

## **EXECUTIVE SUMMARY**

# **REPORT ON THE REMUNERATION POLICY AND ON THE FEES PAID**

*2023*

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# SECTION I



The aim of the Acea Group remuneration policy is to attract, motivate and retain individuals who, due to their technical and managerial skills and their differing profiles also in terms of gender and experience, are a key factor to the success of the Group.

The remuneration policy reflects and supports the strategy and our values: being a Group with an approach to creating value and sustainability of results, maintaining a strong attraction and commitment towards all the stakeholders.

The aim of the following section is to provide a brief overview of the contents of the Remuneration Policy applicable for 2023, also referring to the figures concerning the voting by the shareholders' meeting for the approval of the most recent Remuneration Reports and the remuneration multiple and also highlighting how the policy defined is aimed at mitigating the various risk factors.

It should be noted that the term of office of Acea's current Board of Directors will end with the Shareholders' Meeting's approval of the financial statements as at 31 December 2022. Directors' remuneration will be determined by the Shareholders' Meeting at the time of renewal of the board. The new Board of Directors will be responsible for determining the remuneration of directors with specific duties and the remuneration of non-executive directors for participating in board committees.

### ***The medium to long-term scenario***

The Group's medium- to long-term scenario will be influenced by the macroeconomic environment, ecological transition and investment needs in the Company's reference business sectors, with a particular focus on regulated water, electricity distribution and environmental business.

**Leader in the regulated sectors, becoming a benchmark**



**Paragon of excellence and operational simplification**



**Leader in advancing the territory and the energy transition**



**Putting people at the heart of the Acea ecosystem**



Major projects to significantly increase investments in regulated businesses will be implemented, with due regard for economic sustainability criteria, the development of Human Resources and engagement with the territory in which ACEA operates.

The expected industrial growth will develop in parallel with the technological development of cities and infrastructures and a lower environmental impact in terms of decarbonisation, an increased circular economy, the resilience of the electricity distribution grid and energy efficiency.

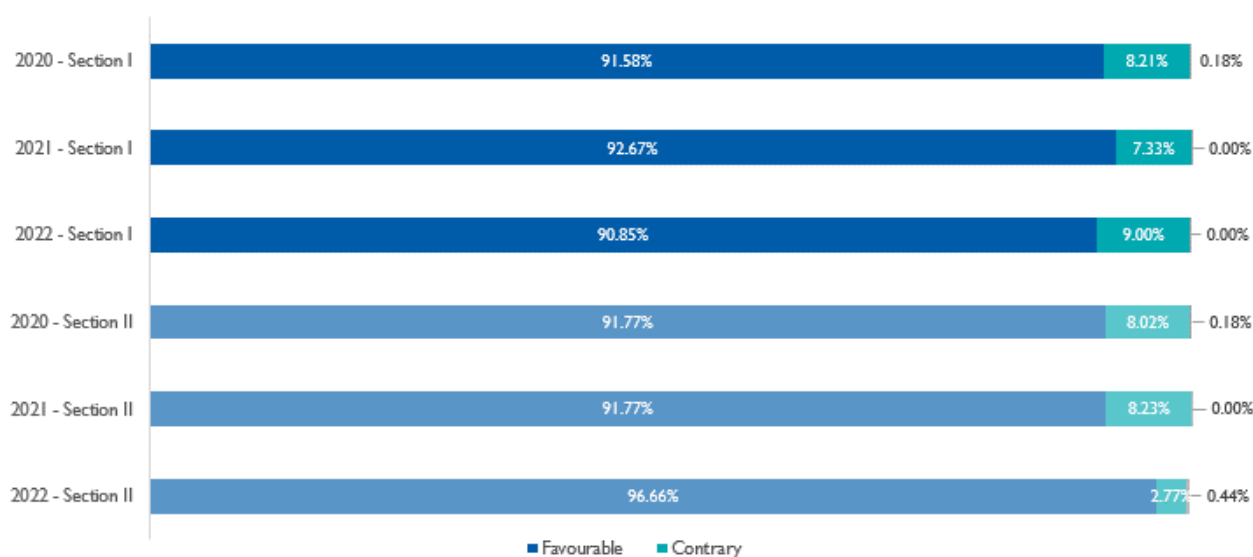
The ACEA remuneration policy is therefore a vital lever in support of the Group's medium- and long-term strategy, conceived as a factor that helps to attract and retain skills with consolidated experience in complex organisational environments to improve the company's performance and create value in the medium and long term.

