



CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT

in accordance with article 123-*bis* of the TUF (Italian Consolidated
Financial Act)

Issuer: **Acea S.p.A.**

Web site: www.aceia.it

Report financial year: **2015**

Report approval date: 11/03/2016

CONTENTS

1. ISSUER'S PROFILE.....	5
2. OWNERSHIP STRUCTURE INFORMATION (in accordance with article 123 bis of the TUF, par. 1).....	6
a. Share capital structure (in accordance with article 123 bis of the TUF, lett. a).....	6
b. Restrictions on stock transfers (in accordance with article 123 bis of the TUF, lett. b)...	6
c. Relevant shareholdings (in accordance with article 123 bis of the TUF, lett. c).....	6
d. Shares that grant special control rights (in accordance with article 123 bis of the TUF, lett. d).....	6
e. Employee's equity interest: mechanism for exercising the right to vote (in accordance with art. 123 bis, par. 1, lett. e, of the TUF).....	7
f. Restrictions on the right to vote (in accordance with art. 123 bis, par. 1, lett. f, of the TUF).....	7
g. Shareholders' agreements (in accordance with art. 123 bis, par. 1, lett. g, of the TUF).	7
h. Change of control clauses (in accordance with art. 123 bis, par. 1, lett. h, of the TUF) and provisions concerning TOB (in accordance with art. 104, c.1.-ter, and 104-bis, c.1)	7
i. Delegations for capital increase in accordance with art. 2443 of the Italian Civil Code, Directors' powers to issue participative financial instruments and authorisations for the purchase of treasury shares (in accordance with art. 123 bis, par. 1, lett. m, of the TUF).....	8
l. Management and coordination activities (in accordance with art. 2497 et seq. of the Italian Civil Code).....	8
3. COMPLIANCE (in accordance with art. 123 bis, par. 2, lett. a), of the TUF).....	9
4. BOARD OF DIRECTORS.....	10
4.1. APPOINTMENT AND REPLACEMENT (in accordance with art. 123 bis, par. 1, lett. l), of the TUF).....	10
Outgoing directors.....	11
Replacement of Director.....	12
Majorities required to make changes to the Articles of Association.....	13
4.2. COMPOSITION (in accordance with art. 123 bis, par. 2, lett. d), of the TUF).....	13

Maximum positions held in other Companies.....	18
Induction Programme.....	19
4.3 ROLE OF THE BOARD OF DIRECTORS (in accordance with art. 123 bis, par. 2, lett. d), of the TUF).....	19
Function.....	23
Board of Directors and Committee Evaluation	24
4.4. DELEGATED BODIES.....	26
Chief Executive Officer.....	26
Chairman.....	27
Joint powers of the Chairman and Chief Executive Officer	28
Board disclosures	28
4.5. OTHER EXECUTIVE DIRECTORS.....	29
4.6. INDEPENDENT DIRECTORS.....	29
4.7. LEAD INDEPENDENT DIRECTOR.....	30
5. MARKET DISCLOSURES OF COMPANY INFORMATION.....	31
6. BOARD COMMITTEES (in accordance with art. 123 bis, par. 2, lett. d), of the TUF).....	32
7. APPOINTMENT AND REMUNERATION COMMITTEE.....	32
8. REMUNERATION OF DIRECTORS.....	35
Director indemnity in the event of resignation, dismissal or termination of contract following a take-over bid (in accordance with art. 123 bis, par. 1, lett. i), of the TUF)	36
9. RISK AND CONTROL COMMITTEE.....	37
10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (Control System).....	40
COMPREHENSIVE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM....	42
a) Roles and tasks of various Control System parties	42
b) Risk Management System	43
c) Control System qualifying elements.....	44
d) Coordination of Control System subjects	47

e) Comprehensive evaluation of Control System adequacy.....	47
MAIN CHARACTERISTICS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS (art. 123-bis, par. 2, lett. b TUF).....	48
Introduction.....	48
DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS.....	49
a) Phases.....	49
b) Roles and responsibilities.....	53
10.1. EXECUTIVE DIRECTOR IN CHARGE OF THE CONTROL SYSTEM.....	54
10.2. HEAD OF AUDIT DEPARTMENT	55
10.3. ORGANISATIONAL MODEL in accordance with Legislative Decree No. 231/2001	57
10.4. AUDITING FIRM.....	59
10.5. EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING	60
11. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS.....	62
12. APPOINTMENT OF AUDITORS.....	64
13. STRUCTURE AND FUNCTION OF THE BOARD OF AUDITORS (in accordance with art. 123 bis, par. 2, lett. d), of the TUF).....	65
14. INVESTOR RELATIONS (in accordance with art. 123 bis, par. 2, lett. a), of the TUF)...	68
15. GENERAL MEETINGS (in accordance with art. 123-bis, paragraph 2, lett. c, of the TUF) .	69
16. FURTHER CORPORATE GOVERNANCE PRACTICES (in accordance with art. 123 bis, par. 2, lett. a), of the TUF).....	74
17. CHANGES SINCE YEAR END CLOSURE.....	76

TABLES

<i>Tab. 1: Information on ownership structure.....</i>	77
<i>Tab. 2: Structure of the Board of Directors and Committee</i>	78
<i>Tab. 3: Structure of the Board of Auditors.....</i>	79
<i>Chart 1: Other positions held by Directors.....</i>	80

1. ISSUER'S PROFILE

Acea is one of the major Italian multiutility groups, with over a hundred years of experience in the industrial development of important network services of economic interest.

Listed on the stock exchange since 1999, the company manages and develops water and electrical energy networks and environmental services. Today, the Acea Group is the biggest Italian operator in the water sector in terms of the number of inhabitants it supplies services to, it's one of the biggest Italian operators both on the electricity end-user market, and in municipal environmental services. It is also one of the major Italian *operators* in the sale of electricity.

This report shows 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 of the Corporate Governance Code of listed companies promoted by Borsa Italiana (the Italian stock exchange). This corporate governance system was also drawn up on the basis of CONSOB recommendations, and more generally, on the basis of international *best practices*.

The corporate governance system adopted by ACEA is basically aimed at creating value for its shareholders over the medium-long term, aware of the social relevance of the Group's business and the need therefore to adequately take account of all the interests involved in running its business.

ACEA's *corporate governance* structure is based on the traditional organisational model and consists of the following bodies: General meeting of

shareholders, Board of Directors (assisted by the Committees set up as part of the same Board), Board of Auditors and Auditing Firm.

Without prejudice to the duties of the General meeting, the strategic management of the company is performed by the Board of Directors, the fulcrum of the organisational system, and the supervisory functions are performed by the Board of Auditors, a body with independent duties and powers, appointed on the basis of meeting the professional, reputation and independence requirements established by law.

In accordance with the law, a specialized auditing firm, regularly registered with the Register of Auditors, is appointed by the General Meeting on the basis of the Board of Auditor's proposal to perform the statutory auditing of accounts.

The information in this Report refers to 2015 and some specific matters were updated to 11/03/2016, the date of the Board of Directors' meeting that approved this Report, the text of which has been published on the web site www.acea.it, under the section "Rules and Values", in the "Corporate Governance" sub-menu.

2. OWNERSHIP STRUCTURE INFORMATION

(art. 123 bis TUF, par. 1)

a) Share capital structure (in accordance with article *art. 123 bis of the TUF, Par. 1 lett. a)*

The Company's share capital, equal to 1,098,898,884.00 euros, fully subscribed and paid up, is divided into 212,964,900 ordinary shares with a nominal value of 5.16 euros each, listed on the electronic equity market (MTA) organised and managed by Borsa Italiana (cf. Table 1).

There are no shares with limited voting rights or without voting rights, except for 416,993 treasury shares with suspended voting rights, in accordance with art. 2357-ter of the Italian Civil Code.

b) Restrictions on stock transfers (in accordance with article 123 bis of the TUF, par. 1 lett. b)

There are no restrictions on stock transfers, except for individual restrictions for individual shareholders.

c) Relevant shareholdings (in accordance with article 123 bis of the TUF, par. 1 lett. c)

Direct or indirect relevant shareholdings, in accordance with art. 120 of the TUF, on the basis of information available at 11/03/2016 on the CONSOB web site and from communications in accordance with the same article, are shown in *Table 1*.

d) Shares that grant special control rights (in accordance with article 123 bis of the TUF, par. 1 lett. d)

No shares were issued that grant special control rights.

e) Employee's equity interest: mechanism for exercising right to vote (art. 123 bis TUF, par. 1 lett. e)

In accordance with art. 13 of the Articles of Association, in order to facilitate the collection of proxies from shareholders who are employees of the Company, its subsidiaries and associates who adhere to shareholders' associations that meet the requisites dictated by the effective applicable regulations, appropriate areas will be made available for notification and the proxy collection process.

f) Restrictions on stock transfers (in accordance with article 123 bis of the TUF, par. 1 lett. f)

Art. 6 of the Articles of Association restricts an equity investment to 8% of the share capital, with the sole exception of Roma Capitale; the Company shall be notified if this limit is exceeded. This limit shall be considered reached, both in direct and indirect terms, as better specified in paragraphs 2 and 3 of the cited article and as described below in the "General Meeting" chapter of this Report. If it is violated, the shareholder shall be prohibited from exercising their voting rights for shares exceeding the indicated measure and, in the event that a resolution was made with the determining vote originating from the shares exceeding that percentage, the resolution shall become contestable.

g) Shareholders' agreements (in accordance with article 123 bis of the TUF, par. 1 lett. g)

The company does not have any shareholders' agreements of any kind in accordance with art. 122 of the TUF, nor special veto powers or other extraordinary powers to influence decisions other than those for direct issue in relation to the equity interest held.

h) Change of control clauses (in accordance with article 123 bis of the TUF, par. 1 lett. h) and provisions concerning TOB (in accordance with art. 104, paragraph 1-ter, and 104-bis, paragraph 1)

Acea has entered into the following significant agreement, which comes into effect or loses validity in the case of changes of control of the contractor:

- ✚ ACEA S.p.A. has taken on a 200 million euros long-term loan with the European Investment Bank (EIB).
- ✚ ACEA S.p.A. has a 200 million euros loan with the European Investment Bank (EIB). (Efficiency of Network III).

In terms of TOB, there is no departure in the Articles of Association as in art. 104, paragraphs 1 and 1-bis of the TUF, nor are there any neutralisation rules as in art.104 bis of the TUF.

i) Delegations for capital increase in accordance with art. 2443 of the Italian Civil Code; Directors' powers to issue participative financial instruments and authorisations for the purchase of treasury shares (art. 123 bis TUF, par. 1 lett. m)

At 31/12/2015 and on the date of this Report, there are no Board of Director's delegations for a capital increase, nor for the purchase of treasury shares.

Moreover, as already indicated, as of today the Company holds 416,993 treasury shares with suspended voting rights in accordance with art. 2357-ter of the Italian Civil Code, remaining from purchases of treasury shares, authorised by a resolution made by the ordinary general meeting on 23 October 1999, amended by a resolution made by the ordinary general meeting on 29 April 2000, re-approved by ordinary general

meeting resolution on 31 October 2001 and supplemented by a resolution made by the ordinary general meeting of 30 April 2002.

1) Management and coordination activities (in accordance with art. 2497 et seq. of the Italian Civil Code)

Art. 2497 et seq. of the Italian Civil Code is not applicable since ACEA autonomously defines its own strategic policies and is endowed with full organisational, management and business autonomy, not being subject to any management and co-ordination activity.

3. COMPLIANCE

(in accordance with art. 123 bis, par. 2, lett. a), of the TUF)

ACEA constantly adopts the provisions of the Corporate Governance Code (hereinafter the "Code"), which contains a complex series of recommendations on the procedures and rules for the management and control of companies quoted on the stock exchange.

Despite the fact that there is no legal obligation to adopt the principles of the Code, ACEA started adopting the Code in 2001, along with any amendments approved by the Borsa Italiana (the Italian stock Exchange) Corporate Governance Committee, as in July 2015.

The complete Corporate Governance Code is made available to the public on the Italian Stock Exchange's web site <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf>

The company provides disclosure on its governance system and its compliance with the Code through a Report issued on a yearly basis, drafted also in accordance with article 123-bis of the TUF; it notes the degree of compliance with the standards and application established by the Code along with international best practices.

The Report is made available to the Shareholders on an annual basis with the documentation provided for the Shareholders' Meeting to approve the financial statements, and it is also duly published on the Company web site (www.acea.it) in the "Corporate Governance" section.

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT (*art. 123 bis, par.1, lett. l), of the TUF*)

The appointment and replacement of Directors are governed by the regulation in force, as incorporated and integrated within the allowed limits by the Articles of Association, prepared in adherence to and compliance with the requisites of the Code for listed companies.

According to the Company's Articles of Association, the Board of Directors consists of five to nine members, appointed by the ordinary general meeting of shareholders (which determines the number within these limits) for a period of up to three financial years, who can be re-elected at the end of their term.

Directors can be elected if they meet the requirements of the law and regulations.

The election of directors is regulated by art. 15.1 of the Articles of Association, which specifies that:

- the criteria regarding gender balance as established by law must be complied with in the composition of the Board;
- directors are elected on the basis of lists in which the candidates shall be listed in numerical order in accordance with the positions to be filled; each list must indicate at least two candidates who qualify as independent in accordance with the law; the first independent candidate shall not be lower than second on the list and the second independent candidate shall not be lower than fourth;
- appointments are made as follows:

"A. half plus one of the directors to be appointed shall be taken from the list which obtained the majority of votes ("Majority Shareholder List"), in numerical order, rounding down to the lower unit in the event of a fractional number;

B. without prejudice to compliance with legal regulations and the Articles of Association provisions regarding limits of relation with the majority shareholder list, the remaining directors shall be taken from

the other lists. To this end, the votes that the lists receive shall be divided, for each list, subsequently by 1, 2, 4 and 8 up to the number of directors to be elected. The quotients obtained in this way shall be progressively assigned to the candidates of each of these lists, according to the order of the same respectively assigned to the candidates. The quotients allocated to the candidates from the various lists shall be arranged in a single decreasing ranking. Those who have obtained the highest quotients shall be elected.

