

A photograph of an industrial facility, possibly a refinery or chemical plant, with various pipes, metal structures, and scaffolding. A hand in a blue sleeve is pointing upwards towards the sky. The image is overlaid with a blue circular graphic containing a pattern of white dots. The text is centered within this circle.

**REPORT ON CORPORATE  
GOVERNANCE AND ON THE  
OWNERSHIP STRUCTURE**

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# GLOSSARY

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**Code/Self-Governance Code:** the Self-Governance Code for listed companies approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria

**Civil Code:** the Italian Civil Code

**Board:** the Issuer's Board of Directors

**Legislative Decree:** Italian Legislative Decree

**FRO:** Director in charge of preparing the company books

**Issuer/Company/Acea:** the issuer of securities the Report refers to

**Year:** the financial year the Report refers to

**MOG:** Organisation, management and control model pursuant to Italian Legislative Decree 231/2001

**OdV:** Supervisory body

**Consob Issuers Regulation:** the Regulation issued by Consob with resolution no. 11971 of 1999 (as subsequently amended) regarding issuers

**Consob Related Parties Regulation:** the Regulation issued by Consob with resolution no. 17221 of 12 March 2010 (as subsequently amended) regarding transactions with related parties

**Report:** the report on corporate governance and ownership structure that companies are required to prepare pursuant to art. 123-bis TUF

**SCIGR/Control System:** Risk management and internal control system

**TUF:** Italian Legislative Decree no. 58 of 24 February 1998

# 1. THE ISSUER'S PROFILE

Acea, a company listed on the online stock market organised and managed by Borsa Italiana SpA since 1999, is a leading Italian multi-utility company that has been operating for more than a century in the sectors of energy (from the generation, distribution and sale of electricity and gas to the management of public lighting), integrated water services (from capture and distribution to purification) and environmental services (the treatment and economic management of waste).

Always sensitive to the principles of corporate social responsibility, Acea conceives its economic activities in the context of the principle of sustainable development, according to which the requirements of economic efficiency and legitimate profit must be consistent with environmental protection and social development.

In adopting the choice of sustainability, Acea integrates the goal of customer satisfaction with that of creating value for the shareholders, at the same time paying attention to the needs of society and respecting the environment; it takes avail of the professional skills of its employees and enhances management responsibility in the achievement of the Company's objectives.

According to the most recent data, to date the Acea Group is the leading national operator in the water sector for inhabitants served, one of the major Italian operators in the distribution of electricity to users (the third for volumes distributed), the third operator for energy volumes sold to end users, and the sixth national operator in Waste-to-Energy (environmental sector).

This report illustrates the corporate governance system adopted by Acea S.p.A. which is based on a series of principles, rules and procedures, in line with the criteria indicated in the Self-Regulatory Code of listed companies promoted by Borsa Italiana, and inspired by the applicable recommendations issued by CONSOB and, more in general, according to international best practice.

The corporate governance system adopted by Acea is essentially aimed at creating value for the shareholders over the medium-long term, in the awareness of the social relevance of the activities in

which the Group is engaged and of the consequent need to adequately consider, in the exercise of the governance system, all the interests involved.

## The governance model

Acea's corporate governance model complies with the traditional Italian administration and control system and is composed of the following bodies: the Shareholders' Meeting, which, for matters within its remit, expresses the shareholders' will through its resolutions, the Board of Directors (composed of 9 members) who are entrusted with the strategic management of the company for the pursuit of the corporate purpose and the management of the most important transactions, while the operational management is entrusted to the Managing Director; the Board of Statutory Auditors, a body with independent responsibilities and powers, and appointed on the basis of the requisites of professionalism, integrity and independence defined by law, with supervisory functions over the administration and observance of the law and the articles of association.

In compliance with the recommendations of the Corporate Governance Code, the Board of Directors has established 4 internal Board Committees that offer proposals and consulting and perform preliminary investigations for the benefit of the Board itself.

The statutory audit of the accounts is carried out, pursuant to law, by a specialist auditing firm (PricewaterhouseCoopers SpA) listed on the specific register of qualified auditors, appointed by the Shareholders' Meeting by proposal of the Board of Directors subject to a Recommendation drawn up by the Board of Auditors.

The Supervisory body as per Italian Legislative Decree no. 231/01 and nominated by the Board of Directors.

The information contained herein refers to financial year 2018 and, in relation to specific subjects, it is updated as at 06/03/2019, the date of the Board of Directors' meeting which approved this Report, the text of which is published at [www.gruppo.acea.it](http://www.gruppo.acea.it), in the "Corporate Governance" section.

## 2. INFORMATION ON THE OWNERSHIP STRUCTURE (art. 123-bis TUF, para. 1)

### a) Structure of the share capital (as per art. 123-bis TUF, para. 1 letter a)

The Company's capital, equal to € 1,098,898,884.00, entirely underwritten and paid up, is divided into 212,964,900 ordinary shares with a par value of € 5.16 each, listed on the online stock market organised and managed by Borsa Italiana (see Table 1). There are no shares with limited voting rights or without voting rights, except 416,993 treasury shares for which the voting right is suspended in accordance with art. 2357-ter of the Italian Civil Code.

### b) Restrictions on share transfers (as per art. 123-bis TUF, para. 1 lett. b)

There are no restrictions on share transfers except for individual constraints of the single shareholders.

### c) Relevant stakes (as per art. 123-bis TUF, para. 1 lett. c)

Relevant stakes, held directly or indirectly, pursuant to art. 120 of the TUF, according to the information published on 06/03/2019 on the CONSOB website and the communications made in compliance with the same article, are listed in Table 1.

### d) Shares bearing special rights (as per art. 123-bis TUF, para. 1 lett. d)

No shares bearing special controlling rights have been issued.

### e) Stakes held by employees: the voting rights exercise mechanism (art. 123-bis TUF, para. 1 lett. e)

In compliance with the aforementioned art. 13 of the Articles of Association, to facilitate the collection of proxies from shareholders employees of the Company, its subsidiaries and affiliates and shareholders' associations, with the requisites contemplated by the related provisions in force, specific spaces are made available for the communication and collection of the proxies.

### f) Voting right restrictions (as per art. 123-bis TUF, para. 1 lett. f)

Under art. 6 of the Articles of Association, with the sole exception of Roma Capitale, any shareholder whose stake exceeds 8% of the share capital must be disclosed to the Company. This limit is considered as reached, in both direct and indirect terms, as specified in more detail in paragraphs 2 and 3 of the said article and as described in the chapter "Shareholders' Meetings" of this Report. In the case of breach of this rule, the exercise of the vote for the shares exceeding the said limit will be forbidden and, in the case of a resolution by a determining vote deriving from the shares exceeding said limit, the resolution may be challenged.

### g) Shareholders' agreements (as per art. 123-bis TUF, para. 1 lett. g)

The Company is not aware of any shareholders' agreements of any kind, as contemplated under art. 122 of the TUF, or of any special powers of veto or of any other extraordinary influence on the decisions that are not direct expressions of the shares held.

### h) Change of control clauses (as per art. 123-bis TUF, para. 1 lett. h) and statutory provisions on takeover bids (as per art. 104, paragraph 1-ter, and 104-bis, paragraph 1)

Acea has entered into important agreements that take effect or

which are nullified in the case of a change of control of the contracting company. The following are the significant ongoing agreements in which change of control implies a negotiation:

- Loan totalling an initial € 100 million from the CDP (Cassa Depositi e Prestiti);
- Long term loan totalling an initial € 150 million from the European Investment Bank (water segment);
- Long term loan totalling an initial € 200 million from the European Investment Bank in favour of Acea S.p.A. (Water II segment);
- Long term loan totalling an initial € 200 million from the European Investment Bank in favour of Acea S.p.A. (Network Efficiency III).

With regard to takeovers, the Company's Articles of Association do not waive the provisions of art. 104, paragraphs 1 and 1-bis, of the TUF, nor are neutralisation rules, provided under art. 104-bis of the TUF.

### i) Delegations for capital increases pursuant to art. 2443 of the Civil Code or the directors' power to issue financial instruments and authorisation for the purchase of treasury shares (art. 123-bis TUF, para. 1 lett. m)

As at 31/12/2018 and also at the date of this Report, the Board of Directors has not been delegated to increase the share capital or to buy treasury shares.

However, as mentioned, the Company currently has 416,993 treasury shares for which the voting right are suspended pursuant to art. 2357-ter of the Civil Code, which are the remaining treasury shares authorised by an Ordinary Shareholders' Meeting resolution of 23 October 1999, amended by an Ordinary Shareholders' Meeting resolution of 29 April 2000, renewed by an Ordinary Shareholders' Meeting resolution of 31 October 2001 and with the additions inserted by an Ordinary Shareholders' Meeting resolution of 30 April 2002.

### l) Management and coordination (as per art. 2497 et seq. civil code)

Arts. 2497 and following of the Civil Code are not applicable inasmuch as Acea autonomously defines its strategic policies and has full organisational, managerial and negotiating independence, not being subject to the governance and coordination of another subject.

It must be noted that:

- the information required by art. 123-bis, paragraph 1, letter i) ("agreements between the Company and the directors ... which provide for indemnity in the case of resignation or unfair dismissal or if their professional relationship ceases subsequent to a takeover") is contained in the remuneration report published in accordance with art. 123-ter of the TUF;
- the information requested by article 123-bis, paragraph 1, letter l) ("rules applicable to the replacement of directors ... and to amendments to the articles of association, if different from and additional to the applicable legislative and regulatory provisions") are illustrated in the section of this Report on the Board of Directors (Para. 4.1).

### 3. COMPLIANCE (as per art. 123 bis, para. 2, lett. A), TUF)

Acea constantly applies the prescriptions of the Self-Regulatory Code, which contains an articulated series of recommendations relating to the methods and rules for the governance and control of listed companies.

Although the adoption of the principles contained in the Code is not required by any legal obligation, Acea has adhered to the current Code since its 2001 version.

The complete text of the Corporate Governance Code is available to the public on the Borsa Italiana website <http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>.

The company provides information annually on its governance system and on its adhesion to the Code by means of a Report, drawn up also pursuant to art. 123-bis of the TUF, which shows the degree of adhesion to the principles and application criteria established by the Code itself and to international best practices.

The yearly Report is made available to the Shareholders, together with the documentation required for the Shareholders' Meeting called to approve the financial statements, and it is also immediately published on the Company's Internet site ([www.gruppo.acea.it](http://www.gruppo.acea.it)) in the "Corporate Governance" section.



## 4. BOARD OF DIRECTORS

### 4.1 APPOINTMENT AND REPLACEMENT (art. 123-bis, para. 1, lett. I), TUF)

Directors are appointed and replaced in compliance with the laws in force, as adopted and integrated, within the limits allowed, by the provisions of the Articles of Association, drawn up in adherence and conformity to the provisions of the TUF.

According to the provisions of the Company's Articles of Association, the Board of Directors is composed of no less than five and no more than nine members, appointed by the Ordinary Shareholders' Meeting (which determines the number within those limits) for a term equal to three financial years and they may be re-elected on expiry of their mandate.

Directorships can only be held by those with the requisites laid down by law and by the regulatory provisions.

Directors are elected as described in art. 15.1 of the Articles of Association, which establishes that:

- there must be a gender balance in the composition of the Board of Directors, as disciplined by law;
- the directors are elected on the basis of lists, each of which contains as many candidates, each indicated by a progressive number, as the number of directors to be elected, and each list must have at least two candidates qualified as independent as contemplated by law, one of which must be first or second on the list and the other must be within the first four on the list;
- the election is carried out as follows:

*"A. from the list that has obtained the majority of votes (hereinafter, for brevity, the "Majority List"), half plus one of the directors to be elected, rounded down to the nearest whole number in the case of a fractioned number, will be chosen in the progressive order in which they are placed on the said list;*

*B. without prejudice to the rulings of law and the provisions of the Articles of Association on the limits to the connection with the Majority List, the remaining directors will be taken from the other lists. For this purpose, the votes obtained by the said lists will be divided, within the sphere of each list, by 1, 2, 4 and 8 and so on, up to the number of directors to be elected. The ratios thus obtained will be progressively assigned to the candidates of said lists, according to progressive order by which they are indicated. The ratios thus attributed to the candidates of the various lists will be placed in a single classification in decreasing order. Those with the highest ratios will be elected.*

*If several candidates have obtained the same ratio, the candidate elected will be that on the list of which no director is otherwise elected or the list with the lowest number of elected directors.*

*If no director is elected from such lists or if the same number of directors is elected from such lists, the candidate elected will be the one that has obtained the highest number of votes. In the case of parity between the list votes and of parity of ratios, the entire Shareholders' Meeting will vote again and the candidate with the simple majority of votes will be elected.*

*In any case, if a correctly drawn up list is presented in addition to the Majority List, the candidates of such a list will be elected according to the order of presentation".*

The adopted election mechanism guarantees that at least one director represents the minorities and that the legally required minimum number of independent directors is elected (one in the case of a Board of Directors with no more than seven members, two if there are more than seven members) in compliance with art. 147-ter, para. 4 TUF.

The lists must be presented twenty-five days before the date scheduled for the first meeting, by shareholders that, alone or

with other shareholders, represent the minimum participation in the share capital established by Executive Determination no. 13 of 24 January 2019 of the CONSOB (this quota is equal to 1% of the share capital).

No candidate may be on more than one list and no shareholder may vote for more than one list. The lists of candidates are filed at the Company's head office and they are also disclosed by publication, by the Company and at this latter's expense, in three national daily newspapers, two of which are financial.

#### Director termination of office:

Pursuant to art. 15.3 of the Articles of Association: "If a director appointed on the basis of the above-mentioned list vote leaves office, the Board of Directors will provide for his replacement by the co-option, in accordance with art. 2386 of the Civil Code, with the first candidate not elected on the list on which the outgoing director was a candidate, in respect of the legal provisions on gender balance, or, if that list has no more candidates, with the first of the non-elected candidates regardless of the relative list; however, if the outgoing director is not on the Majority List, the absence of connection with the Majority List must be respected. If the outgoing director had the requisites of independence and/or belonged to the less represented gender and the number of independent directors and/or those of the less represented gender consequently fall below the minimum number required by law, the first non-elected candidate of the list of the outgoing director with the requisites of independence required by law and/or of the less represented gender will be appointed. Directors thus appointed will remain in office until the next Shareholders' Meeting."

#### Director replacement:

Pursuant to art. 15.4 of the Articles of Association: "If a director leaves office during the financial period, the Shareholders' Meeting, by a relative majority vote, will elect his replacement, as far as possible in respect of the rules in force on independence and gender balance, from the non-elected candidates on the same list as that of the outgoing director. The newly appointed director must have provided, at least ten days before the date scheduled for the Meeting, written confirmation of his candidature as well as the declarations that no reasons exist for his ineligibility or incompatibility and that he holds the requisites prescribed for the office by the laws in force and the Articles of Association.

If this replacement procedure is not possible, a resolution must be passed by a relative majority vote, always in respect of the representation of the minorities and the minimum number of independent directors.

A director thus appointed will remain in office until the expiry of the term of office of the other directors.

If, for any reason, the number of Board Directors falls below half the established number, the entire Board of Directors will fall from office and the Shareholders' Meeting must be summoned immediately for its reconstitution. However the Board of Directors will remain in office for the execution of acts of ordinary administration until the Shareholders' Meeting has resolved on its renewal and until at least half of the new directors have accepted their appointment."

#### Majorities required for statutory amendments

With reference to amendments to the Articles of Association, the Extraordinary Shareholders' Meeting, in compliance with art. 12 of the Articles of Association, will adopt the necessary resolutions with the majorities required by law.

## 4.2 COMPOSITION (as per art. 123 bis, para. 2, lett. d, TUF)

Pursuant to art. 15.1 of the Articles of Association, the Company is governed by a Board of Directors composed of at least five and no more than nine members appointed by the Ordinary Shareholders' Meeting which determines the number within those limits.

The current Board, composed of 9 Directors, was appointed by the Shareholders' Meeting in April 2017 and will remain in office until the approval of the financial statements for the 2019 financial year. The following directors were taken from the majority list presented by the shareholder Roma Capitale: Michaela Castelli, Stefano Antonio Donnarumma, Luca Alfredo Lanzalone, Gabriella Chiellino, Liliana Godino.

Alessandro Caltagirone and Massimiliano Capece Minutolo del Sasso were elected from the minority list presented by Fincal S.p.A., while Giovanni Giani and Fabrice Rossignol were elected from the minority list presented by Suez Italia S.p.A.

Following the remission of the office of Chairman of the Board of Directors of Acea S.p.A. by Mr. Lanzalone, on 21 June 2018 the Board of Directors elected Michaela Castelli as Chairman.

