



REPORT ON CORPORATE GOVERNANCE AND ON THE OWNERSHIP STRUCTURE

Pursuant to Article 123-*bis* of the CFA

(approved by the Board of Directors of ACEA SpA on 6 March 2019)

- FINANCIAL PERIOD 2018 –
www.gruppo.acea.it

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GLOSSARY

Self-Regulatory Code: The Company's self-regulatory code approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI (Italian Banking Association), Ania (national association of insurance companies), Assogestioni (Italian association of asset management companies), Assonime (Italian association of joint stock companies) and Confindustria (confederation of Italian industries).

C.C.: the Italian Civil Code

Board: the issuer's board of directors

Lgs. Decree: Legislative Decree

FRM: financial reporting manager, responsible for drawing up the Company's accounting documents

Issuer/Company/Acea: the securities issuer to which this Report refers

Period: the financial period to which this Report refers

OMM: Organisational, management and control model in accordance with Lgs. Decree 231/2001

SB: Supervisory Board

Consob Issuers' Regulations: the regulations issued by Consob (the Italian financial services authority) by resolution No. 11971 of 1999 (as successively amended) applicable to issuers

Consob Related Parties' Regulations: the regulations issued by Consob by resolution No. 17221 of 12 March 2010 (as successively amended) applicable in the case of transactions with related parties

Report: the report on corporate governance and the corporate structure that companies are required to draw up pursuant to Art. 123-bis of the CFA

ICRMS/Control System: internal control and risk management system

CFA: Legislative Decree No. 58 of 24 February 1998, also known as the Consolidated Finance Act

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).

Acea, which has always recognised the social responsibility of corporate entities, conceives its economic activities within the sphere of the principles of sustainable development, according to which economic efficiency and legitimate profit must be consistent with protection of the environment and social development.

For the pursuit of sustainability, Acea integrates the aim of satisfying customers with that of creating value for the shareholders, attention to the needs of society and respect for the environment; it exploits the professional skills of employees and enhances management responsibility in the achievement of the Company's objectives.

Today, according to the most recent data, the Acea Group is the leading national operator in the water sector for inhabitants served, one of the main Italian companies for the number of users to which electricity is supplied (the third for volumes distributed) and the third national operator for energy volumes sold to end users, and it is also the sixth national operator for waste-to-energy (environmental sector).

This report illustrates the corporate governance system adopted by Acea S.p.A. Said system 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 it is inspired by the applicable recommendations issued by Consob and, more in general, by international best practices.

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

The governance model

Acea's corporate governance model conforms to the traditional Italian management and control system and comprises the following bodies: the Shareholders' Meeting which, in matters of its competence, expresses by resolution the shareholders' wishes; the Board of Directors (composed of 9 members) which is entrusted with the Company's strategic management in pursuit of the corporate purpose and the management of key operations, while operational management is entrusted to the Managing Director; the Board of Statutory Auditors, with autonomous responsibilities and powers, appointed on the basis of the legally

defined requisites of professional standing, reputation and independence whose duty is to supervise governance and ensure compliance with the law and with the articles of association.

The Board of Directors, also according to the recommendations of the Self-Regulatory Code, has established 4 external advisory committees to offer the Board itself proposals, consultation and information.

The certified audit of the accounts is performed, pursuant to law, to an external auditing firm (PricewaterhouseCoopers SpA) listed on the specific register of qualified auditors; it is appointed by the Shareholders' Meeting on a proposal of the Board of Statutory Auditors.

The Supervisory Board, in accordance with Lgs. Decree 231/01, is appointed by the Board of Directors.

The information contained herein refers to the financial period 2018 and, for certain matters, it has been updated at 06/03/2019, the date of the Board of Directors' meeting which has approved this Report, the text of which is published at www.gruppo.aceait, in the “Corporate Governance” section.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (Art. 123 bis, par. 1, CFA)

a) Share capital structure (Art. 123 bis, par. 1, letter a, CFA)

The Company's capital, of Euro 1,098,898,884.00, entirely underwritten and paid up, is divided into 212,964,900 ordinary shares with a par value of Euro 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 C.C.

b) Restrictions on share transfers (Art. 123 bis, par. 1, letter b, CFA)

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

c) Relevant stakes (Art. 123 bis, par. 1, letter c, CFA)

Relevant stakes, held directly or indirectly, qualified as such by Art. 120 of the CFA, on the basis of the information published on 06/03/2019 on the Consob website and the communications made in compliance with the same article, are listed in Table I.

d) Shares bearing special rights (Art. 123 bis, par. 1, letter d, CFA)

No shares bearing special controlling rights have been issued.

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

In compliance with 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 transmitting and receiving said proxies.

f) Voting right restrictions (Art. 123 bis, par. 1, letter f, CFA)

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

g) Shareholders' agreements (Art. 123 bis, par. 1, letter g, CFA)

To the Company's best knowledge, there are no shareholders' agreements of any kind, as contemplated under Art. 122 of the CFA, nor any special powers of veto nor any other types of extraordinary influence over decisions that are not direct expressions of the shares held.

h) Change of control clause (Art. 123 bis, par. 1, letter h, 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 contractor company: We mention below the significant agreements in force in which a change of control involves a transaction:

- ✚ Loan for an initial Euro 100 million from the CDP (*Cassa Depositi e Prestiti* - the national deposits and loans institute);
- ✚ Long term loan, for an initial total of Euro 150 million, from the European Investment Bank (Water Sector);

- ✚ Long term loan for an initial total of Euro 200 million, from the European Investment Bank in favour of Acea SpA (Water Sector II);
- ✚ Long term loan for an initial total of Euro 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, parr. I and I-bis, of the CFA, nor are there any neutralisation rules, as contemplated by Art. 104 bis of the CFA.

i) Proxies for capital increases, pursuant to Art. 2443 C.C., or for the directors' power to issue participating financial instruments, and authorisations to purchase treasury shares (Art. 123 bis, par. I, letter m, CFA)

At 31.12.2016 and also at the date of this Report, the Board 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 C.C., 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 integrated by an Ordinary Shareholders' Meeting resolution of 30 April 2002.

j) Governance and coordination (Arts. 2497 and foll. C.C.)

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 mention that:

- ✓ the information required by Art. 123-bis, par. I, letter i) (“agreements between the Company and the directors ... which provide for indemnity in the case of resignation or unfair dismissal or in the case of termination of office subsequent to takeover”) is contained in the remuneration report published in accordance with Art. 123-ter of the CFA;
- ✓ the information requested by Art. 123-bis, par. I, letter l) (“rules applicable to the appointment and replacement of directors ... and to the amendment of the articles of association, if diverse from and/or in addition to applicable legislative and

regulatory provisions”) are illustrated in the section of this Report on the Board of Directors (Par. 4.1).

3. COMPLIANCE (pursuant to Art. 123 bis, par. 2, letter a), of the CFA)

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

Although the adoption of the principles of the Code is not legally obligatory, Acea has adhered to the Code in force right from its version of 2001.

The complete text of the Self-Regulatory Code is available to the public on the website of Borsa Italiana at:

<http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>.

The company provides information annually on its governance system and on its adhesion to the Code by means of a Report, drawn up also pursuant to Art. 123-bis of the CFA, which illustrates 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 promptly published, on the Company's Internet site (www.gruppo.acea.it) in the “Corporate Governance” section.

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT (Art. 123 bis, par. 1, letter I, CFA)

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

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 of three financial periods, and they may be re-elected on expiry of their mandate.

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

Directors are elected as described by Art. 15.1 of the Articles of Association, according to which:

- there must be a gender balance in the composition of the Board of Directors, as required 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 specified 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. the rulings of law and the provisions of the Articles of Association regarding the limits of connection with the Majority List always holding firm, the remaining directors will be taken from the other lists. For this purpose, the votes obtained by said lists will be divided, within the sphere of each list, by 1, 2, 4, 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 list, according to progressive order indicated on the same. 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 that has obtained the highest number of votes will be elected. 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 are 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, par. 4, of the CFA.

The lists must be presented twenty-five days before the date scheduled for the next meeting, by shareholders which, individually or with other shareholders, represent the minimum participation in the share capital established by Consob Resolution No. 13 of 24 January 2019 (specifically 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 widely disclosed also by being published, at the Company's initiative and expense, in three national daily newspapers, two of which must be financial 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 voting mechanism leaves office, the Board of Directors, in accordance with Art. 2386 C.C., will provide for his replacement by the co-option of 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 same list as that of the outgoing director, with the requisites of independence required by law and/or of the same gender as the outgoing director 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: “Directors to replace those that leave office during the financial period will be appointed by the Shareholders' Meeting, by a relative majority vote, if 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, who have, at least ten days before that scheduled for the Meeting, confirmed their candidature in writing and declared that no reasons exist for their ineligibility or incompatibility and that they hold the requisites prescribed for the office by the laws in force and by 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.

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

If the number of Board Directors falls below half the established number for any reason, 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 governance until the Shareholders' Meeting has resolved on its renewal and until the appointment of at least half of the new directors has been accepted.”

Quora for amendments to the Articles of Association

For amendments to the Articles of Association, the Extraordinary Shareholders' Meeting, in compliance with Art. 12 of the Articles of Association, will pass the necessary resolutions with the majorities required by law.

4.2 COMPOSITION (Art. 123 bis, par. 2, letter d, 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 Board currently in office, composed of 9 directors, was appointed by the Shareholders' Meeting of April 2017 and will remain in office until the approval of the financial statements relative to the financial period 2019.

The following directors were elected from the majority list, presented by the Roma Capitale shareholder: Michaela Castelli, Stefano Antonio Donnarumma, Luca Alfredo Lanzalone, Gabriella Chiellino and Liliana Godino.

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

After Mr Lanzalone left the chair, the Acea SpA Board of Directors, on 21 June 2018, elected Ms Michaela Castelli as chairperson.

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

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

MICHAELA CASTELLI

CHAIRPERSON – NON-EXECUTIVE

Michaela Castelli, born in Rome on 07/09/1970, graduated in law with specialisation in financial law from the “L. Bocconi” Business School of Milan.

She has worked for Borsa Italiana SpA where she collaborated closely with the Italian financial services authority (Consob), assisting listed issuers on extraordinary operations, price sensitive information, compliance and corporate governance.

She is an expert in corporate organisation, compliance, internal controls and the 231/01 law. At present she holds office on the boards of directors of listed and unlisted companies.

