Regulation*", below.

Main subsidiaries pertaining to the Market Business Unit are:

- A2A Energia S.p.A. (energy retail);
- Enerxenia S.p.A. (energy retail);
- A2A Energy Solution S.r.l. (energy efficiency);
- A2A Illuminazione Pubblica S.p.A. (public lighting).

The following table shows the main quantitative data for the Market Business Unit.

Operational data & KPI	31 December 2019	31 December 2018
ELECTRICITY SALES (GWh)		
Electricity sales	**13,656**	**10,826**
Electricity sales Free Market	11,994	9,192
Electricity sales under Greater Protection Scheme	1,435	1,634
Electricity Sales Safeguard Market	227	0
GAS SALES (Mcm)		
Gas sales	**2,454**	**1,925**

Gas sales Free Market	1,875	1,338
Gas sales under Greater Protection Scheme	579	587
POD Electricity spot		
Total POD Electricity (#/1000)	**1,174**	**1,135**
POD Electricity Free Market	685	569
POD Electricity under Greater Protection Scheme	489	566
PDR Gas spot		
Total PDR Gas (#/1000)	**1,488**	**1,511**
PDR Gas Free Market	744	633
PDR Gas under Greater Protection Scheme	744	878
Lighting points (#/1000)	**275**	**259**

Sales figures net of losses. Source: Consolidated financial statements for the year ended 31 December 2019 and Consolidated financial statements for the year ended 31 December 2018. The data related to the POD and PDR does not include the numbers relating to B2B (large) customers.

The Market Business Unit sold 13,656 GWh of electricity in 2019, up 26.1 per cent. on the previous year. The increase is mainly attributable to the greater quantities sold to large customers in the free market, partially offset by lower sales to customers served under the protection regime.

Sales of natural gas totalled 2,454 million cubic meters, 27.5 per cent. more than in the corresponding period of 2018. This change is partly due to higher sales to the free market, particularly to large customers, and partly to the contribution deriving from the consolidation of the ACSM-AGAM group.

With respect to natural gas, sales to non-domestic customers are based primarily on privately negotiated arrangements, whereas sales to domestic customers with consumption of less than 50,000m^3 per year are commonly based upon the Reference Economic Conditions set by the ARERA (for further information on gas and electricity services see "*Regulation*", below).

Lighting points increased by 6 per cent. in 2019.

The following table shows the main financial data for the Market Business Unit:

Financial data (*Millions of Euro*)	**31 December 2019**	**31 December 2018**
Total revenues	2,724	2,230

Gross operating income – EBITDA	229	206
% of revenues	8.4%	9.2%
Depreciation, amortisation, provisions and write-downs	(60)	(37)
Net operating income	169	169
% of revenues	6.2%	7.6%
Gross Investments	32	21

Source: Consolidated financial statements for the year ended 31 December 2019 and Consolidated financial statements for the year ended 31 December 2018

In the year ended on 31 December 2019, the revenues generated by Market Business Unit were Euro 2,724 million up 22.2 per cent. compared to the corresponding period of 2018 (Euro 2,230 million in 2018), due to larger volume of both electricity and gas sold and the twelve months of consolidation of the ACSM-AGAM group (consolidated for 6 months in 2018).

EBITDA of the Market Business Unit came to Euro 229 million (Euro 206 million in 2018).

Net of non-recurring items (Euro +22 million in 2019 and Euro +30 million in 2018), the Ordinary EBITDA of the Market Business Unit grew by Euro 31 million (+18 per cent. on the previous year). The change was due to a considerable increase in margins in the energy retail segment (Euro +38 million) and public lighting (Euro +3 million) and a decline in the energy solutions segment (Euro -10 million).

The increase in the energy retail segment is partly due to the contribution made by the ACSM-AGAM group, equal, net of the contribution made by the ASPEM group in the first half of 2018, to Euro 17 million and partly to the excellent performance of the traditional segment (Euro +21 million). In 2019, in fact, the contribution margins of the electricity and gas segments showed significant growth (Euro +40 million), thanks to:

- the increase in the number of customers on the free market (+205,000 on end 2018; +227,000 including the ACSM-AGAM group),
- the greater volumes sold to B2B customers that more than offset a decline in unitary gas consumptions,
- the increase in unitary margins of customers on the free market, above all gas,
- the adjustment of the RCV (*Remunerazione Commercializzazione Vendita*) and PCV (*Prezzo Commercializzazione Vendita*) price components (resolution 706/2018/R/eel) to cover the costs of marketing electricity.

The growth was only partially reduced by higher costs, mainly for marketing and external communication to attract new customers.

The higher margins of the public lighting sector are linked to the issue of a larger number of white certificates in 2019, as well as a greater quantity of extraordinary maintenance performed (these services are remunerated by clients with a mark up).

The reduction in margins in the energy solutions segment was due to lower opportunities in white certificates market, both in terms of price and volumes exchanged, also following approval of the Decree by the Ministry of Economic Development on 10 May 2018. In fact, this Decree regulated the price of sale of Energy Efficiency Certificates (EECs) and the methods to fulfil the obligation of the distributors.

Capex of the period amounted to around Euro 32 million. More specifically, approximately Euro 20 million were related to the energy retail segment, mainly for development maintenance and the development of the hardware and software platforms; approximately Euro 7 million went to new projects to develop the public lighting segment and Euro 5 million to improve energy efficiency in the New Energy Solutions segment.

Waste Business Unit

The Waste Business Unit includes activities that cover the whole waste management cycle: collection, street sweeping, treatment, disposal and recovery of materials and energy.

In particular:

- collection and street sweeping refers to street cleaning, collection and transportation of waste to its destination (dedicated plants);
- waste treatment and disposal refers to the activity treating waste in order to recovery materials, energy, biogas etc.

The main A2A Group companies active in the Waste Business Unit are:

- AMSA (collection and street sweeping);
- Aprica S.p.A. (collection and street sweeping);
- Linea Gestioni S.p.A. (collection and street sweeping);
- A2A Ambiente (treatment, disposal and recovery of materials and energy);
- Linea Ambiente S.r.l. (treatment and recovery of materials and energy);
- Acsm-Agam Ambiente S.r.l. (treatment, disposal and recovery of materials and energy).

The following tables set forth the main quantitative data for the Waste sector:

Operational data & KPI	**31 December 2019**	**31 December 2018**
Waste collected (Kton)	1,708	1,671
Residents served (#/1000)	3,634	3,530
Waste disposed of (Kton)	3,340	3,547
Electricity sold (GWh)	1,780	1,807
Heat sold (GWht) *	1,505	1,419

Source: Consolidated financial statements for the year ended 31 December 2019 and Consolidated financial statements for the year ended 31 December 2018.

Installed Capacity	**Electricity (*MWe*)**	**Heat (*MWt*)**	**Waste (*tons*)**
Waste-to-Energy plants	372	480	2,153

Installed Capacity	Electricity (*MWe*)	Heat (*MWt*)	Waste (*tons*)
Biogas and landfills	25	9	59
Other waste treatment facilities:			2,221

Source: 2019 A2A internal data

In 2019, the quantity of waste collected, amounting to 1,708 thousand tonnes, increased by 2.2 per cent. compared to 2018 due to the increase in the population served.

The quantity of waste disposed 3,340 thousand tonnes decreased 5.8 per cent. compared to 2018, due to lower disposal in landfills, in particular in the Grottaglie landfill following the halt of deliveries from January 2019.

Financial data (*Millions of Euro*)	31 December 2019	31 December 2018
Total revenues	1,047	1,022
Gross operating income – EBITDA	271	268
% of revenues	25.8%	26.2%
Depreciation, amortisation, provisions and write-downs	(159)	(87)
Net operating income	112	181
% of revenues	10.7%	17.7%
Gross Investments	97	105

Source: Consolidated financial statements for the year ended 31 December 2019 and Consolidated financial statements for the year ended 31 December 2018

In 2019, the Waste Business Unit recorded revenues of Euro 1,047 million (Euro 1,022 million in 2018).

The EBITDA of the Waste Business Unit was Euro 271 million (Euro 268 million in 2018).

The higher margin in the collection segment, the positive dynamics of treatment prices (in particular urban waste), the prices of electricity produced by the waste-to-energy plants and the greater revenues from industrial treatment plants, all contributed to the result for the year.

These positive effects were almost entirely offset by higher costs of disposal and lower revenues deriving from the conferral to Group landfills fully saturated (Grottaglie, Barengo and Comacchio).

In 2019, Capex totalled Euro 97 million and was mainly related to maintenance and development on waste-to-energy plants (Euro 49 million), processing plants and landfills (Euro 25 million), the purchase of vehicles, containers, operating systems and the restructuring of corporate buildings in the collection segment (Euro 23 million).

Networks and District Heating Business Unit

The activities of the Networks and District Heating Business Unit mainly comprise:

- the technical and operational management of networks for the distribution of electricity and for the transport and distribution of natural gas;

- the management of the entire integrated water cycle (*i.e.*, water captation, aqueduct management, water distribution, sewerage network management and purification);

- the production and sale of heat and electricity produced by cogeneration plants (mostly owned by the Group), through district heating networks and ensures the operation and maintenance of cogeneration plants and district heating networks. Management services for heating plants owned by third parties (heat management services) are also included.

Since 2020, the Network and District Heating Business Unit also includes the Smart City Business Unit (main activities performed: TLC, Optical fiber project and IoT Services).

Networks

Revenues from the networks sector are regulated. The authority competent for the setting of distribution price tariffs for electricity, gas, and water is ARERA. Regulated electricity, gas and water distribution operations are carried out under concessions and therefore are subject to low risk, with stable earnings (for further information see " — *Concessions*" and "*Regulation*", below).

Networks – Electricity networks and Gas networks

The Group's electricity distribution networks serve over a million customers at high, medium and low voltage, supplying around 11,000 GWh annually. Electricity is transformed by primary and secondary plants into medium-voltage and low-voltage electricity and is distributed to customers through the Group's low and medium-voltage lines distribution network (currently, approximately, 15,000 km).

The Group's natural gas distribution network consists of over 13,000 km of pipeline, a number of primary and secondary pressure reduction stations, network stations and customer stations to regulate gas pressure for commercial and industrial uses. The Group owns and operates its gas network, distributing to approximately 200 municipalities, mainly in the provinces of Milan, Brescia, Bergamo, Cremona, Lodi, Como, Lecco Monza, Treviso and Varese and in the Abruzzo region.

With particular reference to the Milan area, in January 2017, Unareti made a bid in the tender for Milan 1 – City and Plant of Milan and on 27 March 2018, Unareti was announced as the highest score recipient. On 5 September 2018, the Municipality of Milan notified Unareti of the award of the concession. However, on 8 October 2018, Unareti's competitor in the above tender filed a petition before the Regional Administrative Court (*Tribunale Amministrativo Regionale*) of Lombardy challenging the award of the concession to Unareti. The decision of the Regional Administrative Court of Lombardy was appealed before the Council of the State. The hearing of the proceeding was held on 9 July 2020 and Unareti is waiting for the final decision. Therefore, as at the date of this Base Prospectus, Unareti (i) has not yet entered into the relevant concession agreement with the Municipality of Milan and (ii) operates the gas distribution service in the "Milan 1 - City and Plant of Milan" area under a *prorogatio* regime, pursuant to the regulatory framework of the concession system for natural gas distribution service. For further information, see the section headed "*Notes to the Consolidated annual report – Other information*" of the consolidated financial statements for the year ended 31 December 2019 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Networks – Integrated Water Cycle

The Integrated water cycle includes the management of three services: water supply network, sewerage system and waste water treatment (for further information on the integrated water cycle see "*Regulation*", below).

Management of the water supply network includes uptake and supply of drinking water, including water purification and drinking water treatment actions where necessary. The drinking water supplied comes from spring water and water wells. Water is supplied to the municipalities of Brescia, Varese, Como and several municipalities throughout the respective provinces, covering a total of about 120 towns and over 1 million inhabitants. The water network covers more than 7,000 km in the Municipality and Province of Brescia and its province, and the water supplied is drawn from about 200 springs and 170 wells; in the province of Varese and Como water comes from more than 40 springs and more than 85 wells. The total water supplied amounts to more than 70 million cubic meters per year.

The sewerage system consists of the gathering and collection of sewerage into waste water treatment plants (WWTP). The sewerage systems managed by the Group serve about 80 towns and almost 650,000 inhabitants.

District Heating

The total thermal capacity installed is equal to 1,970 MWt, while the electricity capacity amounts to 335MW.

Heat is generated by the Group's eight cogeneration plants (electricity and heat), heat generation and thermic-exchange plants in Italy.

Part of the heat generated by the Group comes from the waste-to-energy plants in Brescia, Figino (Milan) and Bergamo (which account for an overall installed thermal capacity of approximately 300MWt).

The Group's district heating service provides heating and cooling systems to customers through the management of individual utility plants located in customers' buildings in Milan, Brescia, Bergamo, Como, Monza and Varese.

Prices for district heating and heating management services are not regulated but are set on the price market - indexed to energy prices and gas prices – and subject to market competition.

The Group is currently developing urban district heating distribution networks in the provinces of Bergamo and Milan, where the objective is to increase the Group's penetration share of the potential market, encouraging significant energy savings and a reduction in the emissions.

The main A2A Group companies active in the Networks and District Heating Business Unit are:

- Unareti (electricity and gas distribution)
- LD Reti S.r.l. (electricity and gas distribution);
- Retragas S.r.l. (gas transport);
- A2A Ciclo Idrico S.p.A. (integrated water cycle);
- ASVT S.p.A. (integrated water cycle and gas distribution);
- LeReti S.p.A. (gas distribution, integrated water cycle);
- A2A Calore & Servizi S.r.l. (district heating and heat management services).

The following tables set forth the main financial and quantitative operational data.

Operational data & KPI	31 December 2019	31 December 2018
Electricity RAB (millions of euro)	641	647
Gas RAB (millions of euro)	1,426	1,394
Electricity distributed (GWh)	11,735	11,913
Gas distributed (Mcm)	2,963	2,745
Water distributed (Mcm)	78	72
Heat sales (GWht)	2,783	2,768

Source: Consolidated financial statements for the year ended 31 December 2019 and Consolidated financial statements for the year ended 31 December 2018.

Financial data (*Millions of Euro*)	**31 December 2019**	**31 December 2018**
Total revenues	1,096	1,110
Gross operating income	461	410
% of revenues	42.1%	36.9%
Depreciation, amortisation, provisions	(254)	(200)
Net operating income	207	210
% of revenues	18.9%	18.9%
Gross Investments	352	275

Source: Consolidated financial statements for the year ended 31 December 2019 and Consolidated financial statements for the year ended 31 December 2018.

In 2019, the Networks and District Heating Business Unit's revenues amounted to Euro 1,096 million (Euro 1,110 million in 2018). The change is mainly due to lower revenues relating to the tariff contributions paid to distributors to comply with the Energy Efficiency Certificates (EECs), partly offset by the contribution made by the ACSM-AGAM group.

The EBITDA of the Networks and District Heating Business Unit amounted to Euro 461 million (Euro 410 million in 2018).

Net of non-recurring items (Euro +19 million in 2019 and Euro +3 million in 2018), the Networks and District Heating Business Unit Ordinary EBITDA grew by Euro 35 million (+9 per cent. on 2018).

The variance is mostly due to the district heating segment. A positive contribution to the business also resulted from the increase in allowed revenues for gas distribution, revenue growth in the water segment following the rise in the tariffs approved by the Regulatory Authority, the reduction in fixed costs and the change in scope caused by the different consolidation periods of the ACSM-AGAM group.

In 2019, Capex amounted to Euro 352 million and were referred to:

- in the electricity distribution segment, development and maintenance work on plants and in particular the connection of new users, maintenance work on secondary cabins, the extension and refurbishment of the medium and low voltage network, the maintenance and upgrading of primary plants and investments in the launch of the 2G smart meter project (Euro 111 million);

- in the gas distribution segment, development and maintenance work on plants relating to the connection of new users and the replacement of medium and low-pressure piping and smart gas meters (Euro 112 million);

- in the integrated water cycle sector, maintenance and development work carried out on the water transportation and distribution network and the sewerage networks and purification plants (Euro 71 million);

- in the district heating and heat management sector, development and maintenance of plants and networks for a total of Euro 58 million.

International Business Unit

The International Business Unit is devoted to the management of the investments held by A2A in foreign companies and the oversight of international development activities.

A2Abroad S.p.A. (the only subsidiary related to this Business Unit) is responsible for identifying and developing international cross business development initiatives for the Group. Main projects are:

- the design, supply, construction and commission, as a sub-contractor, of a waste treatment plant with a capacity of 150,000 t/y of MSW in Spain (final testing expected in 2020);

- the design, supply, construction and commission, as a sub-contractor, of a waste treatment plant with a capacity of 78,000 t/y of MSW in Croatia (awarded in June 2019);

- services and assistance on plants on third party plants in UK with a term of three years, with the option of extending it for a further two years (contract signed in 2018);

- on-site and remote assistance services with the Dumfries and Galloway Council (contract signed in 2019).

The International Business Unit's revenues at 31 December 2019 amounted to Euro 3 million (Euro 8 million at 31 December 2018) and related to the construction of high-tech waste treatment plants.

EBITDA was negative for Euro 3 million (nil in 2018). The change is mainly due to the continuation of certain activities and the postponement of international tenders, which saw a substantial misalignment between costs incurred and the related revenues.

A2A Smart City

A2A Smart City is devoted to develop and manage technological infrastructure that allow for integrated, online, digital services. It provides also solutions, applications, and smart services fuelled by Big Data, sensors, and network grids for the purpose of generating new models for the city and for the region, and to improve quality of life for the community. Starting from 1 January 2020, A2A Smart City is included in the Networks and District Heating Business Unit

A2A Smart City S.p.A. is the only subsidiary related to this Business Unit.

The following table shows the main financial data for A2A Smart City Business Unit:

Financial data (*Millions of Euro*)	**31 December 2019**	**31 December 2018**
Total revenues	63	53
Gross operating income - EBITDA	11	11
% of revenues	17.5%	20.8%
Depreciation, amortisation, provisions and write-downs	(7)	(5)
Net operating income	4	6
% of revenues	6.3%	11.3%
Gross Investments	16	11

Source: Consolidated financial statements for the year ended 31 December 2019 and Consolidated financial statements for the year ended 31 December 2018.

In 2019, the revenues of the company A2A Smart City S.p.A. came to Euro 63 million, up by Euro 10 million compared to 2018, due to the extension of services offered to other Group companies and third party operators.

EBITDA was Euro 11 million, in line with the previous year.

Capex in the period, amounting to Euro 16 million, mainly refer to work on the telecommunication networks.

Corporate

The Corporate Business Unit provides a full range of services to other Business Units including guidance, strategic direction, coordination and control of industrial operations, as well as services to support the business and operating activities (e.g. administrative and accounting services, legal services, procurement, personnel management, information technology, communications etc.). Most of the incurred cost is charged to other operating subsidiaries which benefit from the service, while non-charged cost remains in the Business Unit and represents the EBITDA. Intercompany services are governed by signed agreements.

The following table shows the main financial data for Corporate Business Unit.

Financial data (*Millions of Euro*)	**31 December 2019**	**31 December 2018**
Total revenues	224	220
Gross operating income - EBITDA	(36)	(34)
% of revenues	(14.8%)	(15.5%)
Depreciation, amortisation, provisions and write-downs	(30)	(21)
Net operating income	(66)	(55)
% of revenues	(27.0%)	(25.0%)
Gross Investments	48	31

Source: Consolidated financial statements for the year ended 31 December 2019 and Consolidated financial statements for the year ended 31 December 2018.

The EBITDA, corresponding to the corporate structure costs not charged to subsidiaries, amounted to Euro -36 million in 2019 (Euro -34 million in 2018).
Depreciation, amortization, provisions and write-downs amounted to Euro 30 million (Euro 21 million in 2018). After Depreciation, amortization, provisions and write-downs, the Net Operating Result was negative for Euro 66 million (negative for Euro 55 million in 2018).

Capex in the period, amounting to Euro 48 million, mainly refer to work on the IT systems and buildings.

Concessions

Concessions – Hydroelectric plants

The national regulations governing hydroelectric concessions were originally laid down in the Royal Decree of 11 December 1933, no. 1775 (**R.D. 1775/1933**), which was based on the granting of concessions by the state in a long-term prospective, also in order to allow the concessionaires to amortize the significant investments necessary for the construction of the plants. With a view to transferring the concessions and the ownership of the relative works to the state, Article 25 of the cited R.D. 1775/1933 provided that:

- all the collection, regulation and forced duct works and the discharge channels (wet works) are transferred to the State free of charge;

- any other building, machinery, plant for the use, transformation and distribution of the concession (dry works) could be acquired by the State by means of payment of a price equal to the estimated value of the work material, calculated at the time of entry into possession, abstracting from any assessment of the income that can be derived.

