



CORPORATE IDENTITY



GROUP PROFILE

ACEA'S HISTORY

Since it was founded in 1909 as Azienda Elettrica Municipale (AEM) in the Municipality of Rome, Acea has represented the company that manages the Capital's essential development infrastructure. Indeed, the availability of an efficient electricity and water service supports the productive and social growth of the city. The definition of corporate public service models that are more efficient and industrially developed, also thanks to the involvement of private partners, has characterised the last decades and phases of development of Acea; from its listing on the Stock Exchange in 1999 to entering into new industrial activities and their consolidation. The most recent years in Acea's history are distinguished as much by the development of **technological innovation and the digitalisation of processes and services**, with the aim of increasing operating efficiency and improving the quality of the services as the renewed vocation for developing **modern network infrastructures**

that are resilient and integrated, as well as able to forecast a wide-spread and sustainable development.

ACTIVITIES AND FUNCTIONS OF THE MAIN GROUP COMPANIES

Acea is one of the **main Italian multi-utilities**, with more than a century of experience in the **management of public services** in the sectors of **energy, integrated water service and environment** (waste to energy and added value services).

The company is the reference operator in the Rome area for energy sectors (production, distribution, including public lighting and sale) and water (complete cycle) and in this last context it is present in several regions of Central Italy as an industrial partner for local companies managing vast areas.

TABLE NO. 6 – THE ACEA GROUP IN FIGURES 2017

STAFF (number, by % consolidation)	5,625
net revenues (million of Euros)	2,797
invested capital (million of Euros)	4,244.7
<i>net financial indebtedment</i>	2,421.5
<i>shareholders' equity</i>	1,811.2
total balance sheet assets (million of Euros)	7,387.6
ELECTRICITY	
generation (GWh) (gross)	837.88
from which from renewable sources (GWh) (gross)	608.43
<i>hydroelectric</i>	380.5
<i>photovoltaic</i>	11.6
<i>waste to energy</i>	194.5
<i>biogas</i>	21.8

ELECTRICITY

network demand (GWh)	10,836
sale (GWh) (free and more protected market)	6,843
electricity and gas customers (number)	1,378,932

WASTE TO ENERGY (WtE)

electricity generation (GWh) (gross)	384.3
waste burnt (t)	445,609
<i>RDF</i>	345,633
<i>pulper</i>	99,970

PUBLIC LIGHTING

bulbs managed in Rome (number)	224,480
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WATER (INTEGRATED WATER SERVICE)

drinking water supplied (Group) (Mm ³)	658
<i>of which (Acea Ato 2, Acea Ato 5 and Gesesa)</i>	383.6
number of tests on drinking water (Group)	1,144,365
<i>of which (Acea Ato 2, Acea Ato 5 and Gesesa)</i>	409,375
wastewater treatment (Group) (Mm ³)	815.4
<i>of which (Acea Ato 2, Acea Ato 5 and Gesesa)</i>	574.7
inhabitants served (Group) (million)	8.9
<i>of which (Acea Ato 2, Acea Ato 5 and Gesesa)</i>	4.6

The specific business areas and territorial reach of the Group companies are essentially shown in chart 2.

CHART NO. 2 – ACTIVITIES CONDUCTED BY ACEA'S KEY COMPANIES THROUGHOUT THE TERRITORY



WATER

Acea Ato 2 manages the integrated water service in Rome and another 111 municipalities in the Province.

Acea Ato 5 is the operator of the service in 86 Municipalities in the province of Frosinone Gesesa operates in the municipality of Benevento and another 11 municipalities in the Province.

Acea Elabori performs laboratory services, research and development and engineering services (design and project management) mainly in water and environmental activities for Acea group companies.



ENVIRONMENT

Acea Ambiente, with plants present in Lazio, Tuscany and Umbria, and active in environmental management (treatment and disposal), in the production of energy from waste in composting.

AQUASER is active in the recovery, treatment and disposal stages for sludge resulting from the depuration phase of the integrated water service.



ENERGY INFRASTRUCTURE

Areti plans, designs and executes the actions of modernising and developing electricity infrastructure (lines AT-MV-LV, cabins, remote control systems and metering) and manages its distribution services in the municipalities of Rome and Formello. In the city of Rome, it manages and develops functional and monumental and artistic public lighting systems as well as cemetery illumination.

ACEA Produzione works in the production of energy and heat with a central complex composed of hydroelectric and thermoelectric plants.

Ecogena designs and constructs cogeneration and trigeneration plants and operates as ESCo (Energy Service Company) pursuing energy efficiency services for internal customers (obligations of increase efficiency under Min. Decree dated 20 July 2014) and external customers, and ensures the protection of technological innovation in terms of energy savings.



COMMERCIAL AND TRADING

Acea Energy manages the sale of electricity and gas on the market (free and more protected).

Acea8cento manages customer care, especially remote contact channels for Acea group operating companies.



THE PROPRIETARY STRUCTURE AND THE BUSINESS MODEL

Acea SpA is listed on the Electronic Stock Exchange organised and managed by Borsa Italiana. Roma Capitale is Acea SpA's majority shareholder, holding 51% of its share capital. At **31/12/2017**, other significant direct or indirect equity interests were held by Suez SA

for over 23% and Caltagirone Francesco Gaetano at approx. 5% (see chart 3).

Of the remaining shares, **about 15%** are owned by **primary institutional investors**, the geographic distribution of which highlights a greater presence of Italian shareholders, followed by those from the USA, Norway and England. The share held by retail investors is equal to about 6% (see chart 4).

CHART NO. 3 – PROPRIETARY STRUCTURE AS AT 31/12/2017

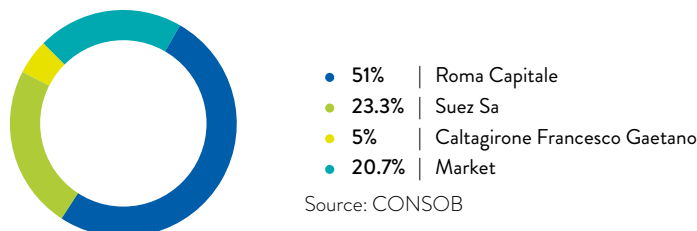
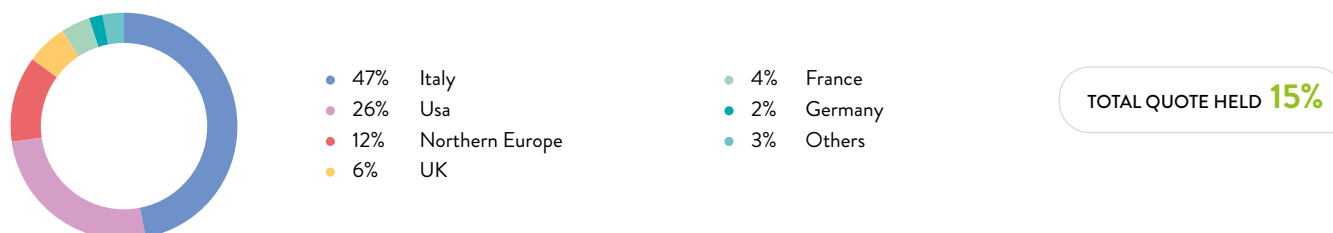
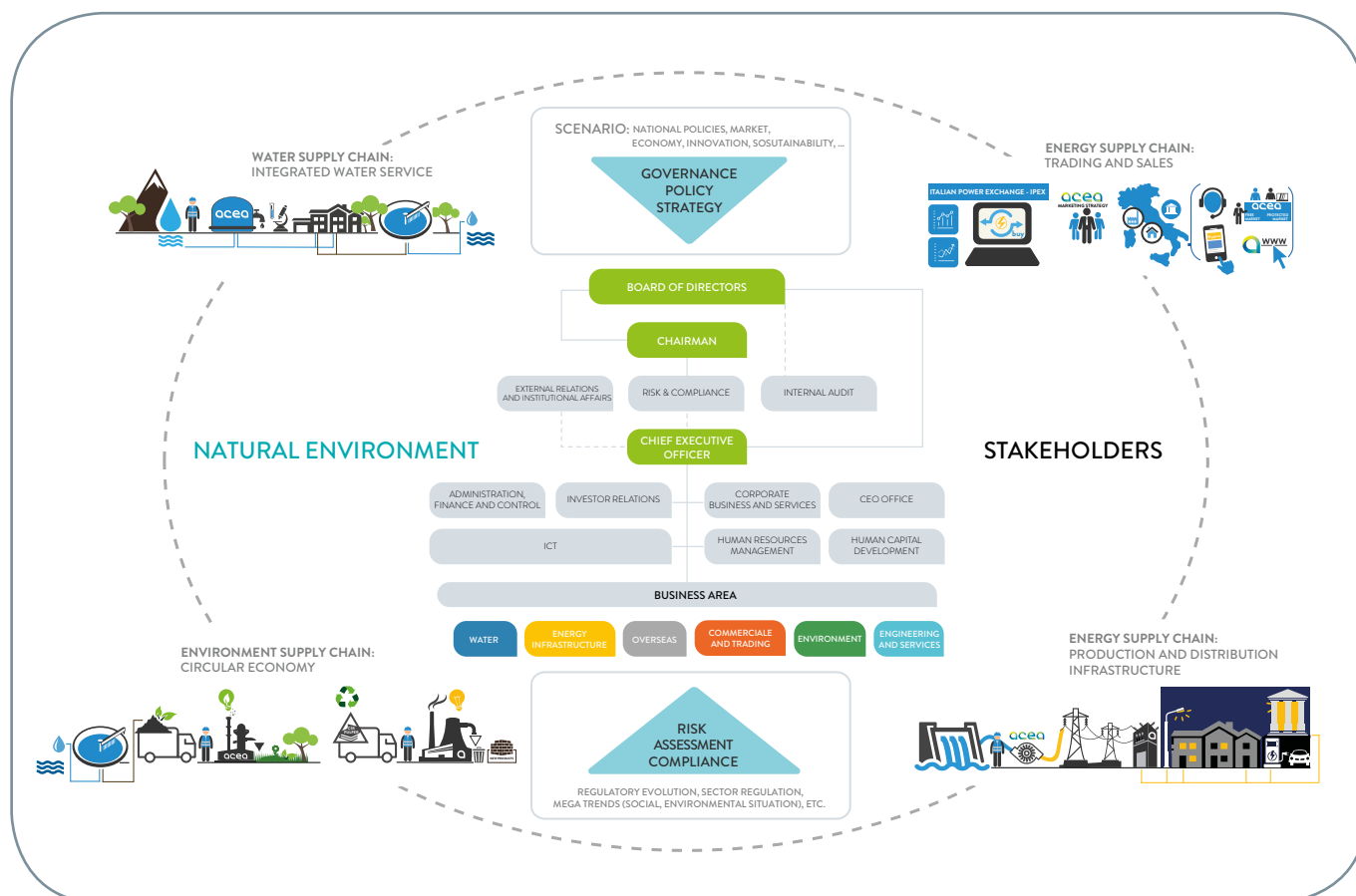


CHART NO. 4 – GEOGRAPHICAL REPRESENTATION OF THE INSTITUTIONAL INVESTORS IN ACEA



THE BUSINESS MODEL

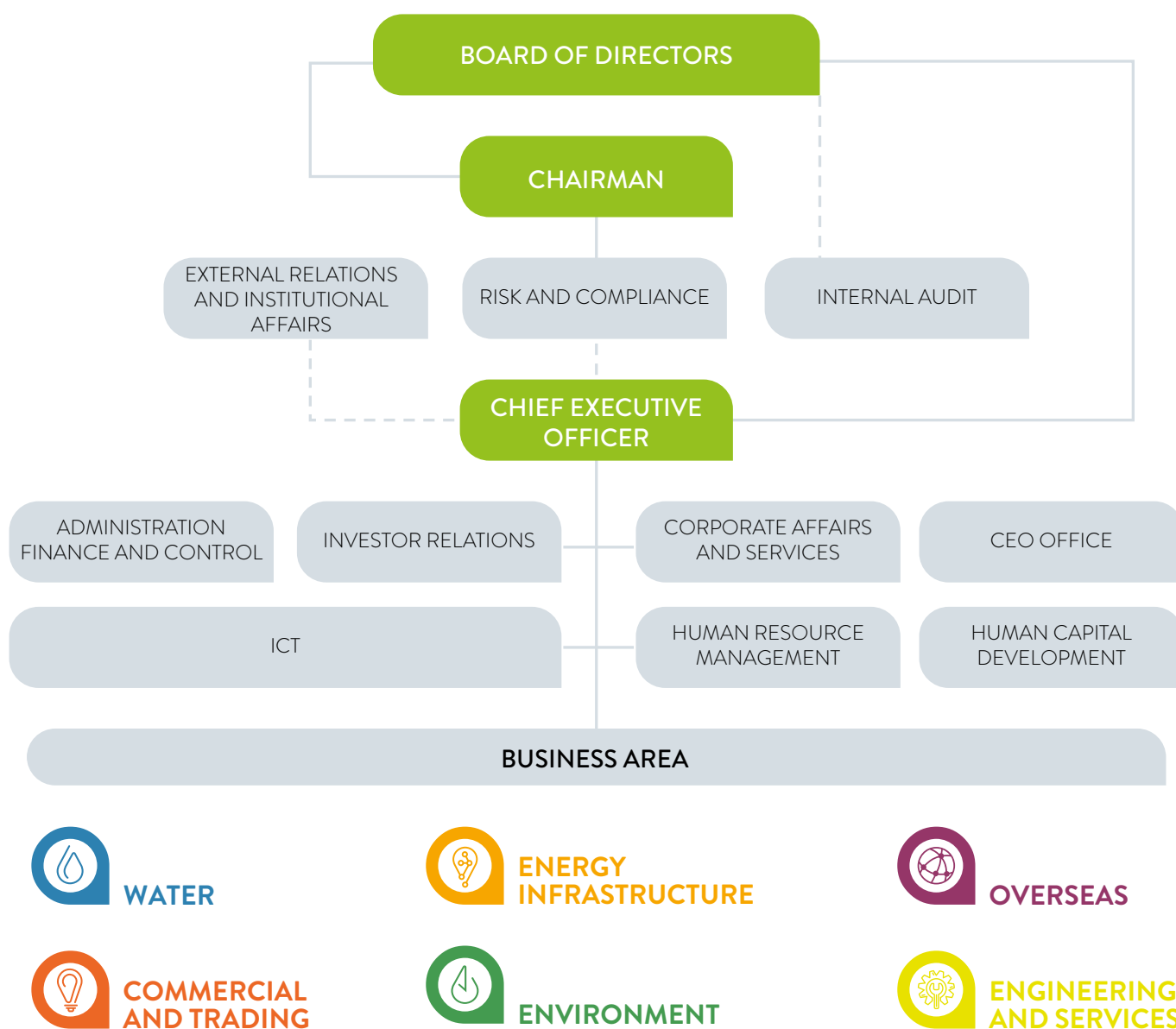
CHART NO. 5 – ACEA'S BUSINESS MODEL



The implemented business model (chart 5) is based on an organisational structure in which the Holding covers the role of governance, steering and control of the portfolio of managed activities. The Parent Company, moreover, offers managerial support to the

operating companies by means of management and legal, logistic, technical, financial and administrative services. Acea SpA's **organisational macrostructure** consists in **corporate functions** and **business areas** to which the operating companies report (see chart 6).

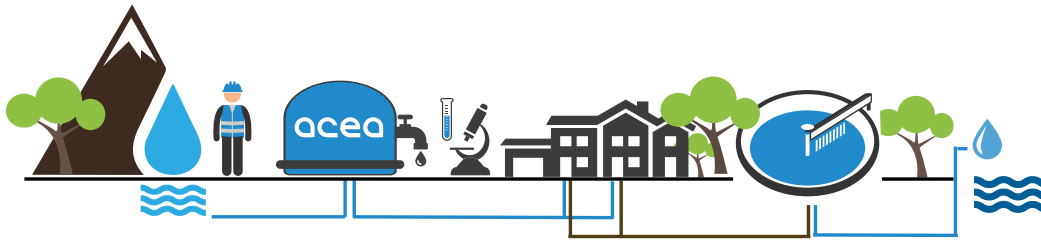
CHART NO. 6 - ACEA SPA ORGANISATION CHART AS AT 31/12/2017



The Acea Group is mainly active in 4 chains of activity: the **integrated water service**; the **production and distribution of electricity** (including public lighting); the **sale of energy and gas**; **waste to energy**. Acea operates in such segments through industrial

companies located in central Italy, particularly on the Tyrrhenian ridge, in which has capital holdings and in which it plays the role of industrial entity of reference.

WATER SUPPLY CHAIN: INTEGRATED WATER SERVICE



The water supply chain begins with the resource capture phase: the integrated water service begins with the resource capture phase: the water required by the network serving the communities is drawn from streams and water tables in the territory. The quality of the water resource is tested and guaranteed by

Acea, throughout its journey, so as to observe the normative standards provided for end users. Thereafter the wastewater and treatment phase is activated to recycle and return the resource to the environment in the best possible conditions for its natural cycle to resume.

ENERGY SUPPLY CHAIN: PRODUCTION AND DISTRIBUTION INFRASTRUCTURE



Production and supply of electricity: Acea mainly produces electrical energy at hydroelectric stations and residually through combined cycle (gas) thermo-electric stations and photovoltaic plants. Users receive electricity thanks to the supply network managed and developed by Acea. The digital and innovative

development in the services, stimulated and required by a constantly evolving market, commits the Distributor to tend towards smart city solutions. This is accompanied by a resilient management of the networks by which it is possible to support a future shift and increase in the uses of the electrical vector.

