



# REMUNERATION REPORT

## *2018 Financial Year*

*In implementation of art. 123 ter of Legislative Decree 58/1998 concerning transparency  
of the Remuneration of Directors of Listed Companies*

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## Letter by the Chairman of the Appointment and Remuneration Committee

Dear Shareholders,

as Chairman of the Appointment and Remuneration Committee, I am pleased to present to you, together with the Board members Gabriella Chiellino, Giovanni Giani and Massimiliano Capece Minutolo del Sasso, the Remuneration Report of the Acea Group.

The Appointment and Remuneration Committee has been working in order to consolidate and continuously improve the remuneration policies of the Group, according to the regulatory reference and in line with the market's best practices, with the aim of ensuring a remuneration policy that is consistent with the business strategy and the creation of value for the shareholders, transferring its recommendations to the Board of Directors.

In this regard, it should be noted that the Committee has formulated a proposal for a new remuneration policy for the senior management, after having examined the benchmark analyses carried out by the consulting firm Mercer, which have highlighted, among other things, the need to make the remuneration treatment of the Acea Chief Executive Officer more competitive and able to retain respect to the reference market.

Specifically, during the course of 2018, the Committee has worked on:

- redefining the mechanism for increasing the bonus pool (total amount of the bonus) in case the performance targets are achieved or exceeded by the Chief Executive Officer, with specific regards to the short-term incentives system;
- redefining, limited to the short-term incentives system for Executives with Strategic Responsibilities, the policy for the increase of the bonus pool in case the performance targets are achieved beyond the target;
- review and alignment to the market's best practices of the remuneration paid to the members of the Committees within the Board of Directors, always assuring the respect of the objectives of rigour and sobriety.

Acea is also continuing to develop its incentive systems in order to effectively recognize the achieved results according to our strategic objectives, at the same time enhancing the value, social responsibility and sharing of sustainable conduct that characterize the Group as a whole.

The Acea Group is thus aiming to increase the integration of sustainability in its business activities, identifying a strategic orientation represented by the progressive alignment of the performance management system to the objectives set by the 2018-2022 Sustainability Plan.

I trust that this Report, submitted for your examination may once again attest the respect of the logics of transparency required by the current laws and to which the Group is bound. Also in the name of the other Directors, I thank you in advance for your adhesion to and support of the policies defined for 2019.

Liliana Godino

Chairman of the Appointment  
and Remuneration Committee

## Introduction

This document describes the Remuneration Policy adopted by the Acea Group for 2019 (“**Remuneration Policy**”). This policy, based on the recommendations contained in article 6 of the Corporate Governance Code for listed companies published by the Italian stock exchange, defines the criteria and guidelines for the remuneration of the members of the Board of Directors, including the executive Directors and those invested with specific powers, and the Executives with strategic responsibilities,<sup>1</sup> and also the members of the Company’s Board of Auditors, within the timeframe of the current financial year.

The drafting of this remuneration report (“**Remuneration Report**”) takes into account both the regulatory prescriptions adopted by Consob on transparency and communication and that provided by art. 123-ter of Legislative Decree 58/98 (hereinafter also “**CAF**”).

This Remuneration Report is therefore divided into two separate Sections:

I. the first Section illustrates in detail:

- a) the Acea S.p.A. (“**Acea**”) policy on the remuneration of the Directors, including the Executive directors and the Directors with specific duties, and the Executives with Strategic Responsibilities;

II. the second Section, individually for the members of the Administration and Control Bodies and in aggregate terms for the Executives with strategic responsibilities:

- a) provides a description of each of the items comprising their remuneration, including the treatment provided in the event of resignation or termination of contract;
- b) accounts for the remuneration paid out during the 2018 financial year under any title and in any form by the Company.

In compliance with that established by Annex 3A of the regulations for the implementation of the CAF adopted by Consob in resolution no. 11971 dated 14 May 1999 (so-called “**Issuer Regulations**”), that provided in this document is applied to the Group top management, the members of the administration bodies and other Executives with strategic responsibilities within the Company.

The Acea Remuneration Report ex art. 123-ter, paragraph 2 of the CAF was defined and approved by the Board of Directors, on proposal by the Appointment and Remuneration Committee, in its meeting on 6 March 2019. The First Section will be submitted to the Shareholders’ Meeting to be held on 17 April 2019.

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<sup>1</sup> The “Executives with Strategic Responsibilities” are the executives identified and proposed by the Appointment and Remuneration Committee to the Board of Directors who have direct or indirect powers and responsibilities in the planning, management and control of the Company’s activities. On the basis of criteria and guidelines which take into account the position held within the organizational structure, autonomy and decision-making powers in the choices made, these Executives with Strategic Responsibilities have been identified taking into account, for each of them, their level of responsibility, role filled and associated remuneration level.

In the light of the above, at the time of the preparation of this document, the following roles belong to this cluster: 1) Water I.A., 2) Commercial & Trading I.A.; 3) Environment I.A.; 4) Energy Infrastructures I.A.; 5) Administration, Finance and Control; 6) Corporate Affairs and Services.

## **Executive Summary**

Continuing from the previous Board, the Group remuneration policy was constructed to ensure that the company remains highly competitive on its reference market, at the same time guaranteeing the necessary alignment between the interest of the management team and that of the Shareholders.

The most significant aspects in the year in question, from the viewpoint of a responsible remuneration policy, include, primarily, the continuation of the Group remuneration philosophy, which, in addition to being in line with the Company's short and long-term strategy, provides for the achievement of the principles of meritocracy and transparency.

From this viewpoint, the guidelines of the 2019 Remuneration Policy determine a remuneration mix based on the following aims:

- ✓ Balancing the fixed and variable remuneration components over time;
- ✓ Implementing a flexible approach to remuneration.

## **Main changes in the 2019 remuneration policy**

Although the principles and aims underlying the remuneration policies are unchanged, some changes have been made to the pay package for the Top Management positions, adopted during the course of 2018, specifically:

- ✓ changes to the remuneration of the members of the Committees within the Board of Directors, aligning them with the market best practices, and differentiating the remuneration of the Chairman from that of the members of each Committee;
- ✓ greater emphasis on the short-term variable component for achieving targets and over performance in the pay packet of the Chief Executive Officer/Overseas Industrial Area and Business Development Strategies Manager;
- ✓ greater emphasis on the short-term variable component in the pay packet of the Executives with Strategic Responsibilities only in the event of over performance linked to set and measurable parameters and with the favourable opinion of the Appointment and Remuneration Committee.

Lastly, it should be noted that the pay packets for the members of the Board of Directors and its Chairman have not been changed.

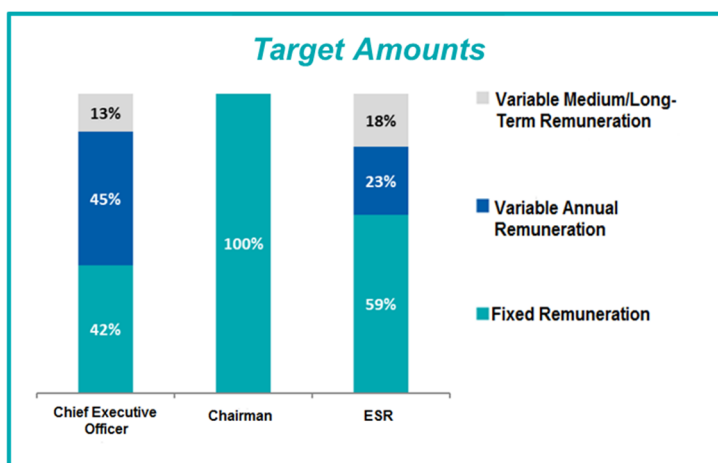
## Brief overview

The remuneration structure of Acea involves the following components:

Remuneration Policy 2019			
Component	Scopes and characteristics	Implementation conditions	Amounts
<b>Fixed Remuneration</b>	The fixed remuneration component is determined by the professional specialization and organizational role filled with relevant responsibilities, reflecting the technical, professional and management skills.	The conditions for its definition are based on checking the remuneration positioning through market benchmarks consistent with the characteristics of Acea and the roles assigned.	<ul style="list-style-type: none"> <li>• <b>CEO:</b> 240,000 Euros annually</li> <li>• <b>Chairman:</b> 120,000 Euros annually</li> <li>• <b>ESR:</b> remuneration determined on the basis of the complexity and responsibilities of the role within the Group</li> </ul>
<b>Annual Variable Remuneration</b>	The annual variable component recognizes and rewards the objectives assigned and results achieved in correlation to the annual budget objectives and is an important motivational aspect.	<p><b>KPI:</b> NFP (weight 40%); EBITDA (35% weight); Net Profit (20% weight); Quality Award (5% weight).</p> <p>Incentive paid on the basis of a 80:120 performance scale, subsequently mitigated by the Group P&amp;L Model.</p>	<ul style="list-style-type: none"> <li>• <b>CEO:</b> target-based incentive of € 280,000</li> <li>• <b>Chairman:</b> not provided</li> <li>• <b>ESR:</b> 35% to 40% of the target-based fixed component</li> </ul>
<b>Medium/Long-Term Variable Remuneration</b>	The medium/long-term variable component ensures the alignment between the Management interests and those of the shareholders. It is aimed at respecting the economic and financial principles and the economic returns on shareholder investments, measuring the returns on the invested capital.	<p>Payment of an amount in cash based on the achievement of set objectives at the end of the reference triennium.</p> <p><b>KPI:</b> TSR (70% weight); EBITDA (15% weight); ROIC (15% weight)</p> <p><b>Characteristics:</b> Closed plan with triennial vesting.</p>	<p>The incentive, assigned to each beneficiary individually, is calculated as a percentage of the fixed component:</p> <ul style="list-style-type: none"> <li>• <b>CEO:</b> target-based incentive: 33.3% of the fixed component; maximum incentive: 40% of the fixed component</li> <li>• <b>ESR:</b> target-based incentive: 30% of the fixed component; maximum incentive: 40% of the fixed component</li> </ul>
<b>Non-monetary Benefits</b>	Supplement the remuneration package in a total reward scheme through benefits primarily of a social security and welfare nature.	The conditions are defined in the national collective labour contracts and supplementary national agreements. The benefit plans do not include discretionary individual plans.	<ul style="list-style-type: none"> <li>• Social security and welfare plans</li> <li>• Insurance and health plans</li> <li>• Company car</li> <li>• Accommodation allowance</li> </ul>
<b>Severance</b>	Severance packages aimed at protecting the interests of the Group, also from competition-related risks.	The Group does not currently have agreements between Acea and the Directors in office providing for indemnities in the event of resignation or unjustified dismissal.	

## Pay mix

Because of the above considerations, the pay packages of the Chief Executive Officer/Overseas Industrial Area and Business Development Strategies Manager, Chairman of the Board of Directors and Executives with Strategic Responsibilities have been drawn up as follows:



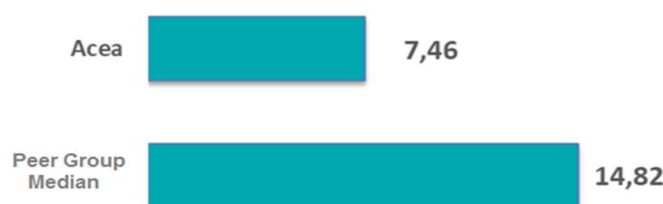
The *Target Pay mix* provided for the Executives with Strategic Responsibilities involves the achievement of the Group and individual targets set in the variable annual short-term incentive plan (MBO), excluding their matrix positioning, and the target conditions provided in the new variable medium and long-term incentive plan (Long Term Incentive Plan - “LTIP”) for 2018-2020.

For the Chief Executive Officer/Overseas Industrial Area and Business Development Strategies Manager, the *Target pay mix* includes the changes to the short-term incentive system, as defined by the Board in 2018 concerning the increase in target-based incentives.

## Shareholder Engagement

### Remuneration Policy and Remuneration Multiple

Continuing from previous years, the use of the remuneration multiple, which is the ratio between the remuneration of the Company Head and that of the average employee, has been confirmed for 2018 as one of the tools for monitoring the Acea remuneration policy. Based on this analysis, the remuneration multiple of Acea is currently 7,46, compared to an average value of 14.82 for its peer companies (A2A, Ascopiave, Hera, Iren, Snam and Terna).



## Correlation between remuneration, risk profile and company performance

The remuneration systems adopted in the interest of all of the stakeholders are in line with the company's long-term strategy and objectives, linked to the company results, suitably corrected to take into account the risks involved in carrying out the activities undertaken, and such as to avoid incentives that may lead to conflicts of interest and the excessive undertaking of risks. Having said this, the Company's Remuneration Policy is based on an evaluation of a "moderate" risk profile; this evaluation derives especially from considering the sector to which the company belongs (regulated multi-utility), in which the margins from free market activities constitute a non-preponderant part.

This means that the Company is exposed to limited market risks and, conversely, more exposed to regulatory risks.

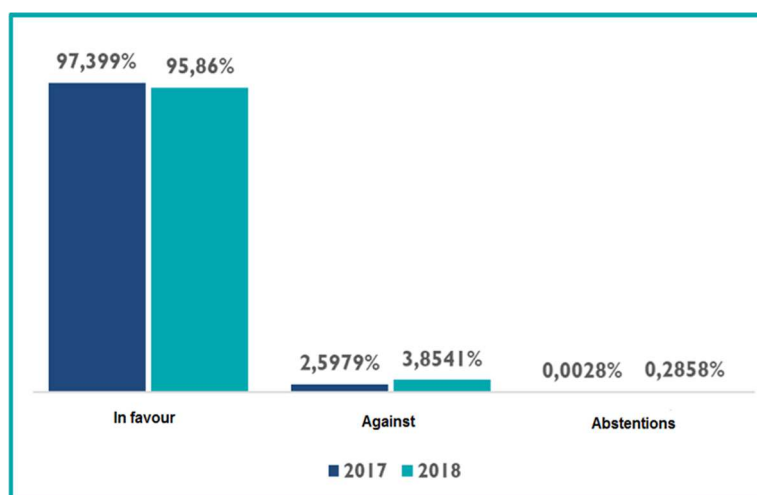
The correlation between remuneration, risks and performance is achieved through a system which:

- ✓ bases the variable remuneration on performance indicators measured over several years; the variable remuneration is determined on the basis of indicators for the Group and the business Industrial Area;
- ✓ conditions the payment of deferred bonuses to the maintenance of conditions of solidity, liquidity and profitability of the Group, and the business Industrial Area if applicable, the achievement of adequate individual performance and proper individual conduct.

Taking into account the "moderate" risk profile, Acea has elected to not allocate highly volatile financial instruments, such as rights of option or other similar instruments, for example. The long-term variable component is therefore constituted exclusively by a monetary type plan.

## Results of voting by the shareholders' meeting

According to that provided by the laws in force (art. 123-ter, paragraph 6 of the CAF), the shareholders' meeting held on 20/4/2018 expressed a consultative vote on the first section of the 2018 Remuneration Report - 2017 Financial Year. The following graphs compare the votes cast in 2017 and 2018.





# SEZIONE I



# 1. Governance Model

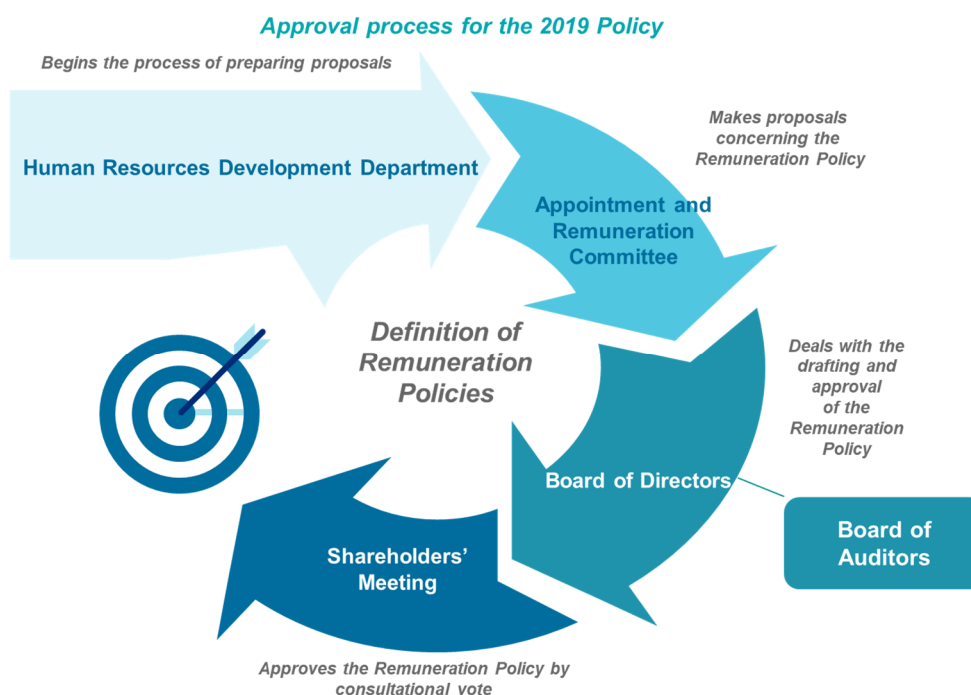
## 1.1. Process of defining and approving the Remuneration Policy

The Appointment and Remuneration Committee and the Board of Directors of the Company play a central role in defining the remuneration policy.

