



**ANNUAL GENERAL MEETING ON 29 MAY 2020 AND 30 MAY 2020
REPORT BY THE BOARD OF DIRECTORS
ON ITEM 4.2 ON THE AGENDA**

“Appointment of the Board of Directors”

“Appointment of the Directors”

Dear Shareholders,

The members of the Board of Directors will be appointed by voting from lists.

Lists are submitted by Shareholders which, individually or together with others, represent at least 1 (one) % of the shares with voting rights in the Annual General Meeting (by virtue of the combined dispositions of Consob Management Determination no. 28 of 30 January 2020 and art. 15 of the Articles of Association) and are made public by the company by depositing them at the company’s head office and announcements in three national daily publications, two of them economic, and on the company website www.gruppo.aceea.it.

Lists must be deposited at least twenty-five days prior to the date of the Annual General Meeting on first call – in other words no later than Monday 4 May 2020 – with the Issuer by sending a certified e-mail to ademimentisocietari.corporate@pec.aceaspa.it.

Each list must be supplemented by: (i) detailed information on the personal and professional characteristics of the candidates; (ii) the declarations by the individual candidates accepting their candidature and attesting, under their own personal responsibility, the non-existence of reasons for ineligibility and incompatibility, and also the existence of the requirements of the applicable laws and eventual possession of the requirements of independence provided by the law, the applicable regulations and the Code of Self-Governance of Listed Companies; (iii) the identity of the Shareholders submitting the lists and the percentage of the capital owned overall.

Pursuant to the Articles of Association, the composition of the Board of Directors must ensure the respect of the criteria of gender equality, as disciplined by the law. In this regard, it must be noted that on 1 January 2020, the dispositions of the 2020 State Budget came into force, modifying arts. 147-ter, paragraph 1-ter, and 148, paragraph 1-bis of the TUF, introduced by Law no. 120 of 12 July 2011 (so-called “Golfo-Mosca” Law) concerning gender equality in the management bodies of listed companies. The State Budget provides for a quota of “at least two-fifths” of the members of the Board of Directors to be reserved for the less represented gender.

It is therefore required pursuant to art. 147-ter, paragraph 1-ter of the TUF that the Shareholders intending to submit a list must include an adequate number of candidates belonging to the less represented



gender in their list, in order to enable the respect of the laws and regulations in force concerning gender equality.

Lists containing three or more candidates must therefore include at least two-fifths of the candidates belonging to the less represented gender, rounding up to the nearest integer in the event of the resulting number being a fraction.

Should it not be possible to reach a composition of the Board of Directors which includes at least two-fifths of the members belonging to the less represented gender, the Annual General Meeting may adopt all necessary decisions in order to enable the respect of that provided by the laws and regulations in force and by the Articles of Association concerning gender equality.

It should be noted that in compliance with that recommended by the Code of Self-Governance of listed companies, the Board of Directors of Acea SpA has decided that the maximum number of positions, including that in Acea, that the members may fill in the administration and control bodies of other companies listed on stock exchanges, including those overseas, in financial companies, banks, insurance firms or of significant dimensions should be 10 (ten), to ensure that they are able to dedicate suitable time to ensure that they are effective in their role on the Board of Directors of Acea SpA.

Shareholders submitting a “minority list” are requested to deposit a declaration with their list attesting the absence or existence of the liaison relations provided by article 144-quinquies of the Issuer Regulations with the shareholder in question. Specifically, with regard to the eventual existence of liaison relations, the Shareholders are requested to view and take into account the recommendations contained in Consob Communication DEM/90178923 of 26 February 2009.

It should also be recalled that, pursuant to the Articles of Association, candidates must be listed in progressive number equal to the number of positions vacant. Each list must include at least two candidates in possession of the independence requirements provided by the law, indicating these candidates separately and including one no lower than second on the list and the other no lower than fourth on the list.

Also, when submitting their lists and subsequently appointing the directors, the Shareholders are required to take into account the views of the outgoing Board of Directors, according to the recommendations of Application Criterion I.C.1, sub. h) of the Code of Self-Governance, concerning the professional characteristics, experience, including managerial, and gender of the candidates, in relation to the dimensions of the issuer, the complexity and specificity of the business sectors it operates in and the dimensions of the Board of Directors. In this regard, it should be recalled that the views of the Board of Directors in office have been made public and are attached to this report.