If more than one candidate obtains the same quotient, the candidate from the list that did not elect any director or which elected the lowest number of directors shall be appointed.

In the event that none of these lists has yet appointed a director, or all have appointed the same number of directors, from among these lists, the candidate from the list that received the highest number of votes shall be appointed. If list votes are equal, and the quotients are equal, a new vote shall be cast by the entire general meeting, and the candidate who receives a simple majority of votes shall be appointed.

In any case, if only one regular list is presented other than the Majority Shareholder List, the candidates shall be elected from this one, according to the order of presentation."

The election mechanism introduced guarantees the appointment of at least one director representing the minority shareholders as well as the appointment of the minimum number of independent directors in accordance with the law (one if the Board has less than seven members, two if the Board has more than seven members) in accordance with art. 147 ter par. 4 TUF.

The lists must be submitted twenty-five days before the date set for the first meeting by the Shareholders who alone or with other shareholders, represent at least one percent of the shares entitled to vote at the Ordinary general meeting.

No party can be a candidate in more than one list and each shareholder has the right to vote for one list only. The lists of candidates are filed at the head office and published in three daily national newspapers at the Company's expense.

Outgoing directors:

In accordance with art. 15.3 of the Articles of Association: *"If during the financial year a Director appointed on the basis of the list system described above is no longer able to perform his/her function, the Board shall replace the director through co-optation pursuant to Article 2386 of the Italian Civil Code, with the first non-elected candidate on the list to which the outgoing Director belonged, in accordance with the law in force regarding gender balance, or if there are no other candidates on the list, with the first candidate among the non-elected ones, irrespective of his/her original list. If the outgoing Director was not from the Majority List, in any case the non-relation requirement with the Majority List must be observed. If the outgoing Director meets all independence requirements, and/or belongs to the lesser represented gender group, and because they are outgoing the number of independent directors and/or the number of directors that belong to the lesser represented gender is reduced to below the minimum number required by law, the first unelected candidate on the list the outgoing Director was from who meets the independence requirements pursuant to the law and/or that is the same gender as the retiring director shall be co-opted. Directors so appointed shall remain in office until the first subsequent general meeting."*

Replacement of Director:

In accordance with art. 15.4 of the Articles of Association: *"When appointing new Directors to replace those who stepped down during the year, by majority vote the meeting will choose the new Director, in accordance with prevailing law on independence and gender balance, where possible, from the unelected candidates on the list that the outgoing Director was on, who confirmed his or her candidature in writing at least ten days prior to the date of the meeting, along with the statements regarding the fact that there are no reasons for which he or she would be ineligible or incompatible, and that the requirements provided for by the law in force or the Articles of Association for the position were met. If the Director cannot be replaced using this method, a resolution must be passed by majority vote, in accordance with requirements regarding minority representation and the minimum number of independent Directors."*

The Directors appointed in this manner will remain in office for the same term as the other Directors.

If, for any reason, the number of Directors in office is reduced to less than half, the entire Board of Directors will stand down and the Meeting must be called at the earliest opportunity to elect another board. The Board will however remain in office to carry out ordinary administration duties only, until the Meeting has decided on its reconstitution, and at least half of the new Directors have accepted the appointment.”

Majorities required to make changes to the Articles of Association

In accordance with article 12 of the Articles of Association, to make changes to the Articles of Associations, the Extraordinary shareholders’ meeting will pass a resolution with the majorities set forth by law.

4.2 COMPOSITION *(in accordance with art. 123 bis, par. 2, lett. d, of the TUF)*

In accordance with art. 15.1 of the Articles of Association, the Company is managed by a Board of Directors consisting of five to nine members, appointed by the Ordinary general meeting of shareholders, which determines the number within these limits.

The General meeting held on 5 June 2014 set the number of Directors at seven, appointed the new Board of Directors and the Chairman of the Board, specifying that the Board of Directors shall remain in office for three years, and in any case until the date the General Meeting is called to approve the 2016 financial statements.

Subsequently, as a consequence of the appraisals of the competent Appointment and Remuneration Committee (in accordance with art. 5.C.1, lett. a, of the Corporate Governance Code of listed companies) and Board evaluation activities, which the Board of Directors performed (in accordance with art. 1.C.1, lett. g, of the above-mentioned Code) with the assistance of the external independent consultant Egon Zehnder, a major international consulting firm with many years of experience, to make the Board of Directors and Board Committees more effective, the enlargement of the Board of Directors from 7 to 9 Members with the appointment of 2

independent board members with specific capacities was submitted to the Shareholders' Meeting for discussion.

On 23 April 2015 the Meetings passed a resolution to enlarge the number of members on the Board of Directors from 7 to 9 members, in compliance with art. 15.1 of the Articles of Association, and appointed two new members of the board, Roberta Neri and Massimiliano Capece Minutolo Del Sasso.

Therefore, as at 31 December 2015, and to this date, the Board of Directors is composed of the following members: Catia Tomasetti (Chairman), Alberto Irace (CEO), Paola Antonia Profeta, Elisabetta Maggini, Francesco Caltagirone, Diane D'Arras, Giovanni Giani, Roberta Neri and Massimiliano Capece Minutolo Del Sasso.

Of the aforesaid Directors in office, 2 are *Executive* Directors (the Chairman and the CEO), to which the Board has delegated individual management powers, while the remaining 7 Directors are *non-executive*, and do not have individual management authority.

The following provides a summarised personal and professional profile of the Directors in office:

Catia Tomasetti: born in Rimini on 17/12/1964, graduated in law magna cum laude, lawyer registered with the Court of Cassation. For almost 20 years she has been specializing in project finance operations, restructuring, lending and bank law. She was part of the first project finance operation in Italy and since then has been involved in many "market firsts" in Italy and many major Italian project finance and refinancing operations. She is acknowledged as one of the major Italian experts in project finance, infrastructure, energy and restructuring by the most prestigious international legal guides, such as Chambers, Legal500 and IFLR.

She is also an expert on public-private partnerships and the privatisation of public services and regularly provides consulting assistance for draft legislation on the electricity sector, integrated water service and project bonds. She has been involved in the first and biggest project finance operations in the Italian electricity production, gas, waste and water sectors.

She regularly helps public authorities draw up legislation, including legislation applicable to public-private partnerships and for the integrated water service. She assists the Territorial Agency of Emilia-Romagna for Water and Waste Services (ATERSIR) in the allocation of the integrated water service in an “in house providing” regime.

She is currently a Board Member of the Rome Chamber of Commerce; Vice-Chair of Utilitalia (was Federutility); a member of the Unindustria Board of Directors and Council; a member of the Civita Association Governance Advisory Council, Head of the banking and Finance Dept. and Head of the Project Finance Dept. at the Bonelli Erede Pappalardo Law Firm. Since 6 February 2016 she has been the Chairman of the Board of Directors of the Cassa di Risparmio di Cesena bank.

Appointed from list No. 1 submitted by Roma Capitale (containing: No.1 Catia Tomasetti, No. 2 Elisabetta Maggini, No. 3 Alberto Irace, No. 4 Paola Antonia Profeta, No. 5 Franco Paparella, No. 6 Salvatore Monni, No. 7 Fausto Valtriani, No. 8 Giovanni Campa, No. 9 Donatella Visconti); her appointment was approved with 68.6247% of the votes.

Alberto Irace: born in Cagliari on 13/11/1967, was already the head of Acea's water sector, the company's most important operating segment, and coordinated the development and management of the Tuscany Region integrated water service. As CEO of Publiacqua SpA, a group company operating in the integrated water cycle in Florence, Prato, Pistoia and Arezzo, he introduced state-of-the-art technological and organisational solutions in network service management for the first time to Italian network service management. For his contribution to technological innovation in water service management he was awarded the prestigious “Utility Manager of the year 2013” award.

An expert in local public services, in particular he specialises in the juridical-administrative and organisational aspects of the water resource and gas distribution sector.

Appointed from list No. 1 mentioned-above submitted by Roma Capitale.

Elisabetta Maggini: born in Rome on 24/07/1982, Doctor of Law, specialised in Real Estate Finance with a Master from the Luiss “Guido Carli”

University Business School; she is a Director of Sorgente Group, with a proxy for Institutional Relations; she is a member of the Committee for Female Entrepreneurship of the Rome Chamber of Commerce; member of the Steering Committee for the ACER Giovani young building contractors association of Rome. From 2008 to 2013 she worked with young female entrepreneurs for the Governance Advisory Committee of the Rome Provincial Authority and later for the Governance Advisory Committee of the Lazio Regional Authority.

Appointed from list No. 1 mentioned-above submitted by Roma Capitale.

Paola Antonia Profeta: born in Milan on 02/05/1972, with an honours degree in economics and social studies from Bocconi University, she also holds a PhD in Economics from the Pompeu Fabra University of Barcelona. Associate professor of finance at the Bocconi University of Milan; a member of the CESifo Research Network, Munich (Germany); part of the editorial committee of scientific journals in the economic field; author of numerous international publications on public economy as well as gender and the economy; collaborator with the Department of equal Opportunities at the Prime Minister's Office; scientific advisor for Unicredit and Universities Foundation. Director of the Banca Profilo bank, a company listed on the Italian Stock Exchange. Appointed from list No. 1 mentioned-above submitted by Roma Capitale.

Francesco Caltagirone: born in Rome on 29/10/1968. Currently Chairman and Chief Executive Officer of Cementir Holding and member of the Board of Directors of the following listed companies: Caltagirone and Caltagirone Editore.

Appointed from list No. 2 submitted by Fincal SpA, owner, at the time of the shareholders' meeting for the appointment, of 7.513% of the share capital (list containing No. 1 Francesco Caltagirone, No. 2 Paolo Di Benedetto, No. 3 Azzurra Caltagirone, No. 4 Mario Delfini, No. 5 Tatiana Caltagirone, No. 6 Massimiliano Capece Minutolo Del Sasso, No. 7 Albino Majore, No. 8 Annalisa Mariani) he obtained 13.3813% of the votes with a quotient of 21,437,487.

Giovanni Giani: born in Lecco on 14/01/1950, engineer, manager with vast international experience in the development of business and managing public service companies and companies in the industrial sector, an expert in international industrial relations.

Currently the Chairman and Chief Executive Officer of Suez Italia SpA, Suez's Italian Holding.

Appointed from list No. 3 submitted by Ondeo Italia SpA, owner of 12.483% of the share capital at the date of the appointment meeting (list containing No. 1 Giovanni Giani, No. 2 Diane D'Arras, No.3 Olivier Jacquier, No. 4 Gael Falchier, No. 5 Francesca Menabuoni, No. 6 Mauro Alfieri, No. 7 Dominique Romani, No. 8 Marica Lazzarin, No. 9 Francesco Nocentini) obtaining 17.9524% of the favourable votes, with a quotient of 28,760,573.

Diane D'Arras: born in Henin Beaumont (France) on 02/05/1955, engineer, a graduate of the Ecole Nationale des Ponts et Chaussées, Institut des Sciences Politiques de Paris, Institut des Hautes Etudes de Défense Nationale.

Appointed Water Western Senior Executive V.P. in January 2011. Responsible for strategy and partnership in Europe for the water segment. A founding member and the 1st Chairperson of the Water Supply and Sanitation Technology Platform, a European association dedicated to research with members from over 20 countries.

Appointed from list No. 3 submitted by the above-mentioned Ondeo Italia SpA, with a quotient of 14,380,286.50.

Roberta Neri: born in Rome on 8/08/1964, with an honours degree in Economics and Commerce from the "La Sapienza" University of Rome, Chief Executive Officer of ENAV since July 2015.

She started her career in Italsiel to continue in ACEA SpA, where from 1991 to 2004 she held positions of increasing responsibility until being appointed CFO and Executive responsible for financial reporting in 2004.

She has been a Director at Sorgenia SpA since March 2015.

Chairman and Chief Executive Officer of Manesa, providing technical/financial and co-investment consulting services in structured operations for financial and industrial investors.

Appointed by 73.436570% of the favourable votes.

Massimiliano Capece Minutolo Del Sasso: born in Naples on 7/04/1968, with a degree in engineering, he is currently a board member of various companies, some of which are listed on the Milan Stock Exchange, including Caltagirone SpA and Vianini Lavori SpA.

Appointed by 73.436570% of the favourable votes.

Maximum positions held in other companies

The BoD in its session on 23 March 2011, subject to the favourable opinion of the Internal Audit Committee resolved that the maximum number of positions that each Director can hold in listed companies is 10, including the one held in ACEA, so that maximum availability to carry out the role is ensured.

The nature of Directors' responsibilities requires that they have sufficient time to pursue their duties: the nature and number of other positions held by serving Directors must permit them to perform their duties to the best of their ability.

All the Directors in office, when the lists were submitted and subsequently on acceptance of the position, revealed any other positions held by the same in other companies listed on regulated markets, including foreign markets, in financial, banking, insurance or large companies.

According to the latest communications received by the Board of Directors in implementation of resolutions passed, on 11/03/2016 all Directors held a number of positions compatible with the maximum number resolved by the Board.

Chart 1 enclosed with this Report contains a list of director or auditor positions held by each Director in other companies listed on regulated markets, including foreign markets, in financial, banking, insurance or large companies.

Induction Programme

The characteristics of the meeting disclosures give the Directors adequate knowledge of the business sector in which the company operates, the

corporate dynamics and the evolution of the same, as well as the relative regulatory framework of reference.

4.3 ROLE OF THE BOARD OF DIRECTORS

The Company Board of Directors plays a central role in corporate *governance* and is responsible for the strategic and organizational functions of the Group companies. In consideration of its role, the Board of Directors meets on a regular basis and operates in order to ensure that it carries out its functions as efficiently as possible.

