

RELATIONS WITH STAKEHOLDERS



CUSTOMERS AND THE COMMUNITY

REFERENCE BOUNDARY

Data pertaining to the volume of customers, apart from Acea Energia, Areti, and, in the water segment, to Acea Ato 2, Acea Ato 5, Gesesa, also include data related to other water companies (Acque, Publiacqua, Acquedotto del Fiora, Umbra Acque and Gori) – that are not included in the reporting boundary – highlighting the single contribution for the sole purpose of providing a “global” dimension. Data pertaining to perceived quality, delivered quality, tariffs, customer care and communication activities relates to the operating companies – Acea Energia, Areti, Acea Ato 2, Acea Ato 5 and, where possible, Gesesa – as recalled in the text.

Interactions between Acea, customers and the community are described in a single chapter, as the information and data related to the services delivered – **perceived quality, delivered quality, customer care** – mainly refer to the central

and southern Lazio area, where the two stakeholders virtually coincide²¹; on the other hand, data referring to electricity and water service **customer base** comprises all areas covered by the operating subsidiaries.

ACEA GROUP CUSTOMERS: ELECTRICITY AND WATER SERVICES



MORE THAN **1.2 million**
CUSTOMERS FOR
ENERGY SALES AND
ABOUT **167 thousand**
GAS CUSTOMERS



MORE THAN **1.6 million**
WITHDRAWAL
POINTS FOR ENERGY
DISTRIBUTION



843,679
WATER USERS IN LAZIO
(ACEA ATO 2 AND ACEA
ATO 5) EQUALLING ABOUT
4.4 million
RESIDENTS SERVED



2.6 million
OF WATER USERS IN ITALY
EQUALLING ABOUT
8.9 million
RESIDENTS SERVED

²¹ In the area of Rome and provincial districts Acea runs the integrated water service, the supply of electricity (for more than 1.3 million customers), distribution of energy and the public lighting service. As a result, customers and communities in this area virtually coincide. Moreover, in the area of Frosinone and province, Acea manages the integrated water service. For the main social and environmental data pertaining to subsidiaries, operating in the water sector in other areas (in Italy and overseas), see the *Water Company Data Sheets and overseas activities*, drawn up by way of information and outside of the boundary of the consolidated non-financial Statement (pursuant to Legislative Decree 254/2016).

According to the data published by the **Regulation Authority for Energy, Networks and Environment (ARERA)**²², **Acea Energia** is confirmed as **Italy's sixth largest operator** in terms of **volumes sold on the energy sale end-user market** and the **third** with a 3.5% market share for **energy sold to families** - "domestic customers", the company is the **second largest national operator** in terms of volumes sold to customers in the **more protected market**, with a market share of 4.7%, and is ranked **eleventh operator** in terms of volumes sold to the **free market**, with a market share of 2.3% . In 2017, Acea Energia managed **about 1,380,000 supply** contracts between sales of energy and gas (see Table no. 11). Following the normal competitive patterns of the free market, the customer base changes each year, either upwards or downwards; between

2017 and 2016 there was a **slight drop, 0.3%** overall, in the customer base managed in the various segments of the energy market ("free" and "more protected")²³.

Areti is **Italy's third largest operator** in terms of **volumes of electricity distributed**, with a 3.7% market share, and Italy's second largest operator in terms of **withdrawal points**²⁴. In its capacity as holder of the ministerial licence, the company delivers energy across the areas of Rome and Formello and in 2017 it had **1,630,373 withdrawal points**; the trend of the customer base is due to both urban expansion and disposals resulting, for example, from companies being discontinued (see Table no. 11).

"PROSUMERS" CONNECTED TO THE ACEA NETWORK

The energy sector continues to evolve towards new generation systems and **energy exchange configurations**. The theme of **renewable sources** is still at the centre of the most important national and international policies, due to its implications on climate change and has contributed to the stimulating the development in the capacity of connection, transmission and distribution systems, linked to the increase, diversification and non-programmable nature of renewable sources.

In addition to bringing **changes to the physical system of the traditional energy model**, these aspects have in recent years made the

"prosumer" increasingly significant.

Due to its dual nature of **energy producer and consumer**, the "prosumer" is capable of partially or totally ensuring its own energy sector and transfer any eventual surplus produced to the network, thus establishing new relations with both the distributor and the subject responsible for selling/withdrawing energy.

Acea has been proactive towards the above forms of energy and has fulfilled the necessary legal and regulatory obligations concerning the new production and consumption systems.

At 31/12/2017, there were **11,344 prosumers active** on the energy distribution network

managed by Areti - an amount that has grown by more than 9% compared to the 10,375 registered in 2016 - of which **9,231 qualified as "domestic prosumers"**, in other words customers with household utility contracts who also produce small quantities of energy, and **2,113 qualified as "other uses"**, in other words use outside the household (companies, professional and artisan business). About **7,000** of the prosumers on the Acea network are **also Acea Energia customers**. The energy transferred to the network by these subjects was **78.45 GWh** in 2017, **about 73% photovoltaic**.

THE ELECTRICITY SOCIAL BONUS: THE BASES INCREASE

For customers who are **under financial hardship**, also in relation to large family numbers, and customers who because of their **health** require the use of indispensable energy-consuming medical equipment²⁵, ARERA, acting on the advice of the government, has made the so-called "**electricity bonus**" operational; this involves a discount applied to the cost of the

electricity consumed. In 2017, the number of Acea customers benefitting from the bonus, on both the protected market and the free market, **totalled 20,683**²⁶ (about 3% more compared to the 20,080 clients accepted in 2016), of whom 20,091 due to financial hardship and 592 due to their health. Overall, during the course of the year, the electricity bonus system

has led to the beneficiaries saving a total of about **1.85 million euros** on their electricity bills. In the area of the **distribution network** managed by **Areti**, there were also **7,556 customers authorised to receive the electricity bonus** (7,352 due to financial hardship, 204 due to their health) served by companies other than Acea Energia as regards the "sales" component.

Acea is also **Italy's leading integrated water service operator** (catchment, supply, purification, wastewater collection and treatment) **in terms of population covered**, with **more than 2.6 million connected users** and **an overall base consisting of about 8.9 million inhabitants in Italy** (see Table no. 11). Solely within the area of Rome and province, managed through Acea Ato 2, there are **more than 649,000 users** and a served population equal to **about 4 million people**. Starting from this area - Ato 2-Central Lazio - the Group, over time,

has progressively expanded its activities, becoming the reference operator also in other Optimal Areas of Operation (ATO)²⁷ in the province of Frosinone (Lazio), in the provinces of Pisa, Florence, Siena, Grosseto, Arezzo and Lucca (Tuscany), in the areas from the Sorrento peninsula to the areas around Vesuvius in the provinces of Naples and Salerno and the province of Benevento (Campania) and Perugia and Terni (Umbria). The Group also operates in a number of South American countries.

²² See the *Annual report on the status of services and activities carried out*, 2017 edition (on 2016 data), *Structure, pricing and quality in the electricity sector* available online on the Authority's website ARERA, formerly AEEGSI).

²³ The relevant national Authority accurately defines the energy market segments. See the *Glossario della bolletta elettrica* [a glossary of the electricity bill] on the ARERA website.

²⁴ See the *Annual report on the status of services and activities carried out*, 2017 edition (on 2016 data), *Structure, pricing and quality in the electricity sector* available online on the ARERA website.

²⁵ For details of the conditions legitimising the request and granting of the electricity bonus, see the specific section of the ARERA website: https://www.arera.it/it/bonus_sociale.htm

²⁶ For customers with financial hardship and health problems reference is made to the number of customers who benefitted from the bonus at least once during the year.

²⁷ The national territory, according to law no 36/1994, so-called "Legge Galli" [Galli Law], which reorganised water services, is divided into Optimal Territorial Environments which take account of hydrographic basins. For the OTE in which Acea is operational, through investee companies, also see section *Water company data sheet and overseas activities* (outside of the consolidated non-financial Statement boundary pursuant to Legislative Decree 254/2016).

SUSTAINABILITY OF THE WATER SERVICE: ARREARS AND WATER BONUS

During 2017 ARERA intervened, inasmuch as competent, on matters of **containing arrears** and the **social tariff**, subject matter of two Decrees of the Presidency of the Council of Ministers (**DPCM 29 August 2016 and DPCM 13 October 2016**), issued in implementation of Law 221/2015 (so-called "Collegato Ambientale"). With the document for consultation 603/2017, the Authority set out its first guidelines regarding arrears, dealing with essential aspects in the service relationship with the water supply company (placement in arrears, suspended supply, indemnities in the event of erroneous arrears action, arrears interests, timeframes and reactivation procedure of the suspended supply due to arrears

and previous arrears). Guidelines were also highlighted related to procedures for arrears management in the case of condominium users, to identifying defaulting users who cannot be disconnected, to arranging instalments of both invoiced amounts and the cautionary deposit. As regard the **social tariff**, by **resolution 897/2017** ARERA approved the integrated text regarding application procedures for the social water bonus for the supply of water to domestic users under economic hardship (**TIBSI**). The TIBSI identifies the beneficiaries of the bonus for resident domestic users under ascertained economic social hardship, in the same way as this happens in the electricity and gas sector, based on specific thresholds

of the ISEE indicator. The total amount of the subsidy is calculated by each operator according to family numbers (pro capital basis), applying the preferential tariff to the essential quantity of water required to satisfy the demand to be safeguarded (18.25 m³/inhabitant/year, about 50 litres/inhabitant/day). Without prejudice to the faculty for the Governing Entities of the Sector to introduce, or confirm further measures of protection to the benefit of users under economically vulnerable conditions through granting a supplementary water bonus. The application of the provisions regarding the social water bonus in Italy is provided for as from 1st January 2018, whereas applications can be submitted **as from 1st July 2018**.

TABLE NO. 11 - SOCIAL INDICATORS: ACEA GROUP CUSTOMERS (ENERGY AND WATER SECTORS) (2015-2017)

| | u. m. | 2015 | 2016 | 2017 |
|---|--------------------------------|------------------|------------------|------------------|
| ENERGY AND GAS SALES (Acea Energia) | | | | |
| more protected market | (no. withdrawal points) | 980,946 | 942,873 | 892,877 |
| free market – mass market | (no. withdrawal points) | 264,928 | 247,022 | 275,688 |
| free market – large customers | (no. withdrawal points) | 49,334 | 44,666 | 43,020 |
| free market gas | (no. redelivery points) | 144,185 | 148,832 | 167,337 |
| total | (no. supply contracts) | 1,439,393 | 1,383,393 | 1,378,922 |
| ENERGY SECTOR (Areti) | | | | |
| domestic customers, at low voltage | (no. withdrawal points) | 1,304,281 | 1,309,366 | 1,316,339 |
| non domestic customers, at low voltage | (no. withdrawal points) | 314,068 | 312,808 | 311,141 |
| customers at medium voltage | (no. withdrawal points) | 2,886 | 2,863 | 2,886 |
| customers at high voltage | (no. withdrawal points) | 7 | 7 | 7 |
| total | (no. withdrawal points) | 1,621,242 | 1,625,044 | 1,630,373 |
| WATER SALE AND DISTRIBUTION (main water companies of Acea Group) | | | | |
| Acea Ato 2 | (no. utilities) | 625,952 | 628,078 | 649,319 |
| Acea Ato 5 | (no. utilities) | 185,673 | 185,610 | 194,360 |
| Gesesa | (no. utilities) | 55,434 | 55,221 | 55,253 |
| Acque | (no. utilities) | 323,505 | 324,122 | 325,912 |
| Publiacqua ^(*) | (no. utilities) | 388,365 | 390,486 | 393,099 |
| Acquedotto del Fiora ^(*) | (no. utilities) | 230,978 | 231,300 | 231,428 |
| Gori | (no. utilities) | 519,896 | 518,058 | 523,352 |
| Umbra Acque | (no. utilities) | 231,372 | 231,485 | 232,910 |
| total | (no. utilities) | 2,561,175 | 2,564,360 | 2,605,633 |
| Acea Ato 2 | (served population) | 3,700,000 | 3,700,000 | 4,000,000 |
| Acea Ato 5 | (served population) | 470,000 | 470,000 | 481,000 |
| Gesesa | (served population) | 128,736 | 131,512 | 132,403 |
| Acque | (served population) | 735,404 | 737,204 | 740,299 |
| Publiacqua ^(*) | (served population) | 1,229,691 | 1,242,739 | 1,242,739 |
| Acquedotto del Fiora ^(*) | (served population) | 405,065 | 403,861 | 403,861 |
| Gori | (served population) | 1,427,699 | 1,430,774 | 1,439,091 |
| Umbra Acque ^(*) | (served population) | 504,966 | 504,966 | 504,155 |
| total | (served population) | 8,601,561 | 8,621,056 | 8,943,548 |

(*) Some data related to utilities and served population for the two-year period 2015 and 2016 were amended due to a perfected counting process.

QUALITY PERCEIVED



THE 2017 CUSTOMER SATISFACTION SURVEYS INVOLVED MORE THAN **24,600 people** IN THE LAZIO AREA



THE OVERALL RATINGS FOR SERVICES DELIVERED IN 2017:
ELECTRIC SERVICE "SALES": **7.8/10**
ELECTRIC SERVICE "NETWORK": **8/10**
PUBLIC LIGHTING SERVICE: **6.5/10**
WATER SERVICE (ROME AND FIUMICINO): **7.8/10**
WATER SERVICE (FROSINONE AND PROVINCE): **5.3/10**

For many years Acea has **regularly measured customer and citizen satisfaction with regard to the services supplied** in the electricity, water²⁸ and public lighting areas, **through half-yearly surveys**, performed by an institution specialised in opinion polls, identified through a tender competition.

A dedicated Unit in the Parent Company, within the External Relations and Institutional Affairs Department, in conjunction with the operating companies running the services, coordinates the phases of defining the questionnaire, identifying samples to be interviewed and sharing results with top management.

As in past years, the two **half-yearly surveys** in 2017 were conducted using the CATI method²⁹ and the following main indicators were elaborated:

- **overall rating** on the general quality of the service (on a scale of 1 to 10), an index of the customers' "impulsive" rating;
- **summary satisfaction indices, both overall and on aspects** of the service (Customer Satisfaction Index - Satisfied Customer CSI, index 0-100) based on the percentage of customers who stated they were satisfied and processed considering the customers' ratings regarding the individual aspects of the service;
- **satisfaction degree indices, both overall and on aspects** of the service (Customer Satisfaction Index - Satisfaction degree

CSI, expressed in % of satisfied customers - threshold value 75%) which measure "to which extent" the customers are satisfied or dissatisfied with the service.

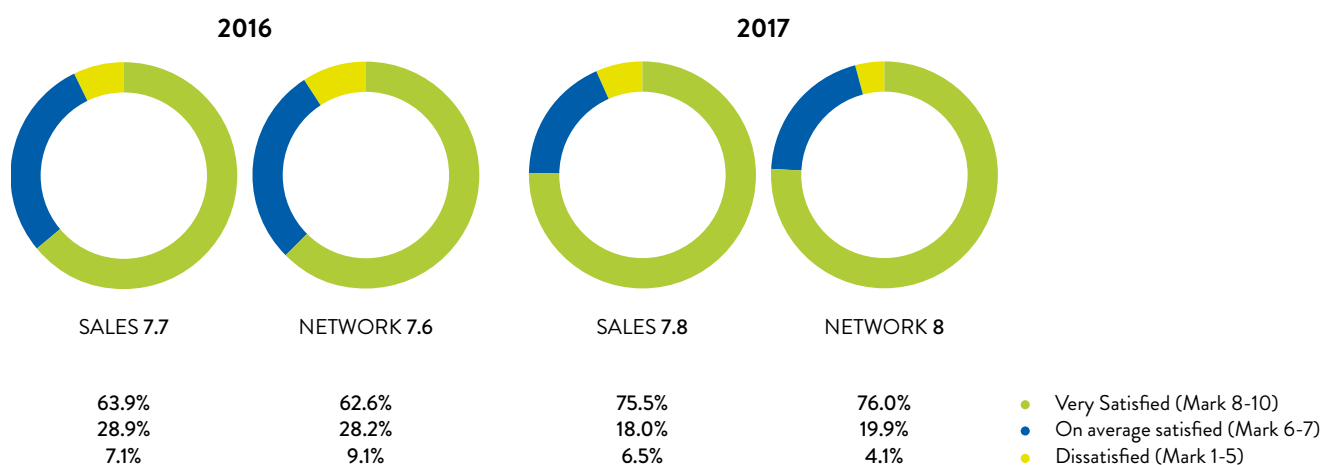
As regards the "contact channels", the interviews involved all of the customers selected using the "call back" method **who have recently used the services** (toll free number for commercial information or reporting faults, website, helpdesk, technical interventions) and gave their authorisation to be called back.

ELECTRICITY SERVICE RATING

Customer satisfaction as regards the electricity supply service (sale and distribution) was recorded in March/July 2017 and October/December 2017 with comprehensively **12,450** people contacted by telephone, representing customers on the **more protected market** and on the **free market: 8,250** for **sales-related aspects**, managed by **Acea Energia**, and **4,200** for **technical and management aspects of the distribution service** (network), managed by **Areti**.

The overall opinion of the electricity service, expressed with regard to commercial (sales) and distribution (network) are confirmed as positive - 7.8 out of 10 and 8 out of 10 respectively - and slightly improved compared to 2016; the percentage of those contacted who deemed the service **very satisfactory increased: 75.8%**, as an average of the two surveys, compared to 63.3% last year.

CHART NO. 17 - OVERALL RATING ON THE ELECTRICITY SERVICE (2016-2017) (SCALE 1-10)



NB The overall opinions and satisfaction percentages shown in the chart are the average of the two half-yearly surveys.

²⁸ As regards the water service, the main results from the customer satisfaction surveys, managed by Acea SpA and shown herein, concern customers of the subsidiaries Acea Ato 2 (Rome and province) and Acea Ato 5 (Frosinone and province), operational in the Lazio area. No customer satisfaction surveys were carried out in the year at issue for Gesesa which operates in the district of Benevento and province.

²⁹ Computer Assisted Telephone Interviewing, with the support of a structured questionnaire administered on a sample arranged on the basis of certain variables and representing the entire reference context, with a maximum statistical error of $\pm 3.2\%$ and 95% significance level.

For customers on the more protected market, the comprehensive customer satisfaction index (CSI) for electricity sales, already positive in 2016 (82.1 out of 100) significantly rises in the two surveys 2017, giving an average of **88.9 out of 100**. Indeed, there is a **notable improvement**, with ascertained high levels, in the CSIs concerning all four aspects of the assessed service: **billing (95 out of 100)**, **website (92.3 out of 100)**, **commercial toll free number (83.6 out of 100)** and **helpdesk (85.7 out of 100)**.

On the **free market**, the overall customer satisfaction index for the **sales service**, as an average of the two half-yearly surveys, was **86.7 out of 100**, an improvement compared to 2016 (83 out of 100). The satisfaction indexes for all aspects of the service rose - **billing (85.5 out of 100)**, **website (87.2 out of 100)**, **commercial toll free number (84 out of 100)** - and, in particular, the **helpdesk (88.8 out of 100)** which scored 78.4 out of 100 in 2016.

As regards the **distribution of electricity (network)**, the surveys divulged a **very high overall customer satisfaction index (93.2 out of 100)** which even improved compared to 2016 (87.7 out of 100). The CSI for the **four aspects of the service** evaluated are **excellent** in terms of continuity - **technical aspects of the service**, with **98.4**

out of 100 - and very good for **scheduled disruptions (90.5 out of 100)** and **fault reporting (91.8 out of 100)** and for **technical intervention (86.7 out of 100)**, the latter being decidedly higher compared to the survey in 2016 (75.9 out of 100).

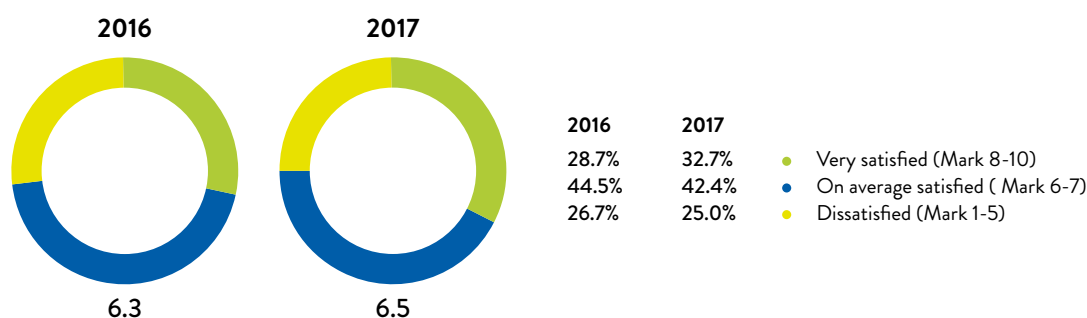
For the percentages of satisfied customers concerning **single quality factors considered most relevant**, both for the **sales service** (protected market and free market) and **aspects of distribution**, also in comparison to the 2016 survey, see table no. 12.

PUBLIC LIGHTING SERVICE RATING

The satisfaction level of citizens as regards the public lighting service was surveyed in March and October 2017, through interviews to **2,400 residents in the municipalities of Rome and Formello**. The sample, representing the entire resident population, was identified in 3 territorial macro areas: central-northern Rome and Formello, east-south-east Rome and southwest Rome.

As an average of the two half-yearly surveys and compared to the previous year, the **overall rating** of the was confirmed in the local community of average satisfaction (6.5 out of 10), the increasing trend of very satisfied customers continued in 2017, already established between 2015 and 2016.

CHART NO. 18 – OVERALL RATING OF PUBLIC LIGHTING IN ROME (2016-2017) (SCALE 1-10)



NB The overall opinions and satisfaction percentages shown in the chart are the average of the two half-yearly surveys.

The inhabitants expressed their rating on the **technical aspects** of the service and on **fault reporting**. The overall satisfaction index for the service was **75.7 out of 100**, as an average over the two half-years, which is good and substantially stable compared to last year.

The evaluation of the **“technical aspects”**, both those directly concerning the activities of Areti and those concerning other operators, has worsened compared to last year, recording a **CSI of 73.5 out of 100** (80 in 2016) whereas the **CIS on “fault reporting”** rises, with **78.6 out of 100** (77.6 in 2016).

Data on the level of satisfaction of those interviewed with regard to the **single elements of the service**, considered by the latter as **most important** and the comparison with the previous year, are shown in Table no. 12.

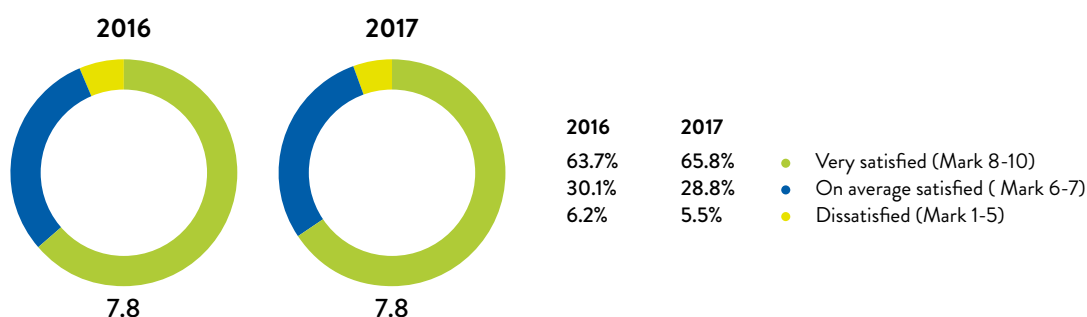
WATER SERVICE RATING

As regards the water service managed in Lazio, the customers in **Acea Ato 2** (Rome and province) and **Acea Ato 5** (Frosinone and province) was satisfied.

In **Rome and Fiumicino**, the surveys were conducted by telephone interview in March/July and October/December 2017. The sample, representing all utilities, was identified in 4 territorial macro areas: central-northern Rome, north-eastern Rome, southern Rome, south-western Rome and Fiumicino. Overall, the survey involved **5,800 people**, including **domestic customers**, with or without direct utilities, and **condominium administrators**.

The **overall rating** of the water service, as an average of the two half-yearly surveys, is **confirmed as positive (7.8 out of 10)**, have increased up to **65.8%** of those interviewed being **“very satisfied”**.

CHART NO. 19 - OVERALL RATING OF THE WATER SUPPLY SERVICE IN ROME (2016-2017) (SCALE 1-10)



NB The overall opinions and satisfaction percentages shown in the chart are the average of the two half-yearly surveys.

The **summary overall satisfaction index for the service**, as an average of the two half years, was the same as last year, **84.7 out of 100**. Whereas, compared to 2016, the **CSI on “technical intervention” decrease** (64.6 out of 100) as well as on **“billing”** although the latter is still good (**80.9 out of 100**); the CSIs for **“fault reporting”** (87.2 out of 100), **“commercial toll free number”**

(85.2 out of 100) and **“helpdesk”** (83.8 out of 100) reported a marked improvement; lastly, continuing to be excellent is the CSI on **“technical aspects”** service (continuity) (97 out of 100).

The **percentage of customers satisfied with the quality factors** of the water service **considered most important** in each aspect are shown in Table no. 12.

SURVEYS ON CUSTOMER SATISFACTION WITH WATER SERVICE DELIVERED IN OTHER ATO2 MUNICIPALITIES – CENTRAL LAZIO

Customer satisfaction surveys were also conducted in some other municipalities in the province of Rome. The two half-yearly surveys in 2017, conducted in April and October/November, involved a sample of 2,000 residents, representative of all of the direct or condominium utilities present in the four “sentinel” municipalities: Frascati, Guidonia, Monterotondo and

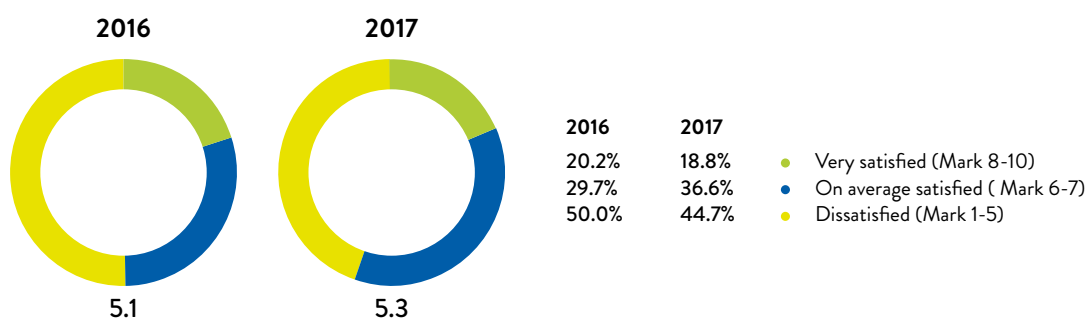
Tivoli - within the framework of Optimal Area of Operation 2 - Central Lazio. The **overall rating** recorded was **7.4 out of 10**, in line with the previous year (7.2 out of 10). The **overall satisfaction index for the service**, as an average of the two surveys, was **83.7 out of 100** (81.5 out of 100 in 2016); for the single **aspects** involved in the **surveys**, the satisfaction indices were

not as good for the **helpdesk** (69.8 out of 100), **fault reporting** (71.6 out of 100) and the **commercial toll free number** (77 out of 100), **although the last two notably improved in the second half year** and were **very positive** regarding **technical intervention** (92.1 out of 100), **billing** (88.8 out of 100) and the **technical aspects** (continuity) (91.8 out of 100).

In the **Frosinone** area, the surveys on the **perceived quality of the water service** were conducted in April/May and October/ December 2017. The telephone interviews involved an overall sample of **4,003 residents** in the municipalities of Optimal Area of Operation 5 - Frosinone, consisting in direct users, domestic and non domestic.

The **global rating** of the water service is equal to **5.3 out of 10** (5.1 out of 10 in 2016) slightly decreased is the percentage of those declaring that they were **very satisfied (18.8%)**, however the percentage of **moderate satisfaction has increased and the percentage of unsatisfied customers has fallen**.

CHART NO. 20 - OVERALL RATING OF THE WATER SUPPLY SERVICE RUN BY ACEA ATO 5 (2016-2017) (SCALE 1-10)



NB The overall opinions and satisfaction percentages shown in the chart are the average of the two half-yearly surveys.

The overall satisfaction index for the service, as an average of the two half yearly surveys, was **70.8 out of 100** (72.7 out of 100 in 2016). As regards the six aspects of the service surveyed, the CSI are still low for **technical aspects** or continuity (58.8 out of 100) and **billing** (64.9 out of 100), although the latter is improving, and very good for **fault reporting** (86.8 out of 100) **commercial**

toll free number (84.1 out of 100), **helpdesk** (87.1 out of 100) and **technical intervention** (91 out of 100).

The **percentage of those interviewed who were satisfied with the quality elements** of the service deemed most important are shown in table no. 12.

TABLE NO. 12 - SOCIAL INDICATORS: CUSTOMER SATISFACTION (2016-2017)

| (average of the two interim reports) | | | | |
|---|--------------|-------------|-------------|----------|
| | u. m. | 2016 | 2017 | |
| ELECTRICAL SERVICE – SALE OF ENERGY (Rome and Formello) | | | | |
| PROTECTED MARKET CUSTOMERS | | | | |
| sale activity (CIS inclusive) | 0-100 | 82.1 | 88.9 | ▲ |
| ASPECTS OF THE SERVICE AND ELEMENTS OF QUALITY | | | | |
| billing | 0-100 | 86.8 | 95.0 | ▲ |
| <i>correctness of the amounts</i> | % | 86.9 | 95.2 | ▲ |
| <i>bill clear and easy to read</i> | % | 83.6 | 96.2 | ▲ |
| internet website | 0-100 | 82.8 | 92.3 | ▲ |
| <i>operation user friendliness</i> | % | 82.5 | 92.5 | ▲ |
| <i>range of available operations</i> | % | 81.9 | 91.7 | ▲ |
| commercial toll free number | 0-100 | 77.9 | 83.6 | ▲ |
| <i>operator's competence</i> | % | 77.0 | 83.2 | ▲ |
| <i>clarity of provided answers</i> | % | 76.0 | 83.6 | ▲ |
| helpdesk | 0-100 | 80.6 | 85.7 | ▲ |
| <i>operator's competence</i> | % | 84.7 | 86.4 | |
| <i>clarity of the provided information</i> | % | 82.9 | 85.6 | |
| FREE MARKET CUSTOMERS | | | | |
| sale activity (CIS inclusive) | 0-100 | 83.0 | 86.7 | |
| ASPECTS OF THE SERVICE AND ELEMENTS OF QUALITY | | | | |
| billing | 0-100 | 84.6 | 88.5 | |
| <i>correctness of the amounts</i> | % | 84.4 | 87.6 | |
| <i>bill clear and easy to read</i> | % | 82.8 | 90.0 | ▲ |
| internet website | 0-100 | 82.8 | 87.3 | |
| <i>operation user friendliness</i> | % | 80.6 | 88.6 | ▲ |
| <i>ease of navigation</i> | % | 83.2 | 86.2 | |
| commercial toll free number | 0-100 | 83.1 | 84.0 | |
| <i>operator's competence</i> | % | 84.4 | 83.5 | |
| <i>clarity of provided answers</i> | % | 83.9 | 82.5 | |
| helpdesk | 0-100 | 78.4 | 88.8 | ▲ |
| <i>operator's competence</i> | % | 80.6 | 89.2 | ▲ |
| <i>clarity of the provided information</i> | % | 80.1 | 89.6 | ▲ |
| ELECTRICAL SERVICE - ENERGY DISTRIBUTION (Rome and Formello) | | | | |
| distribution activity (CIS inclusive) | 0-100 | 87.7 | 93.2 | ▲ |
| ASPECTS OF THE SERVICE AND ELEMENTS OF QUALITY | | | | |
| technical aspects of the service | 0-100 | 94.8 | 98.4 | |
| <i>service continuity</i> | % | 94.9 | 98.6 | |
| <i>voltage constancy</i> | % | 94.7 | 97.6 | |
| planned interruption | 0-100 | 85.2 | 90.5 | ▲ |
| <i>prior notice of suspended supply</i> | % | 85.0 | 90.0 | ▲ |
| <i>correctness of information about recovery times</i> | % | 86.6 | 91.2 | |
| fault reporting | 0-100 | 87.7 | 91.8 | |
| <i>clarity of the provided information</i> | % | 87.1 | 92.4 | ▲ |
| <i>operator's courtesy and availability</i> | % | 90.6 | 95.3 | |
| technical intervention | 0-100 | 75.9 | 86.7 | ▲ |
| <i>intervention speed following the request</i> | % | 68.7 | 80.8 | ▲ |
| <i>technicians' competence</i> | % | 82.1 | 90.8 | ▲ |

| | | | | |
|--|--------------|-------------|-------------|---|
| PUBLIC LIGHTING SERVICE (Rome and Formello) | | | | |
| lighting service (CIS inclusive) | 0-100 | 76.0 | 75.7 | |
| ASPECTS OF THE SERVICE AND ELEMENTS OF QUALITY | | | | |
| technical aspects of the service | 0-100 | 80.0 | 73.5 | ▼ |
| <i>(directly depending on Acea)</i> | | | | |
| service continuity | % | 72.8 | 71.6 | |
| light colouration | % | 79.0 | 77.5 | |
| <i>(not directly depending on Acea)</i> | | | | |
| presence/network of the lighting service in the city | % | 73.6 | 74.2 | |
| degree/level of lighting (intensity) | % | 73.6 | 70.6 | |
| fault reporting | 0-100 | 77.6 | 78.6 | |
| clarity of provided information | % | 79.2 | 83.3 | |
| telephone waiting time | % | 71.7 | 75.2 | |
| WATER SERVICE – WATER SUPPLY - ACEA ATO 2 (Rome and Fiumicino) | | | | |
| water service (CIS inclusive) | 0-100 | 84.7 | 84.7 | |
| ASPECTS OF THE SERVICE AND ELEMENTS OF QUALITY | | | | |
| technical aspects of the service | 0-100 | 96.2 | 97.0 | |
| service continuity | % | 97.1 | 98.3 | |
| water pressure level | % | 92.3 | 92.3 | |
| billing | 0-100 | 90.2 | 80.9 | ▼ |
| correctness of the amounts | % | 92.1 | 84.9 | ▼ |
| bills sent regularly | % | 91.7 | 83.6 | ▼ |
| fault reporting | 0-100 | 76.3 | 87.2 | ▲ |
| clarity of provided information | % | 75.3 | 84.0 | ▲ |
| operator's courtesy and availability | % | 81.0 | 91.8 | ▲ |
| technical intervention | 0-100 | 70.0 | 64.6 | ▼ |
| intervention speed following the request | % | 61.7 | 53.3 | ▼ |
| technicians' competence | % | 74.6 | 73.0 | |
| commercial toll free number | 0-100 | 79.9 | 85.1 | ▲ |
| operator's competence | % | 79.6 | 84.2 | |
| clarity of the provided information | % | 79.3 | 84.0 | |
| helpdesk | 0-100 | 73.5 | 83.8 | ▲ |
| operator's competence | % | 75.2 | 83.0 | ▲ |
| clarity of the provided information | % | 75.0 | 82.0 | ▲ |
| WATER SERVICE – WATER SUPPLY - ACEA ATO 5 (municipalities falling within ATO 5 - Frosinone) | | | | |
| water service (CIS inclusive) | 0-100 | 72.7 | 70.8 | |
| ASPECTS OF THE SERVICE AND ELEMENTS OF QUALITY | | | | |
| technical aspects of the service | 0-100 | 66.6 | 58.8 | ▼ |
| service continuity | % | 65.9 | 57.3 | ▼ |
| water pressure level | % | 69.5 | 66.5 | |
| billing | 0-100 | 60.8 | 64.9 | |
| correctness of the amounts | % | 57.6 | 68.5 | ▲ |
| bill clear and easy to read | % | 64.1 | 63.6 | |
| fault reporting | 0-100 | 87.7 | 86.8 | |
| clarity of provided information | % | 88.0 | 88.0 | |
| operator's courtesy and availability | % | 90.0 | 92.8 | |
| technical intervention | 0-100 | 90.0 | 91.0 | |
| technicians' competence | % | 92.3 | 98.3 | ▲ |
| intervention speed following the request | % | 84.3 | 80.0 | |
| commercial toll free number | 0-100 | 87.3 | 84.1 | |
| operator's competence | % | 89.8 | 83.0 | ▼ |
| clarity of the provided information | % | 87.8 | 84.8 | |
| helpdesk | 0-100 | 81.1 | 87.1 | ▲ |
| operator's competence | % | 87.2 | 90.3 | |
| clarity of the provided information | % | 87.3 | 87.5 | |

NB The table only includes **quality factors that the sample interviewed deems to be most important in 2017**; this may give rise to consequent changes in column 2016. Furthermore, in the right hand column **there are significant differences, equal to 5 points or more**. In any case, it must be taken into consideration that the **value indicating adequate customer satisfaction is equal or more than 75% (threshold value)**.

QUALITY DELIVERED

Through the operators managing the services, Acea ensures that the **infrastructures** (network and systems) are **renovated or expanded** and works towards **optimising the management processes to make restoration more effective and punctual** after faults, so that the end quality of the services provided is progressively and constantly improved. Focus is also given to the processes making the **customer contact channels** and the **management of the commercial aspects more efficient**. In particular, the Group is **strongly customer oriented, reinforcing both the opportunities offered by the digital era** - in aspects associated to contact channels and operational management - and **concentrating its commitment in planning and implementing interventions on the infrastructures**, to monitor and develop the supplied services.

Some factors of the “**quality delivered**” are **measured on the basis of reference parameters established by the sector Authorities** or indicated in the **service contracts and management agreements** with local authorities:

- for the **public lighting** service, the contract between Acea and Roma Capitale also regulates the qualitative parameters (performance standards);
- the **technical and commercial quality standards in the energy sector** (for both distribution and sales) and **for the water sector** are established by a single national Authority: the **Regulation Authority for Energy, Networks and the Environment (ARE-RA)**³⁰ and by the local Authorities.

As regards the **water segment**, having initiated the first phase of **regulation on the contractual quality of the integrated water service**, defining specific and general levels of contractual quality standardised throughout the country as early as the end of 2015³¹, in 2017 the Authority launched another procedure by resolution 90/2017, **for the regulation of the technical quality** of the integrated water service. Such new procedure gave rise to two consultation documents during the year and in December 2017, a final resolution, 917/2017/R/ldr “Regulation of the technical quality of the integrated service or of each of the single services forming it (RQTI)”. The resolution defined the discipline of the technical quality of the integrated water service, with an **asymmetric and innovative approach**, which considers the **specific conditions of the various contexts**. The minimum levels and technical quality objectives are defined in the SII through the introduction of: **specific standards** to be guaranteed regarding services supplied to the single user; **general standards** describing the technical conditions of service supply; prerequisites which represent the **conditions necessary for admittance to the incentivising mechanism** associated to the general standards. The application of the indicator system at the basis of technical quality - as well as the initiation of data monitoring - is fixed **as from 1st January 2018**. As from 1st January 2018 the obligations to register and archive data shall become

effective, whereas the regulation of awards/fines shall be applied on the aggregate results 2018/2019 for the operators in 2020.

For the **electricity segment**, downstream of the rule becoming effective in 2016³² (see regulation period 2016-2023), the Authority, on the matter of **technical quality** issued the guidelines in early 2017 for drawing up plans aimed at **increasing the resilience of the electricity system** following extreme and persistent meteorological events (resilience plans). Such guidelines were drawn up by the “Resilience round table” in which operators and the Authority meet to discuss matters of technical quality regarding the electricity distribution system.

As regards the **commercial aspects**, implemented during the year were resolution 413/2016/R/com³³, concerning the quality to electricity and natural gas sales services and resolution 463/2016/R/com³⁴, on billing the retail sale service for electricity and natural gas customers. The latter regulated billing by period and also part of the closure billing for discontinued supply; it concerns electricity and gas customers (domestic and small companies) in the free market and more protected services. By way of **guaranteeing the good operation of the billing process**, automatic indemnities are envisaged to the benefit of end customers and the sellers, for delays in issuing period and/or final bills as well as of the distributors, for delays in making measurement data available required for issuing final bills: in this last case, distributors must also pay an indemnity to the sellers. Lastly, electricity distributors, where estimated measurement data for two consecutive months, must pay an indemnity to clients equipped with an electronic metre which measures consumption by time band.

Among the numerous other measures of the national Authority, regarding which reference is made to the website for further information, pointed out herein are: resolution 327/2016/R/eel, for which, in respect of **debranding the energy sale** activity on the **free market** respect to the sale activity in the **more protected service**, on **1st January 2017 Acea Energia SpA adopted a new trademark for the more protected service**: “Servizio Elettrico Roma”, whereas the trademark remains the same for the free market customers and resolution 867/2017/R/eel, by which **the abolition of progressive tariffs related to the components of general system charges** for domestic clients **is deferred by one year** respect to the envisaged 1st January 2018, in order to avoid greater expenditure for clients with the accumulation, against on 1st January 2018, of the increase in such general charges as well, due to the review on subsidies for high energy consuming enterprises.

Lastly, the attention to quality in supplied services is also favoured by the **UNI EN ISO certified management systems**, in accordance with which the companies operate (see also *Corporate identity*, paragraph *Management systems*).

³⁰ With the publication in the Official Journal on 29 December 2017 of the draft Budget Law 2018 (law 27 December 2017, no. 205), which attributed the Authority with regulation duties also in the waste sector, the Authority for electricity and gas and the water system (AEEGSI) became ARERA, Regulation Authority for Energy Networks and the Environment. The Authority was thus also assigned with the regulation of the waste sector, having specific duties to be exercised with the same powers and framework of principles applied in the other sectors already the competence of the Authority (electricity, gas, integrated water system and remote heating) as set forth by its complementary law, no. 481 of 1995.

³¹ By resolution 655/2015/R/ldr, effective as of 1st January 2016.

³² TIQE - Output-based Regulation for electricity distribution and measurement (Attachment A to resolution 646/15/R/eel as amended.); TIT - Provisions for the supply of transmission and distribution services, TIME - Provisions for the supply of the measurement service and TIC - Economic conditions for supplying the connection service (Attachments A, B and C to resolution 654/15/R/eel as amended).

³³ Attachment A of which is the *Integrated text on the regulation of the quality of electricity and natural gas sales services*.

³⁴ Attachment A of which *Integrated text on billing the retail sale service for electricity and natural gas customers*.

QUALITY IN THE ELECTRICITY AREA



APPROX. **163 km** OF MV CABLE AT **20 kV** INSTALLED, FOR THE UPGRADING AND ENHANCING OF THE MV NETWORKS, AS GRADUAL TRANSFORMATION FROM **8.4 kV to 20 kV**



FOR THE UPGRADING OF THE LV, PRIOR TO THE SUBSEQUENT CHANGE IN VOLTAGE FROM **230 V TO 400 V**: INSTALLATION OF APPROX **256 km** OF LV CABLE (BETWEEN EXPANSION AND REPLACEMENT)



CREATED OR ENLARGED **71 secondary cabins** AND REBUILT **972 cabins** IN OPERATION, TO MEET THE DEMAND FOR NEW CONNECTIONS AND INCREASES IN POWER AND SET THEM UP FOR REMOTE CONTROL



IN 2017: **6,662 MV REMOTE CONTROLLED nodes**

Areti, in its capacity as owner of a Ministerial licence, operates the **electricity distribution service in Rome and Formello**. It plans and carries out **modernisation and expansion** work on the infrastructures, comprising **high, medium and low voltage electricity lines, stations and substations, systems for remote control and for measuring energy** drawn from and fed into the network.

The activities are carried out in compliance with procedures under the **QASE** (Quality, Environment, Safety and Energy) **Management System** certified according to **UNI EN ISO and OHSAS Standards**.

The **interventions on the infrastructures**, aimed at realising the **progressive improvement of service quality, according to the challenging objectives set by the national Authority (ARERA) as well as increasing the energy efficiency of the networks** are carried out in compliance with the concession, sector regulations and service requirements, especially for the connection of new customers, related to urban expansion and the increase in electricity applications. The **general operational instrument** for governing integrated development of the electricity networks is formed of **Regulatory Plans for the HV, MV and LV networks**. One of the important objectives of the **Plans and projects for technological innovations** consists in the realisation of a network configuration that is adequate and

enabling for future scenarios with a view to smart city: distributed **generation, electrical mobility, storage systems, involvement of the end user and connectivity**.

In the framework of the **progressive implementation of the MV and LV Regulatory Plans**, Areti realised a complex of significant interventions which envisage the **realisation of new main lines aimed at rationalising and enhancing the networks** and simultaneously implementing a change of voltage from 8.4 kV to 20 kV on the MV network and from 230 V to 400 V on the LV network with **considerable benefits to their transport capacity** which ensure a residual power margin for new connections, and **reduces losses of energy and drops in voltage on MV and LV networks**.

Infrastructure management and development activities carried out in 2017 concerned interventions of **construction, expansion, transformation, modernisation, upgrading, decommissioning** - and, as a result, reduction of environmental impacts in specific areas - **measure, protection, ordinary and extraordinary maintenance operations** on stations and substations, **high voltage (HV) lines as well as low and medium voltage (LV and MV)**. The works are functional to the capillary distribution of electricity and improvement of the service, above all in terms of availability and continuity of the supply. The main interventions realised in 2017 are shown in the relevant box.

MAIN ACTIONS 2017 FOR THE OPERATION AND DEVELOPMENT OF ELECTRICITY NETWORKS AND STATIONS

HV LINES AND PRIMARY STATIONS

Activated during the year were the new **150 kV line** called **Cassia-Flaminia/O** (4.7 km of overhead lines built in 2016, 0.9 km of existing overhead line and 0.4 km of underground lines) and the new **150 kV line** called **Bufalotta-Roma Nord** (about 3 km of overhead lines and 1.6 km of underground lines), which **respectively enabled demolition to begin** of the Cassia-Roma Nord overhead line, for a total of 9.8 km and **39 poles** and the **demolition** of the Bufalotta-Flaminio/O overhead line, totalling **9.2 km and 23 poles**.

Again in 2017 the design was completed and **building works began** on the new HV 150 kV line **Roma Nord-San Basilio**, concerning the section to be adapted for a length of 5.5 km with tubular posts and masts of a green colour consistently with the prescriptions of Ente Roma Natura. Installation also began of the new HT line **Belsito-Tor di Quinto** of about 3.6 km.

Activities of **adaptation, expansion and reconstruction** took place on **20 primary cabins**.

The installation of the **Petersen system**, which has significant **positive effects on the reduction of network faults**, was completed at the Monte Mario/O primary station and at **another 3 cabins**, where the existing system has been expanded.

Lastly, the following were carried out: **ordinary and extraordinary maintenance** on the primary stations equipment and, in particular, on **117 HV switches**; **scheduled maintenance** on **640 MV switches**; the **overhaul of 22 live power transformer variators**. **60 HV voltage transformers** were replaced.

HV AND MV PROTECTION AND MEASURES

Interventions were carried out to install, calibrate and commission **power protection systems for 59 new MV line bays** and **interventions on the electrical protection systems** present in the primary stations for operation testing purposes (42 HV towers, 489 MV towers, 87 HV/MV and MV/MV transformers).

Ground resistance was measured in 2,888 substations and step and touch voltage measurements and total ground resistance measurements were carried out at 15 primary stations and 131 substations.

MV AND LV LINES

For the **modernisation and efficient use of the network**, gradually changing from 8.4 kV to 20 kV, **about 163 km of 20 kV MV cables were installed** in 2017 (153 km for refurbishment and 10 km for expansion). As part of the **extraordinary maintenance** of MV overhead lines, inspections were carried out on **various sections of the MV overhead line network**, which led to timely interventions for the replacement of equipment, poles, conductors, etc. Between expansion and refurbishing work aimed at replacing obsolete parts or upgrading inadequate parts, **about 256 km of LV cable was installed**, 39 km for network expansion, while on the remaining 217 km, refurbishment was carried out as part of the plan for the overall modernisation of the LV network, preparatory to the subsequent **voltage change** on the LV network, from 230 V to 400 V.

SUBSTATIONS (MV AND LV) AND REMOTE CONTROL

To meet the applications for new connections to the grid and voltage increase filed by existing customers, **71 substations were built or expanded**. **972 operational stations were (totally or partially) rebuilt to upgrade them to 20 kV, to ready them for remote control or upgrade their equipment**. Furthermore, the following activities were completed on substations: 850 extraordinary maintenance operations and 2,436 inspections to check the maintenance and operating status of equipment and premises and to bring about the necessary related ordinary maintenance operations. **Remote control was extended** to a further 339 substations and 200 reclosers, with **remote controlled MV nodes totalling 6,662 units** as at 31/12/2017. Lastly, 2,750 maintenance operations were completed.

Taking into account the **initiatives proposed by the national institutional authorities** and the **opportunities offered by the European Community**, Areti continues to develop several projects, also with other industrial entities, involving research and **application of innovative technology**. Specifically, these were in the frameworks of the “**smart grid**”, **advanced network management systems**, their **resilience, distributed storage** and “**smart city**” (see the chapter on *Institutions and the Company*)

Work continued in 2017 for the **expansion of the “ultrabroadband” fibre optic communications network**, with 100 Megabit per second internet connections in Rome, as envisaged by the **agreement protocol**, renewed in 2015, between Acea, Telecom, Fastweb and Vodafone. As at **31 December 2017**, Areti had **activated 12,487 new electricity supply points**, totalling about **205 km of excavation**, using the application of techniques minimising the environmental impact of installing the infrastructures.

The **activities for laying fibre optic cables** in 2017, acquired in IRU by Telecom and Wind for the creation of a primary network between LV/MV transformation plants, fibre optic connections shall be activated in 17 different sites. Such infrastructure is **preparatory to the integration of services, present and future, in primary cabins**.

With regard to **digital meters** and **smart metering systems**, in 2017 Areti continued its technical investigations linked to the development and consolidation of new standards and **ran experimental tests in field**, which had already been initiated in the laboratory in 2016, **on products from foremost meter manufacturers, equipped with more advanced technologies**. The analysis of the results of the completed tests was presented to the management.