The process of drafting remuneration policies, which precedes the approval process, involves primarily the Human Resources Development Department, which proactively, clearly and transparently guides the process of drafting proposals. This process then closely involves the company top management in the definition of the policy and guidelines for the operational implementation of the latter.

From the viewpoint of increasing transparency, the Acea Group has implemented an RPT (Related Party Transactions) Procedure, which, among others, provides that the incentives for Executives with Strategic Responsibilities are subject to the discipline of Related Party Transactions.

The intervention of the main corporate management bodies in the process for the approval of Remuneration Policies ensures that they are based on clear and prudent rules, which ensure that they are consistent, avoiding situations of conflict of interest and guaranteeing their transparency through suitable disclosure.



The Board of Directors, on proposal by the Appointment and Remuneration Committee, approved the ACEA remuneration policy.

The following are the bodies and individuals involved in the approval process for remuneration policies.

### The Shareholders' Meeting:

- pursuant to art. 2389 of the Civil Code, may decide not to intervene in determining the remuneration of the executive directors and members of the committees, or may establish the maximum threshold, leaving the Board to decide on how to allocate it, unless the Shareholders' Meeting has already decided in this regard. By resolution dated 28 April 2016, the Shareholders' Meeting decided to re-attribute to the Board of Directors the duty, ex art. 2389, paragraph 3 of the Civil Code, of establishing the remuneration for the directors with specific duties;
- decides for or against (non-binding resolution, pursuant to art. 123-ter, paragraph 6 of the CAF) the first Section of the Remuneration Report (paragraph 3 of the same article), concerning the company's policy in terms of the remuneration of the members of the Administration Body and the Executives with strategic responsibilities for at least the following financial year and the procedures used for the adoption and implementation of the policy.

### The Board of Directors:

- was appointed during the Shareholders' Meeting for the approval of the 2016 financial statements (27/4/2017). Following the resignation as Chairman of Luca Alfredo Lanzalone on 21 June 2018, the Board member Michaela Castelli was appointed Chairman;
- the current BOD, composed of 9 members, presides over the following areas of responsibility, consistently with the statutes:
  - unless the Shareholders' Meeting has already done so, determining the breakdown of the overall remuneration among the individual Board members;
  - unless the Shareholders' Meeting has already done so, electing the Chairman from among its members; it may also elect a Vice-Chairman to replace the Chairman in the event of absence or impediment (art. 16 of the statutes);
  - forming internal control and remuneration committees, appointing their members, appointing the General Manager, if required, and defining the number of executives;
  - appointing a Chief Executive Officer from among its members with proxy for everyday management and for any other deed, they are responsible for within the limits of the law and the statutes. The Board of Directors may also form an Executive Committee, establishing its powers. Proxies are conferred in the methods and by the effects of which in art. 2381 of the Civil Code;
  - consistently with the resolutions of the Shareholders' Meeting, determining the remuneration of the Chairman, Chief Executive Officer and other Directors with specific duties, on proposal by the Appointment and Remuneration Committee and after hearing the opinion of the Board of Auditors, and also the remuneration due to the members of the Committees within the Board of Directors and the remuneration of the Executives with strategic responsibilities;
  - defining the corporate governance system and structure of the Group, assessing the adequacy of the organizational, accounting and administrative set-up;
  - making the opportune assessments on the general management performance, periodically comparing the results achieved with those planned.

The current Board of Directors will remain in office until the Shareholders' Meeting for the approval of the financial statements as at 31.12.2019. The composition of the Board in 2018 was as follows:

**COMPOSITION OF THE BOARD OF DIRECTORS**

<i>Luca Alfredo LANZALONE - Chairman until 21 June 2018</i>	<i>Michaela CASTELLI - Chairman since 21 June 2018<sup>(*)</sup></i>
<i>Michaela CASTELLI - Member</i>	<i>Luca Alfredo Lanzalone – Member</i>
<i>Stefano Antonio Donnarumma – Chief Executive Officer</i>	
<i>Alessandro CALTAGIRONE - Member</i>	
<i>Massimiliano CAPECE MINUTOLO DEL SASSO - Member</i>	
<i>Gabriella CHIELLINO - Member</i>	
<i>Giovanni GIANI - Member</i>	
<i>Liliana GODINO - Member</i>	
<i>Fabrice ROSSIGNOL - Member</i>	

(\*) The Board of Directors meeting on 21 June 2018 decided to elect Michaela Castelli as Chairman, who will remain in office until the end of the term of office of the Board of Directors.

The Chief Executive Officer is the only executive of the Company.

There are 6 non-executive and independent members of the Board of Directors, specifically: Gabriella Chiellino, Liliana Godino, Alessandro Caltagirone, Massimiliano Capece Minutolo Del Sasso, Fabrice Rossignol and Giovanni Giani.

### **The Appointment and Remuneration Committee**

Briefly, the functions of the Committee are:

- proposing to and consulting with the Board of Directors and monitoring the application of the criteria and the decisions concerning the remuneration policy adopted by the Board of Directors itself;
- proposing and consulting as regards the remuneration of the Directors with specific duties and the Executives with Strategic Responsibilities.

### **The Chief Executive Officer**

- informs the Appointment and Remuneration Committee on the adequacy, overall consistency and proper application of the remuneration policy for the directors and executives with strategic responsibilities.

## I.2. Role, composition and duties of the Appointment and Remuneration Committee

Based on its internal regulation, the Committee comprises not less than three non-executive directors, the majority of them independent. The Chairman of the Committee is one of the independent directors. The Appointment and Remuneration Committee is currently composed of independent directors only. At least one member of the Committee must have adequate knowledge and experience in financial matters or remuneration policies, to be assessed by the Board on appointment.

In compliance with that provided by article 2389, paragraph 3 of the Civil Code, and according to the Regulation, the Appointment and Remuneration Committee consults with and makes proposals to the Board of Directors.

The Committee gives its view on the remuneration policies and the appointment and retention of group staff presented by the Chief Executive Officer.

As regards its duties concerning appointment:

- it gives the Board its views on the dimensions and composition of the Board itself and makes recommendations as regards the management team and professionals whose presence is deemed necessary;
- it makes recommendations to the Board on the maximum number of positions to be held in administration or control bodies of other listed companies, financial companies, banks, insurance companies or, in any event, companies of significant dimensions that is considered compatible with the effective performance of the duties of Director of the Company, taking into account the involvement of the Board members on the committees within the Board;
- it makes recommendations to the Board on any problems relating to the application of the ban on competition provided for the Directors by art. 2390 of the Civil Code, if the Shareholders' Meeting has generally and preventively authorised derogations to the ban due to needs of an organizational nature;
- it proposes to the Board candidates for the position of director if one or more directors step down during the course of the year (art. 2386, paragraph one of the Civil Code), ensuring the respect of the prescriptions of the law and the statutes, and also those on the minimum number of independent directors and the quotas for the less represented gender;
- it gives its views to the Board if the plan for the succession of the executive directors is prepared.

As regards its duties concerning remuneration:

- it periodically assesses the adequacy, overall consistency and proper application of the remuneration policy for the directors and executives with strategic responsibilities, in this latter regard using the information provided by the general managers;
- it makes proposals or gives its views to the Board on the remuneration of the executives and the other directors with specific duties, and also on setting the performance targets correlated to the variable component of their remuneration;
- it monitors the application of the decisions of the Board itself, and in particular verifies the effective achievement of the performance targets on the basis of the data provided by the competent corporate departments;
- it submits the Remuneration Report for approval by the Board, in particular the Policy for the remuneration of the directors and executives with strategic responsibilities.