More specifically, in accordance with the law, the Articles Of Association and the Guidelines of the Internal Control and Risk Management System (hereinafter "Guidelines") approved 20 December 2012, the Board of Directors has the following duties:

- to establish the strategic and general management guidelines and development areas for the Company; the economic and financial coordination of Group activities by approving long-term strategic plans providing guidance on Group development, investment plans, financial plans, and annual budgets; making and disposing of equity investments, excluding intragroup transactions;
- to define the nature and level of risk that can be taken in accordance with the strategic goals of the Company;
- to approve and change internal regulations for the Company's general organisational structure, the Group's macrostructure and any changes to the same which could have a significant effect on the group's organization;
- to appoint the General Manager;
- to define the corporate governance system and set up specific Board Committees, appoint the members and establish the duties when approving the respective operating rules;
- to adopt the Organisation and Management Model pursuant to Italian Legislative Decree 231/2001 and appoint the Supervisory Body;
- to designate directors and auditors for significant subsidiaries, within the scope of ACEA's responsibilities; those listed on regulated markets and

those which require capital commitments, shareholder financing or guarantees of over 10 million euros;

- to attribute and revoke CEO delegations, defining their limits and methods;
- to reserve and exercise authority on behalf of Acea and its subsidiaries for amounts of over 7.5 million euros if in line with the budget, and over 1 million euros if not included in the budget;
- to establish, upon proposal by the appropriate Committee and in consultation with the Board of Auditors, the remuneration of the Chairman, the CEO and the other Directors with specific duties, and the amount due to the members of the Board Committees, and payment for Top Management taking strategic decisions;
- to define, subject to the opinion of the Risk and Control Committee (hereinafter also "RCC") the duties of which can be found in chapter 10, the Guidelines, so the principal risks to which Acea and the main Group companies are exposed are correctly identified, and adequately measured, managed and monitored;
- to assess the adequacy of the ACEA organisational, administrative and accounting structures and its strategic subsidiaries, with particular reference to the Internal Control and Risk Management System (hereinafter also referred to as the "Control System");
- to assess general performance (art. 2381 of the Italian Civil Code), in particular taking into consideration information received from delegated bodies, as well as periodically comparing the results achieved with those budgeted;
- to appoint and dismiss:
 - the Head of the Audit Department, subject to the approval of the RCC, on proposal of the Director in charge of the Internal Control and Risk Management System, and having consulted the Board of Auditors, ensuring that he or she has adequate resources to meet responsibilities and establishing remuneration in accordance with company policies;
 - an Executive responsible for financial reporting, if the general meeting has not provided for this and considering the Board of Auditors' judgement, (in accordance with Articles of Association

- art. 22-ter) and supervise the adequacy of the Executive's powers and resources for exercising their duties;
- to approve, on an annual basis, the work plan of the Head of the Audit Department, having consulted with the Board of Auditors and the Director in charge of the Control System;
 - to evaluate, in consultation with the Board of Auditors, the results provided by the external auditors in any suggestion letter and in the report on the fundamental issues that emerge during the external audit;
 - to evaluate, at least every six months, the adequacy of the Control System with respect to the Company's characteristics and in accordance with the risk profile assumed, and illustrate the main characteristics of the same in the Corporate Governance Report, expressing its assessment, subject to the opinion of the Risk and Control Committee on its adequacy;
 - to establish corporate procedures for personal or confidential third-party data processing (in accordance with *Italian Legislative Decree 196/2003*);
 - to adopt the procedures necessary to protect the health of workers and appoint parties to oversee occupational safety (in accordance with *Legislative Decree 81/2008*);
 - to promote continuous dialogue with shareholders founded on the reciprocal understanding of roles;
 - to take initiatives aimed at favouring the broadest possible participation of shareholders in general meetings and facilitating the exercise of shareholder rights;
 - to adopt, on the basis of the CEO's proposal, procedures for the internal management and market disclosure of company documents and information, with particular reference to "price sensitive" information and information on operations concerning financial instruments performed by persons who have access to relevant information as a result of the position held;
 - to make a self-assessment of the function of the Board and its Committees, including with respect to their size and composition, at least once a year;

- to evaluate the independence of its non-executive members, at least once a year.

The Board of Directors has performed the aforesaid tasks in these ways, among others:

- evaluated general performance during 2015, when preparing the accounting reports (draft financial statements for the year and consolidated financial statements as of 31/12/14; half-year financial reports; interim report on operations for the 1st and 3rd quarter of the financial year), in particular taking into consideration information received from delegated bodies, as well as periodically comparing the results reached with those planned;

On 11/03/2016, the BoD:

- evaluated the adequacy of the Internal Control and Risk Management System, as well as the adequacy of the organisational, administrative and general accounting structure of the Company and of the subsidiaries of strategic importance, considering Acea's Control System to be suitable as a whole to pursue company objectives.
- carried out, as an integral part of the aforesaid evaluation process, a self-assessment of the composition and operations of the Board and its internal Committees. This evaluation regarded the independence, structure and composition of the Board of Directors, the operations of the Committees and the Board and the information flows received by the Board and by its Committees in exercising their functions. The Board of Directors hired a specialised auditing firm, as described in greater detail below.

Function

In compliance with the terms provided for by law and with the timetable, the Board meets regularly, organising itself and operating to guarantee it will effectively and efficiently perform its functions.

During 2015 the Board of Directors held 16 meetings, each lasting about 2 hours and 20 minutes on average, with the regular participation of the directors and the attendance of the Board of Auditors.

The participation of each director in the Board meetings is reported in Table 2.

For 2016, four BoD meetings to approve financial reports for the reporting period have been planned and communicated to the market. 3 meetings have been held to date, including today's meeting.

The Board works in accordance with an Operations regulation which has been in effect since 22 April 2003, and governs the methods for guaranteeing timely and complete pre-meeting disclosures; the regulation provides that resolution proposals and disclosures should be sent to the company secretariat, together with all the useful documentation checked by the General Manager and the Managers for the specific subjects, at least 10 calendar days before the date set for the Board's session. The segment then submits these without delay to the CEO for approval, for the purpose of drafting the Agenda.

At least 6 days before the date set for the Board's session, the company secretariat submits the resolution proposals and disclosures along with the draft Agenda, already seen by the CEO, to the BoD Chairman for approval.

The Chairman draws up the Agenda, also with proposals and topics within his sphere of responsibility, which, at least 3 days before the date set for the Board session, is transmitted to the individual Directors and to the members of the Board of Auditors, together with all of the documentation prepared by the Company's units.

Company (or Group company) managers or consultants may be invited to discuss the points of the Agenda, but they must exit the meeting before the Board makes a resolution.

Board of Directors and Committee Evaluation

The Board of Directors, in accordance with the provisions of the application criteria established by 1.C.1 lett g) of the Corporate Governance Code, must at least once a year assess the size, composition and performance of the same Board and its Committees ("*board evaluation*"), autonomously or through an external independent consultant.

In 2014 ACEA contracted the consultant Egon Zehnder to perform the Board Evaluation for the 3-year period. Egon Zehnder is a major consulting firm, an expert with many years of experience. The consulting firm meets

independency requirements and has not been contracted for other work by Acea.

The consultant's activities involve the evaluation of the Board and Committees, in accordance with best international practices; in particular, all the operating areas of the Board were assessed to find any areas that could be improved in the future.

The Board evaluation, in particular, as well as assessing the level of adhesion of the Board to the principles and behaviour defined in the Regulation of the Board itself and the Corporate Governance Code, also evaluates the *benchmarking* compared to the *best practices* in Italy and abroad, focusing on finding the most suitable action to take to improve the Board's performance.

The process used in the evaluation is essentially based on gathering various personal opinions in interviews performed using both a questionnaire and in open talks with each single Board Member and the Chairman of the Board of Auditors, the data from which is then processed by the consultant.

The questions in the questionnaire and in the Board Member interviews are focused on various aspects of Board and Committee performance, such as:

- suitability of the size and composition of the Board, allowing for the professional characteristics, competence and the specific experience of its members;
- the role of the Board when examining strategies and evaluating performance in general;
- agendas and Board meetings;
- information flow and quality;
- the atmosphere in the Board and in relations with the Management;
- the role, competence and performance of the Board Committees;
- relations with the Board of Auditors and Supervisory Body.

At the 11 March Board Meeting, Egon Zehnder submitted the results of the evaluation made for the second year of the current Board; in particular, on the basis of comments and the comparative analysis performed, the consultant drew the following conclusions:

"On the basis of comments and the comparative analysis performed, we express a positive opinion in terms of compliance by Acea with the

requirements of the Corporate Governance Code for the second year of the Board's mandate.

The Board proved its considerable commitment to the feedback offered in the previous Board evaluation, consolidating known strengths and producing tangible results, also thanks to the new composition of the Board. The Board has proven to be very aware of some opportunities for increasing its effectiveness.

In general terms, as well as emphasizing the comments gathered on:

- The consolidation of the role of the Chairman and CEO, obviously on the same wavelength;*
- The fluidity of relations and the reciprocal trust between majority and minority directors;*
- The greater awareness and understanding of the specific business by the Directors;*
- The solid support provided by the Company Secretariat and other corporate bodies”.*

4.4 DELEGATED BODIES

Chief Executive Officer

In compliance with art. 20 of the Articles of Association, the Chief Executive Officer is delegated all powers of ordinary management, signature, legal and court representation as well as powers held by proxy, within certain limits.

The Chief Executive Officer reports to the Board of Directors and the Board of Auditors at least once every quarter and in any case at the Board meetings, on the activities concerning the Company's operating review, and any acts passed by proxy, in accordance with art. 20.1 of the Articles of Association. The CEO currently also acts as General Manager, without receiving any additional fee.

As decided at the BoD meeting of 09 June 2014, the Chief Executive Officer will:

- perform his duties based on long-term plans and annual budgets approved by the Board and assuring and verifying compliance with the

- relevant operating guidelines. Those powers have been delegated to the Chief Executive Officer for ACEA and its subsidiaries, with respect to transactions of 7.5 million euros or less (tender contracts, purchases, leases, disposals, participation in tenders, etc.) if in line with the *budget* and up to 1 million euros if it is outside of the *budget*; for Group subsidiaries working in the electrical energy and gas markets, the CEO's powers include: i) issuing guarantees or other sureties for up to 12 million euros if budgeted and up to 2 million euros if not budgeted; ii) issuing all guarantees or other obligatory sureties to the AEGGSI [Italian Regulatory Authority for Electricity Gas and Water], GSE [the national grid operator], GME [Energy Market Manager], Terna SpA, the Single Buyer and other public bodies;
- signing contracts for any amount on the basis of Legislative Decree No. 163/2006;
 - organisational and procedural implementation of the Parent Company's operations in compliance with guidelines approved by the Board of Directors;
 - preside over and coordinate the Management Committee, a Consulting Committee that is comprised of Company managers, and is responsible for monitoring the Group's operating performance and individual *business* areas, as well as any failure to meet targets;
 - ensure the correct management of corporate information. Please refer to chapter 5 "Market Disclosures of Company Information" for more details.

Furthermore, with resolution of 09 June 2014, the CEO was granted the role of executive director responsible for supervising the operations of the Internal Control and Risk Management System, with the duties indicated in paragraph 10.

Chairman

Pursuant to art. 20 of the Articles of Association, the Chairman is the Company's legal representative and signatory and, furthermore, may convene and chair Board and General Meetings.

With a resolution on 9 June 2014, the Board delegated certain institutional policy and control duties to the Chairman, granting the corresponding

management delegations, in particular: monitoring Group operations and verifying the implementation of Board resolutions and *corporate governance*, rules also to implement powers reserved for the BoD; verifying corporate activities and procedures with respect to the quality of services provided and received, environmental impact and social sustainability; supervising the BoD secretariat and all related activities; the power to perform all the activities required by the laws in force concerning the press and communications, also through publication in papers or magazines, and also online, including the appointment of the Press Officer from amongst group employees who meet the legal requirements.

The BoD's activities are co-ordinated by the Chairman, who calls board meetings, sets their agendas and chairs the meetings, ensuring that the directors have all the documentation and information necessary in a timely manner, except in necessary or urgent cases, so the Board can express a knowledgeable opinion on the subjects submitted.

Joint powers of the Chairman and Chief Executive Officer

With a BoD resolution on 09 June 2014, joint proxy was also granted to the Chairman and the CEO, in the event of proven urgency and necessity, with the right to implement acts normally reserved to the BoD regarding contract work, purchases, company transformation, participation in tenders and issuing guarantees when urgency does not allow time to call the BoD. In the first subsequent meeting the Chairman and CEO are required to inform the Board, which shall verify the requirements of necessity and urgency were fulfilled, to appoint the members of the Board of Auditors and the members of the Board of Directors of Subsidiaries, and most significant associated companies, intended as the following:

- a) listed on regulated markets or with publicly traded shares pursuant to art. 116 of Legislative Decree 58\98 of the Italian Consolidated Financial Act;
- b) that require capital commitments, shareholder loans or guarantees of more than 10 million euros.

In addition, the Chairman and the CEO will appoint the members of the Board of Auditors and the Boards of Directors of Acea S.p.A. Group Companies that are not considered to be the "most significant".

Board disclosures

Pursuant to art. 20 of the Articles of Association and in compliance with legal dispositions, the BoD, as well as the Board of Auditors, shall receive constant and exhaustive disclosures from the Chairman and the CEO regarding activities carried out while exercising proxies, reported at least on a quarterly basis in a dedicated report regarding the general business performance and its foreseeable outlook. In particular, for all of the more important transactions carried out in the context of their own powers (including therein any atypical transactions or related party transactions, whose approval is not reserved to the BoD), the Chief Executive Officer and the Chairman shall refer to the Board about the characteristics of those transactions, the subjects involved and any relation to the Group, the methods of determination and the related economic and equity effects.

4.5 OTHER EXECUTIVE DIRECTORS

There are no other executive directors.

4.6 INDEPENDENT DIRECTORS

As at 31 December 2015 and to date, there are 5 independent non-executive directors in the Board of Directors, specifically: Elisabetta Maggini, Paola Antonia Profeta, Diane D'Arras, Roberta Neri and Massimiliano Minutolo Capece Del Sasso (cf. table 2).

