

A hand is reaching out to touch a glass partition in a modern office space. The background shows a large window with a view of a city and a green field. A green circular overlay is positioned in the center of the image, containing the text "CORPORATE IDENTITY".

# CORPORATE IDENTITY



# GROUP PROFILE

## ACEA'S HISTORY

Since its establishment in 1909 as the Azienda Elettrica Municipale (AEM) of the Municipality of Rome, Acea has been responsible for the maintenance and development of the capital's essential infrastructure, providing modern and efficient electricity and water services as a basic guarantee of the city's productive growth, social development and environmental balance.

Since its listing on the stock exchange in 1999, the definition of industrially advanced public service business models – also thanks to the collaboration of private partners – has characterised Acea's development phases and the consolidation of new industrial activities. The most recent years in Acea's history are distinguished as much by the development of **technological innovation and the digitalisation of processes and services**, with the aim of increasing operating efficiency and improving the quality

of the services as the renewed vocation for developing **modern network infrastructures** that are **resilient and integrated**, as well as able to forecast a widespread and sustainable development.

## BUSINESSES AND FUNCTIONS OF THE MAIN GROUP COMPANIES

Acea is **one of the main Italian multi-utilities** operating in the public **energy, water** and **environmental** services (waste valorisation, composting and value-added services).

The company is the reference operator in the Rome area for energy sectors (production, distribution, including public lighting and sale) and water (integrated cycle) and in this last context it is present in several regions of Central Italy as an industrial partner for local companies managing vast areas.

**TABLE 6 - ACEA GROUP IN FIGURES 2018**

<b>PERSONNEL</b> (number, by % consolidation)	6,534
<b>NET REVENUES</b> (million of Euros)	3,028.5
<b>INVESTED CAPITAL</b> (million of Euros)	4,471.5
<i>net financial debt</i>	2,568
<i>shareholders' equity</i>	1,903.5
<b>TOTAL BALANCE SHEET ASSETS</b> (million of Euros)	8,194.9
<b>ELECTRICITY</b>	
generation (GWh) (gross)	968.4
of which from renewable sources (GWh) (gross)	695.5
<i>hydroelectric</i>	476.5
<i>solar</i>	10.2
<i>waste to energy</i>	190.2
<i>biogas</i>	18.6

## ELECTRICITY (continued)

network demand (GWh)	10,612
sold (GWh) (free and protected market)	6,028
electricity and gas customers (number)	1,336,550

## WASTE TO ENERGY (WTE)

electricity generation (GWh) (gross)	389.7
waste burnt (t)	457,145
RDF	357,174
pulper	99,971

## PUBLIC LIGHTING

bulbs managed in Rome (number)	225,619
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## WATER (INTEGRATED WATER SERVICE)

drinking water supplied (Group) (Mm <sup>3</sup> )	655
of which (Acea Ato 2, Acea Ato 5 and Gesesa)	382.3
tests on drinking water (Group) (number)	1,328,950
of which (Acea Ato 2, Acea Ato 5 and Gesesa)	480,397
wastewater treatment (Group) (Mm <sup>3</sup> )	859.2
of which (Acea Ato 2, Acea Ato 5 and Gesesa)	603.9
inhabitants served (Group) (million)	8.6
of which (Acea Ato 2, Acea Ato 5 and Gesesa)	4.3

## CHART NO. 2 - THE ACTIVITIES OF THE MAIN ACEA COMPANIES IN THE REGION



### WATER

**Acea Ato 2** manages the integrated water service in Rome and another 111 municipalities in the Province.

**Acea Ato 5** is the operator of the service in 86 Municipalities in the province of Frosinone.

**Gesesa** operates in the municipality of Benevento and another 22 municipalities in the Province.

**Acea Elabori** performs laboratory services, research and development and engineering services (design and project management) mainly in water and environmental activities for Acea Group companies.



### ENVIRONMENT

**Acea Ambiente**, with plants present in Lazio, Tuscany and Umbria, and active in environmental waste management (treatment and disposal), in the production of energy from waste in composting.

**AQUASER** is active in the recovery, treatment and disposal stages for sludge resulting from the treatment phase of the integrated water service.



### ENERGY INFRASTRUCTURES

**Areti** plans, designs and executes the actions of modernising and developing electricity infrastructure (lines AT-MV-LV, cabins, remote control systems and metering) and manages its distribution services in the municipalities of Rome and Formello. In the city of Rome, it manages and develops functional and monumental and artistic public lighting systems as well as cemetery illumination.

**Acea Produzione** deals with the production of energy and heat with a power plant consisting of hydroelectric and thermoelectric plants.

**Ecogena** designs and constructs cogeneration and trigeneration plants and operates as ESCo (Energy Service Company) pursuing energy efficiency services for internal customers (obligations of increase efficiency under Min. Decree dated 20 July 2014) and for external ones.



### COMMERCIAL AND TRADING

**Acea Energia** manages the sale of electricity and gas on the market (free and more protected).

**Acea8cento** manages customer care, especially remote contact channels for Acea Group operating companies.

# CONTEXT ANALYSIS AND BUSINESS MODEL

## CONTEXT ANALYSIS

Acea monitors the **scenario of reference** – internal and external – intercepting and analysing the factors assuming relevance for the company and which can affect the pursuit of strategic goals. In particular, **the corporate sustainability, normative, regulatory, technological, competitive, market and environmental settings** represent different aspects integrated into an overall framework, which outlines **the context within which management activities and the outlook of the organisation are to be included**. These are supplemented by the **context within the Group** – in terms of **energy and environmental impacts, development of human capital, protection of workers' health and safety** – and **management of the supply chain**.

## THE ENERGY MARKET AND COMPETITORS

The Acea Group is vertically integrated into the electricity supply chain through independent companies that meet the obligation to guarantee neutrality in the management of infrastructure essential for the development of a free energy market, to prevent discrimination in access to commercially sensitive information and to avoid cross-subsidisation between the various segments of the chain.

In the **Sales segment**, the outlook of most significance is the completion of the liberalisation of retail sales, with the expected abolition in 2020 of the regime of greater protection. An increase in competition between the operators is expected, with a consequent search for distinctive added value elements, to be pursued through investments in technological innovation and digitalisation to the benefit of the customer.

Technological innovation also plays an important role in the development of the **Networks-energy distribution and public lighting sector**, in favour of further progress in the automation and increasing the efficiency of the processes and for applications in the smart metering and smart grid framework and from a smart city viewpoint. In the latter area, the development of new synergies with other operators and the creation of business opportunities (as has already been done for ultra-wideband) can be foreseen. For **public lighting**, in addition to the developments related to smart cities, opportunities for operators with specific consolidated know-how also reside in an increase in demand from regions still without the latest generation of energy-saving lighting (LED).

## THE INTEGRATED WATER SYSTEM

In the **Water sector**, the main development driver is the progress being made in the regulation by the ARERA, which rewards the efficiency of operators. Similarly to the electrical sector, in fact, in December 2017 the national Authority resolved on the new regulation for the technical quality of the integrated water service using a reward/penalty mechanism linked to the respect of performance standards (service levels) and also an automatic indemnity system for customers which is added to that already defined in relation to contractual quality. There are therefore development opportunities for the service managers that are closely linked to the capacity to adopt developed technological systems, highly efficient

disclosure and organisational models, standardised and repeatable, capable of significantly affecting the improvement of performance levels.

## THE WASTE MANAGEMENT MARKET

The current situation of production, disposal and treatment capacity for waste in the traditional operational areas of the Acea Group and in the neighbouring areas shows a high “potential demand” for **waste management** (disposal, waste-to-energy, composting and biogas, sludge and liquid waste treatment). This is supported by a national regulatory framework that provides incentives and the regulatory support of European directives on matter and energy recovery, as well as by the implementation of the European Union's policy guidelines on the circular economy (closing the loop).

Opportunities for developing the sector are therefore highlighted, also facilitated by the availability of new technologies (for example in composting) and by possible forms of industrial integration with other operators.

Finally, the expansion of the potential for disposal/recovery of sewerage sludge – in the context of value added environmental services (sludge treatment, compost) – could lead to the completion of the integration with the Water business, in view of a complete management in-house of the entire supply chain.

## INSTITUTIONAL INVESTORS

In 2018, the Italian Stock Exchange recorded a negative performance (FTSE Italia Mid Cap -19.6%; FTSE MIB -16.2%) “underperforming” the main European stock markets, with the exception of Frankfurt.

International stock markets have been influenced by, among other things, the “trade war” involving the world's major economies. It should be noted that in 2018 there was an **increase in initiatives implemented by institutional investors to promote sustainable and responsible behaviour in the medium to long term**.

In particular, there was a greater focus on **integrating ESG (Environmental, Social and Governance) factors into the investment process**. We have witnessed more intense participation in company meetings and more in-depth discussions with companies aimed at identifying projects and forms of collaboration having to do with sustainability issues.

All this represents an increased level of engagement, considered one of the most advanced and concrete forms of **responsible investment**.

The CEO of BlackRock – among the most important investment funds in the world – in the firm's annual engagement letter notes that *“profits and purpose do not at all contradict each other, rather they are inextricably linked to each other. Profits are essential if a company must effectively serve all its stakeholders over time – not just shareholders, but also employees, customers and the community. Purpose guides the culture, creates a framework for a consistent decision-making process and ultimately contributes to sustaining the long-term financial returns for the shareholders of your company”*.

## SUSTAINABLE DEVELOPMENT

In the field of sustainability, the signals coming from the institutional, national and international settings indicate the growing importance of a multidimensional logic capable of highlighting



the interconnection of social, environmental and economic aspects with which to interpret, assess and guide global priorities integrating regulatory, relational, physical and productive systems.

Worthy of note in this area is the Committee of Sponsoring Organisations of the Treadway Commission (**COSO**), a global point of reference for enterprise risk management models (ERM) that, in collaboration with the World Business Council for Sustainable Development (WBCSD), issued the first Guide to apply ERM methodology to risks related to social, environmental and governance factors.

In 2018, environmental risks were confirmed as the main global concern both in terms of impact and probability, followed by cybersecurity and privacy due to the speed of ongoing technological development. These aspects become even more complex when it comes to considering their interconnections with potential social and geopolitical risks (**Global Risk Report**).

The commitments made at the UN with the Sustainable Development Goals (**Agenda 2030**) that were then ratified at a national level represent the framework of reference for a transition towards sustainable life models, in relation to which important institutions perform analyses and define their own pathways. Indeed, this was the orientation chosen by the International Energy Authority, for example, which developed its own **World Energy Outlook** by combining analyses and assessments based on consumption projections generated by demographic and production dynamics, technological-innovative trends and environmental determinants.

Also of note in the year under review was the award of the Nobel prizes for economics to William Nordhaus and Paul Romer. The Nobel prize was for sustainability, considering the motivation of the Royal Academy for the choice of the two American scientists, who developed studies on the integration of climate change, technological innovation and macroeconomic analysis, dedicating themselves to “some of the fundamental and most urgent challenges of our time: combining the long-term sustainable growth of the global economy with the well-being of the planet’s population”.

The **European Union** has made two important strategic commitments. The first defines a roadmap for strengthening the role of finance in creating an economy that achieves environmental and social objectives, the second represents the new long-term climate strategy of the Union, with the aim of making the European continent the first great global economy with zero climate impact by 2050.

Looking towards the Fourth Industrial Revolution, as evidenced by recent research of the **World Economic Forum**, cities will play a decisive role in triangulating the environment, production systems, technological developments and social and demographic dynamics in a sustainable manner. Urban setting will grow, becoming agile and resilient and basing their evolution on big data and analytics, IT systems and interoperable management systems. Local public services represent the main infrastructure for future smart cities, and the role of Utilities will be crucial in managing water and energy efficiency and savings, the circular economy, the prevention and reduction of pollution and climate-changing emissions. Lastly, it is worth noting the change made by the 2019 Budget Law in Italian Legislative Decree no. 254/2016, which made non-financial reporting mandatory for companies, adding reporting obligations for environmental, social and sustainable governance (ESG) management methods.

## ENVIRONMENTAL AND ENERGY IMPACTS

The natural environment is the scenario where the activities of the Group are performed and is to be preserved with a responsible and efficient use of resources, protecting sources, safeguarding the natural areas where the plants and service networks encroach, mitigating the physical and the external impacts generated in the ecological context of the operating processes.

Consider for example energy generation where the repowering initiatives constantly act to modernise plants also by pursuing the lowest environmental impacts in terms of emissions, or the integrated water service where Acea’s responsible management in resources starts from the provisioning stage, to make it available to people and ends with the commitment to restore the runoff to the receptacle body in the best condition possible.

Finally, the environmental services linked to waste management cannot be overlooked, where the commitment to the ecosystem regards both operating processes, just think about the environmental efficiencies brought in the innovative project of the Ecobelt® WA belts in the waste to energy plant of San Vittore del Lazio, or the transformation of waste with a view to circular economy, as occurs with sludge treatment for water purification. In keeping with the desire to operate while respecting and protecting the surrounding environment, Acea has already implemented a series of initiatives aimed at better managing the aspects of its activities that have a general impact on the environment and specifically on energy, also thanks to the use of advanced systems and technologies.

- **management systems:** the widespread adoption of environmental and energy management systems is a concrete response on the importance of environmental dynamics for Acea and a managerial tool for continuous improvement in performance.
- **mobility management:** a focus on the environmental impacts of corporate activities also concerns the effects produced by the movements of employees. In this context, the Acea Group has undertaken initiatives to reduce employee travel and to encourage less polluting means of transport.
- **carbon disclosure project (CDP):** Acea publishes its initiatives, for over ten years communicating them to the international CDP organisation, which produces various annual online reports aimed at informing analysts and lenders about the levels achieved by companies in managing risks and opportunities related to the topic of climate change.
- **green purchases:** Acea has set itself the goal of increasingly developing Green Procurement for the relevant product categories included in the PAN (National Action Plan for Green Procurement).
- **environmental conduct of the supply chain:** Acea has committed to assessing its suppliers on an annual basis with regard to the environmental performance of the products/services supplied, and to inform/train contractors and subcontractors regarding the environment.

Acea has included actions to combat climate change in its 2018-2022 Sustainability Plan, which includes both mitigation and adaptation actions and monitors the matter and related EU and international developments (the COP - Conference of the parties and European legislation). Environmental issues related to the array of services provided by the Group are included in the Organisation and Management Model pursuant to Italian Legislative Decree no. 231/01.

## LEGISLATION IN THE RELEVANT MARKETS AT A LOCAL, NATIONAL AND SUPRA-NATIONAL LEVEL

The legal context of pertinence to Acea is wide-ranging and articulated according to the **specificity of the operating segments** – water, energy and environment – and the **variety of the frameworks** within which the legal and regulatory disciplines intervene which affect the business operations, from administrative authorisation profiles to those protecting the market and competition. Added to such aspects is the peculiarity of the nature of **listed companies**, with the related legal impacts, for example in terms of regulating communications to the market. The legal scenario is therefore analysed from a **multidisciplinary** viewpoint, applying a 360° overview and continuous interpretative analysis, in order to detect developments of particular significance, identifying and assessing risks and opportunities in terms of strategy and operating management.

The new **Code of Public Contracts**, which has radically transformed the rules and operations of public contracts, is surely one of the most important issues. This Code was the subject of corrective action by means of **Legislative Decree no. 56/2017**, and a further reform is currently being examined. Among the articles that will be subject to modification are: art. 31 *“Role and functions of the person responsible for the procedure in contracts and concessions”*; art. 80 *“Reasons for exclusion”*; art. 105 *“Subcontracting”* and art. 177 *“Assignment of concessionaires”*.

The legal application aimed at protecting consumer interests becomes increasingly more important, especially with regard to relations with commercial operators and at privacy level. With regard to the latter, 2018 saw the entry into force of Regulation EU 2016/679 on the protection of personal data and Legislative Decree no. 101/2018 containing the provisions for the adaptation of national legislation to those envisaged in the aforementioned regulation.

The industrial nature of the services managed bestows significance upon the focus on **legal and administrative profiles** related to both authorising procedures for the construction, renewal and management of plants, with obvious effects on the capacity to guarantee the continuous operation of the company managed, and on the recognition of incentives for energy plants (energy efficiency certificates, ex green certificates and other incentives recognised by the legal system). In this regard, we draw attention to the Ministerial Decree of 10 May 2018 concerning, among other things, the determination of national quantitative energy savings targets to be pursued by companies distributing electricity and gas for the years from 2017 to 2020, issued to address the deep crisis in which the market for TEEs finds itself due to the significant imbalance between supply and demand. With regard to **environmental legislation**, we point out **Decree Law 109/2018** (the so-called “Genoa Decree”), converted by **Law 130/2018**, which introduced a “buffer” provision aimed at regulating the management of sewage sludge pending an organic revision of the sector’s regulations.

Also worth mentioning is the postponement by one year – from July 2019 to July 2020 – of the interruption of the “protected market” regime in the energy sector pursuant to Legislative Decree no. 91 of 25 July 2018, converted, with amendments, following the approval of Law no. 108 of 21 September 2018. Lastly, with regard to compliance with **antitrust laws**, an area in which there has been general and growing attention due in part to the evolution of the competitive environment in the markets the Acea Group operates in, the Antitrust Authority adopted the “Antitrust Compliance Guidelines” on 25 September 2018.

## THE REGULATORY AUTHORITIES

**In the water sector**, from a regulatory point of view, 2018 reaped the benefits of the important measures introduced at the end of 2017, with reference to the resolution on the tariff structure (665/2017/R/idr) and the two end-of-year resolutions on Technical Quality and on the methods for updating tariffs for the two-year period 2018-2019 (917/2017/R/idr and 918/2017/R/idr).

During the year, ARERA presented a hypothesis of protection regime both for operators, with the containment of arrears in the integrated water service and for the end user, introducing measures in cases of suspension and deactivation of the supply.

Also with regard to water bonuses, ARERA has issued a measure, resolution 227/2018/R/idr, regarding the application procedures for the regulation of information flows, data exchange and operating procedures for the disbursement of the social water bonus, to allow its disbursement to users who request it as from 1 July 2018.

**In the electric power area**, the following issues were discussed in greater detail in 2018:

- **resilience of electricity grids**, with resolution 31/2018/R/eel, obligations were introduced to prepare resilience plans for all distribution companies;
- **general system charges**, resolution 50/2018/R/eel defines the mechanism for reintegrating general system charges paid but not collected by distribution companies. On this issue, by means of resolution 626/2018/R/eel ARERA deferred for one year the elimination of the residual progressivity from the amounts covering the general charges applied to households.

On the subject of energy efficiency certificates, with the interministerial decree of 10 May 2018 the MISE introduced corrective measures to stabilise the price of White Certificates and, following this decree, ARERA intervened on the definition of the tariff contribution to cover the costs incurred by electricity and natural gas distributors subject to obligations under the mechanism of energy efficiency certificates. Still on the subject of guidance and orientation by primary legislation, the publication of the new **RES Decree (renewable energy sources)** is expected. Moreover, the 2018 Budget Law assigned the Authority the functions of **regulating and controlling the waste cycle**, including differentiated, urban and similar waste, to be exercised “with the same powers and within the framework of the principles, purposes and powers – including those of a sanctioning nature – established by Law 481 of 14 November 1995” and already exercised in the other areas of responsibility.

With regard to this prescription, ARERA has initiated procedures for the adoption of measures concerning the quality of service and tariff regulation, which did not give rise to further regulatory impacts during the year.

## DEVELOPMENT AND TECHNOLOGICAL INNOVATION

Technology represents an area that is both dynamic and critical for Acea. The intense activity of research and development by the producers of technological services and the pervasive application of these technologies in the areas of Acea’s operations led in 2018 to a substantial refocusing on the topic of Innovation. The **Innovation, Technology & Solutions department**, which reports directly to the CEO, **was set up with an Organisational Unit dedicated to Innovation** that has the task of ensuring an Innovation model for the Group through the adoption of processes and Open Innovation approaches that involve internal and external stakeholders, assigning the new activities to the three pillars of

the business plan: **Infrastructure, People, Client**. In 2018, innovation initiatives were launched for each of the three pillars, with positive effects on the infrastructure, employees and customers. In addition, from an Open Innovation perspective, **partnerships** have been established with **Open Fiber** for the evolution of networks and the development of innovative services for the city of Rome, and with **Huawei** for the definition of projects of high technological value to provide advanced and innovative services in Smart and Safe City area.

### DEVELOPMENT OF HUMAN CAPITAL

To cope with the increasingly rapid changes of our time and transform them into opportunities for development, Acea has decided to focus on the evolution of its corporate culture.

The new **Leadership model**, values and behaviours guide and contribute to defining an organisational setting that seeks to promote a constant development of human capital, recognised as a fundamental asset for remaining competitive in a changing economic and social context.

Entrepreneurship, teamwork and action are the three pillars upon which the Group's initiatives are built to achieve the goals of the 2018-2022 strategic plan and the sustainability plan.

Among these, the goal of enhancing people for the growth of the Group is broken down and carried out through three areas of activity:

- **professional growth, training and development of skills**, through a process that, starting from hiring, uses training and a performance assessment system to align behaviour with the Leadership model and the values of the Acea Group in a constant development of human capital;
- **involvement of people in the Group's identity**, through specific initiatives designed to promote employer branding, making Acea increasingly attractive for new talent;
- **inclusion and organisational well-being**, with the launch of initiatives aimed at making work increasingly "smart" and boosting motivation, potential and satisfaction of personnel, as well as the well-being of employees, recognising the strategic value of Diversity, Health and the Safety of workers.

### SUSTAINABLE MANAGEMENT OF THE SUPPLY CHAIN

Aware of the positive contribution that sustainable supply chain management can offer to protecting the environment, Acea is committed to defining purchasing methods that include intrinsic characteristics of the products and aspects of the process that **limit environmental impact** and foster initiatives aimed at minimising waste, reusing resources and **protecting the social aspects** involved in the procurement of goods, services and works defined and used to meet its needs.

Indeed, for several years Acea has been using the Minimum Environmental Criteria, in its calls for tenders including even rewarding aspects that are not mandatory but often decisive in ensuring the maximum achievement of the objectives set. Furthermore, it engages in the **education** of its own resources so that the purchasing choices tend toward goods or services with sustainable characteristics, thus stimulating the development of a specific sensitivity towards these aspects, with the aim of having them always present in supplier selection processes.

### HEALTH AND SAFETY IN THE WORKPLACE

2018 marks the tenth anniversary of the "Consolidated Law on Safety and Health in the Workplace", published on 9 April 2008, and, while over the past ten years numerous actions have been taken to prevent accidents, the current INAIL data in Italy unfortunately show an increase in the number of accident reports.

Acea carries out constant awareness campaigns on the subject, with the aim of profoundly affecting the widespread dissemination of a culture of safety involving all its employees. It has also implemented an advanced risk assessment model, not to mention control and mitigation measures. Acea has also launched a number of **initiatives to raise awareness of and involvement** in the issues discussed above with its **contractors and sub-contractors**, key business partners throughout the entire value chain.

To this end, an intense audit activity carried out at **construction sites** also contributes, such inspections being an effective tool for verifying the application of safety regulations and procedures with respect to maintenance contracts for networks and plants.

## THE BUSINESS MODEL

The implemented business model (Chart no. 3) is based on an organisational structure in which the Holding covers the role of governance, steering and control of the portfolio of managed activities. The Parent Company, moreover, offers managerial support to the operating

companies by means of management and legal, logistic, technical, financial and administrative services. Acea SpA's **organisational macrostructure** consists in **corporate functions** and **industrial segments** to which the operating companies report (see Chart no. 4).