The incentivising capacity of the systems is guaranteed consistently with the strategic objectives of the Group.

### ***Results of voting by the shareholders' meeting***






According to what is provided for in the laws in force at the moment of the vote (art. 123-ter, paragraph 6 of the CLF), the shareholders' meeting held on 27 April 2022, in view of the implementation of the SHRD II, held a binding vote on Section I of the 2022 Remuneration Report and a consultative vote on Section II. Below is a comparison of the votes cast in 2020, 2021 and 2022 (Sections I and II).

In developing the 2023 policy on the subject of remuneration the results and reasons underlying the votes obtained during the 2022 Shareholders' Meeting were taken into account, in order to incorporate the feedback received.



## Brief overview

An overview of the 2023 remuneration policy is presented below. It should be noted that the term of office of Acea's current Board of Directors will end with the Shareholders' Meeting's approval of the financial statements as at 31 December 2022. Directors' remuneration will be determined by the Shareholders' Meeting at the time of renewal of the board. The new Board of Directors will be responsible for determining the remuneration of directors with specific duties and the remuneration of non-executive directors for participating in board committees.

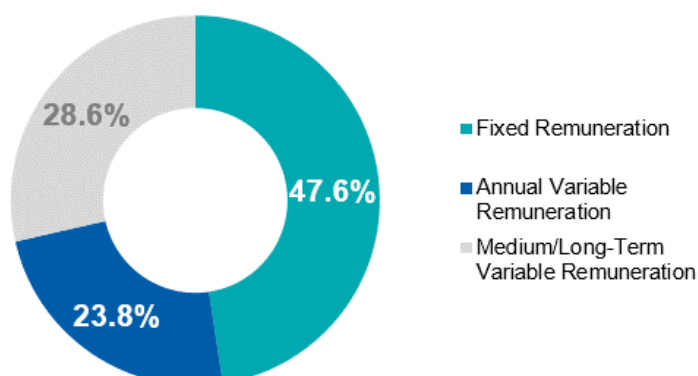
Remuneration Policy 2023			
Component	Purposes and characteristics	Implementation conditions	Amounts
 <b>Fixed Remuneration</b>	The fixed remuneration component is determined by the professional specialization and organizational role filled with relevant responsibilities, reflecting the technical, professional 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.	<b>CEO:</b> € 775,000 per year, of which: <ul style="list-style-type: none"> <li>• € 480,000 - GAR;</li> <li>• € 250,000 - remuneration for position of CEO;</li> <li>• € 45,000 - remuneration for director*</li> </ul> <b>Chairperson:</b> € 295,000 per year, of which: <ul style="list-style-type: none"> <li>• € 250,000 - remuneration for Chairperson;</li> <li>• € 45,000 - remuneration for director*</li> </ul> <b>ESRs:</b> remuneration determined on the basis of the complexity and responsibilities of the role within the Group
 <b>Short-Term Variable Remuneration (MBO)</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.	<b>KPIs:</b> NFP (weight 30%); EBITDA (weight 30%); Net Profit (weight 30%); Composite Sustainability Objective (weight 10%).	The incentive, assigned to each beneficiary individually, is calculated as a percentage of the fixed component.  <b>CEO:</b> Target incentive level** of 50%  <b>Chairperson:</b> not provided for  <b>ESR:</b> Incentive level of up to 55% of the fixed target component.
 <b>Medium/Long-Term Variable Remuneration (LTIP)</b>	The Medium/Long-Term variable component ensures the alignment between the Management's interests and those of the shareholders and the retention of key figures. It is aimed at respecting the economic and financial principles and the economic returns on shareholder investments, measuring the returns on the invested capital. The LTIP is divided into three three-year cycles, each starting from 2021, 2022 and 2023.	Cash pay-out for achieving predetermined targets at the end of the three-year reference period for the first two cycles of the LTIP plan already under way.  <b>KPIs:</b> Cumulative EPS (weight 40%); NFP/EBITDA (weight 25%); NFP/Net Profit (weight 25%); Composite Sustainability Objective (weight 10%).  <b>Characteristics:</b> Rolling plan with three-year vesting.	The incentive, assigned to each beneficiary individually, is calculated as a percentage of the fixed component.  <b>CEO:</b> target incentive levels of 60%  <b>ESRs:</b> The incentive, assigned to each beneficiary individually, is calculated as a percentage of the fixed component. Incentive level of up to 60% of the fixed target component.
 <b>Non-monetary Benefits</b>	They 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> <li>• Meal vouchers</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 unjust dismissal.	

