



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

Pursuant to article 123-*bis* of the CFA

(approved by the ACEA S.p.A. Board of Directors on 13 March 2017)

- FINANCIAL YEAR 2016 –
www.acea.it

TABLE OF CONTENTS

1.	THE ISSUER'S PROFILE	5
2.	INFORMATION ON THE OWNERSHIP STRUCTURE (<i>art. 123-bis, par. 1, of the CFA</i>)	6
	a. Structure of the share capital (<i>art. 123-bis, par. 1, letter a, of the CFA</i>)	6
	b. Restrictions on share transfers (<i>art. 123-bis, par. 1, letter b, of the CFA</i>)	6
	c. Relevant stakes (<i>art. 123-bis, par. 1, letter c, of the CFA</i>)	6
	d. Shares bearing special rights (<i>art. 123-bis, par. 1, letter d, of the CFA</i>)	6
	e. Stakes held by employees: the voting rights exercise mechanism (<i>art. 123-bis, par. 1, letter e, of the CFA</i>)	7
	f. Voting right restrictions (<i>art. 123-bis, par. 1, letter f, of the CFA</i>)	7
	g. Shareholders' agreements (<i>art. 123-bis, par. 1, letter g, of the CFA</i>)	7
	h. Change of control clause (<i>art. 123-bis, par. 1, letter h, of the CFA</i>) and statutory provisions on takeovers (<i>arts. 104, par. 1-ter, and 104-bis, par. 1</i>)	7
	i. Delegations for capital increases pursuant to art. 2443 of the Civil Code or the directors' power to issue financial instruments and authorisation for the purchase of treasury shares (<i>art. 123-bis, par. 1, letter m, of the CFA</i>)	8
	j. Governance and coordination (<i>arts. 2497 and foll. of the Civil Code</i>)	8
3.	COMPLIANCE (<i>art. 123-bis, par. 2, letter a), of the CFA</i>)	8
4.	BOARD OF DIRECTORS	10
	4.1. APPOINTMENT AND REPLACEMENT (<i>art. 123-bis, par. 1, letter l), of the CFA</i>)	10
	Directorship Termination	11
	Replacement of a Director	11
	Majorities requested for amendments to the Articles of Association	12
	4.2. COMPOSITION (<i>art. 123-bis, par. 2, letter d, of the CFA</i>)	12
	Maximum number of offices simultaneously held in other companies	16
	Induction Programme	17
	Succession plans	17
	4.3. THE BOARD OF DIRECTORS' ROLE (<i>art. 123-bis, par. 2, letter d, of the CFA</i>)	18
	Functioning	21
	Assessment of the functioning of the Board of Directors and its Committees	22
	4.4. DELEGATED BODIES	24
	Managing Director	24
	Chairperson	25
	Joint powers of the Chairperson and the Managing Director	26

Information to the Board of Directors	26
4.5. OTHER EXECUTIVE DIRECTORS	26
4.6. INDEPENDENT DIRECTORS	26
4.7. LEAD INDEPENDENT DIRECTOR	27
5. CORPORATE INFORMATION PROCESSING	28
6. BOARD OF DIRECTORS' INTERNAL COMMITTEES (<i>art. 123-bis, par. 2, letter d), of the CFA</i>)	29
7. APPOINTMENTS AND REMUNERATION COMMITTEE	30
8. DIRECTORS' FEES	33
Indemnity for directors in the case of revocation, resignation, dismissal or cease of office subsequent to a takeover (<i>art. 123-bis, par. 1, letter i, of the CFA</i>)	35
9. THE CONTROL AND RISKS COMMITTEE	35
10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (<i>Control System</i>)	38
OVERALL INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM	39
a) <i>Roles and duties of the various subjects of the Control System</i>	39
b) <i>Risk management system</i>	39
c) <i>Qualifying elements of the Control System</i>	40
d) Overall assessment of the adequacy of the Control System	43
MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS (<i>art. 123 -bis, paragraph 2, letter b), of the CFA</i>)	43
INTRODUCTION	43
DESCRIPTION OF THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS	44
a) Steps	44
b) Roles and Responsibilities	47
10.1. THE CONTROL SYSTEM DIRECTOR	48
10.2. AUDIT DEPARTMENT MANAGER	48
10.3. ORGANISATIONAL MODEL pursuant to Legislative Decree 231/2001	50
10.4. THE EXTERNAL AUDITING FIRM	52
10.5. THE FINANCIAL REPORTING OFFICER	53
10.6. COORDINATION BETWEEN THE SUBJECTS INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM	54
11. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES	54
12. APPOINTMENT OF THE STATUTORY AUDITORS	55

13. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (art. 123-bis, par. 2, letter d, of the CFA)	56
14. RELATIONS WITH THE SHAREHOLDERS (art. 123-bis, par. 2, letter a), of the CFA)	58
15. SHAREHOLDERS' MEETING (art. 123-bis, par. 2, letter c, of the CFA)	59
16. OTHER CORPORATE GOVERNANCE PRACTICES (art. 123-bis, par. 2, letter a), of the CFA)	63
17. CHANGES SINCE THE CLOSURE OF THE PERIOD	64

TABLES

Tab. 1: Information on the ownership structure	65
Tab. 2: Structure of the Board of Directors and of its Committees	66
Tab. 3: Structure of the Board of Statutory Auditors	68
Plate 1: Other administrative offices	70

I. THE ISSUER'S PROFILE

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

The ACEA Group has launched a process of profound change leading to the completely integrated management of all work processes by innovative advanced digital technologies: from the construction of infrastructures to maintenance services, from the management of the networks to customer and society relations.

This real digital revolution is possible also thanks to the Work Force Management (WFM) system, a digital information platform which allows for coordinating and monitoring all the ACEA Group's activities in real time. The Company integrates the goal of customer satisfaction with that of creating value for the shareholders, at the same time paying attention to the needs of society and respecting the environment; it takes avail of the professional skills of its employees and enhances management responsibility in the achievement of the Company's objectives. Thanks to which objectives the Company is earning a position among the most advanced utility companies of Europe.

Today, according to the most recent data, the ACEA Group is the leading national operator in the water sector for inhabitants served, the second Italian operator for the distribution of electricity to users (the third for volumes distributed), the third operator for energy volumes sold to end users, and the sixth national operator for waste volumes treated.

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

The corporate governance system adopted by ACEA is essentially aimed at creating value for the shareholders over the medium-long term, in the awareness of the social relevance of the activities in which the Group is engaged and of the consequent need to adequately consider, in the exercise of the governance system, all the interests involved.

ACEA's corporate governance structure is based on the traditional organisational model, and comprises the following bodies: The Shareholders' Meeting, the Board of Directors (assisted by the Board's internal committees), the Board of Statutory Auditors and the external Auditing Firm.

The competence of the Shareholders' Meeting holding firm, the strategic management of the Company is entrusted to the Board of Directors, the hub of the organisational system, and the supervisory duties are entrusted to the Board of Statutory Auditors, a body vested with autonomous authority and powers and appointed on the basis of requisites of professional skill, integrity and independence, as defined by law.

The certified audit of the accounts is assigned, pursuant to law, to a specialist auditing firm listed on the specific register of qualified auditors, appointed by the Shareholders' Meeting on a proposal of the Board of Statutory Auditors.

The information contained herein refers to the financial year 2016 and, in relation to specific subjects, it is updated at 13 March 2017, the date of the Board of Directors' meeting which approved this Report, the text of which is published at www.acea.it, in the “Corporate Governance” section.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (art. 123-bis, par. 1, of the CFA – Consolidated Finance Act)

a) Structure of the share capital (art. 123-bis, par. 1, letter a, of the CFA)

The Company's capital, of € 1,098,898,884.00, entirely underwritten and paid up, is divided into 212,964,900 ordinary shares with a par value of € 5.16 each, listed on the on-line stock market organised and managed by Borsa Italiana (see Table I).

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

b) Restrictions on share transfers (art. 123-bis, par. 1, letter b, of the CFA)

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

c) Relevant stakes (art. 123-bis, par. 1, letter c, of the CFA)

Relevant stakes, held directly or indirectly, pursuant to art. 120 of the CFA, according to the information published on 13 March 2017 on the CONSOB website and the communications made in compliance with the same article, are listed in Table I.

d) Shares bearing special rights (art. 123-bis, par. 1, letter d, of the CFA)

No shares bearing special controlling rights have been issued.

e) Stakes held by employees: the voting rights exercise mechanism (art. 123-bis, par. 1, letter e, of the CFA)

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

f) Voting right restrictions (art. 123-bis, par. 1, letter f, of the CFA)

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

g) Shareholders' agreements (art. 123-bis, par. 1, letter g, of the CFA)

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

h) Change of control clause (art. 123-bis, par. 1, letter h, of the CFA) and statutory provisions on takeovers (arts. 104, par. 1-ter, and 104-bis, par. 1)

ACEA has entered into important agreements that take effect or which are nullified in the case of a change of control of the contracting company. The following are the significant ongoing agreements in which change of control implies *negotiation*:

- ✚ Loan totalling € 100 million from the CDP;
- ✚ Loan totalling € 200 million from the European Investment Bank (water segment);
- ✚ Loan totalling € 100 million from the European Investment Bank in favour of ACEA S.p.A. (Network Efficiency);
- ✚ Long term loan totalling € 200 million from the European Investment Bank in favour of ACEA S.p.A.
- ✚ Loan totalling € 200 million from the European Investment Bank in favour of ACEA S.p.A. (Network Efficiency III).

With regard to takeovers, the Company's Articles of Association do not waive the provisions of art. 104, paragraphs I and I-bis, of the CFA, nor are neutralisation rules, as contemplated by art. 104-bis of the CFA, provided.

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

At 31 December 2016 and also at the date of this Report, the Board of Directors has not been delegated to increase the share capital or to buy treasury shares.

In fact, as mentioned above, the Company currently holds 416,993 treasury shares for which the voting right is suspended in accordance with art. 2357-ter of the Civil Codes, which are the remaining treasury shares authorised by an Ordinary Shareholders' Meeting resolution of 23 October 1999, amended by an Ordinary Shareholders' Meeting resolution of 29 April 2000, renewed by an Ordinary Shareholders' Meeting resolution of 31 October 2001 and with the additions inserted by an Ordinary Shareholders' Meeting resolution of 30 April 2002.

l) Governance and coordination (arts. 2497 and foll. of the Civil Code)

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

We point out that:

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

3. COMPLIANCE (art. 123-bis, par. 2, letter a), of the CFA)

ACEA constantly applies the prescriptions of the Self-Regulatory Code (hereinafter the “Code”), which contains an articulated series of recommendations relating to the methods and rules for the governance and control of listed companies.

Notwithstanding the fact that the adoption of the principles contained in the Code does not imply any legal obligation, ACEA has adhered to the Code since 2001 and to all the amendments and additions successively approved, up to the most recent of July 2015, by the Corporate Governance Committee of Borsa Italiana.

The complete text of the Self-Regulatory Code is available to the public at <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf>, the website of Borsa Italiana.

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

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

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT (art. 123-bis, par. 1, letter l), of the CFA)

Directors are appointed and replaced in compliance with the laws in force, as adopted and expanded, within the limits allowed, by the provisions of the Articles of Association, drawn up in adherence and conformity to the provisions of the listed companies' Self-Regulatory Code.

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

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

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

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

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

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

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

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

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

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

The lists must be presented twenty-five days before the date scheduled for the first meeting, by shareholders that, alone or with other shareholders, represent the minimum participation in the share capital established by CONSOB resolution, which corresponds to that established by the Articles of Association (in the light of the market capitalisation of the ACEA shares, on the date of this Report the required minimum is 1% of the share capital).

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

Directorship Termination:

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

Replacement of a Director:

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

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

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

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

Majorities requested for amendments to the Articles of Association

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

4.2 COMPOSITION (art. 123-bis, par. 2, letter d, of the CFA)

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

The Shareholders' Meeting of 5 June 2014 determined that the Board Directors should be seven, it appointed the Board of Directors and the Chairwoman, and it determined that the term of office should be three financial periods and, in any case, until the Shareholders' Meeting held to approve the Financial Statements relating to the financial year 2016.