She was appointed on the basis of list No. 1, presented by Roma Capitale (the other candidates on the list were No. 1 Luca Alfredo Lanzalone, No. 2 Michaela Castelli, No. 3 Stefano Antonio Donnarumma, No. 4, Gabriella Chiellino, No. 5 Liliana Godino, No. 6 Marco Di Gregorio, No. 7 Maria Verbena Sterpetti and No. 8 Annaluce Licheri). The proposal of her appointment obtained favourable votes from 73.2743% of the voters.

STEFANO ANTONIO DONNARUMMA

MANAGING DIRECTOR – EXECUTIVE

Stefano Antonio Donnarumma, born in Milan on 29/10/1967, graduated in mechanical engineering with maximum marks. He has important experience in the sector of automobile and railway components and has worked for important international groups such as *TMD Friction*, *Bombardier Transportation* and *Alstom*. In 2007 he moved to the sector of infrastructure management and the management of public services, and entered the Acea group where he held the office of Operations Chairperson of Acea Distribuzione (electricity networks) and advisor to ATO2 (water networks) until August 2012. He then entered Gruppo Aeroporti di Roma (which was then incorporated into ATLANTIA) as the director of *Airport Management*, as the *Accountable Manager* of Fiumicino and Ciampino airports and as

the chairperson of the company ADR Assistance. In May 2015 he joined the A2A group in Milan, accepting the post of Networks and Heat Director (managing all the companies of the group involved in the distribution of gas, electricity, water, district heating and public lighting). In that period, he was chairperson of the companies Unareti SpA, A2A Calore e Servizi Srl and A2A Ciclo Idrico SpA and a director of the LGH SpA group.

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

GABRIELLA CHIELLINO

DIRECTOR - NON-EXECUTIVE - INDEPENDENT

Gabriella Chiellino, born in Pordenone on 21/03/1970, graduated in environmental sciences from the Cà Foscari University of Venice in 1994. She has worked over 20 years in the field of sustainability, holding various roles in the university sphere, teaching scientific subjects relative to corporate environmental and energy management. She has sat on various technical-scientific commissions in both public and private spheres, also coordinating international events dealing with matters linked to sustainability (water, waste, smart cities). She founded an environmental and energy engineering company 15 years ago, of which she now holds the chair of the board of directors, which operates in Italy and abroad. As an expert in sustainable corporate governance, she chairs and coordinates various corporate governance sustainability committees. Author of various publications and articles on the environment and ethics, she teaches several university courses.

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

LILIANA GODINO

DIRECTOR - NON-EXECUTIVE - INDEPENDENT

Liliana Godino, born in Genoa on 08/04/1962, concluded her studies at the *Haute Ecole du Commerce* of Paris, specialising in “Company Economics and Marketing”.

She holds the office of Chief Procurement Officer of Gruppo Messina SpA. She has been Director for General Affairs and Organisation of Baglietto Srl, a producer of certified steels for shipbuilding yards throughout the world. She has been Director of Procurement and Logistics of the company Grandi Navi Veloci SpA. She spent 18 years in Danone SA, a world level agro-alimentary company, first in consumer marketing gaining experience at national and international level, and successively in procurement, where her last position was Worldwide Sourcing Director for Packaging at the Paris headquarters. She has been a board member of the International School in Genoa.

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

LUCA ALFREDO LANZALONE

DIRECTOR - NON-EXECUTIVE

Luca Alfredo Lanzalone, born in Genoa on 11 August 1969, graduated in law “*summa cum laude*” with publication recommended from Genoa University on 3 November 1992 with a thesis entitled “*Chapter 11 - The Reorganization in the United States Bankruptcy Act*”. Qualified for the professional practice of law, he is listed on the register of barristers of the Court of Genoa and on that of the Supreme Court. He is one of the founding partners of the Lanzalone & Partners law firm (with main office in Genoa and secondary offices in Lodi, Milan, Miami and New York), where he mainly practises as consultant and legal advisor on corporate matters, the organisation of local public services, privatisation and extraordinary mergers, spin-offs and take-overs, and in relations with the energy market, banking and financial regulatory and control authorities. He has taught bankruptcy law and European business law at Genoa University and he is the author of various publications on the subject. He has been a board director of various companies operating in the sectors of energy, financial brokerage, port infrastructures and mechanics.

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

ALESSANDRO CALTAGIRONE

DIRECTOR - NON-EXECUTIVE - INDEPENDENT

Alessandro Caltagirone, born in Rome on 27/12/1969, graduated in economics and business studies from La Sapienza University of Rome. He is currently a board member of many companies including: Unicredit SpA, Il Messaggero SpA, Cementir Holding SpA and Caltagirone SpA and vice chairperson of the board of directors of Alborg Portland Holding A/S.

He was appointed on the basis of list No. 2 presented by Fincal SpA, which held, at the date of the shareholders’ meeting which appointed him, 2,676% of the share capital. (The list was composed as follows: No. 1 Alessandro Caltagirone, No. 2 Massimiliano Capece Minutolo Del Sasso, No. 3 Azzurra Caltagirone, No. 4 Mario Delfini, No. 5 Tatiana Caltagirone, No. 6 Albino Majore and No. 7 Annalisa Mariani). He obtained the favourable vote of 12.8175% of the voters.

MASSIMILIANO CAPECE MINUTOLO DEL SASSO

DIRECTOR - NON-EXECUTIVE - INDEPENDENT

Massimiliano Capece Minutolo Del Sasso, born in Naples on 07/04/1968, has been a member of the association of engineers of Rome since 1992. He has very wide experience in the sector of real estate and infrastructures, and is highly skilled in the planning, development and

management of large urban and building projects. He is currently a manager of the company Vianini Lavori SpA. and a board member of various companies including G.S. Immobiliare SpA, Vianini SpA and Fincal SpA.

He was appointed on the basis of list No. 2 presented by the above-mentioned Fincal SpA.

FABRICE ROSSIGNOL

DIRECTOR - NON-EXECUTIVE - INDEPENDENT

Fabrice Rossignol was born in Boulogne-Billancourt on 02/08/1964. He was the Deputy Director General of Suez Central Europe, Mediterranean, Africa and the Middle East and Deputy Managing Director of Suez *Recyclage et Valorisation France*. Since January 2017 he has been Director General of Suez Italy, Central and East Europe and CEI and, as of March 2017, Chairperson of Suez Italy.

He was appointed on the basis of list No. 3 presented by Suez Italia SpA, the holder of 12.483% of the share capital at the date of the Shareholders' Meeting that appointed him. (The list was composed as follows: No. 1 Fabrice Rossignol, No. 2 Giovanni Giani, No.3 Diane Galbe, No. 4 Mauro Alfieri, No. 5 Massimo Lamperti, No. 6 Francesca Menabuoni, No. 7 Marica Lazzarin, No. 8 Diego Colmegna and No. 9 Susanna Mancini). He obtained the favourable vote of 13.7804% of the voters.

GIOVANNI GIANI

DIRECTOR - NON-EXECUTIVE - INDEPENDENT

Giovanni Giani, born in Lecco on 14/01/1950, is an engineer and 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 an expert in international industrial relations. At present he holds the office of Managing Director of Suez Italia SpA, the Italian holding company of the Suez Group.

He was appointed on the basis of list No. 3 presented by the above-mentioned Suez Italia SpA.

Diversity criteria and policies

Since the renewal of the Acea's corporate bodies in 2013, the balanced representation of genders on the Company's Board of Directors has been provided for, in compliance with Law No. 120 of 12 July 2011 and the CFA.

In particular, respect for this rule is ensured by the Articles of Association, which was amended by Board of Directors' resolution on 24 January 2013 in implementation of the requirements of Law 120/2011.

The Acea SpA shareholders meeting punctually applied Law 120/2011, on parity of access to the boards of directors and the control bodies of companies listed on regulated markets, appointing board directors if different genders.

With regard to other aspects of diversity in the composition of the Board, we mention that at the shareholders' meeting called to appoint the Acea Board of Directors in 2017, the shareholders expressed their own opinions of the qualitative-quantitative composition of the new Board that they deemed optimal. In particular, the outgoing Board emphasised that the gender diversity of the new Board and seniority had to be taken into account, in line with the provisions of applicable law. The Board also pointed out that the mix of skills of the Board had to be well balanced. The current composition seems to be in line with said recommendations. In fact, when the Board was renewed in 2017, the Acea shareholders' meeting appointed three board directors of the less represented gender, equal to one third of the total, in compliance with the provisions of Law 120/2011: Michaela Castelli, Liliana Godino and Gabriella Chiellino.

Acea SpA also always respects the gender quotas when it provides for the appointment of the governance and control bodies of its subsidiaries.

We also mention that the Board of Statutory Auditors currently in office conforms to the provisions of the afore-mentioned Law 120/2011.

Without prejudice to the above, Acea has not adopted a specific policy relative to diversity pursuant to Art. 123-bis, par. 2, letter d-bis, of the CFA, since the processes for forming the Company's governance and control bodies already take fully into account relevant aspects such as age, gender, and the training and professional experience of the members.

Lastly, Acea, conforming to the principles expressed in the Code of Ethics, has promoted a mentality which fosters equal opportunities and the management and appreciation of diversity by the adoption of a Diversity Management Charter (see paragraph 10).

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 companies listed on regulated markets, also abroad, or in financial, banking or insurance companies and companies of relevant dimensions, including those held in Acea, to ensure maximum possibility of the fulfilment of their mandates.

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

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

Table 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, and in financial, banking and insurance companies and companies of relevant dimensions.

Induction Programme

In line with the provisions of the Self-Regulatory Code on the effectiveness and aware fulfilment of the role of each director, the Chairperson of the Acea Board of Directors, in accordance with the Managing Director and with the participation of the Board of Statutory Auditors, in 2018, the second year of their mandate, drew up a training programme for the Board, the purpose of which was the acquisition, on the part of the directors, of precise knowledge of the Company's activity and organisation, of the sector, of the legal and self-disciplinary framework of reference, of the corporate dynamics and their evolution and of the role to be performed in relation to Acea's specific features.

In particular, in 2018, 9 induction sessions were held, and precisely:

- ✚ in March Acea organised two induction sessions: one on maintenance contracts in the water sector and the other on gas distribution;
- ✚ in April one induction session was organised on the subject of waste;
- ✚ in May one induction session was organised on the subject of waste treatment and a second on the energy sector;
- ✚ in June a visit to a waste treatment plant in Lombardy was organised;
- ✚ in September, October and November specific induction sessions on business development were held.

In addition, the directors were kept constantly informed by the competent Company departments of new legislation and regulations regarding the Company and the performance of its functions.