Of the above directors in office, 1 is an executive director (the Managing Director), to whom the Board of Directors has delegated individual managerial powers, whereas the remaining 8 are non-executive directors without individual management powers.

Some information of a personal and professional nature on the directors in office is given below:

### **Michaela Castelli** **Chairman - Non-Executive**

Michaela Castelli was born in Rome on 07/09/1970, she graduated in Law, a lawyer specialised in financial Law at the "L. Bocconi" University in Milan.

She worked at Borsa Italiana SpA where he was engaged, in close collaboration with the Supervisory Authority (CONSOB), in assisting listed issuers regarding extraordinary transactions and price sensitive, compliance and corporate governance disclosure.

She is an expert in matters of organisation and corporate compliance, internal controls and normative 231/01. She currently holds positions governing and control bodies of listed and unlisted companies.

Appointed on the basis of list no. 1 presented by Roma Capitale (containing: no. 1 Luca Alfredo Lanzalone, no. 2 Michaela Castelli, no. 3 Stefano Antonio Donnarumma, no. 4 Gabriella Chiellino, no. 5 Liliana Godino, no. 6 Marco Di Gregorio, no. 7 Maria Verbena Sterpetti, no. 8 Annaluce Licheri); the related proposal for appointment obtained the favourable vote of 73.2743% of the voters.

### **Stefano Antonio Donnarumma** **Managing director - executive**

Stefano Antonio Donnarumma was born in Milan on 29/10/1967, graduated in Mechanical Engineering with top marks. Considerable experience in the sector of vehicle and rail component production, he has worked for important international groups such as TMD Friction, Bombardier Transportation and Alstom. From 2007 he moved to the public service management infrastructure management sector, joining the Acea Group for which he covered the position of operational Chairman of Acea Distribuzione (electricity networks) and director of Ato 2 (water networks) until August 2012. He then moved to Gruppo Aeroporti di Roma (later incorporated into the ATLANTIA group) with the role of Airport Management and Accountable Manager of Fiumicino and Ciampino Airports and Chairman of the ADR Assistance company. In May 2015 he joined the A2A group in Milan, taking the position of Networks and Heat Director (managing all the companies in the group interested in the distribution of gas, electricity, water, remote heat-

ing, public lighting); in the period he is Chairman of Unareti SpA, A2A Calore e Servizi Srl, A2A Ciclo Idrico SpA and director of Gruppo LGH SpA.

Appointed on the basis of list no. 1 presented by the aforementioned Roma Capitale.

### **Gabriella Chiellino** **Director - Non-Executive - Independent**

Gabriella Chiellino was born in Pordenone on 21/03/1970, she graduated in Environmental Science at Ca Foscari University in Venice in 1994. She has worked in the field of sustainability for over 20 years, covering various roles in the university context, teaching scientific subjects regarding environmental and energy management in companies. She was a member of various scientific technical committees in the public and private sector, also coordinating international events on matters linked to sustainability (water, waste, smart city). 15 years ago she founded an environmental and energy engineering company, of which she now chairs the BoD, which operates in Italy and overseas. As an expert of corporate Sustainability Governance, she steers and coordinates various Corporate Sustainability Committees. She is the author of various publications and articles on environmental and ethical matters and is a lecturer in various university courses.

Appointed on the basis of list no. 1 presented by the aforementioned Roma Capitale.

### **Liliana Godino** **Director - Non-Executive - Independent**

Liliana Godino was born in Genoa on 8/4/1962, she completed her education at l'Haute Ecole du Commerce in Paris, specialising in "Corporate Economy and Marketing".

She is Chief Procurement Officer of Gruppo Messina S.p.A. She was the General Affairs and Organisation Director of Baglietto Srl, which produces certified steel for global ship building sites. She was the Purchases and Logistics Director of Grandi Navi Veloci SpA. She spent 18 years in Danone SA, a global agro-foodstuff comply, first in consumer marketing with experience and national and international level and then in procurement, her last role being the Worldwide Sourcing Director for Packaging at the Headquarters in Paris. She was a member of the Board of Directors of the International School in Genoa.

Appointed on the basis of list no. 1 presented by the aforementioned Roma Capitale.

### **Luca Alfredo Lanzalone** **Director - Non-Executive**

Luca Alfredo Lanzalone was born in Genoa on 11 August 1969, he graduated in Law "summa cum laude" and worthy of publication at Genoa University on 3 November 1992 with the thesis "Chapter 11 - The Reorganization in the United States Bankruptcy Act". Authorised to exercise the profession of lawyer, he is registered in the Register of Lawyers of the Court of Genoa as well as the Register of legal representatives in the Court of Cassation and before the High Courts. He is one of the founding partners of the Lanzalone & Partners law firm (having its head office in Genoa and secondary offices in Lodi, Milan, Miami and New York), in which his main activity is as an advisor and legal assistance for companies and public entities on corporate matters, the organisation of local public services, privatisation and extraordinary merger, demerger and acquisition transactions, as well as relations with the regulation and control Authorities for the energy, banking and financial market. He taught Bankruptcy Law and European Commercial Law at Genoa University and is the author of several publications on the matter. It was a member of the board of directors of various companies operating in the energy, financial intermediation, port infrastructures and mechanical sectors.

Appointed on the basis of list no. 1 presented by the aforementioned Roma Capitale.

**Alessandro Caltagirone**  
**Director - Non-Executive - Independent**

Alessandro Caltagirone was born in Rome on 27/12/1969, he graduated in Economics and Commerce at La Sapienza University in Rome. He is current a Board Member in many companies amongst which: Unicredit SpA, Il Messaggero SpA, Cementir Holding SpA, Caltagirone SpA as well as Vice Chairman of the Board of Directors of Alborg Portland Holding A/S.

Appointed on the basis of list no. 2 presented by Fincal SpA, as at the date of the Shareholders' Meeting of appointment, he held 2.676% of the share capital (containing no. 1 Alessandro Caltagirone, no. 2 Massimiliano Capece Minutolo Del Sasso, no. 3 Azzurra Caltagirone, no. 4 Mario Delfini, no. 5 Tatiana Caltagirone, no. 6 Albino Majore, no. 7 Annalisa Mariani) he obtained the favourable vote of 12.8175% of the voters.

**Massimiliano Capece Minutolo Del Sasso**  
**Director - Non-Executive - Independent**

Massimiliano Capece Minutolo Del Sasso was born on 07/04/1968, registered in the register of Engineers of Rome since 1992. Vast experience in the real estate and infrastructure sector with competencies in design, development and management of large urban and construction projects. Currently Manager of Vianini Lavori SpA. and Board Member in several companies, including G.S. Immobiliare SpA, Vianini SpA and Fincal SpA.

Appointed on the basis of list no. 2 presented by the aforementioned Fincal SpA.

**Fabrice Rossignol**  
**Director - Non-Executive - Independent**

Fabrice Rossignol was born in Boulogne-Billancourt on 02/08/1964. He was Additional General Manager of Suez Central Europe, Mediterranean, Africa, Middle East, general Manager of Suez Recyclage et Valorisation France. Since January 2017, the General Manager of Suez Italy, Central and Eastern Europe and CEI, as well as Chairman of Suez Italy since March 2017.

Appointed on the basis of list no. 3 presented by Suez Italia SpA, as at the date of the Shareholders' Meeting of appointment, he held 12.483% of the share capital (containing no. 1 Fabrice Rossignol, no. 2 Giovanni Giani, no. 3 Diane Galbe, no. 4 Mauro Alfieri, no. 5 Massimo Lamperti, no. 6 Francesca Menabuoni, no. 7 Marica Lazarin, no. 8 Diego Colmegna, no. 9 Susanna Mancini) and obtained the favourable vote of 13.7804% of the voters.

**Giovanni Giani**  
**Director - Non-Executive - Independent**

Giovanni Giani was born in Lecco on 14 January 1950, engineer, manager with vast international experience in business development and the management of companies in the sector of services for society as a whole and in the industrial sector, and expert in international industrial relations. At present he holds the office of Managing Director of Suez Italia SpA, the Italian holding company of the Suez Group.

He was appointed on the basis of list no. 3 presented by the aforementioned Suez Italia SpA.

**Diversity criteria and policy**

Since the renewal of the Acea corporate bodies in 2013, the balanced representation of genders has been ensured in the composition of the Company's Board of Directors as required by Italian law no. 120 of 12 July 2011 and the TUF.

In particular, compliance with this regulation is ensured by the Articles of Association, which were amended by resolution of the

Board of Directors on 24 January 2013 to implement the provisions of Italian Law 120/2011.

The Acea S.p.A. Shareholders' Meeting punctually implemented law 120/2011 regarding equal access to governing and control bodies of companies listed in regulated markets, appointing board members of different genders.

With regard to other aspects of diversity in the composition of the Board, it should be noted that in view of the Shareholders' Meeting called for the appointment of the 2017 Directors, the Acea Board expressed its position to the shareholders on the qualitative and quantitative composition of the new Board that it deemed optimal. In particular, the outgoing Board had underlined that among other things the composition had to take into account the need for diversity, including gender and seniority, in compliance with applicable legal provisions. Furthermore, the Board underscored that the Board's mix of expertise should be well balanced. The current composition appears to be compliant with the aforementioned position. In fact, for the renewal of 2017 the Acea Shareholders' Meeting appointed three Directors of the Board of Directors of the less-represented gender, equal to one third of the total, in accordance with the provisions of Italian Law 120/2011: Michaela Castelli, Liliana Godino and Gabriella Chiellino.

In the subsidiary companies, Acea S.p.A. also ensures the appointments of governing and control bodies again in respect of gender numbers.

It should be noted that the current composition of the Board of Statutory Auditors also complies with the provisions of the aforementioned Italian Law 120/2011.

Without prejudice to the above, Acea has not adopted a specific diversity policy pursuant to art. 123-bis, para. 2, lett. d-bis of the TUF, given that the processes for constituting the Company's administrative and control bodies already broadly consider significant aspects like age, gender composition and the education and professional experience of their respective members.

Finally, in line with the principles expressed in the Code of Ethics, Acea has promoted a culture of equal opportunities and the management and enhancement of diversity through the adoption of a Charter for Diversity Management (see paragraph 10).

**Maximum number of offices simultaneously held in other companies**

At its meeting of 23 March 2011, subject to the favourable opinion of the Internal Control Committee, the Board resolved that the maximum number of offices that each Director may hold in other companies listed on regulated markets (including foreign markets) in financial, banking, insurance companies or companies of significant size is 10, including the seat held in Acea, so that maximum availability is guaranteed for performing necessary duties.

All the Directors in office, already when the lists were filed and, later, on their acceptance of their mandate, as well as on an annual basis specified the offices that they held in other companies listed on regulated markets (also abroad), in financial, banking and insurance companies and in companies of relevant dimensions.

On the basis of the updated communications received by the Company in implementation of the resolutions passed, all the Directors, at 06/03/2019, cover a number of roles compatible with the guidelines laid down by the Board itself.

Table 1, at the foot of this Report, lists the offices held by the Directors and Statutory Auditors in other companies listed on regulated markets, also abroad, in financial, banking and insurance companies and companies of relevant dimensions.

**Induction Programme**

In compliance with the provisions of the Corporate Governance Code on the effective and conscious performance of the role by each Director, the Chairman of the Board of Directors of Acea,

in agreement with the Managing Director, in this second year of office, prepared a training programme for the Board that was also attended by the Board of Statutory Auditors aimed at providing the Directors with a thorough knowledge of the Company's activities and organisation, of its sector and the regulatory framework and self-regulatory framework, of the company dynamics and their evolution and the role to be performed with respect to the specificities of Acea.

In particular, during the year 2018, 9 induction sessions were held, namely:

- in March, Acea organised two inductions: one on maintenance contracts in the water sector and the other concerning gas distribution;
- in the month of April an induction session was organised on the subject of waste treatment;
- in May, an induction session was organised on the subject of waste treatment, and another induction on the energy sector;
- in June, a visit to waste treatment plants in Lombardy was organised;
- during the months of September, October and November specific induction sessions were organised concerning business development issues.

Furthermore, the Directors are kept constantly informed by the competent corporate functions regarding the main legislative and regulatory novelties concerning the Company and the exercise of their functions.

The presentations illustrated during the aforementioned meetings and the related supporting documentation were sent promptly and in advance to the members of the Board of Directors and the Board of Statutory Auditors.

### Succession plans

The Board of Directors, in consideration of the procedures for the appointment of the executive directors, who represent the major shareholder, and the assessments expressed by the latter, has deemed it unnecessary to develop a succession plan for the said directors. If an executive director leaves office, the Board of Directors may co-opt a new director in their place and determine the powers to be vested on the latter. The first appropriate Shareholders' Meeting will then provide for their successive inclusion on the Board of Directors.

## 4.3 THE ROLE OF THE BOD

The Company's Board of Directors holds a central role in the sphere of the Company's governance, and all the departments and the managers of the Company and of the Group with strategic and organisational responsibilities (Key Managers) report to the Board of Directors. Taking its role into account, the Board of Directors meets regularly, to guarantee the effective performance of its duties.

More specifically, reserved to the Board of Directors, pursuant to law, the Articles of Association and the guidelines of the Internal Control and Risk Management System (hereinafter "Guidelines") approved on 20 December 2012 and updated on 15 February 2018, are the duties listed below:

- define strategic and general management guidelines and steer the Company's development; economic-financial coordination of the Group's activities by approving medium-term strategic plans which incorporate the Group's development guidelines, the investment plan, the financial plan and the annual budgets; the acquisition and disposal of stakes, excluding infra-group operations;
- by proposal of the Control and Risks Committee, define the guidelines of the Internal Control and Risk Management System (hereinafter also "SCIGR") so that the main risks con-

cerning Acea and its subsidiaries – including the various risks that can become relevant in the light of sustainability over the medium-long term period – are correctly identified and adequately measured, managed and monitored, also determining the degree of compatibility of such risks with a business management consistent with the strategic targets identified;

- define, furthermore, the nature and level of risk compatible with the identified strategic objectives;
- approve and amend the internal regulations as far as concerning the general organisational structure of the Company and of the Group, and any amendments to the same that have a significant influence on the Group's organisation;
- appoint the General Manager, where applicable;
- define the corporate governance system and provide for the constitution, within the Board of Directors itself, of specific committees, appointing the relative members and attributing powers to the same on the occasion of the approval of their respective functioning regulations;
- adopt an Organisational and Management Model as per Legislative Decree no. 231/2001, appoint the Supervisory Body and examine the half-yearly reports drawn up by the Supervisory Body concerning the implementation of the Model;
- designate the directors and statutory auditors for Acea representation on the relative boards of its most significant subsidiaries and investee companies, understood as those listed on regulated markets and those that require the commitment of capital, shareholders' loans or guarantees exceeding 10 million Euros;
- attribute and revoke delegations to the delegated directors, defining the limits and procedures of their exercise;
- reserve and exercise powers for amounts exceeding 7.5 million Euros for Acea and its subsidiaries, if in line with the budget, and above 1 million Euros for off-budget expenditure;
- determine, by proposal of the specific committee and after consulting the Board of Auditors, the remuneration for the Chairman, Managing Director and other directors vested with special roles, with the exception of cases in which the latter has been approved by the Appointments and remuneration committee;
- define the Guidelines, after consultation with the Control and Risks Committee (hereinafter also CRC), whose duties are illustrated in Chapter 9, so that the main risks to which Acea and the major companies of the Group are correctly identified and adequately measured, managed and monitored;
- assess the adequacy of the organisational, administrative and accounting framework of Acea and of its subsidiaries with strategic relevance, especially as regards the SCIGR;
- assess the general business performance (art. 2381 of the Civil Code) taking into consideration, in particular, the information received from the delegated bodies, periodically comparing the results achieved with those programmed;
- appoint and revoke:
  - the Internal Audit Function Manager, subject to the favourable opinion of the CRC and by proposal of the Director responsible for the Internal Control and Risk Management System, and having consulted with the Board of Auditors, making sure that said Department is provided with adequate resources for the performance of its duties and defining the remuneration consistent with Company policies;
  - a Financial Reporting Officer, unless already provided for by the Shareholders' Meeting, by the favourable opinion of the Board of Statutory Auditors (pursuant to art. 22-ter of the Articles of Association), ensuring the adequacy of his powers and means for the performance of his duties;
- approve the Audit Department Manager's work plan on an annual basis, having consulted with the Board of Auditors and the SCIGR appointed Director;
- having consulted with the Board of Statutory Auditors, assess

the results illustrated by the independent auditor in the case of suggestions, that said Board may express in a letter or in its report, on fundamental issues that have come to light during the audit of the accounts;

- assess, at least once every year, the adequacy of the SCIGR in consideration of the Company's characteristics and risk profile and describe the main characteristics thereof in the Report on Corporate Governance, expressing its own assessment of the adequacy of the same, after hearing the opinion of the Control and Risks Committee;
- establish corporate measures of protection for the processing of personal or sensitive data by third parties;
- adopt the procedures necessary to protect workers' health and appoint the subjects responsible for ensuring safety in the workplace;
- make all efforts to establish continuous dialogue with the shareholders based on the comprehension of the reciprocal roles;
- promote initiatives aimed at fostering shareholders' maximum participation at the Shareholders' Meetings and to facilitate the shareholders in the exercise of their rights;
- adopt, by proposal of the Managing Director, the procedures for the internal management and the external disclosure of documents and information regarding the company, especially "price sensitive" information and those relating to transactions in financial instruments carried out by persons who, due to their office, have access to relevant information;
- carry out self-assessment at least once a year on the functioning of the Board itself and of its Committees, and on their size and composition;
- assess, at least once a year, the independence of its non-executive members.

