



**REPORT
ON CORPORATE GOVERNANCE AND
OWNERSHIP STRUCTURE**

pursuant to article 123-bis of the TUF

(approved by the Acea S.p.A. Board of Directors on 10 March 2021)

- FINANCIAL YEAR 2020 -
www.gruppo.acea.it

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Table 1 Composition of the ACEA Board of Directors and offices held by Directors in other companies as at 31 December 202082

GLOSSARY

Code/Self-Governance Code: the Self-Governance Code for listed companies approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria

Corporate Governance Code: the Corporate Governance Code approved by the Corporate Governance Committee, made up of leaders of listed companies and asset management companies, as well as representatives from trade associations (ABI, ANIA, Assogestioni, Assonime, Borsa Italiana e Confindustria), published on 31 January 2020, available for consultation at

<http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm>

Civil Code: the Italian Civil Code

Board: the Issuer's Board of Directors

ER/Executive Responsible: Financial Reporting Officer

Issuer/Company/Acea: the issuer of securities to which the Report refers

Financial year: the financial year to which the Report refers

MOG: Organisation, management and control model pursuant to Italian Legislative Decree 231/2001

SB: Supervisory Body

Consob Issuers Regulation: the Regulation issued by Consob with resolution no. 11971 of 1999 (as subsequently amended) regarding issuers

CONSOB Related Parties Regulation: the Regulation issued by Consob with resolution no. 17221 of 12 March 2010 (as subsequently amended) regarding transactions with related parties

Report: the report on corporate governance and ownership structure that companies are required to prepare pursuant to art. 123 bis TUF

SCIGR/Control System: Internal Control and Risk Management System

TUF: Italian Legislative Decree 58 of 24 February 1998

I. THE ISSUER'S PROFILE

Acea, a company listed on the online stock market organised and managed by Borsa Italiana S.p.A. since 1999, is a leading Italian multiutility company that has been operating for more than a century in the sectors of energy (from the generation, distribution and sale of electricity and gas to the management of public lighting), integrated water services (from capture and distribution to purification) and environmental services (the treatment and economic management of waste).

Always sensitive to the principles of corporate social responsibility, Acea conceives its economic activities in the context of the principle of sustainable development, according to which the requirements of economic efficiency and legitimate profit must be consistent with environmental protection and social development.

In adopting the choice of sustainability, Acea integrates the goal of customer satisfaction with that of creating value for the shareholders, at the same time paying attention to the needs of society and respecting the environment; it takes avail of the professional skills of its employees and enhances management responsibility in the achievement of the Company's objectives.

According to the most recent data, to date the Acea Group is the leading national operator in the water sector for inhabitants served, one of the major Italian operators in the distribution of electricity to users (the third for volumes distributed), the third operator for energy volumes sold to end users, and the sixth national operator in Waste-to-Energy (environmental sector). This report illustrates the corporate governance system adopted by Acea S.p.A. which is based on a series of principles, rules and procedures, in line with the criteria indicated in the Corporate Governance Code, and inspired by the applicable recommendations issued by CONSOB and, more in general, according to international best practices.

The corporate governance system adopted by Acea is essentially aimed at creating value for the shareholders over the medium-long term, in the awareness of the social relevance of the activities in which the Group is engaged and of the consequent need to adequately consider, in the exercise of governance, all interests involved.

The governance model

Acea's corporate governance model complies with the traditional Italian administration and control system and is composed of the following bodies: the Shareholders' Meeting, which, for matters within its remit, expresses the shareholders' will through its resolutions, the Board of Directors (composed of 9 members) who are entrusted with the strategic management of the company for the pursuit of the corporate purpose and the management of the most important transactions, while the operational management is entrusted to the CEO; the Board of Statutory Auditors, a body with independent responsibilities and powers, and appointed on the basis of the requisites of professionalism, integrity and independence defined by law, with

supervisory functions over the administration and observance of the law and the articles of association.

In compliance with the recommendations of the Corporate Governance Code, the Board of Directors has established 3 internal Board Committees that offer proposals and consulting and perform preliminary investigations for the benefit of the Board itself.

The statutory audit of the accounts is carried out, pursuant to law, by a specialist auditing firm (PricewaterhouseCoopers S.p.A.) listed on the specific register of qualified auditors, appointed by the Shareholders' Meeting by a grounded proposal of the Board of Statutory Auditors.

The Supervisory Body, pursuant to Italian Legislative Decree 231/01, is appointed by the Board of Directors.

The information contained herein refers to financial year 2020 and, in relation to specific subjects, it is updated as at 10/03/2021, the date of the Board of Directors' meeting which approved this Report, the text of which is published at www.gruppo.acea.it, in the "Corporate Governance" section.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (art. 123 bis TUF, para. 1)

a. Structure of the share capital (as per art. 123 bis TUF, para. 1 lett. a)

The Company's capital, equal to € 1,098,898,884.00, entirely underwritten and paid up, is divided into 212,964,900 ordinary shares with a par value of € 5.16 each, listed on the online stock market organised and managed by Borsa Italiana (see Table I).

There are no shares with limited voting rights or without voting rights, except 416,993 treasury shares for which the voting right is suspended pursuant to art. 2357-ter of the Civil Code.

b. Restrictions on share transfers (as per art. 123 bis TUF, para. 1 lett. b)

There are no restrictions on share transfers except for individual constraints of the single shareholders.

c. Relevant stakes (as per art. 123 bis TUF, para. 1 lett. c)

Relevant stakes, held directly or indirectly, pursuant to art. 120 of the TUF, according to the information published on 10/03/2021 on the CONSOB website and the communications made in compliance with the same article, are listed in Table I.

d. Shares bearing special rights (as per art. 123 bis TUF, para. 1 lett. d)

No shares bearing special controlling rights have been issued.

e. Stakes held by employees: the voting rights exercise mechanism (art. 123 bis TUF, para. 1 lett. e)

According to art. 13 of Acea's Articles of Association, to facilitate the collection of proxies from shareholders employees of the Company, its subsidiaries and affiliates and shareholders' associations, with the requisites contemplated by the related provisions in force, specific spaces are made available for the communication and collection of the proxies.

There are no particular mechanisms for exercising rights.

f. Restrictions on voting rights (as per art. 123 bis TUF, para. 1 lett. f)

Under art. 6 of the Articles of Association, with the sole exception of Roma Capitale, any shareholder whose stake exceeds 8% of the share capital must be disclosed to the Company. This limit is considered as reached, in both direct and indirect terms, as specified in more detail in paragraphs 2 and 3 of the said article and as described in the chapter "Shareholders' Meetings" of this Report. In the case of breach of this rule, the exercise of the vote for the shares exceeding the said limit will be forbidden and, in the case of a resolution by a determining vote deriving from the shares exceeding said limit, the resolution may be challenged.

g. Shareholders' agreements (as per art. 123 bis TUF, para. 1 lett. g)

The Company is not aware of any shareholders' agreements of any kind, as contemplated under art. 122 of the TUF, or of any special powers of veto or of any other extraordinary influence on the decisions that are not direct expressions of the shares held.

h. Change of control clauses (pursuant to art. 123 bis of the TUF, para. 1, lett. h) and Articles of Association provisions on takeovers (pursuant to arts. 104, para. 1-ter and 104-bis, par. 1)

Acea has signed a number of significant agreements which become effective or are annulled in the case of a change of control for the contracting company.

Following are the significant agreements in place where the change of control involves the initiation of a negotiation procedure, where (a) the occurrence of such a case is disclosed, (b) the parties consult within a defined time frame to assess possible mitigations to any adverse effects of the change of control, and (c) if the outcome of the consultations is negative, the bank may request early repayment:

- ✚ Loan totalling an initial € 100 million from CDP (Cassa Depositi e Prestiti);
- ✚ Long term loan totalling an initial € 150 million from the European Investment Bank (Water segment);

- ✚ Long term loan totalling an initial € 200 million from the European Investment Bank in favour of Acea S.p.A. (Water segment II);
- ✚ Long term loan totalling an initial € 200 million from the European Investment Bank in favour of Acea S.p.A. (Network Efficiency III).
- ✚ Long term loan totalling € 250 million from the European Investment Bank in favour of Acea S.p.A. (Water segment III);
- ✚ Long term loan totalling € 250 million from the European Investment Bank in favour of Acea S.p.A. (Water segment III), not yet disbursed as at 31 December 2020;
- ✚ Revolving Credit Facility for a total of € 350 million in favour of Acea S.p.A., not disbursed as at 31 December 2020.

With regard to takeovers, the Company's Articles of Association do not waive the provisions of art. 104, paragraphs I and I bis, of the TUF, nor are neutralisation rules, provided under art. 104 bis, para. 2 and 3 of the TUF.

i. Delegations for capital increases pursuant to art. 2443 of the Civil Code or the directors' power to issue financial instruments and authorisation for the purchase of treasury shares (art. 123 bis TUF, para. 1 lett. m)

As at 31 December 2020 and also at the date of this Report, the Board of Directors has not been delegated to increase the share capital or to buy treasury shares.

Additionally, as stated, the Company presently holds 416,993 treasury shares for which voting rights are suspended, pursuant to art. 2357-ter of the Civil Code, the remaining treasury shares authorised by an Ordinary Shareholders' Meeting resolution of 23 October 1999, amended by an Ordinary Shareholders' Meeting resolution of 29 April 2000, renewed by an Ordinary Shareholders' Meeting resolution of 31 October 2001 and with the additions inserted by an Ordinary Shareholders' Meeting resolution of 30 April 2002.

j. Management and coordination (pursuant to art. 2497 and subsequent, Civil Code)

Art. 2497 and subsequent of the Civil Code do not apply, as Acea autonomously defines its strategic policies and has full organisational, managerial and negotiating independence, not being subject to the governance and coordination of another subject.

It must be noted that:

- ✓ the information required by art. 123 bis, para. 1, lett. i) ("*agreements between the Company and the directors...which provide for indemnity in the case of resignation or*

dismissal without just cause or if their professional relationship ceases subsequent to a takeover”) is contained in the Report on remuneration policy and compensation paid published pursuant to art. 123-ter of the TUF;

✓ the information required by art. 123-bis, para. 1, lett. l) (“regulations applicable to the appointment and replacement of directors ... as well as to amendments to the Articles of Association, if different from the legal and regulatory rules applicable”) are illustrated in the section of the Report on the Board of Directors (paragraph 4).

3. COMPLIANCE (pursuant to art. 123 bis, para. 2, lett. a), TUF)

Acea applies the prescriptions of the Self-Regulatory Code, which contains an articulated series of recommendations relating to the methods and rules for the governance and control of listed companies.

Acea has adhered to the Corporate Governance Code since the version issued in 2001.

The complete text of the Corporate Governance Code is available to the public on the Borsa Italiana website <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2018clean.pdf>

The Company provides information annually on its governance system and on its adhesion to the Code by means of a Report, drawn up also pursuant to art. 123 bis of the TUF, which shows the degree of adhesion to the principles and application criteria established by the Code itself and to international best practices.

The yearly Report is made available to the Shareholders, together with the documentation required for the Shareholders’ Meeting called to approve the financial statements, and it is also immediately published on the Company’s Internet site (www.gruppo.acea.it) in the “Corporate Governance” section.

On 16 December 2020, the Acea Board of Directors expressed a favourable opinion with regards to the adoption of the New Code, asking that the necessary research be done, identifying actions deemed necessary to appropriately implement the principles and recommendations it contained for anything not yet done by the Company.

4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND REPLACEMENT (art. 123 bis, para. 1, lett. I, TUF)

Directors are appointed and replaced in compliance with the laws in force, as adopted and integrated, within the limits allowed, by the provisions of the Articles of Association.

According to the provisions of the Company's Articles of Association, the Board of Directors is composed of no less than five and no more than nine members, appointed by the Ordinary Shareholders' Meeting (which determines the number within those limits) for a term equal to three financial years and they may be re-elected on expiry of their mandate.

Directorships can only be held by those with the requisites laid down by law and by the regulatory provisions.

Directors are elected as described in art. 15.1 of the Articles of Association, which establishes that:

- gender balance must be ensured in the composition of the Board of Directors, as governed by law¹;
- the directors are elected on the basis of lists, each of which contains as many candidates, each indicated by a progressive number, as the number of directors to be elected, and each list must have at least two candidates qualified as independent as contemplated by law, one of which must be first or second on the list and the other must be within the first four on the list;
- the election is carried out as follows:

“A. from the list that has obtained the majority of votes (hereinafter, for brevity, the “Majority List”), half plus one of the directors to be elected, rounded down to the nearest whole number in the case of a fractioned number, will be chosen in the progressive order in which they are placed on the said list;

B. without prejudice to the rulings of law and the provisions of the Articles of Association on the limits to the connection with the Majority List, the remaining directors will be taken from the other lists. For this purpose, the votes obtained by the said lists will be divided, within the sphere of each list, by 1, 2, 4 and 8 and so on, up to the number of directors to be elected. The ratios thus obtained will be progressively assigned to the candidates of said lists, according to progressive order by which they are indicated. The ratios thus attributed to the candidates of the various lists will be placed in a single classification in decreasing order. Those with the highest ratios will be elected.

¹ Recall that Law 160 of 27 December 2019 (“2020 Budget Law”) amended the provisions pursuant to art. 147-ter and 148 of Italian Legislative Decree 58/98 regarding gender balance in the bodies of listed companies, establishing a quota for the less-represented gender of at least two fifths (40%) and establishing that this criteria applies for six consecutive terms.”

If several candidates have obtained the same ratio, the candidate elected will be that on the list of which no director is otherwise elected or the list with the lowest number of elected directors.

If no director is elected from such lists or if the same number of directors is elected from such lists, the candidate elected will be the one that has obtained the highest number of votes. In the case of parity between the list votes and of parity of ratios, the entire Shareholders' Meeting will vote again and the candidate with the simple majority of votes will be elected.

In any case, if a correctly drawn up list is presented in addition to the Majority List, the candidates of such a list will be elected according to the order of presentation”.

The adopted election mechanism guarantees that at least one director represents the minorities and that the legally required minimum number of independent directors is elected (one in the case of a Board of Directors with no more than seven members, two if there are more than seven members) in compliance with art. 147 ter, para. 4, TUF. In fact, art. 15 of the Articles of Association establishes that the Board of Directors must contain a minimum number of directors holding the independence requirements established under the law, applicable regulations and the Self Governance Code for Listed Companies, equal to that set under current regulations.

The lists must be presented twenty-five days before the date scheduled for the first meeting, by shareholders that, alone or with other shareholders, represent the minimum participation in the share capital established pursuant to art. 144-quater of the Regulations for Issuers by Executive Determination no. 44 of 29 January 2021 of the CONSOB (this quota is equal to 1% of the share capital).

No candidate may be on more than one list and no shareholder may vote for more than one list. The lists of candidates are filed at the Company's head office and they are also disclosed by publication, by the Company and at this latter's expense, in three national daily newspapers, two of which are financial.

Director termination of office

Pursuant to art. 15.3 of the Articles of Association: *If a director appointed on the basis of the above-mentioned list vote leaves office, the Board of Directors will provide for his replacement by the co-option, pursuant to art. 2386 of the Civil Code, with the first candidate not elected on the list on which the outgoing director was a candidate, in respect of the legal provisions on gender balance, or, if that list has no more candidates, with the first of the non-elected candidates regardless of the relative list; however, if the outgoing director is not on the Majority List, the absence of connection with the Majority List must be respected. If the outgoing director had the requisites of independence and/or belonged to the less represented gender and the number of independent directors and/or those of the*

less represented gender consequently fall below the minimum number required by law, the first non-elected candidate of the list of the outgoing director with the requisites of independence required by law and/or of the less represented gender will be appointed. Directors thus appointed will remain in office until the next Shareholders' Meeting”.

Director replacement

Pursuant to art. 15.4 of the Articles of Association: *“If a director leaves office during the financial period, the Shareholders' Meeting, by a relative majority vote, will elect his replacement, as far as possible in respect of the rules in force on independence and gender balance, from the non-elected candidates on the same list as that of the outgoing director. The newly appointed director must have provided, at least ten days before the date scheduled for the Meeting, written confirmation of his candidature as well as the declarations that no reasons exist for his ineligibility or incompatibility and that he holds the requisites prescribed for the office by the laws in force and the Articles of Association. If this replacement procedure is not possible, a resolution must be passed by a relative majority vote, always in respect of the representation of the minorities and the minimum number of independent directors.*

A director thus appointed will remain in office until the expiry of the term of office of the other directors.

If, for any reason, the number of Board Directors falls below half the established number, the entire Board of Directors will fall from office and the Shareholders' Meeting must be summoned immediately for its reconstitution. However, the Board of Directors will remain in office for the execution of acts of ordinary administration until the Shareholders' Meeting has resolved on its renewal and until at least half of the new directors have accepted their appointment”.

Majorities required for statutory amendments

With reference to amendments to the Articles of Association, the Extraordinary Shareholders' Meeting, pursuant to art. 12 of the Articles of Association, will adopt the necessary resolutions with the majorities required by law.

Succession plans

In consideration of the methods for appointing executive directors, the expression of the evaluations made by the majority shareholder, the Board of Directors has deemed it unnecessary to create a succession plan for the stated directors.

If an executive director leaves office, the Board of Directors may co-opt a new director in their place and determine the powers to be vested on the latter. The first appropriate Shareholders' Meeting will then provide for their successive inclusion on the Board of Directors.

To that end, it should be noted that in the context of analysis functional to full implementation of the new Corporate Governance Code, the was informed of the expediency of beginning, during the course of the present Board's term, activities functional to the adoption of a succession plan for the CEO, which defines the procedures to be followed in the case of an early termination of the office, periodic updating of the same and the methods for implementation.

4.2. COMPOSITION (as per art. 123 bis, para. 2, lett. d, TUF)

Pursuant to art. 15.1 of the Articles of Association, the Company is governed by a Board of Directors composed of at least five and no more than nine members appointed by the Ordinary Shareholders' Meeting which determines the number within those limits.

The current Board, composed of 9 directors, was appointed by the Shareholders' Meeting on 29 May 2020 and will remain in office until the approval of the financial statements for the 2022 financial year.

The following directors were taken from the majority list, presented by the shareholder Roma Capitale: Michaela Castelli, Giuseppe Gola, Giacomo Larocca, Gabriella Chiellino and Liliana Godino.