Furthermore, during the year it carried out a comparative assessment of the **potential partners** for the supply of the **main data acquisition and processing system**, in relation to the replacement of the smart metering system, currently in use, with the new “**evolved second generation**” system (2.1G). Such assessment is structured according to various levels of examination: technical-commercial, system implementation technique, in field on systems already running; for this last point in field visits were made to customers in September 2017 who were **equipped with a system in line with the requirements declared by Areti**.

Thereafter development began on a **multiservice concentrator** for first generation electronic meters duly re-engineered, configured

for the acquisition of second generation meters and to be integrated with a third unit for 169/868 MHz RF communication. The new multiservice concentrator is a modular type apparatus consisting in a **main control and processing unit** and one or more **additional units, each one dedicated to a specific service (electricity, water, etc.)**. In late December 2017 the **prototype was presented** which shall undergo tests and inspections during the first half of 2018.

Moreover, Areti continued its activities on developments of the multiservice measure for the **experimentation of multifunctional remote reading technologies and architectures**, applicable to several sectors; in this context, for example, it developed remote reading devices for water meters (equipped with pulse triggers) using GPRS technology, for Acea Ato 2.

Lastly, the installation of **digital meters under remote management** continued at **low voltage users** for a total, **as at 31/12/2017, of 1,609,822 meters installed on active low voltage users**, equal to 99.33% of the total LV meters.

THE QUALITY LEVELS REGULATED BY ARERA IN THE ELECTRICITY SECTOR

The electrical - commercial service quality parameters (i.e., quotes, work, supply activation/deactivation, replies to complaints) and **technical aspects** (supply continuity) - are established at a national level by the **Regulation Authority for Energy, Networks and the Environment (ARERA)**, which reviews them on a regular basis, gradually introducing more stringent standards.

Since 2016 the **new regulatory cycle was launched regarding the quality of distribution, measuring and transmission services for the 5th regulatory period 2016-2023**.

Such regulatory framework requires that customers be indemnified in the event certain quality standards are not met and comprises a fine/bonus system applicable to service operators, so as to encourage them to continually improve their services.

The **commercial quality** aspects of the service consist of “**specific**” levels and “**general**” levels³⁵, applicable to the operations pertaining to the electricity distribution company (divided into low and medium voltage supplies) as well as those of the **seller** (see Tables 13, 14 and 15). A quality criterion also governs the timely communication of technical data between the energy distributor and seller (see Table 13). Every year **Acea submits the results achieved to the ARERA** for review and then notifies such results to its own customers, as required, by **enclosing them with the bill**.

³⁵ “Specific quality standards” are defined as the deadline within which the service provider must provide a given service and, in the event of non-compliance, they require that automatic compensation is granted to customers; the general quality standards” are defined as the minimum percentage of services to be provided within a given deadline.

As regards **performance 2017 for commercial quality**, related to the distribution and measurement of electricity, we present **estimated data** herein which may differ from those sent to the Authority (ARERA) according to the deadlines set by the latter.

As regards the **“specific” levels of commercial quality** regarding both low voltage supplies to domestic and non domestic customers as well as medium voltage supplies, recorded, in some cases, is a fall in performance levels, mainly due to the need to calibrate the new IT systems introduced in 2016 (the WFM system in April, Twins on SAP in December), also improving the percentage of observance of the standards for most of the processes. Also, as regards the **“general” levels** related to replies to written complaints/enquires, the significant fall in performance levels is related to the need to calibrate the new IT systems, which is currently being resolved (see table 13).

The system contemplates automatic indemnities³⁶ to be granted to customers in the event of failure to comply with specific quality levels starting from a basic amount³⁷, which can either double (in the event operations are performed in a timeframe between twice and three times the required standard) or treble (if operations are performed in a timeframe three times the required standard).

A process of technological development has been undertaken in Acea Energy since 2016 concerning its information systems, having the objective of developing contact channels. 2017 can be considered the **start-up year of the new system**, with the associated and normally required fine tuning. Therefore, with regard to the sales activities subject to regulation, during the year in question a **fall** was recorded in its percentages of compliance with the quality standards. In particular, it should be noted that in the free market and the more protected market there has been a **reduction in compliance with the “specific” quality standards**, whereas the **“general” standards remain above the compliance levels** required by ARERA (see Table no. 14).

The **Authority** also defines and updates the benchmark parameters of **“technical” quality** of the service³⁸, in relation to continuous electricity supply, envisaging an incentive system for the operator (bonuses and fines) and indemnities for customers.

It should be stressed that the **continuity indicators** supplied related to financial year 2017 are not those communicated to ARERA but rather the highest possible estimate at the time of publication of this document³⁹.

With reference to the **duration of disruptions** and the **number of disruptions** for LV users, the first available data concerning financial year 2017 and shown in Table no. 15 indicate a decrease in the results compared to 2016 and prove to be more aligned with the indicators divulged for 2015.

Annual performance was negatively influenced by climate factors, both with reference to the phenomena of heat waves that occurred in the summer 2017 and consequent to the cloudburst events the following autumn.

Disruptions occurring at any voltage level within the electricity system are also regulated for **MV customers**. The regulatory system entitles medium-voltage customers to receive automatic compensation provided that they can certify the adequacy of their systems⁴⁰ in the event of a number of **disruptions in the supply of electricity exceeding that stated by a specific standard**.

Prolonged or extended disruptions, in other words **service disruptions exceeding the duration established by standards**, are also regulated for both **LV customers** and **MV customers**. In such eventualities, the operator is required to pay a fine, calculated on the basis of the number of LV customers cut off as a result of disruptions due to “other causes”, to the extraordinary event fund set up with the Energy and Environmental Services Fund. In addition, the distributor will automatically indemnify customers affected by disruptions.

TABLE NO. 13 - SOCIAL INDICATORS: SPECIFIC AND GENERAL LEVELS OF COMMERCIAL QUALITY - ENERGY DISTRIBUTION (2016-2017) - (ARERA PARAMETERS AND ARETI'S PERFORMANCE - ESTIMATED DATA)

ENERGY DISTRIBUTION

SPECIFIC LEVELS OF COMMERCIAL QUALITY

| SERVICES | ARERA PARAMETERS Max. time for service delivery | Service delivery average actual time | Percentage of services carried out within time limit | Service delivery average actual time | Percentage of services carried out within time limit |
|---|--|---|---|---|---|
| | | | | | |
| 2016 | | | | 2017 | |
| LOW VOLTAGE (LV) SUPPLIES | | | | | |
| DOMESTIC CUSTOMERS | | ARETI'S PERFORMANCE | | | |
| estimates for work on LV networks (ordinary connections) | 15 working days | 11.19 | 82.53% | 8.97 | 93.23% |
| completion of simple work (ordinary connections) | 10 working days | 8.38 | 80.83% | 9.71 | 84.72% |
| completion of complex works | 50 working days | 15.76 | 92.00% | 25.33 | 66.67% |

³⁶ Compensation as pursuant to the Authorities provisions is paid to customers by deducting the amount from the bill or by issuing a cheque within 30 days of the date of the service in question or, at the latest, by three times the period of standard time established for such service, excluding automatic compensation for failure to comply with the punctuality range for appointments, in respect of which the time will commence on the date of the appointment.

³⁷ The amount currently set by the Authority starts from a basic amount of 35 Euros for domestic low voltage customers; 70 Euros for non domestic low voltage customers and 140 Euros for medium voltage customers.

³⁸ Resolution 654/15/R/eel.

³⁹ The data for 2017 are the best estimate available at the time of publication, certified data shall be made public by the Authority and available on the website www.arera.it.

⁴⁰ In order to be entitled to compensation, medium voltage customers must prove that they have installed protection devices at their plants that can prevent any interruption caused by faults within their utility plants from having repercussions on the network, damaging other customers connected nearby. Furthermore, in order to access compensation customers will be required to have arranged for the distribution company to receive a plant adequacy statement issued by parties with specific technical and professional expertise. Failure by customers to meet the requirements whereby compensation may be sought will cause the amount of the compensation to turn into a fine, which the distribution company is required to transfer to the Energy and Environmental Services Fund.

ENERGY DISTRIBUTION

SPECIFIC LEVELS OF COMMERCIAL QUALITY

| SERVICES | ARERA PARAMETERS Max. time for service delivery | Service delivery average actual time | Percentage of services carried out within time limit | Service delivery average actual time | Percentage of services carried out within time limit |
|--|--|---|---|---|---|
| 2016 | | | | 2017 | |
| LOW VOLTAGE (LV) SUPPLIES | | | | | |
| DOMESTIC CUSTOMERS | | ARETI'S PERFORMANCE | | | |
| supply activation | 5 working days | 2.02 | 95.70% | 2.28 | 94.20% |
| deactivation of supply on customers request | 5 working days | 1.09 | 97.13% | 1.29 | 97.39% |
| reactivation of supply following disconnection for late payment | 1 weekday | 0.29 | 97.72% | 0.11 | 99.13% |
| resumption of the supply following faults of the metering equipment (requests sent during business days from 08:00 to 18:00) | 3 hours | 1.87 | 87.17% | 2.43 | 78.09% |
| resumption of the supply following faults of the metering equipment (requests sent during non-business days or from 18:00 to 08:00 hrs.) | 4 hours | 1.88 | 92.31% | 2.43 | 88.23% |
| notification of outcome of metering equipment check on customers request | 15 working days | 9.84 | 88.43% | 9.42 | 92.99% |
| notification of outcome of voltage supply check on customers request | 20 working days | 19.00 | 100.00% | / | / |
| maximum punctuality band for appointments with customers | 2 hours | n.a. | 83.83% | n.a. | 85.15% |
| replacement of faulty metering equipment | 15 working days | 17.71 | 76.68% | 49.76 | 41.03% |
| resumption of correct supply voltage | 50 working days | / | / | / | / |
| estimates for work on LV networks (temporary connections) | 10 working days | / | / | / | / |
| completion of simple work (temporary connections not exceeding 40 kW) | 5 working days | / | / | / | / |
| completion of simple work (temporary connections exceeding 40 kW) | 10 working days | / | / | / | / |
| NON DOMESTIC CUSTOMERS | | ARETI'S PERFORMANCE | | | |
| estimates for work on LV networks (ordinary connections) | 15 working days | 10.38 | 86.73% | 8.28 | 94.28% |
| completion of simple work (ordinary connections) | 10 working days | 6.04 | 88.22% | 9.31 | 86.69% |
| completion of complex work | 50 working days | 12.55 | 94.98% | 25.62 | 88.00% |
| supply activation | 5 working days | 2.64 | 93.07% | 2.28 | 94.20% |
| deactivation of supply on customers request | 5 working days | 1.64 | 95.85% | 2.31 | 95.97% |
| reactivation of supply following disconnection for late payment | 1 weekday | 0.33 | 97.38% | 0.14 | 99.02% |
| resumption of the supply following faults of the metering equipment (requests sent during business days from 08:00 to 18:00) | 3 hours | 2.26 | 81.07% | 2.57 | 74.76% |
| resumption of the supply following faults of the metering equipment (requests sent during non-business days or from 18:00 to 08:00 hrs.) | 4 hours | 2.08 | 90.62% | 2.57 | 86.87% |
| re-notification of outcome of metering equipment check on customers request | 15 working days | 9.02 | 90.84% | 9.42 | 92.99% |
| notification of outcome of voltage supply check on customers request | 20 working days | / | / | 21 | 0% |
| maximum punctuality band for appointments with customers | 2 hours | n.a. | 87.24% | n.a. | 88.75% |
| replacement of faulty metering equipment | 15 working days | 16.13 | 79.49% | 37.89 | 44.44% |
| resumption of correct supply voltage | 50 working days | / | / | / | / |
| estimates for work on LV networks (temporary connections) | 10 working days | 5.34 | 90.85% | 4.77 | 95.26% |

ENERGY DISTRIBUTION

SPECIFIC LEVELS OF COMMERCIAL QUALITY

| SERVICES | ARERA PARAMETERS Max. time for service delivery | Service delivery average actual time | Percentage of services carried out within time limit | Service delivery average actual time | Percentage of services carried out within time limit |
|---|--|---|---|---|---|
| 2016 | | | | 2017 | |
| LOW VOLTAGE (LV) SUPPLIES | | | | | |
| NON DOMESTIC CUSTOMERS | | ARETI'S PERFORMANCE | | | |
| completion of simple work (temporary connections not exceeding 40 kW) | 5 working days | 4.08 | 88.15% | 5.91 | 85.80% |
| completion of simple work (temporary connections exceeding 40 kW) | 10 working days | / | / | 4.57 | 96.67% |
| MEDIUM VOLTAGE (MV) SUPPLIES | | | | | |
| END CLIENTS | | ARETI'S PERFORMANCE | | | |
| estimates for work on MV networks | 30 working days | 30.83 | 86.67% | 41.85 | 65.57% |
| completion of simple work | 20 working days | 23.33 | 83.33% | 23.71 | 85.71% |
| completion of complex work | 50 working days | 22.00 | 100.00% | 41.63 | 83.33% |
| supply activation | 5 working days | 5.90 | 77.78% | 5.50 | 77.78% |
| deactivation of supply on customers request | 7 working days | 8.69 | 84.00% | 19.33 | 55.56% |
| reactivation of supply following disconnection for late payment | 1 weekday | 6.83 | 50.00% | 2.89 | 55.56% |
| notification of outcome of metering equipment check on customers request | 15 working days | 9.13 | 75.00% | 9.20 | 90.00% |
| notification of outcome of voltage supply check on customers request | 20 working days | / | / | / | / |
| maximum punctuality band for appointments with customers | 2 hours | n.a. | 81.44% | n.a. | 87.10% |
| replacement of faulty metering equipment | 15 working days | / | / | / | / |
| resumption of correct supply voltage | 50 working days | / | / | / | / |
| COMMUNICATION OF TECHNICAL DATA FROM DISTRIBUTOR TO SELLER ^(*) | | | | | |
| technical data (that can be obtained by reading a metering system) | 10 working days from receipt of the request | 6.57 | 90.42% | 21.11 | 85.38% |
| technical data (that cannot be obtained by reading a metering system) | 15 working days from receipt of the request | 13.81 | 77.01% | 37.48 | 93.30% |

GENERAL LEVELS OF COMMERCIAL QUALITY

| SERVICES | ARERA PARAMETERS Minimum percentage of services to be provided within max. time limit | Service delivery average actual time | Percentage of services provided within max. time limit. | Service delivery average actual time | Percentage of services provided within max. time limit |
|---|---|---|--|---|---|
| 2016 | | | | 2017 | |
| LOW VOLTAGE (LV) SUPPLIES | | | | | |
| DOMESTIC CUSTOMERS | | ARETI'S PERFORMANCE | | | |
| reply to written complaints/enquiries regarding distribution operations | 95% within 30 calendar days | 29.99 | 70.20% | 59.25 | 43.82% |
| reply to written complaints/enquiries regarding metering operations | 95% within 30 calendar days | 66.92 | 49.94% | 43.93 | 60.57% |
| NON DOMESTIC CUSTOMERS | | ARETI'S PERFORMANCE | | | |
| reply to written complaints/enquiries regarding distribution operations | 95% within 30 calendar days | 33.22 | 68.99% | 69.04 | 38.76% |
| reply to written complaints/enquiries regarding metering operations | 95% within 30 calendar days | 67.64 | 43.42% | 46.61 | 55.97% |

NB The symbol "/" is used when services were not requested during the year, n.a. means the data is not applicable.

| MEDIUM VOLTAGE (MV) SUPPLIES | | | | | |
|---|-----------------------------|--|---------------------|--------|--------------|
| END CUSTOMERS | | | ARETI'S PERFORMANCE | | |
| reply to written complaints/enquiries regarding distribution operations | 95% within 30 calendar days | | 11.40 | 92.59% | 44.11 67.48% |
| reply to written complaints/enquiries regarding metering operations | 95% within 30 calendar days | | 76.23 | 38.46% | 79.11 33.33% |

TABLE NO. 14 - SOCIAL INDICATORS: SPECIFIC AND GENERAL LEVELS OF COMMERCIAL QUALITY - ENERGY SALE (2016-2017) - (ARERA PARAMETERS AND ACEA ENERGIA PERFORMANCE; DATA SUBMITTED TO THE ARERA)

SALE OF ENERGY

SPECIFIC LEVELS OF COMMERCIAL QUALITY ^(*)

| SERVICES | ARERA PARAMETERS Max. time for service delivery | Percentage of services carried out within time limit | Percentage of services carried out within time limit |
|--------------------------------------|---|--|--|
| | | 2016 | 2017 |
| MORE PROTECTED SERVICE | | ACEA ENERGIA'S PERFORMANCE | |
| billing adjustments | 90 calendar days | 100.0% | 69.2% |
| double billing adjustments | 20 calendar days | 88.9% | / |
| reasoned reply to written complaints | 40 calendar days | 93.2% | 76.3% |
| FREE MARKET | | ACEA ENERGIA'S PERFORMANCE | |
| billing adjustments | 90 calendar days | 100.0% | 86.7% |
| double billing adjustments | 20 calendar days | / | 100.0% |
| reasoned reply to written complaints | 40 calendar days | 91.7% | 77.6% |

GENERAL LEVELS OF COMMERCIAL QUALITY

| SERVICES | ARERA PARAMETERS Max. time for service delivery | Percentage of services carried out within time limit | Percentage of services carried out within time limit |
|-------------------------------|---|--|--|
| MORE PROTECTED SERVICE | | ACEA ENERGIA'S PERFORMANCE | |
| Reply to written enquiries | 95% within 30 calendar days | 99.5% | 97.1% |
| FREE MARKET | | ACEA ENERGIA'S PERFORMANCE | |
| Reply to written enquiries | 95% within 30 calendar days | 99.5% | 97.1% |

^(*) In the event of failure to meet the standards, more protected service customers (mainly domestic customers and small businesses) will receive an automatic compensation of 20 Euros. The symbol “/” is used when services were not requested during the year, n.a. means the data is not applicable.

TABLE NO. 15 - SOCIAL INDICATORS: SERVICE CONTINUITY DATA – ENERGY DISTRIBUTION (2015-2017) - (ARERA PARAMETERS AND ARETI'S PERFORMANCE - 2015-2016: DATA CERTIFIED BY THE ARERA; 2017: PROVISIONAL ESTIMATED DATA)

ENERGY DISTRIBUTION - CONTINUITY INDICATORS - LV CUSTOMERS

DURATION OF DISRUPTIONS AND PERCENTAGES OF IMPROVEMENT

| SERVICES | average aggregate duration of lasting disruptions without prior notice of the operator's responsibility per LV customer per year (minutes) | | | percentage of improvement | |
|----------------------|--|-------|------|---------------------------|---------------|
| | 2015 | 2016 | 2017 | 2017 vs. 2015 | 2017 vs. 2016 |
| high concentration | 34.55 | 27.88 | 37.1 | 7.5% | 33.2% |
| medium concentration | 49.70 | 31.46 | 40.3 | -19.0% | 28.0% |
| low concentration | 58.38 | 45.76 | 54.1 | -7.2% | 18.3% |

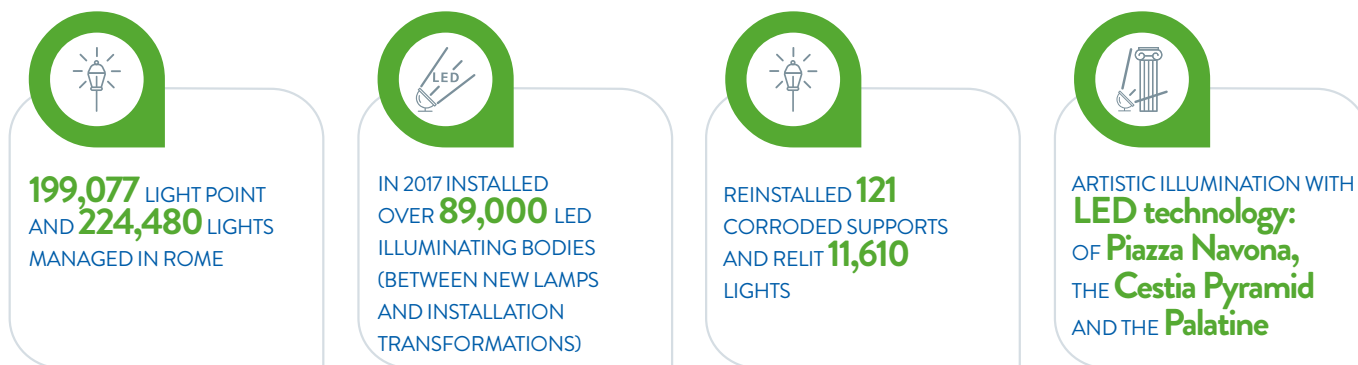
AVERAGE NUMBER OF DISRUPTIONS AND PERCENTAGES OF IMPROVEMENT ^(*)

| SERVICES | average no. disruptions without prior notice of the operator's responsibility per LV customer per year | | | percentage of improvement | |
|----------------------|--|------|------|---------------------------|-------|
| high concentration | 1.74 | 1.42 | 1.81 | 4.6% | 28.2% |
| medium concentration | 2.79 | 1.67 | 1.92 | -31.2% | 15.0% |
| low concentration | 3.46 | 2.51 | 2.58 | -25.4% | 2.8% |

^(*) The yearly average number of disruptions per low voltage customer considers both lasting disruptions (>3 minutes) as well as short disruptions (≤ 3 minutes but longer than 1 second).

NB The three territorial areas are defined on the basis of the degree of concentration of the resident population: more than 50,000 inhabitants is defined as “high concentration”; between 5,000 and 50,000 inhabitants is defined as “medium concentration”; less than 5,000 inhabitants is defined as “low concentration”.

QUALITY IN THE PUBLIC LIGHTING AREA



Part of the activities referring to Acea Illuminazione Pubblica in December 2016 merged into Areti⁴¹, which, during 2017 thereby managed most of the interventions concerning **public lighting, operational lighting and artistic monumental lighting in Rome**, on **more than 199,000 lighting points** spread around a district - about 1,300 km² - that is equivalent to almost 7 times that of Milan, according to the *Service Agreement*⁴² stipulated between Acea SpA and Roma Capitale.

The company is responsible for the **design, construction, operation, maintenance and restoration of networks and plants** and

operates in compliance with procedures under the QASE (Quality, Environment, Safety and Energy) **Management System certified according to UNI EN ISO and OHSAS Standards.**

Work is scheduled **ensuring that the management and technical staff of the company work together on the basis of the instructions given by local public administration and supervisory departments and authorities** responsible for new urban developments, improvement projects and the cultural heritage. In addition to delivering the service for the Municipality of Rome, the Company makes its know-how available to other stakeholders.

TABLE NO. 16 – PUBLIC LIGHTING IN ROME IN FIGURES (2017)

| | |
|---|----------------------------------|
| lighting points (no.) | 199,077 (+1.8% compared to 2016) |
| Monumental artistic lighting points (no.) | about 10,000 |
| bulbs (n.) | 224,480 (+1.8% compared to 2016) |
| MV and LV network (km) | 7,956 (+1.4% compared to 2016) |

Among the **main interventions on public lighting carried out** during the year, **in the functional and artistic monumental context**, highlighted are **the transformation of about 88,000 lights** as part of the **LED Plan** for the Capital (see dedicated box). Expansion and modernisation works also took place on the lighting in **Piazza Navona**, both of a functional and artistic nature and **the functional lighting plant for the New Internal Ring Road (NCR)** was undertaken, realised by RFI as part of the road works connected to Tiburtina Station. **Regarding the latter**, Areti's Public Lighting Unit also **proposed modernisation works on the plants** to the capital's Administration, these were approved and **shall be carried out in 2018**, they entail the replacement of the current **High Pressure**

Sodium bulbs with LED lighting points (about 1,350 fittings) thus gaining considerable energy efficiency and saving as well as improved visual perception. Moreover, during the year **the plants in the Port of Rome were taken over with transformation to LED of about 1,240 lighting points.**

At artistic monumental level, we point out lighting interventions on the **Basilica di S. Marco Evangelista al Campidoglio**, in Piazza Venezia, the **Basilica di San Clemente**, of **Porta San Paolo** and the **Cestia Pyramid** and, by the end of the year there was the **launch of the permanent lighting of the archaeological area of the Palatine** overlooking the Circus Maximus (see dedicated boxes hereunder).

PROGRESS OF THE LED PLAN FOR ROME

The works in **progress on the LED Plan**, initiated in the second part of 2016 downstream of the agreement signed with Roma Capitale, **continued** at a steady pace, as mentioned above, during 2017 and led to the **comprehensive installation, as at 31/12/2017, of about 162,000 lights**, with the related benefits in terms of

energy saving, reduction of the effects of light flow dispersion and full observance of the law on public lighting. The completion of the transformation works on functional lighting sources is expected by the first quarter of 2018, whereas the artistic and ornamental installations, subject matter of review and agreement with the

Municipal Administration and the supervisory authority shall be completed by the end of 2018. In late 2017 the Municipal Administration also approved the LED transformation plan for the tunnels to be worked on during 2018.

⁴¹ Areti SpA, which manages the distribution of energy in Rome and Formello, in acknowledgement of the partial proportional demerger project regarding Acea Illuminazione Pubblica SpA in December 2016, absorbed part of its activity. Therefore Acea Illuminazione Pubblica is not included in the reporting boundary of this document.

⁴² By Resolution of the City Council No. 130 dated 22 December 2010 regarding the *Updating of the Service Agreement between Roma Capitale and Acea SpA*, effective 15 March 2011, the agreement was extended to 31/12/2027.

By carrying out the two surveys 2017 on the satisfaction of customers and citizens with regard to supplied services, **Acea continued to monitor the opinion and perception of citizens regarding the transformation, in progress, of the lighting using LED.** The average results from the two half-yearly surveys highlighted that about **59%** of the 2,400 interviewees (+18% compared to 41% reported in 2016 out of a panel of the same consistency) **had notice**

the LED lighting on the road. 82% of the interviewees considers the project to transform lighting using LED as important for the city and the three main reasons given were: reduced consumption (energy efficiency) for 82%, improved distinction of colours on the road, for 29.4% (a notably increased amount compared to 20% reported in 2016), and, for **26.4% environmental compliance** (the amount was 15% in 2016).

TABLE NO. 17 – MAIN PUBLIC LIGHTING WORKS ON LIGHTING POINTS (2017)

| TYPE OF WORK | (NO. LIGHTING POINTS) |
|--|------------------------------|
| Installation of new lighting points (including artistic) | 962 lighting points |
| Actions to improve energy efficiency/technological innovation (fixture replacement) | 88,100 LED lights |
| Safety measures | 3,156 lighting points |

NB The table includes operations carried out for the Municipality of Rome and third parties.

NEW LIGHTING USING LED TECHNOLOGY IN PIAZZA NAVONA

The Department for the Development of Infrastructures and Urban Maintenance of Roma Capitale asked Areti for a new project to redevelop and upgrade the existing lighting plant, **both functional and “artistic”** in Piazza Navona.

The artistic lighting intervention concerned the plants dedicated to **Sant’Agnese church in Agone, Nostra Signora del Sacro Cuore church** (currently being restored), the fontana dei Fiumi fountain with the obelisk, the **Nettuno fountain and the Moro fountain**.

The colour temperature of the lighting points

on the facades and fountains was agreed with the representatives of the Administration, State Authority and Capital Authority.

9 LED spotlights were installed to light Sant’Agnese church in Agone and the Nostra Signora del Sacro Cuore church, at a colour temperature of 3000K. For the Fiumi fountain, apart from **replacing underwater spotlights** with as many equipped with LED technology having a colour temperature of 4000K, **the obelisk was lit up** using 2 LED lighting points LED having a colour temperature of 3000K, installed on the posts nearest

to the fountain and set on the opposite apexes of the obelisk. The reason for this contrast in colour (4000K – 3000K) lies in the decision to **highlight the nature of the materials forming the monumental fountain**.

Apart from replacing the existent underwater equipment inside the upper bowl of the Moro and Nettuno fountains, the project also envisaged the instalment of 4 LED spotlights for each fountain, laid in the lower bowl in order to light the four perimetral masks in the Moro fountain and the winged cherubs in the Nettuno fountain.

Each year, Acea carries out **planned and extraordinary maintenance** work on the systems for safety purposes in order to maintain an adequate level of lighting in the managed area (see la Table no. 18).

TABLE NO. 18 – REPAIRS AND PLANNED AND EXTRAORDINARY MAINTENANCE OF PUBLIC LIGHTING (2017)

| TYPE OF WORK | (NO.) |
|--|-----------------------------------|
| Checking corrosion on lamp posts | 31,702 lamp posts checked |
| Replacing bulbs prior to luminous flux loss | 11,610 bulbs replaced |
| Reinstalling lamp posts that were corroded or knocked down due to accidents | 121 lamp posts reinstalled |

Acea **monitors the public lighting service quality standards** pertaining to **fault repair times**, which are calculated starting from a fault being reported⁴³.

The **service standards** are **expressed by an average admitted recovery time (TMRA)**, within which the repairs shall take place and a

maximum time (TMAX), after which a **finer system** is activated⁴⁴. The **performance related to average recovery times (TMR) of plant operations**, used by Acea in 2017 for the various types of fault (see Table no. 19), **are basically in line** with the service levels recorded in 2016 **with cases of improvement on some types of fault**.

⁴³ For the purpose of calculating service levels, reports pertaining to damages caused by third parties will not be considered.

⁴⁴ Fines are calculated using the following criteria: each repair completed beyond the TMAX will be sanctioned; repairs completed within the TMAX but exceeding the TMRA will be sanctioned only if TMR>TMRA. At the time of publication of this document, the accurate data on reports concerning 2017 subject to fines being calculated is not available.

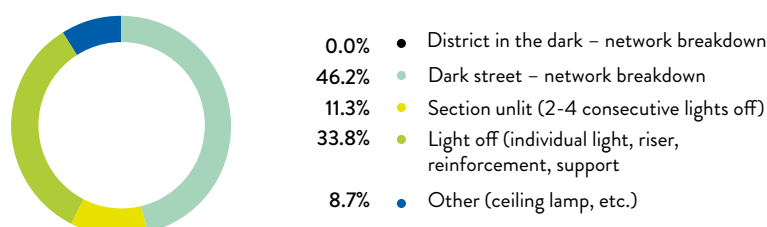
TABLE NO. 19 – PUBLIC LIGHTING FAULT RECOVERY: FINES, STANDARDS AND ACEA PERFORMANCE (2016-2017)

| FAULT TYPE | FINE PER DAY OF DELAY (euro) | SERVICE LEVEL AGREEMENT (*) | | ACEA PERFORMANCE | |
|--|--|---|---|---|----------|
| | | TMRA (admitted average recovery time) (working days) | TMAX (maximum recovery time) (working days) | TMR (average recovery time) (working days) | |
| | | | | 2016 | 2017 |
| Blacked out neighbourhood - MV network failure | 70 | 1 day | 1 day | <1 day | <1 day |
| Blacked out street - MV or LV network failure | 50 | 5 days | 8 days | 2.7 days | 2.8 days |
| Blacked out stretch (2-4 consecutive lights out) | 50 | 10 days | 15 days | 9.1 days | 6.7 days |
| Lighting points out: single lamps, posts, supports | 25 | 15 days | 20 days | 8.3 gg. | 8.6 gg. |

(*) Consistent with previous years, data were monitored in compliance with provisions under Annex D/2 to the 2005-2015 *Service Agreement* between the Municipality of Rome and Acea SpA.

Faults are detected by internal control systems, such as remote management and, as mentioned, can be reported to the company by the citizens and the Municipality of Rome using the different contact channels available (call centre, web, fax or letter)⁴⁵. **23,760 fault reports** were received in 2017⁴⁶ and **94%** of them were **dealt with** by the end of the year. The **percentage distribution**

of reports by type of fault is shown in chart 21. The most significant incidence concerns “blacked out street”, in relation to a network fault (46.2%) and “lighting point out” (33.8%), having the lowest impact in terms of safety, the “blacked out stretch” is more contained (8.7%) and, lastly, not cases of “blacked out neighbourhood” due to network fault were recorded.

CHART NO. 21 - TYPES OF PUBLIC LIGHTING FAULTS OUT OF TOTAL REPORTS RECEIVED (2017)


In agreement with the relevant Authorities, **Acea is committed to enhancing the monumental and architectural heritage of the Capital by deploying about 10,000 dedicated lighting points**, thanks to the **distinctive skills in the artistic lighting sector** it has acquired over time, which makes it available for interventions requested by “private entities” (such as churches,

hoteliers or third parties in general).

During the year **various important artistic lighting interventions** were realised, a large part of which already recalled at the start of the paragraph. Three interventions by Acea are highlighted in the boxes below, which it wanted to offer the city, contributing to enhancing its cultural worth.

⁴⁵ More detailed information on call centre performance and written complaints is provided in the Customer Care section.

⁴⁶ The datum excludes reminders and repeated reporting of the same fault.

LIGHTING THE PALATINE HILL

In 2017 **Acea proposed the restoration and redevelopment of the Palatine lighting system** to the Ministry of Cultural Assets and Activities and Tourism (MIBACT), Archaeological park of the Colosseum and, in particular, **the southern face of the archaeological monumental area overlooking the Circus Maximus**.

The modernisation and redevelopment works on the previous plant, tracing back to 2000, envisaged the installation of **96 lighting points**, divided into different types, by optics, power and colour temperature, ranging from 2,700K

to 2,200K, with chromatic yield exceeding 80. The facades were lit of the **Domus Severiana**, **Domus Augustana**, the **Stadium**, the **Domus Flavia** and the **Pedagogium**.

The choice of a neutral colour temperature (2,700K) for the facades facing the Circus Maximus was made to bestow a more realistic rendering of the colours of the composition materials, while a warmer temperature (2,200K) was used to highlight the depth of the environments.

The previous plant, using High Pressure Sodium technology, had a power absorption

of 15,700 W, whereas the current system, realised using LED equipment, ascertains a value of 4,400 W, a saving of more than 70%.

This was an intervention to **enhance a monumental area** that is particularly representative of the city, with its rich historical suggestion and that of its landscape. The intervention was presented in December 2017 in a press conference jointly with the Municipality of Rome and **the lighting system was opened on the night of 31 December 2017** during the new year festivities.

THE CESTIA PYRAMID AND PORTA SAN PAOLO

In agreement with the MIBACT and the Department of the Development of Infrastructures and Urban Maintenance of Roma Capitale, **Acea proposed and realised the lighting of the Cestia Pyramid and Porta San Paolo**. The project completely redesigned the lighting system realised previously in 2000. The **oblique light** method was chosen over the projection method, thanks to the availability of the Managers of the local authority. The walls of the pyramid, which are covered in marble sheeting, were lit using LED bars at a colour temperature of 3,000K, with diversified optics to obtain uniformity on the vertical planes. The placement of two lines of rods at a different distance from the surface, allowed the best lighting of **both the lower part and the part tapered to the monument**,

over 36 metres high and with a square base of about 30 metres to the side. Furthermore, the oblique lighting system allows the **two epigraphs to be read** perfectly, which cite the owner of the tomb and the days needed to build the funeral monument. Six 48 W rods were used for each facade, five of which with a wide beam and one with a narrow beam; the edges were highlighted using narrow beam spotlights, again 3,000K, having a power of 17 W. The system also envisaged the lighting of the surrounding columns and sections of Roman wall adjacent to the pyramid, with equipment having 2,200K colour temperature, suited to the building material. Comprehensively **43 apparatuses** were installed. The total installed power is 1,480 W versus 3,600 W of the previous system.

By way of correctly contextualising the monumental area, the lighting of **Porta San Paolo** was also modernised using LED technology; it is located near the Cestia Pyramid. The equipment was installed on the poles intended for public lighting which surround the gate. The Towers, entry Gate and the internal area were lit using different colour temperatures, 2,200K for the masonry areas and 3,500K for the marble parts, installing a total of 13 apparatuses having a total power of 520 W. Special care was taken when positioning the lighting points in order to contain the dispersion of the light flux. For the building and the internal part of the gate, lastly, which houses some relics, 5 spotlights were used with a total power of 110 W.

THE BASILICA DI SAN MARCO EVANGELISTA AL CAMPIDOGLIO

Acea realised the lighting for the Basilica di San Marco Evangelista al Campidoglio, located in Piazza Venezia, in accordance with MIBACT and the Department of the Development of Infrastructures and Urban Maintenance of Roma Capitale. The intervention envisaged the lighting of the **Façade**, the **Portico** and the **upper Lodge**. The Basilica, the initial construction of which traces back to 336, underwent renovations until the baroque era and shows differing architectonic

styles. In total **16 spotlights** were installed for a total power of 300 W. The Façade was lit by projection using 4 LED apparatuses, colour temperature 2,700K and 20 W power each. The lighting on the Portico was realised by placing 4 apparatuses on the stringcourse or the four internal capitals with asymmetric optics to light the underlying environment by reflected light. The light flux was directed towards the cross vaults, highlighting the structure thereof. The base relief of

San Marco in the panel surmounting the entrance portal was highlighting by means of 2 narrow beam apparatuses of 10 W power and colour temperature 3,500K positioned diagonally respect to the relief in order to avoid flattening the figures. For the upper Lodge, of renaissance era, the pictorial frame surrounding it and the wood beam roof were highlighted using 4 lighting apparatuses and another two were aimed towards the floor level where museum relics are often placed.

QUALITY IN THE WATER AREA

The Acea Group manages the integrated water service (SII) in several Optimal Areas of Operations (ATO) in Lazio, Tuscany, Campania and Umbria, through investee companies.

In compliance with the reporting boundary (see *Disclosing Sustainability: methodological note*) the following is a description of the activities of **Acea Ato 2 in Optimal Area of Operations 2 - Central Lazio** (Rome and another 111 municipalities in Lazio,

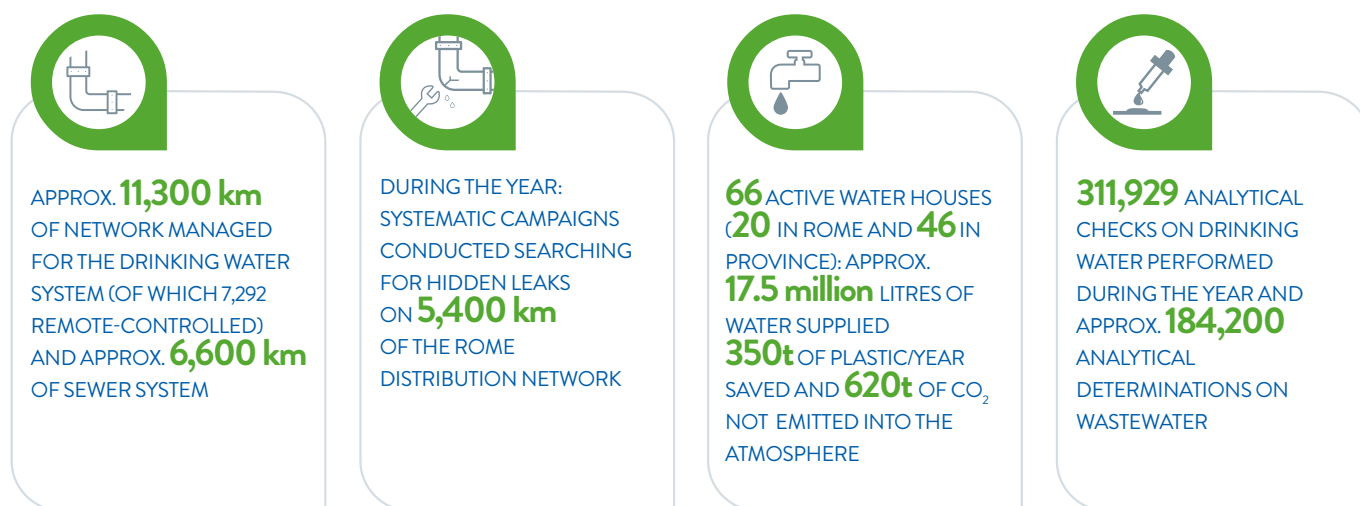
with a total of about 4 million inhabitants served), the “historical” area of the Group’s operations⁴⁷, by **Acea Ato 5**, also operating in Lazio (ATO 5 - southern Lazio and Frosinone, with 86 municipalities and about 480,000 inhabitants)) and, for the first time, by **Gesesa**, operational in **Campania** (in the district of Benevento and province, 21 municipalities managed, with a total of about 132,000 inhabitants served⁴⁸).

The management of the integrated water service (SII) comprises the entire drinking and wastewater cycle: from collection of the natural resource from the springs to its return to the environment, it is governed by a Management Agreement between the **company running the service and the Area Authority** (EGA - “Ente di Governo dell’Ambito, EGA” - Area Regulatory Agency). In late 2015, the ARERA (formerly AEEGSI), by resolution 656/15, approved the minimum essential contents of the “**model agreement**” **regulating relations between awarding and managing entities uniformly and nationally**. This new model agreement concerns the instruments for **keeping the economic and financial balance of the**

management systems and updating of the data and information on the basis of the planning activities required by the Authority for the approval of the tariff preparation and takeover procedures, with consequent payment of the reimbursements due. For the other main regulatory interventions on the water sector undertaken during the year by ARERA (and, specifically, resolution 917/2017/R/idr) refer to the beginning of paragraph Quality Delivered and, for more details, to the Authority’s website.

The **Integrated water service charter**⁴⁹, annexed to the Agreement, defines the **general and specific quality standards** that the manager must respect in relation to the users, **in accordance with the definitions under resolution 655/15**. Customer relations are also disciplined by the **User Regulations**, also annexed to the Agreement, which establishes the technical, contractual and economic conditions which the managers must respect in supplying the services. For the contractual quality performances supplied by the water companies, see sub-paragraph *Levels of quality regulated by ARERA in the water segment hereunder*.

THE SII IN ATO 2 – CENTRAL LAZIO



Acea Ato 2 performs the **design, construction, maintenance and restoration of networks and plants** across the Ato 2 area - Central Lazio and operates in respect of the procedures in the **QASE** (Quality, Environment, Safety and Energy) **management systems, certified according to UNI EN ISO and OHSAS standards** (see *Corporate identity, Management Systems*).

The pursuit of **continuous improvement** in the processes and activities managed is the **foundation of the applied Management systems** and the **QASE policy** of ACEA Ato 2 is based on the principles and values which also have effects **on the context of reference** such as: the capillary offer to the customer of high qualitative level public services under fair and non-discriminatory conditions: transparency regarding stakeholders and the impacts on the entire community in terms of economic, social and environmental responsibility.

Acea Ato 2 is **gradually taking over the management** of the

municipalities in the reference Optimal Area of Operation after performing an **inspection of the condition of the infrastructures** (networks and systems) in accordance with the local administrations and, in the event of non-compliances, must wait for the municipalities concerned to complete the work required to bring them to standard. In 2017 the S.I.I. (integrate water service) was acquired of the municipality of **Rignano Flaminio**, although the effective transfer of the sewage and purification sectors was subject to the completion of adaptation works on the municipal purification plants. As at **31 December 2017**, out of the 112 municipalities in Ato 2 - Central Lazio, **Acea Ato 2 managed the integrated water service** - aqueduct, sewerage and waste water treatment - in **79 municipalities**⁵⁰, equal to about 94% of the total population in Ato 2; the SII was **partially managed in another 14 municipalities**.

⁴⁷ Acea has been entrusted with the running of the capital's aqueduct service since 1937, the water treatment system since 1985 and the entire sewerage system since 2002, effective 1 January 2003. The Rome and Fiumicino network is therefore defined as “historical”.

⁴⁸ These are the two main companies in the Acea Group operating in the water sector in Italy, and consolidated in the annual Sustainability Report using the step-by-step method (100% Acea SpA). Alone, they represent more than 51% of the population served in the water sector by all the companies in the Group. The companies operating in Tuscany, Umbria and Campania, owned by Acea, are consolidated using the equity method, consequently they are not included in the reporting boundary, with the exception of certain global data aimed at representing the general dimension of the Group, as specified in the text from time to time (see also *Relations with the environment and the Environmental accounts*, as well as the chapter, outside of the boundary of the DNF pursuant to Legislative Decree 254/2016, *Water company data sheets and overseas activities*).

⁴⁹ The *Integrated water service charter* is applied progressively in the municipalities under management. The Service charters of Acea Ato 2 and Acea Ato 5 are available online on the website www.acea.it. Specifically, Acea Ato 2 has adopted the Service Charter as modified in ARERA resolution no. 655/2015/R/idr d The Conference of Mayors in Ato 2 - Central Lazio and Rome on 27 July 2016, no. 1/16 “adoption of the 2016 - 2019 regulatory scheme”.

⁵⁰ Note that 8 small municipalities have chosen to manage their own services, invoking the right to not subscribe to the SII for municipalities of less than 1,000 inhabitants, as provided under art. 148, paragraph 5 of Legislative Decree no. 152 of 03/04/2006.

The **infrastructures managed** in the area include about **11,300 km of networks** (aqueduct, transport, distribution)⁵¹ for drinking water and about **6,600 km of sewerage networks**; the networks are connected to a complex system of facilities and plants making the aqueduct, waste water treatment and sewerage services operational. The company follows the development of new urban development and carries out work every year for the **modernisation and efficient use of the systems and completion, expansion or reclamation of pipelines and networks**.

The objective of integrated new technologies in operational management was consolidated in 2017 and this allowed the efficiency of certain processes to be improved. For example, a **reduction in response times on the first fault intervention** was achieved by introducing automations which engage operators when the call arrives at the call centre. New information system functions, already implemented in 2016, allow full **integration between the GIS geodiagram⁵² and the SAP maintenance system for displaying the networks and faults in one sole environment** and, in this way, the call centre operator is guided in defining the fault and associating reports to faults that already exist. It is also possible to **report, from the areaby using the device, corrections or updates** detected during the operations, in order to keep the GIS system **constantly updated** and thus consistent with the status of the assets in the area.

Lastly, with the purpose of complying with the provisions of the ARERA on the matter of technical quality (in force since 2018), which imposes **punctual monitoring of service continuity**, recording duration and nature of the disruptions, **new functions** were implemented which allow an estimate of the number of users involved in the disruption using the cartography system.

As regards the “**smart metering**” systems, which make **remote reading and remote management** of the meters possible, generating benefits both for the consumer and the operator, **Acea Ato 2 carried out in 2016 an experiment – the Top 300 pilot project** – installing 300 apparatuses at different types of users, able to make data and measurements available, such as **leak detection/alarm and consumption control**. As a result of this experience, the company decided to **extend the application of remotely read meters**; this also meets the provisions of the Decree of the Ministry of Economic Development, 21 April 2017, no. 93, according to which a mass replacement campaign is to be carried out in the next few years.

During the year **systematic hidden leak detection campaigns were executed on the 5,400 km supply network in Rome**, with the purpose of resource recovery and dealing with the water emergency in progress. For further information refer to box **Leak recovery plan in Rome and the communities of Ato 2** in section *Relations with the environment*.

Lastly, as regards the progressive digitalisation of the sanitary water networks in Ato 2, with data entry **into the GIS information system**, as at 31/12/2017 **the completion of the drinking water network was reached** (about 11,300 km) and **84% of the sewage network** (with about 5,600 km of digitalised network).

THE AQUEDUCT SERVICE MANAGED BY ACEA ATO 2

The aqueducts and the transport network are controlled remotely, from a qualitative and quantitative viewpoint, and remote sensing provides information useful for knowing the status of the network and its operation (set up of the plants, status of the pumps, position of the valves, measurements, alarms and the possibility of performing remote controlled manoeuvres). The distribution network in Rome is also powered by remote controlled water stations

with flow and/or pressure and/or level meters. **The comprehensive span of the network subject to remote control, including that of the aqueduct**, according to data drawn from the GIS system is about **7,292 km**. Thanks to the progressive implementation of the system, **614 water stations** were partially or totally remotely controlled (with pressure and/or flow and/or level measurements) in 2017, and **193** of them (amongst which the **Water houses** active in the year) were equipped with remotely controlled quality measurement capabilities. Furthermore, 133 pressure points were equipped with remote control, spread along the distribution network.

2017 was marked by an accentuation of the drought which had already happened in 2016. In dry periods which last for more than one year, due to the natural drop in sources not refilled by autumn and winter rainfall, **part of the water resource disappears** and significant deficits arise. For these reasons, **the availability of water at the procurement source was found that exceeded 1,200 l/s on average per annum**.

Consequently **Acea Ato 2** had to deal with an **emergency type situation** and immediately **drew up and implemented a consistent plan of interventions** aimed at ensuring the provision of water and preserving the strategic emergency reserve (Bracciano Lake), already suffering due to the drought. The **realised interventions** together with the activities of **leak search and repair** and the activities which optimised and increased the efficiency of the **Roman transport system** allowed a comprehensive recovery of the resource equal to about **1,750 l/s**.

For example, the restored operation of the some springs that had not been used pertaining to the **Acquedotti Appio Alessandrino and Nuovo Vergine** aqueducts was planned and brought about through extraordinary electromagnetic maintenance performed at the related water stations; the works, **which ended in July 2017**, allowed the recovery of about **650 l/s of water and a further 50 l/s** not collected previously, thanks to the completion of electro-mechanical works for raising a spring.

Interventions at the **EUR Water Station** allowed flow management to be re-established and the supply to the tanks in the Acilia and Ostia coastline was rendered independent, ensuring greater continuity and flexibility in water provisioning in both areas (the EUR area, Laurentino, Torrino, Tormarancia, Garbatella etc. and the coastline). At the **Capore springs** a complex intervention (see dedicated box) allowed the recovery of water not previously collected and thanks to the modernisation of the lifting system for the springs of the Peachier aqueduct, completed in late 2016, it was possible to collect about 200 l/s more.

Moreover, **night-time pressures were optimised** using remotely managed valves able to limit the outflow of water from the tanks to the network, this allowed daily shifts in water supply in the Capital to be avoided during the most extreme stages of the water crisis, as well as a recovery of about 500 l/s on average per day.