This regulatory framework was subsequently superseded, especially by the Constitution and, later, the liberalisation of the electricity market as a result of Legislative Decree no. 79 of 16 March 1999 (implementing Directive 96/92/EC) (the **Bersani Decree**), art. 12 (and subsequent amendments) of which introduced the principles of:

- the temporary nature of concessions, establishing a validity period (2029) for concessions without expiry held by Enel S.p.A. and assigning an expiry of 31 December 2010 for concessions that had already expired or were to expire by that date;

- tenders for expired concessions.

These regulations were subsequently amended by art. 37, paragraphs 4 and following, of Decree Law 83/2012 converted by Law 134/2012[6], partially amending the Bersani Decree.

Pending the reassignment of concessions, the Bersani Decree (article 12, paragraph 8-*bis*) provides that the outgoing concessionaire is to continue to operate the concession under the same conditions as laid down in the regulations and specifications in force. In this stalemate, some Regions have enacted laws aimed at regulating the "temporary continuation of operations" for expired concessions, also providing for the imposition of an additional fee.

Conversion Law No. 12/2019 of Decree Law 14 December 2018, no. 135 (the **Simplification Law**), art. 11-*quater* attributed to the Regions the power to regulate, by means of their own laws, the procedures and

[6] On 26 September 2013, as part of infringement procedure no. 2011/2026, the European Commission sent Italy a letter of formal notice contesting the non-compatibility of part of article 37 of Law 134/2012 with EU legislation. The procedure is still in progress.

criteria for the allocation of concessions, the process for which must be completed by 2023 with the selection of economic operators through tenders or public/private companies or through forms of partnership.

For concessions expired or expiring on 31 December 2023, which are temporarily extended, an additional fee also applies.

In terms of compensation to outgoing operators, the regulation foresees:

- for wet works, the transfer without compensation for ownership by the regions, and in the case of investments - provided they are defined in the deed of concession or authorized by the granting body - an amount equal to the value of the asset not depreciated;

- for dry works, the recognition of a residual value derived from accounting records or certified appraisal.

By art. 31 of Regional Law 23/2019 Budget Reconciliation 2020-22, the Lombardy Region has established an obligation, with effect from 2020, to supply free energy to the region for all holders of concessions of large derivation concessionairies, whether they are exercised before or after expiry. The choice between the physical energy delivery or monetization (possibly in full) will be defined by an administrative act, not yet published.

The large-scale derivation hydroelectric concessions held by A2A located in Valtellina (with a nominal concession capacity of approximately 200 MW) have for the most part expired and are currently under a *prorogatio* regime. The Lombardy Region established by law (L. No 26/2003 of 12 December 2003), the payment of an additional fee. Other A2A concessions (plants in Mese – Val Chiavenna, Udine – Friuli Venzia Giulia and Calabria with a total nominal concession capacity of 345 MW), originally owned by Enel S.p.A., will expire in 2029. The three large-scale derivations of Linea Green S.p.A. (Resio, expired and under temporary continuation until 31 December 2020, Mazzuno and Darfo not yet expired), as well as the concession of Gravedona of ACSM-AGAM expiring in 2029 are also included.

Concessions – Electricity distribution

The agreements, issued pursuant to the provisions of article 9 of the Bersani Decree, all expire at the end of 2030 (for further information on electricity distribution see "*Regulation*", below).

The Issuer manages the energy distribution service for approximately 50 municipalities, including Milan and Brescia, the largest cities in the Italian region of Lombardy. The energy distribution grid has a total range of approximately 15,000 km, and serves 1.2 million users.

Concessions – Natural gas distribution

The gas market is governed by Legislative Decree No. 164/00 of 23 May 2000 (the **Letta Decree**) which has been amended several times since its entry into force, along with Ministerial Decrees. In particular, gas is distributed by operators identified in public tenders organised above the municipality level and within territorial areas that were defined by the Ministerial Decrees of 19 January 2011 and 18 October 2011. Such public tenders must follow the rules laid down in the Ministerial Decree No. 226 of 12 November 2011. The substitutions of one operator with another operator must ensure the protection of the workforce, as set out in the Ministerial Decree of 21 April 2011, and a fair compensation must be paid to the outgoing operator for the assets which will be available to the new operator (for further information on natural gas distribution see "*Regulation*", below).

As at 31 December 2019 the Group managed the gas distribution and measurement services for around 300 municipalities, including Milan, Brescia, Bergamo, Varese, Cremona and Lodi, through more than 11,000 km of gas distribution grids with approximately 1.5 million connected users.

Concessions – Waste (Environment)

The Group has concessions for all its waste operations in the Lombardy and Piedmont regions.

Concessions – Integrated Water Cycle

The Group has concessions for all its integrated water cycle operations in the Lombardy region.

The water services regulation has been stabilized thanks to the 2014 reforms contained in Law Decree No. 133 of 12 September 2014 converted into law, with amendments, by Law No. 164 of 11 November 2014 (the so-called "*Sblocca Italia*" Law) and to ARERA regulatory framework (Law No. 214 of 22 December 2011, the regulation and surveillance powers with respect to water services were entrusted to the ARERA and to the Ministry of Environment and Protection of Land and Sea (MATTM). Currently, water services that serve more than a single municipality, must be integrated, award a sole concession to a single manager and provide control powers to the district authority (a*utorità d'ambito*). The A2A Group operates on the basis of an award in accordance with pro tempore legislation and has not been declared terminated yet. Recently, Law Decree No. 133 of 12 September 2014 converted into law, with amendments, by Law No. 164 of 11 November 2014 (the so-called "*Sblocca Italia*" Law) set out guidelines for the evolution of current water services regulation.

For further information on the licenses held by the Group's operating companies, see the section of this Base Prospectus headed "*Regulation*" below and the section headed "*Changes in legislation*" of the audited consolidated financial statements as at and for the year ended 31 December 2019 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Innovation, Development and Research

A2A maintains a constant dialogue with companies and universities and conducts a number of research and development projects relating to sectors in which it operates, with the aim being to improve its process and operations, to have innovative and cutting-edge competences and to innovate its areas of activity.

In 2019, A2A renewed several partnerships with universities and research centres, in particular Università degli studi di Brescia and Università Cattolica di Brescia, for research and innovation activities linked to the technical and environmental improvement of the Group's activities and business, mainly relating to circular economy, energy efficiency and smart cities. Furthermore, the Group has joined the "Smart City" monitoring center formed by the Department of Legal Studies and the IEFE - Research Centre for Energy and Environmental Economics and Policy - of Università Bocconi, aiming at, *inter alia*, becoming a reference point for all stakeholders interested in the smart development of urban infrastructure and services and the social community. In addition, a research project was supported at the Energy Department of the Politecnico di Milano on the planning of electricity distribution networks in urban areas, with the aim of reducing the number and duration of outages as much as possible by increasing the resilience of the network. For further information, see paragraph headed "*Relations with Universities and Research Centres*" of section headed "*Relational capital – Community*" of the Integrated Sustainability Report incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Moreover, in 2019, the A2A Group joined the international network "Circular Economy 100" (CE100) of the Ellen MacArthur Foundation. It was founded in 2010 with the aim of accelerating the transition to a circular economy.

The Group, through its subsidiary A2A Smart City, applies innovative IoT (Internet of Things) digital technologies to offer and manage smart and digital services dedicated to the community (such as security, energy saving, environmental sustainability, mobility, etc.) and to implement technological infrastructures with the aim of creating new models for cities and communities. The most important projects which the Group is developing through A2A Smart City are the following:

- **Open Fiber in Brescia:** a project aimed at ensuring maximum performance of the internet infrastructure (allowing surfing the web at a connection speed of up to 1 Gigabit per second), for which the Group has made more than Euro 16 million of total investment (focusing on increasing the internet infrastructure of the Brescia network, by laying down 2,500 km of fiber cables in the Municipality, allowing the development of the FTTH system (Fiber To The Home) that increases the speed connection up to 1 Gb/sec.) and has reached more than 70,000 real estate units, thanks to the use of 550 km of A2A infrastructure (mostly already existing in the city) and more than 2,500 km of laid fiber.

- **Smart Land: A2A Smart City and Agriculture 4.0:** a project aimed at optimizing production processes, reducing production costs and increasing the sustainability of the Italian agricultural model. Bringing A2A Smart City experience in the field of proximal sensors and the development of IoT networks will support companies in the precision farming sector and in the adoption and implementation of innovative technological solutions applied, for example, to irrigation management and pathogen monitoring.

Furthermore, multiple innovative projects have been developed by the other companies of the Group:

- **Balilla Project:** the initiative involves the use of heat pumps to recover thermal energy from wells regulating the city's aquifer. In the project area, located in the south of Milan (on Via Balilla), up to 5 usable wells are available with a potential energy saving of 36 toe/year, equivalent to 63 tonnes of CO_2/year prevented.

- **DNA-Design Network Analysis:** the project aims at maximizing the organic exchange of information, to do business in an increasingly effective and sustainable way. Organizational Network Analysis is a method of analysis and representation of relational data, used to examine A2A's formal and informal relationships, generating insight into the organization, processes and communication, based on the analysis of data on the interactions between the Group's people. The analysis identified the nodes to encourage change management and innovation actions, for example by planning interventions to redesign workspaces and optimizing interactions between colleagues.

- **Relysense:** Unareti and A2A's Innovation team have successfully completed the development of a power grid section classification tool aimed at prioritizing diagnostic activities. The analysis tool uses an expert-driven model that greatly facilitates the analysis of the characteristics of a network section, will therefore make it possible to optimize maintenance activities by preventing breakdowns and reducing the number and costs of service interruptions.

- **InnovA2A:** Innova2a is a programme developed in 2018 that aims to promote a virtuous and systematic process of generation and management of innovation, able to anticipate but also respond in a structured and effective way to the challenges posed by the market.

- **A2A Horizon** is A2A's Corporate Venture Capital (CVC) initiative that aims to encourage the Group's innovation through investments in start-ups with high potential. A2A Horizon envisages investments of up to Euro 70 million for start-ups that operate in strategic business areas for the Group and aims to identify innovative technologies and business models to strengthen the core business, support its evolution and generate value for the Group and the territories in which it operates.

For further information, see the section headed *"Intellectual Capital"* of the Integrated Sustainability Report incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Sustainability Policy and Plan

A2A aims to help the communities in which it operates to be more sustainable, through the responsible management of its activities. Since 2016, the Group has decided to make a formal and public commitment to contribute to the achievement of the Sustainable Development Goals of the United Nations through two documents: a strategic document, the Sustainability Policy for 2030 (the **Sustainability Policy**), and a more operational document, the sustainability plans (the **Sustainability Plan**), which takes the five-year period as a reference (2020-2024), identifying actions and quantitative targets, which are monitored and updated annually, in an integrated manner with the 2020-2024 Strategic Plan. The commitments and actions can be traced back to four pillars (*i.e.*, circular economy, decarbonization, smart solution and people innovation), which are essential challenges for A2A's business.

The development of the Sustainability Plan is linked to management incentive systems. Monitoring will also be ensured by the Committee for Sustainability and Territory (part of the Board of Directors).

In line with the continuous review of the Strategic Plan, a process of updating the objectives, with a time horizon of 2020-2024 was implemented (the **New Sustainability Plan**). The New Sustainability Plan is characterized by an increasing integration between the corporate social responsibility, planning and control and strategy structures, with inter-functional comparison that had as its ultimate objective a unique Group representation of the strategy for the creation of value over time, previously analyzed from different points of view. The process led to the identification of the share of ESG investments within the Strategic Plan, which covers more than 75 per cent. of the cumulative value.

A summary of the main KPIs included in the Group's Sustainability Plan is provided below:

Circular economy:

- 76 per cent. of the separate waste collection in the municipalities served (excluding Milan) by 2024;
- 1,500 tonnes of waste treated (municipal plus special) aimed at recovering material at the Group's plants by 2024;

Decarbonization:

- 500 MW of installed photovoltaic capacity by 2024;
- 314 gCO_2/kWh of specific CO_2 emission factor from electricity generation by 2024;

Smart Solutions:

- 2,100 GWh of green energy sold to the mass market segment by 2024;
- 1,500 charging points managed for electric vehicles by 2024;

People Innovation:

- Reach 14.0 weighted injury index by 2024;
- 12 per cent. of the incidence of sustainability criteria in the vendor rating process by 2024.

For further information, see the section headed "*Sustainability Strategy*" of the Integrated Sustainability Report incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Sustainable finance

In 2019 the Group adopted a Green Financing Framework (the **Framework**) thanks to which it can issue green bonds and subscribe any type of financial instrument dedicated to specific green projects. Through the Framework, A2A communicates to investors and the community its commitment to an increasingly complete

integration between business and sustainability, defines the guidelines that the Group has adopted for the selection of projects that can be financed, as well as the rules for the correct management of funds deriving from the contracting of loans and the monitoring of the positive impact on environmental and circular economy metrics.

The document, in line with the New Sustainability Plan, is divided into three clusters inspired by the 17 United Nations Sustainable Development Goals into which the projects eligible for funding are classified: Circular Economy, Decarbonization and Smart Solutions. Potential projects have been identified for each of these macro areas.

According to market practice, the Framework was submitted to a Second Party Provider - Vigeo-Eiris (a leading ESG rating agency) that assessed the document - through a Second Party Opinion - in line with best market practices, with globally recognized sustainable finance principles (Green Loan and Green Bond Principles drawn up by the International Capital Markets Association (ICMA)). According to the opinion A2A displays an advanced ESG performance overall. The Framework can be updated before each issuance to be in line with corporate strategies.

Furthermore, in order to strengthen its commitment, identify and develop sustainable finance tools and ensure the correct management of the project selection and fund allocation process, A2A has created an inter-functional Green Financing Committee, chaired by Finance and consisting of Planning and Control, Corporate Social Responsibility, Strategy and Innovation. The Green Finance Committee will interact with the Committee for the Sustainability and Territory, the Investment Committee and the heads of the Business Units involved from time to time in the various projects eligible for funding.

Integrated Sustainability Report

In compliance with Italian Legislative Decree no. 254/2016 and subsequent amendments and integrations, A2A published the Group's disclosure of non financial information for the year 2019 (the **Integrated Sustainability Report**), prepared with reference to the Integrated Reporting Framework drawn up by the International Integrated Reporting Council. This document (including the Supplement) provides an account of the performances of the companies from both a financial and a social and environmental standpoint. The document has also been prepared in accordance with the Global Reporting Initiative (GRI) Standards and, by some indicators, it complies with GRI-G4 Electric Utilities Sector Supplement. The Integrated Sustainability Report, approved by the Board of Directors of A2A on 19 March 2020, was then subject to a limited audit, with regard to aspects relating to GRI reporting, by an external company, in accordance with the criteria laid down by the "International Standard on Assurance Engagements 3000 Revised" (ISAE 3000 Revised).

For further information see the Integrated Sustainability Report incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Employees

At 31 December 2019, the Group had 12,186 employees, of whom 902 were related to the consolidation of the ACSM-AGAM group, while at 31 December 2018, the Group had 12,080 employees. For further information, see the sections headed (i) "*Notes to the Consolidated annual report – Labour Cost*" of the consolidated financial statements for the year ended 31 December 2018 and (ii) "*Notes to the Consolidated annual report – Labour Cost*" of the consolidated financial statements for the year ended 31 December 2019, both incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Legal proceedings

In the ordinary course of its activities, A2A and the other companies of the Group are presently involved in a number of civil, administrative and tax proceedings. The companies of the Group might also be subject to criminal investigations and/or proceedings. A2A and the other companies of the Group have conducted a

review of their on-going litigation and have made provisions, where necessary, considered appropriate in light of the circumstances, when a loss is certain or probable and reasonably estimable, in accordance with applicable accounting principles.

For a detailed description of the legal proceedings and investigations involving the companies belonging to the A2A Group and the related provisions, if any, see the section of the audited consolidated financial statements of the Issuer for the financial year ended 31 December 2019 headed "*Update of the main legal and tax disputes still pending*" and the press release headed "*A2A S.p.A. Board of Directors has examined and approved the quarterly Financial Information as at 31 March 2020*" dated 12 May 2020, both incorporated by reference in this Base Prospectus (see "*Documents Incorporated by Reference*", above).

With respect to the administrative liability procedure pursuant to Legislative Decree No. 231/2001 for corruption offenses disclosed in the press release headed "*A2A S.p.A. Board of Directors has examined and approved the quarterly Financial Information as at 31 March 2020*" dated 12 May 2020, incorporated by reference into this Base Prospectus, on 11 May 2020, the Court appointed a trustee (*amministratore giudiziario*) pursuant to article 53 of Legislative Decree No. 231/2001. On 11 June 2020, Guardia di Finanza notified Linea Ambiente S.r.l. a decree of release from seizure on the share capital of Linea Ambiente S.r.l., which was recorded in the Companies' Register. Linea Ambiente S.r.l. notified an *istanza di riesame* and is waiting for the relevant decision (*ordinanza*).

With respect to the administrative litigation relating to Atem Milano 1 tender for the gas distribution service, the hearing was held on 9 July 2020 and Unareti is waiting for the final decision. For further information, see also the risk factor headed "*The Group's regulated activities are dependent on, and governed by, concessions, licenses and other permits*", above.

Furthermore, on June 26, 2020, the administrative regional court (TAR) of Milan provisionally suspended the effectiveness of the resolution of April 20, 2020 with which the Municipality of Seregno approved the implementation of the territorial partnership project business relating to Unareti and AEB S.p.A. The hearing of the proceeding is due to take place planned on December 2, 2020. The companies appealed to the Council of State to confirm the legality of the operation The Chamber to be held in relation to precautionary measures is planned for 27 August 2020.

Legislative and regulatory framework

Some of the Group's operations are within regulated sectors. The legislative and regulatory framework in which the Group operates is summarized in the section of this Base Prospectus headed "*Regulation*" below.

Such laws and regulations may affect the Group's operating profit or the way it conducts business, in this respect see, *inter alia*, "*Risk Factors — Regulatory risks*" above.

Significant events after 31 December 2019

Ordinary shareholders' meeting of A2A

On 13 May 2020, the ordinary shareholders' meeting of A2A resolved, *inter alia*, upon:

(i) the approval of the separate financial statements of the Issuer for the financial year ended 31 December 2019;

(ii) the approval of the Board of Directors' proposal to distribute a dividend per ordinary share equal to Euro 0,0775 to be paid from 20 May 2020 (ex-dividend No. 23 date: 18 May 2020) and record date 19 May 2020;

(iii) the authorization to the Board of Directors for the purchase, sale, transfer or assignment of treasury shares (for further information, see "*Reference shareholders – Treasury shares buy-back programmes*", below);

(iv) the appointment of the new Board of Directors, consisting of 12 directors (for further information, see "*Corporate governance – Board of Directors*", below), and the relevant compensation; and

(v) the appointment of a new Board of Statutory Auditors consisting of three standing auditors and two alternate auditors (for further information, see "*Corporate governance – Board of Statutory Auditors*", below) and the relevant compensation.

First meeting of the new Board of Directors

On 14 May 2020, the new Board of Directors of A2A met for the first time under the chairmanship of Marco Emilio Angelo Patuano. The Board of Directors appointed Renato Mazzoncini as the Chief Executive Officer and General Manager of the Issuer. The Board entrusted the Chairman, in coordination with the Chief Executive Officer, as far as the latter is concerned, with the task of handling institutional relations and related external relations, as well as promoting extraordinary territorial aggregation operations. The Chief Executive Officer and General Manager were granted extensive powers for the ordinary management and for the preparation of proposals for extraordinary operations of the Issuer.

REFERENCE SHAREHOLDERS

As at the date of this Base Prospectus the majority of A2A voting share capital is held by two public shareholders (the Municipality of Brescia and the Municipality of Milan).

On 30 December 2013, the Municipality of Brescia and the Municipality of Milan entered into a shareholders agreement concerning 1,566,452,642 ordinary shares (the **Previous Shareholders' Agreement**) governing A2A's ownership structure and corporate governance. On 20 May 2016, the Previous Shareholders' Agreement was amended and on 4 October 2016, the Municipality of Brescia and the Municipality of Milan reported, pursuant to article 131 of CONSOB Regulation No. 11971, the tacit renewal of the Previous Shareholders' Agreement for the 2017-2019 period, given that the applicable period for serving notice of cancellation of the agreement had passed.

