

2021 Financial Statements

consolidated financial statements
as at 31 December 2021



Veritas spa

veneziana energia risorse idriche territorio ambiente servizi

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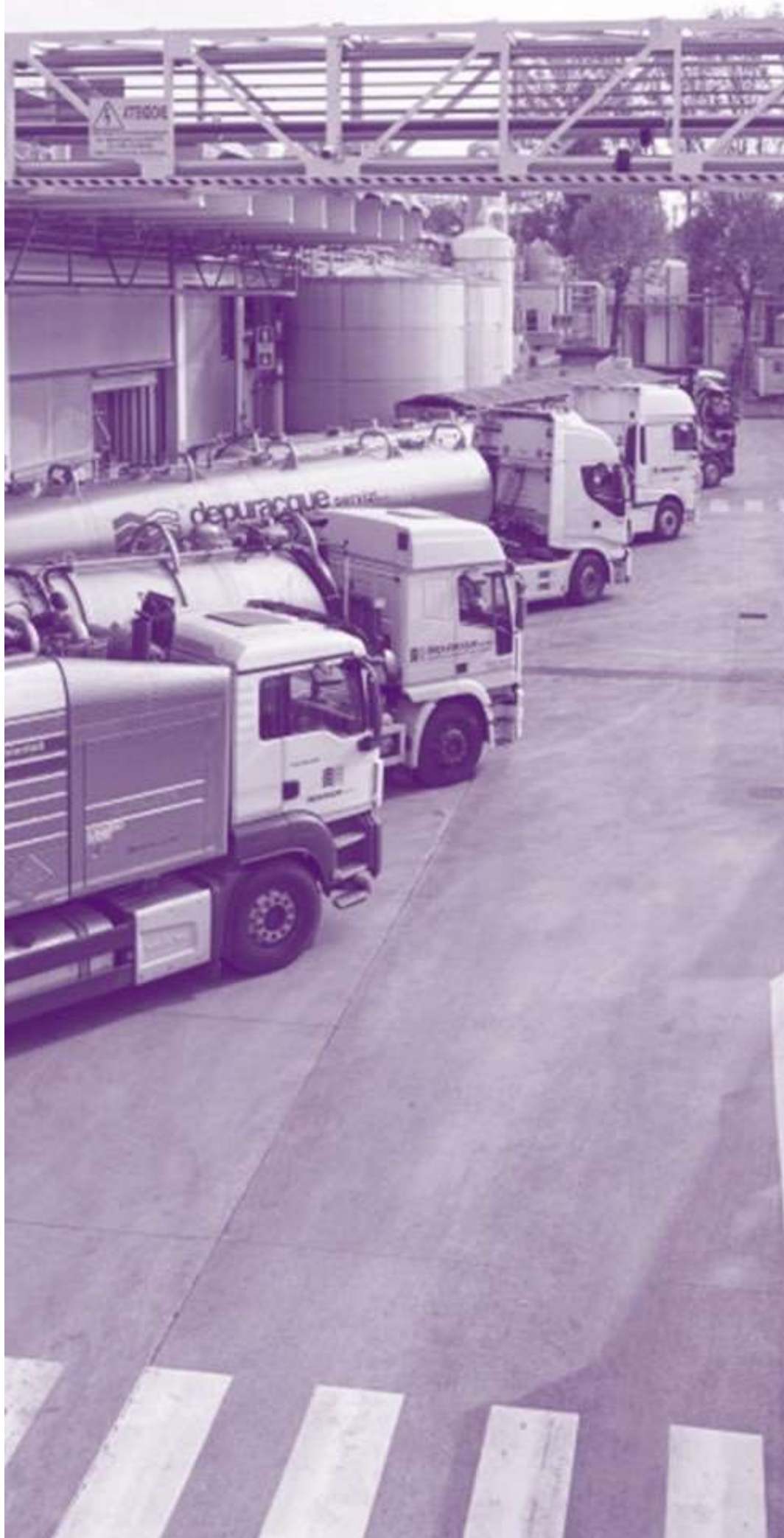
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Consolidated Financial Statements



2.1 Management Report

2.1.1 Economic and financial results 2021

Dear Shareholders,

the Veritas spa shareholders' meeting of 27 June 2008 directed the Veritas Group to apply voluntarily, as permitted by the Italian legislator, Legislative Decree No. 38 of 28 February 2005, opting to publish consolidated financial statements following IAS/IFRS.

The approval of the financial statements is subject to the term of 180 days from the end of the financial year, as outlined in the Articles of Association and Article 2364 of the Civil Code, since the Group is required to prepare consolidated financial statements under Article 25 of Legislative Decree 127/91.

The financial statements of the Veritas Group for the year ended 31 December 2021 show a net profit of k€ 12,730 compared to k€ 6,260 in the consolidated financial statements for the year ended 31 December 2020.

Considering the consolidated result, including minority interests, the result is positive in the amount of k€ 12,594, compared to k€ 4,684 in the consolidated year 2020.

The consolidated financial statements include the financial statements of the parent company Veritas spa and of the companies over which the parent company has the right to exercise control, directly or indirectly (through its subsidiaries), by determining their financial and management choices and obtaining the relative benefits.

Since 2017, the parent company has also adopted IAS/IFRS to prepare its annual financial statements under Legislative Decree 38/2005 on Eip.

Listed below are the companies that, following the provisions of IAS 27, are included in the scope of consolidation as of 31 December 2021:

consolidated companies	registered office	share capital	31 December 2021	31 December 2020
Veritas spa (parent company)	Venice	145,397,150		
Ecoprogetto Venezia srl	Venice	53,607,273	56.68%	56.68%
Mive srl in liquidation	Mirano (Ve)	110,000	100.00%	100.00%
Eco-ricicli Veritas srl	Venice	7,000,000	82.34%	82.34%
Asvo spa	Portogruaro (Ve)	18,969,650	55.75%	55.75%
Consorzio bonifica Fusina in liquidation	Venice	100,000	82.05%	82.05%
Metalrecycling Venice srl	Venice	1,800,000	82.34%	82.34%
Depuracque servizi srl	Salzano (Ve)	223,080	100.00%	100.00%
Lecher ricerche e analisi srl	Salzano (Ve)	46,800	100.00%	100.00%
Rive srl	Venice	100,000	70.00%	70.00%
<i>company removed from the scope of consolidation</i>				
Sifagest scarl in liquidation	Venice	500,000	0.00%	65.00%

During 2021, the following changes in the scope of consolidation compared to the previous year were reported:

- In December 2021, the shareholders' meeting of Metalrecycling resolved to increase the share capital from k€ 100 to k€ 1,800 without a share premium by the sole shareholder Eco-ricicli, to extend the company's duration until 31 December 2050 and to change the company's object;

- on 29 July 2021, the shareholders' meeting of Sifagest scarl in liquidation approved the final liquidation balance sheet and the final distribution among the shareholders of the assets. The Group wrote off the shareholding value in Sifagest after allocating the assets. On 5 October, Sifagest was terminated after its deletion from the commercial register.

The following associated companies are also valued using the equity method:

<i>companies accounted for using the equity method</i>	<i>Registered Office</i>	<i>Share Capital</i>	<i>31 Decem- ber 2021</i>	<i>31 Decem- ber 2020</i>
Associated companies				
Sifa scpa	Mestre (Ve)	30,000,000	33.17%	33.17%
Ecolegno CM Venezia srl	Venice	50,000	32.94%	
OMD srl	Nervesa della Battaglia (Tv)	160,000	20.59%	
Veritas Conegliano srl	Venice	100,000	48.80%	48.80%
Vier scarl	Venice	100,000	49.00%	49.00%
<i>discontinued/abandoned companies</i>				
Insula spa	Venice	2,715,280	0.00%	24.73%
Ecoplastiche Venezia srl	Venice	100,000	0.00%	32.94%

Compared to the previous year, it should be noted:

- In the final distribution of the Sifagest liquidation, shares in Sifa scarl were allocated to Veritas equal to 2.15% and Depuracque equal to 0.02% of the share capital.
- on 01 December 2021, Ecolegno CM Venezia Srl was established, of which Eco-ricicli Veritas Srl holds 40% of the share capital. It is a company whose main objective is the collection, marketing, sale, purchase, processing and transformation of non-hazardous waste with a predominantly woody composition, as well as the design and construction of facilities equipped for the storage and treatment of waste with a woody composition.
- In December 2021, Eco-ricicli Veritas Srl acquired a 25% stake in the share capital of OMD Srl, a transaction preparatory to the start-up of the Verona sorting plant.
- On 1 August 2021, Veritas acquired from its associate Insula spa the business unit for the management of public works in the Municipality of Venice, and the simultaneous divestment of its equity investment in Insula through the activation of the shareholder withdrawal option.
- In 2021, the liquidation process of the company Ecoplastiche began, which resulted in the return to Eco-ricicli Veritas Srl of part of the capital originally paid in and the recognition in the 2021 financial statements of Eco-ricicli Veritas of a capital loss of Euro 7,000.

In addition, however, the following should be noted:

- in February 2021, the notarial deed was stipulated for the acquisition by the parent company from the company Veneto Acque (a company *in house* of the Veneto Region) of the second branch of business relating to the second and third sections of the regional infrastructure known as Savec (Schema acquedottistico del Veneto centrale) - parte est. The aqueduct infrastructure named Savec is a regional work which guarantees the interconnection between the different aqueducts in the Veneto region, and the operation is part of the agreement between the various managers involved and Veneto Acque (in the execution of the Veneto Region's decision) in the devolution of this infrastructure to the local authorities.
- In 2021, Metalrecycling acquired from 3C snc the business unit for the transport of waste and goods for third parties.

The subscribed and paid-up share capital of Veritas spa, as of 31 December 2021, amounts to k€ 145,397; there is no change from the previous year.

The group provides services (local public, environmental and integrated water) in the 51 member municipalities belonging to the optimal areas of the provinces of Venice and Treviso. The inhabitants served are more than 920,000, equal to almost the entire metropolitan area of Venice and 18% of the inhabitants of the Veneto region, to which must be added approximately 40 million tourists who visit Venice, the surrounding areas, and the Jesolo, Eraclea and Chioggia coastlines each year (except during this period of health emergency), for a total of more than 1 million inhabitants equivalent.

With the merger of Asi in 2017, Veritas provides integrated water services in 36 municipalities.

As far as the integrated environmental hygiene service is concerned, the territorial scope of Veritas spa is the one resulting from the aggregation of the territories under the jurisdiction of the three companies operating before the 2007 merger (Vesta spa, Acm spa and Asp spa), to which were added, over time, the area of the municipalities of Cavarzere, Cona, San Donà di Piave, Fossalta di Piave and Mogliano Veneto, Ceggia, Eraclea, Jesolo, Musile di Piave, Noventa di Piave, and Torre di Mosto. Asvo spa covers the territory of its eleven member municipalities, which are also members of Veritas.

The financial year 2021 was also characterised by the exceptional effects of the health emergency resulting from the covid-19 virus pandemic.

However, thanks to less restrictive measures than in the previous year, an overall improvement in the Italian and international economy could be seen, which led to a recovery in bill collection after the slowdown in 2020.

Consequently, this situation resulted in a downward adjustment of the estimates for the risk of insolvency of billing receivables compared to the adjustment made last year.

Nonetheless, the Group, given the uncertainty of the pandemic period, continued its series of actions to secure the company's liquidity, by resorting to additional forms of financing, moreover, incentivised by guarantees from government sources.

In particular, during the 2021 financial year, loans were taken out with Sace guarantee in accordance with the provisions of Law Decree 23/2020 (the so-called Liquidity Decree) for a total of Euro 27 million by the parent company, Euro 20 million by Ecoprogetto and Euro 2 million by Eco-ricicli, and in December 2021, a new bond loan was issued for Euro 25 million.

The emergency also in this financial year forced the company to continue adopting particular policies such as, among others, a downsizing of the hiring of seasonal workers, *smart working* policies. However, no recourse was made to the wage supplementation fund as in 2020.

The following table shows the Veritas Group's main economic data for the financial year 2021 and the comparison with the previous year, in thousands of euros; it also compares the relative weight of each item to total net revenue.

Economic Data (in thousands of euro)	2021	%	2020	%
total net revenue	455,187	100.0%	427,546	100.0%
staff costs	-172,795	-38.0%	-164,189	-38.4%
other operating costs and provisions	-201,625	-44.3%	-189,947	-44.4%
ebitda*	80,767	17.7%	73,409	17.2%
Amortisation, depreciation and write downs	-50,528	-11.1%	-46,614	-10.9%
provisions for risks and charges	-6,996	-1.5%	-6,016	-1.4%
Operating loss	23,243	5.1%	20,779	4.9%
share of investments accounted for under the equity method	839	0.2%	45	0.0%
financial expenses (income)	-10,687	-2.3%	-12,261	-2.9%
Pre-tax income	13,395	2.9%	8,563	2.0%
income taxes for the year	-801	-0.2%	-3,879	-0.9%
result for the year from continuing operations	12,594	2.8%	4,684	1.1%
net result for the year from discontinued operations		0.0%		0.0%
consolidated result for the year	12,594	2.8%	4,684	1.1%
result for the year pertaining to minorities	-136	0.0%	-1,576	-0.4%
Group results	12,730	2.8%	6,260	1.5%

* EBITDA is the difference between revenues and operating costs, gross of depreciation and amortisation (already net of plant grants), other write-downs of fixed assets, risk provisions and other provisions.

Thus, Ebitda is a measure used by the Group's management to monitor and evaluate the Group's operating performance. Since it is not identified as an accounting measure under either Italian or international accounting standards, it should not be considered an alternative measure for evaluating the Group's performance. Since the relevant accounting standards do not regulate the composition of EBITDA, the determination criterion applied by the Group may not be homogeneous with that adopted by others and, therefore, may not be comparable.

Total net revenue amounted to Euro 455.2 million and increased by Euro 27.6 million compared to the financial year 2020, an increase of 6.5%.

Of this, revenues from sales and services amounted to Euro 443.9 million, an increase of Euro 32.0 million compared to the previous year, mainly due to the recovery of revenues from pricing and municipal environmental hygiene fees, as well as revenues from waste disposal and treatment.

Specifically, these environmental hygiene revenues amounted to Euro 176.1 million (+ Euro 10.8 million compared to the previous year) for Veritas and Euro 21.9 million for Asvo (+ Euro 1.2 million compared to the previous year).

This increase is attributable to the partial recovery of past tariff adjustments by the parent company in the amount of Euro 3.3 million, as well as the tariff increase recognised to the operator Veritas with the approval of the Pef 2021, which amounted to a total of 2.1% compared to the previous year. In addition, the increase reflects the extraordinary effect of the write-downs of past balances that occurred last year.

In particular, it is recalled that starting with the environmental tariffs for 2020, the tariff method (Mtr) approved by Resolution No. 443/2019/R/rif of 31 October 2019 by the Regulatory Authority for Energy Networks and Environment (hereinafter referred to as Arera) is in force.

This method also provided for the recalculation of the financial plans for the financial years 2018 and 2019, the differences of which compared to the previous method were to be carried forward into future EFPs (in the 2020-2023 EFPs for the 2018 adjustment and the 2021-2024 EFPs for the 2019 adjustment, respectively), effectively freezing the fees for three years in a row.

The approval of the 2020 EFPs for Veritas took place first with Basin Council Resolution No. 17 of 18 December 2020 and then with subsequent amending re-approval with Basin Council Resolution No. 5 of 14 June 2021. Since the tariff manoeuvres for 2020, following the legislation for the health emergency, were drawn up based on the 2019 EFPs, the approval of the 2020 EFP generated additional adjustments, of which only the part referable to the 6.6% tariff increase (within *Cap*) is recoverable in the following three years (2021-2023), while the part beyond *Cap*, being subject to the prior investigation of the Arera Authority, is still pending approval.

Also, by Resolution No. 5 of the Basin Council of 14 June 2021, the approval of the 2021 EFPs took place. Again, for the minority of municipalities, the tariff increase exceeds 6.6 per cent; therefore, the share over *Cap* cannot be recognised automatically to the operator Veritas but deferred over time.

All the municipalities with their resolutions have taken note of the 2020-2021 EFPs, already approved by the Basin Council, and have approved the tariff manoeuvres for 2021, in some cases covering with their funds both some 2020 adjustments within and beyond *Cap*, so as not to carry them over in the subsequent EFPs, and the tariff increases foreseen in 2021, also in some cases for the part beyond *Cap*.

As at 31 December 2021, the adjustments beyond *Cap* 2020 and 2021, for which we are still waiting for their recognition by the Authority, totalled EUR 3.4 million.

The overall increase in revenues for environmental hygiene recorded in the financial statements, therefore, amounted to approximately 6.5%, also taking into account the write-down of balances recorded in the previous year.

Concerning the approval of the 2021 EFPs for Asvo, which also took place by Resolution No. 5 of the Basin Council on 14 June 2021, the subsidiary booked the tariff adjustment of EUR 1.1m.

As far as the parent company's revenues from water pricing are concerned, these amounted to EUR 120.1 million (+ EUR 1.5 million compared to the previous year).

The tariff method (Mti-3) approved in December 2019 by Arera with Resolution 580/2019/R/idr, valid for tariffs for 2020-2023, applies to the integrated water service tariff. Consequently, the same Authority with Resolution 46/2021/R/idr of 9 February 2021 approved the tariffs for Veritas's period mentioned above.

The water tariff approved for 2021 provided a positive tariff adjustment compared to 2020 of 1.6 per cent.

The main changes in revenues include the increase in revenues from waste disposal (+€1.7 ML) and the differential part of waste (+€4.1 ML), the increase in other revenues from services to third parties (+€1.5 ML), and the increase in revenues from the management of plants on behalf of third parties (+€1.3 ML).

The **personnel cost** (EUR 172.8 mln) increased compared to 2020 (EUR 164.2 mln) by 5.2%; the average workforce was 3,399.

In particular, the increase is substantially due to the higher costs for the application of contractual renewals and the effect of taking holidays, leaves of absence and other paid absences compared to 2020, as well as the increase in the revaluation of the employee severance indemnity determined by the higher ISTAT indices compared to previous years. However, these cost increases were moderated by the many policies encouraging employees to leave to meet pension requirements.

The average number of employees increased by 28.

<u>average annual workforce f.t.e.</u>	<u>2021</u>	<u>2020</u>	<u>changes</u>
Executives	22.31	23.50	-1.19
Managers	85.00	84.15	0.85
Clerical staff	1,020.10	982.40	37.70
Manual workers	2,271.16	2,280.04	-8.88
total average headcount	3,398.57	3,370.09	28.48

The ratio of labour costs to total net revenue is 38.0%, compared to 38.4% in 2020.

Other operating expenses and provisions correspond to 44.3% of total revenues. They remained in line with the previous year (44.4%).

Specifically, they refer to costs for raw materials, consumables and supplies of Euro 37.6 million, costs for services of Euro 150.1 million, costs for using third-party assets of Euro 5.5 million, and other operating costs of Euro 8.5 million.

The main changes concerned the write-down of receivables (-€7.2 ML), consumables and maintenance and repair (+€4.2 ML), utilities (+€5.5 ML) and works and maintenance (+€3.3 ML). Among the costs for services (within the item utilities), **energy electricity** costs are one of the most important expense components of operations and are mostly generated within the scope of the water sector's plant engineering.

This important cost item in the parent company's income statement amounts to Euro 22.4 ML for 2021, an increase of Euro 5.5 ML compared to 2020. Total electricity consumption decreased in 2021 by about 0.37% compared to 2020, remaining almost in line with the previous year, while there was a surge in the cost of the energy portion, which led to an increase in the average unit price by 31.21% and in total expenditure for the company by 30.72%, due to the increase in the price of oil and raw materials in general also a consequence of the health emergency, a negative effect that will be even more significant in 2022 due to the war in Ukraine.

The **EBITDA (EBITDA)** of Euro 80.8 million increased by 10.0% compared to Euro 73.4 million in 2020.

The **operating profit (EBIT)** of Euro 23.2 million increased by 11.9% from Euro 20.8 million in 2020.

Net financial expenses, amounting to Euro 10.7 ML, decreased compared to 2020 by Euro 1.6 ML.

The **earnings before taxation** amounted to Euro 13.4 ML, down from Euro 8.6 ML in 2020. It represents 2.9% of total net revenue.

Income tax for the year amounted to Euro 0.8 ML compared to Euro 3.9 ML in 2020.

The **consolidated profit for the year** is k€ 12,594 compared to k€ 4,684 in 2020.

The **result for the year attributable to minority interests**, amounting to k€ -136 (k€ -1,576 in 2020), refers mainly to the subsidiaries Eco-ricicli Veritas Srl and Asvo spa. The performance of Eco-ricicli Veritas Srl weighed particularly heavily on this result.

The main balance sheet values of the Veritas Group are as follows, in thousands of euros:

<u>balance sheet data (in thousands of euros)</u>	<u>31 Decem- ber 2021</u>	<u>Inc. %</u>	<u>31 Decem- ber 2020</u>	<u>Inc. %</u>
fixed assets and other non-current assets	739,434	107.9%	712,591	104.9%
net current assets	-54,256	-7.9%	-33,179	-4.9%
net invested capital	685,178	100.0%	679,412	100.0%
Total net equity of the Group	279,693	40.8%	266,520	39.2%
equity attributable to minority shareholders	29,443	4.3%	29,718	4.4%
net non-current liabilities (excluding loans)	118,059	17.2%	124,060	18.3%
Net financial position*	257,983	37.7%	259,114	38.1%
sources of funding	685,178	100.0%	679,412	100.0%

* The net financial position, calculated following the criteria outlined in the main *financial covenants* in place as of 31 December 2020, is the difference between all financial liabilities and short-term financial assets (in the case of the Veritas Group, the latter only includes cash and cash equivalents). The net financial position does not include the debt to the Municipality of Venice, amounting to k€ 16,821, which has already been rescheduled on a long-term basis.

Fixed assets and other non-current assets increased by Euro 26.8 million compared to the previous year.

Capital expenditure in the year 2021 in fixed technical assets amounted to Euro 77.8 million, an increase of Euro 1.1 million compared to the previous year, broken down as follows:

technical investments (in thousands)	2021	2020
intangible assets	5,774	6,856
property and real estate	42,542	42,753
goods for services under concession	29,515	27,096
total investments	77,831	76,705

In addition to these investments, during the year 2021, Veritas acquired the business unit concerning the pipelines of the second and third sections of the Savec est regional infrastructure for an amount, net of the related plant account contributions, of €13.4 million; Metalrecycling, on the other hand, acquired a business unit concerning the third-party transport of waste and goods for a total amount of €78k.

The **net working capital** went from -€33.2 million at the end of 2020 to -€54.3 million due to the dynamics of the credit and debit balances with member municipalities.

Equity increased by a total of Euro 12.9 million compared to the previous year, with a net profit of Euro 12.6 million. Shareholders' equity attributable to minority interests decreased by EUR 0.3 million by incorporating the negative result of Eco-ricicli, while the Group's result for the year amounted to EUR 12.7 million.

Net non-current liabilities amounted to Euro 118.1 million, compared to Euro 124.1 million as of 31 December 2020, a decrease of Euro 6.0 million; they consist of medium/long-term liabilities to other parties and funds, including termination benefits.

The Group's net financial **position** at year-end decreased by Euro 5.8 million, from Euro -259.1 million to Euro -258.0 million. Please refer to the cash flow statement for a detailed definition of the individual monetary changes.

The Group has a high level of debt but a sustainable Pfn/Ebitda ratio of 3.19 compared to 3.53 in the previous year.

The net financial position is broken down as follows:

(in thousands of euros)	31 December 2021	31 December 2020
liquid assets	-161,872	-204,634
payables to banks and current portion of loans	47,430	39,358
current share financing from other lenders	15,326	116,166
derivative financial instruments liabilities	130	868
short-term financial payables to member institutions	901	840
short-term financial payables to affiliated companies	21	50
current financial debt	63,808	157,282
net current financial debt	-98,064	-47,352
medium- to long-term financing	189,458	172,911
financing from other m/l lenders	155,067	121,358
m/l financial payables to member institutions	9,375	9,954
financial payables to associated companies m/l	2,147	2,243
non-current financial debt	356,047	306,466
net financial debt	257,983	259,114

2.1.2 Risks and uncertainties

Consequences of the covid-19 pandemic health emergency

The financial year 2021 was also characterised by the exceptional effects of the health emergency caused by the covid-19 virus pandemic.

Thanks, however, to less stringent restrictive measures imposed by the Italian government, but also by other European and Western governments, compared to what happened in the 2020 financial year, there was an overall improvement in the Italian and international economy, at least when contrasted with the heavy slowdown that occurred last year.

However, the Group, operating in essential services, was never forced to stop its activities but had to put in place, like all other operators, measures to prevent the spread of the virus in the working environment.

To this end, emergency *smart working* for more than 600 employees had already been activated in 2020; and a *Safety Protocol* for the containment of the spread of covid-19 and the protection of workers' health had also been drawn up.

Impact on revenue

Concerning **the revenues of the integrated water service** of the parent company, the tariff regulation provides for a guaranteed turnover (Vrg) based on the principle of *full cost recovery*.

Therefore, the reduction in water consumption due to the sanitary emergency did not result in recognition of lower revenues but also in a receivable for tariff adjustments that will be recovered in the ordinary manner provided by the tariff method.

Concerning the **revenues of the environmental service**, the new tariff method provides for the definition of Financial Plans based on the actual costs of the second previous year.

Thus, even in this case, the full coverage of costs is theoretically guaranteed (net in the reality of the *time lag* of two years between the incurrence of costs and their recognition and the limitation of tariff increases - *Cap* - set by the method to 6.6%).

There remain the residual effects regarding the full recoverability of the tariff adjustments for 2020 generated by the emergency legislation (art. 107 of dl 18/2020 - "cure Italy" decree) that had given municipalities the possibility of confirming for 2020 the Tari and Tarip tariffs approved for 2019, with distribution over the following three years of the adjustment between the costs resulting from the 2020 Pef and the costs determined for the year 2019, since future Pefs burdened by these adjustment shares are also subject to the limit of the *Cap* to 6.6% tariff increase compared to the previous year.

Cemetery revenues also increased in 2021, as in the previous year, the crematorium operation in Conegliano started in June 2020; revenues, therefore, remain in line with the increases of the previous year due to the emergency trend.

Also, in the financial year 2021, there was a substantial cancellation of **revenue from sanitary services** in the Municipality of Venice and of the **supply of water to ships** in the port of Venice due to the drastic reduction in tourism in the historic centre of Venice.

Impact on costs

Concerning material consumption costs, there was an increase in **fuel costs** due to increases in fuel prices. In contrast, the cost of purchasing **clothing and personal protective equipment**, to

ensure workers' health safety decreased to almost normal levels before the health emergency.

Within the costs for services, the **costs for electricity** show a high increase compared to last year, which contrasts with the decrease between 2019 and 2020. It should be noted that the electricity costs of the integrated water service (a sector for which the prevalence of energy consumption is attributable) are chargeable within the tariff of the second subsequent year, even if, in this very year, not in full, due to the Authority's definition of a standard average tariff that is lower than the one actually incurred by the Veritas Group.

Concerning **personnel costs**, policies to cope with the health emergency, also based on cost containment, continued, such as the downsizing of hiring of seasonal staff and the application of a selective turnover to workers leaving the company. At the same time, social shock absorbers were not used this year (Fis emergenziale).

Financial Impact

While in 2020, there had inevitably been a reduction in water and environmental service billing collections (especially considering the high tourist vocation of the area served by the Group), also due to the postponement, provided for by emergency regulations and resolutions of local authorities, of billing issues and credit recovery activities, the 2021 financial year saw a recovery in billing collections.

However, given the uncertainty of the pandemic period, the Group continued the series of measures to secure the company's liquidity by resorting to additional forms of financing.

In particular, it is noted that:

- In December 2021, Veritas was issued a new €25m private placement bond placed with unlisted professional infrastructure investors;

In 2021, Veritas entered into three mortgages with three different credit institutions for a total of €27 million backed by a Sace guarantee following the provisions of Law Decree 23/2020 (the so-called Liquidity Decree).

- In 2021, Ecoprogetto entered into three loans with three different credit institutions for a total of €20 million assisted by a Sace guarantee following the provisions of Law Decree 23/2020 (the so-called Liquidity Decree).

In 2021, Eco-ricicli entered into a loan with Banco delle tre Venezie for a total of €2 million backed by a Sace guarantee following the provisions of Italian Law Decree 23/2020 (the so-called Liquidity Decree).

Therefore, the total number of Sace-guaranteed loans taken out in 2020-2021 amounts to EUR 89 million.

Presumption of business continuity

Given the preceding, also in terms of medium- to long-term planning, there are no problems regarding the Group's ability to continue as a going concern.

The parent company has, in any case, carried out an analysis of the potential future impact of the health emergency on the company's and the Group's economic activity, financial position and results of operations, and based on the various scenarios configured, the assumption of business continuity is in any case confirmed.

Impairment of Fixed Assets

Again, there is no impairment of the recoverable amount of goodwill and other fixed assets.

In particular, for the integrated water service assets of the parent company, which make up about 70% of the company's fixed assets, the tariff method continues to recognise in full in the tariff all costs incurred for the realisation of investments.

Measuring Expected Credit Losses

Concerning the expected losses on trade receivables, the Group had already changed its calculations last year to consider the insolvency generated by the health emergency.

In particular, the calculation of expected losses through a matrix system based on historical information was supplemented by the analysis of increases in insolvency caused by economic restrictions due to the health emergency.

These calculations, which had led to an upward update of the historical insolvency indices underlying the calculation of expected losses, were then revised in this financial year with the verification of the trend in collections compared to last year and the pre-pandemic period, which led to a general decrease in the historical insolvency indices compared to how they had been calculated last year, a decrease that was more pronounced specially for households.

Effects on operating leases (accounting standard lfrs 16)

Due to the health emergency, the Group did not have to resort to any suspension of lease payments; therefore, there is no particular effect on *leases* operations.

Risks from the energy crisis and the war in Ukraine

One of the side effects of the health emergency has been the rise in commodity prices, with electricity and fuels certainly being among those with the most negative impact on the overall economy, and the war in Ukraine, which began in February 2022, has, in turn, exacerbated this trend.

Concerning the impact on the Group of the energy price crisis, the electricity costs of the integrated water service (a sector for which the prevalence of energy consumption is attributable) are equalised within the tariff of the second subsequent year, even if, in this very year, not in full, due to the Authority's definition of a standard average tariff that is lower than the one actually borne by Veritas. However, the Authority is currently reviewing the definition of a different average tariff.

However, the Group has already implemented, and will continue to implement, energy efficiency measures in its plants; moreover, new measures for installing photovoltaic systems in the company premises are planned soon.

A gradual switch to electric mobility and alternative fuelled vehicles such as biomethane is also planned to counter the increase in fuel prices.

In general, the turbulence in the energy market will likely lead to a new form of recession in the economy, which will also affect the financial markets.

At this point, the Group again changed the calculations for the determination of expected losses on trade receivables to consider the insolvency generated by the new recession, which resulted in a new upward revision of the forecast insolvency indices underlying the calculation of expected losses.

It should be noted that there are no active and/or passive contracts for the supply of goods and

services with Ukrainian or Russian entities. The active turnover concerning these entities, which is related to occasional supplies of services to vessels within the scope of the management of the *utilities* of the Port of Venice, is insignificant.

Risks related to climate change

The Group is assessing the impacts of its activities on climate change and the risks this generates on its operations.

An initial analysis showed that the impacts of the activities on climate change are mainly due to the consumption of energy and methane gas to run the facilities and fuel consumption for waste collection and transport. In contrast, circular waste management positively impacts climate change by generating less waste in the future.

The risks that climate change generates on society's facilities and activities are linked to the intensification of extreme weather phenomena, with impacts on water resources, wastewater conveyance facilities and waste collection and street cleaning activities.

In addition to physical phenomena, climate change has generated profound changes in the regulatory landscape, implying the need for society to comply with it and implement an appropriate reporting system.

Among the actions implemented by the Group to counter the effects of climate change are the infrastructural measures needed to protect the environment and prevent the risks of flooding and spills; the planting of trees to help reduce CO₂; the renewal and upgrading of water mains and the search for and repair of water mains leaks; investments in new company premises according to 'green' criteria; and the replacement of company fleets with less polluting vehicles.

Financial Management Policies and Objectives

The Group's financial management is geared toward serving the company in finding and managing the funds necessary for investments in public infrastructure and the industrial activities it carries out on behalf of the community to which it belongs.

It, therefore, operates in a medium- to long-term perspective, seeking an appropriate balance between sources and uses of financial resources and the short-term dimension to maintain the liquidity required to meet treasury management commitments.

To achieve these objectives, all available financial instruments are used on the passive and active sides of the liquidity investments.

The Group's policy is not to subscribe to speculative derivative instruments but only to purely hedging fixed contracts to avoid (*swap*) or limit (*cap*) the risk of rate changes.

The Group's effective average net financial position (monetary component only) in FY2021 was negative by approximately Euro 237.7 million (Euro 211.2 million in FY2020) and generated effective gross financial expenses to service debt of Euro 11.2 million (compared to Euro 9.6 million in FY2020), showing an effective weighted average financial burden of 4.73% (in FY2020, it was 4.55%).

This calculation does not include the non-cash effects related to the international accounting standard IFRS16 and the discounting of debts. At the same time, the figure is affected by the effects of amortised cost accounting procedures.

The external economic and financial scenario in which the Group found itself operating in 2021 was still characterised by the tail end of the imbalances caused by the health emergency, which created economic turbulence worldwide that then reverberated on the energy and raw materi-

als markets, with an effect on the production sectors, already in crisis due to logistical bottlenecks; the Group nevertheless maintained its commitments to invest in the territory and repay debt.

Various financing opportunities were exploited to obtain adequate levels of liquidity, resorting to medium-term credit according to the lines of action envisaged in the business plans.

To support the long-term investment plans, a new EUR 25 million bond was issued during the year through a *private placement* of an unlisted *amortising* bond with a European infrastructure investor with a term of 17 years.

The Group's credit risk profile is normal and consistent with industry dynamics since billing receivables are fragmented, spread over many users with modest average amounts.

The insolvency rate for urban sanitation receivables (Tarip), which was historically around 5 per cent, a percentage that should be considered low average for the sector, continues to be higher due to the economic crisis, which has added to the covid difficulties, with an estimated additional effect of around 1.25 per cent.

It should be remembered that after the changeover to Tari, the credit risk, both in its past and present (and therefore future) dimension, is substantially in the hands of the municipalities, either directly or indirectly, and must be taken into account in the final formulation of the tariff.

In the water sector, on the other hand, where insolvency rates are historically lower, quantifiable in the order of 1% of turnover, we see a growth which, temporarily, can be estimated at around 16 cents for the reasons mentioned above per cent.

The changes due to the pandemic health emergency can now be considered sending a return, given the resumption of debt collection procedures.

The risk associated with financial debt

Maintaining an adequate financial balance was also achieved in the year ended as the Group implemented operational and financial management that did not substantially increase the risk of financial indebtedness.

Working capital management (+€4.5 million) positively impacted net debt and liquidity levels.

Operating investments increased to EUR 65.8 ML compared to EUR 64.1 ML in 2020, while the management of participations produced a negative net cash flow of EUR 0.2 ML (in 2020, it was positive by EUR 2.9 ML).

Refinancing the *stock* of debt in 2021 was finalised by taking out new loans and m/l bonds for €103m, all against repayments on prior loans of €53.7m.

The figure for the final net financial position went from -€259,114k in 2020 to -€257,983k, including the effect of non-cash items (Ifrs 16, *leases*, accrued liabilities, etc.); as a result, the ratio of Pfn to Ebitda improved and continued to remain sustainable, from 3.53 to 3.19.

It should be noted that the Group's indebtedness is always influenced by the significant size of the parent company's "*water assets*", the value of which on the balance sheet (net of the component relating to the portion of public grants partially financing the works) is very significant.

Most of these assets, particularly water and sewerage pipelines, have very high 'useful lives' (conservatively estimated at 40 years according to Arera's national principles) and consequently low depreciation rates.

Since the rate recovery, which remunerates this type of investment according to depreciation and financial charges, takes place over a very long period of time, a continuous need for capital to be refinanced is in fact generated in the meantime, given the unequal duration of bank credit

lines and financial lending logics that favour the 'short/medium term'.

It should also be mentioned that the capital lent by the banking system (thus excluding bonds) has a weighted average remaining life of loans and bonds *amortising* at the end of the financial year, currently around 4.3 years, with repayment schedules broken down as follows (actual maturity data)

medium-term financing	2022	2023	2024	2025	2026	more than
235,399	45,941	47,687	44,667	38,879	28,804	29,421

The parent company has three bonds with the following characteristics:

	original amount	return	Expiry date
ex-Asi loan issued on regulated markets	15,000	<i>amortising</i>	2034
Veritas loan issued on regulated markets	100,000	<i>bullet</i>	2027
Veritas loan issued on private placement markets	25,000	<i>Amortising</i>	2038

Some of the medium- and long-term loans finalised over the years, as well as the bonds, include contractual clauses that require compliance with certain economic and financial parameters (*covenants*) based on the annual results of the consolidated financial statements, the separate financial statements of the parent company, and the financial statements of the other Group companies.

For 2021, the Group met the parameters of the respective contracts.

Risks associated with insufficient liquidity and raising financial resources

The credit risk relating to the Group's other financial assets, which include cash and cash equivalents, available-for-sale financial assets, loan certificates and certain derivative instruments, presents a maximum risk equal to the carrying value of these assets in the event of counterparty default.

The Group controls liquidity risk using a liquidity deployment planning tool. This instrument considers the maturity of financial investments, financial assets (trade receivables and other financial assets), and the expected cash flow from operations.

As of 31 December 2021, the Veritas Group had undrawn credit lines of approximately EUR 111.3 million, up slightly from EUR 106.6 million as of 31 December 2020.

The liquidity risk represents the risk that available financial resources may be insufficient to cover the obligations maturing in the short term, amounting to approximately Euro 46.6 million of bank loans and Euro 0.75 million of bonds by 31 December 2022, and to cope with possible negative changes in working capital.

The notion remains that operational investment plans, which continue in both the water and urban hygiene sectors, find a counterpart in tariffs, even if not completely, due to the regulatory mechanism of tariff adjustments established according to the Arera method.

Both operating sectors, the integrated water service and environmental hygiene, although regulated, on the one hand, position the company as an operator operating under a concession, i.e. with no competition, they also expose the related expected future cash flows to the uncertainty arising from the variability of the regulatory framework, which appears increasingly restrictive in the timely recognition of actual operating costs.

In 2021, the general economic situation showed a continuing downturn in the economy, which, although showing signs of positive recovery from the pandemic distortions, was impacted by the operational complications that have since occurred in the world's logistics and production systems, as well as the rising costs of raw materials and energy.

These increases have led to new inflationary pressures, which have prompted central banks to start taking restraining measures, including by raising rates, with the uncertainty of finding the right balance so as not to create recessionary and/or stagflationary conditions again.

VAT application dispute on Tia

The judgment of the Court of Civil Cassation in unified sections 5078/2016, filed on 15 March 2016, provided the definitive interpretation regarding the application of VAT on the environmental hygiene tariff established by Article 49 of Legislative Decree 22/1997 (so-called Tia1).

The judgment, considering the absence of a synallagmatic relationship between the service and the consideration received by the service provider, defines Tia1 as a tax levy and consequently outside the scope of VAT.

The case in which the judgment as mentioned above is inserted is a long-standing and complex one.

Legislative Decree 22/1997 (Ronchi Decree) replaced the old municipal waste removal tax (Tarsu) with the environmental hygiene tariff (Tia or Tia1). According to a first interpretation, also supported by specific circulars of the Treasury, this tariff was like consideration for a service provided; therefore, VAT had to be applied to it.

However, following Constitutional Court ruling 238/2009 declaring Tia to be a tax, case law consequently denied the correctness of the tax's application.

In the meantime, Legislative Decree 152/2006 introduced the integrated environmental tariff (so-called Tia2) which, in the legislator's intentions, should have replaced Tia1.

Article 14, paragraph 33 of Decree-Law 78/2010 had also established that Tia2 was not a tax.

Finally, Circular 3/2010 of the Ministry of Finance, by assimilating the nature of Tia2 to Tia1, reiterated that VAT should be applied to both tariffs.

Despite this clear position of the tax authorities, the compact jurisprudence, both of merit and legitimacy, refuted what was stated in Ministerial Circular 3/2010 on the assimilation of Tia1 to Tia2, with the result that Tia1, at least at the level of jurisprudence, continued to be considered a tax.

Veritas, as well as all the other companies providing environmental hygiene services associated with Federambiente - Utilitalia, had, in any case, continued in the line already adopted in 2009, at the time of the Constitutional Court's ruling, suspending refunds to users of the VAT applied to their bills, pending an explicit legislative amendment to that effect, especially in the substantial consideration that the tax requested by users was not available to Veritas since, due to its nature as a neutral tax, it had always been paid to the Treasury.

Moreover, in 2012, following an interpellation petition filed by Veritas, the Italian Revenue Agency replied by confirming the correctness of the VAT application on Tia, reaffirming the interpretation of the contested Circular 3/2010 of the Ministry of Finance.

Thus, a conflict arose within the institutions. On the one hand, the tax authorities recognised the VAT application as correct. But, on the other hand, case law supported the exact opposite.

With the clarity of the 2016 joint-section ruling of the Supreme Court, it can no longer be denied that Tia1 is outside the scope of VAT.

The estimated amount of VAT charged by Veritas on Tia1 amounts to approximately EUR 84 million over the years, divided almost equally between domestic and non-domestic users.

It should be noted, however, that Veritas' risk profile on this issue is to be considered limited for the following reasons:

- the general principle still applies that VAT is a neutral tax for traders such as Veritas;
- it is inconceivable that Veritas could return the VAT on Tia1 charged to users if the state does not first proceed to regulate how it is to be returned (multiple years, millions of invoices, hundreds of thousands of users, a strong demographic dynamic, etc.);
- it should be borne in mind that at the financial level, the amounts under consideration were paid by Veritas to the Treasury and, therefore, it does not have any physical availability;
- because of the VAT mentioned above neutrality mechanism, business users deducted this VAT, which could now be interpreted by analogy as an undue act;
- For the mechanism of VAT neutrality, there is no regulation as to whether an effect of non-deductibility of VAT on the relative purchases of the environmental compartment should also be taken into account because this cost was to be an additional component to be charged back to the user precisely through Tia1;
- if Tia1 is a tax, then Veritas should have issued invoices for the service provided to the municipalities rather than to the users, and the municipalities, not being able to deduct the VAT, should have increased the amount of non-deductible VAT by the amount of the Tia1 tax to be charged in turn to the users: the end-user would, therefore, still have been required to pay the VAT (either incorporated in the tax or shown separately on the invoice);
- The Agenzia delle Entrate (Revenue Agency), concerning the denial of reimbursement of the requests for reimbursement submitted by Veritas for the recovery of VAT on Tia1 reimbursed in turn to users following litigation, has so far always been unsuccessful in the appeals brought by Veritas.

It should also be considered that for the lawsuits already sustained and those in progress, in which Veritas has been called upon to return the VAT to the user, the Agenzia delle Entrate would no longer have any grounds to deny the reimbursement to Veritas of the VAT already returned to the user; therefore, the risk remains limited to the legal expenses to be paid to the counterparty (a risk in any case already allocated in the budget).

It is also pointed out that the declared tax nature of Tia1 with effect *ex-ante*, made it possible to recover as income in 2016 what had been accumulated as a provision for insolvency risk in previous years, as it shifted the risk of insolvency to the taxpaying municipality (the Venice Environmental Basin Council expressed this view in note no. 585 of 11 November 2016).