The procedure followed by the Board to verify independence dictates that the Director must declare the requirement has been met when presenting the list as well as at the time of accepting the appointment, to be verified by the Board of Directors in the first meeting following the appointment. The independent director must also promptly inform to the Board of Directors if this requirement is no longer met.

The directors were assessed as independent pursuant to the law and art. 3 of the Corporate Governance Code.

No parameters other than those set out in the Corporate Governance Code were used in the evaluation of Director independence requirements.

Therefore, based on the information provided by the individual subjects concerned or in any case available to the Company, immediately after appointment, and most recently, in March 2016, the Board of Directors certified that independence requirements in the Corporate Governance Code were met by the above mentioned Directors.

The Board of Auditors, in compliance with the provisions in art. 3 of the Code, checked that the criteria and procedures adopted by the Board of Directors to assess the independence of its members had been correctly applied.

4.7 LEAD INDEPENDENT DIRECTOR

On 11/03/2016, as in previous years, the BoD confirmed that the requisites set forth by the Code of Conduct for appointing a *lead independent director* are still unfulfilled, taking into account that the Chairman of the Board does not hold the main role of company manager (*chief executive officer*) nor do they have a controlling interest in the company's share capital.

5. MARKET DISCLOSURES OF COMPANY INFORMATION

Since September 2006, upon proposal of the CEO, ACEA's BoD adopted a Regulation for the internal management and market disclosure of company documents and information, which can be consulted on www.acea.it (in the corporate governance section), which:

- establishes the methods for processing and distributing company information within the Group;
- establishes the confidentiality obligations for the Company's employees who come into possession of information, the imprudent dissemination of which could be damaging to the Company's and/or its shareholders' assets; establishes the Company's obligation, in certain circumstances, to provide timely and full information to the markets;
- The regulations also govern announcements of *Price Sensitive* information in order to avoid distortions and misstatements

A list of persons who have access to Privileged Information has been kept since the same year, in accordance with art. 115-bis of the Italian Consolidated Financial Act (TUF). Privileged Information for these purposes is defined as information, pursuant to art. 181 of the TUF, which is not in the public domain, and relates directly or indirectly to ACEA and/or its Subsidiaries and that, if made public, would have a material effect on the price of the Company's shares.

In addition, an *Internal Dealing Code* was adopted in compliance with the provisions of art. 114 par. 7 of the TUF on the basis of which, on the request of relevant parties who assign the specific task, ACEA may make legal notifications on their behalf regarding transactions on financial instruments related to the Company which they have carried out or which people closely related to them have carried out, if these transactions, where the amount is equal to or higher than 5,000.00 (five thousand/00) euros by 31 December of each year; the transactions where the total amount does not reach more than 5,000.00 (five thousand/00) euros by the end of the year are not communicated after each notification.

6. BOARD COMMITTEES

(in accordance with art. 123 bis, par. 2, lett. d) TUF)

The BoD has set up two internal Committees with proposal and consulting functions: the Risk and Control Committee and the Appointment and Remuneration Committee.

These committees consist of at least three non-executive directors, the majority of whom are independent, appointed by the Board of Directors, which selects the Chairman of the Committee from the independent directors.

The composition, duties and functioning of the committees are governed by specific regulations, approved by the BoD.

The BoD also created the Related Party Transactions Committee pursuant to Consob Resolution No. 17221 of 12 March 2010 as amended, and on the basis of the provisions of the "Related Party Transactions procedure" adopted by the Company and briefly described in paragraph 11 of this report.

The Related Party Transactions Committee, consisting of at least three independent Directors, has powers and duties to perform examinations, make proposals and provide advice to evaluate the decisions taken on Related Party Transactions, whether of little relevance or significant.

7. APPOINTMENT AND REMUNERATION COMMITTEE

The Appointment and Remuneration Committee comprises four directors as of 31 December 2015, all non-executive, three of whom are independent as follows: Elisabetta Maggini (independent Chairperson), Giovanni Giani (not independent), Roberta Neri and Massimiliano Capece Minutolo del Sasso (both independent). The Board of Directors acknowledged the experience and qualification in accounting and financial matters of Roberta Neri.

The Committee held five meetings in 2015, the minutes of which were kept, characterised by the regular participation of the committee members. Each meeting lasted for about 1 hour 10 minutes.

Within the range of duties assigned to it, the Appointment and Remuneration Committee makes recommendations and advises the Board of Directors, monitoring application of the criteria and decisions adopted by the Board.

The Committee also makes proposals and offers advice on remuneration for directors with specific duties, the General Manager and key personnel. The Committee also expresses an opinion on wage policies and guarantees concerning Group personnel submitted by the Chief Executive Officer.

Specifically:

1. proposes policies to the Board of Directors regarding remuneration of directors and Executives with strategic responsibilities, promoting medium-long term sustainability, in consideration of the fact that, for Executives with strategic responsibilities and when compatible, the fixed component and the variable component must be adequately balanced in accordance with the key objectives and the risk management policies for executive directors or those with specific duties;
2. periodically evaluates adequacy, overall consistency and actual application on the basis of information provided by the CEO, making recommendations to the Board of Directors to that end;
3. presents proposals or expresses opinions to the Board of Directors regarding the remuneration of the executive directors and other directors with specific duties, setting performance objectives for the variable component of their remuneration;
4. expresses opinions to the Board of Directors on remuneration policies for Executives with strategic responsibilities;
5. monitors the application of the decisions made by the Board, and more specifically checks they achieved their performance goals;
6. submits the Remuneration Report to the Board, which the directors will then present to the annual meeting.

The Directors cannot participate in Committee meetings in which proposals to the BoD are formulated regarding its own remuneration.

The Committee has access to the information required to perform its duties, also through Corporate departments, and using external consultants within the terms defined by the BoD.

In 2015, the Committee:

1. examined and approved the Annual Report on the activities carried out by the Remuneration Committee;
2. examined and approved the Remuneration Report in accordance with art. 123-ter of Legislative Decree No. 58 - 24 February 1998;
3. acknowledged the economic-financial goals had been met and authorised the payment of the MBO 2015 variable incentive plan;
4. examined the new Variable Incentives Plan and proposed the 2015 goals for the BoD;
5. examined the results of a study done by a resource suitable for the position of CFO and approved the profile found as well as the remuneration and contractual conditions to propose, considered to be in line with the responsibilities of the position and coherent with those of professionals with similar responsibilities and hierarchical level in this sort of company.

The Board of Directors confirmed the allocation of an annual budget for 2016 of 25,000.00 euros (twenty-five thousand/00 euros) for the Committee in order to enable it, where necessary, to hire external consultants to support its activities.

8. REMUNERATION OF DIRECTORS

General remuneration policy

The Remuneration Policy on fees received by the Directors and Executives with strategic responsibilities defined by the Board of Directors is described in detail in the document “Remuneration Report” approved by the BoD on 11 March 2016, pursuant to art. 123-ter, paragraph 2 of the TUF, to which we refer for further information. The same will be available on the web site www.acea.it and is subject to the advisory vote of the Shareholders’ General Meeting, which will be called on to approve the 2015 financial statements in April 2016. As mentioned in the previous Report, the remuneration of the members of the Board of Directors and additional payments for members of the Committees with consulting and proposal functions established within the BoD was established by the General Shareholders' Meeting on 5 June 2014. For more information, refer to the “Remuneration Report”.

Said Remuneration Policy, the current payment system of which is described in detail in the above-mentioned “Remuneration Report”, defines guidelines coherent with the following themes:

- a significant part of remuneration for Company Executive Directors and Executives with strategic responsibilities is linked to the economic results that the Company achieves and, possibly, to reaching specific *performance* pre-set and measurable goals, which are previously indicated by the Board itself in Section I of the “Remuneration Report”;
- the 2013-2015 3-year cycle of the Long Term Incentive Plan, approved by the Board of Directors in Resolution No. 36 of 11/06/2013 has concluded. The aim of the Plan was to provide an incentive for *management* to pursue the economic/financial results of the Group in the shareholders' interest;
- from 2015, in line with a growing request for transparency in the Corporate Governance Code and to make the remuneration policy more responsible, the scope of the *clawback* clause adopted in the past for Top Management, Directors and Executives with strategic responsibilities has been extended to include also managers with the greatest impact on Group *business*. On the basis of this clause the Company is entitled to request the reimbursement of the variable remuneration (both medium and long-term) paid out if it is found that such remuneration has been paid on the basis of

fraudulent behaviour and/or gross negligence, such as the intentional alteration of data used for the achievement of the goals or achievement of such goals by acting in a manner contrary to the laws or company regulations.

Remuneration of Directors and Executives with strategic responsibilities

Details of the fixed and variable remuneration package of the Chairman and Chief Executive Officer, can be found in the Remuneration Report, 2015 - Section II, in accordance with art. 123-*ter* of the TUF.

Incentive mechanisms for the Head of the *internal audit* department and the Executive responsible for financial reporting

As for the incentive mechanisms for the Head of the *internal audit* department and the executive responsible for financial reporting, these executives are subject to an annual assessment that is based on quality and efficiency criteria; on the basis of these criteria the executives are assigned their individual goals which, therefore, are not linked to economic-financial goals, except for the *gates*.

Remuneration of non-executive Directors

The remuneration of non-executive directors is not linked to the economic results achieved by the Company and is proportional to their required commitment and their participation in one or more committees, if any. None of the non-executive Directors participates in share incentive plans.

Director indemnity in the event of resignation, dismissal or termination of contract following a take-over bid (*art. 123 bis, par.1, lett i, of the TUF*)

No agreements providing for compensation in the event of resignation or dismissal/termination without just cause have been signed between ACEA and the Directors in office.

9. RISK AND CONTROL COMMITTEE

The Risk and Control Committee assists the Board of Directors, making sure the Board of Directors has all the necessary information for evaluations and decision-making concerning the Control System, and to approve periodic financial reports.

The Committee consist of at least three non-executive directors, the majority of whom are independent. The Chairman of the Committee is elected from amongst the independent directors. At least one member of the Committee has adequate accounting and finance or risk management experience, to be evaluated by the Board of Directors when said member is appointed.

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

The Committee members hold office for the same term as the Board of Directors that appointed them. The Committee members are dismissed by the Board of Directors if they do not meet independence, non-executive and reputation requirements.

In the performance of its duties, the Committee has the right to gain access to information and contact any corporate departments necessary to perform said duties with the help of the corporate structure on the basis of their fields of competence, and also have recourse to external consultants within the limits of the annual budget allocated by the Board of Directors. The consultant should be chosen avoiding any possible conflict of interest and without appointing subjects who provide services to the company of such key strategic nature that this would compromise the consultant's independent judgement.

The Committee can ask the Audit Department to audit specific areas, informing the Chairman of the Board of Auditors, the Chairman of the Board of Directors and the Director in charge of the Internal Control and Risk Management System, except in cases in which these are subject to audit.

The Chairman of the Board of Auditors or another auditor appointed by the same, participates in the work of the Committee. The Head of the Audit

Department also usually participates at the meetings. The Director in charge of the Internal Control and Risk Management System, the Chairman of the Board of Directors and the other auditors also participate. Furthermore, when requested by the Chairman of the Committee, other Board members or managers may also participate, to provide information and express their opinions when pertinent.

The Committee performs enquiries for and gives opinions to the Board of Directors in order to:

- define Guidelines so the principal risks to which ACEA S.p.A. and its subsidiaries are exposed are correctly identified, and adequately measured, managed and monitored;
- determine the criteria of compatibility of said risks with a management coherent with the strategic goals established;
- evaluate, at least once every six months, the adequacy of the Control System with respect to the Company's characteristics and in accordance with the risk profile assumed, and the effectiveness of the same;
- approve, at least once a year, the work plan of the Head of the Audit Department, having consulted the Board of Auditors and the Director in charge of the Internal Control and Risk Management System;
- describe the principal characteristics of the Control System in the annual Corporate Governance Report, evaluating the overall suitability of the same;
- evaluate, in consultation with the Board of Auditors, the results provided by the Auditing Firm in any suggestion letter and in the report on the fundamental issues that emerge during the external audit;
- upon proposal by the Director in charge of the Internal Control and Risk Management System drawn up with the Chairman of the Board of Directors, and having consulted the Board of Auditors, concerning the appointment and dismissal of the Head of the Audit Department, establish the remuneration of the same in accordance with company policies, ensuring that adequate resources have been assigned to meet responsibilities. This opinion is binding.

Furthermore, the Committee assists the Board of Directors by:

- assessing the correct use of accounting standards and the uniformity of the same for preparing the consolidated financial statements jointly with the Executive responsible for financial reporting, the External auditor and the Board of Auditors;
- assessing opinions for the Board of Directors on specific aspects inherent to identifying principal business risks;
- examining the periodic reports that regard the evaluation of the Internal Control and Risk Management System and any significant reports issued by the Audit Department;
- monitoring the independence, adequacy, efficiency and effectiveness of the Audit Department.

The Committee comprises three directors as of 31 December 2015, all non-executive, two of whom are independent as follows: Roberta Neri (independent Chairperson), Elisabetta Maggini (independent) and Giovanni Giani (not independent).

The Director Roberta Neri has accounting and finance experience which was retained adequate by the Board when she was appointed.

In 2015, the Committee held 4 meetings, characterised by the regular participation of the committee members and the Chairman of the Board of Auditors. Each meeting lasted for about 1 hour 10 minutes. Of these, 3 were held with the Board of Auditors.

At the meetings, the minutes of which were regularly kept, on invitation by the Committee, other parties also attended to explain single points on the agenda.

In 2015 the Committee performed its duties as set out in the Corporate Governance Code and the internal Regulations, in particular:

- with suitable enquiries, it supported the decisions and appraisals of the Board of Directors concerning the control system, as well as those concerning the approval of periodic financial reports;
- it assessed the correct use of accounting standards and the uniformity of the same for preparing the consolidated financial statements jointly with the Executive responsible for financial reporting, the External auditor and the Board of Auditors;

- it examined the periodic reports issued by the Audit Department;
- it expressed opinions on specific aspects inherent to identifying principal business risks, discussing the best way to manage said risks with department managers;
- it monitored the independence, adequacy, efficiency and effectiveness of the Audit Department;
- it asked the Audit Department to check specific operating areas, notifying the Chairman of the Board of Statutory Auditors of this;
- it reported to the Board on the activity performed and the adequacy of the internal control and risk management system, at least every six months when the interim and annual financial reports were approved.

