

CANDIDATURA SDGs LEADERS AWARDS

A2A Life Company

VISION

A2A is dedicated to improving life for our planet and its people.

We are among the largest national energy producers, with a production mix oriented to renewable sources. As a utility company, we are essential in enabling a net-zero future for all sectors. Our 10-year plan involves over 16 billion euros in investments, aligning with 90% of the UN's 2030 Agenda and 70% with the EU taxonomy. A2A participates in Italian NRRP, securing funding for projects related to the strengthening of smart grids and the resilience of electrical networks to promote the electrification of consumption.

We are committed to 11 UN 2030 Agenda goals, and we prioritize sustainable value, people's well-being, and responsible governance.

This commitment is embedded in A2A supplier selection policies. We promote social and environmental responsibility across the supply chain to enhance ESG performance.

Our Sustainable Procurement Policy formalizes this vision.

Our vision is to empower our suppliers so that they can achieve their sustainability goals enabling us to reach NET ZERO by 2040.

STRATEGY AND GOALS

In collaboration with Group's CSR dept. we launched in 2021 our Sustainable Procurement strategy and program, short-, medium-, and long-term goals.

To support this initiative, we've established a dedicated Sustainable Procurement office, and it has the backing of top executives, including direct involvement from the CEO and the CPO, ensuring efficient project delivery.

Our strategy involves setting ambitious targets that are revised every year. We began with the involvement of strategic suppliers (high spend), mapping the long tail with EV'IQ and Carbon heatmap.

Our roadmap comprises green finance as a main driver. In 2022 A2A has signed a 3-year, 410 million Euro Sustainability-Linked Revolving Credit Facility, linked to the achievement of three targets in the areas of Social and Governance. Our EcoVadis coverage KPI is one of these strategic targets the credit cost is linked to. We also issued an ESG-linked liability insurance where A2A obtains a discounted premium linked to our coverage KPI.

In 2024 a new project related to reverse factoring and dynamic discount will be launched, using ESG performance (EV score) to determine supplier participation and financial conditions.

Stakeholder engagement is the cornerstone of our roadmap, as it is a crucial factor in achieving our sustainability goals. We recognize the significant role of SMEs in our supply chain and their positive impact on local communities. To foster this engagement, we are committed to implementing stakeholder engagement activities that support SMEs in their journey towards sustainability.

We have reached, in less than 2 years:

- 1000 EcoVadis-rated suppliers
- 73% order coverage in less than two years
- 60 score average

Our strategy targets:

- 90% order coverage by 2030
- 80% of suppliers with a score of 37 or higher by 2025 and 90% by 2030.

Our goal is carbon neutrality by 2040, supporting sustainable growth in the country. With approved Science-Based Targets, we plan to progressively reduce scope 3 emissions.

We calculated our scope 3 emission baseline for years 2021 and 2022. In 2023 we studied the methods and tools for calculating scope 3 emission (GHG protocol) and scanned the market to find the best solution fitting our needs.

We developed a roadmap that consists of:

- Calculating emission baseline using the spend-based method through a SaaS platform that is used to identify emission hotspots. We chose the platform after a 6-months market scouting. The platform is integrated with our ERP and EcoVadis.
- Using EcoVadis carbon module to calculate supplier-specific emissions for the identified hotspots.

Focusing on the most emitting product category/suppliers we will be able to reach our targets, namely:

- 5% cut by 2025
- 10% by 2028
- 20% by 2031
- 30% by 2035

This endeavour is supported by the integration of EcoVadis into our IT infrastructure through the SAP ERP system from January 1, 2024.

Our targets involve spending 30% of our budget with suppliers that have a good level of diversity and inclusion by 2025. In the following years, we plan to reach:

- 38% by 2028

- 45% by 2031
- 70% by 2035

These targets are aligned with our commitment to creating a more inclusive and equitable supply chain.