On 26 October 2016, the Municipality of Milan received from the Municipality of Brescia a proposal – approved by the Brescia Municipal Committee (*Giunta comunale*) on 25 October 2016 – to partially amend the Previous Shareholders' Agreement (the "**Proposal**") by entering into a new three-year shareholders' agreement based on the same principles and guidelines as the Previous Shareholders' Agreement and aimed, *inter alia*, at promoting, as majority shareholders, the development and reinforcement of A2A and its subsidiaries as a key partner to companies operating in the Lombardy region in the local public services and energy sectors. In particular, the Proposal provided that the new public shareholders' agreement was to apply to a number of ordinary shares corresponding to 42 per cent. of the corporate capital of A2A, 50 per cent. held by the Municipality of Milan and 50 per cent. by the Municipality of Brescia. On 4 November 2016, the Milan Municipal Committee (*Giunta comunale*) of the Municipality of Milan having positively evaluated the Proposal, submitted the Proposal to the Milan Municipal Council (*Consiglio comunale*) for the final decision.

On 1 February 2017, the Municipality of Milan and the Municipality of Brescia signed the new shareholders' agreement regarding their interest in A2A and undertook not to dispose of any shares held (the **New Shareholders' Agreement**). On 2 August 2019, the New Shareholders' Agreement was renewed for the three years period 2020-2023.

An excerpt of the New Shareholders' Agreement is available for inspection free of charge, as required by the Financial Services Act (as defined below), on the website of CONSOB (*Commissione Nazionale per le*

Società e la Borsa) (**CONSOB**) and on the websites of the Municipality of Brescia and the Municipality of Milan.

According to communications provided pursuant to Article 120 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**), and available information, as at the date hereof shareholders with a shareholding exceeding 1 per cent. of the A2A voting capital were as follows:

Declarer	**Direct Shareholder**	**Type of shareholding**	**Percentage of voting capital[(1)]**
Municipality of Brescia	**Municipality of Brescia .....**	**Owner**	**25.000%**
	Total		**25.000%**
Municipality of Milan	**Municipality of Milan.....**	**Owner**	**25.000%**
	Total		**25.000%**
Inarcassa	**Inarcassa.....**	**Owner**	**1.469%**
	Total		**1.469%**

(1) Pursuant to CONSOB Resolution No. 21326 of 9 April 2020 any shareholding higher than 1% of the voting capital shall be communicated to CONSOB pursuant to Article 120 of the Financial Services Act.

As at the date of this Base Prospectus, A2A holds 23,721,421 treasury shares, representing 0.757 per cent. of the share capital consisting of 3,132,905,277 shares. For further information on transactions of treasury shares, see also "– *Treasury shares buy-back programmes*" below.

The remaining shares are held by market investors.

Except for the major shareholders mentioned above there are no other persons that have major holdings within the meaning of Article 8 or Article 9 of the Luxembourg law of 11 January 2008 on transparency requirements for issuers of securities, as amended.

As at the date of this Base Prospectus, A2A is not subject to the management and coordination of any company pursuant to Article 2497 *et seq*. of the Italian Civil Code. Moreover, A2A is not controlled by any other company.

Treasury shares buy-back programmes

On 13 May 2020, the ordinary shareholders' meeting resolved, *inter alia*, to authorize the Board of Directors – subject to revocation of the resolution authorising the purchase and disposal of treasury shares adopted by the previous ordinary shareholders' meeting of 13 May 2019, to the extent not already used to carry out transactions for the purchase and disposal of treasury shares, according to the purposes, procedures and terms indicated below:

1. the maximum number of treasury shares that may be held is 313,290,527, taking into account the shares already held by A2A and its subsidiaries, and is equal to one-tenth of the shares making up the share capital;

2. the transactions entailing the purchase of treasury shares are to be effected to pursue, in the interest of the Issuer and in respect of the principle of equal treatment of the shareholders and of the applicable laws and regulations in effect, development objectives, such as transactions related to business projects consistent with the strategies that the Issuer intends to pursue, in relation to which an opportunity for share exchanges may present itself;

3. the transactions entailing the sale, transfer, or assignment of treasury shares, including subsequent transactions, are to be effected to pursue, in the interest of the Issuer and in respect of the principle of equal treatment of the shareholders and of the applicable laws and regulations in effect, objectives such as transactions related to current operations and business projects consistent with the strategies that the Issuer intends to pursue, in relation to which the opportunity for share exchanges may present itself;

4. the purchase of the shares is to be effected, in accordance with the provisions of Article 132 of the Financial Services Act, Article 144-*bis* of CONSOB Regulation No. 11971 and any other EU or national law or regulation applicable to the market in which the shares are traded (including, *inter alia*, the Borsa Italiana S.p.A. regulations and instructions) with the operational means permitted by prevailing laws and regulations, and therefore, pursuant to Article 144-bis, paragraph 1, letter b) of CONSOB Regulation No. 11971, on regulated markets, according to the operational procedures established in the regulations governing the organization and operation of the markets; said operational procedures may not allow for direct matching of purchase bids with predetermined sale orders, and must be effected at a price that is no more than 5 per cent. above and no more than 5 per cent. below the price of reference of the shares on record for the market trading session preceding any individual transaction;

5. any disposal of the treasury shares acquired on the basis of the shareholders authorisation or, in any case, already owned by the Issuer, may be carried out: (i) through transactions in cash on the regulated market on which the shares of the Issuer are traded and/or outside of the market, at a price that is no more than 5 per cent. above and no more than 5 per cent. below the price of reference of the shares on record for the market trading session preceding any single transaction; or (ii) through exchange, swap, or contribution transactions or other disposal (including, for example, assignments to employees and/or share dividends), in the context of business projects or non-recurring financial transactions, and in such case without any price limitations, or (iii) to allow the use of the treasury shares for swap or contribution transactions or also to service capital transactions of an extraordinary nature or financing transactions that may imply the assignment or transfer of treasury shares (for example, to service of financial instruments convertible into shares, convertible bonds, bonds or warrants).

CORPORATE GOVERNANCE

The corporate governance rules for Italian companies, such as A2A, whose shares are listed on the Italian Stock Exchange (Borsa Italiana S.p.A.), are set out in the Italian Civil Code, the Financial Services Act, CONSOB Regulation No. 11971 and the voluntary code of corporate governance issued by the Italian Stock Exchange (the **Corporate Governance Code**).

On 13 June 2014, the extraordinary meeting of the shareholders of A2A approved the new text of the corporate by-laws of A2A and adopted a "traditional" governance system. In particular, the extraordinary meeting of the shareholders of A2A resolved upon the transition from the two tier or "dual" system of management and control (*modello dualistico*), involving a "Supervisory Board" and a "Management Board", in addition to the shareholders' meeting, to the "traditional" system (according to which the board of directors is entrusted with the management of the company).

Board of Directors

A2A is currently managed by a Board of Directors of 12 (twelve) members, meeting the requirements of integrity and professionalism prescribed by current legislation. The members of the Board of Directors are appointed according to a voting system based on lists, in accordance with gender balance legislation. Nine members are taken from the list obtaining the highest number of votes whilst the remaining three members are taken from the other lists, placed in a single ranking in descending order based on the quotient assigned to each candidate.

In particular, the first and second candidates taken from the list obtaining the highest number of votes are appointed as Chairman and Deputy Chairman of the Board of Directors, respectively.

The Board of Directors is entrusted with the broadest powers for conducting the ordinary and extraordinary management of A2A; in particular, the Board of Directors has the power to carry out all the measures considered necessary or appropriate for achieving the corporate purpose of A2A, excluding only those activities which are reserved to the shareholders' meetings by law or the company's by-laws.

The shareholders' meeting of A2A held on 13 May 2020 appointed the members of the Board of Directors for a period of three years.

The following table sets out the current members of the Board of Directors.

Board of Directors	
Member	**Position**
Patuano Marco Emilio Angelo	Chairman
Comboni Giovanni	Deputy Chairman
Mazzoncini Renato	Chief Executive Officer and Managing Director*
Bariatti Stefania	Director
Cariello Vincenzo	Director
D'Andrea Federico Maurizio	Director
De Paoli Luigi	Director
Giusti Gaudiana	Director
Lavini Fabio	Director
Perrotti Christine	Director
Ravera Secondina Giulia	Director
Speranza Maria Grazia	Director

**Mr Renato Mazzoncini was appointed Chief Executive Officer by the Board of Directors at the meeting held on 14 May 2020. The Board of Directors granted Mr Renato Mazzoncini the additional role and responsibilities of Managing Director in the meeting held on 14 May 2020.*

The business address of the members of the Board of Directors of A2A (acting in their capacity as Directors of A2A) is the Issuer's registered office at via Lamarmora 230, 25124 Brescia, Italy.

Committees of the Board of Directors

Under the authority conferred on it by A2A's by-laws, the Board of Directors has deemed it appropriate to establish specific committees, with members drawn from the Board of Directors, and to determine their powers and the rules for their functioning. Such committees have a consultative and advisory role.

This detailed framework clearly defines responsibilities, facilitates effective and timely decision making, provides for a balance of power and emphasises the central role of the Board of Directors in managing the Group and, in particular, determining and pursuing its strategic objectives. As at the date of this Base Prospectus, the following committees have been created within the Board of Directors:

Control and Risks Committee, made up of four members: Mr De Paoli Luigi (Chairman), Mr D'Andrea Federico Maurizio, Ms Giusti Gaudiana and Ms Perrotti Christine.

Appointments and Compensation Committee, made up of three members: Ms Ravera Secondina Giulia (Chairman), Ms Bariatti Stefania and Mr Comboni Giovanni.

Committee for the Sustainability and Territory, made up of four members: Mr Patuano Marco Emilio Angelo (Chairman), Mr Cariello Vincenzo, Mr Lavini Fabio and Ms Speranza Maria Grazia.

Independent directors

As at the date of this Base Prospectus, all the Directors (other than Mr D'Andrea Federico Maurizio) meet the independence requirements prescribed by article 148, paragraph 3 of the Financial Services Act.

As at the date of this Base Prospectus, nine Directors meet the independence requirements prescribed by article 3 of the Corporate Governance Code for the directors of listed companies: Mr Patuano Marco Emilio Angelo, Mr Mazzoncini Renato, Ms Bariatti Stefania, Ms Speranza Maria Grazia, Ms Gaudiana Giusti, Ms Perrotti Christine, Mr Cariello Vincenzo, Ms Ravera Secondina Giulia and Mr De Paoli Luigi.

Significant positions held by the members of the Board of Directors outside the Group

The table below lists the positions on boards of directors, boards of statutory auditors and supervisory committees, as well as other positions, other than those within the Group, held by the members of the Board of Directors.

Board of Directors	Title	Other relevant positions held
Patuano Marco Emilio Angelo	Chairman	MP Invest S.r.l. Founder and CEO Member of the Board of Directors of Telit Communications Plc Member of the Board of Directors of Digital Value S.p.A. Member of the Board of Directors of A.C. Milan S.p.A.
Comboni Giovanni	Deputy Chairman	Member of the Board of Directors of O.R.I. Martin S.p.A.
Mazzoncini Renato	Chief Executive Officer	Member of the Board of Directors of Phononic Vibes S.r.l.
Bariatti Stefania	Director	None
Cariello Vincenzo	Director	Member of the Board of Directors of Unicredit S.p.A
D'Andrea Federico Maurizio	Director	Chairman of Telsy S.p.A. Member of the Board of Directors of Ladisa S.r.l.
De Paoli Luigi	Director	None
Giusti Gaudiana	Director	Member of the Board of Directors of Banca Carige S.p.A. Member of the Board of Directors of Saes Getters S.p.A.
Lavini Fabio	Director	None
Perrotti Christine	Director	None

Board of Directors	Title	Other relevant positions held
Ravera Secondina Giulia	Director	Executive Chairman of Destination Italia S.p.A. Member of the Board of Directors of Reply S.p.A. Member of the Board of Directors of Infrastrutture Wireless Italiane S.p.A. Member of the Board of Directors of OTB S.p.A.
Speranza Maria Grazia	Director	None

Conflicts of interest of the members of the Board of Directors

As at the date of this Base Prospectus there are no potential or existing conflicts of interest between the duties of the members of the Board of Directors to A2A and their private interests or other duties.

Transactions with related parties

On 11 November 2010, the Management Board approved a new procedure to regulate the approval and execution of transactions with related parties entered into by A2A, directly or through subsidiaries, which was adopted in accordance with the provisions of Article 2391-*bis* of the Italian Civil Code as implemented by CONSOB Regulation No. 17221 of 12 March 2010 (as subsequently amended by CONSOB Regulation No. 17389 of 23 June 2010). This procedure replaced, with effect from 1 January 2011, any previous regulation for transactions with related parties approved by the Management Board of the Issuer and was subsequently amended on 1 August 2012, 7 November 2013, 18 December 2013, 22 June 2015, 20 June 2016, 22 June 2017 and on 16 December 2019. For further information, see the paragraph headed "*Note on related party transactions*" of the section headed "*Notes to the consolidated annual report*" of the audited consolidated financial statements of A2A as at 31 December 2019 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Statutory Auditors

The shareholders' meeting held on 13 May 2020 appointed the Board of Statutory Auditors of A2A for a period of three financial years, until the shareholders' meeting called to approve the financial statements of A2A for the financial year ending 31 December 2022.

The following table sets out the current members of the Board of Statutory Auditors of A2A.

Name	Position
Sarubbi Giacinto	Chairman
Lombardi Maurizio Leonardo	Standing Auditor
Segala Chiara	Standing Auditor
Passantino Antonio	Alternate Auditor
Tettamanzi Patrizia	Alternate Auditor

The business address of the members of the Board of Statutory Auditors of A2A (acting in their capacity as Statutory Auditors of A2A) is the Issuer's registered office at via Lamarmora 230, 25124 Brescia, Italy.

Significant positions held by the Statutory Auditors outside the Group

The table below lists the positions on boards of directors, boards of statutory auditors and supervisory committees, as well as other positions, other than those within the Group, held by the members of the Board of Statutory Auditors.

Statutory Auditors	Title	Other relevant positions held
Sarubbi Giacinto	Chairman	Member of the Board of Directors of Banca Mediolanum S.p.A. Chairman of the Board of Statutory Auditors of Webuild S.p.A.
Lombardi Maurizio Leonardo	Standing Auditor	Liquidator of Quadrifoglio Brescia S.p.A. in liquidation (subsidiary of CDP Immobiliare S.r.l.) Liquidator of Quadrifoglio Verona S.p.A. in liquidation (subsidiary of CDP Immobiliare S.r.l.) Liquidator of Quadrifoglio Piacenza S.p.A. in liquidation (subsidiary of CDP Immobiliare S.r.l.) Liquidator of Muggiorese S.r.l. in liquidation Liquidator of Classic Design S.r.l. in liquidation Liquidator of IPC S.p.a. in liquidation Chairman of the Board of Liquidators of TT Holding S.p.A. in liquidation Chairman of the Board of Directors of Immobiliare Emmegidue S.p.A. in liquidation Chairman of the Board of Statutory Auditors of E.FA.S. S.p.A. Chairman of the Board of Statutory Auditors of Confinvet F.L. S.p.A. Member of the Board of Statutory Auditors of Fondazione Piccolo Teatro – Teatro d'Europa Member of the Board of Directors of ETB S.r.l. Member of the Board of Directors e CEO of DGPA & Co S.r.l. Member of Advisory Board of Speculative Real Estate Investment Fund "Sammartini" managed by Generali Immobiliare Italia SGR S.p.A.
Segala Chiara	Standing Auditor	Chairman of the Board of Statutory Auditors of Openjobmetis S.p.A. Alternate Auditor of Webuild S.p.A.

Statutory Auditors	Title	Other relevant positions held
		Member of the Board of Statutory Auditors of Normalien S.p.A. Member of the Board of Statutory Auditors of Fra.bo S.p.A. Sole Auditor of Valpres S.r.l. Sole Auditor of Valqui S.r.l. Member of the Board of Statutory Auditors of ACI Brescia** Sole Auditor of Fondazione Casa Industria onlus** Legal representative of Caprioli Rossini Segala Dottori Commercialisti Associati ** Liquidator of Sigest S.a.s. Member of the Board of Directors of Ordine dei Dottori Commercialisti ed Esperti Contabili di Brescia** ** Association, Corporation or Foundation
Passantino Antonio	Alternate Auditor	Chairman of the Board of Statutory Auditors of Brescia Mobilità S.p.A. Chairman of the Board of Statutory Auditors of Cooperativa Bresciana Tabaccai S.c.r.l. Chairman of the Board of Statutory Auditors of Assoservice S.c.r.l. Sole Auditor of CSMT Gestioni S.c.r.l. Member of the Board of Statutory Auditors of Sirap Gema S.p.A. Member of the Board of Statutory Auditors of Fund Metasalute Liquidator of Trend S.p.A. Special Commissioner of Acciaieria e Tubificio Bresciano S.p.A. Special Commissioner of Ocean S.p.A.
Tettamanzi Patrizia	Alternate Auditor	Substitute Member of the Board of Statutory Auditors of Banca Bper S.p.A.

As at the date of this Base Prospectus all the statutory auditors meet the independence requirements prescribed by article 148, paragraph 3 of the Financial Services Act, and there are no potential or existing conflicts of interest between the duties of the members of the Board of Statutory Auditors to A2A and their private interests or other duties.

Independent Auditors

On 11 June 2015, the A2A shareholders' meeting approved the appointment of EY S.p.A. (**EY**) to act as the Issuer's independent auditors for the 2016-2024 period.

EY with registered office in Rome, Via Lombardia 31, Italy, is registered under No. 70945 in the Register of Accountancy Auditors (*Registro dei Revisori* Legali) held by the Italian Ministry of Economy and Finance pursuant to Legislative Decree No. 39 of 27 January 2010 and is a member of the Italian Association of Auditors (ASSIREVI). EY's current appointment will expire on the date of the shareholders' meeting convened to approve A2A's financial statements for the financial year ending 31 December 2024. EY have audited the Issuer's consolidated financial statements in accordance with international financial reporting standards as adopted by the European Union for the financial year ended 31 December 2018 and the financial year ended 31 December 2019.

REGULATION

The Group operates in highly regulated environment. Although this overview contains all the information that as at the date of this Base Prospectus the Issuer considers material in the context of the issue of the Notes, it is not an exhaustive account of all applicable laws and regulations. Prospective investors and/or their advisers should make their own analysis of the legislation and regulations applicable to the Group and of the impact they may have on the Group and any investment in the Notes and should not rely on this overview only.

For further information see the section headed "Evolution of the regulation and impacts on the Business Units of the A2A Group" of the Report on Operations 2019 incorporated by reference into this Base Prospectus (see "Documents Incorporated by Reference", above).

EU Energy Regulation: from the Third Energy Package to the Clean Energy Package

The European Union is active in energy regulation by means of its legislative powers, as well as investigations and other actions by the European Commission. In this regard, following previous EU Directives regarding the single European energy market (EU Directives No. 96/92/EC and 98/30/EC, and EU Directives 2003/54/EC and 2003/55/EC), the European institutions have adopted the so-called "third energy package" (EU Directives No. 2009/72/EC and 2009/73/EC and Regulations (i) (EC) No. 715/2009 on conditions for access to the natural gas transmission networks, (ii) (EC) No. 714/2009) on conditions for access to the network for cross-border exchange of electricity and (iii) (EC) No. 713/2009 on the establishment of the Agency for the Cooperation of Energy Regulators (**ACER**)), aimed at completing the liberalization of both electricity and gas markets. In particular, the third energy package contemplates the separation of supply and production activities from transmission network operations. To achieve this goal, Member States were able to choose between the following three options:

- Full Ownership Unbundling (**OU**). This option entails vertically integrated undertakings selling their gas and electricity grids to an independent operator, which will carry out all network operations.

- Independent System Operator (**ISO**). Under this option, vertically integrated undertakings maintain the ownership of the gas and electricity grids, but they are obliged to designate an independent operator for the management of all network operations.

- Independent Transmission Operator (**ITO**). This option is a variant of the ISO option under which vertically integrated undertakings do not have to designate an ISO, but need to abide by strict rules ensuring separation between supply and transmission.

The third energy package also contains several measures that enhance consumers' rights, such as the right: (i) to change supplier within three weeks, and to receive the final closure account no later than six weeks after switching suppliers; (ii) to obtain compensation if quality targets are not met; (iii) to receive information on supply terms through bills and company websites; and (iv) to have complaints dealt with in an efficient and independent manner.

The third energy package also strengthens protection for small businesses and residential clients, while rules are introduced to ensure that liberalization does not cause detriment to vulnerable energy consumers.

Finally, the third energy package provides for the creation of a European Union agency for the coordination of national energy regulators, which will issue non-binding framework guidelines for the national agencies. It is expected that this will result in more harmonized rules on energy regulation across the EU.