As things stand, however, after the Supreme Court's ruling in March 2016, despite the time that has elapsed on the VAT issue on Tia1, there has still been no specific and official position taken by the institutional bodies (Government, Ministry of the Economy or Revenue Agency), except for a few, now dated, interlocutory answers to parliamentary questions.

It should also be noted that the European Commission in August 2021, responding to a specific request on the subject by Veritas, stated that the pure and simple reimbursement of unduly levied VAT results in unjust enrichment of the user and, in parallel, in an undue loss for the state treasury.

Concerning the subsequent forms of tariffs for the waste service, i.e. the Tia2 under Legislative Decree 152/2006, the tariff under Article 14 paragraphs 29-32 of Decree-Law 201/2011 (so-called Tares corrispettivo) and the tariff Article. 1 paragraph 668 of Law 147/2013 (so-called Tari puntuale or Tarip), in June 2016, the company submitted a further petition to the Revenue Agency

asking whether the application of VAT was still correct also for these additional forms of tariffs, given the reasons for the ruling of the Supreme Court of Cassation in unified sections supporting the tax nature of Tia1.

The Internal Revenue Service replied in September 2016, confirming VAT application for such tariff cases.

Concerning the Tia2 under Legislative Decree No. 152/2006, the Joint Sections of the Supreme Court of Cassation, in Judgments No. 8631/2020 and No. 8632/2020, filed on 7 May 2020, affirmed the private nature of the tariff in question and its subjection to VAT, highlighting, among other things, its different characteristics from the Tia1 (thus contradicting the orientation of much of the previous case law that had assimilated the two tariffs in the tax sense).

In addition, ruling No. 11290/2021, filed on 29 April 2021, also by the Supreme Court in united sections, affirmed the private nature and its subjection to VAT for the Tari punctual (local tax).

Other disputes

In April 2022 the appeal to the Council of State, brought by private citizens and various committees, against the judgment of the Veneto Regional Administrative Court, second section, No. 01153/2021 Reg. Prov. Coll. No. 4/2021 Reg. Ric published on 30 September 2021, which declared the appeal inadmissible.

The Veneto Regional Administrative Court's ruling of 30 September 2021 is the summary of the hearing held on 28 January 2021 in which the claimants requested urgent suspension of Ecoprogetto's authorisation of activities at Fusina debated. In its Order No. 50/2021, the Veneto Regional Administrative Court granted the application for precautionary measures "to set the hearing on the merits promptly". Still, it did not suspend any of the implementation effects of the Decree in question, having ruled on the lack of any current prejudice for the interests of the plaintiff and, rather, the existence of serious damage for the resisting parties in the event of an immediate and effective suspension of the contested regional measures, setting a hearing for the discussion on the merits for June 2021. The hearing in June 2021 resulted in a ruling of non-admissibility of the appeal published on 30 September 2021.

This scenario poses a risk of uncertainty on the entire plant upgrading project of the pole and on the company's objective to be self-sufficient in the valorisation of the CSS produced by the processing of the residual dry fraction deriving from the collection carried out by the Veritas Group in its territory. However, the negative hypothesis resulting from accepting the applicants' claims is considered remote.

As a result of the constant and punctual verification of the environmental operating parameters of the managed plant system, both following the Law and Authorisation requirements and following the checks carried out in the Surveillance and Control Plan required by Regional Law 3/2000, environmental risks remain, as in previous years, negligible.

The certification processes of the secondary solid fuel (CSS) production chain, and their extension to other fractions, may evolve to consider the development directives that will be pursued.

Transactions with related parties

Related party transactions are fully described in Note 45 to the consolidated financial statements, to which reference should be made.

Status of assignments

The parent company manages various local public services in the municipal territories of its local member authorities, some of which are of supra-municipal importance at the level of the ambit, now the optimal and homogeneous territorial basin, by express provisions of the law, such as the integrated water service and the urban and assimilated waste management service.

Concerning the integrated water service, the assembly of the Venice Lagoon Authority (now the Basin Council) with several measures recognised that Veritas spa is a company that corresponds to the management model *in house* according to the characteristics identified by the European Union, a recognition also made by the Venice Environment Authority for the integrated waste management service, with resolution No. 6 of 30 June 2008.

In its resolution of 30 July 2008, protocol no. 806, the Venice Lagoon Authority ruled 'to confirm that the duration of the assignment of the integrated water service to Veritas spa is established until 31 December 2018'.

On the other hand, concerning the integrated waste management service, the Municipality of Venice, one of the local authorities that was a shareholder, indicated in Resolution No. 121 of 1999 that the duration of the service assignment was to be 20 years (thus until the end of 2019).

It is also noted that the municipal resolutions of the local authorities that merged Acm spa, Vesta spa and Asp spa in 2007 in confirming that the new company resulting from the merger, Veritas spa, would continue to provide the services already entrusted to the companies participating in the merger, did not identify different expiry dates for the assigning of the services.

On 11 July 2016, the convention for the regulation of the performance of the integrated water service in the Laguna di Venezia optimal territorial ambit was signed, protocol no. 1276 of 12 July 2016, amending the previous convention signed on 19 October 2004, protocol no. 976/2004, the duration of which was maintained until 31 December 2018.

It should also be noted that on 16 July 2018, the Venice Lagoon Basin Council proceeded to request the registration of Veritas spa in the Anac list of the entrusting entities *in house* under Article 192 of Legislative Decree No. 50 of 18 April 2016. Accordingly, that registration was ordered by Anac with a determination signed on 15 February 2022.

On 20 December 2018, an agreement was signed between the Venice Lagoon Basin Council and Veritas spa for the regulation of the performance of the integrated water service in the optimal territorial area of the Venice Lagoon, collection no. 44421, repertory no. 141026, notary public Dr Francesco Candiani of Venice, the duration of which is envisaged until 31 December 2038, subject to the right of extension exercised by the Basin Council for a period of six months under the same conditions, without prejudice to any different terms that may be permitted or imposed by law.

On the subject of waste, most of the municipalities that are shareholders of Veritas spa have passed resolutions pursuant to Article 34 of Decree-Law 179/2012 confirming, among other things, that the management currently carried out through Veritas spa and Group companies will continue until 26 June 2038, without prejudice to the different durations that may result from legislation, in particular the one to be enacted, and without prejudice to any spin-off measures that may be imposed by future legislation and the application of the current one.

On 24 November 2014, the Venice Environment Basin Council was established as a result of the signing of the 'Convention for the establishment and operation of the Venice Environment Basin

Council about the integrated municipal waste management service in the Venice basin' by the representatives of all 44 municipalities of the Venice metropolitan area and the municipality of Mogliano Veneto. The takeover of the Basin Council in the activity and legal relations of Ato Venezia Ambiente in liquidation was completed with Basin Committee Resolution No. 3 of 27 April 2015.

By Resolution of the Basin Assembly No. 11 of 17 December 2015, the Venice Environment Basin Council expressed its intention to align the different deadlines of the municipal waste management service assignments resolved by the municipalities served by the operator Veritas, leaving the decision to subsequent assemblies.

By resolution No. 4 of the Venezia Ambiente Basin Assembly of 25 May 2016, the final alignment of the expiry dates of the integrated waste cycle management service assignments in the municipalities of the basin to the unitary expiry date of June 2038 was approved, which had already been resolved by the vast majority of the municipalities themselves (36 out of 45) and was to be also resolved for the other eight municipalities of the basin for which the assignment was expiring in 2016 or would have expired before 2038, as well as for the municipality of Mira, which, by resolution No. 115 of 23 December 2013, had established the duration of the assignment to 31 December 2038.

In February 2019, the Basin Council started the preliminary investigation to align the expiry date of the *in-house* assignment in the Municipality of Venice. With assembly resolution no. 12 of 15 November 2019, the Basin Council approved the Report ex-art. 34 of Decree-Law 179/2012, which defines and justifies the choice of the *in house providing* model for entrusting the municipal waste service in the municipality of Venice to Veritas spa, as well as the alignment of the expiry date of the *in house* assignment to Veritas spa of the municipal waste service in the municipality of Venice to 2038 and the related service contract outline, also deciding to postpone to a subsequent measure the alignment of the expiry date for the two municipalities of Scorzè and Fossalta di Piave.

On 2 July 2018, the Venice Environment Basin Council (Consiglio di bacino Venezia ambiente) proceeded to request the registration of Veritas spa in the Anac list of entrusting entities *in house* under Article 192 of Legislative Decree No. 50 of 18 April 2016.

The Venice Environment Basin Council, by resolution of the Institutional Committee no. 7 of 13 February 2020, approved the new service contract scheme, replacing the service contract scheme approved by resolution of the Basin Assembly no. 12 of 15 November 2019, to be signed between the Basin Council, the Municipality of Venice and the operator Veritas spa.

It should also be noted that most of the local authorities that are members of Veritas during 2015 adopted resolutions approving the plans for the rationalisation of investee companies and corporate shareholdings in implementation of Article 1, paragraph 611 of Law 190/2014 (2015 Stability Law); Veritas, in line with the plan approved by the local authorities that are members, by resolution of the ordinary shareholders' meeting of 26 June 2015, approved the *Rationalisation and management plan for Veritas spa shareholdings 2013-2016*.

The Veritas Board of Directors approved the update of this plan on 17 March 2016, which had been previously approved by the Coordination and Control Committee on the same date. This plan, in its updated version, envisaged, inter alia, the realisation of projects for the aggregation in Veritas spa of the companies Asi spa (at the time managing the integrated water service in the municipalities of Caorle, Ceggia, Cessalto, Eraclea, Fossalta di Piave, Jesolo, Musile di Piave, Noventa di Piave, San Donà di Piave, Torre di Mosto, Zenson di Piave) and Alisea spa (at the time manager of the integrated waste cycle in the municipalities of Ceggia, Eraclea, Fossalta di Piave, Jesolo, Musile di Piave, Noventa di Piave, Torre di Mosto).

The companies Asi spa, Alisea spa, and Veritas spa, in fact, following the regulatory provisions in force and the guidelines of the competent Basin Councils, have drawn up integration projects

to make it possible to manage the services above through a single manager for each area or territorial basin of reference. The merger of Asi spa was finalised in 2017, and that of Alisea in 2018.

It should be noted that the subsidiary Asvo spa is the company entrusted *in-house* with environmental hygiene services for the eleven-member municipalities, which are also shareholders of Veritas.

Concerning waste treatment, in the Fusina area, the subsidiary Ecoprogetto Venezia Srl manages the Integrated Waste Treatment and Recycling Pole for residual municipal waste for the Venice environment basin, which includes the municipalities that have entrusted the municipal waste collection, transport, and treatment service to the Veritas Group. It is also a logistics station for transferring, sorting and shredding many of the separately collected fractions.

On the other hand, the subsidiary Eco-ricicli Veritas Srl deals with the selection and treatment of materials from the separate waste collection (glass, paper, plastic, metals, etc.) for their recycling, collection and logistics transport relating to the materials to be selected. It treats the materials delivered by the Group and those collected separately by other operators in the area for subsequent delivery and valorisation, mainly within the supply chain consortia.

In 2015, the Municipality of Venice renewed the management of cemetery services to Veritas for 20 years, until 30 September 2035.

The parent company is also entrusted with the management of cemetery services in the municipalities of Spinea and Martellago (until December 2022) and Mirano (until June 2022).

In June 2020, the management of the crematorium of the Conegliano cemetery, built by the associated company Veritas Conegliano and entrusted to Veritas until 2046, was started, while the management of the crematorium of the Spinea cemetery expires in 2038.

As for the installation of footbridges for the high tide, also concerning only the municipality of Venice, the duration of the concessions had been extended to the parent company annually until 31 December 2019. By resolution of the City Council of 18 December 2019, the high tide gangway laying service was entrusted until 26 June 2038.

With the same resolution, the Municipality of Venice entrusted *in-house* Veritas with the deratisation, disinfection and pest control service until 30 November 2024, and following the duration of the integrated water service assignment approved by the Venice Lagoon Basin Council, entrusted the management service of the mainland and Lido storm sewage lifting plants and mobile barriers in Malamocco, as from December 2019, and the management and maintenance service of the fire-fighting water network in Venice, as from 1 December 2019 until 31 December 2038.

As far as the management of public toilets is concerned, again for the Municipality of Venice and again by the parent company, the duration of the concession is extended year by year and, in fact, from 31 December 2022.

The management service of the fish market, again relating only to the municipality of Venice, is considered by the parent company as a service that can be discontinued and to be referred back to the granting body for new regulation, also due to the changed legal regulation of the sector and the territorial conditions under which it is carried out. It is, however, a marginal activity from a financial point of view.

There is also the management of public lighting and heat management services for the municipality of Chioggia, with a duration until 2030.

Public lighting management was also entrusted to Veritas by the Municipality of Fossalta di Portogruaro until 2021 and by the Municipality of Fiesso d'Artico until 2027.

Asvo spa, as the entrusted company *in house*, has been performing cemetery services for the

Municipality of Portogruaro since 2018, for the Municipalities of San Michele al Tagliamento, San Stino di Livenza, Fossalta di Portogruaro and Cinto Caomaggiore since 2019. As of the financial year 2019 for the Municipality of Portogruaro and as of 2020 also for the Municipalities of San Michele al Tagliamento and Fossalta di Portogruaro, the maintenance of public green areas will be supervised.

The Depuracque group, controlled since July 2018, is involved in managing, transporting and disposing of hazardous and non-hazardous waste, environmental remediation, water treatment, effluent and waste, chemical analysis and environmental consulting with the parent company and various group companies.

The Environmental Code

In the field of integrated water service management and *integrated waste management urban*, the regulations contained in Legislative Decree 152/2006, also known as the *Environmental Code*, should be noted.

In particular, regarding the integrated water service, reference is made to Article 147 of Legislative Decree 152/2006 as supplemented and amended by subsequent legislation on the subject.

The abovementioned provision states that "Water services are organised based on the optimal territorial ambits defined by the regions in the implementation of *Law No 36* of 5 January 1994. The regions that have not identified the sphere of government bodies shall do so, by resolution, by the peremptory deadline of 31 December 2014. Once this time limit has expired to no avail, Article 8 of *Law No. 131* of 5 June 2003 applies. The local authorities falling within the same optimal ambit must compulsorily participate in the ambit's governing body, identified by the competent region for each optimal territorial ambit, to which is transferred the exercise of the competencies they have in the field of water resources management, including the planning of the water infrastructures referred to in Article 143, paragraph 1".

Article 149 bis of the *Environmental Code* inserted by *Article 7(1)(d) of Decree-Law No 133* of 12 September 2014, converted, with amendments, by *Law No 164* of 11 November 2014 and amended by Article 1(615) of *Law No 190* of 23 December 2014, then expressly recognises the possibility of directly entrusting the integrated water service to *in-house companies*.

Regarding the *integrated municipal waste management service*, art. 200 of the *Environmental Code* states that "The management of municipal waste is organised based on optimal territorial ambits, hereinafter also referred to as ATOs, delimited by the regional plan referred to in *art. 199*, in compliance with the guidelines referred to in *article 195*, paragraph 1, letters m), n) and o), and according to the following criteria:

- a) overcoming the fragmentation of management through an integrated waste management service;
- b) achievement of adequate management size, defined based on physical, demographic and technical parameters and based on political-administrative breakdowns;
- c) adequate evaluation of the road and rail communication system to optimise transport within the ATO;
- d) valorisation of common needs and similarities in waste generation and management;
- e) survey of waste management facilities already built and in operation;
- f) consideration of the previous delimitations so that the new ATOs deviate from the previous ones only based on justified requirements of effectiveness, efficiency and economy.

Concerning the organisation of the service, Art. 202 of the oft-referenced *Environmental Code* confirms that it must take place in compliance " with the principles and Community provisions,

following the regulations in force on the subject of entrusting local public services...".

In 2020, several legislative decrees were issued to transpose the European package of measures on the circular economy, which amended six directives on waste and landfills; it is worth noting in particular that legislative decree no. 116/2020 introduced significant changes to legislative decree no. 152/2016, among others, concerning the definition of 'urban waste'.

With this in mind, in 2021, Veritas spa adopted a series of initiatives to address these regulatory changes, including a form of communication/publicity aimed at informing stakeholders of the possibility of making this choice by 30 June of the previous year, with a consequent redefinition of the taxable surfaces.

European legislation

The legitimacy of assigning public services to *in-house* companies has been confirmed by European Directive No. 23 of 26 February 2014 concerning the award of concession contracts and European Directive No. 24 of 26 February 2014 concerning public contracts.

The Public Contracts Code

The relevant European directives have been transposed into Legislative Decree No 50 of 18 April 2016 (*Public Contracts Code*) as amended and supplemented. In particular, Art. 5 of the *Public Contracts Code*, as amended by Art. 6(1) of Legislative Decree No. 56 of 19 April 2017, describes the requirements of *in-house assignment*.

In particular, Article 192 (Special regime of assignments *in house*) of the same Legislative Decree 50/2016 as amended by Legislative Decree 56/2017, in force since 20 May 2017, provides as follows:

1. A list of contracting authorities and contracting entities operating through a direct assignment to their *in-house* companies, as referred to in Article 5, shall be established at ANAC to ensure adequate publicity and transparency in public contracts. Inclusion in the list takes place upon application after the requirements have been verified, following the procedures and criteria the Authority defines by its act. The Authority for collecting the information and verifying the requirements above operates through computerised procedures, also through connection, based on appropriate agreements, with the relevant systems in use by other public administrations and other entities operating in the field of public contracts. The application for registration enables contracting authorities and contracting entities under their responsibility to assign contracts to the entity directly. This is without prejudice to the obligation to publish the acts connected with the direct awarding itself following paragraph 3.
2. To award a contract concerning services available on the market under competitive tendering, contracting authorities shall first assess the economic appropriateness of the offer of *in-house* entities, having regard to the subject matter and value of the service, stating the reasons for not having recourse to the market, as well as the benefits for the community of the form of management chosen, also regarding the objectives of universality and sociality, efficiency, cost-effectiveness and quality of the service, and the best use of public resources.
3. On the buyer's profile in the Transparent Administration section, all acts related to the awarding of public contracts and concession contracts between entities within the public sector, where not secreted under Article 162, shall be published and updated in the open-data format following the provisions of Legislative Decree No. 33 of 14 March 2013.

In this regard, it should be noted that the Venice Lagoon and Venice Environment Basin Councils, in relation to the services managed by Veritas spa, submitted to the National Anticorruption Authority (Anac) an application for registration of Veritas spa to the list of contracting

authorities and entities operating through direct assigning to their own companies *in house* under Article 192, paragraph 1, of Legislative Decree 50/2016, producing the documentation necessary to demonstrate the existence of the requirements of *in house providing*.

In light of the documentation produced and referred to above, this registration was ordered by Anac with a determination signed on 15 February 2022.

The Consolidated Text on Publicly Owned Companies

On 23 September 2016, Legislative Decree No. 175 of 19 August 2016 (*Testo Unico in materia di società a partecipazione pubblica*), enacted in implementation of Article 18 of Law No. 124 of 7 August 2015, containing delegations to the Government on the reorganisation of public administrations (otherwise known as the Media Law), entered into force subsequently amended by Legislative Decree No 100 of 16 June 2017 and Law No 205 of 27 December 2017 and Law No 145 of 30 December 2018, *regulating the establishment of companies by public administrations, as well as the acquisition, maintenance and management of shareholdings by such administrations, in companies with total or partial public participation, whether direct or indirect*.

In particular, concerning the subjective scope of Legislative Decree 175/2016 as amended, Article 1, paragraph 5 reads: "5. *The provisions of this decree apply, only where expressly provided for, to listed companies, as defined in Art. 2(1)(p), as well as to companies controlled by them,*" whereas Art. 2(1)(p) defines listed companies: "*p) "companies with public shareholdings issuing shares listed on regulated markets; companies that have issued, as of 31 December 2015, financial instruments, other than shares, listed on regulated markets"*.

The parent company falls within the definition of listed companies under the aforesaid regulatory provision, having, in November 2014, proceeded to issue financial instruments consisting of bonds listed on regulated markets as a result of proceedings undertaken at the beginning of the same year, assuming the status of Eip (public interest entity) under Art. 16 paragraph 1 of Legislative Decree No. 39/2010, to which, therefore, the provisions of Legislative Decree No. 175/2016, as amended and supplemented, will apply only where expressly provided for and, therefore, where there is no express provision for its applicability, the Consolidated Act does not apply. In any case, the Consolidated Law on Public Companies does not seem to contain any provisions in this case that could directly affect the duration of existing assignments.

Article 16(1) provides that *in-house* companies are to be directly entrusted with public contracts by the authorities exercising analogous control over them, or by each of the authorities exercising joint analogous control over them, only in the absence of participation by private capital, except where required by law and in a form that does not entail control or veto power or the exercise of a dominant influence.

Paragraph 3 provides that the articles of association must stipulate that more than eighty per cent of the turnover must be made in the performance of the tasks entrusted to the company by the public or public shareholder bodies. Paragraph 3-bis provides that production in addition to the predominant one is permitted only on the condition that it allows for economies of scale or other productive efficiency gains in the performance of the company's core business.

Paragraph 7 (the last one) requires compliance with the Public Contracts Code in procuring works, goods and services.

2.1.3 Significant events during the year

Significant events potentially influencing the performance of social activities include the following.

Health emergency from covid-19 pandemic and energy crisis

Please refer to what has already been described in section 2.1.2 *Risks and Uncertainties*.

Water regulation and pricing legislation

With the financial year 2020, the new regulatory period (2020-2023) regulated by the Mti-3 method (Resolution 580/2019/R/idr Arera) came into force.

Therefore, with Resolution no. 17 of 17 December 2020, the Venice Lagoon Basin Council approved the regulatory scheme for the period in question, with the definition of the tariffs to be applied for the period 2020-2021 and the forecast of the tariffs for the period 2022-2023, which will then be subject to biennial updating.

With Resolution No. 46/2021/R/idr of 9 February 2021, Arera also approved, with amendments, the 2020-2023 regulatory scheme. The changes made by Arera to what was decided by the Basin Council only refer to the individual components of the Vrg, but the total Vrg and the indices *theta* have been confirmed as per the Basin Council resolution.

Regulations on the pricing of urban hygiene services

By Arera Resolution 443/2019/R/rif of 31 October 2019, the waste tariff method (Mtr) had been approved for the regulatory period 2018-2021, with rules for the elaboration of the 2020-2021 tariffs and recalculation of the 2018-2019 financial plans with the consequent determination of adjustments.

Due to the health emergency, however, Article 107 of Law Decree 18/2020 (the 'cure Italy' decree) had given municipalities the option of confirming for 2020 the Tari and Tarip rates approved for 2019 (an option used by almost all member municipalities), with the additional provision that any adjustment between the costs resulting from the 2020 EFP and the costs determined for 2019 would be spread over the following three years.

The Venice-Environment Basin Council had first approved the 2020 EFPs with Resolution No. 17 of 18 December 2020 and subsequently re-approved them with Resolution No. 5 of 14 June 2021, with the definition of the distribution modalities for the 2020 adjustments.

With the same Resolution No. 5 of 14 June 2021, the Basin Council also approved the Pef 2021.

Subsequently, the individual municipalities took note of the 2020 and 2021 EFPs already resolved by the Council and approved the tariff manoeuvres for 2021.

Within these resolutions, some municipalities allocated their funds to cover part of the tariff increases generated by Pef 2020 and Pef 2021.

The investigation at the Authority remains open for the confirmation of the adjustments above the *Cap* of 6.6% present in both the 2020 and 2021 EFPs, and for which at this time it is not foreseeable by Veritas their recoverability in future tariffs.

Participations and business acquisitions

The programme of rationalisation of investee companies decided by the member municipalities under the Consolidated Law on Investee Companies (Legislative Decree 175/2016) continued in 2021.

In July 2021, the subsidiary Sifagest scarl in liquidation resolved on the final distribution of its residual assets and liabilities to the shareholders. Accordingly, in October 2021, the company was dissolved by deletion from the Company Register.

The final distribution of the Sifagest liquidation included allocating shares in Sifa scarl to Veritas equal to 2.15% and Depuracque equal to 0.02% of the share capital.

At December 2021, the shareholders' meeting of Metalrecycling resolved to increase the share capital from k€ 100 to k€ 1,800 without a share premium by the sole shareholder Eco-ricicli, to extend the company's duration until 31 December 2050, and to change the company object.

On 1 August 2021, Veritas acquired from the associate Insula spa the business unit for the management of public works in the Municipality of Venice, and the simultaneous divestiture of its shareholding in Insula through the activation of the shareholder withdrawal option.

On 01 December 2021, Ecolegno CM Venezia Srl was established, of which Eco-ricicli Veritas Srl holds 40% of the share capital. It is a company whose main objective is the collection, marketing, sale, purchase, processing and transformation of non-hazardous waste with a predominantly woody composition, as well as the design and construction of facilities equipped for the storage and treatment of waste with a woody composition.

In December 2021, Eco-ricicli Veritas Srl acquired a 25% stake in the share capital of OMD Srl, a transaction preparatory to the start-up of the selection plant in Verona.

In 2021, the liquidation process of the company Ecoplastiche began, which resulted in the return to Eco-ricicli Veritas Srl of part of the capital originally paid in and the recognition in the 2021 financial statements of Eco-ricicli Veritas of a capital loss of Euro 7,000.

In February 2021, the notarial deed was signed for the acquisition by the parent company from Veneto Acque (a company *in house* of the Veneto Region) of the second branch of the company relating to the second and third sections of the regional infrastructure known as Savec (Schema acquedottistico del Veneto centrale) - parte est.

The aqueduct infrastructure named Savec is a regional work that guarantees the interconnection between the various aqueducts in the Veneto region, and the operation is part of the agreement between the various managers involved and Veneto Acque (in the execution of the Veneto Region's decision) in the devolution of this infrastructure to the local authorities.

In 2021, Metalrecycling acquired from 3C snc the business unit for the transport of waste and goods for third parties.

It should be noted that the operating investee companies nevertheless maintain a fundamental role in contributing to the Group's industrial and market management, providing it with the necessary strategic flexibility in conducting its business activities.

Other events - operational management

In January 2021, the parent company repurchased from Garage San Marco the Sant'Andrea area sold in 2011, which was used to expand the building adjacent to the car park area.

In July 2021, Veritas obtained the transfer of the integrated environmental authorisation for the operation of the temporary sludge storage plant called 'area 23 hectares' by taking over from the associated company Sifa sspa.

As of August 2021, following the purchase of the business unit from Insula spa, Veritas will manage public works on behalf of the Municipality of Venice.

Since June 2021, Ecoprogetto's L1 waste-to-energy line has been fully operational, reducing disposal costs and operational difficulties/risks in managing Csx outflows. In addition, the same line made it possible to be almost impervious to the unpredictable dynamics of energy price trends.

In 2021, Eco-ricicli will continue on its path of diversifying its operations, in particular by completing major investments of an infrastructural nature, applied exclusively in the industrial compendium of the Area 10 Hectares in Fusina, which will allow new sorting lines to be started up in 2022 for the treatment of waste produced by non-domestic users or industrial waste.

As of February 2021, the new bulky material line was also exercised, which, however, did not lead to the originally expected results, also as a consequence of the increased difficulties in procuring additional material flows to those foreseen by the Project Financing mainly due to the systemic anomalies caused by the Covid-19 health emergency. It also suffered from delays in obtaining the necessary variants to the environmental authorisation, a practice that will allow the company to expand the volumes processed and the types of material input from the second half of 2022 onwards, in particular enabling it to finally tackle the special waste sector originating from industrial production waste.

Eco-ricicli, also in 2021, continued to deliver the glass fraction at the same time as the transfer of the Coreve delegations to its subsidiary Sibelco Green Solution Srl.

From a financial point of view, it should be noted that on 14 May 2021, the parent company repaid the amount of €100 ML relating to the bond issued in 2014 in the Irish regulated market, while in December 2021, a new €25 ML 17-year bond was issued under private subscription (*private placement*) and placed with professional infrastructure investors.

Public regulation

This financial year also saw the continuation of regulatory developments and fulfilments in the area of public regulation, which push for continuous and burdensome interpretation and fulfilment of obligations, in particular concerning

- *obligation to submit financial statements following the single European electronic format Esef.* The European Directive 2013/50/EU on the Harmonisation of Transparency Requirements for Companies with Listed Securities introduced the obligation for issuers on European regulated markets to prepare their financial statements in the new European Single Electronic Format *European Single Electronic Format (ESEF)*. Subsequently, in 2019, the European Securities and Markets Authority (*Esma*) published Regulation *Esef*, stipulating the obligation of adoption as of the 2020 budget, an obligation that was later extended to the 2021 budget. The obligation consists in the preparation of financial statements following the format *xhtml (extensible hypertext markup language)* and, in the case of the preparation of consolidated financial statements following IAS/Ifs, the latter shall be prepared according to the format *iXBrl (interactive extensible business reporting language)*, which consists of associating the individual items in the financial statements with a standard taxonomy identified by EU Regulation 2018/815/EU. The obligation to adopt the taxonomy is also extended to the notes to the financial statements from the financial statements of 2022. The company conducted the necessary analyses and activated the IT updates to fulfil this obligation.
- *adoption of the Eu Taxonomy regulation on sustainable investments.* This fulfilment is part of the European Union's action plan to finance sustainable growth, and, therefore, within this context, the EU Regulation 2020/852 - *Eu Taxonomy regulation* was issued, which aims to estab-

lish a unified classification system for sustainable activities characterised by six environmental objectives (climate change mitigation, climate change adaptation, sustainable use of water and marine resources transition to a circular economy, prevention and reduction of pollution, protection and restoration of biodiversity and ecosystems), sanctioning a new reporting obligation for companies already required to publish the non-financial statement (Dnf), which are called upon to include the information on how and to what extent their business activities are associated with economic activities considered environmentally sustainable through the identification of some key indicators (share of turnover, share of investments and share of costs). The adoption of the new reporting requirement is planned to be phased in, both in terms of the scope of activities to be considered environmentally sustainable (for now, only climate change mitigation and adaptation) and in terms of the level of *disclosure* to be reported in non-financial statements. In particular, only the identification and mapping of "eligible" or "non-eligible" activities to the two climate change targets is envisaged for the 2021 financial year, while the full application of the technical screening criteria comes into force as of the 2022 financial year.

2.1.4 Foreseeable development of operations

The performance in the first months of the financial year 2022 was affected by the consequences of the energy crisis resulting firstly from the health emergency and secondly from the crisis resulting from the war in Ukraine that started in February 2022.

Particularly concerning the increase in fuel prices in early 2022, the Group is gradually transitioning to electric mobility and using alternative fuelled vehicles such as biomethane.

In April 2022, the Venice Environment Basin Council validated the 2022-2025 EFPs for the 45 municipalities managed by Veritas and Asvo prepared according to the new Mtr-2 tariff method, while the municipalities are in the process of approving these EFPs and adopting the Tari or Tarip tariff manoeuvre for 2022.

On the other hand, evaluations are underway regarding the application of the new method to treatment and disposal plants, particularly for the Jesolo landfill, especially because the method presents numerous elements of incompatibility to the specific nature of these plants.

In addition, with Resolution No. 15/2022/R/rif of 18 January 2022, Arera introduced quality regulation for the environmental service, which will have a major organisational impact on the service.

As far as water rates are concerned, the Venice Lagoon Basin Council is in the process of approving the tariff update for the two years 2022-2023 within the four-year regulatory period 2020-2023 as provided for by the Mti-3 method, which is affected by the difficulties in fully recovering the higher costs incurred for the energy component.

In 2022, the transition to a point-based waste service metering system also started for the municipality of Cona.

In addition, as of July 2022, the parent company will start managing the cemetery service for the municipality of Dolo as well.

Regarding the litigation opened with the Court of Auditors on the subject of the repayment to the Municipality of Venice of the amounts collected by Veritas, as accounting agent, for the fee under Law 206/1995 and cemetery concessions for the years 2012-2015, in the appeal proceedings, the Court of Auditors of Rome in March 2022 ruled dismissing from the case the amounts to be repaid before 1 January 2012, acquitting Veritas concerning the year 2015, while it ordered the payment of the amounts collected and not yet repaid for the years 2012-2014 inclusive of interest on arrears.

The derecognition of amounts before 1 January 2012 made it possible to recognise, already in the year 2021, a financial contingent asset of €2.3 million related to the reduction of the provision for the payment of interest on arrears allocated in previous years.

In March 2022, the Competition and Market Authority awarded Veritas the *Rating of Legality*, giving it the maximum rating of three stars. The legality rating is a synthetic indicator certifying the reliability, reputation, seriousness and ethics of Veritas.

The rationalisation of participation will continue in the financial year 2022.

In particular, the approval process concerning the merger between Ecoprogetto and Eco-ricicli is underway, which should be concluded with the actual merger between the two companies by the end of the 2022 financial year, while the purchase of the business unit for the management of the '23-hectare area' plant from Sifa has already been finalised, effective 1 May 2022.

Negotiations are also underway for acquiring the parent company's associate Veritas Conegliano's controlling interest, as originally envisaged in the *project financing* underlying the company's establishment.

During the year 2022, the procedure for the identification of the *general contractor* for the construction of the L2 line at Ecoprogetto will be managed, which will improve the results already obtained during 2021, thanks to the full start-up of the L1 waste-to-energy line, as it guarantees a reduction in disposal costs and a reduction of operational difficulties/risks in the management of outgoing C_{ss} flows. In addition, the same line allows one to be almost impervious to the unpredictable dynamics of energy price trends.

In addition, the revamping of Ecoprogetto's CSS1 plant will come into operation, producing economic benefits in terms of reduced waste handling costs within the plant and increased turnover for the sale of fractions to be sent to material re-use processes.

In the first months of 2022, the subsidiary Eco-ricicli completed the revamping of the additional PL lines and residue reprocessing: these interventions will allow for the additional recovery of materials previously destined for disposal; during the first half of 2022, interventions to improve the VPL 1 line and rationalise the special waste sorting line will be completed, and the new EPS and MPR treatment lines will be set up; the new evolved plastic packaging sorting line will also be operational by the end of 2022.

In the first months of 2022, the termination of the company lease contract concluded by Metalrecycling with the company Veneta Fercart snc was initiated, which will lead to the definitive closure of the Campagna Lupia local unit. All activities that should have been developed on that site will be transferred, subject to obtaining the appropriate environmental authorisations, to the parent company's site in Fusina or to the new industrial site to be established in the former Alcoa area.

In 2022, the environmental authorisation process to consolidate the operations of Metalrecycling's via dell'Elettronica plants should be completed, and the expansion of non-ferrous metal treatment activities should begin in a portion of the former Boschetto-Sirma complex earmarked by the parent company for this purpose.

2022 should also see the start of the environmental authorisation process for constructing a polyolefin recycling plant at the former Alcoa site.

Finally, it should be noted that in March 2022, Veritas' 2021-2023 Business Plan was approved, the main lines of which are based on sustainable development and ecological transition, also in the context of the actions envisaged by the National Recovery and Resilience Plan (Pnrr), with a forecast of investments for this period over EUR 250 million.

2.2 Consolidated Balance Sheet and Financial Position

assets (in euro units)	Note	31 December 2021	31 December 2020
Non-Current Assets			
Intangible fixed assets	6	21,485,097	23,359,622
concession services	6	268,035,462	244,775,682
Goodwill	7	21,223,424	21,223,424
Property, plant and equipment	8	343,090,348	333,746,836
real estate investments	9	18,411,805	18,414,338
shareholdings in associates and joint ventures	10	15,264,192	11,102,127
other investments	11	1,529,948	1,469,948
long-term receivables from member institutions	16	1,998,181	2,664,241
receivables from long-term associates	17	14,160,748	14,260,453
Other financial assets	12	8,212,904	8,387,931
receivables from subsidiaries held for sale	5		
income tax receivables	19	516,010	5,622,771
deferred tax assets	43	25,506,012	27,563,423
total non-current assets		739,434,131	712,590,796
Current assets			
inventories	13	10,068,179	7,866,742
Contract work in progress	14	7,362,073	2,642,148
Trade receivables	15	115,053,861	101,630,200
receivables from member institutions	16	26,228,531	23,268,179
receivables from subsidiaries held for sale	5		
receivables from associated companies	17	3,797,688	4,713,920
Other receivables	18	10,955,206	21,722,166
current income tax receivables	19	3,503,780	3,687,432
cash and cash equivalents	20	161,871,698	204,634,206
financial derivative instruments assets	30	37,131	677
total current assets		338,878,147	370,165,670
assets held for sale	5	182,203	3,865,199
total assets		1,078,494,481	1,086,621,665

liabilities and equity (in euro units)	Note	31 December 2021	31 December 2020
shareholders' equity			
Share Capital	21	145,397,150	145,397,150
Own shares	21	-640	-640
reserves	21	134,296,067	121,123,618
Group shareholders' equity		279,692,577	266,520,128
capital and reserves pertaining to minorities	21	29,442,539	29,717,663
total equity attributable to minority shareholders		29,442,539	29,717,663
Total shareholders' equity		309,135,116	296,237,791
Non-current liabilities			
medium- to long-term financing	22	189,458,268	172,911,273
financing from other lenders	23	155,066,657	121,357,668
provisions for risks and charges	24	68,215,507	67,339,851
Severance pay	25	23,652,310	25,437,566
payables to subsidiaries held for sale in the long term	5		
long-term payables to member institutions	26	9,375,386	9,953,840
payables to long-term associates	27	2,222,129	2,242,603
other non-current liabilities	28	21,932,793	23,649,493
deferred tax liabilities	43	4,183,992	7,632,861
total non-current liabilities		474,107,042	430,525,155
Current liabilities			
Trade payables	29	102,372,496	97,732,908
payables to member institutions	26	83,188,811	64,945,922
payables to subsidiaries held for sale	5		
payables to associated companies	27	8,625,064	2,386,379
bank borrowings and current portion of medium/long-term loans	22	47,429,669	39,357,586
financing from other lenders	23	15,325,500	116,166,299
derivative financial instruments liabilities	30	130,398	868,254
Other current liabilities	31	37,991,554	38,243,533
current tax payable	32	188,831	157,838
total current liabilities		295,252,323	359,858,719
liabilities held for sale	5		
total liabilities		769,359,365	790,383,874
total liabilities and equity		1,078,494,481	1,086,621,665

2.3 Consolidated Comprehensive Income Statement

comprehensive income statement (in euro units)	Note	2021	2020
operating activities			
revenues from sales and services	33	443,924,186	411,964,415
other revenues	34	11,262,545	15,581,308
total revenues		455,186,731	427,545,723
consumption costs of raw materials, supplies and consumables	35	-37,595,059	-33,386,339
Costs for services	36	-150,050,917	-134,215,081
costs of use of third party assets	37	-5,472,656	-6,004,045
staff costs	38	-172,794,947	-164,188,943
Other operating costs	39	-15,501,969	-22,358,146
Amortisation, depreciation and write downs	40	-50,528,397	-46,614,193
Operating loss		23,242,786	20,778,976
Share of results of equity-accounted investments valued using the equity method	41	839,226	44,835
financial charges	42	-14,920,750	-13,143,757
financial income	42	4,234,093	882,925
Pre-tax income		13,395,355	8,562,979
income taxes for the year	43	-801,185	-3,879,207
result for the year from continuing operations		12,594,170	4,683,772
discontinued operations			
net result for the year from discontinued operations			
consolidated result for the year		12,594,170	4,683,772
result for the year pertaining to minorities		-135,814	-1,576,388
Group results		12,729,984	6,260,160
other components of the statement of comprehensive income	Note	2021	2020
consolidated result for the year		12,594,170	4,683,772
other comprehensive income components that may be subsequently reclassified in the income statement			
net profit/(loss) on cash flow hedges	30	541,325	-457,046
income taxes on components that may be subsequently reclassified in the profit and loss account		-107,169	109,691
other income statement components that will not be subsequently reclassified to the profit and loss account			
Revaluation (loss)/gain on defined benefit plans	25	41,342	-349,006
income taxes on components that will not subsequently be reclassified to the profit and loss account		-9,922	83,762
comprehensive income for the year after tax		13,059,746	4,071,173
attributable to:			
shareholders of the parent company		13,163,870	5,658,341
minority shareholders		-104,124	-1,587,168
comprehensive income for the year after tax		13,059,746	4,071,173

2.4 Changes in Net Assets

(in euro units)	Share Capital	Legal reserve	Own shares	Other reserves	PN-method evaluation of linkages	Group share of profit/loss for the period	Total net equity of the Group	capital and appr. reserves of minorities.	profit/loss for the period about minority interests	total equity about minorities	Total shareholders' equity
balance as at 1 January 2020	145,397,150	3,903,431	-640	104,533,813	154,000	7,797,910	261,785,664	33,508,083	-3,249,901	30,258,182	292,043,846
capital increase											
allocation of previous year's result		354,680		7,443,230		-7,797,910		-3,249,901	3,249,901		
own shares in portfolio business aggregates and perimeter changes				-880,682			-880,682	950,869		950,869	70,187
Other changes				-43,200			-43,200	95,784		95,784	52,584
Dividends											
other components of the complex result				-601,819			-601,819	-10,780		-10,780	-612,599
result as at 31 December 2020						6,260,160	6,260,160	-1,576,388		-1,576,388	4,683,772
balance as at 31 December 2020	145,397,150	4,258,111	-640	110,451,347	154,000	6,260,160	266,520,128	31,294,051	-1,576,388	29,717,663	296,237,791
balance as at 1 January 2021	145,397,150	4,258,111	-640	110,451,347	154,000	6,260,160	266,520,128	31,294,051	-1,576,388	29,717,663	296,237,791
capital increase											
allocation of previous year's result		237,443		6,022,717		-6,260,160		-1,576,388	1,576,388		
own shares in portfolio business aggregates and perimeter changes								-175,623		-175,623	-175,623
Other changes				8,580			8,580	4,620		4,620	13,200
Dividends											
other components of the complex result				433,886			433,886	31,690		31,690	465,576
result as at 31 December 2021						12,729,984	12,729,984	-135,814		-135,814	12,594,170
balance as at 31 December 2021	145,397,150	4,495,554	-640	116,916,529	154,000	12,729,984	279,692,577	29,578,353	-135,814	29,442,539	309,135,116

2.5 Cash Flow Statement

cash flow statement (in euro units)	2021	2020
cash flows generated by operations		
profit (loss) for the period	12,594,170	4,683,772
cash flows from operations		
(interest income)/interest expense for the year	9,932,605	11,405,160
income tax for the year	801,185	3,879,207
adjustments to reconcile net profit to cash and cash equivalents generated (used) by operations		
Amortisation, depreciation and write downs	50,528,397	46,614,193
financial expenses (income) from discounting	782,053	855,672
impairment of receivables	913,775	12,262,262
write-downs of inventories	154,515	
change in fair value of derivative financial instruments	0	
Share of results of equity-accounted investments valued using the equity method	-839,226	-44,835
(capital gains)/losses		
from disposal of tangible fixed assets and investment property	354,761	-1,785,331
from the disposal of participations	-88,001	
provision (utilisation)		
Severance pay	-1,990,786	-877,751
provisions for risks and charges	4,533,738	2,453,871
other adjustments for non-monetary items	-1,203,268	-8,453,245
cash flow before change in Ccn	76,473,918	70,992,975
changes in net working capital		
inventories	-2,355,952	-935,683
Contract work in progress	-1,023,330	-752,284
Trade receivables	-14,419,358	-15,850,864
other current receivables	8,833,051	-1,734,176
Trade payables	16,274,856	-17,075,818
other current payables	-2,809,549	-3,232,816
total changes in current assets and liabilities	4,499,718	-39,581,641
other corrections		
(interest paid)	-15,048,025	-11,475,476
interest collected	2,146,976	1,379,315
(income tax paid)	-1,594,664	-5,887,428
dividends received	0	21,514
change in other non-current payables	-1,200,784	2,250,732
cash flows generated (used) from operations	65,277,139	17,699,991

cash flow statement (in euro units)	2021	2020
cash flows from investing activities		
realisation of intangible fixed assets		
realisation of tangible fixed assets and services under concession	3,439,583	1,229,374
net assets/liabilities held for sale	-58,000	-46,000
dividends from associates and joint ventures		
investments in business combinations net of cash acquired	-3,446,905	-6,332,187
purchase of intangible fixed assets	-5,887,992	-7,006,624
investments in services under concession	-29,744,749	-23,984,991
purchase of tangible fixed assets and investment property	-30,162,795	-33,131,063
acquisition of shareholdings in associates and joint ventures	-20,000	
equipment grants received	12,491,421	5,616,349
sale of shareholdings in associates and joint ventures	32,800	264,699
disinvestments (investments) in other participations		
disinvestments/(investments) in other financial assets and receivables from/to related parties	-189,139	2,599,186
cash flows generated (used) by investing activities	-53,545,776	-60,791,257
cash flows from financing activities		
own means		
disposal (purchase) of own shares		
other movements in net assets		
dividends paid		-1,492
third-party means		
assumption of financing		
in the medium to long term	78,000,000	67,200,000
medium- to long-term from other lenders		
Receipts/(payments) of derivative instruments		
bond issue	25,000,000	100,000,000
increase/(decrease) payables to associated companies	-315,306	-141,906
increase/(decrease) in short-term bank borrowings	-3,043,019	-3,251,935
acquisition of minority interests		
(repayment) of loans		
in the medium to long term	-50,733,171	-27,301,748
medium- to long-term from other lenders	-1,477,935	-5,241,854
increase/(decrease) in financial payables to member institutions	-1,174,440	-1,707,045
(redemption) of bonds	-100,750,000	-750,000
assignment of minority interests		
cash flows generated (used) by financing activities	-54,493,871	128,804,020
net increase (decrease) in cash and cash equivalents	-42,762,508	85,712,754
cash and cash equivalents at the beginning of the financial year	204,634,206	118,921,452
cash and cash equivalents at the end of the financial year	161,871,698	204,634,206



2.6 Notes to the Financial Statements

ACCOUNTING PRINCIPLES AND NOTES TO THE FINANCIAL STATEMENTS

I. Company information

Group data

Name of Reporting Entity	Veritas spa
Location of entity	Venice
Legal form of the entity	Joint-stock company
Country of registration	Italy
Address of entity's registered office	Santa Croce 489, Venice
Main place of business	Metropolitan City of Venice and the Province of Treviso
Description of the nature of the entity's business and its main operations	The main activities of the Veritas Group are - integrated environmental hygiene service; - management of the integrated water service; - other services such as (some local public services for the Municipality of Venice, heat and public lighting service, environmental remediation, management of two crematoriums, management of hazardous and non-hazardous waste, environmental remediation).
Parent company name	Veritas spa

Veritas spa, the parent company of the same Group, is a joint-stock company incorporated and domiciled in Italy.