At least once a year, the Committee conducts a self-evaluation of its size, composition, functioning and independence with regard to the duties provided by this regulation.

The Committee expresses preventive and non-binding views with regard to the individuals classed as having strategic responsibilities and those to be possibly attracted by the LTIP.

When making its preventive and non-binding views, the Committee acquires preliminary information based on the choice of the executives with strategic responsibilities and on the designation of the Directors and Auditors in significant companies.

The Committee meets periodically, with the frequency required for it to carry out its activities, usually on the dates provided in the annual calendar of meetings approved by the Committee itself.

The Appointment and Remuneration Committee met 11 times in 2018.

The Chairman of the Board of Auditors, or an auditor designated by them, attends the meetings of the Committee. The other standing auditors. The Chief Executive Officer and the Chairman of the Board of Directors may also attend, as may other members of the Board of Directors or structure of the company on invitation by the Chairman of the Committee, in order to provide information and express their opinions on the items on the agenda.

The Head of the corporate department involved in the process of preparing and monitoring the remuneration and incentive policies and processes also usually attends these meetings.

No director may preside over the Committee meetings in which proposals are made to the Board concerning its remuneration.

If required, the Committee interacts with the other Committees within the Board for the timely exchange of information relevant to the performance of their respective duties and the coordination of activities in areas of joint responsibility, by exchanging flows of information or holding joint meetings.

In carrying out its duties, the Committee has the right to access the information and corporate departments and structures, on the basis of their responsibilities, required for carrying out its duties and also to use external consultants who are not in situations such as to compromise their decision-making independence, within the limits of the annual budget allocated by the Board of Directors and the matters for which it is responsible.

#### COMPOSITION OF THE APPOINTMENT AND REMUNERATION COMMITTEE

<b><i>Liliana Godino</i></b>	Chairman
<b><i>Massimiliano Capece Minutolo del Sasso</i></b>	Member
<b><i>Gabriella Chiellino</i></b>	Member
<b><i>Giovanni Gianì</i></b>	Member

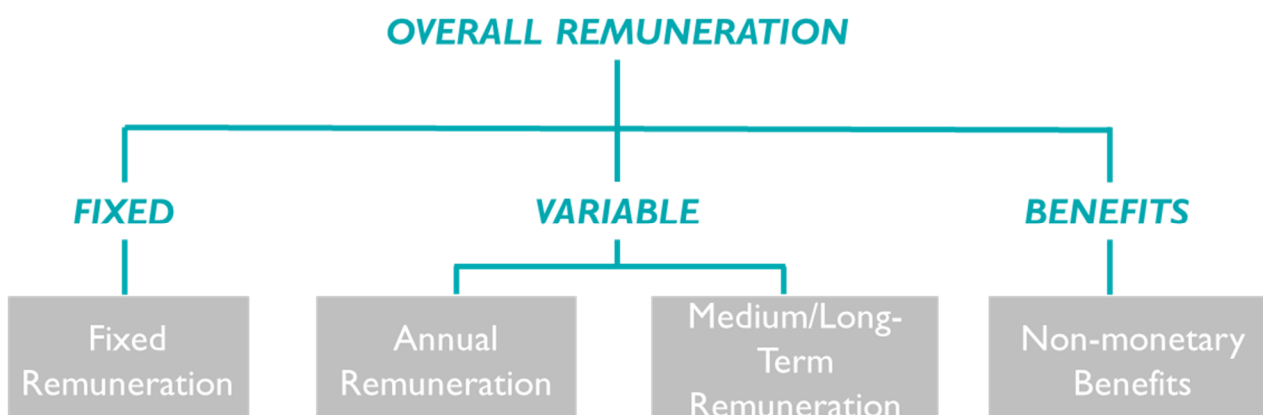
# 2. The Remuneration Policy of the Aceia Group

## 2.1. Scopes and guiding principles

The remuneration philosophy remains consistent with that defined in the past and is still a vital element of the Group’s remuneration policy. Through the guiding principles described in the remuneration philosophy, the Company intends to provide the whole Group with a system of Total Reward:

- in line with the company’s short and long-term strategy;
- which rewards the respect of the corporate values and the long-term membership and commitment of individuals;
- which is consistent and homogeneous at all organizational levels and for all business sectors;
- which properly valorises and rewards both managerial careers and professional careers (dual ladder career);
- which stimulates and rewards excellent individual performance;
- which is equable, basing remuneration levels on the weight and complexity of roles;
- the positioning of which is in line with the reference markets;
- which is based on meritocracy, differentiating rewards on the basis of performance;
- which is competitive for the roles with the most impact on the corporate results;
- which is attractive to the roles deemed critical to the success of the company.

## 2.2. The components of remuneration



### **Fixed remuneration**

The fixed remuneration component is determined by the professional specialization and organizational role filled and reflects the technical, professional and managerial skills of the individual.

### **Variable remuneration**

The variable component recognises and rewards the objectives assigned and results achieved and is determined according to parameters, which involve weighting the risks involved, and the connection to effective and durable results. It constitutes an important motivational tool.

In exceptional and non-recurrent circumstances, with the prior opinion of the Appointment and Remuneration Committee, forms of extraordinary recognition may be attributed, by the Board of Directors for the Chief Executive Officer and by the latter for the executives with strategic responsibilities, in the form of one-off bonuses and payments strictly commensurate to their specific contribution towards the achievement, or methods of achievement, of specific objectives.

### **Variable annual short-term incentive plan (MBO)**

The *MBO (Management By Objectives)* plan encourages the achievement of the annual budget objectives defined with a view to medium and long-term sustainability.

The Managers involved in the plan are identified annually based on the Group guidelines and consistently with the company's business and Human Resource management strategies.

For the Chief Executive Officer/Overseas Industrial Area and Business Development Strategies Manager and the top executives reporting to the Chairman and Chief Executive Officer, the theoretical payout is the sum of the relative weights of each indicator.

If none of the objectives is achieved, the variable remuneration component is not paid.

It should be noted that the BOD meeting on 26 June 2018 decided to:

- increase the bonus pool of the Chief Executive Officer if the Group objectives are achieved;
- in accordance with the market best practice and in order to ensure the internal equality of the remuneration policy, introduce excellence thresholds for the Chief Executive Officer, as well as the rest of the Group management team;
- allow the Chief Executive Officer to award to the Executives with Strategic Responsibilities, with the favourable opinion of the Appointment and Remuneration Committee, an additional bonuses in the event of overperformance of pre-determined and measurable quantitative parameters

#### **a) Group economic and financial objectives**

These are assigned based on the targets of the annual budget and the result is reviewed during the following year. In 2019, the following targets represented these objectives:

- **Net Financial Position 40%**
- **EBITDA 35%**
- **Net Profit 20%**
- **Quality Award 5%**



The Quality Award will once again be used as a KPI in the Annual Incentives Plan in 2019. The measurement introduced in 2016 to measure the quality provided rather than that perceived refers to the balance of the effective sum of the economic bonuses/fines that will be achieved by the Manager of the S.I.I. (Integrated Water System) and the electricity distributor on the basis of the performance review for the period in question, which will in any event be completed by Acea SpA before the approval of the 2018 Financial Statements.

In addition to the specific target value, the plan is represented by the definition of the minimum and maximum thresholds for each Group Objective:

- achievement of the minimum threshold will give access to 80% of the payout for the indicator achieved;
- achievement of the target value will give access to 100% of the payout for the indicator achieved;
- achievement of the maximum threshold will give access to 120% of the payout for the indicator achieved.

As regards the review and payment of the pay out, the plan involves some weighted calculations of the achievement of the individual Group objectives. Within each range interval, defined for each of the four Group objectives, the overall value will define the associated pay out percentage, through a linear interpolation.

## **b) Individual objectives:**

### **I. quantitative**

In order to transform the strategic guidelines into concrete results, a *Group Objectives Catalogue* has been produced with the aim of providing a set of indicators for assigning the quantitative objectives for 2019 to the Management team.

The Catalogue groups the objectives together in professional families.