\* directors' remuneration will be determined by the Shareholders' Meeting at the time of renewal of the Board of Directors

\*\* the achievement of the minimum and maximum thresholds of the performance objectives entails a pay-out of 80% and 140% of the target amount respectively

## Pay Mix

For the Chief Executive Officer, the Pay Mix Target shown takes into consideration the remuneration package, considering the achievement of the targets regarding the short-term variable remuneration and the target conditions of the third cycle of the 2021-2023 Long-Term Incentive Plan



## Remuneration Multiple

Continuing on 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 2022 as one of the tools for monitoring the Acea remuneration policy. Based on the above analysis, Acea's remuneration multiple for the entire consolidation to date is 25.73<sup>1</sup>.

The Acea Group is constantly improving its people strategy policies through participation in national and international indexes aimed at measuring policy effectiveness to increase the level of actions taken to support the business.

During the year, it participated in the GEI Bloomberg certification, an international index that measures companies' performance based on gender equality, for which it earned an above-average ranking for the utility sector. It also took part in the 2023 Top Employers certification, which analyses the HR strategies of thousands of businesses worldwide and ranked among the 131 best performing companies in Italy.

The Top Employers certification rewards excellence in HR policies and strategies and is awarded to companies that meet the high standards of the HR Best Practices Survey. Acea has been a recipient for two consecutive years. The survey examines and analyses 20 different topics and respective Best Practices in the areas of People Strategy, Work Environment, Talent Acquisition, Learning, Diversity, Equity & Inclusion, Wellbeing and many others. In 2023, a total of 2,053 Top Employers were recognised and certified in 121 countries worldwide.

The group has also adopted a Board of Directors-approved policy on Equality, Diversity & Inclusion, set up a special internal strategic committee, and was the first Italian listed multiutility to obtain UNI/PdR 125:2022

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<sup>1</sup> The remuneration of Acea's Head of Company for 2022 was calculated prorated for the term of office of the two CEOs. The calculation of the multiple is affected by the particular conditions of entry of the current Chief Executive Officer. In view of the short duration of the office (until the end of the Board mandate), it was not deemed appropriate to apply the short-term and long-term variable incentive instruments but to directly determine an all-inclusive fixed remuneration.

certification for Gender Equality. Lastly, it was included in the Financial Times' Europe's Diversity Leaders 2023, ranking among 42 Italian companies.