#### **The Board of Directors has fulfilled the aforesaid duties, amongst others:**

- during financial year 2018, it assessed the general business trend on the occasion of the financial reporting (the draft financial statements of the period as at 31/12/2017; the six-monthly interim financial report; the interim management reports on the 1st and 3rd quarters of the period), taking into consideration, in particular, the information received from the delegated bodies, and periodically comparing the results achieved with those programmed;
- resolved on the organisational amendments to the Macro-structure of Acea S.p.A.;
- carried out a comprehensive review of the Internal Control and Risk Management System, having the purpose of strengthening efficacy and efficiency also by means of identifying new subjects and coordination procedures between the various players and control levels;
- approved, during February 2018, the new Guidelines for the Internal Control and Risk Management System of Acea Group.
- approved the new proposal to amend the Regulations for the Appointments and Remuneration Committee in March 2018;
- approved the Sustainability Report/Consolidated Statement of a non-financial nature for 2017 pursuant to Legislative Decree no. 254/2016;
- the Acea S.p.A. Supervisory Body was expanded with the appointment of the third authoritative member, an expert in corporate criminal law and legislation concerning the administrative liability of entities pursuant to Legislative Decree 231/01.

On 06/03/2019, the Board of Directors:

- assessed the adequacy of the Internal Control and Risks Management System and the adequacy of the Company's organisational, administrative and accounting framework and that of its strategically relevant subsidiaries, deeming the Acea Con-

trol System, as a whole, to be suitable for the pursuit of the Company's objectives;

- as an integral part of the aforesaid assessment process, carried out self-evaluation of the composition and functioning of the Board of Directors itself and of its internal Committees. Said evaluation regarded the Board of Directors' independence, structure and composition, the functioning of the Board and of its Committees, and the information flows received by the Board and its Committees in the performance of their duties. For the execution of the assessment tasks, the Board of Directors took avail of a company specialised in the sector, as explained below.

#### **Operation**

The Board of Directors meets regularly, in compliance with the terms of law and a works calendar, organising itself and operating in order to guarantee the effective and efficient execution of its functions.

In 2018 the Board of Directors held 12 meetings, lasting on average approximately 2 hours 53 minutes each, regularly attended by the Board Directors and the Statutory Auditors.

The attendance of each Director at the Board of Directors' meetings is detailed in Table no. 2.

For the year 2019, 4 Board of Directors' meetings have been scheduled, and disclosed to the market, for the approval of the financial reports of the period. So far, 3 meetings have been held, including today's meeting.

The Board of Directors has operated according to Works Regulations in force since 22 April 2003 which regulate the procedures for guaranteeing the timeliness and completeness of the pre-meeting information; they require that resolution proposals and information are received, together with all the useful documentation approved by the Managers responsible for the specific issues, at least 10 calendar days before the date of the meeting, to the Company's administrative office which will submit them, without delay, to the Managing Director for his approval, for the purpose of defining the draft Agenda.

The corporate secretariat submits the resolution proposals and the related information, together with the draft agenda approved by the Managing Director to the Chairman of the Board at least 6 days before the Board meeting.

The Chairman finalises the Agenda, also inserting proposals and items of his competence, which is then transmitted, at least 3 days before that of the meeting, to the single Directors and Statutory Auditors, together with all the documentation prepared by the Company's departments.

The meetings have been regularly attended by the Directors and by the Statutory Auditors.

During 2018 the managers of the Company and of its subsidiaries with responsibility for the various items on the agendas were regularly invited to the Board of Directors meetings and, on the Managing Director's invitation, they gave the necessary information on the topics under discussion, leaving the meeting when the Board of Directors was about to vote on the relative resolutions.

#### **Operational assessment of the Board of Directors and its Committees**

The Board of Directors, according to the application criterion of 1.C. 1 letter g) of the Self-Regulatory Code, must assess its own dimension, composition and functioning and those of its Committees ("board review") at least once a year, autonomously or with the assistance of an independent external advisor.

In 2018, Acea entrusted the execution of the Board Review, for a three-year term, to the advisor Eric Salmon & Partners, a leading consultancy company with years of expertise in the field, which holds the necessary requisites of independence.

The activity carried out by the advisor consisted in assessing the

Board of Directors according to international best practices. In particular, an assessment method was implemented for the year 2018 that allowed a particular focus on the critical issues and areas for improvement identified by the previous self-assessment, and on the topics covered by the recommendations issued by the Corporate Governance Committee on 21 December 2018.

With regard to the definition of the perimeter and the execution methods, the assessment process implemented involved the Chairman of the Board of Directors and the Chairman of the Appointments and Remuneration Committee.

Based on the comments collected and the analysis carried out, Eric Salmon & Partners arrived at the following conclusions:

*“On the basis of the collected comments and the analysis performed, we express a positive opinion of compliance on the part of Acea with the indications of the Self-Governance Code during the second year of the mandate of the said Board in office.*

*In its second year of mandate, the Board has also confirmed a solid governance base and has benefited from the effective collaboration of the supporting structures.*

*In particular, the Board of Directors has demonstrated that it has implemented the suggestions of the previous Board Review regarding areas for improvement and that it has effectively implemented a series of processes and initiatives in this regard. The Board, which met 12 times during the 2018 financial year, further expanded its work by organising 9 induction sessions during the year and as many as 40 meetings within the board.*

*Emerging from the work carried out, in brief, are, amongst others, homogeneous opinions and positive appraisals between the Directors and the Board of Auditors with regard to:*

- *the well-balanced structure of the Board and its excellent mix in terms of competence, experience, diversity and seniority;*
- *the scenarios and Acea’s strategic options understood and shared, and the appropriate operation of the BoD regarding its own direction functions, providing its own contribution to the definition of the strategies;*
- *the adequacy of the pre-meeting information received during the year and the protection of confidentiality requirements without their compromising the effectiveness and timeliness of the information flows preceding the board meetings;*
- *the usefulness of management’s participation in the meetings of the Board of Directors in respect of the equality of information towards the members of the Board itself;*
- *the strengthening of controls and control structures;*
- *the effective preparatory activities carried out by the committees.*

*While among the issues brought to the attention of some Directors, we note the need to:*

- *study the topic of cybersecurity by ensuring that systems and processes are effectively implemented;*
- *report to the Board the succession plans for top management both for continuity and in emergency;*
- *study the independence requirements required by the Corporate Governance Code;*
- *review the balance of participation in committees in light of the commitments required”.*

## 4.4 DELEGATED BODIES

### Chief Executive Officer

The Board of Directors appointed Stefano Antonio Donnarumma as Managing Director in May 2017, conferring on him all powers for the governance of the Company except those otherwise attributed pursuant to law and regulations, the Articles of Association or the power structure approved in May 2017 and updated in June 2018 (with reference to the issues that, according to said structure, are reserved to the Board of Directors, see paragraph 4.3), and in particular the Managing Director:

- operates on the basis of medium-long term plans and the annual budgets approved by the Board, and guarantees respect for the managerial guidelines deriving from the same. In this context, the Managing Director’s powers are exercised, for Acea and its subsidiaries, for transactions up to Euro 7.5 million (works contracts, purchases, rentals, disposals, participation in calls for tender, etc.) if in line with the budget, and for transactions up to Euro 1 million for off-budget transactions; for the Group’s subsidiaries operating on the energy - electricity and gas - market, the powers vested on the Managing Director include: i) the issue of sureties and other guarantees up to Euro 12 million if in line with the budget and up to Euro 2 million for off-budget operations; ii) the issue of all the sureties and other obligatory guarantees in favour of Arera [the Italian electricity, gas and water authority], GSE [the energy services provider], GME [manager of the energy markets], Terna SpA, the Single Buyer and other public subjects and the distribution concessionaires;
- signs the works agreements of any amount awarded according to Legislative Decree 50/2016 as amended;
- implements the organisational and procedural changes in the Parent Company’s activities according to the guidelines approved by Board of Directors’ resolution;
- chairs and coordinates the Management Committee, which is an advisory committee composed of Company managers, with the task of verifying the Group’s operational economic situation and that of the single business units and any gaps compared to the planned targets;
- ensures correct management of corporate information. To this regard, we refer you to Chapter 5 “Corporate Information Processing”.

The Managing Director informs the Board of Directors and the Board of Statutory Auditors at least every quarter and, in any case, on the occasion of the Board of Directors’ meetings, on the activity performed and the Company’s business trend, on the business outlook and on transactions of major relevance for their dimensions or features, carried out by the Company or its subsidiaries, in compliance with art. 20.1 of the Articles of Association.

In compliance with art. 20 of the Articles of Association, the ordinary management of the Company, the Company’s signature and legal representation before third parties and in court are delegated to the Managing Director, as well as all powers within the scope of the delegations conferred and within set commitment limits.

The Managing Director is also the Director responsible for the Internal Control and Risks Management System, according to the indications of the Self-Regulatory Code (for a detailed description of the duties attributed to the same in that capacity, please refer to paragraph 11.1 of this Report).

### Chairman

In June 2018, the Board appointed Michaela Castelli as Chairman of the Board of Directors to replace the resigning Luca Alfredo Lanzalone.

The Chairman, according to art. 20 of the Articles of Association, is the Company’s legal representative with power of signature, and also has the power to summon and chair Board of Directors’ meetings and Shareholders’ Meetings.

With a Board resolution of 21 June 2018, it was established that the duties associated with the office of Chairman of the Company include the power to represent Acea S.p.A. in Italy and abroad, in relations with the central and peripheral State Administration, with national and local Public Bodies, with other Public Administrations, with Institutional and Trade Union Bodies, with natural and legal persons, with associations, companies and any other public or private entity and for matters regarding income and spending. The Chairman is given a supervisory function over the activities of the Group and verifies the implementation of the Board of Directors’

resolutions and the Corporate Governance rules, also in implementation of the powers reserved to the Board of Directors. Furthermore, the Chairman monitors the quality indicators provided and oversees the perceived quality indicators and the issues relating to environmental impacts and corporate social responsibility of company activities and processes.

Due to the assignments described, the Chairman is responsible for supervising the administration of the Board of Directors and all related activities; the power to carry out all the activities envisaged by the current legislation on press and communication, including through the publication of journalistic and online publications, as well as the appointment of the relevant Responsible Director in accordance with the law on the press, to be identified among the employees of the group meeting the legal requirements.

The Board of Directors' activities are coordinated by the Chairman, who calls the Board meetings, establishes the agenda and directs the works, ensuring that the Directors are promptly given - except in the case of need or urgency - the documentation and information necessary to allow the Board to give a conscious opinion on the matters submitted to its examination.

### Chairman and Managing Director, Joint Powers

By Board resolution of 21 June 2018, moreover, joint powers were delegated to the Chairman and the Managing Director who, in the case of proven urgency and need, are thus authorised to exercise the powers normally reserved to the Board in relation to contracts, purchases, company transformation, participation in tender procedures, the issue of sureties and, when the urgency does not allow for calling a meeting of the Board of Directors (which must be informed at the next meeting to check on the existence of the need and urgency), the designation of members of the Boards of Statutory Auditors and the Boards of Directors of the most important subsidiaries and partly held companies, these being understood as:

- those listed on regulated markets or with securities on issue as contemplated by art. 116 of the TUF [Consolidated Finance Act];
- those requiring capital commitments, shareholders' loans or guarantees exceeding 10 million Euros.

In addition, the Chairman and the Managing Director designate the members of the Boards of Statutory Auditors and the Boards of Directors of the companies of the Acea S.p.A. Group other than those considered of "more importance".

### Executive Committee

With a resolution dated 21 June 2018, pursuant to art. 2381 of the Italian Civil Code and art. 20 of the Articles of Association, the Board of Directors established an Executive Committee composed of Giovanni Giani (Chairman), Michaela Castelli, Stefano Antonio Donnarumma and Massimiliano Capece Minutolo del Sasso, to whom the powers relating to institutional affairs, sponsorships and donations have been delegated, to be managed within the budget established by the Board.

The methods of exercising these powers are governed by specific regulations approved by the Board of Directors.

During the 2018 financial year, the Executive Committee met 6 times with an average meeting duration of 1 hour and 30 minutes. As at the date of this Report, the Committee has met 3 times, with an average duration of one hour and 10 minutes.

### Informing the Board

The Board of Directors, as also the Board of Statutory Auditors, in compliance with art. 20 of the Articles of Association and the provisions of law, receives from the Chairman and the Managing Director constant and full information on the activities performed, summed up at least quarterly in a report on the general business trend and the relative outlook. More specifically, with reference to transactions of major relevance carried out within the sphere of their

powers, including any non-typical transactions and those with related parties, providing the approval of which is not reserved to the Board of Directors, the Managing Director and the Chairman report to the Board on the features of said transactions, the subjects involved and their connection, if any, with the Group, the determination methods and the relative economic and financial effects.

Furthermore, the BoD and the Board of Statutory Auditors receive periodic information on the exercise of the powers conferred on the bodies delegated by the Board of Directors.

## 4.5 OTHER EXECUTIVE DIRECTORS

No other executive Directors are envisaged.

## 4.6 INDEPENDENT DIRECTORS

As at 31/12/2018, and to date, the Board has 6 independent non-executive directors, namely: Gabriella Chiellino, Liliana Godino, Alessandro Caltagirone, Massimiliano Capece Minutolo Del Sasso, Fabrice Rossignol and Giovanni Giani (see Table 2).

The procedure followed by the Board to verify their independence involves the declaration of the existence of the requisite on the part of the director on presentation of the list and at the moment of acceptance of the appointment, and verification by the Board of Directors at the first meeting after the appointment. The independent directors also promise to immediately inform the Board of Directors of any situation which entails their loss of this requisite.

The Independent Directors are considered such in accordance with the provisions of law and art. 3 of the Self-Governance Code.

The Company's Board of Directors has a number of independent directors who represent the absolute majority of its members.

During the year, it was not necessary to hold a separate meeting of the independent directors, also in consideration of the quality of the information received from the delegated bodies and their active participation in the Board and in the Board's internal committees, which until June 2018 consisted exclusively of independent directors, from June to today the Control and Risk Committee and the Ethics and Sustainability Committee are composed mainly of independent directors, the Appointments and Remuneration Committee and the Related Parties Committee are composed only of independent directors. This allowed them to adequately investigate the issues of interest to them.

We point out that in the assessment of the requisites of independence, no parameters other than those set out in the Self-Governance Code have been used.

According to the information provided by the persons concerned or, at any rate, available to the Company, immediately after the appointment, and most recently in March 2019, the Board of Directors ascertained the existence of the requisites of independence prescribed by the law and the Self-Governance Code.

The Board of Auditors, in compliance with the provisions of art. 3 of the said Code, checked on the correct application of the verification criteria and procedures adopted by the Board of Directors to assess the independence of its members.

## 4.7 LEAD INDEPENDENT DIRECTOR

On 06/03/2019 the Board of Directors confirmed that, as in the previous years, the conditions for the institution of a lead independent director do not exist, considering that the current Chairman of the Board of Directors does not hold the role of the main subject responsible for the company (chief executive officer), and does not hold a controlling stake in the Company.

## 5. CORPORATE INFORMATION PROCESSING

The Acea Board of Directors, on a proposal of the Managing Director, adopted Regulations for internal governance and for the external disclosure of the Company's documents and information. Said Regulations are available for consultation at [www.gruppo.acea.it](http://www.gruppo.acea.it) (in the Corporate Governance section). The Regulations:

- establish the methods for the processing and disclosure of Company information within the Group;
- rule that Company representatives who gain knowledge of information of which the early disclosure could be prejudicial to the Company's equity and/or that of the Shareholders must treat the same with maximum reserve, and that the Company, in the case of specific circumstances, must give immediate and full information to the market;
- prescribes that a procedure must be established for the drafting of press releases relating to price sensitive information, to prevent possible distortions or irregularities in the communication of such information.