The Directives referred to above were implemented in Italy by Legislative Decree No. 93/2011 (the **Third Package Decree**), which established the following principles:

- Unbundling: the ITO model was selected for natural gas transportation, whereas the Italian electricity transmission company — Terna — has been subject to ownership unbundling since 2005 according to the Decree of the President of the Council of Ministers (**DPCM**) dated 11 May 2004. Nevertheless, Law Decree No. 1/2012 (the so-called "*Cresci Italia*" Decree) also imposed the ownership unbundling model on the Italian incumbent — SNAM Rete Gas S.p.A., the operational details of which are set forth in the DPCM dated 25 May 2012.

- Consumer protection:
  - in the natural gas sector, the Third Package Decree established further obligations to provide information to customers, redefined "vulnerable" customers, for which the ARERA (as defined below) sets tariffs, and introduced guidelines for a default service, applicable to vulnerable customers without supply;
  - in the electricity sector, the scenario was confirmed and improved with more obligations to provide information to customers. As for the gas sector, a three-week term for electricity supplier switching was implemented.

- Retail market: the rules concerning supplier communication policies have been enhanced in order to prevent ambiguity and undue advantages.

- Regulatory authority for electricity and gas: The Third Package Decree provides that companies which are subjected to sanctions in respect of disputed behaviour may present their proposed actions correcting the disputed behaviour to the ARERA (as defined below).

In November 2016 the EU Commission launched the **Clean Energy Package for all Europeans (CEP)**, the adoption of which was completed in mid-2019 after the publication of the complete Package including eight legislative acts: Energy Performance of Buildings Directive – EPBD 2018/844; the recast Renewable Energy Directive - RED 2018/2001; the revised Energy Efficiency Directive - EED 2018/2002; Governance of the Energy Union and Climate Action Regulation 2018/1999; Regulation on risk-preparedness in the electricity sector 2019/941; Regulation establishing a European Union Agency for the Cooperation of Energy Regulators 2019/942; Regulation on the internal market for electricity 2019/943; and Directive on common rules for the internal market for electricity 2019/944.

The main goal of the CEP is to address a gradual transition towards clean energy and a carbon-neutral economy, setting the following 2030 targets at an EU level (in lieu of the national targets set by the previous Directives):

- 40% cut in greenhouse gas emissions compared to 1990 levels;

- a binding renewable energy target of at least 32%;

- an energy efficiency target of at least 32.5% - with a possible upward revision in 2023.

The main tools that are to ensure the achievement of the abovementioned targets are: a new design for electricity markets aimed at allowing the full integration of RES production; limits for the dispatching priorities granted for RES and CHP; support for self-consumption and promotion of renewable and citizens' local communities; the possibility for Member States to design capacity remuneration mechanisms in order to guarantee a system backup, although they must be proportionate to and compliant with the State Aid regulation.

Indeed, the CEP encourages the full liberalization of retail markets and the engagement of the customers through faster switching processes, demand response and dynamic pricing for tariffs. The role of DSOs is pivotal for the upgrade of the grid infrastructures in order to tackle the increasing distributed production,

however limits for network operators' engagement in emerging activities, such as storage and EV recharging services, were imposed in order to allow market competition.

Italian Energy Regulation

The Ministry of Economic Development (*Ministero per lo Sviluppo Economico* – **MSE**) and the Italian Authority for Energy, Networks and Environment (*Autorità di Regolazione per Energia, Reti e Ambiente* – **ARERA)** share responsibility for the overall supervision and regulation of the Italian electricity and gas sector.

While the MSE establishes the strategic guidelines for the electricity and gas sector, the ARERA:

- defines and updates the tariff method for setting electricity and natural gas network tariffs;
- defines and updates the tariff method for setting prices for energy and natural gas supply to vulnerable customers (until 31 December 2020 for small enterprises[7] in the electricity sector, and until 31 December 2021 for micro-enterprises[8] in the electricity sector and all domestic customers pursuant to the Competition Law no. 124/2017);
- defines and updates the tariff method for determining the fees for both the integrated water service and the waste cycle and approves the tariffs prepared by the Territorial Authority (EGA) or other competent bodies;
- formulates observations and recommendations to the Italian Government and Italian Parliament regarding the market structure and the adoption and implementation of European Directives and licenses or authorizations;
- establishes guidelines for the production and distribution of services, as well as specific and overall service standards and automatic refund mechanisms for users and consumers in cases where standards are not met and for the accounting and administrative unbundling of the various activities into which the electricity and natural gas sectors are organized;
- protects the interests of vulnerable customers, monitoring the conditions under which the services are provided, with powers to demand documentation and data, to carry out inspections, to obtain access to plants and to apply sanctions, and determines those cases in which operators should be required to provide refunds to users and consumers;
- handles out-of-court settlements and arbitrations of disputes between users or consumers and service providers; and
- reports to the *Autorità Garante della Concorrenza e del Mercato* (the **Antitrust Authority**) any suspected violations of Law No. 287/1990 by companies operating in the electricity and natural gas sector.

In addition to regulation by the ARERA, the Antitrust Authority also plays an active role in the energy market in ensuring competition between suppliers and protecting the rights of customers to choose their suppliers.

[7] Small enterprise means an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.

[8] Micro enterprise means an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations 2019 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Italian Electricity Regulation

The regulatory framework for the Italian electricity sector has changed significantly due to the implementation of the European energy Directives (Directive 2003/54/EC and 2001/77/EC and, afterwards 2009/72/EC).

On 1 April 1999, the Bersani Decree implementing Directive 96/92/EC came into force in Italy. It began the transformation of the electricity sector from a highly monopolistic industry to one in which energy prices charged by providers are eventually determined by competitive bidding and established a gradual liberalization of the electricity market, providing that a number of customers (including, *inter alia*, those whose annual consumption of electricity exceeded specified amounts) (the **Eligible Customers**) were to be able to enter freely into supply contracts with power generation companies, wholesalers or distributors.

The Bersani Decree established a general regulatory framework for the Italian electricity market that gradually introduced competition in power generation and sales to Eligible Customers, while maintaining a regulated monopoly structure for transmission, distribution and sales to parties other than the Eligible Customers (i.e. the **Non-Eligible Customers**). In particular, the Bersani Decree and the subsequent implementing regulations:

- as at 1 April 1999, liberalized the activities of generation, import, export, purchase and sale of electricity;
- as at 1 January 2003, provided that no party is allowed to generate or import, directly or indirectly, more than 50% of the total electricity generated in and imported into Italy, in order to increase competition in the power generation market;
- provided for the incorporation of Acquirente Unico S.p.A. (the **Single Buyer**), the company which stipulates and operates supply contracts in order to guarantee to the Non-Eligible Customers the availability of the necessary generating capacity and the supply of electricity in conditions of continuity, security and efficiency of service, as well as equal treatment, including tariffs;
- provided for the creation of a power exchange market in which producers, importers, wholesalers, distributors, the operator of the national transmission grid, other Eligible Customers and the Single Buyer will participate, with prices being determined through a competitive bidding process (the **Power Exchange Market**);
- provided for the incorporation of Gestore dei Mercati Energetici S.p.A. (the **Energy Market Operator** or **GME**), appointed to manage the Power Exchange Market; and
- provided that the transmission and dispatching services are reserved exclusively to the State and attributed under concession to the operator of the national transmission grid, while the activity of distribution of electricity is performed under a concession regime under the authority of the former Ministry of Productive Activities (the current MSE).

The Bersani Decree originally provided for separation between management of the national electricity transmission grid (which was to be managed by an independent Electricity Services Operator, the *Gestore della Rete di Trasmissione Nazionale*, the **GRTN**) from ownership of the grid assets.

Law Decree No. 239/2003, converted into Law No. 290/2003, providing for the unification of ownership and management of the national transmission grid into the same subject, was then implemented by DPCM of 11 May 2004 and MSE Decree of 20 April 2005. The GRTN has been renamed *Gestore dei Servizi Energetici*

S.p.A. (the **GSE**) and is entrusted with the promotion of energy from renewable resources, including CIP-6 electricity, besides being the holding company of the Energy Market Operator and the Single Buyer.

Moreover, Law No. 239/2004 (the so-called **Marzano Law**) reorganized the electricity market regulatory framework and provided that, as at 1 July 2004, only household customers were to be considered Non-Eligible Customers.

Law Decree No. 73/2007, converted into Law No. 125/2007, then introduced urgent measures to meet EU market liberalization requirements, including:

- a requirement for companies owning grids supplying at least 100,000 customers to unbundle, as at 1 July 2007, distribution activities from sales;

- the empowerment of the ARERA to adopt measures for the functional unbundling (pursuant to EU Directives 2003/54/EC and 2003/55/EC) of the administration of electricity and natural gas infrastructure from non-related operations for the purpose of ensuring independent, transparent administration of infrastructure; and

- the right for household end users, as at 1 July 2007, to withdraw from their pre-existing electricity supply contracts and select a different electricity provider, according to the procedures set forth by the ARERA. The supply of energy to former Non-Eligible Customers not switching to the free market was to be guaranteed by the distributor or by one of its affiliates. The responsibility for supplying such customers remains with the Single Buyer.

The ARERA fixes electricity prices on the basis of supply costs paid by the Single Buyer to be applied to small end users not switching to the free market (the "protection scheme" or "*servizio di maggior tutela*": residential customers and small businesses having (i) less than 50 employees and (ii) a turnover lower than Euro 10 million).

The Single Buyer also holds bidding procedures to identify providers of the last resort service ("*servizio di salvaguardia*"), which is rendered to all final customers who are not eligible for the protection scheme and may temporarily find themselves without an electricity supplier.

As mentioned before, starting from 1 January 2021 for small enterprises in the electricity sector, and from 1 January 2022 for micro enterprises in the electricity sector and domestic customers the protection scheme will end pursuant to the Competition Law no. 124/2017, so by then the prices applied to all customers will be freely defined by the companies, who will also carry out the supply activities (currently carried out by the Single Buyer for the entire protection scheme). All customers will have to choose a contract on the free market; however the consequences of a possible failure to choose are not yet clear as the Law does not provide for a last resort service for sticky customers and the dedicated ministerial decree has still yet to be issued.

In June 2011 the third energy package (as referred to above) was implemented in Italy by Legislative Decree No. 93/2011 (the **Third Package Decree**). As previously mentioned, the Third Package Decree contains provisions concerning unbundling, provides details concerning the activities granted to the national transmission grid operator, Terna S.p.A. (**Terna**), and strengthens consumer protection rules.

Generation

The Bersani Decree liberalized electricity generation. In order to increase the level of competition in the market, the Bersani Decree provided that, as at 1 January 2003, no single electricity generation company was to be allowed to generate or import, directly or indirectly, more than 50% of the total electricity generated in and imported into Italy.

In accordance with Legislative Decree No. 379 of 19 December 2003, the availability of electricity capacity must be regulated by a compensation mechanism aimed at assuring the adequacy of the system to cover the demand with the necessary reserve margins. This capacity payment mechanism has to be based on the following principles: it must ensure transparency and it must not cause distortion in the market, while reducing the total costs for consumers.

In 2004, the ARERA established, by means of Resolution No. 48/2004, a provisional system of payments to remunerate producers that make generation capacity available to the electricity system at times of peak demand, known as capacity payment system. The remuneration includes both (i) an amount due for capacity available on critical days identified formerly by the GRTN and now by Terna, and (ii) an amount payable when Power Exchange Market prices fall below specified thresholds, as an extra incentive.

Furthermore, as a consequence of Law No. 75/2011 and of the outcome of the Referendum dated 12 and 13 June 2011 opposing the development of thermonuclear energy, the Capacity Payments system has been reshaped by ARERA by means of Resolution No. 98/2011 providing general criteria for the new mechanism, called "capacity market". The capacity market consists in Terna purchasing from producers (through specific tenders) options on generation capacity expected to be necessary in the following years in order to keep the electric power system in balance.

After a long debate that involved the government, Authority and the European Commission, on 7 February 2018 the EU Directorate-General for Competition approved the capacity mechanism proposed by Italian authorities for a ten-year period.

In order to comply in advance with Regulation (EU) 2019/943 on the internal market for electricity, and in particular with CO_2 emission limits for plants participating in capacity mechanisms, the Italian government notified to the European Commission a revised version of its mechanism. Following approval from the EC – 14 June 2019 – the Italian Ministry of Economic Development approved the Italian capacity mechanism by the Ministerial Decree of 28 June 2019. The Decree called for two tenders to be held by 31 December 2019 for the delivery years 2022 and 2023. The main aspects of the mechanism in place are:

- physical participation open to existing, new and refurbished capacity (conventional thermal plants, RES plants, storage assets, demand side response). Financial participation for foreign capacity;
- delivery period of 1 year for existing plants and 15 years for new capacity (upon request);
- respect of at least one of the following emission limits for existing capacity:
  - emissions < 550 gr CO_2/kWh;
  - emissions < 350 kg CO_2/kW/average per year.

New capacity is not eligible to participate in the mechanism in case of emissions >550 gr CO_2/kWh; incentives received from GSE (except for white certificates) cannot apply cumulatively. In particular, if the generators receive any other State aid related to energy production, they may opt to relinquish the other support and participate in the capacity market, or keep the support and not participate in the capacity market.

With Resolution 363/2019/R/eel, ARERA determined: the cap price of the premium for new capacity (75,000 €/MW/year) and existing capacity (33,000 €/MW/year); and the methodology to calculate the strike price.

The auctions for the delivery periods 2022 and 2023 – managed by Terna – were held on 6 and 28 November 2019, respectively. An Italian photovoltaic association (Italia Solare) and the Italian companies Axpo Italia S.p.A., Tirreno Power S.p.A. and Set S.p.A. have appealed to the Italian Regional Court against the mechanism. The date of the hearing for discussion has not been fixed yet (it is supposed to be held in November 2020).

Tirreno Power S.p.A. and Set S.p.A. have also appealed to the European Court of Justice against the mechanism.

The A2A Group has decided to support the Italian Ministry and the Italian Authority in the debate, in favour of the mechanism.

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations at 31 December 2019 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Promotion of Renewable Sources

In 1992, the Interministerial Price Committee, an Italian governmental committee, issued Regulation No. 6/1992 (**CIP-6**), which established incentives for new generation plants powered by renewable and similar sources and for the sale of electricity generated from such sources. In November 2000, the former Ministry for Industry (now the MSE) issued a decree providing that, as at 1 January 2001, all the energy generated from renewable and similar sources was to be withdrawn by Gestore della rete S.p.A. (now Gestore dei Servizi Energetici S.p.A. - **GSE** - the former electricity services operator) at a price fixed by the ARERA. Decree-Law no. 69/2013, as converted into Law No. 98/2013 (the so-called "*Decreto del Fare*"), then revised the operating rules of the CIP-6 matter, introducing references to the natural gas market.

The Bersani Decree provided that, starting from 2001, all companies producing or importing more than 100 GWh per year of electricity generated from conventional sources was to inject into the national transmission grid, during the following year, an amount of electricity produced from newly qualified renewable resources (the **Renewable Obligation**), initially amounting to at least two% of such excess over 100 GWh, net of co-generation, self-consumption and exports (the **Green Certificates Quota**). Such Quota could be produced directly or purchased from other producers who had obtained tradable "Green Certificates" (i.e. securities representing a fixed amount of electricity certified as generated from renewable sources).[9]

On 6 April 2009, the Council of the European Union adopted the final text of a directive setting a common EU framework in the field of the promotion of energy from renewable sources. The main objective of the directive is the achievement of a 20% share of energy from renewable resources in the EU's final consumption of energy by 2020. In light of this objective, Member States are assigned mandatory individual targets for the share of renewable energy sources in final energy consumption. For Italy, this target has been established at 17%, in comparison to the 5.2% assigned in 2005.

Pursuant to EU Directive No. 2009/28/EC, in March 2011 Legislative Decree No. 28/2011 (the **Renewables Decree**), on the development of renewable sources, was published. The Decree defines tools, technicalities and the criteria the incentives schemes aimed at achieving the renewable source production targets by 2020.

The incentive mechanism provided for by Decree No. 28/2011 is based on the following principles:

- incentives are to be paid for a period equal to the average conventional life-cycle period of the specific type of Renewable Plant, starting from the initial date of operation thereof;
- once granted, incentives remain constant for the entire incentive period and may also take into account the economic value of the energy produced;
- incentives are to be granted pursuant to private law agreements to be entered into between GSE and the owner of the relevant Renewable Plant, based on a standard form to be produced by the ARERA.

[9] The provisions regulating the Green Certificates mechanism introduced by the Bersani Decree were subsequently amended by Legislative Decree No. 387 of 29 December 2003 (implementing EU Directive 2001/77/EC), Law No. 244 of 24 December 2007 (the so-called 2008 Budget Law), Ministerial Decree dated 18 December 2008 (D.M 18 December 2008) and Law No. 99 of 23 July 2009 (Law No. 99/2009).

The incentive scheme for the production of energy from renewable sources was implemented by Ministerial Decrees of 5 and 6 July 2012, which apply to solar powered plants and other power plants, respectively.

Ministerial Decree of 6 July 2012 establishes that for plants below a certain power threshold, tariffs are to be paid (feed-in premium) with direct access or through subscription to records, while for those with higher power thresholds, an auction procedure is envisaged:

- Plants up to 5 MW benefit from a feed-in tariff. The amounts of the applicable feed-in tariff (which is fixed by a ministerial decree implementing the Renewables Decree) vary depending on the type of renewable source employed and the power capacity bracket to which the relevant plant belongs. The tariff applying on the date of entry into operation of the plant is maintained throughout the entire incentive period.

- Plants over 5 MW (or the higher threshold set forth with reference to different renewable sources) benefit from a feed-in tariff, the amount of which is determined on the basis of auctions by reduction (*aste al ribasso*) held by GSE. The procedures for the auction are managed by GSE.

The RES-E qualification, issued by GSE, is a technical pre-requisite necessary to be admitted to incentive mechanisms preceding the Ministerial Decree of 6 July 2012. The qualification allows for green certificates or the all-inclusive feed-in tariff, depending on the net electricity generated and fed into the grid.

Decree No. 28/2011 implementing the Directive 2009/28/CE revised the matter, with declining percentages of obligations until 2015, and consequently setting the expiry date of Green Certificates system.

The Green Certificate mechanism, provided for by Ministerial Decree of 6 July 2012, was replaced by a new form of incentive with effect from 2016. Parties that have already been awarded a Green Certificate (owners of plants with RES-E qualification) will maintain the benefit for the remaining concession period, but in a different form. In fact, according to the new mechanism, GSE pays a tariff on the net production of electricity additional to the revenues deriving from the increase in value of electricity (which can take place through the simplified purchase and resale arrangements or through the operator's recourse to the free market).

In order to transition to the new incentive mechanism, the owners of RES-E plants that have already been awarded a Green Certificate must sign an agreement with GSE entitling them to benefit from the incentive tariff for the remaining period. The agreement must be entered into through a new IT application: GRIN - Gestione Riconoscimento Incentivo (Management of the Incentive Recognition).

The MSE Decree issued on 23 June 2016 updating Ministerial Decree 6 July 2012 defines new rules for to access the incentive system applicable for the years 2015 and 2016 confirming the general scheme provided for by the previous Decree.

On 25 March 2016, GSE published a notice on the expiries of 2014 GCs and 2015 GCs in respect of which a request may be made to GSE for withdrawal, respectively, by 31 March 2017 and 31 March 2018. This clarification, strongly supported by operators, allows the confirmation of the storage of certificates and the possibility of using the GC warehouse until their expiry.

A new support scheme for renewables sources, including PV, was enacted by the Ministerial Decree of 4 July 2019 (also known as "**DM FER 1**"). The Decree set a cap on the total expenditure (Euro 5.8 billion) and an amount of capacity admitted broken down into groups of technologies with similar deployment costs. Namely, the plants eligible for the incentives are divided into four groups based on source and the size of the projects: new/complete reconstruction/repowering of "on-shore" wind turbines and new PV plants (Group A); new photovoltaic systems replacing asbestos roofs of buildings (Group A2); new/complete reconstruction of existing hydroelectric plants, repowering of existing hydro plants, residual gases from purification processes in new plants (Group B); total or partial renovation of the following plants: on-shore wind/hydroelectric/biogas from purification processes (Group C).

The incentives are paid on the net electricity produced and fed into the grid and are calculated as the difference between the tariff determined by the Decree (i.e. the "Reference Tariff") and the regional hourly price of the energy – operators take also the market value of the energy sold. Smaller plants (< 250kW) are eligible for the "all-inclusive tariff" compensating them for the energy withdrawn by the GSE. Extra incentives are awarded for specific environmental externalities related to: landfills and quarries, public buildings and electric mobility.

Access to the incentives is provided in two different ways, depending on the size of the plant:

- Registers for plants with power between 1 kW (20 kW for photovoltaic systems) and 1 MW;

- Auction Procedures for plants with power greater than or equal to 1 MW (selection is on the basis of economic discount on the incentive and applying additional priority criteria). There are seven rounds for applications to the registers and/or auctions, with the first starting in September 2019.