The Committee had access to information and the company Departments necessary for carrying out its tasks and did not exercise its right to make use of external consultants, with respect to the Internal Control and Internal Auditing systems, Accounting Standards, Legal and Tax Standards, or other types, if necessary to carry out its duties.

The Board of Directors confirmed the allocation of an annual *budget* for 2016 of 25,000.00 euros (twenty-five thousand/00 euros) for the Committee in order to enable it, where necessary, to hire external consultants to support its activities.

10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Internal Control and Risk Management System of ACEA, an essential element in the Group Corporate governance system, is a process that is based on the *best practices* and standards of the Corporate Governance Code and comprises a set of rules, policies, procedures and organisational structures aimed at permitting the identification, measurement, management and monitoring of the main risks, in order to identify potential events that could influence the achievement of the corporate goals and to manage the risk within acceptable limits. This system is integrated into the more general organisational and corporate governance structure adopted by Acea SpA.

The Board of Directors defined the “Guidelines of the Internal Control and Risk Management System”, to:

- provide guidelines to the various parties implementing the Control System so the main risks to which Acea SpA and its subsidiaries are exposed are correctly identified, and suitably measured, managed and monitored, determining the compatibility of said risks with company management in line with the strategic goals established and so that within the scope of the company and its subsidiaries the same parties act consistently with the risk profile identified by the Board of Directors and are able to manage any events that could prevent the corporate goals from being achieved;
- provide guidelines to ensure coordination between the departments in the Control System;
- identify the standards and responsibilities for governance, management and monitoring risks related to company business.

In 2015 the Company, in accordance with the principles in the Guidelines of the Internal Control and Risk Management System, pursuing the objective for the continuous improvement risk supervision and monitoring, updated the list of second level control structures monitoring specific risks and defined the standard content of the periodic information flows produced by said structures sent to the Director in charge of the Internal Control System and to the Supervisory Bodies through the Head of the Audit Department.

COMPREHENSIVE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Preamble

The planning, implementation and the periodic assessment of the ACEA Internal Control and Risk Management System are based on *best practices* of reference (CoSO “Internal Control” integration model) and on the principles of the Corporate Governance Code.

a) Roles and tasks of various Control System parties

The governance and implementation of the comprehensive Control System require the involvement of parties with different business roles (governance and control bodies, business structures, management and employees).

For a description of the roles and tasks of the Bodies, please see the specific sections in this report (BoD, Internal Committees, CEO, Head of Audit Department, Executive responsible for financial reporting, Supervisory Body). The role of the Ethics Committee is described in paragraph 16, "Further corporate governance procedures."

The Group's management has the responsibility to define, implement and maintain an effective risk management process that is able to carry out plans and reach strategic objectives. In their daily operations, Acea S.p.A.'s Industrial Areas and Corporate Departments are each specifically responsible for implementing actions to reach the expected business results and for managing the related risks.

Employees have the responsibility to work in compliance with internal and external regulations, procedures and management directives, and, also with the support of appropriate training courses, to increase their skills and professionalism necessary for effectively carrying out controls, as defined in the Internal Control System.

b) Risk Management System

The ACEA risk management system provides for distributed responsibility and involvement of parties at every level of the organisation. More specifically, the risk management process implemented in ACEA includes the identification, evaluation, management and monitoring of risks.

The company uses a complex *Control Risk Self-Assessment (CRSA)* model to help the management define the main risks and intervention priorities and adopt mitigation policies to bring residual risk back to a level which is considered acceptable by the top management. Second level control and monitoring models are adopted for certain types of risk, sometimes with specific risks limits and indicators (ex. PAR and VAR).

The controls are arranged in three complementary levels:

- First level controls, aimed at ensuring the correct execution of business processes in order to prevent and manage risks by opportune mitigating actions, carried out by the regular operational structures.
- Second level controls, aimed at verifying the controls defined for carrying out business operations are effective and operative through continuous monitoring activities with the purpose of ensuring that the risk mitigating

actions are adequately identified and implemented within the organisation by those responsible for implementing them.

- Third level controls, assigned to the Audit Department, consist of independent assessments on the design and function of the comprehensive Control System, and on the monitoring of the implementation of improvement plans defined by management.

The Audit Department reports on a hierarchical basis to the Board of Directors and is not responsible for any operational activities. It reports to the Chairman, the CEO, the Risk Control Committee and the Board of Auditors on the function, adequacy and effectiveness of the Control System. The Audit Department follows a work plan drawn up using *risk-based* methods, approved annually by the Board of Directors, after consulting the Board of Auditors and the Director in charge of the Internal Control and Risk Management System.

c) Control System qualifying elements

Control System pervasive elements

The pervasive elements which make up the infrastructural foundation of the system represent a fundamental highlight of Acea's control system; among these the following aspects are particularly worthy of note:

- the definition of ethical values and criteria of conduct, which should inspire the behaviour of employees and all those who operate in pursuit of the company's goals, is ensured by the provisions of the Code of Ethics approved by the BoD of Acea SpA and its subsidiaries and communicated within and outside the company;
- the roles and responsibilities as well as relations between corporate Departments are clearly defined within the adopted organisational structure, signatory powers and internal delegations are consistent with the hierarchical level, the supervised organisational unit and the assigned goals.

To this end, organisational charts and other organisational devices, the organisation and management model in accordance with Italian legislative decree 231/2001, business procedures and the delegations and powers system are formalised, adequately distributed and reported.

Central monitoring supervision for particular risk categories

Central monitoring supervision for particular risk categories represents the method by which it is possible to view risks and the related control systems across different internal processes within the Group. The main areas subject to central monitoring supervision are described below.

Interest rate risk The approach of the Acea Group to managing the interest rate risk is based on the type of *asset* structure and the stability of the Group's cash flow; the activity, entrusted to the Administration, Finance and Control Department, is therefore essentially prudent and aims to hedge *borrowing* costs and stabilise cash flows deriving from ordinary activities. The primary objective, considering the needs expressed in the strategic plan, is the optimisation of the Group's borrowing costs and the related limitation of the effects caused by the exposure to the interest rate risk while identifying the optimal combination between fixed and variable rates. The risk appetite and the related limits are defined by the Board of Directors, through the approval of the single financing operations affecting the interest rate risk and any hedging transactions.

Commodity risks As for the commodity risks deriving from the purchase and sale of electricity and gas, 2015 was characterised by a consolidation of the principle of the separation of duties between the Energy Management Unit trading electricity and gas, and the continuous control and monitoring function of the Parent Company's Administration, Finance and Control Department, which monitors economic and volumetric limits of exposure to make sure the same are observed.

Trade receivables (customers) risk The Administration, Finance and Control Department also monitors the risk on trade receivables, which is directly related to the risk of insolvency of customers receiving business proposals on Acea Energia's free electricity and gas market, optimising the commercial action with an acceptable level of refusal when compared to local and national (Italian) averages. In 2015, instruments of prevention were further implemented and improved to verify the reliability of counterparties before presenting offers to potential customers, and projects were put into action to improve credit management processes.

Risks concerning health and safety at work. In the corporate macrostructure, the “Staff and Organization” Department controls and monitors the risks related to occupational health and safety. This department, in line with Group strategy, defines and controls the implementation of occupational health and safety policies, as well as monitoring accident prevention measures, also by adopting a management system that complies with BS OHSAS Standard 18001:2007. The Head of the “Staff and Organization” Department has also been attributed the role of Employer in accordance with Legislative Decree 81/2008. The “Staff and Organization” Department also monitors the *internal regulatory and organisation system risks*, in other words verifying the definition of the roles and responsibilities in the organisation structure adopted, making sure processes and procedures are in line with internal regulations and organisation structures.

Compliance risks in accordance with Legislative Decree 231/2001. The Organisation and Management Model was adopted, a description of which can be found in paragraph 10.3.

Regulatory risks The main *businesses* of the Acea Group form part of regulated segments, since they are based on the use of networks and provide essential services. It is therefore of fundamental importance to adequately supervise the regulatory risks in order to pursue Group goals. The Regulatory Department operates within the organisational structure of Acea SpA with the aim of minimising the regulatory risk by monitoring the evolution of the regulatory framework and identifying the related consequences on the planned objectives and the company processes. In addition, in agreement with the relevant companies and Departments, also through specific functional systems located in the operating companies, the Regulatory Department has the task of identifying and proposing the measures to be adopted to valorise any opportunities, mitigate the effects of any negative consequences, and ensure full compliance of the company activities with the provisions of the Regulatory Authority.

In order to analyse regulatory themes that can have an impact on business and find possible corrective actions and/or ways to improve, the “*Regulatory Steering*” technical/consulting committee aims to improve the mechanisms with which the various departments integrate, collaborate and communicate

with each other, consolidating decision-making processes and optimising operating capacities.

Financial reporting risks (in accordance with Law 262/2005). The Executive responsible for financial reporting is also responsible for monitoring the risks concerning the fitness and effective application of the administrative and accounting procedures related to the financial reporting process (par. 10.5). The Internal Control and Risk Management System over Financial Reporting is described in the paragraph below.

Risks related to compliance with the Privacy Act (in accordance with Legislative Decree 196/2003). From 2015, the Corporate Affairs and Legal Department specifically monitors the risk of violating administrative or criminal law, financial loss or damage to reputation as a consequence of violations of legislative and/or regulatory requirements in terms of Privacy.

The same Department monitors the *antitrust compliance risks*, in other words the risk of non-compliance with regulations protecting fair competition (the prohibition for enterprises to enter into agreements that restrict the competition and take advantage of a dominant position on the market) as well as non-compliance with consumer protection acts in accordance with Legislative Decree 206/2005 (in other words crimes against consumers/unfair trade practice or misleading advertising).

Computer security risks The Information and Communication Technology (ICT) Department was further updated in 2015. In particular, the ICT defines and updates Group Computer Security Guidelines, in compliance with the laws in force, to guarantee the confidentiality, integrity and availability of said data.

d) Coordination between the subjects in the Internal control and risk management system

The ACEA Guidelines of the Internal Control and Risk Management System provide for a series of activities to coordinate the various subjects in the System, to guarantee the continuous monitoring of the suitability and performance of the same System, and encourage an efficient exchange of information. In brief, these methods involve:

- structured communication and information flows to the Top Management, the Audit Department and the Supervisory Bodies;
- structured information flows between the Supervisory Bodies of Acea subsidiaries and the Supervisory Bodies of the Issuer;
- periodic reports sent to the Board of Directors;
- assistance from the Audit Department in the activities of the Supervisory Bodies of the Issuer and subsidiaries;
- the Issuer's Board of Auditors is nominated Supervisory Body in accordance with Legislative Decree 231/2001;
- coordination meetings are held between the Issuer's Board of Auditors and the boards of auditors of the operating companies;
- the Issuer's Board of Auditors attends the meetings of the Risk and Control Committee.

e) Comprehensive evaluation of Control System adequacy

Please refer to paragraph 4.3 on the Board of Directors.

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

INTRODUCTION

Within the sphere of the Internal Control System, the "Group Management and Control Model pursuant to Law 262" is particularly important as regards Financial Reporting, and it was implemented when the Group's Internal Control System was adapted to meet the requirements of Law 262/2005. More specifically, in 2007 Acea began implementing changes to meet the requirements of Law 262/2005 planning an effective Group Internal Control over Financial Reporting (ICFR) System, which is subject to continuous improvement and adaptation to keep up with the evolution of company activities, so the Executive responsible for financial reporting and the CEO of Acea S.p.A. can issue the reports required by art. 154-bis of the TUF.

This system is defined as the set of activities for identifying risks/controls and defining specific procedures and tools adopted by Acea to ensure with reasonable certainty that the objectives of reliability, accuracy, integrity and timeliness as regards financial reporting shall be reached.

The Model defines the guidelines, the methodological references and the responsibilities for the establishment, evaluation and maintenance of the ICFR system.

The Model is developed under the assumption that the ICFR system is part of the broader Internal Control System (ICS), an essential element of Acea's corporate governance, and that the reliability of the information reported to the market on the company's position and results is a fundamental element for all stakeholders.

The Model, approved by Acea's Board of Directors on 20 February 2008 and distributed to the Group companies, which define all of the fundamental aspects of the system, consists of a set of documents:

- Regulation on the Executive responsible for financial reporting;
- Guidelines for Model implementation;
- Periodic Group reporting for implementing the information flow.

The Model is supplemented by the Group's accounting standards manual and the Guide for closing the consolidated accounts, by Administrative and accounting procedures and specific operating documents.

The Internal Control and Risk Management system has been implemented in relation to the Group's financial reporting, also through subsequent adaptations, and in consideration of the guidance provided by some category bodies regarding the activities of the Executive responsible for financial reporting, in particular:

- *Andaf Position Paper* "The Executive responsible for financial reporting";
- *AIIA Position Paper* "Internal Audit's contribution in implementing a good Corporate Governance process and organising information flow with the Executive responsible for financial reporting";
- Guidelines issued by Italian Manufacturers' Federation "Guidelines for performing the activities of the executive responsible for financial reporting pursuant to art. 154-bis of the TUF".

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

The Model defines reference guidelines for instituting and managing the administrative and accounting procedures system (so-called activity/risks/controls matrices) for Acea and for significant consolidated companies for the purpose of Financial Reporting (company), regulating the main phases and responsibilities.

a) Phases

Definition of the scope of analysis Acea annually updates the scope of analysis of the administrative-accounting control systems and the monitoring of underlying processes to guarantee that this is able to cover risks regarding the financial reporting of the most significant account items within the consolidation perimeter.

The scope of the analysis is initially determined based on the effect of each Group Company on the consolidated financial statements, taking into account the relevance that significant accounts and administrative-accounting processes linked with them have on the same; subsequently the results of that analysis are integrated with qualitative considerations to take into account both the Group structure and the characteristics of specific financial statements items.

