



2018
SUSTAINABILITY REPORT
ACEA GROUP

(Consolidated Non-Financial Statement pursuant to Legislative Decree no. 254/2016,
prepared according to GRI Standard)

SUMMARY DATA

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LETTER TO STAKEHOLDERS

The 2018 Sustainability Report, prepared pursuant to Legislative Decree no. 254/2016 and in accordance with GRI standards, has a dual purpose. On the one hand, the document that we are presenting here performs the typical task of the annual report, illustrating the performance and the main projects carried out during the year under review for all the non-financial aspects of management and in response to stakeholders' expectations. On the other hand, it presents forward-looking elements in order to clarify Acea's sustainability guidelines. While for the first aspect the indicators envisaged by the standards of reference were used, the historical data aimed at highlighting the trends and a qualitative narrative of the events that characterised the year; for the second, the aim was to highlight the steps forward that Acea is making towards the integration of sustainability in the strategy and business management, thanks also to the commitment of the Committee for Ethics and Sustainability, which spurs on the entire organisation in this respect. In fact, during 2018 the Sustainability Consultation Board became fully operational, a collegial body that the main functions and departments of the holding company participate in. It has been entrusted with the task of supporting us in overseeing the implementation of the 2018-2022 Sustainability Plan, with regard to both governance level guidelines and operational level objectives. We have monitored the progress of our Sustainability Plan, the results of which are also detailed in this Report, noting that, already in the first year, 78% of its 137 targets have been achieved through specific actions.

The Board, with the aims that inspired its creation, has also promoted the spread of a business culture oriented towards sustainability, scheduling seminars on topics of interest consistent with strategic design, like climate change, performance management and sustainability objectives and sustainability in the management of business risks. Acea pays particular attention to each of them.

Here we would like to at least mention that during the year, in order to promote an integrated vision and proactive risk management, we launched the Enterprise Risk Management Programme based on a risk analysis and mapping methodology that takes into account the main sustainability issues, and in particular the most relevant issues for Acea and for the parties involved both in the classification of the sources of risk and in the potential risks generated.

While this document provides extensive information, with regard to relations with stakeholders, the factors most related to the operational management of 2018 and some emerging evidence, we would like to recall some elements here. We have noticed some changes in the business context, and Acea is responding, taking advantage of the opportunities. Both the needs and the sensitivity of customers are undergoing a profound transformation that influence and change the interactions with the company. One trend, for example, is the progressive and marked reduction in the use of traditional contact channels (calls to toll-free numbers dropped by 24% and contacts at branches by 13%), which facilitates the improvement of their levels of performance and the simultaneous increase in the use of digital channels. This is also demonstrated by the constant increase in customers who opt for an electronic bill, at the end of the year totalling 315,600 customers in the energy and water sectors, a trend which, moreover, generates an overall savings of around 39 tonnes of paper per year, benefiting the environment. The increase in the number of "prosumers" connected to our networks was also noted (over 12,400, +10% compared to 2017). These represent an emerging figure, being both energy consumers and producers – incidentally they generated 73% of energy from solar – and their increase furthers our ability to make infrastructure increasingly resilient. A trend that shows the evolution of customer sensitivity is also seen in the increase in the sale of "green" energy

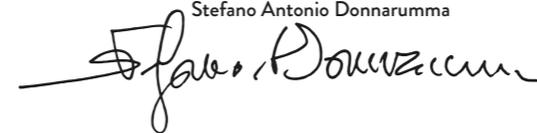
(+16% compared to the previous year), with an incidence of 27.5% on the total energy sold to customers in the free market.