The lists validly received will be voted on and a classification of the lists will be formed on the basis of the number of votes obtained by each of them.

The election of the Board of Directors will be carried out as follows:



A. half plus one of the directors to be elected will be taken, in the progressive order in which they are listed, from the list obtaining the majority of the votes (hereinafter the “Majority List” for short), rounded down to the lowest integer in the event of the resulting number being a fraction;

B. the respect of the laws and the dispositions of the Articles of Association concerning limits of connection to the Majority List holding firm, the remaining directors will be taken from the other lists. To this end, the votes obtained by the lists will be divided, in the framework of each list, by 1, 2, 4 and 8 until the number of directors to be elected is reached. The quotients thus obtained are assigned progressively to the candidates on these lists, according to the order assigned to each of the candidates. The quotients thus attributed to the candidates in the various lists are given in a single classification in decreasing order. Those obtaining the highest quotients shall be elected.

In the event of more than one candidate obtaining the same quotient, the candidate on the list from which no directors have been elected or from which the least number have been elected shall be elected.

Should no directors have been elected from any of the lists or the same number of directors have been elected from all of them, the candidate obtaining the highest number of votes from all of the lists shall be elected. In the case of parity of votes, and also parity of quotient, another vote will be held by the entire Annual General Meeting and the candidate obtaining the simple majority of votes shall be elected.

See art. 15 of the Articles of Association for more details in this regard.

Lastly, it must be noted that, pursuant to art. 147-ter, paragraph 1-ter of the TUF, if the composition of the Board of Directors elected does not respect the aforementioned criterion of gender equality (in other words the presence of at least two-fifths of the directors belonging to the less represented gender), Consob shall have the power to warn the Company to take steps to ensure that this is respected within four months at most and, if this is not done, to apply a monetary administrative sanction ranging from 100,000 Euros to 1,000,000 Euros, setting another deadline of three months to fulfil. If this is still not done, then the entire Board of Directors shall step down from office.

Dear Shareholders,

You are requested to vote for one of the lists submitted and published in compliance with the Articles of Association.

For the Board of Directors
The Chairman
Michaela Castelli

Views
of the Board of Directors of Acea to the Shareholders
on the dimensions and composition
of the New Board of Directors
9 March 2020

Introduction

In fulfilment of the recommendations of the Code of Self-Governance (applicative criterion 1C.1, sub. h)), in view of the renewal of the corporate bodies, the outgoing Board of Directors of ACEA S.p.A. (“Acea” or the “Company”), after consulting with the Appointment and Remuneration Committee and taking into account the results of the self-evaluation, has prepared its own views on the future dimensions and composition (referring to the managerial and professional figures whose presence on the new Board of Directors is deemed opportune) of the administration body, to be submitted to the shareholders in view of the Annual General Meeting for its renewal, to be held on first call on 28 April 2020 and on second call on 29 April 2020 if necessary.

Dimensions of the Board of Directors

The Aces Board of Directors believes:

- that the current number of nine Directors is appropriate in order to ensure the proper balancing of skills and experience required by the complexity of the business of the Company and of the Acea Group;
- that the current relations ongoing between the Executive Director and the non-Executive and Independent Directors is adequate, given that it is suited to ensuring the effective functioning of the Board of Directors itself.

Composition of the Board of Directors

The composition of the administration body must take into account the current and future requirements of Acea and the need to maintain a significant presence of independent directors, with a diversity that takes into account the applicable legal dispositions and the recommendations of the Code of Self-Governance, ensures gender equality, contemplates a balanced combination of different age ranges and educational backgrounds, so as to ensure a balanced plurality of prospects and managerial and professional experience.

The ix of skills of the Board should be well balanced and enhanced by the knowledge of the business of ACEA and the experience acquired in the current term of office, considering the complexities of the business and the need to bring to conclusion the development path started by the current administration body.

The Acea Board of Directors believes that the characteristics deemed opportune for the various roles within the Board of Directors are the following, in line with those of the current Board of Directors.