Alessandro Caltagirone and Massimiliano Capece Minutolo Del Sasso were elected from the minority list presented by Fincal S.p.A., while Giovanni Giani and Diane Galbe were elected from the minority list presented by Suez Italia S.p.A..

Therefore, as of the date of this report, the Board of Directors is composed as follows: Michaela Castelli, Giuseppe Gola, Gabriella Chiellino, Liliana Godino, Giacomo Larocca, Alessandro Caltagirone, Massimiliano Capece Minutolo del Sasso, Giovanni Giani and Diane Galbe.

Of the above directors in office, one is an executive director – Giuseppe Gola - to whom the Board of Directors has delegated individual managerial powers, whereas the remaining 8 are non-executive directors.

Some information of a personal and professional nature on the directors in office is given below:

MICHAELA CASTELLI

CHAIRPERSON – NON-EXECUTIVE

Michaela Castelli was born in Rome on 7 September 1970. After graduating in Law and specialising in Financial Law, she began working in London in Capital Markets. She subsequently gained experience in leading Italian law firms, dealing with corporate law and financial markets. She worked for 9 years at Borsa Italiana S.p.A. where she was involved in assisting listed issuers with extraordinary transactions, corporate reporting, compliance and corporate governance. Registered with the Milan Bar Association, she is significant experience as a member of the

Boards of Directors of significant listed and unlisted companies; additionally, she is the member of Boards of Statutory Auditors, internal Board committees and supervisory bodies, as well as serving as the Chairperson of Utilitalia.

Author of trade publications and lecturer in various continuing education courses in corporate and financial market law, she has participated in numerous conferences as a speaker.

Appointed on the basis of list no. 1 presented by Roma Capitale (including: 1) Michaela Castelli, 2) Giacomo Larocca; 3) Giuseppe Gola, 4) Gabriella Chiellino, 5) Liliana Godino, 6) Stefano Pareglio, 7) Maria Verbena Sterpetti); the relative proposal obtained a favourable vote from 69.9949% of voters.

GIUSEPPE GOLA

CHIEF EXECUTIVE OFFICER – EXECUTIVE

Giuseppe Gola was born in L'Aquila in 1964.

From September 2017 to May 2020 he was the CFO of the Acea Group.

Since May 2002 he has worked for Wind Telecomunicazioni, where, from October 2007 to December 2016, he served as CFO. Previously he was Management Control Director. From January 2017 to August 2017 he worked as a senior advisor, collaboration with ZTE and Cellnex.

From 1998 to 2002 he worked for various telecommunications operators, including IPSE 2000, as the Management Control Director, Albacom, as the Strategic Planning Director and Wind Telecomunicazioni, where he was the Business Plan Director.

He began his career with the Enel Group, from May 1991 to June 1996, where in the IT Department he was the Investment Planning Director. In 1997 he became the Business Plan Director for Enel mobile services, with the objective developing a joint venture to enter the telecommunications market as a competitor to Telecom Italia.

Giuseppe Gola obtained a degree in Electronic Engineering in 1990 and a Master in Business Administration from the LUISS Guido Carli School of Management.

Appointed on the basis of list no. 1 presented by the aforementioned Roma Capitale.

GABRIELLA CHIELLINO

DIRECTOR – NON-EXECUTIVE – INDEPENDENT

Gabriella Chiellino was born in Pordenone on 21 March 1970; she graduated in Environmental Science at Ca' Foscari University in Venice in 1994. She has worked in the field of sustainability for over 20 years, covering various roles in the university context, teaching scientific subjects regarding environmental and energy management in companies. She was a member of various scientific technical committees in the public and private sector, also coordinating international events on matters linked to sustainability (water, waste, smart city). 15 years ago she founded

an environmental and energy engineering company, of which she now chairs the BoD, which operates in Italy and overseas. As an expert of corporate Sustainability Governance, she steers and coordinates various Corporate Sustainability Committees. She is the author of various publications and articles on environmental and ethical matters and is a lecturer in various university courses.

Appointed on the basis of list no. 1 presented by the aforementioned Roma Capitale.

LILIANA GODINO

DIRECTOR – NON-EXECUTIVE – INDEPENDENT

Liliana Godino was born in Genoa on 8 April 1962; she completed her education at *l'Haute Ecole du Commerce* in Paris, specialising in “Corporate Economy and Marketing”.

She has been the Chief Procurement Officer at Ignazio Messina & C. S.p.A., with registered offices in Genoa, since July 2020. From April 2015 to September 2017 she was the General Affairs and Organisation Director at Baglietto Srl, which produces certified steel for shipyards across the globe. She was the Purchases and Logistics Director of Grandi Navi veloci S.p.A.. She spent 18 years in Danone SA, a global agro-foodstuff company, first in consumer marketing with experience on national and international level and then in procurement, her last role being the Worldwide Sourcing Director for Packaging at the Headquarters. She was a member of the Board of Directors of the International School in Genoa.

Appointed on the basis of list no. 1 presented by the aforementioned Roma Capitale.

GIACOMO LAROCCA

DIRECTOR – NON-EXECUTIVE – INDEPENDENT

Giacomo Larocca was born in Rome on 13 May 1978, he graduated in Statistical and Actuarial Science at La Sapienza University in Rome.

He currently works as the Programming and Management Control Director at SACE BT, a company he has worked for since 2009.

Appointed on the basis of list no. 1 presented by the aforementioned Roma Capitale.

ALESSANDRO CALTAGIRONE

DIRECTOR – NON-EXECUTIVE – INDEPENDENT

Alessandro Caltagirone was born in Rome on 27 December 1969; he graduated in Economics and Commerce at La Sapienza University in Rome. Currently a member of the Board at various companies, including: Il Messaggero S.p.A., Caltagirone S.p.A., Caltagirone Editore S.p.A., and is also the Deputy Chairperson of the Board of Directors of Cementir Holding N.V. and Alborg Portland Holding A/S.

Appointed on the basis of list no. 2 presented by Fincal S.p.A. which, as of the date of the Shareholders' Meeting of appointment, held 2.676% of the share capital (including 1) Alessandro Caltagirone, 2) Massimiliano Capece Minutolo Del Sasso, 3) Azzurra Caltagirone, 4) Mario Delfini, 5) Tatiana Caltagirone, 6) Albino Majore, 7) Annalisa Mariani), which obtained a favourable vote from 19.1328% of the voters.

MASSIMILIANO CAPECE MINUTOLO DEL SASSO

DIRECTOR – NON-EXECUTIVE – INDEPENDENT

Massimiliano Capece Minutolo Del Sasso was born on 07 April 1968; he is registered in the register of engineers of Rome since 1992. Vast experience in the real estate and infrastructure sector with competencies in design, development and management of large urban and construction projects. Currently executive of Vianini Lavori S.p.A. and board member in several companies, including G.S. Immobiliare S.p.A., Vianini S.p.A. and Fincal S.p.A..

Appointed on the basis of list no. 2 presented by the aforementioned Fincal S.p.A..

DIANE GALBE

DIRECTOR – NON-EXECUTIVE

Diane Galbe was born in Paris on 14 January 1981 and was appointed Deputy General Manager of Suez with responsibility for the Worldwide Smart & Environmental Solutions Business Unit. She continues to manage Group Strategy and the “Shaping SUEZ 2030” Transformation Plan. She is also a member of the Suez Group Executive Committee. The new Smart & Environmental Solutions Business Unit aims to accelerate the development and worldwide deployment of digital and decentralised solutions based on performance and environmental quality, Smart City, smart agriculture, climate and air. A graduate of Commercial Law from Panthéon-Assas University in Paris II and former lawyer at Bredin Prat law firm, she joined the SUEZ Group in 2007, where she held various responsibilities both in central functions in Paris and for the Asia Business Unit based in Hong Kong. She was appointed Chief of Staff of the Group's CEO in 2013. In January 2017 she became Director of Finance and Strategy for the Italy, Central and Eastern Europe Business Unit and General Manager of the Group's Soil Depollution and Industrial Decommissioning activities. Since May 2019, she has been Director of Group Strategy and Project SUEZ 2030.

Appointed on the basis of list no. 3, presented by Suez SA, which as of the date of the Shareholders' Meeting held 10.85% of share capital (including 1) Diane Galbe, 2) Giovanni Giani, 3) Aurelia Carrera Binnet, 4) Angel Simon Grimaldos), which obtained a favourable vote from 10.6568 % of voters.

GIOVANNI GIANI

DIRECTOR – NON-EXECUTIVE

Giovanni Giani was born in Lecco on 14 January 1950, engineer, manager with vast international experience in business development and the management of companies in the industrial, engineering and public services sectors. Expert in international relations.

Awarded the “Officier de l’Ordre du Mérite de la République Française”. Since 2018, he has served as the Chairperson and CEO for Italy for the Suez Group, as well as holding various offices within group companies internationally.

He currently serves as a Senior Advisory to the Suez Group.

He also offers strategic consulting in the industrial sector.

Appointed on the basis of list no. 3 presented by the aforementioned Suez SA.

Diversity criteria and policy

On 9 March 2020, after receiving the opinion of the Appointment and Remuneration Committee, the Board of Directors adopted the “diversity policy for the composition of the administrative and control bodies” (“Policy”), promoted by the Ethics and Sustainability Committee.

The Policy aims to ensure the proper operation of Acea’s corporate bodies by regulating their composition and providing that their members have personal and professional requirements that meet the highest degree of diversity and competence.

The Board of Directors is aware of the fact that diversity and gender balance are fundamental elements of the corporate culture of a corporate group. In particular, as fundamental elements of sustainability in the medium-long term, diversity and gender balance represent a reference paradigm for both Acea Group employees and members of the company’s management and control bodies.

In line with the Policy, in view of the Shareholders’ Meeting called for the appointment of the 2020 Directors, the Acea Board expressed its position to the shareholders on the qualitative and quantitative composition of the new Board that it deemed optimal. In particular, the outgoing Board had underlined that, among other things, the composition needed to take into account diversity, in terms of both gender and seniority, in line with applicable legal provisions. Furthermore, the Board underscored that the Board’s mix of expertise should be well balanced. The current composition appears to be in line with the above orientation.

Additionally, recall that on 1 January 2020 the provisions of the 2020 Budget Law took effect, amending articles 147-ter, para. 1-ter and 148, par. 1-bis of the TUF, introduced by Law 120 of 12 July 2011, with regards to gender balance on the bodies of listed companies. This Budget

Law established a different quota for the less-represented gender equal to “at least two fifths” of the members of the Board of Directors.

Note that the composition of the current Board of Statutory Auditors complies with the gender balance called for under applicable regulations.

In line with the principles expressed in the Code of Ethics, Acea has promoted a culture of equal opportunities and the management and enhancement of diversity through the adoption of a Charter for Diversity Management (see section 11.4.1).

Additionally, in November 2019 Acea signed the Utilitalia Pact – “Diversity makes the difference”, to support gender, age, culture and ability diversity. The document is focussed on inclusive policies at all organisational levels, work/life balance, transparent merit-based management and internal and external policies to increase awareness. During 2020, the relevant structures worked with signatory companies to offer practical guidelines for each of the Pact Commitments, to allow companies to begin a concrete and effective process of supporting diversity.

Maximum number of offices simultaneously held in other companies

At its meeting on 16 December 2020, after the investigation carried out in 2020 by the previous Appointment and Remuneration Committee, as well as that currently in office, the Board of Directors resolved to update the guidelines already expressed on 23 March 2011 with regards to the maximum number of offices held.

To that end, it defined “other significant companies”, for the purposes of calculating the total in addition to other listed companies, to financial, banking or insurance companies, or those with shareholders’ equity exceeding € 1 billion.

It also resolved that a) a Director should not hold the office of non-executive Director or Statutory Auditor in more than 6 (six) of the aforementioned companies; b) an executive Director should not serve as a non-executive Director for another issuer for which an Acea Director is an executive Director.

Further, it resolved (i) to not consider the position held in Acea S.p.A. when calculating offices held; (ii) to not consider any offices held in direct or indirect subsidiaries of Acea S.p.A., or in companies in which Acea S.p.A. holds an equity investment when calculating offices held; (iii) to not consider positions held on internal Board committees for the purposes of reaching the maximum limit for offices held.

On the basis of the updated communications received by the Company in implementation of the resolutions passed, all the Directors, at 10 March 2021, cover a number of roles compatible with the guidelines laid down by the Board itself.

Table I, at the foot of this Report, lists the offices held by the Directors and Statutory Auditors in other companies listed on regulated markets, also abroad, in financial, banking and insurance companies and companies with shareholders' equity exceeding € 1 billion.

Induction Programme

In compliance with the provisions of the Corporate Governance Code on the effective and conscious performance of the role by each Director, the Chairperson of the Board of Directors of Acea, in agreement with the CEO, in 2020, prepared a training programme for the Board that was also attended by the Board of Statutory Auditors aimed at providing the Directors with a thorough knowledge of the Company's activities and organisation, of its sector and the regulatory framework and self-regulatory framework, of the company dynamics and their evolution and the role to be performed with respect to the specificities of Acea.

The induction initiatives in 2020 included, among other things, environmental, governance and business issues. In particular, emerging sustainable development scenarios were explored, as well as the principles and drivers behind the Group's ERM Governance.

Furthermore, the Directors are kept constantly informed by the competent corporate functions regarding the main legislative and regulatory novelties concerning the Company and the exercise of their functions.

For the Board meetings, the CEO and Chairperson requested the participation of Company executives whose presence could help provide the best possible information on the topics covered by the induction and, where required by the specific topic, to illustrate the regulatory framework of reference.

4.3. THE ROLE OF THE BoD

The Company's Board of Directors holds a central role in the sphere of the Company's governance, and all the departments and the managers of the Company and of the Group with strategic and organisational responsibilities (Key Managers) report to the Board of Directors. Taking its role into account, the Board of Directors meets regularly, to guarantee the effective performance of its duties.

More specifically, reserved to the Board of Directors, pursuant to law, the Articles of Association and the guidelines of the Internal Control and Risk Management System (hereinafter "Guidelines") last updated on 22 January 2020, are the duties listed below:

- define strategic and general management guidelines and steer the Company's development; economic-financial coordination of the Group's activities by approving medium-term strategic plans which incorporate the Group's development guidelines, the investment plan, the financial plan and the annual budgets; the acquisition and disposal of stakes, excluding infra-group operations;
- by proposal of the Control and Risks Committee, define the guidelines of the Internal Control and Risk Management System (hereinafter also "SCIGR") so that the main risks concerning Acea and its subsidiaries – including the various risks that can become relevant in the light of sustainability over the medium-long term period – are correctly identified and adequately measured, managed and monitored;
- define, furthermore, the nature and level of risk compatible with the identified strategic objectives;
- approve and amend the internal regulations as far as concerning the general organisational structure of the Company, the Group's macrostructure and any amendments to the same that have a significant impact on the Group's organisation;
- appoint the General Manager if deemed appropriate;
- define the corporate governance system and see to the establishment of specific internal committees, for which it appoints the members and approves the respective operating rules;
- adopt the organisational model pursuant to Italian Legislative Decree no. 231/2001, appoint the Supervisory Body and examine the half-yearly reports prepared by the SB on implementation of the MOG;
- appoint the directors and statutory auditors due to Acea at significant subsidiaries and investees, understood to be those listed on regulated markets and those which require commitments of capital, shareholder loans or guarantees exceeding € 10 million;
- attribute and revoke delegations to the delegated directors, defining the limits and procedures of their exercise;
- reserve and exercise powers for amounts exceeding € 7.5 million for Acea and its subsidiaries, if in line with the budget, and above € 1 million for off-budget expenditure;
- determining the remuneration of the Chairperson, Chief Executive Officer and other Directors with specific duties, upon a proposal by the relevant committee and after hearing from the Board of Statutory Auditors, as well as the remuneration due to the members of Board of Directors committees and remuneration of executives with strategic responsibilities, except for cases in which this latter has been approved by the Appointment and Remuneration Committee;

- define the Guidelines, after hearing from the Control and Risks Committee (hereafter, also CRC), whose responsibilities are illustrated in chapter 9, so that the main risks relative to Acea and the main Group companies are properly identified, measured, managed and monitored;
- evaluate the adequacy of Acea's organisational, administrative and accounting structure, as well as that of subsidiaries with strategic relevance, particularly with reference to SCIGR;
- assess the general business performance (art. 2381 of the Civil Code) taking into consideration, in particular, the information received from the delegated bodies, periodically comparing the results achieved with those programmed;
- appoint and revoke:
 - the Internal Audit Function Manager, subject to the favourable opinion of the CRC and by proposal of the Director responsible for the SCIGR, and having consulted with the Board of Statutory Auditors, making sure that said Department is provided with adequate resources for the performance of its duties and defining the remuneration consistent with Company policies;
 - a Financial Reporting Officer, unless already provided for by the Shareholders' Meeting, by the favourable opinion of the Board of Statutory Auditors (as per art. 22-ter of the Articles of Association), ensuring the adequacy of his powers and means for the performance of his duties;
- approve the Audit Department Manager's work plan on an annual basis, having consulted with the Control and Risk Committee, the Board of Statutory Auditors and the SCIGR appointed Director;
- assess, having consulted with the Board of Statutory Auditors, the results found by the independent auditor contained in the letter of suggestions, where applicable, and in the report on fundamental issues that have come to light during the audit of the accounts;
- assess, at least once every year, the adequacy of the SCIGR in consideration of the Company's characteristics and risk profile, describe its main characteristics in the Report on Corporate Governance, expressing its opinion on adequacy of the same, after hearing from the Control and Risks Committee;
- establish corporate measures of protection for the processing of personal or sensitive data by third parties;
- adopt the procedures necessary to protect workers' health and appoint the subjects responsible for ensuring safety in the workplace;
- act so as to establish continuous dialogue with shareholders, based on understanding of the reciprocal roles;

- promote initiatives to support the widest possible participation of shareholders at Shareholders' Meetings and to make the exercising of voting rights easy;
- adopt, by proposal of the CEO, the procedures for the internal management and the external disclosure of documents and information regarding the Company, especially price sensitive information and those relating to transactions in financial instruments carried out by persons who, due to their office, have access to relevant information;
- carry out self-assessment at least once a year on the functioning of the Board itself and of its Committees, and on their size and composition;
- assess, at least once a year, the independence of its non-executive members.