SUSTAINABILITY INTEGRATION IN PROCUREMENT PROCESSES

Program Governance

We committed to reach full visibility and engagement within both the procurement department and the whole company. Internally, the sustainable procurement team organised a monthly sustainable supply chain project review, where our CPO (program executive sponsor), his direct reports and all the procurement line managers gather to discuss our progress. The team takes care of designing the agenda and highlighting the evolution of the EcoVadis coverage KPI with future projections. The project has full cross-functional visibility: every quarter the CPO presents quarterly updates to the C-level directors and A2A CEO and semestral updates to the Sustainable Finance Team. Furthermore, sustainable procurement program alignment with A2A industrial plan is guaranteed by a continuous update circle with our Corporate Sustainability team.

In terms of investment, A2A sustainable procurement team can leverage on a total of 400k € per year divided between People related budget, investment on the EcoVadis' Dashboard and Carbon Action Module and the investment on Scope 3 consulting and baseline and hybrid calculation (spend based + supplier specific).

Program Integration

We began in 2021 with the publication of the *Responsible Procurement* policy. The Board of Directors approved it, and it is published on A2A institutional website. It declares the Group's commitment to support all the values and principles stated by International Institutions and Conventions on sustainability practices along the supply chain. It defines sustainability as a fundamental criterion for supplier selection and evaluation, specifying that it will constantly be monitored and updated over time. Finally, the policy clearly states A2A commitment to reduce its environmental footprint and scope 3 emissions by 2035 and to become Net Zero by 2040. This policy integrates A2A Integrity Agreement, a pact that all our suppliers must sign which points to our Code of Conduct (available on A2A corporate website).

We created a sustainability-themed clause that we included in all A2A RFPs and contracts. It asks our suppliers to participate to A2A's sustainable supply chain program by obtaining an EcoVadis scorecard within six months from the issuance of the contract.

Starting from 2023, all category strategies include a dedicated sustainability section, with a focus on EcoVadis scores, which are also used in defining the bid list for all major tenders (over €200k).

We increased up to 30% the weight of our ESG criterion, represented by the EcoVadis score, into the vendor rating algorithm, which is part of our strategic 2035 plan. This significantly influences the vendor list creation for tenders; thus, it has the potential to drive the change in the whole supply chain, stimulating supplier evaluation.

While today we manage all reports/data on several systems (SAP, custom supplier portal, custom Qlickview report), the new vendor rating, together with its EcoVadis scorecard and all the information regarding our suppliers will be immediately visible in a single interface on our new SAP-Ariba system since we are aggregating on it all our procurement processes (execution phase, go-live 2024, 1st Jan). This is important to help buyers and category managers during the definition of category strategy and bid-list by integrating the ESG dimension.

MBOs include sustainable procurement KPIs which now account for 20%, by 2035 executives must ensure:

1. 90% of order value covered by EcoVadis
2. a weighted score of 70
3. 30% of vendor rating score represented by ESG score (EcoVadis)
4. a 30% reduction in scope 3 GHG emissions
5. and 70% of order value assigned to suppliers with implemented D&I policies (tracked on EV).

We set a Thank-you Letter for all our evaluated suppliers to declare A2A post-assessment rules in which we clearly state that suppliers with a score lower than 37 must reevaluate in a year. The 37-pts threshold is important to determine suppliers who must carry out a mandatory Corrective Action Plan (CAP) before the revaluation. These suppliers are monitored through a ESG watchlist and their sustainability performance is discussed every time they are invited to a tender. Both the CAP and the post-evaluation rules communications are automatized via EcoVadis platform.

Finally, 2022 A2A has signed a 3-year, 410 million Euro Sustainability-Linked Revolving Credit Facility, linked to the achievement of three targets in the areas of Social and Governance:

- The first goal is related to the health and safety topics, specifically to the reduction of the accident frequency index
- the second one refers to Sustainable Procurement policies, particularly to the increase (%) of the order to suppliers evaluated with ESG score (EcoVadis)
- the third goal concerns the gender equality and is based on the reduction of salary gap between men and women (Gender Pay Gap).