The presentations illustrated during the aforesaid meetings and the relative supporting documentation were punctually transmitted in advance to the members of the Board of Directors and of the Board of Statutory Auditors.

Succession plans

The Board of Directors, in consideration of the procedures for the appointment of the executive directors, who represent the major shareholder, and the assessments expressed by the latter, has deemed it unnecessary to develop a succession plan for said directors. If an executive director leaves office, the Board of Directors may co-opt a new director in lieu 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

The Company's Board of Directors holds a central role within the sphere of the Company's governance, and all the departments and the key managers of the Company and of the Group report to the Board of Directors. Taking into account its role, the Board of Directors meets regularly to guarantee the effective execution of its duties.

In particular, the Board of Directors, pursuant to law, the Articles of Association and the guidelines of the Internal Control and Risk Management System (hereinafter “Guidelines”) approved on 20 December 2012 and updated on 15 February 2018, 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 participations, excluding infra-group operations;
- to define, on proposals of the Control and Risks Committee, the guidelines of the Internal Control and Risk Management System (hereinafter also “ICRMS”), to ensure that the main risks to which Acea and its subsidiaries are exposed - including the various risks that can become relevant for medium-long term sustainability - are correctly identified and adequately assessed, managed and monitored;
- to also define the nature and level of risk that is compatible with the strategic aims identified;
- to approve and amend the internal regulations as far as concerning the general organisational structure of the Company and of the Group, and possible amendments to the same that have a significant influence on the Group's organisation;
- to appoint a General Manager, if necessary;

- 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 the organisational model pursuant to Lgs. Decree No. 231/2001, and to appoint the Supervisory Board and to examine the six-monthly reports drawn up by said board on the implementation of the Model;
- to designate the directors and statutory auditors for Acea representation on the relative boards of its subsidiaries and of companies in which it holds a relevant stake, 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, powers for amounts 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 and the other directors vested with special roles and the members of the Board of Directors' Committees, and the salaries for key managers, i.e. those with strategic responsibilities, except in the case of salaries approved by the Appointments and Remuneration Committee;
- to define the Guidelines of the Control and Risks Committee (hereinafter also CRC), whose duties are illustrated in Chapter 9, after consultation with the same, so that the main risks regarding Acea and the major companies of the Group are correctly identified and adequately assessed, managed and monitored;
- to assess the adequacy of Acea's organisational, administrative and accounting framework, and that of the subsidiaries with strategic importance, especially as regards the ICRMS;
- to assess the general business trend (Art. 2381 C.C.) taking into consideration, in particular, the information received from the delegated bodies, periodically comparing the results achieved with the programmed targets;
- to appoint and revoke:
 - the Audit Department Manager, subject to the approval of the CRC and on a proposal of the Director of 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;

- unless already provided for by the Shareholders' Meeting, a Financial Reporting Manager (pursuant to Art. 22-ter of the Articles of Association), with the approval of the Board of Statutory Auditors, ensuring the adequacy of his powers and the means for the performance of his duties;
- to approve annually the work plan of the Audit Department Manager, after consulting the Board of Statutory Auditors and the ICRMS Director;
- after consulting the Board of Statutory Auditors, to assess the results illustrated by the certifying auditor in the case of suggestions communicated by the latter, by letter or in its report, on fundamental issues that have come to light during the annual audit of the accounts;
- to assess, at least once every six months, the adequacy of the ICRMS according to the Company's features and its risk level, and to illustrate the main features of the same in the Report on Company Governance, expressing its own assessment of the adequacy of the same, after hearing the opinion of the Control and Risks Committee;
- to establish corporate measures to protect the processing of personal or sensitive data by third parties;
- to adopt the procedures necessary to protect workers' health and to appoint the subjects responsible for ensuring safety in the workplace;
- to make all efforts to ensure continuous dialogue with the shareholders based on the comprehension of the reciprocal roles;
- to promote initiatives aimed at fostering the 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 information on transactions in financial instruments carried out by persons who, due to their office, have access to relevant information;
- to carry out a self-assessment, at least once a year, on the functioning of the Board itself and 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 execution of the above duties, and among other things:

- in the financial year 2018, it assessed the general business trend on the occasion of the financial reporting (the Company's and the consolidated draft financial statements at 31/12/2017; the six-monthly interim financial report; the interim

management reports of 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;

- it resolved on organisational modifications to the Macro-structure of Acea SpA;
- it carried out an all-inclusive review of the Internal Control and Risk Management System in order to reinforce effectiveness and efficiency, also by identifying new subjects and methods of coordination between the various players and control levels;
- in February 2018 it approved the new Guidelines of the Internal Control and Risk Management System of the Acea Group;
- in March 2018 it approved the new regulations of the Appointments and Remuneration Committee;
- it approved the 2017 Sustainability Balance Sheet/non-financial Consolidated Statement pursuant to Lgs. Decree No. 254/2016;
- it enlarged the Acea SpA Supervisory Board with the appointment of a third member, an authoritative expert on corporate criminal law and on the administrative liability of corporate entities laid down by Lgs. Decree 231/01.

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

- assessed the adequacy of the Internal Control and Risk Management System, and the adequacy of the organisational, administrative and accounting framework of the Company and of its strategically relevant subsidiaries, deeming the Acea Control System as a whole suitable to allow for the pursuit of the Company's objectives;
- as an integral part of the aforesaid assessment process, carried out a self-assessment of the composition and functioning of the Board of Directors itself and of its internal Committees. Said assessment 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 further below.

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

The directors' attendance at the Board meetings is detailed in Table No. 2.

For the year 2019, 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, 3 meetings have been held, including today's meeting.

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

The administrative office, at least 6 days before a 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/her 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 2018 the managers of the Company and of its subsidiaries with responsibility for the various items on the agendas were invited to the Board 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 resolutions.

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

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

In 2018 Acea mandated Eric Salmon & Partners, a leading consultancy firm with years of expert experience in the specific field and holding the necessary requisites of independence, to perform the Board Review for a three-year term.

The activity performed by the consultant comprised an evaluation of the Board and of the Committees, according to best international practices. In particular, for the financial period 2018, an assessment method was adopted which allowed specific focus on the critical aspects and areas for improvement identified by the previous self-assessment, and on the subjects of the recommendations issued by the Corporate Governance Committee on 21 December 2018.

For defining the scope and execution methods, the assessment process followed involved the Chairperson of the Board of Directors and the Chairperson of the Appointments and Remuneration Committee.

Eric Salmon & Partners, on the basis of the comments acquired and the analysis performed, developed 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 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 particular the Board has shown that it has implemented the indications of the previous Board Review regarding the areas for improvement and that it has effectively put into practice a series of processes and initiatives to that regard. The Board, which in the financial period 2018 met 12 times, has rendered further effective its work by organising 9 induction sessions during the year and no less than 40 meetings with external consultants.

Very briefly, the work performed has revealed, among other things, positive opinions and appreciation among all the Board directors and the Board of Statutory Auditors regarding:

- the well-balanced structure of the Board and its excellent mix in terms of skills, experience, diversity and seniority;*
- Acea’s scenarios and strategic options that are understood and shared, and the adequate activity of the Board regarding its functions of guidance, giving its own contribution to defining strategies;*
- the adequacy of the information transmitted prior to meetings during the period and the assurance of confidentiality without compromising the effective and prompt information flows that precede Board meetings;*
- the usefulness of the management’s participation at the Board meetings in respect of equal information to the Board members themselves;*
- the reinforcement of the control systems and structures;*

- *the effective inquiry activity carried out by the committees.*

However, among the items brought to our attention by certain Board directors, we report the need:

- *for an in-depth examination of cyber-security, to ensure that the systems and processes currently adopted are effectively applied;*
- *to bring to the Board's attention the top management succession plans, both in the case of continuity and in the case of emergency;*
- *to examine in depth the requisites of independence laid down by the Self-Regulatory Code;*
- *to review the balance of the participation in the committees in the light of the required commitments”.*

4.4 DELEGATED BODIES

Managing Director

In May 2017, the Board of Directors appointed Stefano Antonio Donnarumma as Managing Director, conferring on him all powers for the governance of the Company except those attributed otherwise by law or regulations, the Articles of Association or the power structure approved in May 2017 (for the issues that, according to said structure, are reserved to the Board of Directors, see paragraph 4.3). 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, procurement, rentals, disposals, participation in calls for tender, etc.) if in line with the budget and 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 transactions; ii) the issue of all the sureties and other obligatory guarantees in favour of Arera, GSE, GME, Terna SpA, the Single Buyer and other public subjects and distribution licensees;
- ❖ signs works agreements of any amount awarded on the basis of Lgs. Decree 50/2016 as successively amended;
- ❖ implements the organisational and procedural changes in the Parent Company's activities according to the guidelines approved by Board of Directors' resolution;
- ❖ chairs and coordinates the Management Committee, 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, the Company's business trend, the business outlook, and transactions of major relevance for dimensions or features, carried out by the Company or its subsidiaries, in compliance with Art. 20.1 of the Articles of Association.

In compliance with Art. 20 of the Articles of Association, the ordinary management of the Company, the power of 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 Risk Management System, according to the indications of the Self-Regulatory Code (for a detailed description of the duties attributed to the same in that capacity, please refer to paragraph 11.1 of this Report).

Chairperson

In June 2018, in place of the outgoing Luca Alfredo Lanzalone, the Board appointed Michaela Castelli as Chairperson of the 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.

With Board of Directors' resolution of 21 June 2018, the tasks of the Company's Chairperson were established including that of representing Acea SpA in Italy and abroad in relations with the central and local State administrations, institutional bodies, trade unions, natural and legal persons, companies and every other public or private enterprise or subject, and before the courts as plaintiff or defendant. The Chairperson is also responsible for supervising the Group's activities and verifying the implementation of the Board of Directors' resolutions and the Corporate Governance rules, also in the execution of the powers reserved to the Board of Directors.

The Chairperson also checks the quality indicators issued and the quality indicators perceived, and matters relative to the environmental impact and the social sustainability (corporate social responsibility) of the Company's activities and processes.

Due to the powers and responsibilities attributed, the Chairperson must supervise the Board of Directors' administrative office and all the connected activities, and is empowered to carry out all the activities contemplated by the laws in force relative to the press and to disclosures, also by publication in newspapers including the on-line versions, and to appoint the relative director, as required by law, from the Group's employees that have the requisites specified by law.

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

Joint powers of the Chairperson and the Managing Director

With Board of Directors' resolution of 21 June 2018, 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, procurement, company transformation, participation in tender procedures, the issue of sureties and, when urgency does not allow for calling a Board meeting (which must be informed at the next meeting to allow the same to ascertain 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 the CFA;
- 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".