Lastly, at the **Vigne Nuove well field**, to the north of Rome, collection from two wells located about 70 m deep had been decommissioned in the 80s due to intervening contamination problems. After having ascertained the quality of the water which shall be conveyed, subject to chlorination, at the Cecchina water Station and mixed with water coming from the Peschiera aqueduct, during the year all the works needed to restore the functionality of the plant were completed. **It shall be reactivated in January 2018** with an expected flow rate of about 70 l/s. Similar restoration activities were initiated in 2017 at the **Colle Mentuccia well field** and at the **Torre Spaccata water station, completion for both** is expected in **2018** with a predicted recovery of about 100 l/s, at the former and 14 l/s at the latter.

⁵¹ In detail: 721 km of aqueduct, 1,176 km transport networks, 9,442 km distribution.

⁵² The GIS - Geographic Information System - is a computerised information system allowing the acquisition, recording, analysis, display and return of information deriving from geographic data, placing different elements into relation according to their common geographical reference.

THE RECOVERY OF WATER AT THE CAPORE SPRINGS

In order to ensure water supply in the Municipalities of Ato 2 central Lazio, particularly Rome, it was considered necessary to **proceed with the recovery of water not previously collected** from the Capore springs. Such water, in fact, rise from **surface pools** and did not flow into the artesian wells which drain the water in the collection tank for diversion. Collection was performed by means of **installing an immersion electropump** with

operation point calibrated at 120 l/s raised flow rate. A DN 200 pipeline was realised in steel for delivery to the collection tank of water from deep springs, from which the Capore aqueduct tunnel branches off. Furthermore, there was purposeful intake work for the installation of a control station to continuously monitor turbidity. This station is connected to a programmable logic controller (PLC) exactly like the immersion

electropump. In this way it is possible to management the switch on/off of the electropump automatically as the turbidity thresholds vary, as measured by the probe. The same parameters were remotised and are available 24hr for remote monitoring at the Environmental Operations Room in Acea Ato 2.

Also carried out during the year were routine maintenance activities - such as closing pipelines for repairs; washing and disinfection of tanks and ducts - which, albeit not linked to the water emergency situation, **were of strategic importance for guaranteeing flexibility and efficiency in the transport system**; during such interventions, in fact, reclamations and replacements of hydraulic parts, valves, etc. were often carried out, functional to optimising the water supply.

The **installation of new meters or replacement of meters that are not working properly continued**, which in 2017 led to about **38,500 interventions**.

Table 20 shows the **main ordinary and extraordinary maintenance work** carried out during the year on the water networks in Rome and the other managed municipalities, and **the tests performed on the quality of supplied drinking water**.

TABLE NO. 20 – MAIN INTERVENTIONS ON THE AQUEDUCT NETWORKS AND CONTROLS ON DRINKING WATER IN ATO 2 – CENTRAL LAZIO (ROME AND OTHER MANAGED MUNICIPALITIES) (2017)

| TYPE OF WORK | (NO.) |
|--|--|
| Interventions due to aqueduct network failure/leak detection | 38,463 interventions (34,533 due to fault, 2,993 for water emergency repairs and district metering, 937 leak detection) |
| Meter installations (including new installation and replacement) | about 38,500 interventions |
| Water network extension | 7.7 km water network extension |
| Water network reclamation | 36.5 km reclaimed network |
| Drinking water quality control | 8,007 samples collected and 311,929 analytical tests performed on drinking water |

With regard to water supply continuity, in 2017 **2,058 disruptions and pressure reductions occurred**. Of these, **1,915 were urgent disruptions** (due to accidental faults to pipes/plants) and **143 planned**. About 11.8% of the shutdowns lasted for more than 24 hours.

TABLE NO. 21 – NUMBER, TYPE AND DURATION OF DISRUPTIONS IN THE SUPPLY OF WATER IN ATO 2 - CENTRAL LAZIO (2016-2017)

| | 2016 | 2017 |
|------------------------------------|--------------|--------------|
| urgent disruptions (no.) | 1,874 | 1,915 |
| planned disruptions (no.) | 76 | 143 |
| total disruptions (no.) (*) | 1,950 | 2,058 |
| suspensions lasting > 24hrs (no.) | 193 | 242 |

(*) The data for total disruptions includes shutdowns (due to damage to pipes/pipelines and network manoeuvres) and the interruptions due to disruptions and plant anomalies.

Acea is committed to protecting the areas where water supply sources are present and controls the **quality of the water distributed for drinking use** and water returned to the environment (see *Relations with the environment, Water Area and Environmental accounts*). Acea Ato 2, with the support of Acea Elabori, performs tests on samples collected from springs and wells, supply systems, reservoirs and along the distribution networks. The **frequency of the tests** and **sample collection points** are defined taking into consideration a number of variables, such as volumes of water distributed, population covered, network and infrastructure conditions and specific characteristics of local

springs. **Comprehensively**, during the year in the municipalities of Ato 2 – central Lazio under management, **8,007 samples** were collected and, in total, both by Acea Elabori and Acea Ato 2, **311,929 tests** performed on drinking water. The data on water quality, periodically updated, are also available online (www.acea.it). Ministerial Decree 14/06/2017 was published during the year, which transposes Directive (EU) 2015/1787 which amends Legislative Decree no. 31/2001. The introduced novelties amend **programmes for testing water intended for human consumption with the objective of further containing risks to human health** throughout the drinking water supply chain.

The **quality of the spring water** collected to supply the **areas of Rome and Fiumicino** (Acea's "historical network") **shows excellent levels**. In the **Castelli Romani** area and other areas of **northern Lazio**, the **volcanic nature of the terrain** causes the presence in groundwater of mineral elements such as fluorine, arsenic and vanadium in **concentrations exceeding those** envisaged by the law. This has made it indispensable to supply some municipalities notwithstanding these legal provisions and the **planning and realisation of numerous operations aimed at overcoming these issues**, such as the decommissioning of some local sources of supply to replace them with higher quality springs. During the past few years, **more than 40 purification plants** were rolled out for an overall flow rate of about 500 l/s, which are gradually being managed remotely.

In 2017 the purifiers serving the municipalities of **Oriolo Romano** and **Vejano** became operational and the **functional inspection** is in progress for the purifier in Fontane Nuove to become operational for the municipality of **Sant'Oreste** and for **Fiano Romano** (Sassete Well Field). The **tender was also awarded** and works undertaken to **realise the new 5 Bottini purifier at the municipality of Allumiere**. In **Bracciano**, a new purification station became operational in November which serves the area of Vigna di Valle. In **Rignano Flaminio**, acquired under management in 2017, the realisation of a purification plant at the "Tarabussola" well field and increased efficiency of the existing plant at the "Pietrolo" wells are foreseen. Also serving **Manziana**, planned for 2018 was the realisation or upgrading of some purification plants. A **provisional purification plant** was realised and the **water raising system** upgraded with a view to changing the water distribution format and improving the mixture of local resources with water supplied from the Marcio aqueduct, serving **Ardea** and **Pomezia**. During the year, lastly, **projects are being perfected** for the realisation of new purification plants in **Ardea**, **Ariccia**, **Genazzano** and **Rome** (Grottarossa plant) and for revamping the purifier of the Pozzo Madonna di Coccio well in Castel Gandolfo.

Acea **measures customer habits and perceptions regarding the quality of the water supplied**. Customer satisfaction surveys conducted twice yearly call for an in-depth review of this topic both in Rome as well as in other municipalities of Ato 2. The **opinion on taste, smell and clearness of the water distributed in Rome and Fiumicino**, given by the sample of interviewees, **was good**, and equal, on the average of the two surveys to **7.2 out of 10**; the same datum of global satisfaction, **in the province, is 7 out of 10**, both in line with last year. In Rome **53% of the interviewees say they normally drink tap water at home** whereas **28.4% states they never drink it**; such percentages, **in provincial areas**, change to **36.5%**, for those **routinely drinking tap water** and to **43.9%**, for those who do not. Among **the reasons given by those who never drink tap water**, for Rome and Fiumicino, **the habit to drink mineral water prevails**, in 53.3% of the cases and in provincial areas, a dislike of the taste, in 37.3% of the cases.

Also continuing into 2017 was the installation of **Water Houses - free dispensers of cold natural or sparkling water for the inhabitants and tourists** - reaching a total at the end of the year of **66 working Water Houses: 20 in the city of Rome and 46 in provinces of Rome**. The water distributed is the same as the

aqueducts and the quality **is certified by strict regular checks** conducted by Acea and the relevant local health authorities. These water dispensers have a **180 l/h flow rate**, allowing a 1 litre bottle to be filled in 20 seconds. Each Water House is fitted with a **monitoring device** linked to the in Acea Ato 2 remote control systems and is also equipped with USB power supply sockets for recharging devices such as mobile phones or tablets and a screen for transmitting company/local information. **The initiative continues to have a high level of response: over 2017 the Houses supplied a total of 17,500,000 litres of water**, of which about 61% was sparkling water. In addition to **obvious social benefits**, it is also important to stress the **environmental benefits**: the dispensed litres are in fact equivalent to **about 350 tonnes of plastic saved in the year** (equal to about 11.7 million 1.5 litre bottles) and **about 620 tonnes of CO₂ not emitted into the atmosphere** due to bottles not being produced⁵³ and net of emissions due to energy consumption by the Houses and the CO₂ added to produce sparkling water.

Acea Ato 2 manages **9 of the main artistic and monumental fountains of the Capital**: the Triton Fountain, the three Fountains in Piazza Navona (the Fountain of the Four Rivers, the Moor Fountain and the Fountain of Neptune), the Trevi Fountain, the Fountain of Turtles, the Fountain of Moses, the Naiads Fountain and the "Fontanone Mostra dell'Acqua Paola" on the Janiculum hill. In the Municipality of Rome the company also manages the pumping stations, reservoirs that feed the non-drinking water network and irrigation network supplying water for "jeux d'eau" in major artistic fountains. Extraordinary maintenance works took place in 2017 to revamp the circulation system of the **three fountains in Piazza Navona** and the **lifting station that serves the Fountain of Moses** was revamped. Lastly, Acea Ato 2 is responsible for the water segment up to the "point of delivery" for the drinking fountains and fire hydrants and intervenes in the event of damage to the water supply system and for water flow opening and closing operations.

THE WATER TREATMENT AND SEWERAGE SERVICE MANAGED BY ACEA ATO 2

The integrated water service includes **the collection of wastewater and its treatment prior to being returned to the environment**. The treatment system in **Ato 2 - Central Lazio** consists of "catchment basins", territorial units comprising **wastewater treatment plants, sewerage networks** connected thereto and the associated **water lifting stations**. The infrastructures managed at **31/12/2017** include about **6,600 km of sewerage networks** (of which over **4,000 km** managed in Rome) **600 sewerage lifting systems** (173 of which in the municipality of Rome) and **170 treatment plants** (33 of which in the municipality of Rome). Apart from the management and maintenance activities during the year there were works on **extension, integration and reclamation of the sewerage network, together with controls on wastewater** (see Table no. 22). Between fault repair and planned works, **about 4,700 interventions** were completed in 2017; as well as **repairing the detected damage**, an intervention on the network often involves **punctual inspection of a longer sections** and this allows any **reclamation activities to be planned** in order to improve operating conditions.

⁵³ Although significant, this figure is certainly underestimated, as it does not consider the saving in emissions due to bottles not being transported by road/railway.

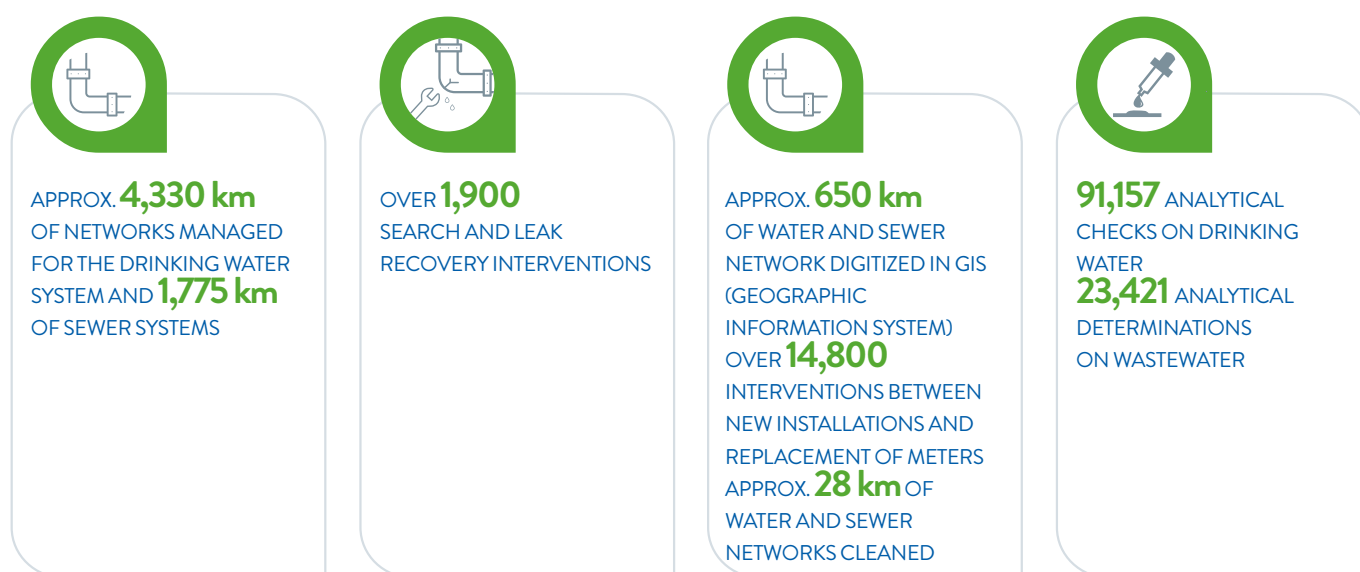
TABLE NO. 22 – MAIN INTERVENTIONS ON THE SEWERAGE NETWORKS AND CONTROLS ON WASTEWATER IN ATO 2 – CENTRAL LAZIO (ROME AND MANAGED MUNICIPALITIES) (2017)

| TYPE OF WORK | (NO.) |
|---|--|
| Interventions due to sewerage network failure | 4,252 interventions |
| Planned maintenance work on sewerage network | 464 interventions |
| Network extension | 1.0 km sewerage network extension |
| Network reclamation | 8.6 km reclaimed network |
| Wastewater quality control | 7,214 samples collected and about 184,200 analytical tests performed on wastewater |

Acea monitors the parameters indicating the quality of the water coming into and flowing out of the purifiers and the impact on the receiving water bodies: the Tiber and Aniene rivers (also see *Relations with the environment, Water Area*). In particular, the Acea Ato 2 Environmental Operations Centre constantly monitors data

recorded by remote control, thanks to the adoption of avant-garde technology, relating to **hydrometric and rainfall information** concerning the Rome area, shared with the **Rome Hydrographic and Tide Gauge Operations Office**, as well as data on the **quality of the water** along the urban stretches of the Tiber and Aniene rivers.

THE SII IN ATO 5 – SOUTHERN LAZIO - FROSINONE



Acea Ato 5 performs network and plant design, construction, maintenance and restoration interventions on networks and plants across the Ato 5 area - Southern Lazio - Frosinone and operates in accordance with the procedures in the **QASE** (Quality, Environment, Safety and Energy) **management systems, certified according to UNI EN ISO and OHSAS standards** (also see *Corporate Identity, Management systems*).

The municipality of Cassino was acquired during the year. As at **31 December 2017, the integrated water service** – aqueduct, sewerage and purification – was managed in **83 municipalities**, equal to approximately 95% of the total population of Ato 5. **Two municipalities outside of the Sector** (Conca Casale and Rocca d'Evandro) were also being managed, for a total of **85 municipalities** under management.

Acea Ato 5 managed a total of about **4,330 km of networks** (including supply and distribution)⁵⁴, serving the drinking water system, and about **1,775 km of sewerage networks**. The networks are connected to a complex plant and construction system that make it possible to operate the aqueduct, purification and sewerage service.

Modernisation on the technological infrastructures serving

operational processes continued in 2017. This mainly involved the processes presiding interventions in loco (Workforce Management), those concerning customer relations (CRM-ISU) and the corporate resources planning system (ERP).

The GIS is also constantly growing, which maps almost all of the plants and network surveys in some municipalities as well as monitoring and extension of remote control.

The company intervenes on the infrastructures each year, through the modernisation or efficient use of the plants and the completion, extension or reclaiming of the pipelines and networks. In 2017, the analysis of the set-up of the water networks and **leak detection and recovery** intensified, leading to **1,932 interventions**, especially in Sora, Fuggi, Ceccano and Frosinone; **the pilot studies at Sora and Fuggi were brought to an end**, allowing the recovery of about 35 l/s and improved the set-up of the networks, and **a similar study in the municipalities of Ceccano and Frosinone is near completion** (see *Relations with the environment*).

(GRI 203-1) The **digitalisation of the water and sanitation networks** in the managed area, with data entry into the **GIS** - Geographic Information system, as mentioned, continued: **as at 31/12/2017,**

⁵⁴ In detail: about 573 km transport network and 3,756 km drinking water distribution network.

254 km of the water network had been digitalised (174 km of supply network and 254 km of distribution network). All of the water sites (wells, springs, reservoirs/dividers) and the sewerage lifting and treatment plants have already been geo-referenced, including the relevant functional schemes, making technical intervention easier and more effective. **Similar work is being carried out for the mapping of the sewerage network:** at 31/12/2017, the network digitalised in the mapping system spans **224 km** (217 km of primary section, 6 km of connection section and about 1 km of discharge section).

THE AQUEDUCT SERVICE MANAGED BY ACEA ATO 5

Some of the water sites managed by Acea Ato 5 - consisting of supply sources and distribution plants (dividers and reservoirs), sewerage lifting systems and purification plants - **are equipped with remote control-enabled technology**. In particular, both telemetry and command and control activities are carried out; hydraulic parameters are also recorded, such as water flow, network pressure, reservoir levels, operating status of the electric pumps,

with relevant electrical parameters, and, lastly, qualitative parameters (clearness and residue colour).

Installation continued during the year of additional instrumentation for a more detailed monitoring of the plants already remote controlled and investments were made for the remote management of new sites. The remote controlled plants, identified from among the largest and those with the most hydraulic complexities, number of inhabitants served and strategic territorial aspects, totalled **92 sites at 31/12/2017** (equipped with hydraulic measures - flow, pressure and levels - and 11 also equipped with water quality control systems).

The **installation of new meters or replacement of those not working properly** continued, leading to **over 12,500 interventions in 2017**. Table 23 shows the main reclamation and replacement **ordinary and extraordinary maintenance works** completed, functional to improving the supply service in Frosinone and in the other municipalities under management, as well as the **tests on the drinking water supplied**.

TABLE NO. 23 – MAIN INTERVENTIONS ON THE AQUEDUCT NETWORKS AND TESTS ON DRINKING WATER AT ATO 5 – SOUTHERN LAZIO (FROSINONE AND MANAGED MUNICIPALITIES) (2017)

| TYPE OF INTERVENTION | (NO.) |
|---|--|
| interventions due to aqueduct network failure | 12,642 interventions of repair |
| planned maintenance work on aqueduct network | 71 interventions |
| meter installations (including new and replaced meters) | 14,842 interventions (2,320 new installation and 12,522 replacements) |
| water network extension | 4 interventions on water network extension , for about 1.5 km of extended network |
| water network reclamation | about 76 interventions on network reclamation for about 25.0 km reclaimed network |
| drinking water quality control | 1,835 samples collected (including samples collected for extraordinary testing) and 91,157 tests performed on drinking water |

With respect to **water supply continuity**, in 2017 **573 network shutdowns** were necessary, of which **303 urgent** (pipeline or plant faulty, interrupted energy, etc.) and **270 planned**; **about 1% of the shutdowns lasted more than 24 hours**.

TABLE NO. 24 – NUMBER, TYPE AND DURATION OF DISRUPTIONS IN THE WATER SUPPLY AT ATO 5 – SOUTHERN LAZIO (2016-2017)

| | 2016 | 2017 |
|------------------------------------|------------|------------|
| urgent disruptions (no.) | 355 | 303 |
| planned disruptions (no.) | 375 | 270 |
| total disruptions (no.) (*) | 730 | 573 |
| suspensions lasting > 24hrs (no.) | 2 | 6 |

(*) The data for total disruptions includes shutdowns (due to damage to pipes/pipelines and network manoeuvres) and the disruptions due to faults and plant anomalies.

Acea Ato 5 performs **drinking water quality monitoring** activities with the support of Acea Elabiori. Tests are carried out on samples collected from springs and wells, supply plants, reservoirs and along distribution networks, as well as samples collected for extraordinary testing (users, local health authority requests, etc.). The frequency of the tests and sample collection points are defined taking into consideration volumes of water distributed, population covered, network and infrastructure conditions and specific characteristics of local springs. In 2017, more than **91,157 tests were performed** as a whole on 1,835 samples collected. Moreover, parameters concerning radioactivity were analysed on 398 samples (pursuant to Legislative Decree no. 28/2016). The main water quality parameters are also available online on the website www.acea.it.

Customer satisfaction surveys for Acea Ato 5 customers also required an in-depth review on **drinking water quality perception** with respect to taste, smell and clearness of the water distributed. The overall rating expressed **has not reached full satisfaction and is 5.3 out of 10**. In line with last year, the low percentage of respondents stating that they usually drink tap water was confirmed, a mere 18.1%, as was the high percentage of those stating that they never drink any, 65.3%. Three main reasons were given for this: 38.6% stated “I don’t trust the factors of hygiene”, 32.5% said “I don’t like it, it tastes of chlorine”, and the same percentage stated, “it is not good for my health (too much calcium, presence of minerals)”.

THE TREATMENT AND SEWERAGE SERVICE MANAGED BY ACEA ATO 5

The collection of wastewater and its treatment prior to being returned to the environment are part of the integrated water service. The treatment system in **Ato 5 - Southern Lazio** consists of “catchment basins” comprising **wastewater treatment plants, sewerage networks** connected thereto and the associated **water lifting stations**. The infrastructures managed at 31/12/2017 included **255 sewerage lifting stations, 127 treatment plants** and

1,775 km of dedicated networks.

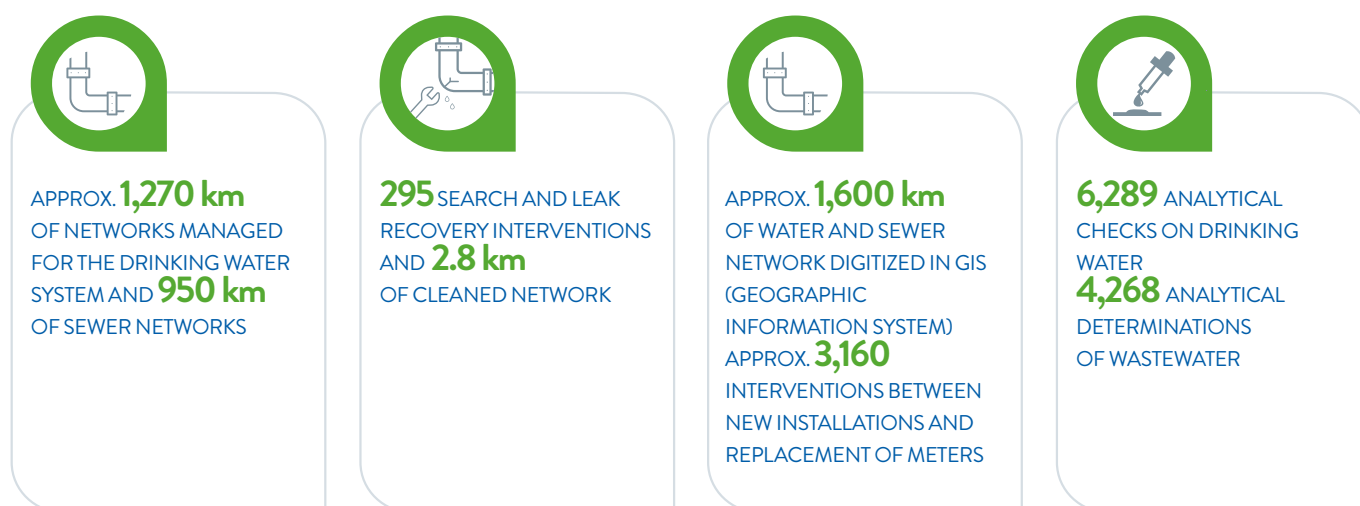
In 2017 **planned maintenance and faulty repair works** were completed on the networks servicing the sewerage and purification system, work progressed on the **replacement or realisation of collectors** and realisation and **extension of the sewerage network** (see Table no. 25).

Wastewater monitoring tasks were performed on 1,681 samples, totalling **23,421 analytical tests**.

TABLE NO. 25 – MAIN INTERVENTIONS ON THE SEWERAGE NETWORKS AND TESTS ON WASTEWATER AT ATO 5 – SOUTHERN LAZIO (FROSINONE AND MANAGED MUNICIPALITIES) (2017)

| TYPE OF INTERVENTION | (NO.) |
|---|---|
| interventions due to sewerage network fault | 937 interventions |
| planned maintenance work on sewerage network, of which: | 11 interventions planned |
| <i>planned network extension</i> | 5 interventions to expand the sewerage network, on about 2.5 km of extended network |
| <i>planned network reclamation</i> | 6 interventions of network reclamation for about 3.0 km of reclaimed network |
| wastewater quality control | 1,681 samples collected and 23,421 tests performed on wastewater |

THE SII IN ATO – CALORE IRPINO



Gesesa performs design, construction, maintenance and restoration interventions on networks and plants in Benevento and provincial areas, across the **Ato – Calore Irpino** and operates in accordance with the procedures in the **QASE** (Quality, Environment, Safety and Energy) **management systems, certified according to UNI EN ISO and OHSAS standards** (also see *Corporate Identity, Management systems*).

The municipality of Tocco Caudio was acquired during the year, therefore as at **31 December 2017, the integrated water service – aqueduct, sewerage and purification – was managed in 21 municipalities**, with a **customer base of served population equal to about 132,000 people**.

As a whole, the company managed about **1,270 km of networks** (including supply and distribution)⁵⁵, serving the **drinking water system**, and **about 950 km of sewerage networks**; the networks are connected to a complex plant and construction system that make it possible to operate the aqueduct, purification and sewerage service.

Consistently with the entire technological infrastructure and operational procedures of the Group, WFM (Workforce Management) procedures were also implemented in Gesesa to manage interventions in the area and those regarding “Enterprise Resource Planning”, for the main internal processes. Furthermore, digitalisation is underway on the drinking water and sewerage networks using GIS (Geographic Information System), also with a view to integrating other information systems.

The company intervenes on the infrastructures each year, through the modernisation or efficient use of the plants and the completion, extension or reclaiming of the pipelines and networks. In 2017, the analysis of the set-up of the water networks and **leak detection and recovery** led to **295 interventions and the reclamation of about 2.8 km** of water supply network. The “districts division” method was also developed for water networks, progressively extending the reduction in pressure in all the managed municipalities; in particular this activity involved 8 municipalities during the year.

⁵⁵ In detail: about 119 km transport network and 1,151 km drinking water distribution network.

As mentioned, the activity of network digitalisation using GIS is in progress and as at **31/12/2017 1,040 km of the water network** (119 km of supply network and 921 km of distribution network) and **577 km of sewerage network** (including outfalls, main and secondary collectors) had been digitalised. The **water sites** (wells, springs, reservoirs/dividers) and the **sewerage lifting and treatment plants** have already been geo-referenced, including the relevant functional schemes, making technical intervention easier and more effective.

THE AQUEDUCT SERVICE MANAGED BY GESESA

The network is remotely controlled in one sole entry point in the district of Santa Colomba in the municipality of Benevento, where input flow and pressure is measured and the pressure in the less advantaged point; the sites (provisioning sources and distribution plants, sewerage lifting and purification plants), instead, have been progressively **equipped with remote control-enabled technology**: as at **31/12/2017** the remote controlled plants,

identified as those of greatest importance, counted 25 and the system shall continue to be extended to other plants in 2018, with particular attention to purification.

Among the interventions undertaken in 2017, we point out the activation of the well in the municipality of Frasso Telesino which is connected to the city network; also outfitted was the well in the municipality of Colle Sannita, also connected to the city network and the well in the municipality of Solopaca-Lago dei Selci, for which connection was realised in 2018 to the San-to Stefano Station.

The **installation of new meters** and **replacement of those not working properly** was carried out in the year and totalled 3,100 interventions.

Table no. 26 shows the main **ordinary and extraordinary maintenance works**, including extension and reclamation performed on the water networks, functional to the drinking water supply service, as well as **testing on the supplied drinking water**.

TABLE NO. 26 – MAIN INTERVENTIONS ON THE AQUEDUCT NETWORKS AND TESTS ON DRINKING WATER IN ATO – CALORE IRPINO (BENEVENTO AND MANAGED MUNICIPALITIES) (2017)

| TYPE OF INTERVENTION | (NO.) |
|---|---|
| interventions due to fault/leak detection on aqueduct network | 3,071 interventions (2,776 due to fault and 295 leak detection) |
| planned maintenance work on aqueduct network | 69 interventions |
| meter installations (including new and replaced meters) | about 3,160 interventions (including new installation and replacement) |
| water network extension | 2.6 km di water network extension |
| water network reclamation | 2.8 km reclaimed network |
| drinking water quality control | 367 samples collected and 6,289 tests performed on drinking water |

In relation to **water supply continuity**, Gesesa is implementing an **information system** which shall **record incoming calls** to the operations room due to urgent interventions requested by users. Completion is expected **by the first half-year of 2018**, therefore data for 2017 are not available.

Planned water closing and opening manoeuvres were carried out during the summer in some districts of the served municipalities due to the scarce water resource.

THE PURIFICATION AND SEWERAGE SERVICE MANAGED BY GESESA

The collection of wastewater and its treatment prior to being returned to the environment are part of the integrated water service. The treatment system in **Ato Calore-Irpino** consists of “catchment

basins” comprising **wastewater treatment plants, sewerage networks** connected thereto and the associated **water lifting stations**. The infrastructures managed at 31/12/2017 included **13 sewerage lifting stations, 27 treatment plants** and **950 km of dedicated networks**.

The city of Benevento is not served by a centralised purification plant and the Municipality of Benevento is planning the design for its realisation and the connection outfalls.

In 2017, **156 interventions due to fault** and **16 planned interventions** were completed on the networks servicing the sewerage and purification system. Apart from the management and maintenance activities, work progressed on the **extension, integration and reclamation of the sewerage network** (see Table no. 27).

Wastewater monitoring tasks were performed on 211 samples, totalling **4,268 completed analytical tests**.

TABLE NO. 27 – MAIN INTERVENTIONS ON THE SEWERAGE NETWORKS AND TESTS ON WASTEWATER IN ATO – CALORE IRPINO (BENEVENTO AND MANAGED MUNICIPALITIES) (2017)

| TYPE OF INTERVENTION | (NO.) |
|---|---|
| interventions due to sewage network fault | 156 interventions |
| planned maintenance work on sewage network: | 16 planned interventions |
| network extension | 0.03 km extended sewage network |
| network reclamation | 0.25 km reclaimed network |
| wastewater quality control | 211 samples collected and 4,268 tests performed on wastewater |

THE QUALITY LEVELS REGULATED BY ARERA IN THE WATER SEGMENT

The Regulation Authority for Energy, Networks and the Environment (ARERA), had, in 2015, resolved (655/15/R/IdR) on the matter of contractual quality for the water segment, defining the **specific and general levels of quality**, in force, regarding most of the aspects, from July 2016 (see the start of paragraph *Quality delivered*); for the first time, therefore, the main **annual performance data** are available related to 2017.

As regards **Acea Ato 2**, it is important to specify that in 2016, the company was **part of the few companies at national level** to have proposed improvement levels on the minimum standards of contractual quality and **the Authority accepted the application from the Area Regulatory Agency** (Mayors' conference of Ato 2 Central Lazio) aimed at **recognising awards related to contractual quality** associated with the **identification of stricter improvement standards respect to those defined by resolution 655/15**⁵⁶.

In particular, **the improvement standards** regarding Acea Ato 2, concern **43 indicators out of the 47 set out by the resolution**, having an average value of improvement of 46.5% in 2016 and 38.3% in the following years. **The tariff related recognition of the award** intervened in the year after that of the communication on performance⁵⁷ and **within the limits that the proposed improvement levels were reached and aggregated**. It was also established that, so as to allow the Operating Technical Secretariat for the Area (STO) to control and assess performance, as from 2017 **Acea Ato 2 is bound to producing, by 20 January of each year** (early in respect of the term of 31 March set out by resolution 655/15) **the Lists bearing data on performance for the previous year**⁵⁸. Having completed the appropriate assessments, the Technical Secretariat proceeds with quantifying the award of economic competence to the year of reference.

Commercial performance, as mentioned, is separated into specific and general levels regarding which the national Authority has defined service standards expressed in various units of measurement **The table illustrating the performance of Acea Ato 2 shows the improvements proposed by the company next to the standards provided by the ARERA**, as well as, where pertinent, the average actual completion time for the services and, as prescribed, the degree of compliance of the improvement standard. **The performance 2017 for Acea Ato 2, communicated to the STO** (see Table no. 28), shows an average compliance equal to about 89%, with **excellent results achieved in the following macro-areas**: supply activation and deactivation, call centre, complaints, billing, metering and pressure checks, helpdesk counters and transfers of registration. The indicators related to urgent intervention (first inspection and emergency call answer times) recorded a poor performance, mainly due to the considerable increase in calls to the faults switchboard attributable to the freeze emergency in January⁵⁹ and the water

emergency which characterised the summer of 2017 in various communities of the Area⁶⁰, including the city of Rome. The indicators related to the completion of works and connections represent an area of improvement to be focussed upon in the short/medium term.

Resolution 655/2015 provides for a mechanism of automatic indemnities to be granted to customers in the event of off standard services related to one of the specific indicators. The unitary indemnity for 2016 equalled 30 Euros, whereas from 2017 onward the unit value varies according to the delay in service execution (30, 60 and 90 Euros according to whether the service is completed in a time less than double the standard, at time ranging between double and triple the standard, or in triple or more than triple time of the standard).

Acea Ato 2 accrued automatic indemnities to clients in 2017 equalling about 2.7 million Euros, the most part of which referred to billing indicators regarding which - despite the good performance - the high number of services are significantly influential.

Acea Ato 5 and Gesesa did not propose improvement standards respect to those set out by the Authority and comply with the **consignment times for performance data as provided by the latter** (31 March 2018). **It shall therefore not be possible to publish the available estimates on performance data herein**. As these are not definitively aggregated data officially communicated to ARERA, **such estimates are to be understood as exclusively indicative of the service performance** and the publication of aggregated data 2017 is deferred to the next reporting cycle.

Given the foregoing, the contractual quality performance estimates 2017 for Acea Ato 5, as defined by ARERA, show a clear trend of improvement compared to the second half-year of 2016⁶¹, for example, the "bill issue time" changed from a compliance percentage of 91% related to the half-year 2016 to 99.12% in 2017, or, further, the "arrival time at the location of the emergency call" changed from 24% in 2016 to 100% in 2017; moreover, better work organisation and punctual monitoring have led to a reduction in indemnities issued to users (see Table no. 29). Also, with regard to Gesesa, performance estimates (see Table no. 30) indicate improvements in service quality compared the first half-year of effectiveness of Resolution 655/2015.

Acea Ato 2 and Gesesa, furthermore, as required by the Authority, communicate performance data to users in bills once a year⁶², whereas at the moment only Acea Ato 2 makes these available online as well (www.acea.it). Again in compliance to the regulatory interventions already intervening on the topic, companies operating in the water segment also make information about the quality of supplied drinking water available for the consultation of users.

⁵⁶ With the exception of those related to processes not present in the operational organisation or having stricter levels in the Service Charter.

⁵⁷ For example, regarding performance in 2016, communicated in 2017, the recognition of the award shall take place in the tariffs of 2018.

⁵⁸ With reference to 2016, on 20 January 2017 Acea Ato 2 sent the STO data on the achieved contractual quality levels for each indicator, according to the regulations under resolution 655/2015, for the recognition of the award system related to the 2nd half-year 2016 and following the completed assessments, the Secretariat granted Acea Ato 2 an award of about 23 million Euros. On 20 January 2018, Acea Ato 2 sent the data related to performance for 2017 and the Secretariat has 40 days to quantify the award for 2017.

⁵⁹ In January 2017 the volume of calls and fault reports reached up to 10 times the average volume of the most critical days of the other months of the year.

⁶⁰ The water emergency gave rise to the need for continuous manoeuvres on the networks and plants aimed at managing the deficit in the water resource, even recurring to hourly shifts in supply.

⁶¹ Reminder is given that the contractual quality performance for the water segment became effective as from July 2016.

⁶² The obligation to notify all end customers of the levels of quality achieved in the previous year in the bill by 30 June is in force (art. 78.1 Resolution 655/2015).

TABLE NO. 28 - SOCIAL INDICATORS: SPECIFIC AND GENERAL LEVELS OF CONTRACTUAL QUALITY IN THE WATER SEGMENT (2017) - ACEA ATO 2 - (ARERA PARAMETERS, ACEA ATO 2 IMPROVEMENT STANDARDS AND ACEA ATO 2 PERFORMANCE - DATA COMMUNICATED TO THE STO)

CONTRACTUAL QUALITY WATER SEGMENT – ACEA ATO 2

SPECIFIC LEVELS OF QUALITY

| SERVICES | ARERA STANDARD ^(*) | ACEA ATO 2 IMPROVEMENT STANDARD | average actual time for completing services | degree of compliance |
|---|-------------------------------|---------------------------------|---|----------------------|
| PERFORMANCE ACEA ATO 2 | | | | |
| 2017 | | | | |
| estimate for water connection with inspection | 20 working days | 15 working days | 9.6 | 90.6% |
| estimate for sewage connection with inspection | 20 working days | 15 working days | 6.8 | 100% |
| execution of the water connection with completion of simple work | 15 working days | 10 working days | 10.3 | 76.0% |
| execution of the sewage connection with completion of simple work | 20 working days | 15 working days | / | / |
| supply activation | 5 working days | 3 working days | 11.0 | 77.5% |
| reactivation or takeover of the supply without changing the meter rate | 5 working days | 3 working days | 2.4 | 93.9% |
| reactivation or takeover of the supply with changes to the meter rate | 10 working days | 6 working days | 3.4 | 95.0% |
| reactivation of supply following disconnection for late payment | 2 weekdays | 1 weekday | 1.6 | 77.5% |
| deactivation of supply | 7 working days | 3 working days | 2.5 | 93.6% |
| transfer of registration | 5 working days | 3 working days | 0.1 | 99.8% |
| estimates for works with inspection | 20 working days | 15 working days | 11.2 | 85.2% |
| completion of simple works | 10 working days | 6 working days | 15.6 | 46.2% |
| punctuality band for appointments | 180 minutes | 120 minutes | - | 94.9% |
| intervention to check the meter | 10 working days | 5 working days | 3.8 | 87.9% |
| notification of outcome of the meter check in situ | 10 working days | 6 working days | 1.8 | 96.1% |
| notification of outcome of the meter check in a laboratory | 30 working days | 20 working days | 35.3 | 66.7% |
| replacement of a faulty meter | 10 working days | 5 working days | 0.0 | 100% |
| intervention to check pressure level | 10 working days | 3 working days | 1.4 | 97.8% |
| notification of the outcome of the pressure level check | 10 working days | 5 working days | 1.0 | 97.8% |
| bill issued | 45 gg. | 30 gg. | 2.1 | 98.9% |
| billing frequency (consumption ≤100 m³/year) | 2 bills/year | 3 bills/year | 4.9 ^(**) | 97.5% |
| billing frequency (100 < consumption ≤1000 m³/year) | 3 bills/year | 4 bills/year | 5.4 ^(**) | 91.8% |
| billing frequency (1000 < consumption ≤3000 m³/year) | 4 bills/year | 6 bills/year | 9.0 ^(**) | 92.2% |
| billing frequency (consumption > 3000 m³/year) | 6 bills/year | 12 bills/year | 13.2 ^(**) | 82.3% |
| bill payment term | 20 gg. | 30 gg. | 30.7 | 99.9% |
| reply to complaints | 30 working days | 20 working days | 11.1 | 96.8% |
| reply to written enquiries | 30 working days | 20 working days | 12.4 | 97.0% |
| billing adjustment | 60 working days | 55 working days | 6.2 | 98.4% |
| separate management - request received from the end user forwarded to the sewage and/or purification service operator | 5 working days | 3 working days | 0.0 | 100% |
| separate management - communication received from the sewage and/or purification service operator forwarded to the end user | 5 working days | 3 working days | / | / |

GENERAL LEVELS OF QUALITY

| SERVICES | ARERA STANDARD ^(*) | ACEA ATO 2 IMPROVEMENT STANDARD | average actual time for completing services | degree of compliance |
|--|--|--|---|----------------------|
| 2017 | | | | |
| completion of complex water connection | 90% of the services within 30 working days | 90% of the services within 20 working days | 21.2 | 76.0% |
| completion of complex sewage connection | 90% of the services within 30 working days | 90% of the services within 25 working days | 14.0 | 100% |
| completion of complex works | 90% of the services within 30 working days | 90% of the services within 20 working days | 47.3 | 41.8% |
| maximum time for the agreed appointment | 90% of the services within 7 working days | 90% of the services within 5 working days | 3.8 | 82.2% |
| minimum prior notice for cancelling the agreed appointment | 95% of the services within 24 hours before the start of the agreed punctuality bracket | 95% of the services within 48 hours before the start of the agreed punctuality bracket | 173.9 | 87.0% |
| arrival at the location of the emergency call | 90% of the services within 180 minutes from the telephone conversation with the operator | 90% of the services within 120 minutes from the telephone conversation with the operator | 2,105.4 | 61.5% |
| reply to written billing adjustment requests | 95% of the services within 30 working days from receipt of the request | 95% of the services within 20 working days from receipt of the request | 10.2 | 97.2% |
| maximum waiting time at helpdesk counters | 95% of the services within 60 minutes | 95% of the services within 55 minutes | 8.1 | 98.6% |
| average waiting time at helpdesk counters | 20 minutes | 15 minutes | 8.1 | 100% |
| accessibility to the telephone service (AS) | > 90% for at least 10 months out of 12 | > 95% for at least 10 months out of 12 | - | 100% |
| average waiting time for the telephone service (TMA) | ≤ 240 seconds for at least 10 months out of 12 | ≤ 180 seconds for at least 10 months out of 12 | 110 | 100% |
| telephone service level (LS) | ≥ 80% for at least 10 months out of 12 | ≥ 85% for at least 10 months out of 12 | 110 | 89.7% |
| reply to the emergency call (CPI) | 90% of the services within 120 seconds | 90% of the services within 110 seconds | 120.7 | 85.1% |
| separate management - notification of completed activation, deactivation, takeover, discontinuance, transfer of registration | 90% of the services within 10 working days from the date of execution | 90% of the services within 5 working days from the date of execution | 1.6 | 99.8% |

(*) The times provided under the Authority's reference standards, also where not expressly indicated in the table, are to be understood, case by case, as related to a certain moment, for example: starting from the date of receipt of the request, the date of acceptance of the estimate, the date the agreement was stipulated, etc. See resolution (655/15/R/Idr), available on the ARERA website.

(**) The average time for billing frequency refers to the average number of issued bills. Symbol “/” is used when there have been no services during the year, whereas “-” indicates that the average time cannot be calculated because the services is on/off.

TABLE NO. 29 - SOCIAL INDICATORS: MAIN SPECIFIC AND GENERAL LEVELS OF CONTRACTUAL QUALITY IN THE WATER SEGMENT (2017) - ACEA ATO 5 - (ARERA PARAMETERS, AND PERFORMANCE OF ACEA ATO 5 - ESTIMATED DATA UNDER VALIDATION - REPORTING TO THE ARERA FORESEEN FOR 31/03/2018)

CONTRACTUAL QUALITY WATER SEGMENT- ACEA ATO 5

SPECIFIC LEVELS OF QUALITY

| SERVICES | ARERA STANDARD ^(*) | average actual time for completing services | degree of compliance |
|---|-------------------------------|---|----------------------|
| PERFORMANCE ACEA ATO 5 | | | |
| 2017 | | | |
| estimate for water connection with inspection | 20 working days | 4 | 95% |
| estimate for sewage connection with inspection | 20 working days | 4 | 91% |
| execution of the water supply with completion of simple work | 15 working days | 12 | 88% |
| execution of the sewage supply with completion of simple work | 20 working days | 12 | 100% |
| supply activation | 5 working days | 9 | 67% |
| reactivation or takeover of the supply without changing the meter rate | 5 working days | 3 | 95% |
| reactivation or takeover of the supply with changes to the meter rate ^(**) | 10 working days | n.a. | n.a. |
| reactivation of supply following disconnection for late payment ^(**) | 2 weekdays | n.a. | n.a. |
| deactivation of supply | 7 working days | 5 | 90% |
| transfer of registration | 5 working days | 1 | 99% |
| estimates for works with inspection | 20 working days | 5 | 95% |
| completion of simple works | 10 working days | 9 | 83% |
| punctuality band for appointments | 180 minutes | - | 76% |
| intervention to check the meter | 10 working days | 7 | 96% |
| notification of outcome of the meter check in situ | 10 working days | 8 | 91% |
| notification of outcome of the meter check in a laboratory | 30 working days | / | / |
| replacement of a faulty meter | 10 working days | 1 | 100% |
| intervention to check pressure level | 10 working days | 7 | 96% |
| notification of the outcome of the pressure level check | 10 working days | 5 | 79% |
| bill issued | 45 working days | 6 | 99.12% |
| billing frequency (consumption ≤100 m³/year) | 2 bills/year | n.a. | 45% |
| billing frequency (100 < consumption ≤1000 m³/year) | 3 bills/year | n.a. | 96% |
| billing frequency (1000 < consumption ≤ 3000 m³/year) | 4 bills/year | n.a. | 98% |
| billing frequency (consumption > 3000 m³/year) | 6 bills/year | n.a. | 75% |
| bill payment term | 20 calendar days | 45 | 10% |
| reply to complaints | 30 working days | 8 | 96% |
| reply to written enquiries | 30 working days | 14 | 89% |
| billing adjustment | 60 working days | 8 | 99% |
| separate management - request received from the end user forwarded to the sewage and/or purification service operator | 5 working days | / | / |
| separate management - communication received from the sewage and/or purification service operator forwarded to the end user | 5 working days | / | / |

GENERAL LEVELS OF QUALITY

| SERVICES | ARERA STANDARD ^(*) | average actual time for completing services | degree of compliance |
|--|--|---|-------------------------|
| PERFORMANCE ACEA ATO 5 | | | |
| 2017 | | | |
| completion of complex water connection | 90% of the services within 30 working days | 10 | 93% |
| completion of complex sewage connection | 90% of the services within 30 working days | 14 | 100% |
| completion of complex works | 90% of the services within 30 working days | 11 | 98% |
| maximum time for the agreed appointment | 90% of the services within 7 working days | 4 | 97% |
| minimum prior notice for cancelling the agreed appointment | 95% of the services within 24 hours before the start of the agreed punctuality bracket | n.a. | 100% |
| arrival at the location of the emergency call | 90% of the services within 180 minutes from the conversation with the telephone operator | 55 | 100% |
| reply to written billing adjustment requests | 95% of the services within 30 working days from receipt of the request | 16 | 87% |
| maximum waiting time at helpdesk counters | 95% of the services within 60 minutes | 33 | 97% |
| average waiting time at helpdesk counters | 20 minutes | n.a. | n.a. |
| accessibility to the telephone service (AS) | > 90% for at least 10 months out of 12 | n.a. | 98% |
| average waiting time for the telephone service (TMA) | ≤ 240 seconds for at least 10 months out of 12 | 68 | 98% |
| telephone service level (LS) | ≥ 80% for at least 10 months out of 12 | n.a. | 88% |
| reply to the emergency call (CPI) | 90% of the services within 120 seconds | n.a. | 22% |
| separate management - notification of completed activation, deactivation, takeover, discontinuance, transfer of registration | 90% of the services within 10 working days from the date of execution | / | / |

(*) The times provided under the Authority's reference standards, also where not expressly indicated in the table, are to be understood, case by case, as related to a certain moment, for example: starting from the date of receipt of the request, the date of acceptance of the estimate, the date the agreement was stipulated, etc. See resolution (655/15/R/Idr), available on the ARERA website.

(**) In these two cases the standard does not apply as the company does not foresee "reactivation" but rather termination and the creation of a new contract. The Symbol "/" is used when there have been no services during the year, whereas "-" indicates that the average time cannot be calculated because the services is on/off.