This year we have introduced a structured smart working method for employees that makes it easier to reconcile work and family life and has already benefited almost 300 people. We have signed a Framework Agreement on Industrial Relations that defines a programmatic negotiation path based on an innovative and participatory model. We have invested in training, focusing on the sharing of skills both at a managerial level and in relation to the topic of ageing, enhancing and treasuring the experiential heritage of people. We have diligently continued to commit ourselves to prevention and safety training, seeing a continued downward trend of all accident indicators (-25% of the number of accidents and decreasing indices). The attention to safety has also been shown in a significant way throughout the supply chain, with a timely verification of safety on site (11,270 inspections, +27% compared to the previous year). We have increased the application of environmental criteria in procurement, even receiving an award for our commitment (the Social Procurement Award from the Compraverde-Buy Green Forum). With regard to the social aspect, we decided to continue our well-established programme of environmental education – the 2018 edition being called Think Sustainable! – for children, involving more than 6,900 students and 700 teachers in training courses, and once again this year we have launched an awareness campaign on water con-

servation, which aims to involve everyone on a key issue. We have continued to make every effort to upgrade and improve infrastructure, even by applying technological and digital innovation to their management, with an intense focus on prevention. To give just one example, today, thanks to the actions carried out, we are able to ensure the continuity of remote service in the event of a disaster (Disaster Recovery). In the water sector, activities continued to search for leaks and repair the networks, and in order to secure the water supply for Lazio the foundations were laid for the construction of the second line of the Acquedotto del Peschiera, an infrastructure of exceptional importance. In order to increase the resilience of the water system to extreme events, a plant has been adapted and upgraded and today is able to purify the water of the river Tiber (about 500 l/s) in emergency situations. We have also continued to implement energy efficiency measures, achieving overall savings in the energy and water sectors of 34.5 TJ/year, equal to 3,470 tonnes of CO₂ emissions avoided.

Finally, in July 2018, we implemented and distributed a new edition of the Code of Ethics, reaffirming Acea's commitment to conducting a business that respects ethical principles and shared values, taking into account the legitimate interests of the company itself and all stakeholders, including the natural environment. We also confirmed Acea's participation in Global Compact Network Italy in compliance with the principles of the "Global Compact", which are fully consistent with the values that guide our management.