Steering Committee

With a resolution of 12 June 2018, the Board of Directors, in compliance with Art. 2381 C.C. and Art. 20 of the Articles of Association, instituted a Steering Committee, composed of Giovanni Giani (Chairperson), Michaela Castelli, Stefano Antonio Donnarumma and Massimiliano Capece Minutolo del Sasso, who were vested with powers relative to institutional affairs, sponsorships and donations, to be managed consistently with the budget established by the Board of Directors.

The exercise of said powers are disciplined by specific regulations approved by the Board of Directors.

During the financial period 2018, the Steering committee met 6 times, the meetings lasting on average 1 hour 30 minutes.

At the date of this Report, the Committee has held 3 meetings, with an average duration of approximately 1 hour 10 minutes each.

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 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.

The Board of Directors and the Board of Statutory Auditors also receive information regularly on the delegations conferred on the bodies appointed by the Board of Directors.

4.5 OTHER EXECUTIVE DIRECTORS

The Board has no other Executive Directors.

4.6 INDEPENDENT DIRECTORS

At 31 December 2018 and still today, the Board has 6 non-executive independent directors, namely: Gabriella Chiellino, Liliana Godino, Alessandro Caltagirone, Massimiliano Capece Minutolo Del Sasso, Fabrice Rossignol and Giovanni Giani (see table 2).

The procedure followed by the Board to verify their independence involves the director's declaration, on presentation of the list and at the moment of his/her acceptance of the appointment, that he/she holds the requisite of independence 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 the requisite.

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

The independent directors of the Company's Board represent the absolute majority of its members.

During the period it was not necessary to hold any separate meetings of the independent directors, also in consideration of the quality of the information received from the delegated bodies and their active participation on the Board and on the Board's Committees which, until June 2018, were composed exclusively of independent directors; as of June, the Control and Risks Committee and the Ethics and Sustainability Committee have been composed mainly of independent directors, whereas the Appointments and Remuneration Committee and the Related Parties Committee are composed solely of independent directors. This has allowed matters of their interest to be adequately examined.

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

On the basis of the information provided by the persons concerned or, at any rate, available to the Company, immediately after the appointment of the Board of Directors, and most recently in March 2019, the Board verified that said directors held the requisite of independence prescribed by law and by the Self-Regulatory Code.

The Board of Statutory Auditors, in compliance with the provisions of Art. 3 of said Code, checked 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 6/03/2019, the Board of Directors, as in previous years, confirmed that there continue to be no conditions requiring the institution of a lead independent director, also in view of the fact that the current Chairperson of the Board of Directors is not the main subject responsible for the company (chief executive officer), and does not hold a controlling stake in the Company.

5. CORPORATE INFORMATION PROCESSING

The Acea Board of Directors, on a proposal of the Managing Director, has adopted a set of regulations for internal governance and for the external disclosure of the Company's documents and information. Said regulations are available for consultation at www.gruppo.aceait (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 which, if disclosed in advance could be prejudicial to the Company's equity and/or that of the Shareholders, must treat the same with maximum reserve, and the Company, in the case of specific circumstances, must provide for immediate and full disclosure to the market;
- prescribe 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.

It has been decided, in accordance with Art. 18, par. 1, letter a) of EU Regulation No. 596/2014 (the Market Abuse Regulation, or MAR), to draw up a list of all persons with access to inside information who collaborate professionally 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 Access to Inside Information).

Art. 7 of the MAR specifies 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 exist 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.”*

Internal Dealings Regulations have also been adopted in accordance with the provisions of Art. 19 of the MAR, according to which 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.

In compliance with the aforementioned provision, Relevant Subjects and persons closely linked to the same are required to notify the Company of all transactions carried out on their behalf once the aggregate amount of such transactions reaches the ceiling of Euro 20,000 within the calendar year.

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

The Board of Directors has instituted within the Board itself four committees: the Appointments and Remuneration Committee, the Control and Risks Committee, the Ethics and Sustainability Committee and the Related Parties Committee.

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

The committees are composed of at least three non-executive directors appointed by the Board of Directors, which designates one member, who must be an independent director, as 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, the Control and Risks Committee, according to its regulations, updated in December 2017, 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 the Board of Directors assesses at the moment of the appointment.

The Appointments and Remuneration Committee, pursuant to its regulations, updated in March 2018, 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 the Board of Directors assesses at the moment of the appointment.

The Ethics and Sustainability Committee, according to its regulations, updated in December 2017, 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 environmental matters and/or corporate social responsibility, which 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 functioning 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 the Appointments and Remuneration Committee and the Control and Risks Committee, must be chosen avoiding both 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 meetings of the Control and Risks Committee and of the Appointments and Remuneration Committee are attended by the Board of Statutory Auditors Chairperson or another auditor designated by the Chairperson (the other standing statutory auditors are entitled to also attend).

The meetings of each committee can also be attended by the members of the Board of Directors or representatives of the Company departments or, on specific invitation of the respective chairperson, third parties, when their presence can be of assistance for the more effective execution of the committee works.

The meetings of the Control and Risks Committee may 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 opinions on matters 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 opinions on matters of their competence. The Human Resources department manager and the Human Capital Development department manager are usually invited to attend, whereas the director or manager whose position the Committee is examining may not attend.

The meetings of the Ethics and Sustainability Committee may be attended by the Board of Directors' Chairperson, the Chairperson of the Board of Statutory Auditors and the other standing auditors and, on invitation of the Committee Chairperson, also other members of the Board of Directors.

The Board of Directors has also instituted a Transactions with Related Parties (TRP) Committee, to perform the role requested by the Consob Related Parties Regulations and as contemplated by the "Transactions with Related Parties Procedure" adopted by the Company and briefly illustrated in paragraph II of this Report.

The TRP Committee is composed of at least three Independent Directors who are all vested with duties and powers to make inquiries, to submit proposals and to offer advice for assessing and deciding on transactions with Related Parties, whether of minor or major relevance.

7. APPOINTMENTS AND REMUNERATION COMMITTEE

On 31 December 2018, the Appointments and Remuneration Committee was formed, composed of four independent non-executive directors, namely: Liliana Godino

(Chairperson), Massimiliano Capece Minutolo del Sasso, Gabriella Chiellino and Giovanni Giani.

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

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

The Chairperson of the Board of Statutory Auditors or another statutory auditor designated by the latter participates in the Committee works; however, the other standing auditors, the Managing Director and the Board of Directors' Chairperson can also participate and, on invitation of the Committee Chairperson, other members of the Board of Directors or of the Company's structure, to give information and to express opinions of their competence on the single items on the agenda.

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

The Appointments and Remuneration Committee, within the sphere of its assigned duties, offers proposals and advice, with the specific purpose of assisting the Board of Directors in assessments and in decisions regarding matters of its competence and the remuneration policies relative to the Managing Director, directors with special duties and key managers.

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 and variable parts of their remuneration must be adequately balanced according to the strategic targets and the risk management policy;
2. it periodically assesses the adequacy, overall suitability and concrete application of the remuneration policy relative 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 the office of director, taking into account any reports that may have been received from shareholders in the case of co-optation when independent directors must be replaced;
4. it presents proposals to the Board of Directors on the fees of the executive directors and of the other directors with special duties, and on the performance targets linked to the variable part of said fees;

5. it submits to the Board of Directors opinions on the remuneration policies for key managers;
6. it monitors the application of the decisions adopted by the Board, checking, in particular, on the effective achievement of the performance targets;
7. it submits the remuneration proposals to the Board, in accordance with Art. 123-ter of the CFA, which the directors must present to the annual Shareholders' Meeting;
8. it drafts opinions for the Board of Directors on the size and composition of said board 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 on the Board's committees, and the existence and importance of any activities performed by each director in competition with the Company;
9. it expresses non-binding opinions in advance on the figures to be qualified as having strategic responsibilities, and on those that may possibly be included within the scope of the Long Term Incentive Plan ("LTIP");
10. in order to express non-binding opinions in advance, it acquires the findings of inquiries carried out relative to the choice of key managers and relative to the designation of directors and statutory auditors in the more important companies.

The directors may not attend Committee meetings when the Committee discusses proposals to be submitted to the Board of Directors relating to the directors' 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 2018, with regard to remuneration the Committee, among other things:

- examined and expressed a positive opinion on the proposal to bring forward to 31 December 2017 the long-term variable incentive system for the period 2016-2018. To this regard the Committee also examined the definition of a new long-term variable incentive system for the period 2018-2020, its specific terms and, in particular, the relative performance indicators and their weight;

- examined the number of subjects that benefit from the long-term variable incentive system of the economic type, i.e. the “LTIP”;
- submitted to the Board of Directors for its approval the remuneration report drawn up in accordance with Art. 123-ter of Lgs. Decree No. 58 of 24 February 1998 and, in particular, the section on the policy for the remuneration of directors and key managers for the financial period 2018;
- acknowledged that the economic-financial targets had been reached and authorised the payment of the incentives of the short-term variable incentive plan, known as “2017 MBO” (management by objectives);
- submitted a proposal to the Board of Directors relative to the performance targets linked to the short-term variable incentive plan “MBO 2018”.

With regard to competence on appointments and opinions relative to the identification of the figures to be qualified as key managers:

- it examined the proposals to be submitted to the Board of Directors, and expressed its opinion on the candidates designated as prospective members of the boards of directors and the boards of the Statutory Auditors of the more important companies of the Group;
- it examined the professional profiles identified to cover the role of manager of the industrial areas “Energy Infrastructures” and “Commercial and Trading”, recognised as key managers, and the relative salaries;
- it expressed a favourable opinion on the “Guidelines for the Composition of the Boards of Directors, the Boards of Statutory Auditors and the Supervisory Boards of the Subsidiaries of the Acea Group”, submitted to the Board of Directors for approval-

In 2019, at the date of this Report, the Committee has held 3 meetings, with an average duration of approximately 1 hour 50 minutes each.

The Board of Directors has confirmed the allocation of an annual budget for 2019 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 remuneration policy for directors and key managers (“Remuneration Policy”), defined by the Board of Directors, is detailed in the document “Remuneration Report”, approved by the Board of Directors at the meeting of 06/03/2019, pursuant to Art. 123-ter of the CFA, to

which we invite you to refer for further information. Said document will also be available at the Internet site <https://www.gruppo.acea.it/it> and subjected to the approval of the Shareholders' meeting which will be held in April 2019 to approve the 2018 financial statements.