In addition, a new project related to reverse factoring and dynamic discount will be launched in 2024, using their ESG performance (EcoVadis score) to determine supplier participation and financial conditions.

ENGAGEMENT

Internal Stakeholder Engagement

The collaborative governance structure involving the Sustainable Procurement team, the Vendor Management team, and all the buyers has resulted in an impressive 73% of orders being covered by suppliers assessed with EcoVadis scores in less than two years.

Buyer engagement has been crucial because buyers serve as the primary point of contact with our suppliers. This is why we involved all buyers in mandatory training on sustainability themes and on sustainable procurement objectives. The training course included a presentation of A2A maturity matrix and an overview of the EcoVadis platform.

The CPO and its staff review project objectives and progress monthly.

All procurement managers have 20% of their Management by Objectives (MBO) tied to achieving ESG objectives, reinforcing the cross-functional commitment to sustainable procurement goals.

The whole procurement department shares sustainability targets related to supplier engagement. Sustainability plays a pivotal role in the category strategy: it is included as a main driver in the bid list creation and tender award.

The project's results extend beyond the borders of the procurement function. The CEO and their top executives engage quarterly to review project advancements.

We developed strong ties with our CSR department with whom we collaborate to define targets and the roadmap. The cooperation has been particularly tight for the development of our net zero journey. We worked together on the development of our strategy and in defining the requirements for our platform for scope 3 calculation.

Trading Partner Engagement

Since 2021, A2A has engaged in a listening program with stakeholders in order to strengthen community ties and develop sustainable projects through multistakeholder forums.

Procurement actively participated in the program leading the Sustainable Supply Chain initiative.

The Sustainable Supply Chain project followed an extensive analysis of Ecovadis scores and ESG data of A2A suppliers. The analysis highlighted a disparity in ESG performance between large and small businesses, with SMEs consistently receiving lower scores.

This project was designed to assist local SMEs in addressing the critical areas identified in their ESG assessments.

The project followed a collaborative approach: 30 stakeholders from universities, research centers, industry associations, social cooperatives, and strategic suppliers, including EcoVadis, were part of the working group.

We developed and distributed a survey to SMEs to better understand the challenges they faced in completing the questionnaire. We received a good response rate, with more than 100 responses. The survey showed us that SMEs need additional training, especially in creating formal ESG documentation.

We organized a series of workshops, webinars, and meetings to engage participating stakeholders and share valuable information, in particular:

- 2 in-person workshops in Milan, bringing together 30 stakeholders around the table. These workshops provided a forum for discussions and the mapping of common challenges, knowledge sharing, and best practices in sustainability.
- 2 online webinars where we developed the execution plan.
- a specific workshop in collaboration with ANCE (Italian "National Association of Building Contractors") focused on the complexities of small construction businesses, addressing their specific needs and challenges.

The primary output of the project was the creation of a handbook called "Vademecum" containing various training and educational documents to support SMEs in integrating sustainability into their activities. The handbook includes 3 step-by-step guidelines covering the drafting of:

- The Ethical Code for SMEs;
- Environmental policies tailored for different business types (e.g., professional services, raw material manufacturing, construction work, etc.);
- Labor and human rights policies adapted to different company sizes (small, medium, and large enterprises).

The handbook is accessible to all companies seeking to enhance their ESG performance. It is available on the official A2A corporate website.

Continued Improvement

Communication represented a significant effort in our program.

Communication with our suppliers has been extensive. We engaged more than 1600 suppliers through 3 distinct communication campaigns, outlining our sustainable procurement project and asking them to participate.

- 1) Late 2021, we engaged our first 100 suppliers in the initiative covering 50% of the spend
- 2) In 2022 we had a significant engagement campaign involving more than 200 suppliers
- 3) In 2023 our last campaign involved 650+ suppliers. EcoVadis organized a specific on-boarding webinar for our suppliers.