Pursuant to art. 18, para. 1, letter a) of EU Regulation no. 596/2014 (the Market Abuse Regulation, or MAR), a List will be created of all persons with access to inside information who have a professional collaboration relationship with the Company, whether they are employees or not, and who, in the performance of certain duties, have access to inside information such as, for example, advisors, accountants or credit rating agencies (List of Persons with Inside Information Access).

Art. 7 of the MAR regulation establishes that “*by Inside Information is meant information of a precise nature, which has not been made*

*public, directly or indirectly relating to one or more issuers or one or more financial instruments and, if made public could have a significant effect on the prices of those financial instruments or on related derivative financial instruments*”.

Information shall be deemed to be of a precise nature if it “*indicates a set of circumstances which exists or which may reasonably be expected to come into existence, or an event which has occurred or which may reasonably be expected to occur, where it is specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or event on the prices of the financial instruments or the related derivative financial instrument [...]. In this respect in the case of a protracted process that is intended to bring about, or that results in, particular circumstances or a particular event, those future circumstances or that future event, and also the intermediate steps of that process which are connected with bringing about or resulting in those future circumstances or that future event, may be deemed to be precise information.*”

Rules have also been adopted on Internal Dealing in compliance of the provisions of art. 19 of the MAR which rules that transactions in financial instruments carried out by “relevant subjects” and by persons closely linked to the same must be communicated to Acea and to CONSOB immediately and, in any case, within three working days from the transaction, at the request of the Relevant Subjects.

Relevant subjects and persons closely linked to them must notify the Company, in compliance with the aforementioned provision, of all transactions carried out on their behalf once the aggregate amount of such transactions reaches the threshold of 20,000 Euros over one calendar year.



## 6. THE BOARD'S INTERNAL COMMITTEES (as per art. 123-bis, paragraph 2, letter d) TUF) 2, letter d, TUF)

The Board of Directors has set up four internal committees, namely: the Appointments and Remuneration Committee, the Control and Risk Committee, the Ethics and Sustainability Committee and the Related Parties Committee.

Thus, the powers and duties relating to appointments and remuneration are aggregated and vested on a single committee. This aggregation, in line with the recommendations of the Self-Governance Code, respects the composition requirements contemplated by said Code for both the Committees and ensures correct execution of the relative powers and duties.

Said committees are composed of at least three non-executive directors appointed by the Board of Directors itself, which appoints one of the independent directors as the Chairman of the committee. The composition, duties and functioning of the Committees are disciplined by the Board of Directors, in specific regulations, consistent with the criteria laid down by the Self-Governance Code.

In particular, pursuant to the Control and Risks Committee regulations, updated in December 2017, said Committee must be formed of at least three non-executive directors, the majority of whom must also be independent directors. The committee Chairman is chosen from the independent directors. At least one member of the committee must hold adequate experience in accounting, finance and risk management, which the Board of Directors assesses at the moment of the appointment.

Pursuant to the Appointments and remuneration Committee regulations, updated in March 2018, said Committee must be formed of at least three non-executive directors, the majority of whom must also be independent directors. The committee Chairman is chosen from the independent directors. At least one member of the committee must hold adequate experience in finance and remuneration policies, which the Board of Directors assesses at the moment of the appointment.

The rules of the Ethics and Sustainability Committee, updated in December 2017, said that the committee must be formed of at least three non-executive directors, the majority of whom must also be independent directors. The committee Chairman is chosen from the independent directors. At least one member of the committee has adequate experience in environmental matters and/or corporate social responsibility, this is assessed by the Board of Directors upon appointment.

In the performance of their duties, said committees have access to Company information and activities, necessary for performing their respective duties, and the assistance of the Company's departments according to their sphere of competence; they may also avail of external consultants at the Company's expense, within the limits of the an-

nual budget approved for each Committee by the Board of Directors. The consultants for the Nominations and Remuneration Committee and for the Control and Risks Committee must be chosen avoiding possible conflicts of interests and the conferment of mandates on subjects that provide services to companies of significance such as to compromise in practice the independent judgement of said consultants. The Chairman of the Board of Statutory Auditors or another statutory auditor designated by him/her participates in the meetings of the Control and Risk Committee and the Appointments and Remuneration Committee (and in any case the other current statutory auditors are also entitled to intervene). The meetings of each committee may be attended by other members of the Board of Directors or by representatives of company departments or third parties whose presence may be of assistance in the best performance of the committee's functions, upon the specific invitation of the respective chairman.

The Director delegated with responsibility for the Internal Control and Risk Management System, the Chairman of Board of Directors and the Chairman of the Board of Auditors may attend the Control and Risk Committee meetings, as well as other Statutory Auditors and, by invitation of the committee Chairman, other members of the Board of Directors or of the Company's structure, in order to provide information and express assessments of their competence.

The meetings of the Appointments and remuneration Committee may be attended by the Managing Director and, by invitation of such committee, also other subjects in reference to the single items on the agenda, to give information or to express assessments of their competence. As a rule the Human Resources Manager and Human Capital Development function Manager is invited to attend, whereas the director or manager whose position the Committee is examining may not attend.

The Managing Director and the Chairman of the Board of Directors may attend meetings of the Ethics and Sustainability Committee. The Chairman of the Board of Statutory Auditors, the other standing auditors and other members of the Board of Directors may also participate at the invitation of the Chairman of the committee.

The Board of Directors also formed a Related-Party Transactions Committee (OPC), as a body assigned to carry out the role required by the Consob Related Parties Regulation and according to the provisions of the "Related-Party Transactions Procedure" adopted by the Company and briefly described in paragraph 11 of this Report.

The OPC Committee, formed of at least three Independent Directors, is vested with duties and powers to make inquiries, to submit proposals and to provide advice for assessing and deciding on transactions with Related Parties, of both minor and major relevance.

## 7. APPOINTMENTS AND REMUNERATION COMMITTEE

On 31 December 2018, the Appointments and Remuneration Committee was created, composed of four non-executive directors, three of whom are independent, namely: Liliana Godino (Chairman), Massimiliano Capece Minutolo del Sasso, Gabriella Chiellino and Giovanni Giani.

The Board of Directors recognised that Giovanni Giani holds the requisite of adequate knowledge and experience in accounting and financial matters and retributive policies.

The Committee's secretariat duties are performed by the Board of Director's secretary or by another subject chosen by the Committee itself.

The Chairman of the Board of Statutory Auditors or another statutory auditor designated by him/her participates in the work of the Committee. However, other statutory auditors, the Managing Director and the Chairman of the Board of Directors may also participate, as well as, upon invitation of the Chairman of the Committee, other members of the Board of Directors or of the company structure to provide information and express assessments of the individual items on the agenda within their expertise.

The Committee held 11 meetings in 2018, duly recorded in minutes and regularly attended by all the members (as well as the members of the Board of Statutory Auditors), with an average duration of approximately 1 hour 40 minutes each.

With respect to the tasks assigned, the Appointments and Remuneration Committee offers proposals and consulting. In particular, it is set up to assist the Board of Directors in assessments and decisions relating to its composition and to remuneration policies regarding the Managing Director, the Directors who hold particular offices and the managers with strategic responsibilities.

Specifically:

1. it proposes to the Board of Directors the remuneration policy for directors and key managers, promoting medium-long term sustainability and taking into account, for executive directors and directors vested with special duties and, as far as compatible, also for key managers, that the fixed part and the variable part must be adequately balanced according to the strategic targets and the risk management policy;
2. it periodically assesses the adequacy, the overall congruence and the concrete application of the remuneration policy relating to directors and key managers, on the basis of information provided by the Managing Director, and it presents proposals regarding said remuneration to the Board of Directors;
3. it proposes to the Board of Directors candidates for directorships, taking into account any reports received from the shareholders in the case of co-optation if an independent director must be replaced;
4. it presents proposals to the Board of Directors on the fees of the executive directors and the other directors that hold special offices, and on the performance targets linked to the variable part of said fees;
5. it submits to the Board of Directors an opinion on the remuneration policies for key managers;
6. it monitors the application of the decisions adopted by the Board, checking, in particular, on the effective achievement of the performance targets;
7. it submits the remuneration report to the Board pursuant to art. 123-ter of the TUF that the directors must present to the annual meeting;
8. it draws up opinions for the Board of Directors on the size and

composition of the same and it expresses recommendations regarding the professional figures that it deems should sit on the Board, the maximum number of offices that directors or statutory auditors can hold without prejudice to the directors' effective participation in the Board's committees, and the existence and importance of any activities performed by each director in competition with the Company;

9. it expresses preventive and non-binding opinions on the figures to be qualified as having strategic responsibilities, as well as those to be eventually involved in the Long Term Incentive Plan ("LTIP");
10. for the purposes of expressing its preventive and non-binding opinions, it gathers the preliminary investigations according to the choice of the executives with strategic responsibilities as well as those relating to the appointments of the Directors and Auditors in significant companies.

The directors must refrain from participating in Committee meetings when the Committee discusses proposals to be submitted to the Board of Directors relating to their own fees.

The Committee may have access to the information necessary for the performance of its duties, also from the Company's departments, and it may also take avail of external advisors, in the terms defined by the Board of Directors.

With regard to remuneration, during 2018 among other things the Committee:

- examined and approved the proposal to conclude the 2016-2018 long-term variable incentive system early on 31 December 2017. In this regard, the Committee also examined the definition of a new long-term variable incentive system for the period 2018-2020, its terms and in particular the related performance indicators and their weight;
- examined the number of beneficiaries of the long-term variable monetary remuneration system, also called LTIP;
- submitted the remuneration report to the Board of Directors for approval pursuant to art. 123-ter of Legislative Decree no. 58 of 24 February 1998, and in particular the section relating to the remuneration policy for directors and managers with strategic responsibilities for the year 2018;
- acknowledged that the economic-financial targets had been reached and authorised the payment of the MBO 2017 (Management by Objectives) short-term variable incentive programme to the entitled parties;
- submitted a proposal to the Board of Directors regarding the setting of performance targets related to the short-term variable component "MBO 2018".

As far as its responsibilities concerning appointments and opinions relating to the identification of figures qualified as managers with strategic responsibilities:

- it examined and expressed its opinion on the proposals to be submitted to the Board of Directors concerning the candidates designated to become members of the administrative body and the boards of statutory auditors of the group's significant companies;
- it examined and approved the professional profiles identified to fill the roles of manager of the industrial Segment "Energy Infrastructures" and "Commercial & Trading" as executives with strategic responsibilities and related remuneration packages;
- it expressed its favourable opinion on the "Composition Guidelines of the Boards of Directors, Boards of Statutory

Auditors and Supervisory Bodies of Subsidiaries in the Acea Group”, submitted for approval to the Board of Directors.

In 2019, as at the date of this Report, the committee has met 3 times, with an average duration of 50 minutes each.

The Board of Directors has confirmed the allocation of an annual budget for 2019 of 25,000.00 Euros (twenty-five thousand point zero zero) for the Committee so as to allow the latter, should it be deemed necessary, to confer external mandates instrumental to the performance of its duties.

## 8. DIRECTORS' REMUNERATION

The remuneration policy for Directors and Key Managers (“Remuneration Policy”), defined by the Board of Directors, is detailed in the document “Remuneration Report”, approved by the Board of Directors in the meeting of 06/03/2019, pursuant to art. 123-ter of the TUF, to which we invite you to refer for in-depth information. Said document will also be available at the Internet site [www.gruppo.acea.it](http://www.gruppo.acea.it) and it will be subjected to the approval of the meeting of the Board of Directors, acting in an advisory role, which will be held in April 2019 for the approval of the financial statements relating to financial year 2018.

During the Shareholders' Meeting of 27 April 2017, the all-inclusive fixed gross annual consideration was confirmed for the members of the BoD, as established in the minutes of the Shareholders' Meeting of 5 June 2014. On 27 April 2017, the Shareholders' Meeting resolved to defer the faculty to define the considerations pursuant to art. 2389, paragraph 3 of the Civil Code to the Board of Directors, regarding Directors vested with special offices with reference, relating to the economic conditions, to the fees recognised in listed companies of similar sector and dimensions (see Remuneration Report 2019 - Financial Year 2018, Section 1).

Said Remuneration Policy - the current remuneration system of which is detailed in the “Remuneration Report” - defines the guidelines that are consistent with the topics listed below:

- an important part of the remuneration of the Company's Executive Directors and key managers, as expressly required by the Self-Governance Code, is linked to the economic results achieved by the Company and, possibly, to the achievement of specific performance targets - pre-set and measurable - indicated in advance by the Board of Directors itself, as detailed in Section 1 of the “Remuneration Report”;
- a system of medium-long term variable incentives (Long Term Incentive Plan) is contemplated, to be vested in three years. The aim of this plan lies in encouraging the management to pursue the Group's economic-financial results in the interests of the shareholders;
- as of 2015, in line with a growing need for transparency expressed by the Self-Governance Code and in view of an increasingly responsible remuneration policy, the claw back clause, already adopted for executives and key managers, has been extended also to the managerial roles which have greater impact on the Group's business. According to this clause, the Company is entitled to request the return of the variable remuneration (relating to both the short and the medium-long term

periods) if it is found to have been paid in the case of results obtained consequent to intentional misconduct and/or gross negligence, such as the intentional alteration of the data used to indicate the achievement of the targets or obtaining the same results by behaviour contrary to corporate or legal provisions.

### REMUNERATION OF EXECUTIVE DIRECTORS AND KEY MANAGERS WITH STRATEGIC RESPONSIBILITIES

For details of the fees of the Chairman and the Managing Director, as well as the key managers, please refer to Section II of the 2019 Remuneration Report, Year 2018 Section II pursuant to art. 123-ter of the TUF.

### INCENTIVE MECHANISMS FOR THE INTERNAL AUDIT DEPARTMENT MANAGER AND THE FINANCIAL REPORTING OFFICER

The incentive mechanisms for the Internal Audit function manager and the Financial Reporting Officer, they are subject to annual assessment on the basis of qualitative and efficiency criteria; on the basis of these criteria, in fact, individual targets are assigned to the persons in question and, therefore, they are not linked to targets of an economic-financial nature except for the part represented by the so-called gates.

### NON-EXECUTIVE DIRECTORS' REMUNERATION

The remuneration of non-executive directors is not linked to the economic results achieved by the Company, but to the commitment requested of them and their possible membership of one or more committees. No share incentive plans involve non-executive directors.

### INDEMNITY FOR DIRECTORS IN THE CASE OF REVOCATION, RESIGNATION, DISMISSAL OR DISCONTINUED OFFICE SUBSEQUENT TO A TAKEOVER BID (art. 123-bis, para. 1, letter i, of the TUF)

No agreements have been stipulated between Acea and the directors in office which contemplate non-competition agreements or indemnity in the case of their dismissal or resignation/revocation without just cause.

## 9. AUDIT AND RISKS COMMITTEE

The Control and Risks Committee was established to assist the Board of Directors, ensuring the latter adequate preliminary investigation and support in the assessments and the decisions related to the Internal Control and Risks Management System, as well as related to the approval of the periodic financial disclosures and declaration of a non-financial nature.

The Committee members and the Chairman are appointed by the Board of Directors.

The term of office of the Committee members coincides with that of the Board of Directors that has appointed them.

The Committee may request the Internal Audit function to carry out audits on specific operational areas, simultaneously informing the Chairman of the Board of Auditors, the Chairman of the Board of Directors and the Internal Control and Risks Management Director, unless the verifications specifically concern the activity of said subjects.

The Committee carries out its inquiries and issues opinions to the Board of Directors regarding:

1. the definition of the Guidelines for the internal control and risk management system, so that the main risks to which Acea S.p.A. and its subsidiaries - including the various risks which may become significant with a view to medium-long term sustainability - are correctly identified, and adequately measured, managed and monitored;
2. the determination of the degree of compatibility of the main risks with a management consistent with the strategic objectives identified;
3. the assessment, at least once a year, of the adequacy of the internal control and risk management system in respect of the Company's characteristics and the risk profile assumed, as well as the effectiveness of the said system;
4. the approval, at least once a year, of the work plan drawn up by the Internal Audit function manager;
5. a description, within the annual report on corporate governance, of the main features of internal control and risk management system and coordination processes regarding the persons involved therein, expressing its opinion on the overall adequacy of the same;
6. the assessment, having consulted with the Board of Auditors, of the results explained by the statutory audit in a letter of suggestions, where applicable, and in the report on fundamental issues that have come to light during the audit of the accounts;
7. the proposals of the Internal Control and Risks system Director, formulated in accordance with the Board of Directors' Chairman, and after hearing the Board of Statutory Auditors' opinion, regarding the appointment and revocation of the Internal Audit function manager and the definition of the latter's salary consistent with the Company's policies, as well as the adequacy of the resources allocated to the Department for the performance of its duties. Such opinion will be binding.