The Chief Executive Officer
Stefano Antonio Donnarumma



The Chairwoman
Michaela Castelli

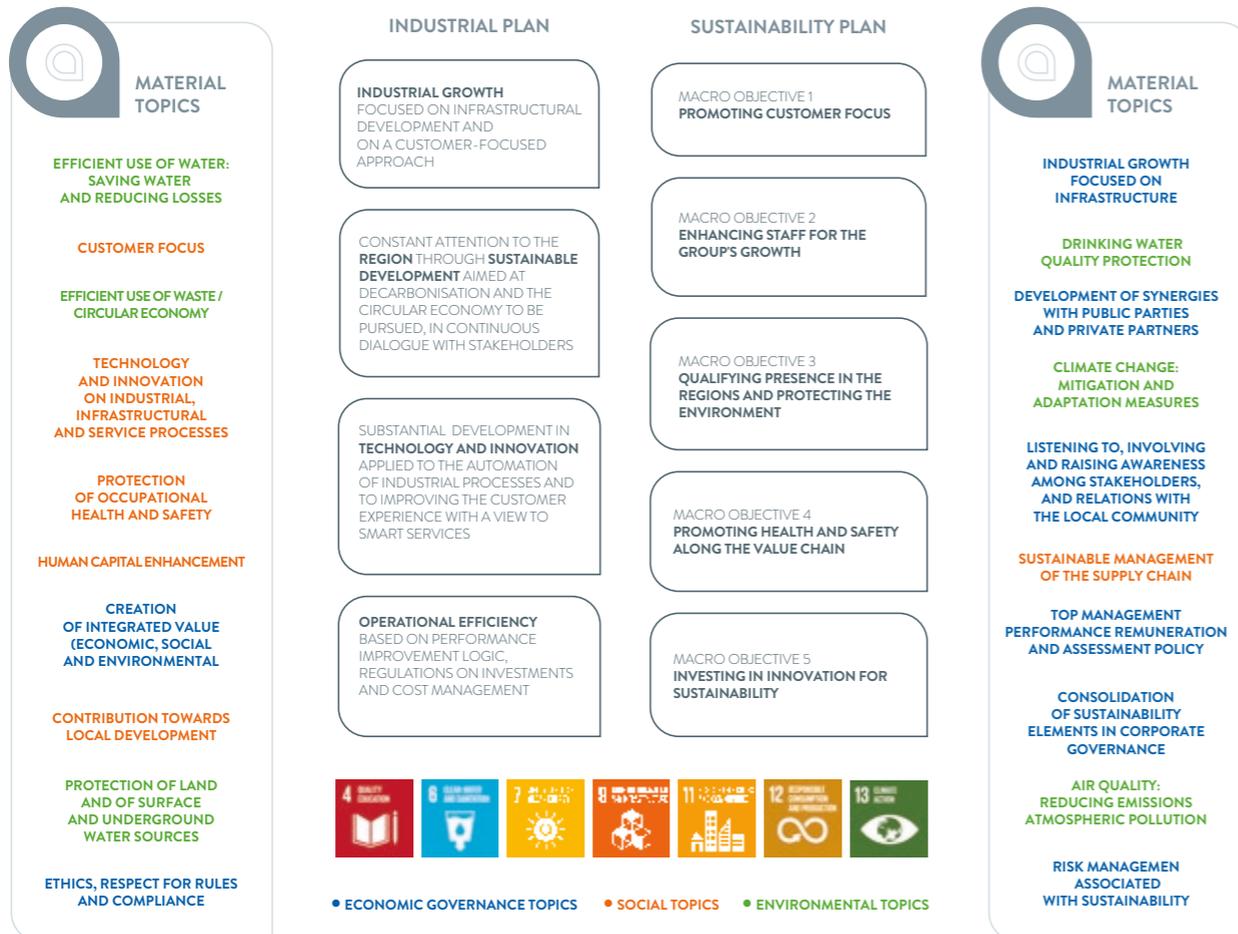


THE INTEGRATION OF SUSTAINABILITY IN THE STRATEGY

Taking advantage of the opportunities offered by the evolution of the setting and the new economic, social and environmental challenges, **Acea's strategic planning balances both the industrial dimension and the sustainability aspects** in its business objectives, thus facilitating "integrated thinking".

The Group's growth guidelines can therefore be seen in an integrated light, aimed at enhancing the **aspects linked to the economic soundness of industrial growth and the expected results for stakeholders, not to mention from a social and environmental point of view, within the framework of the most material issues** for Acea and its stakeholders and the relevant UN sustainable development goals (SDGs).

KEY ELEMENTS OF THE STRATEGY



STAKEHOLDER ENGAGEMENT

Acea promotes an approach to stakeholder engagement that seeks to enhance opportunities for the **creation of shared value**, in line with the commitments expressed in the *Sustainability Policy of the quality, environment, safety and energy system* and the principles set out in the *Code of Ethics*, updated in 2018.

Identifying the different types of stakeholders and analysing and managing interactions between them and the Company are continuous, dynamic and one-on-one activities **stemming from both company efforts and objectives as well as external inputs**. The **stakeholder identification** phase makes it possible to identify the parties directly or indirectly involved in company activities in order to assess their level of impact, quality and quantity.

The **analysis** phase serves to assess the existing **interactions** between the company and stakeholders in a structured manner.

Lastly, the **management** phase leads to the **identification** of answers to the **questions** of the stakeholders in order to achieve company goals consistent with expectations.

The **collaborative routes** resulting from this, which are extensively described in the Sustainability Report, are important for both the growth of the Group and for consolidating the legitimacy to operate under Acea, which is thus recognised by the interested parties.

The **"Acea stakeholders map"** identifies the macro-categories of key stakeholders: customers, employees, suppliers, shareholders and financiers, institutions, community, environment and the company itself.





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RELATIONS WITH STAKEHOLDERS



SUPPLIERS

Acea is an important customer for economic operators active in the procurement of works, goods and services in the water, energy and environmental sectors. In 2018, the value of contracts procured centrally by the Holding company for the rest of the Group was **over € 970 million**, with approximately **1,150 suppliers**. The **competitive method with a tender** is the prevailing form for the selection of partners: **81% of the total** was acquired in this way during the year.