The main activities of the Veritas Group are

- the integrated environmental hygiene service carried out in the territories of 45 member municipalities of the Veritas Group. The service includes street sweeping, waste collection and waste disposal through the treatment plants for the wet fraction, the dry fraction, and the material from separate waste collection. Inhabitants served are more than 920,000, to which must be added around 40 million tourists who visit Venice, the surrounding areas and the coasts of Jesolo, Eraclea and Chioggia every year (except for this period of health emergency), for a total of more than 1 million inhabitants equivalent;
- the management of the integrated water service (collection, lifting, treatment and distribution of water for civil and industrial use, collection and purification of domestic industrial wastewater) carried out in the territories of 36 municipalities that are members of the parent company, as the sole manager of the entire Venice Lagoon basin. The Group provides the integrated water service and purifies wastewater in the territory of its member municipalities, with a resident population of approximately 790,000 inhabitants.

In 2021, the Group invoiced approximately 70 million cubic metres of water. Veritas also manages the 15 km of the Porto Marghera industrial aqueduct, where some 4.8 million cubic metres of water are supplied.

The aqueduct network is 5,700 km long. In addition, a 2,800 km sewage network is used for the purification cycle, conveying approximately 80 million cubic metres of wastewater to 11 large and 27 medium/small purification plants. In addition, the company is committed, with the Engineering Division, to developing investments in the water and sewerage network and the purification plants, both for the necessary renovation of these and new pipelines;

- the management of several local public services for the Municipality of Venice, such as cemetery services, the management of the market fish market, hygiene services and from this year also public works; it also provides the service of laying footbridges to allow traffic to flow through the historic centre of Venice in the event of "high water"; since the end of 2018, Veritas has been involved, with operational coordination objectives, in the single metropolitan call centre activities following the implementation of the new *Czrm - Citizen relationship management* system, developed by the Municipality of Venice and its subsidiaries;
- the management of the heat and public lighting service for the Municipality of Chioggia, Fossalta di Portogruaro and Fiesso d'Artico, cemetery services (including cemetery green spaces) in the Municipalities of Spinea, Martellago, Mirano, Portogruaro, San Michele al Tagliamento, San Stino di Livenza, Fossalta di Portogruaro and Cinto Caomaggiore;
- environmental remediation (characterisation plans, safety measures, monitoring plans) on behalf of both member municipalities and other public entities;
- the operation of two crematoriums in Marghera, Spinea and Conegliano;
- the management of hazardous and non-hazardous waste, environmental remediation with advanced technology mobile plants through the subsidiary *Depuracque servizi Srl*;
- the development of the Rtn waste treatment plant in Fusina by the subsidiary *Rive Srl*.

A resolution approved these consolidated financial statements of the Veritas Group of the Board of Directors on 26 May 2022.

2.1 Drafting Criteria

The consolidated financial statements for the year ended 31 December 2021 are prepared by the parent company Veritas spa following the *International financial reporting standards* (Ifrs), adopted by the European Commission following the procedure set out in Article 6 of Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, in force at the date of preparation of this document. Ifrs also includes all revised International Accounting Standards (IAS) and all interpretations of the *International financial reporting interpretations committee* (Ifric), formerly known as *Standing interpretations committee* (Sic).

The consolidated financial statements provide comparative information for the previous year and consist of:

- a statement of financial position broken down by current and non-current assets and liabilities based on their realisation or settlement within the Group's normal operating cycle within twelve months of the end of the financial year;
- a statement of comprehensive income that presents expenses and revenues using a classification based on the nature of the same, a method considered more representative of the business segment in which the Group operates;
- a cash flow statement prepared according to the indirect method;
- a statement of changes in equity;
- notes containing the information required by applicable regulations and international accounting standards, appropriately presented regarding the financial statement formats used.

These consolidated financial statements are expressed in euro, the functional currency adopted by the Group under Article 5, Paragraph 2 of Legislative Decree No. 38 of 28 February 2005 and following IAS 1. All amounts are rounded to the nearest thousand euros unless otherwise indicated.

The consolidated financial statements have been audited, under Article 14 of Legislative Decree No. 39 of 27 January 2010, by the auditing firm Ernst & Young spa.

The general principle adopted in the preparation of these consolidated financial statements is that of cost, except for financial assets and liabilities (including derivative instruments) measured at *fair value*.

The financial statements have been prepared on a going concern basis. In particular, given the ongoing Covid-19 pandemic, the Group analyzed the potential future impacts of the health emergency on the economic activity, financial position and results of operations of the parent company and the Group, and based on the various scenarios configured, the assumption of business continuity was confirmed.

Accounting standards, amendments and interpretations applied since 1 January 2021

The accounting principles adopted to prepare the consolidated financial statements as at 31 December 2021 are the same as those used to prepare the economic and financial data presented for comparative purposes.

In 2021, the following amendments to the standards became effective for financial years beginning on or after 1 January 2021. The Group has not early adopted any other principles, interpretations or amendments published but are not yet in force. The nature and impact of each change are described below:

- *Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16:* The changes include the temporary easing of the requirements concerning the effects on the balance sheets when the interest rate offered in the interbank market (Ibor) is replaced by an alternative rate that is essentially risk-free (Risk-Free Rate - RFR): The changes include the following practical expedients:

- allows contractual changes, or changes in cash flows that are directly required by reform, to be considered and treated as changes in a variable interest rate, equivalent to a movement of an interest rate in the market;
- allow changes required by the Ibor reform to be made to the documentation for the designation of the hedging relationship without the hedging relationship having to be discontinued;
- provides temporary relief to entities in having to comply with separate identification requirements when an RFR is designated as a hedge of a risk component.

These changes have no impact on the Group's financial statements. The Group intends to use these practical expedients in future periods in which they are applicable.

- *Modification to IFRS 16 covid-19 Related Rent Concessions:* on 28 May 2020, the IASB published an amendment to IFRS 16. The amendment permits a lessee not to apply the requirements in IFRS 16 on the accounting effects of contractual modifications for *lease* reductions granted by lessors that are a direct result of the covid-19 outbreak. The amendment introduces a practical expedient whereby a tenant may choose not to assess whether reductions in *lease* fees represent contractual changes. A lessee that chooses to use this expedient accounts for these reductions as if they were not contractual modifications within the scope of IFRS 16.

The changes were to be applicable until 30 June 2021. Still, as the impact of the covid-19 pandemic continues, on 31 March 2021, the IASB extended the period of application of the practical expedient until 30 June 2022.

The amendments shall apply to financial years beginning on or after 1 April 2021. However, the Group has not received any rent relief related to covid-19 but plans to apply the practical expedient should the case arise within the permitted application period.

International Accounting Standards and/or Interpretations issued but not yet applicable and not early adopted by the Group

Principles and interpretations that had already been issued but were not yet in force at the date of preparation of the consolidated financial statements are illustrated below. The Group intends to adopt these principles and interpretations, if applicable when they come into force.

- *IFRS 17 - Insurance Contracts:* in May 2017, the IASB issued IFRS 17 *Insurance contracts*, a new comprehensive standard relating to insurance contracts that covers recognition and measurement, presentation and disclosure.

When it comes into force, it will replace IFRS 4 *Insurance Contracts*, issued in 2005. IFRS 17 applies to all types of insurance contracts (e.g. life, non-life, direct insurance, reinsurance) regardless of the type of entity issuing them, as well as to certain guarantees and financial instruments with discretionary participation features.

Limited exceptions will apply. The overall objective of IFRS 17 is to present an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to IFRS 4, which is largely based on maintaining previous accounting policies, IFRS 17 provides a comprehensive model for insurance contracts that covers all relevant accounting aspects. The core of the new principle is the general model, supplemented by: a specific adaptation

for contracts with direct participation features (the *variable fee approach*) and a simplified approach (the premium allocation approach) mainly for short-term contracts.

Ifrs 17 will be effective for financial years beginning on or after 1 January 2023 and will require the presentation of comparative balances. Earlier application is permitted, in which case the entity must also have adopted IFRS 9 and IFRS 15 on or before the date of the first application of IFRS 17. This principle does not apply to the Group.

- *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*: in January 2020, the IASB published amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. Amendments clarify:
 - what is meant by the right of postponement of maturity;
 - that the right of subordination must exist at the close of the financial year;
 - classification is not impacted by the likelihood with which the entity will exercise its subordination right;
 - Only if a derivative embedded in a convertible liability is itself an equity instrument does the maturity of the liability have no impact on its classification.

The amendments will be effective for financial years beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the changes will have on the current situation and whether it will be necessary to renegotiate existing loan agreements.

- *Reference to the Conceptual Framework - Amendments to IFRS 3*: in May 2020, the IASB published amendments to IFRS 3 *Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace references to the *Framework for the Preparation and Presentation of Financial Statements*, published in 1989, with references to the *Conceptual Framework for Financial Reporting* published in March 2018 without a significant change in the requirements of the standard.

The Board also added an exception to the valuation principles of IFRS 3 to avoid the risk of potential 'day-after' losses or gains arising from liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21 *Levies*, if contracted separately. At the same time, the Board decided to clarify that the *guidance* existing in IFRS 3 for contingent assets will not be impacted by updating references to the *Framework for the Preparation and Presentation of Financial Statements*.

The amendments will be effective for financial years beginning on 1 January 2022 and apply prospectively.

- *Property, Plant and Equipment: proceeds before Intended Use - Amendments to IAS 16*: in May 2020, the IASB published *Property, Plant and Equipment - Proceeds before Intended Use*, which prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from the sale of products sold during the period when that asset is brought to the location or condition necessary for it to be capable of operating in the manner for which it was designed by the *management*. In the income statement, an entity accounts for the revenue from selling those products and the costs of producing those products.

The amendment will be effective for annual periods beginning on or after 1 January 2022. It shall be applied retrospectively to those items of Property, Plant and Equipment available for use on or after the beginning date of the period before the period in which the entity first applies the amendment.

No material impact on the Group is expected from these changes.

- *Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37*: in May 2020, the IASB

published amendments to Ias 37 to specify which costs should be considered by an entity when assessing whether a contract is onerous or loss-making.

The amendment provides for the application of a so-called "*directly related cost approach*". Costs directly related to a contract for the provision of goods or services include both incremental costs and costs directly attributed to contractual activities. General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly chargeable to the other party based on the contract.

The amendments will be effective for financial years beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the financial year in which it first applies them.

- *Ifrs 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter*: as part of the 2018-2020 annual improvements process of the IFRS standards, the IASB published an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. This amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences based on the amounts recognised by the parent, taking into account the date of transition to IFRS by the parent. This amendment also applies to affiliated companies or *joint ventures* that choose to apply paragraph D16(a) of IFRS 1.

The amendment will be effective for financial years beginning on or after 1 January 2022. Earlier application is permitted.

- *Ifrs 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities*: as part of the 2018-2020 annual improvements process of the IFRS standards, the IASB published an amendment to IFRS 9. This amendment clarifies the *fees* an entity includes in determining whether the terms of a new or modified financial liability are materially different from the terms of the original financial liability. These *fees* include only those paid or received between the debtor and the lender, including those paid or received by the debtor or the lender on behalf of others. An entity applies that amendment to financial liabilities modified or exchanged after the date of the first annual period in which the entity first applies the amendment.

The amendment will be effective for financial years beginning on or after 1 January 2022. Earlier application is permitted. The Group will apply such amendment to financial liabilities that are amended or exchanged after or on the date of the first annual period in which the entity first applies such amendment.

No material impact on the Group is expected from this change.

- *Definition of Accounting Estimates - Amendments to IAS 8*: In February 2021, the IASB issued amendments to IAS 8, in which it introduced a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correcting errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for financial years beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period. Early application is permitted provided that this fact is disclosed.

The changes are not expected to have a significant impact on the Group.

- *Accounting Standards Disclosures - Amendments to IAS 1 and IFRS Practice Statement 2*: in February 2021, the IASB issued amendments to IAS 1 and *IFRS Practice Statement 2 Making Materiality Judgements*, in which it provides guidance and examples to assist entities in applying mate-

riality judgements to accounting standards disclosures. The amendments aim to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; in addition, guidance is added on how entities apply the concept of materiality in making accounting policy disclosure decisions.

The amendments to IAS 1 apply from financial years beginning on or after 1 January 2023. Earlier application is permitted. Since the amendments to Ps 2 provide non-mandatory guidance on applying the definition of material to the disclosure of accounting policies, there is no need for an effective date for these amendments.

The Group is currently assessing the impact of the changes to determine their impact on the disclosure of accounting standards.

Expression of compliance with IFRS

The consolidated financial statements of Veritas spa have been prepared following *International financial reporting standards* (IFRS).

Principles of Consolidation

The consolidated financial statements include the financial statements of Veritas spa and its subsidiaries prepared as at 31 December of each year.

Control is achieved when the Group is exposed to or entitled to variable returns from its relationship with the entity being invested in. At the same time, it can affect those returns by exercising its power over that entity. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the entity being invested in (i.e. holds valid rights giving it the present ability to direct the relevant activities of the entity being invested in);
- the exposure or rights to variable returns arising from the relationship with the entity being invested in;
- the ability to exert one's power over the entity being invested in to affect the number of its returns.

Generally, there is a presumption that most voting rights involve control. To support this presumption and when the Group holds less than a majority of the voting (or similar) rights, the Group considers all relevant facts and circumstances to determine whether it controls the investee, including:

- contractual agreements with other holders of voting rights;
- direct revenue from contractual agreements;
- of the Group's voting rights and potential voting rights.

The Group reconsiders whether or not it has control of an investee if facts and circumstances indicate that there have been changes in one or more of the three elements relevant to the definition of control.

Since the 2017 financial year, the parent company has been preparing its 'separate' financial statements following *International financial reporting standards* (IAS/IFRS), under Legislative Decree 38/2005 on public interest entities (Art. 16 c. 1 lett. a of Legislative Decree 39/2010). The transition date to IAS/IFRS was identified as 1 January 2016. Since the Group had made use of the option to prepare its consolidated financial statements following IAS/IFRS as at 31 December 2007, Veritas recognised the assets and liabilities in the opening balance sheet of the separate

IFRS financial statements and in the subsequent separate financial statements at the same values as those resulting from the accounting statement prepared for the Group's consolidated financial statements (paragraph D17 of IFRS 1 *revised*).

Subsidiaries are fully consolidated from the date of acquisition, i.e. the date on which the Group acquires control, and cease to be consolidated on the date on which control is transferred outside the Group.

The financial statements of the subsidiaries, which are prepared following Italian accounting standards OIC, are restated for each accounting year-end following IAS/IFRS. When necessary, appropriate adjustments are made to the financial statements of subsidiaries to ensure compliance with the Group's accounting policies.

All intragroup balances and transactions, including any unrealised gains and losses arising from transactions between Group companies, are fully eliminated.

Non-controlling interests represent the portion of profits or losses and net assets not held by the Group. They are shown in a separate item in the income statement and the balance sheet under components of equity, separately from the Group's equity.

Losses are attributed to minorities, even if this implies that minority interests have a negative balance.

Changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In particular, in acquisitions of minority interests, the difference between the price paid and the carrying amount of the portion of net assets acquired is recognised directly in equity.

If the parent loses control of a subsidiary, it:

- eliminates the assets (including any goodwill) and liabilities of the subsidiary;
- eliminates the book values of any minority interests in the former subsidiary;
- eliminates accumulated exchange rate differences recognised in equity;
- detects the *fair value* of the consideration received;
- detects the *fair value* of any retained interest in the former subsidiary;
- detects any gain or loss in the profit and loss account;
- reclassifies the parent's share of items previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.2 Discretionary evaluations and significant accounting estimates

Preparing the Group's financial statements requires the directors to make discretionary judgements, estimates and assumptions that affect the values of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, the uncertainty surrounding these assumptions and estimates could lead to outcomes that will require a significant adjustment to the carrying value of these assets and/or liabilities in the future.

Discretionary assessments

In applying the Group's accounting policies, the directors have made decisions based on the following discretionary judgements (excluding those involving estimates) with a significant effect on the values recorded in the financial statements.

Duration of Assignments

Concerning the duration of the assignments, reference is made in full to what is described in Section 2.1.1. *Management Events and Events* of the Report on Operations to the Consolidated Financial Statements.

Estimates and assumptions

Key assumptions concerning the future and other important sources of estimation uncertainty at the balance sheet date, which could lead to significant adjustments in the carrying values of assets and liabilities within the next financial year, are presented below.

The Group had based its estimates and assumptions on parameters available when the consolidated financial statements were prepared. However, current circumstances and assumptions about future events may change due to changes in the market or events beyond the Group's control. Such changes are reflected in recruitment when they occur.

The Group analysed the potential future impacts of the current health emergency on the economic activity, financial position and results of operations of the parent company and the Group, configuring various scenarios to verify the existence of the going concern assumption.

Impairment of non-financial assets

The Group tests all non-financial assets at each balance sheet date for indicators of impairment. Goodwill is tested annually for impairment. Other non-financial assets are tested annually for impairment when indications indicate that the book value may not be recovered.

When preparing value-in-use calculations, the directors must estimate the expected cash flows from the cash-generating asset or units and choose an appropriate discount rate to calculate the present value of those cash flows.

The Group checked whether any impairment could be found due to the effects of the ongoing health emergency.

Further details and sensitivity analysis of the key assumptions are provided in Note 7.

Revenue Recognition

Revenues from contracts with customers are recognised to faithfully represent the transfer of

promised goods and services (completion of the obligation to perform) in an amount that reflects the expected consideration in exchange for the goods and services provided. For accounting purposes, the company applies the so-called '*five step model*' required by IFRS 15.

Revenue recognition assumes using estimates based on the best available information, which may be subject to change due to new information not available at the time of the estimate.

Provision for Expected Losses on Trade Receivables and Contract Assets

The Group recognised an impairment provision for expected credit losses (*expected credit loss Ecl*) for all financial assets, as required by IFRS 9. The Group uses a matrix to calculate Ecls for trade receivables. Provisioning rates are based on days past due for each customer class grouped in the various segments with similar historical loss trends.

The matrix is initially based on the Group's observed historical default rates. The Group will calibrate the matrix to refine the historical data on credit losses with forward-looking elements. Historical default rates are updated at each reporting date, and estimated changes are analysed on forecasting elements.

Assessing the correlation between historical insolvency rates, forecast economic conditions, and Ecl is a meaningful estimate. The amount of Ecl is sensitive to changes in circumstances and anticipated economic conditions. The Group's historical credit loss experience and forecast of future economic conditions may also not be representative of actual customer insolvency in the future.

To consider the effects of the health emergency on insolvency, the Group has updated the provisioning rates by considering historical loss trends and analysing the increases in insolvencies recorded in the short period affected by the emergency. Further details are provided in footnote 15.

Deferred tax assets

Deferred tax assets are recognised for all temporary differences and tax loss carry forwards to the extent that there will probably be adequate future taxable profits against which such temporary differences can be reversed, and such losses can be utilised. The directors require significant discretion in determining the number of deferred tax assets that may be recognised. They must estimate the likely timing and amount of future taxable profits and a planning strategy for future taxes. Further details are provided in footnote 43.

Employee benefits - Severance pay

The cost of defined benefit pension plans, particularly the accrued termination benefits (TFR) as at 31 December 2019, is determined using actuarial valuations. Actuarial valuation requires making assumptions about discount rates, future salary increases, *turnover rates*, mortality rates and future pension increases. Due to the complexity of the valuation and the long-term nature of these plans, these estimates are subject to a significant degree of uncertainty. Further details are provided in footnote 25.

Provisions for post-mortem landfill recovery

The Group has recognised provisions for the costs associated with the reclamation of landfill areas, which will be incurred when the landfill is used for the *post-mortem*. In determining the amount of these funds, estimates and assumptions had to be made concerning the discount rates, expected costs for the recovery and restoration of the sites, and the volumes that could be

contributed. Further details are provided in footnote 24.

Lease - Estimation of marginal funding rate

The Group cannot easily determine the implicit interest rate of *leasing* and, therefore, uses the marginal financing rate to measure the liability for *leasing*. The marginal lending rate is the interest rate the lessee would have to pay for a loan, with a similar term and with similar security required to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The marginal lending rate, therefore, reflects what the Group would have had to pay, and this requires estimation when there is no observable data or when rates need to be adjusted to reflect the terms and conditions of the *leasing*. The Group estimates the marginal funding rate using observable data (such as market interest rates) if available.

Significant judgement in determining the duration of leases of contracts containing an extension option - The Group as lessee

The Group determines the term of the *lease* as the non-cancellable period to which should be added both the periods covered by the extension option if there is a reasonable certainty of exercising that option and the periods covered by the termination option of the *lease* if there is a reasonable certainty of not exercising that option.

The Group has the option, for some of its *leases*, to extend the *leasing* or to terminate it early. The Group applies its judgement in assessing whether there is reasonable certainty of exercising the renewal options. The Group considers all factors that may result in an economic incentive to exercise the renewal options or terminate the contract. After the effective date, the Group revises its estimates of the term of the *leases* in the event of a significant event or a significant change in circumstances within its control that may affect the ability to exercise (or not exercise) the option to renew or cancel early (e.g., investment in asset improvements in *leases* or significant asset-specific changes in *leases*).

Periods covered by early cancellation options are included in the *lease* only when it is reasonably certain they will not be exercised.

2.3 Scope of Consolidation

The consolidated financial statements include the financial statements of the parent company Veritas spa and of the companies over which the parent company has the right to exercise control, directly or indirectly (through its subsidiaries), by determining their financial and management choices and obtaining the relative benefits.

Listed below are the companies that, following the provisions of IAS 27, are included in the scope of consolidation on a line-by-line basis as at 31 December 2021:

<i>consolidated companies</i>	Registered Office	Share Capital	31 Decem-	31 Decem-
			ber 2021	ber 2020
			Group share	
Veritas spa (parent company)	Venice	145,397,150		
Ecoprogetto Venezia srl	Venice	53,607,273	56.68%	56.68%
Mive srl in liquidation	Mirano (Ve)	110,000	100.00%	100.00%
Eco-ricicli Veritas srl	Venice	7,000,000	82.34%	82.34%
Asvo spa	Portogruaro (Ve)	18,969,650	55.75%	55.75%
Consorzio bonifica Fusina in liquidation	Venice	100,000	82.05%	82.05%
Metalrecycling Venice srl	Venice	1,800,000	82.34%	82.34%
Depuracque servizi srl	Salzano (Ve)	223,080	100.00%	100.00%
Lecher ricerche e analisi srl	Salzano (Ve)	46,800	100.00%	100.00%
Rive srl	Venice	100,000	70.00%	70.00%
<i>company removed from the scope of consolidation</i>				
Sifagest scarl in liquidation	Venice	500,000	0.00%	65.00%

Please refer to Note 3 of the Group's Consolidated Financial Statements for further details on its corporate transactions.

The following associated companies are also valued using the equity method:

<i>companies accounted for using the equity method</i>	Registered Office	Share Capital	31 Decem-	31 Decem-
			ber 2021	ber 2020
			Group share	
Associated companies				
Sifa scpa	Mestre (Ve)	30,000,000	33.17%	33.17%
Ecolegno CM Venezia srl	Venice	50,000	32.94%	
OMD srl	Nervesa della Battaglia (Tv)	160,000	20.59%	
Veritas Conegliano srl	Venice	100,000	48.80%	48.80%
Vier scarl	Venice	100,000	49.00%	49.00%
<i>discontinued/abandoned companies</i>				
Insula spa	Venice	2,715,280	0.00%	24.73%
Ecoplastiche Venezia srl	Venice	100,000	0.00%	32.94%

2.4 Accounting Criteria

The valuation of the balance sheet items was made based on the general criteria of prudence and accrual, with a view to the continuation of the business. For accounting purposes, preference is given to the economic substance of transactions rather than their legal form.

In preparing these consolidated financial statements, the same principles and criteria applied in preparing the comparative data were followed, taking into account the new accounting principles mentioned above.

Concerning the economic aspect, it should be noted that the costs and revenues shown include the year-end balancing entries in the statement of financial position. In connection with this, profits are included only if they are realised by the end of the financial year, while risks and losses are considered even if they are known after that date.

The criteria and principles adopted are set out below:

Intangible fixed assets

Identifiable and controllable intangible assets, the cost of which can be measured reliably on the assumption that such assets will generate future economic benefits, are recognised.

Intangible assets acquired separately are initially capitalised at cost, while those acquired through business combinations are recorded at fair value at the date of acquisition. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, except for development costs, are not capitalised and are recognised in the income statement of the year in which they are incurred.

The useful life of intangible assets is assessed as finite or indefinite.

Intangible assets with finite lives are amortised over their useful lives and tested for impairment whenever there are indications of possible impairment. The period and method of depreciation applied to them are reviewed at the end of each financial year or more frequently if necessary. Changes in the expected useful life or how the Group earns the future economic benefits associated with the intangible asset are recognised by changing the period or method of amortisation as appropriate and treated as changes in accounting estimates.

Depreciation begins when the fixed asset is ready for use or, in any case, begins to produce economic benefits for the enterprise.

The amortisation of intangible assets with finite lives is recognised in the income statement in the cost category consistent with the function of the intangible asset.

Intangible assets with an indefinite useful life are tested annually for impairment at the individual or cash-generating unit level. No depreciation is recognised for these assets. The useful life of an intangible asset with an indefinite life is reviewed annually to ascertain whether the conditions underlying this classification continue to apply. Otherwise, the change of useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use. Gains or losses from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset. They are recognised in profit or loss when the asset is disposed of.

The principles applied by the Group for intangible assets are summarised below:

intangible fixed assets	public service concessions	software licences
useful life	defined	defined
depreciation method used	amortised on a straight-line basis over the duration of the relevant concession	amortised on a straight-line basis over a period of three or five years
internally produced or acquired	acquired	acquired

Concession services

Ifric 12 applies to public-to-private service concession arrangements if the following conditions are met:

- the grantor controls or regulates what services the concessionaire must provide with the infrastructure, to whom it must provide them and at what price;
- the grantor controls, through ownership or otherwise, any significant residual interest in the infrastructure at the expiry of the agreement.

If the above conditions are all fulfilled, the concessionaire does not have to account for the infrastructure as its own property, plant and equipment; this is because the service concession contract confers on it the use of the infrastructure, but not its availability upon expiry of the concession. These infrastructures must, therefore, be recognised as financial or intangible assets depending on whether the concessionaire has an unconditional right to receive contractually guaranteed cash flows, regardless of the actual use of the infrastructure. In essence, the so-called 'financial activity model' should only be applied in cases where the concessionaire is not exposed to demand risk, and thus whenever the flows provided for in the concession agreement are such as to enable him to recover his credit/investment regardless of the actual use of the infrastructure by customers.

The Group has identified concession services as all the integrated water cycle activities it manages.

The value of public grants received adjusts the value of services under concession.

Property, plant and equipment

Property, plant and equipment are recognised at historical cost, including directly attributable incidental costs necessary to bring the asset into use for the purpose for which it was acquired, increased, when relevant and in the presence of present obligations, by the present value of the estimated cost of dismantling and removing the asset. In particular, concerning the item Plant and Machinery, this cost includes costs for the replacement of part of the same at the time they are incurred if they comply with the recognition criteria. Where significant parts of such tangible assets have different useful lives, these components are accounted for separately.

Similarly, when major overhauls are made, the cost is included in the book value of the plant or machinery as a replacement if the criterion for recognition is met. Other repair and maintenance costs are recognised in the income statement when incurred.

Borrowing costs incurred in connection with investments in assets for which a period normally elapses long enough to make the asset ready for use or sale (*qualifying assets* under IAS 23 *Borrowing costs*) are capitalised on the cost of the asset and amortised over the useful life of the class of assets to which they relate. All other financial expenses are recognised in the income statement when they are incurred.

Finance costs consist of interest and other costs that the entity incurs in connection with obtaining financing.

Land, whether free of construction or attached to buildings, is normally not depreciated since it is an element with an unlimited useful life.

Land in which a landfill is located is depreciated over the operating life of the landfill.

Tangible assets are stated net of accumulated depreciation and impairment losses, as described below.

Depreciation is calculated on a straight-line basis according to the estimated useful life of the asset for the business, which is reviewed, as are the residual values and the depreciation method, on an annual basis, and any changes, where necessary, are made on a prospective basis.

Depreciation rates were revised at the Group level starting from the 2007 financial year, based on a special appraisal drafted by an independent expert, which redefined these rates according to the estimated remaining useful life of the fixed assets.

The main economic-technical rates used by the Group in the financial year 2020 are as follows:

Property, plant and equipment	category	depreciation rates % 2019
land	land and buildings	indefinite life
industrial and civil buildings	land and buildings/assets under <i>leasing</i> .	2.5% - 3% - 4%; 5.88% to 9.52%; 32.33%.
lightweight constructions	land and buildings	4% - 6.5% - 10%
fixed hydraulic works	land and buildings	2.5%
tanks	plant and machinery	3% - 4%
water and sewerage pipes (including flood drains and first rainwater tanks)	plant and machinery	2.5%
water and sewage lifting plants	plant and machinery	3% - 5% - 6%
drinking water plants	plant and machinery	3% - 4% - 5%
water and sewerage connections	plant and machinery	2.5% - 4%
sewage treatment plants	plant and machinery	3% - 5% - 7% - 15%
Photovoltaic systems	plant and machinery	4% - 5% - 7%
machinery	plant and machinery	6.5% - 9% - 10% - 15%
waste disposal facilities (except landfills)	plant and machinery	3% - 5% - 6% - 7.5% - 8.5% - 15%
waste disposal facilities - landfill	plant and machinery	depending on the % of landfill fill
waste pre-treatment plants	plant and machinery	depending on the shorter of the technical life and the duration of the concession or contract
line C5s1, line C5s2 and incineration plant	plant and machinery	according to service life (remaining useful life 2029)
other environmental hygiene facilities	plant and machinery	7%
electrical, electronic and heating installations	plant and machinery	7% - 10%; from 6.67% to 33.3%.
fixed hydraulic works	plant and machinery	2.5%
remote control systems	plant and machinery	7%
equipment and laboratories	commercial and industrial equip- ment	7.5% - 10% - 15%
containers and light containers	commercial and industrial equip- ment	6.25% - 9% - 12.5% - 15%
counters	commercial and industrial equip- ment	7%
metal vessels	Other goods	3% - 5.5% - 10%
boat equipment	Other goods	7% - 9%
cars	other goods	15% - 16.5% - 20% - 25%
industrial vehicles	other goods/goods in <i>leasing</i> .	8% - 10% - 16.5% - 20%
machinery and internal handling equipment	Other goods	6.5% - 7% - 8% - 9% - 20%
motorbikes	Other goods	10% - 25%
furniture and furnishings	Other goods	7% - 8.5% - 12% - 15%
computer products and office machines	Other goods	16.5% - 20%
communication equipment	Other goods	9%
mobile phones	Other goods	20%
Improvements on third-party assets	Improvements on third-party assets	depending on the shorter of the technical life and the term of the relevant underlying contract

For fixed assets purchased during the year, depreciation begins when the asset is ready for use. The full rate was applied for capitalised improvements on existing facilities.

A tangible asset is derecognised when sold or when there is no expected future economic benefit from its use or disposal. Any losses or gains (calculated as the difference between the net sale proceeds and the book value) are included in the profit and loss account in the year of the elimination mentioned above.

Leases

The Group assesses when signing a contract whether it is, or contains, a *leasing*. In other words, if the contract confers the right to control using an identified asset for some time in return for a consideration.

The Group as lessee

The Group adopts a single recognition and measurement model for all *leases*, except for short-term *leases* and *leases* of low-value goods. The Group recognises liabilities relating to payments under *leases* and the right-of-use asset representing the right to use the asset underlying the contract.

- **Right-of-use assets:** the Group recognises right-of-use assets on the *leasing* commencement date (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, net of accumulated depreciation and impairment losses and adjusted for any remeasurement of *leasing* liabilities. The cost of right-of-use assets comprises the amount of recognised *leases* liabilities, initial direct costs incurred and *lease* payments made on or before the commencement date net of any incentives received. Right-of-use assets are amortised on a straight-line basis from the effective date to the end of the useful life of the asset consisting of the right of use or to the end of the term of the *lease*, whichever is earlier, at the economic-technical rates already used.

If the *lease* transfers ownership of the underlying asset to the lessee at the end of the term of the *lease* or if the cost of the asset consisting of the right of use reflects the fact that the lessee will exercise the option to purchase, the lessee shall depreciate the asset consisting of the right of use from the effective date until the end of the useful life of the underlying asset.

- **Passivity related to *leasing*:** on the effective date of the *leases*, the Group recognises the *leases* liabilities by measuring them at the present value of payments due but not yet paid at that date. Payments due include fixed payments (including fixed payments in substance) net of any *leasing incentives* to be received, variable payments that depend on an index or rate, and amounts expected to be paid as residual value guarantees. The *leasing* payments also include the exercise price of a call option if it is reasonably certain that the Group and termination penalty payments will exercise such option if the term of the *leasing* takes into account the Group's exercise of its option to terminate the *leasing* itself.

Variable *leasing* payments that do not depend on an index or rate are recognised as costs in the period in which the event or condition generated the payment occurs.

For calculation of the current value of the payments due, the Group uses the incremental borrowing rate at the start date, if the implicit interest rate cannot be easily determined. After the effective date, the amount of the *leasing* liability increases to reflect interest on the *leasing* liability and decreases to reflect payments made. In addition, the carrying amount of payables for *leases* is restated in the event of any change or revision to the contractual terms for the change in payments; it is also restated for changes in the valuation of the option to purchase the underlying asset or for changes in future payments resulting from a change in the index or rate used to determine those payments.

The Group's liabilities for *leases* are included in the items Loans from other lenders (see Note 23) and Amounts due to member institutions (see Note 26).

- **Short-term leases and leases of low-value assets:** the Group applies the exemption for the recognition of *short-term leases* relating to a property, machinery and equipment (i.e., *leases* for which the lease terms expire within 12 months of the initial application date or with a

term of 12 months or less from the commencement date and do not contain an option to purchase). The Group also applied the exemption for *leases* relating to low-value assets in respect of contracts for office equipment and electronic devices whose value is considered low. Rents relating to *short-term leases* and *leases* of low-value assets are recognised as expenses on a straight-line basis over the term of *leases*.

The Group as lessor

Leases that essentially leave all risks and rewards of ownership of the asset with the Group are classified as *operating leases*. Income from *leases* arising from *operating leases* must be recognised over the term of the *lease* and is included in income in the income statement due to its operational nature. Initial trading costs are added to the book value of the leased asset and recognised over the lease term on the same basis as rental income. Unbudgeted rents are recognised as revenue in the period in which they accrue.

Real estate investments

Investment properties are initially recorded at acquisition cost, including negotiation costs. The carrying amount includes the cost of replacing part of an investment property when that cost is incurred, provided the recognition criteria are met, and excludes routine maintenance costs. After initial recognition at cost, investment property, except for land, is systematically depreciated each year on a straight-line basis at rates deemed representative of its remaining useful life.

Investment properties are derecognised when sold or when the investment is permanently unusable, and no future economic benefits are expected from its disposal. Any gain or loss arising from the retirement or disposal of an investment property is recognised in profit or loss in the year in which the retirement or disposal takes place.

Reclassifications from or to investment property occur when, and only when, there is a change of use. If a direct-use property becomes an investment property, the Group recognises such property following the criteria set out under Property, Plant and Equipment until the date of change of use.

No fixed assets held based on operational *leasing* contracts were classified as an investment property.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method.

The cost of an acquisition is measured as the sum of the consideration transferred measured at *fair value* at the acquisition date and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer shall measure any non-controlling interest in the acquiree either at *fair value* or in proportion to the non-controlling interest's share of the acquiree's identifiable net assets. Acquisition costs are expensed and classified under administrative expenses.

The Group determines that it has acquired a business activity when the integrated set of assets and goods includes at least one production factor and one substantial process which, together, significantly contribute to the ability to generate an *output*. The acquired process is considered substantial if it is crucial for the ability to continue to generate an *output* and the acquired production factors include an organised workforce that has the necessary skills, knowledge or experience to carry out that process or to significantly contribute to generating an output and is

considered unique or scarce or cannot be replaced at no cost, without effort or significant delays for the ability to generate an *output*.

When the Group acquires a *business*, it must classify or designate the acquired financial assets or liabilities assumed following the contractual terms, economic terms and other relevant conditions at the acquisition date. This includes verifying whether an embedded derivative should be separated from the primary contract.

If the business combination is achieved in stages, the acquirer shall recalculate the *fair value* of the equity interest previously held and measured using the *equity method* and recognise any resulting gain or loss in profit or loss.

The acquirer must recognise contingent consideration at *fair value* at the acquisition date. The potential consideration classified as equity not subject to remeasurement and its subsequent payment is accounted for with the balancing entry of shareholders' equity. The change in *fair value* of contingent consideration classified as an asset or liability, such as a financial instrument within the scope of IFRS 9 Financial Instruments, shall be recognised in profit or loss following IFRS 9. Contingent consideration that is not within the scope of IFRS 9 is measured at *fair value* at the balance sheet date, and changes in fair value are recognised in profit or loss.

Goodwill is initially measured at cost, which emerges as the excess of the sum of the consideration paid and the amount recognised for minority interests over the identifiable assets acquired and liabilities assumed by the Group. If the *fair value* of the net assets acquired exceeds the total amount of paid, the Group again checks whether it has correctly identified all the assets acquired and all the liabilities assumed and reviews the procedures used to determine the amounts to be recognised as at the date of acquisition. If the consideration is less than the *fair value* of the net assets of the acquired subsidiary, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For impairment testing (*Impairment*), goodwill acquired in a business combination shall, from the acquisition date, be allocated to each cash-generating unit of the Group that is expected to benefit from the combination, regardless of whether other assets or liabilities of the acquired entity are assigned to those units.

If goodwill has been allocated to a cash-generating unit and the entity disposes of part of the assets of that unit, the goodwill associated with the disposed asset shall be included in the carrying amount of the asset when determining the gain or loss on disposal. The goodwill associated with the discontinued operation must be determined based on the relative values of the discontinued operation and the retained part of the cash-generating unit.

Assets held for sale or discontinued

A discontinued or discontinued operation is a component of the Group that has been decided to be discontinued or has been discontinued and represents an important independent line of business or geographical area of activity. An asset is classified as discontinued at the time of disposal; when an asset is classified as discontinued, the income statement is restated as if the transaction had been discontinued at the beginning of the comparative period.

Investments in associates or joint ventures

The Group's investments in associates are accounted for using the equity method.

An associate is a company over which the Group exercises significant influence and is not classifiable as a subsidiary or *joint venture*. Significant influence means the power to participate in determining an investee's financial and operating policies without having control or joint control over it.

A *joint venture* is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control; a jointly controlled venture is a *joint venture* involving the formation of a separate company in which each participant has an interest.

Under the equity method, an investment in an associate or a *joint venture* is recognised in the balance sheet at cost, increased by post-acquisition changes in the Group's share of the associate's or *joint venture's net assets*. Goodwill about the associate or *joint venture* is included in the carrying amount of the investment and is not subject to amortisation. The income statement reflects the Group's share of the profit or loss for the year of the associate or *joint venture*. The equity method is also taken into account for the valuation of associates and joint ventures, which the parent company recognises in its separate financial statements at acquisition or subscription cost, adjusted for impairment losses to the recoverable amount, following IAS 36 (*Asset impairment*).

Any changes in other comprehensive income relating to these investees are presented as part of the Group's comprehensive income. If an associate or investee company recognises adjustments with a direct charge to equity, the Group recognises its share of the adjustments and reports them, where applicable, in the statement of changes in equity. Profits and losses arising from transactions between the Group and the associate or *joint venture* are eliminated in proportion to the investment.

The accounting closing date of the associates is aligned with that of the Group; the *joint venture* prepares a situation for consolidation purposes on the closing date of the parent company and applies uniform accounting principles. If the accounting principles used do not conform to those used by the Group, they are adjusted to make them consistent with those of the Group for transactions and events of the same nature and similar circumstances.

Following the application of the shareholders' equity method, the Group assesses whether it is necessary to recognise an impairment loss on its investment in associates or *joint ventures*. The Group assesses at each balance sheet date whether there is objective evidence that the investments in associates or *joint ventures* are impaired. In this case, the Group calculates the amount of the loss as the difference between the recoverable amount of the associate or *joint venture* and its carrying amount in its financial statements and recognises this difference in the income statement under the caption "share of profit or loss of associates and *joint ventures*".

Upon the loss of significant influence over an associate or joint control over a *joint venture*, the Group values and recognises the remaining investment at *fair value*. The difference between the carrying value of the investment at the date of loss of significant influence or joint control and the *fair value* of the remaining investment and consideration received is recognised in profit or loss.