The Committee also assists the Board of Directors by:

- assessing, together with the Financial Reporting Officer and after consultation with the external auditor and the Board of Auditors, the correct use of the accounting principles and their uniformity for the purposes of drafting the consolidated Financial Statements;
- 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 declaration of a non-financial nature as per Legislative Decree 254/2016;
- supporting, with adequate investigative activity, the assess-

ments and decisions of the Board of Directors related to managing risks deriving from prejudicial facts of which the Board of Directors has become aware;

- providing the Board of Directors with opinions on specific aspects involved in the identification of the Company's main risks or risks deriving from possible prejudicial facts of which the Board of Directors has gained knowledge;
- examining the periodic reports on the assessment of the Internal Control and Risk Management System, and those of particular importance drawn up by the Internal Audit function;
- monitoring the autonomy, adequacy, effectiveness and efficiency of the Internal Audit function;
- requesting, as may be the case, the Internal Audit function to carry out audits in specific operational areas, contextually notifying the Chairman of the Board of Auditors, Chairman of the Board of Directors and the Director assigned to the internal control and risk management system thereof, with the exception of cases in which the subject matter of the audit request specifically concerns the activity of such subjects.

The Committee reports to the Board, at least every six months, during the annual and half-yearly financial report, about the activity performed as well as the adequacy of the internal control and risk management system and, at least once a year, assesses its own size, composition, function and independence with respect to the assigned duties.

On 31 December 2018, the Committee was formed of four directors, specifically: Liliana Godino (Chairman), Michaela Castelli, Massimiliano Capece Minutolo Del Sasso and Giovanni Giani.

The Director Michaela Castelli has experience in accounting and financial matters and was deemed suitable by the Board of Directors at the moment of her appointment.

In 2018, the Committee held 13 meetings of an average duration of approximately 1 hour and 50 minutes each, characterised by the regular attendance of all its members and the Chairman of the Board of Auditors or another auditor. Of these, one was held jointly with the Board of Statutory Auditors.

The meetings, which were regularly recorded in minutes, were also attended by other subjects, invited by the Committee, for the illustration of single points on the agenda.

The Chairman provides the Board of Directors with punctual information on the Committee's works.

In 2018 the Committee performed the tasks reserved to the same by the Self-Governance Code, and in particular:

- it assisted, carrying out the necessary enquiries, the Board of Directors in its decisions and assessments related to the control system, and those related to the approval of the periodic financial reports;
- together with the Financial Reporting Officer and having consulted with the statutory auditor and the Board of Auditors, it assessed the correct use of the accounting standards and their uniformity for the purposes of drafting the consolidated financial statements;
- it expressed a favourable opinion on the Internal Audit functions' activities Plan prior to its presentation to the Board of Directors for approval;
- it examined the Internal Audit function's periodic reports;
- it expressed opinions on specific aspects regarding the identification of the Company's main risks and, at the periodic meetings, it invited the managers of the Company's departments concerned to report on the methods for managing such risks;
- it monitored the autonomy, adequacy, effectiveness and efficiency of the Internal Audit function;

- it reported to the Board of Directors, at least once every six months, upon approval of the annual financial statements and of the interim financial report, on the activity carried out and on the adequacy of the internal control and risk management system.
- it expressed a favourable opinion on the appointment of Simone Bontempo as the new head of the Internal Audit function.

The Committee had access to the information and to the Company departments necessary for the performance of its duties.

In 2019, as at the date of this Report, the Committee has met 3 times, with an average duration of the meetings of 2 hours, of which one held jointly with the Board of Auditors.

The Board of Directors has confirmed the allocation of an annual budget for 2019 of 25,000.00 Euros (fifty thousand point zero zero) for the Committee so as to allow the latter, should it be deemed necessary, to confer external mandates instrumental to the performance of its duties.

## 10. ETHICS AND SUSTAINABILITY COMMITTEE

The Committee is a panel body having full and autonomous powers of action and control designated with providing propositional and advisory support to the Board of Directors within the context of corporate ethics and environmental, social and governance topics (ESG - Environmental, Social and Governance).

The composition and operation of the Committee are disciplined by specific regulations approved by the Board of Directors.

The Committee consists of three non-executive directors of Acea, the majority of whom are independent, namely Gabriella Chiellino (Chairman), Michaela Castelli and Giovanni Giani.

Ms. Chiellino has adequate experience in environmental matters and/or corporate social responsibility, assessed by the Board of Directors upon appointment.

The Committee has the duty to assist the Board of Directors with investigative functions of a propositional and advisory nature, in the appraisals and decisions related to ethics and sustainability.

So as to fulfil its responsibilities, it carries out the following duties:

- it promotes the integration of sustainability in the strategies and culture of the company and favours its circulation among employees, shareholders, users, the territory and all the stakeholders in general;
- it supervise sustainability issues, also with regard to the reporting areas envisaged by Legislative Decree no. 254/2016, associated to exercising corporate activities and the dynamics of interaction of the latter with all the stakeholders and examines the main corporate rules and procedures proving to be of relevance upon comparison;
- examine the guidelines of the sustainability plan and the procedures for implementing them;
- monitoring the implementation of sustainability plan approved by the Board of Directors;
- examine the no profit strategies of the company;
- monitor, regarding matters of competence, the adequacy of the Code of Ethics and its effective implementation;
- express, by request of the Board of Directors, opinions on other matters regarding sustainability;
- report to the Board of Directors, at least on a half-yearly basis and no later than the term for approving the annual or interim financial report, about the activity carried out;
- liaise with the pertinent corporate structures and bodies in relation to aspects of ethics and sustainability.

With the Code of Ethics, adopted by Acea as early as 2001 and modified in the current version during 2018, Acea affirms and explicates the values, principles and behavioural standards that underlie its actions and those of stakeholders.

Specifically, the Code sets out the general ethical principles that all company practices must be linked to, specifying the criteria of conduct towards each category of stakeholder and defining the mechanisms for implementing the principles and controlling the behaviour of the people who work in the Company's interest.

The Code of Ethics is a fundamental element in the control environ-

ment of Acea, which circulates the knowledge thereof among personnel, both upon recruitment and in cyclical training activities, also carried out in e-learning mode. Compliance with the Code is explicitly required of employees, suppliers and all those contributing in the Company's activity (advisors, collaborators, etc.).

By resolution of their Boards of Directors, the subsidiaries transpose the Acea Code of Ethics, which forms an integral part of the organisational and management models as per Legislative Decree 231/2001.

Among the instruments implementing the Code, Acea adopted a procedure for managing reports of presumed violations of the principles of the Code of Ethics and the Organisational and Management Model (whistleblowing) which ensures confidentiality and protects the whistleblowers in good faith.

In compliance with the principles expressed in the Code of Ethics, Acea also sought to promote a culture of equal opportunities and the management and enhancement of diversity through the adoption, as early as 2014, of a Diversity Management Charter, updated by the board resolution dated 13 December 2018. In the same session, with the approval of the Diversity Committee, the Board resolved that due to their high ethical and moral value and significance, the activities relating to the culture of equal opportunities and the promotion of diversity should fall within the remit of the Ethics and Sustainability Committee, and consequently delegated the Chairman to make the necessary amendments to the Regulations of the Ethics and Sustainability Committee, combining it with the duties of the former Diversity Committee.

In the context of the Human Resources Development function, the People Involvement Unit is assigned with the responsibilities of defining, in collaboration and with the support of business and the players involved for various reasons, the guidelines and policies on the matter of People Care and Diversity & Inclusion Management and to develop initiatives aimed at valorising the differences and the unique contribution of each employee.

In 2018, in addition to monitoring the effective implementation of the Code of Ethics and in order to foster the concrete application of the principles of sustainable development affirmed in the Code of Ethics, the Ethics and Sustainability Committee, held several meetings aimed at spreading the new version of the Code of Ethics with a focus on issues related to sustainability in managerial culture and their reflection in decision-making and strategic processes.

The Committee, in the performance of its duties, coordinates its activity with that of the Supervisory Body.

During the period, the Ethics and Sustainability Committee held 8 meetings, with an average duration of 1 hour 50 minutes, mostly attended by its members.

In 2019, at the date of this Report, the Committee held 2 meetings, with an average duration of approximately 1 hour and 50 minutes, one of which held jointly with the Control and Risks Committee.

The Board of Directors confirmed the allocation of an annual budget for 2019 of 25,000.00 Euros (twenty-five thousand point zero zero) for the Committee.

# 11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Acea's Internal Control and Risk Management System, an essential element of the Group's Corporate Governance system, and it comprises an organic series of rules, policies, procedures and organisational structures aimed at allowing the identification, measuring, managing and monitoring of the main risks, in order to identify any potential events that could influence the achievement of the Company's objectives, and at limiting such risks within acceptable levels. The system is integrated within the more general organisational framework and corporate governance system adopted by Acea.

The Board of Directors defined the "Internal Control and Risk Management System Guidelines", updated in February 2018, in order to:

- provide guidelines for the various subjects in the SCIGR, so as to ensure that the main risks pertaining to Acea Group 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 avoid any duplicated activities and ensure coordination between the main subjects involved in the SCIGR.

Acea, in accordance with the principles outlined and the SCIGR guidelines, pursuing the aim of continuous improvement in the risk control and monitoring activities, has introduced and integrated into the organisation second level protective procedures for some specific risks and it has defined the standard content of the periodic information flows produced by such structures addressed to the SCIGR Director. These information flows are also acquired by the Internal Audit function manager in order to prepare his/her periodic report to the Governance and Control Bodies, containing information on the manner in which risk management is conducted as well as compliance with the plans defined for their containment.

## COMPREHENSIVE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

### Introduction

The planning, implementation and periodic assessment of Acea's Control System is based on the best practices of reference (integrated "Internal Control" model issued by CoSO) and on the principles of the Self-Governance Code.

### a) Roles and duties of the various subjects in the Control System

The governance and implementation of the complete Control System involves subjects with diverse roles within the Company (governance and control bodies, Company departments, management, employees and post audit Committee).

For a description of the roles and duties of the control bodies, we invite you to refer to the specific paragraphs of this Report (Board of Directors, Internal Committees within the Board, the Managing Director, the Internal Audit function, Risk & Compliance function manager, the Financial Reporting Officer and the Supervisory Body).

The Group's management is responsible for defining, implementing and maintaining an effective risk management process with the capacity to put into practice the plans and to achieve the strategic objectives. In particular, the Industrial Areas and the Acea S.p.A. company management/functions, each for its sphere of compe-

tence, are responsible in their everyday operations for implementing the actions that allow for achieving the expected business results and the management of the connected risks.

The employees are responsible for working in compliance with the external and internal regulations and the management's procedures and directives, also with the support of appropriate training courses aimed at increasing the skills and at fostering the professional attitude necessary to effectively perform the controls, as defined in the Control System.

The Post Audit Committee, established in January 2018 and chaired by the Director assigned to the SCIGR, has the duty of analysing corrective interventions identified by the management downstream of internal auditing activities and monitoring realisation times.

### b) Risk management system

The risk management system adopted by Acea contemplates widespread responsibility and involves subjects at all levels of the organisation. In particular, the risk management system adopted in Acea includes activities for risk identification, assessment, management and monitoring.

The company makes use of a structured model based on the CO-SO framework "Enterprise Risk Management - Integrating with Strategy and Performance" of June 2017, which aims to support management in identifying the main risks capable of affecting the achievement of the Acea Group's strategic and business objectives, intervention priorities and the adoption of mitigation policies to reduce the residual risk back to a level deemed acceptable by top management. For particular types of risk, specific second-level organisational structures have been identified, and, if necessary, control and monitoring models implemented that include specific indicators and risk limits (e.g. PAR and VAR).

Responsibility for the controls is divided into three complementary levels:

1. First level controls are aimed at ensuring correct execution of Company processes, in order to prevent risks by means of suitable mitigation actions. The responsibility for their execution is assigned to the line structures;
2. Second level controls are aimed at verifying that the controls defined for Company operations are effective and implemented, through continuous monitoring aimed at guaranteeing that the risk mitigation actions are adequately identified and put into practice in the organisation by the subjects responsible for said implementation;
3. Third level controls are entrusted to the Internal Audit function, comprising independent verification of the design and operation of the internal control system and monitoring the implementation of the improvement plans defined by the management.

The activities of the Internal Audit function are regulated by the Board of Directors through the Audit Charter, which defines its purpose, remit, authority, responsibilities and other relevant provisions. In particular, the Internal Audit function manager is responsible for verifying that the Control System is always adequate, fully operational and functioning. He reports to the Board of Directors, he is not responsible for any operational activities and he can have direct access to all information useful for the performance of his duties. He reports on his work to the Chairman, the Managing Director, the Control and Risks Committee and the Board of Auditors on the operation, adequacy and effectiveness of the Control System. The Internal Audit function operates on the basis of an Audit Plan,

developed on the basis of a structured process of analysis and prioritisation of the main risks, which takes into account the results deriving from the monitoring performed by the company departments responsible for second level controls and any proposals received from Acea Functions/Departments/Industrial Segments, as well as any requests from the Control and Risks Committee, the Board of Statutory Auditors and the Supervisory Body.

The Audit Plan is approved annually by the Board of Directors, subject to the favourable opinion of the Control and Risk Committee and after having consulted the Board of Statutory Auditors and the Director in charge of the SCIGR.

### c) Qualifying elements of the Control System

#### Pervasive elements of the Control System

The pervasive elements are of fundamental importance in the Acea control system, in as much as they represent the infrastructural foundations of said system, worthy of mention amongst which, in particular, are the following aspects:

- the definition of the ethical values and of the behavioural criteria, by which the behaviour of the employees and of all those who operate in pursuit of the company's objectives must be inspired, is ensured by the rules of the Code of Ethics, approved by Acea's Board of Directors and its subsidiaries and disclosed inside and outside the company;
- the roles and responsibilities, and the relations between company departments are clearly defined within the adopted organisational structure, and the powers of signature and the internal delegations are consistent with the hierarchical level, the organisational unit concerned and the assigned targets.

To this end, the organisational charts and other organisational provisions, the organisational and management model pursuant to Legislative Decree no. 231/2001, the company procedures, the system of delegations and powers of attorney.

#### Second-level company control functions for particular risk categories

The Director in charge of the SCIGR has identified some corporate functions – including some that are not exclusively dedicated – which he/she uses to identify, measure, manage and monitor specific types of risk connected with the Group's operations. These centralised controls are the manner by which a transversal view of the risks and of the connected systems of control between the diverse processes within the Group is possible.

The company structures and the relative corporate risks supervised through guidance and/or monitoring activities are summarised below:

- *Compliance*: antitrust compliance, consumer code and Legislative Decree 231/01;
- *DPO*: Privacy compliance;
- *Company Protection*: risks of damage to physical assets and operational continuity, including theft and fraud;
- *Insurance Management*: insurable industrial risks;
- *Enterprise Risk Management*: business execution risks;
- *Integrated Certification Systems*: operational and compliance risks in the area of quality, safety and energy;
- *Cyber Risk*: data and ICT infrastructure security;
- *ICFR*: financial reporting risks;
- *Interest rate*: interest rate change risks;
- *Commodity*: commodity risks in the power and gas trading business;
- *Corporate Credit*: credit risk of prospects and active/terminated customers;
- *Safety & Security*: occupational health and safety risks pursuant to Legislative Decree no. 81/2008.

#### d) Overall assessment of the adequacy of the Control System

See the contents of paragraph 4.3 of the Board of Directors.

## MAIN FEATURES OF THE EXISTING INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS (art. 123 -bis, paragraph 2, lett. b) of the TUF).

### Introduction

In the Internal Control system, with reference to financial reporting, particular relevance is held by the "Group's Management and Control Model pursuant to Law 262" (the "**Model**"), adopted on the occasion of the updating of the Group's Internal Control System to the requirements of Law 262/2005. In particular, in 2007 Acea began a process of adaptation to the needs expressed by Law 262/2005 aimed at planning an effective system of Internal Control over Financial Reporting ("**ICFR**"), subject to constant improvement and adaptation to the Company's evolution, which can allow the Acea Financial Reporting Officer and Managing Director to issue the certifications required by art. 154-bis of the TUF.

The system is defined as all the activities for identifying the risks/controls and for defining specific procedures and tools adopted by Acea to ensure, with reasonable certainty, the achievement of the aims of the credibility, accuracy, reliability and immediacy of the financial information.