TABLE NO. 30 - SOCIAL INDICATORS: MAIN SPECIFIC AND GENERAL LEVELS OF CONTRACTUAL QUALITY IN THE WATER SEGMENT (2017) – GESESA - (ARERA PARAMETERS, AND PERFORMANCE OF GESESA - ESTIMATED DATA UNDER VALIDATION - REPORTING TO THE ARERA FORESEEN FOR 31/03/2018)

CONTRACTUAL QUALITY WATER SEGMENT- GESESA

SPECIFIC LEVELS OF QUALITY

| SERVICES | ARERA STANDARD ^(*) | average actual time for completing services | degree of compliance |
|---|-------------------------------|---|----------------------|
| PERFORMANCE GESESA | | | |
| 2017 | | | |
| estimate for water connection with inspection | 20 working days | 20.0 | 86.4% |
| estimate for sewage connection with inspection | 20 working days | / | / |
| execution of the water supply with completion of simple work | 15 working days | 15.0 | 100% |
| execution of the sewage supply with completion of simple work | 20 working days | / | / |
| supply activation | 5 working days | 5.0 | 100% |
| reactivation or takeover of the supply without changing the meter rate | 5 working days | 5.0 | 98.7% |
| reactivation or takeover of the supply with changes to the meter rate | 10 working days | / | / |
| reactivation of supply following disconnection for late payment | 2 weekdays | / | / |
| deactivation of supply | 7 working days | 7.0 | 96.3% |
| transfer of registration | 5 working days | 5.0 | 99.7% |
| estimates for works with inspection | 20 working days | 3.2 | 100% |
| completion of simple works | 10 working days | 10.0 | 100% |
| punctuality band for appointments | 180 minutes | 96 | 81.6% |
| intervention to check the meter | 10 working days | 10.0 | 100% |
| notification of outcome of the meter check in situ | 10 working days | 10.0 | 100% |
| notification of outcome of the meter check in a laboratory | 30 working days | 10.0 | 100% |
| replacement of a faulty meter | 10 working days | / | / |
| intervention to check pressure level | 10 working days | 10.0 | 100% |
| notification of the outcome of the pressure level check | 10 working days | 10.0 | 100% |
| bill issued | 45 working days | 10.0 | 97.1% |
| billing frequency (consumption ≤100 m³/year) | 2 bills/year | - | 96% |
| billing frequency (100 < consumption ≤1000 m³/year) | 3 bills/year | - | 98.5% |
| billing frequency (1000 < consumption ≤3000 m³/year) | 4 bills/year | - | 85% |
| billing frequency (consumption > 3000 m³/year) | 6 bills/year | - | 81.4% |
| bill payment term | 20 calendar days | 30.4 | 100% |
| reply to complaints | 30 working days | 30.0 | 96.6% |
| reply to written enquiries | 30 working days | 30.0 | 89.4% |
| billing adjustment | 60 bills/year | 60.0 | 100% |
| separate management - request received from the end user forwarded to the sewage and/or purification service operator | 5 working days | / | / |
| separate management - communication received from the sewage and/or purification service operator forwarded to the end user | 5 working days | / | / |

GENERAL LEVELS OF QUALITY

| SERVICES | STANDARD ARERA (*) | average actual time for completing services | degree of compliance |
|--|--|---|-------------------------|
| PERFORMANCE GESESA | | | |
| 2017 | | | |
| completion of complex water connection | 90% of the services within 30 working days | / | / |
| completion of complex sewage connection | 90% of the services within 30 working days | / | / |
| completion of complex works | 90% of the services within 30 working days | 8.7 | 100% |
| maximum time for the agreed appointment | 90% of the services within 7 working days | 1.9 | 97.9% |
| minimum prior notice for cancelling the agreed appointment | 95% of the services within 24 hours before the start of the agreed punctuality bracket | 72.7 | 66.7% |
| arrival at the location of the emergency call | 90% of the services within 180 minutes from the conversation with the telephone operator | 180 | 66.7% |
| reply to written billing adjustment requests | 95% of the services within 30 working days from receipt of the request | 20.5 | 88.2% |
| maximum waiting time at helpdesk counters | 95% of the services within 60 minutes | 60 | 95% |
| average waiting time at helpdesk counters | 20 minutes | 20 | 95% |
| accessibility to the telephone service (AS) | > 90% for at least 10 months out of 12 | - | 100% |
| average waiting time for the telephone service (TMA) | ≤ 240 seconds for at least 10 months out of 12 | 81 | 95% |
| telephone service level (LS) | ≥ 80% for at least 10 months out of 12 | - | 95% |
| reply to the emergency call (CPI) | 90% of the services within 120 seconds | - | 88% |
| separate management - notification of completed activation, deactivation, takeover, discontinuance, transfer of registration | 90% of the services within 10 working days from the date of execution | / | / |

(*) The times provided under the Authority's reference standards, also where not expressly indicated in the table, are to be understood, case by case, as related to a certain moment, for example: starting from the date of receipt of the request, the date of acceptance of the estimated, the date the agreement was stipulated, etc. See resolution (655/15/R/Idr), available on the ARERA website.

The Symbol "/" is used when there have been no services during the year, whereas "-" indicates that the average time cannot be calculated because the services is on/off.

PRICING POLICY

ELECTRICITY SERVICE PRICING

The Italian electricity sales market consists of the following segments: the “**free market**”, in which the consumer directly chooses the operator from which they receive supply of the service, the “**more protected market**” where the service is provided to the customer under the **contractual terms and conditions and pricing⁶³ laid down by the Regulation Authority for Energy, Networks and the Environment** - the national regulatory body for the sector - and the remaining “safeguard service”.

The **costs** shown on the energy bill refer to **four expense items: energy matter**, formed of a fixed amount, a power amount and an energy amount, with differentiated prices by time band, **transport and meter management**, formed of a fixed amount, a power amount and an energy amount referring to the activities for supplying energy to the end customers, **system-related overheads**, which cover costs

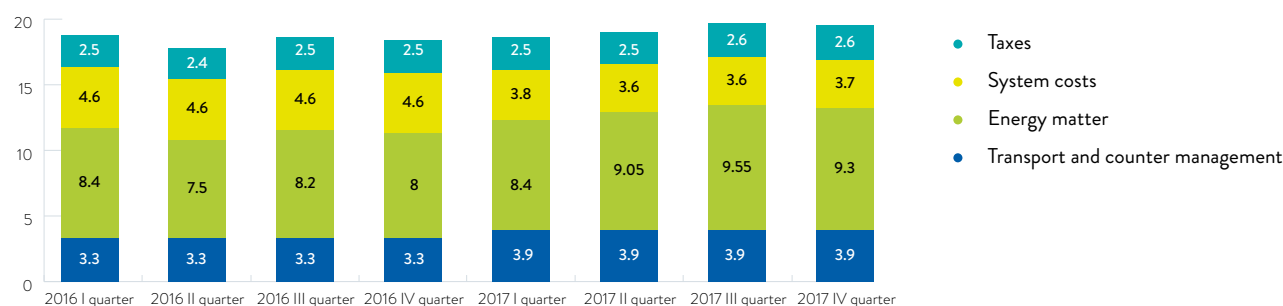
for activities of general interest regarding the electricity service and are borne by all end customers of the service, and **taxes** due.

The **more protected** service is the most populated by Italian customers to date (domestic and non-domestic), with a subscription rate of 62.6% (65.4% in the previous year), albeit recording constant decreases in favour of the free market.

However, observing the volumes of sold energy, the ratio is inverted and the **free market** customers consume 77.3% of the energy comprehensively sold to the end market (76.3% in the previous year)⁶⁴.

In this segment, with “**standard**” consumption - amounting to **2,700 kWh/year**, with 3 kW power - **the overall annual expenditure for electricity amounted to about 518.4 Euros in 2017** (19.2 € cent/Wh), an increase compared to last year (18.4 € cent/Wh, totalling about 497 Euros). The final price is affected mainly by the increase in the energy component and transport and meter management costs; also to be observed is a substantial decrease in costs related to system-related overheads.

CHART NO. 22 – ELECTRICITY PRICE TREND FOR A STANDARD DOMESTIC CUSTOMER (€ CENT /KWH) (2016-2017)



Source: ARERA website – statistical data.

WATER SERVICE PRICING

Regulation Authority for Energy, Networks and the Environment laid down the framework of regulations for a fair, certain and transparent pricing system for the water segment by **resolution 664/2015**, for the period 2016-2019.

Such method, based on **regulatory schemes**, ensures an efficient and economically-financially balanced management, able to incentivise investments and improve services in light of **full cost recovery** principles (full coverage of industrial and environmental costs of the service) and “who pollutes pays”.

As regards specific situations, we point out that earlier in 2016, by subsequent resolutions, the Authority **approved the regulatory schemes for Acea Ato 2**, whereas for **Acea Ato 5 and Gesesa we still await** approval from ARERA.

Indeed, for **Gesesa**, the related Area Management Agency (EGA) - a body comprising all the municipalities pertaining to the Optimal Area of Operation of reference, having decision making and planning duties, amongst which pricing preparation, approved the regulatory scheme for the period of reference to

March 2017. The situation of **Acea Ato 5** however, is affected by the disputes in progress with the Mayor’s Conference, related to both a lack of economic recognition for the company and the application for termination of the management agreement promoted by the Mayor’s Conference. Against such measure, the local court of Latina upheld the argument of Acea Ato 5, with a ruling in December 2017 whereas the hearing for the other disputed is envisaged for March 2018.

A measure by ARERA worthy of mention is **resolution 918/2017**, which governs the **updating criteria for the two-year period 2018-2019** regarding cost components admitted for pricing recognition, foreseeing the introduction of a component (OpexQT) to be granted, against grounded application, upon the **increasing improvement of certain technical quality service standards** - regulated by resolution 917/2017 - which quantifies component UI3 - provided under **resolution 897/2017** - with a mechanisms, at national scale, for the **equalisation of costs related to the supply of the social water bonus**.

⁶³ Tariffs are defined by ARERA and updated every quarter, based on the costs that the Sole Purchaser (AU) bears, minimising costs and risks connected to the various methods of provisioning, to cover the more protected clientele demand on the electricity wholesale market.

⁶⁴ Based on the number of served collection points and the volumes sold in 2016 (ARERA Annual report 2017).

TABLE NO. 31 – AVERAGE WATER PRICES APPLIED (2017)

| Company | €/m ³ |
|----------------|------------------|
| LAZIO/CAMPANIA | |
| Acea Ato 2 SpA | 1.49 |
| Acea Ato 5 SpA | 2.14 |
| Gesesa SpA | 1.18 |

CUSTOMER CARE



CUSTOMER CARE POLICY

Customer focus is one of the **sustainability and strategic objectives of the Group**. In particular, Acea’s intention is to **improve the customer journey**, namely the customer’s experience when entering into contact with the Group companies and with the Acea Brand. The **operating companies** pursue such objective in their **customer relations**, whereas in the Holding, the **CEO Office Unit** which is engaged with Group Customer Care, amongst others, since October 2017, endeavours to provide **consistent and integrated customer management to the maximum extent possible**, in compliance with industry regulations and specific local conditions, focussing on activities measuring customer experience.

The company’s customer focus policy has for many years included **listening to the questions raised by Consumer Associations**, which Acea supervises through a dedicated Unit within the **External Relations and Institutional Affairs Function** of the parent company as well as in **concert with its operating companies**. In 2017 the activity promoting the **awareness of the Consumer Associations** as regards the **use of digital channels** - mainly the **web form for settlements** and the **call and e-mail channels dedicated to the Associations** - continued and action was taken by the Associations so that they can in turn effectively contribute towards reminding users to use the digital channels.

Some meetings were organised during the year with the main Associations **concerning problems related to the water resource**, in order to promote timely communication on the issue and about measures implemented by Acea to tackle and resolve critical issues in the medium and long term.

Acea has for some time activated the **joint settlement procedure**, an **out-of-court commercial dispute settlement process**, in which **customers are represented and supported by the Consumer Associations** recognised by the National Consumer and User Council (CNCU - Consiglio Nazionale Consumatori e Utenti). With the objective of **extending the customer protection system**, in November 2016 the **Protocol of understanding for ADR** (Alternative Dispute Resolution) was signed **between 19 Consumer Associations and Acea Energia, Areti, Acea Ato 2 and Acea Ato 5**, after which the **ADR Committee** was established (see dedicated box). The Committee was registered in the list kept by the Authority since February 2017, consequently customers signing the Protocol are able to access out-of-court settlement of disputes through the ADR procedure. From 1 March to 31 December 2017 the Committee received a total of **325 applications for the ADR procedure**: out of these, according to the provisions of law and the Regulation, 227 were judged as prosecutable and 98 non prosecutable. **181 applications** were received for the water segment, (134 prosecutable, 47 non prosecutable); **144 applications** were received for the energy segment (93 prosecutable, 51 non prosecutable).

THE ADR COMMITTEE

The “ADR Acea SpA-Associazioni dei consumatori” body **was registered in the ADR List of the Authority (Resolution 78/2017/E/com) in February 2017**. “ADR Committee” means any Committee (public or private) established on a permanent basis, which offers the settlement of a dispute through an ADR (Alternative Dispute Resolution) procedure and is registered in the specific List.

It is formed of a joint guarantor committee, a Settlement Committee and a Settlement secretariat:

- the joint guarantor committee, formed by

three members designated by Acea and three designated by the Associations, has supervisory powers to ensure the transparency and impartiality of the process;

- the Settlement Committee, formed by two representatives, one from the companies and one from the Consumer Associations, has the duty of preparing a settlement proposal that the customer is free to either accept or reject;
- the Settlement Secretariat provides organisational, functional and operational support for the proper performance of the procedure in overall terms.

Access to the ADR procedure is voluntary and free for all customers. Since 1 January 2017, for the sectors involved, such as the sale of energy, attempted settlement will be a condition for continuing with legal action. In order to start the settlement procedure, the consumer must in any event submit a complaint to the company supplying the service. Should this complaint not be considered within the deadlines envisaged, or if the reply given is deemed inadequate, the procedure can then be implemented and must be concluded within 90 days of receipt of the request.

By request of the Otuc – an Organisation Protecting the rights of Users and Customers of the Integrated Water Service – and with the approved of the Operational Technical Secretariat of Ato 5, in March 2017, **Acea Ato 5** activated a **telephone number dedicated to the 14 Consumer Associations registered in the Otuc** (open on Fridays from 10:00 to 13:00) and also made a **physical counter** available to the Associations to manage commercial issues, every

Friday from 15:00 to 17:00, at the seat in Viale Rome in Frosinone, subject to appointment. It then set up a customer Helpdesk Counter, a preferential channel for the Associations having the objective of solving more complex issues.

The **judicial dispute which took place during the year** between Acea and the customers is explained in the dedicated box.

LITIGATIONS WITH CUSTOMERS 2017

Legal proceedings **brought by customers** against companies of the Acea Group mainly concerned disputes relating to **charges for service supply, refunds, adjustments, pricing**

structures and service activation delays.

Disputes as at 31/12/2017 totalled **383**, 64 of which had already been resolved last year. Therefore, as in the previous year, there is a

decrease in customer litigations (455 litigations had been brought in 2016). Customer litigation continues to be the most rapid solution and less costly procedure.

Acea Energia, **protecting free market customers**, also arranged for the implementation of **procedures aimed at fighting the phenomenon of so-called “unwanted contracts”** in 2017. On this matter, we point out that since May 2017 ARERA resolution 228/17 is in force, which requires a clearer classification, distinguishing between “disputed activations/contracts” (the customer complaining of irregular conclusion of the contract can access a recovery procedure with payment of the prices set by ARERA) and “unwanted supplies” as per art. 66 quinquies of the Consumer Code, according to which a customer is not obliged to make any payment for the whole period of activity with an unwanted supplier. To this end:

- customers having **signed a contract proposal (PDC)** on the free market by means of **door to door sales** were contacted by telephone after signing (**Confirmation Call**), in order to **verify that the content of the signed contract is set out clearly and the behaviour of staff was correct**; if such customers gave an email address and/or mobile number when completing the contract, they received a notification of activated process for the supply so as to remind the customer that they had **signed a contract**, limiting both the risk of any misunderstandings and the risk of delay in the customer exercising their right of withdrawal. Moreover, as **from August 2017**, Acea Energia introduced **formal checks** for completeness and absence of alterations, **in the paper contracts produced by sales agents**. If the tests failed, the

information systems stop the activation of the new offer from continuing;

- customers having adhered to a **contract proposal (PDC)** on the free market by means of telesales received, before completing the contract, **all precontractual and contractual information on an Acea platform on durable medium**. Thereafter, by means of a **Confirmation Call** the clients had to **confirm** their intention to become AceaEnergia customers and conclude the contract, after having examined and understood the contractual conditions of the offer, or they independently confirmed their intention to join by interacting on a web page set up on the durable medium platform. Such platform also allows **voice recordings to be made available**. Acea Energia **listened to all the telephone recordings produced by sales agents**. In the event of a negative result of such checks, the information systems stop the activation process for the new offer from continuing.

As regards the **Agency Mandate which governs relations with the sales agents network**, Acea Energia continued to run checks on the services, analysing, over 2017, **1,292 contract offers subject matter of complaint** (for the two specific cases: “disputed activations/contracts” or “unwanted supplies”). It **reported 66 contracts to the Agencies**, deemed as “incorrect commercial practices” and **issued pecuniary sanctions** amounting to 30,000 Euros. Acea Energia continued to perform an obligatory training programme for sales staff (see chapter Suppliers). Lastly, since 2015 Acea Energia

inserted **bonus/malus mechanisms** in the contracts with its agents associated to the quality of acquisitions.

The commercial action of **Acea Energia on the free market** is

aimed at **satisfying customer requirements**: from families of large business customers, **diversifying the offers** (see dedicated box). A relevant increase in “green” energy sold to free market customers was recorded in 2017.

ACEA ENERGIA COMMERCIAL PROPOSALS 2017 ON THE FREE MARKET

The commercial proposals of Acea Energia to the **mass market segment** - residential customers, freelance professionals, commercial activities and Small and Medium Enterprises - were circulated with the identification of dedicated and differentiated offers, both for market target and that of the clientele. All the products for residential customers were strongly characterised, so as to respond to well defined requirements of the targets; the **Acea Unica** product was supplemented by the possibility to activate value added services which facilitate the management of the supply to which economic advantages (bonuses) are associated; the **Acea Rapida** product, dedicated to customers joining via web, was characterised by the possibility, for those choosing it, of a fully online management of

their energy sector; the **Acea Viva** product, which **supplies “green” energy** generated from renewable sources with Guaranteed Origin, having the objective of responding to the needs of customers wishing to respect the environment, it was limited to activating the web bill and the bonus for those choosing method of payment with domiciliation. For **large Business clients**, choosing the Acea Viva product constitutes an asset of strategic positioning, strengthened by personalised solutions of communication which Acea Energia makes available to each single customer. The overall volume of **green energy sold in 2017 was around 790,000 MWh**, with a notable increase compared to 2016 value (360,000 MWh). **The incidence of such item on the total energy sold to customers of the free**

market by Acea Energia (3,852 GWh, also see the *Environmental accounts*) **reached 20.5%** (it was 7% in 2016).

Added over the year were **products only dedicated to the web channel** of limited duration (flash offers) and linked to specific events, such as **Acea Speciale Summer** (summer promotion) or **Acea Speciale Black Friday**. The **Acea Esclusiva per ING** product was born of the partnership with ING DIRECT, dedicated to ING DIRECT Customers who activate an energy sector contract with Acea Energia. The partnership also involves old customers of Acea Energia who domiciliate energy bills on an “Orange Current Account”. Economic bonuses are envisaged both for new customers of Acea Energia on the free market and old ones.

The “**Acea con Te**” **loyalty programme** dedicated to domestic customers, for electricity and gas, on the free market, recorded a growth in memberships and interest of customers. New initiatives were proposed with competitions to reward customers in light of virtuous conduct **with focus on the use of online services** (e-bill, domiciliation, payment by credit card, etc.). In particular, the **Emozioni da Prima Fila** competition, which awards entry to exclusive events and experiences, continued in 2017 and was met with notable interest and participation, creating a monthly engagement and consequent word of mouth.

CONTACT CHANNELS AND PERFORMANCE

In all customer relations, Acea is committed to guaranteeing the respect of privacy in the management of personal data, as required by the reference laws in force⁶⁵ (see also chapter *Institutions and the company*).

In 2017 Acea progressed with the actions aimed at **enhancing remote channel performance** with a push towards digitalising customer requests and towards the end of the year the support **online chat** was introduced in **MyAcea**. Today customers can request **most operations online** which regard their utility and for the more protected electricity service, the **new digital acceptance of commercial forms was introduced**: customers are able to download and accept, in real time and with just a few “clicks”, all contractual documentation, overcoming the need to return the signed package by traditional post. Such modus operandi is aimed at simplifying and facilitating relations with the Company and shall also be extended to free market customers in 2018. This led to an **overall improvement in the call centre activity**. A relevant effort was also put into circulating the use of the e-bill with satisfactory results (see hereunder).

Acea8cento provides the management of some **remote channels** - telephones, faxes, web forms, mail, social networks - for the main operating companies in the Group, mainly for commercial use⁶⁶. The service delivered by the contact centre aims to maximise operations in order to ensure quality, promptness and consistency in meeting customer’s requests.

Acea8cento gave its full support to the process underway, for reviewing and simplifying the contact channels. In particular, in 2017, it contributed:

- to the **full activation** of the **TwinsOnSAP system** for managing “more protected” customers of Acea Energia;
- to the launch, on the same system, of the perpetual lighting management service carried out by Areti (the go-live of the new processes took place in 2017);
- to the **consolidation of the web channel in self-care mode**;
- to the re-opening of the **social channel** (Face book) for Acea Energia, guaranteeing the moderation and management of private messaging;
- **to the realisation**, with the use of SnapEngage Live Chat software, of **remote chat support in MyAcea**, directly undertaking its management.

The Parent Company regularly **performs checks on the quality of the telephone channels and helpdesk counters through mystery client surveys**. The results are shared with Service Managers and contact operators and **facilitate the identification of areas for improvement** in each contact channel and take the necessary corrective measures. In 2017 the activity continued with the aim of systematically correlating the results of the surveys on perceived quality with the actual quality supplied, including the data from the mystery clients.

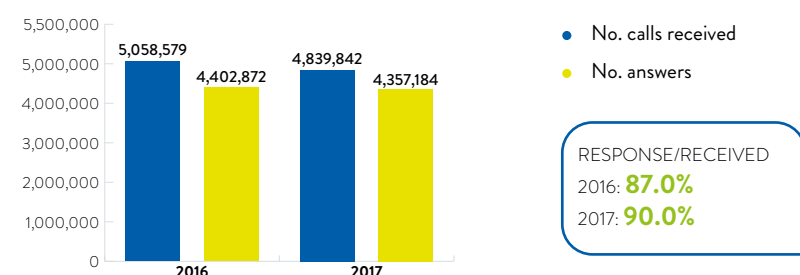
⁶⁵ Legislative Decree no. 196/2003 as amended.

⁶⁶ In addition to the commercial channels, Acea8cento manages the numbers for reporting faults in the water service supplied by Acea Ato 5 and for cemetery lighting by Areti.

In 2017, Acea toll free numbers received about 4.8 million calls, over 4% less compared to 2016, confirming the positive trend in reduction already recorded in the previous year. The comprehensive service level, representing the answers on the total calls received, was 90%, an improvement of 3 points compared to 2016. The reduction in the number of calls was registered in the energy sector (commercial) in particular - it accounted for 64% of the total number of calls in 2016, compared to 50% this year - where the improvement of the processes, caused by greater

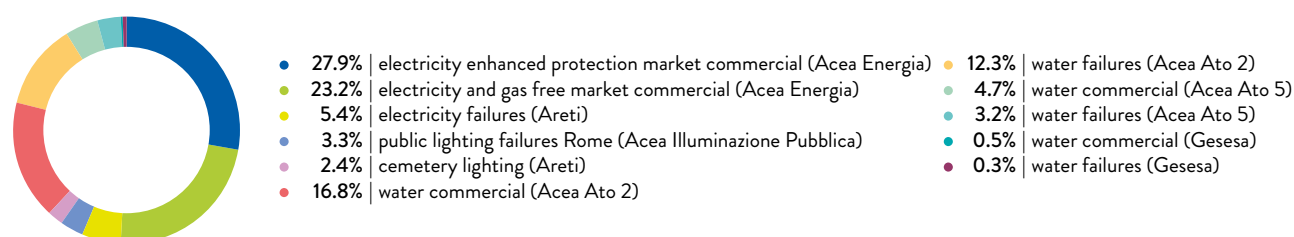
protection from the introduction of the new information system, further reduced the need to call respect to the past. The impact increase, however of the water toll free numbers of Acea Ato 2, Acea Ato 5 and Gesesa, above all in relation to extreme climate phenomena - freezing weather in January, exceptional drought and lack of water in the summer - which characterised the year. For the same reason call to report electrical faults also increased (Areti) (see chart nos. 23 and 24 and Table no. 32 at the end of this section).

CHART NO. 23 – TOTAL TELEPHONE CALLS TO ACEA FREE-TOLL NUMBERS (2016-2017)



NB Gesesa was also included in the two-year data.

CHART NO. 24 – PERCENTAGE BREAKDOWN OF INBOUND CALLS TO ACEA TOLL-FREE NUMBERS (2017)



The polling survey conducted by the Regulation Authority for Energy, Networks and the Environment (ARERA) in the second half of 2016⁶⁷ has identified, for the Acea Energia toll-free numbers, an increase in ICS - Customer Satisfaction Index - as a whole (scale 0-100) - which rose from 84.1 out of 100 for the first cycle 2016 to 85.9 out of 100. The improvement is mainly due to the positive trend in the degree of satisfaction related to the "operator courtesy" factor.

The service levels of the toll-free numbers, represented by the percentage ratio of calls answered over total calls received, remained stable and high for most of the toll-free numbers. There was a further clear improvement in terms of performance for the Acea Ato 2 toll-free number for reporting water faults, despite the increases in incoming calls due to the freeze emergency in January and the exceptional lack of water in the summer; also notably improved was the service level for the commercial toll free number of Acea Ato 5 and the cemetery lighting service where the new system only became fully operational in the second half-year. The main performance indicators for the

last two years period is given in Table no. 32, at the end of this section.

Since the start of the year the single internet website became fully operational, superseding the websites of the single water service supply and energy sale companies and, in particular, the new self-care area, "MyAcea", which is also available as an App for mobile devices (see also, further on, section Communication). From one sole account, within the reserved area MyAcea, the customer can manage all water, electricity and gas utilities active with the Group companies, with a view to simplifying and contextual expanding the available operations, while the processing of documents continues to be ensured by the proprietary companies of the various services.

The data disclosed in the year continue to testify the new habits and increasing interest of customers in using the online channel: over 48% of the page displays for the entire acea.it portal (36.7 million page displays) involved the self care area. During the year the MyAcea App was installed by about 100 thousand

⁶⁷ The Authority had not yet shared the results of the survey in the second half of 2017 when this document was published.

users. For **Acea Energia** more than 483,600 contracts are managed by online customers.

The **Gesesa** website also became part of the **single Acea Group website in May 2017** and given the familiarity with the brand in the area of reference (Benevento and province), the area dedicated to customers was named **MyGesesa**, which is also available as an App for smartphones. During the year, Gesesa ran an informative campaign entitled **“Gesesa sempre più vicina a te”**, in order to promote the knowledge and use of the call centre by means of public posters, social channels and online press, as well as a MyGesesa campaign, through both social media and during events associated to the area with informative stands, in order to encourage customers to favour the use of web channels and smartphones in their commercial relations with the company.

Acea Ato 2, supplemented its website during the year with a **fault map updated in real time**. In particular, disruptions in the water service were published in the map, due to planned or urgent technical interventions, also showing details about service recovery times. It also brought about certain campaigns aimed at incentivising customers to use digital services (mail campaigns, enclosed with the bill, information on the toll free number, etc.) managing to notably increase the number of subscribers to the relevant MyAcea customer area (117,514 users associated as at 31/12/2017 equal to +125% from the start of the year).

Acea Ato 5 intensified the informative campaign for the use of all the contact channels alternative to the counter and launched **the first Acea web point**, in **Frosinone**, aimed at users and fully dedicated to multimedia services. Innovative in its spaces and aesthetics, the Acea web point makes various tools available to users, such as tablets, PCs and telephones, with the objective of favouring the **knowledge and use** of the smartphone App of the MyAcea area and the call centre. **With the same intentions**, Acea Ato 5 realised an **advertising campaign** in the main local newspapers and through posters at commercial counters and reached customers in a capillary manner with an informative campaign, providing, in the bills linked to the first billing 2017, a **short “guide” on the use of the new internet website** and circulating informative material at the commercial counters open to the public. A self-reading promotion campaign was also realised during the year.

At **Acea’s head office** in Rome, in Piazzale Ostiense, **the public showroom was opened, where electricity, gas and water service customers are welcomed, who visit the counters** managed by Acea Energia and Acea Ato 2. In 2017 the part of the showroom dedicated to Acea Ato 2 was renovated; during the works, the central reception isle directly resolved more simple cases and directed customers, where necessary, to the provisionally opened counters in stores near to the main showroom. As from 30 October 2017, the **normal operation** of the water service counters **was restored** at the public showroom and the 4 workstations continued to operate in the central isle, next to the sorting. **A second line counter was also activated for more complex issues**. The new organisational setup led to a notable improvement in waiting times.

The number of customers received in 2017 **at the public showroom in the head office - 223,482 customers - reduced by 5%** (236,000 welcomed in 2016), confirming the positive **trend in reduction of counter visits, already highlighted in the last three years**. The lower number of accesses particularly involved the more protected electricity service. The call centre operators, on shift, flanked their colleagues at the counters, both to provide support in the most critical moments and to obtain an increasing alignment in treating the requests at the two channels. The

inflow to the counter for the water service was, instead, a higher influx, consequent to the aforementioned situation of water emergency which also affected the commercial channels.

There are other counters in the detached branch of Ostia Lido and, for the water service, **Acea Ato 2 manages**, apart from in **Frascati**, **another 13 contact points in the province of Rome**; the latter have comprehensively received 57,722 visits in 2017, a decrease respect to the 71,504 of 2016. Ostia and Frascati comprehensively hosted about 21,000 customers. Furthermore, since 1st July, the “queue managers” were activated at the counters outside of Rome which did not yet have them.

Acea Ato 5 developed a **reorganisation plan for the helpdesk counters** (the counters in Sora and Fuggi were closed and those in Frosinone and Cassino updated), foreseeing **more functional, informed and comfortable environments**. From April 2017 **the opening hours to the public were extended** for the helpdesk counter in Frosinone, which opens earlier from 8:30 to 17:00 and offers the clientele 3 hours’ access per week more respect to that established by the Service Charter (44 hours per week). The counters recorded an overall reduction in volumes.

As regards the **performance of counter activities, the service levels**, given by the percentage ratio between customers served and the total tickets issued, **improved** for the counters in the head office of **Acea Energia** and continue to be very high for **Acea Ato 2**, whereas the counters for **Acea Ato 5**, albeit recording a slight worsening, in any case retained a **high service level** (see Table no. 32); in the same way, the counter at **Gesesa**, in Benevento, hosted a **higher number of visitors** compared to 2016, retaining a **very high service performance**.

At all the Group’s counters, represented in Table no. 32, moreover, a **notable reduction in the average waiting time** is recorded.

The operating companies also manage **written complaints, following, in a computerised manner, the path of the documents: from reporting to remedy**.

For the **energy service**, the “replies to written complaints/enquiries” both by the sale company and the distribution company, are services included among the levels of commercial quality subject to regulation by the national Authority (ARERA) (for performance data see sub-paragraph *Quality levels regulated by ARERA in the electricity sector*). In the same way, for the **water service**, the contractual quality levels, specific and general, introduced by the Authority as from July 2016, by Resolution 655/2015/R/ldr, also provide for the procedures of management and response times to enquiries, written complaints and requests for billing adjustment (for performance data on operating companies in the water segment, refer to sub-paragraph *Quality levels regulated by ARERA in the electricity sector*).

For the **public lighting service**, the replies to **written complaints/enquiries** were managed directly by Areti; during the year a total of **2,292 complaints/enquiries** were received which is a datum considerably higher compared to the 814 recorded in 2016, and the **company responded to 2,202 complaints**, equal to **96% of the total** by 31 December.

The **Acea website** contains the **guide for reading the bill, both in the Energy section** - for free market and protected market customers - **and in the Water section** - for water service customers. The layout of the **Acea Energia bill** has been optimised with a view to a clear and transparent bill. In 2017 the bill was supplemented with the insertion of **messages** dedicated to promoting services for managing the supply, such as Web Bill domiciliation or loyalty programme (the latter only for free market customers).

Continuing, lastly, is the **significant subscription** by Acea Energia customers to the “e-bill” option, in fact, in 2017 customers making this choice **counted about 65,000** (62,000

in 2016); in terms of **environmental protection**, this corresponds, solely with reference to paper, **to about 13.5 t/annum of saved paper**.

TABLE NO. 32 - SOCIAL INDICATORS: TOLL-FREE NUMBER AND HELPDESK COUNTER PERFORMANCE (2016-2017)

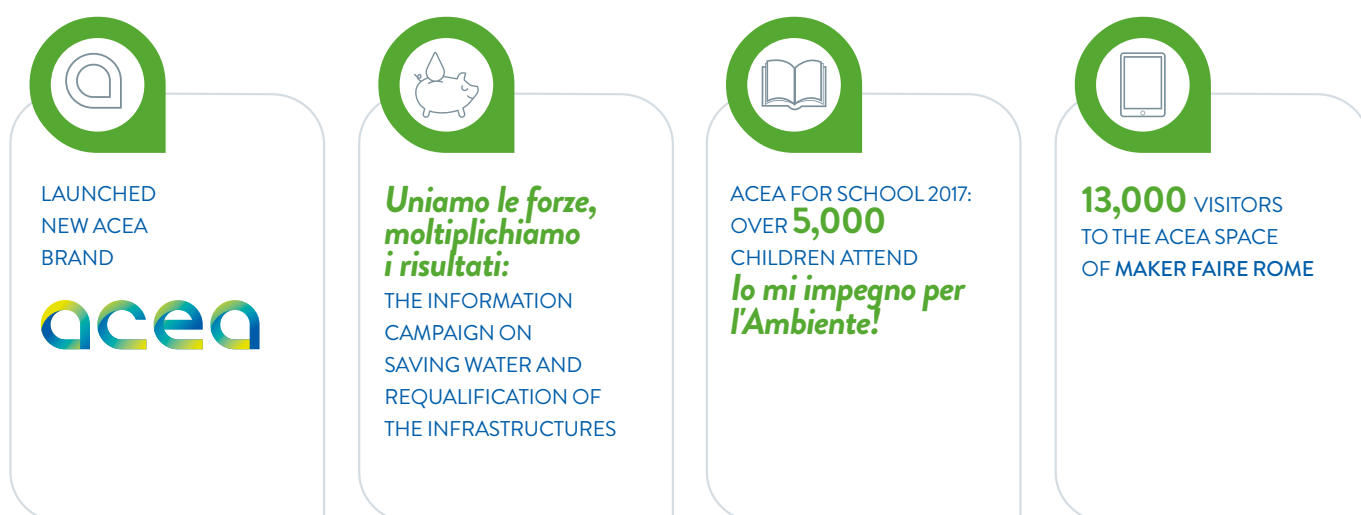
| TOLL-FREE NUMBERS | | | |
|--|--------------|-------------|-------------|
| ELECTRICITY SERVICE | | | |
| COMMERCIAL TOLL-FREE NUMBER (Acea Energia) - MORE PROTECTED MARKET | | | |
| | u. m. | 2016 | 2017 |
| total calls received | no. | 1,796,325 | 1,352,215 |
| total answers | no. | 1,542,319 | 1,230,629 |
| service level (% of answers to calls received) | % | 85.9% | 91.0% |
| average waiting time before answer | min. sec. | 2'7" | 2'23" |
| average conversation time | min. sec. | 4'24" | 6'07" |
| COMMERCIAL TOLL-FREE NUMBER (Acea Energia) - FREE MARKET (energy, gas and offers) | | | |
| total calls received | no. | 1,421,298 | 1,120,688 |
| total answers | no. | 1,240,060 | 987,337 |
| service level (% of answers to calls received) | % | 87.2% | 88.1% |
| average waiting time before answer | min. sec. | 1'41" | 1'32" |
| average conversation time | min. sec. | 4'18" | 4'37" |
| FAULT TOLL-FREE NUMBER (Areti) ^(*) | | | |
| total calls received | no. | 197,035 | 259,017 |
| total answers | no. | 186,128 | 235,924 |
| service level (% of answers to calls received) | % | 94.5% | 91.1% |
| average waiting time before answer | min. sec. | 1'23" | 2'19" |
| average conversation time | min. sec. | 2'34" | 2'51" |
| LIGHTING SERVICE | | | |
| LIGHTING SERVICE - FAULT TOLL-FREE NUMBER (Areti) ^(*) | | | |
| total calls received | no. | 137,098 | 161,777 |
| total answers | no. | 124,698 | 138,930 |
| service level (% of answers to calls received) | % | 91.0% | 85.9% |
| average waiting time before answer | min. sec. | 1'42" | 2'34" |
| average conversation time | min. sec. | 1'58" | 2'34" |
| CEMETERY LIGHTING - COMMERCIAL/FAULT TOLL-FREE NUMBER (Areti) | | | |
| total calls received | no. | 119,995 | 117,942 |
| total answers | no. | 90,838 | 93,705 |
| service level (% of answers to calls received) | % | 75.7% | 79.5% |
| average waiting time before answer | min. sec. | 2'06" | 2'02" |
| average conversation time | min. sec. | 4'04" | 5'56" |
| WATER SERVICE | | | |
| COMMERCIAL TOLL-FREE NUMBER (Acea Ato 2 - Rome and province) | | | |
| total calls received | no. | 708,034 | 812,026 |
| total answers | no. | 624,678 | 733,409 |
| service level (% of answers to calls received) | % | 88.2% | 90.3% |
| average waiting time before answer | min. sec. | 1'34" | 0'53" |
| average conversation time | min. sec. | 5'14" | 5'12" |
| FAULT TOLL-FREE NUMBER (Acea Ato 2 - Rome and province) ^(*) | | | |
| total calls received | no. | 352,388 | 595,195 |
| total answers | no. | 332,211 | 576,670 |
| service level (% of answers to calls received) | % | 94.3% | 96.9% |
| average waiting time before answer | min. sec. | 1'57" | 0'47" |
| average conversation time | min. sec. | 3'33" | 3'10" |

| | | | |
|--|-----------|---------|---------|
| COMMERCIAL TOLL-FREE NUMBER (Acea Ato 5 – Frosinone and province) | | | |
| total calls received | no. | 192,588 | 225,363 |
| total answers | no. | 150,154 | 199,023 |
| service level (% of answers to calls received) | % | 78.0% | 88.3% |
| average waiting time before answer | min. sec. | 1'40" | 1'11" |
| average conversation time | min. sec. | 4'15" | 4'17" |
| FAULT TOLL-FREE NUMBER (Acea Ato 5 – Frosinone and province) | | | |
| total calls received | no. | 120,832 | 154,160 |
| total answers | no. | 99,233 | 122,656 |
| service level (% of answers to calls received) | % | 82.1% | 79.6% |
| average waiting time before answer | min. sec. | 1'14" | 1'48" |
| average conversation time | min. sec. | 3'55" | 3'32" |
| COMMERCIAL TOLL-FREE NUMBER (GESESA – Benevento and province) | | | |
| total calls received | no. | 10,297 | 24,945 |
| total answers | no. | 10,147 | 23,703 |
| service level (% of answers to calls received) | % | 98.5% | 95.0% |
| average waiting time before answer | min. sec. | 0'55" | 1'21" |
| average conversation time | min. sec. | 1'23" | 1'43" |
| FAULT TOLL-FREE NUMBER (GESESA – Benevento and province) | | | |
| total calls received | no. | 2,689 | 16,514 |
| total answers | no. | 2,406 | 15,198 |
| service level (% of answers to calls received) | % | 89.5% | 92.0% |
| average waiting time before answer | min. sec. | 0'50" | 0'49" |
| average conversation time | min. sec. | 2'00" | 2'04" |
| HELPDESK COUNTERS | | | |
| ELECTRICITY SERVICE | | | |
| ACEA ENERGIA – COUNTER FOR MORE PROTECTED MARKET | | | |
| tickets issued | no. | 128,232 | 109,519 |
| customers served | no. | 111,430 | 102,079 |
| service level (% customers served/tickets issued) | % | 87.0% | 93.0% |
| average waiting time | min. sec. | 49'34" | 30'23" |
| average service time | min. sec. | 14'37" | 14'20" |
| ACEA ENERGIA - COUNTER FOR FREE MARKET (energy, gas and offers) | | | |
| tickets issued | no. | 52,132 | 52,707 |
| customers served | no. | 43,397 | 47,778 |
| service level (% customers served/tickets issued) | % | 83.0% | 91.0% |
| average waiting time | min. sec. | 59'23" | 34'28" |
| average service time | min. sec. | 16'19" | 15'20" |
| WATER SERVICE | | | |
| ACEA ATO 2 (Rome - head office helpdesk counter) | | | |
| tickets issued | no. | 55,641 | 61,256 |
| customers served | no. | 54,841 | 60,936 |
| service level (% customers served/tickets issued) | % | 99.0% | 99.0% |
| average waiting time | min. sec. | 22'58" | 4'45" |
| average service time | min. sec. | 12'22" | 11'10" |
| ACEA ATO 5 (4 helpdesk counters in Frosinone and province) | | | |
| tickets issued | no. | 72,843 | 71,112 |
| customers served | no. | 68,570 | 64,786 |
| service level (% customers served/tickets issued) | % | 94.0% | 91.0% |

| ACEA ATO 5 (4 helpdesk counters in Frosinone and province) | | | |
|--|-----------|---------|--------|
| average waiting time | min. sec. | 1h3'17" | 39'48" |
| average service time | min. sec. | 9'24" | 10'40" |
| GESESA (1 helpdesk counter in Benevento and province) | | | |
| tickets issued | no. | 12,548 | 18,341 |
| customers served | no. | 12,350 | 18,250 |
| service level (% customers served/tickets issued) | % | 98.0% | 99.5% |
| average waiting time | min. sec. | 1'05" | 0'56" |
| average service time | min. sec. | 9'00" | 8'00" |

(*) Calls handled by the automatic system or terminated by the customer during navigation within the interactive voice responder are also considered as answers.

COMMUNICATION, EVENTS AND SOLIDARITY



COMMUNICATION

The definition of the **communication policies** and development of the image of Acea Group is carried out and managed by the **External Relations and Institutional Affairs Department**, set up in the Parent Company during 2017⁶⁸. By means of appointed organisational Units, this Department draws up, steers and coordinates the initiatives of communication and institutional, journalistic and commercial information.

In particular, for the main activities of outbound communication the **Advertising, Brand Image and Events Unit** was entrusted with valorising the brand, management of the Group's corporate identity, the realisation of institutional, advertising and commercial campaigns and the organisation of public or institutional events, including the annual Shareholder's Meeting; the **Media Relations and Digital Unit** coordinates, in coherence with Group strategic guidelines, the process of development and management of the internet website and the activities of the Press Office and **Social Communication Unit**, so as to strengthen the connection between Acea Group and the context within which it operates, promote and realise special environmental education projects, of social worth and active citizenship.

Following the digitalisation of the services supplied by the Group, the need arose to **re-design a new brand, consistent with the innovation implemented in the contact channels**. A "digital corporate" was created, a computerised central management of the Group's brand to protect and capitalise the Brand value, which allowed, in a very short time, **the alignment of all the communication** between the Companies interested by the rebranding, also in terms of outfitting corporate spaces, plants, contact points with the public and supports for communication used by staff. A **"pin" was chosen** for the creation of the new trademark, this is a sign which joins the physical world to the digital world. The symbols of a water drop, a bulb and a leaf, which recall the core business water, energy and environment, together with the "pin" and the "a" of Acea, gave life to the new symbol which identifies the completed transformation, breaking it down into the three macro areas in which the Group Companies operate.

Furthermore, two communication campaigns promoted awareness of the "digital evolution" of the group. The first, on air in February 2017 had the objective of spreading awareness of the new website, launched in December 2016; the second chose to use the **"Connessi al tuo mondo"** [Connected to your world] pay-off.

⁶⁸ The External Relations and Communication and Institutional Affairs Functions and the internal Communication Unit merged into the Department.



Another important institutional communication campaign was launched in August 2017, following the exceptional drought which hit Italy and the consequent situation of scarce water which also risked affecting the Capital. The **Acea campaign** was characterised by the claim **“Uniamo le forze, moltiplichiamo i risultati”** [*we join forces and multiply the results*], with the dual purpose of **providing punctual and constant information** about investments and the **interventions in progress in the water area** by Acea Ato 2, aimed at fighting the emergency and making procurement safe (see also paragraph *Quality delivered* and *Relations with the environment*), and **involving citizens in the adoption of conduct aimed at avoiding waste in the use of water**. All the phases of the institutional campaign - concept, production and media planning

- were realised by internal Acea professionals, which involved, as “testimonial”, the employees of the water area; for this purpose the **Acea Communication** was created (see dedicated box), the internal communication agency which today manages the entire development, photos, visuals, text, media planning, informatory and advertising campaigns for Acea.

Lastly on 28 November 2017, during the presentation of the Acea Group Business Plan 2018-2022, to the analysts and national and international press, which took place in Milan at the Italian Stock Exchange, the institutional campaign **Costruiamo oggi un domani migliore** [*building a better tomorrow today*] was launched, which illustrated some of key points of the Business Plan: **Resilience, Smart services, Sustainability, Land**.

ACEA COMMUNICATION: THE GROUP'S IN-HOUSE COMMUNICATION AGENCY IS BORN

During 2017, Acea established **Acea Communication**, a **communication and media planning agency**, which serves the Group and is **formed exclusively of internal resources**.

The agency is engaged in the concept, production and channelling of institutional, advertising and commercial campaigns; it is formed of managerial and creative professionalism: strategy manager, analyst, photographer, art director, graphic designers, copywriter, media planner.

There are several activities of competence: realisation of **multimedia products**, creation of logos and **visual identity**, image advice and communication campaigns having the purpose of strengthening the bond between the Group and the Land.

The strong points of Acea Communication are respect of the Brand Identity, knowledge of corporate procedures and the external operating context, the valorisation of internal know how and involvement of Group employees and, lastly, the speed of execution and notable reduction of production costs. **Uniamo le forze, moltiplichiamo i risultati** was the first institutional campaign by Acea Communication.



Anche nel mese di ottobre continua l'eccezionale vicinanza registrata sin dai primi mesi di quest'anno. Una vicinanza mai verificata prima che ha causato una forte diminuzione della disponibilità di acqua potabile. Prosegue quindi con sempre maggior forza il nostro impegno nell'opera di risanamento della infrastruttura cittadina: dopo una prima ispezione su tutti i 5.400 km della rete idrica, stiamo effettuando un secondo passaggio e abbiamo già raggiunto circa 2.500 km, con circa 15.000 manufatti ispezionati e oltre 4.000 interventi eseguiti che hanno permesso la riduzione delle perdite e il recupero di oltre 2.300 litri al secondo di acqua. E in corso un importante piano di ammodernamento della rete idrica per mettere in sicurezza l'approvvigionamento della Capitale e dei Comuni gestiti da Acea Ato 2.

Noi di Acea stiamo mettendo in campo tutte le nostre risorse ma abbiamo bisogno anche del tuo aiuto.

Una persona consuma mediamente 245* litri al giorno che corrispondono a circa 90.000 litri all'anno. Con semplici gesti quotidiani possiamo risparmiare oltre il 45% di acqua.

| | | |
|---|--|---|
| <p>Chiudi il rubinetto quando non ti serve risparmi 5mila litri l'anno</p> | <p>Preferrisci la doccia al bagno in vasca risparmi 80/120 litri per doccia</p> | <p>Non usare il WC per piccoli rifiuti o installa lo scarico differenziale risparmi 10/30mila litri l'anno</p> |
| <p>Avvia gli elettrodomestici solo a pieno carico risparmi 8/10mila litri l'anno</p> | <p>Applica il frangigetto nei rubinetti risparmi 6/8mila litri l'anno</p> | <p>Riduci l'acqua di cattura per l'innaffiamento risparmi 1.400/1.800 litri l'anno</p> |

Verifica che il tuo contatore non giri con i rubinetti chiusi.

Campagna risparmio idrico Acea Ato 2 - Realizzata da Acea Communication

acea.it

The **Media Relation and Digital** Unit manages the development and management of the internet website www.acea.it, which went online on 19 December 2016. The portal was developed on the basis of superseding the websites of the water and energy sale operating companies to merge into **one sole Group platform**. During 2017 there was **chart alignment of the whole portal**, consistent with renewing the brand identity. The activities were then focussed

on **updating the content**, management and maintenance of the various sections in the website. Entire sections were completely updated, such as those dedicated to **Suppliers, Sustainability, Careers, Customers, for the out of court settlement ADR**, which is now fully online. During the year the **“Acea Scuola”** section was **created**, dedicated to the Acea educational program which is directed at pupils and teachers of the second cycle of primary and

secondary schools in Rome. The purpose of the project is to transmit information and contents concerning the water cycle, the energy sector chain and waste to energy in respect of a sustainable development compatible with the environment. Ample visibility was also given to each initiative, press release or communication, on the corporate website www.acea.it, in the dedicated section **Media and events**.

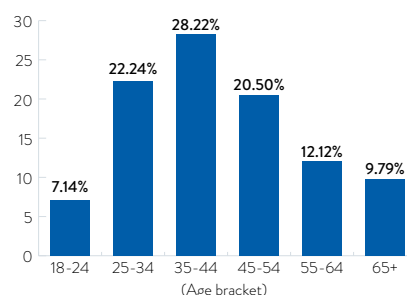
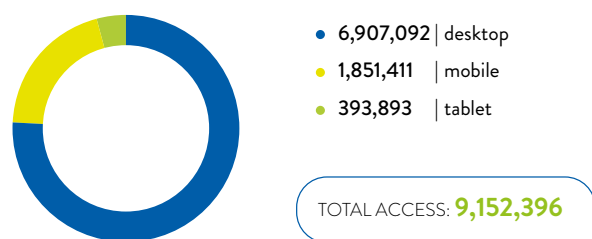
New technologies were also implemented to make the website more complete and accessible, such as **direct streaming**, used during the presentation of the Business Plan 2018-2022 and bidirectional communication able to enrich the relationship between company

and citizen by means of the geolocation of the Water Houses.

As the new Group website, as mentioned, superseded the websites of the single operating companies⁶⁹ upon its launch in December 2016, **the statistical data 2017 related to www.acea.it are not comparable with previous years.**

36,708,357 pages were displayed during the year, equal to **9,152,396 accesses** to the website. The **connection methods** were 75.5% via desktop, 20.2% via mobile and 4.3% via tablet. The age group with the highest percentage of accesses is that from 35 to 44 years of age, with 28.22% of the total visits.

CHART NO. 25 – ACEA WEBSITE 2017: ACCESS METHODS AND AGE GROUPS



Among the **events** published online in 2017, particular importance was given to the presentation of the **Business Plan 2018-2022**, the participation of Acea at **Maker Faire**, the most important innovation exhibition and to **Ecomondo**, to the **International Summit on Water and Climate**, held in Rome (see *Corporate identity*, paragraph *Strategy and sustainability*), the convention **All'ombra di Giano**, organised by Acea on the matter of the water resource and to events of particular significance, sponsored by the Group, such as the **Rome Marathon**, **Festa del Cinema** and **Alice nella Città**. Also highlighted were initiatives undertaken in the year by the **Social Communication Unit** (also see *Events and solidarity* and chapter *Staff*, paragraph *Diversity and equal opportunities*).