ENERGY SUPPLY CHAIN: TRADING AND SALES



Sale of energy and gas: the purchase of commodities (energy and gas) takes place by means of trading on market platforms (Electronic stock exchange) where resellers such as Acea Energia, provision in order to resupply clients according to their respective commercial policies. The demand market in Italy is separated into two large sectors, that of more protection, which to date still characterises the domestic market and shall cease in 2019 and the free market, where each client

can choose their preferred supplier and related service. Sales companies develop relations with the clients, based on their typology, by means of increasingly more innovative and digital contact channels, however retaining traditional tools such as the telephone and public counters. In order to promote their products, the sales companies avail of purposefully selected, and trained sales agencies which are monitored in the implemented commercial practices.



Waste to energy and circular economy: the environment supply chain has the purpose of waste to energy activities by means of conversion into biogas and secondary solid fuel (CSS) for use in the energy production process, or through transformation into

compost for agriculture and flower-growing. In particular, with a view to circular economy, Acea exploits the integration into water activities to recover sludge from water purification and send it for treatment to become compost.

The business activities are broken down in the strategic Plan (see paragraph *Strategy and sustainability*), which defines corporate development guidelines based on the assessments of **opportunities offered by the market**, the **institutional framework** and the **context of reference**, the **governance system** and a careful **identification and weighting of the risks** which could be generated or suffered by the Group. When performing the activities and supplying the services, Acea Group pays the greatest attention to its **interactions with the natural environment and relations with the stakeholders**, so as to maximise its contribution to the sustainable development of the lands on which it is present and to the benefit of the communities of reference. The organisational and management Model is implemented within the Group pursuant to Legislative Decree no. 231/01, functional to preventing administrative liability for the entity with regard to committing crimes, indicated by such norm, by subjects in organic relations with Acea (for further details on the policy, governance and management systems, see section *Corporate governance and management systems*).

In order to ensure the **involvement of employees on strategic topics**, Acea has realised several **people engagement** initiatives over the year, adopting a continuous improvement model: the **Execution Model**. The word “Execution” is intended as the performing realisation of a **project** and underlines the operational spirit of the actions and effectiveness of the results to be reached. The model valorises the **wealth of internal competencies**, putting Acea people in the condition to concretely influence the improvement of the Group, by means of participating in **transversal teams** (Action

Teams) that work on initiatives of strategic relevance (**the Actions**) with a punctual cost/benefit calculation and a perspective of the measurable improvements brought by the project.

The initiatives originate from a variety of sources: listening moments with people working in the various companies or independent proposals from employees, put forward using a project form available from the corporate social platform. Since the model was implemented, 5 listening moments were realised and more than 130 ideas for improvement collected 70 colleagues were identified for training in the role of **Execution Trainer** and **Promoter** and in the application of Project Management tools and the first Teams were established.

GENERAL ECONOMIC INDICATORS

In 2017 the Group’s activities were focused on consolidation and infrastructural development as well as improving services rendered to users. Acea’s programmatic guideline was formalised with the **new industrial Plan 2018-2022**, approved in November and favourably accepted by the market. The economic-financial results for financial year 2017¹³ are established at values in line with the communicated objectives: The **gross operating profit** is equal to **840 million Euros** (-6.3% on 2016, +7% on adjusted basis) and the **operating profit** is **360 million Euros** (-32% on 2016, -2% adjusted). The **Group profit** is **181 million Euros** (-31% on 2016, +2% adjusted).

¹³ Adjusted economic results do not include non recurrent components, positive and negative, for financial years 2016 and 2017 referred to the effects of the regulatory lag and credit impairment regarding Gala and Atac and the assets of Acea Produzione and Acea Ambiente.

TABLE NO. 7 - ACEA GROUP EQUITY AND FINANCIAL HIGHLIGHTS (2016-2017)

(in million of Euros)	2016	2017
net revenues	2,832.4	2,796.9
operating costs	1,965.4	1,983.8
<i>staff costs</i>	199.2	215.2
<i>costs of materials and overheads</i>	1,766.2	1,768.6
income/(expense) from non-financial investments	29.3	26.8
gross operating profit (EBITDA)	896.3	839.9
operating profit (EBIT)	525.9	359.8
financial operation	(111.6)	(72)
investment operations	1.7	0.3
profit/(loss) before tax	416.1	288.2
income tax	143.5	96
net profit	272.5	192.2
profit/loss attributable to non-controlling interests	10.2	11.5
net profit/(loss) attributable to the Group	262.3	180.7

The **consolidated revenues for 2017** amount to **2,796.9 million Euros** (2,832.4 million Euros in 2016), a 3% increase compared to the previous year on an adjusted basis (2,720.9 million Euros 2016). Phenomena with opposing signs affect such revenues with regard to the business activities: positively, among the others, are items concerning the change in the **consolidation area**, revenues from the **integrated water service** and those regarding **waste conferral and landfill management**, comprehensively at 109.4 million; negatively the revenues from **sale and transport of energy**, at 4.4 million.

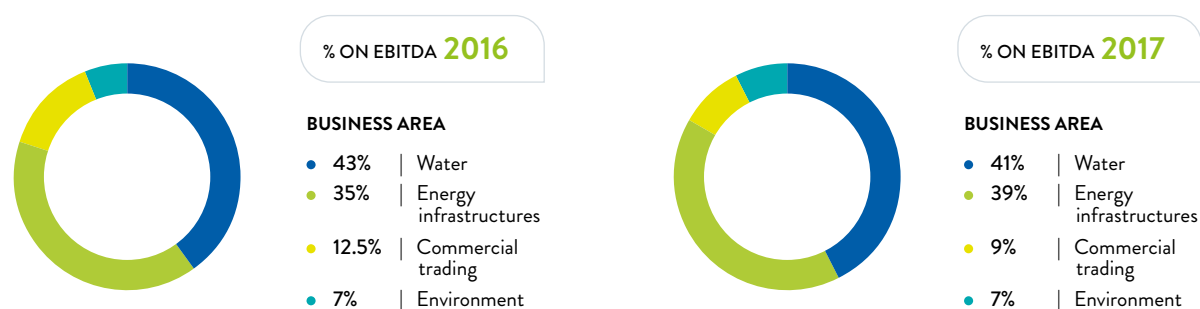
In 2017 **the costs of materials and overheads** were stable compared to 2016 at about **1.76 billion Euros**. Worthy of mention as regards cost dynamics, in particular are: the reduction associated to **energy sector** (-66.2 million) for the free and protected market, with related lowers costs for transport, balanced by the higher costs for acquiring white certificates, fulfilling the regulatory obligation of **energy efficiency** (+30.1 million).

The **gross operating profit (EBITDA)** equal to about **840 million Euros** proves to be higher than the guidance communicated to the market and with reference to the adjusted 2016 value (785 million Euros) a 7% increase.

Contributing to the formation of the comprehensive value are:

- **Water** operating segment at 40%, with 350 million Euros, a 4% increase respect to the adjusted data in 2016 (336 million Euros). This result was affected by implemented tariff updates and especially by the rise in premium granted to Acea Ato 2 for service quality;
- **Energy infrastructure** operating segment at 39%, with about 333 million Euros, an approximate 20% increase compared to the adjusted data for 2016 (276.8 million Euros), where the improvements were brought by all the managed activities: distribution, generation and public lighting;
- **Commercial and trading** operating segment at 9%, with 78 million Euros, an approximate 20% decrease compared to 2016 (98 million Euros), mainly due to the entry of non-re-current revenues from the previous year and lower margins in the sales activity;
- **Environment** operating segment at 7%, with 64 million Euros, an approximate 13% increase over the previous year (57.2 million Euros), thanks to the improvement in plant performance and higher quantity of sold electricity, especially with regard to the plant in San Vittore del Lazio, as well as the resumed activities of the compost plant in Aprilia.

Also contributing to the Group EBITDA are the **Foreign** area, the **Engineering and service** area and the **Parent Company** at 15 million Euros.

CHART NO. 7 – CONTRIBUTION OF THE BUSINESS AREAS TO OVERALL EBITDA (2016-2017)

The **operating profit (EBIT)** is **406 million Euros** on an adjusted basis, a drop of 8 million on 2016 and it is mainly affected by certain non-recurrent components, such as the reduction in value of receivables due from GALA and ATC (22 million Euros) and the impairment of certain assets of Acea Ambiente and Acea Produzione (12 million Euros). The increase of about 53 million Euros in **amortisation** of investments in information technology is also recognised.

ANALYSIS OF THE CONTEXT, STRATEGY AND SUSTAINABILITY

ANALYSIS OF THE CONTEXT

Acea monitors the **scenario of reference**, intercepting and analysing the factors assuming relevance for the company and which can affect the pursuit of strategic goals. In particular, the **corporate sustainability, normative, regulatory, technological, competitive and market** contexts represent different aspects integrated into an overall framework, which outlines **the context within which management activities and the outlook of the organisation are to be included**.

SUSTAINABILITY CONTEXT

Circular economy, decarbonisation, smart city and technological innovation, climate change and environmental impact are some of the issues which characterise the scenario of reference regarding sustainability for Acea. We point out the institutional commitment by the Italian Government regarding such matters, which, in 2017 approved the **National Energy Strategy** and the **National Strategy for Sustainable Development**. The first defines the development policy to 2030 for networks and infrastructures, renewable sources and energy efficiency: the second breaks down and acknowledges, at national level, the Sustainable Development Goals of the **UN Agenda 2030** undertaken by Italy.

Worthy of mention regarding the year is the entry into force of **Legislative Decree no. 254/2016**, rendering mandatory, for certain types of company, amongst which listed companies, disclosure of a non-financial nature, substantially equating this, by times, controls and publication procedures, to the economic informatory document. Another Government initiative of relevance for highlighting the social aspects of sustainability concerns the insertion of **12 indicators of Fair and Sustainable Wellbeing** – such as, for example, income inequality, inefficient justice, the hope of life – in the cycle of the State Budget, by means of including them in the Document of Economy and Finance (DEF). Thanks to this act, Italy is the first European country and of G7 to have inserted wellbeing and quality of life indicators into its economic planning for the purpose of assessing the impact of national policies on the population.

The repeated manifestation of extreme environmental events associated to climate change, such as the prolonged drought that caused a serious water crisis in our country during the year, has now stressed the necessity to realise an integrated system of responses. The **National plan of adaptation to climate change** shall fulfil this, by way of definition, as a strategic planning instrument aimed at dealing with the topic of mitigation and capacity of resilience, with regard to global climate change.

The world of finance is also assuming a significant role in the transition towards an economic system sensitive to the commitment in sustainability, with the circulation, increasingly expanding, of instruments such as **Social Bonds and Green bonds**, combining the search for long term financiers to industrial projects connoted by social or environmental characteristics.

In light of the impact on the management of environmental resources, such as water and in consideration of the activity of suppliers of essential services for quality of life and the development of the economic fabric, **Utilities** are constantly more playing a fundamental role for sustainable development.

LEGAL CONTEXT

The legal context of pertinence to Acea is wide-ranging and articulated according to the **specificity of the operating segments** – water, energy and environment – and the variety of the frameworks within

which the detailed legal and regulatory disciplines intervene which affect the business operations, from administrative authorisation profiles to those protecting the market and competition. Added to such aspects is the peculiarity of the nature of **listed companies**, with the related legal impacts, for example in terms of regulating communications to the market. The legal scenario is therefore analysed from a **multidisciplinary** viewpoint, applying a 360° overview and continuous interpretative analysis, in order to detect developments of particular significance, identifying and assessing risks and opportunities in terms of strategy and operating management.

Within such scenario the importance of certain particularly significant aspects is confirmed. First and foremost, the new **Procurement Code**, which will lead to a radical transformation over time of the rules and systems for the functioning of public contracts, it was the subject matter of another intervention with the so-called “Corrective”, pursuant to **Legislative Decree no. 56/2017**. Among the foreseen novelties emerge: the limit was raised from 50% to 100% of the auction value for the obligatory application of the minimum environmental criteria (CAM); the mandatory nature of **social clauses** aimed at protecting occupational stability; an award systems, in terms of reducing sureties, for companies holding process and product certificates. The legal application aimed at protecting consumer interests becomes increasingly more important, especially with regard to relations with commercial operators and at **privacy level**. As regards such aspect, the year under examination can be considered as fully preparatory to the entry into force, in 2018, of EU Regulation 2016/679 regarding the protection of personal data.

The industrial nature of the services managed bestows significance upon the focus on **legal and administrative** profiles related to both **authorising procedures** for the construction, renewal and management of plants, with obvious effects on the capacity to guarantee the continuous operation of the company managed, and on the **recognition of incentives** for energy plants (energy efficiency certificates, ex green certificates and other incentives recognised by the legal system). Assuming particular importance, in this context, is the **development in the environmental law** where we report **Legislative Decree no. 104/2017 on the new EIA** (Environmental Impact Assessment), implementing Directive 2014/52/EU, the main novelties of which are: faster times and deadlines for the EIA procedure, the incorporation of all environmental opinions into one sole measure and the expansion of works subjected to state-controlled EIA. To be cited, moreover, is the **Annual market and competition law** (Law 124/2017) providing, as from July 2019, for the “more protected” regime to be interrupted in the energy sector. Lastly, given the acquisitions and mergers ongoing in the Utility segment, the theme of compliance with antitrust laws concerning the discipline of concentrations, aimed at preventing market abuse, has also emerged.

REGULATORY CONTEXT

From the regulatory viewpoint, 2017 contributed to outlining a more structured and ample reference framework within the various sectors.

In the Water segment, there was approval of the **Supplementary Text on Water Service Considerations** (TICSI) which sets out the criteria for tariff structuring, mainly for domestic users, with the identification of a preferential band for the so-called “vital minimum quantity” volume of consumption. The main novelty concerns the progressive introduction of a pro-capita criterion at national level, starting from 1st January 2018 and fully operational on 1st January 2022. Associated to such measure are also all the

other interventions in progress, aimed at **extending the same levels and protective instruments already present in the electricity and gas sector to water service users**, such as: the social water bonus, adopting procedures for containing arrears and the dispute settlement protection system. The other important chain of intervention by ARERA (Regulation Authority for Energy Networks and Environment), in the water sector, is represented by the resolution of 27 December 2017 917/2017/R/IDR, which shall introduce an incentivising regulation model based on the classification of three parameters: prerequisites, specific and general standards. Rewards and penalties, specular, shall be quantified on a two-yearly basis as from 2020, according to the performances of the previous two years. By resolution of 27 December 2017 918/2017/R/IDRI ARERA also regulated the processes for updating the tariffs for the second half period of regulation 2018-2019.

In the Electricity segment, ARERA continued to pursue a preferential path out of the more protected regime in view of the end established for 1st July 2019. Having the purpose of accompanying such move, certain important obligations were introduced, amongst which: the preparation of “standard” offers for end users (PLACET offers); the creation of a List of electricity sellers; the activation of a web Portal to collect and publish the offers on the market; the promotion of commercial offers in favour of the purchase groups; the monitoring of wholesale markets. Further elements of investigation concerned the **resilience of the electricity networks**, the **reform of the tariff structure regarding general system charges** for non domestic customers and the redefinition of the **tariff contribution to cover the costs sustained by the distributors** of electricity and natural gas, subject to the obligations in relation to the mechanism of energy efficiency certificate. In the remote heating sector ARERA took the first steps downstream of Legislative Decree no. 102/2014 and the subsequent review with Legislative Decree no. 141/2016. Indeed, the legislator commits the Authority to promoting the development of the remote heating and remote cooling sector, in short, governing the regulation for service quality and the conditions for connection and disconnection to and from the networks and the procedures for publishing prices by the sector operators.

COMPETITION AND MARKET CONTEXT

In the **Environment sector** (treatment and valorisation of waste, including energy recovery), in the light of a national regulatory framework envisaging forms of incentives and consistently with the European directives on the recovery of matter and energy, as well as the implementation of indications from the European Union regarding circular economy (closing the loop), the market context has highlighted a high “potential demand”, given the current situation in terms of production, disposal and capacity to treat waste in the areas in which the Acea Group has traditionally operated and in surrounding areas. There are thus clear opportunities for consolidation and development, also taking into account the availability of new technologies (composting for example) and the possibility of realising forms of industrial integration with other operators. As regards the recovery/disposal of the waste produced by the water companies in the Group, in the capacity of the main national player in the integrated water service and thus a major producer of sludge, the need - in the framework of added value environmental services (sludge treatment, compost) - to expand the potential for the disposal/recovery of sludge has been stimulated, with the aim of realising a complete and direct in-house management of the entire production line.

In the **Energy sector**, sales segment, the outlook of most significance is the completion of the liberalisation of retail sales, with the expected abolition in 2019 of the regime of greater protection. An increase in competition between the operators is expected, with a consequent search for distinctive added value

elements, to be pursued through investments in technological innovation and digitalisation to the benefit of the customer.

Technological innovation also plays an important role in the development of the Networks-energy distribution sector, in favour of further progress in the automation and increasing the efficiency of the processes and for applications in the smart metering and smart grid framework and from a smart city viewpoint. In the latter framework (smart city), there are also potential synergies with other operators as regards new business opportunities (ultra-broadband for example). The outlook for growth in the Networks-public lighting sector for operators with specific and consolidated know-how lies mainly in a foreseeable increase in the demand for the application of latest generation energy saving lighting techniques (LED) in the areas where there are still none.

In the **Water sector**, the main development driver is the progress being made, as described above, in the regulation by the ARERA, which rewards the efficiency of operators. Similarly to the electrical sector, in fact, in December 2017 the national Authority resolved on the new regulation for the technical quality of the integrated water service using a reward/penalty mechanism linked to the respect of performance standards (service levels) and also an automatic indemnity system for customers which is added to that already defined in relation to commercial quality. There are therefore development opportunities for the service managers that are closely linked to the capacity to adopt developed technological systems, highly efficient disclosure and organisational models, standardised and repeatable, capable of significantly affecting the improvement of performance levels.