The achievement of the individual objectives is expressed by identifying and measuring (in terms of percentage of the target) specific performance levels: high, medium and low. Weighted calculations of the achievement of each objective are involved in reviewing and paying the payout.

In 2018, Acea conducted a study aimed at intensifying the integration of sustainability in its business activities.

In 2018, Acea conduct a study aimed at intensifying the integration of sustainability in the Business, as reflected in the 2019 Objectives Catalogue.

### **II. qualitative**

Performance is also measured using the Performance Management (P&L) Model, which is intended to valorise the Group Resources through a system aimed at integrating the various processes involved in the life cycle of employees. The model is an expression of the overall contribution made by each individual and highlighted by the results achieved (realisation) and the implementation methods and conduct involved (observable conduct) in the role filled, returning an evaluation of the specific organizational conduct contained therein, which is then involved in the composition of the amount to be paid to the resource in question.

### Process of assigning objectives and paying bonuses



## Variable medium and long-term incentive plan (LTIP) 2018-2020

The main purposes of the LTIP include gaining the trust of the management team and giving them incentives to achieve the economic and financial objectives of the Group in the interest of the shareholders, thus aligning the objectives.

### a. Process of defining the incentives and objectives

The Long Term Incentive Plan is a closed three-year plan involving the payment of a cash bonus based on the achievement of set objectives.

The Shareholders, measuring the returns on the invested capital, aim the nature of these objectives at both respecting economic and financial principles and the economic returns on investments.

The targets to be achieved, on the basis of which the payment of the bonus will be determined, are:

- of an economic and financial nature;
- of a profit-making nature.

Briefly, the objectives set in the plan are the following, with an explicit indication of their percentage incidence:

- **EBITDA:** weight 15% - the EBITDA is a profit-making indicator expressing the profits made by Acea from everyday management. Its use as an indicator in the Plan provides a good estimation of the operating cash flow generated by Acea, which is an essential value for estimating the Group value and quantifying the entity of the financial resources created and available;
- **Returns On Invested Capital (R.O.I.C.):** weight 15% - the ROIC is an index aimed at evaluating the performance of the capital invested by Acea. The indicator acts as a monitoring system in order to have a complete overview of how efficiently the capital invested is managed, describing the correlation between revenues and the capital required to realise them;

- **Total Shareholder Return (TSR):** weight 70% - the TSR is the most complete measurement of the value created by a business for its shareholders. The indicator thus shows the performance level for an investor who has purchased Acea shares on X and sold them on Y. The calculation considers all of the dividends paid out by the company and reinvested in Acea shares on the record date. The parameter will be subject to evaluation in relative terms (the value of the increase in share value will be commensurate to the average value of a reference portfolio composed of 7 companies - A2A, Enel, Hera, Iren, Italgas, Snam and Terna).

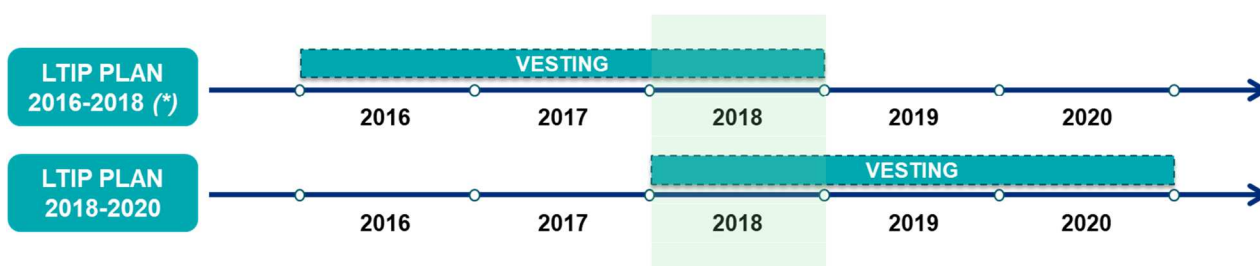
## b. Performance Measurement

At the end of each reference triennium, the bonus is paid out based on the extent to which the aforementioned objectives have been achieved, in other words the measurement of the company's performance in the triennium.

The bonus paid individually to each beneficiary is calculated as a percentage of the fixed component.

During the course of 2019, after the approval of the economic and financial results by the Board of Directors, the bonus for the triennium 2016-2018 will be able to be paid out to the beneficiaries of the LTIP.

### Timelines of the two LTIP Plans



(\*) Achieved during the triennium and paid out over two years

From the viewpoint of sustainability and transparency, the beneficiaries of the 2016-2018 plan will receive a payment equal to two-thirds of the total amount due to them, on the basis of the review of the objectives at the end of the triennium 2016-2018, as resolved by the BOD on 14 March 2018. The beneficiaries of the new Long Term Incentive Plan (LTIP) 2018-2020 will receive a bonus calculated for the entire performance period at the end of the triennium.

## Non-monetary benefits

Are aimed at supplementing the remuneration package from a total reward viewpoint through benefits that are mainly of a social security and welfare nature. Defined by national collective contracting and the supplementary corporate agreements.

The remuneration package for Acea Management is completed by a series of benefits of a non-monetary nature constituting an integral part thereof. They mainly consist of social security and welfare plans, insurance and medical plans, company cars and accommodation.

# 3. Remuneration package of the Group Top Management

In general, the remuneration components are divided into:

- **fixed component:** determined by the professional specialization and organizational role and related responsibilities;
- **variable component:** based on performance and linked to effective and durable results.

The following table shows the composition of the remuneration package of the Directors, including the Executive directors and the Directors with specific duties, and the Executives with Strategic Responsibilities:

Component	Chairman	Chief Executive Officer	Non-executive Directors	Executives with Strategic Responsibilities
Fixed Remuneration	✓	✓	✓	✓
Annual Variable Remuneration		✓		✓
Medium/Long-Term Variable Remuneration		✓		✓
Benefits		✓		✓

The following is a detailed description of the remuneration policy for each individual.

Lastly, it should be noted that the Company monitors the most widespread market practices, with specific regard to listed companies, also using remuneration surveys and market analyses conducted by the main operators in the sector, with the aim of adjusting its policy to such practices.

## Chairman

The remuneration package of the Chairman includes gross annual fixed remuneration only. On 21 June 2018, the Board of Directors decided to appoint Michaela Castelli as Chairman.

The overall remuneration of the Chairman of the Board of Directors will be as follows:

- annual remuneration for the Chairman of € 120,000 annual gross (resolution no. 34 of 26 June 2018 by the BOD). For 2018, the remuneration of the Chairman in office, Michaela Castelli, on a pro quota basis for the time she has been in office, is € 63,462;
- Annual gross fee as Board member of € 26,000;

## Chief Executive Officer - Overseas and Business Development Strategy Industrial Area Manager

The remuneration package of the Chief Executive Officer/Overseas and Business Development Strategy Industrial Area Manager has a fixed component and a variable component.

The overall remuneration of the Chief Executive Officer/Overseas and Business Development Strategy Industrial Area Manager is broken down as follows:

- Annual gross fee as Board member of € 26,000;
- Fixed gross annual remuneration of € 240,000 as executive;
- short-term variable remuneration (MBO) per target of € 260,000 gross annually plus additional portion for overperformance determined by the Board of Directors;
- medium/long-term variable remuneration (LTIP) paid out on a triennial basis, theoretically representing 33.3% of the fixed component on an annual and per target basis in the triennium.

The Board of Directors, pursuant to art 2389, paragraph 3 of the Civil Code, may review the fixed component and short-term variable component, in compliance with this policy, in order to adjust them to the market benchmark.

## Members of the Board of Directors







As regards the Board of Directors, the following table summarises the involvement of its members in the various Committees within the Board:

		Control and Risk Committee (*)	Appointment and Remuneration Committee (*)	Related Party Transactions Committee (*)	Ethics and Sustainability Committee (*)	Executive Committee (**)
<b>Michaela CASTELLI</b>	Chairman	Member			Member	Member
<b>Luca Alfredo LANZALONE</b>	Member					
<b>Stefano Antonio DONNARUMMA</b>	Chief Executive Officer					Member
<b>Alessandro CALTAGIRONE</b>	Member					
<b>Massimiliano CAPECE MINUTOLO DEL SASSO</b>	Member	Member	Member	Member		Member
<b>Gabriella CHIELLINO</b>	Member		Member	Member	Chairman	
<b>Giovanni GIANI</b>	Member	Member	Member		Member	Chairman
<b>Liliana GODINO</b>	Member	Chairman	Chairman			
<b>Fabrice ROSSIGNOL</b>	Member			Coordinator		

(\*\*) Michaela Castelli and Stefano Donnarumma are members by law (ex art. 20 of the Statutes)

In particular, as regards the Committees within the Board, it was deemed opportune during the course of 2018 to set-up an Executive Committee, in consideration of the particular sensitivity of some topics, such as sponsorships and institutional relations, which need to be discussed by the Board.