Sustainability in the supply chain is promoted starting from the supplier qualification phases and is constantly monitored during audits or specific in-depth analyses. In order to register for the qualification systems related to the Single Regulations for Goods and Services and Works, operators are required to complete a questionnaire to **assess their own quality, environment, safety, energy and sustainability (QASER)** and these aspects may be subject to second-party audits (40 audits carried out in 2018). The **survey** carried out by Acea with a questionnaire specifically developed to assess **commitment to environmental and social issues** was submitted to a select panel of 114 suppliers this year (104 in 2017).

The development of **green procurement** has been pursued with the further expansion of the application of current CAMs in tenders for the relevant product categories. Acea's commitment to this issue was recognised at the **Compraverde-Buy Green International Forum** when it was awarded the **Social Procurement Award** for best practice in the European tender for the supply of workwear for the entire Group with low environmental impact.

Worker **safety**, which is a fundamental element for the services provided to the Group, was guaranteed by more than **11,200 on-site inspections** (+27% compared to 2017).

SHAREHOLDERS AND FINANCIERS

Relations with the **capital markets** are managed in order to pursue the best conditions for the sustainability of financial supplies, diversifying the sources and making the investment in the Company safe and valuable for investors (equity and debt). **More than 70% of the debt derives from bond placement operations**, while in the banking sector Acea mainly targets institutional **operators (EIB, Cassa Depositi e Prestiti)** whose mission is to finance strategic infrastructure. Relations with analysts, credit rating agencies, banks and shareholders were attended to on numerous occasions: Acea participated in meetings and roadshows **with over 140 investors and analysts** in major European markets and, for the first time, also in the Australian market. **In conjunction with the main corporate events**, conference calls were held with the participation of more than 100 financial operators.

In light of the evolution of global financial market trends towards **sustainable and responsible investments**, Acea's interactions with ESG analysts (environmental, social, governance) are constantly growing. During the year Acea confirmed its presence in the **Ethibel excellence investment register**, in the ECPI investment universe and maintained its presence in the **Carbon Disclosure Project** with a B rating. Acea's ESG performance was also analysed by **Sustainalytics, VigeoEiris, MSCI, Evalueserve** (FTSE Green revenues model) and **Standard Ethics**.

EMPLOYEES

Acea's people are decisive in the pursuit of its business objectives. Ensuring the best conditions of **stability, care and safety** is therefore one of the company's priorities. The percentage of personnel employed by the Group with **permanent contracts (96.6%)** and the **average duration of the employment relationship** (for **58.9%** of outgoing personnel it is between 30 and 50 years) testify to a **structured and lasting relationship** with the company. This evidence is also accompanied by a **strategic management of workforce turnover: about 50% of the new entries** in the year were young people under 30 years of age. The presence of **women is 24.3%** of the total workforce.

The level of **unionisation was 70.8%**. During the year, a **new, innovative and participatory model of industrial relations** was defined with the signing of a **Group Framework Agreement** that allowed the definition of company-wide implementation agreements on issues like performance **bonuses and welfare, smart working (295 people)** and measures to **support parenting** (extension of **parental and paternity leave** and new family permits). Furthermore, **all personnel employed in Acea with permanent contracts will continue to enjoy the protections envisaged in article 18 of Italian Law 300/70** (as amended by Italian Law 92/2012) as stipulated prior to the entry into force of Italian Legislative Decree no. 23/2015. Finally, **with regard to safety**, the Company's commitment continues: in 2018 both the **number of accidents (-25%)** and **accident indices decreased** (the frequency index went from 10.87 to 8.02, the severity index went from 0.43 to 0.30). For the sake of prevention, the **"Acea Heart-Protected Company"** project was launched, with the installation of defibrillators at various company sites and specific training for 30 employees throughout the various sites, and the **"Acea Prevention"** project with the introduction of some preventive medical services (annual check-ups with diagnostic and therapeutic counselling as needed), in addition to the services already included in the company's health policy, for employees and their dependants.