The **News on the website** outline news and initiatives linked to Group activities on innovative technologies, energy saving, eco-sustainability, reducing environmental impact and territorial protection. **Developed and published** during the Shareholders' Meeting held in late April, were **the websites dedicated to the Consolidated Sustainability Report** and the Sustainability Report which can be consulted interactively, with some open data and multimedia content.

For some years the data related to emissions have always been available on the website, these are monitored in real time and concern the **two Acea waste to energy plants**, the **main quality parameters of the water supplied by the companies active in the water segment** can be consulted online.

The methods of communication adopted by Acea with regard to **national and local media** have always pursued objectives of **rapidity, efficacy and transparency**, with the purpose of transmitting, by means of information, the correct corporate image and placement of the Group.

During 2017, through the circulation of **press releases** and, at times, with the organisation of **press conferences**, the **results achieved by**

the company were disclosed together with information of public interest related to the managed services. In harmony with the appointed functions, such as Investor Relations, Legal and Corporate Affairs and Administration Finance and Control, **the economic-financial communication was managed on the occasion of corporate appointments** such as the Shareholders' Meeting, approval by the Board of Directors, of the financial results and circulation of news classified as "price sensitive".

Thanks to the interaction with competent operating functions and the preparation of daily papers willing to publish the company's replies, the Press Office **provides answers to the main disruption reports channelled by newspapers**. Other reports are received by post and direct telephone contacts and are promptly answered.

The **Press Office** is particularly committed to overseeing and growing relations with national, international, local and sector media, with a view to mutual respect of roles, transparency and correct collaboration; it was also engaged in developing and managing activities related to the **national and local press release** which is made **available daily via the corporate intranet**; information concerning business activities is also highlighted daily by means of **constantly monitoring press agencies and the web** (web news, social media and blogs).

Some particularly engaging moments from the year follow:

- the **press conference launching the new brand identity** and initiation of the related campaign;
- the **management of communication during the serious water crisis** which, consequent to the exceptional drought, involved the areas in which the company operates and the whole country. Apropos, the Press Office constantly informed the media, at national and local level, **so as to ensure continuous updating and correct reporting on the progress of the crisis**; maximum visibility was given to the presentation of the plan

⁶⁹ With the exception of Areti, the company managing electricity supply, which maintains its own website in compliance with the provisions of the Authority of reference.

to combat the water emergency by the operating companies and the water saving awareness campaign was valorised, as mentioned above;

- the **press conference for the presentation of the Memorandum of Understanding** signed with Open Fiber to define the terms and conditions for initiating a strategic business partnership aimed at realising an ultra-broadband electronic communication network in the area of the Municipality of Rome;
- the **press conference for the presentation of the Business Plan 2018-2022**, which was amply publicised in the national and international media, thus promoting the Group's new development strategy.

Moreover, the routine and proactive collaboration with corporate Functions and Group Companies took place for the valorisation of initiatives of particular importance, such as the **LED artistic lighting projects for important archaeological and historical sites in the Capital** (the Palatine Hill, Cestia Pyramid and Porta San Paolo, the basilica of San Marco Evangelista al Campidoglio, in Piazza Venezia), presented during a joint **press conference** with the Municipality of Rome in December 2017 (see also paragraph *Quality delivered*), and **highlighted other events and exhibitions**, also channelled via the website. Great attention was dedicated to social initiatives, such as activities realised in relation to the **Acea per la Scuola** project, which were presented during the **Festival dello Sviluppo Sostenibile - Disegniamo Il Futuro. Cambiamo Il Presente** organised by the Italian Alliance for Sustainable Development (ASviS) in relation to

the European Week for Sustainable Development (ESDW), or the **solidarity lunches** on the Epiphany and Easter with the homeless in the Capital, organised together with the **Sant'Egidio community** (see, hereunder, *Events and solidarity*).

EVENTS AND SOLIDARITY

The **economic value distributed to the community** in 2017 is equal to **2.4 million Euros**⁷⁰ (2.9 million Euros in 2016). Of which about 1.7 million were allocated to sponsoring cultural, social and sporting events.

The appropriations as **donations** to associations for social purposes and to ONLUS were equal to **229,000 Euros** (277,000 in 2016).

Each year, Acea provides its services, such as the **supply of electricity and water or turning public lighting on or off during events that attract a large turnout**, of a cultural or sporting nature, or in particular circumstances of a solidarity and symbolic nature. These services are known as **"technical sponsorships"** and in 2017 **generated an overall economic counter-value of approx. 117,000 Euros** (this was 193,000 Euros in 2016).

As usual, in 2017, **Acea welcomed visitors to its plants**, relying on the availability and competence of its employees; in particular, **during 31 visits, 1,133 people were received above all students**, coming from Italy and overseas. Moreover, **about 5,000 youngsters and 500 teachers** involved in the **Acea per la scuola** project, were in turn accompanied on a visit to some Group plants (see explanatory box).

ACEA PER LA SCUOLA 2017: OVER 5,000 YOUNGSTERS AT IO MI IMPEGNO PER L'AMBIENTE!

Acea per la Scuola is the **environmental education program** proposed by Acea by means of the concept and realisation of didactic-educational initiatives for students and teachers of primary schools (second cycle) and Secondary Schools (first grade) of Roma Capitale and Città Metropolitana. Active for some years and run by the social *Communication Unit*, the initiative foresaw, for **scholastic year 2016/2017 an educational offer**, at no cost to the participants, entitled **Io mi impegno per l'Ambiente!** [I am committed to the Environment!] in which **5,049 students and 508 teachers were involved**.

At the "La Fornace" Congress Centre, the three topical courses took place of **Io mi impegno per l'Ambiente!** which concerned the **water cycle, the energy sector chain and waste to energy**. Overall, between March and May 2017, **54 hours of didactic activity** took place **over 18 days of training** - which also envisaged visits to some plants - conceived to bring the students closer and **make them aware of the environmental issues**, teaching

them about the actions taken by Acea and the technologies it uses to supply the services with attention to territorial protection. Acting as teachers, Acea employees chose interactive methods to stimulate the active participation of the youngsters in learning and gave simple and concrete examples of actions that can be taken every day to adopt a sustainable lifestyle and consumption.

An integral part of the project was the Listening Campaign, La scuola si apre al territorio [the school is open to the land], which allowed all the participating classes to **propose initiatives for social inclusion and small redevelopment interventions** to be realised in spaces/areas belonging to the scholastic institution of origin. This initiative also met with a great response, with 36 participating schools and 63 presented projects. Among the received proposals, twelve institutes were awarded a cash prize up to a maximum of 5,000 Euros, which



Acea made available for the realisation of the winning projects.

The initiative **Acea per la Scuola**, sponsored by Istituto Superiore di Sanità and the Department for People, Schools and Joint Community and promoted by the 11th Permanent School Council of Roma Capitale, was also presented at the first 'Festival of Sustainable Development 2017, organised by ASviS to explore the various topics associated to NU Sustainable Development Goals (Agenda 2030).

As mentioned, every year Acea participates in multiple events linked to the companies of reference and sustains, also by means of sponsorships, initiatives considered as of cultural, social and

sporting importance, having the objective of valorising the areas in which it operates (see also general boxes at the end of this section). Amongst the most relevant events in 2017:

⁷⁰ This item also includes costs borne for "fairs and conventions" but not "technical" sponsorships.

the participation of Acea in *Ecomondo*, international showcase of the recovery of matter and energy and in the technological fair *Maker Faire Rome*, where the company presented some of its most innovative projects (see explanatory box); the *International Summit on Water and the Climate* and the *All'ombra di Giano*

convention, organised by Acea in collaboration with institutional partners. This concerned a meeting at international level between personalities of high technical and scientific profile aimed at tackling the topic of managing the water resource in the Mediterranean basin (see dedicated box).

ACEA'S TECHNICAL EXCELLENCE ON SHOW AT THE MAKER FAIRE ROME

Acea participated as a sponsor for the third year running at the *Maker Faire Rome*, the event took place from the 1st to the 3rd December at the Fiera di Roma exhibition centre, to present the most innovative projects applied to water and energy infrastructures. A family-friendly event such as the *Maker Faire*, rich in inventions and creativity, is where specialised companies, makers, startups and

passionate people of all ages and backgrounds met to share their own projects and knowledge. Acea's stand had an exceptional influx of the public (about 13,000 visitors). Never ending queues to try out the *smarthelmet*, an interactive multimedia helmet, used by Areti, which allows first person experimentation of the functions and potential of increased reality to gain information and instructions

specific to the equipment or to realise a virtual journey within the plants of Acea Ambiente, find out about the applications used by technicians for safely monitoring water and electricity networks and lastly the Smart home solutions launched by Acea Energia. A survey by the *Il Messaggero* newspaper showed that the Group's stand was among the first 3 most enjoyed and visited.

ALL'OMBRA DI GIANO: SCARCE WATER, CHALLENGES AND INITIATIVES

In November 2017, Protomoteca Room in Campidoglio hosted the Convention named *All'ombra di Giano - Scarsità Idrica: sfide e opportunità*. The meeting organised by Acea in collaboration with the FAO and the International Centre for Advanced Mediterranean Agronomic Studies (CIHEAM) intended to stimulate a debate at international level, also involving other countries overlooking the Mediterranean basin, about the issue,

of common interest, of managing the water resource.

Representatives from national institutions and international bodies, such as the Ministry of the Environment and the Protection of Land and Sea, the Municipality of Rome, FAO, UN, the World Bank, CIHEAM, the Global Framework on Water Scarcity, the Milan Centre for Food Law and Policy, together with Acea and representatives from other countries overlooking

the Mediterranean such as Egypt and Tunisia, shared experiences and perspective related to safeguarding the water resource, ranging from infrastructures to geopolitical views. In its capacity as historical operator of the integrated water service for the Capital and first water operator at national level, Acea was able to share its wealth of competencies on this occasion, representing an efficient and advanced management model for water networks.

Among the main exhibitions sponsored or organised during the year, we point out *Acea Rome Marathon*, now of international importance, *Acea-Volley Scuola Trophy* and the third edition of *Acea Camp*. Indeed, this is the third consecutive year that Acea has realised at *Parco del Foro Italico*, a summer camp dedicated to youngsters from 6 to 14 years old to make them socialise and practice sport. The initiative, sponsored by CONI and realised with the active participation of the Municipality of Rome, envisages the possibility to play twelve sports - basketball, volleyball, rugby, football, baseball, fencing, tennis, athletics, swimming, dance, judo and softball -, at a very small entry fee (equal to 50 Euros) with medical assistance and insurance cover and the possibility to exploit preferential access for families under financial hardship; in 2017, in particular, some peripheral districts of the Capital were involved; again this year, there was the participation of Carlton Myers, former captain of the Italian Basketball Team and technical director of the Camp, with other champions from the world of sport.

Among the initiatives having impact on the land, managed by the **Social Communication Unit**, as well as the mentioned exhibitions involving schools, we outline the event of the **lighting**, after 13 years, of the lights on **Palatine Hill and the archaeological site overlooking the Circus Maximus**, during the night of **New Year 2018**. This new permanent lighting, designed by Acea professionals

in collaboration with the Ministry of Cultural and Environmental Heritage, State Superintendence and Capital Superintendence, combines a high energy saving obtained with improved light quality and technological innovation. With a view to sustainability, the **Christmas lights in via del Corso were also later transformed into 22 water tanks** (1,200 kg of plastic) with a capacity of about 3,000 litres, consigned to the local community Civil Protection for the populations hit by the earthquake in the Amatrice area.

Acea also underlined, once again, its commitment during occasions such as the **national prevention campaigns for women** - Nastro Rosa (Pink tape) and Ottobre rosa (pink October) - offering technical sponsorships, by lighting the Colosseum and the Lazio Region headquarters building and, during the Race for the cure, at the Circo Massimo, supplying water and electricity; it also projected the words **Never Again** onto the facade of the Head Office during the world elimination of violence against women day (see Staff, paragraph *Diversity and equal opportunities*).

The following boxes describe the **main events supported by the Acea Group in 2017**, through sponsorships or donations, subdivided according to their purpose and specifying the companies participating.

2017: ACEA FOR CULTURE

Silver sponsor of the **Festival dell'Acqua**, [Festival of Water] 4th Edition, which took place at “Aldo Moro” University in Bari from the 8th to 11th of October 2017. The Festival envisaged conventions involving various subjects, enterprises and institutions of the water segment (Utilitalia Servizi srl)

Sponsor of the 5th edition of **Maker Faire**, the most important European event dedicated to digital manufacturing, which was held in Rome in December 2017 (Innova Camera)

Official partner of the **Tribute to William Kentridge** event, which took place in Rome on 22 April 2017 along the Lungo Tevere [Tiber River] in the section between Ponte Sisto and Ponte Mazzini (Associazione Tevereterno)

Sponsor of **Cybertech Europe**, on computer safety, 27 and 28 September 2017 at the Convention Centre La Nuvola di Rome (Cybertech)

Main sponsor of the study seminar dedicated to **Social Finance**, which was held in May 2017 at the Museum of Ara Pacis di Rome (Zetema)

Sponsor of the **La Razza Nemica**, [the Enemy Race] on anti-Semitic propaganda perpetrated by Nazism and fascism, at Casina dei Vallati, Rome from 27 January to 7 May 2017 (C.O.R.)

Sponsor partner in the organisation of the 9th edition of the **International Jewish literature and culture festival**, held in Rome from 9-13 September 2017 (Artix)

Main sponsor of **Estate al Maxxi**, the summer exhibition full of events, took place in Rome between June and September 2017 in relation to the Roman Summer (Fondazione Maxxi)

Sponsor of the event **Cento Città in Musica**, an initiative which took place in the area of Rome and province with planning of cultural events and shows with free entrance or at a low price (Associazione Culturale Europa Musica)

Partner sponsor of the 12th Edition of **Festa del Cinema di Roma**, which took place between 26 October and 5 November 2017 (Fondazione Cinema per Rome)

Partner sponsor of **Alice nella Città 2017**, an independent and parallel section of the Festival del Cinema di Roma, which contributes to the promotion of cinema towards new generations (Associazione Culturale Play Town)

Sponsor of the exhibition **Notti di cinema a Piazza Vittorio**, which took place between July and 10 September 2017 (Agis Lazio srl)

Partner sponsor of **Gay Village 2017**, the exhibition took place in Rome, at Parco del Ninfeo dell'EUR, between 8 June and 2 September (Gavi E20 Srl)

Sponsor of the **Festival Internazionale del Cinema dei Castelli Romani - Human Rights** which took place from 15 to 17 December 2017 and promotes cultural initiatives in the defence of human rights (Fondazione Punto e Virgola)

Sponsor of the 4th of the **Isola della Sostenibilità Acea**, [Acea Sustainability Island realised between 30 November and 2 December 2017 and promoted by the Università degli Studi Rome Tre university to develop “sustainable ideas” (Jera srl)

2017: ACEA FOR SOLIDARITY

Contribution to the Municipality of Norcia to realise a **recreation centre**

Contribution for the 15th edition of **Fiaba Day** during the national day for breaking physical, cultural, psychological barriers and spread the culture of equal opportunities

Contribution to the twentieth year of the Associazione **Andrea Tudisco Onlus**, which protects babies suffering serious illnesses and their families

Technical sponsorship for the **Accendi l'oro**, campaign, promoted by **Associazione Peter Pan Onlus** for the prevention of infantile tumours. Acea was a sponsor of the initiative lighting gold in the Fontana del Tritone

Technical sponsorship for the **Race for the cure**, initiative, which took place in Rome between 19 and 21 May 2017 at the Circus Maximus. This is an exhibition which includes a solidarity race of 5 km and other sport and wellbeing initiatives, organised by **Susan G. Komen Italia**, to support the fight against breast cancer and promote women's health (Susan G. Komen Italia)

Technical sponsorship, lighting the Palazzo della Regione Lazio palace in pink for the whole month of October 2016. This was the symbol of the **Ottobre rosa** [pink October] initiative, aimed at incentivising women to join breast cancer prevention programmes (Regione Lazio)

Technical sponsorship, lighting the Colosseum pink, for every weekend of October, in relation to the **Nastro rosa 2017** [pink ribbon] (LILT - Lega Italiana to fight cancer)

Title sponsor of the **2017 edition of the traditional sporting event, the Rome city Marathon**, certified with the "IAAF Road Race Gold Label", this is the most participated competitive event in Italy, which took place on 2 April 2017, starting from via dei Fori Imperiali (Atielle Rome Srl)

Partner sponsor of the 1st edition of the **Rome Half Marathon Via Pacis**, which was held in Rome, starting from Piazza San Pietro on 17 September 2017. FIDAL, by means of this race, pursues the message of the Pontifical Council that all religions should come together in the event with a message of peace (FIDAL)

Official supplier of the **A.S. Rome and S.S. Lazio** football teams for sporting season 2017/2018 (A.S. Rome SpA and Infront Italy Srl)

Gold sponsor of the 7th edition of the **San Valentino Marathon**, a race initiative of special recreational value for the entire district of Terni

Title sponsor of edition 2017 of the **Torneo Volley Scuola-Trofeo Acea**, [Acea School Volleyball Tournament] dedicated to the secondary schools of Rome and province and run by Fipav Lazio (Fipav Lazio)

Main sponsor of the 3rd edition of **Acea Camp**, for students between 6 and 14 years old, belonging to the schools of Roma Capitale, to learn of and spread the practice of 12 sporting disciplines. The exhibition took place in Rome between June and July 2017 (Beside Management Srl)

Contribution to sporting activity for season 2016/2017 of **S.S.D Santa Lucia**, a **wheelchair basketball** company, active in the Roman sporting panorama since the 60s (S.S.D. Santa Lucia Srl)

Contribution to **ASD La Boracifera** to support young teams

Contribution to **ASD Virtus Basket Aprilia**, for edition 2016/2017 of the **Differenzio anch'io!** [I make a difference too!] aimed at youngsters in years 4 and 5 of the Primary Schools in the municipality of Aprilia (about 1,300 estimated pupils) but also families, teachers and the entire population

Contribution to the Myricae volunteers Association for the 3rd edition of **Miranda Trail**

Sponsor of the show **Saved**, a message against injustices on students in secondary and high schools

SUPPLIERS



594 MILLION EURO
THE VALUE OF THE
2017 CONTRACTS:
APPROX. **2,000**
CONTRACTS
STIPULATED WITH
OVER **1,000**
SUPPLIERS



IN LAZIO **36%**
OF THE GOODS/
SERVICES VALUE
ORDERED AND
59% OF THE
WORKS VALUE
ORDERED



766 REQUESTS
FOR ENROLMENT
IN THE REGISTERS/
QUALIFICATION
SYSTEMS RECEIVED
529 REQUESTS
APPROVED



MANDATORY IN ORDER
TO REGISTER IN THE
**Qualification
Systems** (SINGLE
REGULATIONS
FOR GOODS,
SERVICES AND WORK)
A SELF-ASSESSMENT
QUESTIONNAIRE THAT
INCLUDES
THE ASPECTS OF
SUSTAINABILITY



THE «**Safety Team**»
PERFORMED APPROX.
8,900 safety
inspections
at the work
sites OF THE
SINGLE CONTRACTS
OF NETWORK
MAINTENANCE
AND WATER AND
ELECTRICAL SERVICES

CONSOLIDATED EXTERNAL COSTS

In 2017, the Group's **consolidated external costs** totalled about **1.76 billion Euros**, substantially unaltered compared to 2016. The highest costs amongst these, equal to about 1.31 billion Euros (1.35 billion in 2016), concern **purchase of energy, gas and fuels** and secondly the costs for **services** affect for about **252 million Euros** (approx. +16.7% compared to 2016).

The rest of this section describes the **procurement of goods, services and works** managed by several companies in the Group, by the

Purchases and Logistics Function of the Holding. As regards the scope subject matter of the analysis, including all the companies representing the Group's activity and consistent with past disclosures, such procurements had a value in 2017 of about **594 million Euros**.

PURCHASING POLICIES

The **Purchasing and Logistics Function** of the parent company ensures "**the definition of policies and guidelines and centralised management of the procurement of goods, services and works for the Group**". Its goal is to rationalise the procurement process and increase its efficiency, through the valorisation of the technical

skills of the buyers, an approach focusing on the logic of managing categories of goods, a close synergy with the Companies/Functions in the Group which require procurement services (“internal customers”) and transparent relations with the suppliers.

The **Logistics Unit** manages the operations of the **Group’s central warehouse** and the **peripheral warehouses** of the main operating companies. After the transfer, completed in 2016, of the Group’s central warehouse to the newly built **Logistics Centre in Santa Palomba** and **at the state of the art from the technological viewpoint, in 2017 the activity was fully operational** and the first important economic and operational benefits were perceived. The new logistics structure, in fact, allowed an efficiency of **over 3 million Euros/year** thanks to lower lease costs, better hire rates for equipment and transport to the peripheral warehouses of the Group. Loading/unloading times were notably reduced thanks to the presence of loading bays with direct access to the warehouse, and allowed daily operations to be faster.

DEALINGS WITH SUPPLIERS AND PROCUREMENT MANAGEMENT

Article 16, paragraphs 1-7 of the **Group’s Code of Ethics**⁷¹ recalls the principles of correctness, **transparency and protection of competition as well as the valorisation of aspects of sustainability** - the observance of conditions of protection and safety of the workers, quality of goods and services, respect of the environment, pursuit of energy saving - placing them at the basis of **relations between Acea**, in its capacity as contracting company **and its suppliers**: contractors and subcontractors. The *Code of Ethics* must be **signed in acceptance**, as an **essential condition to participate in works, goods and services tender procedures**, under penalty of exclusion therefrom and, in the case of violation of the principles contained therein, downstream of due assessments, **exclusion from the tender or invalidation of the award is contemplated**. (art. 16, paragraphs 6 and 7).

GROUP CODE OF ETHICS (ED. 2012): SUSTAINABILITY IN THE SUPPLY CHAIN

The *Acea Group Code of Ethics*, article 16, paragraph 2:

“Acea undertakes to promote, as part of its supply activities, respect for the protection and safety conditions of its employees, a focus on the quality of goods, services and performances, respect for the environment and the pursuit of

energy savings, in accordance with the principles outlined in this Code of Ethics and the law. In supply contracts with at-risk countries, defined as such by recognised organisations, contractual clauses have been introduced that involve: self-certification by the supplier of the compliance with specific social obligations (e.g.

measures that guarantee employees respect for their fundamental rights, the principles of equal treatment and non-discrimination, protection against child labour); the possibility of carrying out monitoring activities at production units or operating sites of the supplier company in order to verify the fulfilment of these requisites”.

Recourse to calling a tender is the prevalent **method applied for identifying a supplier** and the award procedures are based on **criteria of transparency**, ensuring **centred management of contract tenders**. The Purchasing Function fulfils, for all the companies of the Group within the scope of “centred purchases”, the obligation⁷² of **disclosing on the corporate website of Acea (www.acea.it) all of the documentation containing all information concerning the purchases made in the framework of the Code for Tenders**⁷³.

In 2017, about **70% of the total procurement** was awarded through **tender**; this is an increase compared to 52% of the previous year.

Operators who are interested in participating in tenders **can access directly and free of charge the portal hosting the qualification systems** and the **portal hosting the online completion of calls for tenders** - in the **‘Suppliers’ section of the company website www.acea.it** - where the required forms and information are available. The web portal enabling tenders to be managed online is based on the same operational procedure as traditional tenders: it checks the adequacy of the supporting document, acknowledges possession of the eligibility requirements, discloses the bids and displays the ranking.

All tenders for the awarding of works and a considerable number of tenders for the purchase of goods and services **require UNI EN ISO 9001 certification of the quality management**

system as a prerequisite for participation. UNI EN ISO 14001 certification of the environmental management system is also needed for certain product categories (such as waste management). For some of the tenders awarded on the basis of the most economically advantageous bid, the score is also impacted by the possession of the **SA8000 certificate**.

As in 2016, **also in 2017**, in some tenders for **water, electrical and civil engineering works** awarded on the basis of the most economically advantageous bid, **rewards were introduced** concerning: the number of skills **trained on safety matters** for work carried out in specific environments and conditions (for example at heights or in confined spaces), the **availability of ecological tools** and the **joint possession of UNI EN ISO 9001 and 14001 certifications**, and also the **OHSAS 18001 standards** on health and safety in the workplace.

In compliance with the law⁷⁴, for tenders for works, goods and services that fall within **special water and energy business areas**, Acea issues open, restricted or negotiated procedures also between companies registered in the Qualification systems. For tenders in special areas **involving amounts below the EC threshold** - established every two years by EC Regulation - Acea applies **Internal Regulations** in accordance with the principles of the EC Treaty for the protection of competition. With regard to awards falling within ordinary business areas, **open, restricted or negotiated procedures** are issued in compliance

⁷¹ The Code of Ethics of the Group (2012 edition) is available online on the new website www.acea.it, Governance section.

⁷² In compliance with what is required by the National Anti-corruption Authority (ANAC) and envisaged by the so-called “Anti-corruption Law” (Law 190/2012).

⁷³ Legislative Decree no. 163 dated 12 April 2006 - Code of public contracts

⁷⁴ Part II, Section VI, Chapter 1 - Legislative Decree no. 50/2016.

with the law⁷⁵. Furthermore, for tenders that do not fall within the scope of application of the Code on Tenders (so-called “extraneous or private law”), selection procedures are used which, although not regulated by Legislative Decrees no. 50/2006 and subsequent amendments, comply with the **principles of free competition, equal treatment, non-discrimination, transparency and proportionality**.

In 2017 the companies in the Acea Group subject of this analysis **entered into almost 2,000 contracts** with **about 1,000 suppliers, which is in line with the 2016 figure** (see Table no. 34). For contracts pertaining to the scope of application of the Public Contracts Code and having as subject matter works and services with high manual labour content, Acea, in compliance with the provisions under art. 50 of Legislative Decree no. 50/2016 **in the matter of social clause**, added the obligation, as a priority, to absorb staff already operating as employees of the outgoing contractor into the awarded company’s staffing structure, compatibly with its organisation.

GREEN PROCUREMENT

Following on from previous years, Acea inserted **in the tender documents, as binding parameters or reward schemes, the regulatory**

references to the Minimum Environment Criteria (CAM) adopted by Decree of the Ministry for the Environment and Protection of Land and Sea, in compliance with that envisaged by the **Action plan for the environmental sustainability of consumption in the Public Administration sector** (i.e. the National Action Plan on Green Public Procurement **NAP GPP**)⁷⁶.

In 2017, for example, the **new tender** for the “Management of cleaning and sanitation services of local Offices, production Plans and detached Centres” of the Group was drawn up, with the **obligation to observe the CAM for chemical products used for cleaning**.

In the new tender for supplying **paper for multifunction printers, apart from ecological paper**, guaranteed by the possession of labels certifying the origin of the cellulose glue from certified forests and the absence of pollutant substances during the whitening process, **recycled paper was introduced**. This could contribute to the reduction in volumes of RSU management, one of the most pressing environmental problems in the land.

Moreover, in the second half-year, the foundations were laid for an ambitious and challenging project, to be realised in the next few years, which intends to extend, where compatible with the nature of the goods and services acquired and according to the used award procedures, the **approach of the CAM to other categories in the products tree of Acea, not covered by specific Ministerial Decrees**.

PROCUREMENT OF GOODS, SERVICES AND WORKS

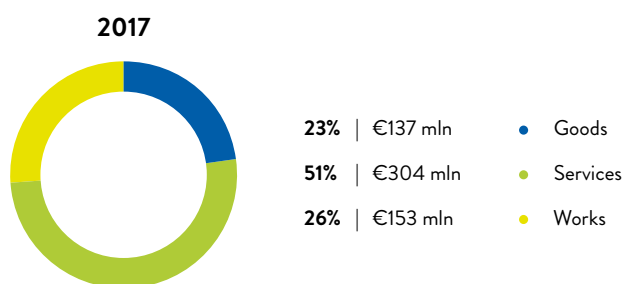
SCOPE OF REFERENCE

The information given in the paragraph concerns all companies included in the scope - see *Disclosing sustainability: Methodological note* - with the exception of Gesesa. This guarantees the substantial comparability with data from the previous year.

Tenders for the supply of **goods**, the performance of **services** and the completion of **works** were managed, at centralised level, for the companies included in the disclosure. Contracts awarded in the year had a **comprehensive economic countervalue** of almost **594**

million Euros⁷⁷, approx. 16% more compared to the 510 million in the previous year. The increase in amounts, in absolute value, was mainly recorded for items services and works (see la Table no. 33 for data comparison).

CHART NO. 26 – VALUE OF PROCUREMENT OF GOODS, SERVICES AND WORKS AND PERCENTAGE ON TOTAL (2017)



NB The figures are rounded off to the nearest unit

⁷⁵ Part II, Sections III, IV and V – Legislative Decree no. 50/2016.

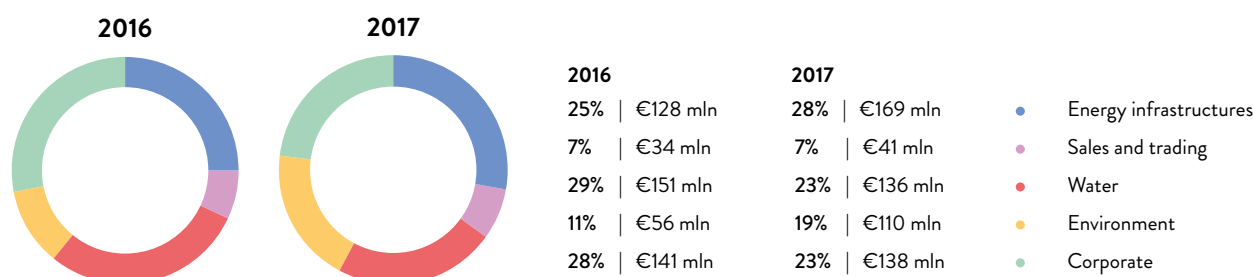
⁷⁶ The GPP NAP was recommended by the European Commission in 2003 and adopted by Italy with Law 296/2006, article 1, paragraph 1126 and Ministerial Decree dated 11 April 2008 (MATTM). The Ministry for the Environment defines the “Criteri Ambientali Minimi” (CAM) (Minimum Environmental Criteria), which act as a national benchmark for Green Public Procurement; they may be used by the contracting authorities to enable the Action Plan on Green Public Procurement to maximise economic and environmental benefits. “GPP” (Green Public Procurement) is defined by the European Commission as “(...) the approach by which Public Authorities integrate environmental criteria into all stages of their procurement process, thus encouraging the spread of environmental technologies and the development of environmentally sound products, by seeking and choosing outcomes and solutions that have the least possible impact on the environment throughout their whole Lifetime”.

⁷⁷ The amount refers to tenders awarded during the year, without any distinction between investments and operating cost, annual and multi-annual contracts. Almost all commodity purchases are excluded.

It can be seen that the value of procurement in the main business macroareas⁷⁸ - **commercial and trading** (sale and call center), **energy infrastructures** (generation and networks), **water** (within which Acea Elabori was also considered for services carried out for the sector), **environment** (waste to energy and environmental services) and **corporate** (Acea SpA) - the energy infrastructure segment absorbs, over the year, the greatest percentage out

of the total (28%), followed by the water segment and corporate (both 23%) and, with regard to data 2016 (reclassified according to 2017 incorporations to guarantee comparability for the two-year period), outlined, in particular, are the increases of imports in orders for the Environment Area, both works and goods and services, and for the energy infrastructure area (see chart 27 and Table no. 34).

CHART NO. 27 – ORDERS (GOODS, SERVICES, WORKS) BY BUSINESS AREA (2016-2017)



NB Figures are rounded off to the nearest unit. The **energy infrastructures** segment includes: Areti (within which merged the activities of Acea Illuminazione Pubblica), Acea Produzione and Ecogena. Included in **commercial and trading** are: Acea Energia and Acea8cento. The **water** segment includes: Acea Ato 2, Acea Ato 5 and Acea Elabori (the latter organisationally in the Engineering and services area, was incorporated in the water segment, as in 2016 for services it carries out for the sector; the value of orders for Acea Elabori is equal, in 2017 to about 20 million Euros). The **environment** area includes: Acea Ambiente and Aquaser. Present in the **corporate** area is only Acea SpA. The data for 2016 were reclassified to ensure comparability.

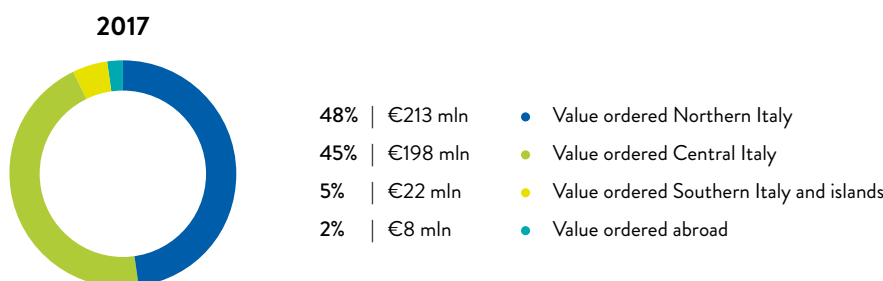
During 2017 the Group companies included in the scope had a demand which translated into **2,073 Purchase Orders**, in line with the amount for last year (1,981 Orders) and involved **1,069 suppliers** (1,005 in 2016). About 90% of the Purchase Orders had award amounts below the EC threshold. The **first ten suppliers of services and works** respectively absorbed about **42%** of the total value of contracted works, whereas the **first ten suppliers of goods** about **38%** of the total value of procured goods, percentages all proving to be more contained compared to 2016 (see Table no. 33).

The slight increase in the total number of suppliers in 2017 (approx. 60) took place in a proportionate manner in terms of geographic components (both expressed in macro regions and focussing on

Lazio). **Geographical distribution of the suppliers was in line with previous years, with more than 90% being concentrated in the central-northern area**, whereas the **number of suppliers in Lazio retains a consistent percentage** equal to about 46% of the total (44% in 2016, see Table no. 34).

The **geographical distribution of the amounts**, among the macro regions, is quite constant in terms of goods and services, whilst showing **greater variations for works**: increasing, in fact, is the percentage of the value of works completed by companies in northern Italy, decreasing, albeit keeping a high value (equal to 65%) is the percentage attributable to central Italy - and for the larger component in Lazio (59%) - whereas affirmed at very low are the values referred to "South and islands" and those of the "Abroad" component.

CHART NO. 28 – GEOGRAPHICAL DISTRIBUTION OF THE AMOUNTS USED FOR THE PURCHASE OF GOODS AND SERVICES IN ITALY AND ABROAD (2017)



⁷⁸ During 2017 there was a reorganisation in the macro structure of Acea SpA, which led to a different allocation, compared to 2016, of the companies included in the scope of the business areas. To give an example, Acea Produzione, previously included in the Energy area, in 2017 moved to the responsibilities of the energy Infrastructures business Area. So as to ensure comparability in the data for the last two-year period, the data for 2016 related to business areas were reclassified according to the reorganisation 2017.

CHART NO. 29 – GEOGRAPHICAL DISTRIBUTION OF THE AMOUNTS OF WORKS AWARDED IN ITALY AND ABROAD (2017)

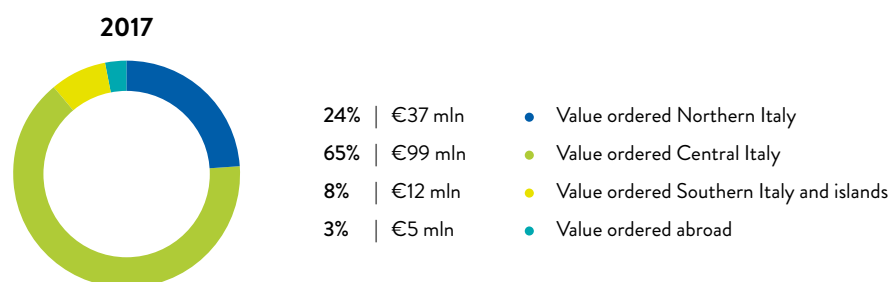


TABLE NO. 33 - SOCIAL INDICATORS: PROCUREMENT DATA (2016-2017)

| | u. m. | 2016 ^(*) | 2017 | Δ% 2017/2016 |
|--|------------|---------------------|------------|--------------|
| VALUE OF CONTRACTS | | | | |
| goods | €/m | 132 | 137 | 4% |
| services | €/m | 245 | 304 | 24% |
| works | €/m | 133 | 153 | 15% |
| total | €/m | 510 | 594 | 16% |
| GOODS, SERVICES AND WORKS AS A PERCENTAGE OF TOTAL ORDERS | | | | |
| goods | % | 26 | 23 | -12% |
| services | % | 48 | 51 | 6% |
| works | % | 26 | 26 | - |
| VALUE OF ORDERS BY BUSINESS AREA ^(**) | | | | |
| Energy infrastructures | €/m | 128 | 169 | 32% |
| Commercial and trading | €/m | 34 | 41 | 21% |
| Water | €/m | 151 | 136 | -10% |
| Environment | €/m | 56 | 110 | 96% |
| Corporate | €/m | 141 | 138 | -2% |
| NUMBER OF PURCHASE ORDERS MANAGED | | | | |
| POs for goods, services and works | no. | 1,981 | 2,073 | 5% |

^(*) 2016, compared to corporate scope for 2017, included data related to Acea Illuminazione Pubblica (which were transferred to Areti in 2017), Acea Gori Servizi (in 2017 no longer consolidated using the step by step method), Crea Gestioni, Elgasud (later renamed Acea Liquidation and Litigation) and Acea Energy Management. Note that, for the comparison of the two-year period, the total amount for the orders of the latter 4 companies, was equal to 1.3 million Euros in 2016.

^(**) To ensure comparability in the two-year period, data for 2016 were reclassified consistently with the reorganisation of the business areas 2017. Acea Elabori, organisationally part of the Engineering and services area, was incorporated in the Water area in the table, for the services it carries out for the sector.

NB All the figures in the table are rounded off to the nearest unit.

TABLE NO. 34 - SOCIAL INDICATORS: PROCUREMENT NATIONWIDE (2016-2017)

| | u. m. | 2016 ^(*) | as % of total/year | 2017 | as % of total/year |
|--|------------|---------------------|--------------------|--------------|--------------------|
| NUMBER OF SUPPLIERS OF GOODS, SERVICES AND WORKS NATIONWIDE | | | | | |
| suppliers in northern Italy | no. | 340 | 34% | 356 | 33% |
| suppliers in central Italy | no. | 579 | 57% | 620 | 58% |
| suppliers in Lazio | no. | 445 | 44% | 489 | 46% |
| suppliers in southern Italy and islands | no. | 70 | 7% | 74 | 7% |
| suppliers abroad | no. | 16 | 2% | 19 | 2% |
| total suppliers | no. | 1,005 | 100 | 1,069 | 100 |

| TOP 10 SUPPLIERS OF GOODS, SERVICES AND WORKS (amounts awarded) | | | | | |
|---|------------|------------|-------------------------------------|------------|-------------------------------------|
| TOP 10 suppliers of goods | €/m | 74 | 56% | 23 | 38% |
| | | | (on total amounts of goods 2016) | | (on total amounts of goods 2017) |
| TOP 10 suppliers of services | €/m | 127 | 52% | 51 | 42% |
| | | | (on total amounts of services 2016) | | (on total amounts of services 2017) |
| TOP 10 suppliers of works | €/m | 75 | 56% | 26 | 42% |
| | | | (on total amounts of works 2016) | | (on total amounts of works 2017) |
| GEOGRAPHICAL BREAKDOWN OF AMOUNTS FOR GOODS AND SERVICES | | | | | |
| value of orders northern Italy | €/m | 210 | 56% | 213 | 48% |
| value of orders central Italy | €/m | 152 | 40% | 198 | 45% |
| value of orders Lazio | €/m | 125 | 33% | 160 | 36% |
| value of orders southern Italy and islands | €/m | 11 | 3% | 22 | 5% |
| value of orders abroad | €/m | 4 | 1% | 8 | 2% |
| total value of orders for goods and services | €/m | 377 | 100 | 441 | 100 |
| GEOGRAPHICAL BREAKDOWN OF AMOUNTS FOR WORKS | | | | | |
| value of orders northern Italy | €/m | 9 | 7% | 37 | 24% |
| value of orders central Italy | €/m | 110 | 82% | 99 | 65% |
| value of orders Lazio | €/m | 107 | 80% | 90 | 59% |
| value of orders southern Italy and islands | €/m | 14 | 11% | 12 | 8% |
| value of orders abroad | €/m | 0 | 0% | 5 | 3% |
| total value of orders for works | €/m | 133 | 100 | 153 | 100 |

(*) 2016, compared to corporate scope for 2017, included data related to Acea Illuminazione Pubblica (which were transferred to Areti in 2017), Acea Gori Servizi (in 2017 no longer consolidated using the step by step method), Crea Gestioni, Elgasud (later renamed Acea Liquidation and Litigation) and Acea Energy Management. Note that, for the comparison of the two-year period, the total amount for the orders of the latter 4 companies, was equal to 1.3 million Euros in 2016.

NB All the figures shown in the table are rounded off to the nearest unit. The “northern Italy” geographical area includes Valle d’Aosta, Piedmont, Lombardy, Veneto, Trentino-Alto Adige, Friuli Venezia Giulia, Emilia-Romagna and Liguria; “central Italy” includes Tuscany, Umbria, Marche, Lazio, Abruzzo and Molise; “southern Italy and islands” includes Campania, Basilicata, Puglia, Calabria, Sicily and Sardinia.

SELECTION AND EVALUATION OF SUPPLIERS

Acea has implemented and regularly updates various **Qualification systems for suppliers of works, goods and services**. The unit responsible for **Supplier Qualification**, in respect of the principles of **correctness and equal treatment**, sets up **Qualification systems** of European significance⁷⁹ and **Suppliers’ Lists** for so-called “below threshold” or private tenders, coordinating workgroups to **identify the qualification requirements** and drawing up the **Qualification Regulations**. The Unit is also responsible for processing individual qualification applications, checking the possession of the requirements and managing communications with the supplier concerning: admission measures and rejection or suspension from the Lists. Lastly, the unit supervises the **monitoring activities** of suppliers through direct controls and/or with the support of qualified auditors⁸⁰.

The product tree shared among the Group companies includes, as at 2017, **465 product groups** and as at 31 December 2017 the responsible Unit had managed 101 **qualification Lists/Systems**.

A supplier qualification portal is active in Acea, fully integrated with the suppliers’ details. Companies intending to be qualified **insert their qualification application online** for the product groups of

interest, accessing the **Vendor Management (VM) portal** directly **from the Acea institutional website** (www.acea.it, Suppliers section). For **registration in the qualification Lists/Systems**, possession of **standard requirements** – these include requirements of a **moral nature envisaged by the laws in force** in the sector – and **specific requirements** is necessary, with reference to the product group or groups included in each Suppliers’ List.

In some cases, the **specific requirements** include holding certain Authorisations and/or certifications, for example:

- possession of UNI EN ISO 9001 certification (binding requirement for all the “works” product groups and for almost all the “goods and services” qualification systems”);
- possession of ISO 14001 certification (for example for registration in the Qualification System for special non-hazardous waste);
- possession of Registration to the National Environmental Operators’ Register or authorisation to manage a plant for the recovery/disposal of waste (for example for registration in Waste Management Systems);
- possession of OHSAS 18001 certification (for example for registration in the Qualification system for the electro-mechanical maintenance of industrial plants).

⁷⁹ Pursuant to art. 134 of Legislative Decree no. 50/2016 as amended.

⁸⁰ Until 30 September 2017, the responsibility for control activities referred to the supplier Qualification Unit. As from 1 October 2017, following organisational changes, this moved to the integrated certification Systems Unit. The information given in the paragraph refers to activities carried out during the entire year in question.

For admission to the qualification systems of **Community-wide significance**, **lastly**, companies wishing to qualify must declare their availability to undergo an **inspection visit at the administrative head office**, aimed at assessing the truthfulness and adequacy of the documentation provided, and **at the operating plants** or product warehouses, in order to assess the implementation and application of the active management systems.

In 2017 a total of **766 applications for registration in the qualification lists/systems** were processed, **amounting to 529 successful applications**.

In detail:

- **273** qualification applications processed for “works” Qualification systems”;
- **493** qualification applications processed for Qualification Systems/Suppliers’ Lists for “goods and services”.

The evaluation of suppliers involves different types of checks which are activated according to the list in question and the different “status” (in the qualification phase, qualified, or qualified with tender ongoing) acquired by the supplier with regard to Acea.

During the qualification phase, up to June 2017, Acea asked suppliers for information about the **Quality, Safety and Environment systems and aspects related to sustainability**, by means of **two different tools**: the mandatory completion of the **QAS self-assessment questionnaire** for registration in the Qualification Systems for water and electrical works and the mandatory completion of

a **self-assessment questionnaire concerning sustainability performance** called “**TenP**” (with reference to the ten Global Compact principles of the United Nations)⁸¹ for the registration of Qualification systems for water and electricity Works and for registration to the new qualification Systems for Goods and Services. **Since July 2017**, Acea decided to become independent from the “TenP” platform, managed by Global Compact, **integrating the topics of sustainability** (Social responsibility/environmental management) **into a self-assessment questionnaire managed directly on the vendor Management platform**, used for qualifying suppliers, which is accessed from the institutional website (www.acea.it). The management of the self-assessment questionnaire on the Vendor Management platform guarantees greater flexibility and efficiency respect to the use of an external platform. Completion of the self-assessment questionnaire is **compulsory for registration to the Qualification systems pertaining to the Single Regulations for Goods and Services and Works** (78 Qualification systems as at 31/12/2017). Summary data, progressively analysed, shall be available as from 2018.

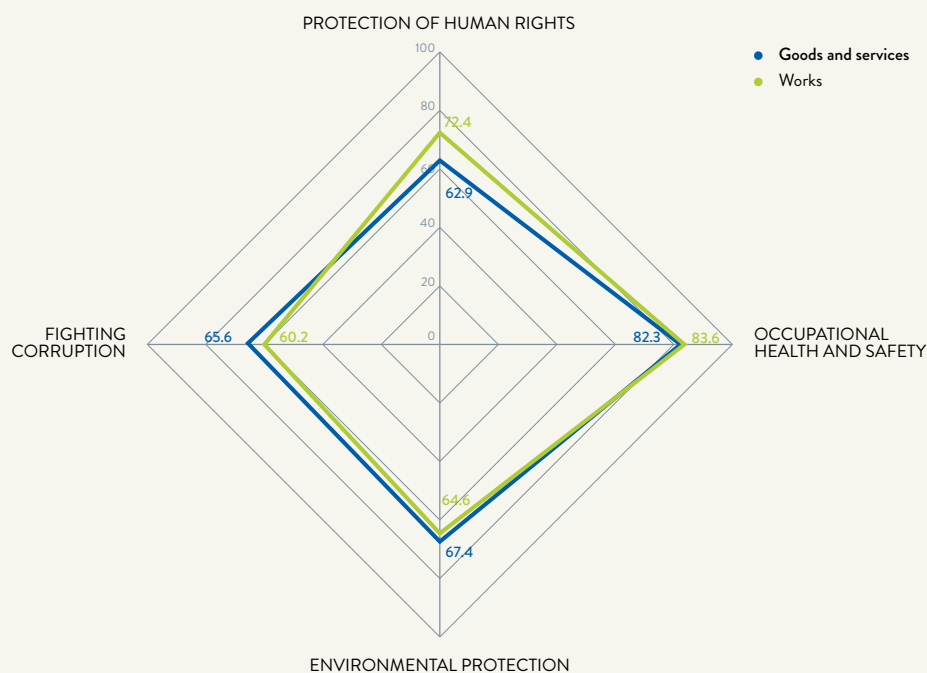
Lastly, following on from recent years, **Purchasing and Logistics sent a sample of suppliers – 104 in 2017 – questionnaire prepared ad hoc on social and environmental topics, in conjunction with the Corporate Social Responsibility Unit**, to obtain more details on the level of spreading of sustainability along the supply chain, **obtaining replies from 55 suppliers** (48 in 2016) (see the relevant explanatory box).

FIRST HALF-YEAR 2017: TENP QUESTIONNAIRE DATA

For the first half-year 2017, before integrating information on matters of sustainability in a self-assessment questionnaire managed directly by the Vendor Management platform accessible from the institutional website, **Acea continued to rely on the platform managed by Global Compact**,

asking its suppliers, during the qualification phase, to mandatorily complete the **TenP questionnaire**. Between **December and June of 2017**, it was therefore possible to extract summary data from such platform: a total of **286 Acea suppliers** completed the TenP questionnaire, among those

registered in the Works list and the Goods and Services list. From the processing of questionnaire data, **average adequacy**, respect to the questions to be answered, was around **70 points/100** with a slight difference between the two lists taken into consideration.



⁸¹ As from 2014, in fact, Acea has been a partner of the Sustainable Supply Chain Work Group of the Fondazione Global Compact Network Italia – together with A2A, Ansaldo STS, Edison, Eni, Italcementi, Nestlé Italia – and contributed to the management of the “TenP” questionnaire as well as the activation of a dedicated platform managed by Global Compact Network Italia.

2017 was the third consecutive year that Acea submitted an ad hoc questionnaire to a panel of suppliers of the Group to investigate their commitment to **environmental and social topics**. The sample 2017 included 104 suppliers (58 representing the product category goods and services and 46 for works), these counted 102 in 2016, and **55 companies answered the questionnaire** - 48 in 2016 - (27 for goods and services and 28 for works).