Analysis of process controls and risks The approach that Acea has adopted identifies “key” points of risk and control, considered significant with reference to the consolidated financial statements. To this end, control objectives and the relative risks are defined for each process and activity; or:

- assertion of financial statements: an element which needs to be complied with in reporting company affairs for the purpose of representing them in a true and correct way in the financial statements;
- theoretical risk: risk identified at an “inherent level”, so, not taking into account the existence and effective operation of specific control techniques aimed at eliminating the risk itself and at reducing it to an acceptable level;

- specific control objective: objective which must be guaranteed by carrying out control activities.

Specifically, the financial statements considered within the Model are:

- *Existence and occurrence* (the company's assets and liabilities exist at a certain date and the recorded transactions represent events which actually occurred during a specific period);
- *Completeness* (all of the transactions, assets and liabilities to be represented have been effectively included in the financial statements);
- *Rights and obligations* (the company's assets and liabilities represent the company's rights and obligations, respectively, at a certain date);
- *Evaluation and reporting* (the assets, liabilities, net shareholders' equity, revenues and costs are posted in the financial statements at their correct value, in accordance with generally accepted accounting standards);
- *Presentation and disclosure* (the financial statement items have been correctly named, classified and described).

The so-called key controls are identified for each specific risk/control objective, required to assess the existing control systems (manual/automatic controls; preventive/subsequent) in relation to each material process, to meet the control objective and effectively mitigate the risk.

Evaluation of controls against identified risks The evaluation of the control plans in administrative and accounting procedures is aimed at analysing how individual control activities are structured and defined in relation to the objective of covering the risk of committing errors in the financial statements. The evaluation is performed on the basis of the goal the control aims to reach; in other words, whether the risk is mitigated ("adequate/inadequate" control).

The so-called Lines of Business are responsible for evaluating control plans, starting from the hierarchical level above the control manager up to the Delegated Administrative Body level in the case of Group companies.

The evaluation of control operations found within administrative and accounting procedures is also in turn subject to specific analysis by the Lines. Indeed, for controls whose design is evaluated as adequate, it is

necessary to proceed by evaluating their operations (“operative/non-operative” control).

The control operation, certified by the Lines, is corroborated by implementing independent monitoring through the periodic testing plan of the Executive responsible for financial reporting. The testing plan is defined according to priority and rotation on the basis of which a specific sub-set of controls to be tested is selected for each reference period, in order to examine the main controls used in the procedures.

The Executive responsible for financial reporting implements a process to share and distribute the test results so the management of reference can take the necessary corrective actions in their own units.

Corrective actions plan Where, based on the analyses carried out by the lines, the “key” controls do not exist, are not documented or are not carried out correctly according to company procedures, the managers of the organisational unit involved up to the level of the Delegated Administrative Bodies for Group companies shall define and carry out a corrective plan, indicating the timescales and responsibilities for taking corrective actions. The corrective plan is submitted to the Executive responsible for financial reporting in order to comprehensively evaluate the system and co-ordinate the actions to take, and is updated every six months by the responsible parties.

Comprehensive evaluation So Acea’s Executive responsible for financial reporting and CEO can issue the statements required by art. 154-bis of the TUF, a system of internal “chain” certifications, more extensively described in the following paragraph, has been set up to ensure suitable internal formalisation of responsibilities in terms of the adequacy and effective application of administrative and accounting procedures, to prepare and distribute the corrective actions plan, where applicable, and to update the procedures (see point b) Roles and Responsibilities).

The comprehensive evaluation is therefore based on a complex evaluation process which considers:

- the evaluation of the design of existing controls and the evaluation of their function, carried out by Acea's management and by the Delegated

Administrative Bodies of the companies, together with implementation of the corrective plans;

- the analysis of test results;
- the final analysis of areas for improvement which emerge with reference to their importance in terms of financial statement reporting.

Where it is retained necessary within the scope of the evaluation process, the adopted methodology indicates that it is possible to design and perform compensatory controls and checks. Significant gaps which may emerge shall be reported to the supervisory bodies, according to the methods in the Regulation on the Executive responsible for financial reporting.

b) Roles and Responsibilities

The Model is based on the clear internal allocation of responsibilities for planning, evaluating and maintaining the ICFR in time, without prejudice to the legal responsibilities of the Executive responsible for financial reporting and the Delegated Administrative Body. To this end, Reporting within the Acea Group is based on an internal “chain” system of certifications which has the goal of ensuring adequate internal formalisation of responsibilities for adequacy and the effective application of administrative and accounting procedures, monitoring the corrective actions plan when applicable, and identifying in a timely manner any changes in control which are the responsibility of the Lines, and change factors/risks which emerged during the course of normal process operations and could influence the ICFR system’s adequacy.

The evaluation process of the Executive responsible for financial reporting and CEO, based on which the financial statements are issued according to the Consob model, therefore includes internal reporting (reporting forms) issued by the Managers of the relevant Acea processes and by the Delegated Administrative Bodies for the companies. Specifically, through Reporting, Acea has regulated roles and responsibilities, activities to be performed by each party involved, a calendar, instructions for filling out the reporting forms and methods for updating administrative and accounting procedures.

The Model identifies the main stakeholders in the financial reporting process, other than the Executive responsible for financial reporting and the Delegated Administrative Bodies, with their relative responsibilities.

- The Controller performs and certifies the execution of controls within the Controller's scope of responsibility, according to the methods and timing in the administrative and accounting procedures, to the Subprocess Manager, providing the informational basis of the reporting flow;
- The Subprocess Manager is the party responsible for a correlated set of operating activities necessary for reaching one specific control objective; he/she is responsible for the comprehensive evaluation of the design and function of controls in relation to the applicable subprocess; furthermore, he/she is responsible for updating and ensuring the implementation of the corrective actions plan.
- The companies' 262 Administrative Referent represents the Group companies' reference point for all activities required for ACEA's Executive responsible for financial reporting to issue the attestation; responsible for consolidating all information received from the subprocess managers and making the comprehensive evaluation of the design and function of controls for reference companies, submitting it to the company's Delegated Administrative Body; also responsible for guaranteeing the information flow to and from the Executive responsible for financial reporting.
- The companies' Delegated Administrative Body is responsible for evaluating the company's control design and function and sending the internal attestation to the Executive responsible for financial reporting in the defined format, together with the appropriately validated corrective actions plan, moreover communicating any change factors/risks which have occurred in the period of reference that could affect ICFR adequacy.

Finally, with reference to the other governance and control Bodies within and outside the Group, Acea established a virtuous process of information exchange from and to the Executive responsible for financial reporting, structured and formulated for the purpose of providing the bodies of the Internal Control System with a comprehensive view, which is as extensive as possible.

10.1 DIRECTOR IN CHARGE OF THE CONTROL SYSTEM

The Acea BoD identified the Chief Executive Officer as the person in charge of introducing and maintaining an effective Internal Control and Risk Management System and gave the CEO the authority to implement the guidelines of the Internal Control and Risk Management System.

In 2015, the CEO, with the support of the Audit Department, identified the main company risks, considering the business areas Acea and its subsidiaries operate in, and periodically submitted the same to the Board for discussion. Guidelines defined by the Board provide for the planning, implementation and management of the System and continuously verify its comprehensive adequacy, effectiveness and efficiency. In addition, the CEO adapted the system to the dynamics of the operating conditions and the legal and regulatory context.

10.2 HEAD OF THE AUDIT DEPARTMENT

At the proposal of the CEO, with the approval of the Risk and Control Committee and having consulted the Board of Auditors, with a resolution dated 18 December 2013, the BoD appointed Liberata Giovannelli Head of the Audit Department defining remuneration in line with company policies.

The Internal Control and Risk Management System Guidelines approved by the BoD define the mission and activities of the Audit department, which plays a central role in the coordination of the Internal Control and Risk Management System. The Head of the Audit Department verifies the performance and fitness of the System, also through continuous checks and appraisals performed to meet specific requirements, on the operational character and suitability of the System and the support provided to the CEO in identifying and establishing the priorities of the main risks for Acea SpA and its subsidiaries. In addition, the Audit Department performs the general review of the risk analysis process implemented by the second level control structures in charge of specific risk categories, coordinating the information flows of said structures, (see Chapter 10 "Internal Control and Risk Management System").

The Board of Directors approved the Audit Department's Work Plan in a meeting held on 11 March 2015 and also verified the adequacy of the resources attributed to the department to meet its responsibilities.

The Head of the Audit Department, who has direct access to all the information required to perform his/her duties, is not responsible for operational areas nor subject to the hierarchical structure of operational area Managers, reporting directly to the Board of Directors.

The Audit Department performed the following activities in 2015 in accordance with the duties described:

- both on a continuous basis and in accordance with specific necessities, and in compliance with international standards, checking the effectiveness and suitability of the System through an audit plan, approved by the Board of Directors and based on a structured process of analysis and prioritisation of the main risks for Acea SpA and its subsidiaries;
- preparing regular reports and reports on particularly significant events containing adequate information on the work done, on the suitability of the System, risk management procedures, and compliance with the plans established to reduce risk, sending them to the Chairman of the Board of Auditors, the Risk and Control Committee, the Board of Directors and the CEO;
- checking the reliability of the information systems including the accounting systems within the scope of the processes included in the audit plan;
- supporting the Supervisory Bodies of the subsidiaries to amend the Organisation and Management Model pursuant to Legislative Decree 231/01 as amended and in the assessment of the concrete implementation of the same;
- providing support to the Ethics Committee to monitor the implementation of the Code of Ethics approved by the BoD on 22 February 2012;
- monitoring the work for the disclosure and internal training on the contents of the Code of Ethics for the Ethics Committee;
- providing support to the Supervisory Body for the implementation of the Organisation and Management Model approved by the Board of Directors on 18 December 2013, also by performing the checks required by the Body;

- monitoring, on behalf of the Supervisory Body, training activities pursuant to Legislative Decree 231/01 as amended;
- verifying, applying the specific procedure (whistleblowing), on the credibility of reports of violations of the Code of Ethics with in-depth investigations to identify conduct non-compliant with the principles of the Code, periodically reporting to the Ethics Committee;
- providing support to the management to identify and assess major risks for Acea SpA and its subsidiaries using a well-organized process of *Control Risk Self Assessment* reporting the findings of the *management* analysis to the Risk and Control Committee and the Board of Auditors.

10.3 ORGANISATIONAL MODEL in accordance with Italian Legislative Decree 231/2001

By adopting the Organisational and Management Model in accordance with Legislative Decree 231/2001, Acea intends to comply with the provisions of the law in accordance with the principles of the Decree, the Corporate Governance Codes and the recommendations of the Supervisory and Control Authorities, to make the control systems and *Corporate Governance* systems more effective, in particular to prevent the crimes referred to in the Decree.

Acea set the following general goals by adopting the Organisational Model:

- awareness of activities subject to the risk of significant criminal activity with respect to the Company (activities at risk) and awareness of the methods and procedures that govern the activities at risk;
- disclosure, personal acquisition and specific declarations supporting a corporate culture based on legality, fully aware that any behaviour that contravenes the law, regulations, corporate governance rules, instructions of the supervisory and control authorities or internal provisions will be strictly censured by the Company;
- disclosure, personal acquisition and declarations supporting a culture of control that monitors the achievement of said goals.

Acea's Organisational Model was approved in 2004 and is systematically revised in specific planned initiatives, involving *management* with the help of the Audit Department. The current Organisational Model, approved by

Board of Directors Resolution on 18 December 2013, was drawn up following a thorough analysis of the company's activities, with the aim of identifying potential risks of committing unlawful acts provided for by Legislative Decree 231/2001. The model consists of a set of general principles, rules of conduct and specific control standards to prevent the unlawful acts provided for being committed as far as possible.

In relation to the various criminal offences and related sensitive activities identified, the Organisational Model identifies the corporate, functional and instrumental processes, monitors the areas of activities at risk, and refers to the main organisational and control principles to which the organisational system must respond and which the recipients must comply with when carrying out their activities within the scope of functional and instrumental company processes.

The Supervisory Body ("SB"), set up in accordance with Italian Legislative Decree 231/2001, has full and independent powers of initiative, intervention and control over the function, effectiveness and observance of the Organisational Model, to prevent the risk of offences being committed which could imply the Company's administrative responsibility.

The SB supervises the Organisational Model's effectiveness and adequacy by monitoring its progress and proposing the necessary updates to the BoD. In addition, it has the task of notifying the relevant Acea bodies of any breaches of the Organisational Model which could imply responsibility of the Company.

ACEA's Board of Directors also allocated the SB a specific annual budget for 2016 of 25,000.00 euros (twenty-five thousand/00 euros), to guarantee and implement the independent "powers of initiative, intervention and control" provided for by Legislative Decree 231/01.

Art. 14, par. 2 of the Stability Law No. 183 of 12 November 2011 amended article 6 of Legislative Decree 231/2001 providing for the possibility that the Board of Auditors, in accordance with Legislative Decree 231/2001, can act directly as the Supervisory Body.

Therefore, in order to rationalise the control system, on 16 April 2013 ACEA's Board of Directors passed a resolution to attribute the functions of the supervisory body, in accordance with Legislative Decree 231, to the Board of Auditors;

As provided for by Acea's Organisational Model, for the purposes indicated in the Decree, and after having identified the activities subject to the risk of crime and the most suitable measures to prevent them, the subsidiaries adopted an Organisation and Management Model that reflected the principles and contents of the Model adopted by the Parent Company.

In December 2015, at the end of the project revising Acea's Organisational Model to include the new crimes of administrative responsibility introduced in 2015, the SB approved the amendment of the same and sent the Organisational Model proposal to the Acea Board of Directors for discussion and approval.

On 19 February 2016 the Acea Board of Directors approved the above revision.

At the same time projects were implemented to revise/adopt the Organisational Model in Group subsidiaries with reference to the above-mentioned crimes.