CUSTOMERS

Acea monitors the dynamics of consumption and is committed to meeting the needs of customers, trying to understand their expectations. Relations with users continue to evolve focusing on a greater digitisation of contact channels, the speed of responses to inquiries and involvement in the services provided. The protagonist of the new energy paradigm, for example, is the **prosumer**, a person that is both a producer and a consumer of energy: the Areti distribution network had more than **12,400 active prosumers** in 2018 (+10% over 2017), and more than 73% of the energy produced by them is solar. During the year, the installation of remote management electrical meters for LV users continued, covering **99.68% of the total number of meters**. **The Group's digital ecosystem** was revised with the creation of a **new family of domains**, diversifying the company's websites (corporate website, Acea Energia website and website for the protected electrical market), to better meet the needs of users. **Personal contact (physical branches)** with **customers** is also maintained and even increased with new methods, like the activation in 2018 of the first Acea Energia Shop in the Ostia district. However, the dynamics of contact with consumers indicate a **marked reduction in the use of traditional channels** (-24% of contacts at NVs and -13% at branches).

One of the topics that Acea and its customers collaborate on is **water, its conservation and protection**. In 2018 Acea renewed its targeted **communications campaign**, raising awareness among customers and citizens of shared **commitment and responsibility**, both as manager and end user, to protect water resources.

RELATIONS WITH STAKEHOLDER

COMMUNITY

About **7,000** kids at **Think Sustainable!** Acea's environmental education programme

ENVIRONMENT

About **10,800** kNm³ of biogas and from this **19** GWh of energy

3,470 t of CO₂ avoided through efficiency in the energy and water sectors

INSTITUTIONS

630.8 million euros of investments during the year

Cybersecurity the ECHO project for the establishment of a European network

THE COMPANY

9.3 million euros in innovation and more than 20 ongoing projects

COMMUNITY

Aware of its role in the context of corporate citizenship, Acea transparently supports numerous initiatives of a sporting, social and cultural nature. The promotion of the local region, making the most of the values and energies of communities, is considered a commitment of strategic importance. This includes, for example, attention to **younger generations**, their modern civic education and their future vocational training. The **Acea Scuola** environmental education programme for students in the schools of Rome for the 2017/2018 school year, called Think Sustainable! involved **123 schools** with more than **6,900 students** in the second cycle of primary and secondary schools and 709 teachers. Equally engaging was the fourth edition of **Acea Camp**, which has become one of the most important summer sports initiatives dedicated to the capital's youth involving **2,500 children** aged 6 to 14 years old and the **Acea Volleyball School Trophy**, which involved **3,500 high school students in Rome**. Also important was the **Ideazione** initiative, a **work-study programme** involving 289 students from 13 technical and professional institutes located in the territories where the Group operates. To promote the local cultural and artistic identity, Acea has put to good use its consolidated expertise in the field of monumental artistic lighting, helping to give new life and use to two important projects: the permanent lighting of the **Castle of Santa Severa** on the Roman coast and of the **Roman Theatre of Benevento**. In addition to these initiatives, there is a well-established **support programme** to raise public awareness of issues of fundamental **social importance**, for example with respect to national campaigns for the prevention of breast cancer (Pink October and Pink Ribbon) and to fight violence against women (World Day to fight Violence against Women).

INSTITUTIONS

For a company that delivers essential public services, mostly subject to **regulation by the public authorities**, the relationship with institutions is essential both for planning activities and their exercise. Acea represents a **strategic infrastructural asset** of the local region, and consequently interacts with Public Administrations to contribute to higher **needs of public interest**, for example in the water sector through the drafting of **Emergency management plans** shared with the local institutions (like prefectures, local health authorities, area management bodies). One of the emerging issues being monitored is **cyber threats to the computer networks of general interest services**, and in this context Acea participates in the **Computer Emergency Response Team (CERT)** coordinated at a national level by the Ministry of Economic Development, and took part in the European programme Horizon 2020 with the **ECHO** project (European network of Cybersecurity centres and competence Hub for innovation and Operations), for the establishment of a **European network of expert centres on cyber security**.