Later, consequent to the considerations expressed by the Board of Directors' Appointments and Remuneration Committee (pursuant to art. 5.C.1, letter a, of the Self-Regulatory Code) and the self-assessment (“Board Evaluation”) that the Board carried out (pursuant to art. 1.C.1, letter g, of the said Code), with the assistance of the independent external advisor Egon Zehnder, a leading international firm with specific expertise, in pursuit of more efficient

functioning of the Board of Directors and its advisory committees, the Shareholders examined the possibility of increasing the number of Board Directors from 7 to 9 with the addition of 2 independent directors holding specific skills.

On 23 April 2015, the Shareholders' Meeting resolved on the increase in the number of Board Directors from 7 to 9, in respect of art. 15.1 of the Articles of Association, and it appointed two new directors, namely Roberta Neri and Massimiliano Capece Minutolo Del Sasso.

On 31 May 2016, the Director Diane d'Arras resigned and since all the candidates on the minority lists presented at the Shareholders' Meeting of 2014 by Ondeo (now Suez) and Fincal formally declared their unwillingness to hold office as Board Directors, the shareholder Suez, from whose list the resigning d'Arras had been taken, proposed the appointment of Mr Angel Simon Grimaldos who, on 28 June 2016, was co-opted as an independent non-executive director.

Thus, as of 31 December 2016 the Board of Directors has been composed as follows: Catia Tomasetti (Chairwoman), Alberto Irace (Managing Director), Paola Antonia Profeta, Elisabetta Maggini, Francesco Caltagirone, Angel Simon Grimaldos, Giovanni Giani, Roberta Neri and Massimiliano Capece Minutolo Del Sasso.

Of the above directors in office, 2 are executive directors (the Chairwoman and the Managing Director), to whom the Board of Directors has delegated individual managerial powers, whereas the remaining 7 are non-executive directors without individual management powers.

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

Catia Tomasetti: born in Rimini on 17 December 1964, awarded a degree in law with the maximum mark, lawyer of the Supreme Court. For more than 20 years she has been dealing with project and restructuring finance, loans and banking law in general. She was involved in the first finance project in Italy and since then she has supervised all the so-called "market firsts" in Italy and the most important Italian project finance operations, including those in the energy, water, gas and waste treatment sectors, and their re-financing. She is known by the most prestigious international legal guides such as Chambers, Legal500 and IFLR as one of the major experts in project financing in the fields of energy, water and public company restructuring.

She is also an expert in companies with mixed capital, both public and private, public service companies and privatisation, and she is regularly involved as an advisor in the drafting of laws regarding the electricity sector, integrated water service project finance and project bonds.

At present she is: a member of the Board of Directors of the Rome Chamber of Commerce; Vice Chairwoman of Utilitalia (formerly Federutility); member of the Unindustria Steering Committee and Council; member of the Presidential Committee of Associazione Civita; and

Chief of the Banking and Financial Department and of the Project Finance Department of the Law Firm Bonelli Erede Pappalardo. From February to October 2016 she was Chairwoman of the Board of Directors of the Cassa di Risparmio di Cesena.

She was appointed on the basis of list no. 1 presented 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 and no. 9 Donatella Visconti); the relative appointment proposal obtained the favourable vote of 68.6247% of the voters.

Alberto Irace: born in Cagliari on 13 November 1967, he is a member of the Councils and of the Steering Committees of Assoelettrica and of Utilitalia.

He was Managing Director of Publiacqua Spa, which operated in Tuscany from 2009 to 2014, and of Ingegnerie Toscane from 2010 to 2014, and Chairman of Ente d'Ambito Sarnese Vesuviano, in Campania, where he directly managed the founding and development of Gori Spa.

He has conducted many in-depth corporate re-organisation projects based on technological innovation.

On 1 December 2016 Assochange, the Italian association for management change, awarded him the “2016 best change” award for having completed the ambitious transformation project entitled ACEA 2.0. At the SAP Executive Summit of 14 March 2016, he received the SAP Innovation Award for his launch of the most innovative project in partnership with SAP Italia, aimed at making ACEA become the first entirely digital multi-utility company in Italy.

Management of Utilities and of Infrastructures (MUI) conferred on him the “2013 Utility Manager of the Year” award for the creation of the Work Force Management system for the management of water services also in Publiacqua.

Journalist and expert, he is the co-author, together with Erasmo D'Angelis, of “*Come riparare l'Italia: rilanciare l'economia e salvare il territorio con la Blue Economy*” with preface by Giorgio Napolitano, and of “*Il valore dell'acqua: chi la gestisce, quanta ne consumiamo e come possiamo salvarla*”, with preface by Matteo Renzi, both published by Dalai Editori.

He was appointed on the basis of list no. 1 presented by the above-mentioned Roma Capitale.

Elisabetta Maggini: born in Rome on 24 July 1982, a law graduate specialised in Real Estate Finance with a master's degree from the Business School of the “Guido Carli” Luiss University. She is a Board Director of Sorgente Group, delegated to deal with Institutional Relations, a member of the Strategic Committee of Gruppo Italia, a member of the Female Entrepreneurs' Committee at the Rome Chamber of Commerce, and member of the Steering Committee of ACER Giovani, the National Association of Young Real Estate Builders of Rome. From 2008 to

2013 she dealt with the young female entrepreneurs sector of the presidency of the Province of Rome and, successively, for the Chairman of the Lazio Region. She is spokeswoman for the Council of Young Entrepreneurs and Professionals of Rome and Lazio.

She was appointed on the basis of list no. 1 presented by the above-mentioned Roma Capitale.

Paola Antonia Profeta: born in Milan on 02 May 1972, with a degree in economics and social studies from the Bocconi University, awarded cum laude, and she has a PhD in Economics awarded by the Pompeu Fabra University of Barcelona. She is: a permanent associate professor in financial sciences at the Bocconi University of Milan; member of the CESifo Research Network, Munich (Germany); member of the publishing committees of specialist magazines on economic sciences; author of many international publications on public economy and economy in general; collaborator of the Equal Opportunities department of the Prime Minister's Department; and scientific advisor for Unicredit and for the Universities Foundation. She also sits on the Board of Directors of Banca Profilo, a company listed on the Italian stock exchange. She was appointed on the basis of list no. 1 presented by the above-mentioned Roma Capitale.

Francesco Caltagirone: born in Rome on 29 October 1968. At present he is the Board Chairman and Managing Director of the listed company Cementir Holding, and Managing Director of the listed companies Caltagirone and Caltagirone Editore.

He was appointed on the basis of list no. 2 presented by Fincal SpA (composed as follows: 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 and no. 8 Annalisa Mariani), obtaining the favourable vote of 13.3813% of the voters, with a quotient of 21,437,487. Since his appointment by the Shareholders' Meeting he has held 7.513% of the share capital.

Giovanni Giani: born in Lecco on 14 January 1950, engineer, manager with vast international experience in business development and the management of companies in the sector of services for society as a whole and in the industrial sector, and expert in international industrial relations.

At present he holds the office of Chairman and Managing Director of Suez Italia SpA, the Italian holding company of the Suez Group.

He was appointed on the basis of list no. 3 presented by Ondeo Italia SpA, with 12.483% of the share capital at the date of the Shareholders' Meeting that appointed him (composed as follows: 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 and no. 9 Francesco Nocentini), obtaining the favourable vote of 17.9524% of the voters, with a quotient of 28,760,573.

Roberta Neri: born in Rome on 8 August 1964, with a degree cum laude in Economics and Business Studies from “La Sapienza” University of Rome, he has been the Managing Director of ENAV since July 2015.

He began his career in Italsiel, to then pursue his professional path in ACEA SpA, where he covered roles with increasing responsibility from 1991 to 2004, and where he has been Chief Financial Officer and the manager responsible for accounting reporting (Reporting Officer) since January 2004.

He has also been a director of Sorgenia SpA since March 2015.

He has been Chairman and Managing Director of the company Manesa, which provides advisory services for financial and industrial investors in the technical-financial field and on structured joint investment operations.

He was appointed with the favourable vote of 73.436570% of the voters.

Massimiliano Capece Minutolo Del Sasso: born in Naples on 07 April 1968, a graduate in engineering, at present he is on the boards of directors of several companies, some of which are listed on the Milan stock exchange, including Caltagirone SpA and Vianini Lavori SpA.

He was appointed with the favourable vote of 73.436570% of the voters.

Angel Simon Grimaldos: Awarded a degree in Civil Engineering with specialisation in Hydraulics from Barcelona Polytechnic university. Since March 2013 he has been the Senior Executive Vice President Water Europe for Suez Environnement. As of June 2010 he has been the Executive Chairman of “Aguas de Barcelona - AGBAR”, a holding of more than 150 companies that has operated for over 140 years in all spheres connected with the integrated water cycle.

He is currently Chairman of the AGBAR Foundation, of the Aquae Foundation and of the Acuorum Foundation.

Co-opted on 28 June 2016.

Maximum number of offices simultaneously held in other companies

The Board of Directors, at its meeting of 23 March 2011, with the favourable opinion of the Internal Control Committee, resolved that Board Directors could not hold more than 10 offices in listed companies, including that held in ACEA, to assure maximum possibility of fulfilling their mandates.

The nature of the office held by the Directors is such as to require them to be able to dedicate all the time necessary, and the type and number of the other offices held by the

Directors at present in office makes it possible for them to perform their duties in the best possible manner.

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

On the basis of the updated communications received by the Company in implementation of the resolutions passed, all the Directors, at 13 March 2017, cover a number of roles compatible with the guidelines laid down by the Board itself.

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

Induction Programme

As in the past, after special induction sessions carried out in 2014 and 2015 to give the newly appointed directors adequate knowledge of the main sectors of activity (networks, energy and the environment), several follow-up sessions were held in 2016 during Board of Directors' meetings, on business and investments, company dynamics and their development, the legal framework of reference and on the subsidiary companies.

In addition, in 2016 the Board of Directors' Chairwoman organised Board meetings with the participation of the Statutory Auditors, to illustrate Work Force Management (WFM), a digital platform which allows for coordinating and monitoring all the activities of the ACEA Group in real time. In fact, by means of WFM, the Company integrates the aim of customer satisfaction with that of creating value for the shareholders, at the same time paying attention to the needs of society and respecting the environment; it takes avail of the professional skills of its employees and enhances management responsibility in the achievement of the Company's objectives.

Succession plans

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

4.3 THE BOARD OF DIRECTORS' ROLE (art. 123-bis, par. 2, letter d, of the CFA)

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

More specifically, the Board of Directors, pursuant to law, the Articles of Association and the guidelines of the Internal Control and Risk Management System (hereinafter “Guidelines”) approved on 20 December 2012, has the duties listed below:

- to define the strategic and general management line and to develop the Company's evolution; to provide for the economic-financial coordination of the Group's activities by approving medium-term strategic plans which incorporate the Group's development guidelines, the investment plan, the financial plan and the annual budgets; the acquisition and disposal of stakes, excluding infra-group operations;
- to define the nature and level of risk compatible with the Company's strategic targets, so that the main risks to which the Company and its subsidiaries are exposed, including the various risks that can become relevant in the light of sustainability over the medium-long term period, are correctly identified and adequately measured, managed and monitored, also determining the degree of compatibility of such risks with a business management consistent with the strategic targets identified;
- to approve and amend the internal regulations as far as concerning the general organisational structure of the Company and of the Group, and any amendments to the same that have a significant influence on the Group's organisation;
- to appoint the General Manager;
- to define the corporate governance system and to provide for the constitution, within the Board of Directors itself, of specific Committees, appointing the relative members and attributing powers to the same on the occasion of the approval of their respective functioning regulations;
- to adopt an Organisational and Management Model in compliance with Legislative Decree 231/2001 and to appoint the Supervisory Board;
- to designate the directors and statutory auditors for ACEA representation on the relative boards of its major subsidiaries, understood as those listed on regulated markets and those that require the commitment of capital, shareholders' loans or guarantees above Euro 10 million;
- with reference to directors with delegated powers, to attribute and revoke such powers, and to define the limits and procedures of their exercise;