CHART NO. 3 - ACEA'S BUSINESS MODEL

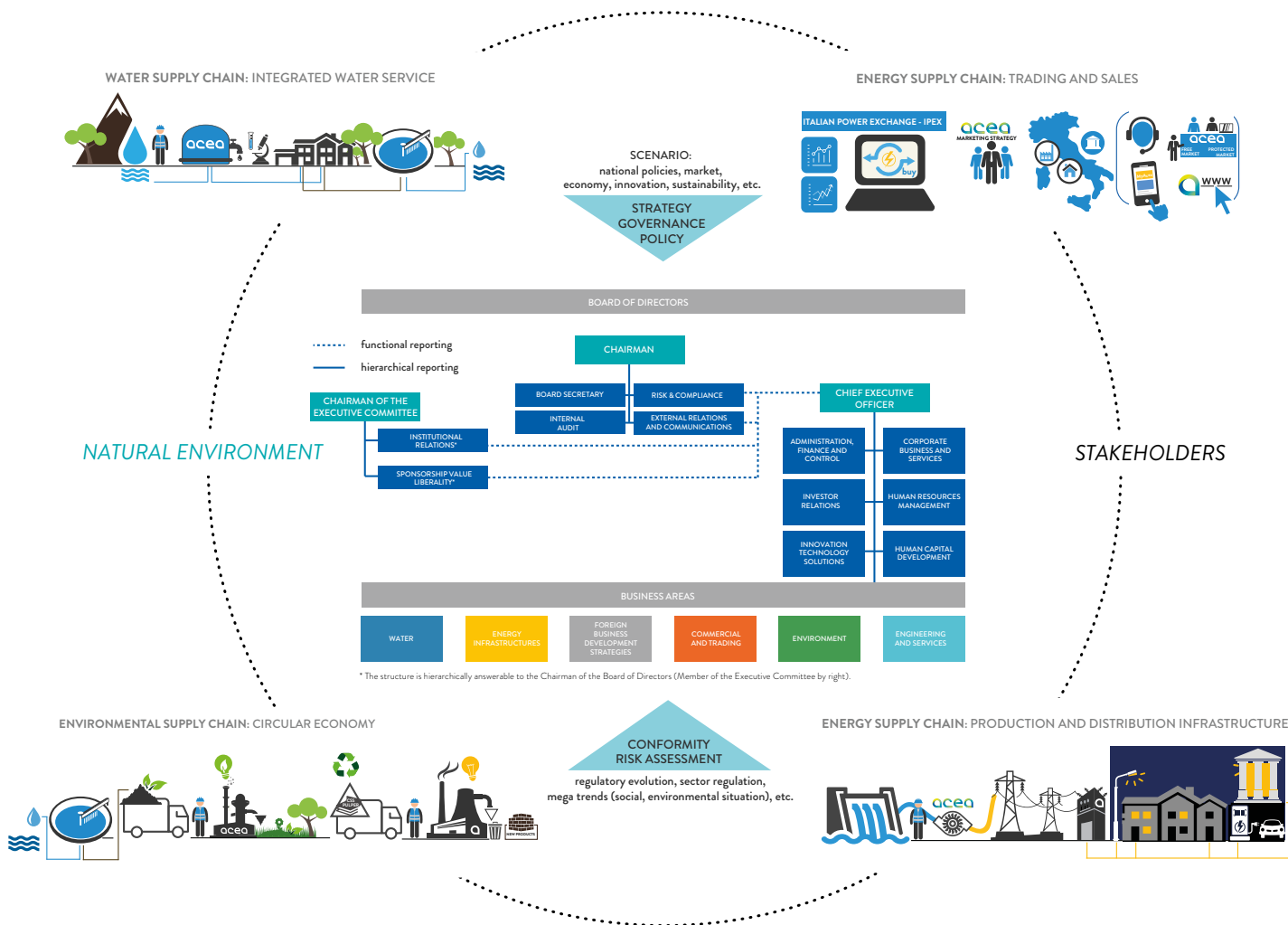
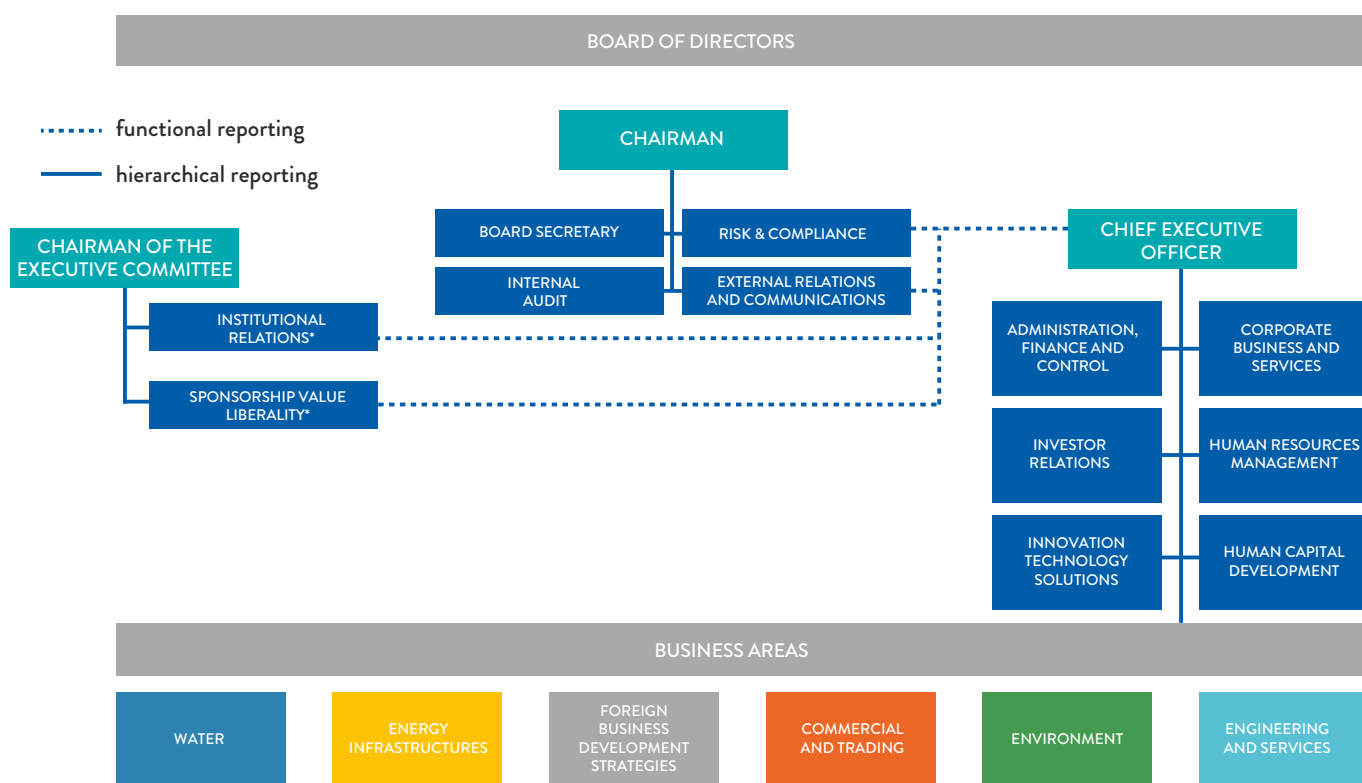




CHART NO. 4 - ACEA SPA ORGANISATION CHART AS AT 31.12.2018

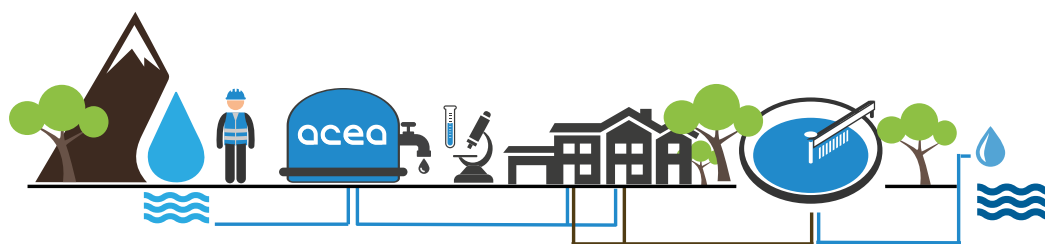


\* The structure is hierarchically answerable to the Chairman of the Board of Directors (Member of the Executive Committee by right).

The Acea Group is mainly active in 4 supply chains: the **integrated water service**; the **production and distribution of electricity** (including **public lighting**); the **sale of energy and gas**; the **valorisation of waste**. Acea operates in such segments

through industrial Companies located in central Italy (particularly on the Tyrrhenian ridge) that it has equity investments and in which it plays the role of industrial entity of reference.

## WATER SUPPLY CHAIN: INTEGRATED WATER SERVICE



**The water supply chain begins with the resource capture phase:** the water required by the network serving the communities is drawn from streams and water tables in the territory. The quality of the water resource is tested and guaranteed by Acea, throughout

its journey, in observance of the normative standards envisaged for end uses. Thereafter the wastewater and treatment phase is activated to recycle and return the resource to the environment in the best possible conditions for its natural cycle to resume.

## ENERGY SUPPLY CHAIN: PRODUCTION AND DISTRIBUTION INFRASTRUCTURE



**Production and distribution of electricity:** Acea produces energy at hydroelectric plants, waste-to-energy plants, thermoelectric plants (high-efficiency cogeneration), anaerobic digestion plants (biogas) and photovoltaic plants, for a total generation from renewable sources of about 72%. Users receive electricity thanks to the distribution grid managed and

developed by Acea. The digital and innovative development in the services, stimulated and required by a constantly evolving market, commits the Distributor to tend towards smart city solutions. This is accompanied by a resilient management of the networks by which it is possible to support a future shift and increase in the uses of the electrical vector.

## ENERGY SUPPLY CHAIN: TRADING AND SALES



**Sale of energy and gas:** the purchase of commodities (energy and gas) takes place by means of trading on market platforms (power exchange) where resellers such as Acea Energia procure energy in order to supply customers according to their respective commercial policies. Market demand in Italy is separated into two large sectors, the protected market that will cease in 2020 and the free market, where each customer can choose a supplier and

related services. Sales companies develop relations with the customers based on their type, by means of increasingly innovative and digital contact channels, while also retaining traditional tools such as the telephone and branches open to the public. In order to promote their products, the sales companies avail themselves of selected trained sales agencies that are monitored in their commercial practices.

## ENVIRONMENTAL SUPPLY CHAIN: CIRCULAR ECONOMY



**Waste valorisation and circular economy:** the environmental supply chain has as its objective the valorisation of waste through the reduction of volumes, conversion into biogas and transformation into compost for agriculture and floriculture.

In particular, with a view to circular economy, Acea exploits the integration into water activities to recover sludge from water purification and send it for treatment to become compost.

The business activities are broken down in the strategic Plan (see the section *Integrated Reading of the Strategy*), which defines corporate development guidelines based on the assessments of **opportunities offered by the market**, the **institutional framework** and the **context of reference**, the **governance system** and a careful **identification and weighting of the risks** that can impede the achievement of objectives. When performing activities and supplying services, Acea Group pays the greatest attention to its **interactions with the natural environment** and **relations with stakeholders**, managing the company's activities in a manner that is consistent with the principles of sustainable development.

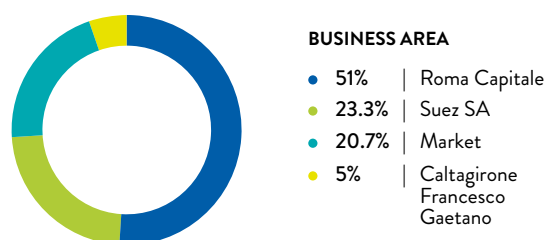
## OWNERSHIP STRUCTURE AND GENERAL ECONOMIC INDICATORS

Acea SpA is listed on the Italian Stock Exchange organised and managed by Borsa Italiana. The company is included in the FTSE Italia Mid Cap Index. **Roma Capitale** is Acea SpA's majority shareholder, holding **51% of its share capital**. At **31.12.2018**, other significant direct or indirect equity interests were held by Suez SA for over 23% and **Francesco Gaetano Caltagirone** at approx. 5% (see Chart no. 5).

**Institutional investors** control about 14% of the share capital, with a geographical distribution that shows a predominance of Italian shareholders, followed by those in the USA, Norway and the UK (see Chart no. 6).

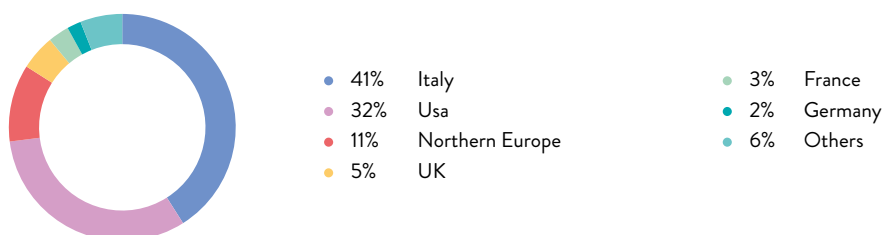
**Retail** investors hold around 6% of the capital.

CHART NO. 5 – PROPRIETARY STRUCTURE AS AT 31.12.2018



Source: CONSOB

CHART NO. 6 – GEOGRAPHICAL REPRESENTATION OF THE INSTITUTIONAL INVESTORS IN ACEA



TOTAL SHARE HELD: **14%**

In 2018, the impetus given to business by the operating areas made it possible to achieve very significant results, both in economic and financial terms and in terms of the quality of service provided to customers, making it possible to see higher results and to anticipate progress in the stages set out

in the business plan<sup>17</sup>. The main items in the financial statements are all positive: **EBITDA** increased to **€ 933 million** (+11% compared to 2017) and **EBIT** amounted to **€ 479 million** (+33% compared to 2017). The **Group profit** was **€ 271 million** (+50% on 2017).

<sup>17</sup> The business plan is expected to be updated in spring 2019.

**TABLE 7 - THE MAIN ECONOMIC AND EQUITY DATA OF THE ACEA GROUP (2017-2018)**

(in € million)	2017	2018
<b>net revenues</b>	<b>2,796.9</b>	<b>3,028.5</b>
operating costs	1,983.8	2,138.5
staff costs	215.2	219.6
costs of materials and overheads	1,768.6	1,918.9
income/(expense) from non-financial investments	26.8	43.3
<b>EBITDA</b>	<b>839.9</b>	<b>933.2</b>
<b>operating profit/(loss) (EBIT)</b>	<b>359.8</b>	<b>478.5</b>
financial operation	(72)	(82.9)
investment operations	0.3	13.3
<b>profit/(loss) before tax</b>	<b>288.2</b>	<b>409</b>
income tax	96	124.3
<b>net profit</b>	<b>192.2</b>	<b>284.7</b>
profit/loss attributable to minority interests	11.5	13.7
<b>profit/(loss) attributable to the Group</b>	<b>180.7</b>	<b>271</b>

**Consolidated revenues in 2018** amounted to **€ 3,028.5 million** (€ 2,796.9 million in 2017), up by approximately 8%. All business areas contributed to these revenues, including, in absolute terms, the € 108.2 million increase in sales and services of electricity. The Water sector recorded an increase of € 55 million, which includes both the best estimate of the premium for the quality of Acea Ato 2's service and the consolidation of GORI in the Group's scope from November 2018. Finally, the Environment segment, with its waste disposal and landfill management activities, increased by about € 4 million.

In 2018, **external costs** amounted to approximately **€ 1.91 billion** (€ 1.76 billion in 2017). The main factors affecting cost dynamics are: higher costs for the supply of electricity (+€ 138.3 million), partly offset by lower transport costs (-€ 56.5 million) and charges deriving from previous energy items and the fine imposed by the antitrust authority for € 16 million. Costs include the increase in water concession fees (+€ 7 million) connected with the mandatory agreement for the hydraulic management of the Peschiera - Le Capore water system, signed in February 2018.

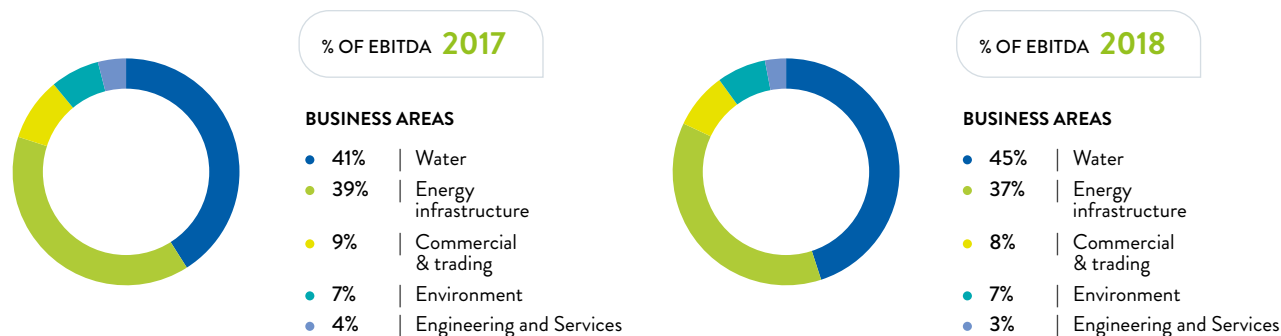
The **EBITDA** of approximately **€ 933 million** is up by € 93 million (+11%). Net of the consolidation of GORI, non-recurring items and the negative contribution attributed to the antitrust

authority fine, the organic growth of the EBITDA is equal to 8%.

The overall value consists of:

- **Water** operating segment at 45%, with € 433 million, a 24% increase respect to the data from 2017 (€ 350 million). In particular, the performance of the area was influenced by the results of Acea Ato 2 and Acea Ato 5, which recorded increases of € 50 million and € 4 million respectively;
- 37% from the **Energy Infrastructure** industrial area, with about € 361 million, up about 8% from the previous year (€ 333 million). This positive change is mainly attributable to Areti, following the tariff updates of the fifth regulatory cycle;
- **Commercial and Trading** operations accounted for 8% of the total, € 76 million more or less in line with the previous year (€ 78 million);
- the **Environment** industrial area accounted for 7%, with € 66 million, up about 2% compared with the previous year (€ 64 million) due to improvements in performance from the increased supply of waste and greater quantities of electricity sold.

Also contributing to the Group EBITDA are the **Overseas** segment and the **Engineering and Services** segment totalling 3%.

**CHART NO. 7 – CONTRIBUTION OF THE BUSINESS AREAS TO OVERALL EBITDA (2017-2018)**




Operating profit (EBIT) came to **€ 479 million**, up by € 119 million (+33% on 2017). The figure is mainly affected by the growth in EBITDA, the release of provisions for risks set aside for GORI

and the lower provisions for bad debts compared to 2017 for the position with GALA.

## STRATEGY AND SUSTAINABILITY

### INTEGRATED STRATEGY

Taking advantage of the opportunities offered by the evolution of the setting and the new economic, social and environmental challenges, Acea's strategic planning balances both the industrial dimension and the sustainability aspects in its business objectives, thus facilitating **"integrated thinking"**.

In this perspective, during the year, the Sustainability Advisory Board (see the dedicated box) became fully operational, a **Panel supporting the Chairman and the Chief Executive Officer**, which has the task of facilitating integration and overseeing the implementation of the 2018-2022 Sustainability Plan, starting with the "governance level" objectives; **the first seminars were held** – conducted by experts and focused on specific targets – **to examine some sustainability issues related to business and operational management and analyses were performed on sustainability risks** generated and incurred (see the section *Corporate governance in Acea*, specifically *Integrated risk analysis*).

On the basis of the analysis of trends and the relevant context, the **2018-2022 Business Plan** focuses on the following strategic pillars<sup>18</sup>:

- **Industrial growth** focused in infrastructural development and a customer-oriented approach;
- **Territory and sustainability**, based on the decarbonisation of consumption through the development of electrification of energy uses, the recovery of waste in a perspective of circular economy and the protection of water management;
- **Technology, innovation and quality**, with investments of over € 400 million in innovative projects to facilitate the transition to advanced models of smart grids and smart cities;
- **Operational efficiency**, by means of the managerial regulation of costs and investments and improvement of performances.

The total investments envisaged in the Plan amount to **€ 3.1 billion**.

#### MAIN ACTIONS AND STRATEGIC OBJECTIVES OF THE 2018-2022 BUSINESS PLAN BY BUSINESS AREA



##### ENVIRONMENT

- strengthening of the **waste recycling cycle consistently with the development of a circular economy**, through the acquisition of new compost plants, the expansion of existing ones and the development of new multi-material waste management initiatives (+70% treated waste)



##### COMMERCIAL AND TRADING

- improvements of the initiatives for pursuing **customer satisfaction** and **optimising of operational processes** to obtain cost reductions
- commercial push on **digital channels and cross selling** given the forthcoming conclusion of more protection on the electricity market and its full liberalisation (+33% customers)



##### WATER

- extraordinary plan for the **reclamation of over 800 km of water and sewage network**, with significant objectives for leakage reduction and better management in relation to any water emergencies
- introduction of **remote reading systems** on meters for a total of over 500 thousand smart meters installed
- **boosting of purification** with a rationalisation plan aimed at decommissioning small plants, accompanied by the efficient use of large plants
- strengthened supply to **guarantee available water**: design to enhance the Peschiera aqueduct



##### ENERGY INFRASTRUCTURE

- renovation of the LV network to **increase the network's resilience** and increase the capacity of power available to customers (from 3kW to 6kW) in view of the increase in electricity consumption
- **smart metering the Rome network** by means of installing 1 million new 2G meters to enable the development and use of new services
- creation, in partnership, of a **fibre optic network** for upgrading the ultra-wideband connection in the Capital and for developing technological innovation in the automation and control of water and electricity networks

<sup>18</sup> At the time of publication of the consolidated non-financial declaration, the business plan is being revised and updated.

The **2018-2022 Sustainability Plan**, approved by the Board of Directors, was drawn up **at the same time as the industrial plan** with the **broad and direct involvement of the Group's management**. This has made it possible to produce an **overall vision of the company's strategy** and to **highlight the correlation** between the **investments envisaged in the Industrial Plan** and **sustainability objectives**, for a value of approximately

**€ 1.3 billion**. In 2018, the investments made in relation to the "targets" of the Sustainability Plan amounted to **approximately € 175 million**.

The 2018-2022 Sustainability Plan is made up of **6 cross-cutting objectives** aimed at **integrating sustainability into corporate governance** (governance level) and **5 macro-objectives** at an **operational level**, with targets for 2022 and related KPIs.