In case of upgrading, for all types of renewable sources, the calculation of the incentive applies to the corresponding increase in terms of power.

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations 2017 and the Interim Report at 30 June 2018, incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

CO_2 Emissions

In the framework of the Kyoto Protocol, in 2003 the EU adopted Directive 2003/87/EC (the EU **Emissions Trading Directive**) introducing an emissions trading system (EU ETS) to reduce greenhouse gas emissions. The EU ETS covers around 45% of the EU's greenhouse gas emissions and limits emissions from more than 11,000 heavy energy-using installations (power stations & industrial plants) and airlines operating between 31 countries (all 28 EU countries plus Iceland, Liechtenstein and Norway).

In October 2004, the EU also passed another directive (Directive 2004/101/EC, the **Linking Directive**), amending the Emissions Trading Directive to allow other flexible mechanisms for limiting greenhouse gas emissions. Both the Emissions Trading Directive and the Linking Directive were implemented in Italy by Legislative Decree No. 216/2006.

The EU Regulation No. 166/2006, concerning the establishment of a European Emission Register, was implemented under Italian Law pursuant to Presidential Decree No. 157/2011.

The EU ETS works on the 'cap and trade' principle. A cap is set on the total amount of certain greenhouse gases that can be emitted by installations covered by the system. The "cap" is reduced over time so that total emissions fall. Within the cap, companies receive or buy emission allowances which they can "trade" with one another as needed. After each year a company must surrender enough allowances to cover all its emissions, otherwise heavy fines are imposed. If a company reduces its emissions, it can keep the spare allowances to cover its future needs or else sell them to another company that is short of allowances.

From 1 January 2013 EU ETS is now in its third phase (2013-2020). EU rules guarantee to each member country a free allocation share (for existing plants, free shares will be assigned by decision of the National Committee; for new plants, free shares will be assigned on the basis of Law Decree No. 30/2013) and auctioning as the method for allocating allowances (instead of free allocation).

On 27 February 2018, the Council formally approved the reform of the EU ETS for the period after 2020: phase 4 for the period 2021-2030. The revised ETS directive is a significant step towards the EU reaching its target of cutting greenhouse gas emissions by at least 40% by 2030, as agreed under the EU's 2030 climate and energy framework, and fulfilling its commitments under the Paris Agreement. The reform targeted the increase of annual reductions in allowances to 2.2% and the reinforcement of the Market

Stability Reserve as a dynamic tool to guarantee market resilience to shocks and consequently ensure effective price signals for carbon emissions. As a result, the market showed a significant increase in the prices of allowances, from less than 5 €/EUA in 2017 to over 30 €/EUA in 2019.

Wholesale market

The Power Exchange Market is a marketplace for the spot trading of electricity between producers and consumers under the management of the Energy Market Operator. It began operations on 1 April 2004. Producers can sell their electricity on the Power Exchange Market at the system marginal price defined by hourly auctions. Otherwise they can choose to enter into bilateral contracts and, in this case, the price is agreed with the other counterparty.

One of the most important participants on the Power Exchange Market is the Single Buyer, wholly owned by the Electricity Services Operator, which in turn is wholly owned by the Italian government. The Single Buyer has the goal of ensuring a continuous, secure, efficient and competitively-priced electricity supply to customers remaining in the "Universal Service" scheme (consisting, since 1 July 2007, of residential customers and small business customers that have not chosen a supplier in the market), in order to enable them to reap the benefits of the electricity liberalization process. Based on its own periodic estimates of future electricity demand and the MSE guidelines, the Single Buyer purchases electricity in the market on the most favourable terms and it sells this energy to retail companies supplying Universal Service customers. The Single Buyer is the largest wholesaler in the market, purchasing approximately 20% of total national demand.

The Single Buyer purchases electricity on the Power Exchange Market and through bilateral contracts (including contracts for differences) with producers and imports electricity. The total payments by the Single Buyer to electricity producers for its purchases, plus its own operating costs, must be equal to the total revenues it earns from energy sales to the retail companies operating within the regulated market under the regulated price structure. As a consequence, the ARERA adjusts reference prices quarterly to reflect those actually paid by the Single Buyer.

Other participants in the Power Exchange Market are producers, integrated operators, wholesalers and some large electricity users. The ARERA and the Antitrust Authority constantly monitor the Power Exchange Market to ensure that it achieves the intended goals: improving competition between electricity producers and enhancing the efficiency of the Italian electricity system.

The market was recently enhanced through the commencement of operations of new forward markets: (i) the forward physical market, "MTE", which is managed by the Energy Market Operator; and (ii) the derivatives financial market, "IDEX", which is managed by *Borsa Italiana*. However, most transactions are concluded on OTC platforms managed by brokers, with annual trade volumes exceeding all Italian demand.

On 29 November 2008, the Italian Parliament approved Legislative Decree No. 185/2008 (the **Anti-Crisis Decree**), which was subsequently converted into Law No. 2/2009. The provisions of the Anti-Crisis Decree concerning energy were implemented by a ministerial decree issued by the MSE on 29 April 2009. The new rules set forth a series of measures to be implemented in the period 2009-2012, involving: (i) the adoption of a new mechanism to set prices on the day-ahead market; and (ii) the creation of an intra-day market and the development of the aforementioned forward markets. In addition,, the MSE decree sets forth guidelines for the reform of the ancillary services market (**MSD**) which became operative as at 1 January 2010. These guidelines call for: (i) the segmentation of the market according to the services provided; (ii) the utilization of new calculation procedures to select offers by implementing transparency criteria; (iii) separate accounting for costs according to the specific services purchased; and (iv) the reduction of the price of electricity by promoting competition in the electricity market. In June 2016, ARERA published a first consultation document (298/2016/R/eel) – the consultation period for which ended on 5 September 2016 - regarding a future reform of the MSD, aiming at increasing the number of subjects involved in the provision of dispatch services.

With resolution 300/2017/R/eel, ARERA enabled the participation in the MSD market of units and aggregation of units not yet allowed to be offered in that market (i.e. demand side response, renewable energy sources, non-relevant[10] production units, storage units). Terna has proposed some pilot projects approved by ARERA:

- The UVAC project (resolution 372/2017/R/eel) dedicated to demand side response – in these projects Terna proposed the aggregation of consumption units with a minimum threshold of 1 MW;
- The UVAP project (resolution 583/2017/R/eel) dedicated to non-relevant production units – aggregation of production units with a minimum threshold of 1 MW;
- The UPR project (resolution 383/2018/R/eel), dedicated to relevant units that currently do not have access to the MSD – ie relevant renewable generation;
- The UPI project (resolution 402/2018/R/eel), that introduced the possibility, for units currently participating in the MSD market, of providing the Frequency containment Reserve ("Riserva Primaria") through integrated storage units;
- The UVAM project (resolution 422/2018/R/eel), aggregation of both consumption and production units. It started in December 2018 and replaced the UVAC and UVAP projects. The UVAC and UVAP projects have been merged into the UVAM project and so no longer exist.

In December 2019 Terna proposed a new pilot project called FRU – Fast Reserve Units – dedicated to power storage units. The ARERA approved the project with resolution 200/2020/R/eel.

In December 2018 the ARERA approved resolution 675/2018/R/eel, through which the Authority established for the first time in Italy the regulatory framework to supply reactive energy on a market basis, without producing active power. In particular, the ARERA approved the Regulation and the Contract Scheme to provide reactive power in the area of Brindisi, in order to ensure the stability of the transmission grid in the context of high penetration of non-programmable generation. On 20 February 2019 Terna held the tender for the assignment of a ten-year contract to supply reactive power. The A2A Group has been awarded the ten-year contract for two synchronous condensers of 143 MVAr each.

In summer 2019, the ARERA published the Consultation Document 322/2019/R/eel regarding the reform of the Italian electricity dispatching market (TIDE – Testo Integrato Dispacciamento Elettrico). The main topics presented in the document are:

- separation of commercial negotiations and physical scheduling of units (introduction of portfolio bidding);
- revision of the ancillary services market: creation of the new services, new remuneration mechanisms and integration of new participants (pilot projects of resolution 300/2017/R/eel will become an integral part of the regulatory framework);
- revision of the unbalancing regulation to be more cost-reflective;
- European integration of the Italian intraday market: introduction of continuous trading until one hour before the delivery period and negative bidding limits in day-ahead and intra-day markets. A specific remuneration for power plant switch-off costs ("gettone di spegnimento") is foreseen in the document;

[10] Power plants <10 MVA

- revision of the methodology to calculate the remuneration of power plant start costs ("gettone di accensione") and change of configuration ("gettone di cambio assetto");

- revision of the role of Distribution System Operator towards a local dispatching task.

After this first consultation, others will follow and the overall reform is expected to be implemented at the beginning of 2022.

For further information, see the section headed "Evolution of the regulation and impacts on the Business Units of the A2A Group" of the Report on Operations at 31 December 2019 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Imports

The volume of electricity that can be imported into Italy is limited by the capacity of transmission lines that connect the Italian network with those of other countries and by concerns relating to the safety of the system (currently, a maximum import capacity of approximately 8,040 MW is available to import energy safely). The planned construction of new interconnections in the near future will permit the import of more energy at a competitive price.

The rules for the assignment of interconnection capacity have been the same since 2007. Following agreement between Terna and neighbouring transmission system operators (**TSOs**) interconnection capacity rights for each border are jointly allocated by explicit auction (on a yearly, monthly and daily basis).The proceeds of the auctions (which are shared evenly between the TSOs involved) attributable to Terna are passed on to customers on a pro-rata basis by reducing the dispatching charges. On 20 December 2012, the MSE issued a decree providing for criteria and conditions applying to electricity imports during 2013 (the **Import Decree**). On 19 December 2013, the MSE issued a new Decree with the rules to be applied in 2014 and providing for the allocation of import capacity through a bidding system and introducing a "market coupling" mechanism (implicit allocation of capacity) for the daily import capacity allocation.

Commission Regulation (EU) 1222/2015 – Guideline on Capacity Allocation and Congestion Management (CACM) – defines the details of the calculation of cross-border capacity that market operators can use, keeping the system safe. Furthermore, CACM harmonizes the operation of cross-border day-ahead and intra-day markets.

Transmission

The term "transmission" refers to the transport of electricity on high and very high voltage interconnected networks from the plants where it is generated or, in the case of imported energy, from the points of acquisition, to distribution systems. The national electricity transmission grid — as defined pursuant to Ministerial Decree of 25 June 1999 and subsequent amendments — which includes very-high voltage (380/220 kV) and high-voltage (G = 150 kV) lines, after the acquisition — and the subsequent reclassification from HV networks to national electricity transmission networks of the grid owned by FS – Ferrovie dello Stato Italiane S.p.A. is almost entirely owned by Terna.

Distribution

The Bersani Decree provides that distribution services are to be performed on the basis of concessions issued by the former Ministry of Industry (now the MSE). The current distribution companies will continue to perform that service on the basis of concessions issued by the Ministry of Industry in 2001, expiring on 31 December 2030.

The distribution companies are required to connect to their networks to all parties who so request, without compromising the continuity of the service and in compliance with the applicable technical regulations and

provisions. Moreover, the ARERA set a strict regulation concerning functional unbundling in order to guarantee the independence between the separated activities.

Tariff Structure

Pursuant to Law No. 481/95, the ARERA is in charge of establishing the tariff regime, in order to guarantee the following objectives: certainty, transparency, consumer protection, and harmonization between economic and general social objectives. The tariff regulation is based on "regulatory periods" characterized by fixed duration and stable tariff rules. On 1 January 2016 the sector entered a fifth regulatory period: the duration was set at eight years (2016-2023), compared with four years in the previous period, with an interim review every three years concerning some tariff parameters - e.g. inflation, productivity target (X-factor), as well as beta asset, risk measure included in the Weighted Average Cost of Capital (**WACC**).

While in the past the "cost-plus" method was adopted by the Regulator, since the third regulatory period it has been replaced by a mixed tariff methodology that makes use of the "price-cap" principle implemented with profit sharing arrangements to establish and update the operating costs reflected in the tariff, and the "Revalued Historic Cost" method to estimate the value of the assets to be depreciated and remunerated. The price-cap mechanism sets a limit on annual increases of the tariff share related to operating expenses (Opex) corresponding to the difference between the inflation rate and the predefined cost reduction rate (the **X-Factor**), and the efficiency gains are shared between companies and consumers; the Revalued Historic Cost is based on the effective capital expenditure sustained by a company, considering the inflation effects.

Regarding the fifth regulatory period, currently underway, ARERA has approved at the end of December 2019 (Resolution 568/2019/R/eel) the regulatory scheme for the second sub-period (2020–23), in line with the previous concerning the tariff methodology[11]. The rate of return on invested capital (WACC) - calculated and periodically reviewed according to the methodology defined in Resolution 583/2015/R/Com, was confirmed equal to 5.9% for 2020-21 as a result of the Authority decision to maintain unchanged beta asset parameter (0.39). The productivity target (X-factor), used for the operative costs annual review and differentiated by activity (1.3% distribution and 0.7% metering), has been basically defined due to redistribute to customers within 2023 the efficiency gained in the preceding regulatory periods - temporarily retained by distributors, under a symmetrical (50%:50%) profit-sharing. Moreover, a gradual moving from building block approach (Capex and Opex treated separately) to TOTEX regime (based on the total expenditure combined with output-based incentive schemes) has been postponed and referred to following consultation process.

While the previous rules envisaged incentives, using differentiated WACCs (between +1.5% and +2%) and for a minimum of eight years, for specific types of investments in the distribution network, such as those relating to the construction of new transformer stations, investments in replacing existing transformers and smart grids, starting from 2016 incentives are granted on an output-based mechanism. In particular, the quality regulation – updated for the second sub-period (2020-23) by Resolution 566/2019/R/eel, defines an output-based incentive mechanism providing for rewards/penalties according to over-/underperformance in the continuity and reliability service (related to the duration and frequency of outages). This framework is aimed at supporting specific and strategic investments, in order to improve adequacy and security of the electricity distribution network such as quality of supply, reducing the gap in the service level between the

[11] According to tariff regulation (Resolution 568/2019/R/eel):
- the regulatory scheme for the second sub-period (2020–23), which in line with the previous one, applies a hybrid approach combining price-cap (applied to Opex) and cost-of-service regulation (applied to Capex). 2020 allowed Opex is based on 2018 actual Opex, as reported in Annual Unbundling Balance. The productivity target (X-factor), used for the Opex annual review and differentiated by activity (1.3% distribution and 0.7% metering), is basically defined due to redistribute to customers within 2023 the efficiency gained in the preceding regulatory periods - temporarily retained by distributors, under a symmetrical (50%:50%) profit-sharing;
- the rate of return on invested capital (WACC) - calculated and periodically reviewed according to the methodology defined in Deliberation 583/2 015/R/Com, was confirmed equal to 5.9% for 2020-21 as a result of the Authority decision to maintain unchanged beta asset parameter (0.39);
- facilitated tariffs for electric vehicles public charging (so-called BTVE) have been extended until December 2023, included increasing power exploitable during the night (up to 6 KW);
- the Authority has also applied an experimental regulation in order to incentive investments for the reconstruction of old electric connections.

different areas of Italy. In view of this, the Authority has adopted specific regulation tools, (e.g. "*special*" regulation and "e*xperimental*" regulation) allowing voluntary participation by distributors.

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations at 31 December 2019, incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Italian Natural Gas Regulation

Decree No. 164/2000 (the so-called **Letta Decree**), implementing Directive 98/30/EC (the **First Gas Directive**), has gradually liberalized the Italian natural gas market and increased competition. The Letta Decree provided *inter alia* that, from 1 January 2003, all end customers be able to freely select their natural gas supplier.

The liberalization process was further reinforced by Directive 2003/55/EC and, then, by Directive 2009/73/EC, which was implemented in Italy by Legislative Decree No. 93/11 (the **Third Package Decree**).

The protection schemes will also end in the natural gas market starting from 1 January 2022 pursuant to the same Competition Law no. 124/2017 mentioned before, with the consequence that the prices applied to all customers will be freely defined by the companies by that date.

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations at 31 December 2019 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Import

The Third Package Decree provides that import from the EU and non-EU countries on the basis of long-term agreements via pipeline or LNG terminal is subject to an authorization by the MSE approving the relevant natural gas supply agreement, whilst import pursuant to short-term agreements (up to one year) may be carried out upon a simple communication to be submitted to the MSE prior to execution of the relevant natural gas supply agreement. To the extent this authorization is not denied on the basis of objective and non-discriminatory criteria, it is deemed to be granted on expiry of the three-month period following the application date.

Transport

Article 2(1) sub-paragraph (ii) of the Letta Decree, as amended by the 93/2011 Decree, defines transport activity as "*natural gas transport aimed at supplying customers through a network which consists mainly of high-pressure pipelines, other than a network of upstream pipelines and other than gas pipelines which, even at high pressure, are mainly used for the local distribution of natural gas, with the exception of the supply*".

In compliance with the provisions set forth under Article 24 of the Letta Decree, the network code (*codice di rete*) concerning transport activity was drafted and approved by ARERA by Resolution No. 75/03.

According to the Third Package Decree, natural gas transport and dispatch are activities of public interest. Companies involved in these activities must guarantee access on a non-discriminatory basis, to any requesting user, according to the conditions and tariffs established by the ARERA, and in accordance with the owner's network code,[12] provided that the connection works that are to enable such access are technically and economically feasible. Companies that carry out transport and dispatch activities oversee the flow of gas and the auxiliary services needed for the system to function, including modulation. These companies are

[12] The network code is a general contractual instrument regulating the mutual rights and obligations of pipeline facilities operators and users. Each network owner/operator is required to adopt its own network code on the basis of a standard form approved by the AEEGSI.

also responsible for the strategic storage of gas under MSE directives, and must ensure compliance with any other obligations aimed at guaranteeing the safety, reliability, efficiency and lowest cost of the service and of supplies.

From 1 January 2002, only operators not exercising activities in the gas production process other than storage activities may transport and dispatch gas. All such activities must always be accounted for separately.

The Third Package Decree strengthens the rules regarding unbundling of the different activities of the gas sector. It provides that operators owning transport networks must be certified to ensure their independence from companies dealing with production, import or supply of natural gas (the Independent Transmission Operator model, which allows the vertically integrated operator to keep the ownership of the transmission network, was initially selected for ENI, the Italian incumbent).

Subsequently, Decree No. 1 of 24 January 2012 (so-called "*Cresci Italia*") imposed on the Italian incumbent the adoption of the ownership unbundling model according to operational conditions set out by the Presidential Decree of 25 May 2012, thus causing the sale of the transport network previously owned by ENI.

The Third Package Decree also encourages investments in network developments (international pipelines, LNG terminals and storage), by exempting operators from third-party access duties, in relation to part of the total capacity and for a period established on a case-by-case basis and in any event no longer than 25 years.

Through Resolution 514/2013/R/GAS, ARERA established the criteria for calculating the natural gas transmission and dispatching tariffs for the fourth regulatory period 2014-2017 (4PRT).

With Regulation (UE) 2017/460 of 16 March 2017, the Commission established a network code on the harmonized transmission tariff structure for gas – the so-called "TAR Code" (*Codice TAR*). It applies to all points on the transmission network except for some rules that by default apply only to interconnection points; these rules may apply to entry and exit points from/to third countries. This code provides methodologies to calculate tariffs that are non-discriminatory, transparent, facilitate efficient gas trade and competition, reflect the costs incurred, avoid cross-subsidies for network users and provide incentives for investment.

In accordance with the EU TAR Code and after a period of consultation of interested parties, the ARERA published the tariff regulatory criteria for the natural gas transmission and metering service for the fifth regulatory period (2020-2023) – Resolution 114/2019/R/gas.

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations at 31 December 2019 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Storage

Players intending to use depleted fields or other geological formations as natural gas storage facilities must obtain a concession granted by the MSE pursuant to objective and non-discriminatory procedures and criteria. These concession are granted for a maximum of 20 years. Natural gas storage services include: (i) strategic storage, aimed at coping with supply shortages or stoppages, or gas system crises; (ii) mining storage), aimed at ensuring that exploitation of natural gas fields in the Italian territory is carried out in an optimal manner, to the extent such storage activity is necessary for technical or economic reasons; and (iii) flat modulation storage and peak modulation storage, aimed at supporting modulation of daily, seasonal and peak natural gas consumption. Every year, before the beginning of the storage year (from 1 April to 31 March of the following year), MiSE publishes a Decree indicating the methods of storage auctions and the quantities to be allocated.

Holders of storage licenses are obliged to supply strategic, mining and modulation storage services to third-party users which so require, on the terms, conditions and tariffs established by the ARERA and in accordance with their storage code[13]. The uniform regulation of quality standards and storage services tariffs applying from 2011 through 2014 is contained in ARERA Resolution No. 119/10.