When the Group contributes or sells assets to the *joint venture*, the recognition of any share of profit or loss arising from the transaction reflects the substance of the transaction. When the Group purchases goods or services from the *joint venture*, it does not recognise its share of the profit arising from the transaction until it resells that good or service to an independent third party.

Impairment losses on non-financial assets

At each balance sheet date, the Group assesses whether indicators of asset impairment exist. In this case, or in cases where an annual impairment test is required, the Group estimates the recoverable amount. The recoverable amount is the higher of the fair value of the asset or cash-generating unit, less costs to sell, and its value in use. The recoverable amount is determined for each individual asset, except when that asset generates cash flows that are largely independent of those generated by other assets or groups of assets.

If the carrying amount of an asset is greater than its recoverable amount, the asset is impaired and written down to its recoverable amount accordingly. In determining value in use, the Group discounts estimated future cash flows to present value using a pre-tax discount rate that reflects market assessments of the present value of money and the risks specific to the business. An appropriate valuation model is used to determine fair value less selling costs. These calculations are made by assessing the value in use using the Dcf model.

Impairment losses on continuing operations are recognised in the income statement in the cost categories consistent with the intended use of the asset that resulted in the impairment loss. Exceptions to this are fixed assets previously revalued where the revaluation was taken to equity. In such cases, the impairment loss is recognised in equity up to the amount of the previous revaluation.

At each balance sheet date, the Group assesses assets other than goodwill, whether there is any indication of the reversal (or reduction) of previously recognised impairment losses, and, if such indications exist, estimates the recoverable amount. The value of a previously impaired asset may only be reinstated if there has been a change in the estimates on which the calculation of the recoverable amount determined after the recognition of the last impairment loss was based.

The reversal may not exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised in prior periods. This reversal is recognised in profit or loss unless the fixed asset is recorded at a revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are used to account for impairment losses related to specific types of assets.

Goodwill

Goodwill is frequently tested for impairment at least once a year or more if circumstances indicate that the carrying amount may be impaired.

The impairment loss on goodwill is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

An impairment loss is recognised when the cash-generating unit's recoverable amount is less than the carrying amount to which goodwill has been allocated. Goodwill impairment cannot be reversed in future periods. The Group performs the annual goodwill impairment test on 31 December.

Associated companies and joint ventures

After applying the equity method, the Group determines whether or not it is necessary to recognise an additional loss on associate investments. The Group determines at each balance sheet date whether there is objective evidence that an investment in an associate is impaired. If this is the case, the Group calculates the amount of the loss as the difference between the fair value of the associate and the acquisition cost of the investment and accounts for the loss in the income statement.

Equity investments and other financial assets

According to Ifrs 9, upon initial recognition, financial assets are classified, depending on the data, at amortised cost, at *fair value* recognised in the Oci statement of comprehensive income, and at *fair value* recognised in the income statement.

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the *business* model the Group uses to manage them. Except for trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its *fair value* plus, in the case of a financial asset not at *fair value* recognised in profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are valued at the transaction price determined following Ifrs 15. Further details are provided in the section on Accounting Policies - Revenues.

For a financial asset to be classified and measured at amortised cost or at *fair value* recognised in Oci, it must generate cash flows that depend solely on principal and interest on the amount of principal to be repaid (so-called *solely payments of principal and interest* SpPi). This evaluation is referred to as the SPPI test and is performed at the instrument level. Financial assets whose cash flows do not meet the above requirements (SPPI) are classified and measured at fair value through profit or loss.

The Group's *business* model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will arise from collecting contractual cash flows, the sale of financial assets or both.

All standardised purchases and sales (*regular way*) of financial assets are recognised on the trade date, i.e. the date on which the Group enters into a commitment to purchase the asset. Standardised purchases and sales are defined as all buying and selling transactions in financial assets that provide for the delivery of assets in the period generally prescribed by the regulations and conventions of the market in which the exchange takes place.

For subsequent measurement, financial assets are classified into four categories:

- financial assets at amortised cost (debt instruments);
- financial assets at *fair value* recognised in other comprehensive income with a reclassification of accumulated gains and losses (debt instruments);
- financial assets at *fair value* recognised in other comprehensive income without reversal of accumulated gains and losses on derecognition (equity instruments);
- financial assets at *fair value* through profit or loss.

The Group determines the classification of its financial assets after initial recognition and, where appropriate and permitted, revises this classification at the end of each financial year.

Financial Assets at Amortised Cost

The Group measures financial assets at amortised cost if both of the following requirements are met:

- the financial asset is owned in the context of a *business* model whose objective is the ownership of financial assets to collect contractual cash flows;
- The contractual terms of the financial asset provide for cash flows at specified dates represented solely by payments of principal and interest on the principal amount to be repaid.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to *impairment*. When the asset is derecognised, modified, or revalued, gains and losses are recognised in profit or loss.

Financial assets at amortised cost include trade receivables, held-to-maturity assets and loans.

Financial assets at *fair value* recognised in OCI (debt instruments)

The Group measures financial assets at *fair value* recognised in other comprehensive income if both of the following requirements are met:

- the financial asset is held within the framework of a *business* model, the objective of which is achieved both through the collection of contractual cash flows and the sale of financial assets;
- The contractual terms of the financial asset provide for cash flows at specified dates consisting solely of principal payments and interest determined on the amount of principal to be repaid.

For debt instrument assets measured at *fair value* recognised in Oci, interest income, exchange rate differences and impairment losses, together with write-backs, are recognised in the income statement and are calculated similarly as for financial assets measured at amortised cost. The remaining changes in *fair value* are recognised in Oci. Upon derecognition, the cumulative change in *fair value* recognised in Oci is reclassified to profit or loss.

Investments in equity instruments

Upon initial recognition, the Group may irrevocably elect to classify its equity investments as equity instruments recognised at *fair value* remeasured in OCI when they meet the definition of equity instruments under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined for each instrument.

Gains and losses realised on such financial assets are never reversed to the profit and loss account. Dividends are recognised as other income in the income statement when the right to payment has been resolved, except when the Group benefits from such income as a recovery of part of the cost of the financial asset, in which case such gains are recognised in Oci. Equity instruments recorded at *fair value* recognised in OCI are not subject to the *impairment test*.

Financial assets at *fair value* with changes recognised in the income statement

Financial instruments at *fair value* with changes recognised in the income statement are recognised in the statement of financial position at *fair value*, and net changes in *fair value* are recognised in the income statement.

This category includes derivative instruments and listed equity investments that the Group has not irrevocably elected to classify at *fair value* recognised in OCI. Dividends on listed equity investments are recognised as other income in the income statement when the right to payment has been established.

The embedded derivative contained in a hybrid non-derivative contract, financial liability or host non-financial contract is separated from the host contract and accounted for as a separate derivative if: its economic characteristics and associated risks are not closely related to those of the host contract; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid contract is not measured at *fair value* recognised in profit or loss. Embedded derivatives are measured at *fair value*, with changes in *fair value* recognised in profit or loss. A restatement occurs only if a change in the contract significantly alters the otherwise expected cash flows or reclassifies a financial asset to a category other than *fair value* in the income statement.

Write-off of financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset are extinguished;
- the Group has transferred the right to receive cash flows from the asset or has assumed a contractual obligation to pay them in full and without delay and (a) has transferred substantially all of the risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all of the risks and rewards of the asset but has transferred control of it.

In cases where the Group has transferred rights to receive cash flows from an asset or has entered into an arrangement under which it retains the contractual rights to receive the cash flows from the financial asset. Still, it assumes a contractual obligation to pay the cash flows to one or more recipients (*pass-through*). Therefore, it assesses how it has retained the risks and rewards of ownership.

In cases where the Group has neither transferred nor retained substantially all risks and rewards or has not lost control over it, the asset is recognised in the Group's financial statements to the extent of its continuing involvement in the asset. In this case, the Group also recognises an associated liability. The transferred asset and associated liability are measured to reflect the rights and obligations that remain with the Group. The residual involvement that takes the form of a guarantee on the transferred asset is valued at the lower of the initial book value of the asset and the maximum value of the consideration that the Group may be required to pay.

When the entity's continuing involvement is a guarantee of the transferred asset, involvement is measured at the lower of the amount of the asset, and the maximum amount of consideration received that the entity could be required to repay.

Impairment of financial assets

The Group recognises an impairment loss (*expected credit loss Ecl*) for all financial assets represented by debt instruments not held at *fair value* through profit or loss. ECLs are based on the difference between the contractual cash flows due following the contract. All cash flows that the Group expects to receive are discounted to approximate the original effective interest rate.

Expected cash flows will include cash flows arising from the enforcement of collateral held or other credit guarantees that are integral to the contractual terms.

Expected losses are measured in two stages. For credit exposures for which there has been no significant increase in credit risk since initial recognition, credit losses arising from estimated default events that are possible within the next 12 months (12-month ECL) must be recognised. For credit exposures for which there has been a significant increase in credit risk since initial recognition, expected losses must be recognised in full over the remaining life of the exposure, regardless of when the event of default is expected to occur (*Lifetime Ecl*).

The Group applies a simplified approach in calculating expected losses for trade receivables and contract assets. Therefore, the Group does not monitor credit risk changes but fully recognises the expected loss at each reporting date. The Group has established a matrix system based on historical information, revised to consider forward-looking elements regarding specific types of debtors and their economic environment to determine expected losses.

For assets represented by debt instruments measured at *fair value* recognised in Oci, the Group applies the simplified approach for low credit risk assets. At each balance sheet date, the Group assesses whether the debt instrument is considered to have low credit risk using all available information that can be obtained without undue cost or effort. When a significant increase in credit risk occurs, the Group fully recognises the expected losses over the remaining term of the exposure.

A financial asset is derecognised when there is no reasonable expectation of recovering the contractual cash flows.

Inventories

Inventories consist of materials for maintenance and repair work on technical fixed assets and consumables such as fuel and lubricants, clothing and miscellaneous materials used in cleaning and sweeping waste activities.

Inventories of raw, ancillary and consumable materials are valued at purchase cost, determined using the movement-weighted average cost method. In the case of obsolete or no-longer-used material, inventories are valued at the lowest cost as previously determined and the realisable value inferable from the market.

Contract work in progress

Contracts for contract work in progress are valued according to IFRS 15. In particular, revenue is recognised *over the time* if it can be demonstrated that a) the customer simultaneously receives and consumes the benefits of the existing contract at the time the service is rendered; b) the service rendered improves.

Contract work in progress is valued based on the contractual payments, which are generally agreed upon as being equal to the costs incurred for each contract, accrued with reasonable certainty, according to the percentage of completion criterion, to allocate the revenue and profit of the contract to the individual financial years, in proportion to the stage of completion.

Contract progress is determined as the proportion of contract costs incurred for work performed up to the reporting date to the estimated total contract costs. The positive or negative difference between the value of the contracts accrued at the end of the period and the invoiced progress reports is entered respectively under assets or liabilities in the balance sheet.

In addition to contractual fees, contract revenue includes any variants, price revisions and incentive payments to the extent that they are likely to represent actual revenue that can be reliably determined. Ascertained losses are recognised irrespective of the progress of the orders.

Trade and other receivables

Receivables included in both non-current and current assets represent the unconditional right to receive consideration. Trade receivables are initially recognised at the transaction price determined following IFRS 15, and subsequently, the Group recognises an impairment loss due to expected losses (*expected credit loss* Ecl).

The Group applies a simplified approach in calculating expected losses for trade receivables and contract assets. Therefore, it does not monitor changes in credit risk but fully recognises the expected loss at each reporting date. The Group has established a matrix system based on historical information, revised to consider forward-looking elements regarding specific types of debtors and their economic environment to determine expected losses.

Further details are provided in the paragraphs on Accounting Policies - Revenues and Financial Assets.

Transfer of financial assets

The Group sells some of its trade receivables through factoring transactions (*factoring*). The *factoring* transactions may be either with recourse or without recourse. If these types of transactions meet the requirements of IAS 39, they are eliminated from the balance sheet as soon as the risks and rewards associated with their collection have been transferred; otherwise, the receivables assigned through these transactions remain on the Group's balance sheet, and financial liability of the same amount is recognised under Asset-backed financing.

Cash and cash equivalents

Cash and cash equivalents and short-term deposits comprise cash on hand and demand and short-term deposits, in the latter case with an expected original maturity of three months or less, that are readily convertible into a given amount of cash and subject to an insignificant risk of changes in value. For the consolidated cash flow statement, cash and cash equivalents are represented by cash and cash equivalents, as defined above.

Financial liabilities

Upon initial recognition, financial liabilities are classified as financial liabilities at *fair value* through profit or loss, as loans and borrowings, or as derivatives designated as hedging instruments.

All financial liabilities are initially recognised at *fair value* plus, in the case of mortgages, loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, mortgages and loans, overdrafts, and derivative financial instruments.

For subsequent valuation, financial liabilities are classified into two categories.

Financial liabilities at amortised cost (loans and borrowings)

Loans are measured at amortised cost using the effective interest rate method.

Any gain or loss is recognised in the income statement when the liability is extinguished and through the amortisation process.

Amortised cost is calculated by recognising the discount or premium on the acquisition and the fees or costs that form part of the effective interest rate. Amortisation at the effective interest rate is included in financial expenses on the face of the income statement.

Financial liabilities at fair value with changes recognised in the income statement

Financial liabilities at fair value through profit or loss include liabilities held for trading and financial liabilities initially recognised at fair value through profit or loss.

Liabilities held for trading are all those acquired for sale or settlement in the short term. Derivatives, including unbundled derivatives, are classified as financial instruments held for trading unless designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

If a condition of a long-term loan agreement is breached on or before the balance sheet date with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the balance sheet date and before the financial statements were authorised for issue, not to require payment as a result of the breach. The liability is classified as current because, at the balance sheet date, the entity does not have an unconditional right to defer its settlement for at least 12 months after that date.

Financial liabilities are designated at *fair value* with changes recognised in profit or loss from the date of initial recognition, only if the criteria of IFRS 9 are met. At initial recognition, the Group did not designate financial liabilities at *fair value* with changes recognised in profit or loss.

Trade payables, the maturity of which falls within normal commercial terms, are not discounted and are recorded at cost (identified by their nominal value), which represents fair value at the reference date.

Cancellation of financial liabilities

A financial liability is derecognised when the obligation underlying the liability is discharged, cancelled or fulfilled.

In cases where an existing financial liability is replaced by another from the same lender, under substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with any differences between the carrying amounts recognised in profit or loss.

Offsetting of financial assets and liabilities

A financial asset and a financial liability may be offset and the net balance presented in the statement of financial position if there is a present legal right to offset the recognised amounts and there is an intention to settle the net balance or to realise the asset and settle the liability simultaneously.

Provisions for risks and charges

Provisions for risks and charges are made when the Group has a present obligation (legal or constructive) due to a past event. An outflow of resources will probably be required to settle the obligation, and a reliable estimate of the amount can be made.

When the Group considers that a provision for risks and charges will be partly or fully reimbursed, for example, in the case of risks covered by insurance policies, the indemnity is recognised separately as an asset if, and only if, it is practically certain. In this case, the cost of any provision is presented in the income statement net of the amount recognised for the indemnity. If the effect of discounting the value of money is significant, provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the risks of the liabilities.

When discounting is performed, the increase in the provision due to the passage of time is recognised as a finance cost.

Liabilities for post-mortem charges of the landfill plant

There are provisions for charges for the management and recovery of landfill areas, which will be incurred at the end of the concessions for the management of the *post-mortem*. As a balancing item, an increase in assets was recognised in the item Plant and Machinery, which includes the plant related to the individual landfill.

Costs related to the management of the *post-mortem* are stated at the present value of the expected costs to settle the obligation, using estimated cash flows and a pre-tax discount rate that reflects the associated risks with that liability.

The effect of discounting is charged to the income statement as a financial cost as it arises. The estimated cash flows are reviewed annually and adjusted as appropriate. Changes in cost estimates or the discount rate are deducted from the asset's cost.

Employee benefits - severance pay

The liability relating to defined benefit plans (employee severance indemnity accrued at 31 December 2006), net of any plan assets, is determined based on actuarial assumptions and is recognised on an accrual basis consistent with the work services required to obtain the benefits; independent actuaries value the liability.

Following the amendments made to the TFR by Law No. 296 of 27 December 2006 (the 2007 Budget Law) and subsequent decrees and regulations, the TFR of Italian companies accrued from 1 January 2007 or from the date of the option to be exercised by employees is included in the category of defined contribution plans, both in the case of the option for supplementary pension schemes and in the case of allocation to the Treasury Fund at the INPS. The accounting treatment of this termination benefit was thus assimilated to that in place for contribution payments of another nature.

The liability relating to defined benefit plans, net of any plan assets, is determined based on actuarial assumptions and is recognised on an accrual basis consistent with the work services required to obtain the benefits.

Independent actuaries perform the valuation of the liability. Gains and losses arising from the actuarial calculation related to the defined benefit plan are recognised in the statement of comprehensive income entirely in the period they occur. These actuarial gains and losses are immediately classified as retained earnings and are not reclassified to profit or loss in subsequent periods.

The severance pay accrued from 1 January 2007 or from the date the option is chosen included in the category of defined contribution plans, both in the case of a supplementary pension option and in the case of allocation to the treasury fund at INPS. The accounting treatment of this termination benefit was thus assimilated to that in place for contribution payments of another nature.

Derivative financial instruments and hedging transactions

The Group uses derivative financial instruments such as *swaps* on interest rates to hedge risks arising mainly from interest rate fluctuations. These derivative financial instruments are initially recognised at fair value on the date they are entered into; subsequently, this fair value is periodically remeasured. They are accounted for as assets when the fair value is positive and liabilities when it is negative.

Any gains or losses resulting from changes in the fair value of derivatives that do not qualify for *hedge accounting* are recognised directly in profit or loss during the year.

The fair value of *swap* interest rate contracts is determined by reference to the market value for similar instruments.

For the purposes of *hedge accounting*, hedges are classified as:

- fair value hedges if they are against the risk of a change in the fair value of the underlying asset or liability; or an irrevocable commitment (except for a currency risk);
- cash flow hedges if they are against exposure to cash flow variability that is attributable to a particular risk associated with a recognised asset or liability or a planned highly probable transaction or currency risk in a firm commitment;
- coverages of a net investment in a foreign enterprise (*net investment hedge*).

When entering a hedging transaction, the Group formally designates and documents the hedging relationship to which it intends to apply *hedge accounting*, its risk management objectives, and the strategy pursued.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk and how the Group will assess whether the hedging relationship meets hedge effectiveness requirements (including analysis of the sources of hedge ineffectiveness and how the hedge ratio is determined). The hedging relationship meets the eligibility criteria for hedge accounting if it satisfies all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not prevail over the changes in value resulting from the above economic ratio;
- the hedging ratio of the hedging relationship is the same as that resulting from the amount of the hedged item that the Group hedges and the amount of the hedging instrument that the Group uses to hedge that amount of the hedged item.

Transactions that meet the criteria for *hedge accounting* are accounted for as follows:

Cash Flow Hedging

The portion of the gain or loss on the hedged instrument relating to the effective portion of the hedge is recognised directly in equity. In contrast, the ineffective portion is recognised immediately in profit or loss. The equity reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the *fair value* of the hedged item.

Amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in recognition of a non-financial component, the amount accumulated in equity is removed from the separate component of equity and included in the cost or other carrying amount of the hedged asset or liability. This is not considered a reclassification of the items recognised in Oci for the period. This also applies in the case of a hedged forecast transaction of a non-financial asset or non-financial liability that subsequently becomes an irrevocable commitment to which the hedge accounting of *fair value* applies.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows impact profit or loss.

If cash flow hedge accounting is discontinued, the amount accumulated in Oci must remain if the hedged future cash flows are expected to occur. Otherwise, the amount must be immediately reclassified in the income statement as a reclassification adjustment. After suspension, once the covered cash flow occurs, any accumulated amount remaining in Oci must be accounted for depending on the nature of the underlying transaction as previously described.

Revenue

Revenue recognition is based, according to IFRS 15, on the following five steps: (i) identification of the contract with the customer; (ii) identification of the *performance obligation*, represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the transaction price; (iv) allocation of the transaction price to the *performance obligation* identified based on the *stand alone* sale price of each good or service; (v) recognition of revenue when the related *performance obligation* is satisfied, i.e. when the promised good or service is transferred to the customer; the transfer is deemed completed when the customer obtains control of the good or service, which may occur continuously over a diluted and extended period (*overtime*), or at a specific point in time (*at a point in time*).

Revenues from contracts with customers are recognised when (or as) the obligation to perform is fulfilled, transferring control of the promised goods and services to the customer, in an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. The Group generally acts as Principal for all agreements from which revenues arise.

IFRS 15.48 requires the Group to consider the effects of each of the following when determining the price of the sale transaction:

- variable consideration;
- limiting estimates of variable consideration;
- existence in the contract of a significant financing component
- non-monetary consideration;
- charge payable to customer.

If the consideration promised in the contract includes a variable amount, the Group has estimated the amount of consideration to which it will be entitled in return for transferring the goods to the customer. The variable consideration is estimated when the contract is entered into and cannot be recognised until it is highly probable that when the uncertainty associated with the variable consideration is resolved, a significant downward adjustment to the cumulative revenue should be recognised. No sales contract provides customers with a right of return and volume discounts.

The Group did not recognise the cases of the existence of a significant financing component,

non-cash consideration, and consideration to be paid to the customer.

The Group has considered whether there are other promises in the contract that represent obligations to do on which part of the transaction consideration is to be allocated (e.g. guarantees, customer loyalty plans) but has not recognised such cases.

The following specific revenue recognition criteria must be met before revenue is recognised in the income statement:

Revenue from tariff

Revenues from the integrated water service are determined by reference to the accrued turnover, adjusted for any positive or negative adjustments which are certain to be applied. These revenues are determined by taking as a reference the guaranteed revenue constraint (Vrg) calculated under the water tariff method (Mti-3) currently in force for 2020-2023.

The approval of tariffs according to Mti-3 consists of the definition of a Vrg, which determines a tariff multiplier (so-called *theta*) that defines the tariff increases to the periods after 2019 (the last year of application of the previous Mti-2 method).

The Vrg, in addition to containing a component linked to tariff adjustments of previous years, has the function of already determining with certainty the amount of the adjustment to the actual turnover about that year. According to the current method, this adjustment will be included within the definition of the Vrg of the second year following the reference year.

Within what is defined as Vrg, Mti-3 stipulates that a share of these revenues must be allocated to the New Investment Fund (Foni).

Given the legal nature of consideration, however, it was considered that the Foni should be regarded as accrued income.

Article 14.1 of Arera Resolution 580/2019/R/idr (Mti-3) provides that 'the Sii operator is obliged to allocate exclusively to the realisation of new investments, identified as a priority in the served territory, a share of the recognised revenue constraint allocated to the Foni'.

The directors deem it appropriate to ensure the restriction on Foni's allocation by the shareholders' meeting at the time of approval of the financial statements of a portion of the year's profit corresponding to the amount of this restriction on revenue (net of the tax effect) to a non-distributable equity reserve.

If the amount of the Foni exceeds the profit for the year, the allocation to the non-distributable reserve for the remaining part is made by reducing the distributable reserves at that time of the net assets.

The allocation of the Foni to a non-distributable reserve ceases in the following financial year if the realised investments relating to the Sii are equal to or greater than the Foni itself.

Revenues from tariffs and fees for the environmental hygiene service are determined by reference to the accrued turnover, adjusted for any positive or negative adjustments which are certain to be applied. The determination of these revenues was carried out by taking as a reference the Financial Plans of each municipality calculated following the waste tariff method (Mtr) currently in force for the period 2020-2021, for the part of a certain application, i.e. within the limit of the 6.6% (*Cap*) set by the method, while, for the part exceeding the *Cap*, the recognition of revenues is made only if the further approval of the Authority is also involved or if the individual Municipality assumes the burden of covering such portions of revenues with appropriate expenditure commitments.

Prestazione di servizi

The revenue is recognised on an accrual basis, represented by the criterion of the state of progress of activities and/or the fees established annually in the service contract with the various municipalities.

Progress is measured as a percentage of costs incurred concerning the total estimated costs for each contract. When the outcome of the contract cannot be measured reliably, revenue is recognised only to the extent that the costs incurred are expected to be recoverable.

Sales of items

The revenue is recognised when the enterprise has transferred control of the goods to the buyer, generally on the date of shipment of the goods.

Rental income and concessions

Rents from investment properties are accounted for on a straight-line basis over the term of the lease agreements in place at the balance sheet date.

Revenues from concessions refer mainly to fees received for space given to market operators. These revenues are accounted for on an accrual basis.

Costs

Costs are valued at the *fair value* of the amount paid or payable. Costs related to goods or services sold or consumed during the financial year, from systematic allocation, or when their future utility cannot be identified, are recognised and charged directly to the Profit and Loss Account.

Public funding

Government grants are recognised when there is reasonable certainty that they will be received and all the conditions attached to them have been met. When grants are related to cost components, they are recognised as revenue but are systematically spread over the years to be commensurate with the costs they are intended to offset. Where the grant is related to a fixed asset, the grant is recognised at its nominal value as a deduction from the cost of the asset, and the income is released to the income statement on a straight-line basis over the expected useful life of the relevant asset by reducing the related depreciation cost.

Financial income and borrowing costs

Interest income

They are recognised as financial income following the accrual of interest income (using the effective interest method, which is the rate that discounts expected future cash flows based on the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividends

Dividends are recognised when the shareholders' right to receive payment arises.

Financial charges

Financial expenses are recognised in the income statement on an accrual basis.

Income Tax

Current taxes

Current tax assets and liabilities for the current and prior years are valued at the amount expected to be recovered or paid to the tax authorities. The tax rates and regulations used to calculate the amount are enacted or substantively enacted at the balance sheet date in the country where the Group operates and generates its taxable income.

Current taxes relating to items recognised directly in equity are also recognised directly in equity and not in the income statement.

The directors periodically assess the position in the tax return where tax rules are subject to interpretation and, where appropriate, make provisions.

Deferred taxes

Deferred taxes are calculated using the so-called *liability method* on temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and the values reported in the financial statements. Deferred tax liabilities are recognised for all temporary taxable differences, except for:

- of when deferred tax liabilities arising from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the profit for the year calculated for financial reporting purposes nor the profit or loss calculated for tax purposes;
- to temporary taxable differences associated with investments in subsidiaries, associates and *joint ventures*, where the reversal of the temporary differences can be controlled, and, probably, it will not occur in the foreseeable future.

Deferred tax assets are recognised for all temporary deductible differences and tax assets and liabilities carried forward, to the extent that there will probably be adequate future taxable profits that may make the utilisation of temporary deductible differences and tax assets, and liabilities carried forward applicable, except where:

- the deferred tax asset associated with temporary deductible differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the profit for the period calculated for financial reporting purposes nor the profit or loss calculated for tax purposes;
- Concerning temporary taxable differences associated with investments in subsidiaries, associates and *joint ventures*, deferred tax assets are recognised only to the extent that it is probable that the temporary deductible differences will reverse in the foreseeable future and that there are adequate taxable profits against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the future to allow all or part of that credit to be utilised. Unrecognised deferred tax assets are reviewed annually at the balance sheet date. They are recognised to the extent that it has become probable that taxable profit will be sufficient to allow these deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to apply to the year in which those assets are realised, or those liabilities are settled, considering the rates in effect and those already enacted or substantively enacted at the balance sheet date.

Income taxes on items recognised directly in equity are recognised directly in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities offset each other if there is a legal right to offset current tax assets and current tax liabilities and the deferred income taxes refer to the same taxable entity and the same taxing authority.

Value Added Tax

Revenues, expenses and assets are recognised net of value-added taxes, except where:

- that tax is non-deductible, in which case it is recognised as part of the purchase cost of the asset or part of the cost item recognised in the income statement;
- refers to trade receivables and payables shown, including the value of tax.

The net amount of indirect sales taxes that can be recovered from or paid to the Treasury is included in the balance sheet under trade receivables or trade payables, depending on the sign of the balance.

3. Business Combinations and Transfer of Minority Interests

Acquisitions and disposals in 2021

Purchase of business unit 2^a and 3^a Savec est section from Veneto Acque by Veritas

By deed of Notary Todeschini Premuda rep. 5199 of 26 February 2022 Veritas acquired from the company Veneto Acque spa the branch of business concerning the second and third sections of the regional infrastructure called Savec (Schema acquedottistico del Veneto centrale) - eastern part.

The purchase price was k€ 13,422, and the assets contributed by the branch were as follows:

(in thousands of euros)	assets and liabilities acquired by the branch
Assets	13,422
Non-Current Assets	13,422
tangible assets, intangible assets and services in conces.	13,422
net assets acquired	13,422
acquisition consideration	13,422
Difference	0

No goodwill or other differences in value emerged from this business unit to be allocated.

The consideration for the acquisition was paid at the time of the deed in the amount of k€ 2,569, while the remaining amount of k€ 10,854 is deferred in 35 six-monthly instalments from 31 March 2021 to 31 March 2038.

Purchase of the Public Works business unit from Insula of Veritas

By deed of Notary Sandi rep. 112493 of 27 July 2021 Veritas acquired from Insula spa, with effect from 1 August 2021, the business unit concerning the management of public works in the Municipality of Venice.

The purchase price was k€ 1,610, and the assets contributed by the branch were as follows:

(in thousands of euros)	assets and liabilities acquired by the branch
Assets	11,583
Non-Current Assets	3
Other financial assets	3
Current assets	11,580
Contract work in progress	3,697
Trade receivables	1,963
receivables from member institutions	5,516
Other receivables	404
passive	-9,973
Non-current liabilities	-226
Severance pay	-226
Current liabilities	-9,747
current trade payables	-6,291
payables to member institutions	-3,257
Other current liabilities	-199
net assets acquired	1,610
acquisition consideration	1,610

Difference	0
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The consideration for the acquisition was not paid as it was agreed to be paid in instalments over 36 months in proportion to the assets collected by the Municipality of Venice to the complex elements of the branch, as well as by offsetting existing receivables from Insula, with particular reference to the receivable arising from Veritas' exercise of its right of withdrawal as a shareholder of Insula in the amount of k€ 1,132.

Purchase of company branch from 3C snc by Metal recycling

In July 2021, the subsidiary Metalrecycling signed an agreement with the company 3C snc to acquire the business unit to haul goods and waste for third parties.

The purchase price was k€ 78, and the net assets contributed by the branch were as follows:

(in thousands of euros)	assets and liabilities acquired by the branch
Assets	78
Non-Current Assets	78
tangible assets, intangible assets and services in conces.	78
net assets acquired	78
acquisition consideration	78
Difference	0

No goodwill or other differences in value emerged from this business unit to be allocated.

Acquisitions/disposals after the balance sheet date

On 28 April 2022, the deed of purchase of the business unit for the management of the preliminary storage platform in the 23-hectare area from Sifa scpa was signed. The consideration for the acquisition is k€ 910 to be offset against the actual book values of the debt to personnel in the business unit as at 30 April 2022.

4. Acquisition of participation in jointly controlled companies

The Group formalised no acquisitions of shareholdings in jointly controlled companies.

5. Assets and liabilities held for sale and disposal or receivables from and payables to subsidiaries held for sale

These assets and liabilities are classified in the balance sheet under the following headings:

- credits - accounts payable to subsidiaries held for sale, short-term;
- credits - payables to subsidiaries held for long-term sale;
- assets for sale;
- liabilities held for sale.

For 2021, no companies were consolidated under IFRS 5.

Divestment of individual assets for sale

Below are certain assets and associated liabilities, classified as held for sale following the directors' decision to sell them or, subsequently, the signing of preliminary agreements to sell them. The respective comparative items as at 31 December 2020 have also been shown.

(in thousands of euros)	31 December 2021	31 December 2020
activities		
real estate investments	78	3,819
other assets available for sale	104	46
equity valuation of companies held for sale		
total assets held for sale	182	3,865
liabilities		
total liabilities held for sale		
total net assets held for sale	182	3,865

The change for the year includes:

- the decrease in real estate investments regards the reclassification of the land in Mestre Venice in Via Porto di Cavergnago, including the former historical newsstand in the San Polo district in Venice, owned by the subsidiary Mive, with a total value valued at k€ 3,741 among land and buildings, since it will be sold to the parent company within the year;
- The increase in other available-for-sale assets of k€ 58 is attributable to Metalrecycling for assets to be sold within the next financial year at the latest.

6. Intangible fixed assets

Changes in intangible assets as at 31 December 2021 and 31 December 2020:

(in thousands of euros)	installation and ex- pansion costs.	develop- ment ex- penditure	patent rights	licences and soft- ware	public ser- vice con- cessions	other in- tangible fixed as- sets	ongoing in- vestments	total
<i>Cost</i>								
From 1 January 2020	27	32	299	43,874	27,871	6,123	3,464	81,690
increases for business aggregates								
perimeter change								
Increases				4,536		65	2,255	6,856
Sale				-13		-115		-128
reclassifications				409		50	-482	-23
loss of value								
other changes							-12	-12
as at 31 December 2020	27	32	299	48,806	27,871	6,123	5,225	88,383
<i>depreciation and impairment losses</i>								
From 1 January 2020	-25	-32	-206	-38,217	-21,653	-41	-182	-60,356
increases for business aggregates								
perimeter change								
depreciation	-1		-21	-3,994	-645	-19		-4,680
Sale				13				13
reclassifications							-12	-12
loss of value								
other changes							12	12
as at 31 December 2020	-26	-32	-227	-42,198	-22,298	-60	-182	-65,023
residual value of contributions 2020								
<i>net book value</i>								
as at 31 December 2020	1		72	6,608	5,573	6,063	5,043	23,360
<i>Cost</i>								
at 1 January 2021	27	32	299	48,806	27,871	6,123	5,225	88,383
increases for business aggregates								
perimeter change								
Increases				3,590			2,184	5,774
Sale								
reclassifications		868				408	-3,654	-2,378
loss of value							-6	-6
other changes	-27	2				-428	-33	-486
at 31 December 2021		902	299	52,396	27,871	6,103	3,716	91,287
<i>depreciation and impairment losses</i>								
at 1 January 2021	-26	-32	-227	-42,198	-22,298	-60	-182	-65,023
increases for business aggregates								
perimeter change								
depreciation		-89	-21	-3,840	-813	-41		-4,804
Sale								
reclassifications						7		7
loss of value								
other changes	26							26
at 31 December 2021		-121	-248	-46,038	-23,111	-94	-182	-69,794
residual value of contributions 2021								
26								
-8								
<i>net book value</i>								
at 31 December 2021		781	51	6,350	4,760	6,009	3,534	21,485

The item Licences and software mainly includes the costs of developing and updating modules of the Sap software in use by the parent company.

In particular, investments for the year in licences and software amounted to k€ 3,553, of which k€ 1,113 related to Sap modules.

The item Concession of public services, which amounted to k€ 4,760 as at 31 December 2021, refers to the concession for the management of the Jesolo landfill brought in 2018 by the merger of Alisea (k€ 3,965), as well as the concession for using the Spinea funeral cremation plant (k€ 795).

In other fixed assets, Eco-ricicli Veritas Srl recorded the surface value right on the 10 Ha area, acquired from the parent company in 2018 (k€ 4,681); in 2019, the surface right on the former Co.in.tr. the area was finalised for k€ 1,754.

Concession services

Following the adoption of Ifric 12, the Group, after analysing the existing concession relationships with the granting entities, decided to apply the interpretation to all integrated water cycle activities managed by the parent company.

Therefore, all the infrastructure was reclassified under a separate item of intangible assets, called 'services under concession'.

In addition, the related government grants, previously classified as components of current and non-current liabilities, were reclassified, thus showing the net value of services under concession.

The values of the concession services are as follows:

(in thousands of euros)	31 December 2021	31 December 2020
water' concession services	268,035	244,776
total services under concession	268,035	244,776

The table below shows the changes in services under concession as at 31 December 2021 and 31 December 2020:

<i>(in thousands of euros)</i>	<i>concession services</i>
<i>Cost</i>	
From 1 January 2020	701,014
increases for business aggregates	17,171
perimeter change	
Increases	27,096
Sale	-1,477
reclassifications	308
loss of value	
other changes	
as at 31 December 2020	744,112
<i>depreciation and impairment losses</i>	
From 1 January 2020	-330,767
increases for business aggregates	
perimeter change	
depreciation	-18,821
Sale	1,476
reclassifications	-263
loss of value	
other changes	125
as at 31 December 2020	-348,250
residual value of contributions 2020	-151,086
<i>net book value</i>	
as at 31 December 2020	244,776
<i>Cost</i>	
at 1 January 2021	744,112
increases for business aggregates	32,386
perimeter change	
Increases	29,515
Sale	-117
reclassifications	9
loss of value	
other changes	
at 31 December 2021	805,905
<i>depreciation and impairment losses</i>	
at 1 January 2021	-348,250
increases for business aggregates	
perimeter change	
depreciation	-19,781
Sale	112
reclassifications	1
loss of value	
other changes	229
at 31 December 2021	-367,689
residual value of contributions 2021	-170,181
<i>net book value</i>	
at 31 December 2021	268,035

Concerning the economic-technical depreciation rates applied, representative of the expectation of obtaining the future economic benefits deriving from the use and residual value of the infrastructure, as envisaged by the reference regulatory framework, it should be noted that they

remain the same as those already used by the Group.

The item *increases for business combinations* refers to the acquisition of the plants from the Venice-Chioggia sub-lagoon pipeline branch, the second and third section of the Savec regional infrastructure - eastern part (for a historical cost of k€ 32,386 gross of plant grants for k€ 18,964).

Within goods for services under concession, there are rights of use related to the application of IFRS 16 accounting principle in the amount of k€ 5,402.

It should be noted that within the goods for services under concession, there are leased portions of real estate (see Note 2.3 paragraph *Leasing*, Note 34 and Note 44), which generate revenue in the amount of k€ 783.

7. Goodwill and Impairment Testing

Goodwill acquired through business combinations was allocated to the following separate cash-generating units (CGUs), which also belong to different sectors, for impairment testing:

- waste treatment plant management unit;
- Unit Sii Mogliano Veneto territorial area;
- units Both Asvo.

The table below lists the carrying value of goodwill allocated to each of the cash-generating units:

(in thousands of euros)	31 December 2020	Increases	decrease	31 December 2021
Cgu waste treatment plant management	16,065			16,065
Cgu Sii Mogliano Veneto area	788			788
Cgu Asvo	4,370			4,370
total start-ups	21,223			21,223

It should be noted that in line with the ongoing process of reorganisation and simplification of the Group, cash-generating units (CGUs) have been re-identified. In particular, in line with the current plan to merge the subsidiaries Ecoprogetto Venezia Srl and Eco-ricicli Veritas Srl, the Cgu previously identified with the two legal entities have been merged into a single Cgu named 'Cgu waste treatment plant management'. The new design responds to the need for rationalisation. It depicts how the group from 2021 will collect and analyse the performance of waste management activities within the Environmental Hygiene Services operating segment.

No write-downs were recorded concerning goodwill allocated to Cgu. There were no changes in the value of goodwill recognised for the financial year 2020.

Facilities Management Unit treatment waste

As described above, the former Cgu Ecoprogetto and Eco-ricicli Veritas were merged into the Ccg waste treatment plant management.

The recoverable value of the waste treatment plant management unit was determined based on the value in use.

The cash flow projection contained in the financial plan 2022-2026 approved by management was used for the calculation.

The discount rate applied to prospective cash flows is 5.93% for 2022-2026. The *terminal value* was derived by assuming the Nopat of the year 2022 as the reference flow for capitalisation, and a growth rate of 1% was assumed.

The *impairment test* performed with the assistance of an expert appointed by the parent company confirmed, based on the approved *business plan*, the recoverability of the value of the goodwill allocated to Cgu and recognised in the financial statements.

Integrated water service Mogliano Veneto area

The goodwill recognised in the parent company's financial statements, which arose from the acquisition of Spim spa's assets in 2008, is subject to *impairment testing* at least annually to identify any impairment loss.

To this end, the goodwill impairment test was conducted as part of the *impairment* test of the assets related to the integrated water service.

Asvo Unit

The recoverable value of the unit was determined based on the value in use. The cash flow projection contained in the financial plan approved by the management, covering three years (2022-2026), was used for the calculation.

The discount rate applied to the prospective cash flows is 5.42%, and the cash flows until 2023 were extrapolated using a growth rate of 1%.

The *impairment test* carried out by an expert appointed by the parent company confirmed, based on the *business plan* approved by Asvo's management, that the recoverability of the value of goodwill recorded in the financial statements.

Sensitivity to changes in assumptions

To verify the robustness of the value in using Ccg, sensitivity analyses were conducted on the main value drivers, particularly Wacc, long-term growth rate and Ebitda, the results of which fully support these values.

The actions put in place by the group reasonably suggest that the industrial plans will be adhered to.

8. Property, plant and equipment

Change in tangible assets as at 31 December 2021 and as at 31 December 2020:

(in thousands of euros)	land and buildings	plant and machinery	industrial and commercial equipment	Other goods	Improvements on third-party assets	non-transferable assets	leased assets	assets under construction or advances	total
<i>Cost</i>									
From 1 January 2020	189,578	215,939	62,587	128,053	23,744	11	18,017	22,638	660,567
increases for business aggregates			5	2,094					2,099
perimeter change		-8,235	-8	-1			-222		-8,466
Increases	2,186	8,940	3,991	9,202	1,127		11,834	5,473	42,753
Sale	-1,106	-4,148	-1,471	-2,727	-5		-1,033	-1,305	-11,795
reclassifications	81	12,434	-205	675	-3,398	-11	-1,718	-8,386	-528
loss of value		21							21
other changes	-30	-46						-112	-188
as at 31 December 2020	190,709	224,905	64,899	137,296	21,468		26,878	18,308	684,463
<i>depreciation and impairment losses</i>									
From 1 January 2020	-48,849	-134,174	-42,125	-79,759	-15,668	-11	-3,158	-1,159	-324,903
increases for business aggregates									
perimeter change		3,903	5	1			35		3,944
depreciation	-4,008	-9,724	-3,870	-7,713	-1,024		-2,709		-29,048
Sale	705	1,813	1,224	2,512	2		444	49	6,749
reclassifications	1	-2,823	20	19	3,048	11		242	518
loss of value		-1,422						-49	-1,471
other changes					2			107	109
as at 31 December 2020	-52,151	-142,427	-44,746	-84,940	-13,640		-5,388	-810	-344,102
<i>residual value of contributions</i>									
2020	-2,396	-3,057	-262	-577	-236			-86	-6,614
<i>net book value</i>									
as at 31 December 2020	136,162	79,421	19,891	51,779	7,592		21,490	17,412	333,747
<i>Cost</i>									
at 1 January 2021	190,709	224,905	64,899	137,296	21,468		26,878	18,308	684,463
increases for business aggregates				78					78
perimeter change									
Increases	9,074	5,656	5,318	7,382	518		4,274	10,320	42,542
Sale	-76	-2,533	-1,371	-3,273	-4		-710	-1,013	-8,980
reclassifications	1,560	5,784	355	1,934	2,371		-1,227	-8,473	2,304
loss of value		11							11
other changes	1,636	-316			-4			-211	1,105
at 31 December 2021	202,903	233,507	69,201	143,417	24,349		29,215	18,931	721,523
<i>depreciation and impairment losses</i>									
at 1 January 2021	-52,151	-142,427	-44,746	-84,940	-13,640		-5,388	-810	-344,102
increases for business aggregates									
perimeter change									
depreciation	-4,193	-12,234	-4,080	-8,432	-1,214		-3,596		-33,749
Sale	22	2,172	1,156	2,996	4		306		6,656
reclassifications		58	28	-406	-7		384		57
loss of value	-123								-123
other changes					4				4
at 31 December 2021	-56,445	-152,431	-47,642	-90,782	-14,853		-8,294	-810	-371,257
<i>residual value of contributions</i>									
2021	-2,246	-3,516	-329	-853	-232				-7,176

net book value

at 31 December 2021

144,212	77,560	21,230	51,782	9,264	20,921	18,121	343,090
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Tangible assets increased from k€ 343,090 to k€ 333,747 with a net increase of k€ 9,343.