TECHNOLOGICAL AND INNOVATIVE CONTEXT

The technological scenario represents one of the aspects of greater dynamism and impact within the scope of analysis of the reference context for Acea. The intense and constant activity of research and development by the producers of technological services, as well as the persuasive application of such technologies in all the Group's areas of operation has ensured that the year in question has been characterised by a refocusing on matters of Innovation for the Group, identifying the strategic guideline and monitoring structure regarding innovative initiatives for 2018-2022 within the CEO Office Function which reports directly to the CEO and the new activities shall be steered according to three “pillars”:

- **Customers:** providing services focusing on customer experience and perceived value;
- **Infrastructures:** focusing on the safety and optimal running of the infrastructures as an essential parameter of service quality and
- **People:** with the objective of improving our peoples' experience to improve Acea.

Innovative initiatives regarding several sectors were initiated during 2017 or continued, having positive effects as expected for customers, the community and the environment. The positive impacts on the quality of supplied services and **customer** relations, for example, are generated by the development of services having high technological content, connected to the Acea 2.0 platform, from development in the Customer Relationship Management, as also the water helpdesk replacement plan using innovative remote reading systems. technological innovation project having positive impacts on the **community and the environment** concern, for example, the modernisation and expansion of the public lighting network using LED, the use of satellite technology, geological and multi parametric monitoring through “machine learning” in order to detect any violations by third parties of the areas protecting the sources and preventing and predicting hydrogeological disturbance phenomena, as well as protecting the subservices network managed by Acea in the Capital.

STRATEGY AND SUSTAINABILITY

INTEGRATED READING OF CORPORATE STRATEGY: INDUSTRIAL AND SUSTAINABILITY OBJECTIVES

In 2017 **Acea's, top management** defined, contextually, the **Industrial Plan and the Sustainability Plan** with reference to the timeframe **2018-2022**, highlighting both the respective **peculiarities** and **correlation points** between the two strategic plans while drawing them up. Moreover, while such activity was in progress, in order to facilitate the **view of an industrial development that includes aspects of sustainability and the stakeholders' expectations**, Acea proceeded with undertaking **two initiatives dedicated to the top managers**: feedback from a multistakeholder focus group aimed at identifying the most relevant (or "material") topics regarding the interested parties, in relation to the materiality analysis, and a meeting for in-depth examination of the relations between managed companies and sustainability in light of the developments in such context (from the Agenda 2030 to the Clean Energy Package), conducted by an expert on the subject. The Industrial Plan and Sustainability Plan were finally **approved by**

the **Board of Directors** in separate meetings, so as to allow a wider and more punctual description thereof.

On the basis of the scenario trend analysis and its own context of reference, Acea approved the **Industrial Plan 2018-2022**, centred on the following strategic pillars:

- **Industrial growth** focused in infrastructural development and a customer-oriented approach;
- **Land and sustainability**, based on a sustainable development aimed at decarbonisation by means of greater electrification of consumptions and the recovery of material in waste recycling with in a perspective of circular economy;
- **Technology, innovation and quality**, with investments for more than 400 million Euros linked to innovative projects in order to favour greater industrial automation and the resilience of smart grid and smart city networks;
- **Operational efficiency**, by means of the managerial regulation of costs and investments and improvement of performances.

The Industrial Plan **increases comprehensive investments**, compared to the targets set in the previous Plan, envisaging **3.1 billion Euros**.

MAIN ACTIONS AND STRATEGIC OBJECTIVES OF THE INDUSTRIAL PLAN 2018-2022 BY BUSINESS AREA

BUSINESS AREA	STRATEGY
 ENVIRONMENT	<ul style="list-style-type: none"> strengthening of the waste recycling cycle consistently with the development of a circular economy, through the acquisition of new compost plants, the expansion of existing ones and the development of new multi-material waste management initiatives (+70% treated waste)
 COMMERCIAL AND TRADING	<ul style="list-style-type: none"> improvements of the initiatives for pursuing customer satisfaction and optimising of operational processes to obtain cost reductions commercial push on digital channels and cross selling given the forthcoming conclusion of more protection on the electricity market and its full liberalisation (+33% customers)
 WATER	<ul style="list-style-type: none"> extraordinary plan for the reclamation of over 800 km of water and sewage network, with significant objectives for leakage reduction and better management in relation to any water emergencies introduction of remote reading systems on metres for a total of over 500 thousand smart meters installed efficient use of purification with a rationalisation plan aimed at decommissioning small plants, accompanied by the efficient use of large plants strengthened supply to guarantee the available water resource: design to enhance the Peschiera [aqueduct]
 ENERGY INFRASTRUCTURE	<ul style="list-style-type: none"> renovation of the LV network to increase the network's resilience and increase the capacity of power available to customers (from 3kW to 6kW) in view of the increase in electricity consumption smart metering the Rome network, by means of installing 1 million new 2G meters to enable the development and use of new services creation, in partnership, of a fibre optic network for upgrading the ultra-wideband connection of the stakeholders in the Capital and for developing technological innovation in the automation and control of water and electricity networks

The preparation of the **Sustainability Plan 2018-2022** took place with the **considerable and direct involvement of the management** called to update/redefine the sustainability objectives, with **targets for 2022 and related KPI**, in the same period in which it was proceeding with the breakdown of the industrial objectives. This favoured a **comprehensive view of the strategy** and allowed certain sustainability targets to be correlated with the investments

provided under the Industrial Plan, estimating the value thereof as about **1.3 billion Euros**.

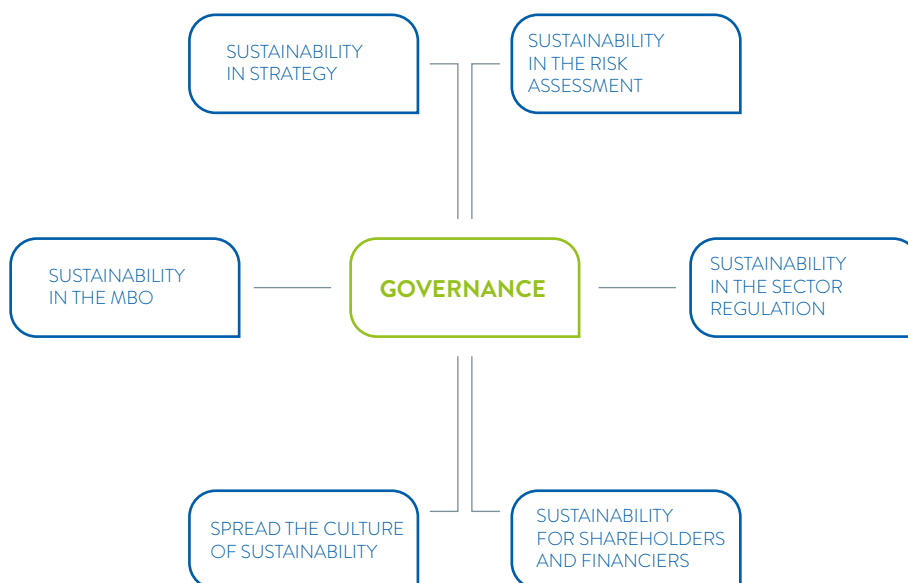
The **general structure** of the Sustainability Plan 2018-2022 continued to be consistent with the layout of the previous Plan 2016-2020, **confirming the 6 transversal objectives aimed at integrating sustainability within corporate governance (governance level) and the 5 macro-objectives at operational level**.

The elements of discontinuity and development are highlighted in the 135 targets for 2022, identified by the Companies and Functions, in which the operational macro-objectives are structured. Indeed, combined with the significant numeric increase in the targets as a whole (+ 52% compared to 89 targets set in the Plan 2016-2020), is the introduction of new contents: 91 targets were defined from scratch and only 44 were confirmed and updated for 2022. We point out the numerous targets linked to interventions on the water and electrical infrastructures, capable of raising the quality of the services offered to customers, making management more

efficient and containing environmental impacts; the targets on the matter of adaptation to climate change which integrates interventions aimed at mitigating the effects thereof; experimentation of new technologies on the management of processes and infrastructures, also in the perspective of smart city and the topic of circular economy.

At the time of approving the Sustainability Plan 2018-2022, the Board of Directors also confirmed the establishment of a Round table of sustainability, formed of a nucleus of key Functions of the Parent Company, the Regulation of which is being defined.

CHART NO. 8 - THE GOVERNANCE LEVEL OF THE SUSTAINABILITY PLAN 2018-2022: KEY ELEMENTS FOR INTEGRATION



THE OPERATIONAL LEVEL OF THE SUSTAINABILITY PLAN 2018-2022: PECULIAR TRAITS OF THE 5 MACRO-OBJECTIVES

MACRO OBJECTIVE

STRATEGY



PROMOTING CUSTOMER FOCUS

- reach challenging levels of **commercial and technical quality of the supplied services** and improve the channels of contact to fully satisfy customer requirements



ENHANCING STAFF FOR THE GROUP'S GROWTH

- **training**, valorisation of know-how (**active ageing**) and development plans for young adults, **sharing strategic choices** and introducing sustainability in performance management systems



QUALIFYING PRESENCE IN THE REGIONS AND PROTECTING THE ENVIRONMENT

- more **resilient infrastructures** in relation to climate change, **contained impact** on the natural environment and territorial protection, more efficient use of resources and reduction of CO₂ emissions, development of **initiatives for circular economy**, promotion of sustainability along the supply chain, in involving the interested parties



PROMOTING HEALTH AND SAFETY ALONG THE VALUE CHAIN

- prevention and **circulation of the culture of safety along the value chain**, internal and external, by means of training and awareness, increased **verification and control** activities



INVESTING IN INNOVATION FOR SUSTAINABILITY

- experimentation of **new technologies**, applied research for the **development of infrastructures**, contribution to the development of the urban fabric with a view to **smart city**

The Group's strategic planning brought **aspects of complementarity and connection** to light between the Industrial Plan and Sustainability Plan, the latter correlated to certain UN sustainable development Objectives (chart 9).

Such orientations regarding the **industrial strategy**, made public in July (Strategic guidelines 2018-2022¹⁴), intended to **highlight sustainability in the perspective of business development**, inserting "Land" – sustainable development, dialogue and collaboration – as **one of the 4 pillars of the Industrial Plan**.

Such guidelines were further strengthened by the punctual definition of industrial and sustainability objectives, which proved to be **fully consistent**. The two strategic planning documents, albeit retaining their individuality, describe, de facto, the same elements of development of the company from **two viewpoints**, one valorising the **aspects linked to economic solidity of industrial growth** and the other **the results expected from stakeholders and from the social and environmental viewpoint**.

CLIMATE CHANGE AND THE WATER RESOURCE: ACEA'S POSITION

According to the results of the **Global Risks Perception Survey (GRPS) of the World Economic Forum, in 2017 the risks linked to the environment** (extreme atmospheric events, natural disasters, failed mitigation policies and the ability to adapt to climate change, loss of biodiversity and collapse of the ecosystem and lastly environmental disasters caused by man) are in the **foreground both respect to the likelihood of occurrence and the impact. In particular, Climate Change**, due to the intensity and strength of the connections among the various global risks, provides to be among the highest to the development and wellbeing of all populations given the severe, persuasive and irreversible effects on the sustainability of life on Earth, for example the consequences on human health, nutritional safety, the balance of ecosystems, available and use of natural resources at planet level and geo-political dynamics. Among the common assets of humanity most threatened by climate

dynamics, water resources are currently experiencing perhaps the "worst crisis". For this reason Acea, in its capacity as Multiutility in the Energy and Environment sectors and first national operator in the Integrated Water Service, which has always been engaged in the development of a sustainable water culture also by means of awareness in young generations, took part in highly important events in 2017 in which the relationship between climate and water resource was covered by national and international persons and institutions, operators, associations, companies and also experts in terms of commitment and collaboration.

In particular, Acea was the main sponsor and organiser, respectively, of the international Summit *Water and climate. Comparing the great Rivers of the world*, as well as the Workshop *In the shadow of Giano. Lack of water: challenges and opportunities*. Events in which Acea, with interventions by the Chairman and the Chief Executive

Officer, highlighted the increasing necessity to adopt criteria and instruments for an efficient, sustainable and resilient management of the water cycle starting from the behaviour of single citizens, passing through all the social and institutional components in order to promote an indispensable collaboration, also international, to safeguard the availability and quality of the water resource, also for the generations to come.

In this perspective, Acea shared its experience, competence, good practices implemented on a daily basis regarding the integrated water service and positive solutions with its own model of management, research and repair of hidden leaks, which allowed it to successfully tackle critical occurrences such as the water emergency that hit the country, including the Capital. Acea also underlined its commitment in safeguarding water by means of investments focussed on the resilience of infrastructures and technologies applied to the water networks.

ALLIANCE BETWEEN ITALIAN COMPANIES FOR WATER AND CLIMATE CHANGE

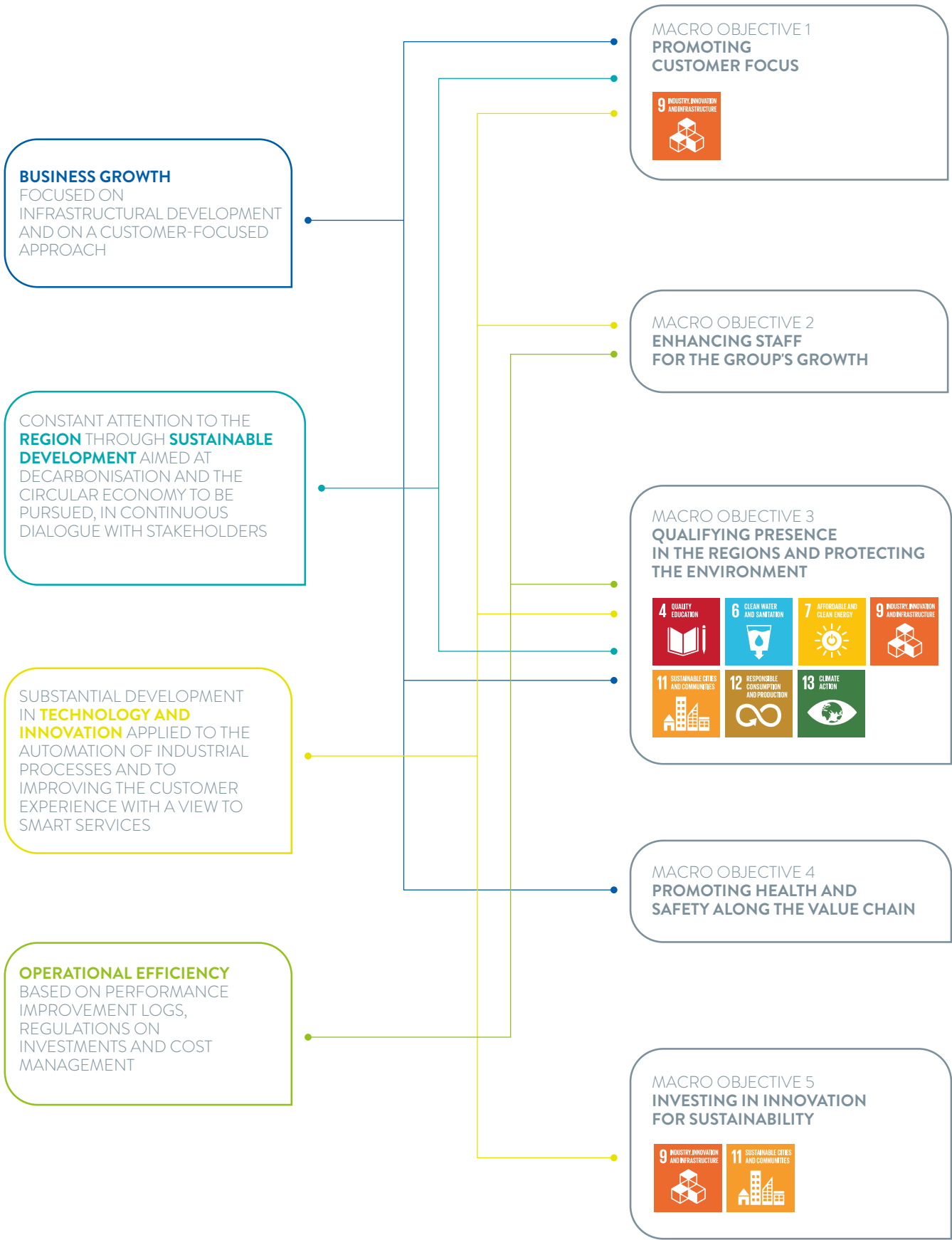
Acea was the main sponsor of the international Summit *Water and climate. Comparing the great Rivers of the world*, organised in October in Rome by the Ministry of the Environment, Protection of Land and Sea, in collaboration with UNECE (United Nations Economic Commission for Europe), the International Network of Basin Organisations (RIOB), GAWaC (Global Alliance for Water and Climate) and AquaMadre, which concluded with the intervention of the President of the Republic, Sergio Mattarella. **For the first time the people responsible for the biggest river basins and representing the world met in Italy** with the objective of sharing design proposals and funding

opportunities, as well as promoting the exchange of experience and competence **regarding sustainable management and climate change**. A special session was dedicated to Africa, the continent most affected by natural disasters, where Italy, among the first nations to ratify the Paris agreement on climate, shall fund projects for water management of 5 million Euros in Congo and Senegal. With regard the Summit **Acea, with another 36 enterprises and Italian category associations, joined the Alliance of Italian Enterprises for water and climate change**, an initiative promoted by the Ministry of the Environment to create an authentic network between all those who work on

water management on a daily basis, according to the following principles and objectives: insert the topic of climate change in strategy and governance of enterprises and associations; assume commitments able to increase resilience; cooperate on a large scale in initiatives for reducing impact support the implementation of policies to fight climate change; makes the use of water sustainable for the various destinations, favouring recycling and reuse; communication and make accessible information about best practices. The Alliance shall also be equipped with instruments for assessing impacts, direct and indirect, of production activities on water and actions taken to reduce waste.