## THE GOVERNANCE LEVEL OF THE 2018-2022 SUSTAINABILITY PLAN: CROSS-CUTTING OBJECTIVES FOR INTEGRATION

### OBJECTIVE

### STRATEGY

#### SUSTAINABILITY IN THE RISK ASSESSMENT

- integration of sustainability objectives into the system for **identifying, assessing and monitoring business risks**

#### SUSTAINABILITY IN THE STRATEGY

- integrated reading of economic and financial data, as well as sustainability data, in order to highlight the **total value generated by the Group**

#### SUSTAINABILITY IN THE MBOs

- introduction into the **performance management systems** of objectives aimed at promoting sustainability impacts

#### SPREAD THE CULTURE OF SUSTAINABILITY

- dissemination of the "**sustainability culture**", by means of awareness-raising and the involvement of internal and external stakeholders in the matter

#### SUSTAINABILITY FOR SHAREHOLDERS AND FINANCIERS

- enhancement of **ESG – Environmental, Social, Governance – elements in relations with shareholders and investors**

#### SUSTAINABILITY IN SECTOR REGULATION

- reading of **evolutionary trends in national and European regulation**, in relation to **sustainability-related topics** in the areas in which the company operates

## THE OPERATIONAL LEVEL OF THE 2018-2022 SUSTAINABILITY PLAN: SPECIFIC FEATURES OF THE 5 MACRO OBJECTIVES

### MACRO OBJECTIVE

### STRATEGY



#### PROMOTE A CUSTOMER FOCUS

- reach challenging levels of **commercial and technical quality of the supplied services** and improve the channels of contact to fully satisfy customer requirements



#### VALUING PEOPLE FOR THE GROUP'S GROWTH

- **training**, valorisation of know-how (**active ageing**) and development plans for young adults, **sharing strategic choices** and introducing sustainability in performance management systems



#### QUALIFYING PRESENCE IN THE REGIONS AND PROTECTING THE ENVIRONMENT

- more **resilient infrastructures** in relation to climate change, **contained impact** on the natural environment and territorial protection, more efficient use of resources and reduction of CO<sub>2</sub> emissions, development of **initiatives for circular economy**, promotion of sustainability along the supply chain, in involving the interested parties



#### PROMOTING HEALTH AND SAFETY ALONG THE VALUE CHAIN

- prevention and **circulation of the culture of safety along the value chain**, internal and external, by means of training and awareness, increased **verification and control activities**



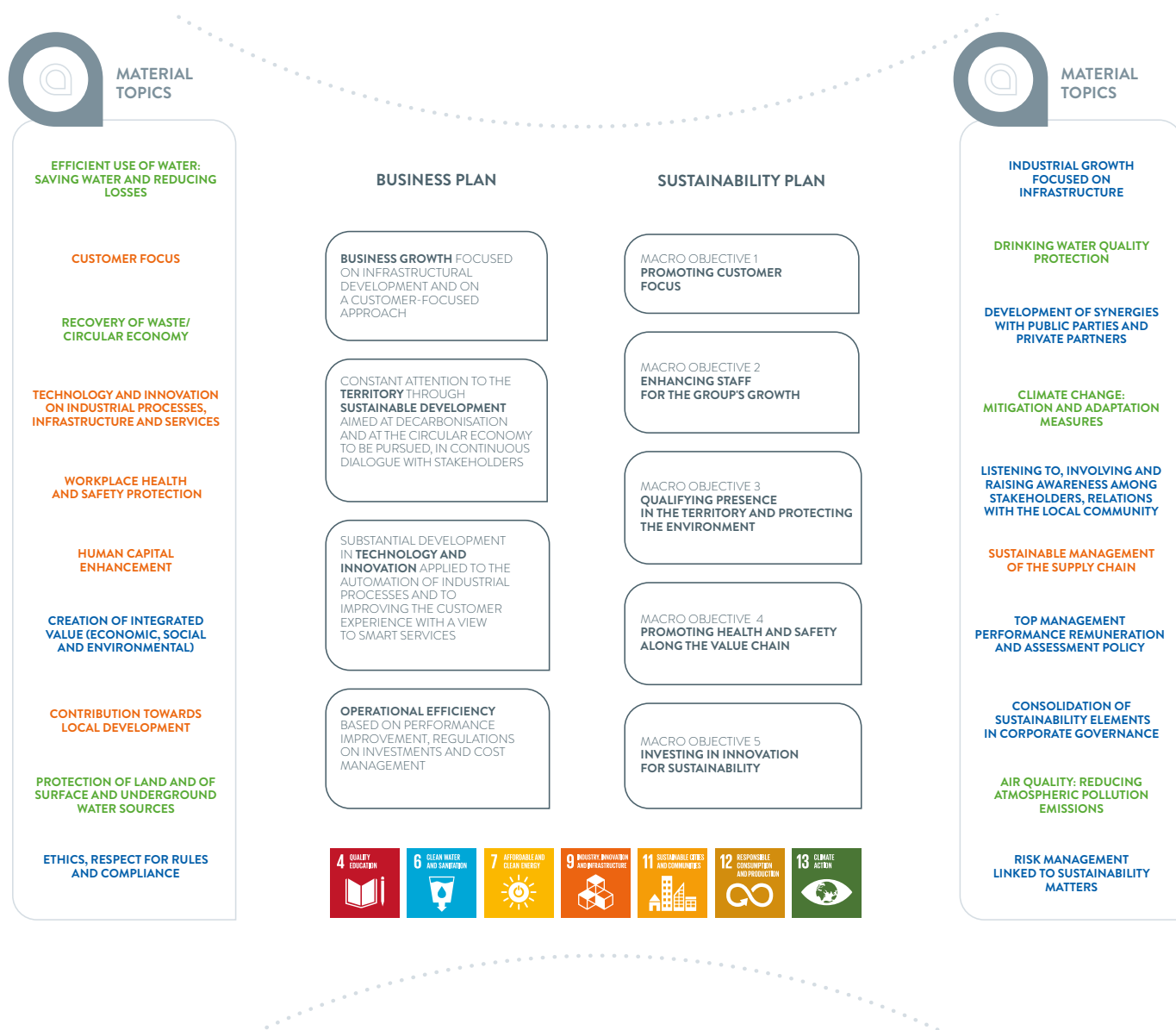
#### INVESTING IN INNOVATION FOR SUSTAINABILITY

- experimentation of **new technologies**, applied research **for the development of infrastructures**, contribution to the development of the urban fabric with a view to **smart city**

As can be seen from the guidelines expressed in the Group's two strategic industrial and sustainability planning documents, many elements, already related in operational management, lend themselves to an integrated interpretation, which enhances the peculiarities and complementarity between the two Plans – one

focused on **aspects related to the economic solidity of industrial growth** and the other on the **expected results for stakeholders and from the social and environmental point of view** – in the framework of Acea material issues and the relevant UN sustainable development goals (SDGs).

## CHART NO. 8 - KEY ELEMENTS OF THE STRATEGY



During the year, the 2018-2022 Sustainability Plan **was updated** in light of developments in the company, particularly in the areas of **health and safety, smart working and innovation**. These updates led to the reformulation of 3 targets, the elimination of 5 no longer considered strategic and the introduction of 7 new targets.

Therefore the operational level of the **2018-2022 Sustainability Plan** is currently divided into **137 targets**.

In 2018, **an initial monitoring of the Plan's progress was carried out**. In particular, **the evolution of the governance objectives** for some of the Holding's Departments/Functions with strategic roles was **shared during meetings of the Sustainability Advisory Board**.

The objectives of the **operating level** – expressed in targets for

2022 and KPIs – were the subject of **precise monitoring**, carried out in two stages of the second half of 2018, the results of which, for the first phase, were presented to the Sustainability Advisory Board. The monitoring made it possible to identify the actions implemented during the year. The analysis of the data collected showed that only 11% of the targets were neglected during the year, **78% of the sustainability targets were acted on in 2018** and 11% have planned actions.

In 2019, the Sustainability Plan may be further amended in order to incorporate new developments in the business strategies detailed in the Industrial Plan, which are currently being revised and updated, and in consideration of the presence of targets already achieved or no longer pursued by the Group.

## THE ACTIVITIES OF THE SUSTAINABILITY ADVISORY BOARD

During the year, the **Sustainability Advisory Board**, a panel responsible for providing support to the Acea Chairman and CEO, began its activities in order to supervise the implementation of the Sustainability Plan – with regard to both governance level guidelines and operational level objectives – and its periodic review.

The composition of the Board is established by the Board of Directors. It consists of the **main Functions and Departments of the Holding Company, which also have responsibility for the governance level of sustainability**. To date, the Functions/Departments involved are: External Relations and Communications; Internal Audit; Risk & Compliance; Administration, Finance and Control; Investor Relations; Human Cap-

ital Development; Innovation, Technology & Solution; Corporate Affairs and Services Department; Board of Directors' Secretariat. In 2018, the Board met three times, focusing in particular on the **governance level** and the **first results of the progress of sustainability objectives at the operational level** thanks to the implementation of a **periodic monitoring process**, sharing reflections on initiatives to promote the implementation of the Sustainability Plan.

In compliance with the tasks set out in its regulations, the Board also promoted and coordinated a **calendar of seminars** carried out by a qualified external organisation, examining topics of specific interest consistent with the strategic plan outlined in the Sustainability Plan, useful for further

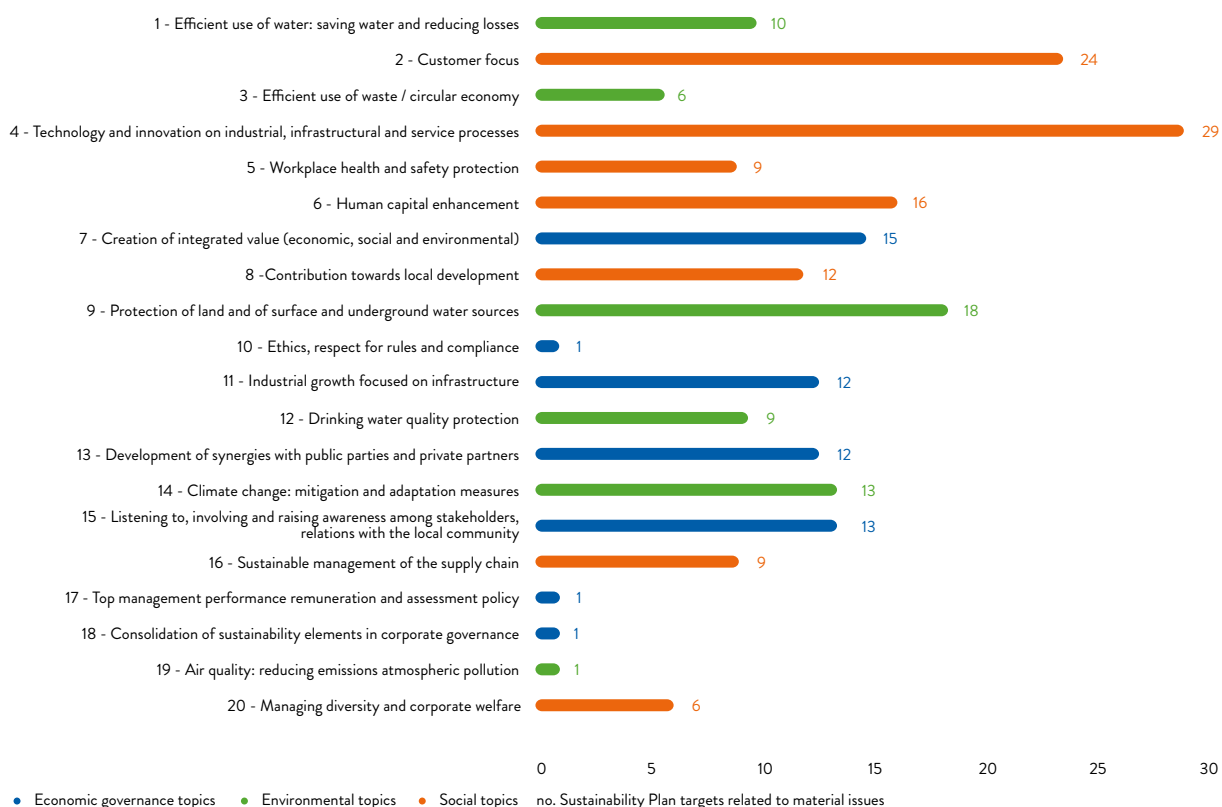
developing the integration of sustainability into the company's management logic. These seminars were attended by colleagues representing the Group Organisational Units/Companies pertinent to the subject under discussion. The topics were: **Climate Change; Sustainability in business risk management; Performance management system and sustainability objectives**.

Being a panel, the Board has also made a positive contribution to the sharing of knowledge and information among the various Functions, encouraging synergies and cross-cutting collaborations on sustainability projects and initiatives and the development of new corporate actions implemented to incorporate the targets of the Sustainability Plan.

Having monitored the progress of the 2018-2022 Sustainability Plan, to better represent the consistency between material issues and strategic sustainability planning **the correlations be-**

**tween sustainability objectives for which actions were carried out during the year and material issues were highlighted** (see Chart no. 9).

**CHART NO. 9 - CORRELATION BETWEEN THE 2018-2022 SUSTAINABILITY PLAN AND MATERIAL ISSUES**







# THE 2018-2022 SUSTAINABILITY PLAN AND OPERATIONAL OBJECTIVES

The **2018-2022 Sustainability Plan**, as already noted, **acts on governance and operational levels**, identifying 6 cross-cutting objectives aimed at incorporating sustainability into the governance of the company and 5 macro Group operational objectives.

## GOVERNANCE LEVEL THE 6 OBJECTIVES

ACEA IS COMMITTED TO THE ADEQUATE OPERATIONAL ENHANCING INTEGRATION OF SUSTAINABILITY INTO THE COMPANY'S GOVERNANCE, THROUGH:

- the integration of sustainability objectives into the system for identifying, assessing and monitoring business risks;
- the integrated reading of economic and financial data, as well as sustainability data, in order to highlight the total value generated by the Group;
- the introduction into the performance management systems of objectives aimed at promoting sustainability impacts;
- the dissemination of the "sustainability culture", by means of awareness-raising and the involvement of internal and external stakeholders in the matter;
- the enhancement of ESG (Environmental, Social, Governance) elements in relations with shareholders and investors;
- the reading of evolutionary trends in national and European regulation, in relation to sustainability-related topics in the areas in which the company operates.

## OPERATIONAL LEVEL THE 5 MACRO-OBJECTIVES

WITH A SPECIFIC FOCUS ON THE FOLLOWING 5 MACRO-OBJECTIVES AND ON THE RELATED AREAS OF ACTIONS AND OPERATIONAL OBJECTIVES (\*)



### PROMOTING CUSTOMER FOCUS

#### Improving communication with customers

- Developing presence on the web and digital channels, in line with the Group's communication and positioning requirements

#### Improving the quality of services

- Improving the sales quality of services
- Improving the technical quality of services



### PEOPLE FOR THE GROUP'S GROWTH

#### Professional enhancement, training and development of skills

- Enhancing and increasing Human Capital skills
- Investing in the development and improvement of the staff assessment and recruitment system

#### Involving people in the Group's identity

- Facilitating the implementation of the new "execution" organisation
- Boosting the level of engagement of the company population
- Defining and promoting an employer branding plan

#### Organisational inclusion and well-being

- Detecting and improving the organisational well-being of the entire business population
- Enhancing diversity and promoting



The **5 macro objectives** are broken down into **14 frameworks for action**, **26 operational objectives** and **137 targets for 2022** and **related KPIs** which allow the **progressive achievement thereof to be**

**monitored**. It is envisaged that the **Plan will be updated periodically**, especially at an operational level, so that consistency with changes to the management and strategic industrial guidelines of the

Group is ensured.

Below is a **summary image** of the Plan and a **detailed breakdown of the operating level**, with the **2018 actions and related KPIs**.



#### ESTABLISHING A LOCAL PRESENCE AND PROTECTING THE ENVIRONMENT

##### Reducing the environmental impact

- Planning and implementing measures to combat climate change (mitigation and adaptation)
- Promoting an efficient use of resources, facilitating circular economy
- Taking initiatives to protect the land and limit impacts on the natural environment
- Enhancing certified environmental and energy management systems
- Implementing sustainability logics in procurement procedures

##### Contributing to the well-being of the community

- Promoting activities with a positive impact on the well-being of the community and on the regions in which the company operates

##### Consolidating relations with the territory

- Contributing towards creating awareness on social and environmental matters
- Promoting the involvement of stakeholders in corporate projects to create shared value



#### PROMOTING HEALTH AND SAFETY ALONG THE VALUE CHAIN

##### Health and safety in the workplaces for Group workers

- Promoting the culture of health and safety in the workplace

##### Health and safety in the workplaces for contractors and subcontractors

- Raising awareness among contractors on health and safety in the workplace

##### Health and safety of the communities with which the Group operates

- Ensuring the health and safety of the customers of the reference community for the various services provided



#### INVESTING IN INNOVATION FOR SUSTAINABILITY

##### Organisational innovation

- Promoting “smart” working methods

##### Technological and process innovation

- Promoting the resilience of the urban territory and innovation from a smart city perspective
- Implementing remote control systems and remote interventions
- Applying new technologies for detecting losses

##### Creating and promoting knowledge

- Developing research projects in partnership with other relevant departments

(\*) Each objective is divided into multiple targets and KPIs in the detailed Plan to which reference is made.

## DETAILED OBJECTIVES OF THE 2018-2022 SUSTAINABILITY PLAN AND THE ACTIONS TAKEN DURING THE YEAR



### MACRO-OBJECTIVE NO. 1 Promoting customer focus

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS	2018 ACTIONS
<b>AREA OF ACTION 1: Improving communication with customers</b>			
Developing web presence and digital channels in compliance with the Group's communication and positioning needs	Adapt the structure of the website to the corporate and marketing communication needs, in terms of efficiency and transparency. ACEA SpA - EXTERNAL RELATIONS AND COMMUNICATIONS - (Digital and corporate media)	Reviewing the Group's digital identity (0-100%) = <b>40%</b>	Construction of the new Acea Energia website and start of the project for the construction of the new Group website.
	Developing "corporate" social channels and monitoring the current ones. ACEA SpA - EXTERNAL RELATIONS AND COMMUNICATIONS - (Digital and corporate media)	0-100% = <b>80%</b>	The project for the creation of the Group's social channels has started.
	Creating an institutional communication campaign targeting customers regarding the use of the MyAcea app and online payment of bills (reducing the impact of producing paper bills, reducing times, reducing movements, etc.). ACEA SpA EXTERNAL RELATIONS AND COMMUNICATIONS (Advertising, Brand Image and Events)	Yes/No = <b>No</b>	The planning of activities related to the target has been started.
	Creating two massive communication campaigns for the use of digital channels (webform and online bills) through the call centre and e-mail, aimed at raising awareness on the use of digital channels among customers. ACEA ATO 5, ACEA ENERGIA; ACEA8CENTO, in conjunction with ACEA SpA EXTERNAL RELATIONS AND COMMUNICATIONS	No. of mass communications campaigns created / no. of communication campaigns to be created No. of customers reached	During the year, the use of digital channels was stimulated by other means, like the "Acea con te" (Acea with you) loyalty programme with initiatives and competitions aimed at rewarding customers with virtuous behaviour focused on the use of online services and through dynamic spaces for bill communication.
	Expand commercial operations that can be carried out by the customer independently through digital channels up to 90%. ACEA ATO 2; ACEA ENERGIA	Commercial operations that can be carried out online / total commercial processes CRM = <b>Acea Ato 2 = 16/22 equal to 73% of commercial transactions</b>	During the year Acea Ato 2 mapped the new features to be added to the digital channels and started the process for the implementation of additional features of the MyAcea app (including a "web balance").
	Implement an instrument capable of creating a quality and dynamic segmentation of customers (by integrating data from the company, third parties and other DB) and activate the multichannel and customised engagement methods with respect to end customers (e.g.: comparing consumptions between neighbours, high consumption/leakage alert, reward for virtuous behaviour, etc.). ACEA ATO 2	Yes/No = <b>No</b>	During the year a first scouting of possible solutions on the market was started and benchmarking was carried out with the aim of verifying what was proposed by other companies operating in the water sector.
	Implementing the online bill for the visually impaired (at least 1,000 customers). ACEA ENERGIA	No. of visually impaired customers who receive the special digital bill	The following are in the planning phase: the summary electricity bill for visually impaired customers and related communications activities.
	Implement a customer care social channel where customers can exchange information on reports regarding failures/leakages in real time, enhancing interventions/investments made, handling users' demands/requests etc. ACEA ATO 2, in conjunction with ACEA SpA - EXTERNAL RELATIONS AND COMMUNICATIONS	Yes/No = <b>No</b>	The planning of activities related to the target has been started.



OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS	2018 ACTIONS
(follows) <b>Developing web presence and digital channels in compliance with the Group's communication and positioning needs</b>	<p>Creating awareness among customers as concerns digital channels also through targeted campaigns and “drive to web” initiatives to be activated on the contact channels (counter, call centre, post), with the aim of reaching 50% of requests coming from the web (Acea Ato 2).</p> <p>ACEA ATO 2, in conjunction with ACEA SpA - EXTERNAL RELATIONS AND COMMUNICATIONS</p>	<p>No. of requests received via web channel/ total requests received from customers (Acea Ato 2) = <b>152,804/1,196,201 equal to about 13% of the total requests</b></p>	<p>During the year, 2 email information campaigns were carried out on digital services and the web bill. In addition, as part of the “meter replacement” plan, an informative letter was sent to interested customers with an invitation to register on the MyAcea website.</p>
	<p>Unifying and optimising toll-free numbers (NV) serving the “free market”, shifting from 4 to 1, and reviewing the call flow to simplify the methods of contact with Acea and improve the customer journey, which can be measured through the Net Promoter Score (NPS &gt;8)</p> <p>ACEA8CENTO</p>	<p>No. of toll-free numbers serving the “free market” Net Promoter Score</p>	<p>No action during the year.</p>
	<p>Increasing the number of active registered members to the My Acea website (reach 30% of the total number of customers who have carried out at least 1 on-line operation per year).</p> <p>ACEA ENERGIA 4,000 users/year increase (20,000 by 2022) registered in the MY Acea website (online counter). ACEA ATO 5</p>	<p>Customers who have completed at least 1 transaction per year online/ total registered customers <b>(Acea Energia) = about 300,000/ about 390,000, equal to about 77% of the total registered customers</b></p> <p>No. of new customers registered online/year <b>(Acea Ato 5) = 5,610 in 2018</b></p>	<p>During the year, Acea Energia sent customers DEM emails (Direct Email Marketing) inviting them to subscribe to the MyAcea portal. However, Acea Ato 5 first activated a telephone service, then a chat service to promote and support customers in subscribing to the MyAcea portal. In addition, the first “Punto Acea Web” was opened in Frosinone, in order to encourage users to register and use the portal.</p>
	<p>Creating a web-counter, exclusively dedicated to digital services, to be located at the sales counter.</p> <p>ACEA ATO 5, in conjunction with ACEA SpA - EXTERNAL RELATIONS AND COMMUNICATIONS</p>	<p>Yes/No = <b>Yes</b> <b>2022 target achieved</b></p>	<p>During the year, a web point of sale was created for customers who go to the commercial point of sale. In addition, in order to facilitate the use of the digital service, trained support staff was made available to customers.</p>
	<p>Planning a communication campaign aimed at customers regarding the plan concerning the replacement of first generation meters with the second generation ones (intermediate target at 2020). Implementing the communication campaign on 30% of the customers affected by the replacement of the installed meters (target 2022).</p> <p>ARETI, in conjunction with ACEA SpA EXTERNAL RELATIONS AND COMMUNICATIONS</p>	<p>Defining communications campaign - Yes/No Customers reached by the campaign /customers whose meters have been replaced</p>	<p>No action during the year.</p>

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS	2018 ACTIONS
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## AREA OF ACTION 2: Improving the quality of services

### Improving the sales quality of services

Reducing the waiting times at the call centre ( $\leq 160$  seconds).  
ACEA ENERGIA - Customer Care

Customer's average waiting time at the call centre = **AT: 1'36"; AL: 55"**

The 2018 performance in terms of average waiting times for toll-free numbers before the operator's reply was 1'36" for AT and 55" for AL.

Reduce waiting times at the counter ( $< 10$  minutes - Acea Ato 2;  $\leq 20$  minutes - Acea Ato 5).  
ACEA ATO 2 - Customer Care; ACEA ATO 5 - Customer Care

Customer's average waiting time at the counter =  
**Acea Ato 2: 3'20" - 6'50"**  
**for points outside of Rome;**  
**Acea Ato 5: 12'25"**

In addition to the continuous training provided to counter operators, during the year Acea Ato 2 expanded its staff at the "Contact Points" outside Rome. Acea Ato 5's actions were focused on four areas: the reorganisation of the environments and spaces in the commercial points, the increase in the opening hours of the commercial counters, the redefinition of the company procedures and the provision of training to personnel and, finally, the promotion of digital products.