The amounts shown under the item Business Combination Increases, in the amount of k€ 78, refer to Metalrecycling for acquiring the business unit from 3C snc in the road haulage business.

At the parent company, capital expenditure in the amount of k€ 21,818 included k€ 8,137 for land and buildings, k€ 1,525 for plant and machinery, k€ 2,660 for industrial and commercial equipment, k€ 5,388 for other tangible assets, k€ 336 for leasehold improvements, k€ 1,199 for rights of use for assets under *leasing*, and k€ 2,573 for assets under construction. Within the item land and buildings is the repurchase of the Sant'Andrea area for k€ 7,000.

Eco-ricicli Srl continued to invest in the Vpl1 and Vpl2 treatment plants and related machinery.

For Ecoprogetto, 'Line 1' of the waste-to-energy plant has been operating since December 2020. In 2021, this plant line was affected by implementation and production efficiency measures.

Similarly, the Css production plants were affected by upgrades to improve production and safety, some of which have been completed and will be operational as early as 2021. Others are under construction with commissioning in 2022.

In 2021, investment works continued on the waste-to-energy plant Line 1 - and Css1, while others were completed in 2021 and assigned to specific ministerial categories. Others are under construction and still recorded under Assets under construction.

The works in progress recorded under specific investment orders as at 31 December 2021 are of an extraordinary maintenance improvement nature, aimed at the efficiency and safety of the production cycle, concerning the Css and waste-to-energy plants in addition to the Transfer Station, as well as common areas. Completion of the contract works is scheduled for 2022.

The only exception is the investment contract for the design and construction of Line 2 of the waste-to-energy plant, which was started and moved in 2021 due to costs for internal staff increases and legal opinions on the form of the contract for the work, the signing of which is expected in the first half of 2022 while the construction and commissioning of the plant asset are planned in the next two years.

Reclassifications, which are used to make the Group's fixed asset recognition criteria uniform (in particular, intragroup movements following sales/disposals of assets), are also used to reallocate redeemed *leased* assets to the corresponding fixed asset classes.

Net decreases in the amount of k€ 2,324 related to k€ 54 for land and buildings, k€ 361 for plant and machinery, k€ 215 for industrial and commercial equipment, k€ 277 for other tangible assets, k€ 404 for rights of use for assets under *leasing*, and k€ 1,013 for fixed assets in progress.

Impairment losses mainly relate to the parent company.

Depreciation for the year, which amounted to k€ 33,749, was calculated on all depreciable assets at year-end by applying rates deemed representative of the economic-technical life of the assets, as shown in the valuation criteria. The definition and/or revision of useful lives was carried out to adjust the valuation criteria for depreciation at the Group level.

The rates above, proportionally reduced for assets that entered into service during the year to consider their shorter use over time, were determined concerning the remaining useful life of the assets and are, therefore, deemed representative of the economic-technical life of the tangible assets.

The depreciation rate applied to plant and land relative to the parent company's Jesolo landfill was calculated based on the amount of waste delivered during the year compared to the residual capacity of the landfill on 1 January 2021; the rate applied this year was, therefore, 16.19%. The operational period of the landfill is currently estimated up to and including the year 2026.

It should be noted that tangible fixed assets include leased buildings (see Note 2.3 paragraph *Leasing*, Note 34 and Note 44) that generate revenues from third parties for k€ 162 for the parent company, k€ 54 for Ecoprogetto Venezia Srl, and k€ 18 for Metalrecycling Srl.

9. Real estate investments

The following table shows changes in investment property as at 31 December 2021 and 31 December 2020, consisting entirely of land and buildings:

<i>(in thousands of euros)</i>	<i>total</i>
<i>Cost</i>	
From 1 January 2020	18,664
Increases	
Sale	
reclassifications	
loss of value	
other changes	-185
as at 31 December 2020	18,479
<i>depreciation and impairment losses</i>	
From 1 January 2020	-247
depreciation	-3
Sale	
reclassifications	
loss of value	
other changes	185
as at 31 December 2020	-65
residual value of contributions 2020	
<i>net book value</i>	
as at 31 December 2020	18,414
<i>Cost</i>	
at 1 January 2021	18,479
Increases	
Sale	
reclassifications	
loss of value	
other changes	
at 31 December 2021	18,479
<i>depreciation and impairment losses</i>	
at 1 January 2021	-65
depreciation	-3
Sale	
reclassifications	
loss of value	
other changes	
at 31 December 2021	-68
residual value of contributions 2021	
<i>net book value</i>	
at 31 December 2021	18,411

Real estate investments consist almost entirely of land value (ex-Alcoa) in Fusina-Marghera, where the Group implements the Ecodistretto project. This project envisages the relocation of a series of industrial activities managed by both Group and external companies to treat the recyclable part of the waste, creating a Waste Treatment Pole.

I 0. Shareholdings in associates and joint ventures

As at 31 December 2021, the Group held the following investments in associated companies:

(in thousands of euros)	book value		% Group participation	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Sifa scpa	9,180	8,962	33.17%	33.17%
Insula spa		496	0.00%	24.73%
Ecoplastiche Venezia srl		39	0.00%	32.94%
Veritas Conegliano srl	1,099	1,099	32.94%	
Vier Scarl	506	506	20.59%	
OMD srl	4,459		48.80%	48.80%
Ecolegno CM Venezia srl	20		49.00%	49.00%
participations in associated companies	15,264	11,102		
shareholdings in jointly controlled companies				
shareholdings in associates and joint ventures	15,264	11,102		

The item Investments in associates and joint ventures increased from k€ 11,102 to k€ 15,264, with an increase of k€ 4,162 attributable to Sifa scpa (+k€ 218), the entry of OMD Srl (+k€ 4,459) and Ecolegno CM Venezia Srl (+k€ 20) and the exit of Insula spa (-k€ 496) and Ecoplastiche Venezia Srl (-k€ 39).

Associated companies are not listed on any regulated market.

Summarised financial information for the individual companies is presented below; the figures shown are derived from the IFRS financial statements for the companies that have prepared them and from the reclassification of statutory financial statements prepared following Italian GAAP in other cases, in the belief that they are also representative for IAS purposes.

Associated companies maintain a fundamental role in contributing to the parent company's and subsidiaries' industrial and market management, providing the necessary strategic flexibility in the conduct of business activities.

Sifa scpa

The company, established in 2005, has as its object activities aimed at the design, construction and management of interventions to be carried out through project financing in connection with the concession of the complex of works and activities known as the Fusina Integrated Project by the Veneto Region and regulated by a specific agreement.

This project, which involves the construction of plants to ensure the treatment of wastewater from the Marghera industrial complex and the Mirano area, as well as civil use water, consists of a large-scale environmental recovery project that embraces a vast area of Fusina and includes the burying of high-voltage power lines, a new road system for heavy road transport, hydraulic works, the relocation of a production site, and the conversion of disused petrochemical areas into port areas.

The initial agreement, signed in July 2005 with the Veneto Region, was subsequently supplemented in December 2008 (1st supplementary act) and in March 2010 (2nd supplementary act).

Following the worsening of the economic context of reference, in December 2016, Sifa and the Veneto Region signed a new deed supplementing and modifying the concession, which envisages achieving long-term economic-financial equilibrium once again, thanks to the Region's disbursement of a €56 million plant subsidy.

The following table, therefore, summarises the summary financial information on the investment, regarding the 2020 financial statements, the latest approved as the shareholders' meeting has not yet approved the 2021 financial statements by the postponement of the deadlines provided for by Decree-Law 183/2020 converted into Law 21/2021:

<i>(in thousands of euros)</i>	2020	2019
<i>balance sheet of the associate</i>		
Current assets	27,067	29,231
Non-Current Assets	136,723	163,547
Current liabilities	-17,203	-31,683
Non-current liabilities	-109,397	-124,707
total net assets	37,190	36,388
<i>revenues and result of the associate</i>		
Revenue	22,102	22,963
profit (loss)	803	1,876
book value of the shareholding	9,180	8,962

In 2020, Sifa's activities continued in the post-treatment of urban wastewater 'A', in the treatment of industrial wastewater and stormwater runoff from the Porto Marghera industrial area, and in the treatment of groundwater from the retromarginamenti carried out by the Interregional Public Works Department and Sifa itself.

However, 2020 was also the last year for the management of Platform 23ha, dedicated to the temporary storage of sewage sludge and polluted excavated soil, because in August 2020, the grantor Veneto Region decided to remove from the Pif concession the activities previously introduced with the 1st supplementary deed and related to the Moranzani programme agreement

The cancellation of the Moranzani programme agreement activities opened a long phase of discussion, which is still ongoing, with the Veneto Region to determine the compensatory value of the works carried out.

As at 31 December 2021, the Group recorded:

- 9.2 M€ as the carrying value of the equity investment in Sifa, aligned with the *equity value* of the associate, estimated by the Group taking as a starting point the Pef quoted and supplemented for the reasons set forth below;

- 13.4 ML€ of receivables, including financial and trade receivables, mainly attributable to the parent company and a lesser extent to Depuracque and Lecher;
- 3.4 M€ of trade payables attributable to the parent company.

The company composition is as follows: Veritas spa 32.15%, Depuracque servizi Srl 1.02% and third parties 66.83%, including Mantovani with 47.00%.

The change in the year relates to Sifagest's allocation of 2.15% of Sifa's shares in the final allocation, as well as an addition to the financial expenses already calculated in the period 2016-2020, resulting from the discounting of the financial loan for the difference between the market rate and the applied rate.

It should be recalled that with the signing of the agreement of 27 December 2016 between Sifa, the Veneto Region, and Sifa's shareholders and the disbursement by the Region itself of a EUR 56 million contribution as a plant account subsidy, which made it possible to repay in full the bank loan that was due at the very end of December 2016, the uncertainties surrounding the assumption of Sifa's business continuity were removed.

In addition, with the signing of the new shareholders' agreements between Sifa's shareholders on 27 December 2016, the trade receivables from Sifa, by mutual agreement of all shareholders, were converted into financial receivables with deferred repayment following the provisions of the Financial Business Plan attached to the same agreements, with the recognition of a 2% interest rate.

The directors, therefore, valued the market interest rate applicable to Sifa at 4%, discounted this receivable for the difference between the two interest rates, and added this financial charge to the value of the investment.

The shareholding in Sifa was written down for impairment in previous years. Although the directors found that the performance was in line with the business plan approved by management, they analysed the associate's updated impairment tests to close the 2021 financial statements and prudently considered not proceeding with a reversal of impairment.

Ecolegno CM Venezia srl

The company was established on 1 December 2021 by Sage Srl and Eco-ricicli Veritas Srl, which hold 60% and 40% of the share capital of k€ 50, respectively.

The company's main purpose is the collection, marketing, sale, purchase, processing and transformation of non-hazardous waste with a predominantly woody composition, as well as the design and construction of facilities equipped for the storage and treatment of waste with a woody composition.

The first financial statements will close on 31 December 2022, so no summary financial information is available.

The book value of the participation is k€ 20.

OMD srl

The company incorporated on 9/12/2009 has as its main activity the production, installation, and maintenance of machinery for the handling and processing of industrial products and aggregates, and the production, set-up and operation of plants for the collection and sorting of waste.

In 2021, Eco-ricicli Veritas acquired 25 per cent of the share capital through the conversion of trade receivables held mainly by a glass treatment plant sale and related subcontracting relationship signed in 2020.

The composition of the company as at 31 December 2021 is, therefore, as follows: Rell Srl 75%, Eco-ricicli Veritas Srl 25%.

The following table summarises the summary financial information on the shareholding regarding the 2020 financial statements, as the shareholders' meeting has not yet approved the 2021 financial statements under the deferral of the deadlines envisaged by the company's governing body:

<i>(in thousands of euros)</i>	2020
<i>balance sheet of the associate</i>	
Current assets	8,980
Non-Current Assets	7,544
Current liabilities	-3,802
Non-current liabilities	-5,468
total net assets	7,255
<i>revenues and result of the associate</i>	
Revenue	12,223
profit (loss)	1,813
book value of the shareholding	4,459

Veritas Conegliano srl

The company was established in December 2016 between Veritas and four other private shareholders, Callegaro costruzioni snc 14%, Pellizzari Srl 13%, Imm.ser. Srl 12.50%, O.M. Ciroldi spa 11.70%, following the final awarding of the tender - in which the subsidiary Elios had participated before its merger into Veritas in 2016 - for the design, construction and management of a crematorium and cemetery management in the Municipality of Conegliano Veneto to be realised through *project financing*, whose proposing parties coincide with the shareholders of Veritas Conegliano.

In March 2017, the 30-year concession deed for the management of cemetery services and the new crematorium's design, construction and operation was signed, effective 1 January 2017.

Since 2018, he has been in charge of cemetery services, routine maintenance, and new works of consolidation of artefacts concerning the cemeteries of the Municipality of Conegliano.

Work on the new crematorium at the San Giuseppe di Conegliano cemetery began at the end of 2018 and was completed in 2020.

In June 2020, the plant was started up, and at the same time, the concession was granted to Veritas for operation until 2046.

The following table summarises financial information on the investment in Veritas Conegliano Srl:

<i>(in thousands of euros)</i>	2021	2020
<i>balance sheet of the associate</i>		
Current assets	1,511	1,259
Non-Current Assets	4,893	4,866
Current liabilities	-716	-1,136
Non-current liabilities	-3,563	-3,140
total net assets	2,126	1,849
<i>revenues and result of the associate</i>		
Revenue	2,021	1,414
profit (loss)	277	172
book value of the shareholding	1,099	1,099

Vier scarl

The company's purpose is to manage and develop the business of producing and selling thermal and electrical energy generated from renewable sources and transport, transformation and distribution.

The company was established on 1 March 2011 from the transformation of the former Consorzio veneto riciclo. Veritas had conferred on 1 January 2011 the business unit consisting of energy production from renewable sources and related maintenance of networks and plants.

At the end of June 2020, Veritas spa sold 51% of its shares to the parties identified in an expression of interest published on 29 March 2019. The new social composition is, therefore, as follows: Veritas spa 49%, Atlantico spa 25.5%, Engie servizi spa 14.88%, Gpg Srl 5.31% and Aiem Srl 5.31%. The company, therefore, lost its status as a subsidiary of Veritas spa as of 30 June 2020, and consequently, the company is no longer subject to its management and coordination.

By a deed dated 22 July 2020, the company was transformed into a consortium with limited liability, taking on the current name Veneziana impianti energie rinnovabili - Vier scarl, thus adopting a consortium/mutual purpose and a new corporate purpose expanded from the previous one. The transformation of the company took legal effect on 4 October 2020.

As a result of the corporate and strategic changes, the company in 2021 initiated substantial contacts aimed at signing contracts in the company's new areas of operation. The impact of these new activities in the 2021 budget is limited, as they are mostly related to public entities and their investee companies and require time for project definition, preparation of tenders, contract negotiations, etc. It is, therefore, an intangible investment for the company's future development, which should bear fruit in the coming years, as envisaged in the business plan.

The following table summarises the financial information on the shareholding in Vier scarl:

<i>(in thousands of euros)</i>	2021	2020
<i>balance sheet of the associate</i>		
Current assets	2,264	1,621
Non-Current Assets	3,805	4,115
Current liabilities	-739	-400
Non-current liabilities	-4,287	-4,295
total net assets	1,043	1,041
<i>revenues and result of the associate</i>		
Revenue	1,183	962
profit (loss)	2	3
book value of the shareholding	506	506

11. Other investments

The value of other investments, k€ 1,530, refers to minority interests held by the parent company (k€ 164), Ecoprogetto Srl (k€ 1,004), Eco-ricicli Srl (k€260) and Asvo spa (k€ 102).

Veritas spa holds the shareholdings in Venis spa (k€ 114) and Vega scarl (k€ 0, following the total write-down), controlled by the Municipality of Venice and in Viveracqua scarl (k€ 50).

It should be noted that Viveracqua is a consortium company owned by the Veneto Region's integrated water service operators. It has a mutualistic purpose to create synergies among its member companies through the provision of functional services, such as the common procurement service for works, services and supplies.

Ecoprogetto Srl retains its 2% shareholding in Bioman spa, recorded in the balance sheet at k€ 1,000.

Eco-ricicli Srl, on the other hand, holds the shareholding in Sibelco Green Solution recorded in the balance sheet in the amount of k€ 260 following the revaluation carried out during the year.

Asvo, on the other hand, retains its shareholdings in Portogruaro Interporto and Savo, which are entered in the balance sheet at k€ 100 and k€2, respectively.

Within these Group participations, there are modest shares in some mandatory consortia with a total value of k€ 4.

12. Other financial assets

The following table shows the information on other financial assets as at 31 December 2021 and 31 December 2020:

(in thousands of euros)	31 December 2021	31 December 2020
security deposits	709	724
financial receivables from other parties	6,042	6,042
other long-term receivables	1,462	1,622
total other financial assets	8,213	8,388

Total other financial assets decreased by k€ 175.

Financial receivables from other parties refer almost entirely to:

- to the portion of the irregular pledge (*credit enhancement*) of k€ 2,400, equal to 16% of the bond issued by former Asi spa for a total of k€ 15,000 (so-called Hydrobond) in July 2014, paid into an interest-bearing escrow account. It may be mobilised in favour of the parent company as from the date on which the amount of capital still owed is equal to 50% of the initial capital;
- to the parent company's receivable from the Metropolitan City of Venice, relating to the opening by former Alisea of an escrow account to guarantee the *post-mortem* management of the Jesolo landfill, amounting to k€ 3,566.

13. Inventories

The following table shows the information on inventories as at 31 December 2021 and 31 December 2020:

(in thousands of euros)	31 December 2021	31 December 2020
spare parts and consumables	6,343	5,960
fuels	220	183
inventories of work in progress and semi-finished products		19
inventories of goods for sale	3,995	2,042
advances to suppliers	12	10
Inventory write-down provision	-502	-347
total inventories	10,068	7,867

Inventories mainly include spare parts to be used for the maintenance of water and sewage networks and sewage treatment plants, as well as for the maintenance of waste disposal plants owned by the Group.

Inventories are shown net of an inventory write-down provision recorded by the parent company to account for the obsolescence of certain parts that cannot be used.

Inventories of goods for sale were moved in the current year by Eco-recycling and Metal recycling.

14. Contract work in progress

The following table shows the information on contract work in progress as at 31 December 2021 and 31 December 2020:

(in thousands of euros)	31 December 2021	31 December 2020
gross amount owed by the client for contract work in progress	21,780	2,713
advances received on contract work in progress	-14,347	0
allowance for contract work in progress	-71	-71
net amount of inventories for contract work in progress	7,362	2,642

Contract work in progress mainly refers to works and supplies commissioned by the City of Venice and not yet completed at the closing date of these financial statements, mainly concerning the integrated water service, land reclamation, cemetery activities, and public works.

In particular, the latter activity was acquired with the Insula business unit, effective from 1 August 2021.

The branch's values contributed at that date regarding public works contracts amounted to k€ 18,086 of inventories, adjusted by k€ 14,389 of advances already received from the City of Venice.

As at 31 December 2021, these orders amounted to k€ 20,871 adjusted by advance payments of k€ 14,347.

It should be noted that, also for public works, the agreements with the Municipality of Venice normally provide for the recognition, as consideration for the works performed, of the mere costs incurred.

15. Trade receivables

The following table shows the information on trade receivables as at 31 December 2021 and 31 December 2020:

(in thousands of euros)	31 December 2021	31 December 2020
Trade receivables	38,178	37,364
receivables from Sii and Sia users	109,376	102,909
receivables from related parties	2,134	910
receivables from entities controlled by the Municipality of Venice	3,670	977
total nominal trade receivables	153,358	142,160
provision for write-down of trade receivables	-4,683	-4,052
provision for bad debts for utilities	-33,621	-36,478
total provision for bad debts	-38,304	-40,530
total trade receivables	115,054	101,630

Trade receivables as at 31 December 2021 amounted to k€ 115,054 (k€ 101,630 as at 31 December 2020) and include estimated consumption for the portion of the financial year in respect of bills and invoices to be issued after 31 December 2021. The values are shown net of an allowance for doubtful accounts of k€ 38,304 (k€ 40,530 as at 31 December 2020), which is deemed appropriate and prudent concerning the estimated realisable value of the receivables.

The total increase, compared to 31 December 2020, was k€ 13,424, due to the increase in receivables of the parent company (+k€ 15,352) and the decrease in receivables of the subsidiaries (-k€ 1,928).

The main changes in the parent company relate to the increase in trade receivables (+k€ 3,337), the write-down of receivables from water billing and Tarip (+k€ 2,863), the increase in receivables for water tariff adjustments (+k€ 11,682), the decrease in receivables for bills issued for water and Tarip (-k€ 1,767), and the decrease in receivables for Tia1 (-k€ 2,236).

Receivables from Sii and Sia users of the Group (concerning Veritas and Asvo) are composed as follows:

(in thousands of euros)	31 December 2021	31 December 2020
receivables from Sii and Sia users invoiced	58,804	61,132
receivables from users for Tia1	14,368	15,855
receivables from Sii and Sia users to be invoiced	15,582	17,188
receivables from users for water tariff adjustments	24,725	13,043
receivables from users for environmental tariff adjustments	-4,103	-4,309
total receivables from Sii and Sia users	109,376	102,909

Regarding receivables from environmental hygiene users, it should be noted that the ruling of the Civil Cassation Court in unified sections no. 5078/2016 definitively established the tax nature of the environmental hygiene tariff (Tia1).

Although the ruling did not affect the ownership of the Tia1 receivable, which remained with the Group companies, the risk of insolvency did not remain with the latter, given the established tax nature of the tariff.

The taxing nature has transferred the risk of insolvency to the municipalities, and this occurs through the inclusion of portions of any credit losses in the environmental hygiene financial plans after that of the ascertained uncollectability of the receivable, net of any residual portions of provisions for losses already included in the old financial plans under Tia1.

Receivables for Tia1 as at 31 December 2021 amounted to k€ 14,368; the remaining portions of loss provisions already included in the old financial plans under Tia1 as at 31 December 2021 (recorded by the Group as provisions for bad debts) amounted to k€ 4,336.

As at 31 December 2021 for the parent company, residual receivables from users for water tariff adjustments amounted to k€ 24,725 and are broken down as follows:

<u>description of adjustment</u>	<u>Amount in k€</u>	<u>invoicing exercise</u>	<u>ref. year adjusted</u>	<u>act of deliberation</u>
(residue to be invoiced) variance adjustments costs/revenues 2004-11 and recognition of depreciation and amortisation back to 2004 (normalised method)	95	2014-16	2004-2011	determines director Council basin 585-586/2014 of 30.06.2014
variance adjustments costs/revenues 2010-11 ex Asi (normalised method)	-2,499	to be defined	2010-2011	determines assembly Council Eastern Veneto Basin 4/2012 of 24.02.2012
adjustment for adjustment to Vrg applied for 2017 (Vrg and water tariff method adjustment 2)	3,218	2022&2023	2017	Resolution of the Basin Council 5/2017 - 6/2017 of 16.02.2017 Aeegsi resolution 113/2017/R/ldr
adjustment for adjustment to Vrg applied for 2019 (Vrg water tariff method 2 water tariff method adjustment 3)	4,046	2022-2023 and beyond	2019	Resolution of the Basin Council 9/2018 of 26.06.2018 Arera Resolution No. 10/2019/R/ldr
adjustment for adjustment to Vrg applied for 2020 (Vrg and water tariff method adjustment 3)	10,554	2022-2023 and beyond	2020	Arera Resolution No. 46/2021/R/ldr
adjustment for adjustment to Vrg applied for 2021 (Vrg and water tariff method adjustment 3)	9,311	2023	2021	Arera Resolution No. 46/2021/R/ldr
total receivables for water tariff adjustments	24,725			

Concerning receivables for environmental tariff adjustments, these derive from the application of the new Mtr tariff method established by Arera starting from the 2020 tariffs, with the provision for an adjustment component deriving from the recalculation of the 2018 and 2019 business plans to be charged in the 2020 and 2021 tariffs.

They refer only to municipalities under the Tarip punctual tariff regime, invoiced directly by Veritas to the users. In contrast, for municipalities under the Tari tax regime and for which Veritas invoices the environmental hygiene service to the municipalities themselves, the balances are recorded within receivables from member entities.

In particular, with the approval of the 2020 and 2021 EFPs by the Venice Environment Basin Council in June 2021, and the subsequent acknowledgement of these EFPs by the municipalities and the adoption of the 2021 tariff manoeuvre, the following were established:

- the 2018 adjustments with distribution in four instalments in the 2020-2023 EFPs;
- the 2019 adjustments with distribution in four instalments in the 2021-2024 EFPs;
- 2020 adjustments (within Cap) with distribution in three instalments in the 2021-2023 EFPs.

In particular, the 2020 adjustments derive from the application of Article 107 of Decree-Law 18/2020 (the 'cure Italy' decree issued in response to the health emergency), which gave municipalities the option of confirming for 2020 the Tari and Tarip rates approved for 2019, with the provision that the adjustment deriving from the costs of the 2020 Pef and those of the 2019 Pef adopted for the 2020 rates would be spread over the following three years.

In addition, (minor) receivables for tariff adjustments are recorded under (minor) receivables for adjustments resulting from the finalisation of the financial plans, i.e. between what was charged to the users and what was provided for in the Pefs (so-called delta turnover).

Concerning the delta turnover before 1 January 2020, we are awaiting the definition of the methods and timing of recovery. For the delta turnover generated from 1 January 2020 onwards, recovery is set, according to Mtr-2, in the Pefs of the second year following the adjustment.

The table below, therefore, shows residual receivables from users for environmental tariff adjustments as at 31 December 2021, totalling k€ - 4,103:

<u>(in thousands of euros)</u>	<u>amount in k€</u>	<u>invoicing exercise</u>	<u>act of deliberation</u>
tariff adjustments 2018 Mtr	1,491	2022&2023	Resolution of the Basin Council 5/2021 of 14.06.2021
tariff adjustments 2019 Mtr	1,979	2022-2024	Resolution of the Basin Council 5/2021 of 14.06.2021
tariff adjustments 2020 Mtr (by Cap)	513	2022&2023	Resolution of the Basin Council 5/2021 of 14.06.2021
adjustments for delta turnover as of 31.12.2019 pre-Mtr	-4,846	to be defined	
adjustments for delta turnover 2020 Mtr	-1,326	2022	
adjustments for delta turnover 2021 Mtr	-1,914	2023	
total receivables for environmental tariff adjustments	-4,103		

It should be noted that the part of the tariff adjustments related to 2020 for the portion that exceeded the tariff increase of 6.6% compared to the previous year (adjustments over *Cap*), if not covered by the municipalities with their funds, have not been recognised in the budget as the uncertainty remains as to their recognition pending further approvals by Arera.

Also, in the elaboration of the Pef 2021, a part of the tariff increase, being over *Cap*, was not immediately recognised, and, therefore, this adjustment was also not budgeted for pending further approvals by Arera.

These unrecognised adjustments amounted to k€ 126 for 2020 and k€ 1,573 for 2021.

Trade receivables are non-interest-bearing and generally have a maturity of 60 days.

Receivables from Sii and Sia users are non-interest-bearing until the established due date, which is 30 days from the date the bill is issued. In contrast, after the due date, interest accrues on arrears governed by the specifications approved by the municipalities.

Receivables from other related parties include receivables from companies controlled by member entities.

The following table shows the changes in the provision for bad debts in each of the periods considered:

<u>(in thousands of euros)</u>	<u>devalued individually</u>	<u>devalued collectively</u>	<u>total</u>
From 1 January 2020	3,969	35,006	38,975
changes in perimeter	7	-8	-1
Allocations	514	7,572	8,086
use	-569	-5,954	-6,523
increases, decreases and reversals	-28	21	-7
as at 31 December 2020	3,893	36,637	40,530
Allocations	716	198	914
use	-71	-3,038	-3,109
increases, decreases and reversals	-26	-5	-31
as at 31 December 2021	4,512	33,792	38,304

As at 31 December 2021, the analysis of past due but not impaired trade receivables is as follows:

expired but not devalued

(in thousands of euros)	total	not expired - in bonis	<30days	30-60 days	60-90 days	90-120 days	>120 days
2021	115,054	82,898	5,309	2,449	2,154	1,881	20,363
2020	101,630	66,260	7,050	3,355	2,949	2,409	19,607

The overdue band of more than 120 days is mainly attributable to billing receivables (Tia-Tarip-water).

16. Receivables from member institutions

The following table shows the information on receivables from member entities as at 31 December 2021 and 31 December 2020:

(in thousands of euros)	31 December	31 December	31 December	31 December
	2021	2021	2020	2020
	within 12 months	After 12 months	within 12 months	After 12 months
receivables from the Municipality of Venice	11,854	1,998	10,197	2,664
receivables from municipalities exceeding 10%.				
receivables from municipalities of less than 10%.	14,375		13,071	
total receivables from member institutions	26,229	1,998	23,268	2,664

Receivables from member municipalities increased by a total of k€ 2,295.

There are currently no shareholders with holdings of more than 10% and less than 50% (previously, these claims referred only to the Municipality of Chioggia).

Also, for this financial year, the company continued to use the instrument of credit assignment with its main member municipalities for the settlement of receivables related to accrued fees.

Receivables from member bodies within 12 months include adjustments for environmental hygiene tariffs (under the Tari regime) and receivables for Pef quotas yet to be issued, which total k€ 5,518. The portion related only to tariff adjustments amounts to 4,948, of which k€ 3,008 to the Municipality of Venice and k€ 1,940 to the other municipalities and is broken down as follows:

(in thousands of euros)		amount in k€	the period of invoicing	act of deliberation
pre-Mtr tariff adjustments	Veritas + Asvo	1,906	to be defined	
tariff adjustments 2018 Mtr	Veritas + Asvo	-55	2022&2023	Resolution Basin Council 5/2021 of 14.06.2021
tariff adjustments 2019 Mtr	Veritas + Asvo	-1,234	2022-2024	Resolution Basin Council 5/2021 of 14.06.2021
tariff adjustments 2020 Mtr (by Cap)	Veritas + Asvo	362	2022&2023	Resolution Basin Council 5/2021 of 14.06.2021
tariff adjustments 2020 Mtr (delta waste disposal)	Asvo spa	692	2022	
tariff adjustments 2021 Mtr (delta waste disposal)	Asvo spa	1,130	2023	
adjustments for Tia turnover delta as of 31.12.2019 pre-	Veritas spa	-1,017	to be defined	
adjustments for recovery of debts written off Tia1 pre-Mtr	Veritas spa	235	to be defined	
Tia1 debt recovery offsets in 2020	Veritas spa	2,001	2022	
Tia1 debt write-offs in 2021	Veritas spa	928	2023	
total receivables for environmental tariff adjustments		4,948		

Receivables for tariff adjustments recoverable after one year are recognised as current assets related to the normal course of business, as required by IAS 1 par. 68.)

Please refer to the previous note on the assessments of these adjustments.

Receivables from member entities for tariff adjustments for the part beyond *Cap* not recognised in the financial statements pending authorisation by Arera amount to k€ 580 for 2020 and k€ 1,072 for 2021 and concern only Veritas.

Below is a breakdown of receivables from the Municipality of Venice:

(in thousands of euros)	31 December	31 December	31 December	31 December
	2021	2021	2020	2020
	within 12	After 12 months	within 12	After 12 months
	months		months	
receivables from service contracts, engineering works and others of a current nature	5,481		4,746	
instalment credits		1,998		2,664
receivables for invoices to be issued	4,736		2,137	
credits for Sii and Sia	-2		9	
receivables for plant grants			1,059	
receivables for environmental tariff adjustments	1,639		2,246	
total receivables from the Municipality of Venice	11,854	1,998	10,197	2,664

Receivables from the Municipality of Venice almost entirely concern the parent company. In particular, receivables due beyond the year refer to the instalments due beyond 2023 of the recognition in favour of Veritas by this municipality of past revenues for cemetery activities and for the collection of the fee provided for by Law 206/95, which took place following the agreement signed by the two parties in December 2015, which provides for its repayment in 10 years.

17. Receivables from associated companies

The following table shows the breakdown of receivables from affiliated companies as at 31 December 2021 and 31 December 2020:

(in thousands of euros)	31 December 2021 within 12 months	31 December 2021 After 12 months	31 December 2020 within 12 months	31 December 2020 After 12 months
Insula spa			1,386	
Sifa scpa	3,461	9,934	2,890	10,034
Veritas Conegliano srl	28		157	
OMD srl	33			
Vier scarl	276	4,227	281	4,227
total receivables from associated companies	3,798	14,161	4,714	14,260

Receivables from Sifa beyond the year mainly relate to the parent company for converting trade receivables to financial receivables following the signing of Sifa's shareholders' agreements on 27 December 2016 and the subsequent acquisition of the same type of receivables from Sifagest in liquidation.

These receivables are subject to financial discounting.

Receivables from Vier beyond the year relate to a loan granted to the company when it was a subsidiary, which originated partly from the contribution of the Energy business unit.

18. Other receivables

The following table shows the information on other receivables as at 31 December 2021 and 31 December 2020:

(in thousands of euros)	31 December 2021	31 December 2020
receivables from public bodies for grants	990	5,753
receivables from eraro for VAT	595	912
receivables from tax authorities for excise duties, surcharges, other	53	39
receivables from tax authorities for severance pay advances		
advances to suppliers and employees	2,475	1,669
receivables from social security institutions	292	276
receivables from other companies	124	219
accrued income and prepaid expenses	5,078	6,123
credit for sale of investment property	172	5,838
Other receivables	1,176	893
total other receivables	10,955	21,722

Receivables from public entities for grants refer to grants on investments approved mainly by the Veneto Region but not yet disbursed to the parent company.

These receivables decreased from the previous year by k€ 4,763 due to collections.

The receivables for the sale of investment property decreased by k€ 5,666 following the conclusion of the transaction concerning the Sant'Andrea area, with the transfer of the area back to Veritas and the simultaneous offsetting of credit and debit items concerning the transaction.

The Prepaid item expenses include, as of 2013, the consideration of k€ 5,900 paid to Ladurner Srl by the subsidiary Ecoprogetto following the novation of the relationship for the conduction and management of the Cdr/Css production plants in Fusina, within the framework agreement signed on 15 November 2013. The cost has been suspended for statutory purposes because, although the charge under discussion is certain and objectively determined in the financial year 2013, it will have to be deducted, in perfect consistency with the chosen accounting treatment, in the financial years 2016 to 2023. At the end of 2021, the deferral amounted to k€ 1,759.

19. Income tax receivables

The following table shows the information on income tax receivables as at 31 December 2021 and 31 December 2020:

(in thousands of euros)	31 December 2021	31 December 2020
receivables for IRES within the year	2,170	3,122
receivables for IRES beyond the financial year	516	5,624
receivables for IRAP	605	236
other tax receivables	729	330
total income tax receivables	4,020	9,312

Receivables for IRES and IRAP correspond to the negative difference between taxes for the year and tax advances paid.

For IRES, in particular, it should be noted that Veritas, together with the other subsidiaries, have adhered to the national tax consolidation, and, therefore, for these companies, the liquidation of IRES tax is due only to Veritas, as the parent company.

It should be noted that during the 2021 financial year, k€ 5,264 of the receivables relating to the IRES refund request for deduction of IRAP on labour costs for the period 2007-2011, filed in 2013 and recognised in IRES receivables beyond the financial year, was collected.

IRES credits beyond the residual year refer to portions of tax credits that can be offset against tax liabilities no earlier than 31 December 2022.

20. Cash and cash equivalents

The following table shows the information on cash and cash equivalents as at 31 December 2021 and 31 December 2020:

(in thousands of euros)	31 December 2021	31 December 2020
cash and cheques	38	35
bank deposits	161,834	204,599
total cash and cash equivalents	161,872	204,634

Cash deposited with banks accrues interest at variable rates based on the banks' daily deposit rates.

Bank and post office accounts classified in cash and cash equivalents are also used to collect Tares and Tari.

The fair value of cash and cash equivalents is k€ 161,872 (as at 31 December 2020, k€ 204,634).

The cash flow statement details the analysis of changes in cash and cash equivalents.

As at 31 December 2021, the Group had unutilised credit lines of approximately Euro 111.3 million, compared to Euro 106.6 million as at 31 December 2020.

21. Share capital and reserves

The following table shows the information on share capital and reserves as at 31 December 2021 and 31 December 2020:

(in thousands of euros)	31 December 2021	31 December 2020
Share Capital	145,397	145,397
Legal reserve	4,495	4,258
Own shares	-1	-1
Other reserves	129,802	116,866
Total net equity of the Group	279,693	266,520
capital and reserves pertaining to minorities	29,443	29,718
total minority shareholders' equity	29,443	29,718
Total shareholders' equity	309,135	296,238

The parent company's share capital as at 31 December 2021 amounted to k€ 145,397 and consisted of 2,907,943 shares with a nominal value of €50 each. Of these, 8 shares, with a nominal value of EUR 400, are treasury shares held by Veritas for possible future disposals to its member municipalities and other municipalities due to planned company mergers and the entrusting of services in other territories.

The legal reserve increased by k€ 237 over the previous year to accommodate the 5% allocation of profit for the year 2020. Since it has not reached the limit outlined in Article 2430 of the Civil Code, the reserve is not available.

Within the other reserves is the non-distributable reserve for Foni restriction in the amount of k€ 19,162 constituted:

- by k€ 13,157 when allocating the 2020 operating result, as it is necessary to ensure the allocation constraint of the water investments concerning the Foni component of the water tariff for 2020 (under art. 22.1 of Annex A of Aeegsi Resolution 643/2013/R/idr) through the allocation of a specific unavailable reserve of the shareholders' equity; since the water investments for which the allocation constraint on the 2020 tariff applies have been realised, the shareholders' meeting may, upon approval of the financial statements, remove the unavailability of this portion of the Foni reserve;
- for k€ 6,005 during 2016 to fulfil the five-year guarantee provided for by art. 151 paragraph 5 of Legislative Decree 152/2006, which provides that the water service operator must provide a guarantee to cover the investments to be made equal to 10% of the planned investments.

Furthermore, the directors consider it appropriate, also for this financial year and again when approving the 2020 budget, to ensure the allocation of the water investments for the Foni component of the 2021 tariff, amounting to k€ 17,498.

Other reserves increased by a total of k€ 12,936, mainly due to the recognition of the Group result of k€ 12,730.

The negative reserve of *cash flow hedge* equal to the fair value net of the tax effect in the amount of k€ 339 by the parent company and k€ 95 relating to derivative contracts was also reduced during 2021, following the verification of their coverage of risks related to changes in interest rates.

Please refer to the Statement of Changes in Shareholders' Equity for further details.

Minority interest in shareholders' equity represents the share capital, reserves and operating results of third-party shareholders in the subsidiaries Ecoprogetto Srl, Eco-ricicli Veritas Srl, Asvo spa, Consorzio bonifica e riconversione produttiva Fusina, Metalrecycling Srl and Rive Srl. As at 31 December 2021, it amounted to a total of k€ 29,443; the loss attributable to minority

interests amounted to k€ -136 and was related in particular to the loss for the year recognised by Eco-ricicli Veritas Srl.

22. Due to banks and medium- to long-term loans .

Bank borrowings and medium/long-term bank loans amount to k€ 236,888 (of which k€ 189,458 maturing beyond the next financial year and k€ 47,430 within the year) and increased over the previous year by k€ 24,619.

The portion related only to financing amounts to k€235,399, and the table below shows the information as at 31 December 2021:

(in thousands of eu-ros)	Date	amount	rate of	Date	residual	of which	of which at
	Direct suply	original	Interest	Expiry date	31 Decem-ber 2021	shortly	medium-long
	29/12/2009	25,000	Euribor 6m + 1.30%	31/12/2025	7,509	1,813	5,696
*	24/07/2009	20,000	Euribor 6m + 1.75%	30/06/2024	4,864	1,860	3,004
*	03/08/2011	7,000	Euribor 3m + 2.10%	01/07/2022	846	846	0
*	28/12/2011	1,200	fixed 4.4%	30/06/2026	381	78	303
*	20/03/2014	800	Euribor 3m + 4.00%	20/03/2024	184	68	116
**	06/05/2015	30,000	fixed 0.68%	06/05/2030	22,484	2,656	19,828
**	19/09/2016	20,000	fixed 0.61%	19/09/2031	17,775	1,704	16,071
**	13/01/2017	10,000	Euribor 3m + 2.25%	31/03/2024	3,373	1,473	1,900
	30/11/2007	2,280	Euribor 6m + 0.95%	30/11/2022	207	207	0
	30/06/2008	1,450	Euribor 6m + 0.90%	30/06/2023	205	134	71
**	30/06/2010	3,000	Euribor 6m + 1.49%	31/12/2025	800	200	600
	22/11/2010	587	Euribor 6m + 1.31%	31/12/2025	177	43	134
**	31/12/2012	4,000	Euribor 6m + 4.35%	30/06/2022	264	264	0
	13/01/2017	5,000	Euribor 6m + 0.95%	31/12/2024	2,191	719	1,472
	30/05/2017	10,000	Euribor 3m + 2.50	30/06/2023	3,138	2,067	1,071
**	01/06/2017	15,000	Euribor 3m + 2.90%	30/06/2024	6,075	2,368	3,707
**	29/01/2018	8,000	fixed 2.53%	30/06/2025	3,984	1,136	2,848
	03/05/2018	3,000	Euribor 3m + 2.15%	30/06/2023	932	618	314
	08/05/2019	5,000	Euribor 3m + 2.30%	28/06/2024	2,556	1001	1,555
**	19/06/2019	15,000	Euribor 6m + 2.85%	19/06/2025	9,833	2,674	7,159
	30/10/2019	10,000	Euribor 6m + 2.50%	31/10/2025	8,265	1,995	6,270
	14/01/2020	15,000	Euribor 1m + 2.50	01/02/2027	11,304	2,034	9,270
**	12/11/2020	40,000	Euribor 3m + 1.30%	30/09/2026	38,050	7,695	30,355
(a)	31/05/2021	15,000	fixed 2.45%	30/06/2027	13,771	2,359	11,412
(b) **	28/09/2021	10,000	Euribor 3m + 1.70%	30/06/2027	9,966	902	9,064
(c)	26/10/2021	10,000	fixed 1.5%	31/03/2029	9,945	1,032	8,913
(d)	02/11/2021	7,000	Euribor 3m + 1.556%	30/09/2026	6,991	1,423	5,568
**	17/12/2020	8,000	Euribor 3m + 2.10%	30/04/2028	7,397	1,065	6,332
(e) **	28/07/2021	20,000	Euribor 3m + 2.05%	30/06/2027	19,788	-98	19,886
	20/12/2018	1,000	Euribor 3m + 3.00%	19/12/2023	416	205	211
	21/03/2019	1,000	Euribor 3m + 2.50	31/12/2023	414	204	210
*	23/04/2019	1,440	Euribor 3m + 2.50	31/12/2025	911	219	692
	19/06/2019	1,000	Euribor 6m + 2.85%	19/06/2024	514	201	313
	22/11/2019	500	Euribor 3m + 3.00%	21/11/2024	299	99	200
	21/01/2020	1,000	Euribor 3m + 2.00%	31/03/2023	422	337	85
(f) **	22/02/2021	6,000	Euribor 3m + 2.8%	31/12/2026	5,921	1,107	4,814
(g)	28/06/2021	2,000	Euribor 2m + 2.1%	30/06/2026	1,803	385	1,418
(h)	12/07/2021	2,000	fixed 3%	30/06/2027	1,991	197	1,794
(i)	08/11/2021	3,000	Euribor 12m + 2.6%	29/10/2026	2,897	573	2,324
	28/11/2018	2,000	Euribor 3m + 1.20%	29/09/2023	700	700	0
(l) **	29/05/2020	6,200	Euribor 3m + 2.75%	31/03/2026	5,856	1,378	4,478
total medium- to long-term financing					235,399	45,941	189,458
minus current quota					-45,941		
m/l loans - non-current portion					189,458		

Please note that the following loans (marked in the table with *) are secured by mortgages:

- financing stipulated in July 2009 by Veritas spa with Mediocredito del Friuli Venezia Giulia for k€ 20,000, whose residual debt as at 31 December 2021 is k€ 4,864, secured by a mortgage on the property at Santa Croce 489, where the company has its registered office;
- financing stipulated in August 2011 by Veritas spa with Banca Antonveneta (now Monte Paschi di Siena) for k€ 7,000, whose residual debt as at 31 December 2021 is k€ 846, guaranteed by a mortgage on the building in Mestre's business centre 2 in via Orlanda 39;
- financing acquired in December 2011 by Veritas spa with Banca Intesa infrastrutture e sviluppo for k€ 1,200, whose residual debt as at 31 December 2021 is k€ 381, secured by a mortgage on the area related to the Mogliano Veneto eco-centre;
- financing stipulated in March 2014 by Veritas spa with Banca popolare dell'Alto Adige for k€ 800, whose residual debt as at 31 December 2021 is k€ 184, secured by a mortgage on the landfill areas of Ca' Perale in Mirano.
- mortgage loan stipulated in April 2019 by Eco-ricicli with Iccrea Banca Impresa spa - in 50% pool with Banca di Credito Cooperativo di Venezia, Padova e Rovigo for k€ 1,440, whose residual debt as at 31 December 2021 is k€ 911, secured by a mortgage on the industrial plant in Via dell'Elettronica 3 in Marghera.