¹⁴ The presentation of the *Strategic Guidelines 2018-2022* is available from the website, www.acea.it, Investor Relations section.

CHART NO. 9 – CORRELATIONS BETWEEN THE INDUSTRIAL PLAN AND THE SUSTAINABILITY PLAN





THE SUSTAINABILITY PLAN 2018-2022 AND OPERATIONAL OBJECTIVES

As mentioned, the **Sustainability Plan 2018-2022** intervenes at **governance level and operational level**, it identifies 6 frameworks of intervention aimed at circulating sustainability in the business governance structures and 5 operational macro

GOVERNANCE LEVEL THE 6 OBJECTIVES

ACEA IS COMMITTED TO THE ADEQUATE INTEGRATION OF SUSTAINABILITY INTO THE COMPANY'S GOVERNANCE, THROUGH:

- the integration of sustainability objectives into the system for identifying, assessing and monitoring business risks;
- the integrated reading of economic and financial data, as well as sustainability data, in order to highlight the total value generated by the Group;
- the introduction into the performance management systems of objectives aimed at promoting sustainability impacts;
- the dissemination of the "sustainability culture", by means of awareness-raising and the involvement of internal and external stakeholders in the matter;
- the enhancement of ESG (Environmental, Social, Governance) elements in relations with shareholders and investors;
- the reading of evolutionary trends in national and European regulation, in relation to sustainability-related topics in the areas in which the company operates.

OPERATIONAL LEVEL THE 5 MACRO-OBJECTIVES

WITH A SPECIFIC FOCUS ON THE FOLLOWING 5 MACRO-OBJECTIVES AND ON THE RELATED AREAS OF ACTIONS AND OPERATIONAL OBJECTIVES (*)



PROMOTING CUSTOMER FOCUS

Improving communication with customers

- Developing presence on the web and digital channels, in line with the Group's communication and positioning requirements

Improving the quality of services

- Improving the commercial quality of services
- Improving the technical quality of services



ENHANCING STAFF FOR THE GROUP'S GROWTH

Professional enhancement, training and development of skills

- Enhancing and increasing Human Capital skills
- Investing in the development and improvement of the people assessment and selection system

Involving people in the Group's identity

- Promoting the implementation of the new "execution" organisation
- Increasing the level of involvement of the business population
- Defining and promoting an employer branding plan

Organisational inclusion and well-being

- Detecting and improving the organisational well-being of the entire business population
- Enhancing diversity and promoting inclusion

objectives for the Group.

The 5 macro objectives are broken down into **14 frameworks for action**, **26 operational objectives** and **135 targets for 2022 and related KPIs** which allow the **progressive achievement thereof to be**

monitored. It is envisaged that the **Plan will be updated periodically**, especially at an operational level, so that consistency with changes to the strategic industrial guidelines of the Group is ensured. The following is a **brief overview of the**

Sustainability Plan and a detailed breakdown at an operational level.

The actions taken for guaranteeing that the targets for 2022 are progressively reached shall be reported starting from 2018.



QUALIFYING PRESENCE IN THE REGIONS AND PROTECTING THE ENVIRONMENT

Reducing the environmental impact

- Planning and implementing measures to combat climate change (mitigation and adaptation)
- Promoting an efficient use of resources, including by supporting the circular economy
- Taking initiatives to protect the land and limit impacts on the natural environment
- Enhancing certified environmental and energy management systems
- Implementing sustainability logic into purchasing procedures

Contributing to the well-being of the community

- Promoting activities with a positive impact on the well-being of the community and on the regions in which the company operates

Consolidating relations with the region

- Contributing to raising awareness on social and environmental topics
- Promoting the involvement of stakeholders in corporate projects to create shared value



PROMOTING HEALTH AND SAFETY ALONG THE VALUE CHAIN

Health and safety in the workplaces for Group workers

- Promoting the culture of health and safety in the workplace

Health and safety in the workplaces for contractors and subcontractors

- Raising awareness among contractors on health and safety in the workplace

Health and safety of the communities with which the Group operates

- Ensuring the health and safety of customers and the community of reference for the various services provided



INVESTING IN INNOVATION FOR SUSTAINABILITY

Organisational innovation

- Promoting “smart” working methods

Technological and process innovation

- Promoting the resilience of the urban territory and innovation from a smart city perspective
- Implementing remote control and remote intervention systems
- Applying new technologies for detecting losses

Creating and promoting knowledge

- Developing research projects in partnership with other relevant departments

(*) Each objective is divided into multiple targets and KPIs in the detailed Plan to which reference is made.



MACRO-OBJECTIVE NO. 1

Promoting customer focus

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS
AREA OF ACTION 1: Improving communication with customers		
Developing web presence and digital channels in compliance with the Group's communication and positioning needs	Adapt the structure of the website to the corporate and marketing communication needs, in terms of efficiency and transparency. ACEA SpA EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS (Media Relations and Digital)	KPI: reviewing the Group's digital identity (0-100%)
	Developing "corporate" social channels and monitoring the current ones. ACEA SpA EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS (Media Relations and Digital)	KPI: 0-100%
	Creating an institutional communication campaign targeting customers regarding the use of the MyAcea app and online payment of bills (reducing the impact of producing paper bills, reducing times, reducing movements, etc.). ACEA SpA EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS (Advertising, Brand Image and Events)	KPI: Yes/No
	Creating two massive communication campaigns for the use of digital channels (webform and online bills) through the call centre and e-mail, aimed at raising awareness on the use of digital channels among customers. ACEA ATO 5, ACEA ENERGIA; Acea8cento, in conjunction with ACEA SpA EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS	KPI: n° of massive communication campaigns created / n° of communication campaigns to be created KPI: n° of customers reached
	Expand commercial operations that can be carried out by the customer independently through digital channels up to 90%. ACEA ATO 2; ACEA ENERGIA, in conjunction with ACEA SpA EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS	KPI: commercial operations that can be carried out online /total commercial processes CRM
	Implement an instrument capable of creating a quality and dynamic segmentation of customers (by integrating data from the company, third parties and other DB) and activate the multichannel and customised engagement methods with respect to end customers (e.g.: comparing consumptions between neighbours, high consumption/leakage alert, reward for virtuous behaviour, etc.). ACEA ATO 2	KPI: Yes/No
	Implementing the online bill for the visually impaired (at least 1,000 customers). ACEA ENERGIA	KPI: n° of visually impaired customers who receive the special digital bill
	Implement a customer care social channel where customers can exchange information on reports regarding failures/leakages in real time, enhancing interventions/investments made, handling users' demands/requests etc. ACEA ATO 2, in conjunction with ACEA SpA EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS	KPI: Yes/No
	Creating awareness among customers as concerns digital channels also through targeted campaigns and "drive to web" initiatives to be activated on the conventional contact channels (counter, call centre), with the aim of reaching 50% of requests coming from the web (Acea Ato 2). ACEA ATO 2, in conjunction with ACEA SpA EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS	KPI: n° of requests received via web channel/ total requests received from customers (Acea Ato 2)
	Unifying and optimising toll-free numbers (NV) serving the "free market", shifting from 4 to 1, and reviewing the callflow to simplify the methods of contact with Acea and improve the customer journey, which can be measured through the Net Promoter Score (NPS >8) ACEA8CENTO	KPI: N° of NVs serving the "free market" KPI: Net Promoter Score
	Increasing the number of active registered members to the My Acea website (reach 30% of the total number of customers who have carried out at least 1 on-line operation per year). ACEA ENERGIA 4,000 users/year increase (20,000 by 2022) registered in the MY Acea website (online counter). ACEA ATO 5	KPI: number of customers registered in the My Acea website/ total n° of customers (Acea Energia) KPI: customers who have carried out at least 1 online operation per year/ total n° of customers (Acea Energia) KPI: n° of new online counter registered members/year(Acea Ato 5)

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS
(follows) Developing web presence and digital channels in compliance with the Group's communication and positioning needs	Creating a web-counter, exclusively dedicated to digital services, to be located at the sales counter. ACEA ATO 5, in conjunction with Acea SpA - External Relations and Institutional Affairs	KPI: Yes/No
	Planning a communication campaign aimed at customers regarding the plan concerning the replacement of first generation meters with the second generation ones (intermediate target at 2020). Implementing the communication campaign on 30% of the customers affected by the replacement of the installed meters (target 2022). ARETI, in conjunction with ACEA SpA EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS	KPI: (defining communication campaign) Yes/No KPI: customers reached by the campaign /customers whose meters have been replaced
AREA OF ACTION 2: Improving the quality of services		
Improving the sales quality of services	Reducing the waiting times at the call centre (≤ 160 seconds). ACEA ENERGIA - Customer Care	KPI: customer's average waiting time at the call centre
	Reduce waiting times at the counter (≤ 20 minutes - Acea Ato 5; < 10 minutes Acea Ato 2). ACEA ATO 2 - Customer Care; ACEA ATO 5 - Customer Care	KPI: customer's average waiting time at the counter
	Reaching 75% of "one call solution" (call centre). ACEA ATO 5; ACEA ATO 2; ACEA ENERGIA; ACEA8CENTO	KPI: same customer recall rate (i.e. the same calling number) for the same problem (≤ 25%)
	Reducing the average age of the customers' readings and at the same time reaching the implementation of smart meters, 80% of the billing amount entirely based on actual consumption. ACEA ATO 2	KPI: turnover on actual consumption/total turnover
	Reaching 95% of "activation of new water units" within 38 working days. ACEA ATO 2	KPI: unit activation time starting from request for quotation (excluding days not attributable to the provider)
	Ensuring installation of meters covering 97% of the active units (2017 data). ACEA ATO 2	KPI = n° of active units with meter/total number of units measurable with meter (2017)
	Replacing 10,000 meters (inoperative, unreadable, faulty), to ensure the quality of the measurement systems. ACEA ATO 5	KPI: n° of meters replaced (inoperative, unreadable, faulty)/10,000 meters
Improving the technical quality of services	Reducing response times by 20% (with respect to 2017) for complex laboratory analysis and expanding the analytical survey spectrum with the aim of reducing risks (WSP - potable water), by implementing high technology analytical techniques. ACEA ELABORI	KPI: % of reduction (response times of the year in question/ response times in 2017) n° of "untargeted" surveys introduced
	Implementing UNI CEI EN ISO/IEC 17020 accreditation for Verifying projects pursuant to article. 26 of the Italian Legislative Decree n° 50/2016. ACEA ELABORI	KPI: Yes/No
	Expanding the purification capacity in 13 Municipalities of the Ato 5, through works on 7 new purification plants and 6 existing purification plants: + 79% of equivalent inhabitants (AE) handled. ACEA ATO 5	KPI: purification potential in AE/purification potential in AE at 2017 (target perimeter)
	Expanding the purification capacity in 14 Municipalities of the Ato 2, in critical situations, through works on 13 existing purification plants and 3 new purification plants: +58% of equivalent inhabitants (AE) handled. ACEA ATO 2	KPI: purification potential in AE/purification potential in AE at 2017 (target perimeter)
	Reducing the average water systems failure repair duration times (≤ 2 days). ACEA ATO 5	KPI: ordinary systems failure repair times
	Reducing the maximum water systems failure repair times (≤ 12 hrs. for DN ≤ 300 mm pipes; ≤ 24 hrs. for DN > 300 mm pipes). ACEA ATO 2	KPI: water systems failure repair times starting from report
	Achieving 92% coverage of the purification service with respect to the total active units (2017 data). ACEA ATO 2	KPI: % of units covered by the purification service/total units (2017 data)
	Reaching an average duration of disconnection per customer in high concentration ≤ 25 minutes. ARETI	KPI: average duration of disconnections/customer

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS
(follows) Improving the technical quality of services	Replacing 20% of the current 361 thermal sub-stations serving the remote-heating network, for greater efficiency of the service and reliability of the unit's service. ACEA PRODUZIONE	KPI: thermal substations replaced/total number of substations serving the remote-heating network



MACRO-OBJECTIVE NO. 2

Enhancing staff for the Group's growth

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS
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AREA OF ACTION 1: Professional enhancement, training and development of skills

Enhancing and boosting Human Capital skills	Implementing training processes for 100% of the "newly-employed" (target population: employed in the last 3 years, under 33 years of age), functional towards defining specific development plans. Intermediate target (2018): training 67% out of 120 (newly-employed target population at 2018). ACEA SpA DEVELOPING HUMAN CAPITAL	KPI (training): n° of "newly-employed" trained/total number of "newly-employed" to be trained. KPI (development): n° of people with high level of performance assessment/n° of trained newly-employed
	Sustaining Active Ageing policies, ensuring transfer of know-how for 100% of the population with critical skills exiting. ACEA SpA DEVELOPING HUMAN CAPITAL	KPI: n° of employees involved in the process /n° of employees with critical skills exiting
	Developing management skills of the 100% of the middle-ranking managers and office staff with responsibility positions within the Group, through targeted training processes. Intermediate target (2018): 26% of 380 (target population at 2018). ACEA SpA DEVELOPING HUMAN CAPITAL	KPI: n° of trained heads of department/total n° of head of department to be trained
Investing in the development and improvement of the staff assessment and recruitment system	Engaging 100% of the staff of the Group in activities aimed at knowing and implementing Leadership Model. ACEA SpA DEVELOPING HUMAN CAPITAL	KPI: n° of resources engaged/ total n° of resources to be engaged
	Managing and ensuring the application of the various dedicated tools (both conventional and innovative) aimed at the structured assessment of the candidate and full traceability of the process for 100% of the recruitment processes. Gradually promoting the awareness of our brand brand in terms of staff recruitment towards external markets (target 2022: 70% of recruitment). ACEA SpA DEVELOPING HUMAN CAPITAL	KPI (internal processes): n° of selection processes activated through dedicated tools/total n° of recruitment activities KPI (external processes): n° of recruitments activated in visible mode/total n° of recruitments activated
	Introduction of objectives aimed at promoting impact on sustainability regarding the entire population as concerns MBO in the performance management systems. Intermediate target (2018): 100% staff n-1 and n-2 by Chief Executive Officer, amounting to about 60 people (target population at 2018). ACEA SpA DEVELOPING HUMAN CAPITAL	KPI: n° of resources with sustainability Objective in MBO/total n° of resources with MBO

AREA OF ACTION 2: Involving people in the Group's identity

Facilitating the implementation of the new "execution" organisation	Implementing the "execution" model: a new way of engaging the people in work cross-groups ("action team"), aimed at implementing improvement actions. Informing among 100% of the company population and activating at least 10 action teams/year. ACEA SpA DEVELOPING HUMAN CAPITAL	KPI= n° of informed employees/total number of employees KPI= n° of action teams activated/total n° of action teams to be activated
Boosting the level of engagement of the company population	Engaging 100% of the employees in initiatives, even with impact on the territory, aimed at boosting the sense of belonging in the company. Implementing 4 initiatives/year. ACEA SpA DEVELOPING HUMAN CAPITAL	KPI= n° of employees engaged/ total n° of employees KPI= n° of initiatives activated/ total n° of initiatives to be activated
	Ensuring that 100% of the company population is informed on the strategic choices, mission and policies of the Group, by implementing at least 5 initiatives/year to this end. ACEA SpA EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS (Internal Communication)	KPI: % of the company population reached by the information KPI: n° of initiatives/year implemented out of the initiatives to be implemented

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS
(follows) Boosting the level of engagement of the company population	Measuring the level of information through 2 surveys to be implemented over the five-year period and that engages 100% of the company population. ACEA SpA EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS (Internal Communication)	KPI: % of the company population engaged
	Boosting the sense of aggregation and belonging of our employees with respect to the Group, promoting at least 2 initiatives per year. ACEA SpA EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS (Internal Communication)	KPI: n° of initiatives/year implemented out of initiatives to be implemented
Defining and promoting an employer branding plan	Reinforcing the employer brand identity by engaging 100% of the company population in specific initiatives. ACEA SpA DEVELOPING HUMAN CAPITAL	KPI: n° of employees engaged/ total n° of employees
AREA OF ACTION 3: Organisational inclusion and well-being		
Identifying and improving the organisational well-being of the entire company population	Reinforcing employer satisfaction, developing an EVP (employee value proposition) coherent with the company strategy as well as with the needs identified through internal organisational well-being survey, by identifying 3 improvement actions/year. ACEA SpA DEVELOPING HUMAN CAPITAL	KPI: n° of improvement actions activated/total n° of improvement actions to be activated
Enhancing diversity and promoting inclusion	Engaging 100% of the employees 2 initiatives/year aimed at enhancing awareness on diversity management and gender equality. ACEA SpA DEVELOPING HUMAN CAPITAL	KPI: n° of employees engaged/ total n° of employees KPI: n° of initiatives activated/ total n° of initiatives to be activated
	Promoting at least 3 initiatives per year regarding creating awareness on diversity management and gender equality. ACEA SpA - EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS (Social-oriented communication)	KPI: n° of initiatives promoted/ year