ENVIRONMENT

The **natural context** is the framework within which Acea's activities find their **origin, purpose and limit**. The commitment to sustainably manage industrial processes from the collection of resources to their transformation and re-introduction into the ecological cycle is therefore constant and represents one of the most highly monitored aspects. Thanks to an increase in production from renewable energy sources, an increase in the efficiency of internal energy end-uses and of process uses, over the last ten years the Group has reached **carbon intensity values** (gCO₂/kWh produced) that are among the **lowest** in Italy in the Utilities sector, with a **share of renewable sources** in the production of energy **equal to approximately 72%** of the total generated. In its relations with customers, Acea has also **promoted a sustainable consumption style**: in 2018, 915,000 MWh of **green energy** was sold (+16% compared to 2017) and the awareness of customers in the electricity and water sector of the **"electronic bill"** option has led to savings of 39 tonnes of paper per year. With respect to water, Acea's attention was directed both at the **protection of springs** and **the use of potential alternative sources** to better cope with the effects of ongoing climate change. **Satellite analysis** of the region where the springs are located was developed by internalising the change detection process, allowing areas of interest to be defined more precisely and making monitoring faster and more efficient. In addition, Acea Ato 2 completed the preparation of a **water treatment plant** for the Tiber river that can be used in the future for emergencies and after purification with advanced treatment and disinfection processes. The development of the waste treatment business continues, with a view to recovering materials for the benefit of the economy and the environment. During the year the company produced over **14,000 tonnes of quality compost and 19 GWh of energy from biogas** from waste processing, confirming the benefits of a circular economy. Finally, an experimental process was carried out to **transform waste** from the San Vittore del Lazio **waste-to-energy plant into a secondary raw material**.

THE COMPANY

Strategic planning demonstrates the Group's commitment to its **vocation of developing, building and operating infrastructure dedicated to public services**. Acea intends to create infrastructure for smart cities that can adapt to changes in the environment and emerging risks. During the year, there were close **collaborations and partnerships with innovators** engaged in the field of smart and safe cities, like **Open Fiber and Huawei**. Particular attention was paid to the **mapping** of existing or planned **innovative projects**. A few of the numerous projects carried out include experimentation with **blockchain** technology in peer-to-peer energy exchange, and, in the water area, a project for **finding hidden leaks using traditional techniques** (acoustic) and **testing of innovative techniques** (Noise Logger and Satellite Radar Interferometry). In 2018, together with the relevant public institutions the foundations were laid to **ensure the main source of water in Rome** and other municipalities in Lazio through the future construction of the upper section of the Peschiera Aqueduct. As part of the evolution of governance tools, during the year, the **enterprise risk management (ERM)** activity was structured **also with regard to sustainability aspects** in compliance with the regulations of reference. A specific **antitrust compliance** programme and a structured **privacy governance model** have been implemented in light of **European Regulation 679/2016** on the protection of personal data (GDPR). In July 2018 the **Code of Ethics was updated**, implementing the prevention of and fight against corruption through the adoption of a management system as per UNI ISO 37001 "Anti-Bribery Management Systems".



SUSTAINABILITY PLAN 2018-2022

The 2018-2022 Sustainability Plan identifies objectives that are closely related to the development strategies outlined in the Business Plan, for a total value of

approximately € 1.3 billion. **In 2018, the investments made in relation to the “targets” of the Sustainability Plan amounted to approximately € 175 million.**

During the year, the **2018-2022 Sustainability Plan** was updated in light of developments in the company, particularly in the areas of **health and safety, smart working and innovation.**

2018 saw an initial **monitoring of the Plan’s progress** at a governance and operational level, which was **shared** during **meetings of the Sustainability Consultation Board. 78% of the sustainability targets (operational level) were implemented during the year.**

SUSTAINABILITY PLAN 2018-2022: 6 CROSS-COMPANY GOVERNANCE OBJECTIVES AND 5 OPERATIONAL MACRO-OBJECTIVES, ARTICULATED INTO 14 AREAS OF ACTION, 26 OPERATIONAL OBJECTIVES, 137 TARGETS AND RELATED KPIS.