The Model defines the guidelines, the methodological references and the responsibilities for the institution, assessment and maintenance of the ICFR.

The Model is developed on the basis of the fact that the ICFR must be a part of the broader Internal Control and Risk Management System and an essential element of Acea's Corporate Governance, and that the credibility of the information disclosed to the market on the Company's situation and results is a fundamental element for all the stakeholders.

The Model, approved by Acea's Board of Directors on 20 February 2008, is composed of a series of documents, circulated among the companies of the Group, which define all the basic aspects of the system:

- Financial Reporting Regulations;
- Guidelines for the implementation of the Model;
- Periodic reports of the Group for the implementation of the information flow.

The Model is completed by the Group's Accounting Principles Manual, the Guide to closing the consolidated financial statements, the administrative and accounting procedures and the specific operating documents.

The implementation of the Internal Control and Risk Management System in relation to the Group's financial reporting has been carried out, also through successive adjustments, also considering the guidelines provided by certain category bodies regarding the Financial Reporting Officer's activities, in particular:

- Position Paper of the Andaf [National Association of Administrative and Financial Directors] "Il Dirigente Preposto alla redazione dei documenti contabili societari" [The Financial Reporting Officer];
- Position Paper of the AIIA [Italian Internal Auditors' Association] "Il contributo dell'Internal Auditing nella realizzazione di un buon processo di Corporate Governance e nell'organizzazione di un flusso informativo con il Dirigente Preposto alla redazione dei documenti contabili e societari" [The contribution of Internal Auditing in the creation of a good Corporate Governance process and in the organisation of an information flow with the Financial Reporting Officer];
- Guidelines issued by Confindustria "Linee guida per lo svolgimento delle attività del dirigente preposto alla redazione dei documenti contabili societari ai sensi dell'art. 154-bis TUF" [Guidelines for the performance of the Financial Reporting Officer's activities pursuant to art. 154-bis of the TUF].

## DESCRIPTION OF THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Model defines the guidelines of reference for creating and managing the system of administrative and accounting procedures (so-called activity/risk/control matrices) for Acea and its major consolidated companies for the purposes of corporate Financial Reporting (“major company”), regulating the main steps and responsibilities.

### a) Steps

**Defining the scope of analysis.** Every year Acea updates the scope of analysis of the system of administrative-accounting controls and of the monitoring of the underlying processes, to guarantee that the risks relating to the financial reporting of the more significant accounting items within the consolidation perimeter are covered.

The scope of the analysis is initially determined by the weight of each major company of the Group on the consolidated financial statements, taking into account the relevance for the same of the associated significant accounts and administrative-accounting processes; successively, the results of the analysis are integrated by considerations of a qualitative nature to take into account both the Group’s structure and the features of specific financial statement items.

**Analysis of process risks and controls.** The approach adopted by Acea allows for identifying the “key” risk and control points deemed significant for the consolidated financial statements. For this purpose, the control objectives and the related risks are defined for every process and activity; i.e.

- financial statement assertion: this element must be respected in the reporting of company events in order to represent them truly and correctly on the financial statements;
- theoretic risk: risk identified at the “inherent level”, not taking into account the existence and the effective execution of specific control techniques aimed at eliminating the risk in question or at reducing it to an acceptable level;
- specific control objective: objective that must be guaranteed by the execution of the control activity.

In particular, the financial statement assertions considered in the Model are:

- *Existence and occurrence* (the company’s assets and liabilities must exist at a definite date and the transactions recorded must represent events that have actually taken place during a specific period);
- *Completeness* (all the transactions, assets and liabilities to be represented must be effectively included on the financial statements);
- *Rights and obligations* (the company’s assets and liabilities must represent, respectively, its rights and obligations on a specific date);
- *Assessment and reporting* (the assets and liabilities, the shareholders’ equity, the revenues and the costs must be posted on the financial statements at their correct amount, according to the generally accepted accounting standards);
- *Presentation and informing* (the financial statement items must be correctly named, classified and illustrated).

For each specific risk/objective subject to control, the so-called “key” controls are identified, which allow for identifying the existing system of controls (manual/automatic controls; prior/successive controls) in relation to each relevant process, in order to reach the objective of control and to effectively mitigate the risk.

**Assessment of the controls in view of the risks identified.** The assessment of the design of the controls described in the administra-

tive and accounting procedures, aims to analyse how the single control activities are structured and defined in respect of the objective of preventing the risk of error on the financial statements. The assessment is carried out considering the goal that the control aims to achieve, namely whether the risk is mitigated (“adequate/inadequate” control).

The assessment of the design of the controls is the responsibility of the Business Lines, starting from the hierarchical level above the manager of the department/activity subject to the control, up to the level of the Board of Directors in the case of the companies of the Group.

The assessment of the operativity of the controls identified in the administrative and accounting procedures is also subject to specific analysis by the Business Lines. In fact, for controls whose design is deemed adequate, their execution must then be assessed (“implemented/not implemented” control).

The operativity of the controls, ascertained by the Business Lines, is corroborated by independent monitoring carried out through a periodic testing plan of the FRO. The test plan is defined according to criteria of priority and rotation on the basis of which, in each period of reference, a certain sub-series of controls to be tested is selected, until achieving coverage of the main controls identified in the procedure.

The FRO implements a process for sharing and circulating the results of the test activities, so that the managements of reference can put into practice the necessary corrective action in their own structures.

**Corrective Action Plan.** If, on the basis of the analyses carried out by the Business Lines, the “key” controls are found to be absent, not documented or not carried out correctly according to the company’s procedures, the manager of the organisational unit concerned, up to the level of the Board of Directors for the companies of the Group, defines and implements a remedy plan with indication of the timing and responsibilities for the execution of the corrective action. The remedy plan is submitted to the FRO for the overall assessment of the system and for the coordination of the action to be taken, and it is updated six-monthly by the subjects responsible.

**Overall assessment.** To allow the Acea FRO and Managing Director to issue the certifications required by art. 154-bis of the TUF, a “chain” system of internal certifications has been introduced, described in more details in the following paragraph, with the aim of ensuring the adequate internal formalisation of responsibilities for the adequacy and the effective application of the administrative and accounting procedures, and for preparing and communicating the corrective action plan, when necessary, and for updating the procedures (see point b), Roles and Responsibilities).

The overall assessment is therefore based on a complex evaluation procedure which takes into account:

- the assessment of the design of the existing controls and the assessment of their execution, carried out by the Acea management and by the Boards of Directors of the major companies, together with the implementation of the remedy plans;
- the analysis of the test results;
- the final analysis of the areas for improvement that have come to light, with reference to their relevance on the financial statement information.

If deemed necessary, within the scope of the assessment process, the methodology adopted may include the design and execution of compensatory controls and verifications. Any important shortcomings that are found are communicated to the control bodies according to the procedures laid down in the Financial Reporting Regulations.

### b) Roles and Responsibilities

The Model is based on the clear internal attribution of responsibili-



ties in the planning, assessment and maintenance over time of the ICFR, without prejudice to the responsibilities attributed by law to the FRO and to the delegated Board of Directors. For this purpose, the financial reporting (“**Reporting**”) introduced within the Acea Group is based on a “chain” system of certifications which has the aim of the adequate internal formalisation of the responsibilities for the adequacy and effective application of the administrative and accounting procedures, of monitoring the corrective action plan, when necessary, and of immediately detecting possible modifications to the controls that are the competence of the Business Lines and factors of change/risk that arise in the course of normal process operations, that can influence the adequacy of the ICFR.

The assessment process of the FRO and of the Managing Director, on the basis of which the certification of the financial statements is issued according to the CONSOB model, therefore entails internal certifications (reporting forms) issued by the managers of the processes that are relevant for Acea and by the delegated Boards of Directors of the major companies. In particular, Acea, by means of reporting, has disciplined roles and responsibilities, the activities to be performed by each subject involved, the calendar, instructions for filling in the reporting forms, and the methods for updating the administrative and accounting procedures.

The Model identifies the main actors of the financial reporting process, in addition to the FRO and the delegated Boards of Directors, with the relative responsibilities.

- The Control Manager is responsible towards the Sub-Process Manager for the execution and certification of the execution of the controls of his competence according to the procedures and timing laid down by the administrative and accounting procedures, and for providing the basic information input for the reporting flow;
- The Sub-Process Manager is responsible for a related series of activities necessary for achieving a specific control objective; he must carry out an overall assessment of the design and implementation of the control, in relation to the sub-process in question; he must also update and ensure the implementation of the corrective action plan.
- The 262 Administrative Contact for the major companies is the subject within the Group major companies responsible for all the activities necessary to allow the Acea FRO to issue the certification; he is responsible for consolidating all the information received from the Sub-Process Managers and for assembling the overall assessment of the design and implementation of the controls for the company in question, which he then submits to the major company’s Board of Directors: he is also responsible for guaranteeing the information flows to and from the FRO.
- The major companies’ delegated administrative body is responsible for assessing the design and implementation of the controls of the major company and sending the internal certification to the FRO, in the defined format, together with the corrective action plan suitably endorsed, also communicating any change/risk factors that have arisen in the period of reference that could influence the adequacy of the ICFR.

Lastly, with reference to the other governing and control bodies within and outside the Group, Acea has introduced a virtuous information exchange process, to and from the FRO, structured and modulated to foster as broad an overall view as possible of the Internal Control System on the part of said bodies.

## 11.1 EXECUTIVE DIRECTOR IN CHARGE OF THE CONTROL SYSTEM

The Acea Board of Directors has chosen the Managing Director as the director appointed for the institution and maintenance of an

effective Control System (“**Appointed Director**”), and has conferred mandate to the same to implement the Guidelines of the Internal Control and Risk Management System.

In 2018, the Managing Director – with the support of the ERM unit within the Risk & Compliance function and of the information coming from the second level controls on specialised risks – identified the main business risks, taking into account the characteristics of the activities carried out by Acea and its subsidiaries, and periodically submitted them to the Board for examination. He has put into practice the guidelines drawn up by the Board of Directors, ensuring the planning, execution and management of the System and the constant monitoring of the overall adequacy, effectiveness and efficiency. He has also provided for the adaptation of the system to the dynamics of the operating conditions and the legislative and regulatory context.

The Appointed Director may request the Internal Audit function, notifying the Chairman of the Board of Directors, the Control and Risks Committee and the Board of Statutory Auditors of the execution of verifications on specific operating areas and on respect for the internal rules and procedures in the execution of Company operations.

The Appointed Director also immediately informs the Control and Risks Committee and the Board of Directors of problems and critical situations that arise in the performance of his activities or of which he gains knowledge.

## 11.2 THE AUDIT FUNCTION MANAGER

On 18 December 2013, the Board of Directors, on an Appointed Director’s proposal, with the favourable opinion of the Control and Risks Committee and after consulting the Board of Statutory Auditors, resolved on the appointment of Ms. Liberata Giovannelli as Manager of the Internal Audit function and defined her salary, in accordance with the Company’s policies.

It should also be noted that during the meeting of 22 January 2019 the Board of Directors – as proposed by the Appointed Director and having taken note of the favourable opinion expressed by the Control and Risk Committee and having heard the Board of Statutory Auditors – resolved to appoint Simone Bontempo as new Head of the Internal Audit function starting from 1 February 2019. The Guidelines of the Internal Control and Risk Management System approved by the Board of Directors define the Internal Audit Function’s mission and activities, according to which this Department has a central role in the coordination of the SCIGR. The Audit function manager is required to verify the operation and adequacy of the SCIGR, by means of verifications, both continuously and in relation to specific needs, and to check on the operations and suitability of the Control System, with the support of the Managing Director in the activities of identifying and establishing the priorities of the major risks to which Acea and its subsidiaries are exposed. The Internal Audit function is also mandated to provide for the general review of the risk analysis process carried out by the second level control structures which protect against certain types of risks, and for the coordination of the information flows from said structures (see Chapter 11 “*Internal Control and Risk Management System*”).

At its meeting of 12 April 2018, the Board of Directors approved the Internal Audit function’s work plan and at the same time it verified the adequacy of the resources allocated to the Department for the performance of its duties.

The Internal Audit function manager in office during the year had direct access to all useful information for the performance of her mandate, had no responsibility for operational areas, nor was she hierarchically subordinate to the managers of the operational areas and reported directly to the Board of Directors.

During financial year the Internal Audit function, performing its

duties as described, carried out the following activities:

- a. it verified, both continuously and in relation to specific needs and consistently with the international standards for professional internal auditing, the operativity and the suitability of the Control System, through the activity plan of the Internal Audit function approved by the Board of Directors;
- b. it carried out audits at the request of the Chairman of the Board of Directors in addition to those required by the approved plan;
- c. it drafted a final report on the single audit actions and requested the competent functions/companies, when necessary, to draw up action plans for overcoming the critical issues found, monitoring the implementation and reporting the results to the Control and Risks Committee and the Post Audit Committee;
- d. it constantly informed, by means of drawing up specific reports, the Chairman of the Board of Directors, the Managing Director, the Control and Risks Committee about the activities carried out and related results; following the legal matters that involved the former Chairman Lanzalone prepared reports on particularly significant events at the request of the Chairman of the Board of Directors and the Board of Statutory Auditors;
- e. within the sphere of the Audit Plan, it verified the reliability of the information systems, including those of accounting disclosure;
- f. it supported the Acea Supervisory Body and those of the subsidiaries in the audits pursuant to Legislative Decree no. 231/2001;
- g. it contributed to the design of training and corporate information activities regarding Internal control topics;
- h. it monitored initiatives for overcoming anomalies found in the operativity and function of the controls, also through follow up activities;
- i. following the guidelines defined in the whistleblowing procedure, it collected and handled reports received relating to cases of alleged violations involving failure to comply with the law, internal regulations and the Code of Ethics;
- j. it drafted the final report in which it gives an assessment of the suitability of the Control System and sends it to the Chairmen of the Board of Directors, the Control and Risk Committee and the Board of Auditors, as well as the Appointed Director.

### 11.3 THE RISK & COMPLIANCE FUNCTION

After incorporating the Risk & Compliance function into the macrostructure at the end of 2017, in 2018 the Board of Directors continued with the strengthening of this fundamental control for the management and management of the SCIGR.

In particular, the function was assigned to:

- guarantee the monitoring of insurance risks of company activities in order to identify and acquire the most adequate insurance coverage and to seek the most advantageous conditions for the Group, also guaranteeing the management of claims to be paid or received;
- identify, describe and measure the main risk factors that can compromise the achievement of the Group's strategic objectives, supporting management in defining action plans to reduce the risk to a level deemed acceptable and monitor their implementation, ensuring compliance with the decisions made by the governance bodies regarding risk policies and their management;
- coordinate and develop issues relating to social and environmental sustainability, supporting Group companies in planning the actions necessary to achieve the objectives and reporting their effects annually through the Sustainability Report;
- play a preventive and proactive role in the advance assessment of the risks of non-compliance of the company's activities with

pertinent "regulations" (antitrust, Legislative Decree no. 231/2001, environment, etc.), examining the effectiveness of the processes with the objective of preventing the violation of the rules and regulations (internal and external), and suggesting the most appropriate solutions in the event of misalignments;

- assess the most appropriate measures to incorporate compliance requirements into the current privacy legislation for business processes, developing proposals and actions for changes and updates to policies, procedures and security measures, and verifying the actual effective implementation of the governance policies for the risks related to the processing of personal data;
- guarantee and control the implementation of the policies regarding quality, environment, safety and energy so as to ensure that QASE certification of the interested processes;
- guarantee the definition, implementation and control of the policies on physical protection (physical business structures) of Acea's and the Group companies' assets.

### 11.4 ORGANISATIONAL MODEL pursuant to Legislative Decree no. 231/2001

With the adoption of the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001, Acea has sought to comply with the provisions of the law, complying with the guiding principles of Legislative Decree no. 231/2001 ("Decree"), the Corporate Governance Code and the recommendations of the supervisory and control authorities, with the aim of strengthening the system of controls and Corporate Governance, in particular for the prevention of the predicate crimes envisaged by the Decree.

With the adoption of the MOG, Acea has set itself the following goals of a general nature:

- to achieve awareness of the activities that present a risk of offences with relevance for the Company (risk activities) and awareness on the part of the addressees of the rules (methods and procedures) that discipline the risk activities;
- the circulation, personal acquisition and concrete affirmation of a corporate mentality based on legality, in the awareness of the Company's express disapproval of any behaviour contrary to law, the self-regulating provisions, the indications of the supervisory and control authorities and internal provisions;
- the circulation, personal acquisition and concrete affirmation of a mentality of control, which must govern the pursuit of objectives;
- implementation of a structured system of procedures and controls that reduces the risk of committing crimes referred to in the Decree and of offences in general.