During the financial year 2021, the following unsecured loans were taken out:

- a) loan stipulated on 31 May 2021 by Veritas spa with Banca di Cividale spa, for a total amount of k€ 15,000, to make structural investments and purchase machinery. This loan assumed the closure in May 2021 of the remainder of the previous outstanding loan, which amounted to k€ 5,453 (on an initial amount of k€ 7,000), so the net inflow amounted to k€ 9,547. The loan, maturing on 30 June 2027, provides for quarterly repayments at a fixed rate of 2.45%; repayment commenced on 30 September 2021;
- b) loan stipulated on 28 September 2021 by Veritas spa with Banca del Mezzogiorno - Mediocredito Centrale assisted by a Sace guarantee for a total amount of k€ 10,000; the loan, maturing on 30 June 2027, envisages quarterly repayments at a variable 3-month Euribor rate (no floor) + 1.70 spread. Repayment will begin on 30 September 2022.
- c) loan stipulated on 26 October 2021 by Veritas spa with Banca Carige assisted by a Sace guarantee for a total amount of k€ 10,000, the loan maturing on 31 March 2029, provides for quarterly repayments at a fixed rate of 1.50%. Repayment will begin on 30 June 2022.
- d) loan stipulated on 2 November 2021 by Veritas spa with Credito Emiliano - Credem spa assisted by a Sace guarantee for a total amount of k€ 7,000; the loan, maturing on 30 September 2026, envisages quarterly repayments at the variable Euribor 3M rate (no floor) + spread 1.556. Repayment will begin on 30 June 2022.
- e) financing stipulated on 28 July 2021 by Ecoprogetto with Banca Nazionale del Lavoro in co-financing with Unicredit and Banco Bpm assisted by a Sace guarantee for a total amount of k€ 20,000; the financing, maturing on 30 June 2027, envisages half-yearly repayments at the variable Euribor 3M rate + spread 2.05. Repayment will begin on 30 September 2023.
- f) loan entered into on 22 February 2021 by Eco-ricicli with ICCREA - Banco Monastier del Sile for a total amount of k€ 6,000; the loan, maturing on 31 December 2026, provides for quarterly repayments at a variable rate of Euribor 3M + spread 2.8. Reimbursement will begin on 31 March 2022.
- g) loan concluded on 28 June 2021 by Eco-ricicli with Raiffeisen Bank for a total amount of k€ 2,000; the loan, maturing on 30 June 2026, provides for semi-annual repayments at the variable rate Euribor 6M + spread 2.1.
- h) loan stipulated on 12 July 2021 by Eco-ricicli with Banco delle Tre Venezie assisted by a Sace guarantee for a total amount of k€ 2,000; the loan, maturing on 30 June 2027, provides for

quarterly repayments at a fixed rate of 3%. Repayment will begin on 30 September 2022.

- i) loan entered into on 8 November 2021 by Eco-ricicli with Credito Emiliano - Credem spa for a total amount of k€ 3,000; the loan, maturing on 29 October 2026, provides for monthly repayments at a variable Euribor 12M rate + spread 2.6.
- l) loan stipulated on 29 February 2020 by Rive with Intesa San Paolo, for a total amount of k€ 3,200, to realise investments was drawn in 2021 for a further k€ 3,000; the loan, maturing on 31 March 2026, provides for quarterly repayments at a variable rate of 3-month Euribor (floor 0) + 2.75 of *spread*.

Loans under (b), (c), (d), (e) and (h) are secured by a Sace guarantee.

Under Article 1(1) of Decree-Law No 23 of 8 April 2020, to ensure the necessary liquidity for companies based in Italy affected by the covid-19 epidemic, other than banks and other entities authorised to exercise credit, Sace spa has provided the possibility of granting guarantees until 30 June 2022, in compliance with European regulations on State aid, in favour of banks, national and international financial institutions and other entities authorised to exercise credit in Italy, for financing in any form to the companies above. The three loans mentioned above were, therefore, stipulated with Banca del Mezzogiorno - Mediocredito Centrale, Banca Carige spa, and Credito Emiliano - Credem spa and will be used to support the financial requirements for the implementation of the investment plan envisaged over the next few years in the integrated water service, the environmental hygiene service, local public services, and the management of central facilities, such as the information systems and expansion in the management of corporate assets.

Certain medium- and long-term loans, finalised over the years by the Group (marked ** in the table), include contractual clauses that require compliance with certain economic and financial parameters (*covenants*) based on the results of the consolidated and/or statutory financial statements as at 31 December of each year.

In the event of non-compliance, the banks could exercise their right to demand early repayment for the remaining portion of the loans granted.

Based on the consolidated and annual financial statements as at 31 December 2021, the parent company and the other Group companies complied with the financial parameters of these medium- and long-term loans.

As at 31 December 2021, the maturities of medium- and long-term loans by period were as follows:

<u>(in thousands of euros)</u>	<u>31 Decem- ber 2021</u>
31 December 2022	45,941
31 December 2023	47,687
31 December 2024	44,667
31 December 2025	38,879
31 December 2026	28,804
beyond 2026	29,421
total medium- to long-term financing	235,399

The following table shows the breakdown of bank borrowings and the current portion of medium- and long-term loans as at 31 December 2021 and 31 December 2020:

<u>(in thousands of euros)</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
current portion of medium- to long-term financing	45,941	34,826
current account payables to banks	1,489	4,531
total due to banks and current portion of medium- and long-term loans	47,430	39,358

Bank account overdrafts refer to bank overdrafts outstanding at the balance sheet date. These bank overdrafts are not secured by collateral or personal guarantees and accrue interest based on a variable interest rate.

23. Financing from other lenders

Loans from other financiers totalled k€ 170,393, of which k€ 155,067 was medium/long-term and k€ 15,326 short-term. They recorded a decrease of k€ 67,132 compared to the previous year.

This item consists of

- bonds in the amount of k€ 136,090 (of which short-term k€ 3,992) concerning the parent company;
- financial *leasing* payables of k€ 1,798 (of which short-term k€ 584);
- operating *leases* payables (Ifrs 16) in the amount of k€ 8,690 (of which k€ 2,342 short-term). Within this, there are *leases* to other related parties in the amount of k€ 1,386 (of which short-term k€ 419) and AVM, a subsidiary of the Municipality of Venice in the amount of k€ 3 (all short-term);
- from other loans in the amount of k€ 23,814 (of which k€ 8,408 short-term), which refer to loans of the subsidiaries from other non-Group shareholders and, for the short-term portion, to a transfer to a factoring company, by Ecoprogetto, of trade receivables from Veritas.

Bonds payable, which are recognised at amortised cost using the effective interest rate method, relate to

1. k€ 11,498 to the bond issued by former Asi in July 2014 (called Hydrobond) for the nominal amount of k€ 15,000 on the Italian market *ExtraMot Pro*.
2. k€ 99,713 to the bond issued by Veritas in December 2020 for the nominal amount of k€ 100,000 on the Irish regulated market (*Euronext Dublin - Ise*).
3. k€ 24,879 to the new bond issued by Veritas in December 2021 for the nominal amount of k€ 25,000 to be privately subscribed by professional investors.

The Hydrobond of k€ 15,000 has the following characteristics:

- 20-year term expiring July 2034;
- nominal amount to be repaid in instalments of k€ 375 from January 2017; during 2021, therefore, k€ 750 of principal was repaid;
- issued as part of a project involving the member companies of Viveracqua, with two issuance phases (the one in Asi is part of the first issuance), for a total value of k€ 227.000: the Hydrobonds issued by the Viveracqua companies were placed by a special purpose vehicle company (Viveracqua Hydrobond 1 - VH1) and then subscribed to the extent of 97.2% by the European Investment Bank (EIB) and for the remaining 2.8% by other institutional investors;
- the bonds accrue a simple interest of 4.2% paid to VH1, which then pays interest of 3.9% to the underwriters; there is a return of the interest paid by both VH1 for 0.3% and by the second issuers for 1.5%, as the latter obtained to pay lower interest than the first issuers;
- constitution of an irregular pledge (*credit enhancement*) of k€ 2,400, deposited in an escrow account; the interest accruing on these sums is to be used in priority to pay the expenses of the transaction (see also the section on *Other financial assets*);
- compliance with the following financial *covenants* vis-à-vis the Bei underwriter:

Ebitda/Of > 3.5

Pfn/Ebitda <= 5

These parameters are subject to review every six months based on the results of the consolidated financial statements. As at 31 December 2021, these parameters were met.

The bond issued in 2020 of k€ 100,000 has the following characteristics:

- nominal amount to be repaid in a lump sum (*bullet*) on the due date of k€ 100,000;
- placed in December 2020 on the Irish regulated market (*Euronext Dublin*) and subscribed by qualified investors;
- with a duration of 7 years and, therefore, maturing in December 2027;
- with annual deferred coupons to be repaid in December of each year at a nominal interest rate of 3.25%, subject to a possible increase (*step up*) of 0.10% per annum concerning any of the interest periods from 2024 to 2027 if the company fails to achieve a *rating* or *ESG* score of a predetermined level;
- the *rating* or *ESG* score, each year from November 2024 onwards, must be any one of the following *rating* or environmental, social and *governance*: scores
 - in the case of EcoVadis, a sustainability rating of 'Gold' or better;
 - in the case of ISS, an ESG corporate rating of 'C+' or higher; or
 - in the case of Sustainalytics, an ESG risk rating of 25 or less;
- compliance with the following financial *covenants*:

Pfn/Pn <= 2

Pfn/Ebitda <= 5

These parameters are subject to annual review based on the results of the consolidated financial statements. As at 31 December 2021, these parameters were met.

The new bond issued in December 2021 of k€ 25,000 has the following characteristics:

- a term of 17 years and, therefore, expiring in December 2038;
- nominal amount to be repaid in six-monthly instalments of k€ 860 beginning on 31 December 2024;
- by private subscription (*private placement*) placed with unlisted professional infrastructure investors;
- with semi-annual coupons in arrears to be repaid in June and December of each year at a nominal interest rate of 3.35%;
- compliance with the following financial *covenants*:

Pfn/Pn <= 2

Pfn/Total Fixed Assets <= 60%.

These parameters are subject to annual review based on the results of the consolidated financial statements. As at 31 December 2021, these parameters were met.

The bond issued by Veritas in November 2014 for the nominal amount of k€ 100,000 on the Irish regulated market (*Euronext Dublin - Ise*), which matured, was repaid on 14 May 2021.

Payables for financial *leases* are detailed in the following table:

(in thousands of euros)	Date	amount	rate of	Expiry date	residual 31 December 2021	of which shortly	of which at medium-long
	Direct supply	original	Interest				
Banca Italease	01/03/2007	3,468	3.57%	2022	35	35	0
Fraer leasing	16/04/2018	146	2.75%	2022	9	9	0
De Lage Landen	17/12/2020	300	2.63%	2026	211	50	161
De Lage Landen	29/09/2021	268	2.63%	2026	221	44	177
Iccrea Bancaimpresa	29/10/2018	490	2.50%	2024	222	97	125
Iccrea Bancaimpresa	12/12/2018	77	2.50%	2023	31	16	15
Credemleasing	28/04/2020	820	2.27%	2024	394	166	228
BNP Paribas	25/08/2020	159	1.50%	2025	109	29	80
BNP Paribas	16/09/2020	28	1.50%	2025	19	5	14
Cnh Industrial	22/09/2020	340	2.62%	2025	256	65	191
BNP Paribas	20/11/2020	37	1.51%	2025	27	7	20
BNP Paribas	24/12/2020	68	2.20%	2026	50	12	38
BNP Paribas	18/03/2021	124	2.02%	2026	96	22	74
Komatsu	26/03/2021	159	1.51%	2026	118	27	91
total leasing		6,484			1,798	584	1,214

The *leasing* contracts concluded in 2021 all relate to Eco-ricicli Veritas Srl and Metal recycling.

Operating *leases* are detailed in the following table:

(in thousands of euros)	rate of Interest	Expiry date	residual 31 December 2021	of which shortly	of which at medium-long
Veritas spa	2.03% - 4.03%	2022-2050	5,833	1,315	4,518
Depuracque servizi srl	2.03% - 3.50%	2022-2026	89	46	43
Lecher ricerche e analisi srl	2.03% - 3.50%	2023	34	19	15
R.I.V.E. Recuperi Industriali Venezia Srl	2.00%	2023	7	4	3
Ecoprogetto Venezia srl	2.03% - 3.50%	2022-2038	714	362	352
Eco-ricicli Veritas srl	2.03% - 3.50%	2022-2026	1550	497	1053
Asvo spa	2.29% - 3.5%	2024-2031	439	81	358
Metalrecycling Venice srl	2.03% - 3.50%	2023	24	18	6
GRAND TOTAL			8,690	2,342	6,348

24. Provisions for risks and charges

The following table shows the changes in the provisions for risks and charges as at 31 December 2021 and 31 December 2020:

(in thousands of euros)	Provisions post-mortem Landfill Ca'Rossa	Provisions post-mortem Landfill Piave Nuovo	Provisions post-mortem Landfill Cutting Centa	Provisions lawsuits	provision for risks on partici- pants.	other funds risks and charges	total
as at 31 December 2019	3,504	19,032	10,964	3,191	2,435	37,863	76,989
Allocations		565		417		7,100	8,082
other changes			-506			-12,880	-13,386
use	-443		-298	-1,343		-2,261	-4,345
as at 31 December 2020	3,061	19,597	10,160	2,265	2,435	29,822	67,340
Allocations		573		6,114		2,646	9,333
other changes		-315	256			-1,555	-1,614
use	-1,277		-48	-2,265		-3,253	-6,843
as at 31 December 2021	1,784	19,855	10,368	6,114	2,435	27,660	68,216

Provisions for risks and charges increased by k€ 876 from k€ 67,340 as at 31 December 2020 to k€ 68,216 as at 31 December 2021.

A brief description of the nature of the largest funds is given below.

Post-mortem landfill funds

Landfill of Ca' Rossa/Chioggia (Ve)

The fund represents the appropriation needed to cover the costs of rehabilitating the landfill area, including monitoring and waste disposal. Plant shutdown activities also continued during this financial year.

Following the occurrence of new geotechnical conditions of the landfill, which emerged as a result of the completion of the investigation campaign begun in 2008, which was also preparatory to the renewal of the integrated environmental authorisation, the acknowledgement of the new regulations in terms of financial guarantees issued by the Region in 2012 and finally based on the outcome of the studies carried out at the University of Padua from which emerged the need to reduce the level of leachate inside the landfill body to prevent environmental pollution problems. The company had started a process to update the estimates of the closure and management costs of the *post-mortem* of the Ca' Rossa landfill.

These preliminary estimates had revealed potential additional burdens concerning both new works to be carried out and updates of the economic components of the activities *post-mortem*, amounting to EUR 9.3 million.

The administrators had, therefore, started negotiations with the Municipality of Chioggia to have these potential additional charges recognised in the annual costs of environmental hygiene services included in the financial plans related to the definition of the Tares/Tari. The proposal, which concerned the inclusion of a specific cost item for all years of the *post-mortem* management period, starting in the 2014 financial year, was approved by the City Council in Resolution No. 62 of 27 June 2013.

Including these cost shares in the calculation of the environmental hygiene tariffs or fees did not entail the need to supplement the area recovery fund.

The thirty-year plan to cover both the costs *post-mortem* and the costs relating to the works to be carried out for the closure of the landfill, coverage ensured by the provision for charges allocated in the budget and by the inclusion in the financial plans of the Tares/Tari, as mentioned, of a specific item, was then amended through an agreement between Veritas and the Municipality in February 2016, but only regarding how the fee was disbursed, which for the years 2015 to 2018 was disbursed in a single instalment in 2016 as a capital contribution, but leaving unchanged the guarantee of full coverage of the costs over the 30 years of reference. Moreover, for 2019-2022, the municipality has also approved the disbursement of these shares as a capital contribution outside the Tari financial plans.

Arera's introduction of the Mtr tariff method for waste, for which the financial plans underlying the tariff or fee must be constructed based on the final figures for the second previous financial year, nevertheless allows, albeit differently, the recovery within the tariff or waste fee of the additional charges not covered by the fund.

Piave Nuovo landfill - Jesolo (Ve)

The accrued provision represents the discounted future charges that the company will have to incur for both the *post-mortem* and those to be incurred for the *capping* for the Jesolo landfill, calculated based on the appraisal report prepared by an expert.

With the approval on 9 December 2019 by the Metropolitan City of Venice of the variant project, which foresees an increase in the authorised disposal quantities, but a reduction in the operational duration (from 2030 to 2026), the fund was redetermined according to the new project.

Following the update of the cash outflow forecasts for the *capping* part, the fund was again restated during the financial year 2021

The new total expenses amount to k€ 23,059, discounted to k€ 19,855 at 31 December 2021 with the recognition of financial expenses in the amount of k€ 573 and a discount adjustment following the update of capping cash outflows in the amount of -k€ 315.

Centa Taglio landfill - Portogruaro (Ve)

The provision represents the allocation calculated based on the annual update appraisals drawn up by an expert.

The fund considers the environmental restoration charges of Lots 0, 1 and 2 and the post-closure charges of Lots 1 and 2.

In 2021, the roofing works for Lot 1, and Lot 2 of the Centa Taglio di Portogruaro landfill were tested, and from the end of November 2021, the post-mortem period began, which will last until 2051.

The amount of this fund is appropriately discounted based on the forecast of its utilisation, which is updated annually.

Other movements include +k€ 402 due to the recognition of financial discounting charges.

Lawsuit Fund

The provision for lawsuits concerns the parent company and includes provisions for possible litigation with personnel and third parties.

Provision for equity investment risks

This provision includes the value of risks on participation if there is no permanent loss of value, but only a simple risk. The provision refers to the parent company.

In particular, the parent company has a residual provision of k€ 1,686 on the equity investment in Sifa scpa and k€ 749 for risks on the liquidation of Mive.

Other provisions for risks and charges

Other provisions for risks and charges mainly concern the parent company.

The most significant ones are detailed below.

Provision for interest on arrears (Court of Auditors judgments)

The provision refers to interest on arrears to the provisions of several rulings by the Court of Auditors, which deemed the credit and debt settlement agreement entered into by Veritas and the Municipality of Venice in 2015 to be invalid, and thus condemned Veritas to pay in addition to interest on arrears, the debt owed to the Municipality as at 31 December 2014 relating to the collection of fees under Law 206/95 and cemetery concessions and fees.

In particular, in March 2022, the Court of Auditors of Rome, in the appeal judges, ruled that the amounts to be repaid before 1 January 2012 should be excluded from the judgement, while it ordered the payment of the amounts collected and not yet repaid for the years 2012-2014, thus including interest on arrears.

The derecognition of amounts before 1 January 2012 made it possible to reduce the risk provision by k€ 2,287 in the financial year 2021, offsetting the entry of a contingent asset recognised in the income statement within financial income.

Provision for sludge stored but not disposed of

The provision to this fund refers to the charges expected in the next financial year for the disposal of sludge produced by the sewage treatment plants in this financial year but not yet disposed of. While waiting for the sludge to be disposed of, it will be placed in the 23-hectare area under management by Veritas from July 2021 (and previously managed by its associate Sifa).

Provisions for risks on tax assessments

These provisions refer to risks related to tax or similar assessments that are being finalised or have already been finalised, including those for which litigation has commenced.

Hidden water loss fund

The fund collects, net of utilisation, the fees charged by the parent company to water service users voluntarily, which can be used in favour of the same users in the event of an actual abnormal leak in the internal water system after the meter.

The forms and methods of use of the fund are regulated in a regulation approved by the Basin Council.

Ici/Imu Tax Fund 2008-2019

The provision, amounting to k€ 10,849, refers to Ecoprogetto's Ici/Imu tax for the years from 2008 to 2019 as a result of the unsuccessful outcome of the case heard on 7 October 2019 at the Court of Cassation, judgement announced on 2 March 2020.

The Court of Cassation, overturning after eight years the previous favourable rulings issued by the Commission of 1st (2010) and 2nd (2011) instance, establishing the classification of the entire real estate complex of Fusina in category D/1 as opposed to E/9, condemned the company Ecoprogetto Venezia Srl to the Ici/Imu tax in favour of the Municipality of Venice.

As a result of the Court of Cassation's ruling, the tax debates for the years 2008 - 2019, which had been suspended in the meantime while awaiting the ruling of the third-degree judicial body, were resumed in June 2020, promoted by the Municipality of Venice to obtain recognition of its right to collect the Ici/Imu tax.

The latest developments are not fully defined from a legal point of view and paint an uncertain picture as to both the amount of the tax due and the ancillary charges, lacking a clear pronouncement concerning the ancillary charges and, if so, from which year (the Supreme Court of Cassation does not mention them in its ruling and the latest rulings of the Tax Commissions issued in December 2020 do not express an opinion), taking into account that until 2011, by the two favourable judgements, the company was not required to pay even the Ici/Imu tax.

In addition, pending the Supreme Court's ruling, actions in a different direction were prevented, such as adhering to forms of relief on the stacking of assets (see the so-called 'bolt-on rule' enacted in the 2016 Stability Law or forms of arbitration agreement introduced by the government, which were prevented by the fact that Ecoprogetto was not legally in default).

Supported by the opinions expressed by the attorneys assisting the subsidiary in the various levels of the proceedings, the administrative body deemed it reasonably probable and not remote that the subsidiary would lose the case, not only for the portion of the Imu tax amounting to k€ 6,998, already accrued in the 2019 financial year for all the years subject to the proceedings, but also for the amounts for related charges reported in the assessments notified by the Municipality of Venice for the years 2008-2019 for k€ 3,852, accrued in the 2020 financial year.

Remaining in the Group's other provisions for risks and charges are appropriations to cover them:

- of the possible risks on the future payment of accrued concession fees and liability for damages in the event of claims;
- of future charges on the urbanisation of the former Alcoa area in Fusina;
- of the future charges transferred by the Venetian Basin Responsible Consortium for the final settlement of the former Marcon landfill site;
- of future charges for penalties under Article 34.6 of the Mti-3 water method on investment planning;
- of the charges for the penalties provided for in Article 29 of the Arera resolution on the technical quality of the integrated water service
- of other minor risks related to waste disposal.

25. Severance pay

The following table shows the changes in severance pay as at 31 December 2021 and 31 December 2020:

(in thousands of euros)	31 December 2021	31 December 2020
present value of the obligation at the beginning of the period	25,438	26,131
present value of the obligation at the date of acquisition	272	271
present value of obligation of assets held for sale/ discontinued effect of curtailment		
cost related to current work services	406	400
financial burden	21	4
benefits provided	-2,443	-1,717
actuarial (profit) loss on the obligation	-41	349
present value of the obligation at the end of the period	23,652	25,438

Based on IAS 19, the severance pay accrued by the parent company and the largest Group companies up to 31 December 2006 is considered a defined benefit obligation where the liability is measured based on actuarial techniques. The TFR accrued since 1 January 2007 is included in the category of defined contribution plans, both in the case of the option for supplementary pension plans and in the case of allocation to the treasury fund at the INPS. The accounting treatment of this termination benefit was thus assimilated to that in place for contribution payments of another nature.

According to the version of IAS 19 currently in force, actuarial gains and losses are taken directly to Other Comprehensive Income and a special equity reserve net of the tax effect (net of the tax effect).

The main assumptions used in the determination of the present value of severance pay are discussed below:

	2021	2020
discount rate at the beginning of the year	0.32% - 0.82%	-0.07% - 0.43%
expected rate of salary increases	3% - 4.5%	3% - 4.5%
expected employee turnover rate	6.34%	4.67%
average expected remaining working lives of employees	12	12

In preparing the severance pay provision as at 31 December 2021, the appointed independent actuary considered the Group's information available from 2003 to the present in updating the technical bases. For rates, the chosen curve was determined based on a basket of *rating* AA securities (EU Corporate AA rates of type Iboxx - ZCB only), in continuity with the previous year. The curve values were updated to 31 December 2021.

Compared to the values as at 31 December 2020, there has been a decrease in overall durations, and the analysis of actuarial losses shows that the most significant component is the change in financial assumptions, as a result of the updated discount rates at the valuation date.

26. Payables to member institutions

The following table shows the information on amounts due to member entities as at 31 December 2021 and 31 December 2020:

(in thousands of euros)	31 December	31 December	31 December	31 December
	2021	2021	2020	2020
	within 12	After 12 months	within 12	After 12 months
	months		months	
payables to the Municipality of Venice	61,012	3,850	41,880	4,147
payables to municipalities exceeding 10%.				
payables to municipalities of less than 10%.	22,177	5,526	23,065	5,807
total payables to member institutions	83,189	9,376	64,946	9,954

There are currently no shareholders with holdings of more than 10% and less than 50%.

Payables to member municipalities increased in the aggregate by k€ 17,665; payables within the year increased by k€ 18,243 while those beyond the year decreased by k€ 578.

The change related to the portion within the year mainly concerns the increase in payables for the Tares and Tari collection.

Overall, payables to member entities relating to the amounts collected for the Tari and Tares taxes, including the Tefa provincial surcharge and other accessory items, and not yet paid to the municipalities, amount to k€ 54,715 (in 2020, k€ 32,043).

Payables due after 12 months mainly refer to *operating leases*.

The total debt resulting from the application of IFRS 16 accounting standard is k€ 9,541 (of which k€ 769 short-term); the rights of use underlying this debt refer mainly to works constructed by municipalities for the integrated water service and for which the parent company Veritas reimburses the instalments on loans taken out to municipalities for this purpose. The useful life of these rights has been estimated to last until 2038, i.e., the current expiry date of the integrated water service assignment decided by the Venice Lagoon Basin Council.

Details of payables to the Municipality of Venice are shown below:

(in thousands of euros)	31 December	31 December	31 December	31 December
	2021	2021	2020	2020
	within 12	After 12	within 12	After 12
	months	months	months	months
debts for cemetery concessions	777		785	
net advances for contract work in progress	3,266		108	
debts under Law 206/95	3,070		2,782	
Tari/Tares collection debts	36,399		14,582	
operating lease payables	297	3,850	293	4,147
payables for 2015 agreement acknowledgements*	16,821		22,427	
Other debt	382		903	
total payables to the Municipality of Venice	61,012	3,850	41,880	4,147

* Including debt for fees under Law 206/95 and cemetery concessions remaining as at 31 December 2014 in the amount of k€ 15,539.

Net advance payments for contract work in progress refer to the amounts collected as advance payments by the company for the execution of works and supplies commissioned to the City of Venice (in the amount of k€ 17,613) net of the works already executed (in the amount of k€ 14,347) and refer almost entirely to public works contracts acquired in 2021 from the Insula business unit.

27. Payables to associated companies

The following table shows the information on payables to joint associates as at 31 December 2021 and 31 December 2020:

	31 December 2021 within 12 months	31 December 2021 After 12 months	31 December 2020 within 12 months	31 December 2020 After 12 months
(in thousands of euros)				
payables to Sifa scpa	3,423		1,363	
payables to Insula spa			648	
payables to Vier scarl	127		140	
payables to OMD Srl	4,922	31		
payables to Veritas Conegliano Srl	153	2,191	235	2,243
total payables to associated companies	8,625	2,222	2,386	2,243

This item recorded an overall increase of k€ 6,218, mainly due to the increase in payables to Sifa (+k€ 2,060) and the increase in payables to OMD, which in the previous year was not an associated company but a third party (+k€ 4,953).

Payables to Insula are set at zero due to their reclassification following the withdrawal of Veritas from the company.

Payables to Veritas Conegliano beyond 12 months refer to the *operating lease* concerning the crematorium management in Conegliano.

28. Other non-current liabilities

The following table shows the information on other current liabilities as at 31 December 2021 and 31 December 2020:

(in thousands of euros)	31 December 2021	31 December 2020
security deposits from customers - Sii	11,830	12,036
advances on consumption	202	202
other long-term debts	9,901	11,410
total other non-current liabilities	21,933	23,648

This item includes security deposits for utilities related to the integrated water service and advances in consumption. As of 1 June 2014, security deposits for Sii utilities accrue interest, following Resolution 86/2013/R/idr of Aeegsi, which established the application of legal interest upon termination of the contract or when the deposit is returned.

In other long-term payables, the parent company has entered plant subsidies requested or already received in advance relating to works yet to be realised (k€ 7,452).

29. Trade payables

The following table shows the information on trade payables as at 31 December 2021 and 31 December 2020:

(in thousands of euros)	31 December 2021	31 December 2020
Trade payables	97,942	92,755
payables to related parties	2,377	4,677
payables to entities controlled by the Municipality of Venice	2,053	301
total trade payables	102,372	97,733

Trade debts do not normally bear interest and are generally settled within 60 to 150 days.

The portion of trade payables relating to invoices to be received from the parent company as at 31 December 2021 amounts to k€ 23,278.

30. Financial derivatives

The following table shows the information on derivative financial instruments as at 31 December 2021 and 31 December 2020:

(in thousands of euros)			31 December 2021		31 December 2020		
Type	banking institution	Note	notional residual	fair value as-sets	fair value lia-bilities	fair value as-sets	fair value lia-bilities
IRS	Unicredit 2017	a)	6,066		-56		-134
Interest rate	Bpm 2017	b)	3,142	0		0	
Interest rate	Bpm 2019	c)	2,562	2		1	
IRS	Ubi 2019	d)	9,792		-23		-120
IRS	Bper 2019	e)	6,131		-34		-93
IRS	Bpm 2020	f)	19,000		-8		-227
IRS	Bnl 2020	g)	19,000		-3		-230
IRS	Intesa San Paolo 2018	h)	700		-6		-12
IRS	Intesa San Paolo 2020	i)	5,856	5			-52
IRS	BNL 2,021	l)	11,000	18			
IRS	BPM 2,021	m)	4,500	6			
IRS	Unicredit 2021	n)	4,500	6			
total derivative financial instruments			92,249	37	-130	1	-868

As at 31 December 2021, the Group had:

- a. an *interest rate swap agreement*, entered into on 1 June 2017 by the parent company with Unicredit to hedge the risks associated with changes in interest rates related to the loan payable, maturing on 30 June 2024, taken out with Unicredit for k€ 15,000. The contract provides for the payment of a premium on the residual notional value, which as at 31 December 2021 amounts to k€ 6,066, equal to 0.29% per annum. This *interest rate swap* contract has a negative fair value as at 31 December 2021 of k€ -56;
- b. an *interest rate option* type contract, entered into on 30 May 2017 by the parent company with Banco Bpm to hedge the risks associated with changes in interest rates related to the loan payable taken out with Banco Bpm itself for k€ 10,000. The contract provided for the payment of a single upfront premium, calculated on the initial notional value of the transaction (i.e. the disbursed amount of the loan) equal to k€ 125. This contract has a market value as at 31 December 2021 of k€ 0. The underlying financing expires on 30 June 2023;
- c. a contract of type *interest rate option*, entered into on 8 May 2019 by the parent company with Banco Bpm to hedge the risks associated with changes in interest rates related to the loan payable taken out with Banco Bpm for k€ 5,000. The contract provided for the payment of a single up-front premium, calculated on the initial notional value of the transaction (i.e. the disbursed amount of the loan) in the amount of k€ 27. This contract has a market value as at 31 December 2021 of k€ 2. The underlying financing expires on 30 June 2024;
- d. an *interest rate swap contract*, entered into on 20 June 2019 by the parent company with Ubi Banca to hedge the risks associated with changes in interest rates related to the loan payable, maturing on 19 June 2025, taken out with Ubi Banca for k€ 15,000. The contract provides for the payment of a premium on the residual notional value, which as at 31 December 2021 amounted to k€ 9,792, equal to -0.12% per annum. This *interest rate swap* contract has a negative fair value as at 31 December 2021 of k€ -23;
- e. an *interest rate swap contract*, entered into on 31 October 2019 by the parent company with Bper to hedge the risks associated with changes in interest rates related to the loan payable, maturing on 31 October 2023, taken out with Bper Banca for k€ 10,000. No premium is paid on this contract because the premium payment was set at the 5-year Irs rate on 31 October 2019, which was 0.00% then. This *interest rate swap* contract has a negative fair value as at 31

December 2021 of k€ -34;

- f. an *interest rate swap* contract, entered into on 12 November 2020 by the parent company with Banco Bpm to hedge the risks associated with changes in interest rates related to the loan payable, maturing on 30 September 2026, taken out with Bpm for k€ 20,000 (in co-financing with Bnl for a total of k€ 40,000). The contract provides for the payment of a premium on the residual notional value, which as at 31 December 2021 amounts to k€ 19,000, or -0.16% per annum. This *interest rate swap* contract has a negative fair value as at 31 December 2021 of k€ -8;
- g. an *interest rate swap contract*, entered into on 12 November 2020 by the parent company with Bnl to hedge the risks associated with changes in interest rates related to the loan payable, maturing on 30 September 2026, taken out with Bnl for k€ 20,000 (in co-financing with Bpm for a total of k€ 40,000). The contract provides for the payment of a premium on the residual notional value, which as at 31 December 2021 amounts to k€ 19,000, or -0.16% per annum. This *interest rate swap* contract has a negative fair value as at 31 December 2021 of k€ -3.
- h. an *interest rate swap* contract, entered into on 28 November 2018 by Depuracque servizi Srl with Intesa Sanpaolo to hedge the risks associated with changes in interest rates related to the loan payable taken out with Mediocredito Italiano on the same date for k€ 2,000. The contract provides for the payment of a premium on the residual notional value, which as at 31 December 2021 amounts to k€ 700. This contract has a negative market value as at 31 December 2021 of k€ -6. The underlying financing expires on 30 September 2023.
- i. an *interest rate swap contract*, entered into on 29 May 2020 by Rive Srl with Intesa Sanpaolo to hedge the risks associated with changes in interest rates related to the loan payable taken out with Intesa San Paolo on the same date for k€ 6,200. The contract provides for the payment of a premium on the residual notional value, which as at 31 December 2021 amounts to k€ 5,856. This contract has a positive market value as at 31 December 2021 of k€ 5. The underlying financing expires on 31 March 2026.
- l. an *interest rate swap* contract, entered into on 28 July 2021 by Ecoprogetto with Banca Nazionale del Lavoro to hedge the risks related to interest rate fluctuations on loan payable, maturing on 30 June 2027, taken out with the same bank for k€ 11,000 (in co-financing with Unicredit and Banco Bpm for a total of k€ 20,000). This *interest rate swap contract* has a positive fair value as at 31 December 2021 of k€ 18;
- m. an *interest rate swap contract*, entered into on 28 July 2021 by Ecoprogetto with Banco BPM to hedge the risks related to interest rate fluctuations related to the loan payable, maturing on 30 June 2027, taken out with the same bank for k€ 4,500 (in co-financing with Banca Nazionale del Lavoro and Unicredit for a total of k€ 20,000). This *interest rate swap* contract has a positive fair value as at 31 December 2021 of k€ 6;
- n. an *interest rate swap contract*, entered into on 28 July 2021 by Ecoprogetto with Banca Unicredit to hedge the risks related to interest rate fluctuations related to the loan payable, maturing on 30 June 2027, taken out with the same bank for k€ 4,500 (in co-financing with Banca Nazionale del Lavoro and Banco BPM for a total of k€ 20,000). This *interest rate swap* contract has a positive fair value as at 31 December 2021 of k€ 6.

For the derivative instruments described in points f), g), h), i), l), m), n), after verification of their characteristics as hedging of risks related to changes in interest rates, they were accounted for using the so-called *hedge accounting* technique and a positive reserve was, therefore, recognised in shareholders' equity, equal to the fair value net of the tax effect, in the amount of k€ 434.

31. Other current liabilities

The following table shows the information on other current liabilities as at 31 December 2021 and 31 December 2020:

(in thousands of euros)	31 December	31 December
advances from customers	1,816	1,915
payables to personnel	14,818	14,088
payables to social security institutions	7,708	8,065
debts for surcharges and excise duties	3,483	3,592
payables to tax authorities for IRPEF withholdings	4,853	4,428
payables to tax authorities for VAT	309	186
accruals and deferred income	372	411
Other debt	4,633	5,559
total other current liabilities	37,992	38,244

Payables to employees refer to payables for accrued and unused holidays and leaves of absence of employees at the reference dates, in addition to the production bonus payable, which the Group usually pays by the end of the half-year following the financial year. These debts include the relevant contributions.

Payables for surtaxes and excise duties are payable to the Metropolitan City of Venice and the Province of Treviso for collecting the provincial surtax (so-called Tefa) on environmental hygiene tariffs (Tia1, Tia2, Tares corrispettivo and Tarip); it concerns the parent company and Asvo spa.

The VAT payable to the Treasury increased by k€ 123; Group companies are subject to the application of the *split payment VAT regime on purchases*, whereby the VAT collected by the supplier is paid directly to the Treasury by the customer.

Other payables include double receipts to be returned by the parent company in the amount of k€ 1,712.

32. Current tax payable

The following table shows the information on current tax liabilities as at 31 December 2021 and 31 December 2020:

(in thousands of euros)	31 December	31 December
Ires payables	23	47
payables for IRAP	10	20
other tax payables	156	91
total current tax payables	189	158

Payables for IRES and IRAP correspond to the difference between the taxes for the year and the tax advances paid if this difference is positive.

Regarding IRES liability, it should be noted that the parent company and some subsidiaries have adhered to the national tax consolidation.

The parent company in this year, as in 2020, contributes negative differences and, therefore, only recognises current tax credits.

33. Revenues from sales and services

(in thousands of euros)	2021	2020
revenue from water and sewerage tariffs	121,084	119,314
revenues from environmental hygiene tariffs	36,446	29,887
revenue from institutional services	168,970	163,711
revenue from services to third parties	97,128	85,357
revenue from electricity/photovoltaic sales		115
sale of raw materials, subsidies, semi-finished goods	11,050	7,576
Changes contract work in progress	7,292	5,286
change in inventories in work in progress	1,954	718
total revenue from sales and services	443,924	411,964

Revenues from sales and services amounted to k€ 443,924, an increase of k€ 31,960 over the previous year.

Water tariff revenues amounted to k€ 121,084, an increase of k€ 1,770 over the previous year.

These revenues relate to services rendered in the 36 municipalities in the metropolitan area of Venice and the province of Treviso within the Venice Lagoon water area.

The water tariff for the year 2021 was applied, based on the Vrg resolved by the Basin Council on 17 December 2020, then ratified with amendments by Arera on 9 February 2021, which provided for a tariff increase of 1.6% on a 2020 basis.

With the adjustment of revenues to the Vrg for the financial year 2021 for the parent company, positive adjustments of k€ 9,311 had to be recognised.

In addition, negative adjustments of -k€ 541 were recorded as an adjustment of what had been calculated in previous years.

Revenues from environmental hygiene tariffs, which amount to k€ 36,446, refer to the application of the Tarip punctual tariff by the parent company and increased by k€ 6,559 compared to the previous year.

Revenues from institutional services in 2021 amounted to k€ 168,970 and increased over 2020 by k€ 5,259.

This also includes the municipal environmental hygiene fees for levied municipalities. Thus, revenues for the environmental hygiene service (tariff and municipal fees added together) amount to k€ 205,416, with an overall increase over the previous year of k€ 11,818.

This increase is mainly attributable to the recognition to the parent company of additional adjustments not recognised in previous years in the amount of +k€ 3,275 and to the average tariff increase related to Pef 2021, which amounted to 2.1% (+k€ 3,585).

Asvo, on the other hand, entered a tariff adjustment of k€ 1,130 to cover higher dry waste disposal costs.

It is recalled that the new tariff method (Mtr) came into force for environmental hygiene tariffs and fees, and the new method applies to tariffs for 2020.

Details of revenue from services to third parties are provided below:

(in thousands of euros)	2021	2020
revenue from services and works on green areas	14	36
revenues from supply chain consortia (Conai)	243	290
rental revenue	1,915	1,781
revenue from sewage and wastewater activities	12,671	12,120
revenue from waste disposal service	6,268	4,535
revenue from disposal of the differential part of the waste	24,126	20,073
revenue from cleaning and sanitation services	54	23
consulting income	4,123	3,953
revenue from third-party management	19,716	18,424
revenue from land reclamation	1,333	1,378
revenue from cemetery services	5,487	5,223
revenue from maintenance and water service connections	1,247	1,076
revenue from heat management	4,672	3,416
revenue from electricity sales	752	36
other revenue from services to third parties	14,308	12,793
minor revenue	199	200
total revenue from services to third parties	97,128	85,357

These revenues increased by k€ 11,771.

The main changes include the increase in revenue from waste disposal (+k€ 1,733) and the differential part of waste (+k€ 4,052), the increase in other revenue from services to third parties (+k€ 1,515), and the increase in revenue from plant management for third parties (+k€ 1,292).

34. Other revenues

(in thousands of euros)	2021	2020
leases and concessions	1,017	979
capital gains from the sale of assets	311	2,085
insurance reimbursements	1,629	356
reimbursement of costs	1,879	1,280
seconded personnel	160	161
other revenues and income	3,815	8,312
revaluation on fixed assets	229	124
operating subsidies	1,605	1,458
ordinary contingent assets	618	826
total other income	11,263	15,581

Other income recorded an overall decrease of k€ 4,318 compared to the previous year.

The decrease is mainly attributable to non-recurring revenues recognised last year, both to contingent assets following reversals of provisions for risks and charges of Veritas and to capital gains on the sale of assets of Veritas and Eco-ricicli.

Lease income and concessions refer to leased portions of real estate (recorded under services under concession) that generate revenues of k€ 783 for Veritas and leased real estate (recorded under property, plant and equipment) that generate revenues from third parties of k€ 162 for the parent company, k€ 54 for Ecoprogetto Venezia Srl, and k€ 18 for Metalrecycling Srl (see Note 2.3 paragraph *Leasing*).