- to reserve and exercise for ACEA and its subsidiaries the power for expenditures above Euro 7.5 million, if in line with the budget, and above Euro 1 million for off-budget expenditure;
- to determine, on a proposal of the specific Committee and after consulting the Board of Statutory Auditors, the fees due to the Chairperson, the Managing Director, the other directors vested with special roles, the members of the Board of Directors' Committees and the salaries for key managers, i.e. those with strategic responsibilities;
- to define the Guidelines, after consultation with the Control and Risks Committee (hereinafter also CRC), whose duties are illustrated in Chapter 10, so that the main risks to which ACEA and the major companies of the Group are correctly identified and adequately measures, managed and monitored;
- to assess the adequacy of the organisational, administrative and accounting framework of ACEA and of its subsidiaries with strategic relevance, especially as regards the Internal Control and Risk Management System (hereinafter also the “Control System”);
- to assess the general business trend (art. 2381 of the Civil Code) taking into consideration, in particular, the information received from the delegated bodies, periodically comparing the results achieved with those programmed;
- to appoint and revoke:
 - the Audit Department Manager, on the favourable opinion of the CRC and on a proposal of the Director responsible for the Internal Control and Risk Management System, and after consultation with the Board of Statutory Auditors, making sure that said Department is provided with adequate resources for the performance of its duties and defining the remuneration consistent with Company policies;
 - a Financial Reporting Officer, unless already provided for by the Shareholders' Meeting, on the favourable opinion of the Board of Statutory Auditors (pursuant to art. 22-ter of the Articles of Association), ensuring the adequacy of his powers and means for the performance of his duties;
- to approve annually the Audit Department Manager's work plan, after consulting the Board of Statutory Auditors and the Control System Director;
- after consulting the Board of Statutory Auditors, to assess the results illustrated by the independent auditor in the case of suggestions, that said Board may express in a letter or in its report, on fundamental issues that have come to light during the audit of the accounts;
- to assess, at least once every six months, the adequacy of the Control System in consideration of the Company's features and its risk level, and to illustrate the main features of the same in the Report on Corporate Governance, expressing its own

assessment of the adequacy of the same, after hearing the opinion of the Control and Risks Committee;

- to establish Company measures of protection for the processing of personal or sensitive data by third parties (pursuant to Legislative Decree 196/2003);
- to adopt the procedures necessary to protect workers' health and appoint the subjects responsible for ensuring safety in the workplace (pursuant to Legislative Decree 81/2008);
- to make all efforts to establish continuous dialogue with the shareholders based on the comprehension of the reciprocal roles;
- to promote initiatives aimed at fostering shareholders' maximum participation at the Shareholders' Meetings and to facilitate the shareholders in the exercise of their rights;
- to adopt, on a proposal of the Managing Director, the procedures for the internal management and the external disclosure of documents and information regarding the company, especially "price sensitive" information and those relating to transactions in financial instruments carried out by persons who, due to their office, have access to relevant information;
- to carry out self-assessment at least once a year on the functioning of the Board itself and of its Committees, and on their size and composition;
- to assess, at least once a year, the independence of its non-executive members.

The Board of Directors has provided for the fulfilment of the above duties, and among other things:

- over the financial year 2016, it has assessed the general business trend on the occasion of the financial reporting (the draft financial statements of the period at 31 December 2015; the six-monthly interim financial report; the interim management reports on the 1st and 3rd quarters of the period), taking into consideration, in particular, the information received from the delegated bodies, and periodically comparing the results achieved with those programmed;
- in November 2016 it approved the 2016–2020 Sustainability Plan which contemplates, also in implementation of the provisions of the listed companies' Self-Regulatory Code and of EU Directive 2014/95, the Board of Director's greater involvement in issues regarding Sustainability. The formal drafting of the Sustainability Plan contributes to the concrete application of the sustainability principles in the execution of the Group's operations and to the progressive integration of sustainability from the strategic viewpoint, and it answers the growing expectations of the parties concerned (customers, regulatory authorities, law makers, financiers, intermediate groups of civil society,

business counterparties), that are increasingly attentive to the Company's sustainability. In addition, the targets indicated in the 2016-2020 Sustainability Plan will be monitored by an especially established *Interdepartmental sustainability advisory panel*, whereas the Plan itself will be periodically subjected to review and updating, in order to maintain its consistency with the Company's evolution.

On 13 March 2017, the Board of Directors:

- assessed the adequacy of the Internal Control and Risks Management System and the adequacy of the Company's organisational, administrative and accounting framework and that of its strategically relevant subsidiaries, deeming the ACEA Control System, as a whole, to be suitable for the pursuit of the Company's objectives;
- as an integral part of the aforesaid assessment process, carried out self-evaluation of the composition and functioning of the Board of Directors itself and of its internal Committees. Said evaluation regarded the Board of Directors' independence, structure and composition, the functioning of the Board and of its Committees, and the information flows received by the Board and its Committees in the performance of their duties. For the execution of the assessment tasks, the Board of Directors took avail of a company specialised in the sector, as illustrated below;
- in compliance with the recommendations of the Self-Regulatory Code, and in view of the renewal of the Company's bodies, the Board of Directors, on the opinion of the Appointments and Remuneration Committee and taking into account the self-assessment results, has developed its own guidelines on the future dimension and composition of the governing body, also with particular reference to the Chairperson and the Managing Director, to be submitted to the Shareholders' Meeting scheduled for 27 April 2017 next.

Functioning

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

In 2016 the Board of Directors held 10 meetings, lasting on average approximately 1 hour 50 minutes each, regularly attended by the Board Directors and the Statutory Auditors.

The Directors' attendances at the Board of Directors' meetings are detailed in Table no. 2.

For the year 2017, 4 Board of Directors' meetings have been scheduled, and communicated to the market, for the approval of the financial reports of the period. So far, 2 meetings have been held, including today's meeting.

The Board of Directors operates according to Works Regulations in force since 22 April 2003, which discipline the works of the Board in order to guarantee the immediacy and completeness of the information transmitted prior to the meetings. In compliance with the said Regulations, the resolution proposals, together with all the useful documentation approved by the Director responsible for the specific item, must be delivered at least 10 calendar days before the date of the meeting, to the Company's administrative office which will submit them, without delay, to the Managing Director for his approval, for the purpose of defining the draft Agenda.

The administrative office, at least 6 days before that of the Board of Directors' meeting, submits to the Chairperson of the Board the resolution proposals and the relative information, together with the draft agenda approved by the Managing Director.

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

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

In 2016 the managers of the Company and of its subsidiaries with responsibility for the various items on the agendas were invited to the Board of Directors' meetings and, on the Managing Director's invitation, they gave the necessary information on the subjects under discussion, leaving the meeting when the Board of Directors was about to vote on the relative resolutions.

Assessment of the functioning of the Board of Directors and its Committees

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

ACEA has entrusted the execution of the Evaluation Board, for a three-year term, to the advisor Egon Zehnder, a leading consultancy company with years of expertise in the field, which holds the necessary requisites of independence and which has no other ACEA mandates.

The activity carried out by the advisor comprises assessing the Board of Directors according to international best practices; in particular, all the areas of the Board of Directors' competence have been assessed.

The evaluation of the Board of Directors regarded, in addition to the level of its adhesion to the principles and conduct defined by the Board of Directors' Regulations and by the Self-Regulatory Code, benchmarking in respect of the best practices found on the Italian and foreign markets.

The process followed for the assessment is fundamentally based on hearing the various individual opinions, through interviews carried out both with the aid of a questionnaire and with open discussions with the single Directors and with the Chairperson of the Board of Statutory Auditors, subsequently processed by the advisor.

The questions of the questionnaire and the interviews with the Directors focused on the various aspects of the functioning of the Board of Directors and of the Committees, such as:

- ✓ the dimension and composition - and possible indications in view of renewal;
- ✓ the independence and the formation;
- ✓ the Board of Directors' meetings and the decision-making processes;
- ✓ the role of the Chairperson of the Board of Directors and relations between the Board Directors and the Management;
- ✓ the information and the presentations;
- ✓ risk strategy and control;
- ✓ the structure and the persons;
- ✓ the Board of Directors' Committees;
- ✓ the dynamics of the Board of Directors.

In these activities, the opinions of all the members of the Board of Statutory Auditors were also acquired.

Egon Zehnder, at the Board of Directors' meeting of 13 March, presented the results of the assessment for the third year of the mandate of the Board of Directors in office; in particular the advisor, on the basis of the comments acquired and the comparative analysis carried out, reached the following conclusions:

“On the basis of the comments acquired and the comparative analysis, we express a positive opinion of compliance on the part of ACEA with the indications of the Self-Regulatory Code during the third year of the mandate of the said Board and for all three years of its mandate.

In these years, the Board has shown a solid governance base and has benefited from the high level collaboration of the supporting structures.

In addition, in this third year of the mandate, ACEA's Board of Statutory Auditors has re-confirmed its contribution by giving its opinion in support of the Board's advice to the Shareholders, in view of the formation of a new Board of Directors.

In their advice to the Shareholders, we underline that the Board Directors and the Statutory Auditors have the same opinion on:

- *the ideal features of the Chairperson, the Managing Director and the Directors;*
- *the functioning of the Board of Directors and of its Committees, that has improved and been consolidated over time;*
- *the dynamics of the Board of Directors, which are clearly positive today, exemplified by:*

- *excellent collaboration between the Chairperson and the Managing Director;*
- *the constructive contribution of the Minorities.”*

4.4 DELEGATED BODIES

Managing Director

In June 2014, the Board of Directors appointed Alberto Irace as Managing Director, conferring on him all powers for the governance of the Company except those otherwise attributed pursuant to law and regulations, the Articles of Association or the power structure approved in June 2014 (with reference to the issues that, according to the said structure, are reserved to the Board of Directors, see paragraph 4.3), and in particular the Managing Director:

- ❖ operates on the basis of medium-long term plans and the annual budgets approved by the Board, and guarantees respect for the managerial guidelines deriving from the same. In this context, the Managing Director's powers are exercised, for ACEA and its subsidiaries, for transactions up to Euro 7.5 million (works contracts, purchases, rentals, disposals, participation in calls for tender, etc.) if in line with the budget, and for transactions up to Euro 1 million for off-budget transactions; for the Group's subsidiaries operating on the energy - electricity and gas - market, the powers vested on the Managing Director include: i) the issue of sureties and other guarantees up to Euro 12 million if in line with the budget and up to Euro 2 million for off-budget operations; ii) the issue of all the sureties and other obligatory guarantees in favour of AEEGSI [the Italian electricity, gas and water authority], GSE [the energy services provider], GME [manager of the energy markets], Terna SpA, the Single Buyer and other public subjects;
- ❖ signs the works agreements of any amount awarded on the basis of Legislative Decree 163/2006;
- ❖ implements the organisational and procedural changes in the Parent Company's activities according to the guidelines approved by Board of Directors' resolution;
- ❖ chairs and coordinates the Management Committee, which is an advisory committee composed of Company managers, with the task of verifying the Group's operational economic situation and that of the single business units and any gaps compared to the planned targets;
- ❖ ensures correct management of corporate information. To this regard, we refer you to Chapter 5 “Corporate Information Processing”.

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

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

The Managing Director is also the Director responsible for the Internal Control and Risks Management System, according to the indications of the Self-Regulatory Code (for a detailed description of the duties attributed to the same in that capacity, please refer to paragraph 10.1 of this Report).

Chairperson

In June 2014, the Shareholders' Meeting appointed Catia Tomasetti as Chairwoman of the ACEA Board of Directors.

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

The Board of Directors, with a resolution of 9 June 2014, has also assigned to the Chairwoman the institutional duties of steering and control, conferring on her corresponding managerial delegations, in particular: the duty of supervising the Group's activities and of verifying the implementation of the Board of Directors' resolutions and the corporate governance rules, also in implementation of the powers reserved to the Board of Directors; verification of the Company's activities and processes relating to the aspects of the quality provided and perceived, environmental impact and the Company's sustainability; supervision of the Board of Directors secretariat and all the connected activities; the power to carry out all the activities contemplated by the laws in force relating to disclosures and the media, also through the publication of newspapers and websites, including the appointment of the Financial Reporting Officer from among the employees of the Group holding the legal requirements.