The Board of Directors has fulfilled the aforesaid duties, amongst others:

- during financial year 2020, it assessed the general business trend on the occasion of the financial reporting (the draft financial statements of the period as at 31 December 2019; the six-monthly interim financial report; the interim management reports on the 1st and 3rd quarters of the period), taking into consideration, in particular, the information received from the delegated bodies, and periodically comparing the results achieved with those programmed;
- resolved on the organisational amendments to the macrostructure of Acea S.p.A.;
- completed a comprehensive review of the Internal Control and Risk Management System, having the purpose of strengthening efficacy and efficiency also by means of identifying new subjects and coordination procedures between the various players and control levels;
- approved, during January 2020, the new Guidelines for the Internal Control and Risk Management System for the Acea Group which, in any case, may be subject to review as part of the process of implementing the new Corporate Governance Code;
- approved the Sustainability Report/Consolidated Non-Financial Disclosure for 2020, pursuant to Italian Legislative Decree no. 254/2016.

On 10 March 2021, the Board of Directors:

- assessed the adequacy of the Internal Control and Risks Management System and the adequacy of the Company's organisational, administrative and accounting framework and that of its strategically relevant subsidiaries, deeming the Acea Control System, as a whole, to be suitable for the pursuit of the Company's objectives;
- proceeding, as an integral part of this process, to self-evaluation of the composition and functioning of the Board and its internal Committees. This self-evaluation regarded the Board of Directors' independence, structure and composition, the functioning of the Board and of its Committees, and the information flows received by the Board and its Committees in the performance of their duties. For the execution of the assessment

tasks, the Board of Directors took avail of a company specialised in the sector, as explained below.

Operation

The Board of Directors meets regularly, in compliance with the terms of law and a works calendar, organising itself and operating in order to guarantee the effective and efficient execution of its functions.

In 2020 the Board of Directors held 12 meetings, lasting on average approximately 2 hours 55 minutes each, regularly attended by the Board Directors and the Statutory Auditors.

The attendance of each Directors at the Board of Directors' meetings is detailed in Table no. 2.

At the date of this report, 4 (four) meetings have been held since the beginning of 2021.

The calendar of the main corporate events 2021 (communicated to the Market and to Borsa Italiana S.p.A. in accordance with regulatory requirements) includes 3 more meetings on the following dates:

- 12 May 2021 – approval of the interim report on operations as at 31 March 2021;
- 28 July 2021 – approval of the semi-annual report as at 30 June 2021;
- 10 November 2021 – approval of the interim report on operations as at 30 September 2021.

In 2020 the Board of Directors has operated according to Works Regulations in force since 22 April 2003 which regulate the procedures for guaranteeing the timeliness and completeness of the pre-meeting information; they require that resolution proposals and information are received, together with all the useful documentation approved by the Managers responsible for the specific issues, at least 10 calendar days before the date of the meeting, to the Company's administrative office which will submit them, without delay, to the CEO for his approval, for the purpose of defining the draft agenda.

The corporate secretariat submits the resolution proposals and the related information, together with the draft agenda approved by the CEO, to the Chairperson of the Board at least 6 days before the Board meeting.

The Chairperson finalises the agenda, also inserting proposals and items of his competence, which is then transmitted, at least 3 days before that of the meeting, to the single Directors and Statutory Auditors, together with all the documentation prepared by the Company's departments.

The self-evaluation process confirmed that presentation of points on the agenda at meetings is precise and accurate, and provided the directors with the relevant information for acting in an informed manner. While areas for improvement were identified with regards to the time at which information is circulated, the directors agree that the documentation is clear, complete and easily accessible, that the duration of meetings is consistent with the importance and complexity of the issues dealt with and that in specific cases when it is not possible to provide supporting documents appropriately in advance, the Chairperson has ensured that adequate information was provided during Board meetings.

Also note that ACES did not make any derogations to the terms established in the current Regulation for confidentiality, and obtained software specifically to allow for secure management of Board of Directors meetings and “protected” transmission of the relative information and documented.

This system makes it possible to use various levels of security. Therefore, increasing usage of this platform and usage of the higher security levels that it offers also makes it possible to protect against greater information protection requirements which may arise, without compromising completeness, usability and timeliness.

Finally, note that after the appointment of the current administrative body (on 29 May 2020), a process was begun to revise the aforementioned Regulation to align it with developments in the regulatory context and operating practices which have arisen in the meantime within the Board, as well as with corporate governance best practices consolidated over time, until they were included in the Corporate Governance Code. This regulation, which confirms the current terms for the prior sending of Board information, making use of the tools adopted in order to ensure information is complete, usable and prompt while also complying with the needs for confidentiality (e.g. a specific IT system), was approved at the Board meeting on 1 March 2021. During 2020, at meetings of the Board of Directors, managers of the Company and its subsidiaries with responsibilities relative to the various issues on the agenda were invited to participate who, upon invitation from the CEO, provided appropriate information on the issues in question and, when it was time for the Board to decide, left the meeting. The contribution offered by management to understanding and examining the issues on agendas was assessed positively by members of the Board of Directors in the self-evaluation.

Evaluation of the functioning of the Board of Directors and its Committees

On 23 September, the Board of Directors resolved to carry out the evaluation process on the size, composition and functioning of the Board and its Committees on an annual basis (Board Review), making use of an independent external consultant.

In the context of the activities surrounding the relative appointment, the Appointment and Remuneration Committee discussed the start of the self-evaluation process and methods for executing the same. After a competitive process, the company appointed Koinè (which held the necessary independence requirements) to assist it in this process for the three-year duration of its term and, therefore, for the years 2020, 2021 and 2022.

The Board Review process is presided over by the Chairperson of the Acea Board of Directors and the Appointment and Remuneration Committee. The Chairperson of the Board of Directors is responsible for ensuring that the methods used to carry out the self-evaluation process are effective and consistent with respect to the complexity of the Board's work and that the corrective measures established to deal with any problems found are effectively adopted, while the Appointment and Remuneration Committee, with the assistance of the consultant Koinè, is responsible for supporting the Board during the various stages of the process.

The Appointment and Remuneration Committee, supported by the Board of Directors Secretary, carried out research and supported the entire Board Review process.

The Board Review was structured by the Appointment and Remuneration Committee and the initial stage was carried out through the completion of a questionnaire prepared by Koinè by each Director, intended to evaluate the size, composition and functioning of the Board of Directors and internal Board Committees. The second stage of the 2020 Board Review involved individual interviews carried out by the Koiné team to further investigate the most significant aspects identified from the questionnaire answers.

More specifically, the questionnaire prepared by Koinè to carry out self-evaluation relative to the size, composition and functioning of the Board of Directors and Board Committees for 2020 contained specific questions intended to, among other things, obtain information from directors with regards to the adequacy of the process used to define and approve the strategic plan, the time dedicated to investigating its various aspects, the level of involvement of the administrative body in monitoring its implementation, and evaluating the sustainability of the business, based on adequate understanding of risks and management of the same by management.

The questionnaires and interviews concerned in particular:

- the qualitative/quantitative size and composition of the Board of Directors;

- organisation of work and execution of Committee work;
- method of working, cohesion and interaction of Directors;
- the composition and operation of the committees and the effectiveness of their activities in support of the Board of Directors;
- the role and coordination of Independent Directors;
- Board dynamics and the overall efficacy of Board work.

In structuring the questionnaire, some of the results coming from the 2019 self-evaluation process (found in the 2019 report) were taken into account, which are reported here for simplicity's sake: *“...the Board of Directors has demonstrated that it has implemented the suggestions of the previous Board Reviews regarding areas for improvement and that it has effectively implemented a series of processes and initiatives in this regard.”*

Therefore, the questionnaire did not evaluate, due to the above, as well as due to the fact that this was the first year of the term for the Board of Directors, questions on implementation or follow up with regards to actions deriving from the Board Review for the outgoing Board. This aspect will be taken into consideration in subsequent self-evaluation exercises, for the issues and areas that arise, following the guidelines and directives approved by the Board of Directors to that end.

As part of the Board Review process, the consulting company also carried out benchmarking with regards to the structure and functioning of the Board of Directors and internal Committees of ACEA with two distinct groups of peers, represented by (i) 41 non-financial Mid-Cap companies and (ii) 13 listed companies in the public utilities sector.

This comparison obtained positive results with regards to (i) the high weight of the non-executive (and independent) directors, also from minority interests, (ii) the number of meetings, in line with those of peers, both in terms of size and sector, (iii) the duration of meetings, both Board and internal Committees, in general higher than those of peers (third quartile) and (iv) high participation in corporate events (in line with peers).

The results of the Board Review for financial year 2020 provide a widely satisfactory overall judgement relative to the size and composition of the Acea Board of Directors and its Committees, the efficacy of Board dynamics and the work and contributions provided by the internal Committees. Therefore a positive assessment emerged with regards to the functioning of these bodies, their efficacy and transparency, compliant with national and international best practices for corporate governance.

In particular, the results of the board review for 2020 revealed the following main strengths:

- the composition (executive, non-executive, independent) of the Board was judged appropriate and balanced in terms of diversity (gender, age, background, etc.);

- the number and frequency of Board of Directors meetings was judged appropriate;
- the climate within the Board of Directors is positive and encourages debate, which is always open, of high quality and respectful of the roles held by each Director; the Board is able to find harmonious solutions even in problematic and complex situations;
- the process for defining and approving the strategic plan was judged appropriate and the Board had sufficient time to examine research regarding various aspects of the plan;
- important questions are promptly brought to the attention of the Board of Directors; the CEO responds effectively, promptly and exhaustively to questions coming from other Directors;
- the Committees carry out their activities autonomously and independently and effectively support the Board in the issues for which they are responsible;
- frequent “induction” meetings ensure Directors are appropriately prepared.

With regards to areas for improvement identified, which should in any case be considered as part of an overall positive environment, these included:

- the need to better structure coordination between independent directors;
- further refinements to the timing used for the circulation of documents for meetings, in particular those for the most significant transactions and/or issues;
- the expediency of reviewing the delegation system, so as to further focus the attention of the Board of Directors on genuinely strategic issues;
- the expediency of assessing the name of the Executive Committee, which does not appear to be in line with its current functions;
- the expediency of finalising formalisation of Succession Plans for top management;
- the expediency of assessing the structure of the Related Parties Committee and the Appointment and Remuneration Committee as part of activities to adjust to the new regulations (post Directive SHR II).

On the basis of the comments received and analysis carried out, the Board of Directors expressed a positive judgement on Acea's compliance with the indications contained in the Self Governance Code, and confirmed the overall basic solidity of its corporate governance structure, the functioning of the Board of Directors and support coming from company structures.

4.4. DELEGATED BODIES

Chief Executive Officer

In May 2020 the Board of Directors appointed Giuseppe Gola as CEO, to whom, pursuant to art. 20 of the Articles of Association, the ordinary management of the Company, the Company's signature and legal representation before third parties and in court are delegated, as well as all powers within the scope of the delegations conferred and within set commitment limits.

The CEO was granted all powers for the governance of the Company except those otherwise attributed pursuant to law and regulations, the Articles of Association or the power structure approved in May 2020 (with reference to the issues that, according to said structure, are reserved to the Board of Directors, see paragraph 4.3). In particular, the CEO:

- ❖ operates on the basis of medium-long term plans and the annual budgets approved by the Board, and guarantees respect for the managerial guidelines deriving from the same. In this context, the powers of the CEO are exercised for transactions with a value up to € 7.5 million (tender contracts, procurement, rents, disposals, participation in tenders, etc.), if in line with the budget and up to € 1 million for off-budget transactions; for Group subsidiaries operating in the electricity and gas markets, the powers granted to the CEO include: i) issuing sureties of other guarantees up to € 12 million if in line with the budget and up to € 2 million if off-budget, ii) issuing all sureties and other obligatory guarantees in favour of Arera, GSE, GME, Terna S.p.A., the Single Buyer, other public entities and distribution concessionaires;
- ❖ signs tender contracts of any amount awarded on the basis of Italian Legislative Decree 50/2016, as amended;
- ❖ implements organisational and procedural changes to Parent Company activities in line with the guidelines resolved by the Board of Directors;
- ❖ presides over and coordinates the Executive Committee, a consulting committee consisting of Company executives, which is responsible for monitoring the Group's economic and operating situation and that of the individual companies, identifying any discrepancies with regards to planned objectives;
- ❖ ensures correct management of corporate information. To this regard, we refer you to Chapter 5 “Corporate Information Processing”.

The CEO informs the Board of Directors and the Board of Statutory Auditors at least every quarter and, in any case, on the occasion of the Board of Directors' meetings, on the activity performed and the Company's business trend, on the business outlook and on transactions of major relevance for their dimensions or features, carried out by the Company or its subsidiaries, in compliance with art. 20.1 of the Articles of Association.

The CEO is also the Director responsible for the Internal Control and Risks Management System, according to the indications of the Self-Regulatory Code (for a detailed description of the duties attributed to the same in that capacity, please refer to paragraph I I. I of this Report).

Chairperson

The Chairperson of the Board of Directors, Michaela Castelli, pursuant to art. 20 of the Articles of Association, is the Company's legal representative with power of signature, and also has the power to summon and chair Board of Directors' meetings and Shareholders' Meetings. With a Board resolution of 29 May 2020, it was established that the duties associated with the office of Chairperson of the Company include the power to represent Acea S.p.A. in Italy and abroad, in relations with the central and peripheral State Administration, with national and local Public Bodies, with other Public Administrations, with Institutional and Trade Union Bodies, with natural and legal persons, with associations, companies and any other public or private entity and for matters regarding income and spending. The Chairperson verifies the implementation of the Board of Directors' resolutions and the Corporate Governance rules, also in implementation of the powers reserved to the Board of Directors.

Furthermore, the Chairperson monitors the quality indicators provided and oversees the perceived quality indicators and the issues relating to environmental impacts and corporate social responsibility of company activities and processes.

Due to the assignments described, the Chairperson is responsible for supervising the administration of the Board of Directors and all related activities; the power to carry out all the activities envisaged by the current legislation on press and communication, including through the publication of journalistic and online publications, as well as the appointment of the relevant Responsible Director in accordance with the law on the press, to be identified among the employees of the group meeting the legal requirements.

The Board of Directors' activities are coordinated by the Chairperson, who calls the Board meetings, establishes the agenda and directs the works, ensuring that the Directors are promptly given – except in the case of need or urgency – the documentation and information necessary to allow the Board to give a conscious opinion on the matters submitted to its examination.

Without prejudice to the above, the Chairperson has not received management powers and does not play a specific role in the development of corporate strategies.

Chairperson and CEO, Joint Powers

By Board resolution of 29 May 2020, moreover, joint powers were delegated to the Chairperson and the CEO who, in the case of proven urgency and need, are thus authorised to exercise the powers normally reserved to the Board in relation to contracts, purchases, company transformation, participation in tender procedures, the issue of sureties and, when the urgency does not allow for calling a meeting of the Board of Directors (which must be informed at the next meeting to check on the existence of the need and urgency), the designation of members of the Boards of Statutory Auditors and the Boards of Directors of the most important subsidiaries and partly held companies, these being understood as:

- a) those listed on regulated markets or with securities on issue as under art. 116 of the TUF;
- b) those requiring capital commitments, shareholders' loans or guarantees exceeding € 10 million.

In addition, the Chairperson and the CEO designate the members of the Boards of Statutory Auditors and the Boards of Directors of the companies of the Acea S.p.A. Group other than those considered of “more importance”.

Informing the Board

The Board of Directors, as also the Board of Statutory Auditors, pursuant to art. 20 of the Articles of Association and the provisions of law, receives from the Chairperson and the CEO constant and full information on the activities performed, summed up at least quarterly in a report on the general business trend and the relative outlook. More specifically, with reference to transactions of major relevance carried out within the sphere of their powers, including any non-typical transactions and those with related parties, providing the approval of which is not reserved to the Board of Directors, the CEO and the Chairperson report to the Board on the features of said transactions, the subjects involved and their connection, if any, with the Group, the determination methods and the relative economic and financial effects.

Furthermore, the BoD and the Board of Statutory Auditors receive periodic information on the exercise of the powers conferred on the bodies delegated by the Board of Directors.

4.5. OTHER EXECUTIVE DIRECTORS

No other executive Directors are envisaged.

4.6. INDEPENDENT DIRECTORS

The Company's Board of Directors has a number of independent directors who represent the absolute majority of its members.

The procedure followed by the Board to verify their independence involves the declaration of the existence of the requisite on the part of the director on presentation of the list and at the moment of acceptance of the appointment, and subsequent verification by the Board of Directors at the first meeting after the appointment.

Subsequently, assessment of the existence of the independence requirements for Directors is done on the basis of information provided by the interested parties; in evaluating the independence requirements for Directors, no changes were made with regards to the parameters indicated in the Corporate Governance Code.

In the month of March 2021, the process to evaluate the independence of the directors was completed, pursuant to the Corporate Governance Code. Based on all the information available to the Company, the information provided by the individual Director relative to the presence of any significant relations in terms of independence, as well as the declarations received, it holds that the independence requirements established under art. 148, para. 3 of the TUF and under recommendation 7 of the Corporate Governance Code are held by the Directors Liliana Godino, Gabriella Chiellino, Giacomo Larocca, Alessandro Caltagirone and Massimiliano Capece Minutolo Del Sasso.

The independent directors also promise to immediately inform the Board of Directors of any situation which entails their loss of this requisite.

During the year, it was necessary to hold a separate meeting for the independent directors, also in consideration of the quality of the information received by the delegated bodies and their active participation on the Board and on the internal Board Committees.

Moreover, within the framework of the tasks attributed to it by law the Board of Statutory Auditors has verified the correct application of the assessment criteria and procedures adopted by the Board to evaluate the independence of its members and disclose the outcome of the verification to the market in the Corporate Governance Report.

With reference to the recommendation of the Italian Committee for Corporate Governance, note that after the new Board of Directors took office, based on instructions from the Chairperson and in compliance with indications received from the Board of Statutory Auditors, the Company began a process to adopt a procedure for evaluating the independence of directors which aims to, among other things, establish precise quantitative and/or qualitative criteria for assessing the significance of relationships with regards to independence, in particular relative to commercial, financial and professional relations, included indirect.