MACRO-OBJECTIVE NO. 3

Qualifying presence in the regions and protecting the environment

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS
AREA OF ACTION 1: Reducing the environmental impact		
Planning and implementing actions aimed at fighting climate change (mitigation and adaptation)	Reducing the specific consumption of natural gas by 5% by reconvertng the Tor di Valle thermal power station into a High Efficiency Cogeneration Plant. ACEA PRODUZIONE	KPI: % of reduction of the specific consumption of natural gas
	Reducing the consumption of electrical energy lighting the Central main offices by replacing 100% of the lighting bodies with LED technology bulbs in the previously renovated areas designated to be used as offices: less than 100 MWh as compared to pre-construction consumption records. ECOGENA	KPI: MWh pre-construction – MWh post-construction
	Implementing energy leakage reduction interventions on the network (voltage change, low-leakage transformers, etc.) and other efficiency enhancement interventions that will enable achieving about 18,000 MWh energy saving, about 6,500 t of reduction of emission of CO ₂ and saving about 3,400 TOEs as compared to the 2016 data. ARETI	KPI: MWh saved/MWh net distributed KPI: t of CO ₂ not emitted KPI: TOEs saved
	Defining the Risk Index (RI) for the significant elements of the electrical systems (MV/LV cabinets, MV semi-dorsal) and seeing to 10% reduction with respect to the 2016 RI, due to the 98 investment interventions aimed at boosting the resilience of the electrical system. ARETI	KPI: Varying the annual percentage of the RI (as compared to the 2016 RI) related to the significant elements by target
	Reaching 100% of the events organised by the companies of the Group that can be classified as "eco-sustainable" (20% increase per year). ACEA SpA - EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS (Adv., Brand Image)	KPI: % increase of eco-sustainable events
	Preparing a recovery system in the water production cycle of the 1 st and 2 nd rainwaters in the Terni e San Vittore installations. ACEA AMBIENTE	KPI: Yes/No

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS
(follows) Planning and implementing actions aimed at fighting climate change (mitigation and adaptation)	Enhancing efficiency and reducing the energy consumption of the saturated vapour condensation system by 20%, in the recovery installations (waste energy plants). ACEA AMBIENTE	KPI: energy consumption/ pre-construction energy consumption
	Developing biogas cogeneration (39,000 MWh of energy generated from biogas/year) in 4 compost plants, with ensuing reduction of CO ₂ (11,300 t CO ₂ avoided per year). ACEA AMBIENTE	KPI: MWh/year from renewable sources of biogas
	Drafting risk prevention/mitigation plans, according to the Water Safety Plan guidelines, regarding 50% of the Acea Ato 2 water supply sources. ACEA ATO 2	KPI: n° of risk prevention/ mitigation plans/total n° of supply sources
	Drafting the Water Safety Plan. ACEA ATO 5	KPI: Yes/No
	Developing a quality-quantity assessment programme on at least 10% of the managed sewage systems, with the aim of mitigating the risk of overflow. ACEA ATO 2	KPI: % of the sewage system verified out of the total
	Developing an in-flow/out-flow model in the sewage system foreseeing the effects of the rain on the sewage system and the rain water collection and disposal system, on which interventions aimed at mitigating and preventing extraordinary atmospheric events will be based. ACEA ATO 2	KPI: Yes/No
	Reducing consumption at purification stage by 5% (about 6 GWh), starting from the purification plants serving more than 100,000 inhabitants. ACEA ATO 2	KPI: % of reaching target (about 6 GWh)
	Enhancing the efficiency regarding the 4 most energy consuming purification plants by 5%. ACEA ATO 5	KPI: kWh/cbm of treated waste water (measured at discharge) KPI: % of reduction of energy consumption (with respect to the 2017 data, target perimeter)
	Supplying the main companies of the Group with "green energy" for internal consumption. Target at 2018 (on 2017 consumption): 12 companies, for an overall of about 500,000 MWh in electrical energy consumption (equivalent to about 180,000 tons of CO ₂). ACEA ENERGY MANAGEMENT	KPI: n° of companies supplied with green energy GO/ total n° of companies to be supplied
	Reducing electrical energy consumption for lighting company offices (15 sites, including operational offices and installations): 30% kWh less with respect to pre-construction consumption records, by installing LED solutions. ACEA ATO 5	KPI: kWh consumed /pre-construction consumption records
Promoting an efficient use of resources, facilitating circular economy	Reducing electrical energy consumption for lighting company offices (26 sites, including operational offices and installations): 50% kWh less with respect to pre-construction consumption records, by installing LED solutions. ACEA ATO 2	KPI: kWh consumed /pre-construction consumption records
	Reducing the level of "actual losses" on the water distribution system up to ≤ 30% (- 17% less with respect to the level of about 47% in 2016). ACEA ATO 2	KPI: % of actual losses
	Reducing the level of "actual losses" on the water distribution system up to ≤ 50% (about - 17% less to the level of about 66.7% in 2016). ACEA ATO 5	KPI: % of actual losses
	Boosting the River Tevere water potabilization systems as an emergency reserve for the Municipality of Rome (about 500 l/s), to supplement the water resources that can be drawn from Lake Bracciano. ACEA ATO 2	KPI: l/s of reserve water resources available for the city of Rome, potabilized from River Tevere
	Installation of sensors (pressure, flow rate) for the advanced monitoring of water leakage in products. ACEA ATO 2	KPI: Yes/No

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS
(follows) Promoting an efficient use of resources, facilitating circular economy	Implementing interventions for recycling purified waste water mainly for irrigation purposes with ensuing recovery of water resources for drinking purposes (recovery of 12 MM cbm/year). ACEA ATO 2	KPI: MM cbm/year of potable resources recovered through use replacement of the purified water
	Increasing the overall waste treatment capacity by about 700,000 t (equivalent to about 70% more with respect to the 2017 data). ACEA AMBIENTE	KPI: overall t of treated waste/ overall t of treated waste (2017 data)
	Constructing an organic sludge management and treatment system and transformation into biolignite (10% of the dehydrated sludge treated). ACEA AMBIENTE	KPI: t of biolignite produced/ organic sludge treated
	Operativeness of recently purchased milk whey drying plants for transformation into powder for use in the zootechnics industry (30,000 t of whey recovered). ACEA AMBIENTE	KPI: t whey transformed into powder/t of whey treated
	Recovering 200 t of ferrous scrap material (pulper braids, slag, unsorted). ACEA AMBIENTE	KPI: t ferrous scrap material recovered
	Constructing a platform for selecting light multi-material coming from separated collection (recovery of 65% of the managed waste). ACEA AMBIENTE	KPI: t of recovered material/t of managed waste
	Identifying at least 4 possible material recovery initiatives, in compliance with the circular economy. ACEA AMBIENTE	KPI: n° of possible initiatives identified
Taking territorial protection initiatives and reducing impact on natural environment	Boosting use of online billing: about 195,000 digital bills (equivalent to about 35 t of paper saved/year). ACEA ATO 2	KPI: n° of online bills activated KPI: t of paper saved per year
	Boosting the use of online bills: 250,000 digital bills (equivalent to about 52 t of paper saved/year). ACEA ENERGIA	KPI: n° of online bills activated KPI: t of paper saved per year
	Further reduction of use of paper by digitising processes, especially in sales relations (new activities): 80% of the contracts digitised (equivalent to about 16 t of paper saved/per year). ACEA ENERGIA	KPI: % of contracts digitised KPI: t of paper saved per year
	Eliminating 167 pylons, by modernisation the electrical supply system as well as high and ultra-high voltage transmission. ARETI	KPI: n° of pylons eliminated/ n° of pylons to be eliminated
	Completing the supplementation of the of the River Tevere and River Aniene quality monitoring system as concerns the Rome city centre fluvial section (7 control units by 2022). ACEA ELABORI	KPI: n° of control units/ total n° of control units to be implemented
	Increasing the purification efficiency by 5.5%, with respect to 2017, in terms of reduction of BOD ₅ , on 10 purification plants subject of adjustment. ACEA ATO 5	KPI: (BOD ₅ in-BOD ₅ out/ BOD ₅ in)*100
	Establishing preventive measures on any sources of criticalities identified (e.g. Abnormal discharge), by clustering waste water systems and targeted monitoring (30% catchments monitored). ACEA ATO 2	KPI: n° of sewage catchments monitored through special sensors/ total n° of catchments
	Increasing the set of parameters monitored on waste water, by outlining specific methods that enable identifying emerging pollutants in the water. ACEA ATO 2	KPI: Yes/No
	Developing new infrastructure surveillance systems (aqueduct sections and strategic installations), by using drones and/or satellite systems. ACEA ATO 2	KPI: Yes/No
	Reducing the annual amount of sludge produced by the 4 major purification plants by 50% (as compared to the 2017 volumes), by means of interventions aimed at enhancing the efficiency of stabilisation, dehydration and drying processes. ACEA ATO 2	KPI annual tons of sludge produced by the 4 major purification plants (Roma Nord, Roma Est, Roma Sud, Ostia)/ tons of sludge produced by the aforementioned plants in 2017
	Replacing distribution of water bottles with water dispensers at the 3 administrative offices of the company (reduction, fully operative, of about 35,000 bottles/year, equivalent to about 19 tons of plastic less/year). ACEA ATO 5	KPI: n° of bottles saved in the administrative offices/ n° of bottles consumed (at 2017)

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS
Enhancing certified environmental and energy management systems	Reaching 100% of environmental certificates for the Group's subsidiary operative companies (water, energy infrastructure, environmental, engineering and services industries). Obtaining the ISO 50001 certificate for companies of the environmental areas as well as engineering area and services. Maintaining the currently valid environmental and energy management systems certificates. ACEA SpA - Corporate affairs and services - Certification integrated systems	KPI: % of operative companies with an environmental and energy management system (per operative sector)
	Participating in CAM (Minimum Environmental Criteria) definition meetings, where required. ARETI	KPI: n° of participations/ n° of active definition meetings on products of competence
	Defining minimum shared criteria, by drafting guidelines/internal manuals, for defining a "green" product or "sustainable" service capable of facilitating definition as a «Green Purchase» of the requirements, when filling in the Shopping Cart. ACEA ATO 2; ACEA ATO 5; ARETI	KPI: Yes/No
	Developing specialised training processes for 100% of the buyers, of the drafters of the technical specifications (identified by the Companies) and of the resources when planning requirements. ACEA ATO 2; ACEA ATO 5; ARETI	KPI: trained dedicated staff / total number of dedicated staff (drafters of the technical specifications, requirements planning, etc.)
Implementing sustainability logics in procurement procedures	Introducing self-assessment in terms of quality, environment, safety, energy and social responsibility (QASER), where relevant, for all economic operators registered in the goods/services/labour procurement qualification systems. ACEA SpA - CORPORATE AFFAIRS AND SERVICES (Procurement and logistics)	KPI: n° of QASER self-assessed suppliers/total number of qualified suppliers
	Verifying compliance with requirements in terms of quality, environment, safety, energy and social responsibility (QASER) for all economic operators registered in the works and waste management qualification systems, holding a currently valid contract. ACEA SpA - CORPORATE AFFAIRS AND SERVICES - Certification integrated systems (supplier verification)	KPI: n° of QASER verified suppliers/total n° of suppliers of certified works and waste management services holding currently valid contracts
	Exclusively keeping suppliers meeting high requirements in terms of quality, environment, safety, energy and social responsibility (QASER) in its certification systems. ACEA SpA - CORPORATE AFFAIRS AND SERVICES - Certification integrated systems (supplier verification)	KPI: n° of QASER criticalities regarding which the suppliers committed to find a solution/ total n° of QASER criticalities detected by Acea
	Defining, as concerns 50% of the Classes of Commodities regarding procurement of compatible Goods and Services, one or more sustainability criteria applicable when defining technical and/or awarding requirements according to the most economically advantageous tender criterion. ACEA SpA - CORPORATE AFFAIRS AND SERVICES (Procurement and logistics) with contribution from Operative companies	KPI: n° of Classes of Commodities with defined criteria / total n° of compatible Classes of Commodities
	Use of at least 90% of the applicable CAMs (Minimum Environmental Criteria), pursuant to the respective Italian Ministerial Decrees when defining technical and/or awarding requirements in procurement processes regarding multi-company contracts managed centrally. ACEA SpA - CORPORATE AFFAIRS AND SERVICES (Procurement and logistics)	KPI: n° of CAMs applied / total n° of CAMs applicable to common contracts valid during the period of reference
	Assessing selection and procurement criteria for renewing the vehicle fleet of the company with the aim of facilitating transportation solutions using electric/hybrid technology or biogas-fuelled means. ACEA ATO 2	KPI: Yes/No
AREA OF ACTION 2: Contributing to the well-being of the community		
Promoting activities with positive impact on the collectivity and on the territories where the company operates	Supporting at least 3 social-oriented initiatives per year aimed at promoting sports. ACEA SpA - EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS (Social-oriented Communication)	KPI: n° of sponsored sports promotion social initiatives
	Enhancing industrial sites and facilities of the Group's Companies through cultural-oriented events. ACEA SpA - EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS (Adv., Brand Image)	KPI: n° of events organised per year
	Increasing the Rome area development investments by 5% per year by sustaining projects aimed at supporting the enhancement of urban quality. ACEA SpA - EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS (Social-oriented Communication)	KPI: % of annual increase of investments

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS
AREA OF ACTION 3: Consolidating relations with the region		
Contributing towards creating awareness on social and environmental matters	Ensuring Acea's engagement in creating awareness among the citizens as regards ethical matters or social campaigns promoted by the Municipality of Rome, through temporary monuments, fountains, squares and public buildings lighting events (75 events lit free of charge: 15/year). ARETI (Public Lighting)	KPI: n° of events lit free of charge per year
	Support or management of at least 4 awareness initiatives per year and and promoting socially useful campaigns (prevention of cancer, women's rights, protecting diversity). ACEA SpA - External relations and institutional affairs (Social-oriented Communication)	KPI: n° of initiatives supported and/or managed
	Planning and implementing awareness campaigns aimed at compulsory school age students present in the territory where the Companies of the Group operate, as concerns responsible use of natural resources (at least 6,000 students per year; meeting 100% of the demand). ACEA SpA - External relations and institutional affairs (Social-oriented communication)	KPI: n° of students engaged per year/n° of students to be engaged KPI: % of attendance applications admitted
	Creating awareness among customers as regards conscious use of water resources by designing customised information and engagement panels (customised reports, consumption simulator, customised tips, etc.); reducing average consumption of active customers by 10% as compared to 2017. ACEA ATO 2, in conjunction with ACEA SpA - EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS	KPI: % of average consumption of active customers
	Creating 2 campaigns per year or awareness initiatives addressing saving water, energy and environmental protection targeting the collectivity. ACEA SpA - EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS (Advertising, Brand Image and companies of the Group)	KPI: n° of campaigns/initiatives carried out in the year
	Organising at least 5 guided tours of the Group's plants per year, aimed at schools, institutions, committees etc. with aim of creating awareness on environmental matters. ACEA ATO 2; ACEA ATO 5; ARETI, in conjunction with ACEA SpA - EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS	KPI: n° of tours carried out per year
Facilitating the engagement of stakeholders in company projects with the aim of creating shared values	Assessing a tool for mapping stakeholders and implementing it in the main companies of the Group. ACEA SPA - EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS (Sustainability) in conjunction with the main operative companies	KPI: Defining the tool (0/100%) KPI: Mapping status of the stakeholders in the Group (0/100%)
	Developing permanent relation methods (e.g. Committees, workshops) with the collectivity and the reference territories and applying them to the main companies of the companies of the Group. ACEA SPA - EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS (Sustainability) in conjunction with with the main operative companies	KPI: Defining the viewing mode portfolio (0/100%) KPI: Companies with permanent viewing mode/ companies of the Group KPI: Number and type of viewing carried out
	Organising an event for presenting and disclosing sustainability Report Data. ACEA SpA - EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS (Adv., Brand Image)	KPI: Yes/No
	Planning and carrying out School-Work Alternating projects targeting Technical Secondary School students of the territory (engaging at least 4 students/year for a minimum of 50 hours per student/year). ACEA ATO 5	KPI: n° of students engaged KPI: n° of alternation hours/ student
	Planning and carrying out School-Work Alternating projects targeting Electronic and Electro-technical Secondary School students of the territory (engaging at least 25 students/year for a minimum of 40 hours per student/year). ARETI	KPI: n° of students engaged KPI: n° of alternation hours/ student
	Attending at least 3 Work Groups and/or technical-regulatory workshops headed by organisations of the industry or scientific bodies for conveying management-operational needs and criticalities in the implementation of future guidelines and recommendations. ACEA ELABORI	KPI: n° of initiatives undertaken



MACRO-OBJECTIVE NO. 4

Promoting health and safety along the value chain

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS
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AREA OF ACTION 1: Health and safety in the workplaces for Group workers

Promoting workplace health and safety culture	Making a “near-miss” injury online training module compulsory for 100% of the operative population. ACEA SpA DEVELOPING HUMAN CAPITAL (Training)	KPI: n° of employees trained/n° of employees to be trained
	Making a safety culture online training module compulsory for 100% of the operative population: awareness and prevention. ACEA SpA DEVELOPING HUMAN CAPITAL (Training)	KPI: n° of employees trained/n° of employees to be trained
	Training 100% of the dispatched staff that uses company vehicles, promoting appropriate driving conduct. Intermediate target (2018): 63% of 1,200 (target population by 2022). ACEA SpA - DEVELOPING HUMAN CAPITAL (Training)	KPI: n° of employees trained/n° of employees to be trained
	Providing dispatched employees, who work alone, with a safety system on APP (“Smart DPI”) with the aim of enhancing their protection and timely assistance in case of unwellness or injury. ACEA ATO 2	KPI: Yes/No
	Planning and implementing a special activity addressing smoking cessation. ACEA ENERGIA, ACEA8CENTO in conjunction with ACEA SpA - DEVELOPING HUMAN CAPITAL	KPI: Yes/No
	Joining the “In Salute in Azienda, i.e. Healthy at Work” project (Lazio Regional Government), with initiatives aimed at promoting workplace health and with the aim of obtaining a “Luogo di lavoro che promuove la salute-Rete Europea ENWHP, i.e. Workplace promoting health-European Network” certificate. ACEA8CENTO	“Luogo di lavoro che promuove la salute-Rete Europea ENWHP, i.e. Workplace promoting health-European Network” certificate, KPI: Yes/No