On our supplier portal, a prominently placed homepage communication provides program details and A2A Group's expectations related to our suppliers ESG

performance. Another crucial communication campaign involved the increased weight of sustainability within our vendor rating, also communicated through the supplier portal.

Additionally, on the A2A Group's official website, both our responsible procurement policy and ethical code are available, which all our suppliers are required to accept to collaborate with A2A. Another avenue of communication is embedded in our contracts, featuring an ESG clause requiring suppliers to obtain an ESG rating within six months of contract signing.

Lastly, with EcoVadis' support, we have developed a series of automated post-assessment communications. All participating suppliers receive a "thank-you letter" outlining A2A's rules for score management and continuous improvement plans. For those suppliers falling below the sufficiency threshold, an automatic corrective action plan is established, prompting them to improve their score, along with a link to our handbook for additional support.

We are a company deeply rooted in the local community, and we consider it of paramount importance to engage and support small and medium-sized enterprises (SMEs) in their ecological transition.

As a supply chain leader, we perceive our role as an enabler and facilitator for the engagement of local small businesses and social cooperatives, which constitute the vast majority of our trading partners. Our commitment has also led to the creation of a collaborative working group with EcoVadis, resulting in an adjustment to EcoVadis' analysis methodology.

PROJECT IMPACT

Sustainable procurement project results

In implementing its partnership with EcoVadis, A2A started monitoring the EV coverage of its procurement total 3y-rolling orders' value (actual coverage 73% VS 65% 2023 TGT, in line with 2024-2035 annual milestones). The analysis is performed by the sustainable procurement team monthly, and the results are shown to the C-Level on a quarterly basis. Then, the EV coverage is drilled down at the Business Unit (BU) level: the sustainable procurement team started a recovery plan for BUs not reaching group's average coverage. Furthermore, we are now monitoring also EV weighted average score (actual avg 60, in line with 2035 70 target). First, these insights give to the sustainable procurement team the possibility to coordinate actions with internal customers to redirect the purchasing towards already EV evaluated suppliers aiming at increasing the BU coverage. Second, they provide useful information to act externally with the single supplier to continuously improve the BU's EV weighted average by increasing the Scorecard overall score. Using evidence provided by Corrective Actions dashboard on EV platform, these combined actions led to an +4.1 on average overall score improvement compared to last evaluation (391 revaluations, 66% improved).

Furthermore, we required all our 100 buyers to attend the already mentioned cross-functional capacity building training. Finally, the impact on A2A external communication is huge since on April 13th, 2022: we set a specific page¹ (link in PDF) on the Media section of our corporate website showing the relevance of EcoVadis partnership program and we organized a dedicated press release² (link in PDF) on different channels. Trainings and external communication on the importance of the initiative contributed to reach almost 1000 published scorecard since mid-2021.

Finally, in terms of GHG emissions, A2A has calculated its Scope 1, 2 and 3 emissions and defined a plan for reduction (SBTI approved for scope 1 and 2, 2024 target for Scope 3 approval). For Scope 3 emissions we calculated the baseline and identified emission hotspot via Carbon Action Module. As another result, we can mention the EcoVadis scorecards and medals of our group's 4 main companies: A2A AMBIENTE SPA (79, Platinum), A2A CALORE & SERVIZI SRL (76, Gold), A2A RECYCLING SRL (73, Gold) and A2A ENERGIA SPA (70, gold).

External Reporting

Being a listed company (Milano Stock Exchange), A2A must follow a strict regulation in terms of external reporting. In fact, the company is required to publish an annual integrate reporting based on GRI framework and in line with EU Taxonomy. Currently supported by Deloitte, our sustainability team is working on a framework revision aimed at aligning it to the new EU CSRD (target: Annual Statement 2024) by analysing the actual gap GRI vs ESRS and defining the new A2A double materiality matrix. Finally, we go beyond the required external reporting by publishing 10 Regional Sustainability Statements for our respective most important territories in Italy: these documents (based on Profit, Planet and People framework) are intended to present the impact and positive spillover generated by our investments in those territories.