The results of the findings on environmental data, such as consistency of energy

consumption, are described in the section *Relations with the environment* to which reference is made. As regards **social topics**, such as the adoption of tools to promote ethics and integrity, employment protection and the respect of health and safety at the workplace, **the analysis of the information provided shows** that, with reference to the **topic of ethics and integrity**, **42% of the suppliers adopt tools for the promotion of virtuous behaviour**, including the Code of Ethics, the Organisation, Management and Control Model pursuant to Legislative Decree

no. 231/01 and anti-corruption guidelines; as regards **employment protection**, it emerged that **76% the workforce of the suppliers is employed under permanent contracts** and that trade unions are present in 42% of the companies; with regard to **health and safety at the workplaces** it emerges that **53% of the suppliers have safety management systems** (for example OHSAS 18001), 56% have provided safety-related training courses for more than 50% of their staff and **91% of the suppliers working for Acea had no injuries** to their staff.

Once **qualified**, a supplier may be subjected to a **second stage Quality Environment and Safety Audit** and since 2017, also an **Energy and Social Responsibility Audit (QASER)**, to verify, at the supplier's seat, the application of certified Management Systems and the procedures for managing important areas for sustainability. The check lists for compliance with the requirements taken into consideration (Management systems, Energy and social Responsibility) were reviewed and adapted during 2017 and the QASER assessment bands were increased within which to place the total score, creating greater diversification in the assessment (Excellent - Very Good - Good - Satisfactory - Sufficient - Poor - Critical - Inadequate). The audit activities were carried out by **qualified Acea SpA internal auditors** belonging to the Units supervising the Integrated Certification Systems, Supplier Qualification and Corporate Social Responsibility, so that all contexts subject matter of attention are covered. **23 audits** were performed which produced the following appraisals: 1 Good; 7 Satisfactory; 7 Sufficient; 6 Poor; 2 Critical. **Whereas on topics of Quality, Environment and Safety** already the subject matter of audit in past years, **the average scores obtained from the audited suppliers fell into the Satisfactory-Good bands** (Satisfactory for Quality and Very Good for Safety), **the appraisals on newly introduced topics were not as good** (Inadequate for Energy, Critical for Social responsibility), **highlighting opportunities for Acea to proceed with further awareness campaigns in the supply chain**.

The results of the feedback were aggregated on the system and each **supplier was sent feedback** by which they were notified of the QASER appraisal band resulting from the completed audit and a **brief report** outlining, apart from strong points, the aspects for which improvement/correction is recommended. The supplier was contextually sent a data sheet of the most significant Findings and a request to give the reasons for non-compliance and propose corrective actions.

The Parent Company's supplier Qualification Unit also coordinated a **residual** and limited number of **worksite inspections**, upon closure of contracts existing with the three Accredited certified worksite audit companies activated in late 2015. This concerned **16 audits**, performed using a check list to establish the requisites of safety, environment and quality of the works, in compliance with the provisions contained in the contractual documents. The subject matter of such checks was also a census of the skills and work tools present at the worksite at the time of inspection. During the 16 audits, **612**

parameters were found to comply out of the 699 applicable parameters, with a compliance index equal to about 87.5%. The parameters subject matter of measurement did not lead to suspensive measures from the works List related to failed observance of laws in force on the matter of Environment and/or Safety.

The majority of worksite audits is instead correlated to **works subject matter of Single Tenders for the maintenance of networks and services, in the water and electricity areas**, awarded in 2015 and 2016 and is carried out by the **"Safety Team", operational in Acea Elabiori**. The Safety Team manages **Safety-related issues during the Executive phase**, with the aim of **ensuring compliance with the highest safety standards** and the laws in force on safety in the workplace⁸², also checking the compliance of the relevant documents produced during the bidding phase⁸³. Activities are differentiated between works requiring Safety Coordination during the Executive phase and works in which the safety standard adopted is assessed and verified through sample inspections. In 2017, the Team intervened through the following figures:

- **15 Safety coordinators in the Execution phase (CSE)**, designated to specific worksites from time to time;
- **15 Safety inspectors**, assigned to performing random inspections;
- **Safety Managers**, appointed for each lot of the Tenders managed by the Team, with the task of coordinating CSE activities;
- **Planners**, ensuring the planning and monitoring of the interventions within the land and the process supervised;
- **Technical Safety Auditors** providing the Works Managers of each tender with the support required for completing the Verification of Technical Professional Suitability of the Contractor provided under the law in force.

During the year, the Safety Team performed **technical and professional checks on 74 companies** (19 contractors and 55 subcontractors) and a positive opinion of the execution of the works and services contracted was given for 73 companies (19 contractors and 54 subcontractors). It also carried out **Safety Coordination in the Executive phase for 112 work orders and carried out about 8,900 inspections relating to worksite safety** (62% more than the 5,500 inspections in 2016), **reporting on compliance with the laws in force on Health and Safety in the Workplace or deviations from these laws (non-compliances)**, according to four categories established beforehand in the contractual documentation: compliant or

⁸² Legislative Decree no. 81/08 "Consolidated Act on Safety", as amended.

⁸³ Safety and coordination plan for the worksite/ DUVRI/ Safety Operating Plan.

not applicable, breach of a minor entity (in general corrected on the spot), breach of a medium or serious entity.

A score is associated to each non-compliance encountered and is deducted from the annual score set out in the tender documents, of which each contractor avails. **Corrective actions** and **finances** are associated to non-compliances, and **breaches of a serious nature may imply the suspension of the works**. During the course of about **8,900 inspections**, the Team encountered a total of **733 non-compliances**, **500** a “minor entity”, **164** a “medium entity” and **69** in the “serious entity” category.

During the audits completed on the staff of contractor companies, lastly, it is also **ascertained that the employer has provided both basic training** and, where applicable, **specific training**, as provided by the law in force on the matter of safety.

Despite the attention given to this topic, it must be reported that during the year in relation to activities assigned by certain Group companies to contractors, there were **22 accidents, of which 3 fatal** during the year. With the maximum collaboration of Acea, investigations are in progress by the Judicial Authority and to date no actions have been formalised against the three contracting companies of the Group or the related executives or supervisors.

Pursuant to the **Memorandum on Water Tender Contracts** signed on 6 June 2012 by Acea SpA and Acea Ato 2, the Trade Unions and Industry Federations **held a series of meetings in 2017 as part of the Joint Committee set-up for the purpose**. The operations of the Single Tender for the maintenance of networks and the services of the integrated water service has contributed, in recent years, to reducing the criticalities originally reported by the Trade Unions concerning matters of safety and organisation of the work regarding staff from the firms engaged in Acea contracts and to generating benefits in terms of efficiency, work organisation and resources, traceability and transparency of information. During

2017 the Parties met on three occasions and Acea undertook to arrange for, during calls to tender for the award of services, the **insertion of a specific clause to promote occupational stability for staff used in the contracts**.

In 2017 **Acea Energia** continued with **monitoring the quality of the sale service provided by the Agencies for door to door sales and/or teleselling** in the “domestic” and “micro business” segments of the free market. The **Agency Agreement** requires **mandatory training for staff members** who operate on behalf and in the name of Acea to **ensure that they provide accurate information to the customers**, with **finances also being applicable** (starting from 1,000 Euros) in the event of unfair commercial practices. During the year, Acea **provided training programmes for 631 sellers**, for a **total of 3,978 hours of training**. With **146,945** newly acquired supplies (electricity and gas), **62 complaints** received from customers were **analysed and investigated** and **30 instances of improper conduct** were sanctioned.

During the year, **Areti** organised 5 informative meetings with contracting companies concerning Preventions of the electricity risk in activities under contract on low voltage public lighting plants; in the meetings, lasting 4 hours each, a total of 47 persons participated for a total of 188 hours of training given on the topic. Furthermore, the Company, since 2008, uses a **Vendor rating model** for works in the energy sector, focused on **142 quality, safety and environmental parameters**. The system envisages worksite inspections and the preparation of merit rankings based on the reputation of the contractors and also the possibility of applying fines and suspending the activities of the contractors: **during 2017, 12 worksites were temporarily closed due to safety “non-compliances” against a total of 1,176 inspections**. The **average reputational index** found in the year, **equal to 97.02**, is constantly increasing (it was **95.78** in 2016), and it confirms the good level of reliability of the operators.

DISPUTES WITH SUPPLIERS IN 2017

The dispute between the company and suppliers mainly concerns litigations due to **failure to pay invoices** for goods, works and services and legal action concerning **tender contracts**. In 2017, following on from previous years, the number of disputes arising is still contained. With regard to the failure to pay invoices, there were **19 cases** (15 in 2016). In general, there are injunctions concerning invoices that were not paid for reasons of a formal nature and were quickly resolved by settlement proceedings; in fact 9 of the latter were settled during the same year of 2017.

As regards legal action concerning **tender contracts**, 6 proceedings were brought in 2017, there were 8 in 2016 and in this case too, the reduction in litigations is confirmed compared to trends for previous years (12 cases in 2015 and 15 in 2014).

We point out, moreover, that 11 disputes were lodged of an administrative nature on the matter of **calls to tender**, 5 of which are already settled.

As at 31 December 2017 the total number of **pending disputes with suppliers equal 76** (in line with the value for 2016, where

– on equal terms of reporting scope 2017
– there were 72 litigations), including disputes already pending and net of the 21 cases settled in the year. The decreasing trend is thereby confirmed (the total in the two-year period 2014-2015 was about 86 pending disputes). In detail, this concerns 18 appeals to the local court on the matter of awards and 57 proceedings brought at the ordinary magistrate’s court which mainly concerning registrations of reserves by the contracts, contract termination and compensation of damages.

STAFF



96.5% OF ACEA'S EMPLOYEES
HAVE AN OPEN-ENDED EMPLOYMENT
CONTRACT



207
INCOMING EMPLOYEES IN 2017



WOMEN REPRESENT **33%**
OF THE CORPORATE
GOVERNANCE BODIES



SICURI DI ESSERE SICURI?
ACEA ORGANISES THE SAFETY WEEK:
3,000 WORKERS ENGAGED



INJURIES AND INJURY INDEXES ARE
DROPPING: **10.87**
FREQUENCY INDEX, **0.43**
GRAVITY INDEX



A TOTAL OF **91,996**
TRAINING HOURS CARRIED
OUT (CONVENTIONALLY,
EXPERIENCE-BASED AND
E-LEARNING)

ACEA'S EMPLOYEES

The workforce included in the report⁸⁴, which includes the companies consolidated according to the net assets method **suitable for representing the operations of the Group, totals 4,692 persons**. By analysing the evolution by areas of business and corporate, there is a more significant increase in the staff of the Environment Area (+16.5%), consistent with the increasing commitment to the activities

of reference, and lower for both the Water Area and Corporate (both 3.6% and considering the Water Area less the companies no longer included in the 2017 perimeter). The decreases in the number of employees of the Energy Infrastructures area and the Commercial and Trading area are marginal. Relative to the geographic location of the employees, considering both the registered office of the companies and the operating locations, almost all of them are concentrated in Lazio, with a residual number in Campania, Umbria and Tuscany.

TABLE NO. 35 - EVOLUTION OF THE EMPLOYEES BY MACRO-AREAS (2016-2017)

| BUSINESS AREA | 2016 ^(*) (No. employees) | 2017 (No. employees) |
|------------------------|--|-------------------------|
| Water | 2,029 | 2,011 |
| Energy infrastructures | 1,370 | 1,362 |
| Commercial and trading | 449 | 437 |
| Environment | 247 | 288 |
| Corporate (Acea SpA) | 573 | 594 |
| Total | 4,668 | 4,692 |

^(*) To permit a complete comparison, the 2016 data was combined, by reporting scope of the relative financial year, taking the reorganisation of the business areas into account that took place in 2017. Please remember that the 2016 data included, in the Water Area, also 88 employees of Acea Gori Servizi and Crea Gestioni no longer included in the 2017 scope. Acea Elabiori, organisationally included in the Engineering and Services Area, is also included in the Water Area, for the services provided to the sector, with a total of 233 employees in 2016 and 270 in 2017.

⁸⁴ See also *Methodological Note*. The total workforce, for all the companies within the consolidation, was 5,625 during the year (4,968 in 2016). The perimeter ensures the comparison of the data with the preceding year.

COMPOSITION AND TURNOVER

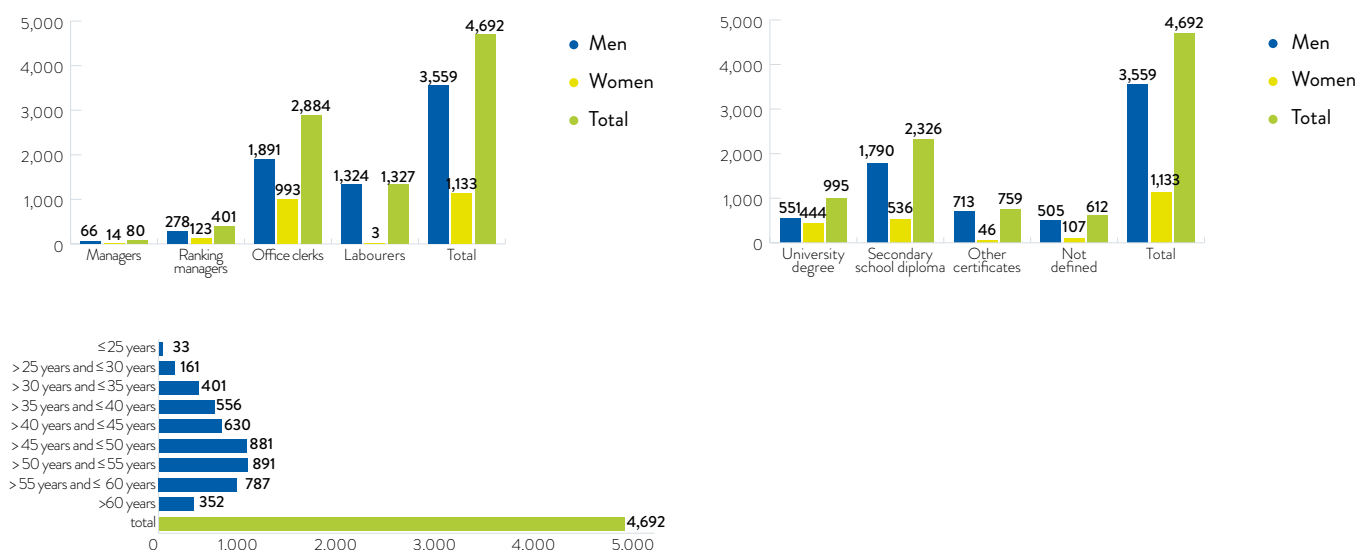
The **Human Resources Management Department** of Acea SpA handles, serving and on behalf of the subsidiaries, **the administrative management of their staff**. Therefore, the following information and data covers the entire scope of the Balance Sheet (see the Methodological Note) and ensures an adequate comparison with the preceding year⁸⁵.

Of the **4,692 people who work in the Group** (there were 4,668 in 2016), **61.5%** were classified as **clerical workers**, **28.3%** as **workmen**, **8.6%** as **managers** while **executives** represent **1.7%**.

In terms of education, we confirm the trend of a slight, constant increase in employees with **bachelor's degrees**, which rise to **21.2%** (19.3% in 2016 and 18.5% in 2015), and the **basic stability of graduates** at **49.6%** (it was 49% in 2016). There was a slight decrease in the percentage of employees with other degrees, 15.3% compared to 16.5% in 2016.

The **age of the employees** is consistent with the preceding year: approx. **62% of the staff are over 45 years of age**, **34% are between 30 and 45 years** and **4% are under 30**. Even the **average age** remains stable at **47.7 years** (for all the aforementioned data please see chart no. 30 and Table no. 36).

CHART NO. 30 - COMPOSITION OF THE STAFF: CLASSIFICATION, GENDER, LEVEL OF EDUCATION AND AGE (2017)

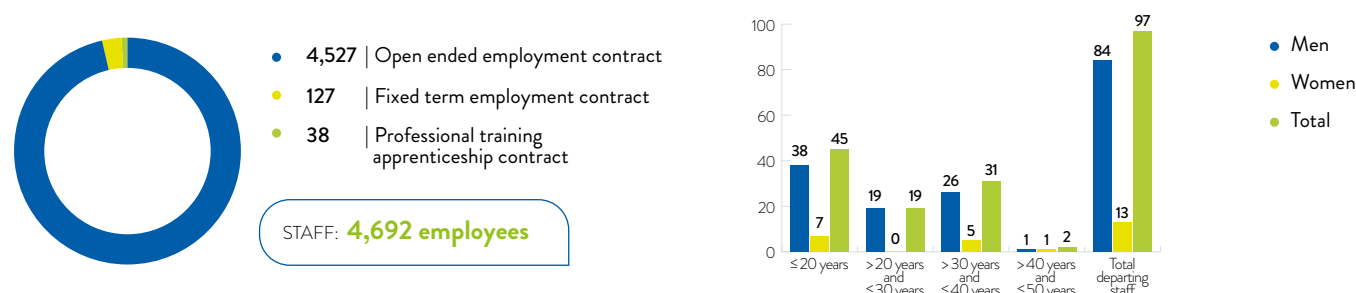


The percentage of staff employed in the Group with an **open-ended contract** remains **very high: 96.5%**, or **4,527 employees**, even though slightly down compared to the 98.5% in 2016.

The **length of the employment relationship**, relative to the

employees who every year leave the company, still indicates the **stability of the employment**: during the year, 46.4% of the employees leaving worked for the Group up to 20 years and **51.6% for a period of between 20 and 40 years** (see chart no. 31 and Tables no. 36 and 38).

CHART NO. 31 - THE TYPES OF AGREEMENTS AND THE LENGTH OF THE EMPLOYMENT RELATIONSHIP (2017)



In 2017, the **rate of turnover** was **6.5%** (5.9% for men and 8.1% for women), the **incoming rate** rises to 4.4% (3.6% for men and 6.9% for women) and the outgoing drops to 2.1% (2.4% for men and 1.1%

for women) (see Table no. 37).

In fact the trend, already registered during the preceding two years, is confirmed in the **increase in incoming staff: the 207**

⁸⁵ The 2017 perimeter of the Sustainability Report includes the following companies: Acea SpA, Acea Ambiente, Aquaser, Acea Energia, Acea8cento, Areti, Acea Produzione, Ecogena, Acea Ato 2, Acea Ato 5, Gesesa, Acea Elabori. See *Disclosing Sustainability: methodological note*. The 2016 perimeter included the Acea Illuminazione Pubblica (Public Lighting) company, the activities of which were predominantly transferred to Areti at the end of 2016, therefore their employees are merged with the companies included in the 2017 perimeter. In 2016, Acea Gori Servizi (62 employees) were also included, which in 2017 was no longer consolidated using the full consolidation method, and Crea Gestioni (26 employees). The difference in the scope therefore, involves the data relative to 88 individuals.

entries during the year, of which **128 men and 79 women**, are 33.5% higher compared to the 155 of 2016 (in turn a 14% increase compared to the preceding year). The entries are mainly the result of 150 hires from the external labour market and 52 stabilisations (see chart no. 32 and Table no. 37).

Acea has improved the **selection and insertion processes of young people with professional profiles and strong digital skills** and new graduates in technical subjects by initiating numerous recruitment channels from Universities, Research Centres and Start-up Incubators (see box on the **Graduate Program**).

SELECTION AND INSERTION PROJECT: GRADUATE PROGRAM

During 2017, Acea concluded the transversal selection and insertion project, **Graduate Program**, through which it hired 12 “Millennials” with a view to providing momentum and

support to the **Business Transformation**. The new hires were entered in an internal development path, through various Job Rotation experiences and training initiatives, with the

objective of building and enriching transversal skills and building the core ones in **Digital, Engineering & Operations, ICT and Business Intelligence**.

The companies most affected by the incoming flow of staff were Acea Ato 2 and Acea SpA with 65 and 29 new employees respectively (between new hires and stabilisations), followed by Aquaser,

with 24 hires. Overall, in 2017, **42% of entries were concluded with open-ended contracts** (down compared to the 51.6% of 2016) and 32% of the incoming staff is **between 20 and 30 years of age**.

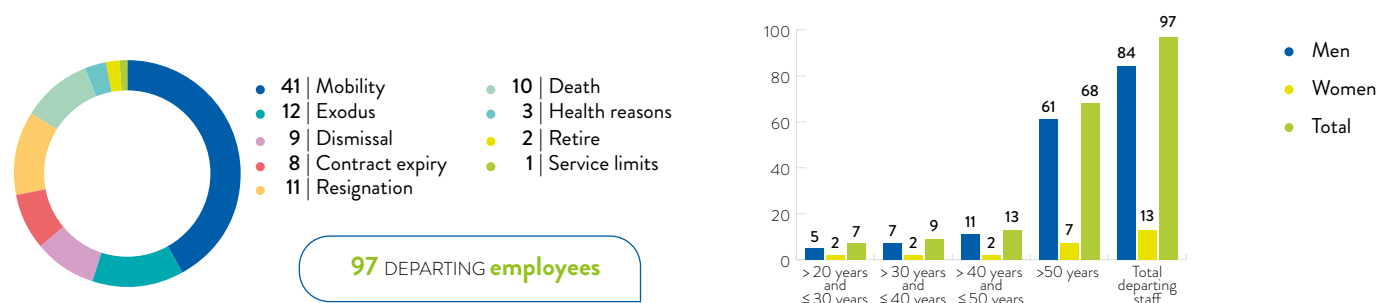
CHART NO. 32 - THE REASONS FOR THE ENTRIES AND AGE OF THE STAFF (2017)



There were 97 people who left the company during the year, of which 84 men and 13 women, a **decrease of 40% compared to the 163 employees who left in 2016**. In particular, **41 employees were laid off**, a form of subsidised voluntary early retirement and **12 employees**

were involved in the **facilitated voluntary retirement plans**, with the agreed and subsidized early termination of the employment agreement with the company (chart no. 33 and Tables no. 37 and 38). Approx. **70% of the outgoing staff was over 50 years of age**.

CHART NO. 33 - THE TYPES OF EXIT AND AGE OF THE STAFF (2017)



THE FEMALE PRESENCE IN ACEA

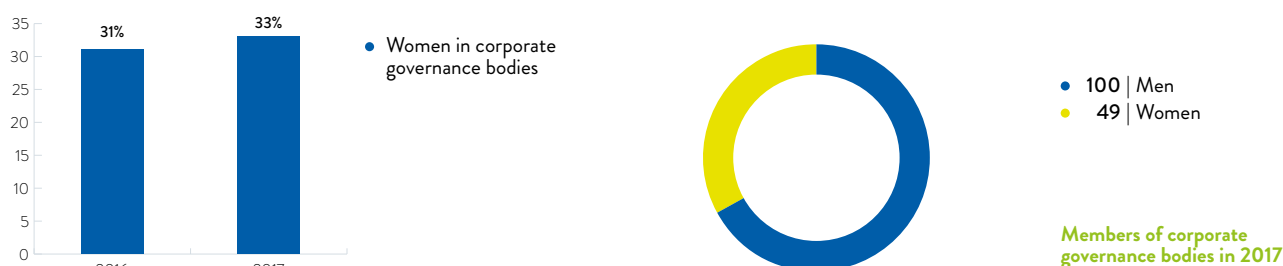
There were 1,133 female workers in Acea in 2017: **24.2% of the workforce**. The figure increased by one percentage point compared to the preceding year (23.2%). The smaller presence of

female workers in the Group compared to the male workers can be related to the operational nature of the processes managed: to date, in fact, in Italy, professional positions of a technical-specialised nature are still predominantly held by men (chart no. 34).

CHART NO. 34 - THE DISTRIBUTION OF THE STAFF FROM A PERSPECTIVE OF GENDER (2017)


During the year, the **presence of women executives remained unchanged** (14 out of 80, equal to 17.5%) and female managers remained stable (123 out of 401, or 30.2%). The **percentage of female graduates increased by one percent** of the total graduates on the workforce (444 out of 995, or 44.6%). With the renewal of the corporate governance bodies, which took place during the year, at 31.12.2017 **were 49 women in the corporate governance** of the companies included in the reporting perimeter (Boards of Directors, Boards of Statutory Auditors

and Supervisory Bodies), or **33% of the total** number of members (in 2016 in comparison, women in the governance bodies totalled 46: 31%). The women included on the Board of Directors of the Parent Company come to 33.3%: 3 out of 9 members, in full compliance with Law no. 120/2011. In particular, we report that every one of the internal board committees includes one or more women and the Chair of the Control and Risks, Appointments and Remuneration, Ethics and Sustainability Committees is assigned to a female Director.

CHART NO. 35 – PRESENCE OF WOMEN IN THE CORPORATE GOVERNANCE BODIES (2017)

TABLE NO. 36 - SOCIAL INDICATORS: GENERAL DATA ON THE STAFF (2016-2017)

| | | | | 2016 ^(*) | | | |
|---|-------|-------|-------|---------------------|-------|-------|-------|
| COMPOSITION OF THE STAFF | | | | | | | |
| number | men | women | total | | men | women | total |
| Executives | 67 | 14 | 81 | | 66 | 14 | 80 |
| Managers | 271 | 117 | 388 | | 278 | 123 | 401 |
| Clerical workers | 1,892 | 953 | 2,845 | | 1,891 | 993 | 2,884 |
| Workmen | 1,351 | 3 | 1,354 | | 1,324 | 3 | 1,327 |
| Total | 3,581 | 1,087 | 4,668 | | 3,559 | 1,133 | 4,692 |
| WOMEN IN ACEA | | | | | | | |
| % | | | | | | | |
| Women out of the total workforce | | | | 23.3 | 24.2 | | |
| Female executives out of total executives | | | | 17.3 | 17.5 | | |
| Female managers out of total managers | | | | 30.2 | 30.7 | | |
| Female graduates out of total graduates | | | | 43.4 | 44.6 | | |
| LEVEL OF EDUCATION OF THE STAFF | | | | | | | |
| number | men | women | total | | men | women | total |
| University graduates | 511 | 392 | 903 | | 551 | 444 | 995 |
| High school graduates | 1,768 | 522 | 2,290 | | 1,790 | 536 | 2,326 |

| | | | 2016 ^(*) | | | | 2017 |
|--|-------|-------|---------------------|-------|-------|-------|------|
| LEVEL OF EDUCATION OF THE STAFF | | | | | | | |
| Other degrees | 723 | 47 | 770 | 713 | 46 | 759 | |
| Not defined | 579 | 126 | 705 | 505 | 107 | 612 | |
| total | 3,581 | 1,087 | 4,668 | 3,559 | 1,133 | 4,692 | |
| AVERAGE AGE OF THE STAFF | | | | | | | |
| age | men | women | total | men | women | total | |
| Average corporate age | 48.2 | 44.7 | 47.4 | 48.6 | 44.9 | 47.7 | |
| Average age of executives | 53.5 | 49.8 | 52.9 | 54.1 | 50.8 | 53.6 | |
| Average age of managers | 50.4 | 47.8 | 49.6 | 51.0 | 48.6 | 50.3 | |
| Average age of clerical workers | 48.1 | 44.2 | 46.8 | 48.4 | 44.3 | 47.0 | |
| Average age of workmen | 47.5 | 48.7 | 47.5 | 48.0 | 49.7 | 48.0 | |
| AVERAGE SENIORITY OF THE STAFF | | | | | | | |
| age | men | women | total | men | women | total | |
| Average corporate seniority | 18.9 | 15.5 | 18.1 | 19.3 | 15.4 | 18.3 | |
| Average seniority of executives | 19.5 | 17.7 | 19.2 | 19.0 | 18.7 | 19.0 | |
| Average seniority of managers | 20.8 | 18.0 | 19.9 | 21.4 | 18.3 | 20.5 | |
| Average seniority of clerical workers | 20.0 | 15.1 | 18.4 | 20.4 | 14.9 | 18.5 | |
| Average seniority of workmen | 16.8 | 27.0 | 16.8 | 17.3 | 28.0 | 17.3 | |
| TYPE OF CONTRACT OF THE STAFF | | | | | | | |
| number | men | women | total | men | women | total | |
| Permanent staff with open-ended contract | 3,531 | 1,068 | 4,599 | 3,456 | 1,071 | 4,527 | |
| <i>(of which) part-time staff</i> | 25 | 83 | 108 | 27 | 99 | 126 | |
| Fixed-term staff | 23 | 14 | 37 | 69 | 58 | 127 | |
| Staff under apprenticeship contracts | 27 | 5 | 32 | 34 | 4 | 38 | |
| total | 3,581 | 1,087 | 4,668 | 3,559 | 1,133 | 4,692 | |

(*) For a full comparison of the 2017 and 2016 data, remember that, in 2016, 88 employees of two companies (Acea Gori Servizi and Crea Gestioni) were also included and are no longer included in the year in question.

TABLE NO 37 - SOCIAL INDICATORS: MOVEMENTS OF THE STAFF (2016-2017)

| 2016 | | | | 2017 | | |
|--|-----|-------|-------|------|-------|-------|
| INCOMING STAFF: CONTRACT TYPE | | | | | | |
| number | men | women | total | men | women | total |
| Open-ended | 60 | 20 | 80 | 59 | 26 | 85 |
| Fixed-term | 26 | 15 | 41 | 58 | 52 | 110 |
| Professional apprenticeship contracts | 24 | 5 | 29 | 11 | 1 | 12 |
| Business branch acquisition | 4 | 1 | 5 | 0 | 0 | 0 |
| total | 114 | 41 | 155 | 128 | 79 | 207 |
| (of which) acquisition of staff from Public Entities | 0 | 0 | 0 | 0 | 0 | 0 |
| OUTGOING STAFF: REASONS | | | | | | |
| number | men | women | total | men | women | total |
| Lay-off | 81 | 16 | 97 | 39 | 2 | 41 |
| Early retirement | 8 | 2 | 10 | 10 | 2 | 12 |
| Retirement | 4 | 0 | 4 | 2 | 0 | 2 |
| Dismissals | 18 | 6 | 24 | 9 | 0 | 9 |
| Other reasons ^(*) | 24 | 4 | 28 | 24 | 9 | 33 |
| total | 135 | 28 | 163 | 84 | 13 | 97 |

| | 2016 | 2017 |
|---|------|------|
| TURNOVER, INCOMING AND OUTGOING RATES (**) | | |
| % | | |
| Turnover rate | 6.8 | 6.5 |
| Incoming rate | 3.3 | 4.4 |
| Outgoing rate | 3.5 | 2.1 |

(*) The item, for 2017, includes: 10 deaths, 11 resignations, 2 disabilities, 1 limits of service and 9 contract termination.

(**) The turnover rate is provided by the sum of hires and terminations of the year relative to the workforce at year end. The companies to which the data refers are predominantly located in Lazio. Below please find the **2017 data divided by gender and, exits and hires, as well as by age groups**: Turnover rate of women is 8.1%, men 5.9%; incoming rate is 3.6% for men, divided into the following age groups: 0.08% <=20 years, 1.12% >20 years and <=30 years, 1.46% >30 years and <=40 years, 0.62% >40 years and <=50 years and 0.31% > 50 years, and 6.9% for women (2.29% >20 years and <=30 years, 3.88% >30 years and <=40 years, 0.62% >40 years and <=50 years and 0.18% > 50 years). The exit rate is 2.4% for men (0.14% >20 years and <=30 years, 0.20% >30 years and <=40 years, 0.31% >40 years and <=50 years and 1.71% > 50 years) and 1.1% for women: (0.18% >20 years and <=30 years, 0.18% >30 years and <=40 years, 0.8% >40 years and <=50 years and 0.62% > 50 years).

TABLE NO. 38 - SOCIAL INDICATORS: AGE GROUPS, LENGTH EMPLOYMENT CONTRACT (2016-2017)

| | 2016 | | | 2017 | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| number | men | women | total | men | women | total |
| AGE GROUPS OF THE STAFF | | | | | | |
| ≤ 25 years | 33 | 2 | 35 | 31 | 2 | 33 |
| > 25 years and ≤ 30 years | 87 | 61 | 148 | 98 | 63 | 161 |
| > 30 years and ≤ 35 years | 266 | 136 | 402 | 257 | 144 | 401 |
| > 35 years and ≤ 40 years | 374 | 187 | 561 | 361 | 195 | 556 |
| > 40 years and ≤ 45 years | 506 | 173 | 679 | 461 | 169 | 630 |
| > 45 years and ≤ 50 years | 715 | 218 | 933 | 665 | 216 | 881 |
| > 50 years and ≤ 55 years | 716 | 161 | 877 | 726 | 165 | 891 |
| > 55 years and ≤ 60 years | 683 | 120 | 803 | 644 | 143 | 787 |
| > 61 years | 201 | 29 | 230 | 316 | 36 | 352 |
| total | 3,581 | 1,087 | 4,668 | 3,559 | 1,133 | 4,692 |
| AGE GROUPS OF THE INCOMING STAFF | | | | | | |
| ≤ 20 years | 1 | 0 | 1 | 3 | 0 | 3 |
| > 20 years and ≤ 30 years | 49 | 22 | 71 | 40 | 26 | 66 |
| > 30 years and ≤ 40 years | 36 | 16 | 52 | 52 | 44 | 96 |
| > 40 years and ≤ 50 years | 13 | 3 | 16 | 22 | 7 | 29 |
| > 50 years | 15 | 0 | 15 | 11 | 2 | 13 |
| total | 114 | 41 | 155 | 128 | 79 | 207 |
| AGE GROUPS OF THE OUTGOING STAFF | | | | | | |
| ≤ 20 years | 0 | 0 | 0 | 0 | 0 | 0 |
| > 20 years and ≤ 30 years | 4 | 0 | 4 | 5 | 2 | 7 |
| > 30 years and ≤ 40 years | 7 | 2 | 9 | 7 | 2 | 9 |
| > 40 years and ≤ 50 years | 17 | 3 | 20 | 11 | 2 | 13 |
| > 50 years | 107 | 23 | 130 | 61 | 7 | 68 |
| total | 135 | 28 | 163 | 84 | 13 | 97 |
| DURATION OF THE EMPLOYMENT CONTRACT OF THE OUTGOING STAFF | | | | | | |
| ≤ 20 years | 44 | 6 | 50 | 38 | 7 | 45 |
| > 20 years and ≤ 30 years | 23 | 4 | 27 | 19 | 0 | 19 |
| > 30 years and ≤ 40 years | 66 | 17 | 83 | 26 | 5 | 31 |
| > 40 years and ≤ 50 years | 2 | 1 | 3 | 1 | 1 | 2 |
| total | 135 | 28 | 163 | 84 | 13 | 97 |

HOURS WORKED, SALARY AND PENSION FUNDS

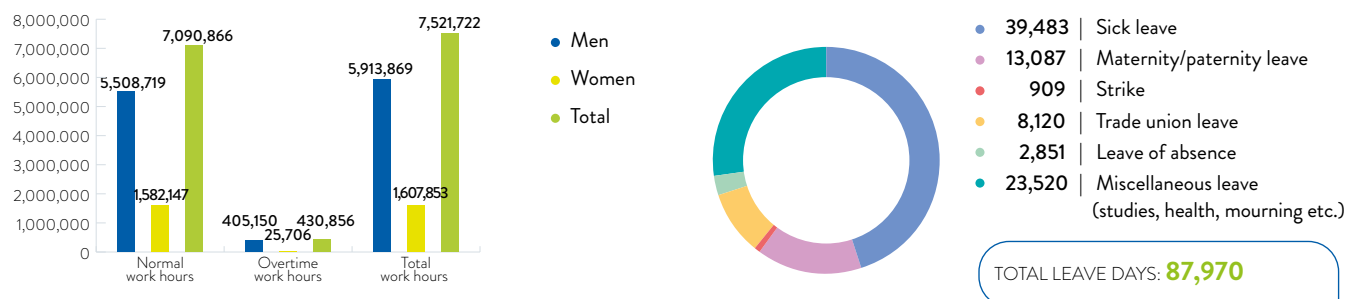
HOURS WORKED IN ACEA

The total number of hours worked during the year, regular and

overtime, excluding executives, comes to **7,521,722**, 87.6% of which attributable to the male staff.

Days of absence came to **87,970**, a **5% decrease** compared to the preceding year (92,901 days), determined, for the most part, by absences due to **illness, leave** (for reasons of study, health etc.), **maternity/paternity leave and trade union reasons** (see chart no. 36 and Table no. 39).

CHART NO. 36 - HOURS WORKED BY THE STAFF AND ABSENCES (2017)



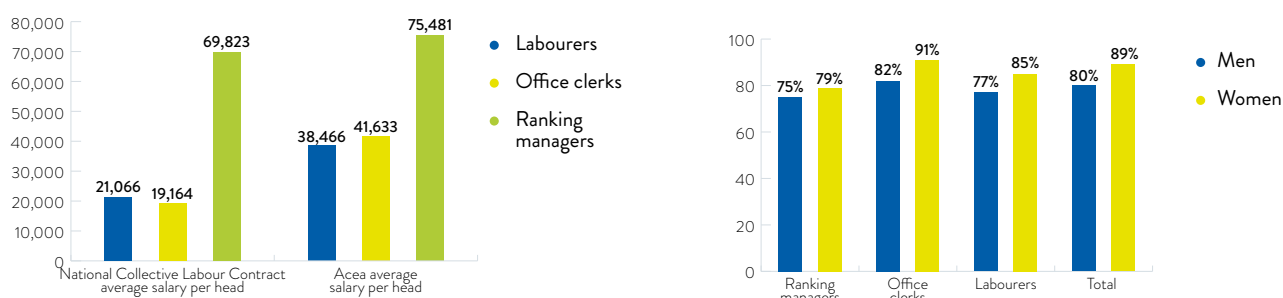
The employees can take **various types of leave** and **forms of flexibility** such as, for example, part-time, which in 2017 involved **2.8% of the staff**, and the **independent schedule** for **managers** and the **stage three workers**, which permits a “customised” management of the work schedules, in compliance with the work duties anticipated by the contract. For employees who do not use the independent schedule, **arrival and departure flexibility** is anticipated, and, lastly, they are the workmen have a **total number of monthly hours of leave** available to collect during the times established.

COMPENSATIONS

The wages of the employees are determined in application of the **National Collective Bargaining Agreements** of reference, excluding the executives and top management. The remuneration policy adopted by Acea increasingly applies **merit-based principles** to the operations on the fixed and variable components.

In 2017, **gross average salaries per capita increased by more than 4 percentage points for all the professional categories**. The **total gross average salary per capital increases 4.6%** and comes to **Euro 43.6 thousand** (it was Euro 41.6 thousand in 2016); by including the executives as well, it comes to **Euro 45.8 thousand** (it was Euro 43.8 thousand in 2016) (see Table no. 39).

CHART NO. 37 - AVERAGE SALARIES AND RELATIONSHIP BETWEEN BASE SALARY AND REMUNERATION (2017)



Looking at the data from the **point of view of gender**, it can be noted that the **relationship between the “base salary” and the gross actual remuneration** - including the “additional” elements which contribute to determining the total amount of the salary - in 2017 **comes to 89% for female staff and 80% for male staff**, both unchanged compared to 2016. **The activities remunerated with a greater additional compensation**, such as on-call, shifts, allowances, overtime, **are in fact mainly held by male staff** (for example the work performed by the emergency services technicians who rotate in 24 hour shifts).

PENSION FUNDS AND DEFINED CONTRIBUTION PLANS

The principal supplemental pension funds for the employees of the Group are: **Previndal**, reserved for management, and **Pegaso**

for non-management staff, to whom the CCNLs apply signed by Utilitalia for the companies of public utility of the electrical and gas-water segment.

The Pegaso fund is managed equally by Utilitalia - the Federation that unites the Companies operating in public services of water, the environment, electricity and gas - and the trade organisations of the workers Filctem-Cgil, Femca-Cisl, Uiltec-Uil which established it.

In 2017, there were **2,447 employees** of the Group **belonging to the Pegaso Fund** (2,434 in 2016). Acea paid approx. Euro 4.67 million of TFR and Euro 1.46 million of supplemental corporate contribution to the fund. The economic value committed by Acea for TFR and other defined benefit plans i Euro 108.4 million. By analysing the distribution by gender of the Acea members in the Fund, **78.2% are men and 21.8% are women** (see Table no. 39).

The net assets of the fund destined for benefits reached **Euro 987 million** in 2017 (Euro 915 million in 2016), an increase of approx. 8%. The *Balanced*, *Dynamic* and *Guaranteed* segments increased, respectively by 2.81%, 4.69% and 0.55%. The performance of the TFR, used as benchmark of the Guarantee segment, was 1.74%

in 2017. The *Balanced* segment, which includes 82% of the capital, has had a cumulative “compound” return in the last 15 years of 91.86% (average annual compound return of 4.44%). During the same period, the accumulated revaluation of the TFR was 42.54% (average annual compound return of 2.33%).

PERFORMANCE OF THE PEGASO FUND RELATIVE TO THE EMPLOYEES OF THE ACEA GROUP

During its first 18 years, the Pegaso Fund disbursed services (redemptions, pension funds, advances and transfers) in favour of the Acea employees for a total of Euro 17.6 million, of which approx. **Euro 2.5 million in 2017 alone**. Euro 1.6 million was disbursed during the year for advances, motivated by personal requirements, to pay for medical expenses, purchase or renovation of first house or for children, in response to 147 requests, and Euro 860 thousand for redemptions/benefits against 39 requests, and lastly Euro 88 thousand for three transfer requests.

At 31.12.2017, the capital managed by the Fund for the Acea members totals approx. Euro 85 million. The contribution withheld and paid in 2017 for the Acea employees totalled **Euro 7.9 million**. The distribution of the asset allocation among the various segments of the Pegaso Fund shows that 86% of the capital of the Acea members is invested in the *Balanced* profile, with an investment portfolio characterised by an average bond component of 30% and stock component of 70%. It must be pointed out that the supplemental pension fund was subject to significant

changes introduced by the 2017 Sustainability Law. Among these, for example, is the possibility of using the pension fund in the form of an RITA (Rendita Integrativa Temporanea Anticipata [Early Temporary Supplemental Income]), in order to use the pension fund in the most favourable way in terms of taxes prior to leaving the company and reaching the maturity of the pension requirements.

NB The data and information relative to the Pegaso Fund are prepared with the cooperation of Andrea Mariani, Director General of the Fund.

TABLE NO. 39 - SOCIAL INDICATORS: HOURS WORKED, ABSENCES, COMPENSATION AND MEMBERS OF THE SUPPLEMENTAL PENSION FUND (2016-2017)

| 2016 | | | | 2017 | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| HOURS WORKED BY THE STAFF | | | | | | |
| hours | men | women | total | men | women | total |
| regular | 5,628,514 | 1,572,229 | 7,200,743 | 5,508,719 | 1,582,147 | 7,090,866 |
| overtime | 435,101 | 36,531 | 471,632 | 405,150 | 25,706 | 430,856 |
| Total hours worked | 6,063,615 | 1,608,760 | 7,672,375 | 5,913,869 | 1,607,853 | 7,521,722 |
| TYPE OF ABSENCES | | | | | | |
| days | men | women | total | men | women | total |
| illness | 29,087 | 12,392 | 41,483 | 29,181 | 10,302 | 39,483 |
| maternity/paternity | 1,663 | 12,735 | 14,398 | 1,148 | 11,939 | 13,087 |
| strike | 62 | 8 | 70 | 777 | 132 | 909 |
| Trade union leave | 6,924 | 924 | 7,848 | 7,069 | 1,051 | 8,120 |
| Leave of absence | 1,919 | 794 | 2,713 | 1,706 | 1,145 | 2,851 |
| Miscellaneous leave (study, health, bereavement and general reasons) | 17,535 | 8,854 | 26,389 | 15,035 | 8,485 | 23,520 |
| total days absent (excluding holidays and accidents) | 57,190 | 35,711 | 92,901 | 54,916 | 33,054 | 87,970 |
| GROSS AVERAGE COMPENSATION BY GRADE | | | | | | |
| Euro | 2016 | | | 2017 | | |
| managers | 71,968 | | | 75,481 | | |
| clerical workers | 39,985 | | | 41,633 | | |
| workmen | 36,804 | | | 38,466 | | |
| AGE GROUPS AND GENDER OF THE EMPLOYEES ENROLLED IN THE PEGASO FUND | | | | | | |
| 2016 ^(*) | | | | 2017 | | |
| number | men | women | total | men | women | total |
| ≤ 25 years | 1 | 0 | 1 | 10 | 1 | 11 |
| > 25 years and ≤ 30 years | 24 | 8 | 32 | 27 | 10 | 37 |

AGE GROUPS AND GENDER OF THE EMPLOYEES ENROLLED IN THE PEGASO FUND

| | 2016 ^(*) | | | 2017 | | |
|---------------------------|---------------------|------------|--------------|--------------|------------|--------------|
| number | men | women | total | men | women | total |
| > 30 years and ≤ 35 years | 99 | 33 | 132 | 96 | 29 | 125 |
| > 35 years and ≤ 40 years | 173 | 55 | 228 | 156 | 62 | 218 |
| > 40 years and ≤ 45 years | 245 | 71 | 316 | 217 | 60 | 277 |
| > 45 years and ≤ 50 years | 414 | 132 | 546 | 374 | 130 | 504 |
| > 50 years and ≤ 55 years | 430 | 107 | 537 | 452 | 101 | 553 |
| > 55 years and ≤ 60 years | 414 | 95 | 509 | 377 | 110 | 487 |
| > 61 years | 112 | 21 | 133 | 206 | 29 | 235 |
| total | 1,912 | 522 | 2,434 | 1,915 | 532 | 2,447 |

(*) The 2016 data includes the Pegaso members of Acea Gori Servizi (33 employees), Crea Gestioni (11 employees), Sogea (9 employees), companies not included in the 2017 perimeter.

LABOUR-MANAGEMENT RELATIONS

Within the Human Resources Management Department of the parent company there is the **Labour-Management Relations Unit** which is assigned the task of monitoring the corporate policies regarding trade union relations.

Labour-Management Relations are conducted within the framework of industry-level defined rules and provisions, by national bargaining (CCNL). A second negotiation level is anticipated between the company and the internal worker representatives, in which agreements are defined adapted to the specific corporate requirements.

The **Single Contract of the Electrical Industry**, renewed on 25 January 2017, and the **Single Contract of the Gas-Water Industry**, renewed on 18 May 2017 apply in Acea. **All the workers** are therefore covered by **national collective bargaining agreements**.

In 2017, unionisation was **70.1%**. There are **323 employees who hold management or trade union representation positions**; of these, **22 hold positions of Workers' Safety Representatives (RLS)**, designated following trade union agreement.

The agreements reached during the year by the Labour-Management Relations Unit with the Trade Union Organisations (OO.SS.)

concerned certain profiles of trade union dialogue: contractual, financial and of a corporate nature.

In particular, effective March 2017, the **contractual change was defined of the employees of Acea8cento** from the preceding Corporate Collective Agreement to the Collective Agreement of the Electrical Industry, with the alignment on the same date of the nominal value of the ticket according to the values established for the "historical" companies of the Group.

With reference to the contractual provisions relative to **rate subsidies on consumption of electricity**, in order to prevent the critical issues resulting from the decision of the Servizio Elettrico Nazionale (SEN) company to no longer apply the rate discount effective 1 October 2017, **Acea stipulated a Trade Union Agreement** which anticipated **retaining the benefit for those entitled to it, in alternative ways**, defined in the same agreement (see in-depth box).

Furthermore, with specific focus on the subject of the **continuing education of the employees**, as fundamental instrument for the professional development and growth, Acea has signed an **Agreement regarding financed education**, through the National Inter-professional Joint Fund for Continuing Education of the Service Industry - Fondo For.Te., for the benefit of all the workers and with particular regard to operational positions.

AGREEMENT STIPULATED REGARDING RATE SUBSIDIES ON CONSUMPTION OF ELECTRICITY

In 2017, Acea stipulated a Trade Union Agreement aimed at preserving, for those entitled, the benefits related to the previous rate subsidies on energy consumption (no longer offered by the Servizio Elettrico Nazionale [National Electrical Service], using them through other means.

The Agreement anticipated the possibility of using the benefit both on the open market

and on the managed service. Those entitled to the subsidy, in fact, can receive the benefit by direct acknowledgement of the rate discount on the invoice, after **signing a special offer on the open market of Acea Energia**; or, should they decided to remain in the managed service, through the **disbursement, quarterly, of an amount equivalent to that of the benefit**, by submitting a specific

request to Acea and providing the **documentation certifying the consumption**.

The Agreement is particularly significant because it's impacts **an audience of around 1,300 people, including workers employed and retired (as well as surviving spouses)** of the companies of the Group to which the Electrical Industry CCNL applies.

Regarding the organisation of the work, we report that during the year the Agreement stipulated between Aquaser and the Trade Unions, which regulates macro-themes - work schedules of travelling staff, of temporary workers and the use of geolocation instruments - pertaining to the particular category of "Drivers", incorporated into Aquaser, following the merger by incorporation of ISA Srl, which took place in the last quarter of 2016.

Through second tier bargaining, agreements were stipulated on the Performance Related Pay - Indicators of Productivity for 2017 established, for many companies of the Group.

In addition, a meeting phase was launched with the OO.SS. connected to the **extraordinary operation of a corporate nature**, consisting in the transfer of the company branch coinciding with the Asset and Facility Management Unit of Acea Elabori SpA and Acea SpA.

Lastly, we report the Agreement stipulated with the Trade Unions, towards the end of the year which, **in implementation of the commitment made by the National Parties** at the time of the renewal of the **Electrical Industry CCNL** of 25 January 2017, **anticipated**

the activation of a life insurance policy. It becomes effective in the event of death due to illness, excluding the causes already covered by insurance, in favour of its employees regulated by the Electrical Industry contract, with an annual per capita premium of Euro 70 and insured principal increasing depending on the particular conditions of the family nucleus of the beneficiaries. The Agreement, of particular importance, **applies to an audience of approx, 2,840 workers** of the companies of the Group.

As regards water, by virtue of the **Protocol on Water Tenders**, signed in 2012 by Acea Ato 2 and Acea SpA, the Confederation Trade Organisations and the Trade Federations held meetings also during 2017 regarding the Joint Commission on the subject of the evolution of the Single Tender to maintain the networks and services of the integrated water cycle, also anticipating the possibility of including in the tender bids a clause connected to occupational protection (see also the chapter *Suppliers*).