AREA OF ACTION 2: Health and safety in the workplaces for contractors and subcontractors

Creating awareness among contractors on workplace health and safety	Creating safety communication tools (information pamphlets, brochures, videos, manual, etc.), on the types of risk underlying the managed plants, in various languages (e.g. English, Romanian, Polish) with the aim of facilitating learning efficiency by the labourers of the contractor companies. ACEA ATO 2; ACEA ATO 5; in conjunction with Acea SpA - EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS	KPI: Yes/No
	Developing a professional safety plan aimed at contracting companies at the Acea Ato 2 training centres. ACEA ATO 2	KPI: Yes/No
	Creating an annual safety award aimed at creating awareness on safety issues regarding contractors and subcontractors. ACEA ATO 5	KPI: Yes/No
	Extending the introduction of awarding criteria related to health and safety issues to all contracts on networks and plants. ARETI	KPI: n° of contracts featuring awarding criteria related to health and safety/ total number of contracts in the year
	Increasing annual inspections aimed at verifying the application of safety procedures and regulations on networks maintenance contracts monitored by the Safety Team by 50%. ACEA ELABORI Intermediate target (2020): 11,000 verifications per year (+50% as compared to the 2016 data)	KPI: n° of safety inspections/n° of inspections at 2016
	Application of awarding criteria related to health and safety, in 80% of the relative tender contracts, awarded according to the most economically advantageous tender criterion. ACEA SpA - CORPORATE AFFAIRS AND SERVICES (procurement abind logistics)	KPI: n° of contracts according to the H&S criteria/ n° of contracts awarded according to the most economically advantageous tender criterion

AREA OF ACTION 3: Health and safety of the communities with which the Group operates

Ensuring the health and safety of the customers of the reference community for the various services provided	Developing a plan for monitoring the radioactivity of potable water on 100% of the supply systems. ACEA ATO 2	KPI: n° of supply systems monitored/total n° of supply systems
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(follows)

Ensuring the health and safety of the customers of the reference community for the various services provided

Upholding highest quality standards as concerns supplied potable water.
ACEA ATO 2; ACEA ATO 5

KPI: n° of analytical verifications compliant with the law requirements/ total number of analytical verifications carried out
KPI: n° of analysis on potable water/ km of network



MACRO-OBJECTIVE NO. 5

Investing in innovation for sustainability

OPERATIONAL OBJECTIVES	2022 TARGETS FUNCTIONS/ OWNER COMPANIES OF THE PROCESS	KEY PERFORMANCE INDICATORS
AREA OF ACTION 1: Organisational innovation		
Promoting "smart" processes and working methods	Organising at least one initiative per year aimed at verifying potential introduction of smart working methods in the company. ACEA SpA - DEVELOPING HUMAN CAPITAL	KPI: n° of initiatives activated
	Introducing the BIM (Building Information Modelling) system for planning artistic-monumental lighting projects. ARETI (Public Lighting)	KPI: n° of artistic-monumental lighting projects carried out using the BIM system
AREA OF ACTION 2: Technological and process innovation		
Promoting the resilience of the urban territory and innovation towards a smart city	Installation of a pilot system for monitoring weather conditions with the aim of estimating the resilience of the power supply network. ARETI	KPI: Yes/No
	Creating broadband connection on an optical fibre network owned by the company (or any other broadband connection) serving the operation of the power supply network covering the 71 main cabinets. ARETI	KPI: n° of main cabinets with broadband connection/ 71 main cabinets
	Providing the 1,500 public lighting posts with smart equipment. ARETI	KPI: n° of posts provided with smart equipment
	Conveying information to the citizens in conjunction with the local authorities by means of 100% of the water dispensing stations. ACEA SpA - EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS (Adv., Brand Image)	KPI: % of water dispensing stations through which information can be conveyed
	Supporting start-ups, in conjunction with Universities, local authorities, etc., with the aim of creating innovative projects related to the Group's core business. ACEA SpA - EXTERNAL RELATIONS AND INSTITUTIONAL AFFAIRS (Adv., Brand Image)	KPI: n° of projects activated
Implementing remote control systems and remote interventions	Installing remote-read meters, with about 1,000 units, in a pilot municipality. ACEA ATO 5	KPI: number of remote-read meters installed per year
	Installing remote-read meters covering 100 % of the units representing 80% of the billed water consumption. ACEA ATO 2	KPI: n° of remote-read meters installed on the units covering 80% of the billed water consumption/ n° of units covering 80% of the billed consumption
	Remote-controlling 100% of the IP plants (intermediate target at 2020). ARETI (Public Lighting)	KPI: % of the remote-controlled light points
Application of new technology to detect of water leakage	Testing 3 new leakage detection technologies. ACEA ELABORI	KPI: n° of technologies tested
AREA OF ACTION 3: Creating and promoting knowledge		
Developing research projects in partnership with other competent organisations	Taking part in funded projects of interest to Acea and its operative companies at national or European community level, regarding research and environmental sustainability issues. ACEA ELABORI	KPI: n° of projects
	Developing methods for the research of 4 emerging organic micro-pollutant classes - MOE (interfering endocrines, drugs, antibiotics, therapeutic substances, substances of abuse) in 10 purification plants of various potential and location. ACEA ELABORI	KPI: n° of organic micro-pollutant classes studied/total number of organic micro-pollutant classes to be studied KPI: n° of plants monitored/total number of plants to be monitored

CORPORATE GOVERNANCE AND MANAGEMENT SYSTEMS

CORPORATE GOVERNANCE IN ACEA

Acea adopts a governance model compliant with the Code of Conduct for Listed Companies and is consistent with the principles of **transparency, balance and segregation of policy-driven, management and control activities**.

The Acea SpA Board of Directors establishes the **strategic guidelines of the Group** and is responsible for corporate governance. Some

committees have been set up within the Board of Directors (BoD) of the parent company, also in light of the most recent indications proposed by the *Self-Regulation Code*, having propositional and consultation duties: the **Audit and Risk Committee**, the **Appointment and Remuneration Committee** and the **Ethics and Sustainability Committee**¹⁵. Moreover, in implementation of Consob regulations, a committee has been set up for examining Party-related transactions, formed exclusively of independent directors. Lastly, the Board of Statutory Auditors performs supervisory duties, according to the traditional model in force.

THE CORPORATE GOVERNANCE COMMITTEES

The **Audit and Risk Committee** helps defining the guidelines for identifying, assessing, managing and monitoring the main risks for the Group companies, including risk becoming significant with a view to medium/long term sustainability, establishing compatibility criteria for such risks and supporting, subject to appropriate preliminary activities, the evaluations and decisions of the Board of Directors with respect to the internal auditing and risk management system. The Committee gives a prior opinion to the Board with regard to the annual approval of the activity plan prepared by the Head of the Internal Audit Function and provides its own opinion on any proposals for the appointment, removal and remuneration of the Head of the aforesaid Function, while monitoring the latter's independence, efficiency and performance. The Committee reports to the Board of Directors at least on a half-yearly basis concerning the completed activity. At the end of the year, the Committee's duties, provided by the regulation updated and approved by the BoD

were supplemented with an appraisal of the correct use of the reporting standards implemented for the purposes of drawing up the disclosure of a non-financial nature as per Legislative Decree no. 254/2016. The Committee met eleven times during 2017.

The **Appointment and Remuneration Committee** intervenes on the emoluments of Directors holding particular proxies, the Chief Executive Officer and Executives holding key positions. It provides opinions to the Board of Directors regarding its composition (size, appropriate professional profiles, compatibility of positions) and recommends the policy for remuneration of Directors and Executives holding key positions, supporting medium and long-term sustainability and the balance between fixed and variable elements of remuneration depending on strategic goals and the risk management policy. In this regard, it submits recommendations for performance goals related to variable remuneration. It monitors the application of criteria and the decisions implemented by the BoD regarding

the remuneration policy. The Committee met fourteen times in 2017.

The **Ethics and Sustainability Committee** is a panel body - formed of at least three non-executive directors, the majority of which, including the Chairman, are independent - with independent powers of action. It is designated to assist the Board of Directors in preliminary investigative, propositional and advisory functions with regard to corporate ethics and environmental, social and governance related matters. The Committee reports to the Board of Directors at least every half-year regarding the performed activity. The Committee's duties include: supervision on the matter of sustainability linked to exercising corporate activities and the dynamics of interaction with the stakeholders; examination of the Sustainability Plan guidelines and monitoring of the implementation of such Plan once approved by the Board of Directors monitoring of the adequacy and implementation of the Code of Ethics. The Committee met 7 times in 2017.

The Group companies falling within the boundary of the Sustainability Report in relation to the wider system of internal control and risk management adopt, as well as models and procedures concerning specific topics, also their own **Models of organisation, management and control pursuant to Legislative Decree no. 231/2001** (231 Models), in order to prevent the risk from which entities could become liability for administrative crimes due to an offence.

Such models are preceded by thorough crime **risk mapping**, amongst which those pertaining to the law on the matter of **corruption, health and safety at the workplace, and environment**, after which the crimes are identified which could theoretically be committed during corporate activities and are periodically updated to adapt them to any amendments concerning both the internal organisation and predicate offences recalled in the legislative decree.

The **Supervisory Body (OdV)**, as an expressly designated body, has full and autonomous powers of initiative and intervention with regard to the function and effectiveness of the 231 Models, it continuously monitors activities sensitive to the commission of the crimes indicated by the legislative decree.

For Acea the adoption of **relevant and shared ethical principles constitutes an essential element of the internal control system, also for the purposes of crime prevention**. To this end, the behavioural rules announced in the **Code of Ethics - a supplement to Model 231** - represent a basic reference with which the recipients must comply when performing corporate activities.

In 2017 the **231 Models were updated** for the following companies: Acea SpA, Acea Ambiente, Aquaser, Areti and Acea Elabori. For the remaining companies, given the legislative novelties introduced

¹⁵ This Committee, the duties and name of which have been reformulated following the board resolution in December 2017, it was previously called the Ethics Committee.

during the last quarter of the year and the update of Model 231 of the Parent Company, it was deemed appropriate to postpone the update until such novelties were transposed.

The **legislative amendments brought about during the year to Legislative Decree no. 231/2001** concerned the following predicated offences: **corruption among private parties; use of citizens from country whose residence is irregular; racism and xenophobia**. Also to be pointed out is that by Law 179/2017 the protection of an employee or collaborator who reports crimes or violations related to the Organisational and management model of the entity of which they became aware through their office (so-called “Whistleblowing”) was introduced in the Legislative Decree in question.

Corporate management is referred to the **Board of Directors (BoD)**, which is formed of a number from 5 to 9 members according to the decisions of the Shareholders’ Meeting. The members of the BoD - the process of identification and appointment of which is governed by Acea’s Articles of Association according to the provisions of the applicable law - remain in office for three financial years and can be re-elected. The method used for their selection is able to guarantee the **representation of the genders**, appointment of an adequate number of **Directors representing**

the minorities and the required number of **Independent directors** pursuant to law¹⁶.

The Board in office, voted by the Shareholders’ Meeting of 27 April 2017, **is formed of 9 directors**, 3 of which are women. The three female Directors were also attributed the Chairmanships of the Audit and Risks, Appointments and Remuneration, and Ethics and Sustainability Committees.

The Board of Directors met fourteen times during 2017.

The Chairman and Chief Executive Officer are the only **executive Directors**.

In accordance with the Code of conduct for listed companies, **Acea carries out a board evaluation annually**, availing of an external advisor in order to assess the dimension, composition and function of the BoD and its internal Committees, as well as the issues subject matter of discussion.

It is important to highlight that, during the year, the BoD dedicated a specific induction meeting, steered by an external expert, to the **integration of sustainability in strategic planning** and, by initiative of the CEO, this training session was repeated for a **meeting of the CEO with the top management** of first report.

TOWARDS AN INTEGRATED GOVERNANCE STRATEGY: INTEGRATED GOVERNANCE INDEX 2017 AND ACEA’S PLACEMENT

The **Integrated Governance Index (IGI)** is the first quantitative index, drawn up by subjects qualified in analysing the development of governance in enterprises (TopLegal, ETicanews, Methodos, Morrow Sodali, Nedcommunity), which, since 2016, has clearly and briefly expressed the position of companies in relation to sustainability governance (or integrated governance). The index is built on the basis of a questionnaire sent to the first 100 companies listed on the Milan Stock Exchange and the assessment is based on a preset score ex ante which is applied on a standard basis to all participants. The questionnaire is formed of an ordinary Area, divided into seven sections of investigation and by an extraordinary Area which

further explores topics particularly relevant to the year. In 2017 the extraordinary Area concerned Directive 2014/95/EU whereas the issues investigated by the ordinary Area were as follows: Code of conduct and sustainability; Diversity, professionalism, independence of the board; Csr integrated into retribution; Csr integrated into business strategies; Board committees and sustainability; Csr and responsible investors; Succession plans.

Acea, called to participate in the IGI investigation for the first time in 2017, obtained a score of 55.90, placing it halfway in the general classification of respondents. In particular, the areas in which the best performances are highlighted concerned **conformity to the**

Code of Conduct, composition of the BoD and the approach to the new law regarding ESG disclosure obligations (environmental, social, governance). The aspects with a lower score were those concerning **the integration of CSR in retribution, strategic planning and board committees**. During the year the topics examined by the IGI and the assessments obtained by Acea were the subject matter of further investigation and reflections, for improvement initiatives by the Ethics and Sustainability Committee, expression of the new Top Management.

NB The data and information concerning the Integrated Governance Index were drawn up with the collaboration of ETicanews.

The **Report on corporate governance and shareholders’ structure**, available on the institutional website (www.acea.it), provides detailed information about the Directors of Acea SpA: *curricula*, qualification of independence, presence in meetings of the Board and the Committees of which they are members and any positions in other companies.

¹⁶ According to art. 147 ter., para. 4, of Legislative Decree 58/98, so-called Finance Act (TUF), the minimum number of independent Directors must be 1 in the case of a BoD up to 7 members, 2 in the case of BoD exceeding 7 members. During the year the BoD verified that the Directors met the conditions required to qualify as independent. As at 31/12/2017, 7 directors are effectively independent

STRUCTURE OF THE BOARD OF DIRECTORS AND INTERNAL BOARD COMMITTEES OF ACEA SPA (AS AT 31/12/2017)

	ROLE IN THE BOD	APPOINTMENT AND REMUNERATION COMMITTEE	AUDIT AND RISK COMMITTEE	ETHICS AND SUSTAINABILITY COMMITTEE	EXECUTIVE DIRECTOR	INDEPENDENT DIRECTOR
LUCA ALFREDO LANZALONE	Chairman				X	
STEFANO ANTONIO DONNARUMMA	CEO				X	
LILIANA GODINO	Director	Chairman	Member			X
GABRIELLA CHIELLINO	Director			Chairman		X
MICHAELA CASTELLI	Director	Member	Chairman	Member		X
MASSIMILIANO CAPECE MINUTOLO DEL SASSO	Director	Member	Member			X
ALESSANDRO CALTAGIRONE	Director					X
GIOVANNI GIANI	Director	Member	Member	Member		X
FABRICE ROSSIGNOL	Director					X

THE ROLE AND POWERS OF THE BOARD OF DIRECTORS IN ACEA

The **duties lying with the Board of Directors** pursuant to the law provisions, the Articles of Association and in compliance with the recommendations provided in the Code of Conduct include:

- Outlining the **Company's general and strategic policies** as well as guiding lines; coordinating the economic and financial operations of the Group by approving business plans, including financial plans, investment plans and annual budgets;
- Defining the nature and extent of risks consistent with the strategic goals of the Company, including in such assessments, all risk which could become significant with a view to sustainability in the medium/long term of the issuer's activity;
- Approving and amending internal regulations with regard to the general organisational structure of the Company;
- Establishing the Committees required by the Code of Conduct and appointing their members;
- Adopting Organisation, management and control models as pursuant to Legislative Decree no. 231/01;
- Assessing the adequacy of the organisational, administrative and accounting structure of Acea and its key subsidiaries;
- Interacting with the shareholders and undertaking initiatives aimed at increasing their engagement and enabling them to exercise their rights smoothly;
- Establishing audits for the protection of personal data or third party sensitive data, complete with the drafting of an annual security policy report (Legislative Decree no. 96/03);
- Adopting the necessary procedures to protect the health of workers and appointing individuals to supervise safety in the workplace (Legislative Decree no. 81/08);
- Evaluating the independence of its non-executive members at least on a yearly basis.

DUTIES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The **Chairman** is the legal representative of the Company and is vested with powers of signature. He/she also has the power to call and chair the Board of Directors and Shareholders' meetings. The Chairman's duties include: overseeing the Group's activities and checking the enforcement of board resolutions and corporate governance regulations; monitoring business activities and processes with reference to delivered vs perceived quality as well as activities related to **corporate social responsibility**. Lastly, the Chairman shall supervise corporate secretariat operations of the parent company.

The **Chief Executive Officer** is entrusted with the ordinary business of the Company, vested with powers of signature, he/she is the

Company's legal representative and is authorised to represent the Company in dealings before the courts of law. He/she shall also discharge such other duties as may be entrusted pursuant to the law provisions and the Articles of Association. His/her terms of reference are based on long-term plans and annual budgets approved by the Board of Directors. Moreover, he/she ensures and monitors compliance with operational guidelines, implementing organisational and procedural changes to the Parent Company's activities consistent with the guidelines issued by the BoD. The current Chief Executive Officer also holds the office of Manager of the Water Business Area.