In order to guarantee full implementation of the Organisational Model by Acea and its subsidiaries, in accordance with the Decree and/or consolidated case law, the following was done:

- the information flows to the Supervisory Body were redefined and re-organised, to permit the monitoring of significant and relevant operations in areas defined as at risk of crimes being committed pursuant to Legislative Decree 231/2001. This information was gathered and managed for the main Group companies through a specific information medium, with risk indicators to highlight potentially abnormal transactions;
- communication and training courses relating to Legislative Decree 231/2001 were developed, along with the specific Company Model, the new Code of Ethics and the environmental regulations;
- a specific channel was set up for reporting any non-observance of the Model to the Supervisory Body.

10.4 AUDITING FIRM

In accordance with Art. 22 bis of the current Articles Of Association, an auditing firm performs the statutory auditing of accounts. This auditing

firm is nominated and regularly registered in accordance with the law on corporate issuers listed on regulated markets. In particular, the auditing firm performs an audit to verify the regular corporate accounting and correct reporting of operational transactions during the financial year, auditing the financial statements and consolidated financial statements. The meeting called to approve the financial statements as at 31 December 2007, which met on 29 April 2008, in compliance with the provisions of the law in force at the time, on the grounded proposal of the Board of Auditors, appointed Reconta Ernst & Young S.p.A. to audit the Company financial statements and the consolidated financial statements for nine financial years from 2008 to 2016, in other words until approval of the financial statements of the last financial year of the same appointment, determining also the fee.

10.5 EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

On 13 November 2006, ACEA changed its Articles of Association to include the Executive responsible for financial reporting, introduced by the legislator with Law 262/05, which requires appointment of the same by the BoD.

This position was held by Franco Balsamo from 5 August 2013 to the date of his resignation (30 September 2015) and by Iolanda Papalini, from 1 October 2015 to 31 December 2015.

In the board meeting held 30 October 2015, the ACEA BoD appointed Demetrio Mauro Chief Financial Officer of the Company from 1 January 2016 and in the board meeting held 15 December 2015, the Board of Directors appointed the same Demetrio Mauro Executive responsible for financial reporting in accordance with law 262/2005 from 1 January 2016.

The Executive responsible for financial reporting is responsible for establishing and maintaining the Internal Control System on Financial Reporting and issuing specific certification according to the CONSOB model, with the CEO.

More specifically, the Executive responsible for financial reporting has the following duties, pursuant to the Regulation approved by the BoD on 20 February 2008:

- prepares adequate administrative and accounting procedures for drawing up the financial statements, the consolidated financial statements and the consolidated interim report;
- ensures that the financial statements are drawn up in compliance with applicable international accounting standards;
- ensures that the Company's deeds and communications to the market and related accounting disclosures, as well as interim disclosures, correspond to the documented results, the registers and the accounting entries;
- ascertains, together with the Internal Audit Committee, (a) the propriety of the accounting policies adopted, and, (b) their suitability for the preparation of consolidated financial statements.

The Executive responsible for financial reporting with the Chief Executive Officer, in accordance with art. 154 bis of the TUF, issued certification without any comments worthy of note.

11. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

The related party transactions procedure, drawn up in accordance with article 2391-bis of the Italian Civil Code was adopted in compliance with the principles of the "Regulation containing provisions regarding related party transactions" pursuant to Consob Resolution No. 17221 of 12 March 2010 as amended and which took effect from 1 January 2011, amended by the Board of Directors on 18 December 2013, coming into effect 1 January 2014. It applies to transactions carried out directly by Acea, or by its subsidiaries with direct and/or indirect individual control, with related parties.

The transactions are divided out as follows, in accordance with the amount involved:

- ❑ transactions of *Major Significance*, in which at least one of the significance indicators in Annex 3 of the Regulation from the aforesaid Consob Resolution No. 17221 of 12 March 2010 as amended, is higher than the 5% threshold for which approval of the Acea SpA BoD is required;
- ❑ *low amount* transactions with a value of no more than 200,000.00 euros (two hundred thousand);
- ❑ transactions of *Lower Significance*, which includes all related party transactions not included in the transactions of major significance or in the low amount transactions.

Prior to approval of transactions of Major Significance or of Lower Significance with related parties, the procedure requires that a Related Party Transactions Committee should express its opinion on the interests of the company in carrying out the transaction, and on its advantages and the substantial fairness of the relative terms. To date, the Related Party Transactions Committee comprises the three following independent Directors: Diane D'Arras acting as coordinator, Roberta Neri and Massimiliano Capece Minutolo Del Sasso.

The Board of Directors confirmed the allocation of an annual budget for 2016 of 50,000.00 euros (fifty thousand/00 euros) for the Committee in

order to enable it, where necessary, to hire external consultants to support its activities.

Please refer to the “Rules and Values” menu and the “Corporate Governance” sub-menu on the web site www.acea.it for more information.

12. APPOINTMENT OF AUDITORS

According to the requirements of law and the company's Articles of Association, the Board of Auditors is composed of three statutory auditors and two alternate auditors, appointed by the ordinary general meeting of shareholders for a period of three years, who can be re-elected at the end of their term.

The criteria regarding gender balance as established by law must be complied with in the composition of the Board of Auditors.

The Board of Auditors is elected in compliance with art. 22 of the Articles of Association, using the same procedures as those for the appointment of directors. Half plus one of the eligible statutory auditors and one alternate auditor are taken from the list which obtained the majority of votes, in the progressive order as they are presented on the list, rounding down in the event of a fractional number.

For the other members of the Board of Auditors, those who obtained the first and second highest quotient from the minority lists shall be appointed Statutory Auditor and Alternate Auditor; in accordance with the rules set forth by art. 15 and 22 of the Articles of Association, if there is an equal quotient, the person from the minority shareholder list which obtained the most votes shall be appointed Auditor. In any event, at least one Statutory Auditor shall be appointed by the minority shareholders. If an Auditor resigns during the year, he/she shall be replaced by an alternate auditor from the same list as the Auditor to be replaced.

To appoint the members of the Board of Auditors who have not been elected, for any reason, under the terms indicated in the preceding Paragraphs, the General Meeting shall pass a resolution with the majority of votes provided for by law.

The General Meeting shall elect the Chairman from within the group of Auditors appointed by the minority shareholders.

Therefore, as of now, this elective system requires that the lists be submitted by shareholders who, alone or together with other shareholders, represent at least 1% of the share capital. The lists shall be presented to

the registered office, and ACEA will publish them in three daily national newspapers.

13. STRUCTURE AND FUNCTION OF THE BOARD OF AUDITORS *(in accordance with art. 123 bis, par. 2, lett. d, of the TUF)*

The current Board of Auditors was appointed by the ordinary general meeting on 15 April 2013, and will remain in office until approval of the 2015 financial statements.

During the meeting held to make the appointments, three lists were presented: List No. 1 submitted by Roma Capitale with three candidates, Corrado Gatti, Laura Raselli and Antonia Coppola, List no. 2 submitted by the shareholder FINCAL Spa with two candidates, Enrico Laghi and Carlo Schiavone; List No. 3 submitted by the shareholder ONDEO ITALIA Spa with two candidates, Franco Biancani and Davide Carelli. 75.18% of voters voted for List no. 1, 15.1801% voted for List No. 2 and 9.1876% of voters voted for List No. 3.

According to the appointments made at that meeting and as described in *Table no. 3*, the Board of Auditors comprises the following members, and pursuant to art. 144 – decies of the Issuers' Regulation, a brief summary of their professional profile is provided below:

- **Enrico Laghi, Chairman** Professor of Corporate Economics at La Sapienza University of Rome; registered with the Association of Certified Accountants and Chartered Accountants of Rome and the Register of Statutory Auditors;
- **Corrado Gatti, statutory auditor** Professor of Economics and Corporate Management at La Sapienza University of Rome. Has been a member, auditor and chairman of the board of auditors or supervisory body of companies and authorities. Management consultant on strategic, organizational and financial themes for private and public companies. Registered with the Association of Certified Accountants and Chartered Accountants of Rome, the Register of Statutory Auditors and the Roll of the Technical Consultants of the Court of Rome.

- **Laura Raselli, statutory auditor** An Economics and Commerce graduate from the Libera Università Internazionale degli Studi Sociali Guido Carli (L.U.I.S.S.) independent university of Rome. Registered with the Association of Certified Accountants and Chartered Accountants of Rome, the Register of Statutory Auditors and the Roll of the Technical Consultants of the Court of Rome. Has been a Statutory auditor for companies and a corporate and tax consultant for private and public companies. Court-Appointed Superintendent of the Court of Rome.
- **Antonia Coppola, alternate auditor** Graduated with honours in Corporate Economics and Commerce at La Sapienza University of Rome. Registered with the Association of Certified Accountants of Rome. Registered on the Register of Auditors. Board Member of the Association of Certified Accountants and Chartered Accountants of Rome. A Statutory Auditor for joint-stock companies; she is a corporate and tax consultant for medium and small private and public enterprises; specialised in fiscal disputes.
- **Franco Biancani, alternate auditor** An Economics and Commerce graduate from La Sapienza University of Rome, chartered accountant. Has been an auditor and chairman of the board of auditors of companies. Registered on the Register of Auditors.

The auditors are chosen from people who are qualified as independent and shall act autonomously and independently also as regards the shareholders who elected them.

The independence of the auditors is assessed by Acea pursuant to law and art. 3 of the Corporate Governance Code.

After the appointment of an auditor who is qualified as independent and subsequently at least once a year, based on the information provided by the involved party or in any case available to Acea, the Board of Statutory Auditors shall evaluate any relations which could be or appear to be able to compromise that auditor's independent judgement.

At meetings the BoD provides the Board of Auditors with information on the Board's activities, also via the Board of Statutory Auditors' direct participation in the meetings and examines material illustrating items on the meeting's agenda, prior to such meetings, received in the same form and at the same time as the documentation made available to Directors.

The Board of Statutory Auditors exercises its powers and fulfils its duties set out by current provisions.

In carrying out its activity, the Board of Statutory Auditors co-ordinated with the Audit department mainly through periodic meetings which discussed the independent monitoring work plan and the results of the main operations carried out in the year.

Moreover, the Board co-ordinated with the Risk and Control Committee through the participation of its Chairman in meetings.

During the year the Board of Directors held 15 meetings, lasting about 1 hour and 40 minutes on average, with the regular participation of the statutory auditors.

In 2016, on the date of this report, the Board has met three times, and each meeting lasted for an average of 1 hour and 35 minutes.

14. INVESTOR RELATIONS

(in accordance with art. 123 bis, par. 2, lett. a), of the TUF)

The price-sensitive information concerning the Company is promptly disclosed to the market and the relevant Supervisory Authorities. The information in question is available on the corporate web site www.acea.it, kept constantly up-to-date.

ACEA's organisational structure includes an Investor Relations Department which reports to the CEO; the manager is Elvira Angrisani.

The Company organises special *conference calls* with institutional investors and financial analysts when approving the annual, interim and quarterly results and the Industrial Plan and for any *price-sensitive* operations.

In 2015:

- Conference Calls were held with the Financial Community timed to coincide with approval of the annual and interim results, as well as the 2015-2019 Business Plan, and following publication by the AEEGSI of the Water Tariff Method for the regulatory period 2016-2019;
- roadshows were organized in major European venues, during which “one on one” meetings were held as well as open presentations with around 170 equity investors, buy side analysts and credit investors/analysts;
- the Company participated at Utility Conferences organized by major Merchant Banks.

In addition, in order to ensure that Shareholders and Investors are provided with timely information, corporate documents, press releases, notices and other corporate information are published on the Company web site (www.acea.it).

15. GENERAL MEETINGS *(in accordance with art. 123 bis, par.. 2, lett. c, of the TUF)*

The general meeting regulations are in ACEA S.p.A.'s Articles of Association, and, other than referring to legal requirements, articles 10, 11, 12, 13 and 14 deal specifically with the General shareholders' meeting.

As at 31 December 2015, and to date, art. 10 sets forth the methods for calling the General Meeting, indicating at 10.3 that *"without prejudice to the power of convening a meeting established by specific provisions of the law, the Shareholders' Meeting, both ordinary and extraordinary, shall be convened by the Board of Directors through notice of meeting which shall contain the date, the venue and the time of the meeting and the agenda of the business to be transacted."* In paragraph 4 of the same article, it is furthermore confirmed that the meeting may also be called outside the registered office, provided it is held in Italy.

"Notice of meeting must be given on the Company's web site, and in the Official Gazette of the Italian Republic, or in the Il Sole - 24 Ore newspaper in compliance with the terms established by the laws in force. There may be calls for meetings following the second call. The notice calling a meeting may set, for different days, the second, third and possible subsequent meetings to be held in the event of a failure to reach a quorum according to the law in each of the previous meetings" (art. 10.4 of the Articles of Association).

Art. 11.1 sets forth that the *"General Meeting is convened at least once a year to approve the financial statements within 120 days from the close of the financial year, or within 180 days from the above mentioned close if the conditions under art. 2364 of the Italian Civil Code apply."*

Art. 11.2 sets forth that *"the Extraordinary General Meeting shall be convened any time it is necessary to pass a resolution of its competence by law."*

Art. 11.3 indicates that *"both the ordinary and extraordinary general meetings shall be convened when so requested by a number of Shareholders representing the percentages set forth in the laws in force,*

who must indicate the topics to discuss when making the request, or when the request is made by the Board of Auditors or its members as foreseen by the law.

Additionally, the number of Shareholders representing the percentages set out in the dispositions of the law in force, in accordance with the terms established by prevailing law, may request other items be added to the agenda, indicating the additional topics to discuss in the request. The Shareholders' Meeting cannot be convened nor can shareholders request additional items be added to the agenda for topics the meeting passes resolutions on by law on the basis of Directors' proposals, projects or reports."

Article 12 of the Articles of Association expressly sets forth that the majorities necessary for validating the ordinary and extraordinary general meeting's constitution and resolutions be those required by law.

Article 13.1 of the General Meeting rules establishes that *"the right to participate at the General meetings and exercise the right to vote will be confirmed by notification sent by the intermediary to the issuer, in accordance with the accounting records, to the party who has the right to vote in accordance with the methods and terms provided for by prevailing law"* (so-called "record date").