The following is a summary of the remuneration for the members of the Board of Directors and of the Committees within the Board:

	<b>Board of Directors</b>	With regard to the members of the Board of Directors, an individual fee was decided of <b>€ 26,000</b> gross annually all-inclusive, net of the annual reimbursement of documented expenses.
	<b>Control and Risk Committee (CRC)</b>	With regard to the Control and Risk Committee (CRC), an individual annual fee was decided for the Chairman of <b>€ 20,000</b> gross, and for each member of <b>€ 10,000</b> gross.
	<b>Appointment and Remuneration Committee (ARC)</b>	With regard to the Appointment and Remuneration Committee (ARC), an individual annual fee was decided for the Chairman of <b>€ 20,000</b> gross, and for each member of <b>€ 10,000</b> gross.
	<b>Ethics and Sustainability Committee (ESC)</b>	With regard to the Ethics Committee (ESC), an individual annual fee was decided for the Chairman of <b>€ 20,000</b> gross, and for each member of <b>€ 10,000</b> gross.
	<b>Related Party Transactions Committee (RPTC)</b>	With regard to the Related Party Transactions Committee (RPTC), an individual annual fee was decided for the coordinator of <b>€ 20,000</b> gross, and for each member of <b>€ 10,000</b> gross.
	<b>Executive Committee (EC)</b>	With regard to the Executive Committee (EC), an individual annual fee was decided for the Chairman of <b>€ 20,000</b> gross, and for each member (*) of <b>€ 10,000</b> gross.

(\*) The members by law (Chairman B.o.D. and CEO) do not receive any fees, given that the fees for their respective positions are to be considered as all-inclusive

## Executives with Strategic Responsibilities

The remuneration package of the Executives with Strategic Responsibilities is composed of:

- fixed remuneration
- short-term variable remuneration (*MBO*)
- medium/long-term variable remuneration (*LTIP*)

The amount of the fixed remuneration is defined on the basis of the role and responsibilities involved.

The amount of the annual variable remuneration (*MBO*) is defined based on the level of achievement of the Group and individual objectives set, according to that disciplined by the Variable Incentive Plan in force, “*Variable annual short-term incentive plan (MBO)*”.

The incentive per target differs based on the role filled and ranges between 35% and 40% of the gross annual remuneration.

The Chief Executive Officer may award to the Executives with Strategic Responsibilities, with the favourable opinion of the Appointment and Remuneration Committee, an additional bonus in the event of overperformance of pre-determined and measurable objective parameters.

Consistently with that defined for the Chief Executive Officer/Overseas and Business Development Strategy Industrial Area Manager, the medium and long-term variable remuneration (*LTIP*) is constituted by a bonus paid on a triennial basis, subordinate to the achievement of the medium and long-term objectives.

The *LTIP* provided for all the Executives with Strategic Responsibilities involves an annual amount based on the achievement of the target objectives, amounting to a maximum of 30% and 40% respectively of the GAR of each beneficiary.

### ***Remuneration of the controlling figures***

The remuneration package of the Executive responsible for financial reporting, the Resources in charge of the internal audit departments (*Internal Audit and Risk & Compliance*) has remained structured, with a prevalent fixed component and a limited variable component.

However, the payment of the variable component is subject to an annual evaluation, which is carried out because of qualitative, and efficiency criteria. The individual objectives are assigned to the individuals in question based on these criteria, and they are not therefore related to economic and financial objectives, except for the part represented by the Group objectives.

## 4. Parachute and Clawback clause

### **Resignation, dismissal and termination of contract**

It must be stated that there are no agreements in existence providing for fixed indemnities or clauses of any nature aimed at safeguarding the Group Executives in the event of termination of contract (so-called **parachute**). Therefore, refer to the National Collective Labour Contracts in force for Executives of Public Utility Service Companies for more details; parts IV and V thereof discipline the methods of finalising the termination of contract of Executives. The “Executive Exodus Management” Policy approved by the Board of Directors in resolution no. 33 dated 21 December 2011, and still currently in force, is also based on this Contract.

Similarly, no agreements have been stipulated between Acea and the Executives in office providing for indemnities in the event of resignation or dismissal without just cause.

There are also no agreements provided for the Executives with Strategic Responsibilities regulating *ex ante* the economic aspects concerning the eventual termination of their contracts. In such eventualities, the “Executive Exodus Management” Policy, approved by the BOD on 21 December 2011 in Resolution no. 33/2011, operational since then, and based on the clauses included in the applicable national collective contract, must be applied.

Acea has no non-competition clauses in force with regard to its Executives as of the date of this report. Only one Executive with Strategic Responsibilities currently has a non-competition agreement in force.

### **Malus and clawback clauses**

In line with an increasingly stringent Corporate Governance Code as regards transparency, and from a viewpoint of an increasingly responsible remuneration policy, Acea, which was one of the first business in Italy to acknowledge the advice of the European regulatory bodies in this regard, has not only maintained the *malus* and *clawback* clauses, but has expanded them to cover the managerial roles with the greatest impact on the Group’s business activities.

This choice guarantees the right to not apply the short-term incentive plan (MBO) and the long-term plan (LTIP) - *malus*, in other words request the restitution of the variable remuneration components – both short-term and medium/long-term – should these components have been paid on the basis of conduct of a malicious nature and/or due to serious misconduct, such as the intentional alteration of the figures used in achieving the objectives or obtaining these figures through conduct contrary to the corporate or legal regulations - *clawback*.



# SEZIONE II



## Introduction

This Section of the Report contains the remuneration paid in 2018 to the members of the administration and control bodies and the Executives with Strategic Responsibilities. These remunerations (fixed and variable components and non-monetary benefits) have been paid according to a criterion of competence, in relation to the effective period spent in the role and consistently with the reference Remuneration Policy.

It should be noted that, as there is still no real review of the achievement of the group objectives or definitive individual evaluation available, the amounts indicated for the MBO in 2018 are based on the calculation of the target percentage of the Group objectives and without considering the individual evaluation which, as described previously (Section I) may be a multiplier or a de-multiplier for the MBO.

In line with that stated above, the amounts of the LTIP 2016-2018 are also based on the calculation of the target percentage.

# 1 ■ Description of the remuneration paid to the Directors and Executives with Strategic Responsibilities

## **Chairman**

On 21 June 2018, the Board of Directors decided to appoint Michaela Castelli as Chairman. For 2018, the remuneration for this position, on a pro quota basis for the time she has been in office, is € 63.462. The current Chairman, who was elected as a Board member of Acea in the Shareholders' Meeting on 27 April 2017, receives an emolument of € 26.000 as a member of the Board of Directors.

To complete the remuneration aspects, the remuneration calculated based on the payments made of the previous Chairman Luca Alfredo Lanzalone are also shown, composed of pro quota remuneration for the year of € 56.538 and an emolument of € 13.000 as Board member.

## **Chief Executive Officer - Overseas and Business Development Strategy Industrial Area Manager**

Stefano Antonio Donnarumma, Chief Executive Officer/Overseas and Business Development Strategy Industrial Area Manager in office since 3 May 2017, receives an emolument of € 26.000 as a member of the Board of Directors, resolved by the Shareholders' Meeting on 27 April 2017, and gross annual remuneration as an executive defined by the Board of Directors of € 240.000 plus a variable component per *target* of € 280.000.

The remuneration of the Chief Executive Officer/Overseas and Business Development Strategy Industrial Area Manager is completed by a non-monetary benefits package of € 76.507.

The long-term incentive plan (LTIP) linked to the achievement of the triennial performance objectives (2016-2018), closed on 31/12/2017, will be paid out in 2019; the award per target is € 79.920.