Reducing the average age of the customers' readings and at the same time reaching the implementation of smart meters, 80% of the billing amount entirely based on actual consumption.  
ACEA ATO 2

Turnover on actual consumption/total turnover = **about 13% of the billing amount**

In addition to the 300 pilot modules already installed for remote reading, the mass replacement of meters was started at the end of 2018.

Ensuring installation of meters covering 97% of the active units (2017 data).  
ACEA ATO 2

No. of active users with meter/total active users measurable with meter (2017) = **96.7% of active users**

In 2018, a contract was awarded for the replacement of 130,000 meters and a new tender was also called for the replacement of meters and the upgrading of road sockets.

Replacing 10,000 meters (inoperative, unreadable, faulty), to ensure the quality of the measurement systems.  
ACEA ATO 5

No. of meters replaced (stopped, illegible, faulty)/10,000 meters = **7,638/10,000 meters**

In 2018, 7,638 meters were replaced.

### Improving the technical quality of services

Reducing response times by 20% (with respect to 2017) for complex laboratory analysis and expanding the analytical survey spectrum with the aim of reducing risks (WSP - potable water), by implementing high technology analytical techniques.  
ACEA ELABORI

% reduction (response time for the year under review/ response time 2017) = **50% compared to 2017**  
no. of untargeted surveys introduced: **322 controls on sources of supply and 220 controls on surface waters**  
**2022 target achieved**

During the year, new technologically advanced and highly automated measurement systems were acquired that allow direct analysis and "untargeted" analysis to be carried out, as well as guaranteeing the monitoring of emerging parameters related to water safety.

(follows)  
**Improving the  
technical quality  
of services**

Implementing UNI CEI EN ISO/IEC 17020 accreditation for Verifying projects pursuant to Article 26 of Italian Legislative Decree no. 50/2016. ACEA ELABORI	Yes/No = <b>Yes</b> <b>2022 target achieved</b>	During the year, the Project Verification Unit obtained accreditation as a type “B” Inspection Body for design inspections in the “Building construction, civil engineering works in general and related plant engineering works, environmental protection works and naturalistic engineering” sector, in compliance with the technical regulations of Accredia RT-07.
Expanding the purification capacity in 13 Municipalities of the Ato 5, through works on 7 new purification plants and 6 existing purification plants: +79% of equivalent inhabitants (AE) handled. ACEA ATO 5	Purification potential in AE/ purification potential in AE in 2017 (target scope) = <b>6,490/5,490 equal to +18% of purification potential</b>	During the year, the new treatment plant in the town of Monticelli di Esperia was built and put into operation.
Expanding the purification capacity in 14 Municipalities of the Ato 2, in critical situations, through works on 13 existing purification plants and 3 new purification plants: +58% of equivalent inhabitants (AE) handled. ACEA ATO 2	Purification potential in AE/ purification potential in AE in 2017 (target scope) = <b>192,275/163,975 equal to 17% of purification potential</b>	During the year, 2 interventions were carried out to upgrade the treatment plants in the municipalities of Mentana and Carpineto Romano.
Reducing the average water systems failure repair duration times (≤ 2 days). ACEA ATO 5	Ordinary systems failure repair times	The planning of activities related to the target has been started.
Reducing the maximum water systems failure repair times (≤ 12 hrs. for DN ≤ 300 mm pipes; ≤ 24 hrs. for DN > 300 mm pipes). ACEA ATO 2	Water systems failure repair times starting from report	During the year, in addition to the stipulation of new contracts for the repair of faults and urgent maintenance, the internal staff of Acea Ato 2 was increased.
Achieving 92% coverage of the purification service with respect to the total active units (2017 data). ACEA ATO 2	% of users covered by the sewerage treatment service (compared to total users as of 2017) = <b>94% of covered users</b> <b>2022 target achieved</b>	A number of measures have been taken to clean up the areas served by the sewerage system but not yet connected to the sewerage treatment services. In particular, in 2018 3 discharges were reclaimed for 854 resident inhabitants.
Reaching an average duration of disconnection per customer in high concentration ≤ 25 minutes. ARETI	Average duration of interruptions/customer: <b>43.7</b> minutes (figure 2018 estimated and not final)	The figure relates to performance regulated by the Authority. 2018 estimate.
Replacing 20% of the current 361 thermal sub-stations serving the remote-heating network, for greater efficiency of the service and reliability of the unit’s service. ACEA PRODUZIONE	Substations replaced/total substations serving district heating = <b>40/361 equal to about 11% of current substations</b>	Following the identification of old thermal substations, in 2018, 40 plants were modernised with equipment, materials and spare parts to make them more efficient.



## MACRO OBJECTIVE NO. 2

### Enhancing staff for the Group's growth

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS	2018 ACTIONS
<b>AREA OF ACTION 1: Professional development, training and development of skills</b>			
Enhancing and boosting Human Capital skills	Implementing training processes for 100% of the "newly hired" (target population: hired in the last 3 years, under 33 years of age), functional towards defining specific development plans, intermediate target (2018): training of 67% of 120 (target population newly hired at 2018) ACEA SpA DEVELOPING HUMAN CAPITAL	Training - No. of "newly hired" trained/total "newly hired" to be trained = <b>138 newly hired, over 100% of the target population 2018 intermediate target achieved</b>	During the year, the Aurora programme was developed and executed, aimed at training staff that are newly hired, university graduates and under 33 in order to support the growth and development of the Acea Group's resources.
	Sustaining Active Ageing policies, ensuring transfer of know-how for 100% of the population with critical skills exiting. ACEA SpA DEVELOPING HUMAN CAPITAL	No. of employees involved in the process/no. of employees with critical skills = <b>148/148 equal to 100% of the population with critical skills</b>	As part of the training project "La Scuola dei Mestieri" (The Instructor School), 7 training courses were offered for a total of 41 sessions, involving 148 employees having critical skills to be transferred and 47 employees to be trained.
	Developing management skills of the 100% of the middle-ranking managers and office staff with responsibility positions within the Group, through targeted training processes. Intermediate target (2018): 26% out of 380 (target population at 2018). ACEA SpA DEVELOPING HUMAN CAPITAL	No. of managers trained/ total managers to be trained = <b>233/380 equal to about 61% of the target population, Intermediate 2018 target achieved</b>	In 2018, a total of 233 managers and executives were trained as part of the "Managerial Academy" development training project.
Investing in the development and improvement of the staff assessment and recruitment system	Engaging 100% of the staff of the Group in activities aimed at knowing and implementing Leadership Model. ACEA SpA DEVELOPING HUMAN CAPITAL	No. of resources involved/total resources to be involved = <b>4,742/4,742 equal to 100% of the company's population</b>	During the year, staff information and involvement initiatives were carried out on the new Acea Leadership Model through online communications (email, intranet, JAMP), offline communications (visual campaign and meetings at all sites) and internal engagement initiatives.
	Managing and ensuring the application of the various dedicated tools (both conventional and innovative) aimed at the structured assessment of the candidate and full traceability of the process for 100% of the recruitment processes. Gradually promoting the awareness of our brand in terms of staff recruitment towards external markets (target 2022: 70% of the research). ACEA SpA DEVELOPING HUMAN CAPITAL	Internal processes - No. of selection processes activated by dedicated tools/total selection processes activated = <b>93/93</b> External processes - No. of searches activated in visual mode/total searches activated = <b>25/35</b>	In 2018, Acea used various channels for personnel recruitment, including the publication of announcements on LinkedIn and participation in Career Day and Job Meetings. Recruiting was also done using innovative tools and methodologies aimed at optimising recruiting times and methods, like online contests, gamification, new tools to test skills and candidates' digital mindset. For internal staff, specific assessment programmes have been established for assessment and development.



(follows)  
**Investing in the development and improvement of the staff assessment and recruitment system**

Introduction of objectives aimed at promoting impact on sustainability regarding the entire population as concerns MBO in the performance management systems. Intermediate target (2018): 100% staff n-1 and n-2 by Chief Executive Officer, amounting to about 60 people (target population at 2018).  
 ACEA SpA DEVELOPING HUMAN CAPITAL

No. of resources with Sustainability objective in MBO/total resources with MBO = **60/60 equal to 100% of the 2018 target population**  
**2018 intermediate target achieved**

As part of the process of integrating sustainability into the incentive system, a training seminar on "MBO and sustainability" was held in December for HR and Group operating personnel, during which the synergies between the 2018-2022 Sustainability Plan and the MBO catalogue were exploited. In line with this meeting, in 2019 an Objectives catalogue will be produced that is more closely integrated with the Sustainability Plan.

## AREA OF ACTION 2: Involving people in the Group's identity

**Facilitating the implementation of the new "execution" organisation**

Implementing the "execution" model: a new way of engaging the people in work cross-groups ("action team"), aimed at implementing improvement actions. Informing among 100% of the company population and activating at least 10 action teams/year.  
 ACEA SpA DEVELOPING HUMAN CAPITAL

No. of employees informed/total employees = **4,742/4,742 equal to 100% of the company's population**  
 No. of action teams activated/total action teams to be activated = **20**

During the year the "execution model" was implemented, a corporate tool to propose and implement improvement actions through the composition of Action Teams. All employees were informed of the model through the usual communication channels (e.g. emails and dedicated pages on the intranet). 20 Action Teams have been created, 11 of which are intragroup, 9 at a company level.

**Boosting the level of engagement of the company population**

Engaging 100% of the employees in initiatives, even with impact on the territory, aimed at boosting the sense of belonging in the company. Implementing 4 initiatives/year.  
 ACEA SpA DEVELOPING HUMAN CAPITAL

No. of employees informed/total employees = **4,742/4,742 equal to 100% of the company's population**  
 No. of initiatives launched/total of initiatives to be launched = **4/4 initiatives**

In 2018, in order to increase the involvement of company employees, the following initiatives were launched: Sustainability Innovators (with 20 proposals received and 3 ideas awarded); Gaming Acea Energia "Light Up the Summer" (a contest aimed at developing knowledge about the business and encouraging the activation of new Light and Gas contracts by employees); Acea4Young (which involved 24 colleagues in meetings at the Barbiana School in Tiburtino); Feedback Week during which managers shared more than 2,700 items of feedback with their subordinates.

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS	2018 ACTIONS
	Ensuring that 100% of the company population is informed on the strategic choices, mission and policies of the Group, by implementing at least 5 initiatives/year to this end. ACEA SpA - EXTERNAL RELATIONS AND COMMUNICATIONS Internal communications	% of the company population reached by the information = <b>100% of the company population</b> No. of initiatives carried out during the year/initiatives to be carried out = <b>10 initiatives</b>	Initiatives were implemented to disseminate the 2018-2022 Industrial Plan and the Group Sustainability Plan, a Sustainability awareness Campaign, a Health and Well-being promotional Campaign for employees and a Safety in the Workplace awareness Campaign. Initiatives aimed at strengthening the bond with the local community were also organised, some of which were aimed at schools and others at Solidarity Associations.
(follows) <b>Boosting the level of engagement of the company population</b>	Measuring the level of information through 2 surveys to be implemented over the five-year period and that engages 100% of the company population. ACEA SpA - EXTERNAL RELATIONS AND COMMUNICATIONS Internal communications	% of the company population engaged	No action during the year.
	To increase the sense of aggregation and belonging of our employees to the Group, promoting at least 2 initiatives per year. ACEA SpA - EXTERNAL RELATIONS AND COMMUNICATIONS Internal communications	No. of initiatives carried out during the year/initiatives to be carried out = <b>4 initiatives</b>	The main employee-engagement initiatives carried out during the year were: the distribution of the Acea Novecento publication to all employees, which tells the story of the company through a collection of photographs taken from the historical archive, and the Christmas Event involving all Group companies, which also included the FACEWORK photo contest, the distribution of Christmas gifts and the intragroup sports tournament (football, beach volleyball, swimming).
<b>Defining and promoting an employer branding plan</b>	Reinforcing the employer brand identity by engaging 100% of the company population in specific initiatives. ACEA SpA DEVELOPING HUMAN CAPITAL	No. of employees engaged/ total employees	No action during the year.
<b>AREA OF ACTION 3: Organisational inclusion and well-being</b>			
<b>Identifying and improving the organisational well-being of the entire company population</b>	Reinforcing employer satisfaction, developing an EVP (employee value proposition) coherent with the company strategy as well as with the needs identified through internal organisational well-being survey, by identifying 3 improvement actions/year. ACEA SpA DEVELOPING HUMAN CAPITAL	No. of improvement actions activated/total improvement actions to be activated	Three surveys were taken to gauge employees' satisfaction and sense of belonging. Specifically: the "Emotional Marketing" survey that explored employees' perceptions of the Acea Energia brand; the "Smart Worker and Smart Manager" survey that measured the satisfaction and expectations related to Smart Working; the survey on corporate welfare.

Enhancing diversity and promoting inclusion	Engaging 100% of the employees 2 initiatives/year aimed at enhancing awareness on diversity management and gender equality. ACEA SpA DEVELOPING HUMAN CAPITAL	No. of employees involved/ total employees= <b>4,742/4,742</b> No. of initiatives launched/ total initiatives to be launched = <b>1/2 initiatives</b>	During the year the procedure "Protection, inclusion, enhancement of diversity and well-being of workers" was published, revised in light of the "STANDARDS OF CONDUCT FOR BUSINESS LGBTI -Tackling Discrimination against Lesbian, Gay, Bi, Trans & Intersex People") issued by the UN. Another awareness-raising initiative is being planned.
	Promoting at least 3 initiatives per year regarding creating awareness on diversity management and gender equality. ACEA SpA - EXTERNAL RELATIONS AND COMMUNICATIONS	No. of initiatives/year	No action during the year.



### MACRO OBJECTIVE NO. 3 Qualifying presence in the regions and protecting the environment

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS	2018 ACTIONS
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#### AREA OF ACTION 1: Reducing the environmental impact

Planning and implementing actions aimed at fighting climate change (mitigation and adaptation)	Reducing the specific consumption of natural gas by 5% by reconvertng the Tor di Valle thermal power station into a High Efficiency Cogeneration Plant (CAR). ACEA PRODUZIONE	% reduction in specific consumption of natural gas = <b>16.9% for the cogeneration section and 5.7% for auxiliary boilers</b> <b>2022 target achieved</b>	The CAR section of the Tor di Valle plant, which has been up and running since January 2018, allowed a reduction in the specific consumption of natural gas compared to the previous plant configuration.
	Reducing the consumption of electrical energy lighting the Central main offices by replacing 100% of the lighting bodies with LED technology bulbs in the previously renovated areas designated to be used as offices: less than 100 MWh as compared to pre-construction consumption records. ECOGENA	MWh pre-construction - MWh post-construction	In 2018 the Energy Performance Service was launched, i.e. the measurement and periodic reporting of the consumption recorded on the power lines being reconfigured by the Head Office.
	Implementing energy leakage reduction interventions on the network (voltage change, low-leakage transformers, etc.) and other efficiency enhancement interventions that will enable achieving about 18,000 MWh energy saving, about 6,500 t of reduction of emission of CO <sub>2</sub> and saving about 3,400 TOEs as compared to the 2016 data. ARETI	MWh saved/net MWh distributed = <b>4,063 MWh/9,809,301</b> MWh t of CO <sub>2</sub> not emitted = <b>about 1,463 t</b> TOEs saved = <b>about 760 TOEs</b>	1 main energy efficiency measures carried out in 2018 concerned: the installation of 268 transformers with very low losses, the decommissioning of 5.4 km of 60 kV grid, the decommissioning of 3 60 kV transformers and the re-classification from 20 to 8.4 kV for about 183.7 km of grid.

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS	2018 ACTIONS
(follows) <b>Planning and implementing actions aimed at fighting climate change (mitigation and adaptation)</b>	Defining the Risk Index (RI) for the significant elements of the electrical systems (MV/LV cabinets, MV semi-dorsal) and seeing to 10% reduction with respect to the 2016 RI, due to the 98 investment interventions aimed at boosting the resilience of the electrical system. ARETI	Varying the annual percentage of the RI (as compared to the 2016 RI) related to the significant elements by target	In 2018 the Resilience Plan of the electrical system was redefined also in light of the interventions of the ARERA. Areti has completed the model for the calculation of the risk index of components/systems (secondary stations/MV lines) on the basis of which it will implement the reduction goal specified in the target.
	Reaching 100% of the events organised by the companies of the Group that can be classified as “eco-sustainable” (20% increase per year). ACEA SpA EXTERNAL RELATIONS AND COMMUNICATIONS (Advertising, Brand Image and Events)	% increase of eco-sustainable events	The planning of activities related to the target has been started
	Preparing a recovery system in the water production cycle of the 1 <sup>st</sup> and 2 <sup>nd</sup> rainwaters in the Terni e San Vittore del Lazio installations. ACEA AMBIENTE	Yes/No = <b>No</b>	In 2018 the chemical-physical water treatment plant for 1 and 2 rainwater was activated for reuse at the San Vittore del Lazio plant. Software was also implemented to optimise the treatment process in order to reduce the use of chemical reagents and outgoing waste (sludge). Preparatory activities for the construction of a similar plant at the Terni waste-to-energy plant have begun.
	Enhancing efficiency and reducing the energy consumption of the saturated vapour condensation system by 20%, in the recovery installations (Terni waste-to-energy plant). ACEA AMBIENTE	Energy consumption/ pre-construction energy consumption	Some activities preparatory to revamping were carried out.
	Developing biogas cogeneration (39,000 MWh of energy generated from biogas/year) in 4 compost plants, with ensuing reduction of CO <sub>2</sub> (11,300 t CO <sub>2</sub> avoided per year). ACEA AMBIENTE	MWh/year from renewable sources of biogas	No action during the year.
	Drawing up prevention and/or mitigation plans of the supply risk (WSP - Water Safety Plan) of ATO 2 - central Lazio, according to the guidelines of the Water Safety Plan, up to 50% of the total population served (about 3.6 million, figure 2017, equal to 10%/year). ACEA ATO 2	No. of inhabitants covered by WSP/total inhabitants served = <b>350,000/3,600,000, equal to about 10% of the population served</b>	In 2018, the WSP (Water Safety Plan) Team was established, which prepared the risk matrix for the Grottarossa drinking water plant for about 350,000 inhabitants served.
	Drafting the Water Safety Plan. ACEA ATO 5	Yes/No = <b>No</b>	As a preliminary activity to the drafting of the Water Safety Plans (WSPs), in 2018 Acea Ato 5 attended the “National Training Course for team leaders for the implementation of Water Safety Plans (WSPs)” organised by the Istituto Superiore della Sanità (ISS) and the Ministry of Health.

(follows) <b>Planning and implementing actions aimed at fighting climate change (mitigation and adaptation)</b>	Developing a quality-quantity assessment programme on at least 10% of the managed sewage systems, with the aim of mitigating the risk of overflow. ACEA ATO 2	% of sewerage system checked out of the total = <b>4% of sewerage systems</b>	Completed the studies for the analysis of the parasitic waters in the networks connected to 4 treatment plants in the municipalities outside Rome. Similar studies are under way on 10 other treatment plants.
	Developing an in-flow/out-flow model in the sewage system foreseeing the effects of the rain on the sewage system and the rain water collection and disposal system, on which interventions aimed at mitigating and preventing extraordinary atmospheric events will be based. ACEA ATO 2	Yes/No = <b>No</b>	During the year, preliminary analyses were carried out for the development of the model, including inspections of more than 150 flood spillways.
	Reducing consumption at purification stage by 5% (about 6 GWh), starting from the purification plants serving more than 100,000 inhabitants. ACEA ATO 2	% of target achieved (approx. 6 GWh) = <b>32% (1.93 GWh)</b>	In 2018, optimisation of oxygen management was carried out on 4 treatment plants (including Co Bis and Ostia), resulting in energy savings of 1.93 GWh.
	Enhancing the efficiency regarding the 4 most energy consuming purification plants by 5%. ACEA ATO 5	kWh/cbm of treated waste water (measured at discharge) % of reduction of energy consumption (with respect to the 2017 data, target perimeter)	No action during the year.
	Supplying the main companies of the Group with "green energy" for internal consumption. Target at 2018 (on 2017 consumption): 12 companies, for an overall of about 500,000 MWh in electrical energy consumption (equivalent to about 180,000 tons of CO <sub>2</sub> avoided). ACEA ENERGY MANAGEMENT	No. of companies supplied with green energy GO/total companies to be supplied = <b>7/12 for about 458,000 MWh</b>	During the year, the consumption of 7 Group companies was covered by green GO energy, for a total of about 458,000 MWh (equivalent to about 165,000 tonnes of CO <sub>2</sub> avoided).
	Reducing electrical energy consumption for lighting company offices (15 sites, including operational offices and installations): 30% kWh less with respect to pre-construction consumptions records, by installing LED solutions. ACEA ATO 5	% kWh saved compared to historical consumption prior to operation	During the year, at one of the sites identified, the traditional (fluorescent) lamps were replaced with LED fixtures that allow an annual saving of about 553 kWh/year.
	Reducing electrical energy consumption for lighting company offices (26 sites, including operational offices and installations): 50% kWh less with respect to pre-construction consumptions records, by installing LED solutions. ACEA ATO 2	% kWh saved compared to historical consumption before operation = <b>8%</b>	During the year, 7 company sites were involved in revamping activities, i.e. replacing traditional halogen or incandescent lamps with LED lamps.
	Reducing the level of "actual losses" on the water distribution system (Ato 2) up to < 30% (-17% less with respect to the level of about 48% in 2016). ACEA ATO 2	% of real losses = <b>44.2% (about 4% less than in 2016)</b>	During the year, reclamation activities were planned and carried out for about 63 km of the water distribution network and the research and leak repair campaign continued. The 2018 figure for real losses is 44.2%.
	Reducing the level of "actual losses" on the water distribution system up to ≤ 50% (about -17% less to the level of about 66.7% in 2016). ACEA ATO 5	% of actual losses	In 2018, as part of its leakage research and water pipe reclamation activities, Acea Ato 5 carried out pipeline replacement works for approximately 42.4 km. The % figure for real losses did not improve during the year.