To that end, with the proposed procedure which will be submitted to the relevant company bodies for examination, the expediency of adopting differentiated parameters may be examined, with regards to (i) commercial or financial relationships, (ii) professional services and (iii) so-called “significant additional remuneration”.

4.7. LEAD INDEPENDENT DIRECTOR

On 10 March 2021 the Board of Directors verified that, as in the previous years, the conditions for the institution of a lead independent director do not exist, considering that the current Chairperson of the Board of Directors does not hold the role of the main subject responsible for the company (chief executive officer), and does not hold a controlling stake in the Company.

5. CORPORATE INFORMATION PROCESSING

As proposed by the CEO, the Acea Board of Directors adopted Regulations for internal governance and for the external disclosure of the Company’s documents and inside information that:

- establish the methods for the processing and disclosure of corporate information within the Group;
- rule that Company representatives who gain knowledge of information of which the early disclosure could be prejudicial to the Company’s equity and/or that of the Shareholders must treat the same with maximum reserve, and that the Company, in the case of specific circumstances, must give immediate and full information to the market;
- prescribes that a procedure must be established for the drafting of press releases relating to price sensitive information, to prevent possible distortions or irregularities in the communication of such information.

The creation is also required, pursuant to art. 18, par. I, lett. a) of Regulation (EU) no. 596/2014 (MAR), of a List of persons with access to Inside Information.

The list is divided into:

- a “Permanent Section”, which indicates entities who have access to all Inside Information;
- a Section for each Inside Information, where the persons who have access to the specific Inside Information are registered, if the Delay Procedure is activated.

Art. 7 of the MAR regulation establishes that *“Inside Information means information of a precise nature, which has not been made public, directly or indirectly relating to one or more issuers or one or more financial instruments and which, if rendered public, could have a significant effect on the prices of those financial instruments or on related derivative financial instruments”*. Information is deemed precise if *“it refers to a series of existing circumstances or which could be reasonably held to occur or an event which has occurred or which could be reasonably understood to occur and if this information*

is sufficiently specific to allow the drawing of conclusions about the possible effect of this combination of circumstances or of the event on prices of financial instruments or the relative derivative financial instrument [...]. In this respect in the case of a protracted process that is intended to bring about, or that results in, particular circumstances or a particular event, those future circumstances or that future event, and also the intermediate steps of that process which are connected with bringing about or resulting in those future circumstances or that future event, may be deemed to be precise information”.

Rules have also been adopted on Internal Dealing in compliance with the provisions of art. 19 of the MAR which rules that transactions in financial instruments carried out by “relevant subjects” and by persons closely linked to the same must be communicated to Acea and to CONSOB immediately and, in any case, within three working days from the transaction, at the request of the Relevant Subjects.

Relevant subjects and persons closely linked to the same must inform the Company, pursuant to the referenced regulation, of all transactions carried out on their behalf once the aggregate amount of such transactions reaches the threshold of € 20,000 over one calendar year.

6. INTERNAL BOARD COMMITTEES (pursuant to art. 123-bis, para. 2, lett. d) TUF)

The Board of Directors has set up three internal committees, namely: the Appointments and Remuneration Committee, the Control and Risks Committee and the Ethics and Sustainability Committee.

Thus, the powers and duties relating to appointments and remuneration are aggregated and vested on a single committee. This aggregation, in line with the recommendations of the Self-Governance Code, respects the composition requirements contemplated by said Code for both the Committees and ensures correct execution of the relative powers and duties.

Said committees are composed of at least three non-executive directors appointed by the Board of Directors itself, which appoints one of the independent directors as the Chairperson of the committee.

The composition, duties and functioning of the Committees are disciplined by the Board of Directors, in specific regulations, consistent with the criteria laid down by the Self-Governance Code.

In particular, the Control and Risks Committee regulations establishes that said Committee must be formed of at least three non-executive directors, the majority of whom must also be independent directors. The committee Chairperson is chosen from the independent directors. At least one member of the committee must hold adequate experience in accounting, finance and risk management, which the Board of Directors assesses at the moment of the appointment.

Pursuant to the Appointments and Remuneration Committee regulations, said Committee must be formed of at least three non-executive directors, the majority of whom must also be independent directors. The committee Chairperson is chosen from the independent directors. At least one member of the committee must hold adequate experience in finance and remuneration policies, which the Board of Directors assesses at the moment of the appointment.

The rules of the Ethics and Sustainability Committee establish that the said Committee must be formed of at least three non-executive directors, the majority of whom must also be independent directors. The committee Chairperson is chosen from the independent directors. At least one member of the committee has adequate experience in environmental matters and/or corporate social responsibility, this is assessed by the Board of Directors upon appointment.

In the performance of their duties, said committees have access to company information and activities, necessary for performing their respective duties, and the assistance of the company's departments according to their sphere of competence; they may also make use of external consultants at the company's expense, within the limits of the annual budget approved for each Committee by the Board of Directors.

The consultants for the Nominations and Remuneration Committee and for the Control and Risks Committee must be chosen avoiding possible conflicts of interests and the conferment of mandates on subjects that provide services to companies of significance such as to compromise in practice the independent judgement of said consultants.

The Chairperson of the Board of Statutory Auditors or another statutory auditor designated by him/her participates in the meetings of the Control and Risk Committee and the Appointments and Remuneration Committee (and in any case the other current statutory auditors are also entitled to intervene).

The meetings of each committee may be attended by other members of the Board of Directors or by representatives of company departments or third parties whose presence may be of assistance in the best performance of the committee's functions, upon the specific invitation of the respective chairperson.

In particular, the Director in charge of the internal control and risk management system and the Chairperson of the Board of Directors may attend the meetings of the Control and Risk Committee.

The meetings of the Appointments and remuneration Committee may be attended by the CEO and, by invitation of such committee, also other subjects in reference to the single items on the agenda, to give information or to express assessments of their competence. As a rule, the Human Resources Manager is invited to attend, whereas the director or manager whose position the Committee is examining may not attend.

The CEO and the Chairperson of the Board of Directors may attend meetings of the Ethics and Sustainability Committee. The Chairperson of the Board of Statutory Auditors, the other standing auditors and other members of the Board of Directors may also participate at the invitation of the Chairperson of the committee.

The Board of Directors also formed a Related-Party Transactions Committee (OPC), as a body assigned to carry out the role required by the Consob Related Parties Regulation and based on the provisions of the “Related-Party Transactions Procedure” adopted by the Company and briefly described in section 11 of this Report.

The OPC Committee, formed of at least three Independent Directors, is vested with duties and powers to make inquiries, to submit proposals and to provide advice for assessing and deciding on transactions with Related Parties, of both minor and major relevance.

7. APPOINTMENTS AND REMUNERATION COMMITTEE

As of the date of this report, the Appointment and Remuneration Committee consists of four non-executive directors, of whom the majority independent, specifically: Massimiliano Capece Minutolo del Sasso (Chairperson), Liliana Godino, Gabriella Chiellino and Giovanni Giani.

The Board of Directors recognised that Giovanni Giani holds the requisite of adequate knowledge and experience in accounting and financial matters and retributive policies.

The Committee’s secretariat duties are performed by the Board of Director’s secretary or by another subject chosen by the Committee itself.

The Committee held 11 meetings in 2020, duly recorded in minutes and regularly attended by all the members as well as the members of the Board of Statutory Auditors, with an average duration of approximately 1 hour 25 minutes each.

With respect to the tasks assigned, the Appointments and Remuneration Committee offers proposals and consulting. In particular, it is set up to assist the Board of Directors in assessments and decisions relating to its composition and to remuneration policies regarding the CEO, the Directors who hold particular offices and the managers with strategic responsibilities.

It should be noted that the powers relating to appointments and remuneration are merged into a single committee, in line with the express provisions of the Corporate Governance Code, in compliance with the rules relating to the composition of each committee, so as to ensure the correct use of the relative powers in an effective and efficient manner.

Specifically:

1. it proposes to the Board of Directors the policy for the remuneration of directors and managers with strategic responsibilities, promoting sustainability in the medium-long term;

2. it periodically assesses the adequacy, the overall congruence and the concrete application of the remuneration policy relating to directors and key managers, on the basis of information provided by the CEO, and it presents proposals regarding said remuneration to the Board of Directors;
3. in case of co-optation, it proposes candidates for the office of director to the Board of Directors if it is necessary to replace independent directors;
4. it presents proposals to the Board of Directors on the fees of the executive directors and the other directors that hold special offices, and on the performance targets linked to the variable part of said fees;
5. it monitors the application of the decisions adopted by the Board, checking, in particular, on the effective achievement of the performance targets;
6. it submits the remuneration report to the Board pursuant to art. 123-ter of the TUF, which the Directors must present to the annual Shareholders' Meeting.
7. 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;
8. it expresses preventive and non-binding opinions on the figures to be qualified as having strategic responsibilities, as well as those to be eventually involved in the Long Term Incentive Plan ("LTIP");
9. for the purposes of expressing its preventive and non-binding opinions, it gathers the preliminary investigations according to the choice of the executives with strategic responsibilities as well as those relating to the appointments of the Directors and Auditors in significant companies.

The directors must refrain from participating in Committee meetings when the Committee discusses proposals to be submitted to the Board of Directors relating to their own fees.

The Committee may have access to the information necessary for the performance of its duties, also from the Company's departments, and it may also take avail of external advisors.

With regard to remuneration, during 2020 among other things the Committee:

- in the context of research relative to the Company's remuneration policy, analysed the current long-term incentive plan, assessing the expediency of revising it, taking into account remuneration policies generally used in the reference sectors and in companies of similar size;

- submitted a proposed diversity policy to the Board of Directors for approval, referring to the composition of Acea S.p.A.'s administrative and control bodies, in terms of age, gender and educational and professional background;
- submitted the remuneration report pursuant to art. 123-ter of the TUF to the Board of Directors for approval and, in particular, the section on the remuneration policy for directors and executives with strategic responsibilities for the year 2020;
- noted the achievement of economic/financial objectives and authorised payment of the short-term variable incentive programme “MBO 2019 (“Management By Objectives”);
- submitted a proposal to the Board of Directors on establishing performance objectives for the short-term variable component “MBO 2020” for the CEO and executives with strategic responsibilities;
- after the appointment of the new Board of Directors by the Shareholders’ Meeting on 29 May 2020, submitted the proposal for the fees due to the Chairperson and CEO to the Board of Directors for approval, pursuant to article 2389, para. 3, Civil Code, to be submitted to the administrative body;
- submitted the proposal for additional compensation for members of the Appointment and Remuneration Committee, Control and Risks Committee, Ethics and Sustainability Committee, the Related Party Transactions Committee and the Executive Committee to the Board of Directors for approval;
- took note of the vote expressed by institutional investors regarding the Report on the Remuneration Policy and the Remuneration Paid for 2020.

As far as its responsibilities concerning appointments and opinions relating to the identification of figures qualified as managers with strategic responsibilities and the position of director pursuant to art. 2386, first paragraph of the Italian Civil Code:

- it examined and expressed its opinion on the proposals to be submitted to the Board of Directors concerning the candidates designated to become members of the administrative body and of the Boards of Statutory Auditors of the Group’s significant companies;
- received an update on the project intended to identify potential successors for top level management;

- proposed to the Board of Directors the adoption of a series of guidelines for Company shareholders on the size and composition of the new Board of Directors;
- examined and proposed that the Board of Directors review the guidelines expressed at the meeting of 23 March 2011 on the maximum number of positions on administrative or control bodies of other companies listed on regulated markets, financial, banking or insurance companies or, in any case, of a significant size such as to be considered compatible with effective execution of the office of Director of the Company;
- examined the proposal to be made to the Board of Directors for the appointment of the Company's Supervisory Body.

In 2021, as at the date of this Report, the committee has met 2 times, with an average duration of around 3 hours.

The Board of Directors has confirmed the allocation of an annual budget for 2021 of € 25,000.00 (fifty thousand point zero zero) for the Committee so as to allow the latter, should it be deemed necessary, to confer external mandates instrumental to the performance of its duties.

8. DIRECTORS' REMUNERATION

The remuneration policy for Directors and Key Managers ("Remuneration Policy"), defined by the Board of Directors, is detailed in the document "Report on remuneration policy and compensation paid" ("Remuneration Report"), approved by the Board of Directors in the meeting of 10 March 2021, pursuant to art. 123-ter of the TUF, to which we invite you to refer for in-depth information. Said document will also be available at the Internet site <https://www.gruppo.acea.it/it> and it will be subjected to a vote of the meeting of the Board of Directors, which will be held for the approval of the financial statements relating to financial year 2020.

During the Shareholders' Meeting of 29 May 2020, the fixed gross annual fee was confirmed for the members of the BoD.

Already in 2016, the Shareholders' Meeting gave the Board of Directors the right to determine fees, pursuant to art. 2389, para. 3 of the Civil Code, for Directors holding special roles.

Said Remuneration Policy – the current remuneration system of which is detailed in the "Remuneration Report" – defines the guidelines that are consistent with the topics listed below:

- a significant part of the remuneration of the Company's Executive Directors and key managers, as expressly required by the Self-Governance Code, is linked to the economic results achieved by the Company and, possibly, to the achievement of specific performance targets – pre-set, measurable and aimed at promoting sustainable success –

indicated in advance by the Board of Directors itself, as detailed in Section I of the “Remuneration Report”;

- a system of medium-long term variable incentives (Long Term Incentive Plan) is contemplated, to be vested in three years. The aim of this plan lies in encouraging the management to pursue the Group’s economic-financial results in the interests of the shareholders;
- as of 2015, in line with a growing need for transparency expressed by the Self-Governance Code and in view of an increasingly responsible remuneration policy, the claw back clause, already adopted for executives and key managers, has been extended also to the managerial roles which have greater impact on the Group’s business. Based on this clause, the Company is granted the right to request the restitution of variable remuneration (both short and long-term), should these components be found to 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.

Note that in a market context in which the connection between variable remuneration mechanisms and the achievement of social and environmental as well as economic results is increasingly widespread, also after Legislative Decree 49/19 to encourage long-term commitment from shareholders, the Acea Group is acting to further integrate sustainability in its business activities, also during 2021. In fact, in continuity with the previous year, the short-term incentive plan includes both economic and financial objectives and those relating to sustainability. Similarly, the new Long Term Incentive Plan includes parameters intended to align the interests of management with those of shareholders and closely linked to the Group’s Business Plan, through the use of economic/financial indicators and indicators which recognise the creation of value which is sustainable over the medium/long-term.

Remuneration of Executive Directors and Executives with Strategic Responsibilities

For details on the remuneration package for the Chairperson and the CEO, as well as for other executives with strategic responsibilities, please refer to the Report on the remuneration policy and on the remuneration paid 2021, Financial Year 2020, Section II, pursuant to art. 123-ter, TUF.

Incentive mechanisms for the manager of the internal audit function and the Financial Reporting Officer

The short-term incentive plan for the Manager in charge of the Internal Audit department and the executive responsible for financial reporting are subject to an annual review.

Their objectives are composed of KPIs consistent with their duties.

The executive responsible for financial planning is also the beneficiary of a Long-Term Incentive Plan.

Remuneration of non-executive Directors

The remuneration of non-executive directors is not linked to the economic results achieved by the Company, but to the commitment requested of them and their possible membership of one or more committees. No share incentive plans involve non-executive directors.

With the assistance of the competent Nomination and Remuneration Committee, as early as 2018 the Board of Directors undertook a process of analysis aimed at aligning the remuneration paid to corporate bodies with market best practices.

In light of the information acquired over time with the support of the relevant internal functions and expert consultants, it emerged that the total remuneration paid to the members of the Board of Directors was not adequate when considering the professionalism, expertise and commitment required (given the limited number of members of the Board and the large number of its meetings, as well as the volume of activities actually carried out by the board committees) as well as being in any case below the median of comparable companies.

In the light of this process, the Company will continue to monitor the most common market practices, also making use of compensation surveys and market analyses conducted by leading operators in the sector, with a view to aligning its policy with these practices. To that end, analysis may also be extended to foreign experiences, when comparable.

The outcome of these activities makes it possible for the relevant bodies to submit to the shareholders policies and guidelines for the remuneration of the corporate bodies that are consistent with the professionalism, expertise and commitment required, especially as regards the non-executive and independent member of the board of directors.

Indemnity for Directors in the case of revocation, resignation, dismissal or discontinued office subsequent to a takeover (art. 123-bis, par. 1, lett. i, TUF).

In reference to the policies in force in the event of contract termination, please refer to the provisions established by the Collective Labour Agreement (CCNL) for Executives of Public Utility Service Companies, parts IVa) and Va) of which regulate the methods for the definition of the contract terminations of Executives and the “Executive Exodus Management” Policy approved by the Board of Directors with Resolution no. 33 of 21 December 2011, which is

still in effect. The “Executive Exodus Management” Policy refers to the Collective Labour Agreement (CCNL) considers the short and long-term fixed and variable components on a monthly basis. The CEO Mr. Gola, is entitled to receive the maximum amounts provided for by the policy.

No agreements have been stipulated between Acea and the directors in office which contemplate non-competition agreements or indemnity in the case of their dismissal or resignation/revocation without just cause.

Following the departure from the Group of the CEO Mr. Stefano Antonio Donnarumma, the Appointment and Remuneration Committee submitted to the Board of Directors a proposal to pay as a bonus of € 996,000, paid up-front, in recognition of the remarkable results obtained and the decisive contribution in the three years spent at the helm of the Company. This payment also covers the variable component applicable to all of the positions held, thus avoiding the risk of any potential disputes.

9. CONTROL AND RISKS COMMITTEE

The Control and Risks Committee was established to assist the Board of Directors, ensuring the latter adequate preliminary investigation and support in the assessments and the decisions related to the Control System, as well as related to the approval of the periodic financial disclosures and declaration of a non-financial nature.

The Committee members and the Chairperson are appointed by the Board of Directors.

The term of office of the Committee members coincides with that of the Board of Directors that has appointed them.

The Committee may request the Internal Audit function to carry out audits on specific operational areas, simultaneously informing the Chairperson of the Board of Statutory Auditors, the Chairperson of the Board of Directors and the Control System Director, unless the verifications specifically concern the activity of said subjects.