With regard to the treatment provided in the event of resignation from office or termination of contract for the Chief Executive Officer/Overseas and Business Development Strategy Industrial Area Manager the "Executive Exodus Management" Policy approved by the Board of Directors on 21 December 2011 by Resolution no. 33/2011 and operative since then is applicable.

Therefore, no indemnities are provided in the event of termination of contract, which established in the aforementioned collective contract-holding firm.

## **Directors**

The members of the Board of Directors received the remuneration established by the Shareholders' Meeting for the position of director, with regard to the period in which they acted in such capacity, as did the members of the Committees within the Board of Directors and other bodies/committees.

For completeness, the details of the relevant remunerations are given in Table I below.

## **Auditors**

Enrico Laghi received remuneration for the position of Chairman of the Acea Board of Auditors as indicated in table I.

The members of the Board received remuneration for acting in the capacity of Auditors, with regard to the period in which they acted in such capacity, for Acea and other Companies in the Group.

For completeness, the details of the relevant remunerations are given in Table I below.

## **Executives with Strategic Responsibilities**

The Executives with Strategic Responsibilities received an aggregate gross annual remuneration of €1,052,584, for each of them with regard to the period in which they acted in such capacity.

The overall value per target of the annual bonus for 2018 can be estimated at € 351.034, with regard to the period in which they acted in such capacity.

The long-term incentive plan (LTIP) linked to the achievement of the triennial performance objectives (2016-2018), closed on 31/12/2017, will be paid out in 2019, and the amount of the award is given per target, totalling € 248.000.

It should be noted that the amounts stated as long-term fixed and variable remuneration also include the quota allocated to the previous Commercial and Trading Area Manager who, as per LTIP regulations, is a *good leaver*.

The overall value of the non-monetary benefits package allocated to the Executives with Strategic Responsibilities for 2018 is €97,508 in aggregate terms, for each of them for the period in which they acted in such capacity.

**Table I: Remuneration paid to the members of the administration and control bodies, general managers and other Executives with Strategic Responsibilities**

Name and Surname	Position	Period in which the position was filled	End of term of office	Fixed remuneration (*)	Remuneration for membership of Committees	Non-equity variable remuneration		Non-monetary benefits	Other fees	Total	Fair value of the equity remuneration	Indemnities for resignation or termination of contract
						Bonus and other incentives	Share of the profits					
<b>Luca Alfredo Lanzalone</b>	<i>Chairman</i>	01/01/2018 31/12/2018	Approval financial statements 2019									
(I) Remuneration in the company preparing the financial statements				€ 69.538						€ 69.538		
(II) Remuneration from subsidiaries and related companies												
(III) Total				€ 69.538						€ 69.538		
<i>Lanzalone in office as Chairman until 21 June 2018</i>				(I) Amount inclusive of the gross annual remuneration pro-quota for the period in which the position of Chairman was filled (€56,538) and that of member of the BoD (€13,000)								

(\*) Amounts calculated based on the payments made

Nome e Cognome	Carica	Periodo per cui è stata ricoperta la carica	Scadenza della carica	Compensi fissi	Compensi per la partecipazione a comitati	Compensi variabili non equity		Benefici non monetari	Altri compensi	Totale	Fair Value dei compensi equity	Indennità di fine carica o di cessazione del rapporto di lavoro
						Bonus e altri incentivi	Partecipazione agli utili					
<b>Michaela Castelli</b>	Presidente	01/01/2018 31/12/2018	Approvazione Bilancio anno 2019									
(I) Compensi nella società che redige il bilancio				€ 89.462	€ 2.000					€ 91.462		
(II) Compensi da controllate e collegate												
(III) Totale				€ 89.462	€ 2.000					€ 91.462		
<b>Michaela CASTELLI in office as Chairman since 21 June 2018</b>				(I) Ammontare comprensivo del compenso annuo lordo pro-quota per il periodo di copertura della carica di Presidente (€63.462) e in ragione d'anno per quello come membro del CdA (€26.000)	(I) Compensi fissi per CCR, CES, OPC. Tali compensi sono stati pagati solo nel primo Semestre							

Name and Surname	Position	Period in which the position was filled	End of term of office	Fixed remuneration	Remuneration for membership of Committees	Non-equity variable remuneration		Non-monetary benefits	Other fees	Total	Fair value of the equity remuneration	Indemnities for resignation or termination of contract
						Bonus and other incentives	Share of the profits					
<b>Stefano Antonio Donnarumma</b>	CEO – Overseas and Business Strategy Development IA Manager	01/01/2018 31/12/2018	Approval financial statements 2019									
(I) Remuneration in the company preparing the financial statements				€ 266.000		€ 359.920		€ 76.507		€ 702.427		
(II) Remuneration from subsidiaries and related companies												
(III) Total				€ 266.000		€ 359.920		€ 76.507		€ 702.427		
<b><i>The remuneration indicated in the table refers to the period in which the role was filled</i></b>				(I) Amount inclusive of the gross annual remuneration for the position of Chief Executive Officer and member of the BoD		(I) Variable system of incentives MBO estimated at target (€ 280.000) plus LTIP 2016-2018 estimated at target (€ 79.920)						

Name and Surname	Position	Period in which the position was filled	End of term of office	Fixed remuneration	Remuneration for membership of Committees	Non-equity variable remuneration		Non-monetary benefits	Other fees	Total	Fair value of the equity remuneration	Indemnities for resignation or termination of contract
						Bonus and other incentives	Share of the profits					
<b>Giovanni Giani</b>	Director	01/01/2018 31/12/2018	Approval financial statements 2019									
(I) Remuneration in the company preparing the financial statements				€ 47.600	€ 27.000					€ 74.600		
(II) Remuneration from subsidiaries and related companies												
(III) Total				€ 47.600	€ 27.000					€ 74.600		
<b>Notes</b>				(I) Total gross annual remuneration as member of the BoD and gross lump sum for ABAB BoD position (€ 10,800) and gross annual for ABF BoD (€ 10,800)	Fixed remuneration as Chairman EC and member of ARC, CRC and ESC							

Name and Surname	Position	Period in which the position was filled	End of term of office	Fixed remuneration	Remuneration for membership of Committees	Non-equity variable remuneration		Non-monetary benefits	Other fees	Total	Fair value of the equity remuneration	Indemnities for resignation or termination of contract
						Bonus and other incentives	Share of the profits					
<b>Massimiliano Capece Minutolo del Sasso</b>	Director	01/01/2018 31/12/2018	Approval financial statements 2019									
(I) Remuneration in the company preparing the financial statements				€ 26.000	€ 22.000					€ 48.000		
(II) Remuneration from subsidiaries and related companies												
(III) Total				€ 26.000	€ 22.000					€ 48.000		
<b>Notes</b>				(I) Total gross annual remuneration as member of the BoD	Fixed remuneration as member of ARC, CRC, ESC and RPTC							



Name and Surname	Position	Period in which the position was filled	End of term of office	Fixed remuneration	Remuneration for membership of Committees	Non-equity variable remuneration		Non-monetary benefits	Other fees	Total	Fair value of the equity remuneration	Indemnities for resignation or termination of contract
						Bonus and other incentives	Share of the profits					
<b>Alessandro Caltagirone</b>	Director	01/01/2018 31/12/2018	Approval financial statements 2019									
(I) Remuneration in the company preparing the financial statements				€ 26.000						€ 26.000		
(II) Remuneration from subsidiaries and related companies												
(III) Total				€ 26.000						€ 26.000		
<b>Notes</b>				(I) Total gross annual remuneration as member of the BoD								

Name and Surname	Position	Period in which the position was filled	End of term of office	Fixed remuneration	Remuneration for membership of Committees	Non-equity variable remuneration		Non-monetary benefits	Other fees	Total	Fair value of the equity remuneration	Indemnities for resignation or termination of contract
						Bonus and other incentives	Share of the profits					
<b>Gabriella Chiellino</b>	Director	01/01/2018 31/12/2018	Approval financial statements 2019									
(I) Remuneration in the company preparing the financial statements				€ 26.000	€ 22.000					€ 48.000		
(II) Remuneration from subsidiaries and related companies												
(III) Total				€ 26.000	€ 22.000					€ 48.000		
<b>Notes</b>				(I) Total gross annual remuneration as member of the BoD	Fixed remuneration as Chairman ESC and member of ARC and RPTC.							