The Directors should:

- a) be figures with a managerial and/or professional and/or academic background such as to realise a mix of skills and experience that are different but complementary to each other, in consideration of the various sectors of business the Company operates in (regulated and market);
- b) have experience of Board of Directors in companies, preferably listed on the stock exchange, of similar dimensions and/or complexity to Acea;
- c) be in possession of skills enabling them to participate effectively in the work of the Board of Directors and the various Committees within the Board.

The Board should also be in possession, in overall terms, of a high level of orientation towards strategies and results in respect of the principles of proper corporate and business management, and also skills regarding the governance of risks, in a corporate and regulatory framework, the economic and financial context and the financial statements, the structure and development of corporate governance processes and systems in listed companies, the topics of sustainability and social responsibility and digital innovation.

With specific reference to the professional experience requirements that candidates for the position of member of the administration body of Aces must possess, the following should be noted:

- skills in terms of “governance of risks” are intended as skills in the governance of risks and control systems acquired through an appropriate number of years’ experience in high-level management positions in companies listed on stock exchanges, banks, financial companies, insurance firms or those of significant dimensions (“Significant Companies”). All control functions (Risk, Audit, Compliance) are relevant in this regard;
- “legal and corporate and regulatory” skills are intended as skills acquired in these contexts through an appropriate number of years’ experience in high-level management positions in one or more Significant Companies;
- skills in terms of “the economic and financial context and the financial statements” are intended as skills acquired through an appropriate number of years’ experience in high-level management positions in one or more Significant Companies. Functions such as Finance, Accounting, Administration and Control are considered relevant;

In order to attest the presence of one or more of these skills, a previous (or current) mandate as Chairman of the Board of Directors or Chairman/member of the Risk and Control Committee in Significant Companies is relevant.

Experience acquired in the public sector or in the consultancy/academic sector is also significant if relating to (i) risk management, (ii) regulatory and legal matters concerning the business sector the company operates in, (iii) economic and financial, and (iv) auditing.

The shareholders should also assess whether the candidates for Board membership have adequate time available to diligently and responsibly carry out their duties, also to ensure their preparation and participation in Board and committee meetings, taking into account that destined for other working or professional activities, in addition to positions in other companies. In this regard, in order to enable to assess the minimum time deemed necessary for effective membership of the corporate bodies of ACEA, the following table summarises the frequency of the relevant meetings in 2018 and 2019.

	2018 meetings	2019 meetings
Board of Directors	12	13
Executive Committee	6	8
Control and Risk Committee	13	11
Ethics and Sustainability Committee	8	8
Appointment and Remuneration Committee	11	10

Significant exponents

The Chairman

In addition to the characteristics for all members, the Chairman should:

- be a figure of authority such as to ensure the proper and transparent functioning of the Board of Directors throughout its term of office and represent a guarantee figure for all of the Shareholders and stakeholders;
- have personal characteristics such as to create a strong team spirit and a strong sense of cohesion between the members of the Board of Directors;
- have skills in the economic and financial and legal sectors, and also adequate preparation on corporate governance, having accrued prior and significant experience as a member – and preferable at the head of – Board of Directors in listed financial or insurance firms or banks or in any event in industrial companies of significant dimensions.

The Chief Executive Officer

In addition to the characteristics for all members, the Chief Executive Officer should:

- be an authoritative figure with a strategic vision and profound knowledge of the market of multi-utilities and their evolution;
- have accrued significant and successful experience in managerial or executive roles at the head of listed companies of significant dimensions and/or complexity;
- have adequate economic and financial skills;

- have recognised leadership qualities and a management style oriented towards direction and the ability to create a team spirit among collaborators;
- have experience in the management of relations with international investors and high credibility and authority on the market.

With regard to the relations between the Chairman and the Chief Executive Officer, the Board underlines the need for the two figures to be complementary to each other to ensure the effective functioning of the Board and, more generally, the governance of the Company.

Committees within the Board

Specific skills are also required, for the frameworks of their respective interest, for the members of the Committees within the Board; particular focus will be on members in the position of Chairman of said committees.

It should be recalled that the Code of Self-Governance provides that at least one member of the:

- i. control and risk committee be in possession of adequate accounting and finance or risk management experience;
- ii. the remuneration committee be in possession of adequate knowledge and experience in *“financial matters or remuneration policies”*

to be assessed by the Board of Directors on appointment of the Committees.