With regard to the various types of offences envisaged by Legislative Decree no. 231/01 and the related sensitive activities, the MOG identifies the Company's processes that are functional and instrumental within the risk activities and it recalls the relevant organisational and control principles which must characterise the organisational system and with which the recipients must comply in their activities of competence.

After its first approval in May 2004 by both Acea and its subsidiaries, the MOG was continually updated following the introduction of new predicate crimes within the catalogue of offences referred to in the Decree, of the evolution of case law, as well as changes in the company's organisation.

By resolution of the Board of Directors on 15 December 2017 after a review and updating activity as described in the preamble of this report, the current Acea MOG was adopted.

The supervisory body ("OdV"), set up pursuant to Legislative Decree 231/2001 has full and autonomous powers of initiative, action and control regarding the proper functioning, effectiveness and

observation of the MOG, in order to prevent the risk of offences for which the Company could bear administrative liability.

The OdV supervises the effectiveness and adequacy of the MOG, monitoring its state of implementation and proposing any necessary updates to the Board of Directors. It must also report to Acea's competent bodies any breaches of the MOG, ascertained or subject to pending investigations, which could lead to liability bearing on the Company.

With regard to the composition of the OdV, the MOG approved by the Board of Directors envisages the establishment of a multi-member body appointed by the administrative body, with two external members who are experts on internal control and corporate criminal liability, as well as an internal member represented by the Internal Audit function manager.

The Acea Board of Directors appointed this Body for the period of 1 January 2018 - 31 December 2020.

The Board of Directors attributes a specific annual budget to the OdV of 25,000.00 Euros (twenty-five thousand point zero zero) in order to guarantee and establish the autonomous "power of initiative and control" which the Decree grants.

## 11.5 STATUTORY AUDIT COMPANY

Pursuant to art. 22-bis of the Articles of Association in force, the certified audit of the accounts is carried out by an auditing firm appointed and operating pursuant to law and pursuant to the regulations dictated for issuing companies listed on regulated markets. In particular, it verifies that the accounts have been regularly kept and that the management events have been correctly recorded in the accounts during the period, and it also verifies the Company's financial statements and the consolidated financial statements of the period. The Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2016, held on 27 April 2017 in conformity with the provisions of law, by recommendation of the Board of Statutory Auditors, conferred *PricewaterhouseCoopers SpA* the assignment of auditing the Company's financial statements and the consolidated financial statements for a term of nine financial years - specifically 2017-2025 in other words until the approval of the financial statements of the last year of the said mandate - and established the relative fees.

In the performance of its activity, the Auditing Firm had access to the Company's information and data, in both documental and electronic format, its archives and assets and to those of its subsidiaries.

## 11.6 THE FINANCIAL REPORTING OFFICER AND THEIR OTHER CORPORATE ROLES AND FUNCTIONS

### 11.6.1 The Financial Reporting Officer

The figure of the Financial Reporting Officer, introduced by Law 262/05, was adopted by Acea with an amendment to the Articles of Association of 13 November 2006, which requires this figure to be appointed by the Board of Directors.

In its meeting of 3 August 2017, the Board of Directors the Company resolved to appoint - effective as from 1 September 2017 - Giuseppe Gola as Financial Reporting Officer for Acea, pursuant to art. 154-bis of Legislative Decree no. 58/1998, who also assumed the office of Finance and Control Administration Director of Acea S.p.A.

As required by the Articles of Association, the Financial Reporting Officer has a number of years of experience in the performance of managerial duties in administration and control activities at capital companies of significant size and is responsible for establishing and maintaining the internal control system regarding financial statements and to issue a specific certificate according to the model

published by Consob, together with the Managing Director.

In particular, in accordance with the regulations approved by the Board of Directors of 20 February 2008, he must perform the following duties:

- to provide adequate administrative and accounting procedures for the preparation of the Company's financial statements, the consolidated financial statements and the six-monthly interim report;
- to ensure that the financial statements are drafted in compliance with the applicable international accounting standards;
- to ensure that the Company's deeds and communications disclosed to the market and the relative accounting statements, including the interim reports, correspond to the documentary evidence, the Company's books and the accounting entries;
- to assess, together with the Control and Risks Committee (a) the adequacy of the accounting principles adopted, and (b) their standardisation for the purposes of the drafting of the consolidated financial statements.

The Financial Reporting Officer has issued the certification, together with the Managing Director, in compliance with art. 154-bis of the TUF, without remarking any aspects worthy of note.

### 11.6.2. Post Audit Committee

A Post Audit Committee was established in January 2018, it is chaired by the Appointed Director, having the task of analysing corrective interventions identified by the management downstream of the internal audit activities and monitoring the realisation times thereof.

## 11.7 COORDINATION AMONG SUBJECTS INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In order to allow the various subjects involved in the SCIGR to adequately perform the role assigned in relation to such system, specific informatory flows are defined among the various levels of control and the competent management and control bodies, duly coordinated in terms of content and timeframes.

The Guidelines of Acea's Internal Control and Risk Management System contemplate the definition of a series of activities for the coordination between the various subjects involved in the Control System, in order to ensure continuous monitoring of the adequacy and its operation, and to facilitate the efficient exchange of information. These methods briefly consist of:

- periodic coordination meetings regarding, in particular, the processing of the financial information and the assessment, monitoring and mitigation of the risks (economic-financial, operational and compliance risks);
- information flows between the subjects involved in the Control System;
- coordination meetings and joint meetings with the Board of Statutory Auditors, the Control and Risks Committee, the external Auditing Firm, an Officer and the Internal Audit function manager;
- structured information flows on the part of the subjects responsible for the second level controls to the top management, the Internal Audit function, the Risk & Compliance function and the supervisory bodies;
- communication flows between the Internal Audit function and the Risk & Compliance function to support the specific activities of competence. In particular, the Risk & Compliance function informs the Internal Audit function about the main corporate risks useful for preparing the risk-based Audit plan proposal and receives the results of the internal

- audit activities where relevant to performing its task;
- structured information flows between the Supervisory Bodies of Acea's subsidiaries and the issuer's Supervisory Body;
- periodic reports to the Board of Directors;
- assistance to the Internal Audit function in its activities in the role of Acea's Supervisory Body and to those of the subsidiaries;
- communication flows within each Group company between the Board of Statutory Auditors and the Supervisory Body.

## 12. DIRECTORS' INTERESTS AND RELATED PARTIES TRANSACTIONS

Prior to discussion on each item on the agenda during the board meeting, every director must report any interests that it holds, directly or on behalf of third parties, connected with the topics or questions to be dealt with, specifying the nature, the terms, the source and the extent.

With regard to transactions with related parties, the procedure for such transactions, issued pursuant to art. 2391-bis of the Civil Code and adopted in accordance with the principles dictated by the Consob Related Parties Regulation effective as of 1 January 2011, was amended by the Board of Directors on 18 December 2013, entering into force on 1 January 2014, and it applies to transactions carried out directly by Acea, or companies directly or indirectly controlled individually by the latter, and related parties.

Depending on the amount, the transactions are divided as follows:

- transactions of *Major Relevance*, in which at least one of the indices of relevance, indicated in Annex 3 of the Consob Related Parties Regulation is above the threshold of 5%, which must be approved by the Acea Board of Directors;
- transactions of *minor value* with a counter-value of not more than Euro 200,000.00 (two hundred thousand);

- transactions of *Minor Relevance*, which includes all the transactions with related parties that cannot be classified as of major relevance or of minor value.

According to the procedure, before the approval of a transaction with a related party, whether of Major or Minor Relevance, the Transactions with Related Parties' Committee expresses an opinion on the Company's interest in the execution of the transaction and on the convenience and on the substantial correctness of the related conditions.

At present, the Committee for Transactions with Related Parties is composed of three independent directors, namely: Fabrice Rosignol, as coordinator, Gabriella Chiellino and Massimiliano Capece Minutolo Del Sasso.

The Board of Directors has confirmed the allocation of an annual budget for 2019 of 50,000.00 Euros (fifty thousand point zero zero) for the Committee so as to allow the latter, should it be deemed necessary, to confer external mandates instrumental to the performance of its duties.

For further details, please refer to the website [www.gruppo.acea.it](http://www.gruppo.acea.it) in the "Corporate Governance" section.

## 13. APPOINTMENT OF THE AUDITORS

In compliance with the provisions of law and of the Articles of Association, the Board of Statutory Auditors is composed of three standing auditors and two alternative auditors, appointed by the Ordinary Shareholders' Meeting for a term of three financial periods, and they can be re-elected on expiry of their mandate.

There must be a gender balance in the composition of the Board of Statutory Auditors, as governed by law.

The Board of Statutory Auditors is appointed, in compliance with art. 22 of the Articles of Association, by the same methods as those for the appointment of the Directors, illustrated above. Half plus one of the standing auditors to be elected will be drawn from the list that has obtained the majority of votes, in the progressive order in which they are placed on the list, rounded down to the nearest whole number in the case of a fractioned number, and one alternative auditor.

For the other members of the Board of Statutory Auditors, the standing auditor and alternate auditor will be respectively those who have obtained the first and second highest quotient in the minority

lists; pursuant to the combined provision of arts. 15 and 22 of the Articles of Association, in case of equal percentage, the standing auditor will be the one on the minority list that has obtained most votes. In any case, at least one standing auditor must be elected by the minority shareholders. If an auditor leaves office during a financial period, the alternative auditor on the same list as the outgoing auditor will take his/her place.

The appointment of auditors who, for any reason, are not elected according to the above-illustrated procedure, must be approved by a Shareholders' Resolution passed with the majority required by law. The Chairman of the Board of Statutory Auditors will be chosen from those effectively elected from the minority list.

The lists must be presented twenty-five days before the date scheduled for the first meeting, by shareholders that, alone or with other shareholders, represent the minimum participation in the share capital established by Executive Determination no. 13 of 24 January 2019 of the CONSOB.

# 14. COMPOSITION AND OPERATION OF THE BOARD OF AUDITORS (as per art. 123-bis, para. 2, lett. d, TUF)

The current Board of Statutory Auditors was appointed by the Ordinary Shareholders' Meeting of 28 April 2016 and its mandate will expire on the approval of the financial statements for 2018.

For the appointment by the Shareholders, two lists were presented: List no. 1 presented by Roma Capitale with three candidates, Corrado Gatti, Rosina Cichello and Lucia Di Giuseppe and List no. 2 presented by the shareholder Fincal SpA with two candidates, Enrico Laghi and Carlo Schiavone.

List no. 1 was voted by 68.94% and List no. 2 by 30.89% of voters. According to the appointments at that Meeting, the Board of Statutory Directors is formed, as described in Table 3, by the components below, a brief professional description of whom is given, in compliance with art. 144-decies of the Issuers' Regulations:

- **Enrico Laghi, Chairman.** Full professor of business economics at "La Sapienza" University of Rome; he is a member of the Institute of Chartered Accountants of Rome and listed on the Register of Certified Auditors;
- **Corrado Gatti, statutory auditor.** Full professor of economics and business management at "La Sapienza" University of Rome. He holds the office of board member, auditor and chairman of the board of auditors of companies and entities. He is advisor on strategic, organisational and financial aspects for several private and public companies. He is a member of the Institute of Chartered Accountants of Rome, and registered in the Register of Certified Auditors and on the Register of Expert Witnesses of the Court of Rome.
- **Rosina Cichello, statutory auditor.** A graduate in economics and business studies from "La Sapienza" University of Rome. She is a member of the Institute of Chartered Accountants of Vibo Valentia and is listed on the Register of Certified Auditors. She is a tax consultant and an auditor for various private companies.
- **Lucia Di Giuseppe, alternative auditor.** A graduate in economics and business studies from "La Sapienza" University of Rome. She is a member of the Institute of Chartered Accountants of Avezzano and Marsica (AQ) and is listed on the Register of Certified Auditors and on the Register of Expert Witnesses of the Court of Avezzano. She provides administrative, commercial, tax and labour law advisory services for joint stock companies, partnerships, professionals and individual entrepreneurs.
- **Carlo Schiavone, alternative auditor.** A graduate in economics and business studies from Rome University. He is a member of the Institute of Chartered Accountants of Rome and is listed on the Register of Certified Auditors. He has held office as statutory auditor for listed companies and important national banking groups.

The auditors have been chosen amongst people who can be qualified as independent and they must act with autonomy and independence, also as regards the shareholders that have elected them. After the appointment of an auditor who qualifies him/herself as

independent, and successively at least once a year, the Board of Statutory Auditors, on the basis of the information provided by the person concerned or however available to Acea, assesses the relations that could, or which could apparently, compromise the independent judgement of said auditor.

The Board in office has regularly verified the existence of the independence requirements pursuant to the law and art. 3 of the Code regarding its effective members, verifying their existence and submitting the outcome of such verifications to the Board.

The Board of Statutory Auditors receives from the administrative body, at the Board of Directors' meetings, information on the activity performed by the Board of Directors, by directly participating in the Board of Directors' meetings and by examination of the material which illustrates the items on the agenda, which it receives in advance in the same format and within the same terms as the documentation received by the Directors.

The Board of Statutory Auditors exercises the powers and performs the duties contemplated by the provisions in force.

The Board of Statutory Auditors, in the performance of its activity, cooperates with the Internal Audit function prevalently by periodic meetings for the illustration of the work plan of the independent monitoring activities and of the results of the main actions carried out during the period.

The Board of Statutory Auditors also cooperates with the Control and Risks Committee, by the participation of the Chairman and/or the Auditors at the meetings.

During the period, the Board of Statutory Auditors held 23 meetings, with an average duration of 1 hour 50 minutes, regularly attended by the statutory auditors, 4 of which together with the Control and Risks Committee.

In 2019, at the date of this Report, the Board of Statutory Auditors has held 2 meetings, with an average duration of approximately 2 hours, one of which held jointly with the Control and Risks Committee.

## DIVERSITY CRITERIA AND POLICY

See the contents of paragraph 4.2 of the Board of Directors.

It should be noted that the next Shareholders' Meeting scheduled for 17 April 2019 will appoint the new Board of Statutory Auditors, as the mandate for the current Board is about to expire. Since this is the third application of Italian Law 120/2011, pursuant to the aforementioned law a quota equal of at least one third of the statutory auditors must be reserved for the less represented gender. Therefore, shareholders wishing to present a list for the renewal of the Board of Statutory Auditors bearing a number of candidates equal to or greater than three are required to include a number of candidates belonging to the less represented gender equal to at least one third of the candidates.

## 15. RELATIONS WITH SHAREHOLDER

Information regarding the Company is precisely and immediately disclosed to the market and to the relative Supervisory Authorities. The information in question is constantly updated and made available on the Company's internet site at [www.gruppo.acea.it](http://www.gruppo.acea.it).

Acea's organisational structure includes an Investor Relations department, which hierarchically reports to the Managing Director, the Manager of which is Ms Elvira Angrisani.

On the approval of the annual, six-monthly and quarterly results of the Business Plan and of the execution of possible extraordinary price sensitive transactions, the Company organises special conference calls with institutional investors and financial analysts.

Conference calls were held in 2018 with the financial community

upon the approval of the company's annual and interim results and more than 100 analysts/investors participated; road-shows were held in the main national and international cities (Rome, Milan, London, Paris, Frankfurt, Geneva and Sydney), during which one-to-one meetings took place as well as presentations to large audiences of more than 140 equity investors, buy side analysts and investors/credit analysts; the Company participated in Utility Conferences organised by Borsa Italia and by the main merchant banks.

In addition, to ensure timely notification to shareholders and Investors, corporate documents, press releases, notices and other information concerning the Group is published on the Company's Internet site ([www.gruppo.acea.it](http://www.gruppo.acea.it)) within the terms laid down by the laws in force.

## 16. SHAREHOLDERS' MEETINGS (as per art. 123 bis, para. 2, lett. c, TUF)

The organisational regulation for the Shareholders' meeting is contained in the Acea Articles of Association which, in addition to referring to the provisions of law, dedicates Articles 10, 11, 12, 13 and 14 to the Shareholders' Meeting.