### ***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 long-term strategy, linked to the company objectives and structured so as to avoid incentives that may lead to conflicts of interest and the excessive undertaking of risks. The risk mitigation elements provided in the variable incentive systems are shown in the table below, which distinguishes between the short-term incentives and the long-term incentives:

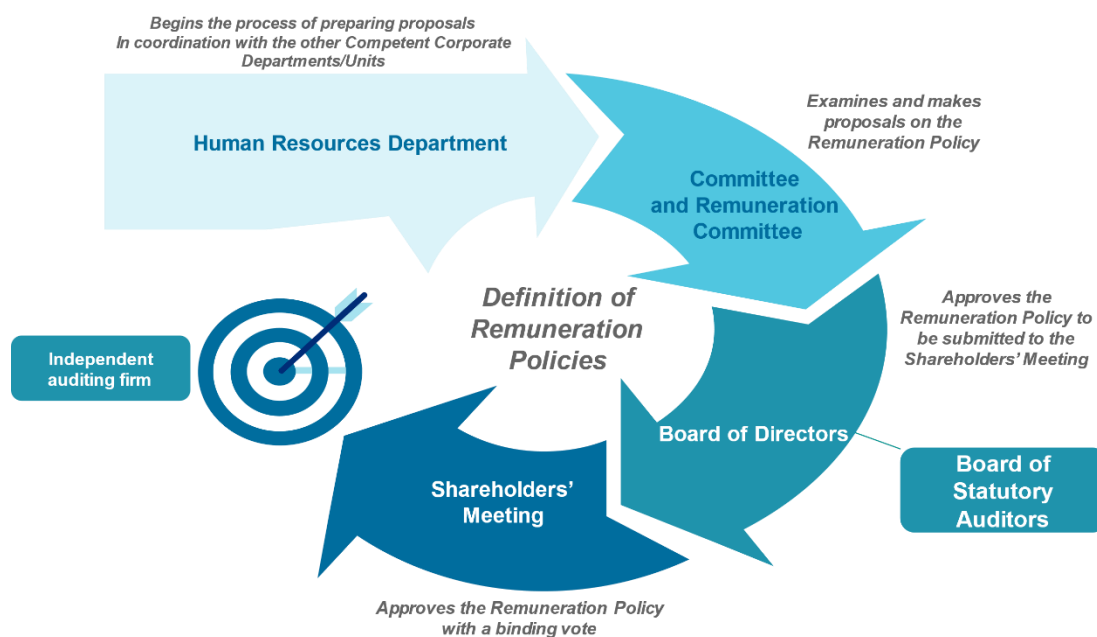
Risk mitigation elements	Variable short-term remuneration	Variable long-term remuneration
Definition of objectives consistently with the Strategic Plan	✓	✓
Provision of a cap for the variable remuneration of the Chief Executive Officer	✓	✓
Differentiation between economic and financial and sustainability performance objectives	✓	✓
Definition of Group indicators and/or specific Industrial Area indicators	✓	✓
Existence of claw back mechanisms	✓	✓
Provision of minimum value thresholds for each objective (with linear interpolation) guaranteeing payment only if a specific performance level is achieved	✓	✓

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

## Governance

The Acea Group has prepared a governance process concerning the remuneration policy involving numerous actors among the Corporate Bodies and internal departments, as shown in the figure below:



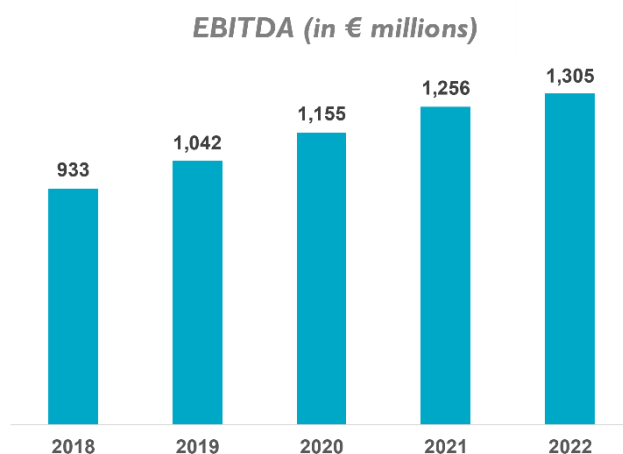
# SECTION II



The components of remuneration (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. Furthermore, they are in line with the Remuneration Policy last approved by the Shareholders' Meeting on 27 April 2022 and the resolutions of the Board of Directors during the business year in question.