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS	2018 ACTIONS
(follows) <b>Promoting an efficient use of resources, facilitating circular economy</b>	Boosting the River Tevere water potabilisation systems as an emergency reserve for the Municipality of Rome (about 500 l/s), to supplement the water resources that can be drawn from Lake Bracciano. ACEA ATO 2	l/s of reserve water available for the city of Rome purified from the Tiber river = <b>500 l/s</b> <b>2022 target achieved</b>	In 2018, work was completed on upgrading and expanding the Grottarossa plant for the production of drinking water from the Tiber. The system is available for a full capacity of 500 l/s in case of emergency.
	Installation of sensors (pressure, flow rate) for the advanced monitoring of water leakage in products. ACEA ATO 2	Yes/No = <b>Yes</b> <b>2022 target achieved</b>	394 sensors (279 pressure gauges and 115 flow gauges) have been installed on the distribution network to control and manage the incoming resource.
	Implementing interventions for recycling purified waste water mainly for irrigation purposes with ensuing recovery of water resources for drinking purposes (recovery of 12 Mln of cbm/year). ACEA ATO 2	Mln of cbm/year of potable resources recovered through use replacement of the purified water	During the year, a tender was prepared for the construction of a treatment system at the CoBis purification plant that will allow the reuse of purified water.
	Increasing the overall waste treatment capacity by about 700,000 t (equivalent to about 70% more with respect to the 2017 data). ACEA AMBIENTE	Overall t of treated waste/ overall t of treated waste (2017 data)	During the year, preliminary activities were carried out for the implementation of 9 initiatives related to the target. These include the start of authorisation procedures for the construction of plants and for extraordinary works on existing ones.
	Constructing an organic sludge management and treatment system and transformation into biolignite (10% of the dehydrated sludge treated). ACEA AMBIENTE	t of biolignite produced/ organic sludge treated	During the year planning for the plant was completed. The authorisation phase is in progress.
	Operativeness of recently purchased milk whey drying plants for transformation into powder for use in the zootechnics industry (30,000 t of whey recovered/ year). ACEA AMBIENTE	t recovered whey = <b>48,894</b>	In 2018, the residual whey from the processing of dairies in the Valle d'Aosta region and potentially classified as waste was enhanced by transforming it into a pre-centralised product and powder for food and animal husbandry.
	Recover 200 tons of ferrous scrap (pulper braids, slag, undifferentiated) at the plant of Terni. ACEA AMBIENTE	t ferrous scrap material recovered	No action during the year.
	Constructing a platform for selecting light multi-material coming from separated collection (recovery of 65% of the managed waste). ACEA AMBIENTE	t of recovered material/t of managed waste	No action during the year.
	Identifying at least 4 possible material recovery initiatives, in compliance with the circular economy. ACEA AMBIENTE	No. of possible initiatives identified	In 2018 the planning of activities related to the target was started



OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS	2018 ACTIONS
Taking initiatives to protect the land and limit impacts on the natural environment	Boosting use of online billing: about 195,000 digital bills (equivalent to about 15 t of paper saved/year). ACEA ATO 2	No. of active web bills = <b>80,356</b> t paper saved per year = <b>6.5 tonnes/year of paper saved</b>	Also thanks to the interventions carried out during the year (two mail campaigns and communication on the main touch points with the customer) the number of users of Acea Ato 2 with digital delivery at the end of 2018 is equal to 80,356. The sheets of paper not sent in the year, thanks to electronic billing, amounted to 6.5 tonnes/year of paper saved.
	Boosting the use of online bills: 250,000 digital bills (equivalent to about 35 t of paper saved/year). ACEA ENERGIA	No. of active web bills = <b>235,331</b> t paper saved per year = <b>32.5 tonnes/year of paper saved</b>	Information campaigns were carried out via email on digital services and on the web bill, informing customers of the benefits of activation. In addition, the incentive plan to increase the activation of the service (in collaboration with Acea8cento) was implemented.
	Further reduction of use of paper by digitising processes, especially in sales relations (new activities): 80% of digitised contracts. ACEA ENERGIA	% of digitised contracts = <b>36%</b>	During the year, about 36% of new accounts were opened using digital tools.
	Eliminating 167 pylons, by modernisation the electrical supply system as well as high and ultra-high voltage transmission. ARETI	No. of pylons removed/ No. of pylons to be removed = <b>39/167 pylons</b>	Demolition of 39 150 kV grid supports in the Rome North area.
	Completing the supplementation of the of the River Tevere and River Aniene quality monitoring system as concerns the Rome city centre fluvial section (7 control units by 2022). ACEA ELABORI	No. of control units/total number of control units to be implemented = <b>7/7 control units 2022 target achieved</b>	In 2018 the quality monitoring network of the Tiber and Aniene rivers was managed.
	Increasing the purification efficiency by 5.5%, with respect to 2017, in terms of reduction of BOD <sub>5</sub> , on 10 purification plants subject of adjustment. ACEA ATO 5	(BOD <sub>5</sub> in-BOD <sub>5</sub> out/ BOD <sub>5</sub> in)*100	During 2018, work began on the regulatory and functional upgrading of three purification plants under management.
	Establishing preventive measures on any sources of criticalities identified (e.g. Abnormal discharge), by clustering waste water systems and targeted monitoring (30% catchments monitored). ACEA ATO 2	No. of sewerage basins monitored by means of sensors/ total basins = <b>19/177 equal to about 11% of the basins monitored</b>	19 studies have been carried out for the identification of dangerous substances in the sewerage systems of 19 municipalities in the province of Rome.
	Increasing the set of parameters monitored on waste water, by outlining specific methods that enable identifying emerging pollutants in the water. ACEA ATO2	Yes/No = <b>Yes</b>	In 2018, 12 specific monitoring campaigns were carried out on the wastewater of purifiers (samples at the entrance, at the exit of the sludge line), for a total of 180 samples, characterised by the search for MOE.
	Developing new infrastructure surveillance systems (aqueduct sections and strategic installations), by using drones and/or satellite systems. ACEA ATO 2	Yes/No = <b>Yes</b>	During the year, the change detection service (satellite monitoring) on the two areas of Rome South and Rome East came into operation.

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS	2018 ACTIONS
(follows) <b>Taking initiatives to protect the land and limit impacts on the natural environment</b>	Reducing the annual amount of sludge produced by the 4 major purification plants by 50% (as compared to the 2017 volumes), by means of interventions aimed at enhancing the efficiency of stabilisation, dehydration and drying processes. ACEA ATO 2	t of sludge produced by the 4 largest treatment plants (Rome North, Rome East, Rome South, Ostia)/tonnes of sludge produced by them in 2017 = <b>Cannot be calculated because of the sludge emergency that occurred in 2018</b>	During the year, work was carried out on the following treatment plants: Rome North, with the commissioning of the new sludge line; Ostia, with the construction of the ozonolysis section, an experimental plant for the weight reduction of the sludge produced by the treatment plant; Rome South, with the revamping of the anaerobic digestion line. In addition, the authorisation process for the construction of the anaerobic digestion area at the Rome South treatment plant has been started.
	Replacing distribution of water bottles with water dispensers at the 3 administrative offices of the company (reduction, fully operative, of about 35,000 bottles/year, equivalent to about 1 ton of plastic less/year). ACEA ATO 5	No. of bottles saved in administrative offices/ No. of bottles consumed (as of 2017) = <b>11,666/35,000 equal to 0.35 t of plastic saved</b>	In 2018 a water dispenser was installed at the headquarters in Frosinone.
<b>Enhancing certified environmental and energy management systems</b>	Reaching 100% of environmental certificates for the Group's subsidiary operative companies (water, energy infrastructure, environmental, engineering and services industries). Obtaining the ISO 50001 certificate for companies of the environmental areas as well as engineering area and services. Maintaining the currently valid environmental and energy management systems certificates. ACEA SpA - Risk&compliance - INTEGRATED CERTIFICATION SYSTEMS	% of operative companies with an environmental and energy management system (per operative sector) = <b>water segment: 100% environmental certification in the energy infrastructure sector: 67% environmental certification environment sector: 100% environmental certification, 50% energy certification engineering and services sector: 100% environmental certification, 0% energy certification</b>	During the year, internal audits were carried out to maintain the certification of the environmental and energy systems.
	Participating in CAM (Minimum Environmental Criteria) definition meetings, where required. ARETI	No. of participations/ active definition meetings on products of competence	The planning of activities related to the target has been started.
<b>Implementing sustainability logics in procurement procedures</b>	Defining minimum shared criteria, by drafting guidelines/internal manuals, for defining a "green" product or "sustainable" service capable of facilitating definition as a "Green Purchaser" of the requirements, when filling in the Shopping Cart. ACEA ATO 2; ACEA ATO 5; ARETI	Yes/No = <b>No</b>	Work has begun on drawing up the guidelines. Pending their completion, companies apply CAMs where possible for the purchase of "green" products or "sustainable" services.
	Developing specialised training processes for 100% of the buyers, of the drafters of the technical specifications (identified by the Companies) and of the resources when planning requirements. ACEA ATO 2; ACEA ATO 5; ARETI	Trained dedicated staff / total number of dedicated staff (drafters of the technical specifications, requirements planning, etc.)	During the year the planning of activities related to the target was started.

(follows)  
**Implementing  
sustainability logics in  
procurement procedures**

Introducing self-assessment in terms of quality, environment, safety, energy and social responsibility (QASER), where relevant, for all economic operators registered in the goods/services/labour procurement qualification systems.  
**ACEA SpA - CORPORATE AFFAIRS AND SERVICES**  
(Procurement and logistics)

No. of QASER self-assessed suppliers/total qualified suppliers = **261/309 qualified suppliers in the year (84%)**

At the end of 2018, the Vendor Management platform implemented all the system requirements necessary to process the data collected through the compilation by suppliers of the QASER self-assessment questionnaire.

Verifying compliance with requirements in terms of quality, environment, safety, energy and social responsibility (QASER) for all economic operators registered in the works and waste management qualification systems, holding a currently valid contract.  
**ACEA SpA - Risk&compliance - INTEGRATED CERTIFICATION SYSTEMS (Supplier audits)**

No. of QASER verified suppliers/total suppliers of certified works and waste management services holding currently valid contracts

The planning of activities related to the target has been started.

Defining, as concerns 50% of the Classes of Commodities regarding procurement of compatible Goods and Services, one or more sustainability criteria applicable when defining technical and/or awarding requirements according to the most economically advantageous tender criterion.  
**ACEA SpA - CORPORATE AFFAIRS AND SERVICES**  
(Procurement and logistics) with contribution from Operative companies

No. of product categories with defined criteria/total compatible product categories = **11/30, about 37% of the compatible product categories**

30 Product Categories and related award criteria have been identified within the most economically beneficial offer (MEBO). Among these, 11 criteria can be considered "sustainability criteria", specifically: ISO 9001, ISO 14001, ISO 18001, ISO 37001, ISO 50001, the presence of another certification (to be specified in the tender specifications), energy efficiency, eco-sustainability, sustainable waste management, ecological vehicles, hydraulic efficiency.

Use of at least 90% of the applicable CAMs (Minimum Environmental Criteria), pursuant to the respective Italian Ministerial Decrees when defining technical and/or awarding requirements in procurement processes regarding multicompany contracts managed centrally.  
**ACEA SpA - CORPORATE AFFAIRS AND SERVICES**  
(Procurement and logistics)

No. of CAMs applied / total no. of CAMs applicable to common contracts valid during the period of reference = **7/8, equal to approximately 88% of the applicable CAMs**

In 2018, a direct contact was established with the Ministry of the Environment and Protection of the Land and Sea for updating current or newly issued CAM in real time.  
The tender for clothing subject to the current CAM on textiles was launched and Acea received the "social procurement" award at the 2018 edition of the Compraverde Forum.

Assessing selection and procurement criteria for renewing the vehicle fleet of the company with the aim of facilitating transportation solutions using electric/hybrid technology or biogas-fuelled means.  
**ACEA ATO 2**

Yes/No = **No**

No action during the year.

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS	2018 ACTIONS
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## AREA OF ACTION 2: Contributing to the well-being of the community

Promoting activities with positive impact on the community and on the territories where the company operates	Supporting at least 3 social-oriented initiatives per year aimed at promoting sports. ACEA SpA EXTERNAL RELATIONS AND COMMUNICATIONS (Advertising, Brand Image and Events)	No. of social initiatives to promote sponsored sports = <b>5 social initiatives to promote sponsored sports</b>	In 2018, Acea supported major sporting initiatives. Among the main ones: the Rome-Ostia Marathon, the Rome Marathon, the Rome Half Marathon Via Pacis; the Volley Scuola - Acea Trophy 2018 with the involvement of students, teachers and headmasters; the Acea Camp, which allows children to spend a summer of sports, friendship and well-being.
	Enhancing industrial sites and facilities of the Group's Companies through cultural-oriented events. ACEA SpA EXTERNAL RELATIONS AND COMMUNICATIONS (Advertising, Brand Image and Events)	No. of events held per year = <b>18 events</b>	In 2018, the number of visits to the Group's plants increased significantly (51 visits in total, for a total of approximately 13,200 people received). Among these, some have had a cultural character, for example the opening of water sites for Open House Rome; the commemorative celebration at the Peschiera springs for the 80 <sup>th</sup> anniversary.
	Increasing the Rome area development investments by 5% per year by sustaining projects aimed at supporting the enhancement of urban quality. ACEA SpA EXTERNAL RELATIONS AND COMMUNICATIONS (Advertising, Brand Image and Events)	% of annual increase of investments	The planning of activities related to the target has been started.

## AREA OF ACTION 3: Consolidating relations with the region

Contributing towards creating awareness on social and environmental matters	Ensuring Acea's engagement in creating awareness among the citizens as regards ethical matters or social campaigns promoted by the Municipality of Rome, through temporary monuments, fountains, squares and public buildings lighting events (75 events lit even free of charge: 15/year). ARETI (Public Lighting)	No. of illuminated events (even free of charge) per year = <b>20 illuminated events (even free of charge) in the year</b>	During the year, 20 temporary lighting events were organised. For example, the red lighting of the Cestia Pyramid for the fight against AIDS or of the Acea headquarters for the World Day against Violence against Women.
	Support or management of at least 4 awareness initiatives per year and promoting socially useful campaigns (prevention of cancer, women's rights, protecting diversity). ACEA SpA EXTERNAL RELATIONS AND COMMUNICATIONS (Advertising, Brand Image and Events)	No. of initiatives supported and/or managed = <b>at least 10 initiatives supported</b>	During the year, Acea supported various initiatives to raise awareness and for social promotion. Among the most important: the fashion show with disabled models "Rome Inclusive Fashion Night 2018" which funds research on spinal cord injuries, talent searches and careers for women, wheelchair basketball and prevention awareness campaigns ("Light up gold, light up hope", "Pink October" and "Pink Ribbon").

	<p>Planning and implementing awareness campaigns aimed at compulsory school age students present in the territory where the Companies of the Group operate, as concerns responsible use of natural resources (at least 6,000 students per year).</p> <p>ACEA SpA EXTERNAL RELATIONS AND COMMUNICATIONS (Advertising, Brand Image and Events)</p>	<p>No. of students involved per year/no. of students to be involved = <b>6,966 students/6,000</b></p>	<p>During the year, the Group carried out the environmental education programme “Acea Scuola. Think sustainable!” which involved 123 schools for a total of 6,966 students. In addition, the children who participated in Acea Camp were also made aware of environmental issues.</p>
	<p>Creating awareness among customers as regards conscious use of water resources by designing customised information and engagement panels (customised reports, consumption simulator, customised tips, etc.); reducing average consumption of active customers by 10% as compared to 2017.</p> <p>ACEA ATO 2, in conjunction with ACEA SpA - EXTERNAL RELATIONS AND COMMUNICATIONS</p>	<p>% reduction of average consumption of active customers</p>	<p>The planning of activities related to the target has been started.</p>
<p>(follows)</p> <p><b>Contributing towards creating awareness on social and environmental matters</b></p>	<p>Creating 2 campaigns per year or awareness initiatives addressing saving water, energy and environmental protection targeting the community.</p> <p>ACEA SpA EXTERNAL RELATIONS AND COMMUNICATIONS (Advertising, Brand Image and Events) and Group companies</p>	<p>No. of campaigns or initiatives carried out during the year = <b>at least 3 initiatives during the year</b></p>	<p>During the year a campaign to raise awareness of water conservation in the city of Rome was carried out, with posters being put up and distributed in the press and on the web. Moreover, in the framework of Acea projects for schools, the children are involved in an educational programme on the water cycle, and in the framework of the Acea Camp initiative, the younger ones participated in the “Acea Water game”.</p>
	<p>Organising at least 5 guided tours of the Group’s plants per year, aimed at schools, institutions, committees etc. with aim of creating awareness on environmental matters.</p> <p>ACEA ATO 2; ACEA ATO 5; ARETI, in conjunction with ACEA SpA - EXTERNAL RELATIONS AND COMMUNICATIONS</p>	<p>No. of visits per year = <b>about 40 visits</b></p>	<p>In 2018, a total of around 50 visits were organised by Group companies, of which around 40 concerned educational visits, including those carried out as part of the Acea School 2018 initiative.</p>
<p><b>Facilitating the engagement of stakeholders in company projects with the aim of creating shared values</b></p>	<p>Assessing a tool for mapping stakeholders and implementing it in the main companies of the Group.</p> <p>ACEA SpA - EXTERNAL RELATIONS AND COMMUNICATIONS (Relations with Stakeholders) in collaboration with the main operating companies</p>	<p>Defining the tool (0/100%) Mapping status of the stakeholders in the Group (0/100%)</p>	<p>The planning of activities related to the target has been started.</p>
	<p>Developing permanent relation methods (e.g. Committees, workshops) with the community and the reference territories and applying them to the main companies of the Group.</p> <p>ACEA SpA - EXTERNAL RELATIONS AND COMMUNICATIONS (Relations with stakeholders) in collaboration with the main operating companies</p>	<p>Define the portfolio of consultation methods (0/100%) Companies with permanent consultation methods/Group companies Number and type of consultations carried out</p>	<p>The planning of activities related to the target has been started.</p>
	<p>Organising an event for presenting and disclosing sustainability Report Data.</p> <p>ACEA SpA EXTERNAL RELATIONS AND COMMUNICATIONS (Advertising, Brand Image and Events)</p>	<p>Yes/No = <b>No</b></p>	<p>The planning of activities related to the target has been started.</p>

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS	2018 ACTIONS
(follows) <b>Facilitating the engagement of stakeholders in company projects with the aim of creating shared values</b>	Planning and carrying out School-Work Alternating projects targeting Technical Secondary School students of the territory (engaging at least 4 students/year for a minimum of 50 hours per student/year). ACEA ATO 5	No. of students involved = <b>4</b> No. of hours of work-study/student = <b>50</b>	Acea Ato 5 has developed three work-study programme with as many schools in the area. As part of these programmes, 4 students worked with staff in the company, and, with regard to the “IdeAzione” (IdeAction) Acea project, one school was the winner of the contest.
	Planning and carrying out School-Work Alternating projects targeting Electronic and Electro-technical Secondary School students of the territory (engaging at least 25 students/year for a minimum of 40 hours per student/year). ARETI	No. of students involved = <b>42 students</b> No. of hours of work-study/student = <b>56</b>	As part of the work-study programme, Areti involved 42 students from an electrical engineering school in the area.
	Attending at least 3 Work Groups and/or technical-regulatory workshops headed by organisations of the industry or scientific bodies for conveying management-operational needs and criticalities in the implementation of future guidelines and recommendations. ACEA ELABORI	No. of initiatives undertaken = <b>5 Working Groups and/or technical-regulatory panels out of 3 planned</b>	During the year Acea participated in several Utilitalia Working Groups on: the revision of the limits for the disposal of sludge in agriculture (as per Decree 99/92), the monitoring plans for drinking water, with particular reference to the control of new parameters and levels of radioactive substances, the energy efficiency of drinking water/wastewater, the efficiency of sewerage and water networks. In addition, Acea set up a multidisciplinary working group on the subject of “Water Safety Plan” with the involvement of bodies and institutions.





## MACRO OBJECTIVE NO. 4

### Promoting health and safety along the value chain

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS	2018 ACTIONS
Promoting workplace health and safety culture	Making a “near-miss” injury online training module compulsory for 100% of the operative population. ACEA SpA DEVELOPING HUMAN CAPITAL (Training)	No. of employees trained/no. of employees to be trained	No action during the year.
	Making a safety culture online training module compulsory for 100% of the operative population: awareness and prevention. ACEA SpA DEVELOPING HUMAN CAPITAL (Training)	No. of employees trained/no. of employees to be trained	No action during the year.
	Train 100% of travelling staff using a company vehicle, Promoting good driving behaviour. Intermediate target (2018): 63% of 1,200 (target population by 2022). ACEA SpA DEVELOPING HUMAN CAPITAL (Training)	No. of employees trained/no. of employees to be trained = <b>519 / 1,200, equal to approximately 43% of travelling personnel</b>	The aim of these 7 training editions was to teach proper driving conduct, both through classroom discussions and through behind-the-wheel training carried out in the ACI Vallelunga Safe Driving Centre.
	Consolidate the downward trend in the Group’s accident indices (SI, FI) through the implementation of initiatives aimed at prevention. ACEA SpA - CORPORATE AFFAIRS AND SERVICES (Safety at Work)	SI, FI < reporting year -1 = <b>SI: 0.30; FI: 8.02 (in 2017 it was SI 0.43; FI 10.87)</b>	Prevention measures were implemented during the year, like training, safety awareness and operational controls, which facilitated the reduction of accident rates.
	Improve the management of health and safety risks by introducing in the Risk Assessment Document (DVR) of the main Group companies [Non-financial consolidated report scope - DNF] an assessment methodology that includes “residual risk” and “risk acceptability”. ACEA SpA - CORPORATE AFFAIRS AND SERVICES (Safety at Work)	No. of companies that have implemented the methodology in the DVR/ No. of companies within DNF scope = <b>4/11</b>	In 2018, a new DVR was prepared and issued for the following companies: the parent company ACEA SpA, Acea Ambiente, Acea8cento and Acea Energia.
	Providing dispatched employees, who work alone, with a safety system on APP (“Smart DPI”) with the aim of enhancing their protection and timely assistance in case of unwellness or injury. ACEA ATO 2	Yes/No = <b>No</b>	During the year, research and testing were carried out on solutions useful for achieving the target.
	Planning and implementing a special activity addressing smoking cessation. ACEA ENERGIA, ACEA8CENTO	Yes/No = <b>No</b>	Planning has started for the activities related to the target.
	Joining the “Healthy at Work” project (Lazio Regional Government), with initiatives aimed at promoting workplace health and with the aim of obtaining a “European Network Workplace promoting health - ENWHP” certificate. ACEA8CENTO	“European Network Workplace promoting health - ENWHP” certificate - Yes/No = <b>No</b>	No action during the year.

## AREA OF ACTION 2: Health and safety in the workplaces for contractors and subcontractors

Creating awareness among contractors on workplace health and safety	<p>Creating safety communication tools (information pamphlets, brochures, videos, manual, etc.), on the types of risk underlying the managed plants, in various languages (e.g. English, Romanian, Polish) with the aim of facilitating learning efficiency by the labourers of the contractor companies.</p> <p>ACEA ATO 2; ACEA ATO 5; in conjunction with ACEA SpA - EXTERNAL RELATIONS AND COMMUNICATIONS</p>	Yes/No = <b>No</b>	<p>Acea Ato 2: during the year the analysis of experiences in the sector was started in order to define the scope and the communications tool to be developed.</p> <p>Acea Ato 5: information useful for defining the contents of the booklet is being collected and a first draft of the booklet is being prepared. In addition, a translation agency is being contracted for translations into several languages.</p>
	<p>Developing a professional safety plan aimed at contracting companies at the Acea Ato 2 training centres.</p> <p>ACEA ATO 2</p>	Yes/No = <b>No</b>	<p>An in-depth analysis of the regulatory context of reference was launched to outline the scope of intervention in compliance with the roles defined by safety laws.</p>
	<p>Creating an annual safety award aimed at creating awareness on safety issues regarding contractors and subcontractors.</p> <p>ACEA ATO 5</p>	Yes/No = <b>No</b>	No action during the year.
	<p>Extending the introduction of awarding criteria related to health and safety issues to all contracts on networks and plants.</p> <p>ARETI</p>	No. of contracts featuring awarding criteria related to health and safety/ total number of contracts in the year	In-depth meetings were held with the RSPPs and the RUPs (Single Process Managers) in relation to the activities pertaining to the target group.
	<p>Increasing annual inspections aimed at verifying the application of safety procedures and regulations on networks maintenance contracts monitored by the Safety Team by 50%.</p> <p>Intermediate target (2020): 11,000 verifications per year (+50% as compared to the 2016 data)</p> <p>ACEA ELABORI</p>	No. of safety inspections/no. of inspections as of 2016 = <b>11,270 equal to approx. +104% compared to 2016</b>	The internal reorganisation and inclusion of new employees in the Acea Elabiori Safety Team has allowed an increase in the number of field inspections.
	<p>Application of awarding criteria related to health and safety, in 80% of the relative tender contracts, awarded according to the most economically advantageous tender criterion.</p> <p>ACEA SpA - CORPORATE AFFAIRS AND SERVICES (Procurement and logistics)</p>	No. of tenders with H&S criteria/ no. of tenders awarded with the most economically advantageous tender = <b>9/10 equal to 90% of the relevant works tenders</b>	During the year awarding criteria were defined related to health and safety applicable to the relative tender contracts and awarded according to the most economically advantageous tender criterion.