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

Joint powers of the Chairperson and the Managing Director

With Board of Directors' resolution of 9 June 2014, joint powers were also delegated to the Chairperson and the Managing Director who, in the case of proven urgency and need, are thus authorised to exercise the powers normally reserved to the Board in relation to contracts, purchases, company transformation, participation in tender procedures, the issue of sureties and, when the urgency does not allow for calling a meeting of the Board of Directors (which must be informed at the next meeting to check on the existence of the need and urgency), the designation of members of the Boards of Statutory Auditors and the Boards of Directors of the more important subsidiaries and partly held companies, these being understood as:

- a) those listed on regulated markets or with securities on issue as contemplated by art. 116 of Legislative Decree 58/98, i.e. the Consolidated Finance Act;
- b) those which require commitments of capital, shareholders' loans or guarantees above Euro 10 million.

In addition, the Chairperson and the Managing Director designate the members of the Boards of Statutory Auditors and the Boards of Directors of the companies of the ACEA S.p.A. Group other than those considered of “more importance”.

Information to the Board of Directors

The Board of Directors, as also the Board of Statutory Auditors, in compliance with art. 20 of the Articles of Association and the provisions of law, receives from the Chairperson and the Managing Director constant and full information on the activities performed, summed up at least quarterly in a report on the general business trend and the relative outlook. More specifically, with reference to transactions of major relevance carried out within the sphere of their powers, including any non-typical transactions and those with related parties, providing the approval of which is not reserved to the Board of Directors, the Managing Director and the Chairperson report to the Board on the features of said transactions, the subjects involved and their connection, if any, with the Group, the determination methods and the relative economic and financial effects.

4.5 OTHER EXECUTIVE DIRECTORS

The Board has no other Executive Directors.

4.6 INDEPENDENT DIRECTORS

At 31 December 2016, and still today, the Board had 5 independent non-executive directors, namely: Elisabetta Maggini, Paola Antonia Profeta, Simon Angel Grimaldos, Roberta Neri and Massimiliano Minutolo Capece Del Sasso (see table 2).

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

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

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

Therefore, on the basis of the information provided by the persons concerned or, at any rate, available to the Company, immediately after the appointment, and most recently in March 2017, the Board of Directors ascertained the existence of the requisites of independence prescribed by the Self-Regulatory Code.

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

4.7 LEAD INDEPENDENT DIRECTOR

On 13 March 2017, the Board of Directors confirmed that, as in the preceding year, the conditions for the institution of a lead independent director so not exist, considering that the current Chairwoman of the Board of Directors does not hold the role of the main subject responsible for the company (chief executive officer), and does not hold a controlling stake in the Company.

5. CORPORATE INFORMATION PROCESSING

The ACEA Board of Directors, as long ago as September 2006, on a proposal of the Managing Director, adopted Regulations for internal governance and for the external disclosure of the Company's documents and information. Said Regulations are available for consultation at www.acea.it (in the Corporate Governance section). The Regulations:

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

In the same year, in accordance with art. 115-bis of the CFA, a Register was instituted, now disciplined by art. 18, paragraph 1, letter a) of EU Regulation no. 596/2014 (the Market Abuse Regulation, or MAR), containing the list of all persons with access to inside information who have a professional collaboration relationship with the Company, whether they are employees or not, and who, in the performance of certain duties, have access to inside information such as, for example, advisors, accountants or credit rating agencies (Register of Persons with Inside Information Access).

Art. 7 of the MAR provides that inside information is “*information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments*”; and that “*information shall be deemed to be of a precise nature if it indicates a set of circumstances which exists or which may reasonably be expected to come into existence, or an event which has occurred or which may reasonably be expected to occur, where it is specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or event on the prices of the financial instruments or the related derivative financial instrument [...]. In this respect in the case of a protracted process that is intended to bring about, or that results in, particular circumstances or a particular event, those future circumstances or that future event, and also the intermediate steps of that process which are connected with bringing about or resulting in those future circumstances or that future event, may be deemed to be precise information.*”

Rules have also been adopted on *Internal Dealing* in compliance with the provisions of art. 114, paragraph 7 of the CFA, and today also the provisions of art. 19 of the MAR which rules that

transactions in financial instruments carried out by Relevant Subjects and by persons closely linked to the same must be communicated to ACEA and to CONSOB immediately and, in any case, within three working days from the transaction, at the request of the Relevant Subjects.

Relevant Subjects and persons closely linked to Relevant Subjects must notify the Company, in compliance with the aforementioned provision, of all transactions carried out on their behalf once the aggregate amount of such transactions reaches the threshold of Euro 5,000 (or the greater amount contemplated by the provision applicable in the future) within the calendar year.

6. BOARD OF DIRECTORS' INTERNAL COMMITTEES (art. 123-bis, par. 2, letter d), of the CFA)

The Board of Directors has formed two committees from among its members, to make proposals and to give advice: the Control and Risks Committee and the Appointments and Remuneration Committee. Thus, the powers and duties relating to appointments and remuneration are aggregated and vested on a single committee. This aggregation, in line with the recommendations of the Self-Regulatory Code, respects the composition requirements contemplated by said Code for both the Committees and ensures correct execution of the relative powers and duties.

Said Committees are composed of at least three non-executive directors appointed by the Board of Directors itself, the majority of whom must be independent directors and one of which independent directors will be the Chairperson of the Committee.

The composition, duties and functioning of the Committees are disciplined by the Board of Directors, in specific regulations, consistent with the criteria laid down by the Self-Regulatory Code.

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

Pursuant to the Appointments and Remuneration Committee Regulations, said Committee must be composed of at least three non-executive directors, the majority of whom must also be independent directors. The Committee Chairperson is chosen from the independent directors. At least one member of the Committee must hold adequate experience in finance and remuneration policies, which experience the Board of Directors assesses at the moment of the appointment.

In the performance of their duties, said Committees have access to Company information and activities, necessary for performing their respective duties, and the assistance of the Company's departments according to their sphere of competence; they may also take avail of external consultants at the Company's expense, within the limits of the annual budget approved for each Committee by the Board of Directors.

The consultants, for both Committees, must be chosen avoiding possible conflicts of interests and the conferment of mandates on subjects that provide services to companies of significance such as to compromise in practice the independent judgement of said consultants.

The Committee meetings are attended by the Board of Statutory Auditors, or by another auditor designated by the Committee (the other Auditors, in any case, being entitled to intervene), and the Board of Directors' members or representatives of Company departments may also take part, as well as third parties, on specific invitation of the Committee's Chairperson, whose assistance may contribute to the efficient performance of the Committee's duties.

As a general rule, the Audit Department Manager attends the meetings of the Control and Risks Committee. The meetings may also be attended by the Director delegated with responsibility for the Internal Control and Risk Management System, the Board of Directors' Chairperson and the other Statutory Auditors and, on invitation of the Committee Chairperson, other members of the Board of Directors' or of the Company's structure may attend to express assessments of their competence.

The meetings of the Appointments and Remuneration Committee may be attended by the Managing Director and, on invitation of the Committee itself, also other subjects in reference to the single items on the agenda, to give information or to express assessments of their competence. The Personnel and Organisation Manager is usually invited to attend, whereas the director or manager whose position the Committee is examining may not attend.

The Board of Directors has also formed a Transactions with Related Parties Committee (TRPC), to perform the role requested by CONSOB Resolution no. 17221 of 12 March 2010 as successively amended, and as contemplated by the “Transactions with Related Parties Procedure” adopted by the Company and briefly illustrated in paragraph 11 of this Report.

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

7. APPOINTMENTS AND REMUNERATION COMMITTEE

On 31 December 2016, the Appointments and Remuneration Committee was created, composed of four non-executive directors, three of whom are independent, namely: Elisabetta

Maggini (Independent Chairwoman), Giovanni Giani (not independent), Roberta Neri and Massimiliano Capece Minutolo del Sasso (both independent).

The Board of Directors recognised that Roberta Neri holds the requisite of adequate knowledge and experience in accounting and financial matters.

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

The Committee held 4 meetings in 2016, duly recorded in minutes and regularly attended by all the members (as well as the members of the Board of Statutory Auditors), with an average duration of approximately 1 hour 15 minutes each.

The Appointments and Remuneration Committee, within the scope of its duties, must make proposals and give advice to the Board of Directors and monitor the application of the criteria and decisions adopted by the latter.

Its duties also include submitting proposals and offering advice on the fees for directors holding special roles, for the General Manager and for those holding positions of strategic relevance for the organisation. The Committee also expresses an opinion on the Group's personnel remuneration and retention policies that it submits to the Managing Director.

In particular:

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

7. it submits to the Board a Remuneration Report that the directors must present to the annual Shareholders' Meeting;
8. it draws up opinions for the Board of Directors on the size and composition of the same and it expresses recommendations regarding the professional figures that it deems should sit on the Board, the maximum number of offices that directors or statutory auditors can hold without prejudice to the directors' effective participation in the Board's committees, and the existence and importance of any activities performed by each director in competition with the Company.

Once a year the Committee assesses its own size, composition, functioning and independence in relation to its duties as indicated by these Regulations.

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

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

In 2016 the Committee:

1. examined and approved the Annual Report on the activity performed by the Remuneration Committee;
2. examined and approved the Remuneration Report pursuant to art. 123-ter of Legislative Decree no. 58 of 24 February 1998;
3. proposed to the Board of Directors the addition of an item on the Agenda of the Shareholders' Meeting of 28 April 2016, namely to re-attribute to the Board of Directors the power to determine the fees for directors vested with special roles, pursuant to art. 2389, paragraph 3, of the Civil Code and in accordance with art. 21 of the Articles of Association;
4. acknowledged that the economic-financial targets had been reached and authorised the payment of the variable incentive programme, known as the MBO (management by objectives), for 2015;
5. approved the summary statement of the 2013-2015 LTIP (Long Term Incentive Plan) and authorised the payment of the relative amounts to those entitled;
6. examined and then proposed to the Board of Directors the 2016-2018 LTIP (regarding the medium-long term system of variable incentives);
7. examined and then proposed to the Board of Directors the assignment of the 2016 targets on the basis of the Variable Incentives System;

8. proposed to the Board of Directors the appointment of Mr Angel Simon Grimaldos, the candidate proposed by the shareholder Suez Italia, subsequent to the resignation of the independent director Diane d'Arras and having received the favourable opinion of the Board of Statutory Auditors, and also in the light of the verifications carried out on the existence of the requisites of integrity, professional skill and independence required by the provisions in force and the Self-Regulatory Code.

In 2017, at the date of this Report, the Committee has held 4 meetings, with an average duration of approximately 1 hour 10 minutes each.

The Board of Directors has confirmed the allocation of an annual budget for 2017 of Euro 25,000.00 (twenty-five thousand point zero zero) for the Committee to allow the same, should it be deemed necessary, to confer external mandates instrumental to the performance of its duties.

8. DIRECTORS' FEES

The general remuneration policy

The Remuneration Policy for Directors and Key Managers, defined by the Board of Directors, is detailed in the document “Remuneration Report”, approved by the Board of Directors in the meeting of 13 March 2017, pursuant to art. 123-ter, paragraph 2, of the CFA, to which we invite you to refer for in-depth information. Said document will also be available at the Internet site www.acea.it and it will be subjected to the approval of the meeting of the Board of Directors, acting in an advisory role, which will be held in April 2017 for the approval of the financial statements relating to the financial year 2016.

The fees for the Board of Directors' members and the additional fees recognised to the members of the Board's internal Committees, which act in an advisory and proposing capacity, are those established by the Shareholders' Meeting of 5 June 2014.

On 28 April 2016, the Shareholders' Meeting resolved on the re-attribution to the Board of Directors of the fees contemplated by art. 2389, paragraph 3, of the Civil Code, regarding the recognition of fees to directors vested with special offices with reference, relating to the economic conditions, to the fees recognised in listed companies of similar sector and dimensions, without prejudice to the limits imposed by art 84-ter of Decree Law 69/2013, converted by Law 98/2013 (see *Remuneration Report 2017 – Financial Period 2016, Section I*).