The **Chairman and the Chief Executive**

Officer report at least quarterly to the Board of Directors and the Board of Statutory Auditors on the general operating trend and outlook.

If necessary, the Chairman and Chief Executive Officer are entitled to jointly adopt acts lying with the Board of Directors as regards contracts, purchases, participation in tenders, issue of sureties and appointment of members of the Boards of Directors and Boards of Statutory Auditors of the Group's major subsidiaries if the urgency of the matters does not allow a meeting to be called, subject however to informing the Board of Directors in its first subsequent meeting in order to ascertain the legitimacy of any such actions

The ordinary and extraordinary **Shareholders' Meeting** can be called by the **Board of Directors** as well as **upon request of the shareholders**, provided that they represent at least 5% of the share capital pursuant to the applicable legal provisions. Furthermore, in compliance with such provisions, the shareholders representing at least 2.5% of the share capital may request that additional matters be discussed by either recommending additional topics or submitting resolution proposals for matters already included in the agenda.

Shareholders are encouraged to attend by ensuring appropriate operating conditions: technology-based interactions are envisaged (electronic notice of proxies; notice of call posted on the website). Moreover, prior to the date set for the meeting, the shareholders may (even by email) submit enquiries regarding topics on the agenda. There are no shares with limited voting rights or absent of such right¹⁷.

Except for the shareholder Roma Capitale, restrictions shall apply to the voting right of shares exceeding 8% of the share capital, as laid down by the Articles of Association. Neither shareholders' agreements nor special rights of veto or in any way affecting the decision-making process exist other than as a result of the equity interest held.

Some **corporate Committees** operate within the Parent Company on a structured or periodic basis, established with technical-advisory functions in order to improve corporate integration, decision making processes and dealing with emerging problems required fast and coordinated decisions: the **directive Committee**, formed of managers from the Parent Company of first report to the Chief Executive Officer the **business review Committee** for analysing data and economic-financial performance; the **public lighting Committee** and the **private electricity network Committee**, competent for said environments of the energy sector.

Furthermore, consequent to the water emergency which reached its peak in the summer, specific committees were created, such as the **Group Water Companies Committee**, the **aqueduct development Committee** and the **purification development Committee**.

The managers from the Business Areas and Functions of Acea SpA are part of such Committees, chaired by the Chief Executive Officer of the Parent Company and they involve, as required, further corporate professional resources who help with understanding the more operational dynamics of corporate processes. The discussed arguments can be the subject matter of specific informative documents to the BoD.

PROCESS FOR SETTING EMOLUMENTS FOR THE TOP MANAGEMENT

A **remuneration policy** is in place in Acea concerning top management, directors tasked with specific duties and executives holding key positions.

The remuneration system regarding these individuals is based on a **clear and transparent process**, with a key role being played by the **Appointment and Remuneration Committee** which formulates proposals regarding the remuneration Policy and the **Board of Directors** of the Company which approves them. The role of these two main corporate

governance bodies ensures the observance of rules which favours a consistent Policy, avoiding conflicts of interest and ensuring clarity through adequate information.

The Shareholders' Meeting may set the fixed emoluments of the Board members throughout their term of office and, furthermore, issues a resolution for or against the Policy (such resolution not being binding as pursuant to Article 123-ter, paragraph 6, of the Finance Act) as illustrated and reflected in the Remuneration Report 2017. In

relation thereto, the retributive references were confirmed for the Board members, as established by resolution of 5 June 2014 whereas, in exercising its competence in setting the payments for the Directors vested with special offices, the Board of Directors resolved on the retributive references for the Chairman and the Chief Executive Officer throughout their term in office.

For further details, see the Remuneration Report Financial Year 2017 available on the website www.acea.it.

The **Acea Internal Audit and Risk Management System (IARMS)** is a key element of the corporate governance structure comprising rules, policies, procedures and organisational structures aimed at:

- **identifying risks and opportunities** for the pursuit of the goals set by the Board of Directors;
- encouraging the adoption of **informed decisions** in line with corporate goals;
- **protecting the corporate assets, process efficiency and effectiveness, reliability of financial disclosures and compliance with internal and external regulations.**

This system **applies across the entire corporate structure to different extents**: the BoD and the internal Committees of the board, the Director in charge of the IARMS (i.e. the CEO), the Board

of Statutory Auditors, the Executive Responsible for Financial Reporting, the Supervisory Board, the Ethics Committee, the Internal Audit Function, managers and employees.

A **specific audit project on the various elements of the IARMS** was initiated during 2017 which considers, specifically, amendments brought to the **Code of Conduct on the topic of sustainability** and legislative novelties regarding **non-financial disclosure** (Legislative Decree no. 254/2016). The activities carried out allowed duties to be redefined and consequent approval of new operational regulations for the internal board Committees, especially the Audit and Risk Committee and the renewed Ethics and Sustainability Committee (see box *The corporate governance committees*).

¹⁷ With the exception of 416,993 own shares (corresponding to about 0.2% of the total shares) for which the right of vote is suspended pursuant to art. 2357-ter Civil Code. See also the *Report on corporate governance and the shareholders' structure 2017*.

CHART NO. 10 – THE KEY PLAYERS OF THE IARMS

BoD

Determines the guidelines of the IARMS so as the main risks for Acea and its subsidiaries are identified, measured and managed

DIRECTOR IN CHARGE

Implements the IARMS guidelines and takes care, also by using the Audit Department, of the identification of the main corporate risks, subjecting them periodically to the BoD

BOARD OF STATUTORY AUDITORS

Monitors the legislative and procedural conformity and the correctness of the administration

DIRECTOR IN CHARGE OF PREPARING THE COMPANY BOOKS

Responsible for instituting and maintaining the System of Internal Audit on the financial information

OVERSIGHT BODY

Is assigned with the powers of initiative and intervention to the functioning of MOG 231, relying on the collaboration of the Ethics and Sustainability Committee for the profiles of common interest

AUDIT

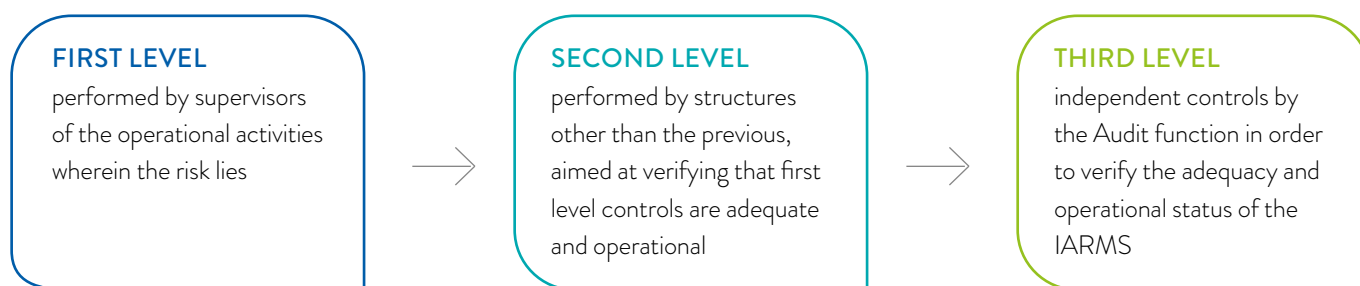
Carries out independent audits on the operations and suitability of the IARMS using and audit plan (risk based) approved by the BoD and monitors the execution of the action plans issued following the audits performed

COMPANY STAFF

Acts with different responsibilities, from management to workers, in maintaining an efficient process of identifying managing risks and operating with respect to the procedures, by performing activities of control on the line

Risk management is a **cross-cutting process** that entails **widespread responsibilities and the involvement of all company levels**. It aims to: evaluate exposure to risks identify actions to prevent or mitigate risks; carry out audits; transfer unacceptable risks, for example through insurance coverage.

CHART NO. 11 – RISK CONTROL FLOW



The monitoring and management of risks which, in special circumstances, can also be significant for the purposes of committing crimes, is entrusted to the Supervisory Body 231 as well as corporate structures having the duty to realise and adopt specific audit models. Pointed out among the latter are:

- the “The Group Management and Control Model as per Law 262/05” implemented with the objective of defining an efficient Internal Control System on the **Financial Disclosure for the Group**;
- the control model as per Legislative Decree no. 196/03, implemented with the objective of guaranteeing, in the management of corporate processes, **conformity with the dictates of the privacy law**;
- the organisational model monitoring **IT risks**, implemented with the objective of guaranteeing the design, implementation and realisation of IT security measures within Acea Group;
- the control model dedicated to monitoring risks associated with safeguarding health and safety and the workplace,

implemented in conformity with the international standard OHSAS 18001, having the objective of reducing risks linked to corporate activities, applying policies of prevention and continuous improvement;

- the control model dedicated to monitoring **environmental risks**, implemented in conformity with international standard ISO 14001, having the objective of reducing the environmental impact of the activities by applying policies and protocols of management and continuous improvement;
- the **internal organisational and regulatory system**, formed of a group of rules, policies, procedures and operating instructions relevant for the purposes of defining an adequate internal framework of reference consistent with the assigned roles and responsibilities.

The Internal Audit Function also has the duty of following up the **audit interventions Plan**, approved by the Board of Directors, subject to the opinion of the Audit and Risks Committee. During the year, **about 70%** of the Plan activities concerned **corporate**

processes deemed as exposed to the risks as per Legislative Decree no. 231/01, amongst which the crimes regarding **corruption and the environment**, in violation of **injury prevention laws and the laws safeguarding hygiene and health at the workplace**. As regards corruption, the “purchasing-supplier payment cycle” and “business credit card management” processes were verified for all companies, excluding Gesesa, included in the scope of the *Sustainability Report* (90% of the scope). In 2017, risk assessments were also initiated or

completed for the amendment of the MOG 231 of all companies within the scope, which include corruption risk processes. A specific Operating **Instruction on the Information Flows of the Internal Audit System** identifies the corporate structures which are to perform second-level supervising tasks in respect of some typical risks and provides instruction on **how to prepare an appropriate periodic report to be submitted to top management and governance bodies reflecting the supervisory tasks performed**.

THE RISK & COMPLIANCE FUNCTION

The Risk & Compliance Function was established in 2017 with functional reporting of the Director appointed to the SCIGR, its mission being to identify, describe and measure the **main risk factors** which could jeopardise **reaching the strategic objectives** of the Group, propose **risk management policies** concerning the corporate activity, identify and acquire the most suitable **insurance coverage** for insurable risks and, lastly, avoid risk of non conformity of the corporate activity to the reference normatives. During the year the Audit and Risk Committee asked the Risk & Compliance Function to draw up an analysis of the **Top Risks**, useful for defining and assessing the risks deemed most significant, the impacted

business areas of interest and the implemented control system. Among the highlighted macro classes we point out those pertaining to cyber and data security, the environmental and climatic context, social-political context (meant both in terms of geopolitical scenario and stakeholder engagement with Acea’s territories of reference), safety, management and development of human capital.

The Risk & Compliance Function also initiated the preparation of a specific activity of analysis to be performed at Acea companies within the scope of this consolidated non-financial Statement (as per Legislative Decree no. 254/2016) with interviews and questionnaires, aimed at accompanying the management

towards the **identification and assessment of risks, generated or suffered by Acea concerning the main topics of sustainability with reference to the managed activities**. The detailed information which shall emerge from such assessment process shall give rise to highlighting potential elements of vulnerability which could compromise the achievement of set targets and therefore promptly intervene to improve risk management and take any further opportunities; the activity will also allow the various communication requirements, internal and external, to be satisfied through the production and circulation of informatory flows entailing differentiate reporting according to the different recipients.

There is an operational **reporting system** in Acea for employees and external individuals to report any violations of the **law, internal regulations** and the **Code of Ethics** as well as any problems relating to the Internal Audit System, **corporate disclosures, administrative**

liability of the company (Legislative Decree no. 231/01), **fraud and conflicts of interest**, consistent with the principles under the Guidelines of the IARMS, Model 231 and the Code of Ethics itself (so-called “whistleblowing system”).

REPORTS RECEIVED ON THE CODE OF ETHICS

Acea adopts a specific procedure for **receiving, analysing and processing reports of presumed violations of the rules of conduct prescribed by the Code of Ethics** (whistleblowing). This procedure ensures the **maximum level of confidentiality and privacy** in the processing of communications received, protecting those voicing their concerns and those responsible.

The Audit Function is responsible for receiving, registering and ascertaining the existence of violations and analysed **29 cases of presumed violations** of the Code of Ethics in 2017, also in coordination with other competent corporate Functions. Of these, **24** were traceable to **cases of a technical/commercial nature** and the significance thereof for the purposes of the prescriptions of the Code of

Ethics were excluded. The remaining **5 cases** concerned the following articles of the Code of Ethics: art. 16 “Suppliers”; art. 15 “Management, employees, collaborators” art. 14 “Relations with Customers”. The Internal Audit Functions draws up periodic reports on performance and the main evidence emerging from the analysis of the reports are forwarded to the Supervisory Bodies.

MANAGEMENT SYSTEMS

A complex **internal rule system** supervises the organisational system of corporate governance for the proper running of the Group’s activities, from the definition of the general guideline directives to the formal statement of the particular business aspects, according to the following criteria:

- **group management rules**, through which the parent company

gives guidelines, coordination and control instructions to all corporate units;

- **processes**: consisting of governance, functioning and operating processes, depending on whether they pertain to strategic, across-the-board or individual business areas;
- **procedures**, defining the operating methods through which the company processes are implemented.

CHART NO. 12 – THE INTERNAL RULES SYSTEM



Acea recognises the following values, as a fundamental element for the sustainability of the managed activities: promoting the culture of **quality**, respect **of the environment** and protecting **ecosystems**, the valorisation of **persons** and **safety** at the workplace, **efficient management of resources**, **risk assessments** and the **responsible management of impacts**, economic, social and environmental, **dialogue** with the interested parties and promoting sustainability in the **chain of value**, involving the supply chain.

Consistently with such guideline, in November 2017 the Top Management of Acea subscribed the new **Policy for sustainability and the quality, environment, safety and energy system**¹⁸, which breaks down the principles, values and commitments undertaken by the company, placing them in the framework of the pursuit of sustainable development and it is an **integral part of the Management Systems** conform to standards ISO 9001, ISO 14001, OHSAS 18001 e ISO 50001.

The **Integrated Certification Systems**, in relation to the Safety, Protection and certification Systems Function (Corporate Affairs and Services Department), defines the methods and standards of reference for the implementation of **QASE certificate management systems**, as well as other certificates, accreditations and certifications which Acea Group intends to acquire; it operates in harmony with the QASE Units present in the single operational companies. Acea also relies on professional profiles such as the **Energy Manager** and **Mobility Manager**, whose duty is to respond to the demands for **optimum management of internal energy consumption and staff mobility**. The duties of the Energy Manager and Mobility



Manager are aimed at seeking systemic efficiencies and savings in important aspects related to the running of an organisation, such as use of energy and employees' transfers, which also create positive external effects in terms of **lower use of resources and reduction in greenhouse gas emissions** and optimisation of travelling times and routes for employees, respectively, while increasing **road safety and reducing urban traffic**. The **Energy manager**, in particular, has the duty of implementing actions regarding **energy efficiency, reduction of consumption and cost control**, in order to ensure the **progressive optimisation of the Group's energy costs**, activating coordination with all the Energy managers in Acea companies.

CHART NO. 13 – THE CERTIFIED INTEGRATED MANAGEMENT SYSTEM



¹⁸ The Policy is available from the institutional website.

The management of **quality, the environment, safety and energy** are **central aspects in corporate policies**, as confirmed by the number of Group companies which have implemented certified integrated management systems over time.

As of 31/12/2017 **11 of the Group companies are equipped with certified management Systems** (see Table no. 8) and they have all initiated the process for transition to the **new standards ISO 9001:2015 and ISO 14001:2015**. We point out that the Acea Ambiente plants located in Terni, San Vittore del Lazio and Orvieto are **EMAS** registered.

In 2017 **Gesesa** also obtained certification for ISO14001 and OHSAS 18001 and **Ecogena** for ISO50001. Moreover, during the year the process for retaining **SOA certification** was completed for Acea SpA.

Lastly, Aquaser launched the activities in preparation for obtaining **UNI ISO 39001:2012** certification concerning the road traffic safety management system.

Considering the operating companies as a whole, about **70%** hold a **quality** certification, **75%** an **environmental** certification (100% in the Water and Environment business areas) more than **80%** have

safety certification (100% in the Water and Environment business areas) and more than **30%** an energy management system.

Each certified company carries out an annual **review by its Management** with the purpose of examining the **efficacy of the quality, environment, safety and energy management Systems**, propose possible improvement as well as assess the status of progress of the activities, each certified company **carries out an annual review by its Management**.

On these occasions, always attended by the **Chairman, Chief Executive Officer and the first report managers of the company in question**, various elements are analysed, for example: analysis of materiality, risk assessment, process services, significant environmental aspects, developments in legal prescriptions and concerning health and safety, supplier performance, customer satisfaction levels, analysis of complaints, incidents and injuries, objectives regarding quality, environment, safety and energy. The results of the review 2017, finding no criticalities, **confirmed the adequacy and efficiency of the management Systems, also defining objectives regarding quality, sustainability, safety, the environment and energy** consistent with the organisation's commitment to continuous improvement.