35. consumption costs of raw materials, supplies and consumables

(in thousands of euros)	2021	2020
capitalised costs on raw materials, subsidies, consumption	-2,943	-1,931
drinking water	20	23
purchasing materials	10,003	10,704
fuels, fuels and lubricants	9,344	7,371
consumables and for ordinary maintenance and repairs	21,411	17,196
provision for inventory depreciation	155	
change in inventories of raw materials and consumables	-395	23
total costs for raw materials, consumables and supplies	37,595	33,386

Over the previous year, the costs for raw materials and consumables increased by k€ 4,209.

In particular, the most significant changes concerned the increase in consumables and maintenance and repair materials, which include reagents (+k€ 4,215) and fuels, fuels and lubricants (+k€ 1,973).

36. Costs for services

(in thousands of euros)	2021	2020
capitalised costs for services	-3,223	-4,540
works and maintenance	31,294	28,030
industrial services	11,454	10,651
utilities	28,465	22,959
operational services	56,687	55,005
general services	24,592	21,262
corporate bodies	782	848
Total costs for services	150,051	134,215

Service costs increased by a total of k€ 15,836 over the previous year.

This change is mainly due to the increase in costs for utilities (+k€ 5,506), costs for works and maintenance (+k€ 3,264) and costs for general services (+k€ 3,330).

Work and maintenance refer to ordinary maintenance of the company's assets and activities of the engineering division, mainly aimed at the construction of water and sewerage networks; for the parent company, they increased by k€ 2,816.

Utility expenses of the parent company amounted to k€ 25,544 and increased by k€ 5,709 over the previous year. The most significant item concerns electricity procurement with a value of k€ 22,417. This cost increased compared to the financial year 2020 by k€ 5,510, attributable to the general increase in the prices of raw materials and electricity in particular, which occurred in the last period of the financial year as a further consequence of the effects in the world economy of the health emergency.

It should be noted that under Operating Services, the parent company has set aside a provision for future charges to be incurred in the following year for the disposal of sludge produced this year from the purification of wastewater (k€ 1,745).

Corporate bodies include the remuneration of directors, auditors and members of supervisory bodies.

It is the parent company's policy to ensure that any assignments of Veritas board members in subsidiaries are unpaid. Therefore, the total remuneration of the Veritas board members, amounting to k€ 187, also corresponds to the full amount of the payments paid by the Group to the Veritas directors.

37. costs of use of third party assets

(in thousands of euros)	2021	2020
capitalised costs for use of third party assets	-10	-1,846
rental fees	3,201	2,714
rents and leases payable	169	1,970
concession fees	1,027	1,094
more	1,086	2,072
total costs for use of third party assets	5,473	6,004

Lease and rental costs decreased overall by k€ 531 compared to the previous year.

These costs relate to operating *leases* that do not fall within the scope of accounting standard IFRS 16, effective from the financial year 2019.

38. Staff costs

(in thousands of euros)	2021	2020
capitalised personnel costs	-5,281	-6,471
wages and salaries	127,230	122,977
social security charges	41,280	40,229
Severance pay	8,137	7,939
pensions and similar	46	46
other costs	1,383	-531
total personnel costs	172,795	164,189

An overall increase of k€ 8,606 was recorded.

This increase is attributable to higher costs for the application of contractual renewals and the effect of taking holidays, leaves of absence and other paid absences compared to 2020, as well as to the increase in the revaluation of the employee severance indemnity determined by the higher ISTAT indices compared to previous years, taking into account, however, that the exceptional dynamics suffered by these costs in the previous year, due to the health emergency, makes it difficult to compare the two years.

The following table shows the changes recorded during the year in the Group's employees, broken down by category, expressed as an average number of *full-time equivalents*.

average annual workforce f.t.e.	2021	2020	changes
Executives	22.31	23.50	-1.19
Managers	85.00	84.15	0.85
Clerical staff	1,020.10	982.40	37.70
Manual workers	2,271.16	2,280.04	-8.88
total average headcount	3,398.57	3,370.09	28.48

39. Other operating costs

Other operating expenses amounted to k€ 15,502 and decreased by k€ 6,856 compared to the previous year.

(in thousands of euros)	2021	2020
provisions for bad debts	901	8,084
provisions for interest on arrears	13	2
provisions for risks and charges	6,996	6,016
membership and other contributions	765	748
Ato operating expenses	603	609
special landfill tax	255	274
taxes, fees and local charges	3,662	2,942
credit losses	928	2,001
capital losses on disposals of assets	665	300
other minor charges	587	442
ordinary contingent liabilities	110	901
penalties and indemnities	17	39
total other operating costs	15,502	22,358

Provisions for bad debts decreased by k€ 7,183 due to the downward update of the forecast insolvency indices prepared last year, which took into account the increased insolvency expected from the effects of the health emergency. All based on this year's verification of the trend in billing collections, which was thus found to be better than last year's forecast.

The increase in Provisions for risks and charges of k€ 980 is mainly due to the provision set aside in the previous year by the subsidiary Ecoprogetto (-k€ 3,852) and the provision set aside in the year by the parent company increased by k€ 4,658, this change is mainly due to higher provisions for ongoing disputes (+k€ 5,697) and lower provisions for water regulatory penalties (-k€ 384).

The losses on receivables are all attributable to the parent company and exclusively to the write-off of Tia1 receivables for which the municipalities bear the risk of insolvency, given the tariff's established tax nature. Therefore, also in this financial year, an equal amount was booked within the revenues for the environmental hygiene service (from tariffs and municipal fees), as this loss will be covered within the environmental hygiene financial plans.

40. Amortisation, depreciation and write downs

Depreciation, amortisation and write-downs amounted to k€ 50,528 compared to k€ 46,614 in the financial year 2020, an increase of a total of k€ 3,914.

The value of depreciation has been reduced by the annual portion of grants, just as the value of grants has reduced the value of tangible assets.

(in thousands of euros)	2021	2020
amortisation of intangible assets	4,804	4,680
amortisation of services under concession	19,781	18,821
depreciation of tangible fixed assets	33,749	29,048
depreciation of investment property	3	3
other write-downs of fixed assets	-11	-21
impairment losses on intangible fixed assets	6	
impairment losses on tangible fixed assets	123	1,471
equipment grants	-7,927	-7,388
total depreciation and amortization	50,528	46,614

41. Share of results of equity-accounted investments valued using the equity method

The share of the result of investments accounted for using the equity method is positive in the amount of k€ 839 and takes into account the result for the year, write-downs and revaluations of associated companies, which were recorded during the year.

42. Financial expenses and receivables

Financial charges

Financial expenses totalled k€ 14,921 compared to k€ 13,144 in the financial year 2020, an increase of k€ 1,777.

The main changes refer to financial charges to banks for medium/long-term loans (+k€ 1,939) and financial charges on *factoring* transactions (-k€ 628).

Financial expenses to service financial debt, i.e. towards banks, *factoring transactions* and on using other financial instruments (including bonds) amount to k€ 11,232 with an average interest rate incidence around 4.73% (in 2020, it stood at 4.55%).

Financial expenses include k€ 1,006 in financial expenses for discounting debts to present value, with particular reference to the severance pay (k€ 21), financial payables to parent companies (k€ 10), the *post-mortem* provision for the Jesolo landfill of Alisea, now in Veritas (k€ 573) and the Centa Taglio landfill managed by Asvo (k€ 402).

Below is the summary table:


(in thousands of euros)	2021	2020
financial expenses from parent companies	22	
interest payable to banks for current account overdrafts	198	241
interest payable to banks for medium/long-term loans	4,981	3,042
financial charges for leasing and rental contracts	779	704
charges for fair value measurement of derivatives	363	268
financial charges from other discounting	975	1,114
discounting financial expenses from parent companies	10	11
financial charges from discounting TFR	21	4
financial charges on factoring transactions	309	937
interest expense on bonds	5,372	5,111
write-downs of equity investments		41
other financial charges	1,891	1,671
total financial charges	14,921	13,144

Financial income

Financial income amounted to k€ 4,234 compared to k€ 883 in the previous year, an increase of k€ 3,351.

Below is the summary table:

(in thousands of euros)	2021	2020
interest income from banks	90	144
fair value measurement of derivatives	234	19
interest on arrears and deferment	92	179
financial income from associates	350	247
financial income from discounting to Sifa	178	163
financial income from other discounting	47	110
miscellaneous financial income		
other financial income	3,183	21
income from equity investments (revaluations)	60	
total financial income	4,234	883



Within the item other financial income, we report the recognition by the parent company of out-of-period income in the amount of k€ 2,287 arising from the reduction of the provision for payment of overdue interest concerning the litigation before the Court of Auditors for the collection of the fee under Law 206/95 and cemetery concessions following the filing of the appeal sentences.

In addition, the same item includes interest on arrears receivable in the amount of k€ 842 collected by the Agenzia delle Entrate following the reimbursement of the tax credit for the presentation in 2013 of the Ires recovery petition for the Irap deduction of Veritas' labour costs.

Income from Sifa (k€ 178) relates to income from the discounting of financial receivables that arose in the 2016 financial year following the signing of new shareholders' agreements between the shareholders of Sifa and was revised based on the repayment plan guaranteed by the associate.

43. Taxes for the year

The following table shows the reconciliation of the income tax (IRES) applicable to the Group's pre-tax profit, using the rate in effect, compared to the effective rate, for the period ended 31 December 2021:

(in thousands of euros)	2021	2020
ordinary rate applicable	24.00%	24.00%
Pre-tax income	13,395	8,563
theoretical tax charge (income)	3,215	2,055
adjustments to previous year's taxes	-244	-35
write-downs and adjustments of deferred tax assets recognised in the previous year	21	354
Recognition of deferred tax assets on temporary differences arising in previous years	31	-5
derecognition of deferred taxes arising in previous years as a result of tax realignment	-1,845	
failure to recognise deferred tax assets on tax losses for the year on temporary differences	103	103
failure to recognise deferred tax assets/liabilities for the year on temporary differences	-90	
(income)/expenses from tax consolidation		
tax misalignments, net of substitute tax	84	
exempt income / benefits / non-taxable income	-1,783	-1,473
non-deductible costs	634	1,296
other permanent differences	-32	-21
effective IRES tax burden	94	2,274
current taxes	842	1,906
Deferred tax (advance)	-505	403
previous years' taxes	-559	-35
substitute tax	316	
(income)/expenses from tax consolidation		
effective tax (income) charge IRES	94	2,274
local current taxes (IRAP)	1,089	1,461
local deferred (prepaid) taxes	-260	225
previous years' taxes local	-122	-81
actual tax burden (income) local taxes	707	1,605
total actual tax charge (income)	801	3,879

It should be noted that the current IRAP rate of the parent company and Asvo spa is 4.2% (specific rate for companies holding concessions for the management of public services and works).

Deferred tax assets and liabilities for the two years ended 31 December 2021 and 2020 are as follows:

(in thousands of euros)	31 December 2021	31 December 2020
Provision for bad debts	4,960	4,706
provision for risks and charges	8,457	10,092
Inventory write-down provision	148	104
depreciation of fixed assets	279	723
maintenance costs	407	421
difference in civil depreciation	9,588	9,424
other costs deductible in subsequent years	538	595
fair value adjustment of derivative instruments	3	110
business combinations bonus	235	313
reversal of gains on intra-group transactions		37
other minors	11	86
interest payable deductible in the future (rol)	48	23
tax losses	131	786
discounting Tfr	701	143
total deferred tax assets	25,506	27,563

(in thousands of euros)	31 December 2021	31 December 2020
non-taxable interest on arrears	254	500
non-taxable revenues	1,776	1,872
landfill asset		1,491
other temporary changes	-586	24
higher value allocated to fixed assets	1,217	2,060
leased assets	1,523	1,622
land divestment		64
total deferred tax liabilities	4,184	7,633

It should be noted that in this financial year, the Group opted for the tax realignment provided for in Article 110 co. 7 of Decree-Law 104/2020, which, against a payment of a 3% substitute tax on the values to be realigned, amounting to k€ 316, permitted the reduction of the deferred tax liability by k€ 2,151 and consequently the recognition of this benefit in the income statement.

It should be noted that the parent company Veritas spa and most of its subsidiaries have jointly exercised the Group taxation option under the *Consolidated Income Tax Act*. The economic relations and the mutual responsibilities and obligations between the consolidating company and the other participating companies are defined in a specific consolidation agreement.

The determination of deferred tax assets is based on the reasonable prospects of taxable income in future years.

44. Commitments and risks

Commitments from leasing operating - Group as lessor

The Group entered into commercial *leasing* contracts to enhance the value of equipment and buildings in the territory. These *non-cancellable leases* have a residual term of between 5 and 10 years. All *leases* include a clause allowing the rent to be revalued annually at market conditions.

Rental income received by the Group in the financial year was k€ 1,017 (in 2020, it was k€ 979). They refer to leased portions of real estate (recorded under services under concession) that generate revenues of k€ 783 for Veritas and leased real estate (recorded under tangible fixed assets) that generate revenues of k€ 162 for the parent company, k€ 54 for Ecoprogetto Venezia Srl, and k€ 18 for Metalrecycling Srl (see Note 2.3 paragraph *Leasing*).

Future rentals, in connection with non-cancellable operating *leases* outstanding as at 31 December 2021 and 2020, are as follows:

(in thousands of euros)	31 December 2021	31 December 2020
within the year	320	400
beyond one year but within five years	971	1,153
over 5 years	401	251
total commitments for property rentals and leases	1,692	1,804

Commitments for water investments - Foni and Fni component

The Mti-3 water tariff method stipulates that the calculation components that make up the tariff include a component called the New Investment Fund (Foni). Article 14.1 of Arera Resolution 580/2019/R/idr (Mti-3) states that the operator must allocate a defined portion of the Vrg exclusively to realising new investments identified as priorities.

The amount of the Foni related to the Vrg of 2021 amounts to 17.5 MLE.

The directors of the parent company deemed it appropriate to ensure this allocation for accounting purposes by allocating a special equity reserve.

In particular, it was proposed to allocate part of the 2021 annual profit to a non-distributable reserve under the Foni restriction.

Furthermore, the directors believe it is reasonable to expect that the water investments for which the allocation constraint applies will be realised; therefore, the Foni 2021 reserve set aside at the time of approval of these financial statements may be unavailable or cease to exist in the next financial year.

Also, in this financial year, within the amount of the Foni, there is the Fni component - advance payment for financing new investments - equal to k€ 4,340 generated by the positioning of Veritas within quadrant VI of the matrix of regulatory schemes due mainly to the high investment requirements programmed in the Ambit Plan for the period 2020-2023 and the persistence of a situation of perimeter and process expansion.

In particular, concerning investment requirements, the forecast of the acquisition of the Savec Est water infrastructures by Veneto Acque has led to a significant increase in the value of investments for the four years 2020-2023, to such an extent that the ratio to the current Rab (*Regulatory Asset Base*) has exceeded the threshold (parameter *w*, equal to 0.50) for which the operator is recognised the Fni component.

The activation of the Fni is subject to a four-yearly assessment at the end of the year. If the investments realised are lower than the point at which the ratio falls below the threshold value,

the operator is obliged to return the components recognised as advance payments and reshape the tariffs to meet the new annual increase constraint.

Considering that the final amount of the water investments for the years 2020-2021 determines the substantial achievement of the realisation target set for the two years, it is believed that at present, there are no elements of particular uncertainty in the realisation of the four-year targets, such as to have to set aside a provision for risks for the possible return of the component at the end of the four years.

Penalties for investments in the water sector

Article 34 of the Mti-3 tariff method (Arera Resolution No. 580/2019/R/idr of 27 December 2019, valid for the 2020-2023 tariffs) provides that the integrated water service operator that has not realised at least 95% of the investments provided for in the Plan of Interventions for the four years 2016-2019 must set aside a penalty to a specific fund tied to the financing of investment expenditure.

Considering that in the four-year observation period, the parent company realised 74% of the planned investments (equal to approximately Euro 93.6 ML of expenditure, with collected contributions equal to Euro 20.6 ML), in the financial years 2019 and 2020, a total of k€ 1,002 was set aside to the provision for risks and charges, to consider the penalty resulting from the failure to realise the planned investments for the period 2016-2019.

Concerning possible penalties for failure to make planned investments referable to the 2020 and 2021 financial years, at present, we are waiting for Arera's extension of the provision also for future periods and, therefore, also for the possible updating of the calculation methodology by the Authority itself, and, therefore, it is believed that, as of the closing date of these financial statements, no estimate can be made concerning this penalty.

Issued guarantees

The Veritas Group has provided the following sureties as at 31 December 2021 and 2020 in favour of the parties listed in the table below:

<i>(in thousands of euros)</i>	31 December 2021	31 December 2020
Metropolitan City of Venice / Province of Venice	25,415	26,806
Ministry of the Environment	13,511	10,258
Port Authority - former Water Authority - Venice and Chioggia Harbour Master's Office	1,877	1,878
banks and insurance companies	5,856	6,200
Revenue Agency / Customs Agency	8	7
Ulss	430	224
other entities	572	2,658
other local authorities	78	
total	47,747	48,031

The parent company, in turn, issued *guarantees* to subsidiaries totalling k€ 35,389 and to member municipalities totalling k€ 181.

Eco-ricicli Veritas Srl issued a surety policy in favour of the subsidiary Metalrecycling Venice Srl for the value of k€ 264 to guarantee the obligations arising from the single temporary authorisation for waste and manufactured products recovery activities (issued by the Municipality of Venice).

Depuracque servizi Srl issued a surety of k€ 810 in co-guarantee with the other partner of the subsidiary Rive Srl in favour of Veritas spa.

The parent company submitted letters of *patronage* to subsidiary companies in the amount of k€ 21,650 to associated companies in the amount of k€ 13,000.

Below is a breakdown of the entities in whose favour the parent company has issued guarantees:

<i>sureties given (in thousands)</i>	31 December 2021	31 December 2020
Ecoprogetto Venezia srl	21,789	35,720
Eco-ricicli Veritas srl	13,600	4,700
Sifagest scarl		1,200
guarantees to subsidiaries	35,389	41,620
Municipality of Venice	2	2
Municipality of Meolo		171
Municipality of Marcon		24
other municipalities	179	156
guarantees to parent companies	181	353
Port Authority - former Water Authority	1,800	1,801
Metropolitan City of Venice	6,259	7,768
Ministry of the Environment	1,653	2,439
Ulss	117	117
Ecopiave Srl		50
other entities	320	2,145
guarantees to others	10,149	14,320
total guarantees given	45,719	56,293

<i>comfort letters (in thousands)</i>	31 December 2021	31 December 2020
Ecoprogetto Venezia srl	3,100	3,100
Eco-ricicli Veritas srl	11,150	21,900
Rive srl	6,200	6,200
Metalrecycling Venice srl	1,200	1,100
patronage towards subsidiaries	21,650	32,300
Sifa	10,000	10,000
Veritas Conegliano srl	3,000	6,000
patronage towards affiliates	13,000	16,000
total patronage	34,650	48,300

The Group has also earmarked tangible assets to secure certain mortgages.

For more details, please refer to Note 22.

Other risks and uncertainties

Please refer in full to the Report on Operations.

45. Transactions with related parties

Subsidiaries

The consolidated financial statements include the financial statements of Veritas spa and the subsidiaries shown in the following table:

<i>consolidated companies</i>	<i>Registered Office</i>	<i>Share Capital</i>	<i>31 Decem- ber 2021</i>	<i>31 Decem- ber 2020</i>
Veritas spa (parent company)	Venice	145,397,150		
Ecoprogetto Venezia srl	Venice	53,607,273	56.68%	56.68%
Mive srl in liquidation	Mirano (Ve)	110,000	100.00%	100.00%
Eco-ricicli Veritas srl	Venice	7,000,000	82.34%	82.34%
Asvo spa	Portogruaro (Ve)	18,969,650	55.75%	55.75%
Consorzio bonifica Fusina in liquidation	Venice	100,000	82.05%	82.05%
Metalrecycling Venice srl	Venice	1,800,000	82.34%	82.34%
Depuracque servizi srl	Salzano (Ve)	223,080	100.00%	100.00%
Lecher ricerche e analisi srl	Salzano (Ve)	46,800	100.00%	100.00%
Rive srl	Venice	100,000	70.00%	70.00%
<i>company removed from the scope of consolida- tion</i>				
Sifagest scarl in liquidation	Venice	500,000	0.00%	65.00%

Movements during the year are described in section 2.1.1 of the annual report.



Member Bodies

The table shows the total values of transactions with member organisations during the year:

	2021	2020	2021	2020	2021	2020	2021	2020
	Revenue		Costs		Receivables		Liabilities	
(in thousands of euros)	by member municipalities		by member municipalities		by member municipalities		by member municipalities	
Municipality of Annone Veneto	415	402			179	119	2	1
Municipality of Campagna Lupia	98	12	4	4	13	9		1
Municipality of Campolongo Maggiore	147	30	18	20	11	6	182	209
Municipality of Camponogara	173	27	10	7	17	11		1
Municipality of Caorle	6,655	6,257	59	60	2,812	2,636	1,320	1,401
Municipality of Cavallino Treporti	4,746	4,673	14	3	587	638	1,963	1,729
Municipality of Cavarzere	1,921	1,616			104	219		
Municipality of Ceggia	600	564	23	23	50	-2	1,751	1,732
Municipality of Cessalto	6	6	2	2	1	1		25
Municipality of Chioggia	17,763	15,472	72	69	-377	-229	2,466	5,148
Municipality of Cinto di Caomaggiore	320	292			131	85	1	2
Municipality of Cona	356	374			225	109		
Municipality of Concordia Sagittaria	1,271	1,219			430	699		
Municipality of Dolo	294	95	25	18	139	171	12	10
Municipality of Heraclea	2,426	2,360	41	40	733	326	2,362	1,539
Municipality of Fiesso d'Artico	297	234	6	5	240	121		97
Municipality of Fossalta di Piave	37	21	4	3	38	14	61	60
Municipality of Fossalta di Portogruaro	1,048	1,076			365	364	3	
Municipality of Fossò	102	11	16	15	7	3	197	217
Municipality of Guaro	319	295			107	94		
Municipality of Jesolo	10,975	11,330	622	502	-202	740	3,466	6,100
Municipality of Marcon	218	76	1		144	51		-1
Municipality of Martellago	2,592	2,749	8	15	293	529	1,660	1,212
Municipality of Meolo	99	102	1	3	29	3	9	29
Municipality of Mira	632	112	14	23	185	145	64	69
Municipality of Mirano	737	281	47	51	579	165	32	53
Municipality of Mogliano Veneto	3,716	3,872	27	13	1,270	1,277	2,283	1,248
Municipality of Morgano	5	5	2		1	1		
Municipality of Musile di Piave	1,218	1,305	23	21	-24	322	1,443	1,040
Municipality of Noale	2,023	2,192	11	8	320	301	233	635
Municipality of Noventa di Piave	804	853	11	11	93	52	401	511
Municipality of Pianiga	1,590	1,478	15	13	534	381	723	431
Municipality of Portogruaro	3,818	3,692	2	6	1,541	1,425	6	5
Municipality of Pramaggiore	474	438			165	139		
Municipality of Preganziol	82	78	11		18	20		
Municipality of Quarto d'Altino	204	31	1		72	11	6	6
Municipality of Quinto di Treviso	11	9	4			2		
Municipality of Salzano	180	35	36	72	162	13	250	62
Municipality of San Donà di Piave	1,340	474	83	87	215	344	1,240	1,420
Municipality of S. Michele al Tagliamento	6,524	6,014	9	10	2,087	1,409	11	13
Municipality of San Stino di Livenza	1,592	1,540	1	1	646	473	130	105
Municipality of S. Maria di Sala	110	53	105	173	91	21	91	160
Municipality of Scorzè	2,309	2,233	13	16	343	805	1,506	927
Municipality of Spinea	3,301	3,545	59	71	-356	-75	3,166	2,076
Municipality of Stra	93	21	39	40	80	6	34	34
Municipality of Teglio Veneto	194	192			71	65	132	
Municipality of Torre di Mosto	546	516	10	9	134	61	498	535
Municipality of Venice	106,710	102,021	1,455	1,327	13,852	11,988	79,209	46,027
Municipality of Vigonovo	165	24	16	14	151	4	20	12
Municipality of Zenson di Piave	4	2	2		2	1	37	88
Municipality of Zero Branco	4	5	3			1		
total nominal amounts	191,264	180,314	2,925	2,755	28,308	26,074	106,970	74,969
Provision for bad debts					-81	-142		
discounting receivables/payables							-58	-69
advances on work in progress								
booked as a reduction of contract work in progress							-14,347	
total	191,264	180,314	2,925	2,755	28,227	25,932	92,565	74,900

Receivables from partner entities are shown net of a provision for bad debts of k€ 81 due to the request for recognition of certain relationships that are attributable to the company's structure as so-called 'off-balance-sheet debts', i.e., receivables for services duly performed by the company, but for which the partner municipality had not provided for the commitment of expenses for various reasons.

Payables to member institutions are shown net of the discount value of k€ 58.

The service contracts with member authorities mainly relate to environmental hygiene activities for municipalities that have applied the Tari tax since 2014.

Excluded are the municipalities of Fiesso d'Artico, Stra, Salzano, Camponogara, Campolongo Maggiore, Campagna Lupia, Fossò, Vigonovo, Santa Maria di Sala, Marcon, Mira, Fossalta di Piave, San Donà di Piave, Meolo, Quarto d'Altino, Dolo and Mirano for which, as these municipalities have resolved to apply the punctual tariff instead of the tax, Veritas has been able to invoice end users directly.

In the case of the Municipality of Venice, the following services are charged in addition to environmental hygiene:

- cemetery;
- markets;
- high tide passes.

Cemetery services are also charged for other municipalities (Spinea, Mirano, Martellago, Portogruaro and, from 2019, San Michele al Tagliamento, San Stino di Livenza, Fossalta di Portogruaro and Cinto Caomaggiore); while for the municipalities of Chioggia, Fossalta di Portogruaro and Fiesso d'Artico, public lighting services are provided. The municipality of Portogruaro in 2019 and the municipalities of San Michele al Tagliamento and Fossalta di Portogruaro in 2020 have also been entrusted with the maintenance services of public green areas.

Terms and Conditions of Transactions with Member Entities

Service contracts between Veritas and the Municipality of Venice for the services mentioned above are regularly invoiced monthly or quarterly and settled on average within 30-60 days from the date of invoice issuance.

Works related to the execution of new sewerage networks and extraordinary maintenance on the same (engineering works), as well as works related to public works, are charged to the Venice municipality based on a service contract that provides for the recognition of a percentage of the work related to the costs of design and supervision of works as well as coverage of general expenses.

Loans from member institutions

In previous years, loans were taken out with the Cassa Depositi e Prestiti by municipalities in the Mirano area to finance investments in the water sector and for which Veritas provides repayment.

Also recorded is a debt contributed by the aggregation of Asi relating to a financial advance by the Municipality of Jesolo, also in this case, for investments in the water sector.

The total amount of these loans amounted to k€ 736 as at 31 December 2021.

Associated companies

The Group has the following shareholdings in associated companies:

			31 Decem- ber 2021	31 Decem- ber 2020
<i>companies accounted for using the equity method</i>	Registered Office	Share Capital	Group share	
Associated companies				
Sifa scpa	Mestre (Ve)	30,000,000	33.17%	33.17%
Ecolegno CM Venezia srl	Venice	50,000	32.94%	
OMD srl	Nervesa della Battaglia (Tv)	160,000	20.59%	
Veritas Conegliano srl	Venice	100,000	48.80%	48.80%
Vier scarl	Venice	100,000	49.00%	49.00%
<i>discontinued/abandoned companies</i>				
Insula spa	Venice	2,715,280	0.00%	24.73%
Ecoplastiche Venezia srl	Venice	100,000	0.00%	32.94%

The following table shows the total values of transactions with associated companies during the year:

	2021	2020	2021	2020	2021	2020	2021	2020
	Revenue		Costs		Receivables		Liabilities	
<i>(in thousands of euros)</i>	by related parties		by related parties		by related parties		by related parties	
Insula spa	758	1,058	114	794		1,386		648
Sifa scpa	12,935	12,640	5,466	8,366	13,395	12,923	3,423	1,363
Ecoplastiche Venezia srl								
Veritas Conegliano srl	17	219	320	143	28	157	2,344	2,478
Vier Scarl	271	92	157	153	4,503	4,508	127	140
OMD srl	807		2,794		33		4,953	
Ecolegno CM Venezia srl								
total	14,788	14,009	8,851	9,456	17,959	18,974	10,847	4,629

Market conditions regulate economic and financial relations with associated companies.

Relations with Vier scarl and Veritas Conegliano Srl relate exclusively to the parent company.

Sifa scpa's business relations were mainly with the parent company and related to the management of industrial wastewater treatment plants on behalf of the parent company. In contrast, purchases from Sifa mainly relate to the storage and disposal of sludge produced by Veritas plants.

Other related

Other related parties include companies and entities controlled by the Municipality of Venice and other local authorities that are shareholders of Veritas, companies in which the Group holds, even indirectly, an interest of less than 20%, and companies in which minority shareholders have a significant stake.

The following table shows the total values of transactions with other related parties during the year:

(in thousands of euros)	2021	2020	2021	2020	2021	2020	2021	2020
	Revenue from related parties		Costs from related parties		Receivables from related parties		Liabilities from related parties	
Actv spa	188	165		1	61	55		
Ames spa	82	77		1	36	10	7	8
Avm spa	62	105	125	101	19	33	114	207
Inst. Bevilacqua La Masa Foundation								
La Biennale Foundation	46	49			16	33		
Forest and large parks	39	54			6	11		
Casino di Venezia gaming spa	58	62			43	34	34	35
Cmv spa								
Casino di Venezia meeting & dining services Srl								
La Fenice Theatre Foundation	6	8			1			
Inst. for gondola cons. and gondol. tut.								
Insula spa	88		9		2,569		1,876	
Ive Srl	11	2			-1	-5		
Laguna Park Institute								
Tide forecasting and reporting centre								
Marghera eco industries Srl								
Marco Polo system geie					92	92		
Venice City Museums Foundation	34	22			5	4		
Inst. centres	7	7			1	1		
Venice beaches spa	72	67			3	1		
Urban Consortium	37	42			190	147		
Vega scarl	161	161	59	58	86	122		
Vela spa	574	443	3	1	541	374		
Venis spa	7	71	54	54	2	65	25	54
Venice Lagoon Basin Council			603	608	30		301	608
Bioman spa	913	841	4,163	5,309	1,157	1,220	2,094	3,645
Caorle patrimonio Srl								
Caorle City of Sport Foundation								
Venice Environment Basin Council			165	133		30	149	133
Eraclea patrimonio e servizi Srl								
Jesolo patrimonio Srl	21	34	15	16	10	7	537	524
Jtaca Srl								
Jesolo tourism spa								
Don Moschetta Special Company	3		48		1		16	
Musile servizi e patrimonio Srl								
Noventa Services and Heritage Ltd.								
Sibelco Green Solutions Ltd.	2,489	2,934	2,135	2,486	724	596	527	375
Serimi Srl								
Sst spa	107	80			275	177	66	49
Viveracqua scarl	77	74	174	151	28	58	73	150
other related	245	147			62	21		
total	5,327	5,444	7,553	8,919	5,957	3,086	5,819	5,788

As far as Bioman spa is concerned, trade relations refer to Ecoprogetto Srl, Eco-ricicli Veritas Srl, and the parent company itself,. At the same time, there is a receivable of k€ 153 reclassified in the balance sheet under other receivables, as it refers to a real estate sale.

As far as Sibelco Green Solutions Ltd. is concerned, business relations mainly relate to Eco-recycling and Veritas.

It should be noted that within payables to related parties, financial payables for operating *leases* amounting to k€ 3 to Avm spa and k€ 385 to Jesolo patrimonio Srl from the parent company, k€ 183 to Bioman from the subsidiary Ecoprogetto, and k€ 818 to Bioman from the subsidiary Eco-ricicli have also been posted.

Market conditions regulate economic and financial relations with other related parties.

Remuneration of the Board of Directors and the Board of Statutory Auditors

Under Article 38 of Legislative Decree No. 127/1991, the remuneration due to directors, statutory auditors and auditors of the parent company for performing these functions, including in other companies included in the consolidation, is presented below. It is company policy not to recognise additional remuneration for activities performed by parent company directors in other subsidiaries. Therefore, the total remuneration corresponds to that recognised in the parent company, Veritas spa.

(in thousands of euros)	2021	2020
Board of Directors		
emoluments for the office	187	243
other fees		
other benefits		
Total costs for services	187	243
Board of Statutory Auditors		
emoluments for the office	89	89
other fees		
other benefits		
Total costs for services	89	89
statutory auditor		
emoluments for the office	116	114
Total costs for services	116	114

46. Financial risk management: objectives and criteria

The main financial instruments, other than derivatives, include bank loans, *financial and operating leases*, direct and indirect *factoring* contracts, sight and short-term bank deposits, and the issuance of bonds. The main purpose of these instruments is to finance the Group's operations and investments. The Group holds other financial instruments from its operating activities, such as trade payables and receivables.

The Group does not engage in transactions in speculative derivative instruments but only in transactions in derivative instruments to purely hedge (*swap*) or to limit (*cap*) the risk of rate changes.

The Group's policy is, and has been in previous periods, not to trade in financial instruments.

The main risks generated by the Group's financial instruments are interest rate, liquidity, and credit risk. Price risk is not appreciable, as the Group operates in most regulated industries, where tariffs are regulated and subject to approval by the relevant authorities. The parent company's Board of Directors reviews and agrees on policies to manage these risks, as summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates is mainly related to long-term bonds with variable interest rates assumed by the Group.

The Group's policy is to manage its financial cost using a combination of fixed and variable borrowing rates.

The Group's policy is not to enter into derivative instruments for non-hedging purposes.

With possible constant changes in interest rates and all other variables, debt exposes the Group's pre-tax profit to some sensitivity.

Credit risk

The Group believes its credit risk profile is normal and consistent with industry dynamics.

Billing receivables (for Veritas spa and Asvo spa) are by their nature fragmented because they are spread over a very large number of users, with small average amounts.

The covid-19 health emergency has greatly affected, above all, the supply chains of economic operators linked to the world of tourism, entertainment and catering, important sectors in the provinces of Venice and Treviso, to which the consequences of the crisis in the price of raw materials and energy are being added.

The insolvency rate for urban sanitation receivables (Tarip), which was historically around 5 per cent, a percentage that should be considered low average for the sector, continues to be higher due to the economic crisis, which has added to the covid difficulties, with an estimated additional effect of around 1.25 per cent.

It should be remembered that after the changeover to Tari, the credit risk, both in its past and present (and therefore future) dimension, is substantially in the hands of the municipalities, either directly or indirectly, and must be taken into account in the final formulation of the tariff.

In the water sector, on the other hand, where insolvency rates are historically lower, quantifiable in the order of 1% of turnover; we see a growth that can be estimated at around 16 percentage points.

The credit risk relating to the Group's other financial assets, which include cash and cash equivalents, other investments, loan certificates and derivative instruments, presents a maximum risk in the event of counterparty default equal to the carrying amount of these assets.

Liquidity risk

The Group controls liquidity risk using a liquidity deployment planning tool. This instrument considers the maturity of financial investments, financial assets (trade receivables and other financial assets), and the expected cash flow from operations.

The liquidity risk represents the risk that available financial resources may be insufficient to cover the obligations maturing in the short term, amounting to approximately Euro 46.6 million of bank loans and Euro 0.75 million of bonds by 31 December 2022, and to cope with possible negative changes in working capital.

The Group's objective is to maintain a balance between maintaining funding and flexibility through using overdrafts, and to a lesser extent, *financial and operational leases* and *factoring* transactions. The Group's policy is that no more than 20% of medium- to long-term loans are due within 12 months. At 31 December 2021, less than 20% of medium- to long-term debt will mature within one year.

As at 31 December 2021, the Group had unutilised credit lines of about EUR 111.3 million, compared to about EUR 106.6 million as at 31 December 2020.

The notion remains that operational investment plans, which continue mainly in the water sector (and thus concern the parent company), are counterbalanced by tariff adjustments set by the water authorities.

Work continues to implement an urban hygiene tariff/levy on a fee/quantity basis to achieve greater fairness for users and control for municipalities, which also has the effect of returning direct finance to the company, eliminating strains on working capital and increases in financial charges.

In 2021, the Group obtained additional medium/long-term bank loans for a total of Euro 78 million and the issue of an unlisted *amortising* bond for Euro 25 million.

Also in 2021, short-term financial management instruments were used, mainly *factoring* contracts in direct form, while *factoring* contracts in indirect form (*reverse factoring*) remained residual.

In this financial year, Eco-ricicli Veritas Srl entered into three new *leasing* financial contracts with a residual value as at 31 December 2021 of a total of k€ 264 and Metalrecycling two new contracts with a residual value as at 31 December 2021 of a total of k€ 432.

The Group assessed the risk concentration regarding debt refinancing and concluded that it is low. Access to financing sources is sufficiently available, and debts due within 12 months can be extended with current lenders.

Capital management

The Group's net indebtedness of k€ 257,983 as at 31 December 2021 (k€ 259,114 as at 31 December 2020) contrasted with the total shareholders' equity of k€ 309,136 as of the same date.

The ratio of net financial position to equity, which defines the balance between external means and equity, was 0.83 as at 31 December 2021 compared to 0.87 as at 31 December 2020.

Valuation of fair value and related hierarchical levels of valuation

Comparison of the book value and fair value by category of all of the Group's financial instruments recognised in the balance sheet did not reveal any significant differences, other than those highlighted, such as to be represented.

All financial instruments carried at fair value can be classified into the three categories defined below:

- level 1 market quotation;
- level 2 valuation techniques (based on observable market data);
- level 3 valuation techniques (not based on observable market data).

The fair value of derivatives and loans was calculated by discounting the expected cash flows using prevailing interest rates. The fair value of bonds and other financial assets was calculated using market interest rates.

As at 31 December 2021, the Group held the following financial instruments measured at *fair value*:

(in thousands of euros)		31 December 2021		31 December 2020		
Type	banking institution	notional residual	fair value as-sets	fair value lia-bilities	fair value as-sets	fair value lia-bilities
IRS	Unicredit 2017	6,066		-56		-134
Interest rate	Bpm 2017	3,142	0		0	
Interest rate	Bpm 2019	2,562	2		1	
IRS	Ubi 2019	9,792		-23		-120
IRS	Bper 2019	6,131		-34		-93
IRS	Bpm 2020	19,000		-8		-227
IRS	Bnl 2020	19,000		-3		-230
IRS	Intesa San Paolo 2018	700		-6		-12
IRS	Intesa San Paolo 2020	5,856	5			-52
IRS	BNL 2,021	11,000	18			
IRS	BPM 2,021	4,500	6			
IRS	Unicredit 2021	4,500	6			
total derivative financial instruments		92,249	37	-130	1	-868

It should be noted that all assets and liabilities that are measured at *fair value* as at 31 December 2021 are classifiable in the hierarchical level number 2 of the *fair value* valuation hierarchy.

47. Sector information

The Group shall disclose, following *Ifrs 8*, the information by operating segment that enables users of its financial statements to evaluate the nature and effects on the financial statements of the activities it undertakes and the economic environments in which it operates.

The definition of an operating segment according to the principle is as follows:

- "is a component of an entity that engages in revenue and cost-generating activities (including revenues and costs relating to transactions with other components of the same entity);
- whose operational results are reviewed periodically at the highest operational decision-making level to make decisions on resources to be allocated to the sector and the evaluation of results;
- for which separate financial statement the information is available."

The amount of each sector item submitted must correspond to the assessment provided at the highest operational decision-making level to make decisions on allocating resources to the sector and evaluating its performance.

The Group has identified the following segments as the basis for segment reporting:

- *Environmental hygiene*: includes sweeping, activities related to the integrated waste cycle (collection, sorting and recycling, transport, treatment, disposal and brokering), management of industrial plants and management of post-mortem landfills.
- *Service water integrated*: includes activities related to the drinking water cycle for civil and industrial use (withdrawal, treatment, lifting and distribution), activities related to the civil and industrial wastewater cycle (collection, purification, draining), engineering activities, laboratory analysis and management of the Venice fire-fighting network
- *Other services*: includes collective urban services (cemetery services, crematorium management, special services for Venice, sanitation management, environmental remediation) and energy-related activities (photovoltaics, district heating, heat management, public lighting, biogas-biomethane-hydromethane).

These sectors include both regulated and unregulated activities.

Environmental hygiene	Integrated water service	Other services
sweeping	<i>drinking water cycle for civil and industrial use</i>	cemetery services
<i>integrated waste cycle</i>	collection	crematorium management
collection	Processing	special services for Venice
sorting and recycling	lifting	toilet management
transport	distribution	environmental reclamation
Processing	<i>civil and industrial wastewater cycle</i>	photovoltaics
waste disposal	collection	district heating
brokerage	purification	heat management
industrial plant management	purging	public lighting
post-mortem landfill management	<i>engineering workshops</i>	biogas-biomethane-hydromethane
	<i>fire-fighting network in Venice</i>	public works

The directors of the Group separately monitor the results achieved by the business areas (*business units*) to make decisions on resource allocation and performance reviews.

The *performance* of the segments is evaluated economically based on the operating income (EBIT) and financially based on fixed assets.

Structure costs and revenues are passed on to the individual business areas (*business units*) according to management indicators (*drivers*), consistent with *unbundling* regulations.

The fixed assets of the corporate segment relate to structural assets.