Said Remuneration Policy – the present remuneration system of which is detailed in the “Remuneration Report” – lays down guidelines which contain the following indications:

- an important part of the remuneration of the Company's Executive Directors and Key Managers, as expressly required by the Self-Regulatory Code, is linked to the economic

results achieved by the Company and, possibly, to the achievement of specific performance targets – pre-set and measurable – indicated in advance by the Board of Directors itself, as detailed in Section I of the “Remuneration Report”;

- a system of medium-long term variable incentives (Long Term Incentive Plan) is contemplated, to be renewed every three years. The aim of the Plan lies in encouraging the management to pursue the Group's economic-financial results in the interests of the shareholders. The current plan refers to the three-year term 2016-2018. The structure of the plan follows that of the preceding three-year term, the Board of Directors, on a proposal of the Appointments and Remuneration Committee of 30 May 2016, fully corresponding to the goals defined for institutes of this nature and purpose;
- as of 2015, in line with a growing need for transparency expressed by the Self-Regulatory Code and in view of an increasingly responsible remuneration policy, the clawback clause, already adopted for Executives and Key Managers, has been extended also to the managerial roles which have greater impact on the Group's business. According to this clause, the Company is entitled to request the return of the variable remuneration (relating to both the short and the medium-long term periods) if it is found to have been paid in the case of results obtained consequent to intentional misconduct and/or gross negligence, such as the intentional alteration of the data used to indicate the achievement of the targets or obtaining the same results by behaviour contrary to corporate or legal provisions.

Remuneration of Executive Directors and Key Managers

For detail of the fixed fees of the Chairman and of the fixed and short term (annual) variable remuneration of the Managing Director and of the General Manager, and of the Key Managers, please refer to Section II of the 2016 Remuneration Report, pursuant to art. 123-ter of the CFA.

Incentive mechanisms for the Internal Audit Department Manager and the Financial Reporting Officer

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

Non-executive directors' remuneration

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

Indemnity for directors in the case of revocation, resignation, dismissal or cease of office subsequent to a takeover (art. 123-bis, par. 1, letter i, of the CFA)

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

9. THE CONTROL AND RISKS COMMITTEE

The Control and Risks Committee has been instituted to assist the Board of Directors, ensuring this latter adequate inquiries and support in the assessments and the decisions relating to the Internal Control and Risks Management System, and for approving the periodic financial reports.

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

The term of office of the Committee members coincides with that of the Board of Directors that has appointed them. Committee members can be revoked by the Board of Directors if they no longer hold the requisites of independence and integrity and if they are no longer non-executive directors.

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

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

- the definition of the Guidelines, so that the main risks to which ACES S.p.A. and its subsidiaries are exposed are correctly identified, and adequately measured, managed and monitored;
- the determination of the criteria for the compatibility of such risks with a management consistent with the strategic objectives identified;
- the assessment, at least every six months, of the adequacy of the control system in respect of the Company's characteristics and the risk profile assumed, as well as the effectiveness of the said system;

- the approval, at least once a year, of the work plan drawn up by the Audit Department Manager, after consulting the Board of Statutory Auditors and the Internal Control and Risk System Director;
- the description, within the annual report on corporate governance, of the main features of the Control System, expressing its opinion on the overall adequacy of the same;
- the assessment, after consulting the Board of Statutory Auditors, of the results illustrated by the independent Auditing Firm in the case of the possible letter of suggestions and in the report on fundamental issues that have come to light during the audit of the accounts;
- proposals of the Internal Control and Risks System Director, formulated in accordance with the Board of Directors' Chairperson, and after hearing the Board of Statutory Auditors' opinion, regarding the appointment and revocation of the Audit Department Manager and the definition of this latter's salary consistent with the Company's policies, as well as the adequacy of the resources allocated to the Department for the performance of its duties. The said opinion will be binding.

The Committee also assists the Board of Directors by:

- assessing, together with the Financial Reporting Officer and after consultation with the external auditor and the Board of Statutory Auditors, the correct use of the accounting principles and their uniformity for the purposes of drafting the consolidated financial statements;
- providing the Board of Directors with opinions on specific aspects involved in the identification of the Company's main risks or risks deriving from possible prejudicial facts of which the Board of Directors has gained knowledge;
- examining the periodic reports on the assessment of the Internal Control and Risk Management System, and those of particular importance drawn up by the Audit Department;
- monitoring the autonomy, adequacy, effectiveness and efficiency of the Audit Department.

On 31 December 2016, the Committee was created, composed of three non-executive directors, two of whom are independent, namely: Roberta Neri (Chairwoman, independent), Elisabetta Maggini (independent) and Giovanni Giani (not independent).

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

In 2016, the Committee held 6 meetings of an average duration of approximately one hour thirty minutes each, attended by all the members and by the Chairperson of the Board of Statutory Auditors or another statutory auditor. Of these meetings, 2 were held jointly with the Board of Statutory Auditors.

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

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

In 2016 the Committee performed the tasks reserved to the same by the Self-Regulatory Code, and in particular:

- it assisted, carrying out the necessary enquiries, the Board of Directors in its decisions and assessments relating to the control system, and those related to the approval of the periodic financial reports;
- together with the Financial Reporting Officer and after consultation with the external auditor and the Board of Statutory Auditors, it assessed the correct use of the accounting principles and their uniformity for the purposes of drafting the consolidated financial statements;
- it expressed a favourable opinion on the Audit Departments' Activities Plan prior to its presentation to the Board of Directors for the relative approval;
- it examined the Audit Department's periodic reports;
- it expressed favourable opinions on specific aspects regarding the identification of the Company's main risks and, at the periodic meetings, it invited the managers of the Company's departments concerned to report on the methods for managing such risks;
- it monitored the autonomy, adequacy, effectiveness and efficiency of the Audit Department;
- it reported to the Board of Directors, at least once every six months, on the occasion of the approval of the annual financial statements and of the interim financial report, on the activity carried out and on the adequacy of the Internal Control and Risk Management System.

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

In 2017, at the date of this Report, the Committee has held 4 meetings, of an average duration of approximately 2 hours each.

The Board of Directors has confirmed the allocation of an annual budget for 2017 of Euro 25,000.00 (twenty-five thousand point zero zero) for the Committee to allow the same,

should it be deemed necessary, to confer external mandates instrumental to the performance of its duties.

10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

ACEA's Internal Control and Risk Management System, an essential element of the Group's Corporate Governance system, is a process based on the best practices of reference and on the principles of the Self-Regulatory Code, and it comprises an organic series of rules, policies, procedures and organisational structures aimed at allowing for identifying, measuring, managing and monitoring the main risks, in order to identify any potential events that could influence the achievement of the Company's objectives, and at limiting such risks within acceptable levels. The system is integrated within the more general organisational framework and corporate governance system adopted by ACEA SpA.

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

- provide guidance for the diverse actors of the Control System so that the main risks to which ACEA SpA and its subsidiaries are exposed are correctly identified and adequately measured, managed and monitored, determining the compatibility of such risks with corporate management that is consistent with the strategic objectives identified and so that, in the Company and its subsidiaries, the behaviour adopted is coherent with the risk profile identified by the Board of Directors and the events that could hinder the achievement of the corporate objectives are suitably contrasted;
- provide guidance to ensure coordination between the departments involved in the Control System;
- identify the principles and responsibilities of the governance, management and monitoring of the risks connected to the Company's activities.

The Board of Directors, in the definition of the strategic plans, defines the nature and the level of the risks that are compatible with the objectives identified, including in its assessments all the risks that can assume relevance in view of the medium-long term sustainability of the Company's activities.

The Company, in accordance with the principles outlined and the Internal Control System Guidelines, pursuing the aim of continuous improvement in the risk control and monitoring activities, has introduced and integrated into the organisation second level protective procedures for specific risks and it has defined the standard content of the periodic information flows produced by such structures addressed to the Internal Control System Director and, through the Audit Department Manager, to the Control Bodies.

OVERALL INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Introduction

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

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

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

For a description of the roles and duties of the Control Bodies, we invite you to refer to the specific sections of this Report (Board of Directors, Internal Committees, the Managing Director, the Audit Department Manager, the Financial Reporting Officer and the Supervisory Board).

The role of the Ethics Committee is described in paragraph 16 "Additional Corporate Governance Practices".

The Group's management is responsible for defining, implementing and maintaining an effective risk management process with the capacity to put into practice the plans and to achieve the strategic objectives. In particular, the Industrial Areas and the Company Departments of ACEA SpA, each for its sphere of competence, are responsible in their everyday operations for implementing the actions that allow for achieving the expected business results and the management of the connected risks.

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

b) Risk management system

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

The Company uses a structured Control Risk Self-Assessment (CRSA) model, to assist the management in identifying the main risks, the action priorities and the adoption of policies to mitigate the residual risks in order to bring them to a level deemed acceptable by the Company top managers. For certain types of risks, second level control and monitoring models are used, which can infer specific indicators and risk limits (e.g. PAR and VAR).

Responsibility for the controls is divided into three complementary levels:

- 1st level controls, aimed at ensuring correct execution of Company processes, in order to foresee and manage the risks by means of suitable mitigation actions, the responsibility for which is entrusted to the line structures;
- 2nd level controls, aimed at verifying that the controls defined for Company operations are effective and implemented, through continuous monitoring aimed at guaranteeing that the risk mitigation actions are adequately identified and put into practice in the organisation by the subjects responsible for said implementation;
- 3rd level controls, entrusted to the Audit Department, comprising independent verification of the design and functioning of the overall Control System, and of the monitoring of the implementation of the improvement plans defined by the management.

The Audit Department Manager is responsible for verifying that the Internal Control System is always adequate, fully operational and functioning. He hierarchically reports to the Board of Directors, he is not responsible for any operational activities and he can have direct access to all information useful for the performance of his duties. He reports on his work to the Chairperson, the Managing Director, the Control and Risks Committee and to the Board of Statutory Auditors on the functioning, the adequacy and the effectiveness of the Control System. The Audit Department operates on the basis of a work plan, defined on the basis of the results of the Control Risk Self-Assessment which gives a summarised and comparative assessment of the main risk areas and of the relative control system and allows for identifying, according to the diverse risk levels of the Company's processes, the intervention priorities. The Audit Department Work Plan is approved annually by the Board of Directors, after consulting the Board of Statutory Auditors and the Internal Control and Risk System Director.

c) Qualifying elements of the Control System

Pervasive elements of the Control System

The pervasive elements are of fundamental importance in the ACEA control system, inasmuch as they represent the infrastructural fundamentals of the said system, including, in particular, the following aspects:

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

For this purpose, the organisational charts, the other organisational provisions, the organisational and management model pursuant to Legislative Decree 231/2001, the Company procedures and the system of delegations and powers are formalised, circulated and disclosed.

Centralised monitoring controls for particular risk categories

The centralised monitoring controls for particular risk categories are the manner by which a transversal view of the risks and of the connected systems of control between the diverse processes within the Group is possible. The main centralised monitoring controls are described below.

Interest rate risk. The ACEA Group's approach to the interest rate risk is based on the type of the structure of the assets and on the stability of the Group's cash flows; the activity is entrusted to the Administration, Finance and Control department. The primary aim, taking into account the needs expressed in the strategic plan, is the optimisation of the costs of the Group's liabilities and the simultaneous limitation of the effects caused by exposure to the interest rate risk, therefore the identification of the optimal combination between fixed and variable rates. The aptitude for risk and the relative limits are defined by the Board of Directors, by the approval of the single loan transactions with impact on the interest rate risk and the possible hedging transactions.

Commodity risks. With regard to the market risk deriving from trading in electricity and gas, one of the organisational units is the Risk Management Unit, which reports directly to the Finance and Control Administration Manager, which has adopted a control model for continuously controlling and monitoring the exposure to the commodity risk and which checks daily on respect for the predefined economic and volumetric exposure limits.

Commercial credit risks (customers). Within the sphere of the Administration, Finance and Control Department, specific methods have been developed to prevent and monitor the risk of customers' insolvency. The protective action is mainly aimed at ensuring preliminary risk analyses of ACEA Energia's commercial proposals on the free electricity and gas market, and, therefore, of optimising the commercial action with acceptable refusal levels compared with local and national averages.

Risks relating to health and safety in the workplace. The Personnel and Organisation Department has introduced into its organisation the control and monitoring of risks relating to health and safety in the workplace. In fact, the Department is responsible, consistently with the Group's strategic guidelines, for guaranteeing the definition and controlling the implementation of the policies on health and safety in the workplace, and for guaranteeing accident prevention monitoring, also thanks to the adoption of a management system conforming to the standard BS

OHSAS 18001:2007. The Personnel and Organisation Department Manager is also attributed the role of Employer pursuant to Legislative Decree 81/2008.