The Committee carries out its inquiries and issues opinions to the Board of Directors regarding:

- I. the definition of the Guidelines for the Control System, so that the main risks to which Acea S.p.A. and its subsidiaries – including the various risks which may become significant with a view to medium-long term sustainability – are correctly identified, and adequately measured, managed and monitored;

2. the determination of the degree of compatibility of the main risks with a management consistent with the strategic objectives identified;
3. the assessment, at least once a year, of the adequacy of the Control System in respect of the Company's characteristics and the risk profile assumed, as well as the effectiveness of the said system;
4. the approval, at least once a year, of the work plan drawn up by the Internal Audit function manager;
5. a description, within the annual report on corporate governance, of the main features of internal control and risk management system and coordination processes regarding the persons involved therein, expressing its opinion on the overall adequacy of the same;
6. the assessment, having consulted with the Board of Auditors, of the results explained by the statutory audit in a letter of suggestions, where applicable, and in the report on fundamental issues that have come to light during the audit of the accounts;
7. the proposals of the internal control and risks system Director, formulated in accordance with the Board of Directors' Chairperson, and after hearing the Board of Statutory Auditors' opinion, regarding the appointment and revocation of the Internal Audit function manager and the definition of the latter's salary consistent with the Company's policies, as well as the adequacy of the resources allocated to the Department for the performance of its duties. Such opinion will be binding.

Additionally, the Committee assists the Board of Directors by:

- evaluating, together with the Financial Reporting Officer, after hearing from the independent auditor and the Board of Statutory Auditors, the proper use of accounting standards and their homogeneity relative to preparation of the Consolidated Financial Statements;
- evaluating, together with the relevant Acea function, after hearing from the independent auditor and the Board of Statutory Auditors, the proper use of accounting standards adopted for the purposes of preparing the non-financial declaration pursuant to Italian Legislative Decree 254/2016;
- supporting, through adequate research, the assessments and decisions of the Board of Directors with regards to management of risks deriving from prejudicial events of which the Board of Directors has become aware;
- expressing opinions to the Board of Directors on specific aspects inherent to the identification of the main risks for the company;

- examining periodic reports evaluating the internal control and risk management system, and those of particular import prepared by the Internal Audit function;
- monitoring the autonomy, adequacy, efficacy and efficiency of the Internal Audit function;
- requesting, as may be the case, the Internal Audit function to carry out audits in specific operational areas, contextually notifying the Chairperson of the Board of Statutory Auditors, Chairperson of the Board of Directors and the Director assigned to the internal control and risk management system thereof, with the exception of cases in which the subject matter of the audit request specifically concerns the activity of such subjects.

The Committee reports to the Board, at least every six months, during the annual and half-yearly financial report, about the activity performed as well as the adequacy of the internal control and risk management system and, at least once a year, assesses its own size, composition, function and independence with respect to the assigned duties.

As of the date of this report, the Committee consists of four directors, specifically: Liliana Godino (Chairperson), Giacomo Larocca, Massimiliano Capece Minutolo Del Sasso and Giovanni Giani.

Director Michaela Castelli has experience in accounting and financial matters and was deemed suitable by the Board of Directors at the moment of her appointment.

In 2020, the Committee held 11 meetings of an average duration of approximately 2 hours and 22 minutes each, characterised by the regular attendance of all its members and the Chairperson of the Board of Statutory Auditors or another auditor.

The meetings, which were regularly recorded in minutes, were also attended by other subjects, invited by the Committee, for the illustration of single points on the agenda.

The Chairperson provides the Board of Directors with periodic information on the Committee's operation/activities.

In 2020 the Committee performed the tasks reserved to the same by the Self-Governance Code, and in particular:

- it assisted, carrying out the necessary enquiries, the Board of Directors in its decisions and assessments related to the control system, and those related to the approval of the periodic financial reports;
- it examined the process used to prepare the NFD relative to financial year 2020, as well as progress in assurance activities with regards to the document by the auditing firm PricewaterhouseCoopers;
- it began the process of monitoring and sharing with the relevant company departments the various intermediate steps of the process intended to prepare the NFD for financial year 2019; in this context, it was informed on the evolution and assessment of the

applicability of the new GRI standard for the non-financial reporting cycle for 2020 and on the process of updating the materiality analysis linked to the Covid-19 emergency, to verify the adequacy of the 2019 “material” issues and determine their validity with reference to the new context;

- it evaluated, together with the Financial Reporting Officer, after hearing from the independent auditor and the Board of Statutory Auditors, the proper use of accounting standards and their homogeneity relative to preparation of the Consolidated Financial Statements;
- it expressed a favourable opinion on the Internal Audit's Plan, prior to its presentation to the Board for approval;
- it examined the periodic reports from the Internal Audit function regarding progress with the Audit Plan, the results of individual audit activities, implementation status for improvement actions established by management with regards to issues identified (monitoring and follow-up) and evaluations regarding the appropriateness of the SCIGR issued by the Internal Audit Function Manager;
- it monitored the autonomy, adequacy, efficacy and efficiency of the Internal Audit function;
- it examined and assessed the Reports prepared by the Financial Reporting Officer regarding the adequacy of the powers and means assigned to the same Officer and on effective compliance with administrative and accounting procedures;
- after the emergency caused by the Covid-19 pandemic, it constantly kept up to date on actions implemented by the Company to deal with the emergency and guarantee compliance with the restrictive measures imposed to protect public health;
- reported to the Board, at least once every six months, at the time of the approval of the annual and interim financial reports, on the activity it performed and on the adequacy of the Internal Control and Risk Management System.

The Committee had access to the information and company departments necessary for the execution of its responsibilities.

In 2021, as at the date of this Report, the Committee has met 2 times, with an average meeting duration of 4 hours and 30 minutes.

The Board of Directors has confirmed the allocation of an annual budget for 2021 of € 25,000.00 (fifty thousand point zero zero) for the Committee so as to allow the latter, should it be deemed necessary, to confer external mandates instrumental to the performance of its duties.

10. ETHICS AND SUSTAINABILITY COMMITTEE

The Committee is a panel body having full and autonomous powers of action and control designated with providing propositional and advisory support to the Board of Directors within the context of corporate ethics and environmental, social and governance topics (ESG Environmental, Social and Governance).

The composition and operation of the Committee are disciplined by specific regulations approved by the Board of Directors.

The Committee consists of four non-executive directors from Acea, the majority of which independent, specifically: Gabriella Chiellino (Chairperson), Giovanni Giani, Massimiliano Capece Minutolo Del Sasso and Giacomo Larocca.

As required by the aforementioned regulation, Ms. Chiellino has adequate experience in environmental matters and/or corporate social responsibility, assessed by the Board of Directors upon appointment.

The Committee has the duty to assist the Board of Directors with investigative functions of a propositional and advisory nature, in the appraisals and decisions related to ethics and sustainability.

So as to fulfil its responsibilities, it carries out the following duties:

- a) promote the integration of sustainability in the strategies and culture of the company and favours its circulation among employees, shareholders, users, clients, the territory and all the stakeholders in general;
- b) supervise sustainability issues, also in relation to reporting aspects required under Italian Legislative Decree 254/2016, associated with the exercising of business activities and interaction dynamics between the company and all stakeholders and examine the main corporate rules and procedures proving to be of relevance upon comparison;
- c) examine the guidelines of the sustainability plan and the procedures for implementing them;
- d) monitor the implementation of sustainability plan approved by the Board of Directors;
- e) examine the no profit strategies of the company;
- f) monitor, regarding matters of competence, the adequacy of the Code of Ethics and its effective implementation;
- g) express, by request of the Board of Directors, opinions on other matters regarding sustainability;

- h) report to the Board of Directors, at least on a half-yearly basis and no later than the term for approving the annual or interim financial report, about the activity carried out;
- i) liaise with the pertinent corporate structures and bodies in relation to aspects of ethics and sustainability.

In 2020, the Ethics and Sustainability Committee:

- was updated on the project on sustainability in the supply chain, by adding a sustainability indicator to the vendor rating model;
- was periodically informed on actions implemented by Acea to deal with the health emergency in terms of safety;
- carried out research on initiatives implemented by the Company on supplier sustainability ratings;
- carried out research on the smart working programme, also after the pandemic generated by Covid-19;
- was informed on the project to revise the 2020-2024 Sustainability Plan and, after the information received, expressed a positive opinion for the purposes of subsequent discussion by the Board of Directors on the revision of the previous Sustainability Plan and approval of the 2020-2024 Sustainability Plan under the terms established for its kick-off;
- to the extent of its responsibility, examined and shared the process that led to the definition and identification of the corporate scope for the non-financial consolidated statement for the financial year 2020;
- monitored the “Covid-19 Emergency Materiality Analysis” process, intended to verify the adequacy of the 2019 “material” issues and verify their validity with reference to the new context;
- acquired information from the relevant structures on the evolution of the GRI Standards and evaluation of the applicability of the new standards for the non-financial reporting cycle for financial year 2019;
- received the interim report from the Ethics Officer, which serves to monitor compliance with the values of transparency, legality, equity and ethical integrity in relations with employees, suppliers, customers and all stakeholders, with regards to notifications received on presumed violations of the Ethics Code the law, internal regulations governing Group activities and any other conduct in violation of the behavioural principles established by the Acea Group (whistleblowing system);
- was informed about the activities implemented by the Company with reference to the Carbon Disclosure Project;

- was informed on results with regards to the Standard Ethics rating and the inclusion of ACEA on the Multiutility EU Index. Relative to the Standard Ethics rating, both the long term expected rating and the outlook improved, respectively from stable to EE+ and from stable to positive.

During the period, the Ethics and Sustainability Committee held 9 meetings, with an average duration of 1 hour 25 minutes, mostly attended by its members.

In 2021, as at the date of this Report, the Committee has met 2 times, with an average meeting duration of 1 hour 50 minutes.

The Board of Directors confirmed the allocation of an annual budget for 2021 of € 25,000.00 (twenty-five thousand point zero zero) for the Committee.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Acea's Internal Control and Risk Management System, an essential element of the Group's Corporate Governance system, consists of all the people, tools, organisational structures, rules and regulations aimed at enabling the Acea Group to be managed soundly, correctly and consistently with corporate objectives, through an adequate process of identification, measurement, management and monitoring of the main risks, the structuring of adequate information flows to ensure the circulation of information and the coordination of the various players in the Control System.

This system is constantly reviewed and updated through specific projects aimed at increasing its integration into the more general organisational and corporate governance structures adopted by Acea, aligning it with the recommendations of the Corporate Governance Code and the best national and international practices.

The definition of an adequate SCIGR contributes to a healthy, legitimate and consistent management of the company through the making of informed decisions compatible with the risk appetite defined by the Board of Directors, and helps to ensure the protection of the company's assets, the efficiency and effectiveness of processes, the reliability of the information provided to corporate bodies and the market and compliance with laws, regulations, the Articles of Association, the Code of Ethics and internal procedures, thus constituting a fundamental prerequisite for assessing the adequacy of the Company's general organisational, administrative and accounting structure.

The "Internal Control and Risk Management Guidelines" were approved by the Board of Directors in January 2020, with the aim of:

- ✓ providing guidelines for various actors involved in the SCIGR, so as to ensure the main risks impacting the Acea Group are properly identified and adequately measured, managed and monitored.

- ✓ identify principles and responsibilities with regards to governing, managing and monitoring risks linked to company activities;
- ✓ establish control activities at all operational levels and clearly identify tasks and responsibilities in order to avoid any duplicated activities and ensure coordination between the main subjects involved in the SCIGR;
- ✓ define the architecture of the Control System adopted by the Group, and in particular outline the stages that make up the definition process;
- ✓ define specific information flows among the various actors of the Control System, through the preparation of a matrix that identifies actors, objectives, frequency and description of the flow as well as the recipients or other actors who are informed based on their role in the SCIGR.

Updating the guidelines of the Internal Control and Risk Management System is one of the fundamental elements for the definition of the Acea Group's control model aimed at strengthening and consolidating the culture of control and risk management.

a. Roles and responsibilities in the Internal Control and Risk Management System

The governance and implementation of the complete SCIGR involves actors with diverse roles within the Company (governance and control bodies, Company departments, management, em- In line with the recommendations of the Corporate Go- vernance Code and the best practices of reference, the Guidelines describe the roles and responsibilities of these actors For a description of the roles and duties of the main actors, we invite you to refer to the specific paragraphs of this Report (Board of Directors, Internal Committees within the Board, the CEO, the Internal Audit function, Risk & Compliance function manager, the Financial Reporting Officer and the Supervisory Body).

Beyond the tasks or responsibilities specifically identified for these actors, the management, the employees and all the people working for Acea, each for their own area responsibility, must contribute to the adequacy and effective operation of the SCIGR. To this end, with the support of specific training, Acea strives to ensure that the management, employees and all people working in the company acquire, each according to their role, all the skills and professionalism necessary to allow an effective operation of the SCIGR.

b. Risk identification, assessment and management

Given the nature of its business, the Acea Group is exposed to various types of risks, therefore to manage these risks, analyses and monitoring are carried out by each company as part of a structured and coordinated process implemented at a Group level through the integration of two complementary approaches (Enterprise Risk Management and Continuous Risk

Management), aimed at assessing and treating the risks of the entire organisation in an integrated logic, consistent with its risk appetite, with the aim of providing management with the information needed to make the most appropriate decisions to achieve strategic and business objectives, to safeguard, grow and create value for the company.

This combination is designed to ensure effective control of the entire universe of main risks the Group is potentially exposed to, guaranteeing management of the Group's overall exposure in line with the objectives of the Business Plan and Sustainability.

Group management is responsible for identifying and evaluating risks, on the basis of the guidelines and methodological instruments defined. These activities are done so as to guarantee appropriate responses are suitably defined, to mitigate and monitor risks. The Risk & Compliance function and other second-level control functions for specialised risks provide support throughout the entire risk identification, assessment and management process.

The control activities are wholly or partially integrated into the operations, involve all organisational levels and include a set of various operations, like approvals, authorisations, checks, comparisons, review of operational performance, controls of information systems, controls to safeguard company assets, separation of duties, etc.

Responsibility for controls is divided into three complementary levels:

- the first level of control is aimed at ensuring the proper conduct of business processes through the identification, assessment, management and monitoring of risks, for which it implements appropriate mitigation actions. The responsibility for their execution is generally assigned to the line structures;
- the second level of control is aimed at controlling specific company risks as well as verifying the adequacy and effective operation of the controls in place to manage the main risks. Furthermore, it provides support to the first level of control in defining and implementing mitigation actions for the main risks;
- the third level of control is entrusted to the Internal Audit function and provides independent and objective verification of the adequacy of the design and the effective operation of the SCIGR as a whole.

The activities of the Internal Audit function are regulated by the Board of Directors through the Audit Charter, which defines its purpose, remit, authority, responsibilities and other relevant provisions.

In particular, the Internal Audit function manager is responsible for verifying that the Control System is always adequate, fully operational and functioning. He reports to the Board of Directors, he is not responsible for any operational activities and he can have direct access to all information useful for the performance of his duties. He reports on his work to the Chairperson, the CEO, the Control and Risks Committee and the Board of Statutory Auditors on the operation, adequacy and effectiveness of the Control System. The Internal Audit function operates on the basis of an Audit Plan, developed on the basis of a structured process of analysis and prioritisation of the main risks, which takes into account the results deriving from the monitoring performed by the company departments responsible for second level controls and any proposals received from Acea Functions/Departments/Operating Segments, as well as any requests from the Control and Risks Committee, the Board of Statutory Auditors and the Supervisory Body. The Audit Plan is approved annually by the Board of Directors, subject to the favourable opinion of the Control and Risk Committee and after having consulted the Board of Statutory Auditors and the Director in charge of the SCIGR.

c. Qualifying elements of the Control System

Internal control environment

The foundations of Acea's SCIGR consist of a set of different elements, consistent with each other, which contribute in an integrated manner to establishing the environment Acea's people operate in, directing their activities within their assigned responsibilities and encouraging the taking of conscious decisions aimed at achieving corporate objectives.

Constituent elements of the internal control environment include: the adoption of ethical principles and standards of conduct; the adoption of regulatory instruments; the dissemination of a risk management culture in support of growth; a system of delegations and powers and the development of the skills of People working in Acea.

Second-level company control functions for particular risk categories

The Director in charge of the SCIGR has identified some corporate functions – including some that are not exclusively dedicated – which he/she uses to identify, measure, manage and monitor specific types of risk connected with the Group's operations.

These centralised controls are the manner by which a transversal view of the risks and of the connected systems of control between the diverse processes within the Group is possible.

The company structures and the relative risk management models through guidance and/or monitoring activities are summarised below.

- Compliance: Antitrust and Unfair Commercial Practices Model; Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/01;

- DPO Office: Group Privacy Governance Model;
- Enterprise Risk Management: analysis of the evolution of the Group’s overall risk profile, development of a mitigation strategy and monitoring of its implementation;
- Integrated Certification Systems: Integrated Environment and Safety Management Systems;
- Executive Responsible: Group Management and Control Model pursuant to Italian Law 262;
- Cyber Security: Group Cyber Security Model.

d. Comprehensive assessment of the adequacy of the Control System

See that indicated in paragraph 4.3 relative to the Board of Directors.

MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS (art. 123-bis, par. 2, lett. b), TUF)

INTRODUCTION

In the Internal Control system, with reference to financial reporting, particular relevance is held by the “Group’s Management and Control Model pursuant to Law 262” (the “**Model**”), adopted on the occasion of the updating of the Group’s Internal Control System to the requirements of Law 262/2005. In particular, in 2007 Acea began a process of adaptation to the needs expressed by Law 262/2005 aimed at planning an effective system of Internal Control over Financial Reporting (“**ICFR**”), subject to constant improvement and adaptation to the evolution of the Group and reference best practices, which can allow the Acea Financial Reporting Officer and CEO to issue the market certifications required by art. 154 bis of the TUF.

The system is defined as all the activities for identifying the risks/ controls and for defining specific procedures and tools adopted by Acea to ensure, with reasonable certainty, the achievement of the aims of the credibility, accuracy, reliability and immediacy of the financial information.

The Model defines the guidelines, the methodological references and the responsibilities for the institution, assessment and maintenance of the ICFR.