GOVERNANCE LEVEL THE 6 OBJECTIVES

ACEA IS COMMITTED TO THE ADEQUATE OPERATIONAL ENHANCING INTEGRATION OF SUSTAINABILITY INTO THE COMPANY’S GOVERNANCE, THROUGH:

- the integration of sustainability objectives into the system for identifying, assessing and monitoring business risks;
- the integrated reading of economic and financial data, as well as sustainability data, in order to highlight the total value generated by the Group;
- the introduction into the performance management systems of objectives aimed at promoting sustainability impacts;
- the dissemination of the “sustainability culture”, by means of awareness-raising and the involvement of internal and external stakeholders in the matter;
- the enhancement of ESG (Environmental, Social, Governance) elements in relations with shareholders and investors;
- the reading of evolutionary trends in national and European regulation, in relation to sustainability-related topics in the areas in which the company operates.

OPERATIONAL LEVEL THE 5 MACRO-OBJECTIVES

WITH A SPECIFIC FOCUS ON THE FOLLOWING 5 MACRO-OBJECTIVES AND ON THE RELATED AREAS OF ACTIONS AND OPERATIONAL OBJECTIVES (*)



PROMOTING CUSTOMER FOCUS

- Improving communication with customers**
 - Developing presence on the web and digital channels, in line with the Group’s communication and positioning requirements
- Improving the quality of services**
 - Improving the sales quality of services
 - Improving the technical quality of services



PEOPLE FOR THE GROUP’S GROWTH

- Professional enhancement, training and development of skills**
 - Enhancing and increasing Human Capital skills
 - Investing in the development and improvement of the staff assessment and recruitment system
- Involving people in the Group’s identity**
 - Facilitating the implementation of the new “execution” organisation
 - Boosting the level of engagement of the company population
 - Defining and promoting an employer branding plan
- Organisational inclusion and well-being**
 - Detecting and improving the organisational well-being of the entire business population
 - Enhancing diversity and promoting



ESTABLISHING A LOCAL PRESENCE AND PROTECTING THE ENVIRONMENT

- Reducing the environmental impact**
 - Planning and implementing measures to combat climate change (mitigation and adaptation)
 - Promoting an efficient use of resources, facilitating circular economy
 - Taking initiatives to protect the land and limit impacts on the natural environment
 - Enhancing certified environmental and energy management systems
 - Implementing sustainability logics in procurement procedures
- Contributing to the well-being of the community**
 - Promoting activities with a positive impact on the well-being of the community and on the regions in which the company operates
- Consolidating relations with the region**
 - Contributing towards creating awareness on social and environmental matters
 - Promoting the involvement of stakeholders in corporate projects to create shared value



PROMOTING HEALTH AND SAFETY ALONG THE VALUE CHAIN

- Health and safety in the workplaces for Group workers**
 - Promoting the culture of health and safety in the workplace
- Health and safety in the workplaces for contractors and subcontractors**
 - Raising awareness among contractors on health and safety in the workplace Health and safety of the communities with which the Group operates
- Health and safety of the communities with which the Group operates**
 - Ensuring the health and safety of the customers of the reference community for the various services provided



INVESTING IN INNOVATION FOR SUSTAINABILITY

- Organisational innovation**
 - Promoting “smart” working methods
- Technological and process innovation**
 - Promoting the resilience of the urban territory and innovation from a smart city perspective
 - Implementing remote control systems and remote interventions
 - Applying new technologies for detecting losses
- Creating and promoting knowledge**
 - Developing research projects in partnership with other relevant departments



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