Compliance risks (Legislative Decree 231/2001). The Company has adopted an Organisational and Management Model, the description of which is given in paragraph 10.3.

Regulatory risks. The core businesses of the ACEA Group regard regulated sectors, inasmuch as based on the use of networks and aimed at providing essential services. Adequate protection against regulatory risks is, therefore, a fundamental factor for the pursuit of the Group's objectives. The organisational structure of ACEA SpA includes the Regulatory Department, whose purpose is to contribute to managing the regulatory risk, by monitoring the evolution of the regulatory framework and the identification of the relative consequences on the planned objectives and on company processes.

Financial reporting risks (Law 262/2005). Protection against the risks relating to the adequate and effective application of the administrative and accounting procedures connected to the financial reporting process is one of the responsibilities of the Financial Reporting Officer (paragraph 10.5). The Internal Control and Risk Management System in respect of Financial Reporting is illustrated in paragraph xx below.

Compliance risks regarding personal data protection (Legislative Decree 196/2003). The Legal and Corporate Affairs Department has created a specific organisational unit to protect against the potential risks of administrative and criminal offences, financial loss and prejudice to the Company's reputation, consequent to breach of the legislative and regulatory provisions on Privacy.

The same Department is also responsible for protecting against **antitrust compliance risks**, or non-conformity with the legislation which protects competition (i.e. the ban for companies to establish agreements that limit competition and to abusively exploit their dominating position on the market) and non-conformity with the provisions for the protection of consumers pursuant to Legislative Decree 206/2005 (i.e. unlawful acts relating to consumers and/or incorrect trade practices and/or misleading advertising).

Information security risks. The Information and Communication Technology (ICT) Department is responsible for:

- defining and updating the Group's Information Security Guidelines, which must ensure the confidentiality, the intact nature and the availability of data;
- guaranteeing the application of the policies and standards for information protection consistent with the organisational model, the requisites of law and the Group's objectives;

- defining and updating the plans for operating continuity and the management of information disasters.

d) Overall assessment of the adequacy of the Control System

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

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

INTRODUCTION

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

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

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

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

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

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

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

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

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

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

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

a) Steps

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

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

Analysis of process risks and controls. The approach adopted by ACEA allows for identifying the “key” risk and control points deemed significant for the consolidated financial statements. For

this purpose, the control objectives and the relative risks are defined for every process and activity; i.e.

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

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

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

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

Assessment of the controls in view of the risks identified. The assessment of the design of the controls described in the administrative and accounting procedures, aims to analyse how the single control activities are structured and defined in respect of the objective of preventing the risk of error on the financial statements. The assessment is carried out taking into account the goal that the control aims to achieve, namely to mitigate the risk (“adequate/inadequate” control).

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

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

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

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

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

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

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

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

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

b) Roles and Responsibilities

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

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

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

- The Control Manager is responsible towards the Sub-Process Manager for the execution, and for testifying to the execution, of the controls of his competence according to the procedures and timing laid down by the administrative and accounting procedures, and for providing the basic information input for the reporting flow;
- The Sub-Process Manager is responsible for a connected series of activities necessary for achieving a specific control objective; he must carry out an overall assessment of the design and implementation of the control, in relation to the sub-process in question; he must also update and ensure the implementation of the corrective action plan.
- The 262 Administrative Contact for the companies is the subject within the Group companies responsible for all the activities necessary to allow the ACEA FRO to issue the certification; he is responsible for consolidating all the information received from the Sub-Process Managers and for assembling the overall assessment of the design and implementation of the controls for the

company in question, which he then submits to the company's Board of Directors: he is also responsible for guaranteeing the information flows to and from the FRO.

- The companies' Boards of Directors are responsible for assessing the design and implementation of the controls of their companies and of sending the internal certification to the FRO, in the defined format, together with the corrective action plan suitably endorsed, also communicating any change/risk factors that have arisen in the period of reference that could influence the adequacy of the ICFR.

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

10.1 THE CONTROL SYSTEM DIRECTOR

The ACEA Board of Directors has chosen the Managing Director as the director appointed for the institution and maintenance of an effective Internal Control and Risk System, and has conferred mandate on the same to implement the Guidelines of the Internal Control and Risk Management System.

In 2016, the Managing Director, also taking avail of the assistance of the Audit Department, has provided for identifying the Company's main risks, taking into account the features of the activities performed by ACEA and its subsidiaries, and has periodically submitted them to the Board of Directors' examination. He has put into practice the guidelines drawn up by the Board of Directors, ensuring the planning, execution and management of the System and the constant monitoring of the overall adequacy, effectiveness and efficiency. He has also provided for the adaptation of the system to the dynamics of the operating conditions and the legislative and regulatory context.

The said Director may request the Audit Department, informing the Chairpersons of the Board of Directors, of the Control and Risks Committee and of the CS, of the execution of verifications on specific operating areas and on respect for the internal rules and procedures in the execution of Company operations.

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

10.2 AUDIT DEPARTMENT MANAGER

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

The Guidelines of the Internal Control and Risk Management System approved by the Board of Directors define the Audit Department's mission and activities, according to which this Department has a central role in the coordination of the Internal Control and Risks Management System. The Audit Manager is mandated to check on the functioning and adequacy of the System, by means of verifications, both continuously and in relation to specific needs, and to check on the operations and suitability of the System, with the support of the Managing Director in the activities of identifying and establishing the priorities of the major risks to which ACEA SpA and its subsidiaries are exposed. The Audit Department is also mandated to provide for the general review of the risk analysis process carried out by the second level control structures which protect against certain types of risks, and for the coordination of the information flows from said structures (see Chapter 10 “Internal Control and Risk Management System”).

At its meeting of 11 March 2016, the Board of Directors approved the Audit Department's Work Plan and at the same time it verified the adequacy of the resources allocated to the Department for the performance of its duties.

The Audit Department Manager, who has direct access to all useful information for the performance of her mandate, has no responsibility for operational areas, nor is she hierarchically subordinate to the managers of the operational areas, but reports directly to the Board of Directors.

During the financial period 2016, the Audit Department, performing its duties as described, carried out the following activities:

- it verified, both continuously and in relation to specific needs and consistently with the international standards for professional internal auditing, the operations and the suitability of the System, by means of an Audit Department action plan approved by the Board of Directors and based on a structured process of the analysis and prioritisation of the main risk areas of ACEA SpA and of its subsidiaries;
- it produced periodic reports and specific reports on events of particular importance, containing adequate information on its activity, on the suitability of the System and on the methods adopted for risk management, as well as on respect for the relative plans drawn up and an assessment of the suitability of the Internal Control and Risk Management System, which it transmitted to the Chairpersons of the Board of Statutory Auditors and of the Control and Risks Committee, and to the Board of Directors and the Managing Director;
- it drafted a final report on the single audit actions and requested the competent departments, when necessary, to draw up action plans for the improvement of the controls, the implementation of which it monitored;
- within the sphere of the audit plan processes, it checked on the reliability of the information systems, including the accounting statements;

- it assisted the Supervisory Boards of ACEA SpA and of its subsidiaries in the updating of the Organisational and Management Model pursuant to Legislative Decree 231/01 as successively amended and in the execution of checks on its concrete implementation;
- it assisted the Ethics Committee in monitoring the implementation of the principles of the Code of Ethics which the Board of Directors approved on 22 February 2012;
- on behalf of the Ethics Committee, it monitored the activities for the circulation of the Code of Ethics and the internal training on the contents;
- on behalf of the Supervisory Board, it monitored the training activities on Legislative Decree 231/2001 as successively amended;
- applying the specific "whistle blowing" procedures, it ascertained the reliability of the reports of breach of the Code of Ethics and it carried out in-depth inquiries to detect any behaviour not conforming to the principles of said Code, reporting periodically to the Ethics Committee;
- it assisted the management in identifying and assessing the main risks to which ACEA SpA and its subsidiaries are exposed, by means of a structured process performed in Control Risk Self-Assessment mode;
- by acquiring the information flows representing the output of the second level controls, it monitored the manner in which certain categories of risk were managed;
- it exchanged information with the Boards of Statutory Auditors of ACEA SpA and its subsidiaries and it performed, on request, verifications and in-depth examination of internal control matters;
- it exchanged information with the Auditing Firm and with the Financial Reporting Offices on matters inherent to internal control and financial disclosures.

The Board of Directors allocated a budget of Euro 46,500.00 for the financial period 2017 for the supply of goods and services for the Audit Department to allow it to perform its assigned duties.

10.3 ORGANISATIONAL MODEL pursuant to Legislative Decree 231/2001

With the adoption of the Organisational, Management and Control model (the "MOG" - *Modello di Organizzazione e Gestione*), in accordance with Legislative Decree 231/2001, ACEA has adopted its Organisational, Management and Control model as contemplated by Legislative Decree 231/2001, in order to comply with the provisions of the said Decree and in respect of its principles and those of the Self-Regulatory Code and the recommendations of the Supervisory and Control Authorities, in pursuit of reinforcing its control and Corporate Governance systems, and in particular to prevent the predicate offences referred to in the Decree.

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

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

The ACEA MOG, adopted in 2004, is systematically updated with dedicated project initiatives, by the management with the support of the Audit Department. The present MOG, approved by a Board of Directors' resolution of 19 February 2016, was developed downstream of an accurate analysis of Company activities aimed at ascertaining the potential risks of the offences contemplated by Legislative Decree 231/2001 being committed, for which offences it has drawn up a series of general principles, rules of conduct and specific control precepts, aimed at ensuring, as far as possible, that such predicate offences are prevented.

As contemplated by the ACEA MOG, the subsidiaries, for the purposes indicated in the Decree and after having identified their own activities that involve a risk of such offences and the most suitable measures to prevent the same, have adopted their own MOGs, consistent with the principles and the contents of that of the Parent Company, and they have appointed their own Supervisory Boards.

In relation to the diverse types of offence contemplated by Legislative Decree 231/01 and the relative sensitive activities, the MOG in fact identifies the Company's processes that are functional and instrumental for protecting against the risk activities and it recalls the relevant organisational and control principles that must be inherent to the organisational systems and to which the addressees must consequently adhere in the performance of their duties.

The Supervisory Board (“SB”), set up pursuant to Legislative Decree 231/2001, has full and autonomous powers of initiative, action and control regarding the functioning, effectiveness and observation of the MOG, in order to prevent the risk of offences for which the Company could bear administrative liability.

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

The Board of Directors has allocated to the SB a specific annual budget of Euro 25,000.00 (twenty-five thousand point zero zero), to guarantee and render concrete the autonomous

“powers of initiative and control” that must be recognised to the same pursuant to Legislative Decree 231/2001.

Art. 14, paragraph 2, of Law no. 183 of 12 November 2011, known as the "Stability Law", has amended art. 6 of Legislative Decree 231/2001, providing for the possibility of the Board of Statutory Auditors, for the purposes of the said Legislative Decree, to also adopt the role of the Supervisory Board. The ACEA Board of Directors, at the meeting of 12 May 2016, pursuant to the aforesaid provision and in continuity with the choice adopted by the preceding Board of Directors, decided to take avail of the faculty of attributing the role of Supervisory Board, pursuant to Legislative Decree 231/2001, to the Board of Statutory Auditors for a period equal to the Statutory Auditors' term of office established by the Shareholders' Meeting resolution which appointed the same.

To guarantee full implementation of the MOGs of ACEA and of its subsidiaries, in conformity with the Decree and/or settled case law:

- the information flows, as far as contemplated by the obligations of reporting to the SB, which allow for monitoring significant transactions within the defined risk areas where the offences contemplated by Legislative Decree 231/2001 could be committed, have been defined and rendered systematic. Said information, acquired and managed for the main companies of the Group by means of a specific IT support, is accompanied by risk indicators which draw attention to specific transactions or activities;
- instruction and training activities have been developed regarding Legislative Decree 231/2001, the Company's MOG, the Code of Ethics and the Quality, Environment, Safety and Energy Systems;
- a special channel for reporting to the Supervisory Board any cases of non-observance of the Model has been created.