From 2015 to 2018 (fourth regulatory period) tariffs were determined as defined by Resolution 531/2014/R/gas, then extended to 2019 (Resolution 68/2018/R/gas). With Resolution 419/2019/R/gas, ARERA approved the tariff regulation and quality criteria of storage service for the fifth regulatory period (2020-2025).

According to the Third Package Decree, the storage and the transport activities in a vertically integrated company must be managed on the basis of transparent, non-discriminatory criteria. The Third Package Decree also provides for incentives for investments in new natural gas infrastructure (interconnector pipelines, LNG terminals and storage sites) by exempting the investing entity from the obligation to provide third-party access for a period up to 25 years (exemptions may be granted on a case-by-case basis by the MSE in consultation with the ARERA).

Legislative Decree no. 130/2010 encourages the construction of new storage fields. It provides that operators holding a market share above 55% wholesale should start gas release procedures or, otherwise, should develop further storage capacity equal to 4 billion Smc. Players such as industrial and thermoelectric customers are allowed to access this capacity by investing in the relevant infrastructure. In addition, Article 5 of the Legislative Decree no. 130/2010 introduces provisions on the "*competitiveness of the natural gas market*" and Article 6 establishes the procedures by which end customers or consortia may participate in developing new storage capacity.

Pursuant to Law Decree No. 1/2012 (so-called "Liberalization Decree"), as modified by Law Decree No. 83/2012 (so-called "Development Decree"), in February 2013 the MSE issued two decrees that thoroughly modified the storage allocation criteria, by introducing auction procedures and supporting large customers in the assignment of the storage fields.

With Resolution 67/2019/R/gas, ARERA approved the regulatory criteria for access to gas storage services.

Each year, with a specific Resolution ARERA defines the methodology to calculate the reserve price of the storage auctions.

Distribution

Distribution is defined as the transport of natural gas through a network of local pipelines for delivery to end-customers. Gas distribution companies dispatch the natural gas through their own networks and connect any customer who so requests to the extent technically and economically feasible, according to rules determined by the ARERA. Licensees of distribution networks are obliged to grant access to any third party that so requests on the basis of tariffs set by the ARERA and in compliance with the network code approved by the ARERA itself. Moreover, the Authority implemented a strict regulation concerning functional unbundling in order to guarantee the independence between the separated activities of the natural gas sector.

Over the years, the gas distribution regulation has been extensively reformed. The Letta Decree (as subsequently amended and supplemented) established that natural gas distribution activities can be exercised only by operators to which a gas distribution concession for a period not exceeding 12 years has been granted pursuant to a competitive bid.

[13] The storage code is a general contractual instrument regulating the mutual rights and obligations of storage facilities operators and users. Each storage owner/operator is required to adopt its own storage code on the basis of a standard form approved by the ARERA.

The Letta Decree also provided that distribution concessions which were in place as at 21 June 2000, awarded without a public tender, are to be terminated at the end of the so-called "transitory period", the duration of which depends on the specific award conditions and the characteristics of the single concessions in each case. Pursuant to the Letta Decree and Legislative Decree No. 159/2007, the MSE and the Minister for Relations with the Regions and Local Governments, must establish (i) criteria for the tender and evaluation of bids for gas distribution concessions, and (ii) the minimum geographical reference areas for the tenders.

A first decree, setting out the identification of the 177 territorial areas into which Italy has been divided was published on 19 January 2011 and was followed by a second decree, defining the composition of the municipality included in the so-called Minimal Territorial Areas (ATEMs), published on 28 October 2011. On 12 November 2011, the MSE adopted Ministerial Decree No. 226/2011, regulating the new tender procedure for the awarding of the distribution concessions within each ATEM and setting out standards for the calculation of the reimbursement value to be granted to the outgoing service provider, as well as for drawing up the call for bids and their evaluation. In particular, the aforementioned decree provides, *inter alia*, that the new licensee acquires availability of the infrastructure only after payment of the reimbursement value to the outgoing provider and the takeover of the outstanding financial obligations. On parallel, in order to enhance the protection of workers involved in natural gas distribution activities, the MSE, in conjunction with the Ministry of Work and Social Politics, issued on 21 April 2011 a decree containing the so-called "welfare clause".

Law Decree No. 69/2013, converted into Law No. 98/2013 (the so-called "*Decreto del Fare*"), set the timetable for identifying the contracting authority and for the issuance of the tender notice. Afterwards, the "Destinazione Italia" Decree (Law Decree no. 145/2013) detailed the ARERA's role in tender procedures, and determined that the amount of compensation due to outgoing operators is to be reduced by private contributions. MSE Decree of 22 May 2014, transposing the "Destinazione Italia" Decree's provisions, set out the guidelines for calculating the amount of compensation due to outgoing operators, and further deferred the timescales for tender procedures.

The timescales were finally set, by the Law Decree no. 91 of 2014 (***Decreto Competitività***, converted into Law no. 116/2014 and amended by Law Decree no. 210/2015, known as Milleproroghe), that also provided that the amount of compensation due in respect of the period after 11 February 2012 is to be determined on the basis of the above mentioned guidelines.

Ministerial Decree 11 January, 2017 on "*Determination of national quantitative energy savings targets to be pursued by electricity and gas distribution companies for the years from 2017 to 2020 and for the approval of the new Guidelines for the preparation, execution and evaluation of energy efficiency projects*" - as amended by Ministerial Decree 10 May 2018[14] - also partially resolved the uncertainty on the coverage, in terms of tariff contribution, of the certificates generated by the energy efficiency projects proposed during the tender. In particular, the Decree provided that any certificates issued with respect to these projects and cancelled by GSE in the reference year will also reduce, by the same amount, the overall savings obligations of the following year. However, there are some remaining uncertainties, including the territorial constraint of the interventions offered as part of the tender.

The latest major change in the framework was the Annual Law for Competition (Law 124/2017) that introduced, under certain conditions, some simplifications in the evaluation processes of the (i) VIR-RAB difference and (ii) tender notice performed by the Regulatory Authority (ARERA). The ARERA defined the applicable criteria and procedures for these activities according to these provisions.

[14] The cap on the contribution tariff, 250 €/WCs, was declared unconstitutional by judgment no. 2538/2019 of the Regional Administrative Court (TAR). Consequently, the ARERA has started a reform process (see Resolution 529/2019/R/efr) to re-determine the contribution tariff granted to distributors.

Currently, in addition to Torino 2, the unique tender, for which the assessment procedures have been definitively concluded, is related to Milan 1 - City and Plant of Milan ATEM (Milan city area and six neighbouring councils). On 5 September 2018 A2A, through the subsidiary company Unareti S.p.A, announced the official award of this tender with an overall score of 98.12 points out of 100.

2i Rete Gas appealed this decision, with Unareti presenting an incidental appeal. In December 2019, the Regional Administrative Court (TAR) granted both appeals, excluding the two distributors, without prejudice to the right of the Local Concession Authority to adopt other provisions concerning causes that have entailed the exclusion of Unareti from tender. Both 2i Rete Gas and the Contracting Authority filed an appeal again the TAR's decision.

For further information, see the sections headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" and "*Risks and uncertainties*" of the Report on Operations at 31 December 2019 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Distribution Tariff Structure

The gas distribution tariff is set by the ARERA and is updated on a six-year basis.

With Resolution 570/2019/R/gas the Regulatory Authority defined the fifth regulatory framework applicable in the 2020-2025 period (with an intra-period update in 2023) for determining the distribution and metering tariffs for municipal and over-municipal areas. For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations at 30 December 2019 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Municipal/supra-municipal awards and ATEM awards: common rules

The ARERA confirmed the tariff decoupling system between the tariff valid for determining the operator's allowed incomes and the obligatory tariff actually applied to customers, unique for macro-areas. Any difference between them will be refunded by a compensation system. The tariff valid for determining the operator's allowed incomes is calculated in order to grant the financial remuneration of capital (as referred to t-1 year), to cover the depreciation charges, and to recognize operating costs determined parametrically (unique for metering activity, differentiated according to operator's size and density of the served for distribution activity) and updated through the price-cap method. The WACC for distribution and metering activities has been unified (6.3% for both distribution and metering, while in 2019 is equal to 6.3% distribution and 6.8% metering) as a consequence of the alignment of the beta for gas metering at 0.439, down from the current 0.502; the next update of the WACC, concerning the parameters common to the infrastructure services (e.g. risk free rate, inflation, etc.) will take place by December 2021, whereas the beta asset parameter will be reviewed at the beginning of the next tariff regulatory period (2026).

Investment incentives will be possibly granted subject to quality regulatory rules. In detail, the ARERA, with the Resolution 569/2019/R/gas, has defined gas quality regulation for the period 2020-25. The framework is substantially in line with the previous period for technical and commercial quality rules in terms of: i. service obligations regarding emergency intervention, recurring inspections of network and gas leaks; ii. incentive mechanism in order to improve network safety, service continuity and system efficiency; iii. automatic compensation for customers in case of non-compliance with specific service standards; and iv. performance monitoring for the metering service, with penalties in case of failure to meet service requirements.

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations at 31 December 2019 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Municipal and supra-municipal awards: specific rules

Invested capital is determined according to the adjusted historical cost, while depreciation charges are calculated considering the same regulatory useful life of assets applied during the previous regulatory period. The values of both invested capital and depreciation charges depend on how the operator considered contributions at 31 December 2011. In particular, concerning the so-called "frozen contributions" (equal to 20% of existing subsidies at 31 December 2011), new rules for including part of the private/public contributions received by the operators in the tariffs and admitted revenues were established in the fifth regulatory period. The X-Factor to be applied in the 2020-2025 period was increased respect to the previous values (i. distribution, from 1.7% to 3.53% for big companies with more than 300,000 PDR served[15]; ii. metering, confirmed at 0%; and iii. commercialization, from 0% to 1.57% for all companies). However, an update of the productivity parameter will be evaluated by ARERA in the interim review of the period. For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations at 31 December 2019 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

ATEM awards: specific rules

Under ATEM-based concessions, the gas distributor's allowed revenues will be calculated applying specific regulatory rules defined by the Italian NRA. In particular, the invested capital will be determined depending on whether the operator is reconfirmed or not: if so, the value will be determined considering the net assets of the areas recognized by ARERA. In the event of takeover by a new operator, the invested capital will be equal to the refund value due to the out-going operator (VIR). The allowed operating costs are determined with reference to the size of the company and the density of its customer base, and will be updated considering a X-Factor equal to 0% for the first 3-year period (for the following three years, the X-Factor will be that applicable to large operators with reference to the municipal and supra-municipal awards).

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Reports on Operations as at 31 December 2019 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Sale

As at 1 January 2003, companies that intend to sell natural gas to final customers must obtain a concession from the Ministry of Productive Activities. Authorization can only be denied on objective, non-discriminatory grounds.

From 1 January 2002, only companies that are not engaged in any other activity in the natural gas sector, other than as importers, drillers or wholesalers, are entitled to sell gas.

Law 99/2009 introduces "Last-Resort Service" provisions applying to household customers. In this regard, the "Single Buyer" (a company indirectly owned by the State) is in charge by operation of law of identifying last-resort suppliers for household customers and small enterprises.

Moreover, Law No. 99/2009 provides for the establishment of a market exchange for the supply and sale of natural gas. Accordingly, the Decree issued by the MSE on 18 March 2010 established the trading platform for the import gas exchange (P-Gas), managed by the Energy Market Operator (**GME**) in compliance with the principles of transparency, competition and non-discrimination.

[15] From 2.5% to 4.79% for medium companies (more than 50,000 and up to 300,000 PDR served) and from 2.5% to 6.59% for small companies (up to 50,000 PDR served).

Afterwards, in October 2010 an actual gas exchange was put into operation, with the GME playing a role of central counterparty (M-Gas platform, structured in day ahead market (MGP-Gas) and in intraday market (MI-Gas)).

In December 2011 the gas balancing market on the PB-Gas platform, managed by GME and with Snam Rete Gas playing a role of central counterparty, has been put into operation. The balancing market introduced an *ex-post* gas exchange session aimed at the balancing of the whole gas system and, accordingly, the respective positions of the market participants. A new session held the day before (G-1) was introduced in January 2013 aimed at introducing flexibility resources in addition to storage (entry-points, linepack, GNL, further storage capacity).

Lastly, in September 2013 negotiations started in the MT-Gas platform, the futures market managed by GME. In order to increase the MT market liquidity, the Law Decree no. 145/2013 ("*Destinazione Italia*") forced operators importing more than 10% of total to offer 5% of volumes imported on such a market, and to buy an equal amount.

Natural Gas Balancing Market

Natural gas balancing activity is "aimed at providing for the coordinated use and operation of the production, storage, transport and distribution networks and ancillary services". Balancing is therefore functional to maintain the balance over time of gas injections and withdrawals, an essential condition for network operation. Since 2011 and also in implementation of the provisions of the Third Package, the Authority has gone from a system in which gas balancing was "administered" to a "market" system where this activity is not only "internal" for the network operator but is also a service rendered to the users of the network which, together with transport, distribution, storage and re-gasification services, allows them to fulfil the contractual obligations to supply gas to its customers (end users or wholesalers), at the time and for the quantities required. In particular, the balancing service entails the involvement of transport users that have the specific responsibility to ensure, for each relevant period (gas day), the balancing of gas injections and withdrawals within the network.

With Regulation (EU) 314/2014 of 26th March 2014 the Commission established a network code on gas balancing of transmission networks – Balancing Network Code – which applies to balancing zones within the borders of the European Union. It sets gas balancing rules, including network-related rules on nomination procedures, imbalance charges, settlement processes associated with daily imbalance charges and provisions on operational balancing.

From 30 September, 2016 and until 31 March 2017 the "transitional structure" of the gas balancing system was in force as per Resolution 312/2016/R/gas (TIB - Integrated Balancing Text - then amended by Resolution 349/2017/R/gas and 661/2014/R/gas), as implemented in the Natural Gas Market Discipline (MGAS Discipline) prepared by GME and approved by the Ministry for Economic Development with Ministerial Decree dated 16 November 2016. During this transitional phase, the markets for trading of locational products (MPL) and storage gas (MGS) were organized within the regulatory framework of the Natural Gas Balancing Platform (PB-GAS). With Resolution 66/2017/R/gas, the Authority approved the Integrated Text relating to the provisions on regulatory conditions for the management of the physical gas markets ("TICORG") and approved the functional provisions to the implementation of the "fully operational phase" of the new gas balancing system contained in the TIB. In particular, this resolution determined:

- the operational termination of the PB-GAS with the execution of transactions concluded in the market sessions relating to the gas day 31 March 2017;

- the termination of the agreement between GME and Snam Rete Gas (SRG), pursuant to Resolution ARG/gas 45/11;

- the application of the virtual trading point registration rules also to transactions concluded on the MPL, which also became a part of the MGAS;

- the stipulation of special agreements with storage companies in relation to the management of the information flows necessary for the operation of the MGS in which it is envisaged that: (i) the exchange of data and information between GME and STOGIT, which is used for the management of the SYM, continues to be carried out through SRG and (ii) participation in the MGS is limited only to major storage companies.

With resolutions 72/2018/R/gas and 148/2019/R/gas, the ARERA approved the new regulatory criteria for gas settlement (*"TISG – Testo Integrato Settlement Gas"*), for the economic and physical allocation of gas to shippers, distribution users, sales companies, customers and the TSO. The new rules recognize the role of Snam Rete GAS as supplier of the gas necessary to operate the system. Since the beginning of 2020, Snam Rete Gas has supplied the gas necessary to operate the system through a new segment of the MP-GAS called "AGS".

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations at 31 December 2019 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Tariff Structure

ARERA Resolution No. ARG/gas 64/09, as subsequently amended, defined the methodology for calculating the economic conditions of supply applicable to domestic customers (the "Protection Scheme" for those who do not opt to resort to the free natural gas market).

Furthermore, Art. 13 of Legislative Decree No. 1/2012 sets forth the progressive introduction of references to the price of natural gas recorded in the European Markets for process of updating the economic conditions of supply.

In this sense, with effect from 1 October 2013 the method for calculating the economic conditions of supply to small customers were thoroughly reformed by Resolution No. 196/2013/R/gas, which introduced specific spot market references and revised the entire tariff structure, leading to an overall reduction of the prices borne by end-users.

Heat and Services

District heating activities have not yet been subject to systematic regulations in Italy. District heating supply agreements with end users were subject to the general provisions of the Italian Civil Code and contracts with the municipalities were in different forms and govern various activities: some local authorities bound operators to construct production plants and distribution networks as well as to sell the service to other customers that allow such activities to be carried out without imposing any constraints or engage in any control activity; the regional standards were also different. Each company determined prices for district heating at its discretion, without being subject to any specific regulatory requirements regarding the determination of the tariffs or the methods of their calculation. Most companies, however, fixed tariffs with reference to the cost of natural gas for similar usage.

This solution has maintained equivalent costs for the two categories of energy providers (gas and district heating) and as a result the customers receive equal treatment.

In March 2014, the Antitrust Authority published the results of the District Heating Survey, highlighting a competitive structure, while nevertheless advocating a regulatory framework for the sector.

On 4 July 2014, Legislative Decree no. 102, implementing the EU Directive 2012/27/UE, concerning energy efficiency, provided that the ARERA should set:

- quality, continuity and safety standards;
- connection and disconnection procedures and tariffs;
- means of communication of pricing and service conditions; and
- pricing, in the event of compulsory connection.

In 2016 and 2017 the ARERA started monitoring the sector through the operators census and specific data collections. In addition, operators were consulted on commercial quality measures, accounting unbundling, and price transparency. With Resolution no. 24/2018, the ARERA defined the criteria for determining connection fees and disconnection procedures.

At the end of 2018 and in 2019, the ARERA set technical and commercial quality standards, respectively adopting the following Resolutions:

- Resolution 661/2018/R/tlr defined the regulation of the commercial quality of district heating services (RQCT) for the period 1 July 2019 – 31 December 2021. The services subject to commercial quality include quotes, execution of works, activations, complaint handling, as well as prompt intervention;
- Resolution 313/2019/R/tlr approved the Integrated Text on the minimum transparency obligations of district heating and cooling services (TITT) for the period 1 January 2020 – 31 December 31 2023. The criteria are applied to supply contracts, service delivery prices, billing documents, quality information and environmental performance;
- Resolution 548/2019/R/tlr established the guidelines for the technical quality of district heating services (RQTT) for the period 1 July 2020 – 31 December 2023 with reference to security and continuity of service. The provisions are designed to improve the performance of the sector and set equal minimum standards at national level.

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Reports on Operations as at 31 December 2019 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Regulations applicable to the supply of public services

Article 3-*bis* of Law No. 148/2011 and subsequent amendments establishes that LPSs involving networks should be operated on an optimal, uniform territorial basis and incentives have been put in place for local authorities in order to promote competitive procedures to assign the service management.

Law Decree no. 179 of 18 October 2012 (the **Urgent Measures for the Country Decree**) came into force on 20 October 2012. Article 34, paragraphs 20 to 27 of this decree governs LPSs.

The Urgent Measures for the Country Decree also considers transitional provisions applicable to LPS agreements in existence on 20 October 2012. According to the decree, public entities are required to publish a report on existing agreements addressed to the local public services organization by 31 December 2013. By this same deadline (as subsequently deferred; see below), public entities are also required to introduce a termination date for existing mandates without a pre-determined termination date. Existing mandates which still do not provide for a termination date will be terminated by 31 December 2013. As a result, pursuant to Article 34, where existing mandates comply with requirements laid down for local public utilities by the applicable EU law, they can carry on providing their services beyond 2013 provided that a termination date has been set by the competent public entities. As mentioned, further rules (especially Law no. 150/13) again postponed the 31 December 2013 deadline, and the Stability Law under discussion in the Italian Parliament will defer it further. Mandates given to listed companies or companies controlled by a listed company will

continue up to the termination date established in the relevant agreement and, where a termination date is not provided for, up to 31 December 2020. Please note that article 34 does not apply, in relation to the Group's business, to natural gas distribution and energy distribution services.

Furthermore, the Law no. 124 of 7 August 2015 on the Reform of the Public Administrations (the so-called "**Madia Law**"), in force since 28 August 2015, has entrusted the Government with mandate to adopt a Legislative Decree reforming local public utilities. It is made up of 23 articles divided in four parts: 1) administrative simplification; 2) organization; 3) personnel; and 4) mandates for the law simplification. The Decree has conferred 14 legislative mandates upon the government in order to provide this reform with full granularity through the issue of specific law decrees.

However, the regulation of local public services has only partially been affected by Law 124/2015 because, to date, the government has issued only Legislative Decree 175/2016, as subsequently amended by Legislative Decree 100/2017 concerning municipally controlled entities, but not the decree that pertains to the reorganization of local public services.