## AREA OF ACTION 3: Health and safety of the communities with which the Group operates

Ensuring the health and safety of the customers of the reference community for the various services provided	<p>Developing a plan for monitoring the radioactivity of potable water on 100% of the supply systems.</p> <p>ACEA ATO 2</p>	No. of supply systems checked/total supply systems = <b>5/86</b> (70% in terms of population supplied)	<p>In 2018, 37 checks were implemented (26 on supply sources and 11 on the distribution network). In addition, the Supply Zones (ZdF) were identified – distinct for the Rome and Fiumicino scope and shared with the Lazio Region, local ASLs and ARPA Lazio – in order to collaborate on the “Regional Radioactivity Control Programme”.</p>
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(follows)

**Ensuring the health and safety of the customers of the reference community for the various services provided**

Upholding highest quality standards as concerns supplied potable water.  
ACEA ATO 2; ACEA ATO 5

#### Acea Ato 2:

No. of analytical tests in compliance with legal limits/ total analytical tests carried out = **5,901/6,400 (samples taken from the distribution network)**  
No. of analyses of drinking water/km networks = **359,491/11,244**

#### Acea Ato 5:

No. of analytical tests in compliance with legal limits/ total analytical tests carried out = **1,650/1,723 (samples taken from the distribution network)**  
No. of analyses of drinking water/km networks = **1,723/5,200**

Acea Ato 2 took about 6,400 samples from the distributed drinking water during the year, in line with regulatory provisions. Acea Ato 5 drew up a management programme for drinking water plants in order to respond to the non-conformities that emerged in the previous year and to rectify the most serious points.



## MACRO OBJECTIVE NO. 5 Investing in innovation for sustainability

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS	2018 ACTIONS
<b>AREA OF ACTION 1: Organisational innovation</b>			
<b>Promoting processes and working methods</b>	Involve 1,000 people in smart working from the population eligible per union agreement. At least 200 employees per year involved. ACEA SpA - DEVELOPING HUMAN CAPITAL	No. of employees involved/no. of employees to be involved = <b>295/200</b>	In 2018, the "Smart People" initiative was launched, involving around 300 employees in smart working (over 60% of the requesting population, or 466 employees).
	Design and open at least 5 environments (physical and virtual) for company and extra-company co-working to promote smart ways of working. ACEA SpA - DEVELOPING HUMAN CAPITAL	No. of co-working environments opened/no. of environments to be opened	No action during the year.
	Implement a Group innovation model that defines governance procedures (roles and responsibilities), business processes and dedicated tools. ACEA SpA - Information, Technology & Solutions (Open Innovation)	Yes/No = <b>Yes</b>	Following the workshop held to define the Group's innovation model, during the year systematisation and diffusion was completed, starting with Top Management through a dedicated event.
<b>AREA OF ACTION 2: Technological and process innovation</b>			
<b>Promoting the resilience of the urban territory and innovation from a smart city perspective</b>	Installation of a pilot system for monitoring weather conditions with the aim of estimating the resilience of the power supply network. ARETI	Yes/No = <b>Yes</b> <b>2022 target achieved</b>	During the year, the nowcasting system came into operation, capable of forecasting not only adverse weather conditions in specific areas of the region (90 minutes in advance) but also the malfunctions of the sub-stations in the territory based on vulnerability indices provided to the system. Data exchange flows between the ENEA system and the SGI Acea system have also been enabled.

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS	2018 ACTIONS
(follows) <b>Promoting the resilience of the urban territory and innovation from a smart city perspective</b>	Creating broadband connection on an optical fibre network owned by the company (or any other broadband connection) serving the operation of the power supply network covering the 71 main cabinets. ARETI	No. of stations with broadband connection/ 71 stations	The year saw the identification of telecommunications architecture for the construction of the secure, scalable and low-latency proprietary network and the launch of the tender for the laying of fibre optics. In-depth technological scouting was also carried out.
	Conveying information to the citizens in conjunction with the local authorities by means of 100% of the water dispensing stations. ACEA SpA EXTERNAL RELATIONS AND COMMUNICATIONS (Advertising, Brand Image and Events)	% of water dispensing stations through which information can be conveyed	During the year an agreement was signed for the implementation of a new uniform management platform for the Water Kiosks installed in the municipalities of Rome and in the other municipalities.
	Develop innovative SMEs in collaboration with startups. Universities, research centres, hubs, business incubators and other innovation players, innovative projects linked to the Group's core and non-core businesses. ACEA SpA - Information, Technology & Solutions (Open Innovation)	No. of projects launched <b>= 10 experiments</b>	Ten experiments (PoC) were performed involving all industrial areas, particularly in the fields: Digital Infrastructures, IoT, Artificial Intelligence, Blockchain for the new energy market, Intelligent Software (RPA) for the automation of some of the purchasing processes, Virtual Reality.
	Promote collaborations with start-ups through the organisation of events/dedicated initiatives, also in synergy with universities, institutions, etc. ACEA SpA EXTERNAL RELATIONS AND COMMUNICATIONS (Advertising, Brand Image and Events)	No. of events/initiatives staged <b>= 2 initiatives staged</b>	Acea organised the first "Acea Challenge Prize" which involved 11 start-ups and SMEs in the creation of a dashboard for the analysis of company performance with an innovative approach, also from an "Open Data" perspective.
<b>Implementing remote control systems and remote interventions</b>	Installing remote-read meters, with about 1,000 units, in a pilot municipality. ACEA ATO 5	Number of remote-read meters installed per year	Planning has started for the activities related to the target.
	Installing remote-read meters covering 100% of the units representing 80% of the billed water consumption. ACEA ATO 2	No. of remote-read meters installed on the units covering 80% of the billed water consumption/no. of units covering 80% of the billed consumption	The installation of Remote Reading Modules has started.
	Remote-controlling 100% of the IP plants (intermediate target at 2020) ARETI (Public Lighting)	% of remote-controlled control panels = <b>18.7%</b>	At the end of 2018, 801 remote control panels were active.

**Application of new technology to detect of water leakage**

Testing 3 new leakage detection technologies.  
ACEA ELABORI

No. of technologies tested  
= **3 technologies in pilot area**  
**2022 target achieved**

During the year, pilot-scale tests were carried out using the following technologies: satellite, which allows, through the acquisition of images, radar data and the application of specific algorithms for the identification of water losses; Noise Logger (noise recorder), which makes it possible to identify a leak in the immediate vicinity of the instrument; optical fibre, which uses the deformation of the fibre to locate leaks in water and sewerage networks.

**AREA OF ACTION 3: Creating and promoting knowledge**

**Developing research projects in partnership with other competent organisations**

Taking part in funded projects of interest to Acea and its operative companies at national or European community level, regarding research and environmental sustainability issues.  
ACEA ELABORI

No. of projects  
= **4 projects funded**

During the year, the Acea Group participated in calls for tenders and presented projects aimed at the safety and protection of the water network, the circular economy in the water sector (Circular Water) through the purification and reuse of surface water, the development of a system for actively monitoring losses in the drinking water network and the recovery of matter and energy from sewerage sludge.

Developing methods for the research of 4 emerging organic micro-pollutant classes - MOE (interfering endocrines, drugs, antibiotics, therapeutic substances, substances of abuse) in 10 purification plants of various potential and location.  
ACEA ELABORI

No. of classes of organic micropollutants investigated/ total classes of micropollutants to be investigated  
= **4/4 classes of micropollutants**  
No. of plants monitored/total plants to be monitored  
= **88**  
**2022 target achieved**

During the year, the number of compounds sought was increased by introducing chemical classes of pharmaceutical products and their metabolites, thus reaching 14 MOE sought in 88 purification plants (60% of the purification assets of Acea Ato 2).

Encourage the sharing of expertise on innovation issues and collaboration on innovative projects through the creation of an internal Innovation Community.  
ACEA SpA - Information, Technology & Solutions (Open Innovation)

No. of persons involved = **76**

Active involvement of more than 70 employees in the first collaborations on innovative issues. The initiative will be extended to the entire corporate population with the support of a digital platform and the continuous organisation of activities and events dedicated to direct involvement.

Promote idea generation through the implementation of at least 2 initiatives per year (workshops, calls, contests, etc.) addressed both internally and externally.  
ACEA SpA - Information, Technology & Solutions (Open Innovation)

No. of initiatives carried out/ no. initiatives to be carried out  
= **4 initiatives**

During the year, 4 initiatives were promoted both internally and externally. Specifically: Acea Challenge Prize - Data Edition (external target). Lego Serious Play (internal target); "Future Challenge" (internal target) and Workshop Machine Learning (internal target).



# CORPORATE GOVERNANCE AND MANAGEMENT SYSTEMS

## CORPORATE GOVERNANCE IN ACEA

The governance model adopted by Acea complies with the recommendations of the *Corporate Governance Code for listed companies* and with the principles of **transparency, balance and separation between guidance, management and control activities**.

The Acea SpA Board of Directors **establishes the strategic guidelines of the Group** and is responsible for corporate governance. Some committees have been set up within the Board of Directors (BoD) of the parent company, in line with the most recent indications proposed by the *Self-Regulation Code*, having propositional and consultation duties: the **Audit and Risk Committee**, the **Appointment and Remuneration Committee** and the **Ethics and Sustainability Committee**. Moreover,

in implementation of Consob regulations, a committee has been set up for examining **Party-related transactions**, formed exclusively of independent directors. During the year, the Board of Directors also set up an **Executive Committee** in accordance with the Italian Civil Code (art. 2381) and the Articles of Association (art. 20, para. 1), composed of two independent Directors – one of whom chairs the Committee – and the Chairman and Chief Executive Officer of Acea SpA. This body exercises powers relating to institutional affairs, sponsorships and donations, to be managed in accordance with the budget established by the Board of Directors. The methods of exercising these powers are governed by specific regulations approved by the Board of Directors.

Lastly, the Board of Statutory Auditors performs supervisory duties, according to the traditional model in force.

### CORPORATE GOVERNANCE COMMITTEES

**The Audit and Risk Committee** helps defining the guidelines for identifying, assessing, managing and monitoring the main risks for the Group companies, including risk becoming significant with a view to medium/long term sustainability, establishing compatibility criteria for such risks and supporting, subject to appropriate preliminary activities, the evaluations and decisions of the Board of Directors with respect to the internal auditing and risk management system. The Committee gives a prior opinion to the Board with regard to the annual approval of the activity plan prepared by the Head of the Internal Audit Function and provides its own opinion on any proposals for the appointment, removal and remuneration of the above, while monitoring the Function's independence, efficiency and performance.

The Committee is also responsible for assessing, together with the competent Acea Function, having consulted with the statutory auditor and Board of Auditors, the correct use of accounting standards implemented in

order to draw up the consolidated declaration of a non-financial nature as per Legislative Decree 254/2016. Finally, regarding matters of competence, monitor the adequacy of the Code of Ethics and its effective implementation.

The Committee reports to the Board of Directors at least on a half-yearly basis concerning the completed activity. In 2018 it met 13 times.

**The Appointment and Remuneration Committee** provides opinions to the Board of Directors regarding its composition (size, adequacy of skills, compatibility of positions) and recommends the policy for remuneration of Directors and Executives holding key positions depending on strategic goals and the risk management policy. In this regard, it submits recommendations for performance goals related to variable remuneration. Monitors the application of the decisions adopted by the Board on remuneration policy, checking, in particular, on the effective achieve-

ment of the performance targets. The Committee met eleven times during 2018.

**The Ethics and Sustainability Committee** provides the Board of Directors with advisory and proactive support in the areas of corporate ethics and environmental, social and governance issues. The Committee's duties include among other things: supervision on the matter of sustainability linked to exercising corporate activities and the dynamics of interaction with the stakeholders; examination of the Sustainability Plan guidelines and monitoring of the implementation of such Plan once approved by the Board of Directors monitoring of the adequacy and implementation of the Code of Ethics. The Committee **was also recently assigned responsibility for the promotion of a culture of diversity and fighting discrimination** in the company. The Committee reports to the Board of Directors at least on a half-yearly basis concerning the completed activity. In 2018 it met eight times.

The company is managed by the **Board of Directors (BoD)**, which has between 5 and 9 members depending on the decision of the Shareholders' Meeting. The members of the BoD – the process of identification and appointment of which is governed by Acea's Articles of Association according to the provisions of the applicable law – remain in office for three financial years and can be re-elected. The method used for their selection is able to guarantee the **representation of the genders**, appointment of an adequate number of Directors representing the minorities and the required number of Independent directors pursuant to law<sup>19</sup>.

The **Board in office**, appointed by the Shareholders' Meeting of April 2017, **is composed of 9 directors**, 3 of whom are women. In June 2018, following the resignation of the then Chairman of the Board of Directors of Acea SpA, the Board of Directors elected Michaela Castelli as Chairwoman. The other two female Directors were also attributed the Chairmanships of the Audit and Risks, Appointments and Remuneration, and Ethics and Sustainability Committees.

The Board of Directors met 12 times during 2018. **The Chief Executive Officer** is the only **executive Director**.

<sup>19</sup> Pursuant to art. 147 ter., para. 4 of Legislative Decree 58/98, so-called Finance Act (TUF), the minimum number of independent Directors must be 1 in the case of a BoD up to 7 members, 2 in the case of BoD exceeding 7 members. During the year the BoD verified that the Directors met the conditions required to qualify as independent. As at 31/12/2018, 6 directors are effectively independent.

In accordance with the *Code of Conduct for listed companies*, **Acea carries out a board evaluation annually**, availing of an external advisor in order to **assess the dimension, composition and function of the BoD and its internal Committees**, as well as the issues subject matter of discussion.

The **Report on corporate governance and shareholders' structure**, available on the institutional website ([www.gruppo.acea.it](http://www.gruppo.acea.it)), provides detailed information about the Directors of Acea SpA: **curricula, qualification of independence**, presence in meetings of the Board and the Committees of which they are members and any positions in other companies.

## STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES OF ACEA SPA (AS AT 31.12.2018)

	ROLE IN THE BOD	EXECUTIVE COMMITTEE	APPOINTMENT AND REMUNERATION COMMITTEE	CONTROL AND RISKS COMMITTEE	ETHICS AND SUSTAINABILITY COMMITTEE	EXECUTIVE DIRECTOR	INDEPENDENT DIRECTOR
MICHAELA CASTELLI	Chairman	De jure component		Member	Member		
STEFANO ANTONIO DONNARUMMA	CEO	De jure component				X	
LILIANA GODINO	Director		Chairman	Chairman			X
GABRIELLA CHIELLINO	Director		Member		Chairman		X
LUCA ALFREDO LANZALONE	Director						
MASSIMILIANO CAPECE MINUTOLO DEL SASSO	Director	Member	Member	Member			X
ALESSANDRO CALTAGIRONE	Director						X
GIOVANNI GIANI	Director	Chairman	Member	Member	Member		X
FABRICE ROSSIGNOL	Director						X

## THE ROLE AND POWERS OF THE BOARD OF DIRECTORS IN ACEA

The **duties lying with the Board of Directors** pursuant to the law provisions, the Articles of Association and in compliance with the recommendations provided in the *Code of Conduct* include:

- outlining the company's general and strategic policies as well as guiding lines; coordinating the economic and financial operations of the Group by approving business plans, including financial plans, investment plans and annual budgets;
- defining the nature and extent of risks consistent with the strategic goals of the company, including in such assessments,

**all risk which could become significant with a view to sustainability** in the medium/long term of the issuer's activity, for this purpose defining the guidelines of the Internal Control and Risk Management System;

- approving and amending internal regulations with regard to the general organisational structure of the company;
- establishing the Committees required by the *Code of Conduct* and appointing their members;
- adopting *Organisation, management and*

*control models* as pursuant to Legislative Decree no. 231/01;

- assessing the adequacy of the organisational, administrative and accounting structure of Acea and its key subsidiaries;
- interacting with the shareholders and undertaking initiatives aimed at increasing their engagement and enabling them to exercise their rights smoothly;
- evaluating the independence of its non-executive members at least on a yearly basis.

## FUNCTIONS OF THE CHAIRMAN, CHIEF EXECUTIVE OFFICER

The **Chairman** is the legal representative of the company and is vested with powers of signature. He/she also has the power to call and chair the Board of Directors and Shareholders' meetings. The Chairman's duties include: overseeing the Group's activities and checking the enforcement of board resolutions and corporate governance regulations; monitoring business activities and processes with reference to delivered and perceived quality as well as activities related to **corporate social responsibility**. Lastly, the Chairman shall supervise corporate secretariat operations of the parent company. Finally, one of the powers entrusted is the chairmanship of the Tenders Supervisory Committee.

The **Chief Executive Officer** is entrusted with the ordinary business of the company, vested

with powers of signature, he/she is the company's legal representative and is authorised to represent the company in dealings before the courts of law. He/she shall also discharge such other duties as may be entrusted pursuant to the law provisions and the Articles of Association. His/her terms of reference are based on long-term plans and annual budgets approved by the Board of Directors. Moreover, he/she ensures and monitors compliance with operational guidelines, implementing organisational and procedural changes to the Parent Company's activities consistent with the guidelines issued by the BoD. The current Chief Executive Officer, in addition to being identified by the Board of Directors as the Director in charge of the Internal Control and Risk Management System, also performs

the duties of Head of the Foreign Industrial Area and Business Development Strategies.

The **Chairman and the Chief Executive Officer report at least quarterly to the Board of Directors and the Board of Statutory Auditors** on the general operating trend and outlook.

The Chairman and the Chief Executive Officer may jointly implement, if necessary, acts reserved for the Board of Directors concerning contracts, purchases, participation in tenders, issue of sureties, appointment of members of the Board of Directors and Boards of Statutory Auditors of the most significant subsidiaries and affiliates when the urgency of the matter does not allow their convocation, informing the Board at its first subsequent meeting, which shall verify the legitimacy of such operations.

In accordance with current legislation, the Ordinary and Extraordinary **Shareholders' Meeting may be convened** both by the **Board of Directors** and **at the request of shareholders** representing at least 5% of the share capital. Furthermore, in compliance with such provisions, the shareholders representing at least 2.5% of the share capital may request that additional matters be discussed by either recommending additional topics or submitting resolution proposals for matters already included in the agenda.

Shareholders are encouraged to attend by ensuring appropriate operating conditions: technology-based interactions are envisaged (electronic notice of proxies; notice of call posted on the website). Moreover, prior to the date set for the meeting, the shareholders may (even by email) submit enquiries regarding topics on the agenda. There are no shares with limited voting rights or absent of such right<sup>20</sup>.

Except for the shareholder Roma Capitale, restrictions shall apply to the voting right of shares exceeding 8% of the share capital, as laid down by the Articles of Association. Neither shareholders' agreements nor special rights of veto or in any way affecting the decision-making process exist other than as a result of the equity interest held.

The Parent Company has a number of **Company Committees** that operate on a continuous or periodic basis. These are set up with technical and advisory functions that are carried out in synergy, facilitating decision-making processes and increasing the ability to respond to emerging problems promptly and in a coordinated manner. These are the **Management Committee**, made up of the heads of the Parent Company who report first to the Chief Executive Of-

ficer, the **Business Review Committee** for the analysis of data and economic-financial performance, and ad hoc committees on specific operational areas: the **Public Lighting Committee**, the **Private Electricity Grid Committee**, the **Group's Water Company Committee**, the **Aqueduct Development Committee** and the **Treatment Development Committee**.

Furthermore, in 2018 the **Business Strategy Committee** was also set up to analyse the possibilities of developing core and non-core activities in Italy, and the **Post Audit Committee** was set up to analyse the corrective actions taken to overcome any critical issues identified in audit reports.

These Committees, chaired by the Chief Executive Officer of the Parent Company or by the Managers of the relevant business areas, are attended by the Managers of the Industrial Areas and Functions of Acea SpA. If necessary, additional company professional resources with specific skills will be involved. The matters dealt with may be the subject of reports to the Board of Directors.

It should also be noted that in 2018 the **Tenders Supervisory Committee** was set up at the Parent Company. This body, which reports to the Board of Directors on the activities carried out and is made up of, among others, the Chairman and the Chief Executive Officer, is responsible for monitoring the application of current legislation and company procurement procedures; identifying and monitoring the progress of the tender procedures and the execution of the Group's most significant contracts in terms of economic value, strategic value and executive risks, informing the company bodies of new tenders and potential risks and impacts on existing and planned tender procedures.

## PROCESS FOR SETTING EMOLUMENTS FOR THE TOP MANAGEMENT

A **remuneration policy is in place in Acea concerning top management**, directors tasked with specific duties and executives holding key positions.

The remuneration system regarding these individuals is based on a **clear and transparent process**, with a key role being played by the **Appointment and Remuneration Committee** which formulates proposals regarding the remuneration Policy and the **Board of Directors** of the company which approves them. The

role of these two main corporate governance bodies ensures the observance of rules which favours a consistent Policy, avoiding conflicts of interest and ensuring clarity through adequate information.

The Shareholders' Meeting may set the fixed emoluments of the Board members throughout their term of office and, furthermore, issues a non-binding resolution on the Policy pursuant to Article 123-ter, paragraph 6, of the Finance Act) on remuneration. In relation thereto, the

remuneration was confirmed for the Board members, as established by resolution of 5 June 2014 whereas, in exercising its competence in setting the payments for the Directors vested with special offices, the Board of Directors resolved on the retributive references for the Chairman and the Chief Executive Officer throughout their term in office.

For further details, see the *Remuneration Report Financial Year 2018* available on the website [www.acea.it](http://www.acea.it).

<sup>20</sup> With the exception of 416,993 own shares (corresponding to about 0.2% of the total shares) for which the right of vote is suspended pursuant to art. 2357-ter Civil Code. See also the *Report on corporate governance and the shareholders' structure 2018*.

Acea's **Internal Control and Risk Management System (SCIGR)**, an essential element of the Group's corporate governance structure, consists of a set of rules, policies, procedures and organisational structures whose objectives are:

- **identify the risks** that can affect the pursuit of the objectives defined by the Board of Directors;
- **encourage the taking of conscious decisions** that are consistent with the company's objectives, within the framework of a widespread knowledge of the risks and the level of propensity for them established by the Board of Directors, legality and company values;

- **safeguard the company's assets, the efficiency and effectiveness of its processes, the reliability of the information** provided to corporate bodies and the market and compliance with internal and external regulations.

2018 saw the completion of the process of **revising the various elements of the SCIGR** that had begun last year, leading to the definition and approval of the **new Guidelines**, the **Mandate of the Internal Audit Function** that defines, on the basis of professional standards, the scope, tasks and role of the Function and the **new version of the Code of Ethics** (see the dedicated box).

## THE NEW ACEA CODE OF ETHICS

The Code of Ethics is a **public statement of Acea's commitment** to conducting a business that respects ethical principles and shared values, taking into account the legitimate interests of the company itself and all stakeholders, including the natural environment.

The Code defines a system of values and rules of conduct for the performance of corporate activities that strengthens the Group's identity and manifests it externally, in the belief that this system of values **contributes to the achievement of expected results and the creation of value in the medium to long term.**

During 2018 the Code was updated through

a joint effort of company departments and external experts, seeking to combine the company's identity values with the needs determined by the new strategic objectives that Acea is pursuing and by the dynamic nature of the market.