As regards the **information notice to the employees regarding possible organisational changes or corporate reorganisations that effect employment relations**, the company takes different positions, depending on the different cases explained below:

1. **organisational changes:** In the event of establishment of new Units or changes in assignments or responsibilities, the Human

Resources Management Department issues an Organisational Provision, sends a communication to the competent facilities which arrange to post it on the bulletin board and publish it on the company intranet. Usually, if there are organisational changes that affect the staff, special information is given to the trade union representatives. Should it affect a single employee (for example change in workplace, schedules, etc.) a special communication will be delivered to the employee by the Human Resources Management Unit of the home Company;

2. **Corporate reorganisations:** in the event of reorganisation, as a result of significant organisational and production changes, with effects on working conditions and employment, the methods of informing the employees, as well as the Trade Union Representatives, are regulated by the CCNL applied in the Group and by the Labour-Management Relations Protocols;

3. **Corporate transformations** (such as alienations, mergers, acquisitions, transfers of company branches): in cases of corporate transformation, the notices to the employees are regulated by the legislation in force⁸⁶ which anticipates obligation that allows them to verify the business reasons for the operations, the correct methods of the process as well as the consequences on the employment relations.

THE DISPUTE WITH THE EMPLOYEES AND THE TRADE UNIONS

The procedures filed by the employees against Acea concern, mainly, disputes regarding **dismissals, classification reviews, differences in compensation, allowances not received** (for example: hourly pay of the shift workers), **demotion and harassment**.

In 2017, there were 45 new lawsuits regarding employment, while the total of the disputes still pending - including that of previous years - total 116 cases.

During the year, 36 rulings were issued (2 initiated during the same year). In detail, 17 of them closed with a favourable outcome for Acea, 6 yielded a favourable result for the plaintiff, while 10 positions were settled amicably.

It must be pointed out that, in 2017, an urgent appeal was filed for anti-union behaviour by the provincial coordination of Rome of the USB against Acea Ato 2, for

presumed failed reintegration of some representatives of that trade union, following the dismissal which was declared illegal and their transfer without prior authorisation of the pertinent union. The judge of the urgent proceeding rejected the appeal of the USB that filed the objection to the rejection order: current the ordinary judgement is pending.

OCCUPATIONAL HEALTH AND SAFETY

Regarding health and safety, the **coordination and direction activities** are the responsibility of the **Safety, Protection and Certification Systems Department** of the parent company, which monitors the companies on the application of the guidelines and policies issued and the alignment to the legislation of reference. **Every company of the Group is also directly responsible for the management of safety**, in compliance with the legislation in force (Italian Legislative Decree no. 81/08 as amended).

Most of the companies of the Group have implemented **Certified Management Systems (OHSAS 18001) regarding occupational health and safety** (see also *Corporate Identity, Corporate Governance and Management Systems* chapter).

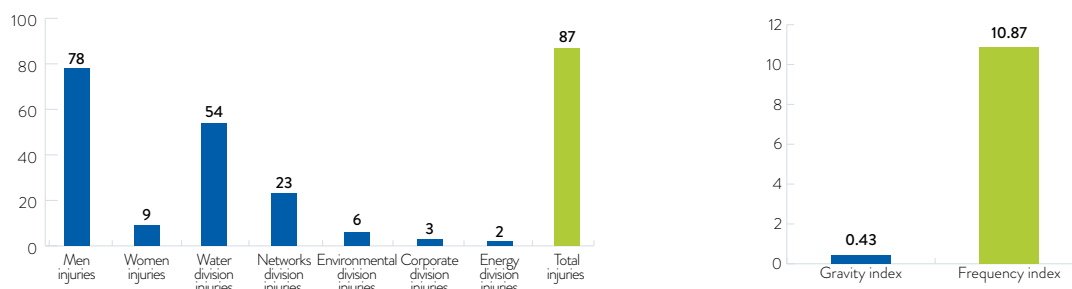
Every company takes care independently, in compliance with the legislation, of the assessment of the **risks to the workers**, the relevant **training** and the **monitoring of accidents**, preparing the

Risk Assessment Document (DVR). Following these activities, the **Occupational Safety Unit**, part of the Safety, Protection and Certification Systems Unit, **drafts annually on a central basis**, the **accident report** for the companies of the Group. The analysis method of the accidents follows the **Guidelines for the classification of accidents**, prepared by Federutility (today merged into Utilitalia) and in compliance with the **standard UNI 7249/95**, with reference to the INAIL measurement criteria and the instructions of ESAW (European Statistics of Accidents at Work).

The number of accidents decreased in 2017: In fact, **87 accidents occurred during the performance of the work activity** - compared to 110 in 2016 - **and 28 incidents in itinere**, which occurred during the home-work journey (compared to 37 in 2016). The days of absence, related to the accidents which occurred during work dropped to 3,463 (they were 4,524 in 2016) and **both the frequency index**, which goes from 13.88 in 2016 to **10.87 in 2017**, and the **severity index**, from 0.57 in 2016 to **0.43 in 2017** decreased (see chart no. 38 and Table no. 40).

⁸⁶ Art. 2112 Italian Civil Code and Art. 47 Law 428/90 as amended.

CHART NO. 38 – ACCIDENTS AND INDICES (2017)



NB The accident indices divided by gender are: **Male severity index 0.40 and female severity index 0.03, male frequency index 9.75 and female frequency index 1.12.**

By observing **the distribution of the accidents** (excluding those *in itinere*) **from the perspective of gender** it emerges that: **78 accidents** (101 in 2016), equal to 90% of the total, involved **male staff** with workmen duties (57), employee (28) and manager (2), while **9 accidents** (9 also in 2016), equal to 10% of the total, involved the **female staff** with clerical work duties (9).

The distribution of the accidents by company, aggregated into business areas, consistent with the new corporate organisation, shows, compared to the previous year data - reclassified to permit a complete comparison -, a stability of the accidents in the **Water Area and in the Corporate Area** (respectively 54 and 3 accidents, in both years) and a decrease in the **Energy Infrastructures Area** (23; there were 44 in 2016), in the **Environment Area** (5 accidents, 6 in 2016) and in the **Commercial and Trading Area** (2; 3 in 2016) (see chart no. 38).

Most of the accidents are confirmed in the two operating companies in the Water and Energy Distribution area - Acea Ato 2 (45 accidents) and Areti (23 accidents) -, which physiologically have

greater exposure to the risk of accidents because of the type of activity performed.

During the year, consultation meetings were held regularly with the **Workers' Safety Representatives (RLS)**, guaranteeing the involvements of the workers, as provided by Art. 35 of Italian Legislative Decree no. 81/08.

In addition to correct and adequate **training of the operating staff**, focused on the prevention and reduction of the risks **the constant awareness activities on the subjects of occupational health and safety is fundamental**, which Acea continues to develop. After the positive experience of Safety Day, organised in 2016, **in April 2017** the Holding Company, together with the companies of the Group, organised a **Safety Week**, involving approx. **3,000 workers** (see specific box).

To favour prevention, Acea furthermore has established, starting on the day of 8 March 2017, that all the employees, 35 years of age and up, can take every year "paid medical leave" for pap test and mammogram.

ONE WEEK DEDICATED TO HEALTH AND SAFETY - ACEA'S SAFETY WEEK

In 2017, Acea SpA, supported by the companies of the Group, organised a **Safety Week** at the Acea "La Fornace" Convention Centre. The initiative, focused on the **disclosure and sharing of a culture of safety** in the company, understood as **inescapable part of the understanding and implementation of the operating process**, involved approx. **3,000 workers** in 10 sessions carried out over one week.

The meetings, which included speeches and video projections, **were handled, in terms of content and presentation, by the Managers of the Prevention and Protection Department of the Group**, also involving various Employers; therefore, numerous companies of the Group - including Acea Produzione, Areti, Ecogena, Acea Elabori, Acea Ambiente, Acea Energia, Acea8cento

- played an **active indispensable part in the design and realization of the initiative**. Particularly effective was the "emotional" awareness video, called Sure of Being Sure, with the employees in the role of cast members, and was circulated also outside the company through social channels and industry portals. Acea received the **Aretè Prize - Responsible Communication** for this video.

All the companies arrange to provide the **general and specific training of the workers**, and the supervisory staff, **regarding occupational health and safety** in compliance with the legislation in force (see also the paragraph *Staff training and development*). Among the many activities undertaken during the year we point out, purely as an example, that:

- **Acea Elabori** designed a specific training course for new hires, contextualising the subject of safety as part of the unique activities and also scheduling simulations in the area of the engineering and laboratory activities. They also developed specific training courses on biological risk, on confined spaces and environments suspected of being polluted;

- at **Acea Produzione and Acea Energia** the training courses were focused mainly on safety in compliance with the legislation. For example, training was created on the updating/new designation of the employees assigned to the implementation of the fire prevention, evacuation of the workplaces measures in case of serious and immediate danger and, in general management of the emergency in the production sites or in the corporate facilities. Furthermore, **Acea Produzione**, company where the "zero accidents" objective has already been achieved for some years, arranged **in all the production bulletin boards** where the principal **provisions regarding safety** and conducted, during the year, an **investigation on the stress factors related to performance**

of the job, requiring all the personnel on the staff to fill out a questionnaire and creating three specific focus groups;

- **Acea8cento** created specific training modules for the “low risk” workers;
- in **Areti**, a structure continues to be operational dedicated to the **education, information and training** activities on occupational health and safety: the **Training Camp**. It is a space inside a service building of the Collatina primary cabin, which permits, in addition to the implementation of the theoretical training sessions, practical training, for example **safely lifting/lowering medium and low voltage electrical lines on supports**; **safely ascending/descending on extensible portable ladders**; **safe access to underground confined spaces**; practice in the **use of work/safety instruments** (for example the cable switch, the cutters, gas/oxygen detector) and the **implementation of joints, training** for emergency in dangerous environment. The Training Camp is also the place where **new hires** acquire the basic concepts on safety, fundamental for inclusion in the activities. The space is made available to the operating staff of Areti and the other companies of the Group - during the year, approx. 1,900 hours of training were provided - and, upon request, to external companies/entities. In particular, in 2017, it was used to demonstrate and analyse the typical characteristics of the Areti operating activities regarding safety to the youth incorporated with the Alternating School Work Projects (see the paragraph *Cooperation with the university world and high schools*), for training sessions directed at contracting companies, 47 people involved for a total of 188 training hours (see chapter *Suppliers*), and for a “Qualification for Electrical Work” course given to 10 people, for a total of 240 hours of training for the Fondazione Policlinico Universitario A. Gemelli;
- **Acea Ato 5** carried out courses on first aid and emergency management, courses focused on the risks and the operating

and management procedures, courses on how to correctly drive the company vehicles. Still on the subject of **driving the vehicles** in the performance of work activities, Acea Ato 5 also monitored the routes, through the analysis of the data acquired and tracked by the GPS installed on the vehicles, and this made it possible to identify areas of improvement relative to the health and safety of the workers, such as the assessment of the **risks from exposure to vibrations and noise**. Particular attention was then paid to the staff assigned to the Front End who, from the perspective of continuous improvement, reviewed and updated the operating procedures and implemented a training and continuous information system through digital interface;

- **Gesesa** developed the basic training course on health and safety, training for the first aid employees and the fire prevention employees;
- **Acea Ambiente** organised two days of safety training at temporary and mobile work sites, in which the Manager of the Prevention and Protection Department (RSPP) of **Aquaser** also took part. Acea Ambiente, after having undertaken, in 2016, a process of continuous improvement through the adoption, at the company level, of the OHSAS 18001:2007 safety management system, during 2017, following the audit process of its conformity (performed by RINA), taking into account the incorporation, which took place at the end 2016 of the SAO, Kyklos and Solemme companies, **achieved the certification of the safety management system with multi-site formula**, for the production sites (plants) of Terni, San Vittore del Lazio, Orvieto and Aprilia. Likewise, Aquaser also reviewed its integrated management system for Quality, the Environment and Safety, following the incorporation by merger of ISA Srl and because it had assumed, in addition to the role of waste intermediation, also that of carrier, with registration in the National Register of Environmental Operators (see specific box and the paragraph *Management Systems in Corporate Identity*).

COMPLETE UPDATE OF THE OHSAS 18001:2007 SAFETY MANAGEMENT SYSTEM FOR ACEA AMBIENTE AND AQUASER

The **Acea Ambiente** company, into which the companies SAO, Kyklos and Solemme were merged in December 2016, had already achieved the adoption of the OHSAS 18001:2007 safety management system. During 2017, following the verification of conformity, it obtained **the certification with multi-site formula**. Therefore, at the end 2017 the Registered Office of Terni and the following plants are **OHSAS 18001 certified**: Local Unit 1 Terni, Local Unit 3 San Vittore del Lazio, Local Unit 4 Orvieto and Local Unit 7 Aprilia, while the certification activities of Local Units 5 Monterotondo Marittimo and 6 Sabaudia, involved in significant re-vamping operations, were deferred to 2018. In order to obtain the multi-site formula,

many preliminary activities were performed:

- I. The complete redefinition and standardization of the Risk Assessment Document (DVR);
- II. The redefinition and standardization of the DUVRI (Single Document on the Assessment of Risk from Interference);
- III. The rationalisation of the duties and the definition of the new job descriptions;
- IV. The update of the healthcare protocol;
- V. the definition of the QASE Management System Manual;
- VI. The definition of the transversal safety procedures valid for all the Local Units;
- VII. The definition of the specific site operating instructions;
- VIII. The definition of a single program of

internal audits;

- IX. The definition of a single Plan of Objectives;
 - X. The implementation of best practices common to all Acea Ambiente (for example: design procedure and relative controls; redefinition of the accident indices; introduction of contractor control check lists).
- A similar procedure to the one described above, aimed at completely updating the safety management system, was pursued during the year also by **Aquasar**, by virtue of the merger by incorporation (completed in 2016) of ISA Srl and for the fully operational implementation of the transport activities.

TABLE NO. 40 - SOCIAL INDICATORS: HEALTH AND SAFETY (2016 - 2017)

| number | 2016 ^(*) | 2017 |
|---|---------------------|--------------|
| INJURY DISTRIBUTION BY INDUSTRIAL AREA AND GEOGRAPHICAL AREA | | |
| Water area accidents (Lazio and Campania) | 54 | 54 |
| Energy infrastructure area accidents (Lazio) | 44 | 23 |
| Commercial and trading area accidents (Lazio) | 3 | 2 |
| Environment area (Lazio, Umbria and Tuscany) | 6 | 5 |
| Corporate area (Lazio) | 3 | 3 |
| total | 110 | 87 |
| Total days of absence | 4,524 | 3,463 |
| Frequency index (FI) (number of accidents per 1,000,000/working hours) | 13.88 | 10.87 |
| Severity index (SI) (days of absence per 1,000/working hours) | 0.57 | 0.43 |

(*) The distribution of companies within the industrial areas takes into account the new organisational structure that was implemented in 2017. The 2016 data was re-classified accordingly to ensure the full comparability of the two-year period. Additionally, it should be noted that the 2016 scope included the companies Acea Gori Servizi, Umbria Energy and Crea Gestioni, which were not included in 2017 (see *Methodological Note*), although the number of accidents attributable to those three companies during the year was zero.

NB The Water area includes 4 companies, the Energy infrastructure area 3, the Commercial and Trading area 2, the Environment area 2 and the Corporate area 1. The data in the table does not include accidents currently being assessed.

HEALTH MONITORING

Health monitoring is assigned to an **internal structure** that operates in compliance with current legislation (Art. 41 of Italian Legislative Decree No. 81/08) and in **cooperation with external professional experts**. Staff health is monitored with the support of formally appointed competent doctors, who submit employees to the following types of check-ups:

- Pre-appointment;
- Preventive or in case of a change of duty;
- Periodic, based on the risk assessment plan;
- At the request of the worker;
- In the event of termination of employment, where stipulated by current legislation;
- Before resuming work, following an absence due to ill health lasting more than sixty consecutive days.

Workers exposed to specific risks are included in a **targeted medical check-up programme**.

Competent doctors work with employers and officers from the Risk Protection and Prevention Service, assessing the risks to which employees are exposed, **which is necessary for the preparation of the health monitoring plan**.

During the year, a total of **2,657 check-ups** were completed, the related costs of which amounted to **€245,940⁸⁷**.

The presence at the head office of a **First Aid Medical Area** also ensures that staff and visitors have a first line of intervention, in case of an illness for which a hospital visit is not necessary.

Health monitoring includes the **prevention of occupational diseases** that workers may contract during the performance of their duties, due to **prolonged exposure to the risk factors** existing in the work environment.

In the context of the work performed by the companies of the

Group, for which Acea provides the health monitoring service, **there are no risk profiles likely to cause occupational diseases**. The competent doctor has the task of cooperating with the employer in order to define preventive measures and health protocols for the risk profiles associated with specific duties, monitoring any damage to workers' health, issuing suitability assessments, and applying limitations and prescriptions, where necessary, in order to prevent possible occupational diseases.

In 2017, in Acea, **there were no reports of suspected occupational diseases**.

VALUATION OF HUMAN RESOURCES AND COMMUNICATION

Human capital, expressed by the competences of human resources that work in Acea, is at the centre of the Group's growth and development process. During the year, Acea has established the **Human Capital Development Department** and has implemented several **people engagement** initiatives, adopting the model for ongoing improvement referred to as the **"Model of Execution,"** focussed on **team spirit** and the **active and responsible participation of staff in the actual improvement of operational and management processes** (also see the *Group Profile* chapter in *Corporate identity*).

Additionally, a benchmark value and behaviour model has been defined, referred to as the **"Leadership Model,"** to ensure the achievement of **strategic objectives** (see the dedicated box) defined in the Business Plan 2018-2022.

The Acea Group Leadership Model and details of the Business Plan were the subject of specific detailed meetings in which all staff were involved.

⁸⁷ The health monitoring plan managed by Acea includes the following companies that fall within the scope: Acea Ato 2, Areti, Acea Produzione, Acea Energia, Acea8cento, Ambiente, Aquaser and Acea Elabori, with a total of 2,470 check-ups and costing approximately €220,000. Data relating to Acea Ato 5 (150 check-up and costing approximately €16,500) and Gesesa (37 check-ups and costing €9,440) was provided directly by the companies.

THE LEADERSHIP MODEL

In December 2017, the new **Leadership Model** of the Acea Group was presented, aimed at ensuring a solid programme for growth of employees and achieving strategic objectives.

By acting on the **values** on which the new Leadership Model is founded, each employee is invited to become a **key player** in the achievement of the common objectives. This model involves all companies in the Group and **all employees** of the

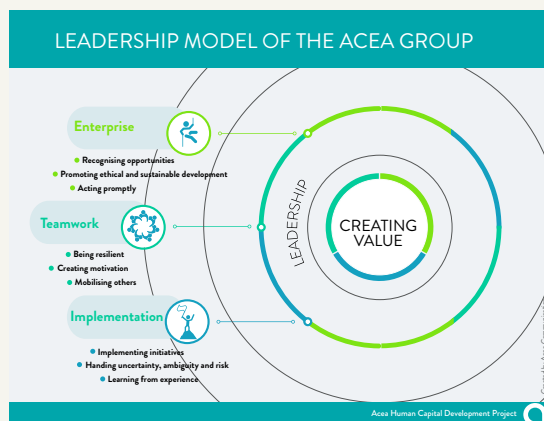
company and is based on **widespread and distributed leadership**. All employees are invited to take on the role of "Acea Leader" within the sphere of the responsibilities connected to their role. Leadership conceived in this way is achieved by acting on the following values:

- **resourcefulness:** recognising opportunities and promoting ethical and sustainable development.
- **teamwork:** mobilising others and

generating motivation and resilience.

- **achievement:** taking the initiative, managing uncertainties, ambiguities and risks, and learning from experience.

To **provide an awareness of the model**, the HR department has organised **introductory meetings**, and has provided a **dedicated page** called **Jamp** on the corporate social network, **illustrating** it and enriching it with content that make it easier to understand the behaviour to be assumed.



Among the engagement initiatives already started in 2017, the **"Ride with the Pilot"** project worthy of mention. Thanks to that project, employees who have asked to take part have been able to support colleagues involved in daily tasks in the **area**, thus directly experiencing the scale of operations in relation to the territory. The initiative started in October 2017 and involved approximately 50 employees working as observers and as many "pilots" or displaced staff. As well as having the objective of observing how technology supports operational activities in the **area** and how the service reaches the public, the project has allowed the company to compile a number of interesting observations in order to improve processes.

STAFF TRAINING AND DEVELOPMENT

The Acea Group has recently created a programme to radically innovate all the main IT systems, involving the adoption of new working methods that have a profound **impact on the way staff work**. The **training provided** in 2017 was therefore aimed at consolidating these changes, **updating employees' technical skills** and, at the same time, intervening with regard to **the soft components** of work performance. Individual variables such as **motivation** and **job satisfaction** are considered decisive in achieving excellent performance and ongoing improvement, which are central factors for encouraging the achievement of the Acea Group's business objectives.

The **Training Unit** within the Human Capital Development Department of Acea S.p.A. defines policies, guidelines and tools relating to training activities for companies in the Group, centrally managing: **managerial training**, related to the development of management skills and techniques, organisational behaviour and leadership; training in the **area of corporate regulations and policies**, related to providing extensive training on the legislation and corporate provisions associated with the various business areas of the Group; training in **processes and systems**, aimed at providing

extensive training with regard to the processes and systems linked to the duties required by the roles performed in the company. Each company **independently manages technical and specialist training and safety training**. The former is aimed at acquiring the specific skills and abilities of the business of reference; the second is determined by training related to technical and operational duties and by the regulatory obligations required by the legislator. The courses, which are part of these two types of training, constitute the annual corporate training plan. The training courses included in the plans of the Parent Company and other Companies are identified following the **analysis of training needs** that is performed electronically on the Group's e-learning platform, referred to as **Pianetaceia**.

The training provided to staff is also **financed** through membership to inter-professional organisations that provide ongoing education. The main companies of the Group have joined **the Fund for You**. (National Inter-professional Joint Fund for Ongoing Education in the Tertiary Sector), which has financed five projects presented by the parent company. Acea Ambiente, Aquaser and Gesesa also belong to FONDIMPRESA, which provides funding for the development of employee skills and the growth of competitive abilities.

In particular, the Human Capital Development Department provided multiple training projects in 2017, in an experience-based format, characterised by the direct involvement of participants in practical activities and aimed at acquiring new knowledge and skills through direct experience, whether of a traditional format, such as classroom training, or of a non-traditional format, such as online training.

The experience-based format was used to strengthen and sustain the changes that occurred, triggering dynamics of comparison and exchange between the various operating entities. For example, staff that play the role of "Team Leader" in the **various companies**

of the Group have been involved in the **Comprehensive training for team leaders** training course, aimed at sharing a common working method in all the companies, while employees of Acea Elabori have been involved in a specific project, called **Engineers 2.0**, aimed at supporting the integration of staff operating in Industrial Engineering and Services.

In addition to experience-based courses, activities of interest across the Group were organised on the subject of corporate legislation and policy, with a particular focus on Legislative Decree no. 231/01 (see the in-depth learning box), Antitrust rules and unfair commercial practices. The Safe Driving training course that was held in previous years has continued, aimed at the Group's displaced staff (see the box for more in-depth information).

In the second half of 2017, **planning** commenced for the training to be held in 2018, with a focus on three main projects: the **Acea Managerial Academy**, the **School of Professional Skills** and **Ideas&Action**.

In particular, during the year, the vision, mission, manifesto and competences of the **Acea Managerial Academy** were defined, in cooperation with the companies in the Municipality of Rome Ama and Atac, **which for the first time worked together to define a managerial development training project**. The project includes the "Elios" programme for senior managers and the "Aurora" programme for new recruits. In 2018, courses will start that will involve employees of the three companies in mixed classrooms.

The **foundations** were also **laid for the implementation** of the School of Professional **Skills** project, aimed at sharing and enhancing the Group's technical knowledge, starting with so-called "critical" knowledge, that is to say, knowledge of particular value to the company and held by a minority of employees or staff who are close to the age of retirement, and for the Ideas&Action project. The latter is an **Alternating School-Work** programme that will involve 13 Technical Institutes located in the different regions in which the Group operates. Its aim is to integrate the knowledge of over 280 students within the context of work and facilitate transition of that knowledge from one generation to the next.

Lastly, the **e-learning platform** of the "Pianetacea" Group was **graphically updated** in order to make bring it in line with the new *corporate identity structure*. That update was accompanied by the launch of a new online course on the subject of **unfair commercial practices**, performed in collaboration with the **Permanent Observatory on the Application of the Rules of Competition** of the Faculty of Law of the **University of Trento**. Additionally, **compulsory training modules** were provided to employees on the corporate provisions and policies adopted, such as the **Code of Ethics**, the **administrative responsibility of the institutions**, **privacy** and unbundling, **basic training on safety in work and safe driving**, and the **Quality, Environment, Safety and Energy Management System - QASE** (see the dedicated boxes).

SAFE DRIVING

The protection of health and the physical and mental integrity of people is a constant commitment for the Acea Group. Consistent with awareness-raising activities under way in the Group, it was considered particularly important to focus on the safety of those assigned

to drive vehicles in their daily work activities. The **Safe Driving** course, launched in 2016 in partnership with the **ACI Vallelunga Safe Driving Centre**, saw the **involvement of 529 participants in 17 sessions** in 2017 and mostly targeted displaced staff, due to the extensive

use of corporate vehicles. The course, which will continue in 2018, has enabled participants to strengthen their driving skills, thanks to practical exercises carried out with the support of expert trainers.

LEGISLATIVE DECREE NO. 231/01 AND THE ORGANISATION, MANAGEMENT AND CONTROL MODEL

In 2017, a training course was launched with the aim of ensuring the **adequate knowledge, understanding and application of Legislative Decree No. 231/01 and the Organisational Management and Control Model**, and highlighting the main types of alleged offences related to the environment and occupational safety for the purposes of the related

prevention of accidents. The course was divided into **classroom meetings** addressed to **all managers of the Group** and **e-learning training** for all **executives and employees**. The classroom training involved 63 participants in two sessions and helped to increase the understanding of the importance of the application of the

Organisation, Management, Control and Management Systems Model in relation to environmental and occupational safety, dealing with topics with an application-based approach and referring to analyses of real cases and experience-based testimonies. The training path will also continue in 2018.

COLLABORATION BETWEEN ACEA AND THE PERMANENT OBSERVATORY ON THE APPLICATION OF COMPETITION RULES

In 2017, Acea started a training programme, in partnership with the Permanent Observatory on the Application of Competition Rules of the Faculty of Law of the University of Trento, on the subject of Antitrust and unfair commercial practices. The aim of the course is to develop and strengthen **a shared culture, within the Group, of compliance with antitrust rules and consumer**

protection, within the regulatory and legislative context of the sector. In particular, the training project aims to raise awareness in relation to the issue of unfair commercial practices and compliance with antitrust regulations, increase the level of knowledge regarding the relevant legislation, and raising awareness of the risks and consequences for the Company in the

event of any breach of the law. The training course is divided into two different e-learning modules: one on Antitrust (to be provided in 2018) and one on Unfair Commercial Practices, starting in October 2017 and continuing the following year. Approximately 3,000 people followed the module between October and December 2017.

Among the training initiatives undertaken by the companies, it is noted that **Gesesa** has focused **managerial training**, addressed to managers, executives and their staff, on a **Team alignment course**, aimed at strengthening the accountability and involvement of employees in business choices and facilitating communication. It has also organised two sessions of an **experience-based training course**: the cooking day **We taste together**, engaging employees in a pleasant activity such as preparing a dinner, supervised by a chef and a head waiter, and at the same time a demanding and responsible activity, by providing a dinner, at the end of the preparation, that will actually be served to corporate guests and business managers. This kind of experience, while involving tasks outside the work context, reproduces the same business dynamics and stimulates the adoption of operating methods that facilitate the achievement of good results, i.e. the sharing of objectives, cohesion, teamwork, concentration, the ability to troubleshoot problems and deal with unexpected events, results orientation, and the correct management of available resources.

As part of **managerial training**, **Aquaser** and **Acea Ambiente** have allowed certain employees who work as **managers** to attend the Master's Degree in **General Management of SMEs**, organised by the SDA Bocconi School of Management. The course provides participants with the specific models and tools that are needed to generate growth within the company. Additionally, for **technical and specialised training** given to staff with specific skills, they have allowed employees to attend modules of the Master's Degree in the **Handling of Waste between Law and Technique**, organised by Eda Pro, aimed at providing an in-depth study on the subject.

Acea8cento has focussed training courses on **new IT applications and the development of digital processes**, to support the activities managed. 142 employees of the company have taken part in the training, which is equivalent to 90% of the workforce. Moreover, a training and in-depth study on the subject of **compliance and corruption** was conducted at **Acea8cento** and at **Acea Energia**, aimed at promoting the dissemination of a culture of legality, focussed on an awareness of the correct behaviour to be assumed in order to prevent any risk of corruption offences, both required by Italian Legislative Decree no. 231/2001 and to prevent passive corruption. In the case of both companies, training has continued for employees who

work in **customer care**, with **experience-based training** held at the Alitalia Training Academy, with the objective of **facilitating customer management**.

Among its various activities, **Acea Elabori** has provided training on the safety requirements of tenders, with the aim of guaranteeing a model for the guidance, control and implementation of the most integrated security measures and training on Legislative Decree No. 50/2016, again on the subject of tenders, with a view to environmental and energy sustainability in the integrated water sector.

Acea Ato 5 has taken care, specifically, with training activities on the System for the Integrated Management of Quality, the Environment, Safety and Energy.

Acea Ato 2 has increased training on environmental subjects (13 dedicated courses during the year), and in particular on **waste, management systems and sustainability**. Some courses have provided an in-depth understanding of aspects related to the **Traceability of waste, and New eco-friendly rules of public tenders**, involving approximately 130 employees in the company and extending access to employees of other companies in the Group.

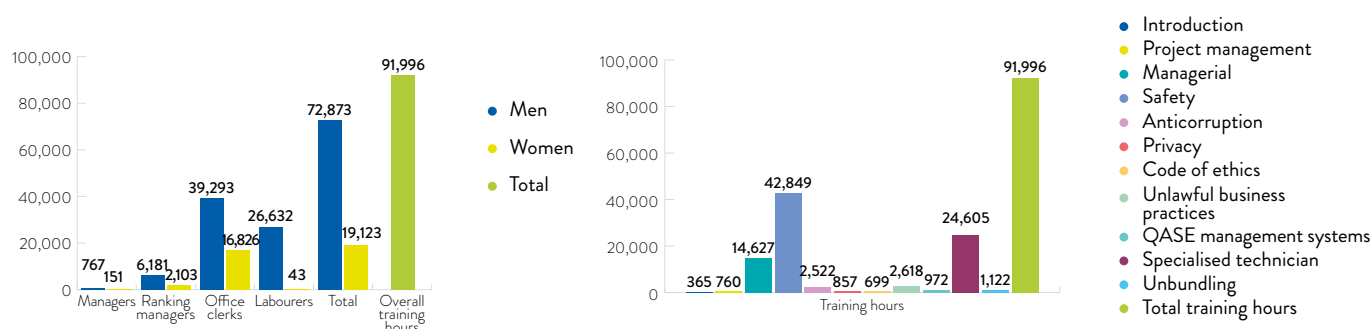
Traditional and experience-based training activities have involved a total of **536 courses** (compared to 600 in 2016), with **1,203 sessions** (they were 1,732 in 2016). Additionally, **9 courses** have been organised via the **e-learning platform** and **3,580 people** have taken part in those courses, of which 29% were women.

The **total training hours provided** are **91,996** (in traditional, experience-based and e-learning training formats). Their contraction, compared to approximately **153,926 hours** in 2016, is mainly due to the lower number of sessions provided to support the new management and work performance systems (WFM) introduced in the last few years (see graph No. 39 and table No. 41).

The **total training hours per capita**⁸⁸ are **19.6**. More specifically, when analysing data from a gender perspective, the hours of training per capita provided to male staff amounted to 20.4 and those provided to female staff amounted to 16.9.

The **costs incurred** for the provision of the courses, net of scheduling for training and the preparation of the spaces allocated to it, were equal, in 2017, to **€1,382,865** (table No. 41).

CHART NO. 39 - TRAINING HOURS: DISTRIBUTION BY TYPE OF TRAINING AND BY QUALIFICATION (2017)



NB The breakdown by qualification of training hours per capita is as follows: 11 hours for managers, 21 for executives, 19 for employees and 20 for other workers.

TABLE NO. 41 - SOCIAL INDICATORS: TRAINING (2016-2017)

TRADITIONAL AND EXPERIENCE-BASED TRAINING COURSES AND THEIR COSTS

| Course type ^(*) | courses (no.) | | sessions (no.) | | training (hours) | | costs (euros) | |
|---|---------------|------|----------------|------|------------------|--------|---------------|---------|
| | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| Insertion | 24 | 10 | 40 | 12 | 3,002 | 365 | 6,240 | 6,670 |
| Managerial | 17 | 9 | 66 | 37 | 31,374 | 14,627 | 431,645 | 669,620 |
| Safety | 102 | 231 | 288 | 536 | 31,688 | 40,965 | 311,628 | 375,508 |
| anti-corruption (Italian Legislative Decree no. 231/2001) | 1 | 3 | 9 | 8 | 232 | 226 | 0 | 13,913 |

⁸⁸ The indicator was created by comparing the number of hours of attendance (91,996 in 2017) to the total number of employees (4,692 in 2017).

TRADITIONAL AND EXPERIENCE-BASED TRAINING COURSES AND THEIR COSTS

| Course type (*) | courses (no.) | | sessions (no.) | | training (hours) | | costs (euros) | |
|-----------------------|---------------|------------|----------------|--------------|------------------|---------------|------------------|------------------|
| | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| specialist technician | 456 | 283 | 1,329 | 610 | 84,802 | 24,605 | 457,171 | 317,154 |
| total | 600 | 536 | 1,732 | 1,203 | 151,098 | 80,788 | 1,206,684 | 1,382,865 |

COURSES AND COSTS OF TRAINING PROVIDED WITH THE PIANETACEA E-LEARNING PLATFORM

| Course type | courses (no.) | | training (hours) | | costs (euros) | |
|---|---------------|----------|------------------|---------------|---------------|---------------|
| | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| project management | 1 | 1 | 112 | 760 | 360 | 450 |
| Managerial | 2 | 0 | 29 | 0 | 720 | 0 |
| Safety | 2 | 2 | 334 | 1,884 | 720 | 450 |
| QASE management systems | 1 | 1 | 693 | 972 | 360 | 450 |
| anti-corruption (Italian Legislative Decree No. 231/01) | 1 | 1 | 716 | 2,296 | 360 | 1,039 |
| Privacy Code (Legislative Decree. No. 196/03) | 1 | 1 | 397 | 857 | 360 | 1,037 |
| Code of Ethics | 1 | 1 | 373 | 699 | 360 | 1,037 |
| unfair commercial practices | 0 | 1 | 0 | 2,618 | 0 | 16,410 |
| unbundling | 1 | 1 | 174 | 1,122 | 8,000 | 1,037 |
| total | 10 | 9 | 2,828 | 11,208 | 11,240 | 21,910 |

BREAKDOWN OF TRAINING HOURS BY QUALIFICATION AND GENDER

| qualification | 2016 | | | 2017 | | |
|---------------|----------------|---------------|----------------|---------------|---------------|---------------|
| | men | women | total | men | women | total |
| managers | 1,370 | 221 | 1,591 | 767 | 151 | 918 |
| executives | 7,825 | 3,036 | 10,861 | 6,181 | 2,103 | 8,284 |
| employees | 61,276 | 31,637 | 92,913 | 39,293 | 16,826 | 56,119 |
| workers | 48,382 | 179 | 48,561 | 26,632 | 43 | 26,674 |
| total | 118,853 | 35,073 | 153,926 | 72,873 | 19,123 | 91,996 |

(*) The types of traditional courses have been simplified for presentation purposes and re-incorporated for the two-year period. It should be noted that the "specialist technician" item includes courses provided on the subject of corporate regulations and policies, processes and systems, linguistics and IT.

NB The 2016 scope includes the companies Acea Gori Servizi and Crea Gestioni, which are no longer included in 2017, for which a total of 16 hours of training were provided. The two employees involved attended two different sessions of one course.

COLLABORATION WITH UNIVERSITIES AND HIGH SCHOOLS

Acea develops **partnerships and cooperation with universities**, participates study and research activities, is available for **meetings between companies and students** and stipulates **agreements** for the promotion of internships and apprenticeship training.

During 2017, the main initiatives were:

- **Luiss Career Day, "Young People and Work" - 21st edition**, an event aimed at facilitating the matching of work supply and demand, providing students with the tools to combine the knowledge acquired at the end of university studies with real opportunities offered by the jobs market.
- **Job Meeting 2017**, an initiative organised by the Faculty of Engineering of the La Sapienza University of Rome, aimed at graduates and final-year students of all disciplinary areas, in order to create an opportunity for young people and important companies in the jobs, training and orientation sectors to meet.
- **Almalaurea "At Work - Rome" Career Day**, an event organised by the Almalaurea consortium, aimed at bringing together corporate human resources managers and university students.
- **"Campus & Leaders & Talents" Career Day**, the first "paperless" Career Day, with the exchange of CVs exclusively in electronic format. The initiative was held at the Faculty of Economics of the University of Rome Tor Vergata, with the aim of facilitating meetings between companies and young people in an event that encourages respect for the environment.
- **UniClamOrienta Placement**, an initiative organised by the University of Cassino to guide young people towards making

appropriate work-related choices and to giving companies an opportunity to meet suitable candidates for internships.

In 2017, **Areti hosted the Alternating school-work programmes of two Technical Institutes**: the G. Galilei State Technical and Industrial Institute and the G. Armellini State Technical and Industrial Institute. A total of **90 students** enrolled on electro-technical and electronics courses took part in the programmes. The students had **11 days** of alternating between studying at school and working in the company, with a total of **4,045 hours and the support of 26 company tutors**.

Gesesa entered into **four agreements with secondary schools**, including one for the Alternating school-work programme, all included under the **H2SchOOl project** (see more detailed information in the Institutions and Company chapter). In particular, in the case of the P. Giannone secondary school and the Artistico Virgilio secondary school, both in Benevento, the project involved the creation, in synergy, of a comic book on saving water. In the case of the Guacci di Benevento teacher training institute (School of Languages), the project involved the creation of information panels on illuminated Gesesa monuments, in four European languages. Finally, the Alternating school-work programme was hosted with the Benevento Technical and industrial institute and included 30 hours of training (theoretical and practical).

Acea Elabari has accepted courses from the **Alternating school-work programme** of the Piaget-Diaz school and the Azzarita Scientific secondary school, involving a total of 28 students. All the students completed an alternating period of 30 hours. The company has also worked in partnership with the Faculty of Mathematical, Physical and Natural

Sciences of the La Sapienza University of Rome, welcoming 10 curricular internships each comprised of 80 hours.

Acea Ato 5 has signed agreements with the Sole 24 Ore higher education school and the Sant'Anna secondary school, taking part, with its own specialist experts working as teachers, in the **Master's Degree in Energy and the Environment** and in the University Level II Master's Degree in **Environmental Management and Control: Efficient Resource Management**; it then accepted 3 curricular internships.

The Acea Group has made an economic contribution to the Master's Degree in **Energy Resource Management** organised by SAFE, a centre of excellence for studies and training on subjects related to energy and the environment, through the provision of a **scholarship**. The Master's Degree is part of a **continuous training and education course on the subject of energy and the environment**. The company **Acea Energia** has been working in cooperation with it for many years, actively participating, on the one hand, in teaching, with senior specialist experts in the company working as trainers and educators, and on the other hand, following certain training modules with its junior employees. The Master's Degree attracts the interest of young graduates in technical disciplines and, in 2017, **several young engineers**, under the scope of energy and energy efficiency, **were employed by companies of the Group**. Additionally, Acea Energia and Acea Ato 2 organised the **SAFE DAY** at the EUR Water Supply Centre, a day dedicated to SAFE Master's students. The Acea business was presented to those students and, specifically, the subject of technological and digital development. The SAFE Master's Degree has been included in the IRELP - IRENA Renewable Energy Learning Partnership, the platform dedicated to training for the International Renewable Energy Agency (IRENA).

Acea then joined the financing of the thirteenth edition of the **Master's Degree in Energy Management** organised by Business Integration Partners (BIP) and the Polytechnic of Milan (MIP), with an opportunity take on an intern for a six-month duration. The purpose of the Master's Degree is to train young professionals, providing the basic and specialised knowledge necessary for professional needs along the entire energy sector chain. In partnership with the ELIS Consortium, it has also supported **two scholarships** funded in partnership with Anas, Ferrovie dello Stato and A2A, for a two-year period at the Polytechnic of Milan (MIP) in relation to **Digital Engineering**.

Partnerships were also initiated with the academic world for certain relevant training activities and various research activities (see also the section on *Staff training and development* and the chapter on *Institutions and the Company*).

For example, in 2017, **Gesesa** entered into an agreement with the Faculty of Engineering and Economics of the **University of Sannio**. The multidisciplinary Project Work promoted by the Department of Law, Economics, Management and Quantitative Methods and by the Department of Engineering, in partnership with Gesesa, is related to the organisational models and technological systems adopted by the company. In the same year, again with the University of Sannio, the Department of Science and Technology entered into an agreement for the **study of endogenous resources**. Owing to its experience in the **area**, the company is also engaged as a speaker for the university master's degree and public conferences on the subject.

As mentioned above, the company utilises **the professional skills** of its staff in university master's degrees and courses, and under the scope of **technical projects**. In 2017, qualified **company staff** worked as teachers or with company testimonies under the scope of **university master's degrees**, dealing, in particular, with issues related to **energy** and the **environment**.

In 2017, the companies of the Group activated a total of **14**

internships, two of which were included in the Lazio Region Council tender Return immediately, to which Acea Elabiori adhered, and **13 curricular internships**. During the year, **three young people previously taking part in internships found stable work** with professional contracts.

INCENTIVE SYSTEMS AND STAFF EVALUATION

In accordance with the **remuneration policy** adopted by Acea, which aims to ensure **the application of the merit-based principle** in staff evaluation and, consequently, to seek the selectivity of fixed and variable remunerative interventions, there are two different incentive and evaluation systems: long-term (LTIP) and short-term (MBO).

The **long-term (three-year) incentive Plan (LTIP)** is reserved for **CEO and senior managers**, made up of **managers from the Group with strategic roles and responsibilities**.

The choice of this system's structure, which provides for the accrual of any bonus with a **three-year cycle**, is aimed at ensuring the continuity of company performance, guiding the actions of management towards **medium and long-term results** and triggering virtuous mechanisms for the creation of value for stakeholders. For 2017, the **LTIP calculation system** remains calculated as a percentage of the Gross Annual Remuneration (GAR) and is subject to the achievement of objectives of an economic and financial nature (Gross Operating Profit - GOP and Return on Invested Capital - ROIC), identified by the Nomination and Remuneration Committee. Both objectives are linked to the appreciation of shares on the stock market (Total Shareholder Return - a measurement of the performance and appreciation of the value of Acea's shares compared to a basket of comparable companies). At the end of each three-year period of reference, the bonus is paid, if necessary, based on the degree of achievement of the economic and financial and profitability objectives.

The short-term (annual) incentive system, **Management by Objectives (MBO)**, is applied to senior and middle management (managers and executives). In order to create a synergistic link between strategy and operational management of the company, the **MBO** system requires the payment of variable remuneration based on the **achievement of individual objectives, related to the specific areas of activity performed, and of the Group**, assigned at the start of the year, as well as the **assessment of the congruity of organisational behaviour** with respect to the expected leadership model. Therefore, the incentive system in force in 2017 focuses on the **overall assessment of the person** (Performance and Leadership) and on the achievement of individual qualitative and quantitative objectives.

For the actual payment of the bonus, the mechanism connected to the MBO system provides a system of "access gates," consisting of **four Group objectives**, three of an economic and patrimonial nature and one linked to the qualitative aspects of the services provided (Gross Operating Profit, Net Profit, Net Financial Position and QUALITY AWARD).

In 2017, a catalogue of Group objectives was prepared containing a set of indicators to be assigned to managers to transform strategic lines into actual results.

The **performance bonus is awarded annually to service staff working as managers, employees and workers**, including with part-time employment contracts, fixed-term contracts and apprenticeship contracts. A financial amount is allocated to employees as recognition and **to share the good results achieved by the company**. The award criteria have been defined in the light of the merit-based principle, with the use of a system for **evaluating individual contributions** (achievement of the objectives assigned and behaviour adopted), and the financial amount is calculated based on the parameters of productivity, profitability and health and safety at work.

There are also some **benefits** for employees, including those with part-time, fixed-term contracts and apprenticeship contracts, such as **additional monthly payments, meal vouchers** (tickets), discount on electricity tariffs - only for staff hired before 9 July 1996, which that year was the subject of the trade union agreement (see the paragraph on *Labour-management relations*), the subsidies recognised through the Company Recreational Club (CRC), the **supplementary health insurance policy**, the Pension Fund for managers and the supplementary pension fund of the sector - the Pegaso fund - for employees. Additional benefits are provided to managers, such as the use of a company car and the reimbursement of fuel costs.

The Staff Management System provides an individual evaluation process (Performance Management) that measures the performance achieved, that is, the achievement of the assigned objective, leadership and the ability of each employee to be able to guide people and act favouring change, respecting the reference value system.

The process has the following purposes:

- Creating a culture increasingly based on merit, value and the involvement of the people who work in the Group;
- Increasing the awareness of the role and of individual contribution;
- Increasing motivation, stimulation and staff recognition;
- Aligning people with company values, making them share the goals and results achieved.

INTERNAL COMMUNICATION

Communication initiatives in the Acea Group, managed by the **Internal Communications Unit**, contribute to developing staff **knowledge on Group principles and values, and on strategic objectives**, to disseminate the corporate culture, promote and maintain a good internal climate and develop a sense of belonging in employees.

In 2017, the Internal Communication Unit included among its main objectives the growth and **enhancement of human capital**, as part of a renewed corporate culture, oriented towards **improving operations and implementing industrial guidelines**.

In line with the new and strong operational vocation of the organisation, the key **internal communication campaigns** related to the various businesses of the Group focussed in particular on **innovation and technological efficiency** in the four industrial areas, with a specific focus on **safety issues and environmental and social sustainability**.

To achieve of the above mentioned path, the Intragroup Social Collaboration platform **JAMP** was added during the year to the main communication tools that were previously used to target employees, such as newsletters, e-mails and the Intranet portal, and **live streaming links** were used for major organised events.

In order to make **the conveyed messages more emotional, effective and engaging**, **emotional videos** were also used, made possible thanks to the contribution and **involvement of the employees** acting as key players and direct ambassadors of the proposed initiatives. Among the major theme-based events designed to stimulate the **intragroup involvement of employees and increase their sense of belonging**, the following are highlighted:

- **ACEA NOVECENTO**: A permanent photographic exhibition designed to enhance the professional skills of men and women who worked in the past and who now work in Acea, through the publication of photographs taken from the Company's invaluable historical archive and documents taken from some issues of the "Acqua e Luce" information magazine (1950/1960).

- **12. SAMPLES OF INFRAGROUP MOMENTS**: an event held during the Christmas holidays at the Acea Autoparco Industrial Space, with the dual objective of encouraging the **affiliation** of employees, thanks to the participation of most of the companies of the Group and combining **business and the territory** through the preparation of **food and wine corners** with typical foods from the local communities of origin.

In line with the values of **innovation, quality and operational efficiency**, the Internal Communication Unit has also conducted campaigns to support certain projects designed to make the every-day **services and tools** used by employees **more interactive**, but at the same time sustainable:

- The campaign for the use of **the Eni Multicard in Iperself mode**, which has allowed more operational practicality and significant savings.
- The presentation of **the new corporate portal acea.it**, launched at the end of 2016, with the involvement of employees in the role of **ambassador** of the new features of the MyAcea section.
- The **launch of the Execution Model**, conceived with the aim of improving the core activities of the Group's business.
- The organisation of events aimed at the internal dissemination of **the Business Plan 2018-2022** at all Acea facilities.

To spread and promote the theme of **corporate well-being** in its various aspects, several internal campaigns were implemented to support **Work Life Balance** projects, such as the **smartworking and agile work** initiative given the name "**E.L.E.N.A.**" executed in partnership with the Bocconi University of Milan, with its experimental phase completed in September, the "**MAAM - Maternity as a Master**" project, dedicated to enhancing neo-entrepreneurship, transforming it during managerial development, as well as projects implemented during the year to enhance differences and equal opportunities (see the paragraph on *Diversity and Equal Opportunities*).

The role of Internal Communication has also been to **not only actively involve employees, but also their families** in these internal welfare and caring courses.

The **promotion of solidarity** has characterised other **internal communication campaigns** organised also with the help the participating employees. Among the initiatives for solidarity taking place during the year, the following should be noted: the organisation of **Acea Solidarity Monday**, with several days dedicated to **fund-raising**, attended by **non-profit associations** at the central office; the distribution of **Christmas Packages** containing **products from areas affected by the earthquake** that erupted in 2016 which, in addition to supporting the producers of those areas, **generated funding for the redevelopment of an area in the Roman suburbs**; the purchase and distribution of **panettone**, with proceeds going to the Italian Red Cross, during Christmas events.

As part of the "**Let's not generate waste**" campaign, organised in 2016, in partnership with the National Agency for New Technologies, Energy and Sustainable Economic Development (ENEA), and with reference to the subject of **environmental sustainability**, an **in-house video** was made in 2017 on **energy efficiency**, thanks to the contribution of several employees.

In 2017, for the second consecutive year, Acea received an important recognition for Responsible Communication from Aretè, thanks to its video **Be Sure to be Safe**, conceived and created internally, with the aim of **promoting a culture of safety at work** and projected during **Safety Week** (see the dedicated box in the section *Health and safety protection at work*).

DIVERSITY AND EQUAL OPPORTUNITIES

In compliance with the provisions of the law⁸⁹, Acea employs and integrates staff in the company **belonging to protected categories** (disabled persons, orphans, etc.), guaranteeing them support services, thanks to the work of the National Association of Mutilated and Disabled Civilians (NAMDC), and offering them assistance and technical tools for support so they can perform the tasks they are assigned. Staff belonging to protected categories, as of **31.12.2017**, include **236 employees** (146 men and 90 women).