### ***Results, context and application of the 2022 Remuneration Policy***

EBITDA in 2022 shows a compound annual growth of about 4% and an approximately 40% change between 2018 and 2022.



During the last board mandate, average gross annual remuneration — based on full-time employees other than those whose remuneration is shown by name in this Report and in the ESRs — underwent a slight increase (approximately 2% between 2021 and 2022).

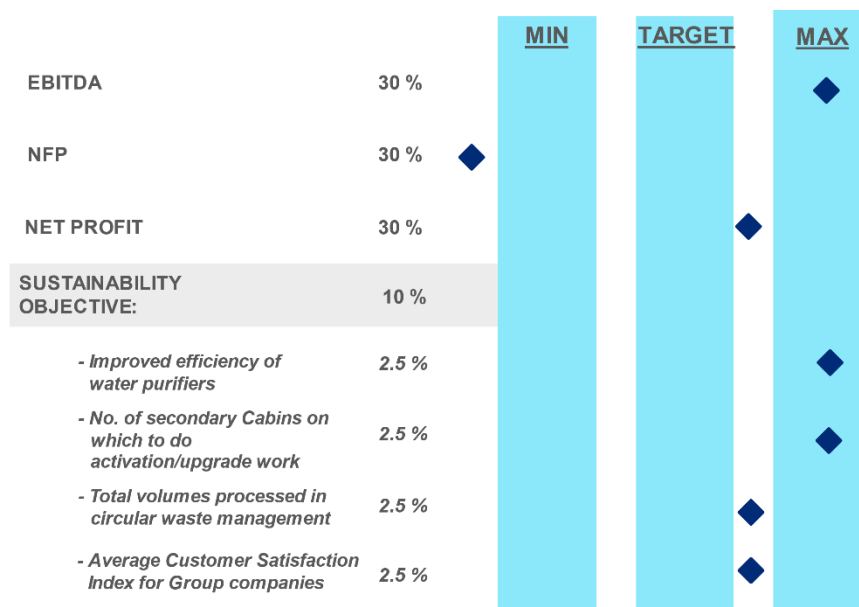
As regards the trend of changes in the total remuneration between 2022 and 2021 of each of the people for whom the information is provided by name we can present the following:

- for the Chairperson we can report no changes regarding the remuneration package;
- for the Chief Executive Officer, a trend of change in total remuneration is not available due to the change in appointee.

## 2022 Results

### Short-Term Incentive Plan

The following table indicates the level of achievement of each objective:

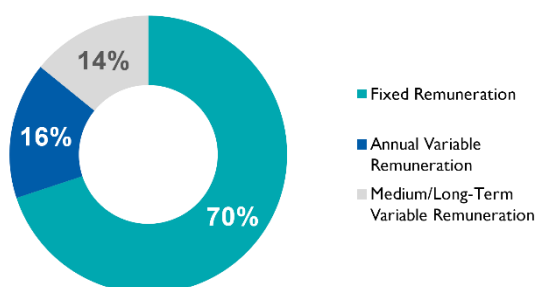


On proposal by the Appointments and Remuneration Committee, the Board of Directors thus verified that the group objectives had been achieved by 84.61%.

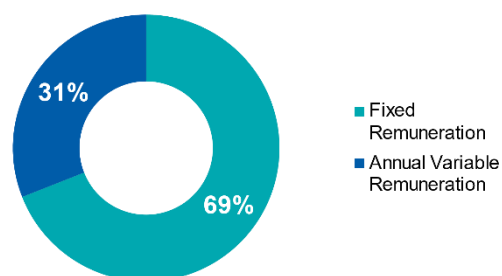
### Balancing of remuneration package

The components (as percentages) actually paid to the CEO (with reference to the two CEOs in office during 2022) and to the Executives with Strategic Responsibilities are shown below.

ACTUAL PAY MIX - CEO



ACTUAL PAY MIX - ESRs



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