The progresses and results of Sustainable Procurement program (EcoVadis KPIs and Scope 3 emission reduction kpi) are embedded in all these documents along with other company-level data such as the SBTi approved Scope 1 and 2 emission reduction plans. A2A is CDP respondent, UNGC participant and, as previously mentioned, more than 90% of our 2024- 2035 Industrial Plan is aligned to SDGs. Finally, looking at the increasing interest on Green Finance, in 2022 A2A has signed a 3-year, 410 million Euro

¹ <https://www.gruppoa2a.it/it/media/comunicati-stampa/a2a-con-EcoVadis-una-supply-chain-sostenibile>

² Press release:

- <https://www.laprovinciacr.it/news/cronaca/383328/sostenibilita-dei-fornitori-collaborazione-tra-a2a-ed-EcoVadis.html>
- https://www.borsaitaliana.it/borsa/notizie/teleborsa/economia/a2a-con-EcoVadis-per-una-supply-chain-sostenibile-129_2022-04-13_TLB.html?lang=it
- <https://www.affaritaliani.it/milano/a2a/a2a-con-EcoVadis-per-una-supply-chain-sostenibile-790905.html>
- https://www.askanews.it/economia/2022/04/13/a2a-con-EcoVadis-per-promuovere-sostenibilit%C3%A0-fornitori-pn_20220413_00075/
- [https://www.ansa.it/ansa2030/notizie/finanza_impresa/2022/04/13/a2a-con-EcoVadis-p\[...\]stenibilita-fornitori_4af6de74-b7f2-4ed5-80f5-c0efd25457a2.html](https://www.ansa.it/ansa2030/notizie/finanza_impresa/2022/04/13/a2a-con-EcoVadis-p[...]stenibilita-fornitori_4af6de74-b7f2-4ed5-80f5-c0efd25457a2.html)

Sustainability-Linked Revolving Credit Facility, linked to the achievement of three targets in the areas of Social and Governance. Our EcoVadis coverage KPI is one of these strategic targets linked to the margin of the new credit facility.

In terms of sustainability return on investment, we received a mention as 2022 best Sustainability statement for the best decarbonisation program held by Corriere della Sera. A2A is also included in most relevant ESG Indexes, here a review of 2022 results:

1. CDP Climate Change A-/A, CDP Water A-/A
2. S&P CSA 77/100
3. Bloomberg GEI 81,69/100
4. ISS ESG B-/A+.

Furthermore, in 2022 Standard Ethics has increased A2A rating to EE + with Positive Outlook (making A2A the Italian company with the highest score on its sector) and S&P included us in its Sustainability Yearbook. This review clearly defines the sustainability as A2A's strategic factor recognized by the market.

Impact Beyond Procurement

The CEO cites the Sustainable Procurement program's results both in every external presentation and internal executive meeting. Thanks to this the attention is constantly directed to the EcoVadis theme.

Furthermore, our Stakeholder Engagement program has been awarded with the bronze medal by a committee of procurement executives during the Italian forum "The procurement" 2022.

Sustainable procurement plays a pivotal role in achieving sustainability targets, especially in reducing scope 3 emissions, by promoting responsible sourcing practices and ensuring that the entire supply chain aligns with environmental, social, and governance principles.

As an increasing number of suppliers transition to electric solutions, our sales team gains advantages in promoting and selling clean energy products. We currently are leading a project that involves the selling of green energy to our suppliers, helping them in reducing their GHG emissions. Thus, we are able to cut our scope 3.

Our sustainable finance team is fully engaged as the CFO uses our results to improve its green finance strategy as well.

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