At the Shareholders' Meeting of 27 April 2017, the all-inclusive fixed gross annual fee for the Board of Directors was confirmed, as indicated in the minutes of the Shareholders' Meeting of 5 June 2014. With a resolution of 28 April 2016, the Shareholders' Meeting, as contemplated by Art. 2389, par. 3, C.C., delegated the Board of Directors to determine the fees of directors with special duties, recalling the economic conditions applied by listed companies of similar size and sector (see *Remuneration Report 2019 – Financial Period 2018, 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 conferred 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.
- as of 2015, in line with a growing request relative to transparency, in accordance with 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 with 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 presented for achieving the targets or if the results achieved have involved behaviour contrary to corporate or legal provisions.

Remuneration of Executive Directors and Key Managers

Details of the remuneration of the Chairperson, the Managing Director and key managers can be found in the Remuneration Report 2019, Financial Period 2018 - Section II, pursuant to Art. 123-ter of the CFA.

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

The incentive mechanisms for the Internal Audit Department Manager and the Financial Reporting Manager 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 termination of office subsequent to a takeover (Art. 123 bis, paragraph 1, letter i, CFA)

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

9. 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 relative to the Internal Control and Risks Management System, as well as for the approval of the periodic financial reports and of disclosures of a non-financial nature.

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.

The Committee may request the Internal 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 expresses opinions to the Board of Directors regarding:

1. the definition of the guidelines of the Internal Control and Risk Management System, to ensure that the main risks to which Acea and its subsidiaries are exposed - including the various risks that can become relevant for medium-long term sustainability - are correctly identified and adequately assessed, managed and monitored;
2. the determination of the degree of compatibility of the main risks with a management consistent with the strategic objectives identified;
3. the assessment, at least every six months, of the adequacy of the internal control and risk management system in respect of the Company's characteristics and the risk profile assumed, as well as the effectiveness of said system;
4. the approval at least once a year, of the work plan drawn up by the Internal Audit Department manager;
5. the description, in the annual corporate governance report, of the main features of the internal control and risk management system and the methods for coordination between the various subjects involved, expressing its opinion on the overall adequacy of the same;
6. the assessment, after consulting the Board of Statutory Auditors, of the results illustrated by the certifying auditor, in a possible letter of suggestions or in its report, of fundamental issues that have come to light during the certified audit of the accounts;
7. proposals of the Director of the internal control and risks system, 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 Internal 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. Said opinion will be binding.

The Committee also assists the Board of Directors by:

- the assessment, in concert with the Financial Reporting Manager and after consultation with the certifying auditor and the Board of Statutory Auditors, of the

correct use of the accounting principles and their uniformity, for the purposes of drafting the consolidated financial statements;

- the assessment, in concert with the Acea department of competence and after consulting the certifying auditor and the Board of Statutory Auditors, of the correct use of the reporting standards adopted for drafting non-financial disclosures in accordance with Lgs. Decree 254/2016;
- after an adequate inquiry, supporting the Board of Directors in its assessments and decisions regarding the management of risks deriving from prejudicial facts of which the Board of Directors has gained knowledge;
- expressing opinions to the Board of Directors on specific aspects relative to the identification of the Company's main risks;
- the examination of the periodic reports on the assessment of the Internal Control and Risk Management System, and the assessments of particular importance drawn up by the Internal Audit Department;
- monitoring the autonomy, adequacy, effectiveness and efficiency of the Internal Audit Department;
- expressing possible requests addressed to the Audit Department for verifications on specific operational areas, simultaneously informing the Chairperson of the Board of Statutory Auditors, the Board of Directors' Chairperson and the Internal Control and Risks Management Director, unless the verifications specifically concern the activity of said subjects.

At least once every six months, on the occasion of the annual and six-monthly financial reports, the Committee reports to the Board of Directors on the activity performed and on the adequacy of the Internal Control and Risk Management System and, at least once a year, it performs a self-assessment of its own dimension, composition, functioning and independence in consideration of its assigned duties.

At 31 December 2018, the Committee comprises four directors, namely: Liliana Godino (Chairperson), Michaela Castelli, Massimiliano Capece Minutolo Del Sasso and Giovanni Giani.

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

In 2018, the Committee held 13 meetings of an average duration of approximately 1 hour 50 minutes each, which were attended by all the members and by the Chairperson of the Board of Statutory Auditors or another statutory auditor. Of these meetings, 4 were held jointly with the Board of Statutory Auditors.

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

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

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

- carrying out the necessary enquiries, it assisted 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 Manager 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 Internal Audit Departments' activity, subsequently presenting it to the Board of Directors for the relative approval;
- it examined the Internal 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 Internal 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.;
- it expressed a favourable opinion on the appointment of Simone Bontempo as the new manager of the Internal Audit department.

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

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

The Board of Directors has confirmed the allocation of an annual budget for 2019 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. ETHICS AND SUSTAINABILITY COMMITTEE

The Ethics and Sustainability Committee is a collegial body with autonomous powers of action and control, delegated to assist the Board of Directors by offering proposals and opinions within the sphere of corporate ethics and ESG (environmental, social and governance) matters.

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

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

The director Gabriella Chiellino has adequate experience in environmental matters and/or corporate social responsibility, assessed by the Board of Directors the moment of her appointment.

The Committee has the task of assisting the Board of Directors with inquiries, proposals and opinions, in assessments and decisions relative to ethics and sustainability.

To fulfil its duties, it performs the following tasks:

- a) it promotes the inclusion of sustainability in strategies and in the Company's mentality, favouring the adoption of said mentality among employees, shareholders, users, customers, the territory and, in general, all the stakeholders;
- b) it supervises matters of sustainability, also in relation to the scope of the reporting required by Lgs. Decree 254/2016, linked to the practice of the corporate activities and to the dynamics of the interaction between the latter and all the stakeholders, examining the main rules and company procedures that have relevance for the same;
- c) it examines the guidelines of the sustainability plan and the implementation methods of the same;
- d) it monitors the implementation of the sustainability plan approved by the Board of Directors;
- e) it examines the Company's no-profit strategies;
- f) for the matters of its competence, it monitors the adequacy of the Code of Ethics and its effective implementation;
- g) when requested by the Board of Directors, it expresses opinions on other matters regarding sustainability;
- h) it reports to the Board of Directors on its activities at least six-monthly, within and no later than the term for the approval of the annual and six-monthly financial reports;

- i) it maintains relations with the Company structures and bodies that are involved in any way in matters of ethics and sustainability.

With the Code of Ethics, which Acea adopted as long ago as 2001, amended to its current version in 2018, Acea confirms and defines the values, principles and behavioural standards that inspire its actions and those of the stakeholders.

More specifically, the Code declares the general ethical principles which must be respected in all Company practices, specifying the behavioural criteria for each category of stakeholders and defining the mechanisms for the implementation of the principles and to guide and discipline the conduct of the persons that operate in the Company's interests.

The Code of Ethics is a fundamental element in the context of Acea's control environment, which fosters knowledge of the same among the personnel, both when they are hired and in cyclical training activities which are also carried out in e-learning mode. Adherence to the Code is explicitly requested of employees, suppliers and all subjects that contribute to the Company's activity (consultants, collaborators, etc.).

The subsidiaries, by resolutions of their own boards of directors, implement the Code of Ethics which is an integral part of their organisation and management models adopted in compliance with Lgs. Decree 231/2001.

The tools that Acea has adopted for the implementation of the Code include a procedure for the management of reports of presumed breach of the principles of the Code and of the Organisational and Management Model (whistle-blowing), which procedure protects and assures the confidentiality of those who report in good faith.

Acea, in conforming to the principles expressed in the Code of Ethics, has also promoted a mentality of equal opportunities and of the management and appreciation of diversity, by the adoption of a Diversity Management Charter, updated by a Board resolution of 13 December 2018. At the same meeting the Board, moving forward in respect of the Diversity Committee, resolved that, for their high ethical and moral value and relevant importance, the activities relative to equal opportunities and for favouring the appreciation of diversity, should be included among those of the Ethics and Sustainability Committee, and it consequently delegated the Chairperson to provide for the necessary amendments to the regulations of the Ethics and Sustainability Committee to also include the tasks of the defunct Diversity Committee.

Within the sphere of the Human Assets Development department, the tasks entrusted to the People's Involvement unit include that of defining, in concert and with the support of the business units and the diverse figures involved, the guidelines and policies for People's Care and for Diversity & Inclusion Management, and that of developing initiatives aimed at the appreciation of differences and of the unique contribution of each employee.

In 2018 the Ethics and Sustainability Committee, in addition to monitoring the effective implementation of the Code of Ethics, in order to favour the practical application of the principles of sustainable development laid down in the Code of Ethics, also organised several meetings aimed at fostering the widespread knowledge of the new version of the Code of Ethics, focussing on matters linked to sustainability in the managerial mentality and their implementation in decision-making and strategic processes.

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

During the financial period, the Ethics and Sustainability Committee held 11 meetings, with an average duration of 1 hour 50 minutes, regularly attended by all its members.

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

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

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Acea's Internal Control and Risk Management System, an essential element of the Group's Corporate Governance system, is based on a series of organic rules, policies, procedures and organisational structures aimed at allowing for identifying, measuring, managing and monitoring the main risks, in order to detect any potential events that could influence the achievement of the Company's objectives and to mitigate such risks to 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”, updated in February 2018, which has the purpose of:

- ✓ providing guidelines for the various ICRMS actors, to ensure that the main risks of the Acea Group are correctly identified, and also adequately assessed, managed and monitored;
- ✓ identifying the principles and responsibilities for the governance, management and monitoring of the risks connected to the Company's activities;
- ✓ planning control activities at every operating level and clearly indicating tasks and responsibilities, in order to avoid the possible duplication activities and to ensure coordination between the main subjects involved in the ICRMS.

Acea, in accordance with the principles set out in the ICRMS guidelines, in pursuit of the aim of continuous improvement in risk control and monitoring activities, has introduced and

integrated into the organisation second level safeguards against specific risks and it has defined the standard content of the periodic information flows produced by such structures, addressed to the ICRIMS Manager. Said information flows are also received by the Internal Audit department manager, to allow the latter to draw up the periodic report to the governance and control bodies containing information on the risk management methods and on respect for the risk mitigation plans.

OVERALL INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Introduction

The planning, implementation and periodic assessment of Acea's Internal Control and Risk Management System are 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 involve subjects with diverse roles within the Company (governance and control bodies, Company departments, the management, employees and the Post Audit Committee).