The Model is developed on the basis of the fact that the ICFR must be a part of the broader Internal Control and Risk Management System and an essential element of Acea’s Corporate Governance, and that the credibility of the information disclosed to the market on the Company’s situation and results is a fundamental element for all the stakeholders.

On 15 May 2019, the Board of Directors approved the new “Management and Control Model of the Acea Group pursuant to Italian Law no. 262/05”, which consists of documentation that defines the founding aspects of the system. In detail:

- Financial Reporting Officer Regulation: defines the figure of the relative Officer and governs their activities based on that established in the Articles of Association and applicable laws, as well as regulating relations with internal and external stakeholders;
- Periodic internal Acea Group reporting (Annex I to the Financial Reporting Officer Regulation): governs the internal information flows for the Acea Group (internal certifications) that allow the Acea Financial Reporting Officer and CEO to issue certifications pursuant to art. 154-bis of the TUF. The document includes the new Letter of Internal Declarations structure.
- Acea Group Management and Control Model pursuant to Italian Law 262/05: defines the guiding principles and methodological approach for the establishment, assessment and maintenance of the Control System that oversees the preparation of the financial statements and illustrates the main components of the 262 Framework adopted by the Acea Group.

In addition to the three documents mentioned above which constitute the 262 Model, the Internal Control System for Financial Reporting is also regulated by the following documents:

- Group Accounting Standards Manual,
- Guide to the Closing of the Consolidated Financial Statements,
- Checklist for the collection and processing of accounting data at the end of the period.

In defining the current Model 262, ACEA also considered the Confindustria and ANDAF Guidelines for Financial Reporting Officer activities relative to the preparation of company accounting documents.

DESCRIPTION OF THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Model defines the guidelines of reference for creating and managing the Internal Control System for Acea Financial Reporting and for its consolidated companies of relevance to Financial Reporting (“relevant companies”, regulating the main steps and responsibilities.

a) Steps

Defining the scope of analysis. Every year Acea updates the scope of analysis of the system of administrative-accounting controls and of the monitoring of the underlying processes, to guarantee that the risks relating to the financial reporting of the more significant accounting items within the consolidation perimeter are covered.

The scope of the analysis is initially determined by the contribution of each major company of the Group on the consolidated financial statements, taking into account the relevance for the

same of the associated significant accounts and administrative-accounting processes; successively, the results of the analysis are integrated by considerations of a qualitative nature to take into account both the Group's structure and the features of specific financial statement items.

Analysis of process risks and controls. The approach adopted by Acea makes it possible to identify and assess the “key” risks and controls deemed significant for the consolidated financial statements. To that end, for every process and activity control objectives and associated risks are defined, that is:

- financial statements claim: an element which must be respected when recognising business events so as to truly and accurately represent them in the financial statements;
- inherent risk: risk identified at the “inherent level”, that is not taking into account the existence and effective implementation of specific control techniques intended to eliminate the risk or reduce it to an acceptable level;
- residual risk: risk identified at the “residual level”, that is after controls, based on the characteristics of the control (detective vs. preventive and automatic vs. manual) and the adequacy of the same in terms of design.

In particular, financial statements claims considered in the Model are:

- *Existence and occurrence* (business assets and liabilities exist on a certain date and the transactions recorded represent events which truly occurred during a given period);
- *Completeness* (all transactions, assets and liabilities to be represented are effectively included in the financial statements);
- *Rights and obligations* (business assets and liabilities respectively represent the rights and obligations of the company on a certain date);
- *Measurement and recognition* (assets, liabilities, shareholders' equity, revenues and costs recognised in the financial statements in the proper amount, in accordance with generally accepted accounting standards);
- *Presentation and disclosure* (financial statement items are properly denominated, classified and illustrated).

For each specific risk/objective subject to control, existing controls are identified (manual/automatic controls; prior/successive controls) in relation to each relevant process, in order to reach the objective of controlling and effectively mitigating the risk.

“Key” controls are then identified for each process, that is those deemed most effective and efficient in guaranteeing that material errors in financial disclosures are prevented or promptly identified.

Assessment of the controls in view of the risks identified. The assessment of the design of the controls described in the administrative and accounting procedures, aims to analyse how the single control activities are structured and defined in respect of the objective of preventing the risk of error on the financial statements. The assessment is carried out considering the goal that the control aims to achieve, namely whether the risk is mitigated (“adequate/inadequate” control).

The assessment of the design of the controls is the responsibility of the process owners, starting from the hierarchical level above the manager of the department/activity subject to the control, up to the level of the Board of Directors in the case of the companies of the Group. The assessment of the operativity of the controls identified in the administrative and accounting procedures is also subject to specific analysis by the business lines. In fact, for controls whose design is deemed adequate, their execution must then be assessed (“implemented/not implemented” control).

The operativity of the controls, ascertained by the business lines, is corroborated by independent monitoring carried out through a periodic testing plan of the FRO. The test plan is defined according to criteria of priority and rotation on the basis of which, in each period of reference, a certain sub-series of controls to be tested is selected, until achieving coverage of the “key” controls identified in the procedure.

The FRO implements a process for sharing and circulating the results of the test activities, so that the managements of reference can put into practice the necessary corrective action in their own structures.

Corrective Action Plan. If, on the basis of the analyses carried out by the business lines, the “key” controls are found to be absent, not documented or not carried out correctly according to the company’s procedures, the manager of the organisational unit concerned, up to the level of the delegated boards of directors for the companies of the Group, defines and implements a remedy plan with indication of the timing and responsibilities for the execution of the corrective action. The corrective action plan is submitted to the Financial Reporting Officer, for comprehensive evaluation of the system and coordination of the activities to be implemented, and is updated every six months by the relevant entities.

Comprehensive evaluation. To allow the Acea Financial Reporting Officer and CEO to issue the certifications pursuant to art. 154-bis of the TUF, a system of internal “linked” certifications

has been established, described in detail in the next paragraph, with the aim of ensuring appropriate internal formalisation of responsibilities for the adequacy and effective application of administrative and accounting procedures, to prepare and communicate the corrective action plan, when necessary, and to update procedures (see point b) below, Roles and Responsibilities).

Hence, comprehensive evaluation is based on a complex assessment process which considers:

- assessment of the design of existing controls and evaluation of their functioning, carried out by Acea management and the delegated administrative bodies of relevant companies, at the time the corrective action plans are implemented;
- analysis of test results;
- final analysis of areas for improvement identified, with reference to their significance in financial reporting.

Any important shortcomings that are found are communicated to the control bodies according to the procedures laid down in the Financial Reporting Regulations.

b) Roles and Responsibilities

The Model is based on the clear internal attribution of responsibilities in the planning, assessment and maintenance over time of the ICFR, without prejudice to the responsibilities attributed by law to the FRO and to the delegated Board of Directors. For this purpose, the financial reporting (“**Reporting**”) introduced within the Acea Group is based on a “chain” system of certifications which has the aim of the adequate internal formalisation of the responsibilities for the adequacy and effective application of the administrative and accounting procedures, of monitoring the corrective action plan, when necessary, and of immediately detecting possible modifications to the controls that are the competence of the business lines and factors of change/risk that arise in the course of normal process operations, that can influence the adequacy of the ICFR.

The assessment process of the FRO and of the CEO, on the basis of which the certification of the financial statements is issued according to the Consob model, therefore entails internal certifications (reporting forms) issued by the managers of the processes that are relevant for Acea and by the delegated Boards of Directors of the major companies. In particular, Acea, by means of reporting, has disciplined roles and responsibilities, the activities to be performed by each subject involved, the calendar, instructions for filling in the reporting forms, and the methods for updating the administrative and accounting procedures.

The Model identifies the main actors of the financial reporting process, in addition to the FRO and the delegated Boards of Directors, with the relative responsibilities.

- The Control Manager is responsible for the execution and certification of the execution of the controls for which they are responsible, according to the procedures and timing laid down

by the administrative and accounting procedures, reporting to the Process Manager, providing the basic information input for reporting;

- The Process Manager is responsible for a related series of activities necessary for achieving a specific control objective; he must carry out an overall assessment of the design and implementation of the control, in relation to the process in question; he must also update and ensure the implementation of the corrective action plan.
- The 262 Administrative Contact for the company/ACEA Function represents the contact person within the Group's relevant companies or within the ACEA Function for all the activities necessary to allow the Acea FRO to issue the certification; they are responsible for consolidating all the information received from the Process Managers and for assembling the overall assessment of the design and implementation of the controls for the company/ACEA Function in question, which they then submit to the major company's delegated board of directors: they are also responsible for guaranteeing the information flows to and from the FRO.
- The Delegated Administrative Body of Relevant Companies is responsible for evaluating the design and functioning of controls for the relevant company and for sending the internal certification letter to the FRO, using the established format, together with the duly validated Corrective Action Plan, also communicating any changes/risks which have arisen during the reference period which could influence the adequacy of the ICFR.

Finally, with reference to the other governing and internal and external control bodies for the Group, Acea has established a process to exchange information, to and from the FRO, structured and modulated to foster as broad an overall view as possible of the internal control system on the part of said bodies.

11.1. DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Acea Board of Directors has chosen the CEO as the director appointed for the institution and maintenance of an effective Control System (“Appointed Director”), and has conferred mandate to the same to implement the Guidelines.

In 2020, the CEO – with the support of the ERM unit within the Risk & Compliance function and of the information coming from the second level controls on specialised risks – identified the main business risks, taking into account the characteristics of the activities carried out by Acea and its subsidiaries, and submitted them to the Board for examination. He has put into practice the guidelines drawn up by the Board of Directors, ensuring the planning, execution and management of the Internal Control System through the relevant structures and the constant monitoring of the overall adequacy, effectiveness and efficiency.

He has also provided for the adaptation of the system to the dynamics of the operating conditions and the legislative and regulatory context.

The Appointed Director may request the Internal Audit function, notifying the Chairperson of the Board of Directors, the Control and Risks Committee and the Board of Statutory Auditors of the execution of verifications on specific operating areas and on respect for the internal rules and procedures in the execution of Company operations.

The Appointed Director also immediately informs the Control and Risks Committee and the Board of Directors of problems and critical situations that arise in the performance of his activities or of which he gains knowledge.

11.2. THE AUDIT FUNCTION MANAGER

On 22 January 2019, the Board of Directors, on an Appointed Director's proposal, with the favourable opinion of the Control and Risks Committee and after consulting the Board of Statutory Auditors, resolved on the appointment of Mr. Simone Bontempo as Manager of the Internal Audit function from 1 February 2019 and defined his salary, in accordance with the Company's policies.

On the proposal of the director in charge of the internal control and risk management system, after receiving the favourable opinion of the Control and Risk Committee, as well as after consulting the Board of Statutory Auditors, the Board of Directors ensures that the Manager is provided with adequate resources to carry out the responsibilities assigned to him/her.

The Guidelines of the Internal Control and Risk Management System approved by the Board of Directors define the Internal Audit Function's mission and activities, according to which this Department has a central role in the coordination of the SCIGR. The Audit function manager is required to verify the operation and adequacy of the SCIGR, by means of verifications, both continuously and in relation to specific needs, and to check on the operations and suitability of the Control System, with the support of the CEO in the activities of identifying and establishing the priorities of the major risks to which Acea and its subsidiaries are exposed.

At its meeting on 22 January 2020, the Board of Directors approved the Internal Audit function's work plan and at the same time it verified the adequacy of the resources allocated to the Department for the performance of its duties.

The Internal Audit function manager in office had direct access to all useful information for the performance of his mandate, had no responsibility for operational areas, nor is he hierarchically subordinate to the managers of the operational areas and reported directly to the Board of Directors.

During the financial year the Internal Audit function, performing its duties as described, carried out the following activities:

- a) it verified, both continuously and in relation to specific needs and consistently with the international standards for professional internal auditing, the operativity and the suitability of the Control System, through the activity plan of the Internal Audit function approved by the Board of Directors;
- b) it carried out additional audits with respect to the Audit Plan, requested by top management and the control bodies;
- c) prepared reports after individual audits and requested the competent functions/companies, when necessary, to draw up action plans for overcoming the critical issues found, monitoring the implementation and reporting the results to the Control and Risks Committee;
- d) it constantly informed, by means of drawing up specific reports, the Chairperson of the Board of Directors, the CEO, the Control and Risks Committee about the activities carried out and related results; it drew up reports on significant events at the request of the Chairperson of the Board of Directors and the CEO;
- e) within the sphere of the Audit Plan, it verified the reliability of the information systems, including those of accounting disclosure;
- f) it supported the Acea Supervisory Body and those of the subsidiaries in the audits pursuant to Legislative Decree 231/2001;
- g) it monitored initiatives for overcoming anomalies found in the implementation and functioning of the controls, also through follow up activities;
- h) supporting the Ethics Officer, collected and processed, following the guidelines defined in the whistleblowing procedure, reports received relating to cases of alleged violations involving failure to comply with the law, internal regulations and the Code of Ethics;
- i) internally assessed the compliance of available resources and of the methodology adopted by the Internal Audit function in the execution of its activities with regards to the Internal Professional Practice Framework issued by the Institute of Internal Auditors;
- j) it drafted the final report in which it gives an assessment of the suitability of the Control System and sends it to the Chairperson of the Board of Directors, the Control and Risk Committee and the Board of Statutory Auditors, as well as the Appointed Director.

11.3. THE RISK & COMPLIANCE FUNCTION

Starting at the end of 2017, after having integrated the Risk & Compliance Function into the macrostructure, the Board of Directors continued to strengthen this fundamental safeguard for the government and management of the SCIGR.

In particular, this function is responsible for:

- guiding the implementation and development of the Group's ERM framework, guaranteeing effective and continuous implementation of the ERM process, also by

coordinating and cooperating with other internal control structures, and ensuring reporting is provided to top management and corporate and control bodies on the evolution of the Group's overall risk profile, possible impacts on strategic and business objectives and on the implementation and monitoring of actions to respond to risks;

- serving a preventive and proactive role in the before the fact assessment of non-compliance risks for company actions relative to reference regulations (antitrust, Legislative Decree 231/2001, environment, etc.), examining the efficacy of processes with the objective of preventing violations of norms and rules, both internal and external and suggesting, in the case of discrepancies, the most appropriate solutions;
- assess the most appropriate measures to incorporate compliance requirements into the current privacy legislation for business processes, developing proposals and actions for changes and updates to policies, procedures and security measures, and verifying the actual effective implementation of the governance policies for the risks related to the processing of personal data;
- guaranteeing the definition, implementation and control over implementation of quality, environmental, safety and energy policies, in order to ensure QASE certification is obtained and maintained for the relevant processes;
- ensuring Group Governance Model design, implementation, monitoring and updating activities are performed, as well as those for the relative process taxonomy, in line with current regulations and best practices for the sector/market;
- guaranteeing alignment of Governance tools to the Group's operating model, ensuring the adequacy of the company's procedural and regulatory system and verifying the consistency of the same for the purposes of proper functioning of the Governance structure.

11.4. ORGANISATIONAL MODEL pursuant to Legislative Decree 231/2001

With the adoption of the Organisation, management and control model pursuant to Italian Legislative Decree 231/2001, Acea holds it has complied with the provisions of the law, the principles inspiring Legislative Decree 231/2001 (the “Decree”), the Corporate Governance Code and the recommendations issued by the supervisory and control authorities, with the aim of strengthening the control and Corporate Governance systems, in particular to prevent the predicate crimes of the Decree.

With the adoption of the MOG, Acea has set itself the following goals of a general nature:

- to achieve awareness of the activities that present a risk of offences under the Decree (risky activities) and awareness on the part of the addressees of the rules (methods and procedures) that discipline the risk activities;

- the circulation, personal acquisition and concrete affirmation of a corporate mentality based on legality, in the awareness of the Company's express disapproval of any behaviour contrary to law, the self-regulating provisions, the indications of the supervisory and control authorities and internal provisions;
- the dissemination, personal acquisition and concrete affirmation of a control culture, to safeguard the achievement of objectives;
- the circulation, personal acquisition and concrete affirmation of a mentality of control, which must govern the pursuit of objectives; implementation of a structured system of procedures and controls that reduces the risk of committing crimes referred to in the Decree and of offences in general.

In relation to the various types of crime contemplated by Legislative Decree 231/01 and the relative sensitive activities, the MOG identifies functional and instrumental company processes, within the areas at risk of crimes, also referencing the general and specific safeguards which characterise the internal control system and which, consequently, recipients must carry out when performing their duties.

After its first approval in May 2004 by both Acea and its subsidiaries, the MOG was continually updated following the introduction of new predicate crimes within the catalogue of offences referred to in the Decree, of the evolution of case law, as well as changes in the company's organisation.

The current MOG was updated, revised and approved by the Board of Directors of Acea S.p.A. at its meeting of 22 January 2020.

The Supervisory Body ("SB") set up pursuant to art. 6, para. 1, lett. b) of Italian Legislative Decree no. 231/2001 is the body that has full and autonomous powers of initiative, action and control regarding the proper functioning, effectiveness and observation of the MOG.

The SB supervises the effectiveness and adequacy of the MOG, monitoring its state of implementation and proposing any necessary updates to the Board of Directors. It must also report to Acea's competent bodies any breaches of the MOG, ascertained or subject to pending investigations, which could lead to liability bearing on the Company.

With regard to the composition of the SB, a collegial body is appointed by the administrative body, with two external members, one of which is the Chairperson, who are experts on internal control and corporate criminal liability, as well as an internal member represented by the Internal Audit function manager.

The Acea Board of Directors at its meeting on 16 December 2020 renewed the appointment of the Supervisory Body which, based on the provisions of the MOG, will remain in office until approval of the financial statements subsequent to those for which approval will lead to the expiration of the current Board of Directors or, in the case of early expiration of the latter, will remain in office for 3 years.

The Board of Directors provides the SB with a specific annual budget of € 25,000.00 (twenty five thousand and zero cents), it being understood that, pursuant to that established in the Acea MOG, the Board of Directors ensures the SB has financial resources available to it for all requirements linked to the proper execution of its responsibilities, in order to guarantee and make concrete its autonomous “power of initiative and control”, which the Decree recognises it.