As at 31.12.2018 and to date, art. 10 envisages the methods for convening the Shareholders' Meeting, stating in article 10.3

*"without prejudice to the powers of convocation contemplated by specific provisions of law, the Shareholders' Meeting, whether ordinary or extraordinary, is summoned by the Board of Directors by a notice containing indication of the day and place of the meeting and the list of matters on the agenda".*

Under paragraph 4 of the same article, it is also stated that the Meeting can be held elsewhere than at the registered office, providing it is held in Italy:

*"The notice is published on the Company's Internet site, in the Official Journal of the Italian Republic and in the daily newspaper "Il Sole - 24 Ore" within the terms laid down by the laws in force. The meeting can be summoned also more than twice. The convocation notice can establish that the meeting will be held, on a different day, on second, third or ulterior convocation, if the quorum required by law for its constitution is not reached on the preceding convocation".*

Art. 11.1 states that

*"The Ordinary Shareholders' Meeting must be held at least once a year for the approval of the financial statements within 120 days from the closure of the financial period, or within 180 days of the said closure in the case of the conditions contemplated by art. 2364 of the Italian Civil Code".*

Art. 11.2 states that

*"The Extraordinary Shareholders' Meeting is held whenever it is necessary to pass a resolution reserved to the same by law".*

Art. 11.3 establishes that

*"The Shareholders' Meeting, whether ordinary or extraordinary, is also held when requested by as many Shareholders as represent the percentages contemplated by the laws in force, and the request must specify the items to be discussed, or when requested by the Board of Statutory Auditors or members of the same in the cases contemplated by law.*

*In addition, as many Shareholders as represent the percentages contemplated by the laws in force may request, in respect of the terms laid down by the laws in force, additions to the subjects to be discussed, indicating in the request the additional items that they propose. The convocation and the addition of items to the agenda at the request of Shareholders are not admitted on matters on which the Shareholders' Meeting is obliged by law to pass resolutions on Directors' proposals or on the basis of a project or a report prepared by the Directors".*

Art. 12 of the Articles of Association expressly states that the majorities necessary for the Meeting, whether ordinary or extraordinary, and its resolutions to be quorate are those contemplated by law.

Article 13.1 of the Shareholders' Meeting establishes that *"entitlement to participate in the Shareholders' Meeting and to exercise the right to vote is testified by a communication to the issuer made by the intermediary, in conformity with the accounting evidence, in favour of the subject holding the right to vote, according to the procedures and terms laid down by the laws in force" (the so-called "record date").*

Art. 13.2 provides for the Shareholders entitled to participate in the Meeting to be represented pursuant and according to the procedures of law.

Similarly, the same paragraph of article 13 states that *"with the exception of Roma Capitale or its subsidiaries that have become shareholders, the voting right cannot be exercised, directly or by*

*proxy, for more than 8% of the share capital".*

To this regard, it is necessary to pay attention to art. 6 of the Articles of Association, which, however, provides that:

*"with the exception of Roma Capitale and its subsidiaries that have become shareholders, no shareholder may hold a stake of more than 8% of the share capital. In the case of non-observance, the shareholder may not exercise the voting right on the shares in excess of that limit and resolutions adopted with the determining vote of such shares that should not bear voting rights according to this art. 6, can be challenged pursuant to and according to the procedures of art. 2377 of the Italian Civil Code. Shares for which the voting right cannot be exercised are calculated in any case for the purpose of ascertaining that the Meeting is quorate" (art. 6.1 of the Articles of Association).*

*"The aforesaid limit also applies to stakes held by the group to which each shareholder belongs, i.e.:*

- a group formed of natural or legal persons which, directly or indirectly, control, are controlled by or are affiliates of the shareholder;
- a group formed of subjects connected to the shareholder, even if they do not have a corporate form;
- a group formed of natural or legal persons which, directly or indirectly, explicitly or by determining behaviour, have entered into or, in any case, adhere to agreements of the type contemplated by art. 122 of Legislative Decree no. 58/98, if such agreements regard at least 8% of the capital with voting rights.

Control and affiliation, for the purposes of this art. 6, are considered as recurrent in the cases contemplated by art. 2359 of the Italian Civil Code" (art. 6.2 of the Articles of Association).

According to point no. 3 of art. 6, the limit referred to in art. 6, point 1, also applies in the case of:

- "- shares held by members of the shareholder's family, understood as composed of the shareholder, his/her spouse, unless they are divorced, and their cohabiting children and/or children still economically dependent on the shareholder;
- - shares held by a natural or legal person through a subsidiary or a trust or by proxy;
- - shares held directly or indirectly that are restricted by lien or usufruct, if the relative voting rights are held by the lien creditor or the usufructuary;
- - shares subject to repurchase agreement, which will be taken into account with regard to the giver-over and the hedger."

Point 4 of article 6 further establishes that

*"anyone that holds Company shares in excess of 8% of the share capital must inform the Company in writing within the twenty days following the transaction which resulted in this limit being exceeded".*

Another constraint placed by article 6 in point number 5 is that *"shareholders that have not contributed to the approval of the resolutions regarding the introduction or the removal of restrictions on the circulation of the shares do not have the withdrawal right".*

Art. 13.3 provides that:

*"To facilitate the collection of proxies from shareholding employees of the Company, its subsidiaries and affiliates and shareholders' associations, with the requisites contemplated by the relative provisions in force, specific spaces are made available for the communication and the collection of the proxies.*

*If a proxy is conferred electronically, according to the procedures contemplated by the regulations in force at any moment, said proxy may be communicated via the Company's Internet site according to the procedures specified in the notice of convocation".*



On 3 November 2000, the Ordinary Shareholders' Meeting approved the adoption of Regulations (available on the Internet site at [www.gruppo.acea.it](http://www.gruppo.acea.it)) that discipline the ordered functioning of the Shareholders' Meeting.

Art. 7. 3 of the said Regulations disciplines the procedures which guarantee the shareholder's right to take the floor on the topics under discussion, and in particular:

*"The request to take the floor on the single items on the agenda may be presented to the Chairman (of the Shareholders' Meeting) from the moment the Meeting is constituted until the Chairman of the Meeting declares the discussion on the item closed. In giving the floor, the Chairman of the Shareholders' Meeting normally follows the order of the presentation of the requests for the floor. Each shareholder may take the floor only once on each item on the agenda, and for no more than 10 minutes".*

The Board of Directors has reported to the Shareholders' Meeting the activity performed and programmed, thus ensuring that the shareholders are correctly informed on the elements necessary to allow them to take informed decisions on the matters of their competence. The Board of Directors considers the Shareholders' Meeting to be a particularly significant moment for its relations with the shareholders; therefore it makes all efforts, as far as falling within its competence, to encourage and facilitate the broadest participation possible of the shareholders at the Meetings.

In financial year 2018 and to date, no significant changes have taken place in the capitalisation of the Acea shares or in the composition of its corporate bodies that could harm the prerogatives of the minority shareholders.

The number of directors participating in the 2018 shareholders' meeting was 5.

## 17. OTHER CORPORATE GOVERNANCE PRACTICES (as per art. 123-bis, para. 2, lett. a), TUF)

With a resolution of the Board of Directors dated 10 May 2018, the Tender Supervision Committee was established, its rules being approved on the same date.

The Committee is chaired by the Chairman of the Board of Directors and is composed of the Managing Director, a Board Member chosen from among the Independent Directors, an external Professional with expertise in tenders and administrative law and the Head of the Risk & Compliance function. In the event of absence or impediment, the member chosen from the independent Direc-

tors is replaced by an alternate member appointed by the Board of Directors, again from among the independent Directors.

The Committee remains in office for the duration of the term of office of the Board of Directors that appointed it.

Upon the Chairman's proposal, the Heads of relevant corporate functions or other persons deemed useful for the discussion of the items on the Agenda are invited to participate in the meetings.

The Committee offers proposals and consulting and performs monitoring in the field of tenders

## 18. CHANGES SINCE THE CLOSURE OF THE FINANCIAL YEAR

The changes that have taken place after closure of the period until this day are described in the specific sections.

## 19. CONSIDERATIONS ON THE LETTER OF 21 DECEMBER 2018 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

On 21 December 2018, as part of the monitoring of the implementation of the Code by issuers, the Chairman of the Corporate Governance Committee sent a communication that identifies a series of areas where it would be best to improve compliance with the recommendations of the Code itself.

The recommendations made in the letter were brought to the attention, first and foremost, of the Chairman of the Board of Directors, the Managing Director and the Chairman of the Board of Statutory Auditors (the persons to whom this letter was addressed), and sub-

sequently, on 22 January 2019, to all other directors and auditors. From the analyses carried out, with the support of the relevant corporate functions, it emerged that the Company is already substantially in line with these suggestions.

For more details, please refer to the contents of the specific sections of the Report, and in particular to section 4 (“*Board of Directors - Operational assessment of the Board of Directors*”), 4.3 (“*Role of the BoD - Operational assessment of the Board of Directors and its Committees*”), 4.6 (“*Independent Directors*”) and 8 (“*Directors’ Remuneration*”).

On behalf of the Board of Directors

Chairman  
Michaela Castelli

# TABLES

**TABLE 1: INFORMATION ON THE OWNERSHIP STRUCTURE**

SHARE CAPITAL STRUCTURE				
	No. Stocks	% of the share capital	Listed on Borsa Italiana's online stock exchange	Rights and obligations
Ordinary shares	212,964,000	100%	100%	
Shares with limited voting rights	-----			
Actions without voting rights	-----			

OTHER FINANCIAL INSTRUMENTS (attributing the right to subscribe newly issued shares)				
	Listed (specify the markets) / unlisted	N° of instruments in circulation	Share class Service of conversion/exercise/	No. of shares in service Of the conversion/exercise
Bonds Convertible	-----	-----	-----	-----
Warrants	-----	-----		

RELEVANT STAKES From the Consob website of 6 March 2019			
Declarant		% of capital Ordinary	% of capital voting
ROMA CAPITALE	Roma Capitale	51%	51%
SUEZ SA	Suez Sa	10,850%	23,333%
	Suez Italia SpA	12,483%	
CALTAGIRONE FRANCESCO GAETANO	Viapar Srl	0,939%	5,006%
	Fincal SpA	2,677%	
	So.fi.cos. Srl	0,780%	
	Viafin Srl	0,610%	

**TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES AS AT 31/12/2018**

Office	Members	Year of birth	Date First appointment*	In office from	In office until	List (M/m)**	Exec.	Non Exec.
<b>Chairman</b>	Michaela Castelli	1970	27/04/2017	27/04/2017	31/12/2019	M		x
<b>MD</b>	Stefano Antonio Donnarumma	1967	27/04/2017	27/04/2017	31/12/2019	M	x	
<b>Director</b>	Luca Alfredo Lanzalone	1969	27/04/2017	27/04/2017	31/12/2019	M		x
<b>Director</b>	Gabriella Chiellino	1970	27/04/2017	27/04/2017	31/12/2019	M		x
<b>Director</b>	Liliana Godino	1962	27/04/2017	27/04/2017	31/12/2019	M		x
<b>Director</b>	Giovanni Giani	1950	coop. CdA 29/11/2011 Ass. 04/05/2012	27/04/2017	31/12/2019	m		x
<b>Director</b>	Alessandro Caltagirone	1969	27/04/2017	27/04/2017	31/12/2019	m		x
<b>Director</b>	Massimiliano Capece Minutolo Del Sasso	1968	23/04/2015	27/04/2017	31/12/2019	m		x
<b>Director</b>	Fabrice Rossignol	1964	27/04/2017	27/04/2017	31/12/2019	m		x

No. meetings held in 2018: 12

Executive Committee: 6

#### NOTES

• This symbol indicates the director in charge of the internal control and risk management system.

\* The date of first appointment refers to the date on which the director was appointed for the (very) first time as a member of Acea S.p.A.'s BoD.

\*\* This column indicates the list from which each director was taken ("M": majority list; "m": minority list).

\*\*\* This column indicates the number of offices that directors or statutory auditors hold in other companies listed on regulated markets, even abroad, in financial, banking and insurance companies or large companies. The offices are explained in full on the last page of the Corporate Governance Report.

(1) This column indicates the directors' participation in the meetings of, respectively, the BoD and committees.

(2) This column indicates the qualification of the Director within the Committee: "P": Chairman; "M": member.

BOARD OF DIRECTORS					Executive Committee		Committee Control and Risks		Appoint. and Remun.		Ethics and Sustainability Committee		
Office	Members	Indep. from Code	Indep. from TUF	No. of other offices***	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)
<b>Chairman</b>	Michaela Castelli			6	12/12	M	6/6	M	12/13				M
<b>MD</b>	Stefano Antonio Donnarumma			-----	12/12	M	6/6	M					
<b>Director</b>	Luca Alfredo Lanzalone				5/12								
<b>Director</b>	Gabriella Chiellino	x	x	-----	12/12					M	10/11		P
<b>Director</b>	Liliana Godino	x	x	-----	12/12				12/13	P	11/11		
<b>Director</b>	Giovanni Giani	x	x		12/12	P	6/6	P	13/13	M	9/11		M
<b>Director</b>	Alessandro Caltagirone	x	x	7	9/12								
<b>Director</b>	Massimiliano Capece Minutolo Del Sasso	x	x	8	12/12	M	6/6	M	13/13	M	11/11		
<b>Director</b>	Fabrice Rossignol	x	x	-----	12/12								

Control and Risks Committee: 13

Appointments and Remuneration Committee: 11

Ethics and Sustainability Committee 8

**TABLE 3: STRUCTURE OF THE BOARD OF AUDITORS AS AT 31/12/2018**

<b>BOARD OF AUDITORS</b>									
Quorum required to present lists upon the last appointment: 1% of voting shares									
Office	Members	Year of birth	Date First appointment*	In office from	In office until	List (M/m) **	Indep. from Code	*** (%)	Number others Assignments ****
<b>Chairman</b>	Enrico Laghi	1969	2010	28/04/2016	31/12/2018	m	x		3
<b>Statutory auditor</b>	Rosina Cichello	1967	2016	28/04/2016	31/12/2018	M	x		---
<b>Statutory auditor</b>	Corrado Gatti	1974	2010	28/04/2016	31/12/2018	M	x		12
<b>Alternate auditor</b>	Lucia Di Giuseppe	1966	2016	28/04/2016	31/12/2018	M	x	N.A.	N.A.
<b>Alternate auditor</b>	Carlo Schiavone	1960	2016	28/04/2016	31/12/2018	m	x	N.A.	17

No. meetings held in 2018: 23

Quorum required to present lists for the election of the Board of Directors (as per art. 147-ter TUF): 1% of voting shares

**NOTES**

\* The date of first appointment refers to the date on which the auditor was appointed for the (very) first time as a member of the issuer's Board of Auditors.

\*\* This column indicates the list from which each auditor was taken ("M": majority list; "m": minority list).

\*\*\* This column indicates the participation of the auditors in the meetings of the Board of Auditors.

\*\*\*\* This column indicates the number of offices held as directors or auditors by the subjects concern, pursuant to art. 148-bis of the TUF and of the relative implementation provisions contained in the CONSOB Issuers Regulations. The full list of offices is published by CONSOB on its website in compliance with art. 144-quinquiesdecies of the CONSOB Issuers' Regulations.

**TABLE 1. COMPOSITION OF THE ACEA BOARD OF DIRECTORS AND OFFICES HELD BY THE DIRECTORS IN OTHER COMPANIES AS AT 31/12/2018**

Position	Name	Position	Other Offices (*)
<b>Chairman</b>	Michaela Castelli	Executive director	Recordati SpA La Doria SpA Stefanel SpA NeXi SpA Autogrill Europe SpA Autogrill Italia SpA
<b>Chief Executive Officer</b>	Stefano Antonio Donnarumma	Executive director	-----
<b>Director</b>	Gabriella Chiellino	Independent director	-----
<b>Director</b>	Luca Alfredo Lanzalone	Director	-----
<b>Director</b>	Liliana Godino	Independent director	-----
<b>Director</b>	Giovanni Giani	Independent director	-----
<b>Director</b>	Alessandro Caltagirone	Independent director	Aalborg Portland Holding A/S Cementir Holding SpA Caltagirone SpA Caltagirone Editore SpA Il Messaggero SpA Vianini Lavori SpA Piemme SpA
<b>Director</b>	Fabrice Rossignol	Independent director	-----
<b>Director</b>	Massimiliano Capece Minutolo Del Sasso	Independent director	Ical 2 SpA Porto Torre SpA Energia SpA G.S. Immobiliare SpA Vianini SpA Immobiliare Caltagirone SpA Fincal SpA Domus Italia SpA

(\*) List of offices held as director or auditor by each Board Director in other companies listed on regulated markets, also abroad, in financial, banking and insurance companies or companies of relevant dimensions.

# 2018

## FINANCIAL STATEMENTS OF ACEA SPA

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### ACEA GROUP CONSOLIDATED FINANCIAL STATEMENTS

#### **Acea SpA**

Registered Office  
Piazzale Ostiense 2 – 00154 Roma

#### **Share Capital**

Euro 1,098,898,884 fully paid up

#### **Tax Code, VAT No. and Rome Companies Registry No.**

05394801004

**Rome Economic and Administrative Index No.** 882486

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Acea SpA

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