For a description of the roles and duties of said bodies, we invite you to refer to the specific paragraphs of this Report (Board of Directors, Internal Committees, the Managing Director, the Audit Department Manager, the Risk and Compliance department, the Financial Reporting Manager and the Supervisory Board).

The Group's management is responsible for defining, implementing and maintaining an effective risk management process with the capacity to put into practice the relative 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 to increase the skills and the professional standards necessary to effectively perform the controls, as defined in the Internal Control System.

The Post Audit Committee, instituted in June 2018, chaired by the ICRMS Manager, has the task of analysing the corrective action identified downstream of the internal auditing activity and of monitoring the relative timing of the execution.

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 implemented in Acea includes activities for risk identification, assessment, management and monitoring.

The Company uses a structured model based on the COSO framework of reference “*Enterprise Risk Management – Integrating with Strategy and Performance*” of June 2017, which has the aim of supporting the management in detecting the main risks that can prejudice the pursuit of the strategic and business targets of the Acea Group, in identifying the action priorities and in the adoption of mitigation policies to bring the residual risk to a level deemed acceptable by the top management. For certain types of risks, specific second level organisational structures have been identified and, if necessary, control and monitoring models have been adopted which provide specific indicators and risk limits (e.g. PAR and VAR).

Responsibility for the controls is divided into three complementary levels:

- 1) first level controls, aimed at ensuring correct performance of Company processes, in order to prevent the risks by means of suitable mitigation actions. Responsibility for their execution is entrusted to the line structures;
- 2) second level controls, aimed at ascertaining that the controls defined for Company operations are effective and implemented, by means of continuous monitoring aimed at guaranteeing that the risk mitigation actions are adequately identified and put into practice within the organisation by the subjects responsible for said implementation;
- 3) third level controls, entrusted to the Internal Audit Department, comprising independent verifications of the design and functioning of the overall internal control system, and monitoring the execution of the improvement plans defined by the management.

The activities of the Internal Audit department are disciplined by the Board of Directors by means of the Audit Charter which defines the purpose, sphere of competence, authority, and responsibility, and which lays down other pertinent provisions.

In particular, the Internal Audit department manager is responsible for verifying that the Internal Control System is always adequate, fully operational and functioning. He/she hierarchically reports to the Board of Director, he/she is not responsible for any operational activities and he/she is granted direct access to all information useful for the performance of his/her duties. He/she reports on his/her 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 Internal Audit department operates on the basis of an audit plan, developed according to a structured process which

provides for the analysis and the definition of the priorities of the main risks, taking into account the findings of the monitoring carried out by the Company departments responsible for the second level controls as well as any proposals received from the Acea departments/administration/industrial areas and also any requests on the part of the Control and Risks Committee, the Board of Statutory Auditors and the Supervisory Board. The audit plan is approved annually by the Board of Directors after receiving the favourable opinion of the Control and Risks Committee after consultation with the Board of Statutory Auditors and the director responsible for the ICRMS.

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 said system, including, in particular, the following aspects:

- the definition of the ethical values and of the behavioural criteria, by which the conduct 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 boards of directors of Acea and of its subsidiaries and disclosed inside and outside the Company;
- the roles and responsibilities, and the relations between Company departments, are clearly defined within the adopted organisational structure, and the powers of signature and the internal delegations are consistent with the hierarchical level, the organisational unit concerned and the assigned targets.

For this purpose, the organisational charts and the other organisational provisions, the Organisational and Management Model contemplated by Legislative Decree 231/2001, the Company procedures and the system of delegations and powers are formalised, circulated and disclosed.

The Company's second level control departments relative to specific types of risks

The director responsible for the ICRMS has identified certain Company departments which, although not exclusively dedicated to the task, assist said director in identifying, assessing and monitoring specific types of risks linked to the Group's operations. These centralised controls represent the method which allows for an overall view of the risks and of the relative control systems among the diverse processes within the Group.

The corporate structures and the relative risks contrasted by guidelines and/or monitoring are briefly summed up below.

Compliance: antitrust conformity, consumers' code and Lgs. Decree 231/01;

Data Protection Officer: privacy conformity;

Environmental protection: risks of damage to physical assets and to operating continuity, including theft and fraud;

Insurance Management: insurable business risks;

Enterprise Risk Management: business execution risks;

Integrated certification systems: operational risks and conformity risks relative to quality, environment and energy;

Cyber risk: security of data and of ICT infrastructures;

ICFR: financial reporting risks;

Interest rate: risks of changes in the interest rate;

Commodity: commodity risks in power and gas trading;

Corporate credit: credit risk relative to prospective customers and current/former customers;

Safety & Security: risks to health and safety in the workplace, as per Lgs. Decree 81/2008.

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), 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 for adaptation to the needs expressed by Law 262/2005 regarding the planning of an effective internal control system relative to Financial Reporting (“**ICFR**”) for the entire Group, subject to constant improvement and adaptation to the Company's evolution and which can allow the Acea Financial Reporting Manager 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 fundamental information 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 for the closing of the consolidated financial statements, the administrative and accounting procedures and the specific operational 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 Manager'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”¹;*
- *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”²;*
- 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”³.

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

¹ *The Financial Reporting Manager*

² *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 Manager*

³ Guidelines for the performance of the Financial Reporting Manager's activities pursuant to Art. 154-bis of the CFA

and its major consolidated companies for the purposes of Financial Reporting (“relevant companies”), disciplining the main steps and responsibilities.

a) Steps

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

The scope of the analysis is initially determined by the weight of each relevant company of the Group on the consolidated financial statements, taking into account the relevance for said statements 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 with reference to 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 assertions: 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 “inherent level” without 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 defined 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 aim of controlling and of effectively mitigating 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 aim of preventing the risk of error on the financial statements. The assessment is carried out taking into account the objective 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, it is then necessary to assess their execution ("implemented/not implemented" control).

The execution of the controls, ascertained by the Business Lines, is corroborated by the execution of independent monitoring carried out through a periodic testing plan of the FRM. 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 the main controls identified in the procedure have all been covered.

The FRM 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 the responsibilities for the execution of the corrective action. The remedial plan is submitted to the FRM 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 FRM 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, which has the aim of ensuring 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 the updating of 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 governing boards 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 FRM and to the governing boards. For this purpose, the financial reporting introduced within the Acea Group is based on a “chain” system of certifications which has the aim of: adequate internal formalisation of the responsibilities for the adequacy and effective application of the administrative and accounting procedures; monitoring the corrective action plan, when necessary; and 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 and which can influence the adequacy of the ICFR.

The assessment process of the FRM 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 methods for updating the administrative and accounting procedures.

The Model identifies the main actors of the financial reporting process, in addition to the FRM 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 relevant companies is the subject of each company of the Group, responsible for all the activities necessary to allow the Acea FRM 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 FRM.
- The governing boards of relevant companies are responsible for assessing the design and implementation of the relevant company's controls and of sending the internal certification to the FRM, in the defined format, together with the corrective action plan suitably endorsed, also communicating any changes/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 in and outside the Group, Acea has introduced a virtuous information exchange process, to and from the FRM, structured and modulated to foster as broad an overall view as possible of the Internal Control System on the part of said bodies.

11.1 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 control system (“**Appointed Director**”), and has mandated the same to implement the Guidelines of the Internal Control and Risk Management System.

In 2018, the Managing Director, also taking avail of the assistance of the ERM unit of the Risk & Compliance department and of the information received from the second level specialistic risk controls, identified 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 constantly checking on its overall adequacy, effectiveness and efficiency. He has also provided for the adaptation of the System to the dynamics of the operating conditions and the legislative and regulatory context.

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

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

11.2 INTERNAL AUDIT DEPARTMENT MANAGER

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

We also report that at the meeting of 22 January 2019 the Board of Directors, on a proposal of the Appointed Director, acknowledged the favourable opinion expressed by the Control and Risks Board and, after consultation with the Board of Statutory Auditors, resolved to appoint Simone Bontempo as the new manager of the Internal Audit department as of 1 February 2019.

The Guidelines of the Internal Control and Risk Management System approved by the Board of Directors define the Internal Audit department's mission and activities, according to which said department has a central role in the coordination of the ICRMS. The Internal Audit department manager is mandated to check on the functioning and adequacy of the ICRMS, by verifications, both continuously and in relation to specific needs, and on the operations and suitability of said Control System, with the support of the Managing Director in the activities of identifying and establishing the priorities of the major risks to which Acea and its subsidiaries are exposed. The Internal Audit department is also mandated to provide for the general review of the risk analysis process carried out by the second level control structures which safeguard against certain types of risks, and for the coordination of the information flows from said structures (see Chapter 11 “*Internal Control and Risk Management System*”).

At its meeting of 12 April 2018, the Board of Directors approved the Internal Audit 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 Internal Audit department manager, who has direct access to all useful information for the performance of the mandate, has no responsibility for operational areas, nor is he/she hierarchically subordinate to the managers of the operational areas, but reports directly to the Board of Directors.

During the period the Internal Audit department, in the performance of its assigned duties:

- a) in accordance with the international standards for professional internal auditing, verified, both continuously and in relation to specific needs, the operations and the suitability of the Control System, by means of an Internal Audit department action plan approved by the Board of Directors;
- b) carried out audits at the request of the chairperson of the Board of Directors in addition to those contemplated by the approved plan;
- c) drew up a report on conclusion of each audit and requested the competent departments/companies to draw up plans for overcoming the problems brought to light, subsequently monitoring the implementation and reporting on the results to the Control and Risks Committee and to the Post Audit Committee;
- d) by drafting specific reports, constantly informed the Board of Directors' chairperson, the Managing Director and the Control and Risks Committee of the activities performed and the relative results, subsequent to the legal vicissitudes that involved the former Chairperson Mr Lanzalone, and drew up reports on events of particular importance at the request of the Board of Directors' chairperson and of the Board of Statutory Auditors;
- e) within the sphere of the Audit Plan, verified the reliability of the information systems, including the financial reports;
- f) assisted the Supervisory Boards of Acea and of the subsidiaries in the verifications pursuant to Lgs. Decree 231/2001;
- g) participated in the planning of the Company's training and informative activities relative to internal control;
- h) monitored the initiatives for overcoming the anomalies found in operations and in the functioning of the controls, also by follow-up activities;
- i) acquired and processed, with the methods defined in the whistle-blowing procedure, the reports received of presumed breaches of law, of the internal regulations and of the Code of Ethics;
- j) drew up its final report in which it expressed an overall opinion on the suitability of the Control System, transmitting the same to the Board of Directors' chairperson, the

Controls and Risks Committee, the Board of Statutory Auditors and the Appointed Director.