An Equal Opportunities Commission (CPO) has been planned for the company, in accordance with a *Regulation in force on the protection of the dignity of women and men* and for some years now a **Diversity Committee** has been set up⁹⁰, chaired by the Chairman of Acea S.p.A. The Diversity Committee, established in line with the principles expressed in the *Code of Ethics*, and in line with the provisions of the *Charter for the Management of Diversity*, has the task of promoting diversity management policies and involving the competent organisational structures and, directly, employees of the Group, in initiatives and projects aimed at preventing and not allowing discrimination within the company and making the most of employees' differences.

ACEA'S CHARTER FOR THE MANAGEMENT OF DIVERSITY

In November 2014, a Charter for the Management of Diversity at Acea was approved by the Board of Directors. It is currently in force in the Group and it sets out the company's position and commitments:

"Acea (...) intends to promote a culture of equal opportunities and the management and

enhancement of diversity, aimed not only at preventing and combating all forms of discrimination (...) but at recognising, understanding and appreciating differences, and enhancing the individual aspects and skills of all people who work for the company.

(...) Considering diversity in an inclusive way means ensuring every worker is in a position to

realise his or her full potential and, at the same time, transforming the diversity that exists in the organisation into added value. Developing a sense of belonging to a community that recognises the value of diversity has a positive beneficial impact on workers, the company and the economic and social system as a whole (...)"

During the year, the Head of the Acea Audit Department was among the winners of the 2017 edition of the Simpatia Prize, because of its *"profuse engagement in the promotion of a corporate culture based on the enhancement of diversity in an inclusive sense, on teaching mutual respect, and the fight against violence, stereotypes and prejudices, with a particular focus on equal opportunities and the empowerment of women."*

In December 2016, activities in the area of diversity and inclusion entered organically into the structures responsible for managing staff of Acea S.p.A., with the establishment of the People Care Unit. As a result of the **corporate reorganisation** process, in **September 2017**, the activities previously managed by the People Care Unit were merged within the newly established **People Involvement Unit**, in the Human Capital Development department. During the year, Acea has implemented various initiatives, including:

- **Peak viewing**: a survey conducted in January and involving all employees, with the aim of identifying needs and priorities in terms of organisational well-being, taking into account personal and family characteristics of the company's employees. The analysis of the responses received led to an **action plan** that was presented in April, in a kick-off meeting attended by the Executive Director of Parks - Liberi e Uguali, the Foundation that Acea joined in 2016.
- **MAAM (Maternity as a Master)**: the initiative already mentioned and aimed at enhancing the experiences of both parents during the initial years of raising children. 55 female employees and 18 male employees joined the project and became part of a community in which it is possible to share experiences, following online coaching courses designed to capitalise on the skills that spontaneously arise during the experience of parenting, in order to enhance so-called "generative leadership," and exploiting the potential to improve skills such as emotional intelligence, listening and guidance skills, time management and creativity.
- **Mentore and Telemaco**: a project dealing with the subject of

the age, making the most of people's differences. In a series of meetings that were held between April and September 2017, staff with a high level of experience within the company met with new employees, in order to generate a mutual exchange of approaches and knowledge and build an inter-generational bridge.

- **Girls in Motion**: A project aimed at promoting the presence of women in technical roles. The project is part of the wider WIM - *Women in Motion* campaign, supported by the FS Italiane Group, with the involvement of a group of companies, including Acea, noted for their commitment to issues of equal opportunities. A group of 20 girls, selected from approximately 1,500 secondary school students from all over Italy, embarked on a journey from Milan to Naples, with stops along the route where they had an opportunity to visit some of the operating facilities of the companies taking part in the initiative. Acea welcomed them in April, allowing them to visit the water and electricity supply Dispatcher Rooms. The visit generated a huge interest among the girls, who wanted to broaden their knowledge with regard to aspects of the water cycle and the energy sector chain, as well as the use of new services and technologies for responsible and sustainable use of natural resources.

Additionally, to protect the equal parental opportunities and responsibilities between men and women, in March 2017, Acea introduced **a day of "compulsory leave"** for all new fathers, in addition to the two days provided by Article 1, paragraph 354, of the Law No. 232, of 11 December 2016, for the benefit of the new fathers, within five months of the birth of their child or of joining their family in Italy, in cases of national or international adoption or custody.

After concluding the **E.L.E.N.A. (Experiencing flexible Labour tools for Enterprises by engaging men and women)** pilot project in June 2017, Acea was able to analyse its outcomes and assess the **effects on individual productivity of the work-life balance policies** tested (see the dedicated box).

⁸⁹ Law No. 68/99.

⁹⁰ The Diversity Committee was established by the Board of Directors, together with the approval of the Charter for the Management of Diversity, at the meeting held on 10 November 2014.

THE RESULTS OF THE E.L.E.N.A. PROJECT IMPLEMENTED AT ACEA

The agile project work - **smart working** - **E.L.E.N.A.**, coordinated by the Department of Equal Opportunities of the Presidency of the Council of Ministers, with the scientific collaboration of Bocconi University in Milan, had a **9-month duration** (September 2016 - June 2017) and **involved 200 people**, belonging to 9 companies of the Group, identified among a "sample" population with certain needs (such as dependent children under 3 years, other dependent family members, etc.). In addition to the 200 people who worked in smart working mode - see "Group of observers" - another 110 people were identified

who worked in ordinary mode - see "Control group" -, in order to be able to evaluate, through comparison, the effects of the use of the agile working method. The results revealed that **"agile" workers have a guaranteed productivity of more than 3-4%**. The same employees had a **lower work absentee rate** than their colleagues who were always present in the office. On average, every "smart worker" has renounced an annual package of exceptional permission to leave, ranging from 1.2 to 4.8 days. **Satisfaction in terms of the balance between private life and work increased on average by 6.6%.**

The innovative scope of the project has a focus on the deconstruction of constraints connected to the work place and working hours, recognising the person's **autonomy** and **responsibility** in defining the working methods and **focussing** on the objective. The increased flexibility and autonomy given to agile workers has had positive impact on their work-life balance, increasing their **well-being**, which is also linked to productivity.

By positively evaluating the project's results, Acea intends to extend the possibility of working in smart mode, starting from 2018, to an increasing number of employees.

On the International Day for the Elimination of Violence Against Women, organised by the UN, **Acea projected the inscription "No More" on the façade of the main building**, to publicly testify its solidarity with all women and its stance against any form of violence or abuse. Furthermore, Acea has once again chosen to participate in the **Rome Pride 2017**, to broadcast its message of inclusion of diversity and opposition against all forms of discrimination.

COMMUNITY LIFE IN ACEA

Some structures within the company perform work of a social nature, directly involving employees: the Company Recreational Club (CRC), the Gold Medal Association, the National Association of Mutilated and Disabled Civilians (NAMDC) and the Association of Christian Italian Workers (ACIW).

In 2017, the number of members enrolled in the Company Recreational Club (CRC), including managers, remained unchanged and amounted to 4,620 people. **The CRC was responsible for managing the company's crèche**, open to children of employees and children of residents of Municipality I, and accommodating 35 children in the first semester and 36 in the second semester of 2017.

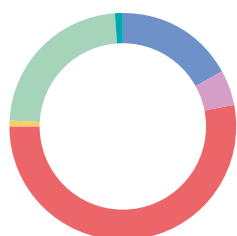
The Club **offers cultural, sport, tourism, economic, commercial initiatives and personal services**, and its aim is to enhance the free time of its members, without losing sight of aspects of social interest. An important solidarity tool among employees

is the **Emergency Fund**: an initiative **in support of the relatives of deceased**, in-service or retired **employees**. All employees can join by signing a form, which they must send to the Human Resources Management Department or to the CRC, in which they authorise the deduction from the payroll of a small contribution that is allocated to the Fund.

The Company Recreational Club enters into agreements for employees and their families with institutions that offer health services, dental services, legal advice, etc. and active commercial agreements, including ticket sales service relating to sports, theatre and music events, which can be viewed on a dedicated portal with constantly updated contents and accessible on the Intranet (www.cra-acea.it). It is also responsible for informing employees, by sending newsletters.

The Association of Christian Italian Workers (ACIW) is very active in Acea and **promotes social initiatives, solidarity and support**. Examples of that support are the presence of the Chaplain from whom employees can seek guidance, and the organisation of meetings for families, also with the intention of creating a **support network** for employees. The association is also involved in **providing services** such as **mortgage and loan advice, school assistance** for children of employees attending lower- and upper-secondary schools, and various other initiatives benefiting employees, such as the organisation of language courses, and cultural and sports activities.

CHART NO. 40 - MEMBERS THAT HAVE USED CRC SERVICES (2017)



- 525 | Shareholders who have utilised tourism services
- 135 | Children of shareholders who have utilised summer programmes
- 1,615 | Shareholders interested in insurance instalments
- 28 | Shareholders interested in purchase instalments
- 697 | Shareholders who have utilised the so-called "dono della Befana" bonus benefits
- 36 | Shareholders who have utilised scholarships

SHAREHOLDERS AND FINANCIERS

Acea is a listed company that ensures the financial community, through its **Investor Relations Department** and in partnership with the competent corporate structures, a **continuous, timely and useful flow of information for the correct assessment of the current and future situation of the Company and the Group**, also highlighting Environmental, Social and Governance (ESG) items.

The information is conveyed through current and potential direct relationships with analysts and investors, and through presentations and press releases uploaded on the Company's website, always respecting the fundamental principles of **correctness, clarity and equal access**.

Additionally, the **Corporate Affairs and Services** Department is responsible for the management of information flows with the Supervisory Authorities (Consob and Borsa Italiana) and the corporate obligations required by law for listed companies.

ECONOMIC FLOW TO SHAREHOLDERS AND FINANCIERS

Shareholders received **€133.9 million in dividends** as management profit for the year (they received €132 million in 2016), which correspond to € 0.63 per share, with a **payout of 74%** on net income, after allocations to third parties.

In the last trading session of 2017, **Acea shares** recorded a closing price of €15.40 (capitalisation: €3,280 million), with an **increase of 33.3%** compared to the previous year. In 2017, a maximum value of €17.08 was achieved on 30 November, while a minimum value of €11.30 was achieved on 1 February. Average daily volumes were marginally higher than €140,000 (compared with approximately €110,000 in 2016).

TABLE NO. 42 - PERFORMANCE OF STOCK EXCHANGE INDEXES AND ACEA SHARES (2017)

| | variation % 31.12.17 (compared to 31.12.16) |
|-----------------------|---|
| Acea | +33.3% |
| FTSE Italia All Share | +15.6% |
| FTSE Mib | +13.6% |
| FTSE Italia Mid Cap | +32.3% |

€ 89.3 million are destined to **financing** stakeholders (compared to € 128.8 million in 2016). The change significantly influences the reduction in interest on bonds compared to the charges incurred last year for the repurchase of two quotas of bonds and the further reduction in costs of medium/long-term debt and the cost of commissions for transferred loans. The average overall all-in cost of the Acea Group's debt on 31/12/2017 was 2.59%.

Regarding the composition of debt, on 31/12/2017 approximately

62.5% of the total amount was derived from transactions on the capital market (corporate bonds). Regarding the banking sector, Acea mainly targets those entities whose mission is to finance strategic infrastructures, such as the European Investment Bank (EIB, 19.8% of the debt) and the Cassa di Risparmio di Roma e Prestiti (CDR, 9.2% of the debt). These institutions ensure loans, to entities with creditworthiness such as Acea, with a maturity of more than 10 years, in line with the duration of the concessions (water and electricity) owned by companies of the Group, called to make the relevant investments.

AGENCY RATINGS

TABLE NO. 43 - RATING 2017

| agency | long-term rating | short-term rating | outlook |
|---------|------------------|-------------------|---------|
| Moody's | Baa2 | | stable |
| Fitch | BBB+ | F2 | stable |

Moody's confirmed last year's rating, underlining how the composition of Acea's assets is characterised by a **low risk profile**, owing to 80% of the EBITDA being guaranteed by regulated businesses with low exposure to price risk and volume risk. Therefore, despite the sovereign outlook being Baa2 negative, the agency estimates that the Acea Group may continue to meet the requirements of a stable outlook, because of the diversification of its business and its modest exposure to cyclical activities (20% of Ebitda).

Fitch confirmed Acea's rating and indicated how the new Business Plan (2018-2022), which confirmed the group's focus on regulated businesses, envisages an increase in the total investments included in the plan. It also positively highlighted the increased visibility of water service business, which contributes 40% to the Group's gross operating margin and the new 2016-2019 regulatory cycle in electricity distribution (40% of the EBITDA). Both items will guarantee more visibility of the Group's prospective flows.

FINANCIAL DISCLOSURE

During 2017, Acea organised and participated in **a number of meetings, extended presentations, roadshows and reverse roadshows, with approximately 160 equity investors, buy-side analysts, investors and credit analysts.**

The **roadshows**, organised in partnership with the main business banks, took place in the **most important squares in Europe**: In Rome, Milan, London and Paris. Additionally, **conference calls** were held in the market with **approximately 110 analysts/investors**, at the time of the approval of the annual and interim results, and the Business Plan 2018-2022.

The Company participated in several Utilities Conferences held by Borsa Italiana and leading brokers. In addition to direct relationships with analysts and investors, managed on a daily basis, economic and financial communications (price sensitive press releases, company presentations, credit ratings, stock performance, highlights, etc.) are constantly updated in **the Investor Relations area of the company website.**

Approximately 170 studies/reports on Acea shares were published during the year under review.

Seven **business banks** analyse Acea shares with a high level of continuity, five of which, as of 31 December 2017, express "positive" ratings and two of which express "neutral" ratings.

ESG ANALYSTS EVALUATE ACEA

Acea constantly cultivates **relations with finance operators** from Environmental, Social and Governance (ESG) and, in the year under review, found its position in the evaluations of analysts, ratings and benchmarks, as illustrated below.



In 2017, **Oekom Research** confirmed the intermediate rating drawn up in the previous year by assigning a C+ rating (scale D-/A+).



The **Carbon Disclosure Project (CDP)**, an international organisation supported by over 800 international investors, whose mission it is to ensure attention is being given to the management of the risks and the impact from climate change by major companies around the world, publishes a list each year illustrating the ranking of Italian companies committed to this cause. Acea, which has assessed to this regard for many years, has also received an excellent evaluation for 2017, **confirming its presence in leadership class (A-)** (for details see *Relations with the environment* and the paragraph on *Mitigation and adaptation to climate change*).



Acea has been included in the *Ethibel Excellence investment register* since January 2015. The analyst states that: "This selection by the Ethibel Forum indicates that the company operates better than the average for its sector in terms of corporate social responsibility."

Acea **shares** are present in some ESG investable universes, including Green Impact by **Kepler Cheuvreux**, which includes European companies that combine business exposure to environmental issues with positive management of the related impact in favour of mitigation of climatic effects, and the investable universe of **ECPI**. Further opportunities for discussion and interaction between Acea and the sustainable and responsible finance operators occurred during the year, stimulated by requests for further explanations with regards to assessments and data models, with **Evalueserve (FTSE Low Carbon Economy)** and **Vigeo Eiris**.

INSTITUTIONS AND THE COMPANY



Acea deals with interactions with the institutional key players and stakeholders of reference for the territories and the business in which they operate, according to a participatory logic and based on the culture of dialogue, with the aim of generating a shared advantage, to the benefit of all the parties involved, but primarily the community and the territories of reference.

RELATIONS WITH INSTITUTIONS

Relationships with the Institutions are focussed on the economic dimension (taxes and fees) and the social dimension (relationships with local institutions, sector authorities, dialogue with consumer associations and other civil representatives, professional and institutional partnerships, etc.), in line with current legislation and the Group's *Code of Ethics*.

The economic value distributed to **public authorities** in the form of taxes in 2017 is **€96.5 million** (it was €143.5 million in 2016). The tax rate for the year is equal to 33.3% (it was 34.5% last year). Acea regularly pays contributions and registration fees owed to public and private bodies, such as chambers of commerce, independent administrative authorities, industry associations and representative bodies. In 2017, the total amount of this item was approximately €2.57 million, a slight increase compared to 2016 (€2.03 million). More specifically, approximately €1.56 million was paid to regulatory authorities (ARERA, AGCM, Consob and other public services authorities), €81,000 was incurred as a mandatory charge to the chambers of commerce and €934,000 was incurred for contributions to confederation bodies and for various membership fees (Utilitalia, Unione Industriali).

Public **institutions** represent privileged partners for the implementation of **initiatives useful for generating positive effects in the territory and in relation to the quality of life for citizens**, also in virtue of the essential nature of services provided by the Group and their impact on communities (see chapters on *Customers and the community*, *Staff* and *Relations with the environment*).

Acea interacts with the various institutions in compliance with

the principles and rules established in the Group's **Code of Ethics**, which dedicates **Article 19** to relationships with institutions, public authorities and political and trade union bodies, establishing that: *"Acea does not contribute in any way to the financing of political and trade union parties, movements, committees and organisations, even if they have the legal status of an association or foundation with the same instrumental bodies, or their representatives and candidates.*

Relations between the Company and the political and trade union organisations, with regards to matters of corporate interest, are inspired by mutual respect and collaboration.

Every relationship must be authorised by the structures in charge, paying particular attention to avoiding situations in which conflicts may occur between Acea's interests and those of the authorised collaborator on establishing relationships with political or trade union organisations.

In any case, Acea refrains from behaviour aimed at exerting direct or indirect pressure on politicians and trade unions in order to obtain benefits."

The management of relationships with institutions is defined by an organisational model that assigns specific skills and tasks to the various corporate structures:

- The **External Relations and Institutional Affairs Department** guarantees the unitary representation of the Group's positions in dialogue with local, national and international institutions and bodies, in order to promote and protect the Group's interests and respond to signs of evolution of the scenario of reference and the related potential impact on the business.
- The **Corporate Affairs and Services Department** ensures assistance for all legal aspects relating to Acea S.p.A.'s operations and the functioning of the Group, dealing with communications with the securities market **Supervisory Authorities** (Borsa and Consob), managing relations with the **regulatory bodies** in the relevant sectors, representing Acea positions in participatory regulatory training procedures, and ensuring coordination and guidance in the implementation of the Authority's resolutions, in order to minimise exposure to regulatory risk.

The **Group's operating companies**, jointly with the Parent Company, manage the **"technical and specialist" aspects** of the managed services - water and electricity supply, public lighting and the environmental sector - also through **consultation** with the various administrative, regulatory and control bodies.

The Regulatory Authority for Energy Networks and the Environment has established a mechanism of **awards and penalties** for companies that manage the services regulated by said authority. In 2017, with reference to the management of the previous year, Areti was made to pay a penalty of approximately €941,000 relating to the regulation of the continuity of the electricity service for low-voltage users. Again with reference to the continuity of service in 2016, Areti has paid, as compensation to users and as penalties paid to the Energy and Environmental Services Fund (EESF), approximately €1.2 million with reference to prolonged and extended interruptions and approximately €101,000 for exceeding the pre-set standards for medium-voltage users. Acea Ato 2 paid approximately €2.7 million in automatic indemnities to customers, the majority of which related to billing indicators, while, for any awards for the quality standards of the service provided during 2017, data was

communicated in January 2018 to the Operative Technical Secretariat of the Management Body of the area of reference for the verification of the case. As part of the appeal filed by Acea Energia for the cancellation of the sanction measure adopted in November 2015 by the **Competition and Market Authority (CaMA)**, upon conclusion of the PS9815 proceedings, on the subject of the activation of unsolicited contracts, the local community **Administrative Court of Lazio** - by order No. 2547 dated 17 February 2017, - decided to submit the preliminary questions raised by the company **to the Court of Justice of the European Union**. The questions are linked to the interpretation of Art. 27-bis, paragraph 1 of the Consumer Code, which essentially concerns the competence of the aforementioned Authority to sanction, under the scope of unfair commercial practices, conduct subject to specific regulatory provisions. It should be noted that the CaMA initiated an investigative procedure in May against

Acea and Acea Energia for an alleged breach of Art. 102 of the TFEU relating to abuse of a dominant position. The proceedings are ongoing and the deadline for their conclusion is set for June 2018. Additionally, the appeal lodged by Acea Ato 2 against the fines imposed on it in the PS9916 proceedings are still **pending before the local community Administrative Court of Lazio** - inherent unfair commercial practices implemented in the performance of certain invoicing activities, the recovery of receivables and the management of complaints - and lodged by Acea Energia against the fines issued in the PS9354 proceedings - relating to the breach of the Consumer Code in the execution of certain invoicing activities and the recovery of receivables. As for the litigation procedures of an **environmental nature** with public enforcement authorities (Arpa, Forestry, etc.), see *Relations with the environment and the Environmental Accounts*.

PARTNERSHIPS FOR THE PROTECTION OF THE COMMON HERITAGE

Acea, in synergy with specialist public institutions and with research bodies, deals with **initiatives and projects of a social, environmental and safety nature and with protection of common heritage**.

In 2017, the **multi-institutional committee for the treatment of drinking water sources** operating in Acea Ato 2 met during a special study and discussion session on the topic of the **Water Safety Plan**. The meeting took place in the protected area of the sources of the Acqua Vergine in the presence of the institutional representatives of reference (Rome City Council, Lazio Regional Council, the local community Agency for Environmental Protection (ARPA), Asl RM2, Asl RM6, the municipal police and Metropolitan City Authorities) which expressed their full willingness to cooperate with implementing the **"Safety Plans"** for the Ato 2 territory, with the coordination of Acea Ato 2, as manager of the Integrated Water Service - as required by the guidelines drawn up by the Italian Higher Institute of Health.

Acea Ato 2 is also among the signatories of the **"Tiber River Contract in the Urban Area of Rome"** - signed jointly with other public and private bodies for the economic development and use of the Tiber. In this context, the **monitoring of river water has continued and the construction of two new monitoring stations has been completed** (at Poggio Mirteto, located on the Tiber upstream of the city, and on the Aniene just before convergence with the Tiber), which have been integrated into the **Acea Ato 2 continuous monitoring network, currently formed of 6 automatic remote-controlled control units**. These will then be added to the Porta Portese station, which is currently being acquired by the Lazio Region under a special agreement. In the context of the Agenda Tevere initiative, the water company is also actively contributing to the collection and creation of an **infrastructural database** that can be made immediately available for initiatives that will be implemented in the coming months.

Again in the context of **institutional partnerships for the protection of drinking water sources**, the creation of a committee by Acea Ato 5 with the Local Health Authority of Frosinone should

be noted, in order to initiate analyses and hypotheses for solutions relating to any problems that may impact on the quality of the water distributed in the territory as a result of emerging phenomena, such as the drought that was noted in the year in question.

Acea is involved in **safety and the prevention of risks and management of emergencies and critical situations**, sharing its technical and specialist competencies with high-profile institutional work groups and providing support, in **emergency situations**, to the **competent authorities in the area of public health, civil protection and public security**.

The most important issues for national security include **cyber threats to the information networks of services of general interest**, potentially capable of causing a malfunction or interrupting the provision of essential services such as energy and water.

In this context, the company participates permanently in the work of the **Computer Emergency Response Team (CERT)**, coordinated nationally by the Ministry of Economic Development (MoED) and, at the same department, has taken part in the launch of the **National Assessment and Certification Centre for the verification of the reliability of ICT components for critical and strategic infrastructures**, a body set up under the new **National Plan for cyber protection and IT security** adopted by the Italian Government in June 2017.

Thanks to the experience gained in partnership with the EU project **PANOPESEC**, which has created a prototype applicable to the protection of **critical infrastructures, networks and sensitive data**, and in consideration of the innovations produced, **Acea was invited to participate in the advisory board of the H2020 ATENA project**. The aim of this project is to identify technological solutions and architecture to deal with possible cyber attacks on infrastructure and industrial plants managed by dedicated control systems.

Acea companies are committed to ensuring the **highest levels of security and continuity in the provision of managed services**, and have provided organisations, procedures and tools which, in case of critical events (unavailability of central systems, breakdowns, adverse weather conditions, peaks in demand and strains

on networks, etc.), allow **the timely restoration of the normal operating conditions of networks, equipment and systems**. In this regard, each operating company has **plans for managing emergencies and intervention procedures** and, through the **control centres, constantly monitors the status of networks and equipment** - water and sewage, electricity and public lighting - in partnership with the **Municipal and National Civil Protection and Rome City Council**.

The **Areti Emergency Management Plan** is designed to deal with the occurrence of faults and unavailability of the network. It defines the different **states of activation** (ordinary, alert, alarm and emergency), according to the operational and environmental conditions, the **procedures** for activation (and subsequent return) to the same states, the **units involved** and the respective roles, and the **resource materials** necessary for maintaining or restoring equipment. It also provides for the appointment of a **Head of Emergency Management** and an employee specifically dedicated to the **management of security**, in the cases foreseen. The **detailed Operational Plans** indicate, in a timely manner, the methods for managing certain types of disruption (such as flooding, fires, disruptions to the remote-control network, inefficiencies in the power systems of important entities, etc.) and report, in relation to the case in question, the management procedures, materials, equipment and resources to be involved. The operational documents include the procedures, for example, for the **re-ignition of the electricity system in the event of a blackout** of the National Transmission Grid (NTG) or to **re-establish strategic utilities** (such as Parliament, the Government, the State of Vatican City, etc.). The master plan and detailed operational plans are **updated on a yearly basis** and periodically improved on the basis of analyses of real cases. The effectiveness of procedures and the functionality of equipment is tested by means of exercise drills.

Plans for the management of emergencies, active similarly in **water companies** and shared with local institutions (as Governmental Territorial Offices, Local Health Authorities, Area Management Agencies) address, in a predefined and structured way and on the basis of possible risks and scenarios, abnormal conditions that compromise the **continuity and quality of the integrated water service** and, according to the classification of emergency levels, describe the preventive and remedial measures for the different types of unforeseen events, such as **damage to networks, pollution, water crisis and emergencies relating to the sewage and water purification service**.

The **companies of the Group that manage waste treatment plants** ensure the execution of a detailed **routine maintenance plan** to **reduce plant downtime caused by faults or unexpected events** and minimise **unplanned** non-routine maintenance work. All the structures of each site are equipped with **Emergency Plans** that take into

account the scenarios identified for endogenous and exogenous emergencies. These Plans examine aspects related to the safety of workers, ensuring their safety through specific behavioural and evacuation procedures, checked on a yearly basis, and aspects related to the protection of the environment, identifying the emergency interventions to be performed in order to limit contamination of environmental media (air, water and soil). Permits by virtue of which the plants are operated also include provisions concerning the **communication of non-routine or emergency events to the competent bodies**, in order to guarantee the maximum dissemination of information and, where appropriate, the coordination of the intervention.

SOME PROJECTS FOR THE DEVELOPMENT OF THE TERRITORY

The **partnership between Acea and local institutions** aims to implement **initiatives for the development of the territory of reference** and promote a model of growth based on the sustainable use of water and energy resources (see *Relations with the environment*). In 2017, Acea Ato 2, in partnership with the mayors of the municipalities falling within the managed territory of Rome and its Province, continued the **Case dell'Acqua** installation programme, reaching a total of **66 activated kiosks** (see *Customers* chapter, *The quality delivered in the water area* paragraph).

Specific areas of comparison between **Areti** and the **Municipality of Rome**, during the year, concern common in-depth training initiatives on topics related to **environmental sustainability and the resilience of the electricity grid**, in order to evaluate the possibility of partnerships in funded and innovative projects. The energy distribution company and Acea Ato 2 also continued to **collaborate with universities, research bodies and companies involved in the management of technological and plant infrastructure**, as part of the **Resilience Enhancement of the Metropolitan Area (RoMA) project**, co-financed by the Ministry of Education in the context of support actions for **Smart Cities and Communities**, aimed at creating integrated technological systems that can increase the resilience of large metropolitan systems.

An area of **local promotion** that is particularly cared for and in constant development is the area that arises from the relationship with **schools in the territory**. There are a number of opportunities for interaction with the training institutes in the geographic areas served by Acea companies, under the scope of **partnerships that refer to the National Operational Programme, agreements for the Alternating school-work programme or curricular integration of educational programmes**.

For example, during the year, the alternating school-work programmes should be mentioned that were initiated by **Areti** and **Acea Ato 5** with several institutes, bearing witness to the attention given to the training of future technicians, as well as the **Gesesa H2SchOOl** project, (see the dedicated box and the *Staff* chapter, *Valuation of human resources and communication* paragraph).

GESESA'S H2SCHOOL PROJECT

School is an integral and determining part in the progressive resolution of problems connected to environmental matters, both because it is an institution committed to the adoption of specific policies of saving resources (energy, water, paper) and reduction of waste, and for the task that is specific to it of moulding young people to citizenship and addressing the development of students to a sustainable lifestyle. In this context is inserted the **H2SchOOl** project conceived by Gesesa for **teachers and pupils of the last three classes of Primary School and the entire cycle of grade I Secondary School of Benevento and Province**.

The initiative, in collaboration with **UNICEF** and sponsorship by the **Education Department of the City of Benevento**, has been conceived as an educational-pedagogical instrument to move students closer to and make them aware of the complexity of environmental issues, increasing their awareness and channelling information and content regarding the water cycle and the appreciation of waste, getting to know the actions, resources and technologies that Gesesa implements in order to preserve the territory in which it operates, respecting sustainable development. The project is articulated, over a time frame

of several years, in moments of growth and in-depth analysis, which take concrete shape in the form of meetings, theatrical spectacles, laboratories and competitions, on some topics of environmental interest linked to the sustainability which concern: the issue of waste, the conservation of water and resources, of the quality of life that is sustainable and therefore compatible with the environment that surrounds us. Finally, **UNICEF's Provincial Committee** - of which Gesesa has become the first "business friend" of Sannio - has illustrated the H2schOOl initiative in the annual meeting to present UNICEF projects with schools of the Benevento Province.

THE COMPARISON WITH THE REFERENCE CONTEXT

Acea participates in **Research Centres, Standard-setting Bodies and Industry Associations**, acting as promoter or contributing to specific study activities in the businesses in which it operates.

THE 2017 MEMBERSHIPS OF RESEARCH CENTRES, STANDARD-SETTING BODIES AND INDUSTRY ASSOCIATIONS

During the course of the year Acea has renewed and activated numerous memberships in organisations of interest, including:

- AGICI - Finanza d'Impresa;
- Aspen Institute Italia;
- Associazione Civita;
- Associazione Amici della Luiss (Friends of Luiss Association);
- Associazione Italiana di Illuminazione (Italian Lighting Association - AIDI);
- Associazione Italiana esperti Infrastrutture Critiche (Italian Critical Infrastructure Experts Association - AIIC);
- Associazione Elettrotecnica ed Elettronica Italiana (Italian Electro-technical and Electronic Association - AEI);
- Associazione Idrotecnica Italiana (Italian Hydro-technical Association - AII);
- Associazione nazionale fornitori di elettronica (National Electronics Suppliers Association - Assodel);
- Assonime;
- Centro Studi Americani (Centre for American Studies);
- CDP;
- Conseil de cooperation economique (Economic Cooperation Board);
- Comitato Elettrotecnico Italiano (Italian Electro-Technical Committee - CEI);
- CSR Manager Network Italia (Altis);
- Distretto Tecnologico Nazionale sull'Energia S.c.ar.l. (Di.T.NE.);
- Elettricità Futura ("Future Electricity" formerly Assoelettrica-AssoRinnovabili);
- Energy and Strategy Group - Politecnico di Milano (Polytechnic of Milan) (ES-MIP);
- FAI Fondo per l'Ambiente Italiano (Fund for the Italian Environment);
- Federazione delle imprese ambientali, energetiche ed idriche (Federation of Environmental, Energy and Water Companies - Utilitalia);
- Federazione Italiana per l'uso Razionale dell'Energia (Italian Federation for the Rational Use of Energy - FIRE);
- Fondazione Global Compact Network Italia (Global Compact Network Italy Foundation);
- Fondazione Utilitatis (Study and Research Centre for Water, Energy and the Environment);
- I-Com (Istituto per la Competitività - Institute for Competitiveness);
- ISES Italia (International Solar Energy Society - Italian Section);
- Italian Association for Trenchless Technology (IATT);
- Istituto Unificazione Italiano (Italian Unification Institute - UNI);
- Laboratorio dei Servizi Pubblici Locali di REF-Ricerche (Local Public Services Laboratory of REF-Ricerche);
- World Energy Council (WEC);
- Unindustria Lazio.

Acea **participates in occasions for dialogue** between the business world and the scientific community on the **issues which are topical and of national and international importance and offers its own specialist contribution on the occasion of thematic conferences, forums and workshops** on topics linked to managed companies, also presenting publications and works of technical-scientific relevance.

Also in 2017 it participated in the **Ecomondo** trade show in Rimini, with an exhibition stand, presenting to the operators of the sector the activities and installations of the **Environment Area Group** and holding seminars on innovative technologies connected with the recovery of energy and from waste. In this context 3 innovative projects were presented connected, in particular, with minimizing sludge from purification, their efficient use in the perspective of the circular economy and the use of ash from the waste-to-energy process for the purposes of producing ceramic materials (see also the dedicated box in the chapter *Environment Area - waste management*).

SMAU is another innovation and technology trade show of national relevance, at the Naples edition of which Acea participated by means of the company **Gesesa**. The project, presented by

the Company in this context, concerned the efficiency, in terms of management and costs of processes, of the payment collection systems, privileging the use of ATMs and digital banking channels focused on the CBILL product, and it was one of the protagonists of the SMAU Innovation Prize.

Acea has also participated at the **Make Faire - The European edition** trade show in Rome with an exhibition stand, presenting to the operators of the sector innovative projects developed in the various areas of the Group such as 3D mapping, AR training system and drone experience.

Another topic, of emerging relevance, is that of the **Blockchain technology** applied to energy transmission networks. In consideration of the developments of this new technology and in order to investigate the potential thereof in the various divisions of electricity supply chain (generation, distribution, electrical mobility) there was created in 2017 by Eurelectric, EU electricity industry association, a **platform dedicated to study and dialogue regarding the technology** in question, in which a qualified group of electricity companies from the Continent, including Areti, participate.

The collaborations between Acea and the academic world, both for the purposes of training and continuous updating of their technicians, and for the development of research projects connected to industrial activities, are conducted in the context of **agreements signed between the companies of the Group and the Universities of reference** of the land managed.

For example, we can cite the rich seminar activities developed during the year in collaboration with the **La Sapienza University of Rome**, together with the Order of Engineers and technical associations of the sector, regarding specific business topics such as: security of the energy infrastructure, monitoring and risk analysis systems; security in procurement contracts, good practices and performance of the client; the Public Contracts Code in the perspective of environmental and energy sustainability; the costs of not using NO-DIG technologies in the development of the infrastructures of integrated networks.

Just as intense have been the collaborations maintained by the Group's water companies with the Universities of the reference territories, one thinks of the relationship of Acea Ato 2 with the **La Sapienza University of Rome**, in particular with the CERI research centre regarding geological risks, and with the **Tor Vergata University of Rome**, in particular with the Department of experimental medicine, or the relationships between Acea Ato 5 and the **University of Cassino and Southern Lazio** and between Gesesa and the **University of Sannio** (see the chapter *Staff*, paragraph *Valuation of human resources and communication*).

With reference to the topic of **sustainability**, Acea participates in networks of experts, working groups, think tanks promoted by the academic world, by civil society, by the Institutions or by business stakeholders, including: the **CSR Manager Network**, the national association which unites the principal Italian companies active in *corporate social responsibility*, the **Fondazione Global Compact Network Italia** (Global Compact Network Italy Foundation), a body which represents our country at the United Nations' Global Compact; **Utilitalia's** working group on Sustainability, the federation which unites the *multi-utilities*

of water, environment, energy and gas; Acea furthermore participates in the analyses of benchmarks regarding sustainability in the Italian *utilities*, curated by the **Utilitatis** research centre.

In the aforesaid organisations Acea has an active role in workshops, working meetings and seminars, sharing its specific experiences and participating in joint projects and initiatives.

The company, through experience on the subject, has also become engaged as a speaker in University masters or public conferences on the topic.

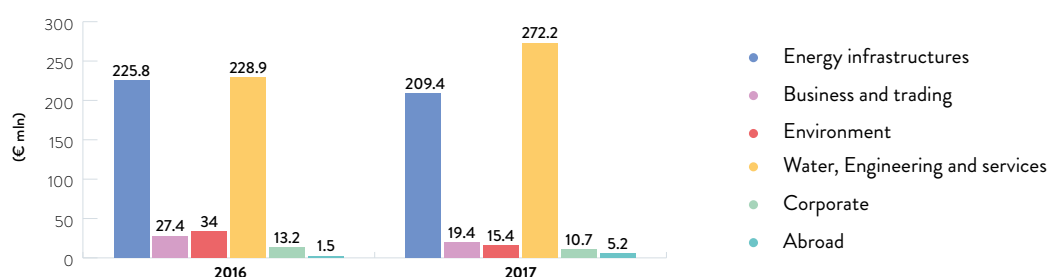
THE COMPANY AS A STAKEHOLDER

THE MANAGEMENT OF COMPANY ASSETS

Acea protects and valorizes its tangible and intangible assets, seeking a sustainable financial position and **governing the internal needs**, linked to the operational management and the **growth prospects, consistently with the aims expressed in the business mission and the strategic plan**.

In 2017 the investments were of a total amount of **€532.3 million**, in line with the previous year (€530.7 million). Analysing their distribution by business area, there is highlighted in particular: the **Environment** area with €15.4 million, for interventions on the slag extraction system of San Vittore del Lazio's WtE installation, regarding Orvieto's waste treatment and biogas production installation, regarding the adjustment and upgrading of the Aprilia and Sabaudia composting installations; the **Commercial and trading** area for €19.4 million; the **Water** area for €271.4 million, with reference to the maintenance, modernisation and extension works in relation to the water-sewage network and in relation to the purification of Acea Ato 2 and Acea Ato 5 and interventions aimed at tackling the topic of water scarcity; the **energy infrastructure** area with €209.4 million, where there must be recorded, inter alia, the intervention regarding the powers stations, revamping Castel Madama and modernizing Tor di Valle. Finally, the **Parent Company** with investments for about €10.7 million.

CHART NO. 41 – DISTRIBUTION OF INVESTMENTS BY MACROAREAS (2016-2017)



The **amortisations, deferments and write-downs** are equal to **€480 million** (+29.6% with respect to the €370 million for 2016). In particular, the amortisations are €328.9 million (€254.2 million for 2016) and linked to investments in all business areas and to the Acea2.0 technological platform, in this context, the write-down of some of Acea Ambiente's installations is reported. The write-downs of receivables amount to €90.4 million, an increase of about 25.7 million with respect to 2016, and are relative to the water companies and the position towards Gala and Atac. The deferments, for €60.8 million, have increased by about €9.4 million with respect to the previous year, and are impacted by trends of the opposite direction, such as the increase of the allocation for the voluntary mobility programme and redundancy incentives for the staff of the Group and for legal risks and the reduction of deferments and for regulatory risks and for the restoration expenses fund.

The protection of **company property**, the **prevention of fraudulent phenomena**, the **respecting of the legislation in force in terms of safety/security**, with particular reference to the **protection of privacy and sensitive data** (Legislative Decree no. 196/2003) and to **safety in the workplace** (Legislative Decree no. 81/2008) are taken care of by the Business and Corporate Services Department by means of the Safety/Security, Protection and Certification Systems, within which the **Business Protection Unit** is located. To this Unit is entrusted the task of **defining and disseminating the guidelines** and policies in terms of **safeguarding and protection of property** and of coordinating the **implementation of plans for the continuity of operation and management of emergencies** prepared by the competent structures and Companies of the Group.

The Unit coordinates the measures aimed at guaranteeing an **adequate level of safety/security in the company's sites**: by means of the Safety/Security Operational Room (**Sala Operativa**

Sicurezza - SOS) it supervises the correct functioning of the concierge, reception desk and security services and of the video surveillance, anti-intrusion and alarm systems active in the company's sites.

The **functionality of the central ICT systems is essential for the operational continuity of the services performed** and it is therefore in light of this necessity that in Acea a plan for the management of **emergencies that cause the unavailability of the systems** is active. From the moment that the slow-down or stoppage of activity is encountered, to the ascertainment of the state of emergency, up until the return to ordinary procedures and the recovery of the suspended production, **an appropriate Guideline** indicates the operational arrangements to **contain the duration of the period of unavailability of systems for companies of the Group to the minimum**. The Guideline details events, phases and responsibilities, envisaging **appropriate teams** – which jointly involve various organisational contact persons: from the operations room to planning, from the call centre to the back office, from ICT to dispatching – in a position to steer towards the resolution of emergencies and at the same time to supervise the management of operational continuity. The emergency event shall be assessed on the basis of its **duration, seriousness and pervasiveness**, that is to say in terms of impact (economic, financial, regulatory, legislative risk, etc.), complexity and spread in relation to the subjects involved.

The Business furthermore adopts **guidelines and procedures** at Group level for **IT security** and for the **protection of the business' information assets** (information and data processed), that define the principles of behaviour, which employees and collaborators must adhere to, the arrangements for use of computer, electronic and digital resources (such as access to the internet, e-mail, PC, etc.) and the controls aimed at combating possible computer crimes.

Also in 2017, following the indications of the Ministry for Economic Development (MISE) and the Information Department for Safety/Security (DIS), Acea has focused **on the extension of protections within the cyberspace domain**, furthermore improving the measures for the protection of networks and SCADA (Supervisory Control And Data Acquisition) devices, already present.

Acea has for some time implemented a recognition of the business processes most exposed to the impact with the new **EU Privacy Regulation 2016/679 GDPR (General Data Protection Regulation)**, which entered into force on 24 May 2016 and is directly applicable in all EU Member States from May 2018. For this deadline, which entails a true revolution in the system for the **processing and protection of personal data**, the Company has assessed that it is indispensable to implement a **programme for adjustment to the new Regulation**, which consists of three successive phases aimed at establishing a model for the governance of Privacy and the integration of the new principles specified by the legislation.

During the first phase **assessment interviews** were conducted with the managers of the organisational structures impacted by

the new regulation. In the context of the interviews the **processing** in existence in relation to personal data was **mapped** (so as to establish a first base of the Processing Register); the measures of an organisational, legal and technical-IT nature **defending the privacy** of the data subjects were revealed and, at the same time the supporting document corpus (information notes, contracts, policies, etc.) was analysed. Subsequently, the non-conformities with respect to the Regulation were identified and evaluated by means of a **gap analysis** and the interventions of adjustment were defined and the relative **roadmap of execution** was prepared. The implementation of the remedial actions reported in the roadmap will lead to the adjustment of Acea's privacy management processes to the principles of the Regulation. Finally, for the purpose of disseminating adequate awareness of the issue within the companies of the Group **training and information meetings** were held **with the privacy contact persons** of the same. In particular, there were specific dedicated seminars (Workshops) for Acea SpA's ICT Function and for Acea Energia, whose processes transpire to be particularly exposed to possible non-conformity in terms of privacy.

THE COMMITMENT TO RESEARCH AND INNOVATION

The scientific and technological evolution in service of the business processes is promoted by means of a broad research activity on the part of the operational companies of the Group. In 2017 Acea undertook a new course to oversee the development of processes and models of innovation, aimed both at **the evolution of the operational management**, and at **containing the impacts** of industrial processes and at **improving the levels of quality of the services** provided to customers. In this regards a **Function dedicated to innovation** – called the CEO Office – was established under the supervision of a Chief Executive Officer, with the general objective of preparing and maintaining the Group's **Innovation Plan**. In this context, the Function has arranged to generate a **model for mapping the innovation initiatives** which has been used in order to manage the moments of connection with the business' organisational structures (Functions, Departments, Companies). In a first phase **all the initiatives of innovation already defined or in the course of development** within the business were **collected and catalogued**; in a subsequent phase an **idea generation** session was held which allowed further opportunities for development of technological applications and innovation to be highlighted.

The entire process was conducted following the **Technology Readiness Assessment (TRA)** model, which allows the state of maturity of a technology to be evaluated, with which a census was taken of the projects for innovation on the basis of clusters (assets, clients and people) and the scopes of application (for example: payments, smart meters), critical technologies of reference (artificial intelligence, Internet of Things) and the potential value of the benefits expected. Finally an **Innovation Plan** integrated in the Industrial Plan was developed.

In 2017 the total economic resources destined to the **research and innovation activities** amount to about **€56 million**.

RESEARCH AND INNOVATION IN THE ENERGY INFRASTRUCTURE AREA

During 2017 **Areti**, in the context of the electricity distribution activity, has realised important innovative projects, highlighted as follows:

- in the context of the **multi-service measure system**, for experimenting with poly-functional technologies and architectures of smart metering, applicable also in sectors other than the electrical sector, it has developed through the company Acea Ato 2 a series of devices for the **smart metering of water meters** (equipped with trigger-impulses) with GPRS technology, initiating the development of further radio modules in 169MHz and NB-IoT technology, together with specific Apps to be installed on terminals for the WFM equipped

with operational staff;

- with reference to the **Drone project** - a remote controlled aircraft system aimed at **periodically checking the state of the overhead cables transporting electricity** managed by Areti - an experiment was conducted regarding a **preventive inspection for the photogrammetric survey of an archaeological site** identified on the occasion of works in the construction site for an electricity line. The data was made available by the applicant to the Ministry of Cultural Assets - Special Superintendency for the Archaeological Assets of Rome. Still in the context of the project, moreover, there was **deposited on 6 June 2017**

- the **patent** relative to the **"Audio system for ultrasounds"** for the monitoring of the partial electrical discharges, phenomenon which causes damage to the isolation of the overhead electricity cables and which, opportunely identified, permits a preventive maintenance intervention capable of reducing the potential network malfunctions;
- the **Palo IP intelligente** (Intelligent Public Lighting Post) project aimed at identifying solutions to integrate in the posts of public illumination sensors and devices, functional both to the improvement of the service and to provide new data and value added services applicable to other contexts, for example environmental and security contexts.

RESEARCH AND INNOVATION IN THE WATER AREA

Acea Ato 2, in collaboration with **Acea Elabiori**, has pursued in 2017 the **Research Plan**, which envisages the **performance of projects selected** by the company's management, with the objective of innovating and improving the operational management. Among these:

- in the context of the **protection of water resources**, relative to the safeguarding area of the sources of supplies of drinking water, the proposed inherent **delimitation** of the installations of Ceraso, Cerreto and for Valga delle Rosce have been completed and the proposal for the safeguarding areas of the Capore source is in the completion phase. The preparation of the modelling for the delimitation of the areas of protection of the Acqua Vergine also proves to be in an advanced stage of development. A similar activity has been performed by Acea Elabiori with **Acea Ato 5**, with reference to which the study has been concluded regarding the safeguarding areas for the Caporelle and Capofiume sources;
- the management activities have been carried out for the **monitoring networks**, with restitution of data and developments of the system relative to the accelerometer and tension-deformative network for the Peschiera/Capore sources, together with the water balances for the **forecast availability** of water resources;
- the **satellite monitoring of the safeguarding areas**, initiated in 2016, was continued in

order to improve the control of the most vulnerable territories, in particular of the areas in the course of having their boundaries defined, which in 2017 has allowed dozens of morphological variations to be detected (new constructions, earth movements and others) and the relative checking activities to be conducted, including by means of inspections;

- with regard to the innovation of the **treatment processes for waste water**, the **evaluation of the odorigenous impacts** in relation to the Parco Leonardo, Ostia and Montagnano - Ardea installations have been completed by means of the use of a specific modelling activity;
- at the Bolzella purifier an experimental activity has been carried out, of checking in the field the automatic reagents dosing systems for the **removal of phosphorus**, by means of the real time measuring of the extent and concentration of this element, evaluating the effectiveness thereof and the cost benefits relationship with respect to traditional systems;
- at the **COBIS purifier and 10 other installations** (Fonte Tonello, S. Maria delle Mole, Cave di peperino, Valle dei Morti, La Chiusa, Carchitti, Valle Giordano, Valle Macerina and Taverna Cauzza) the new model implemented in 2016 and validated by the La Sapienza University - DICEA (Civil, Architectural and Environmental Engineering) Department has been applied, for the

evaluation of the **residual capacity**;

- relative to the **sewage networks** an update of the **inflows and outflows model of the sewage basins** has been carried out, aimed at **simulating the behaviour of the urban drainage systems** in various conditions and in particular with respect to **rainfall events**; the 2017 activity was focused on the analysis of the capacity of the sewage system pertaining to the basin of the Rome East installation which takes account of possible future connections;
- in the context of the risks deriving from **cavities or chasms** categorisations of the land were carried out availing ourselves of the acquisition and development of periodic data, by means of a satellite survey service (Rheticus Displacement). The satellite data was superimposed with appropriate geological and hydrogeological cartography in a GIS (Geographic Information System) environment taking account of the location of the cave networks known to be present in the urban area of Rome and the position of the water and sewage networks;
- in the context of the research and development activities the analytical methodology was implemented in order to determine the traces of some classes of **Emerging Organic Micropollutants** and a campaign of experimental monitoring was initiated in relation to the distribution/removal in some domestic waste water purification installations.

RESEARCH AND INNOVATION IN THE ENVIRONMENT AREA

In 2017 in the Environment Area the following research and innovation activities are highlighted:

- the implementation of an **Ecobelt® WA belts system** of the Magaldi Group, for the transport of the heavy ash deriving from the combustion process of the waste-to-energy plant of San Vittore del

Lazio; this application, the first of its type in the Waste to Energy Sector, allows the use of water to cool the ash to be eliminated, thereby achieving also the progressive improvement of possible operational issues in the event of accidental conditions and the recovery of energy from heat, reducing the energy consumption of the process;

- the conclusion of the study, conducted

with the University of Siena, in relation to the **geochemistry of the soils and of the chemical composition of crops (maize)** in an agricultural zone in the municipality of Pitigliano (GR) concerned by the spillage of sludge from purification. The study was aimed at investigating the effects, also over the medium term, of the spillage of sludge in agriculture.