11.4.1 Code of Ethics

With the Code of Ethics, adopted by Acea as early as 2001 and modified in the current version during 2018, Acea affirms and explicates the values, principles and behavioural standards that underlie its actions and those of its internal and external stakeholders. Observance of these values is deemed of fundamental importance not only for achieving business development and efficiency objectives, but also to guarantee correctness and transparency in company practices, as well as reliability and reputation for the Company and Persons operating on their account. Specifically, the Code sets out the general ethical principles that all company practices must be linked to, specifying the criteria of conduct towards each category of stakeholder and defining the mechanisms for implementing the principles and controlling the behaviour of the people who work in the Company’s interest.

The Code of Ethics is therefore a fundamental element in the control environment of Acea, which circulates the knowledge thereof among personnel, both upon recruitment and in cyclical training activities, also carried out in e-learning mode. Compliance with the Code is explicitly required of employees, suppliers and all those contributing in the Company’s activity (advisors, collaborators, etc.).

By resolution of their Boards of Directors, the subsidiaries transpose the Acea Code of Ethics, which forms an integral part of the organisational and management models as per Legislative Decree 231/2001.

In implementing the principles of the Code, Acea has adopted a specific procedure to receive, analyse and process notifications of presumed violations of the Code of Ethics and the Organisation and Management Model pursuant to Legislative Decree 231/01, which ensures confidentiality and protects good faith whistle-blowers.

In compliance with regulatory provisions, in addition to traditional notification channels Acea has adopted a dedicated IT platform, through which internal and external entities can send notifications of suspect phenomena or behaviour, of irregularities in business actions, events or facts which could constitute a violation of internal or external norms, for Acea S.p.A. and its subsidiaries, with the maximum guarantee of confidentiality.

Responsibility for managing notifications and for monitoring compliance with the values of transparency, legality, equity and ethical integrity in relations with employees, suppliers, clients and all stakeholders is entrusted to a collegial body called Ethics Officer.

In line with the principles expressed in the Code of Ethics, Acea has also worked to promote a culture of equal opportunity and to manage and support diversity through the adoption, as early as 2014, of a Diversity Management Charter, updated by the board resolution dated 13 December 2018. In the same session, with the approval of the Diversity Committee, the Board resolved that due to their high ethical and moral value and significance, the activities relating to the culture of equal opportunities and the promotion of diversity should fall within the remit of the Ethics and Sustainability Committee.

The Human Resources function is assigned with the responsibilities of defining, in collaboration and with the support of business and the players involved for various reasons, the guidelines and policies on the matter of Diversity & Inclusion Management and to develop initiatives aimed at valorising the differences and the contribution of each employee.

11.5. STATUTORY AUDIT COMPANY

Pursuant to art. 22 bis of the Articles of Association in force, the certified audit of the accounts is carried out by an auditing firm appointed and operating pursuant to law and pursuant to the regulations dictated for issuing companies listed on regulated markets. In particular, it verifies that the accounts have been regularly kept and that the management events have been correctly recorded in the accounts during the period, and it also verifies the Company's financial statements and the consolidated financial statements of the period.

The Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2016, held on 27 April 2017 in conformity with the provisions of law, by recommendation of the Board of Statutory Auditors, conferred PricewaterhouseCoopers S.p.A. the assignment of auditing the Company's financial statements and the consolidated financial statements for a term of nine financial years – specifically 2017-2025, in other words until the approval of the financial statements of the last year of the said mandate – and established the relative fees.

In the performance of its activity, the auditing firm had access to the company's information and data, in both documental and electronic format, its archives and assets and to those of its subsidiaries.

11.6. THE FINANCIAL REPORTING OFFICER AND THEIR OTHER CORPORATE ROLES AND FUNCTIONS

11.6.1 The Financial Reporting Officer

The figure of the Financial Reporting Officer, introduced by Law 262/05, was adopted by Acea S.p.A. with an amendment to the Articles of Association of 13 November 2006, which requires this figure to be appointed by the Board of Directors.

At its meeting on 29 May 2020, the Company's Board resolved to appoint Fabio Paris as the Financial Reporting Officer for Acea S.p.A., pursuant to art. 154-bis of Italian Legislative Decree no. 58/1998, who subsequently, with the Board resolution dated 17 June 2020, also took on the position of Finance and Control Administration Director for Acea S.p.A..

As required by the Articles of Association, the Financial Reporting Officer has a number of years of experience in the performance of managerial duties in administration and control activities at capital companies of significant size and is responsible for establishing and maintaining the Internal Control System regarding Financial Statements and to issue a specific certificate according to the model published by Consob, together with the CEO.

In particular, in accordance with the Regulations approved by the Board of Directors of 15 May 2019, he must perform the following duties:

- provide adequate administrative and accounting procedures for the preparation of the Company's annual financial statements, the consolidated financial statements and the consolidated interim report;
- ensure the financial statements are prepared in compliance with applicable international accounting standards;
- ensure the Company's actions and communications disclosed to the market and the relative accounting disclosures, also interim, are consistent with the entries found in its documents, books and accounting files;
- to assess, together with the Control and Risks Committee (a) the adequacy of the accounting principles adopted, and (b) their standardisation for the purposes of the drafting of the consolidated financial statements.

In accordance with legal requirements, the Financial Reporting Officer is responsible for the internal control system.

To this end, it prepares the administrative and accounting procedures for the preparation of the financial statements, certifying their adequacy and effective application during the period of reference together with the CEO and with a specific declaration to the market.

Pursuant to art. 154 bis of the TUF, the Board of Directors ensures that the Financial Reporting Officer has adequate powers and means to perform the tasks assigned to him or her, as well as effective compliance with the aforementioned procedures.

At the meeting held on 10 March 2021, the Board of Directors confirmed the adequacy of the powers and means available to the Financial Reporting Officer, as well as compliance with the administrative and accounting procedures prepared thereby.

11.6.2. Ethics Officer

The Ethics Officer is the Group's collegial body with the responsibility for managing the system of reporting alleged violations for non-compliance with the law, internal regulations and the Code of Ethics (Whistleblowing System), as well as monitoring compliance with the values of transparency, legality, fairness and ethical integrity in relations with employees, suppliers, customers and all stakeholders. Its responsibilities also include promoting communication programmes and activities intended to further disseminate the principles of the Code within the Companies of the Group, as well as any updates made to the Code of Ethics, and issuing guidelines and operating procedures to reduce the risk of violations of the Code.

The Ethics Officer is composed as follows:

- Legal, Corporate Affairs and Corporate Services Management Director for Acea S.p.A. (Ethics Officer coordinator);
- Risk & Compliance Function Manager for Acea S.p.A.;
- Human Resources Department Manager for Acea S.p.A.;
- Internal Audit Function Manager for Acea S.p.A..

The Ethics Officer makes use of support from a Technical Secretariat consisting of the Acea Internal Audit Function, to carry out its tasks and to send to the CEO and to Acea S.p.A.'s control bodies (Control and Risk Committee, Ethics and Sustainability Committee, Board of Statutory Auditors and Supervisory Board) periodic reports on the notifications received, the studies carried out and the initiatives agreed to in the field of training and communication.

11.7. COORDINATION AMONG SUBJECTS INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In order to allow the various subjects involved in the SCIGR to adequately perform the role assigned in relation to such system, specific informatory flows are defined among the various levels of control and the competent management and control bodies, duly coordinated in terms of content and timing.

Acea's Guidelines contemplate the definition of a series of activities for the coordination between the various subjects involved in the Control System, in order to ensure continuous monitoring of the adequacy and its operation, and to facilitate the efficient exchange of information. These methods briefly consist of:

- periodic coordination meetings regarding, in particular, the processing of the financial information and the assessment, monitoring and mitigation of the risks (economic-financial, operational and compliance risks);
- information flows between the subjects involved in the Control System;
- coordination meetings and joint meetings between the Board of Statutory Auditors, Control and Risk Committee, audit firm, Financial Reporting Officer and the Internal Audit Manager.
- structured information flows between the second level control entities, top management, the Internal Audit function, the Risk & Compliance function and the control bodies;
- communication flows between the Internal Audit function and the Risk & Compliance function to support the specific activities of competence. In particular, the Risk & Compliance function informs the Internal Audit function about the main corporate risks useful for preparing the risk-based Audit plan proposal and receives the results of the internal audit activities where relevant to performing its task;
- structured information flows between the Supervisory Bodies of Acea's subsidiaries and the issuer's Supervisory Body;
- periodic reports to the Board of Directors;
- support from the Internal Audit function for Acea Supervisory Body activities and for those of the subsidiaries;
- communication flows within each Group company between the Board of Statutory Auditors and the Supervisory Body.

12. DIRECTORS' INTERESTS AND RELATED PARTIES TRANSACTIONS

Prior to discussion on each item on the agenda during the board meeting, every director must report any interests that it holds, directly or on behalf of third parties, connected with the topics or questions to be dealt with, specifying the nature, the terms, the source and the extent.

With regard to transactions with related parties, the procedure for such transactions, issued pursuant to art. 2391 bis of the Civil Code and adopted in accordance with the principles dictated by the CONSOB Related Parties Regulation effective as of 1 January 2011, was amended by the Board of Directors on 18 December 2013, entering into force on 1 January 2014, and it applies to transactions carried out directly by Acea, or companies directly or indirectly controlled individually by the latter, and related parties.

Based on amount, transactions are divided up as follows:

- transactions of *Major Relevance*, in which at least one of the indices of relevance, indicated in Annex 3 of the CONSOB Related Parties Regulation, is above the threshold of 5%, which must be approved by the Acea Board of Directors;

- ❑ transactions of *minor value* which have a value of no more than € 200,000.00 (two hundred thousand);
- ❑ transactions of Minor Relevance, which includes all the transactions with related parties that cannot be classified as of major relevance or of minor value.

According to the procedure, before the approval of a transaction with a related party, whether of Major or Minor Relevance, the Transactions with Related Parties' Committee expresses an opinion on the Company's interest in the execution of the transaction and on the convenience and on the substantial correctness of the related conditions.

The Board of Directors has confirmed the allocation of an annual budget for 2021 of € 50,000.00 (fifty thousand point zero zero) for the Committee so as to allow the latter, should it be deemed necessary, to confer external mandates instrumental to the performance of its duties.

For further details, please refer to the website www.gruppo.acea.it in the "Corporate Governance" section.

13. APPOINTMENT OF THE AUDITORS

In compliance with the provisions of law and of the Articles of Association, the Board of Statutory Auditors is composed of three standing auditors and two alternative auditors, appointed by the Ordinary Shareholders' Meeting for a term of three financial periods, and they can be re-elected on expiry of their mandate.

There must be a gender balance in the composition of the Board of Statutory Auditors, as governed by law.

The Board of Statutory Auditors is appointed, in compliance with art. 22 of the Articles of Association, by the same methods as those for the appointment of the Directors, illustrated above. Half plus one of the standing auditors to be elected will be drawn from the list that has obtained the majority of votes, in the progressive order in which they are placed on the list, rounded down to the nearest whole number in the case of a fractioned number, and one alternative auditor.

For the other members of the Board of Statutory Auditors, the standing auditor and alternate auditor will be respectively those who have obtained the first and second highest quotient in the minority list; pursuant to the combined provision of arts. 15 and 22 of the Articles of Association, in case of equal percentage, the standing auditor will be the one on the minority list that has obtained most votes. In any case, at least one standing auditor must be elected by the minority shareholders. If an auditor leaves office during a financial period, the alternative auditor on the same list as the outgoing auditor will take his/her place.

The appointment of auditors who, for any reason, are not elected according to the above-illustrated procedure, must be approved by a Shareholders' Resolution passed with the majority required by law.

The Chairperson of the Board of Statutory Auditors will be chosen from those effectively elected from the minority list.

The lists must be presented twenty-five days before the date scheduled for the first meeting, by shareholders that, alone or with other shareholders, represent the minimum participation in the share capital established pursuant to art. 144-quater of the Regulations for Issuers by Executive Determination no. 44 of 29 January 2021 of the CONSOB (this quota is equal to 1% of the share capital).

14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY

AUDITORS (pursuant to art. 123-bis, para. 2, lett. d, TUF)

The current Board of Statutory Auditors was appointed by the Ordinary Shareholders' Meeting of 17 April 2019 and its mandate will expire on the approval of the financial statements for 2021.

For the appointment by the Shareholders, two lists were presented: List no. 1 presented by Roma Capitale with three candidates, Maria Francesca Talamonti, Pina Murè and Maria Federica Izzo, and List no. 2 presented by the shareholder Fincal S.p.A. with two candidates, Maurizio Lauri and Mario Venezia. List no. 1 was voted by 73.59% and List no. 2 by 26.31% of voters. According to the appointments at that Meeting, the Board of Statutory Directors is formed, as described in Table 3, by the individuals below, for which, pursuant to art. 144 - decies of the Issuers' Regulation, a short professional description of each is provided:

- **Maurizio Lauri, Chairperson.** Born in Rome on 16 August 1962. Degree in Economics from LUISS, Master of Laws (LL.M.) – London School of Economics and Political Science, University of London. He has served as a director, also with top positions, for companies, including listed and public, as well as serving as a member of the control bodies for various companies and non-commercial entities.
A Chartered Accountant and Auditor, he was a member of the Task Force to Establish Behavioural Guidelines for Control Bodies, within the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Council of Chartered Accountants and Accounting Experts).
- **Pina Murè, Standing Auditor.** Born in Rome on 16 January 1967. A Chartered Accountant and Auditor, she is professor of economics of financial intermediaries at the University of Rome La Sapienza. Member of the Scientific Committee of Rivista Minerva Bancaria and member of the Corruption Prevention High Level Course Scientific Committee, La Sapienza University. Since 2014, Manager of the Casmef Research Centre

of LUISS University, a research and consulting project on administrative fines for Italian banks and their effects on performance. She has participated, again with the Casmeff Research Centre, on the Federcasse design and consulting project to restructure cooperative credit in Italy and on the project relative to the Monte dei Paschi di Siena Group to define banking innovation processes. Author of the recent monograph, Pina Murè, Bittucci L. (2020), *Dalla traditional compliance al Regtech*. Soluzioni innovative per il sistema dei controlli interni, Egea. Since 2019, she has held positions on the Boards of Statutory Auditors for banks and listed companies. She provides consulting for financial intermediaries on organisation, internal control systems, M&A transactions and strategies, organisational, strategic and financial restructuring, as well as providing training for banks and financial intermediaries on organisation, internal control systems, strategic planning, governance and banking regulations. A member of the Register of Auditors.

- **Maria Francesca Talamonti, Standing Auditor.** Born in Rome on 05 January 1978. Graduated in Economics and Business at LUISS Guido Carli, PhD in Business Administration from Roma Tre University. She is a member of the Order of Chartered Accountants of Rome and is listed on the Register of Certified Auditors. Since 2006 she has provided corporate consulting, in particular: company appraisals, preparation of recovery plans and certifications pursuant to art. 67, 182-bis and 161 of the Italian Financial Law, preparation of opinions and technical consulting on accounting and corporate matters. Since 2006, she has considered an expert, with a research grant and various additional teaching contracts at the LUISS Guido Carli, Roma Tre and Unitelma Sapienza universities. She is a member of the administrative and control bodies at both listed and unlisted companies.
- **Mario Venezia, Alternate Auditor.** Born in Rome on 27 June 1957. A Chartered Accountant and Auditor, he is an adjunct professor of business economics at La Sapienza in Rome and a member of the Board of Statutory Auditors for both listed and unlisted companies and on the Supervisory Body.
- **Maria Federica Izzo, Alternate Auditor.** Born in Ascoli Piceno on 27 January 1981. A Chartered Accountant and Auditor, she is an academic, in particular at L.U.I.S.S. University in Rome and at foreign universities. She is the author of several publications, in particular on corporate governance and integrated reporting.

The auditors have been chosen amongst people who can be qualified as independent and they must act with autonomy and independence, also as regards the shareholders that have elected them.

Soon after her appointment, the Board of Statutory Auditors verified and confirmed that she met the independence requirements envisaged by law and the Corporate Governance Code

and communicated the result of this verification to the Company's Board of Directors. The outcome of the checks carried out was communicated to the market with a press release.

Subsequently, the Board in office has regularly verified the existence of the independence requirements pursuant to the law and art. 3 of the Code regarding its effective members, verifying their existence and submitting the outcome of such verifications to the Board.

The Board of Statutory Auditors receives from the administrative body, at the Board of Directors' meetings, information on the activity performed by the Board of Directors, by directly participating in the Board of Directors' meetings and by examination of the material which illustrates the items on the agenda, which it receives in advance in the same format and within the same terms as the documentation received by the Directors.

With regard to induction, the Chairperson of the Board of Directors ensured that the Statutory Auditors can participate in training initiatives. For more information please refer to the section "Induction Programme".

The Board of Statutory Auditors exercises the powers and performs the duties contemplated by the provisions in force. In carrying out its duties, it coordinates with the Internal Audit function mainly through periodic meetings to illustrate the work plan for independent monitoring activities and results of the main actions carried out during the year. It also cooperates with the Control and Risks Committee, by the participation of the Chairperson and/or the Auditors at the meetings.

The remuneration of statutory auditors is commensurate with the commitment required, the importance of the role held and the Company's size and sectorial characteristics.

In particular, the Shareholders' Meeting determined the annual lump sum fees due to the Chairperson of the Board of Statutory Auditors and for each Standing Auditor in the amount of, respectively, € 150,000.00 and € 100,000.00, as well as reimbursement of expenses necessary to carry out the role of Auditor.

During the period, the Board of Statutory Auditors held 19 meetings, with an average duration of 3 hours 15 minutes, regularly attended by the statutory auditors.

In 2021, as at the date of this Report, the Board has met 3 times with an average meeting duration of 3 hour 25 minutes.

Diversity criteria and policy

For the Company's diversity policies, please refer to the considerations made in section 4.2.

15. RELATIONS WITH SHAREHOLDERS

Information regarding the Company is precisely and immediately disclosed to the market and to the relative Supervisory Authorities. This information is constantly updated and made available on the Company's internet site at www.gruppo.acea.it.

Acea's organisational structure includes an Investor Relations & Sustainability Function, which reports to the CEO, the Manager of which is Stefano Raffaello Songini. The Investor Relations Unit reports to this Function, the Manager of which is Elvira Angrisani.