Name and Surname	Position	Period in which the position was filled	End of term of office	Fixed remuneration	Remuneration for membership of Committees	Non-equity variable remuneration		Non-monetary benefits	Other fees	Total	Fair value of the equity remuneration	Indemnities for resignation or termination of contract
						Bonus and other incentives	Share of the profits					
<b>Liliana Godino</b>	Director	01/01/2018 31/12/2018	Approval financial statements 2019									
(I) Remuneration in the company preparing the financial statements				€ 26.000	€ 22.000					€ 48.000		
(II) Remuneration from subsidiaries and related companies												
(III) Total				€ 26.000	€ 22.000					€ 48.000		
<b>Notes</b>				(I) Total gross annual remuneration as member of the BoD	Fixed remuneration as member then Chairman CRC then Chairman ARC							

Name and Surname	Position	Period in which the position was filled	End of term of office	Fixed remuneration	Remuneration for membership of Committees	Non-equity variable remuneration		Non-monetary benefits	Other fees	Total	Fair value of the equity remuneration	Indemnities for resignation or termination of contract
						Bonus and other incentives	Share of the profits					
<b>Fabrice Rossignol</b>	Director	01/01/2018 31/12/2018	Approval financial statements 2019									
(I) Remuneration in the company preparing the financial statements				€ 26.000	€ 11.000					€ 37.000		
(II) Remuneration from subsidiaries and related companies												
(III) Total				€ 26.000	€ 11.000					€ 37.000		
<b>Notes</b>				(I) Total gross annual remuneration as member of the BoD	Fixed remuneration as Coordinator RPT Committee							

Name and Surname	Position	Period in which the position was filled	End of term of office	Fixed remuneration	Remuneration for membership of Committees	Non-equity variable remuneration		Non-monetary benefits	Other fees	Total	Fair value of the equity remuneration	Indemnities for resignation or termination of contract
						Bonus and other incentives	Share of the profits					
<b>Corrado Gatti</b>	<i>Auditor</i>	01/01/2018 31/12/2018	Approval financial statements 2018									
(I) Remuneration in the company preparing the financial statements				€ 100.000						€ 100.000		
(II) Remuneration from subsidiaries and related companies				€ 36.000						€ 36.000		
(III) Total				€ 136.000						€ 136.000		
<b>Notes</b>				(II) Chairman Board of Auditors Acea Ato2								

Name and Surname	Position	Period in which the position was filled	End of term of office	Fixed remuneration	Remuneration for membership of Committees	Non-equity variable remuneration		Non-monetary benefits	Other fees	Total	Fair value of the equity remuneration	Indemnities for resignation or termination of contract
						Bonus and other incentives	Share of the profits					
<b>Enrico Laghi</b>	<i>Chairman Board of Auditors</i>	01/01/2018 31/12/2018	Approval financial statements 2018									
(I) Remuneration in the company preparing the financial statements				€ 150.000						€ 150.000		
(II) Remuneration from subsidiaries and related companies												
(III) Total				€ 150.000						€ 150.000		
<b>Notes</b>												

Name and Surname	Position	Period in which the position was filled	End of term of office	Fixed remuneration	Remuneration for membership of Committees	Non-equity variable remuneration		Non-monetary benefits	Other fees	Total	Fair value of the equity remuneration	Indemnities for resignation or termination of contract
						Bonus and other incentives	Share of the profits					
<i>Rosina Cichello</i>	<i>Auditor</i>	01/01/2018 31/12/2018	Approval financial statements 2018									
(I) Remuneration in the company preparing the financial statements				€ 100.000						€ 100.000		
(II) Remuneration from subsidiaries and related companies												
(III) Total				€ 100.000						€ 100.000		
<b>Notes</b>												

Name and Surname	Position	Period in which the position was filled	End of term of office	Fixed remuneration	Remuneration for membership of Committees	Non-equity variable remuneration		Non-monetary benefits	Other fees	Total	Fair value of the equity remuneration	Indemnities for resignation or termination of contract
						Bonus and other incentives	Share of the profits					
<b>6 in total</b>	<i>Executives with Strategic Responsibilities</i>	01/01/2018 31/12/2018	Continuing contract with no expiry date									
(I) Remuneration in the company preparing the financial statements				€1.052.584		€599.034		€97.508		€1.749.126		
(II) Remuneration from subsidiaries and related companies												
(III) Total				€1.052.584		€599.034		€97.508		€1.749.126		
<b><i>The fixed and variable remuneration indicated in the table refer to the period in which the role was filled</i></b>						(I) Variable incentive system MBO estimated at target (€ 351.034) plus LTIP 2016-2018 estimated at target (€ 248.000)						

**Table 3B: Monetary incentive plans for the members of the Board of Directors, general managers and other Executives with Strategic Responsibilities**

Surname and name	Position	Plan	Bonus for the year (*)			Bonus for previous years			Other Bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
<b>Stefano Antonio Donnarumma</b>	<i>CEO-Overseas and Business Development Strategy IA Manager</i>	LTIP 2016 - 2018	(A)	(B)	(C)	(A)	(B)	(C)	
			Payable / Paid (*)	Deferred	Deferment period	No longer payable	Payable/Paid	Still Deferred	
<b>Remuneration in the company preparing the financial statements</b>	<b>MBO</b> Short-term annual incentive plan		€280.000	-	-	-	-	-	-
	<b>LTIP</b> Medium-long-term triennial incentive plan		€79.920	-	-	-	-	-	-
	-		-	-	-	-	-	-	-
<b>Remuneration from subsidiaries and related companies</b>	-		-	-	-	-	-	-	-
	-		-	-	-	-	-	-	-
<b>Total</b>			€359.920	-	-	-	-	-	-

(\*) The amount shown represents that payable at target value due for 2018

Surname and name	Position	Plan	Bonus for the year (*)			Bonus for previous years			Other Bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
<b>6 in total</b>	<i>Executives with Strategic Responsibilities</i>	LTIP 2016 - 2018	(A)	(B)	(C)	(A)	(B)	(C)	
			Payable / Paid (*)	Deferred	Deferment period	No longer payable	Payable/Paid	Still Deferred	
<b>Remuneration in the company preparing the financial statements</b>	<b>MBO</b>								
	Short-term annual incentive plan	€351.034	-	-	-	-	-	-	-
	<b>LTIP</b>								
	Medium-long-term triennial incentive plan	€248.000	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
<b>Remuneration from subsidiaries and related companies</b>	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
<b>Total</b>		€59,034	-	-	-	-	-	-	-

(\*) The amount shown represents that payable at target value due for 2018

**Scheme No. 7-ter: Overview of the information on the holdings of the members of the Board of Directors and Board of Auditors, general managers and Executives with Strategic Responsibilities**

**Table 1: Holdings of the members of the Board of Directors and Board of Auditors and general managers**

SURNAME AND NAME	POSITION	HOLDING COMPANY	NUMBER OF SHARES OWNED AT 31/12/2017	NUMBER OF SHARES PURCHASED	NUMBER OF SHARES SOLD	NUMBER OF SHARES OWNED AT 31/12/2017
Luca Alfredo Lanzalone	Board member	Acea S.p.A.	N. 3070	None	None	N. 3070

**Table 2: Holdings of the other Executives with Strategic Responsibilities**

NUMBER OF EXECUTIVES WITH STRATEGIC RESPONSIBILITIES	HOLDING COMPANY	NUMBER OF SHARES OWNED AT 31/12/2017	NUMBER OF SHARES PURCHASED	NUMBER OF SHARES SOLD	NUMBER OF SHARES OWNED AT 31/12/2017
I	Acea S.p.A.	27.09.2017 – N. 4.000	None	None	N. 4.000



## GLOSSARY

**Group:** indicates the grouping of Companies within the scope of consolidation of Acea SpA

**GAR:** indicates the gross annual fixed remuneration component for those who are dependent employees of one of the Companies in the Group

**MBO – Management By Objective:** indicates the variable annual remuneration component awarded for the achievement of predefined company objectives

**EBITDA:** Earnings Before Interest, Taxes, Depreciation and Amortization;

**NFP:** Net Financial Position;

**LTIP – Long Term Incentive Plan:** indicates the medium and long-term variable remuneration component

**TSR – Total Shareholder Return:** indicates the overall return of an investment for the shareholder

**Management:** indicates all of the Executives with Strategic Responsibilities and Senior Managers of the Acea Group

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