Water services regulation

The previous scenario was governed by Law No. 36/1994 (the **Galli Law**), which thoroughly reformed the entire industry. Its main distinctive features can be summarized as follows:

- the Law clearly defined each service included in the Integrated Water Service (SII): water for non-industrial purposes intake, transport and distribution carried out together with drainage and sewage disposal;

- Italian regions had to identify the Integrated Water Districts (*Ambiti Territoriali Ottimali* – **ATO**), in order to manage the SII efficiently. For each ATO, a water district authority (*Autorità di ambito territoriale ottimale* – **AATO**) was in charge of Integrated Water Service strategic planning, operator identification, supervision and tariff calculation; and

- establishment of an integrated tariff system for both fresh water and waste water services applied to all customers within each District. Pursuant to article 13 of Law No. 36/94, the Ministry of the Environment issued the Decree of 1 August 1996 defining the "normalized method" to be applied by each district authority in order to calculate the tariff in each district.

The water regulation was then partly modified by Legislative Decree No. 152 of 3 April 2006 (the **Environmental Code**) that implemented Law No. 36/1994, better specified the duties and characteristics of district authorities and, in addition, defined criteria for service assignment to in-house companies (i.e. a company completely owned by local authorities). It must also be noted that, from August 2011, according to the rules set forth by Legislative Decree No. 121/2011, some crimes concerning water discharge disposal were added to Legislative Decree No. 231/2001 (the **Decree 231**) on the administrative responsibility of entities.

Legislative Decree No. 4 of 16 January 2008 then further modified the scenario, providing that water services in the same district could be assigned to different operators, while Law No. 42/2010 eliminated the existing district authorities and put the Regions in charge of the redistribution of their powers. The current deadline for undertaking these actions is 31 December 2012.[16] Regions have modified their own regulations in order to implement these rules.

[16] The Region of Lombardy, by means of regional law No. 26/2003 ,as modified by regional law no. 21/2010, transferred the functions of the district authority to the province; within the Municipality of Milano, the district authority's functions have been transferred to the Municipality.

Finally, Decree No. 70 of 13 May 2011 established the Italian Agency for Water Services Regulation and Supervision, in charge of quality standards and tariffs, with effect from 1 January 2012.

In 2011 the regulatory framework for water services underwent significant change:

- Referendum held on 12-13 June 2011:
  - According to Question No. 1, Article 23-bis of the Law No. 133/11, concerning local public services regulations, was repealed. It defined the criteria for local services assignment and management of public local services, including water services (whereas the recent Law No. 148/2011 does not include water services);
  - According to Question No. 2, Article 154, paragraph 1, of Legislative Decree No. 152 of 3 April 2006 (the Environmental Code implementing the Galli Law) was modified in order to exclude asset remuneration from tariff calculation;
- Decree No. 201 of 6 December (as converted into Law No. 214/11): Article 21, paragraphs 13 and 14, abolished the Italian Agency for Water Services Regulation and Supervision, and transferred its powers (to be implemented through a Prime Minister Decree) to the Regulatory Authority for Electricity and Gas and the Ministry for the Environment.

Due to the mentioned events, and pursuant to the Law No. 42 of 26 March 2010, the service assignment duties fall to institutions to be identified by the regions, while industry design and evaluation criteria will be required to be compliant with the Italian Legislation which is still applicable and with European law. In the future, legislators may clarify and consistently reorganize the subject. Article 21 of Law Decree No. 201/2011 (converted in Law No. 214/2011) transferred the functions concerning the regulation and supervision of water services to the ARERA[17] and to the Ministry of Environment and Protection of Land and Sea (MATTM).

The Decree of the President of the Council of Ministers (D.P.C.M) dated 20 July 2012 identifies the functions that ARERA is carry out in detail.

The powers of the ARERA and MATTM regard, in particular, tariff matters.

As for tariff issues, according to Decree No. 201 of 6 December 2011 and to the aforementioned referendum results, with Resolution 585/2012/R/idr the ARERA approved the temporary tariff method (MTT) for the 2012-2013 period. The MTT is based on ex-post regulatory criteria (accounting data of the year n-2) and on the full cost recovery principle. With Resolution 643/2013/R/idr the ARERA then defined the water tariff method (MTI) for the 2014-2015 period, and set rules concerning procedures and timing for approving the 2012 and 2013 tariffs, whereas the district authorities failed to issue specific approval. With Resolution 664/2015/R/idr, the ARERA defined the integrated urban water management tariff method (MTI-2) for the 2016-2019 period with an asymmetrical and innovative regulation. The determination of the constraint on operators' revenues (VRG) is based on reimbursement of costs (fixed assets through depreciation and the related financial and tax charges, efficient operating costs and other operating costs such as electricity costs, costs for wholesale purchase, etc.). The rates may not be greater than the change to the specified price limit for each operator (barring a reasoned request from the local authority approved by the ARERA), and are implemented through a tariff multiplier of the fixed and variable fees charged to users.

The ARERA also introduced rules regarding the contractual quality, service standards and frequency of collection of user measures. Finally, with Resolution 137/16/R/com the ARERA expanded the accounting unbundling requirements already in force for the other regulated sectors to integrated urban water management.

[17] Previously assigned to the National Agency for Water Regulation and Supervision.

The absence of a national framework for the organization of the service and its concession methods require the immediate application of Italian regulations and Community legislation.

By application of Legislative Decree No. 152/2006 and relevant regional legislation, integrated water services must be provided at above the municipal level, must be integrated — by attributing all the component assets to a single manager, must impose on the single manager a single concession, must provide control powers to the local authority and to the ARERA, must ensure compliance with the capital assets scheme, the tariff scheme defined by the ARERA and the exclusivity of the service in favour of the single manager.

Finally, Law Decree No. 179/2012, as converted into Law No. 221/2012, defined the transitional period for water service.

In particular, Article 34 of the Decree states that direct awards as at 1 October 2003 to listed companies (or to companies owned by listed companies) are to expire as stipulated in the contract, otherwise by 20 December 2020. Moreover, the aforementioned Article 34 provides general criteria in order to ensure compliance of the integrated water service regulation with the Community principles in this area.

With Resolution 465/2014/R/idr, complying with the provisions of the Law Decree no. 133/2014 (the so-called "*Sblocca Italia*" Decree, converted into Law no. 164/2014), the ARERA extended the procedure for defining the standard agreements between the foster entity and the service provider to June 2015. While it was awaiting the conversion of the Decree into Law, the ARERA began implementing rules concerning the composition of district authorities, based on a unique (and not uniform) award criterion. Several provisions of the "*Sblocca Italia*" Decree are designed to strengthen the so-called "single management" principle based on which a single IWS manager must be selected for each district (with a view to overcoming the services fragmentation that still characterizes several areas). To that end, the new Article 172 of Legislative Decree No. 152/2006 provides for the following: (a) on expiry of one or several existing concessions within a single IWS district, the end-users of which amount, in aggregate, to at least 25% of the population of such district, the relevant Territorial Authority must award the IWS concession to a single manager, to the effect that such newly-appointed single manager is to take over the position of the existing IWS providers, provided that the latter providers were appointed in compliance with the regulation then in force and their award was not terminated by operation of law on expiry of the relevant concession agreement; and (b) on expiry of existing concessions within a single IWS district, the end-users of which amount, in aggregate, to less than 25% of the population of such district, the relevant Territorial Authority is to award the relevant IWS for a duration in any case not exceeding that required to achieve such 25% threshold, or for a duration not exceeding the outstanding tenor of the existing concessions, provided that the latter are scheduled to expire ahead of the other concessions and the number of their end-users (in aggregate with that of the concessions falling within the scope of the award) amounts to not less than 25% of the overall population of the relevant district.

With Resolution 917/2017/R/idr the ARERA defined the technical quality regulation of the Integrated Water Cycle in order to improve the infrastructure system according to the multiannual program organized by specific objectives for capital expenditures and operating expenses. A premium/penalty mechanism will be active only in the next years as the national benchmark to quantify its amounts and economic impacts is not yet available.

Considering the amendments to the Legislative Decree no. 152/06 due to the article 7 of the Law Decree no. 133/14 (as then amended), the Territorial Authority selected a private-public partnership company as the single manager for the Integrated Water Service for the district authority of Brescia. The decision was then confirmed by the district board by announcement of the municipalities concerned.

By means of Resolution no. 35 of October 2016, the Territorial Authority subsequently assigned the Integrated Water Service to Acque Bresciane S.r.l., fully state-owned company in compliance with the so-called in-house supply model. The same Resolution provides for, in a second phase, the completion of the

tender for the selection of the private partner to allow the achievement of management in the form of a public-private mixed company.

With Resolution 580/2019/R/idr the ARERA defined the tariff regulation framework applicable in the 2020-2023 period (with an intra-period update in 2022). The regulatory matrix mechanism was confirmed, with a limit of the annual increase of the tariff multiplier ϑ, the parameter that defines the cap on revenues, guaranteeing investment flexibility and improving the quality of the service. This limit is mainly linked to the expected retail inflation and an efficiency-sharing factor.

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of Report on Operations at 31 December 2019 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Waste regulation

The national waste framework legislation is included in the environmental code under Decree No. 152/2006 (the **Environmental Code**), which defines criteria and rules concerning waste management. The Environmental Code also shares responsibilities among the operators active in the waste management system.

The Environmental Code, issued by the Italian government in April 2006 in order to reorganize national environmental legislation, has been modified and implemented through various regulations after its original publication. The Environmental Code provides for civil, penal and administrative penalties for violations of its provisions.

Article 1, paragraphs 527-530, of the 2018 Budget Law (Law no. 205 of 27 December 2017) grants the Authority for Electricity, Gas and the Water System, renamed the Regulatory Authority for Energy, Networks and Environment (ARERA), specific regulation and control functions of the "urban waste" management service.

The purposes of the aforementioned rules are to improve the service regulation system, guarantee accessibility, usability and homogeneous dissemination of the system, achieve adequate levels of quality in terms of efficiency and cost-effectiveness of management, harmonize economic-financial objectives with general social and environmental objectives and appropriate use of resources and achieve infrastructural adaptation to European objectives to overcome infringement procedures.

The regulatory scope of the ARERA, which in terms of the type of waste will apply to urban and similar waste, including where separately collected, consists of the following functions:

(a) issue guidelines concerning accounting unbundling, costs evaluation and efficiency benchmarks;

(b) define the quality levels of the service and the standard management agreement;

(c) consumer rights protection;

(d) definition of standard schemes for service contracts;

(e) setting and update of the tariff method for determining the fees for the integrated waste service and the component individual services according to the principle of cost coverage, based on the assessment of efficient costs and the "polluter pays" principle;

(f) set and update tariff criteria to establish the waste treatment fee;

(g) approve the tariffs;

(h) verify the waste local Plan and suggest proposals;

(i) advocacy and formulation of proposals.

The new regulations have been effective since 1 January 2018 and the ARERA, after changes in the organic plan, began with preliminary survey of the factual state of the sector and the segmentation of the individual waste cycle activities in order to apply new power on quality, protection rights and tariff method (see the section below "Waste tariff mechanism").

With regard to the financing of assets, regulated operators have to pay an annual contribution to the Authority "*not exceeding one thousandth of revenues for the last financial year*".

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations at 31 December 2019 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Waste tariff mechanism

Law Decree No. 102/2013 introduced the so-called Service Tax (tax on municipal services), which entered into force in 2014, replacing the previously applicable TARES (tax on waste). Law No. 147 of 27 December 2013, paragraphs 639 and following, modified by Law Decree No. 16 of 6 March 2014, reformed the local tax system by introducing specific taxes on real estate (IMU), waste (TARI) and inseparable services (TASI).

The TARI is intended to ensure full coverage of costs relating to waste management services (collection, recovery and/or disposal) incurred by the municipalities. All those who own or use a property are required to pay TARI, in relation to the "urban waste" produced in the property, referring to both household waste and waste originating from industrial and commercial premises, which, pursuant to the municipality regulations, is to be managed as waste generated by households. Tax rates are set by the municipalities based on the net living space of the property, the type of business activities carried out there, the number of people living there, the ordinary average quantity and quality of waste produced by square metre in the municipality concerned, as well as on the reference values provided by the so-called "normalized method" regulated under Presidential Decree No. 158 of 27 April 1999.

With respect to the nature of the waste tariff, in July 2009, with Decision No. 238/2009, the Constitutional Court ruled that the waste tariff pursuant to Article 49 of TIA1, was to be qualified as a tax and therefore not subject to VAT. Following this decision, the Italian government, by means of Law Decree No. 78 of 31 May 2010, under Article 14, paragraph 33, provided that TIA2 was to be interpreted as a tariff of "*non taxation nature*" and therefore subject to VAT. With the provisions set forth under Art. 14 of Law Decree No. 201/2011, the Italian legislator has clarified that the new tariff that will be applied starting from 1 January 2013 is a tax and therefore not subject to VAT.

As a consequence of the attribution of the sectoral competences to the ARERA with the Budget Law 2018 (Law no. 205 of 27 December 2017,), a new tariff mechanism has been established. In further detail, Resolution no. 443/2019 of 31 October 2019 adopted the MTR (i.e. Metodo Tariffario Rifiuti), as the first tariff regulatory framework for waste management activities, applicable in the 2018-2021 period. The MTR entered into force in 2020[18] and is related to collection services, while the treatment and recovery framework will enter into effect from 2021 or even later, following a public consultation process with the stakeholders involved.

The main changes introduced by the new regulatory scheme are the following:

[18] Due to the COVID-19 emergency, the Cura Italia Law Decree gives the option of postponing the application of MTR for local bodies in charge of TARI definition process. In this case, MTR is expected to be implemented by the end of 2020 and a balancing mechanism has to be identified to recover the difference with the transitory tariff.

- RAB-based remuneration: the primary revenues are matched to cover operating costs, cost of capital and depreciation/amortization with a financial return on net invested capital (WACC) equal to 6.3%,+1% for the regulatory time lag (i.e. -2 years for cost recovery).

- Price cap: tariff increases will be capped, ensuring flexibility in order to consider additional services and quality improvement or change in scope. Indeed, Local Authorities could submit a request to NRA to exceed the cap in order to guarantee the economic balance of the regulated services.

- Profit sharing: a sharing method in favour of the service provider, applied on secondary revenues from the sale of separate collection materials and other market activities based on the concession asset (i.e. power and heat).

- Asymmetry and gradualness: efficiency incentives in the sharing factor and gradual implementation instruments, which are set by the local municipality in charge of tariff approval and are based on objective indicators (i.e. RD, customer satisfaction).

- Tariff validation: the regulator maintains a role in checking the consistency of the tariff with the MTR methodology, and could apply an equalization mechanism in case of complaints.

For further information, see the section headed "*Evolution of the regulation and impacts on the Business Units of the A2A Group*" of the Report on Operations at 31 December 2019 incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", above).

Environmental Code

The Environmental Code contains the majority of the national legislation on environmental issues and it implements the main EU directives on waste treatment, governing waste management and remediation of contaminated sites, laying down measures to protect the environment and human health, preventing or reducing the negative impacts of production and waste management, reducing overall impacts of resource use and improving efficiency. Urban waste collection and treatment is an activity conducted in the public's interest and qualified as a local public service (**LPS**). Waste management is carried out in accordance with the principles of precaution, prevention, sustainability, proportionality, accountability and cooperation of all parties involved in the production, distribution, use and consumption of goods which originate from the waste and under the principle of responsibility of the polluter (the so called "polluter pays" principle). To this end, the management of waste is carried out according to criteria of effectiveness, efficiency, economy, transparency, technical and economic feasibility, and in compliance with existing rules on participation and access to environmental information. Waste management takes place in accordance with the following hierarchy of principles: (a) prevention, (b) preparation for reuse; (c) recycling; (d) other recovery — *i.e.* the recovery of energy — and (e) disposal.

Municipal waste management is organized on the basis of "optimal management areas" (**ATOs**) bounded by the regional plan under the criteria of: (a) overcoming the fragmentation of management through an integrated waste management service; (b) achievement of adequate operating dimensions, defined on the basis of physical, demographic, technical criteria and based on the political-administrative divisions; (c) adequate assessment of the road system and rail communications in order to optimize the transport within the area; (d) enhancement of common needs and affinities in the production and waste management; (e) survey of waste management facilities already built and in operation; and (f) consideration of the previous boundaries for the new areas so as to ensure that the latter deviate from the previous areas only on the basis of justified reasons of effectiveness, efficiency and economy. Areas are established by the regions; according to the exception explicitly provided by the law itself, some regions have decided not to establish them.

According to the Environmental Code, with reference to municipal waste (**MW**), the regional authorities are tasked with defining waste management plans in order to organize and integrate waste collection, treatment

and disposal within the optimal management area. Each optimal management area consists of certain number of municipalities. The targets on separate collection of municipal solid waste must be reached within the area. The territory of each area is defined by Regions.

According to national criteria, regional plans on waste management must include various provisions, such as:

- measures to ensure a reduction in the quantity, volume and hazardousness of waste;
- identification of optimal management areas;
- provisions to avoid soil and water pollution, arising from municipal and industrial waste landfilling;
- measures to prevent waste production and encourage reuse, recycling and recovery; and
- measures to promote waste collection and management within the regional territory.

Law Decree No. 2 of 25 January 2010 (converted into Law No. 42/2010) provided for the abolition of optimal management areas starting from 1 January 2011; this deadline was subsequently extended until 31 December 2012. By this deadline, regional governments were required to re-assign, by means of specific regional laws, to new regional entities, the functions previously performed by the optimal management areas, in accordance to the principles of subsidiarity, differentiation and adequacy.

The Environmental Code has been subject to significant revisions that have had significant repercussions on the activities of the companies operating in the waste sector, since the entry into force of first level and EU implementation provisions. Further amendments are expected as a result of the further implementation of recent European regulations and recently the new Circular Economy Package[19] adopted in 2018 by the European Commission.

The Package sets ambitious targets for waste reduction and recovery, as well as to discourage landfill disposal. Key elements of the revised waste proposal include:

- a common EU target for recycling 65% of municipal waste by 2030;
- a common EU target for recycling 75% of packaging waste by 2030;
- a binding landfill target to reduce landfill to maximum of 10% of municipal waste by 2030;
- a ban on landfilling of separately collected waste;
- promotion of economic instruments to discourage landfilling and fully implement the "waste hierarchy pyramid";
- harmonized definition and calculation methods for recycling rates throughout the EU;
- measures to promote eco-design/re-use and boost recovery and recycling schemes (namely, for packaging, batteries, electric and electronic equipment, vehicles).

[19] The Package includes the following legislative acts: Directive 2018/849 (end-of-life vehicles, batteries, electronic waste), Directive 2018/850 (landfill), Directive 2018/851 (waste) and Directive 2018/852 (packaging). They entered into force on 4 July 2018. Member States are required to transpose the directives into national law by 5 July 2020.

Landfill disposal

Legislative Decree No. 36 of 13 January 2003 implements the Landfill Directive (Council Directive No. 1999/31/EC), which aims to prevent, or to reduce as far as possible, the negative environmental effects of landfills.

Decree No. 36/2003 requires companies that operate a landfill to carry out a series of activities (including collection, storage and disposal of the percolate, aspiration, combustion and energy retrieval of the bio-gas) for a period of 30 years after closure of the landfill. The price applied by the operator for landfill disposal must cover the costs for landfill management for at least 30 years after closure.

With the 2018/850 Directive amending the abovementioned 1991/31/EC, a 10% target has established as a limit for landfilled municipal waste. Exceptions are granted for counties still relying on landfills for over 60% of their municipal waste.

Hydroelectric

For further information on laws applicable to the hydroelectric sector see "*Concessions – Hydroelectric plants*" above.

TAXATION

General

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes, including the application to their particular situation of the tax considerations discussed below.

Taxation in the Republic of Italy

The statements herein regarding taxation summarise the principal Italian tax consequences of the purchase, the ownership and the disposition of the Notes. It is a general overview that does not apply to certain categories of investors and does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. It does not discuss every aspect of Italian taxation that may be relevant to a holder of the Notes if such holder is subject to special circumstances or if such holder is subject to special treatment under applicable law. This overview also assumes that the Issuer is organised and that the Issuer's business will be conducted as outlined in this Base Prospectus. Changes in the Issuer's tax residence, organisational structure or the manner in which the Issuer conducts its business may invalidate this overview.

The statements herein regarding taxation are based on the laws in force in Italy as of the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.

Tax treatment of the Notes

Legislative Decree No. 239 of 1 April 1996, as subsequently amended (**Decree No. 239**), provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as **Interest**) from securities (i) falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) within the meaning of Article 44 of the Italian Presidential Decree No. 917 of 22 December 1986, as amended (**Decree No. 917**), (ii) issued, *inter alia*, by companies whose shares are listed on an Italian regulated market, such as the Notes.