Intra-segment revenues are eliminated at the consolidated level and reflected in the "Adjustments and eliminations" column.

results by operating segments financial year 2021 (in thousands of euros)	hygiene Environ- mental	integrated water ser- vice	other ar- eas	corrections and eli- sions	total
revenues from sales and services	246,998	168,298	24,586	0	439,882
other revenues	1,305	2,130	735	0	4,170
intra-sector revenues	92	203	0	-295	0
corporate revenues	5,929	4,353	853	0	11,135
total net revenue	254,324	174,984	26,174	-295	455,187
consumption costs of raw materials, supplies and consumables	-23,676	-12,425	-733	0	-36,834
Costs for services	-66,605	-52,569	-14,635	0	-133,809
costs of use of third party assets	-1,691	-2,556	-352	0	-4,599
staff costs	-98,634	-34,463	-8,608	0	-141,705
Other operating costs	-3,267	-2,223	-185	0	-5,675
intra-sector operating costs	-92	-203	0	295	0
corporate operating costs	-27,578	-20,249	-3,971	0	-51,798
total operating costs	-221,543	-124,688	-28,484	295	-374,420
ebitda	32,781	50,296	-2,310	0	80,767
provisions for risks and charges	-374	-438	0	0	-812
provisions for corporate risks and charges	-3,292	-2,417	-475	0	-6,184
Amortisation, depreciation and write downs	-23,939	-17,361	-1,739	0	-43,039
corporate depreciation and amortisation	-3,988	-2,928	-573	0	-7,489
Operating loss	1,188	27,152	-5,097	0	23,243

results by operating segments financial year 2020 (in thousands of euros)	hygiene Environ- mental	integrated water ser- vice	other ar- eas	corrections and eli- sions	total
revenues from sales and services	224,970	165,842	18,606	0	409,418
other revenues	5,009	894	1,095	0	6,998
intra-sector revenues	25	320	0	-345	0
corporate revenues	5,121	5,385	623	0	11,129
total net revenue	235,125	172,441	20,324	-345	427,545
consumption costs of raw materials, supplies and consumables	-20,323	-11,276	-659	0	-32,258
Costs for services	-64,094	-43,989	-10,434	0	-118,517
costs of use of third party assets	-1,769	-3,422	-256	0	-5,447
staff costs	-93,440	-32,965	-7,862	0	-134,267
Other operating costs	-4,609	-1,765	-225	0	-6,599
intra-sector operating costs	-320	-25	0	345	0
corporate operating costs	-26,250	-27,602	-3,196	0	-57,048
total operating costs	-210,805	-121,044	-22,632	345	-354,136
ebitda	24,320	51,397	-2,308	0	73,409
provisions for risks and charges	-4,163	-1,110	-23	0	-5,296
provisions for corporate risks and charges	-331	-349	-40	0	-720
Amortisation, depreciation and write downs	-19,907	-16,015	-3,187	0	-39,109
corporate depreciation and amortisation	-3,454	-3,632	-419	0	-7,505
Operating loss	-3,535	30,291	-5,977	0	20,779

fixed assets by operating segments as at 31.12.2021 (in thousands of euros)	hygiene Environmen- tal	Service water integrated	other sectors	Corporate	total
Intangible fixed assets	12,368	4,839	830	3,448	21,485
concession services	0	268,029	0	6	268,035
Goodwill	20,435	788	0	0	21,223
Property, plant and equipment	221,565	29,406	24,017	68,102	343,090
real estate investments	15,888	2,507	0	16	18,411
Total intangible assets	270,256	305,569	24,847	71,572	672,244

fixed assets by operating segments as of 31.12.2020 (in thousands of euros)	hygiene Environmen- tal	Service water integrated	other sectors	Corporate	total
Intangible fixed assets	15,499	3,593	921	3,347	23,360
concession services	27	244,740	9	0	244,776
Goodwill	20,435	788	0	0	21,223
Property, plant and equipment	218,173	29,939	21,177	64,458	333,747
real estate investments	15,888	2,507	0	19	18,414
Total intangible assets	270,022	281,567	22,107	67,824	641,520

48. Disclosure obligations under Art. 1 para. 125, Law 124/2017

As provided for in Article 1, paragraph 125 et seq. of Law No. 124 of 4 August 2017, as amended by Article 35 of Decree-Law No. 34/2019, the list of public disbursements collected by the Group in the financial year 2021 is set out below.

Public disbursements are defined as 'grants, subsidies, benefits, contributions or aid, in cash or in-kind, which are not general and which do not have a corresponding, retributive or compensatory nature' (Art. 1 co. 125 Law 124/2017).

LENDING SUBJECT	beneficiary of the Group	type of contribution	amounts in euro	presence in the register national State aid
Conai - National Packaging Consortium	Veritas spa	Local communication projects under the Anci Conai framework agreement - call for proposals 2020	41,708	
Fondimpresa	Veritas spa	Training plan to strengthen and deepen the skills of Veritas spa employees - the year 2019	92,092	
Deputy Commissioner ex Ocdpc No. 616/2019	Veritas spa	Contribution to the exceptional meteorological events of 12/11/2019 in Venice - interventions to restore sewerage and purification systems	112,456	
Deputy Commissioner ex Ocdpc No. 616/2019	Veritas spa	Contribution to exceptional meteorological events of 12/11/2019 in Venice - Sacca San Biagio interventions and water damage	497,827	
Deputy Commissioner ex Ocdpc No. 616/2019	Veritas spa	The contribution due to the exceptional meteorological events of 12/11/2019 in Venice - restoration work on locker rooms	33,528	
Delegated extraordinary commissioner for the hydrological risk in the Veneto re-	Veritas spa	Hydrological risk mitigation programme agreements - interventions Lusore basin hydraulic network - construction of first rain basin	2,084,000	
Delegated extraordinary commissioner for the hydrological risk in the Veneto region	Veritas spa	Hydrological risk mitigation programme agreements - interventions Lusore basin hydraulic network - construction of new sewer via Colombara Malcontenta	72,000	
Veneto Region	Veritas spa	Separate sewerage network in the area of Villaggio San Marco in Mestre Venice, lots 1 and 4 - section 1	1,487,276	
Veneto Region	Veritas spa	Pruacs - programme for the redevelopment of sustainable rental housing in the Gazzera-Mattuglie area of the municipality of Venice	211,038	X
Veneto Region	Veritas spa	Completion of a separate sewerage network in the Malcontenta - Ca' Sabbioni area and via Padana	772,128	
Veneto Region	Veritas spa	Lusenzo programme agreement - construction of a spillway conduit along the new Ghezzi road and construction of lamination and first rainwater basins (Chioggia)	1,489,925	
Avepa - Veneto Agency for Payments	Veritas spa	Ecopolymers project	49,657	X
Avepa - Veneto Agency for Payments	Veritas spa	Project Phoenix - P2G - Advanced technologies for the conversion of carbon dioxide into biomethane in the Porto Marghera area	51,316	X
Municipality of Venice	Veritas spa	Pact for the Development of the City of Venice - Fusina Integrated Project - connection of the Lido and Fusina purification plants 2nd sec-	417,306	
Municipality of Venice	Veritas spa	Completion of the via Torino water drainage system	2,310,686	
Municipality of Venice	Veritas spa	Agreement with the Ministry of the Environment for the implementation of energy efficiency projects and using renewable energy sources at Certosa Island and Porto Marghera	548,670	
Metropolitan City of Venice	Veritas spa	Project Re.Mo.Ve. - Suburban regeneration and sustainable mobility	270,204	
Gestore dei servizi energetici - Gse spa	Veritas spa	Contribution of photovoltaic systems	192,635	
Customs Agency	Veritas spa	Contribution to Diesel Excise Duty	378,257	
Customs Agency	Veritas spa	Contribution to Excise Duty on Diesel Power	15,633	
Revenue Agency	Veritas spa	Ordinary tangible capital goods tax credit 2020	24,000	
Revenue Agency	Veritas spa	Dpi sanitisation credit (Art. 125 DI 34-2020)	18,912	
Revenue Agency	Veritas Eco-Recy-	PPE sanitisation credit (Art. 32 DL 73-2021)	3,003	
Customs Agency	Depuracque ser-	Contribution to Diesel Excise Duty	27,347	
Revenue Agency	Depuracque ser-	Research and Development Tax Credit 2020	15,679	
Gestore dei servizi energetici - Gse spa	Depuracque ser-	Contribution of photovoltaic systems	63,213	
Revenue Agency	Écoproject	PPE sanitisation credit (Art. 32 DL 73-2021)	11,771	
Ministry of Economic Development	Écoproject	Tariff relief for energy-intensive businesses art. 3 dm Mise 21.12.2017	189,349	
Customs Agency	Écoproject	Contribution to Excise Duty on Diesel Power	123,562	



total Veritas Group

11,605,178

Amounts are shown in euro units.

49. Subsequent main events

Participations and business acquisitions

On 28 April 2022, the deed was signed for the purchase of the business unit by the parent company for the management of the preliminary storage platform in the 23-hectare area from Sifa sspa. The consideration for the acquisition is k€ 910 to be offset against the actual book values of the debt to personnel in the business unit as at 30 April 2022.

The approval process concerning the merger between Ecoprogetto and Eco-ricicli is underway, which should conclude with the actual merger of the two companies by the end of the 2022 financial year.

Negotiations are also underway for acquiring the parent company's associate Veritas Conegliano's controlling interest, as originally envisaged in the *project financing* underlying the company's establishment.

In December 2020, the primary and secondary urbanisation works of the 'ex-Alcoa - compartment A' area by the Consortium for the reclamation and productive reconversion of Fusina, which had suffered several delays, also as a result of the sanitary emergency period, were almost completed. At the beginning of February 2021, the inspector for the areas to be excavated (green areas and car parks) identified by the municipality completed and filed the technical-administrative acceptance certificate with the municipal office in charge.

At the end of 2021, a real estate transfer and easement contract was signed between the parties in favour of the Municipality of Venice. The communal areas are about to be handed over.

It is expected that the liquidation process in the strict sense will take place in the year 2022 and will lead to the drafting of the final balance sheet and distribution plan to the consortium members in the same period.

Health emergency covid-19, energy crisis and war in Ukraine

The Italian government formally ended the health emergency resulting from the covid-19 pandemic on 30 April 2022, although some minimal forms of restrictions remain in place.

On the other hand, the effects on the economy remain, especially concerning the increase in the prices of raw materials, electricity, and gas.

Moreover, the war between Russia and Ukraine that started in February 2022 is exacerbating the energy crisis that had already begun with the health emergency, one of the most obvious effects of which has been the considerable increase in fuel prices, including fuels.

The Group is gradually transitioning to electric mobility and using alternatively fuelled vehicles such as biomethane.

Therefore, the financial year 2022 will be characterised by the uncertainties resulting from rising energy material costs, as these increases may not be fully reflected in as many tariff increases.

Water regulation and pricing

The Venice Lagoon Basin Council is in the process of approving the tariff update for the two years 2022-2023 within the four-year regulatory period 2020-2023 as provided for by the Mti-3 method.

Concerning the adjustment component deriving from electricity, the average price recognised by Arera is lower than that incurred by the company; therefore, there does not appear to be a full recovery of the higher costs incurred. However, Arera, following an appeal by a water service manager, is currently reviewing the methodology for calculating the adjustment.

Waste regulation and pricing

In April 2022, the Venice Environment Basin Council validated the 2022-2025 EFPs for the 34 municipalities managed by Veritas prepared according to the new Mtr-2 tariff method, while the municipalities are in the process of approving these EFPs and adopting the Tari or Tarip tariff manoeuvre for 2022.

On the other hand, evaluations are underway regarding the application of the new method to treatment and disposal plants, particularly for the Jesolo landfill, especially because the method presents numerous elements of incompatibility to the specific nature of these plants.

In addition, with Resolution No. 15/2022/R/rif of 18 January 2022, Arera introduced quality regulation for the environmental service, which will have a major organisational impact on the service.

Operation management

In 2022, the transition to the point-based waste service metering system also started for the municipality of Cona, with the consequent switch to the Tarip point-based tariff by the parent company.

In addition, as of July 2022, the parent company will start managing the cemetery service for the Municipality of Dolo through an *in-house* five-year assignment.

Litigation

Regarding the litigation opened with the Court of Auditors on the subject of the repayment to the Municipality of Venice of the amounts collected by Veritas, as accounting agent, for the fee under Law 206/1995 and cemetery concessions for the years 2012-2015, in the appeal proceedings, the Court of Auditors of Rome in March 2022 ruled dismissing from the case the amounts to be repaid before 1 January 2012, acquitting Veritas concerning the year 2015, while it ordered the payment of the amounts collected and not yet repaid for the years 2012-2014 inclusive of interest on arrears.

The derecognition of amounts before 1 January 2012 made it possible to recognise a financial contingent asset of k€ 2,287 already in the financial year 2021 related to the reduction of the provision for the payment of interest on arrears allocated in previous years.

Public regulation

In March 2022, the Competition and Market Authority awarded Veritas the Rating of Legality, giving it the maximum rating of three stars. The legality rating is a synthetic indicator certifying the reliability, reputation, seriousness and ethics of Veritas.

The technical specifications for electronic invoicing in public procurement (legislative decree 148/2018) are currently being finalised; the parent company, being a contracting authority within the meaning of the *Procurement Code* (legislative decree 50/2016), will be obliged to receive electronic invoices according to the specific layout provided for in the European procurement framework, just like any other public administration.

2.7 Relations

2.7.1 Report of the Board of Statutory Auditors

Report of the Board of Statutory Auditors on the annual financial statements as at 31.12.2021 (Art. 2429(2) CC)

Dear Shareholders of Veritas spa
(Veneziana energia risorse idriche territorio ambiente servizi)

With this report - drawn up under Article 2429, paragraph 2, CC - the Board of Statutory Auditors hereby reports to you on the supervisory and control activities performed, in the fulfilment of its duties, during the financial year ending 31 December 2021.

Supervisory activities

During the financial year ended 31 December 2021, our supervisory activities were inspired by the legal provisions and the rules of conduct of the Board of Statutory Auditors recommended by the National Council of Chartered Accountants and Accounting Experts: the rules of conduct issued by the Cndcec with which the Board of Statutory Auditors complied are those updated on 12 January 2021 (relating to unlisted companies) and, where deemed more effective, those of April 2018 (relating to listed companies).

Supervision of compliance with the law and the Statute

In the performance of its supervisory and control activities, the Board of Statutory Auditors periodically obtained from the directors, also through participation in the meetings of the Board of Directors, the information on the activities carried out and on the most significant economic, financial and equity transactions resolved and implemented by Veritas and its subsidiaries, ensuring that the actions established were in compliance with the law and the bylaws and were not manifestly imprudent, risky, in a potential conflict of interest or such as to compromise the integrity of the company's assets.

Based on the information acquired through its supervisory activities, the Board of Statutory Auditors did not become aware of any transactions that did not comply with the principles of proper administration, that were resolved and implemented in breach of the law and the Articles of Association, that were not in the Company's interest, that conflicted with the resolutions passed by the Shareholders' Meeting, that were manifestly imprudent or risky or that compromised the integrity of the Company's assets.

The Board was unaware of any transactions in a potential conflict of interest.

Concerning the annual financial statements as a whole, the Board of Auditors assessed that the Board of Directors, in its Report on Operations and the Notes to the Financial Statements, has provided adequate disclosure on related party transactions, taking into account the provisions of the regulations in force. To the best of the Board of Statutory Auditors' knowledge, there were no intra-group or related party transactions in the financial year 2021 in conflict with the interests of the Company.

In the financial year 2021, Veritas did not carry out any atypical or unusual transactions with third parties or related parties (including Group companies). As far as major transactions of an

ordinary nature are concerned, they comply with the limits of prudence, do not conflict with shareholders' meeting resolutions, and are not such as detrimental to the company's assets.

Supervision of the adequacy of the internal control system, risk management systems and organisational structure

The Board has:

- supervised, to the extent of its competence, the adequacy of the organisational structure of the company, including by collecting the information from the directors and the heads of the various functions;
- interacted with senior management to examine, among other things, the internal control system and the controls for monitoring the main risks.

The internal control and risk management system consists of the set of rules, procedures and organisational structures aimed at allowing - through an adequate process of identification, measurement, management and monitoring of the main risks - a sound, correct and coherent management of the company following its objectives.

Such a system involves a plurality of actors acting in a coordinated manner in function:

- I. of the strategic direction and supervision responsibilities of the Board of Directors and the General Manager;
- II. of supervision and *management*;
- III. monitoring and support to the Board of Directors for the control and risk management of the Head of the Audit Directorate;
- IV. of supervision by the Board of Statutory Auditors.

The head of the Audit Directorate has an appropriate level of independence and the appropriate means to perform the function. They are responsible for supporting the management and control bodies in verifying the adequacy, full operation and effective functioning of the internal control and risk management system and proposing corrective measures in the event of anomalies, irregularities and/or deficiencies.

The head of the Audit Department reports on his work to the directors and the general manager - in charge of the internal control and risk management system - as well as to the Board of Statutory Auditors.

The supervision of the Head of the Audit Department is oriented, in particular, towards expressing an assessment of the capacity of the internal control and risk management system to affect the effective achievement of the objectives assigned to the individual corporate structures (effectiveness profile), taking into account the rational use of resources for their achievement (efficiency profile), in light of the presence of qualitative/quantitative risk factors and the likelihood of the same to influence the achievement of said objectives.

This is ensured through:

- the performance of *assurance* services (audit and complementary activities - so-called 3rd level checks - aimed at assessing *governance*, risk management and control processes) and consultancy;
- monitoring the implementation of improvement plans through continuous monitoring and the implementation of specific *follow-ups* in cases of particular complexity and relevance of the issues originally analysed.

The head of the Audit Department also carries out his activities in subsidiaries without corresponding audit structures, acting in their interest and reporting to their respective bodies.

The internal control and risk management system also includes the *Organisational Model 231*, i.e., the organisation and management model aimed at preventing the commission of offences that may entail the Company's liability under Legislative Decree 231/2001. Said *Organisational*

Model 231 provides for the appointment of a special Supervisory Board, with autonomous powers of initiative and control, with the task of supervising the operation of and compliance with the *Model* itself and proposing its updating.

The functions of the Supervisory Board are distinct from those of the Board of Statutory Auditors; this choice is justified, on the one hand, by the number and complexity of the topics already normally covered by the activity of the Board of Statutory Auditors and, on the other, by the specific nature of the tasks of the Supervisory Board.

The risk management system also covers the *Market Abuse Regulation*, concerning corporate disclosure and *internal dealing*, with particular reference to the handling of inside the information.

Indeed, we recall that Veritas, as the issuer of two bonds [the €100 million bond (*bullet*) first issued in 2014 and, subsequently, in December 2020, and the €15 million Viveracqua Hydrobond (*amortising*), issued in 2014 with maturity in 2034] is subject to European and national financial regulations on market abuse.

In conclusion: the Board of Statutory Auditors, based on the activities performed and the information acquired by the *Internal audit*, considers that the internal control system, the risk management system and the organisational structure are proportionate to the size and complexity of the Company and to the nature and manner of pursuing the corporate purpose; it also points out that, regarding the 2021 financial year, no significant inadequacies in the internal control system have emerged.

Supervision of the administrative-accounting system and the financial and non-financial reporting process

As the Audit Committee, the Board of Statutory Auditors monitored the process and checked the effectiveness of the internal control and risk management systems concerning financial reporting.

Following what is suggested by the rule of conduct no. Q.3.6, the Board - to monitor the process of producing financial information, to ensure its integrity, correctness, reliability and completeness - met periodically with the Afpc manager and the *management* of function to exchange the information on the administrative-accounting system, as well as on the reliability of the latter for a correct representation of management events.

During these meetings - during which the Board examined the company documentation and reviewed the findings of the activities carried out by the auditing firm - no significant deficiencies in the operational and control processes were highlighted that could affect the opinion on the adequacy and effective application of the administrative and accounting procedures.

The Board of Statutory Auditors then took note of the control activities developed by the Afpc manager's office concerning the subsidiaries falling within the scope of consolidation, from which no significant critical profiles emerged.

In its periodic meetings, the auditing firm EY spa has not reported to the Board of Statutory Auditors any critical situations that could affect the internal control system inherent to the administrative and accounting procedures, nor has it ever highlighted any facts deemed reprehensible or irregularities.

The Company has prepared the *Non-financial Statement* (hereinafter *Dnf*) in compliance with the requirements of Legislative Decree 254/2016.

The *Dnf* was prepared as a stand-alone document on a consolidated basis, and this Board, in light of the provisions of Art. 3, para. 7°, of Legislative Decree No. 254/2016 and in compliance with the recommendations of the standard of conduct no. Q.3.2, we have verified - also in light

of the findings of the Auditing Company in its report under Article 3, paragraph 10, of Legislative Decree No. 254/2016, already anticipated to the Board and issued to the Company yesterday - its completeness and compliance with the provisions of the regulations and due to the drafting criteria illustrated in the Methodological Note of the *Dnf*, without finding elements that require mention in this report.

In the light of the above, there is, therefore, no evidence to suggest that the activity was not carried out following the principles of proper administration, nor that the organisational structure, the system of internal controls and the accounting-administrative apparatus are not, as a whole, adequate for the company's needs and size.

Supervisory activities under Legislative Decree 39/2010

The Board of Statutory Auditors, as the 'Internal Control and Audit Committee', carried out its supervisory activities on the operations of the Independent Auditors, as required by Article 19 of Legislative Decree 39/2010.

As already mentioned, the Board of Statutory Auditors - under Article 2409 *septies* CC and following the recommendations of Conduct Standard No. 5.3 - contacted the auditing firm EY spa several times during the year to exchange data and the information concerning the activities performed in the performance of their respective duties.

The auditing firm has never communicated any facts, circumstances, or irregularities that needed to be brought to the attention of the Board of Auditors or, therefore, to be highlighted in this report.

Yesterday, the independent auditors issued - under Article 14 of Legislative Decree No. 39/2010 and Article 10 of Regulation (EU) No. 537 of 16 April 2014 - their report on the audit, from which it emerges, as already anticipated to the Board of Auditors, that the financial statements for the year ended 31 December 2021 are prepared and give a true and fair view of the financial position, results of operations and cash flows of Veritas spa for the year then ended. In addition, in the auditors' opinion, the Management Report is consistent with the financial statements as at 31 December 2021.

The Auditor has submitted to us the *Additional Report* - provided for under Art. 11 of Regulation (EU) No. 537/2014, already anticipated to the Board and released yesterday to the Company - which this Board will bring to the attention of the Board of Directors.

The *Additional Report* does not reveal any significant deficiencies in the internal control system concerning the financial reporting process worthy of being brought to the attention of those responsible for governance.

In the *Additional Report*, the Audit Firm submitted to the Board of Statutory Auditors the Declaration of Independence, as required by Article 6 of Regulation (EU) No. 537/2014, from which no situation emerged that might compromise its independence or constitute grounds for incompatibility under the decree mentioned above.

In addition, the Board took note of the *Transparency Report* prepared by the auditing firm and published on its website under Article 18 of Legislative Decree 39/2010.

Finally, the Board examined, as mentioned above, the content of EY spa's report on the *Declaration of non-financial data* issued under Article 3(10) of Legislative Decree 254/2016.

The Company has established adequate procedures to control the system of fees paid to the auditing firm.

The Board of Statutory Auditors reports that during 2021, in addition to the auditing of the individual financial statements, the consolidated financial statements, the *Dnf*, and the financial

statements of the subsidiaries, the following engagements *audit related* were entrusted to EY spa, with the favourable opinion of this Board:

- certification of the values attesting to the requirement of the financial suitability of transporters required by art. 7 of the executive decree of 25/11/2011 of the Ministry of Infrastructure and Transport for € 1,500;
- audit of the Separate Annual Accounts of Veritas spa as at 31 December 2020, under Article 14.4 of the *Integrated Text* approved by Arera by resolution 137/2016 for € 22,000;
- revision of the statement of credit and debit balances with the member municipalities, as at 31 December 2021, for the purposes provided for in Article 11, paragraph 6, of Legislative Decree 118/2011 for € 12,000;
- audit of the statement of expenses incurred for research and development activities in the two years 2018-2019 and in the three years 2012-2014 (prepared for the purposes outlined in Article 3 of Decree-Law 145/2013 and the decree of 27 May 2015 issued by the Minister of Economy and Finance in agreement with the Minister of Economic Development) for € 15,000;
- examination of the *Dnf* under Legislative Decree 254/2016 for € 24,500;
- specialist support activities to the new obligations to prepare consolidated financial statements in XBRL format (as required by the Esec regulations *non-audit service*) for € 32,000;
- support activities for the *assessment* activities to the new EU *Taxonomy obligations* as provided for in Regulation (EU) 2020/852 for € 24,000.

The auditors also confirmed to the Board of Statutory Auditors that they did not issue any opinions during the year and in the absence of the prerequisites for their issue.

Relations with the Supervisory Board under Article 6(1)(b) of Legislative Decree No. 231/2001

Through the *Annual Report* issued on 23 March 2022, the Board of Statutory Auditors acquired the information from the Supervisory Board regarding the activities related to its role within the *Model Organisation 231*. These activities concerned the functioning of the Supervisory Board also in coordination with the other control and management bodies and functions, the planning and performance of supervisory activities, the management of reports and the conduct of investigations, the assessment of the adequacy and updating of the *Model of Organisation 231*.

In 2021, the Supervisory Board did not make any reports to the Board of Statutory Auditors of any relevant facts or news or deficiencies in the *Organisation Model 231*, as required by Article 6 of the Supervisory Board Regulations.

In the light of what the Board has disclosed in its *Annual Report* and the absence of any findings or deficiencies in the *Model of Organisation 231*, there is, therefore, no evidence to suggest that the *Model of Organisation 231* is not compatible with the organisational structure, size and complexity of the Company.

The activities of the Supervisory Board are documented in the *Annual Report*.

The Board of Statutory Auditors is unaware of any facts or complaints to be reported to the Assembly.

In the supervisory activity carried out and based on the information obtained, no complaints were filed under Article 2408 CC, nor were any omissions, reprehensible facts, limitations, exceptions, irregularities or significant facts found that would require mention in this report.

No opinions were issued during the financial year 2021.

Annual accounts

The Board reminds you that the draft financial statements for the financial year ending 31 December 2021 that the Board of Directors submits for your examination and approval have been prepared following IAS/IFRS.

Veritas, in fact, falls within the definition of an Eip (public interest entity) - whose financial statements must be drawn up with the application of international accounting standards, under Legislative Decree 38/2005 - having issued, as mentioned above, financial instruments consisting of bonds listed on regulated markets.

The draft budget, therefore, consists of:

- I. a statement of financial position, distinguished by current and non-current assets and liabilities based on their realisation or settlement within the company's normal operating cycle, respectively, within or beyond 12 months after the end of the financial year;
- II. a statement of comprehensive income, which sets out income and expenses using a classification based on the nature of the same (a method considered by the directors to be more representative of the business sector in which the company operates);
- III. a cash flow statement prepared following the indirect method;
- IV. a statement of changes in equity;
- V. Explanatory Notes containing the information required by applicable regulations and international accounting standards, appropriately presented regarding the financial statement formats used. The draft financial statements are accompanied by the management report, which illustrates the situation of the Company, the operating performance and its foreseeable development, and the salient events occurring during the financial year and after its closure.

This set of documents was made available to the Board of Statutory Auditors at the Board meeting on 26 May 2022.

Concerning the financial year 2021, the management shows a positive result, represented in the financial statements, which corresponds to the facts and the information of which we have become aware - as a result of the performance of our supervisory duties and our powers of inspection and control - and we have no observations in this regard.

Since the Board of Auditors is not entrusted with the legal audit and, therefore, has no power of analytical control over the content of the financial statements, we have supervised the general approach given to them and their compliance with the law as regards their formation and structure. In this regard, we have no particular observations to report.

To the best of our knowledge, we have also verified that the directors, in preparing the financial statements, have not departed from the provisions of the adopted accounting principles.

Following the recommendations of the Board of Statutory Auditors' Rules of Conduct No. 3.8 and No. Q.3.7, we have verified:

- the directors' compliance with the accounting principles adopted to prepare the financial statements;
- the conformity of the statement of financial position, the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in equity with the provisions of IAS/IFRS;
- the correct indication in the Notes to the Financial Statements of the valuation criteria and

their compliance with the law and the accounting principles adopted;

- conformity of the contents of the notes to the financial statements and the report on operations with the provisions of Articles 2427, 2427 *bis* and 2428 CC;
- the completeness and clarity of the notes to the financial statements and the management report, in compliance with the principles of truth, fairness and clarity required by law. In particular, we acknowledge that the directors' report contains adequate information on the internal control system and risk management and that the information provided by the directors regarding transactions with related parties is inherent to and connected with the corporate purpose, is to be considered complete.

Consolidated Financial Statement

Following the law, the Board of Directors has prepared the consolidated financial statements as at 31 December 2021 of the Veritas Group, which are financial statements subject to audit by the auditing firm EY spa. Accordingly, the scope of consolidation highlighted in the introductory paragraph of the Report on Operations is substantially the same as the previous year (the scope of consolidation has changed compared to 2020 due only to the exit of Sifagest scarl in liquidation).

Concerning the consolidated financial statements, as provided in Rules of Conduct No. 3.9 and No. Q.3.8, the task of the Board of Statutory Auditors is solely to supervise compliance with the procedural rules concerning the formation and layout of the same and the Report on Operations: the Board of Statutory Auditors has no obligation to report or any formal expression of opinion.

The Board of Auditors verified the composition of the Group and the shareholding relationships as defined by Article 2359 CC and Article 26 of Legislative Decree 127/1991 and, within the organisational structure of the parent company, the existence of an efficient and operational function responsible for relations with subsidiaries and affiliated companies.

Yesterday, the auditing firm issued - under Article 14 of Legislative Decree 39/2010 - the audit report from which it emerges, as the Board of Auditors has already been informed, that the consolidated financial statements for the year ended 31 December 2021 are drawn up and give a true and fair view of the financial position, results of operations and cash flows of the Veritas Group for the year then ended. In addition, in the auditors' opinion, the Management Report is consistent with the consolidated financial statements as at 31 December 2021.

Conclusions

In conclusion, the Board of Statutory Auditors - taking into account the specific duties of the independent auditors in terms of auditing the accounts and verifying the reliability of the financial statements, which have issued their opinion without reservations - has no comments to make to the Shareholders' Meeting regarding the approval of the financial statements for the year ending 31 December 2021, accompanied by the Management Report, as presented by the Board of Directors, and, therefore, has no objections to the approval of the financial statements and the proposed allocation of the profit for the year.

Concerning the Group's consolidated financial statements as at 31 December 2021, the Board of Statutory Auditors has examined their contents and has no observations.

In light of the deep economic and financial crisis resulting from the covid-19 emergency, which has now been going on for more than two years, the Board of Statutory Auditors acknowledges that the Board of Directors has constantly assessed and monitored the inevitable impacts that this may continue to have on Veritas as well. The Report on Operations provides ample illustration of this. Based on the evidence available at the time the draft financial statements were prepared, the directors conducted an accurate analysis of the current and potential future impacts that the epidemiological emergency could continue to have on the company's results of operations and financial position and ascertained that the going concern assumption was met.

In addition to the crisis caused by the pandemic, as of February 2022, the war in Ukraine has caused further impacts on Veritas, with repercussions on operating costs and primarily on energy costs: the Board of Statutory Auditors acknowledges that the Board of Directors has also acted promptly in this regard and has implemented measures to update the forecasts of economic trends and to mitigate the upward trend in costs.

The Board of Statutory Auditors then verified the financial statement disclosures relating to business continuity, concerning which no situations of uncertainty were highlighted.

Lastly, the Board acknowledges that the company - which operates in essential services and, therefore, has never stopped its activities - has always put in place continuous monitoring and timely and incisive prevention measures to favour the contrast and containment of the spread of the virus: monitoring and activation of covid-19 measures that persist.

Finally, we would like to remind you that with the approval of the budget for the financial year 2021, they expire:

- our three-year term of office and
- the auditor's nine-year term of office.

The Shareholders' Meeting will have to appoint the Board of Statutory Auditors and the Auditing Company.

Venice, 10 June 2022

the Board of Statutory Auditors

Giovanna Ciriotto

Roberto Giordani

Maurizio Interdonato

2.7.2 Auditor's report



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Independent Auditors' Report

under Art. 14 of Legislative Decree no. 39 of 27 January 2010, and
Art. 10 of Regulation (EU) No 537/ 2014

To the Shareholders of
Veritas SpA.

Report on the audit of the consolidated financial statements

Judgement

We have audited the consolidated financial statements of the Veritas Group (The Group), which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended and the notes to the financial statements, which also include a summary of significant accounting policies applied.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2021 and of its results of operations and its cash flows for the year then ended under International Financial Reporting Standards as adopted by the European Union, as well as with the measures enacted to implement Article 9 of Legislative Decree no. 38 of 28 February 2005.

Elements underlying judgement

We conducted our audit following International Standards on Auditing (ISA Italy). Our responsibilities under these standards are further described in the section on *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements of this report*. We are independent of Veritas S.p.A., following the ethical and independent rules and principles applicable to audit financial statements in the Italian legal system. We believe we have acquired sufficient and appropriate evidence to base our opinion.

Key aspects of auditing

The key audit aspects are those which, in our professional opinion, were most significant in auditing the consolidated financial statements for the year under review. We addressed these issues as part of our audit and in forming our opinion on the consolidated financial statements as a whole; therefore, we do not express a separate opinion on them.

We have identified the following key audit issues:

EY S.p.A.
Registered office: via Meravigli, 12 - 20123 Milan
Secondary office: via Lombardia, 21-00187 Rome
Share Capital Euro 2,525,000.00 fully paid-up
registered in the SO of the Companies Register at the Chamber of Commerce of Milan-Brianza Ltd.
Tax code and registration number 00434000584 - Milan R.E.A. number 806158 - VAT no. 00891231003 Entered in the Register of Auditors under no. 70945 Published in the Official Gazette Suppl.
13 - IV Special Series of 17/2/1998 Entered in the Special Register of Auditing Companies
COMISOB at serial no. 2 resolution no. 10931 of 16/7/1997

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Key aspects

Valuation of goodwill

Goodwill as of 31 December 2021 amounted to Euro 21 million and is allocated to the following Cash Generating Units (CGUs) of the Veritas Group: Waste treatment plant management, Sii area Mogliano Ambiente and Asvo.

The processes and methods for assessing and determining the recoverable amount of each CGU, in terms of value in use, are based on complex assumptions that by their very nature imply the use of directors' judgement, especially regarding the forecast of future cash flows, relative to the period forecast in the business plans, the determination of normalised cash flows underlying the estimate of terminal value and the determination of long-term growth rates and discount rates applied to the forecast of future cash flows.

Given the judgement required and the complexity of the assumptions used in estimating the recoverable amount of goodwill, we considered this issue a key aspect of the audit.

The financial statement disclosures relating to the impairment test can be found in the "Estimates and Assumptions" section "2.2 Discretionary Evaluations and Significant Accounting Estimates" and in Note "7. Goodwill and impairment testing".
Our audit procedures in response to the key aspect covered, among other things:

Revision Responses

- an analysis of the procedure and key controls put in place by the Company regarding the valuation of goodwill;
- verifying the appropriateness of the scope of the CGUs and the allocation of the book values of assets and liabilities to individual CGUs;
- the analysis of the findings of the expert who assisted management in preparing the impairment test, as well as the assessment of his competence, ability and objectivity;
- the analysis of the reasonableness of the assumptions of future cash flows, including by comparing historical forecasts with subsequently actual data;
- verification of the determination of long-term growth rates and utilisation rates.

In our audits, we also enlisted the help of our valuation experts, who performed an independent recalculation, analysed the reasonableness of the valuation methodology adopted and performed sensitivity analyses on key assumptions to determine changes in the assumptions that could significantly impact the valuation of the recoverable amount.

Finally, we verified the adequacy of the information provided in the financial statements' notes concerning the goodwill valuation.

Tariff revenues for the integrated water service and environmental hygiene service

Revenues from the integrated water service and the environmental hygiene service are determined according to the national tariff regulation defined by the Authority of Our review procedures in response to the key issue covered, among others:



Key aspects	Revision Responses
<p>Regulation for Energy Networks and Environment through the tariff mechanism called Mti-3 for the integrated water service and waste tariff method ('Mtr') for the environmental hygiene service. The mechanism for recognising the revenues accruing from the integrated water service (the so-called guaranteed revenue constraint - VRG) ensures that the operator settles the differences between the VRG and what is billed to the users in subsequent years based on the volumes supplied.</p> <p>The tariff revenues and fees for the environmental hygiene service are determined by reference to the financial plans of each municipality calculated according to the Mtr.</p> <p>Given the judgement required and the complexity of the assumptions used to estimate the revenues for water and environmental hygiene services, we considered this issue a key aspect of the review.</p> <p>The financial statement information on accrued revenue is provided in the section "Revenue from tariffs" included in Note "2.4 Accounting Policies -" and in Note "33. Revenues from sales and</p>	<p>services".</p> <ul style="list-style-type: none"> • an analysis of the procedure and key controls put in place by the Company concerning the estimation of accrued revenues, including those related to IT controls; • conducting compliance surveys on key controls; • critical analysis of the assumptions used by management; • the verification, for a sample of users, of the application of the correct reference tariffs; • the verification of the determination of the VRG according to the reference tariff regulation for the water service; • the verification of revenue recognition for the environmental hygiene service in compliance with the approved financial plans and the Mtr. <p>Finally, we verified the adequacy of the information provided in the notes to the financial statements with the estimated revenues accrued from the integrated water service and the environmental hygiene service.</p>

Responsibility of the directors and the board of auditors for the annual accounts

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view following International Financial Reporting Standards as adopted by the European Union, as well as the provisions issued in implementation of Article 9 of Legislative Decree no. 38 of 28 February 2005, and, within the terms of the law, for that part of the internal control, they deem necessary to enable the preparation of financial statements that do not contain material misstatements due to fraud or unintentional conduct or events.

The directors are responsible for assessing the Group Company's ability to continue to operate as a going concern and, in preparing the consolidated financial statements, for the appropriateness of the use of the going concern assumption, as well as for adequate disclosure. The directors use the going concern assumption in preparing the consolidated financial statements unless they have assessed that conditions exist for the liquidation of the parent company Veritas S.p.A. or for discontinuing operations, or they have no realistic alternative to these choices.



The Board of Statutory Auditors is responsible for supervising, within the terms of the law, the process of preparing the Group Financial Report.

Auditor's responsibility for auditing the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, taken as a whole, are free from material misstatement due to fraud or unintentional conduct or events and to issue an audit report that includes our opinion. Reasonable assurance is a high level that does not assure that an audit performed under International Standards on Auditing (ISA Italia) will always detect a material misstatement, if any. Errors may arise from fraud or unintentional conduct or events and are considered material if they could reasonably be expected, individually or in the aggregate, to influence the economic decisions of users based on the consolidated financial statements.

In performing our audit under International Standards on Auditing (ISA Italia), we exercised professional judgment and maintained professional scepticism throughout the audit. Furthermore:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or unintentional conduct or events; we have defined and performed audit procedures in response to those risks, and we have obtained sufficient appropriate audit evidence on which to base our opinion. The risk of not detecting a significant error due to fraud is higher than the risk of not detecting a significant error resulting from unintentional conduct or events since fraud may involve collusion, falsification, intentional omissions, misleading representations or forcing internal control;
- we have obtained an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances and not to express an opinion on the effectiveness of the Group's internal control;
- we have assessed the appropriateness of the accounting principles used as well as the reasonableness of the accounting estimates made by the directors and the related disclosures;
- we have concluded the appropriateness of the directors' use of the going concern assumption and, based on the evidence obtained, whether there is any material uncertainty about events or circumstances that may cast significant doubt on the Group's ability to continue to operate as a working entity. If there is a material uncertainty, we are required to draw attention in the audit report to the relevant disclosure in the financial statements or, if the disclosure is inadequate, to reflect this in the formulation of our opinion. Our conclusions are based on the evidence acquired up to the date of this report. However, subsequent events or circumstances may result in the Group ceasing to operate as a going concern;
- we have assessed the presentation, structure and content of the consolidated financial statements as a whole, including disclosures, and whether the consolidated financial statements present underlying transactions and events in a manner that provides a fair presentation;
- we have obtained sufficient and appropriate evidence about the financial information of the undertakings or the different economic activities performed within the Group to express an opinion on the consolidated financial statements. We are responsible for management, supervision and the performance of the Group Audit Engagement. We are solely responsible for the audit opinion on the consolidated financial statements.



We disclosed to those charged with governance, identified at an appropriate level as required by International Standards on Auditing (ISA Italia), among other matters, the planned scope and timing of the audit and the significant findings, including any significant deficiencies in internal control identified during the audit.

We have also provided those responsible for governance activities with a statement that we have complied with the ethics and independence rules and principles applicable in the Italian legal system, and we have disclosed to them any situation that may reasonably affect our independence and, where applicable, the relevant safeguards.

Of the issues communicated to those responsible for governance, we identified those that were most relevant to the audit of the financial statements for the year under review and thus constituted the key aspects of the audit. Accordingly, we have described these issues in the audit report.

Other information disclosed under Article 10 of Regulation (EU) No 537/2014

On 27 June 2013, the Shareholders' Meeting of Veritas S.p.A. appointed us to audit the Company's financial statements for the financial years ending 31 December 2013 to 31 December 2021.

We declare that no non-audit services are prohibited under Art. 5, para. 1, of Regulation (EU) No 537/2014 and that we remained independent of the Company in the performance of the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is in line with that indicated in the additional report to the Board of Statutory Auditors, in its capacity as the Internal Control and Audit Committee, prepared under Article 11 of the Regulation mentioned above.

Report on other legal and regulatory provisions

Judgement on compliance with the provisions of Delegated Regulation (EU) 2019/815

The directors of Veritas S.p.A are responsible for the application of the provisions of Delegated Regulation (EU) 2019/815 of the European Commission concerning technical and regulatory standards relating to the specification of the European Single Electronic Format (ESEF) (hereinafter "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures specified in Auditing Standard (SA Italy) no. 7008 to express an opinion on whether the consolidated financial statements comply with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and marked in all significant aspects following the provisions of the Delegated Regulations.



Judgement under Article 14(2)(e) of Legislative Decree no. 39 of 27 January 2010

The directors of Veritas S.p.A. are responsible for preparing the management report of Veritas S.p.A. as of 31 December 2021, including its consistency with the related consolidated financial statements and their compliance with the law.

We have performed the procedures specified in Auditing Standard (SA Italy) no. 720B to express an opinion on the consistency of the management report with the Veritas Group consolidated financial statements as of 31 December 2021 and on compliance with legal requirements, as well as to state any significant errors.

In our opinion, the management report referred to above is consistent with the II consolidated financial statements of the Veritas Group as at 31 December 2021. Accordingly, it has been prepared following the law.

Regarding the statement referred to in Article 14, c. 2, (e), of Legislative Decree no. 39 of 27 January 2010, issued based on the knowledge and understanding of the Company and its context acquired in the course of the audit activity, we have nothing to report.

Declaration under Article 4 of the Consob Regulation implementing Legislative Decree no. 254 of 30 December 2016

The directors of Veritas S.p.A. are responsible for preparing the non-financial statement under Legislative Decree no. 254 of 30 December 2016. Accordingly, we verified that the directors approved the non-financial statement.

Under Section 3(10) of Legislative Decree no. 254 of 30 December 2016, this declaration is the subject of a separate declaration of conformity by us.

Treviso, 9 June 2022

EY S.p.A. [SIGNATURE]
Maurizio Rubinato
(Statutory Auditor)



3

Resolutions



3.1 Resolutions of the shareholders' meeting

The quorate ordinary Shareholders' Meeting which met on 27 June 2022 in Mestre, via Porto di Cavergnago 99, also in audio video conference, resolved to:

- approve the separate financial statements of Veritas spa as at 31 December 2021, which closed with a profit for the year of EUR 9,435,196, consisting of the Statement of financial position, the Statement of comprehensive income, the Statement of changes in shareholders' equity, the Cash flow statement and the Notes to the financial statements, as well as the Report on Operations, pursuant to board of directors resolution of 26 May 2022;
- allocate the profit for the year to the legal reserve to the extent of 5% (EUR 471,760), to the non-distributable reserve on the basis of the New Investments Fund (FONI) constraint (EUR 8,963,436);
- allocate a part of the other available reserves to the non-distributable reserve on the basis of FONI constraint for EUR 8,534,530;
- to release the non-distributable reserve recognised previously subject to the FONI constraint (EUR 13,157,198), as the investments in water services planned for 2020 were made;
- allocate a part of the other available reserves to the untaxed reserve for EUR 7,455,344, pursuant to Art. 110, paragraph 7 of Decree-Law 104/2020;
- acknowledge the report of the Board of Statutory Auditors on the separate financial statements of Veritas spa as at 31 December 2021, pursuant to Art. 2429, paragraph 2 of the Italian Civil Code;
- acknowledge the report of the independent auditing firm on the separate financial statements of Veritas spa as at 31 December 2021, drafted pursuant to Art. 14 of Italian Legislative Decree 39/2010 and Art. 10 of Regulation (EU) no. 537/2014.

It also acknowledged:

- the consolidated financial statements of Veritas spa as at 31 December 2021, consisting of the Statement of financial position, the Statement of comprehensive income, the Statement of changes in shareholders' equity, the Cash flow statement and the Notes to the financial statements, as well as the Report on Operations, pursuant to board of directors resolution of 26 May 2022;
- the report of the independent auditing firm on the consolidated financial statements of Veritas spa as at 31 December 2021, drafted pursuant to Art. 14 of Italian Legislative Decree 39/2010 and Art. 10 of Regulation (EU) no. 537/2014.