Some of the aspects that have been introduced or strengthened include: the provision of a **method for updating the Code that is open** to the active contribution of all stakeholders, to identify deficiencies or points of improvement; the **prevention and combating of corruption** through the adoption of a management system compliant with UNI ISO

37001 "Anti-Bribery Management Systems" and specific controls; the **promotion of diversity** and surveys to monitor **organisational well-being**; the introduction of the **precautionary principle** in the event of potential danger to health and the environment; the commitment to manage production processes by making the most of the **circular economy**.

The new text of the Code of Ethics, available on the intranet as well as on the website [www.gruppo.acea.it](http://www.gruppo.acea.it), was approved by a resolution of the Board of Directors in July and brought to the attention of all employees.

The **SCIGR Guidelines**, adopted by the Acea Board of Directors in February 2018, taking into account the recommendations of the Corporate Governance Code of Borsa Italiana and drawing inspiration from existing national and international best practices, in particular the **COSO - Internal Control - Integrated Framework** (Committee of Sponsoring Organisations of the Treadway Commission), are intended to:

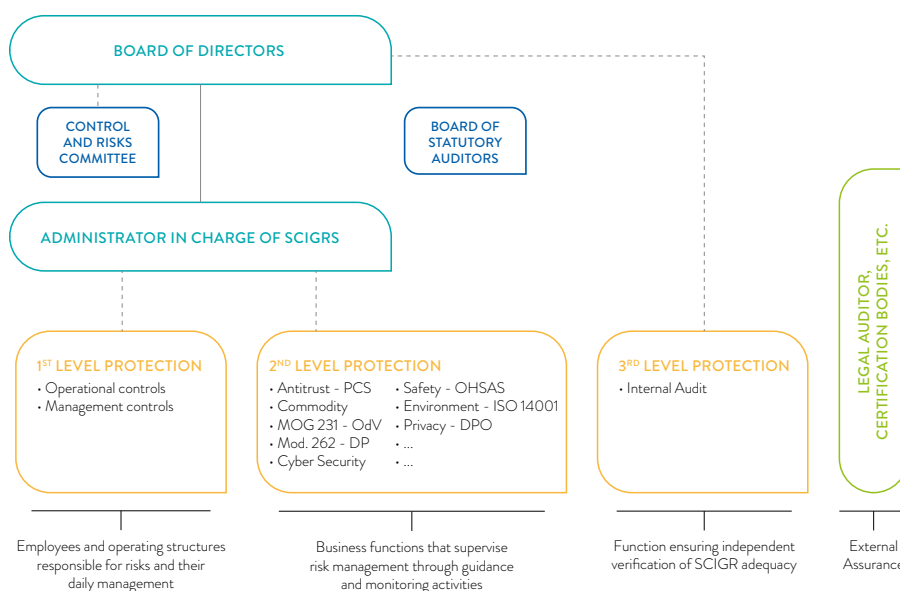
- provide guidance for the various subjects in the SCIGR, so as to ensure that the **main risks pertaining to the Acea Group – including those regarding sustainability in the medium-long term** – are correctly identified as well as adequately measured, managed and monitored;
- **identify the principles and responsibilities** of the governance,

management and monitoring of the risks connected to the company's activities;

- provide for **activities of control** at all operational levels and clearly identify tasks and responsibilities in order to ensure coordination between the main subjects involved in the SCIGR.

Risk management is a **cross-cutting process** with **widespread responsibilities involving all the parties of the company in various ways**: the Board of Directors and the Board Committees, the Director in charge of the SCIGR (who is also the Chief Executive Officer), the Board of Statutory Auditors, all the managers and employees, the Manager in charge, the second level Supervisors, the Supervisory Body, the Internal Audit Function.

## CHART NO. 10 - THE FLOW OF THE SCIGR



#### BoD

Determines the guidelines of the SCIGR **so as the main risks for Acea and its subsidiaries are identified, measured and managed**

#### APPOINTED DIRECTOR

Implements the SCIGR guidelines and takes care – also by using the Audit and Risk & Compliance Departments – of the identification of the main corporate risks, subjecting them periodically to the BoD

#### BOARD OF STATUTORY AUDITORS

Monitors the legislative and procedural conformity and the correctness of the administration

#### COMPANY STAFF

Acts with different responsibilities, from management to workers, in maintaining an efficient process of identifying managing risks, operating with respect to the procedures and performing activities of control on the line

#### MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL REPORTS

Responsible for instituting and maintaining the System of Internal Audit on the financial information

#### RISK & COMPLIANCE - ERM

Defines the risk assessment and prioritisation methodology and coordinates the management of the periodic Risk Assessment process

#### SUPERVISORY BODY

Assigned with the powers of initiative and intervention to the functioning of MOG 231, relying on the collaboration of the Ethics and Sustainability Committee for the matters of common interest

#### INTERNAL AUDIT

Carries out independent audits on the operations and suitability of the SCIGR using and audit plan (risk based) approved by the BoD and monitors the execution of the action plans issued following the audits performed

The monitoring and management of risks which, in special circumstances, can also be significant for the purposes of committing crimes, is entrusted to corporate structures having the duty to realise and adopt **specific audit models**. Among these we note:

- the **Guidelines of the “Control Model pursuant to Law 262/05”** that, together with the “Regulations of the Manager in Charge”, have the objective of defining an effective Internal Control System for the **Group's Financial Report**;
- the **“Privacy Governance Model”**, adopted with the aim of ensuring the application of the **GDPR** (EU Regulation 2016/679 General Data Protection Regulation) and other national and European provisions on the **protection of personal data** (see the dedicated box);
- the **“Antitrust Compliance Programme”**, adopted with the aim of strengthening internal controls to ensure compliance with antitrust regulations and encourage the development of a corporate culture for the protection of competition and consumers (see the dedicated box);
- the model dedicated to monitoring risks associated with safeguarding **health and safety and the workplace**, implemented in conformity with the international standard OHSAS 18001,

having the objective of reducing risks linked to corporate activities, applying policies of prevention and continuous improvement;

- the model dedicated to monitoring **environmental risks**, implemented in conformity with international standard ISO 14001, having the objective of reducing the environmental impact of the activities by applying policies and protocols of management and continuous improvement;
- the organisational control of **Cyber Security**, with the mission of defining the guidelines on computer safety aimed at ensuring confidentiality, integrity and availability of data, in line with current regulations and having the function of steering and controlling the entire Group; (see also the chapter *Institutions and the company*, in particular the sub-paragraph *Protection of assets and management of internal risks*).

A specific Operating Instruction on the **Information Flows of the Internal Audit System** identifies the corporate structures which are to perform **second-level** supervising tasks in respect of some typical risks and provides instruction on how to prepare an **appropriate periodic report to be submitted to top management and governance bodies** reflecting the supervisory tasks performed.



## UPDATING TO THE EU PERSONAL DATA REGULATION (GDPR)

In light of the entry into force of the **European Regulation 679/2016 on the protection of personal data** (General Data Protection Regulation - GDPR) and the Italian legislation implementing it (**Legislative Decree no. 101/2018** amending **Legislative Decree no. 196/03**), Acea has launched an adaptation programme in order to identify – with a priority of core processes – the steps necessary to achieve the highest possible compliance and to equip itself with an **Acea Privacy Governance Model**.

The discipline introduces the figure of the **Data Protection Officer (DPO)** – a professional who is an expert on privacy, information security, information technology and business processes – as a supervisor with the task of supervising and verifying the effectiveness of the measures that the Data Controller – the company – has drawn up, implemented and disseminated.

As required by the regulations, the Acea Chief Executive Officer has appointed an internal employee having the requisites and skills required as the Group's DPO with the concur-

rent establishment of an ad hoc organisational structure (DPO Office) reporting to the Risk & Compliance Function and the CEO in the performance of the tasks assigned.

The Top Management approved a **Governance Model** that provides for the identification of key figures for compliance within the Functions and Companies of the Group and externally, with clear obligations of compliance to ensure the conformity of the monitored processes. A group of persons has also been identified, the “**privacy watchdogs**”, who act as a point of reference within the organisation for the management of aspects relating to privacy and as a point of connection with the DPO Office.

The updating programme was articulated in several initiatives and activities carried out in parallel, including: the **mapping of company processes** and the drafting of a first model of Processing Register; the **definition of a risk analysis and assessment model** and the creation of a first DPIA (Data Protection Impact Assessment); the drafting, approval and publication of the **body of procedures** supporting

the activities; the **dissemination of the instructions** given by the Data Controller to the Process Owners (former Internal Processors) and to the authorised persons (former Appointees); the implementation of **standardised procedures** for the **management of requests from data subjects** and the performance of related activities; the issuing of opinions and instructions on the **privacy impacts of company processes** either ongoing or in the planning phase (Privacy by Design); the identification of responsibilities and the issuing of the relative procedures/operating instructions for the **management of any episodes of personal data breaches**; the updating of the **legal framework on the entire company** (contractual, procedural and notice templates); **awareness-raising and staff training activities** and the launch of related programmes to ensure the involvement of the various groups within the company (Process Owners, designated persons, Privacy Officers, Functions with a higher impact for monitoring core processes, Information Technology, etc.).

## ANTITRUST COMPLIANCE PROGRAMME

The evolution of the **competitive environment** in the markets in which the Acea Group operates requires growing attention to the issue of compliance with **antitrust law** and **consumer protection** regulations.

During the year, the commitment in these areas was strengthened through the adoption via resolution of the Board of Directors of a specific **Antitrust Compliance Programme** – with the approval of two management regulations and the appointment

of an Antitrust Manager – for the Parent Company and its subsidiaries, which will have to ensure its implementation according to their activities and the markets in which they operate.

The adoption of the Programme was preceded by the **mapping of sensitive areas and processes** and by an **assessment of the risk of committing offences** that enabled the preparation of an **organisational oversight model** designed on the basis of the

specific characteristics of the Group. Widespread training and awareness-raising activities were also carried out for the personnel. The main objective of the programme is to strengthen internal controls aimed at preventing the violation of regulations through the implementation of regulatory and organisational instruments, as well as through a more widespread dissemination of the culture of **respect for the principles of fair competition and consumer rights**.

Within the framework of the internal control and risk management system, Group companies have also adopted their own **organisation, management and control models pursuant to Legislative Decree no. 231/2001** (231 Models) in order to prevent the risk of certain crimes or administrative offences being committed in the interest or to the advantage of the entities by top management or entities subject to their management or supervision, which may give rise to the administrative liability of the entities themselves.

The drafting of these Models is preceded by a careful **mapping of the company areas exposed to the risk** of committing crimes, including those related to legislation on **corruption, health and safety at work and the environment**, on the basis of which sensitive activities and offences that could be committed are identified.

The Models are **periodically updated** in order to adapt them to any changes in the internal organisation and activities carried out or with respect to the predicate offences referred to in the legislative decree, as well as with the aim of making them more clear and effective in the event of significant violations or circumvention of the provisions contained therein.

The **Supervisory Body (OdV)**, as an expressly designated body, has full and autonomous powers of initiative and intervention and

control with regard to the effectiveness and observance of the 231 Models, it continuously monitors activities sensitive to the commission of the crimes indicated by the oft-mentioned legislative decree.

For Acea, the adoption of **ethical principles relevant to the prevention of crimes pursuant to Legislative Decree no. 231/2001** is an integral part of the internal control system. To this end, the rules of conduct set out in the **Code of Ethics** represent the point of reference for all those who must abide by it in the performance of company activities.

In 2018, following the legislative changes introduced in the last quarter of 2017, the Group's subsidiaries updated their 231 Models. Furthermore, in October work was started on updating the Parent Company's 231 Model.

The **Internal Audit** function is responsible for carrying out the controls envisaged in the **Audit Plan**, approved by the Board of Directors, subject to the opinion of the Control and Risk Committee and drawn up on the basis of **the analysis and prioritisation of the main risks of Acea and its subsidiaries**, starting with all the processes identified during the Risk Assessment and the results of the monitoring carried out by the corporate functions responsible for second-level controls.

During the year in question, **about 50% of the Plan activities** concerned **corporate processes deemed as exposed to the risks as per Legislative Decree no. 231/01**, amongst which the crimes regarding **corruption** and the **environment**, as well as those in violation of **injury prevention laws and the laws safeguarding health at the workplace**.

The processes that are audited and **at risk of corruption** are as follows: “Sponsorships”, “Personnel selection”, “Purchasing”, “Finali-

sation of work contracts”, “Finalisation of services” and “Incentives for electricity produced by plants using renewable sources”.

As required by the professional standards of the **Institute of Internal Auditors (IIA)**, the specific fraud risks of the process analysed and the operation of the related controls are considered, assessed and tested in the context of the various audits. With reference to **fraud detection** activities, 5 Fraud Key Risk Indicators have been adopted for the purchasing area, analysed every six months by the Function.

## REPORTS RECEIVED RELATED TO THE CODE OF ETHICS

Acea has adopted a procedure that can be followed by both employees and external parties for the reception, analysis and processing of reports – so-called “Whistleblowing” – relating to **any failure to comply with the law, internal rules and the Code of Ethics**, as well as issues relating to the **Internal Control System**, **corporate notices**, the **administrative responsibility of the company** (Legislative Decree no. 231/01), **fraud** and **conflicts of interest**.

This procedure requires an assurance of the **maximum level of confidentiality and privacy** in the processing of communications received, **protecting those voicing their concerns and those responsible**.

The Audit Function is responsible for acquiring, registering and ascertaining the existence of violations and analysed **8 cases of presumed violations** of the *Code of Ethics* in 2018, also in coordination with other competent corporate

Functions. Of these, 3 were traceable to **cases of a technical/commercial nature** and the significance thereof for the purposes of the prescriptions of the *Code of Ethics* was excluded. The remaining 5 cases concerned article 14 of the Code of Ethics “Management, employees and collaborators”. The Internal Audit Function prepares **periodic reports** on the progress of the reports and the main findings are addressed to the Control Bodies.

## INTEGRATED RISK ANALYSIS

In order to promote an integrated view of the risk profile and the proactive management of the risks themselves, associated with the many business processes, Acea has launched the **ERM Programme**, based on the recent **COSO framework** “Enterprise Risk Management (ERM) - Integrating with Strategy and Performance”, aimed at representing **the nature and level** – in qualitative terms – **of the main risks that may jeopardise the achievement of industrial planning and sustainability objectives**, as well as directing the development strategies of a mitigation plan, where necessary. According to the ERM programme, risk management in the Acea Group is a structured and continuous process, carried out in order to treat the risks of the entire organisation in an integrated manner, in line with the **propensity to risk** expressed, in order to guarantee management the information necessary to take the **most appropriate decisions** for the achievement of strategic and business

objectives, for the safeguarding, growth and creation of company value (see also the dedicated box).

The methodology implemented and the support tools developed to allow a consistent representation at a Group level when identifying and assessing the severity of risks have taken into account the **main sustainability issues** both in the classification of **sources of risk** (“suffered” risks) and in the type of object potentially affected by the risk, understood as **economic/financial, technical/production, natural, intellectual, human and social/relational capital** (“generated” risks).

The results of the ERM Programme are also taken into account when planning actions to address risks and seize opportunities for Acea Group companies that implement management systems that comply with the new ISO 9001:2015 and ISO 14001:2015 standards.

## PROGRESS OF THE ERM PROGRAMME

The data collected under the ERM Programme have been **reclassified by ESG (Environmental, Social, Governance) topics** in light of both Legislative Decree no. 254/2016 and the “Acea material topics” (see also the chapter *Disclosing sustainability: methodological note*) and have made it possible to identify in this first application the **sources of risk** – expressed by the risk owners – that could most **affect the execution of the strategy and the management of the business**.

In particular, **considering the Industrial Segments** the Group’s businesses are involved in, though the boundaries cannot be considered to be well defined, the following main findings should be noted:

**ENVIRONMENTAL:** the topics of **efficient use of water; water saving and reduction of losses** and **protection of drinking water quality** are of decisive importance for the **Water Industrial Segment**, both in the phases of plant acquisition and for operations, in the process of

defining and executing industrial investments and in the correct planning of design and works management and network monitoring activities, in order to pursue the effectiveness and efficiency of operational management (see the chapter *Institutions and the company*, in particular the sub-section *Operational risk management for the protection of the common assets*). On the subject of **waste recovery and circular economy**, the **Industrial Environment Segment** has an impact on waste treatment, recovery, valorisation and disposal operations, as well as the management of sewage sludge for compost production.

**SOCIAL:** with regard to **listening, involvement, stakeholder awareness and relations with the local region**, the **Industrial Water, Energy Infrastructure** and **Environment Segments** are impacted due to the peculiarities of the respective businesses managed, where relations with the competent bodies are of fundamental importance in order to issue the concessions

and/or authorisations necessary for the management of the plants and the realisation of investments, as well as the relationship with the social context in which the company operates due to pressure and possible opposition from committees, consumer organisations and users. The **Industrial Water** and **Commercial and Trading Segments** are impacted by the issue of **customer focus**. In their interaction with the customer/user, on the one hand they aim to improve the technical and commercial quality of the service, and on the other hand they formulate marketing policies through competitive commercial offers and an adequate presence in the territory with their own sales outlets in order to fully satisfy the customer’s expectations. The **sustainable management of the supply chain** has a cross-cutting impact on **all Industrial Segments** because suppliers – by subcontracting the company’s activities – become fundamental partners of the company. It becomes essential to select suppliers able to guarantee quality work, also in accordance

## PROGRESS OF THE ERM PROGRAMME (FOLLOWS)

with the Acea integrated management systems and timing of the contracts.

The topic of **technology and innovation of industrial processes, infrastructure and services** also affect **all Industrial Segments**. Through technological innovation it is possible to achieve optimal management of the plants and their efficiency, to improve the resilience of energy infrastructure and water networks with a consequent reduction in losses and to optimise the costs of running the waste

treatment production plants; in addition, the evolution of architecture and IT systems in the commercial field allows providing a service that is more appropriate to the dynamic needs of business.

Of great importance is the **enhancement of human capital**, which also has a clear impact across **all Industrial Segments**, committed to implementing management and organisational tools for managing human resources, with particular regard to staff training

and adequate sizing of internal staff.

**GOVERNANCE:** the topic of **ethics, respect for rules and compliance**, also linked to the fight against active and passive corruption, cuts across **all Industrial Segments**, not only with respect to ethical values and principles that must guide business conduct and management, but also for the peculiarities of businesses strongly subject to regulatory evolution.

As regards **climate change**, as shown by the evidence reported in the CDP (formerly Carbon disclosure project) questionnaire, Acea projects the assessment of related risks over a medium-term horizon. According to the indications of the Task Force on Climate-related Financial Disclosures, climate risks are divided into physical and transitional risks. The former relate to acute climate events (like hurricanes and floods) or chronic climate events (like permanent changes in temperatures), the latter to political, market and technological changes, depending on the regulatory, industrial and social approaches to climate change mitigation and adaptation.

With regard to the type of risks associated with climate change, just to mention the most obvious aspects, the most critical issues arise in the **operational, regulatory and legal areas**. As far as the first aspect is concerned, meteorological events like reductions in

rainfall can have negative impacts on both hydroelectric energy production and the reduction of the availability of drinking water to be distributed, with among other things an increase in energy consumption for the withdrawal of water from more disadvantaged sources. On the other hand, extreme phenomena like storms can lead to the risk of lightning strikes, with interruptions in the service of the electricity network or, for the water network, the overflow of inflows into the wastewater systems as well as turbidity in the water sources. Moreover, from a regulatory and legal point of view, these climatic effects can have an impact on the consequent provision of the service in accordance with the regulations in force, with consequent penalties. The implications of the legislation with regard to CO<sub>2</sub> emission quotas, renewable sources, taxes and environmental certificates (white, green) could be very significant, with possible final impacts of a financial nature.

## ANALYSIS OF POTENTIAL ENVIRONMENTAL RISKS

The **environmental aspects** that might generate potential risks of negative impacts on Acea's activities have been assessed in the context of the ISO 14001:2015 certified environmental management systems of the various operating companies.

For the main companies operating in the industrial segments of **Water, Energy Infrastructure and the Environment**, specific events have been hypothesised in relation to their management, which could have a significant impact on the environment.

As far as the **water service** is concerned, the main risks are due to: inefficient operational management of the water resource, which could cause high levels of losses with consequent excessive consumption; lack of control of the parameters of the resource with environmental consequences if they are exceeded; inadequate interventions on the sewerage-treatment system with possible contamination of the soil and water bodies;

risks of fires and explosions in treatment plants related to the production of biogas, with possible impacts in terms of emissions into the atmosphere.

In the context of the operation of **energy infrastructures**, for the transport and transformation of electricity for delivery to end users, the main risks are attributable to: existence of overhead and underground systems with impacts in terms of land use and subsoil; generation of waste and impacts on ecosystems; generation of electromagnetic fields with impacts in terms of exposure; maintenance of transformation plants with potential soil and subsoil contamination with hazardous materials; maintenance and construction of plants with impacts in terms of production of special waste. With reference to electricity production using renewable and conventional power plants, the potential environmental risks concern the accidental spillage of pollutants or the exceeding of threshold values

in emissions (into the atmosphere, surface water and sewerage) in the ordinary management of plants or in the event of critical events like fires or explosions. An example of environmental risk derives from the potential dangerousness of structural failure of hydraulic works.

Finally, with regard to the activities carried out in the **Environmental** industrial segment – i.e. the treatment, recovery and disposal of waste, the recovery of materials and energy through waste-to-energy and composting plants and the collection, transport, recovery and disposal of non-hazardous waste produced by waste treatment plants – the potential risks with environmental impact could arise with spills of hazardous substances and consequent contamination of the soil and aquifers or surface waters or with emissions into the atmosphere above limit values. Other impacts could be acoustic or on the landscape related to the presence of the plants.

## MANAGEMENT SYSTEMS

A complex **internal rule system** supervises the organisational system of corporate governance for the proper running of the Group's activities, from the definition of the general guideline directives to the formal statement of the particular business aspects, according to the following criteria:

- the **Group guidelines** are the Principles, Policies and Management Regulations through which Acea SpA acts and exercises its role of direction, guidance, coordination and control with respect to the Companies of the Group and define the general guidelines to be followed;
- **procedures** govern the way in which the operational phases of a process are implemented, identifying the roles and responsibilities in detail. The procedures also define the forms to be used and the records to be archived.

Each corporate structure responsible for the individual issues subject to internal standardisation (Process Owner) processes the documents – involving the structures concerned – in compliance with the defined organisational responsibilities.

In order to ensure **general consistency of the documents and verification of regulatory compliance** each document is subject to verification by:

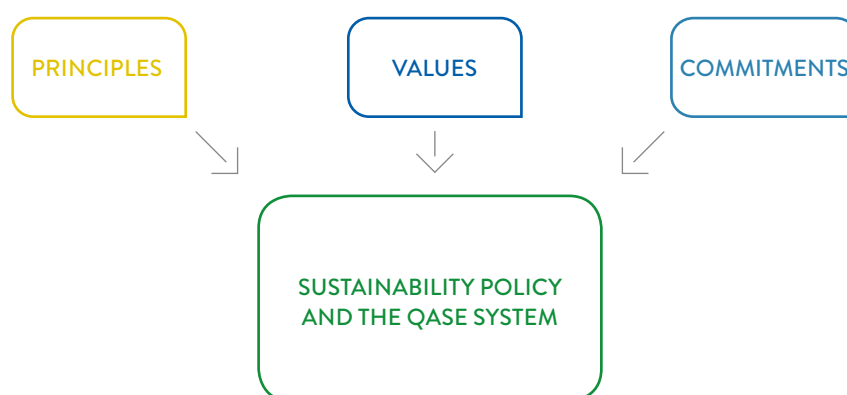
- Company Planning and Organisation Unit, with regard to the consistency of the document with the **organisational structure and with internal regulations**;

- Integrated Certification Systems Unit for document compliance with **management systems**;
- Compliance Unit with regard to compliance with **regulations of reference** (Legislative Decree no. 231, antitrust regulations, etc.);
- DPO Office Unit regarding compliance with **privacy regulations**;
- Internal Control Systems of Financial Information Unit with regard to the consistency of the document with the **management system of the Internal Control System of Financial Information**.