For this purpose, pursuant to Article 44 of Decree No. 917, debentures similar to bonds are securities that (i) incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and (ii) do not grant to the relevant holders any right to directly or indirectly participate in the management of the issuer or of the business in relation to which they are issued or to control the same management.

Italian Resident Noteholders

Pursuant to Decree No. 239, where an Italian resident Noteholder, who is the beneficial owner of the Notes, is: (i) an individual not engaged in a business activity to which the Notes are effectively connected, (ii) a non-commercial partnership or professional association, (iii) a non-commercial private or public institution or non-commercial trust (other than Italian undertakings for collective investment), or (iv) an investor exempt from Italian corporate income tax (in each case, unless the relevant Noteholder has entrusted the management of its financial assets, including the Notes, to an authorised intermediary and has opted for the so-called "*risparmio gestito*" regime, see under paragraph "*Capital Gains*", below), Interest payments in respect of Notes are subject to a final substitute tax (***imposta sostitutiva***), levied at the rate of 26 per cent. (either when such Interest is paid by the Issuer, or when payment thereof is obtained by the Noteholder on a sale of the relevant Notes). The *imposta sostitutiva* may not be recovered as a deduction from the income tax due.

In case the Notes are held by an Italian resident individual or non-commercial private or public institution engaged in a business activity and are effectively connected to its business activity, then Interest (i) will be subject to the *imposta sostitutiva* on account of income tax due and (ii) will be included in the relevant Noteholder's annual corporate taxable income to be reported in the income tax return. As a consequence, such Interest will be subject to the ordinary income tax and the *imposta sostitutiva* may be recovered as a deduction from the income tax due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation relating to certain eligible financial instruments (including the Notes) if the latter are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 (**Finance Act 2017**), in Article 1 (210-215) of Law No. 145 of 30 December 2018 (**Finance Act 2019**, as implemented by the Ministerial Decree of 30 April 2019, in Article 13-bis of Law Decree No. 124 of 26 October 2019 (**Decree No. 124**), as converted with amendments into law by Law No. 159 of 19 December 2019, or in Article 136 of Law Decree No. 34 of 19 May 2020 (**Decree No. 34**), as applicable.

Pursuant to Decree No. 239, *imposta sostitutiva* is generally applied by banks, *società di intermediazione mobiliare* (**SIMs**), fiduciary companies, *società di gestione del risparmio* (**SGRs**), stock exchange agents and other entities identified by relevant decrees of the Ministry of Economics and Finance (the **Intermediaries** and each an **Intermediary**).

The Intermediaries must: (i) be (a) resident in Italy, or (b) a permanent establishments in Italy of Intermediaries resident outside Italy, or (c) an organisation or a company non resident in Italy acting through a system of centralised administration of securities and directly connected with the Department of Revenue of the Ministry of Economy and Finance (which includes Euroclear and Clearstream) having appointed an Italian representative for the purposes of Decree 239; and (ii) intervene, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes.

In order to apply the *imposta sostitutiva*, an Intermediary opens an account (the **single account**) to which it credits the *imposta sostitutiva* in proportion to the Interest accrued. In the event that more than one Intermediary participates in an investment transaction, the *imposta sostitutiva* in respect of the transaction is credited to or debited from the single account of the Intermediary having the deposit or investment management relationship with the investor.

Where the Notes and the relevant coupons are not deposited with an Intermediary, the *imposta sostitutiva* is applicable and withheld by any Italian bank or any Italian intermediary paying Interest to a Noteholder or by the Issuer.

Where an Italian resident Noteholder is a corporation or a similar commercial entity (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected) and the Notes and the relevant coupons are deposited in a timely manner directly or indirectly with an Intermediary, then payments of Interest on Notes will not be subject to the *imposta sostitutiva*, but Interest accrued on the Notes must be included in the relevant Noteholder's annual corporate taxable income (and in certain circumstances, depending on the "status" of the Noteholder, also in the net value of production for the purposes of regional tax on productive activities – **IRAP**) to be reported in the income tax return and are therefore subject to general Italian corporate taxation according to the ordinary tax rules.

The *imposta sostitutiva* regime described herein does not apply in cases where the Notes are held in a discretionary investment portfolio managed by an authorised intermediary pursuant to the so-called

discretionary investment portfolio regime (the *risparmio gestito* regime, as described under "*Capital Gains*", below).

Where the investor is an Italian open-ended or closed-ended investment fund other than a real estate investment fund, a SICAV (an investment company with variable capital) or a SICAF (an investment company with fixed capital, other than a real estate SICAF), established in Italy (together, the **Funds**) and either (i) the Fund or (ii) its manager is subject to the supervision of a regulatory authority, and the Notes are held by an authorised intermediary, Interest accrued during the holding period on the Notes will neither be subject to *imposta sostitutiva* nor to any other income tax in the hands of the relevant Noteholders; a withholding tax of 26 per cent. will be levied on proceeds distributed by the Fund or received by certain categories of unitholders or shareholders upon redemption or disposal of the units or shares (the **Collective Investment Fund Tax**).

Italian pension funds subject to the regime provided by Article 17 of Legislative Decree No. 252 of 5 December 2005 (the **Pension Funds**) are subject to a 20 per cent. substitute tax on their annual net accrued result. To the extent that the Notes and the relevant coupons are deposited in a timely manner directly or indirectly with an Intermediary, then Interest on Notes held by Pension Funds will not be subject to *imposta sostitutiva* but will be included in the calculation of said annual net accrued result. Subject to certain conditions (including minimum holding period requirement) and limitations, Interest in respect to the Notes may be excluded from the taxable base of the 20% substitute tax if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Finance Act 2017, in Article 1 (210-215) of Finance Act 2019, as implemented by the Ministerial Decree of 30 April 2019, in Article 13-bis of Law Decree No. 124, as converted with amendments into law by Law No. 159 of 19 December 2019, or in Article 136 of Decree No. 34, as applicable.

Under the current regime provided by law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001, Law Decree No. 78 of 31 May 2010, converted into Law n. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, payments of Interest in respect of the Notes made to Italian resident real estate investment funds and Italian real estate SICAFs established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-*bis* of Law No. 86 of 25 January 1994 (together, the **Real Estate Funds**), are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of such real estate investment funds, provided that the Notes, together with the relevant coupons, are timely deposited with an authorised Intermediary. A withholding tax may apply in certain circumstances at the rate of up to 26 per cent. on distributions made by a Real Estate Fund and, in certain cases, a tax transparency regime may apply in respect of certain categories of investors in a Real Estate Fund owning more than 5 per cent. of the Real Estate Fund's units or shares.

Non-Italian resident Noteholders

Interest payments relating to Notes may be exempt from taxation with respect to certain beneficial owners of the Notes resident outside of Italy, without permanent establishment in Italy to which the Notes are effectively connected. In particular, pursuant to Decree No. 239 subject to timely compliance with all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as outlined in brief below, an exemption applies to any non-Italian resident beneficial owner of the Notes who: (i) is resident, for tax purposes, in a country which allows for a satisfactory exchange of information with the Italian tax authorities included in the white list provided for by a decree to be issued pursuant to Article 11 (4) (c) of Decree No. 239, as amended by Article 10 of Legislative Decree No. 147 of 14 September 2015 (currently, reference is made to the list included in the Ministerial Decree of 4 September 1996, as amended and supplemented from time to time, the **White List**); or (ii) is an international body or entity set up in accordance with international agreements entered into force in Italy; or (iii) is a central bank or an entity also authorised to manage the official reserves of a State; or (iv) is an "institutional investor", whether or not subject to tax, which is established in a country included in the White List.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of Interest and must:

(a) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and

(b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. This statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign central banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001, as subsequently amended.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. to Interest paid to Noteholders who do not qualify for the exemption.

Noteholders who are subject to the *imposta sostitutiva* might, nevertheless, be eligible for a total or partial reduction (generally to 10 per cent.) of the *imposta sostitutiva* under certain applicable double tax treaties entered into by Italy, if more favourable, subject to timely filing of required documentation.

Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 26 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation relating to the certain eligible financial instruments (including the Notes) if the latter are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Finance Act 2017, in Article 1 (210-215) of Finance Act 2019, as implemented by the Ministerial Decree of 30 April 2019, in Article 13-bis of Law Decree No. 124, as converted with amendments into law by Law No. 159 of 19 December 2019, or in Article 136 of Decree No. 34, as applicable.

Where the Noteholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected; (b) an Italian company or a similar Italian commercial entity; (c) a permanent establishment in Italy of a foreign entity; (d) an Italian commercial partnership; or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Noteholders, the withholding tax rate may be reduced by any applicable tax treaty.

Capital Gains

Italian Corporate investors (including banks and insurance companies)

Capital gains realised by Italian resident corporate entities (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected) on sale, transfer or redemption of the Notes will form part of their aggregate income subject to corporation tax (**IRES**). In certain cases (depending on the status of the Noteholder), capital gains may also be included in the taxable net value of production of Italian

resident corporate entities (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected) for IRAP purposes. The gains are calculated as the difference between the sale price and the relevant tax basis of the Notes. Upon fulfilment of certain conditions, the gains may be taxed in equal instalments over up to five fiscal years for IRES purposes.

Italian resident individuals

Where an Italian resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the rate of 26 per cent. Noteholders may set off any losses with their gains.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian capital gain taxes on capital gains realised upon sale or redemption of certain eligible financial instruments (including the Notes) if the latter are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Finance Act 2017, in Article 1(210-2015) of Finance Act 2019, as implemented by the Ministerial Decree of 30 April 2019, in Article 13-bis of Law Decree No. 124, as converted with amendments into law by Law No. 159 of 19 December 2019, or in Article 136 of Decree No. 34, as applicable.

In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below:

(a) Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realised by the Italian resident individual Noteholders holding the Notes. In this instance, "capital gains" means any capital gain not connected with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay the *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

(b) As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to:

    (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of foreign intermediaries); and

    (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder.

    The depository must account for the *imposta sostitutiva* in respect of capital gains realised on each sale, transfer or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholders or using funds provided by the Noteholders for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, which may be deducted from capital gains subsequently

realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, Noteholders are not required to declare the capital gains in the annual tax return.

(c) In the discretionary investment portfolio regime ("*risparmio gestito*" regime), any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets (including the Notes) to an authorised intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent., to be paid by the managing authorised intermediary. Any depreciation of the managed assets accrued at the year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Noteholders are not required to declare the capital gains realised in the annual tax return.

Italian Funds

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva* on capital gains in the hands of the relevant Noteholder; the Collective Investment Fund Tax will be levied on proceeds distributed by the Fund or received by certain categories of unitholders or shareholders upon redemption or disposal of the units or shares.

Italian Pension Funds

In case of Notes held by Italian Pension Funds, capital gains on the Notes will contribute to determine the annual net accrued result of same Pension Funds, which is subject to a 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, Interest relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Finance Act 2017, in Article 1(210-2015) of Finance Act 2019, as implemented by the Ministerial Decree of 30 April 2019, in Article 13-bis of Law Decree No. 124, as converted with amendments into law by Law No. 159 of 19 December 2019, or in Article 136 of Decree No. 34, as applicable.

Italian Real Estate Funds

Italian Real Estate Funds are not subject to any substitute tax nor to any other income tax in the hands of the Real Estate Fund, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent.; subject to certain conditions, depending on the status of the investor and percentage of participation, income of the Real Estate Fund is subject to taxation in the hands of the unitholder or the shareholder regardless of distribution.

Non-Italian resident Noteholders

The 26 per cent. *imposta sostitutiva* may in certain circumstances be payable on any capital gains realised upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held or deemed to be held in Italy.

However, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a self-declaration - *autocertificazione* - of non-residence in Italy) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions of any applicable double tax treaty.

Where the Notes are not listed on a regulated market in Italy or abroad:

(a) pursuant to the provisions of Legislative Decree No. 461, Decree No. 350 of 25 September 2001 and Decree No. 239, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected that qualify for the exemption from *imposta sostitutiva* under the applicable provisions of Decree No. 239 — are exempt from taxation in Italy on any capital gains realised upon sale for consideration or redemption of the Notes, subject to timely filing of the required documentation;

(b) in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to taxation in Italy, subject to timely filing of the required documentation, on any capital gains realised upon sale for consideration or redemption of the Notes.

Fungible issues

Pursuant to Article 11 (2) of Decree No. 239, where the Issuer issues a new Tranche forming part of a single series with a previous Tranche, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva* (if any), the issue price of the new Tranche will be deemed to be the same as the issue price of the original Tranche. This rule applies where (a) the new Tranche is issued within 12 months from the issue date of the previous Tranche and (b) the difference between the issue price of the new Tranche and that of the original Tranche does not exceed 1 per cent. of the nominal value of the Notes multiplied by the number of years of the duration of the Notes.

Inheritance and gift taxes

Subject to certain conditions, transfer of Notes, *mortis causa* or by reason of donation, are subject to inheritance and gift taxes, provided that the issuer is resident in Italy.

Inheritance and gift taxes apply according to the following rates and exclusions:

(a) transfers to spouse and to direct relatives: 4 per cent. of the value of the notes exceeding Euro 1 million for each beneficiary;

(b) transfers to brothers and sisters: 6 per cent. of the value of the notes exceeding Euro 100,000 for each beneficiary;

(c) transfers to relatives (*parenti*) within the fourth degree, to direct relatives in law (*affini in linea retta*), indirect relatives in law (*affini in linea collaterale*) within the third degree other than the relatives indicated above: 6 per cent. of the value of the notes;

(d) other transfers: 8 per cent. of the value of the notes.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (a), (b) and (c) on the value exceeding, for each beneficiary, Euro 1,5 million.

The *mortis causa* transfer of financial instruments (including the Notes) included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) – that meets the requirements set forth in Article 1(100-114) of Finance Act 2017, in Article 1 (210-215) of Finance Act 2019, as implemented by the Ministerial Decree of 30 April 2019, in Article 13-bis of Law Decree No. 124, as converted with amendments into law by Law No. 159 of 19 December 2019, or in Article 136 of Decree No. 34, as applicable – is exempt from inheritance tax.

Transfer tax

Contracts relating to the transfer of Notes are subject to a Euro 200 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in the case of voluntary registration, "explicit reference" (*enunciazione*) or upon a "case of use" (*caso d'uso*).

Stamp Duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011, converted by Law No. 214 of 22 December 2011 (**Decree No. 201**), as subsequently amended and supplemented by Law No. 147 of 27 December 2013, a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to a Noteholder in respect of any Notes which may be deposited with such financial intermediary. The stamp duty is collected by the Italian banks or other financial intermediaries with which the Notes are deposited and applies, on a yearly basis, on the market value of the Notes, or lacking such value, on the nominal or reimbursement value of such instruments, at a rate of 0.2 per cent.

The proportional stamp duty does not apply to communications sent by Italian financial intermediaries to subjects not qualifying as clients, as defined by Provision of the Governor of Bank of Italy dated 29 July 2009, as subsequently amended, supplemented and restated including by, *inter alia*, Provision of the Governor of Bank of Italy 20 June 2012. Communications and reports sent to this type of investors are subject to the ordinary €2.00 stamp duty for each copy to the extent no exemption therefrom applies. Moreover, the proportional stamp duty does not apply to communications sent to Pension Funds.

For subjects other than individuals the maximum applicable stamp tax is equal to Euro 14,000 per annum. Periodical communications to clients are presumed to be sent at least once a year, even though the intermediary is not required to send any such communication. In this case, the stamp duty is to be applied on 31 December of each year or in any case at the end of the relationship with the client. At any rate, where no specific exemption applies, a minimum stamp tax of Euro 34.20 is due on a yearly basis.

Wealth Tax on securities deposited abroad

Pursuant to Article 19(18) of Decree No. 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.2 per cent. (**IVAFE**). Starting from 2020, Law No 160 of 27 December 2019 has provided for the extension of the application scope of IVAFE to Italian resident non-commercial entities, simple partnerships and equivalent entities, in addition to Italian resident individuals. For taxpayers different from individuals, IVAFE cannot exceed Euro 14,000 per year.

This tax is calculated on the market value of the Notes at the end of the relevant year or – if no market value is available – on the nominal value or on the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Italian financial transaction tax (IFTT)

As of 1 January 2014 Noteholders entering into Notes not providing for the Issuer's obligation to repay the principal invested upon redemption (which Notes fall within the category of atypical securities), mainly having as underlying or the value of which is mainly linked to Italian shares and other participating instruments, as well as depository receipts representing those shares and participating instruments irrespective of the relevant issuer, are subject to IFTT at a rate ranging between Euro 0.01875 and Euro 200, depending on the notional value of the relevant securities calculated pursuant to Article 9 of the Ministerial Decree of 21 February 2013, as amended. IFTT applies, under certain conditions, upon subscription, negotiation or modification of these Notes or the underlying assets or reference value.

Tax Monitoring

Pursuant to Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as recently amended, individuals, non-commercial entities, non-commercial partnerships and similar institutions resident in Italy who/which, during the fiscal year, hold investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return).The requirement also applies where the persons abovementioned, being not the direct holders of the financial instruments, are the beneficial owners of the instruments.

In relation to the Notes, such reporting obligation shall not apply if, *inter alia*, the Notes are not held abroad and, in any case, if the Notes are deposited with an Italian intermediary that intervenes in the collection of the relevant income and the intermediary applied withholding or substitute tax on income derived from the Notes.

Foreign Account Tax Compliance Act (FATCA)

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements.

A number of jurisdictions, including the Republic of Italy, have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change.

Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would potentially apply to payments in respect of any Notes characterised as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued after the **grandfathering date**, which is the date on which final U.S. Treasury regulations defining foreign passthru payments are filed with the U.S. Federal Register or which are materially modified after the grandafthering date. However, if additional Notes (as described under "Terms and Conditions – Further Issues") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the FATCA withholding.

Luxembourg Taxation

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

Withholding Tax

(i) Non-resident holders of Notes

Under Luxembourg general tax laws currently in force mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

(ii) Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the **Relibi Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Accordingly, payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20 per cent.

The proposed financial transactions tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of the Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 28 July 2020, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of sales to EEA and UK Retail Investors

Unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision the expression **retail investor** means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", in relation to each Member State of the EEA and the United Kingdom (each, a **Relevant State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision:

- the expression an **offer of Notes to the public** in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes;

- the expression **Prospectus Regulation** means Regulation (EU) 2017/1129.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer, and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (**CONSOB**) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation and any applicable provision of Legislative Decree No. 58 of 24 February, 1998, as amended (the **Financial Services Act**) and Italian CONSOB regulations); or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-*ter* of Regulation No. 11971 of 14 May 1999, as amended from time to time (**Regulation No. 11971**), and the applicable Italian laws.

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must:

(i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February, 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**); and

(ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

Belgium

Other than in respect of Notes for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a **Belgian Consumer**) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The update of the Programme has been duly authorised by a resolution of the Board of Directors of the Issuer dated 18 June 2020.

The issue of Notes under the Programme will be authorised prior to each relevant issue of Notes by the competent bodies of the Issuer in accordance with applicable laws and the relevant provisions of the Issuer's By-Laws. Each issuance resolution (*delibera di emissione*) shall be passed in notarial form and registered in the competent Companies' Register (*Registro delle Imprese*).

Approval, Listing and Admission to Trading of Notes

Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU).

The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available at the Issuer's website at https://www.a2a.eu/en/investors/debt.

(i) the by-laws (*statuto*) of the Issuer (with an English translation thereof);

(ii) a copy of this Base Prospectus;

(iii) the documents incorporated by reference into this Base Prospectus; and

any future Base Prospectus, prospectuses, information memoranda, supplements and Final Terms (save that in the case of any Notes not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by the relevant Noteholders) to this Base Prospectus and any other documents incorporated herein or therein by reference. In addition, copies of the documents referred to at paragraphs (ii) and (iii) above are and/or will be, as the case may be, available on the website of the Luxembourg Stock Exchange at www.bourse.lu.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Yield

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the applicable Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Notes and will not be an indication of future yield.

Significant or Material Adverse Change

Save as disclosed in the section "*Description of the Issuer – Significant events after 31 December 2019*" above, there has been no significant change in the financial performance or position of the Issuer or the Group since 31 March 2020 and there has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2019.

Litigation

Save as disclosed in the section "*Description of the Issuer – Legal proceedings*" above, neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Independent Auditors

The current independent auditors of A2A are EY S.p.A. For further information on EY S.p.A. please see "*Description of the Issuer – Independent Auditors*" above.

Post-issuance information

The Issuer does not intend to provide any post-issuance information in relation to any issues of Note, except if required by any applicable laws and regulations.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates (including parent companies) have engaged, and may in the future engage, in lending, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates (including parent companies) may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates (including parent companies) that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates (including parent companies) would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates (including parent companies) may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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