In compliance with the Code of Ethics and as explained in the Quality, Environment, Safety and Energy Policy, to prevent the risk of offences committed with breach of the accident prevention and environmental provisions of art. 25-*septies* (manslaughter or grievous or extremely grievous bodily harm committed with breach of the provisions on health and safety in the workplace) and of art. 25-*undecies* (Environmental offences) of Legislative Decree 231/2001, ACEA maintains that the Group's strategic choice to promote the circulation and implementation of the Management System, certified according to the standards ISO 9001, ISO 14001, OHSAS 18001 and ISO 50001, already adopted by the main companies of the Group, is fundamental.

10.4 THE EXTERNAL AUDITING FIRM

Pursuant to art. 22-bis of the Articles of Association in force, the certified audit of the accounts is carried out by an auditing firm appointed and operating pursuant to law and pursuant to the regulations dictated for issuing companies listed on regulated markets. In particular, it verifies that the accounts have been regularly kept and that the management events have been correctly recorded in the accounts during the period, and it also verifies the Company's financial statements and the consolidated financial statements of the period. The Shareholders' Meeting called to approve the financial statements at 31 December 2007, held on 29 April 2008 in conformity with the provisions of law then in force, on a justified recommendation of the Board of Statutory Auditors, conferred on Reconta Ernst & Young S.p.A. (now EY SpA) the mandate to audit the Company's financial statements and the consolidated financial statements for a term of nine financial periods – precisely 2008-2016, and specifically until the approval of the financial statements of the last year of the said mandate – and established the relative fees.

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

The Shareholders' Meeting, scheduled for 27 April 2017, will be required to resolve, among other things, on the conferral of the audit mandate, on the basis of a recommendation issued, pursuant to law, by the Board of Statutory Auditors, for a term of nine financial periods and, therefore, for the period 2017-2025.

10.5 THE FINANCIAL REPORTING OFFICER

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

At its meeting of 15 December 2015, the Board of Directors appointed Demetrio Mauro as the Financial Reporting Officer pursuant to Law 262/2005 as of 1 January 2016.

The Financial Reporting Officer must introduce and maintain the Control System for financial information and, together with the Managing Director, issue a specific certification according to the model circulated by CONSOB.

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

- to provide adequate administrative and accounting procedures for the preparation of the Company's financial statements, the consolidated financial statements and the six-monthly interim report;
- to ensure that the financial statements are drafted in conformity to the applicable international accounting standards;

- to ensure that the Company's deeds and communications disclosed to the market and the relative accounting statements, including the interim reports, correspond to the documentary evidence, the Company's books and the accounting entries.
- to assess, together with the Internal Control Committee, (a) the adequacy of the accounting principles adopted, and (b) their standardisation for the purposes of the drafting of the consolidated financial statements.

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

10.6 COORDINATION BETWEEN THE SUBJECTS INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Guidelines of ACEA's Internal Control and Risk Management System contemplate a series of activities for the coordination between the various subjects involved in the System, in order to ensure continuous monitoring of the adequacy and functioning of the said System, and to facilitate the efficient exchange of information. Put briefly, the relative procedures include:

- periodic coordination meetings regarding, in particular, the processing of the financial information and the assessment, monitoring and mitigation of the risks (economic-financial, operational and compliance risks);
- information flows between the subjects involved in the Control and Risk Management System;
- coordination meetings and joint meetings with the Board of Statutory Auditors, the Control and Risks Committee, the external Auditing Firm, the Financial Reporting Officer and the Audit Department Manager;
- structured information flows on the part of the subjects responsible for the second level controls to the top management, the Audit Department and the Supervisory Board;
- structured information flows between the Supervisory Boards of ACEA's subsidiaries and the issuer's Supervisory Board;
- periodic reports to the Board of Directors;
- assistance to the Audit Department in its activities in the role of ACEA's Supervisory Board and to those of the subsidiaries;
- attribution to the Board of Statutory Auditors of the role of the Supervisory Board pursuant to Legislative Decree 231/2001.

11. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

At the Board of Directors' meetings, before dealing with each item on the agenda, every director must report any interests that it holds, directly or on behalf of third parties, connected with the topics or questions to be dealt with, specifying the nature, the terms, the source and the extent.

With regard to transactions with related parties, the procedure for such transactions, issued pursuant to art. 2391-bis of the Civil Code and adopted in accordance with the principles dictated by the “Regulations on Transactions with Related Parties” of CONSOB resolution no. 17221 of 12 March 2010 and successive amendments, effective as of 1 January 2011, was amended by the Board of Directors on 18 December 2013, entering into force on 1 January 2014, and it applies to transactions carried out directly between ACEA, or companies directly or indirectly controlled individually by this latter, and related parties.

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

- transactions of *Major Relevance*, in which at least one of the indices of relevance, indicated in Annex 3 of the aforesaid Regulations of CONSOB resolution no. 17221 of 12 March 2010 as successively amended, is above the threshold of 5%, which must be approved by the ACEA SpA Board of Directors;
- transactions of *minor value* with a counter-value of not more than Euro 200,000.00 (two hundred thousand);
- transactions of *Minor Relevance*, which includes all the transactions with related parties that cannot be classified as of major relevance or of minor value.

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

At present, the TRPC is composed of three independent directors, namely: Angel Simon Grimaldos, as coordinator, and Roberta Neri and Massimiliano Capece Minutolo Del Sasso.

The Board of Directors has confirmed the allocation of an annual budget for 2017 of Euro 50,000.00 (fifty thousand point zero zero) for the Committee to allow the same, should it be deemed necessary, to confer external mandates instrumental to the performance of its duties.

For further details, we invite you to refer to the website www.acea.it in the “Corporate Governance” section.

12. APPOINTMENT OF THE STATUTORY AUDITORS

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

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

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

For the other members of the Board of Statutory Auditors, those elected who have obtained the first and second highest quotient on the minority lists will be designated as standing auditor and alternative auditor respectively; pursuant to the combined provision of arts. 15 and 22 of the Articles of Association, at par quotient, the standing auditor will be the one on the minority list that has obtained most votes. In any case, at least one standing auditor must be elected by the minority shareholders. If an auditor leaves office during a financial period, the alternative auditor on the same list as the outgoing auditor will take his/her place.

The appointment of auditors who, for any reason, are not elected according to the above-illustrated procedure, must be approved by a Shareholders' Resolution passed with the majority required by law.

The Chairperson of the Board of Statutory Auditors will be chosen from those effectively elected from the minority list.

Therefore, under the present election system, the lists can be presented by shareholders which, alone or together with other shareholders, represent at least 1% of the share capital. The lists must be presented to the Company's head office and they will be published by ACEA in at least three national daily newspapers.

13. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (art. 123-bis, par. 2, letter d, of the CFA)

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

For the appointment by the Shareholders, two lists were presented: List no. 1 presented by Roma Capitale with three candidates, Corrado Gatti, Rosina Cichello and Lucia Di Giuseppe,

and List no. 2 presented by the shareholder FINCAL SpA with two candidates, Enrico Laghi and Carlo Schiavone; List no. 1 was voted by 68.94% and List no. 2 by 30.89% of the voters.

According to the appointments at that Meeting, the Board of Statutory Directors is formed, as described in *Table no. 3*, by the components below, a brief professional description of whom is given, in compliance with art. 144-*decies* of the Issuers' Regulations:

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

The auditors have been chosen from people who can be qualified as independent and they must act with autonomy and independence, also as regards the shareholders that have elected them.

The Independence of the auditors is assessed by ACEA in accordance with the law and art. 3 of the Self-Regulatory Code.

On the appointment of an auditor who qualifies him/herself as independent, and successively at least once a year, the Board of Statutory Auditors, on the basis of the information provided by

the person concerned or, at any rate, available to ACEA, assesses the relations that could, or which could apparently, compromise the independent judgement of said auditor.

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

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

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

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

During the financial period 2016, the Board of Statutory Auditors held 13 meetings, with an average duration of 1 hour 35 minutes, regularly attended by the standing auditors.

In 2017, at the date of this Report, the Board of Statutory Auditors has held 9 meetings, with an average duration of approximately 2 hours.

14. RELATIONS WITH THE SHAREHOLDERS (art. 123-bis, par. 2, letter a), of the CFA)

Price-sensitive information regarding the Company is precisely and immediately disclosed to the market and to the relative Supervisory Authorities. The information in question is constantly updated and made available on the Company's Internet site at www.acea.it.

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

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

In 2016:

- conference calls were held with the financial community on the occasion of the approval of the annual and six-monthly results of the 2016-2020 Business Plan;
- road-shows were held in the main national and international cities (Milan, London, Paris, Boston and New York), during which one-to-one meetings took place as well as presentations to large audiences represented by over 210 equity investors, buy side analysts and investors/credit analysts;

- the Company participated in Utility Conferences organised by the main merchant banks.

In addition, to ensure immediate information to shareholders and investors, corporate documents, press releases, notices and other information concerning the Group is published on the Company's Internet site (www.acea.it) within the terms laid down by the laws in force.

15. SHAREHOLDERS' MEETING (art. 123-bis, par. 2, letter c, of the CFA)

The regulations for the functioning of the Shareholders' meeting are contained in the ACEA S.p.A. Articles of Association which, in addition to referring to the provisions of law, dedicates Articles 10, 11, 12, 13 and 14 to the Shareholders' Meeting.

At 31 December 2016, art. 10, still in force, sets out the methods for calling the Shareholders' Meeting, establishing, under art. 10.3, that *“without prejudice to the powers of convocation contemplated by specific provisions of law, the Shareholders' Meeting, whether ordinary or extraordinary, is convoked by the Board of Directors by a notice containing indication of the day and place of the meeting and the list of matters on the agenda.”* Under paragraph 4 of the same article, it is also stated that the Meeting can be held elsewhere than at the registered office, providing it is held in Italy.

“The notice is published on the Company's Internet site, in the Official Journal of the Italian Republic and in the daily newspaper “Il Sole - 24 Ore” within the terms laid down by the laws in force. The meeting can be convoked also more than twice. The convocation notice can establish that the meeting will be held, on a different day, on second, third or ulterior convocation, if the quorum required by law for its constitution is not reached on the preceding convocation” (art. 10.4 of the Articles of Association).

Art. 11.1 rules that *“The Ordinary Shareholders' Meeting must be held at least once a year for the approval of the financial statements within 120 days from the closure of the financial period, or within 180 days of the said closure in the case of the conditions contemplated by art. 2364 of the Civil Code”*

Art. 11.2 rules that *“The Extraordinary Shareholders' Meeting is held whenever it is necessary to pass a resolution reserved to the same by law”*.

Art. 11.3 rules that *“The Shareholders' Meeting, whether ordinary or extraordinary, is also held when requested by as many Shareholders as represent the percentages contemplated by the laws in force, and the request must specify the items to be discussed, or when requested by the Board of Statutory Auditors or members of the same in the cases contemplated by law.*

In addition, as many Shareholders as represent the percentages contemplated by the laws in force may request, in respect of the terms laid down by the laws in force, additions to the be made to the agenda, indicating in the request the additional items that they propose. The convocation and the addition of items to the agenda at the request of Shareholders are not admitted on matters on which

the Shareholders' Meeting is obliged by law to pass resolutions on Directors' proposals or on the basis of a project or a report prepared by the Directors”.

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

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

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

In addition, the same art. 13 provides that “with the exception of Roma Capitale or its subsidiaries that have become shareholders, the voting right cannot be exercised, directly or by proxy, for more than 8% of the share capital”.

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

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

- a group formed of natural or legal persons which, directly or indirectly, control, are controlled by or are affiliates of the shareholder;
- a group formed of subjects connected to the shareholder, even if they do not have a corporate form;
- a group formed of natural or legal persons which, directly or indirectly, explicitly or by determining behaviour, have entered into or, in any case, adhere to agreements of the type contemplated by art. 122 of Legislative Decree 58/98, if such agreements regard at least 8% of the capital with voting rights.

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

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

“- shares held by members of the shareholder's family, understood as composed of the shareholder, his/her spouse, unless they are divorced, and their cohabiting children and/or children still economically dependent on the shareholder;

- shares held by a natural or legal person through a subsidiary or a trust or by proxy;
- shares held directly or indirectly that are restricted by lien or usufruct, if the relative voting rights are held by the lien creditor or the usufructuary;
- shares subject to contango, which will be taken into account with regard to the giver-over and the hedger.”