11.3 RISK AND COMPLIANCE DEPARTMENT

The Board of Directors, after integrating the macro-structure of the Risk & Compliance department at the end of 2017, continued in 2018 to reinforce this fundamental safeguard for the governance and management of the SCIGR.

In particular, the department has been assigned the following mission:

- to guarantee the monitoring of the insurance risk to which the Company' activity is subject in order to identify and acquire the most suitable insurance coverage and to seek the most advantages conditions for the Group, also guaranteeing the management of active and passive claims;
- to identify, describe and measure the main risk factors that can compromise the achievement of the Group's strategic aims, assisting the management in defining the action plans to bring the risk to a level deemed acceptable and monitoring the implementation, guaranteeing respect for the decisions taken by the governance bodies relative to the risk policies and the management of the same;
- to coordinate and develop issues relative to social and environmental sustainability, supporting the Group companies in planning the actions necessary to reach the objectives and drafting the annual Sustainability Balance Sheet to report the effects achieved;
- to play a preventive and pro-active role in the prior assessment of the risks of the non-conformity of the Company's activities in respect of the applicable provisions (antitrust, Lgs. Decree 231/2001, environment, etc.), examining the effectiveness of the processes to prevent breach of the provisions and rules (internal and external) and, in the case of misalignment, suggesting the most suitable solutions;
- to assess the most suitable measures for incorporating the requirements of compliance with the privacy laws into company processes, developing proposals and actions for the amendment and updating of policies, procedures and security measures, and verifying the effective and efficient implementation of the risk governance policies relative to personal data processing;
- to guarantee the definition, implementation and control of the implementation of the quality, environment, security and energy policies in order to ensure that the processes concerned obtain and maintain the QASE certifications;

- to guarantee the definition, implementation and control of the policies for the physical protection of the assets of the Acea company and of the companies of the Group (physical company structures).

11.4 ORGANISATIONAL MODEL as per LGS. DECREE 231/2001

Acea has adopted the Organisational, Management and Control Model in accordance with Lgs. Decree 231/2001 in order to comply with the provisions of law, ensuring that the Company conforms to the principles underlying Lgs. Decree 231/2001 (the “**Decree**”), the Self-Regulatory Code and the recommendations of the supervisory and control authorities, in order to reinforce the control system and the Corporate Governance system, especially for the prevention of the predicate offences referred to by the Decree.

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

- 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;
- 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, to the self-regulating provisions, to the indications of the supervisory and control authorities and to the internal provisions;
- the circulation, personal acquisition and concrete affirmation of a mentality of control, which must govern the achievement of targets.
- the implementation of a structured system of procedures and controls to reduce the risk of the offences punished by the Decree, and unlawful deeds in general, from being committed.

In relation to the diverse types of offence contemplated by Legislative Decree 231/01 and the relative sensitive activities, the OMM identifies the Company's processes that are functional and instrumental to activities involving risk 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.

After the first approval in May 2004 by Acea and its subsidiaries, the OMM has been continuously updated subsequent to the introduction of new predicate offences in the list of those contemplated by the Decree, the evolution of case law and legal theory and changes in the corporate organisation.

With Board of Directors' resolution of 15 December 2017, downstream of a revision and updating as described in the Introduction of this report, the current Acea OMM was adopted.

The supervisory body, instituted pursuant to Lgs. Decree 231/2001, has full and autonomous powers of initiative, action and control regarding the correct functioning, effectiveness and

observation of the OMM, 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 OMM, 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 OMM, ascertained or subject to pending investigations, that could lead to liability bearing on the Company.

With regard to the composition of the SB, the OMM approved by the Board of Directors provides for the constitution of a collegial body appointed by the Board of Directors, with two external members with expertise in internal control and corporate criminal liability, and an internal member, namely the Internal Audit department manager.

The Acea Board of Directors has appointed the SB for the term from 1 January 2018 to 31 December 2020.

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 the Decree

11.5 THE CERTIFYING AUDITING FIRM

Pursuant to Art. 22 bis of the Articles of Association in force, the certified audit of the accounts is carried out by a mandated auditing firm which operates in compliance with law and with the regulations dictated for issuer 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 2016, held on 27 April 2017, in compliance with the provisions of law in force, mandated *PricewaterhouseCoopers SpA.*, pursuant to a Board of Directors' proposal and a recommendation of the Board of Statutory Auditors, to draw up the Company's financial statements and the consolidated financial statements for a term of nine financial periods, from 2017 to 2025, i.e. until the approval of the financial statements of the last financial period of the mandate, also determining the 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.

11.6 FINANCIAL REPORTING MANAGER AND OTHER COMPANY ROLES

11.6.1 The Company's Financial Reporting Manager

Acea has provided for the appointment of a Financial Reporting Manager, a role introduced by Law 262/05, with an amendment to the Articles of Association of 13 November 2006 which requires said figure to be appointed by the Board of Directors.

In the meeting of 3 August 2017, the Company's Board of Directors resolved to appoint – as of 1 September 2017 – Giuseppe Gola as the Acea Financial Reporting Manager as contemplated by Art. 154-bis of Lgs. Decree No. 58/1998, who also assumed the office of Finance and Control Administration Director of Acea SpA.

The FRM, as required by the Articles of Association, has several years' experience in the exercise of managerial duties of administration and control in joint stock companies of important dimensions, and he is responsible for instituting and maintaining the internal control system as regards financial disclosures and for issuing specific certification according to the Consob model, together with the Managing Director.

In particular, in accordance with the regulations approved by the Board of Directors on 20 February 2008, the FRM has 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 Control and Risks Committee, (a) the adequacy of the accounting principles adopted, and (b) their standardisation for the purpose of drafting the consolidated financial statements.

The FRM, together with the Managing Director, has issued the certification in compliance with Art. 154 bis of the CFA without remarking any aspects worthy of note.

11.6.2. Post Audit Committee

The Post Audit Committee was instituted in January 2018, and is chaired by the appointed director; its purpose is to analyse the corrective actions identified by the management downstream of the internal auditing activity and to monitor the timing of the relative execution.

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

To allow the various subjects involved in the ICRMS to adequately fulfil their roles within said system, specific information flows between the various control levels and the competent management and control bodies have been defined, opportunely coordinated in terms of content and timing.

The Guidelines of the Acea Internal Control and Risk Management System contemplate a series of activities for coordination between the various subjects involved in the System, in order to ensure continuous monitoring of the adequacy and functioning of the same, and to facilitate the efficient exchange of information. Said activities, put briefly, comprise:

- periodic coordination meetings regarding, in particular, the processing of the financial information and the assessment, monitoring and mitigation of the risks (economic-financial, operational and compliance risks);
- information flows between the subjects involved in the control system;
- coordination meetings and joint meetings with the Board of Statutory Auditors, the Control and Risks Committee, the external Auditing Firm, the Financial Reporting Manager and the Internal Audit Department Manager;
- structured information flows on the part of the subjects responsible for the second level controls, to the top management, the Internal Audit department, the Risk & Compliance department and the control bodies;
- communication flows between the Internal Audit department and the Risk & Compliance department to support the specific activities of their competence. In particular, the Risk & Compliance department informs the Internal Audit department of the main risks for the Company, to allow for the preparation of a proposal of a risk-based audit plan, and it receives the results of the internal auditing activities if they are relevant for the performance of its own duties;
- structured communication 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 Internal Audit department in its activities in the role of the Acea Supervisory Board and to those of the subsidiaries;
- communication flows within each company of the Group, between the Board of Statutory Auditors and the Supervisory Board.

12. INTERESTS OF DIRECTORS 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 C.C. and adopted in accordance with the principles dictated by the Consob regulations on transactions with related parties, in force as of 1 January 2011, was amended by the Board of Directors on 18 December 2013, entering into force on 1 January 2014, and it applies to transactions carried out directly by Acea and its direct and indirect subsidiaries with related parties.

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

- transactions of *Major Relevance*, in which at least one of the indices of relevance, indicated in Annex 3 of the aforesaid Consob regulations, is above the threshold of 5%, which must be approved by the Acea Board of Directors;
- transactions of *minor value* with a counter-value of not more than Euro 200,000.00 (two hundred thousand);
- transactions of *Minor Relevance*, which include all 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 Transactions with Related Parties Committee is composed of three independent directors, namely: Fabrice Rossignol, as the coordinator, Gabriella Chiellino and Massimiliano Capece Minutolo Del Sasso.

The Board of Directors has confirmed the allocation of an annual budget for 2019 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.gruppo.acea.it in the “Corporate Governance” section.

13. 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 alternate auditors, appointed by the Ordinary Shareholders' Meeting for a term of three financial periods, who can also 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, half plus one of the standing auditors to be elected will be taken, rounded down to the nearest whole number in the case of a fractioned number, and one alternate 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 alternate 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 alternate 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.

The lists must be presented twenty-five days before the date scheduled for the next meeting, by single shareholder or jointly with other shareholders that represent the minimum participation in the share capital established by Consob Resolution No. 13 of 24 January 2019.

14. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (Art. 123 bis, par. 2, letter d, 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 financial period 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 received 68.94% of the votes and List No. 2 received 30.89%.

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

- **Enrico Laghi, Chairperson.** Full professor of business economics at "La Sapienza" University of Rome; he is a member of the Institute of Chartered Accountants of Roma 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 and chairperson of the board of statutory auditors of various companies and bodies. He is an advisor on strategic, organisational and financial aspects for several private and public companies. He is a member of the Association of Chartered Accountants of Rome and is 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 auditor for various private companies.
- **Lucia Di Giuseppe, alternate 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, alternate 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 a statutory auditor of listed companies and important national banking groups.

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

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 in office has regularly ascertained that its standing members hold the requisites of independence according to law and Art. 3 of the Code, transmitting the result of the relative inquiries to the Board of Directors.

At the Board of Directors' meetings, the Board of Statutory Auditors receives from the BoD information on the activity performed by said BoD, by directly participating in BoD meetings and by examining 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 sent to the Board Directors' members.

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

The Board of Statutory Auditors, in the performance of its activity, cooperates with the Internal Audit department prevalently by periodic meetings for the illustration of the work plan of the independent monitoring activities and 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, the Board of Statutory Auditors held 23 meetings, with an average duration of 1 hour 50 minutes, regularly attended by the standing auditors, 4 jointly with the Control and Risks Committee.

In 2019, at the date of this Report, the Board of Statutory Auditors has held 2 meetings, with an average duration of approximately 2 hours.

