



**MEETING OF 28 APRIL AND 5 MAY 2016
BOARD OF DIRECTORS' REPORT
CONCERNING ITEM 5 ON THE AGENDA**

"Competence for the remuneration of directors with special powers"

Dear Shareholders,

in relation to item 5 on the Agenda, with reference to the competence for the remuneration of directors with special powers:

- in all Acea shareholders' meetings held to appoint the Board of Directors, after listing on the Stock Exchange and up to 2013, with reference to the remuneration of directors, directors' fees have been decided on the basis of a proposal from the Parent Company Local Authority, with the Board of Directors (BoD) deciding the fees of the executives; for example, also at the 2013 meeting on the basis of a proposal from the shareholder Roma Capitale (RC), coherent with Roman Council Resolution No. 134/2011, a decision was taken to determine directors' fees, referring the remuneration of directors with special powers to the BoD in accordance with art. 2389, paragraph 3 of the Italian Civil Code, for this purpose referring to *fees in line with those of listed companies of a similar size and sector*.
- The shareholders' meeting of 5 June 2014, when appointing the current BoD made a different decision on the basis of a proposal from RC, to determine the directors' fees by allocating comprehensive fees, inclusive of also fixed and variable remuneration for the Chairman and CEO, and with reference to art. 84-ter of Decree-Law No. 69/2013, converted by Law 98/2013, which specifies, on the first renewal of the bodies of a listed company after the regulation comes into force (August 2013), decided to reduce the remuneration of directors with special powers by at least 25%, compared to the overall remuneration of the previous appointment.
- Therefore, in consideration of the different direction taken in the above-mentioned 2014 meeting, unlike the consolidated practice of past years, with particular reference to the methods used to determine the fees of the Acea executives, in-depth studies were carried out with the following results:



- after examination by the Appointment and Remuneration Committee (CNR), set up in accordance with art. 5 and 6 of the Corporate Governance Code of listed companies, in agreement with the Board of Auditors and submitted to the Board, on the basis of a study carried out by a major specialized consulting firm, it emerged that the method used to set the fees of the executives, as decided by the 2014 Acea meeting, is incoherent with prevailing market practice, as in most of the companies listed on the FTSE MIB and FTSE MID CAP lists, the BoD makes this decision;
- therefore, the Appointment and Remuneration Committee in agreement with the Board of Auditors, made a proposal to the Board for including a specific item on the Agenda of the meeting called, to give the BoD competence to determine the remuneration of directors with special powers, in accordance with art. 2389, paragraph 3 of the Italian Civil Code and art. 21 of the Articles of Association;
- furthermore, also during the Board evaluation, which the Board performed (in accordance with art. 1.C.1, lett. g, of the above-mentioned Code) with the help of an independent external consultant, a major international consulting firm, it was recommended to return said competence to the Board;
- an authoritative expert in corporate law was also asked for an opinion, which, amongst other things, states that *"The remuneration to be allocated referred to in paragraph one of art. 21 of the articles of association appears to be only the directors' fee as specified in art. 2389, paragraph 1 of the Italian Civil Code, and not the remuneration of directors with special powers referred to in art. 2389, paragraph 3 of the Italian Civil Code"* and therefore, the remuneration of directors with special powers is not *"... the competence of the meeting (nor was it transferred to the meeting's competence in 2014 by the resolution amending the articles of association)"*, concluding: *"It would be expedient for the Acea SpA Board of Directors to include an item on the remuneration of directors with special powers in the Agenda of the Shareholders' Meeting called, so said competence can one more be attributed to the same Board, in accordance with art. 2389, paragraph 3 of the Italian Civil Code, in coherence with art. 21 of the Acea Articles of Association."*



On the basis of the above and on the illustrated grounds, we therefore ask the Meeting to approve the following proposal for resolution:

"The ACEA S.P.A. Shareholder's General Meeting

resolves

to reattribute the competence, in accordance with art. 2389, paragraph 3 of the Italian Civil Code, to determine the remuneration of directors with special powers, to the Board of Directors, with reference in terms of remuneration to the practice used in listed companies of a similar size and sector, without prejudice to observance of the limits in accordance with art. 84 ter of Decree-Law No. 69/2013, converted by Law 98/2013."

On behalf of the Board of Directors
The Chairman
Catia Tomasetti