Point 4 of art. 6 also establishes that “anyone that holds Company shares in excess of 8% of the share capital must inform the Company in writing within the twenty days following the transaction which resulted in this limit being exceeded”.

Another restriction laid down under point 5 of art. 6 is that “shareholders that have not contributed to the approval of the resolutions regarding the introduction or the removal of restrictions on the circulation of the shares do not have the withdrawal right”.

Art. 13.3 provides that: “ To facilitate the collection of proxies from shareholding employees of the Company, its subsidiaries and affiliates and shareholders' associations, with the requisites contemplated by the relative provisions in force, specific spaces are made available for the communication and the collection of the proxies.

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

On 3 November 2000, the Ordinary Shareholders' Meeting approved the adoption of Regulations (available on the Internet site at www.acea.it) that discipline the ordered functioning of the Shareholders' Meeting. The approved Regulations are the result of in-depth study carried out on the texts prepared by the various Study Commissions set up by the various category associations, and in particular they are based on the results of the studies carried out by Assonime. Art. 7. 3 of the said Regulations disciplines the procedures which guarantee the shareholder's right to take the floor on the topics under discussion, and in particular:

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

The Board of Directors has reported to the Shareholders' Meeting the activity performed and programmed, thus ensuring that the shareholders are correctly informed on the elements necessary to allow them to take informed decisions on the matters of their competence.

The Board of Directors considers the Shareholders' Meeting to be a particularly significant moment for its relations with the shareholders; therefore it makes all efforts, as far as falling within its competence, to encourage and facilitate the broadest participation possible of the shareholders at the Meetings.

In the financial year 2016 and until today, no significant changes have taken place in the capitalisation of the ACEA shares or in the composition of its corporate bodies, that could harm the prerogatives of the minority shareholders.

16. OTHER CORPORATE GOVERNANCE PRACTICES (art. 123-bis, par. 2, letter a), of the CFA)

The Ethics Committee

On 26 July 2001, the Board of Directors resolved to set up an Ethics Committee, with full and autonomous powers of action and control, delegated to supervise the implementation and observation of the principles and rules of conduct expressed in the Code of Ethics adopted by ACEA.

The composition and functioning of the Committee are disciplined by specific Regulations approved by the Board of Directors.

The members of the Ethics Committee are the Board Directors Paola Antonia Profeta (Chairwoman), Elisabetta Maggini and Giovanni Giani (in their capacity of non-executive directors), and two external members, Maurizio Zollo and Luigi Giuliano.

The Committee, pursuant to the responsibilities attributed by the Code of Ethics and the aforementioned Regulations, fosters awareness of the Code of Ethics within the Group; it promotes activities for the sensitisation of ACEA SpA managers and employees on ethical matters; it assists ACEA in the correct application of the principles and criteria relating to the conduct prescribed by the Code; it develops and circulates procedures aimed at guaranteeing the concrete achievement of the purposes and observance of the principles of the Code; it ascertains cases of breach of the principles and criteria relating to the conduct prescribed by the Code and it proposes sanctions, if necessary, in respect of the labour agreement. Lastly, the Committee proposes opportune reviews to improve the principles of the Code.

On 22 February 2012, the ACEA SpA Board of Auditors, on a proposal of the Ethics Committee, resolved on the adoption of the current edition of the Code of Ethics, which enlarged and updated the preceding ethical provisions adopted by ACEA in 2001.

The subsidiaries, by resolution of their own Boards of Directors, also adopt the Code of Ethics, which is an integral part of the Organisation and Management Model.

The Code of Ethics is a fundamental element in the control environment of ACEA, which fosters knowledge of the same among the personnel, both when they are hired and in cyclical training activities. Adherence to the Code is explicitly requested of employees, suppliers and all those that contribute to the Company's activity (consultants, collaborators, etc.).

To ensure the monitoring of the correct observance of the Code of Ethics, an articulated procedure for the management of the reports of behaviour in breach of the principles of the said Code (whistle blowing) has been defined, which provides for reserved contact channels in order to protect those who submit reports. The Audit Department examines the reports and ascertains the cases of effective breach. The reports received and the consequent improvement actions are monitored by the Ethics Committee.

The Ethics Committee, in addition to monitoring the effective implementation of the Code of Ethics, in order to foster the concrete application of the principles of sustainable development affirmed in the Code of Ethics, carried out a survey in 2016 on the awareness on the part of the managers of the issues connected to sustainability and their reflection in decision-making and strategic processes.

The Board of Directors confirmed the allocation of an annual budget for 2017 of Euro 25,000.00 (twenty-five thousand point zero zero) for the Committee.

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

17. CHANGES SINCE THE CLOSURE OF THE PERIOD

The changes that have taken place from the closure of the period until today have been described in the specific sections.

For the Board of Directors

The Chairwoman

Catia Tomasetti

TABLE I: INFORMATION ON THE OWNERSHIP STRUCTURE

SHARE CAPITAL STRUCTURE				
	N° of shares	% of share capital	Listed on Borsa Italiana's on-line stock exchange	Rights and obligations
Ordinary shares	212,964,000	100%	100%	
Shares with restricted voting rights	-----			
Shares without voting rights	-----			

OTHER FINANCIAL INSTRUMENTS (which entitle the underwriting of newly issued shares)				
	Listed (indicate the markets) / not listed	N° of instruments in issue	Category of shares to serve conversion/exercise	N° of shares to serve conversion/exercise
Convertible bonds	-----	-----	_____	_____
Warrants	-----	-----		

RELEVANT STAKES From CONSOB site at 13 March 2017			
Declarant	% of ordinary capital		% of voting capital
ROMA CAPITALE	Roma Capitale	51%	51%
SUEZ ENVIRONNEMENT COMPANY SA	Suez Italia SpA	23.333%	23.333%
CALTAGIRONE FRANCESCO GAETANO	Viapar S.r.l.	0.939%	5.006%
	Fincal SpA	2.677%	
	So.fi.cos. S.r.l.	0.780%	
	Viafin S.r.l.	0.610%	

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES AT 31 DECEMBER 2016

BOARD OF DIRECTORS													Control and Risks Committee		Appointments and Remuneration Committee	
Office	Members	Year of birth	Date of first appointment *	In office since	In office until	Lists (M/m) **	Exec.	Non-exec.	Indep. as per Code	Indep. as per CFA	No of other offices ***	(1)	(2)	(1)	(2)	(1)
Chairperson	Catia Tomasetti	1964	05/06/2014	05/06/2014	31/12/2016	M	x				-----	10/10				
MD/GM•	Alberto Irace	1967	05/06/2014	05/06/2014 BoD 09/06/2014 (MD)	31/12/2016	M	x				-----	10/10				
Director	Elisabetta Maggini	1982	05/06/2014	05/06/2014	31/12/2016	M		x	x	x	-----	10/10	M	6/6	P	4/4
Director	Paola Antonia Profeta	1972	05/06/2014	05/06/2014	31/12/2016	M		x	x	x	1	10/10				
Director	Francesco Caltagirone	1968	29/04/2010	05/06/2014	31/12/2016	m		x			6	9/10				
Director	Giovanni Giani	1950	BoD co-opted 29/11/2011 Ass. 04/05/2012	05/06/2014	31/12/2016	m		x			-----	10/10	M	5/6	M	4/4
Director	Roberta Neri	1964	23/04/2015	23/04/2015	31/12/2016	M		x	x	x	1	9/10		6/6	M	4/4
Director	Massimiliano Capece Minutolo Del Sasso	1968	23/04/2015	23/04/2015	31/12/2016	m		x	x	x	6	10/10			M	4/4
Director	Angel Simon Grimaldos	1961	BoD co-opted 28/06/2016	28/06/2016	31/12/2016	m					-----	2/5				

DIRECTORS WHO HAVE LEFT OFFICE DURING THE FINANCIAL PERIOD 2016

Director	Diane D'Arras	1955	15/04/2013	05/06/2014	31/05/2016	m		x	x	x	-----	4/4				
No. of meeting held during the financial period 2016: 10					Control and Risks Committee: 6					Appointments and Remuneration Committee: 4						

Quorum requested for the presentation of the lists for the election of the Board of Directors (pursuant to art. 147-ter of the CFA): 1% of the voting shares

NOTES

- This symbol indicates the director appointed for the Internal Control and Risks Management system.
 - * Date of the first appointment of each director refers to the date on which the director was appointed for the first time (in absolute) as an ACEA SpA Board Director
 - ** This column indicates the list from which each director was taken (“M”: majority list; “m”: minority list).
 - *** This column indicates the number of offices that directors or statutory auditors hold in other financial, banking or insurance companies or companies of relevant dimensions listed on regulated markets, also abroad.
On the last page of the Corporate Governance Report, the offices are indicated in full.
- (1) This column indicates the directors’ participation in the meetings of, respectively, the Board of Directors and the Committees.
 - (2) This column indicates the qualification of the directors within the Committee: “C”: chairperson; “M”: member.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AT 31 DECEMBER 2016

Board of Statutory Auditors									
Quorum requested for the presentation of the lists on the occasion of the last appointment: 1% of voting shares									
Office	Member	Year of birth	Date of first appointment *	In office since	In office until	List (M/m)**	Independence as per Code	*** (%)	Number of other offices ****
Chairperson	Enrico Laghi	1969	2010	28/04/2016	31/12/2018	m	x	9/13	8
Standing auditor	Rosina Cichello	1967	2016	28/04/2016	31/12/2018	M	X	9/9	
Standing auditor	Corrado Gatti	1974	2010	28/04/2016	31/12/2018	M	X	12/13	13
Alternative auditor	Lucia Di Giuseppe	1966	2016	28/04/2016	31/12/2018	M	X		-----
Alternative auditor	Carlo Schiavone	1960	2016	28/04/2016	31/12/2018	m	X		22

STATUTORY AUDITORS WHO HAVE LEFT OFFICE IN THE FINANCIAL PERIOD 2016

Standing auditor	Laura Raselli	1971	2013	15/04/2013	28/04/2016	M	X	4/4	
Standing auditor	Antonia Coppola	1970	2013	15/04/2013	28/04/2016	M	X		
Alternative auditor	Franco Biancani	1942	2013	15/04/2013	28/04/2016	m	X		

Number of meetings held during the financial year 2016: 11

Quorum required for the presentation of the lists for the election of the Board of Directors (pursuant to art. 147-ter of the CFA): 1% of the voting shares

NOTES

- * The date of first appointment refers to the date on which the auditor was appointed for the first time (in absolute) as a member of the issuer’s Board of Statutory Auditors.
- ** This column indicates the list from which each auditor was taken (“M”: majority list; “m”: minority list).
- *** This column indicates the participation of the auditors in the meetings of the Board of Statutory Auditors.
- **** This column indicates the number of offices held as directors or auditors by the subjects concern, pursuant to art. 148-bis of the CFA and of the relative implementation provisions contained in the CONSOB Issuers Regulations. The full list of offices is published by CONSOB on its Internet site in compliance with art. 144-quinquiesdecies of the CONSOB Issuers’ Regulations.

Plate I. Composition of the ACEA Board of Directors and offices held by the Directors in other companies at 31/12/2016

Role	Name	Office	Other offices (*)
Chairperson	Catia Tomasetti	Executive director	Utilitalia** (formerly Federutility) (C) Rome Chamber of Commerce *** (C)
Managing Director	Alberto Irace	Executive director	-----
Director	Elisabetta Maggini	Independent director	-----
Director	Paola Antonia Profeta	Independent director	Banca Profilo (C)
Director	Angel Simon Grimaldos	Independent director	-----
Director	Giovanni Giani	Non-independent director	-----
Director	Francesco Caltagirone	Non-independent director	Cementir Holding SpA (P e AD) 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)
Director	Massimiliano Capece Minutolo Del Sasso	Independent director	ICAL 2 SpA (P) Porto Torre SpA (AU) Cementir Italia SpA (C) Cimentas A.S. (C) Fincal SpA (C) Domus Italia SpA (C)

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

(**) Association of companies

(***) Public entity