Acea recognises the following values as a **fundamental element for the sustainability of the managed activities**: promoting the **culture of quality, respect of the environment and protecting ecosystems**, the **valorisation of persons and safety at the workplace**, **efficient management of resources, risk assessments and the responsible management of impacts**, economic, social and environmental, **dialogue with the stakeholders** and promoting **sustainability in the value chain**, involving the supply chain.

Consistently with such guideline, in Acea there is a **Policy for sustainability and the quality, environment, safety and energy system**<sup>21</sup>, which breaks down the principles, values and commitments undertaken by the company, placing them in the framework of the pursuit of sustainable development and it is an **integral part of the Management Systems** conform to standards ISO 9001, ISO 14001, OHSAS18001 e ISO 50001.

### CHART NO. 12 - SUSTAINABILITY POLICY AND THE QASE SYSTEM



The **Integrated Certification Systems Unit** within the Risk & Compliance Function defines the methods and standards of reference for the implementation of **QASE certified management systems** as well as for further certifications, accreditations and certifications that the Acea Group intends to acquire, and operates in synergy with the QASE Units present in the individual operating companies. These Units collaborate with the Energy Manager for the development and management of the **Energy Management System** and with the Head of the Prevention and Protection Service (RSPP) and the emergency coordinator for the **Safety Management System**. The management of health, safety and environmental emergencies in Acea is handled by means of a specific procedure (see the chapter on *Institutions and the company*, in particular the sub-section on *Operational risk management for the protection of the common assets*).

Acea also relies on professional profiles such as the **Energy Manager** and **Mobility Manager**, whose duty is to respond to the demands for optimum management of internal energy consumption and staff mobility. The duties of the Energy Manager and Mobility Manager are aimed at seeking **systemic efficiencies and savings** in important aspects related to the running of an organisation, such as use of energy and employees' transfers, which also create **positive external effects** in terms of lower use of resources and **reduction in greenhouse gas emissions** and optimisation of travelling times and routes for employees, respectively, while increasing **road safety and reducing urban traffic**. The Energy manager, in particular, has the duty of implementing actions regarding **energy efficiency**, reduction of consumption and cost control, in order to ensure the progressive optimisation of the Group's energy costs, activating coordination with all the Energy managers in Acea companies.

<sup>21</sup> The Policy is available from the institutional website [www.gruppo.acea.it](http://www.gruppo.acea.it).

## CHART NO. 13 – THE CERTIFIED INTEGRATED MANAGEMENT SYSTEM



The management of **quality, the environment, safety and energy** are **central aspects in corporate operations**, as confirmed by the number of Group companies which have implemented certified integrated management systems over time.

As of 31.12.2018 **11 of the Group companies are equipped with certified management Systems** (see Table no. 8) and they have all initiated the process for transition to the **new standards ISO 9001:2015 and ISO 14001:2015**.

The **Acea Ambiente** plants located in Terni, San Vittore del Lazio and Orvieto are **EMAS registered**.

New developments in 2018 include: the transition from OHSAS18001 to the new **ISO 45001 health and safety** certification for **Acea Ato 5**; the acquisition of **ISO 45001** certification

for **Ecogena**; the acquisition of **ISO 9001 certification for Acea Ambiente**, in addition to the extension of ISO14001 and OHSAS 18001 certifications to the Sabaudia composting plant and ISO 50001 certification at the Terni waste-to-energy plant; **ISO 39001** certification “Road traffic safety management system” for **Aquaser**. Moreover, during the year the process for renewing **SOA certification** was completed for Acea SpA.

Considering the companies as a whole, about **75%** hold a **quality** certification, **75%** an **environmental** certification (100% in the Water and Environment business areas) more than **90%** have **safety** certification (100% in the Water, Environment and Infrastructure industrial segments) and more than **40%** an **energy** certificate management system.

**TABLE NO. 8 - CERTIFIED MANAGEMENT SYSTEMS IN THE ACEA GROUP (AS AT 31.12.2018)**

	QUALITY (ISO9001)	ENVIRONMENT (ISO14001)	SAFETY (OHSAS18001)	ENERGY (ISO50001)	OTHER
Acea SpA	X	X	X	X	
<b>WATER AND ENGINEERING SEGMENT</b>					
Acea Ato 2 SpA	X	X	X	X	
Acea Ato 5 SpA	X	X	X (ISO 45001)	X	
Gesesa SpA	X	X	X		
Acea Elabiori SpA	X	X	X		UNI CEI EN ISO/IEC 17025:2005 Accreditation of lab analyses UNI CEI EN ISO/IEC 17020:2012 Accreditation of inspection bodies
<b>ENERGY INFRASTRUCTURE SEGMENT</b>					
Areti SpA	X	X	X	X	
Acea Produzione SpA		X	X		
Ecogena SpA	X		X (ISO 45001)		UNI CEI 11352
<b>COMMERCIAL AND TRADING SEGMENT</b>					
Acea Energia SpA			X		
Acea8cento Srl					
<b>ENVIRONMENT SEGMENT</b>					
Acea Ambiente Srl	X	X	X	X	EMAS
Aquaser Srl	X	X	X		ISO 39001:2012



Each company that implements certified management systems carries out an **annual review by its management** with the aim of assessing the **effectiveness of quality, environment, safety and energy management systems**, proposing possible improvements and verifying the progress of activities. On these occasions, which are always attended by **the Top Management and the first line of managers** of the Companies in question, numerous elements are analysed, like: policy; context analysis and materiality analysis at a Group level; risk assessment; process performance; significant environmental and energy aspects; changes in legal requirements and those relating to health and safety, environment and energy; supplier performance; cus-

customer satisfaction levels; analysis of complaints; accidents and injuries; objectives.

The results of the review 2018, finding no criticalities, confirmed the adequacy and efficiency of the management Systems.

Finally, it should be noted that during the **year, Acea** – continuing the process of integration initialised and formalised with the adoption last year of the Sustainability Policy and the environmental, safety and energy quality system – **decided to consider that the objectives required by the management system should coincide with the objectives of the 2018-2022 Sustainability Plan approved by the Board of Directors.**

## STAKEHOLDERS AND ALLOCATION OF GENERATED VALUE

## STAKEHOLDERS AND THEIR INVOLVEMENT

Accea promotes the involvement of stakeholders<sup>22</sup> in line with the commitments expressed in the *Sustainability Policy and the Quality, Environment, Safety and Energy System* and the principles set out in the *Code of Ethics*, with a constructive approach that tends to rely on the results of dialogue and discussion.

Identifying the different types of stakeholders and analysing and managing interactions between them and the company are continuous, dynamic and one-on-one activities **stemming from both**

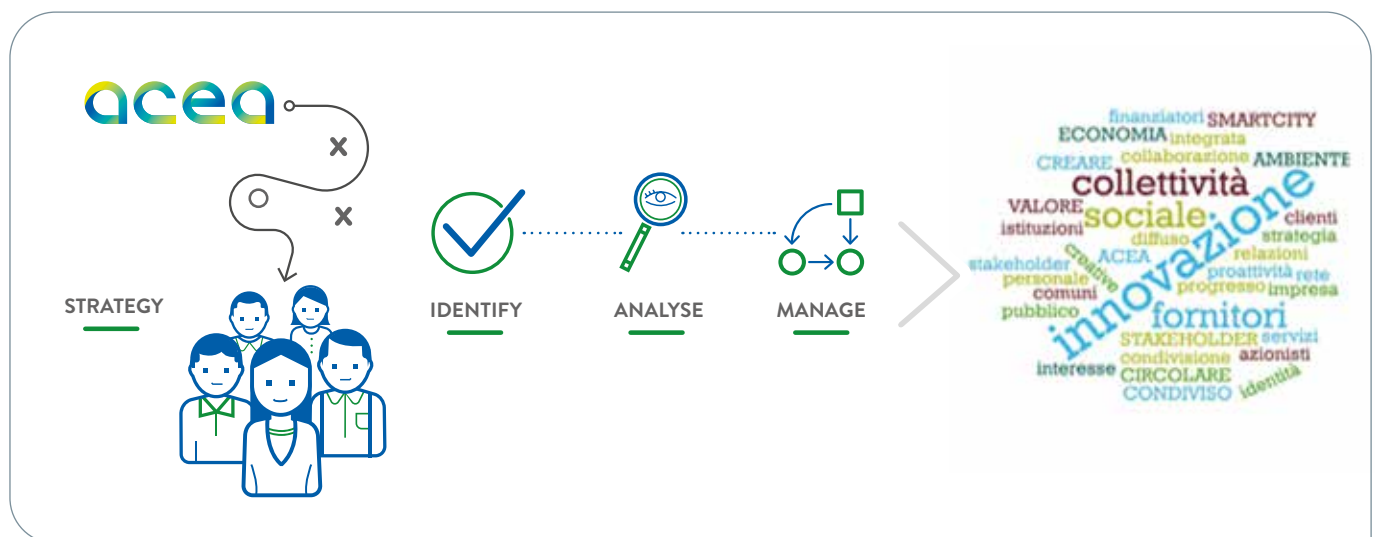
company actions and objectives as well as inputs from outside.

The **stakeholder identification** phase makes it possible to identify the parties directly or indirectly involved in company activities in order to assess their level of impact, quality and quantity.

The **analysis** phase is used to perform a structured evaluation of **the existing interactions** both between the company and the stakeholders as well as among the stakeholders themselves so that dialogue and shared accountability paths may be developed.

Lastly, the **management** phase leads to the **identification of answers** to the questions raised by the stakeholders or the company in order to pursue the achievement of company goals consistent with expectations.

## CHART NO. 14 - STAKEHOLDERS AND THEIR INVOLVEMENT



The “**Acea stakeholder map**” identifies the macro-categories of key stakeholders: customers, employees, suppliers, shareholders and financiers, institutions, community, environment and the company itself.

In respect of each category, engagement initiatives are

undertaken which sometimes result in collaborative paths, projects able to generate shared value, crucial to both fostering business development and reinforcing and enhancing the standing and reputation ascribed to Acea by its stakeholders. See the dedicated boxes.

<sup>22</sup> Stakeholders (interested parties) are those entities - individuals, groups, organisations - having significant relations with the company and whose interests are involved in the corporate activity for various reasons in relations of exchange held with the latter or because they are significantly influenced by them.





## SUPPLIERS

Acea is an important customer for economic operators active in the procurement of works, goods and services in the water, energy and environmental sectors. In 2018, the value of contracts procured centrally by the Holding company for the rest of the Group was **over € 970 million**, with **approximately 1,150 suppliers**. The **competitive method with a tender** is the prevailing form for the selection of partners: **81% of the total** was acquired in this way during the year.

**Sustainability in the supply chain** is promoted starting from the supplier qualification phases and is constantly monitored during audits or specific in-depth analyses. In order to register for the qualification systems related to the Single Regulations for Goods and Services and Works, operators are required to complete a questionnaire to assess **their own quality, environment, safety, energy and sustainability** (QASER) and these aspects may be subject to second-party audits (40 audits carried out in 2018). The **survey** carried out by Acea with a questionnaire specifically developed to assess **commitment to environmental and social issues** was submitted to a select panel of 114 suppliers this year (104 in 2017).

The development of **green procurement** has been pursued with the further expansion of the application of current CAMs in tenders for the pertinent product categories. Acea's commitment to this issue was recognised at the **Compraverde-Buy Green International Forum** when it was awarded the **Social Procurement Award** for best practice in the European tender for the supply of workwear for the entire Group with low environmental impact.

Worker **safety**, which is a fundamental element for the services provided to the Group, was guaranteed by **more than 11,200 on-site inspections** (+27% compared to 2017).



## SHAREHOLDERS AND FINANCIERS

Relations with the **capital markets** are managed in order to pursue the best conditions for the sustainability of financial supplies, diversifying the sources and making the investment in the company safe and valuable for investors (equity and debt).

**More than 70% of the debt derives from bond placement operations**, while in the banking sector Acea mainly targets **institutional operators** (EIB, Cassa Depositi e Prestiti) whose mission is to finance strategic infrastructure. Relations with analysts, credit rating agencies, banks and shareholders were attended to on numerous occasions: Acea participated in meetings and roadshows **with over 140 investors and analysts** in major European markets and, for the first time, also in the Australian market. **In conjunction with the main corporate events**, conference calls were held with the participation of more than **100 financial operators**.

In light of the evolution of global financial market trends towards **sustainable and responsible investments**, Acea's interactions with **ESG analysts** (environmental, social, governance) are constantly growing. During the year Acea confirmed its presence in the **Ethibel excellence investment register**, in the **ECPI** investment universe and maintained its presence in the **Carbon Disclosure Project** with a B rating. Acea's ESG performance was also analysed by **Sustainalytics**, **VigeoEiris**, **MSCI**, **Evalueserve** (FTSE Green revenues model) and **Standard Ethics**.



## EMPLOYEES

**Acea's people** are decisive in the pursuit of its business objectives. Ensuring the best conditions of **stability, care and safety** is therefore one of the company's priorities.

The percentage of personnel employed by the Group with **permanent contracts (96.6%)** and the average **duration of the employment relationship** (for **58.9%** of outgoing personnel it is between 30 and 50 years) testify to a **structured and lasting relationship** with the company. This evidence is also accompanied by a **strategic management of workforce turnover: about 50% of the new hires** in the year were **young people under 30 years of age**. The presence of **women is 24.3%** of the total workforce.

The level of **unionisation was 70.8%**. During the year, a **new, innovative and participatory model of industrial relations** was defined with the signing of a **Group Framework Agreement** that allowed the **definition of company-wide implementation agreements** on issues like **performance bonuses and welfare, smart working (295 people)** and measures to **support parenting (extension of parental and paternity leave and new family permits)**. Furthermore, **all personnel employed in Acea with permanent contracts will continue to enjoy the protections envisaged in article 18 of Italian Law 300/70** (as amended by Italian Law 92/2012) as stipulated prior to the entry into force of Italian Legislative Decree no. 23/2015.

Finally, with **regard to safety**, the company's commitment continues: in 2018 **both the number of accidents (-25%) and accident indices decreased** (the frequency index went from 10.87 to 8.02, the severity index went from 0.43 to 0.30). For the sake of prevention, the **"Acea Heart-Protected Company"** project was launched, with the installation of defibrillators at various company sites and specific training for 30 employees throughout the various sites, and the **"Acea Prevention"** project with the introduction of some preventive medical services (annual check-ups with diagnostic and therapeutic counselling as needed), in addition to the services already included in the company's health policy, for employees and their dependants.



## CUSTOMERS

Acea monitors the dynamics of consumption and is committed to meeting the needs of customers, trying to understand their expectations. Relations with users continue to evolve focusing on a greater digitisation of contact channels, the speed of responses to inquiries and involvement in the services provided. The protagonist of the new energy paradigm, for example, is the **prosumer**, a person that is both a producer and a consumer of energy: the Areti distribution network had more than **12,400 active prosumers** in 2018 (+10% over 2017), and more than 73% of the energy produced by them **is of the photovoltaic type**. During the year, the installation of remote management electrical meters for LV users continued, covering **99.68% of the total number of meters**.

**The Group's digital ecosystem** was revised with the creation of a **new family of domains**, diversifying the company's websites (corporate website, Acea Energia website and website for the captive electrical market), to better meet the needs of users. **Personal contact (physical branches)** with **customers** is also maintained and even increased with new methods, like the activation in 2018 of the first Acea Energia Shop in the Ostia district. However, the dynamics of contact with consumers indicate a **marked reduction in the use of traditional channels** (-24% of calls to toll-free numbers and -13% of contacts at branches).

One of the topics that Acea and its customers collaborate on is **water, its conservation and protection**. In 2018 Acea renewed its targeted **communications campaign**, raising awareness among customers and citizens of **shared commitment and responsibility**, both as manager and end user, to protect water resources.



## COMMUNITY

Aware of its role in the context of corporate citizenship, Acea transparently supports numerous initiatives of a sporting, social and cultural nature. The promotion of the local territory, making the most of the values and energies of communities, is considered a commitment of strategic importance. This includes, for example, attention to **younger generations**, their modern civic education and their future vocational training. The **Acea Scuola** environmental education programme for students in the schools of Rome for the 2017/2018 school year, called **Think Sustainable!** involved **123 schools** with more than **6,900 students** in the second cycle of primary and secondary schools and 709 teachers. Equally engaging was the fourth edition of **Acea Camp**, which has become one of the most important summer sports initiatives dedicated to the capital's youth involving **2,500 children** aged 6 to 14 years old and the Acea Volleyball School Trophy, which involved **3,500 high school students in Rome**. Also important was the **Ideazione** initiative, a **work-study programme** involving 289 students from 13 technical and professional institutes located in the territories where the Group operates.

To promote the local cultural and artistic identity, Acea has put to good use its consolidated expertise in the field of monumental artistic lighting, helping to give new life and use to two important projects: the permanent lighting of the **Castle of Santa Severa** on the Roman coast and of the **Roman Theatre of Benevento**. In addition to these initiatives, there is a well-established **support programme** to raise public awareness of issues of fundamental **social importance**, for example with respect to national campaigns for the prevention of breast cancer (**Pink October** and **Pink Ribbon**) and to fight violence against women (International day for the Elimination of Violence Against Women).



## ENVIRONMENT

The **natural context** is the framework within which Acea's activities find their **origin, purpose and limit**. The commitment to sustainably manage industrial processes from the collection of resources to their transformation and re-introduction into the ecological cycle is therefore constant and represents one of the most highly monitored aspects.

Thanks to an increase in production from renewable energy sources, an increase in the efficiency of internal energy end-uses and of process uses, over the last ten years the Group has reached **carbon intensity** values (gCO<sub>2</sub>/kWh produced) that are among the **lowest** in Italy in the Utility sector, with a **share of renewable sources** in the production of energy **equal to approximately 72%** of the total generated.

In its relations with customers, Acea **has also promoted a sustainable consumption style**: in 2018, 915,000 MWh of **green energy** was sold (+16% compared to 2017) and the awareness of customers in the electricity and water sector on the **"electronic bill"** option has led to **savings of 39 tonnes of paper per year**.

With respect to water, Acea's attention was directed both at the **protection of springs** and the **use of potential alternative sources** to better cope with the effects of ongoing climate change. **Satellite analysis** of the area where the springs are located was developed by internalising the change detection process, allowing areas of interest to be defined more precisely and making monitoring faster and more efficient. In addition, Acea Ato 2 completed the preparation of a **water treatment plant** for the Tiber river that can be used in the future for emergencies and after purification with advanced treatment and disinfection processes.

The development of the waste treatment business continues, with a view to recovering materials for the benefit of the economy and the environment. During the year the company produced over **14,000 tonnes of quality compost** and **19 GWh of energy from biogas** from waste processing, confirming the benefits of a circular economy. Finally, an experimental **process was carried out to transform waste** from the San Vittore del Lazio waste-to-energy plant into a secondary raw material.



## INSTITUTIONS

For a company that delivers essential public services, mostly subject to **regulation by the public authorities**, the relationship with institutions is essential both for planning activities and their exercise. Acea represents a **strategic infrastructural asset** of the local region, and consequently interacts with Public Administrations to contribute to higher **needs of public interest**, for example in the water sector through the drafting of **Emergency management plans** shared with the local institutions (like prefectures, local health authorities, area management bodies). One of the emerging issues being monitored is **cyber threats to the computer networks of general interest services**, and in this context Acea participates in the **Computer Emergency Response Team (CERT)** coordinated at a national level by the Ministry of Economic Development, and took part in the European programme Horizon 2020 with the **ECHO project** (*European network of Cybersecurity centres and competence Hub for innovation and Operations*), for the establishment of a **European network of expert centres on cyber security**.

Relationships and synergies with universities, research institutions, representative organisations, professional associations, etc. are maintained assiduously and transparently in accordance with roles and objectives.



## THE COMPANY

Strategic planning demonstrates the Group's commitment to its **vocation of developing, building and operating infrastructure dedicated to public services**. Acea intends to create infrastructure for smart cities that can adapt to changes in the environment and emerging risks. During the year, there were close **collaborations and partnerships with innovators engaged** in the field of *smart and safe cities*, like **Open Fiber and Huawei**.

Particular attention was paid to the **mapping of existing or planned innovative projects**. A few of the numerous projects carried out include experimentation with **blockchain** technology in peer-to-peer energy exchange, and, in the water area, a project for **finding hidden leaks using traditional techniques** (acoustic) and **testing of innovative techniques** (Noise Logger and Satellite Radar Interferometry).

In 2018, together with the relevant public institutions the foundations were laid to **ensure the main source of water in Rome** and other municipalities in Lazio through the future construction of the upper section of the Peschiera Aqueduct.

As part of the evolution of governance tools, during the year, the **enterprise risk management (ERM) activity was structured also with regard to sustainability aspects** in compliance with the regulations of reference. A specific **antitrust compliance** programme and a structured **privacy governance model** have been implemented in light of **European Regulation 679/2016** on the protection of personal data (GDPR).

In July 2018 the **Code of Ethics was updated**, implementing the prevention of and fight against corruption through the adoption of a management system as per UNI ISO 37001 "Anti-Bribery Management Systems".

## TOOLS AND ACTIONS FOR SUSTAINABILITY

Acea contributes to the economic and civil development of local communities. Attention to the quality of the services provided and the efficiency of the industrial processes managed, the protection of the natural environment and the analysis of the evolutionary dynamics of the territories in which it operates facilitate the Group's

growth in line with the needs of the region and its stakeholders, with a view to sustainable development.

The Group works towards spreading sustainability values, culture and practices, both within the organization and in the contexts it operates in, adopting tools and policies which today cover the most important phases of planning, management and accounting.

### CHART NO. 16 - CSR TOOLS



## DISTRIBUTION OF THE VALUE GENERATED BY ACEA

The economic value comprehensively generated by the Acea Group in 2018 is **3,102.8 million Euros** (2,841.4 million Euros in 2017).

Below is a breakdown of the above figure amongst the stakeholders:

61.7% to **suppliers**, 18.6% to the **company** as resources to be reinvested; 7.1% to **employees**; 5.3% to **shareholders** in the form of dividends; 3.2% to **financiers** in the form of interest on capital provided; 4% to the **public administration**<sup>23</sup> in the form of taxes paid and 0.1% to the **community** by way of sponsorships and donations for events and similar endeavours.

TABLE NO. 9 - ECONOMIC VALUE DIRECTLY GENERATED AND DISTRIBUTED (2017-2018)

(in € million)	2017	2018
<b>total economic value directly generated</b>	<b>2,841.4</b>	<b>3,102.8</b>
<b>DISTRIBUTION TO STAKEHOLDERS</b>		
operating costs (suppliers)	1,766.2	1,915
employees	215.2	219.6
shareholders	145.4 <sup>(*)</sup>	164.1 <sup>(*)</sup>
financiers	89.3	100.6
public administration	96	124.3
community	2.4	3.9
company	526.9	575.3

(\*) Dividends from reserves have also been allocated to shareholders; this item includes minority interests.

<sup>23</sup> The amount paid to the public administration net of state and regional public contributions which Acea receives from such stakeholder (equal to 7.3 million Euros) is 117 million Euros.

**TABLE NO. 10 - BREAKDOWN OF VALUE GENERATED BY STAKEHOLDER (2017-2018)**

	2017 (%)	2018 (%)
suppliers	62.2	61.7
employees	7.6	7.1
shareholders	5.1	5.3
financiers	3.1	3.2
public administration	3.4	4
community	0.1	0.1
company	18.5	18.6