On the approval of the annual, six-monthly and quarterly results of the Business Plan and of the execution of possible extraordinary price sensitive transactions, the Company organises special conference calls with institutional investors and financial analysts. In this context, Acea maintains a dialogue with investors based on the principles of propriety and transparency in compliance with EU and national regulations on market abuse and with international best practices.

In 2020, conference calls with the financial community were organised, also on the occasion of approval of the annual and interim results and of the 2020-2024 Business Plan. More than 240 analysts/investors took part in these. In consideration of the serious Covid-19 pandemic which spread globally during 2020, "virtual" roadshows were used more frequently, during which "one on one" meetings and larger presentations were held with around 220 equity investors, buy side analysis and credit investors/analysts. The Company participated in the Utility Conference organised by Borsa Italiana and major business banks, most of which was carried out virtually.

In addition, to ensure timely notification to shareholders and Investors, corporate documents, press releases, notices and other information concerning the Group are published on the Company's Internet site (www.gruppo.acea.it) within the terms laid down by the laws in force. There is a specific "Investors" section on the Acea Group's website.

16. SHAREHOLDERS' MEETINGS (pursuant to art. 123-bis, para. 2, lett. c, TUF)

The organisational regulation for the Shareholders' meeting is contained in the Acea Articles of Association which, in addition to referring to the provisions of law, dedicates Articles 10, 11, 12, 13 and 14 to the Shareholders' Meeting.

As at 31 December 2020 and through to the present date, art. 10 establishes the methods for calling a Shareholders' Meeting, establishing under 10.3 that

"without prejudice to the powers of convocation contemplated by specific provisions of law, the Shareholders' Meeting, whether ordinary or extraordinary, is summoned by the Board of Directors by a notice containing indication of the day and place of the meeting and the list of matters on the agenda".

Under paragraph 4 of the same article, it is also stated that the Meeting can be held elsewhere than at the registered office, providing it is held in Italy:

"The notice is published on the Company's Internet site, in the Official Journal of the Italian Republic and in the daily newspaper "Il Sole 24 Ore" within the terms laid down by the laws in force. The meeting can be summoned also more than twice. The convocation notice can establish that the

meeting will be held, on a different day, on second, third or ulterior convocation, if the quorum required by law for its constitution is not reached on the preceding convocation.”.

Art. 11.1 provides that:

“The Ordinary Shareholders’ Meeting must be held at least once a year for the approval of the financial statements within 120 days from the end of the financial period, or within 180 days of the said closure in the case of the conditions contemplated by art. 2364 of the Civil Code.”

Art. 11.2 provides that:

“The Extraordinary Shareholders’ Meeting is held whenever it is necessary to pass a resolution reserved to the same by law”.

Art. 11.3 establishes that:

“The Shareholders’ Meeting, whether ordinary or extraordinary, is also held when requested by as many Shareholders as represent the percentages contemplated by the laws in force, and the request must specify the items to be discussed, or when requested by the Board of Statutory Auditors or members of the same in the cases contemplated by law.

In addition, as many Shareholders as represent the percentages contemplated by the laws in force may request, in respect of the terms laid down by the laws in force, additions to the subjects to be discussed, indicating in the request the additional items that they propose. The convocation and the addition of items to the agenda at the request of Shareholders are not admitted on matters on which the Shareholders’ Meeting is obliged by law to pass resolutions on Directors’ proposals or on the basis of a project or a report prepared by the Directors”.

Art. 12 of the Articles of Association expressly states that the majorities necessary for the Meeting, whether ordinary or extraordinary, and its resolutions to be quorate are those contemplated by law.

Article 13.1 of the Shareholders’ Meeting establishes that

“entitlement to participate in the Shareholders’ Meeting and to exercise the right to vote is testified by a communication to the issuer made by the intermediary, in conformity with the accounting evidence, in favour of the subject holding the right to vote, according to the procedures and terms laid down by the laws in force” (the so-called record date).

Art. 13.2 provides for the Shareholders entitled to participate in the Meeting to be represented pursuant and according to the procedures of law.

Similarly, the same paragraph of article 13 states that

“with the exception of Roma Capitale or its subsidiaries that have become shareholders, the voting right cannot be exercised, directly or by proxy, for more than 8% of the share capital”.

To this regard, it is necessary to pay attention to art. 6 of the Articles of Association, which, however, provides that:

“with the exception of Roma Capitale and its subsidiaries that have become shareholders, no shareholder may hold a stake of more than 8% of the share capital. In the case of non-observance,

the shareholder may not exercise the voting right on the shares in excess of that limit and resolutions adopted with the determining vote of such shares that should not bear voting rights according to this art. 6, can be challenged pursuant to and according to the procedures of art. 2377 of the Italian Civil Code. Shares for which the voting right cannot be exercised are calculated in any case for the purpose of ascertaining that the Meeting is quorate” (art. 6.1 of the Articles of Association).

“The aforesaid limit also applies to stakes held by the group to which each shareholder belongs, i.e.:

- a group formed of natural or legal persons which, directly or indirectly, exercise control, are under the control, or are in the same group as the shareholder;
- a group formed of entities associated with the shareholder, even if it does not have a corporate form;
- a group formed of natural or legal persons which, directly or indirectly, explicitly or through determining behaviour, have signed or in any case adhere to agreements of the type contemplated under art. 122 of Legislative Decree 58/98, if these agreements involve at least 8% of equity with voting rights.

Control and affiliation, for the purposes of this art. 6, are considered as recurrent in the cases contemplated by art. 2359 of the Civil Code.” (art. 6.2 of the Articles of Association)

According to point no. 3 of art. 6, the limit referred to in art. 6, point 1, also applies in the case of:

- “- shares held by members of the shareholder’s family, understood as composed of the shareholder, his/her spouse, unless they are divorced, and their cohabiting children and/or children still economically dependent on the shareholder;
- shares held by a natural or legal person through a subsidiary or a trust or by proxy;
- shares held directly or indirectly that are restricted by lien or usufruct, if the relative voting rights are held by the lien creditor or the usufructuary;
- shares subject to repurchase agreement, which will be taken into account with regard to the give-over and the hedger.”

Point 4 of article 6 further establishes that

“anyone that holds Company shares in excess of 8% of the share capital must inform the Company in writing within the twenty days following the transaction which resulted in this limit being exceeded”.

Another constraint established under articles 6, point number 5, states that:

“shareholders that have not contributed to the approval of the resolutions regarding the introduction or the removal of restrictions on the circulation of the shares do not have the withdrawal right”.

Art. 13.3 provides that:

“To facilitate the collection of proxies from shareholding employees of the Company, its subsidiaries and affiliates and shareholders’ associations, with the requisites contemplated by the relative provisions in force, specific spaces are made available for the communication and the collection of

the proxies according to terms and methods set by the Board of Directors directly or through its proxies.

If a proxy is conferred electronically, according to the procedures contemplated by the regulations in force at any moment, said proxy maybe communicated via the Company's Internet site according to the procedures specified in the notice of convocation."

On 3 November 2000, the Ordinary Shareholders' Meeting approved the adoption of Regulations (available on the Company's Internet site at www.gruppo.acea.it) that discipline the ordered functioning of the Shareholders' Meeting.

Art. 7.3 of the said Regulations disciplines the procedures which guarantee the shareholder's right to take the floor on the topics under discussion, and in particular:

"The request to take the floor on the single items on the agenda may be presented to the Chairperson (of the Shareholders' Meeting) from the moment the Meeting is constituted until the Chairperson of the Meeting declares the discussion on the item closed. In giving the floor, the Chairperson of the Shareholders' Meeting normally follows the order of the presentation of the requests for the floor. Each shareholder may take the floor only once on each item on the agenda, and for no more than ten minutes (10)".

In 2020 the Board of Directors has reported to the Shareholders' Meeting the activity performed and programmed, thus ensuring that the shareholders are correctly informed on the elements necessary to allow them to take informed decisions on the matters of their competence.

The Board of Directors considers the Shareholders' Meeting to be a particularly significant moment for its relations with the shareholders; therefore, it makes all efforts, as far as falling within its competence, to encourage and facilitate the broadest participation possible of the shareholders at the Meetings.

In financial year 2020 and to date, no significant changes have taken place in the capitalisation of the Acea shares or in the composition of its corporate bodies, that could harm the prerogatives of the minority shareholders.

The directors who participated in the 2020 Shareholders' Meeting numbered 2.

Recall that the points on the agenda for the Shareholders' Meeting included appointing the Board of Directors.

17. OTHER CORPORATE GOVERNANCE PRACTICES (pursuant to art. 123-bis, para. 2, lett. a), TUF)

Executive Committee

With a resolution dated 29 May 2020, the Board of Directors established an Executive Committee composed of Giovanni Giani (Chairperson), Michaela Castelli, Giuseppe Gola and Massimiliano Capece Minutolo Del Sasso, to whom the powers relating to institutional

affairs, sponsorships and donations have been delegated, to be managed within the budget established by the Board.

The methods of exercising these powers are governed by specific regulations approved by the Board of Directors.

During the 2020 financial year, the Executive Committee met 10 times with an average meeting duration of 1 hour.

As at the date of this Report, the Committee has met 2 times, with an average duration of 1 hour and 35 minutes.

Note that in March 2021, considering that, also after result of the board review activities, the name and qualification of the Committee was deemed by the Directors to not align with the functions it is concretely assigned, the Board of Directors resolved to appoint a new internal Committee, taking over for the aforementioned Executive Committee, to be called the Territorial Committee, with consulting responsibilities relative to the assessment and monitoring of group sponsorship and donation initiatives, and the objective of strengthening the relationship with the relevant territory.

18. CHANGES SINCE THE CLOSURE OF THE FINANCIAL YEAR

The changes that have taken place after closure of the period until this day are described in the specific sections.

19. CONSIDERATIONS ON THE LETTER OF 22 DECEMBER 2020 OF THE CHAIRPERSON OF THE CORPORATE GOVERNANCE COMMITTEE

On 22 December 2020, as part of the monitoring of the implementation of the Code by issuers, the Chairperson of the Corporate Governance Committee sent a communication that identifies a series of areas where it would be best to improve compliance with the recommendations of the Code itself.

In response to input from the Chairperson, at its meeting on 10 February 2021 the Company's Board of Directors examined the text of the letter and the points it underscored, and with the support of the relevant corporate functions it noted that, without prejudice to further improvements, Acea S.p.A.'s Corporate Governance system is substantially aligned with the indications contained in the letter.

The pertinent recommendations made in the letter were also submitted to the ACEA S.p.A. Board of Statutory Auditors at the meeting held on 18 February 2021.

For more details, please see that found in the specific sections of the Report and in particular in section 4.1. (*“Appointment and replacement - Succession Plans”*); 4.3. (*“Role of the BoD - Functioning and Evaluation of the Functioning of the BoD and Committees”*); 4.6 (*“Independent Directors”*) and 8 (*“Remuneration of Directors”*).

For the Board of Directors Chairperson
The Chairperson
Michaela Castelli

TABLE I: INFORMATION ON THE OWNERSHIP STRUCTURE

SHARE CAPITAL STRUCTURE				
	no. Shares	% respect for	Listed on Borsa Italiana's online stock exchange	Rights and obligations
Ordinary shares	212,964,000	100%	100%	
Shares with limited voting rights	-----			
Shares without voting rights	-----			

OTHER FINANCIAL INSTRUMENTS (granting the right to subscribe newly issued shares)				
	Listed (indicate the markets) /unlisted	no. instruments in circulation	Category of shares Serving conversion/exercising/	No. of shares serving the conversion/exercising/
Bonds Convertible	-----	-----	_____	_____
Warrant	-----	-----		

SIGNIFICANT EQUITY INVESTMENTS On CONSOB website as at 10 March 2021			
Declarant	% stake of capital ordinary		% stake of capital voting
ROMA CAPITALE	Roma Capitale	51%	51%
SUEZ SA	Suez SA	10.850%	23.333%
	Suez Italia S.p.A.	12.483%	
CALTAGIRONE FRANCESCO GAETANO	Capitolium Srl	0.141%	5.452%
	Caltagirone S.p.A.	1.174%	
	Fincal S.p.A.	3.052%	
	FGC S.p.A.	1.085%	

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

BOARD OF DIRECTORS													Executive Committee		Committee Audit and Risk		Appointments and Remuneration Committee		Ethics and Sustainability Committee	
Position	Members	Year of birth	Date of Initial Appointment*	In office from	In office to	List M/m)**	Exec.	Non-Exec.	Indep. from Code	Indep. from TUF	No. other positions***	(1)	(2)	(1)	(2)	(1)	(2)	(1)		
Chairperson	Michaela Castelli	1,970	27/04/2017	29/05/2020	31/12/2022	M		x			3	12/12	M	10/10	M	4/4		M	3/3	
CEO	Giuseppe Gola	1,964	29/05/2020	29/05/2020	31/12/2022	M	x				-----	8/8	M	7/7						
Director	Giacomo Larocca	1,978	29/05/2020	29/05/2020	31/12/2022	M		x	x	x	-----	8/8			M	7/7		M	6/6	
Director	Gabriella Chiellino	1,970	27/04/2017	29/05/2020	31/12/2022	M		x	x	x	1	11/12					M	10/11	P	8/9
Director	Liliana Godino	1,962	27/04/2017	29/05/2020	31/12/2022	M		x	x	x	-----	12/12			P	10/11	M	11/11		
Director	Giovanni Giani	1950	coop. BoD 29/11/2011 Assoc. 04/05/2012	29/05/2020	31/12/2022	m		x			-----	12/12	P	10/10	M	9/11	M	10/11	M	7/9
Director	Alessandro Caltagirone	1,969	27/04/2017	29/05/2020	31/12/2022	m		x	x	x	4	12/12								
Director	Massimiliano Capece Minutolo Del Sasso	1,968	23/04/2015	29/05/2020	31/12/2022	m		x	x	x	2	12/12	M	10/10	M	11/11	P	11/11	M	6/6
Director	Diane Galbe	1,981	coop. BoD 11/12/2019 Assoc. 29/05/2020	29/05/2020	31/12/2022	m		x			-----	10/12								

DIRECTORS LEAVING OFFICE DURING FINANCIAL YEAR 2020

CEO						M					-----	4/4								
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ACEA – report on corporate governance and ownership structure - financial year 2020

	Stefano Antonio Donnarumma	1,967	27/04/2017	27/04/2017	31/12/2019		x								
Director	Maria Verbena Sterpetti	1,986	17/04/2019	17/04/2019	31/12/2019	M		x	x	x	-----	4/4			
No. meetings held in 2020: 12			Executive Committee: 10			Control and Risks Committee: 11			Appointments and Remuneration Committee: 11			Ethics and Sustainability Committee: 9			

Quorum required for the submission of lists by minorities for the election of one or more members (per art. 147-ter TUF): 1% of shares with voting rights

NOTES

- This symbol indicates the director in charge of the internal control and risk management system.
- * The date of first appointment refers to the date on which the director was appointed for the (very) first time as a member of Acea S.p.A.'s BoD
- ** This column indicates the list from which each director was taken (“M”: majority list; “m”: minority list).
- *** This column indicates the number of offices that directors or statutory auditors hold in other companies listed on regulated markets, even abroad, in financial, banking and insurance companies or large companies. The offices are explained in full on the last page of the Corporate Governance Report.
 - (1) This column indicates the directors’ participation in the meetings of, respectively, the BoD and committees.
 - (2) This column indicates the qualification of the Director within the Committee: “P”: Chairperson; “M”: member.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors									
Quorum required to present lists upon the last appointment: 1% of the shares with voting rights									
Position	Members	Year of birth	Date first appointment*	In office since	In office to	List (M/m)**	Independence from Code	Attendance at meetings	Number of other offices
Chairperson	Maurizio Lauri	1,962	2019	17/04/2019	31/12/2021	m	x	19/19	4
Standing auditor	Pina Murè	1,967	2019	17/04/2019	31/12/2021	M	X	18/19	—
Standing auditor	Maria Francesca Talamonti	1,978	2019	17/04/2019	31/12/2021	M	X	19/19	20
Alternate auditor	Maria Federica Izzo	1,981	2019	17/04/2019	31/12/2021	M	X	N.A.	N.A.
Alternate auditor	Mario Venezia	1,957	2019	17/04/2019	31/12/2021	m	X	N.A.	N.A.

No. meetings held in 2020: 19

Quorum required for the submission of lists by minorities for the election of one or more members (per art. 148 TUF): 1% of shares with voting rights

NOTES

- * The date of first appointment refers to the date on which the auditor was appointed for the (very) first time as a member of the issuer’s Board of Auditors.
- ** This column indicates the list from which each auditor was taken (“M”: majority list; “m”: minority list).
- *** This column indicates the participation of the auditors in the meetings of the Board of Auditors.

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*** This column indicates the number of offices held as directors or auditors by the subjects concerned, pursuant to art. 148 bis of the TU F and of the relative implementation provisions contained in the Consob Issuers Regulations. The full list of offices is published by Consob on its website pursuant to art. 144-quinquiesdecies of the Consob Issuers' Regulations.

Table I Composition of the ACEA Board of Directors and offices held by Directors in other companies as at 31 December 2020

Position	Name	Position	Other Offices (*)
Chairperson**	Michaela Castelli	Director	Nexi S.p.A. (P) La Doria S.p.A. Recordati S.p.A.
Chief Executive Officer	Giuseppe Gola	Executive Director	-----
Director	Gabriella Chiellino	Independent Director	Ambhientesis S.p.A. -----
Director	Giacomo Larocca	Director Independent	-----
Director	Liliana Godino	Independent Director	-----
Director	Giovanni Giani	Director Independent	-----
Director	Alessandro Caltagirone	Director Independent	Aalborg Portland Holding A/S (VP) Cementir Holding N.V. (VP) Caltagirone S.p.A. Caltagirone Editore S.p.A.
Director	Diane Galbe	Independent Director	-----
Director	Massimiliano Capece Minutolo Del Sasso	Independent Director	Vianini S.p.A. Piemme S.p.A.

(*) List of director or statutory offices held by each Director in other companies listed on regulated markets, also abroad, in financial, banking and insurance companies and companies with shareholders' equity exceeding € 1 billion.

(**) For the sake of completeness, other offices held are presented, even if not relevant for the purposes of this table: Sea S.p.A. (P) and Autogrill Italia S.p.A. (member CS).