TABLE NO. 8 – CERTIFIED MANAGEMENT SYSTEMS IN THE ACEA GROUP (AS AT 31/12/2017)

	QUALITY (ISO9001)	ENVIRONMENT (ISO14001)	SAFETY (OHSAS18001)	ENERGY (ISO50001)	OTHER
Acea SpA	X	X	X	X	
WATER SEGMENT					
Acea Ato 2 SpA	X	X	X	X	
Acea Ato 5 SpA	X	X	X	X	
Gesesa SpA	X	X	X		
Acea Elabori SpA	X	X	X		UNI CEI EN ISO/IEC 17025:2005 Analysis laboratory accreditation
ENERGY INFRASTRUCTURE SEGMENT					
Areti SpA	X	X	X	X	
Acea Produzione SpA		X	X		
Ecogena SpA	X			X	UNI CEI 11352
COMMERCIAL AND TRADING SEGMENT					
Acea Energia SpA			X		
ENVIRONMENT SEGMENT					
Acea Ambiente Srl		X	X	X	EMAS
Aquaser Srl	X	X	X		

STAKEHOLDERS AND ALLOCATION OF GENERATED VALUE

STAKEHOLDERS AND THEIR INVOLVEMENT

Consistent with the values set forth in the Code of Ethics, Acea relies on dialogue and exchange to promote the involvement of its interested parties¹⁹, enhancing opportunities for the **creation of common value**.

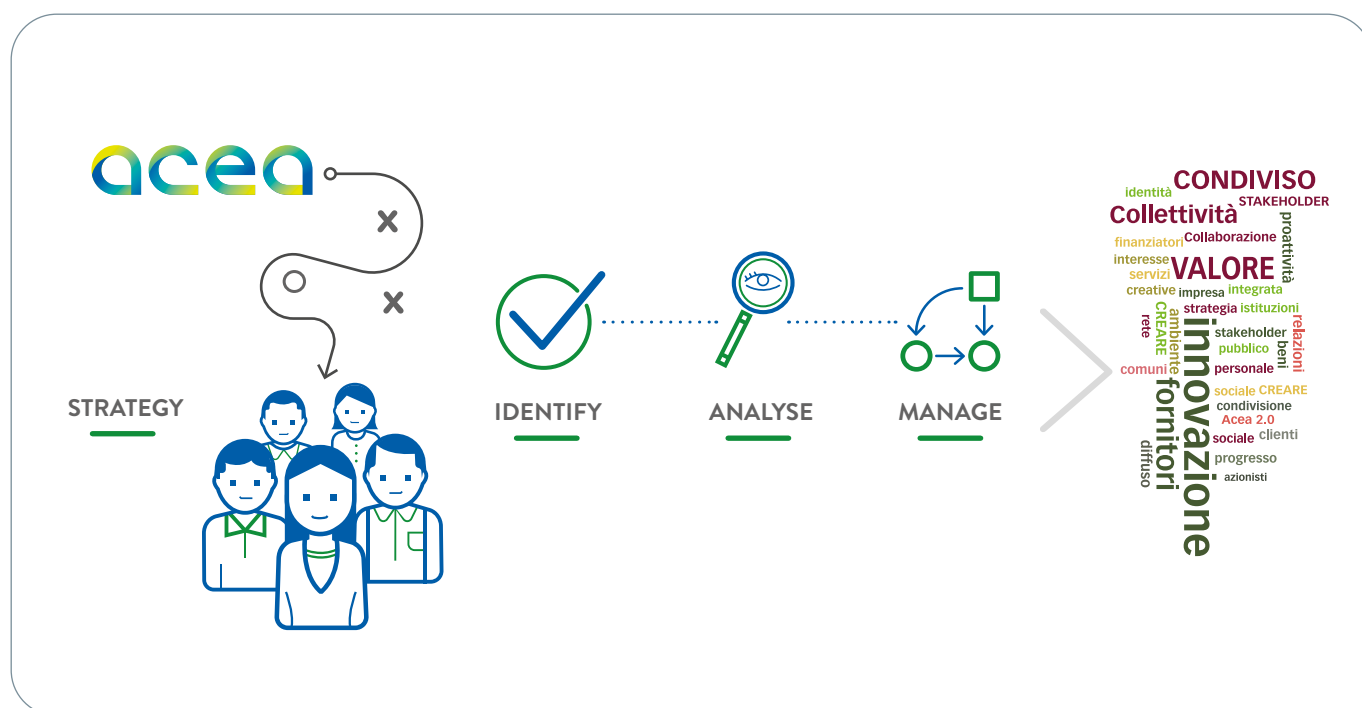
Identifying the different types of stakeholders and analysing and managing interactions between them and the Company are continuous, dynamic and one-on-one activities **stemming from both company drives and objectives as well as inputs from outside**.

The **stakeholder identification** phase makes it possible to identify individuals who are directly or indirectly involved in company activities, the purpose being to evaluate the relevant qualitative and quantitative level of impact.

The **analysis** phase is used to perform a structured evaluation of the interactions existing both between the company and the stakeholders as well as among the stakeholders themselves so that dialogue and accountability paths may be developed.

Lastly, the **management** phase leads to the identification of answers to the questions raised by the stakeholders or the company in order to pursue the achievement of company goals consistent with expectations.

CHART NO. 14 - STAKEHOLDERS AND THEIR INVOLVEMENT



The “**Acea stakeholders map**” identifies the macro-categories of key stakeholders: customers, employees, suppliers, shareholders and financiers, institutions, community, environment and the company itself.

In respect of each category, engagement initiatives are undertaken which sometimes result in collaborative paths that prove crucial to

both fostering business development and reinforcing and enhancing the standing and reputation ascribed to Acea by its stakeholders. Some of the initiatives undertaken during the year are illustrated in the stakeholder’s boxes and the detailed boxes (see, for example, the Acea box for school 2017 in section *Customers and community*, paragraph *Communication, events and solidarity*).

¹⁹ Stakeholders (interested parties) are those entities - individuals, groups, organisations - having significant relations with the company and whose interests are involved in the corporate activity for various reasons in relations of exchange held with the latter or because they are significantly influenced by them.



Regarding the **suppliers**, for certain contracts (water, electric and civil) awarded with the most advantageous bid, Acea has consolidated the provision of awards linked to sustainability, **safety** instruction of the workers who perform the work; provision of **ecological tools** used during the activities; possession of joint certifications in **quality, the environment and safety**. For assignments falling within the Code of Public Contracts, regarding work with high manual intensity, as provided by law, it has included the **social clause** of reorganisation of the workforce for the outgoing contractor compatibly with the organisation of the new employer. In terms of **green procurement**, Acea applies the minimal environmental criteria (CAM) adopted with the Decree of the Minister of the Environment in all the contract specifications of pertinence and is committed, by an extension project compatible with the purchases to be made, **to the CAM approach for commodity categories not covered by the legislation of Ministerial Decrees**. Following this positive experience gained with the TenP platform, elaborated with Global Impact Network Italy based on the 10 principles of the “global covenant”, Acea decided to make itself independent and integrate the topics of **sustainability (social responsibility/environmental management) in a self-assessment questionnaire managed directly on the Vendor Management platform** of Acea. The integration of sustainability into the aspects of reference in relations with qualified suppliers was further developed over the year, providing the possibility to **audit the second party in addition to quality, environment and safety, also in energy and social responsibility**, in a path to support improvement in the supply chain.



SHAREHOLDERS AND FINANCIERS

Acea manages relationships with **capital markets** to gain the best sustainability conditions of financial provisioning, diversifying the sources and making investment in the company safe and of value for investors (equity and debit). More than 60% of the debt stems from operations of bonds placement. The relationships with analysts, credit rating agencies, banks and shareholders are imprinted in the dialogue and construction of a relationship of mutual trust: **meetings with the financial community**, like the roadshows, are **numerous** (meeting about 160 operators) **at the same time as the main company events** and are carried out on the most important European forums.

The attention of the **ESG analysts** (environmental, social, governance) toward Acea has been consolidated in structured rating activities, corresponding, from the company side, to an ever greater awareness and capacity to create value in ESG aspects, thanks to the growing commitment of the internal departments assigned. In 2017 Acea confirmed important positions in the **Carbon Disclosure Project** (class leadership) and was newly included in the **Ethibel excellence investment register**.



EMPLOYEES

The **staff of Acea** are determined to continue the activities and the success of the organisation. The attention to topics of **safety, instruction, involvement**, devoted to all co-workers, is thus a value of the internal corporate culture that is constantly provided in specific and widespread initiatives on the topic of safety. For example, one indisputable part of the complete comprehensiveness and implementation of the work, with benefit to over **3,000 employees**, was organised as **Safety Week**, with meetings and initiatives prepared by the Safety Manager of the Group to share values, practices and meanings in work carried out in safety.

The new Executive Management, aware of the need for **involving co-workers by making them actors in the processes of imagining and improving processes**, implemented the new Execution Model, a way of activating the assets of the internal skills that, using a transverse team, are called upon to operate to make important corporate strategic initiatives concrete. Attention to **diversity and inclusion** are aspects that transform the **well-being of people into organisational well-being**. In this context, two initiatives were indicated for the year: **Massimo Ascolto**, a survey distributed to all employees with the goal of identifying needs and priorities within the scope of organisational well-being, taking into account the personal and familial peculiarities of the company population, and **MAAM** (Maternity As A Master) for enhancing the parenting experience during the first years of the children's growth. Participating in the project were 55 females and 18 males who, along the way of community and coaching learned to capitalise their capabilities of parenting experience to grow the so-called generative leadership.



CUSTOMERS

The figure of the multiutility customer is in continuous evolution and the relationship with the company changes and develops in light of these changes. Acea is committed to being a reliable and high-quality partner to satisfy the demands of its clientele, equipping itself with the most up-to-date interaction systems, facilitating evolving dynamics on the markets served, continuously monitoring the feedback of its own customers to collect their comments and rework them into operational responses. Digital technology continues to be constantly implemented as evolving communications infrastructure with the customer: the installation of **digital meters in remote management** has achieved coverage of 99.33% of the population. In the new configuration of the energy market, the figure of prosumer (energy producer and consumer) has been consolidated: in the distribution network of Areti, there are 11,344 active prosumers - +9% over 2016 - of which about 7,000 are Acea Energy customers. The commitment to continuous improvement of services rendered to customers guides the planning of activities in the water field, for example, **first intervention response times to a breakdown have been reduced**. The efficiencies of these interventions will then be constantly checked using **in-depth and widespread customer satisfaction surveys**.



COMMUNITY

Acea is working to create the best infrastructure conditions based on collective development. The networks and plants in one modern multiutility are designed toward smart city logic in response to urban contexts, for example, innovation projects are framed that regard the **multiservice measuring systems and the technological evolution of public light poles**. The safety of the population is another responsibility that Acea feels its own and responds to by providing **emergency plans** able to ensure systems resilience against critical events, such as environmental, fraudulent or terrorist, ensuring the protection of the collective. The commitment of Acea, however, is not aimed solely at the service infrastructures but also at the construction of **networks for solidarity, cohesion and opportunity** for the collectives in question; just think about the relationships with the Schools, using alternating study-work plans or the environmental educational campaigns (in 2017, involving more than 5,000 students), or the commitment to develop monumental heritage using initiatives conducted in collaboration with the relevant authorities.



ENVIRONMENT

The **natural environment** is the scenario where the activities of the Group are performed and is to be preserved with a responsible and efficient use of resources, **protecting sources, safeguarding the natural areas** where the plants and service networks encroach, mitigating the physical and the external impacts generated in the ecological context of the operating processes.

The widespread adoption of **Environmental management systems** is a concrete response on the importance of environmental dynamics for Acea and a managerial tool for continuous improvement in performance. Consider for example **energy generation** where the repowering initiatives constantly act to modernise plants also by pursuing better environmental impacts in terms of emissions, or the **integrated water service** where Acea's responsible management in resources starts from the provisioning stage, to make it available to people and ends with the commitment to restore the runoff to the receptacle body in the best condition possible. Finally, the **environmental services linked to waste management** cannot be overlooked, where the commitment to the ecosystem regards both operating processes, just think about the environmental efficiencies brought in the innovative project of the Ecobelt® WA belts in the waste to energy plant of San Vittore del Lazio, or the transformation of waste with a view to **circular economy**, as occurs with sludge treatment for water purification.



INSTITUTIONS

For a company that delivers essential public services on the territory and mostly **subject to regulation by the public authorities**, the relationship with institutions is essential both for planning activities and their exercise. Acea represents a **strategic infrastructural asset** of the territory and consequently interacts with the public administrations to contribute to a superior need of the public interest, as for example, national security for emerging phenomena like cyber security. Of no less importance is the relationship with the local agencies that express specific demands for the population or the environment, just think about the **Area Management Authorities** in the water sector, complementary counterparts of the integrated water service companies. For emergencies of a social or environmental type that generate widespread negative impacts - just think about the example of extreme weather events linked to climate change - Acea has proven its approach for thinking globally and acting locally by taking a position with respect to the institutional initiatives of international importance such as the **UN objectives of sustainable development** or also the Alliance of Italian enterprises for water and climate change, in the context of the **International Water and Climate Summit** held in October under the aegis of the Minister of the Environment and in collaboration with, among others, the Economic Commission for Europe of the United Nations and the International Network of Water Basin Institutions.



ACEA

A sustainable organisation tries to aim at and project itself in a future dimension, imagining its own role in the development of the whole context. To do this, Acea has designed and **Industrial Plan 2018-2022**, feasible, reliable and innovative, that has restored, reinvigorating and renewing, the industrial vocation of Acea, heavily concentrated on the **creation and management of modern and resilient infrastructures**. The innovative nature of this design is corroborated by the simultaneous integrated **sustainability planning** that has made synergies in the development of company goals in both the industrial dimension and the general creation of value for all the stakeholders.

Acea is being constantly renewed, for example, by creating the **first innovation plan** of the Group and instituting a special company department dedicated to innovation. At the governance level, Acea has created the **Committee for Ethics and Sustainability**, allying itself with the most recent indications of integrated corporate governance.

External observers also analyse and evaluate Acea's sustainability performance, conferring adequate recognition for the good levels reached.

In particular, in 2017 the company participated in the **sixth edition of the Top Utility Award**, which values and rewards the **Italian system of Public Utilities from an integrated view of economic, financial, social and environmental sustainability**.

The analysis is applied to the **top 100 Italian Utilities in terms of turnover**, public and private, on the basis of **201 indicators** and **6 evaluation areas**: economic financial results, operating performance communication, sustainability, customer and territorial relations and research and innovation. **Acea** was part of the **final five for best in class** in the following categories **"best company"**, **"sustainability"** and **"communication"**.

Lastly, the CDP, which valorises good management by companies of the risks concerning climate change, confirmed, also for the

year in question, an excellent appraisal of Acea's performance, confirming its presence in the "leadership area" (see *Relations with the environment* in this regard).

TOOLS AND ACTIONS FOR SUSTAINABILITY

Acea supplies network services of public interest and is therefore a vital player for the promotion of **economic and civil development in local communities**. The care dedicated to the quality of the services provided and efficiency of the industrial processes managed, the protection of the natural environment and focus on social dynamics in the areas it operates, ensure that corporate social responsibility (CSR) as a method of pursuing sustainable development is part of Acea's identity.

The Group works towards spreading CSR values, culture and practices, both within the organization and in the contexts it operates in, adopting tools and policies which today cover the most important phases of planning, management and accounting.

CHART NO. 16 - CSR TOOLS

RULES AND PROCEDURES

- Code of Ethics - Committee for Ethics and Sustainability
- MOG 231
- Quality, Environment, Safety Energy, EMAS certified management systems
- Sustainability Policy and QASE
- Management norms (e.g. Antitrust)
- Diversity Committee

REPORTING AND COMMUNICATION

- Sustainability Report
- Website
- Communication On Progress (Global Compact)
- CDP

LISTENING AND ENGAGEMENT

- CSR Awareness and Training
- Analysis and Research
- Customer Satisfaction Survey
- Materiality Analysis
- Engagement with stakeholders

MEMBERSHIPS AND RATINGS

- CSR Manager Network
- Global Compact Network Italia
- Ratings and ESG Indexes (environment, social, governance)



DISTRIBUTION OF THE VALUE GENERATED BY ACEA

The economic value comprehensively generated by the Acea Group in 2017 is **2,841.4 million Euros** (2,880.6 million Euros in 2016). Below is a breakdown of the above figure amongst the stakeholders:

62.2% to **suppliers**, 18.5% to the **company** as resources to be re-invested; 7.6% to **employees**; 5.1% to **shareholders** in the form of profits and reserves; 3.1% to **financiers** in the form of interest on capital provided; 3.4% to the **public administration**²⁰ in the form of taxes paid and 0.1% to the **community** by way of sponsorships and donations for events and kindred endeavours.

TABLE NO. 9 – ECONOMIC VALUE DIRECTLY GENERATED AND DISTRIBUTED (2016-2017)

(in million of Euros)	2016	2017
total economic value directly generated	2,880.7	2,841.4
DISTRIBUTION TO STAKEHOLDERS		
operating costs (suppliers)	1,763.3	1,766.2
employees	199.2	215.2
shareholders	113.4	145.4 (*)
financiers	128.8	89.3
public administration	143.6	96
community	2.9	2.4
company	529.5	526.9

(*) The item does not include third party profits.

TABLE NO. 10 - BREAKDOWN OF VALUE GENERATED BY STAKEHOLDER (2016-2017)

	2016 (%)	2017 (%)
suppliers	61.2	62.2
employees	6.9	7.6
shareholders	3.9	5.1
financiers	4.5	3.1
public administration	5	3.4
community	0.1	0.1
company	18.4	18.5

²⁰ The amount paid to the public administration net of state and regional public contributions which Acea receives from such stakeholder (equal to 7.4 million Euros) is 88.6 million Euros.