Diversity criteria and policies

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

We mention that the next shareholders' meeting, scheduled for 17 April 2019, will appoint a new Board of Statutory Auditors, the term of office of the current Board having expired. Since this will be the third application of Law 120/2011, in compliance with said law at least one third of the standing auditors must be of the less represented gender. Therefore, the shareholders that intend to present a list of three or more candidates for the new Board of Statutory Auditors, must include on the list a number of candidates of the less represented gender equal to at least one third.

15. RELATIONS WITH THE SHAREHOLDERS

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

Acea's organisational structure includes an Investor Relations department, which hierarchically reports to the Managing Director; the manager of said department 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/presentations with institutional investors and financial analysts.

In 2018 conference calls were made to the financial community, to more than 100 analysts/investors, on the occasion of the approval of the Company's annual and interim results, and road-shows were organised at the main national and international venues (Rome, Milan, London, Paris, Frankfurt, Geneva and Sidney), during which one-to-one meetings took place and presentations were held to large audiences of over 140 equity investors, buy-side analysts and credit investors/analyses. The Company also participated in a Utility Conference organised jointly by Borsa Italiana and leading 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.gruppo.acea.it) within the terms laid down by the laws in force.

16. SHAREHOLDERS' MEETINGS (Art. 123 bis, par. 2, letter c, CFA)

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

At 31.12.2016, 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 indicating 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. 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 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 topics 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 be made to the agenda, indicating in the request the additional topics 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 for 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 nevertheless calculated 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 signed 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 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 established 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 is laid down under point 5 of Art. 6, and specifically 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, that have requisites contemplated by the relative provisions in force, according to terms and methods established by the Board of the activity, directly or by its own delegated subjects, 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 www.gruppo.acea.it) that discipline the ordered functioning of the Shareholders' Meeting.

Article 7.3 of said Regulations disciplines the procedures which guarantee a 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 Chairperson (of the Shareholders' Meeting) from the moment the Meeting is constituted until the Chairperson of the Meeting declares the discussion on the item closed. In giving the floor, the Chairperson 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 programmes, thus ensuring the shareholders correct information 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 on the part of the shareholders at the Meetings.

In the financial year 2018 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.

The shareholders meeting of 2018 was attended by 5 directors.

17. OTHER CORPORATE GOVERNANCE PRACTICES (Art. 123-bis, par. 2, letter a), CFA)

With a Board of Director's resolution of 10 May 2018, the Procurement Review Committee was instituted, the regulations of which were approved on the same date.

The Committee is chaired by the Board of Directors' chairperson and it is composed of the Managing Director, an independent Board director, an external professional with expertise in tender procedures and administrative law, and the Risk and Compliance department manager. In the case of the independent director's absence or impediment, another independent director chosen by the Board will take his/her place.

The Committee remains in office for the same term as the Board of Directors that has appointed it.

On a proposal of the Chairperson, the meetings may be attended by competent company department managers or by other persons deemed useful in respect of the discussion on the items on the agenda.

The Committee's purpose is to make proposals, offer advice and provide for monitoring, relative to procurement matters.

18. CHANGES AFTER THE CLOSURE OF THE PERIOD

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

19. CONSIDERATIONS ON THE LETTER OF 21 DECEMBER 2018 FROM THE CORPORATE GOVERNANCE COMMITTEE CHAIRPERSON

On 21 December 2018, the Corporate Governance Committee chairperson, with regard to the monitoring of the level of implementation of the Code on the part of the issuers, sent a communication which proposed greater adherence to the Code relative to several areas.

The recommendations of the letter were brought to the attention of, *in primis*, the Board of Directors' chairperson, the Managing Director and the chairperson of the Board of Statutory Auditors (to which said letter was addressed) and successively, on 22 January 2019, to the attention of all the other directors and statutory auditors.

From the analyses carried out with the support of its competent departments, it was found that the Company is already substantially in line with said suggestions.

Further details can be found in the specific sections of the Report and, in particular, in sections 4 ("*Board of Directors – Assessment of the functioning of the Board of Directors*"), 4.3 ("*Role of the BoD - Assessment of the functioning of the BoD and of the Committees*"), 4.6 ("*Independent Directors*") and 8 ("*Directors' fees*").

For the Board of Directors
Chairperson

Michaela Castelli

TABLE I: INFORMATION ON THE OWNERSHIP STRUCTURE

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

OTHER FINANCIAL INSTRUMENTS (which attribute the right to underwrite newly issued shares)				
	Listed (indicate the markets) / not listed	No of instruments on issue	Category of shares to serve conversion/exercise	No of shares to serve conversion/exercise
Convertible bonds	-----	-----	_____	_____
Warrants	-----	-----		

RELEVANT STAKES			
From the Consob site at 6 March 2019			
Declarant	% of ordinary share capital		% of voting share capital
ROMA CAPITALE	Roma Capitale	51%	51%
SUEZ SA	Suez SA	10.850%	23.333%
	Suez Italia SpA	12.483%	
CALTAGIRONE FRANCESCO GAETANO	Viapar Srl	0.939%	5.006%
	Fincal SpA	2.677%	
	So.fi.cos. Srl	0.780%	
	Viafin Srl	0.610%	

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

BOARD OF DIRECTORS												Steering Committee		Control and Risks Committee		Appointments and Rem. Committee		Ethics and Sustainability Committee		
Office	Components	Year of birth	Date of first appointment*	In office since	In office until	List (M/m)**	exec.	Non-exec.	Indep. as per Code	Indep. As per CFA	Number of other offices***	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)
Chairperson	Michaela Castelli	1970	27/04/2017	27/04/2017	31/12/2019	M		x			6	12/12	M	6/6	M	12/13			M	
MD	Stefano Antonio Donnarumma	1967	27/04/2017	27/04/2017	31/12/2019	M	x				-----	12/12	M	6/6						
Director	Luca Alfredo Lanzalone	1969	27/04/2017	27/04/2017	31/12/2019	M		x			-----	5/12								
Director	Gabriella Chiellino	1970	27/04/2017	27/04/2017	31/12/2019	M		x	x	x	-----	12/12					M	10/11	P	
Director	Liliana Godino	1962	27/04/2017	27/04/2017	31/12/2019	M		x	x	x	-----	12/12			P	12/13	C	11/11		
Director	Giovanni Giani	1950	coop. board of directors 29/11/2011 Ass. 04/05/2012	27/04/2017	31/12/2019	m		x	x	x	-----	12/12	P	6/6	M	13/13	M	9/11	M	
Director	Alessandro Caltagirone	1969	27/04/2017	27/04/2017	31/12/2019	m		x	x	x	7	9/12								
Director	Massimiliano Capece Minutolo Del Sasso	1968	23/04/2015	27/04/2017	31/12/2019	m		x	x	x	8	12/12	M	6/6	M	13/13	M	11/11		
Director	Fabrice Rossignol	1964	27/04/2017	27/04/2017	31/12/2019	m		x	x	x	-----	12/12								
Number of meetings held in the period 2018: 12				Steering Committee: 6				Control and Risks Committee: 13				Appointments and Remuneration Committee: 11				Ethics and Sustainability Committee: 8				

NOTES

- This symbol indicates the appointed director of the internal control and risks management system.
 - * The date of the first appointment of each director is the date on which the director was appointed as an Acea Board member for the first time (in absolute terms)
 - ** In this column, the list on which each director was included is indicated (“M”: majority list; “m”: minority list).
 - *** In this column, the number of directorships or statutory auditor offices held by the subject concerned in other financial, banking and insurance companies listed on regulated markets, also abroad, is indicated. On the last page of the Corporate Governance Report, the offices are indicated in full.
- (1) In this column, the directors’ participation at the board and committee meetings respectively is indicated.
 - (2) In this column, the director's position within the committee is indicated: “C”: chairperson; “M”: member.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AT 31.12.2018

Board of Statutory Auditors									
Quorum required for the presentation of the lists on the occasion of the last appointment: 1% of the shares with voting rights									
Office	Components	Year of birth	Date of first appointment*	In office since	In office until	List (M/m)**	Independence as per law	*** (%)	Number of other offices ****
Chairperson	Enrico Laghi	1969	2010	28/04/2016	31/12/2018	m	x	15/23	3
Standing auditor	Rosina Cichello	1967	2016	28/04/2016	31/12/2018	M	x	23/23	-----
Standing auditor	Corrado Gatti	1974	2010	28/04/2016	31/12/2018	M	x	21/23	12
Alternate auditor	Lucia Di Giuseppe	1966	2016	28/04/2016	31/12/2018	M	x	N.A.	N.A.
Alternate auditor	Carlo Schiavone	1960	2016	28/04/2016	31/12/2018	m	x	N.A.	17

Number of meetings held in the period 2018: 23

Quorum required for the presentation of the lists for the election of the board of directors (pursuant to Art. 147-ter CFA): 1% of the shares with voting rights

NOTES

- * The date of the first appointment of each auditor is the date on which the auditor was appointed as a member of the board of statutory auditors for the first time (in absolute terms).
- ** In this column, the list on which each auditor was included is indicated (“M”: majority list; “m”: minority list).
- *** In this column, the auditors’ participation at the board of statutory auditors’ meetings is indicated.
- **** In this column, the number of directorships or statutory auditor offices held by the subject concerned is indicated, in compliance with Art. 148-bis CFA and the relative implementation provisions contained in the Consob Issuers’ Regulations. The complete list of the offices is published by Consob on its own website pursuant to Art. 144-quinquiesdecies of the Consob Issuers’ Regulations.

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

Role	Name	Qualification	Other offices*
Chairperson	Michaela Castelli	Executive Director	Recordati SpA La Doria SpA Stefanel SpA NeXi SpA Autogrill Europe SpA Autogrill Italia SpA
Managing Director	Stefano Antonio Donnarumma	Executive Director	-----
Director	Gabriella Chiellino	Independent Director	-----
Director	Luca Alfredo Lanzalone	Director	-----
Director	Liliana Godino	Independent Director	-----
Director	Giovanni Giani	Independent Director	-----
Director	Alessandro Caltagirone	Independent Director	Aalborg Portland Holding A/S Cementir Holding SpA Caltagirone SpA Caltagirone Editore SpA Il Messaggero SpA Vianini Lavori SpA Piemme SpA
Director	Fabrice Rossignol	Independent Director	-----
Director	Massimiliano Capece Minutolo Del Sasso:	Independent Director	Ical 2 SpA Porto Torre SpA Energia SpA G.S. Immobiliare SpA Vianini SpA Immobiliare Caltagirone SpA Fincal SpA Domus Italia SpA

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