Art. 13.2 however establishes that any shareholder entitled to intervene at the meeting can be represented pursuant to the law.

Furthermore, the same paragraph of article 13 sets forth that *"with the exception of Roma Capitale, or subsidiaries thereof, which have acquired the capacity of Shareholders, the voting right may not be exercised for more than 8% of the share capital, even by proxy"*.

In this regard, note article 6 of the Articles of Association which instead sets forth that: *"with the exception of Roma Capitale and any subsidiary thereof which becomes a Shareholder, no Shareholder may hold an equity interest in the Company greater than 8% of the share capital. In the event of breach, the relevant shareholder may not exercise voting rights on the shareholding that exceeds said limit, and the resolutions passed with the decisive vote of such exceeding shares which are not entitled to cast votes pursuant to Art. 6 may be rescinded pursuant to article 2377 of the Italian Civil Code. Shares which are not entitled to cast votes are in any case*

counted to determine a quorum for the meeting” (art. 6.1 of the Articles of Association).

“The aforesaid limit also applies to the equity investments held by the group to which each Shareholder belongs, understood to mean:

- that formed by the persons, whether natural or legal, which directly or indirectly control, are controlled by or fall under the same control as the shareholder;*
- that formed by entities connected to the shareholder, even though not having corporate form;*
- that formed by persons, whether natural or legal, which directly or indirectly, explicitly or by means of conclusive behaviour, have entered into or otherwise adhere to arrangements of the kind described in art. 122 of Italian Legislative Decree 58/98, to the extent that such arrangements concern at least 8% of the voting share capital.*

Control and connection, for the purposes of this article 6, shall be deemed to exist in the instances laid out in art. 2359 of the Italian Civil Code.” (art. 6.2 of the Articles of Association)

Point No. 3 of article 6 sets forth that the limit pursuant to art. 6 point 1 also applies to:

- “- shares held by the family of the shareholder, where family shall be deemed to include the same shareholder, a non-divorced spouse and cohabiting and/or tax-deductible children;*
- shares beneficially held by a natural or legal person through controlled entities, trustees, intermediaries;*
- shares directly or indirectly held, as security or usufruct, if a secured creditor or usufructuary holds the voting rights;*
- shares subject to repo arrangements, with reference to both giver-on and taker-in.”*

Point 4 of article 6 furthermore sets forth that *“whoever holds shares in excess of the 8% of the share capital shall notify such circumstance to the Company in writing within twenty days of completion of the transaction through which the threshold was crossed”.*

Another restriction set by article 6 in point number 5 is that which sets forth that *“those Shareholders who have not participated in approving the*

resolutions concerning the introduction or removal of the restrictions on the transfer of the shares shall not be entitled to withdraw”.

Article 13.3 sets out: “In order to facilitate the collection of proxies from shareholders who are employees of the Company or its subsidiaries, associates who adhere to shareholders' associations that meet the requisites dictated by the effective applicable regulations, in accordance with the terms and procedures established by the Board of Directors directly or through its authorised persons, appropriate areas will be made available for notification and the proxy collection process.

If the proxy is conferred via computer, in accordance with the procedures provided for by prevailing law, each time, notification of the aforesaid proxy may be conferred using the company web site in accordance with the methods in the notice of meeting.”

On 3 November 2000, the General Shareholders' Meeting approved the adoption of a Regulation governing General Meetings (available at the registered office or on the web site www.acea.it). The approved Regulation is the result of detailed studies of texts prepared by various study Commissions established in different trade associations, and in particular is inspired by studies carried out by Assonime. Article 7.3 of the aforesaid Regulation regulates the methods by which the shareholders' right to speak on the subjects set for discussion is guaranteed:

“The request to intervene on individual agenda topics can be presented at the chair's table (of the General Meeting) from the time of constitution of the General Meeting until when the General Meeting's Chairman has closed the discussion on the relative agenda topic. In inviting people to speak, by regulation, the Chairman of the General Meeting follows the order in which the requests to intervene were made. Each shareholder can make just one intervention on each agenda topic, within the time limit of ten (10) minutes.”

During the general meeting, the Board of Directors reported on activities carried out following company programmes, providing shareholders with correct information on the elements necessary to make informed decisions on topics of the meeting's competence.

The Board of Directors considers the General Meeting to be of great importance to Investor relations. The Directors therefore encourage as

many Investors as possible to participate at the General Meetings, assisting them in this to the best of their ability.

During the 2015 financial year, and as of today, there have been no significant changes in the capitalisation of ACEA shares or in the composition of its company structure which could damage the prerogatives of minority interests.

16. FURTHER CORPORATE GOVERNANCE PRACTICES

(in accordance with art. 123 bis, par. 2, lett. a), of the TUF)

Ethics Committee

The Ethics Committee was established, assigned full and independent powers to take action and control, delegated to supervise the implementation and observance of the rules of behaviour in the Acea's Code of Ethics, by Board of Directors Resolution on 26 July 2001.

The composition and function of the Committee are regulated by a specific Regulation approved by the Board of Directors.

The members of the Committee as at 31 December 2015, are: Paola Antonia Profeta (Chairperson), Elisabetta Maggini and Giovanni Giani (non-executive directors), and two externally appointed members Maurizio Zollo and Luigi Giuliano.

In accordance with the responsibilities attributed by the Code of Ethics and the above-mentioned Regulation, the Committee promotes awareness of the Code of Ethics within the Group; heightens the awareness of Acea S.p.A. managers and employees to ethical matters; assists Acea in ensuring correct application of the Code of Conduct standards and criteria; develops and spreads awareness of the procedures necessary to ensure the aims and compliance with the Code principles; controls any breach of the standards of conduct of the Code, and proposes penalties in accordance with the work contracts. Finally, the Committee proposes suitable revisions to improve the principles of the Code.

On 22 February 2012, the Acea SpA BoD, on the basis of a proposal from the Ethics Committee, decided to adopt the current Code of Ethics amending the same to include the previous regulations on ethics adopted by Acea since 2001.

The BoDs of the subsidiaries passed resolutions to adopt the Code of Ethics, an integral part of the Organisational and Management Models.

The Code of Ethics is a fundamental element of control for Acea, so the Company distributes it to its personnel, both when hired and in cyclical training courses. Employees, suppliers and all those who contribute to the

company's activities (consultants, collaborators, etc.) must also adhere to the contents of the Code.

To guarantee the monitoring to make sure the Code of Ethics is adopted, a well-structured procedure to manage reports that indicate behaviour that breaches the principles set out in the Code was introduced (known as *whistle blowing*), providing confidential contact channels and suitable protection for whistle blowers. The Audit Department examined the reports and verified any actual violations. The reports and the consequent actions taken for improvement are monitored by the Ethics Committee.

In 2015, to favour the concrete application of the sustainable principles of development in the Code of Ethics, the Ethics Committee decided to perform a *survey* on the diffusion of themes related to sustainability in managerial culture and the implementation of the same in decision-making and strategic processes. In particular, the Committee focused on the observance of the principles of the Code in relations with employees through an in-depth study of the system of values and expected behaviour in policies for staff management and with reference to the reward system.

The BoD confirmed the allocation of an annual budget for 2016 of 25,000.00 euros (twenty-five thousand/00 euros) for the Committee.

When carrying out its duties, the Committee coordinates its work with the work of the Supervisory Body.

17. CHANGES SINCE YEAR END CLOSURE

Changes which occurred after the end of the financial year until today's date have been described in the specific sections.

On behalf of the Board of Directors

The Chairman
Catia Tomasetti

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE

SHARE CAPITAL STRUCTURE				
	N° Shares	% w.r.t. share capital	Borsa Italiana automated stock Market Listing	Rights and obligations
Ordinary shares	212,964,000	100%	100%	
Shares with limited voting rights	-----			
Shares without voting rights	-----			

OTHER FINANCIAL INSTRUMENTS (attributing the right to subscribe newly issued shares)				
	Listed (indicate the markets) / unlisted	No. of instruments in circulation	Category of shares for the service of conversion/financial year	No. of shares for the service of conversion/financial year
Bonds Convertible Bonds	-----	-----	-----	-----
Warrant	-----	-----		

RELEVANT SHAREHOLDINGS			
From the Consob web site on 10 March 2016			
Declarant	Share % of the ordinary capital		Share % of the voting capital
ROMA CAPITALE	Roma Capitale	51%	51%
NORGES BANK	Norges Bank	2.020%	2.020%
SUEZ ENVIRONMENT COMPANY SA	Suez Italia SpA	12.483%	12.483%
FRANCESCO GAETANO CALTAGIRONE	Gamma S.r.l.	1.033%	15.856%
	Viapar S.r.l.	2.874%	
	Fincal SpA	7.513%	
	So.fi.cos. S.r.l.	2.886%	
	Viafin S.r.l.	1.550%	

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES AS AT 31/12/2015

BOARD OF DIRECTORS												Risk and Control Committee		Appointment and Remuneration Committee		
Required quorum for the presentation of lists at last appointment: 1% of the shares with voting rights																
Office	Members	Year of birth	Date of First appointment*	In office since	In office up to	List (M/m)**	Exec.	Non-Exec.	Indep. acc. to Code	Inde p. acc. to TUF	Other positions***	(1)	(2)	(1)	(2)	(1)
Chairman	Catia Tomasetti	1964	05/06/2014	05/06/2014	31/12/2016	M	X				1	16/16				
CEO•	Alberto Irace	1967	05/06/2014	05/06/2014 BoD 09/06/2014 (CEO)	31/12/2016	M	X				-----	16/16				
Director	Elisabetta Maggini	1982	05/06/2014	05/06/2014	31/12/2016	M		x	x	x	-----	16/16	M	6/6	P	3/3
Director	Paola Antonia Profeta	1972	05/06/2014	05/06/2014	31/12/2016	M		x	x	x	1	15/16		5/6		2/3
Director	Francesco Caltagirone	1968	29/04/2010	05/06/2014	31/12/2016	m		x			6	15/16				
Director	Giovanni Giani	1950	coop. BoD 29/11/2011 Rec. 04/05/2012	05/06/2014	31/12/2016	m		x			-----	16/16	M	6/6	M	3/3
Director	Diane D’Arras	1955	15/04/2013	05/06/2014	31/12/2016	m		x	x	x	-----	14/16				
Director	Roberta Neri	1964	23/04/2015	23/04/2015	31/12/2016	M		x	x	x		11/11	P		M	
Director	Massimiliano Capece Minutolo Del Sasso	1968	23/04/2015	23/04/2015	31/12/2016	m		x	x	x	9	11/11			M	

NOTES

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

* The date of the first appointment of each director is understood to be the date on which the director was appointed for the (very) first time as a member of the ACEA SpA BoD

** This column shows the list each director was elected from ("M": majority list; "m": minority list).

*** This column shows the number of director or statutory auditor positions held by the person in other companies listed on regulated markets, including foreign markets, in financial, banking, insurance or large companies. The positions are shown in full on the last page of the Corporate governance report.

(1). This column shows the participation of the directors respectively in BoD and committee meetings

(2). This column shows the qualification of the Committee member: "P": chairperson; "M": member.

TABLE 3: STRUCTURE OF THE BOARD OF AUDITORS AS AT 31/12/2015

Board Of Statutory Auditors									
Required quorum for the presentation of lists at last appointment: 1% of the shares with voting rights									
Office	Members	Year of birth	Date of first appointment*	In office since	In office up to	List (M/m)**	Independence according to Code	*** (%)	Number of other Positions ****
Chairman	Enrico Laghi	1969	2010	15/04/2013	31/12/2015	m	x	10/15	8
Statutory auditor	Laura Raselli	1971	2013	15/04/2013	31/12/2015	M	x	14/15	1
Statutory auditor	Corrado Gatti	1974	2010	15/04/2013	31/12/2015	M	x	15/15	13
Alternate auditor	Antonia Coppola	1970	2013	15/04/2013	31/12/2015	M	x		12
Alternate auditor	Franco Biancani	1942	2013	15/04/2013	31/12/2015	m	x		-----

NOTES

* The date of the first appointment of each auditor is understood to be 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 shows the list each auditor was elected from ("M": majority list; "m": minority list).

*** This column indicates the participation of the auditors in the board of auditors meetings.

**** This column shows the number of director or auditor positions held by the concerned party reported in accordance with art. 148-bis TUF and the relevant implementation rules in the Consob Issuers' Regulation. The full list of positions held is published by the Consob on its web site in accordance with art. 144-quinquiesdecies of the Consob Issuers' Regulation.

Chart 1. Composition of the ACEA Board of Directors and positions held by Directors in other companies

Role	Name	Position	Other positions (*)
Chairman	Catia Tomasetti	Executive Director	Cassa di Risparmio di Cesena** (P) Utilitalia*** (was Federutility) (C) Rome Chambers of Commerce**** (C)
Chief Executive Officer	Alberto Irace	Executive Director	-----
Director	Elisabetta Maggini	Independent Director	-----
Director	Paola Antonia Profeta	Independent Director	Banca Profilo bank (C)
Director	Diane D'Arras	Independent Director	-----
Director	Giovanni Giani	Non-independent director	-----
Director	Francesco Caltagirone	Director director	Cementir Holding SpA (C) Cimentas A.S. (C) Cimbeton A.S. (C) Aalborg Portland Holding (AD) Caltagirone SpA (C) Caltagirone Editore SpA (C)
Director	Roberta Neri	Independent Director	Enav (AD) Sorgenia** (C)
Director	Massimiliano Capece Minutolo Del Sasso	Independent Director	ICAL 2 SpA (P) Porto Torre SpA (AU) Vianini Lavori SpA (C) Immobiliare Caltagirone SpA (C) Cementir Italia SpA (C) Cimentas A.S. (C) Grandi Stazioni SpA (C) Fincal SpA (C) Domus Italia SpA (C)

(*) List of the director or statutory auditor positions held by each Director in other companies listed on regulated markets, including foreign markets, in financial, banking, insurance or large companies.

(**) Not listed

(***) association of undertakings

(****) Public authority