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## **EXECUTIVE SUMMARY**

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

2024

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

Issuer: Acea S.p.A.

Web Site: <https://www.gruppo.acea.it/>

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Through its remuneration policy, the Acea Group seeks to attract, motivate and retain individuals who, due to their technical and managerial skills and their differing profiles in terms of gender and experience, are key to the success of the company.

The remuneration policy reflects and supports the Group’s strategy and values, with its commitment to creating long-term sustainable value for all stakeholders.

The following section provides an overview of the remuneration policy applicable in 2024. Figures concerning voting by the shareholders’ meeting for the approval of the most recent Remuneration Reports and the remuneration multiple are also included. Details are also provided of how the remuneration policy supports mitigation the various risk factors.

## Brief overview

An overview of the 2024 remuneration policy is presented below.

Remuneration Policy 2024			
Component	Purposes and characteristics	Implementation conditions	Amounts
<b>Fixed Remuneration</b>	The fixed remuneration component is determined by the professional specialization and organizational role filled with relevant responsibilities, reflecting the technical, professional and management skills.	The conditions for its definition are based on checking the remuneration positioning through market benchmarks consistent with the characteristics of Acea and the roles assigned.	<p><b>CEO/GM:</b> € 775,000 per year, of which:</p> <ul style="list-style-type: none"> <li>€ 480,000 - GAR;</li> <li>€ 250,000 - remuneration for position of CEO;</li> <li>€ 45,000 - remuneration for director</li> </ul> <p><b>Chairperson:</b> € 295,000 per year, of which:</p> <ul style="list-style-type: none"> <li>€ 250,000 - remuneration for Chairperson;</li> <li>€ 45,000 - remuneration for director</li> </ul> <p><b>ESRs:</b> remuneration determined on the basis of the complexity and responsibilities of the role within the Group</p>
<b>Short-Term Variable Remuneration (MBO)</b>	The annual variable component recognizes and rewards the objectives assigned and results achieved in correlation to the annual budget objectives and is an important motivational aspect.	<b>KPI MBO 2024:</b> EBITDA (weight 30%); NFP (weight 25%); Net Profit (weight 25%); Composite Sustainability Objective (weight 20%).	<p>The incentive, assigned to each beneficiary individually, is calculated as a percentage of the fixed component.</p> <p><b>CEO/GM:</b> Target incentive level of 50%</p> <p><b>Chairperson:</b> not provided for</p> <p><b>ESRs:</b> Incentive level of up to 55% of the target</p>



<p><b>Medium/Long-Term Variable Remuneration (LTIP)</b></p>	<p>The Medium/Long-Term variable component ensures the alignment between the Management's interests and those of the shareholders and the retention of key figures. It is aimed at respecting the economic-financial and sustainability principles and the economic returns on shareholder investments, measuring the returns on the invested capital. The LTIP is divided into three three-year cycles, each starting from 2024, 2025 and 2026.</p>	<p>Payment of an amount in cash based on the achievement of set objectives at the end of the reference three-year period.  <b>KPI LTIP 1st Cycle 2024-26:</b> Cumulative EPS (weight 30%); Cumulative Regulated CAPEX (weight 25%); NFP/EBITDA (weight 25%); Composite Sustainability Objective (weight 20%).  <b>Characteristics:</b> Rolling monetary plan with three-year vesting period.</p>	<p>The incentive, assigned to each beneficiary individually, is calculated as a percentage of the fixed component.  <b>CEO/GM:</b> target incentive levels of 60%  <b>ESRs:</b> The incentive, assigned to each beneficiary individually, is calculated as a percentage of the fixed component. Incentive level of up to 60% of the target</p>
<p><b>Non-monetary Benefits</b></p>	<p>They supplement the remuneration package in a total reward scheme through benefits primarily of a social security and welfare nature.</p>	<p>The conditions are defined in the national collective labour contracts and supplementary national agreements. The benefit plans do not include discretionary individual plans.</p>	<p>Chairperson: company car, D&amp;O liability policy, health plans  CEO/GM and ESRs: D&amp;O liability, welfare plans, insurance and health plans, company car, and accommodation and meal vouchers</p>
<p><b>Severance</b></p>	<p>Remuneration in the event of termination of employment due to dismissal/revocation without just cause or non-reappointment to corporate office, aimed at protecting the interests of the Group and avoiding litigation</p>	<p><b>For the CEO/GM:</b> In the event of withdrawal from the position of CEO before the natural expiry of the term of office, in the absence of just cause, and/or termination of employment by Acea, again in the absence of just cause, the payment to the CEO/GM of a total amount equal to 30 months' worth of gross salary is applicable, to be understood as replacing the provisions of collective bargaining in the event of dismissal and to be calculated on the basis of the remuneration due both as CEO and as GM, provided that both the employment relationship and the appointment to said office are terminated at the same time. In the event that, at the natural expiry of the term of office, the CEO is not reappointed, they will have the right to terminate the employment relationship, within 15 days of the appointment of the new CEO, receiving a gross amount equal to 30 months' worth of salary payments, calculated taking as a reference only the remuneration due for the executive position.  <b>For ESRs:</b> up to a maximum of 18 months' worth of fixed and variable remuneration as a supplementary bonus in addition to the pay-in-lieu-of-notice facility, in line with the Group Executive Exodus Management Policy.</p>	

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

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

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



**Paragon of excellence and operational simplification**



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



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



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

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

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

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

## ***Sustainability and remuneration***

Acea defines its sustainability model making reference to Agenda 2030 for sustainable development, adopted by the UN Assembly since 2015. This is a globally shared action plan to foster development potential and wellbeing of individuals in harmony with the environment and its resources, making it possible to guarantee shared, long-term progress.

In a market context in which there is an increasingly widespread connection between variable remuneration mechanisms and the achievement of social and environmental results, the Acea Group has confirmed its path of increasing the integration of sustainability into business activities, adopted over the years, also by strengthening of its own commitment.

This aim is also implemented through Group incentive plans, with a significant increase in 2024 of the importance placed on sustainability aspects—both in the short-term and long-term incentive plans—in relation to other economic and financial objectives contained.

The short-term variable incentive (MBO) scheme and the first cycle of the 2024-2026 Long-Term Incentive Plan have a composite sustainability objective, broken down into the following indicators:

2024 MBO Plan	2024-2026 Long-Term Incentive Plan
<b>COMPOSITE SUSTAINABILITY OBJECTIVE</b>	<b>COMPOSITE SUSTAINABILITY OBJECTIVE</b>
PEOPLE: Reduction of Accident Frequency Index	PEOPLE: Equal representation of genders in Acea managerial bodies
WATER: Optimisation of sewage and water treatment through measures aimed at strengthening and decommissioning/centralisation of plants	WATER: Reduction in % water leaks (on volumes issued) compared to the base-year value
ELECTRICITY: Increase in remote control of MV secondary cabins	WATER/ENVIRONMENT: Reduction in production of sludge compared to the base-year value
ENVIRONMENT: Increase in MWh produced from biogas (environmental area renewable source)	ENERGY EFFICIENCY: Energy-efficiency measures by Acea Ato2, Areti, Gori, Acea Ato5 and ADF (cumulative GWh with increased efficiency 2024-2026)

## Remuneration and Working Conditions

For every organisation people represent a fundamental asset to remain competitive in a changing economic and social context. Acea listens to the needs of its people and develops a People Strategy, structured into initiatives. The Acea Group strongly believes in the development of human capital as a primary business driver. The company annually monitors employee working conditions in order to ensure the remuneration policy is consistent at all levels of the organisation. On this basis, the Company adopts these core HR initiatives:

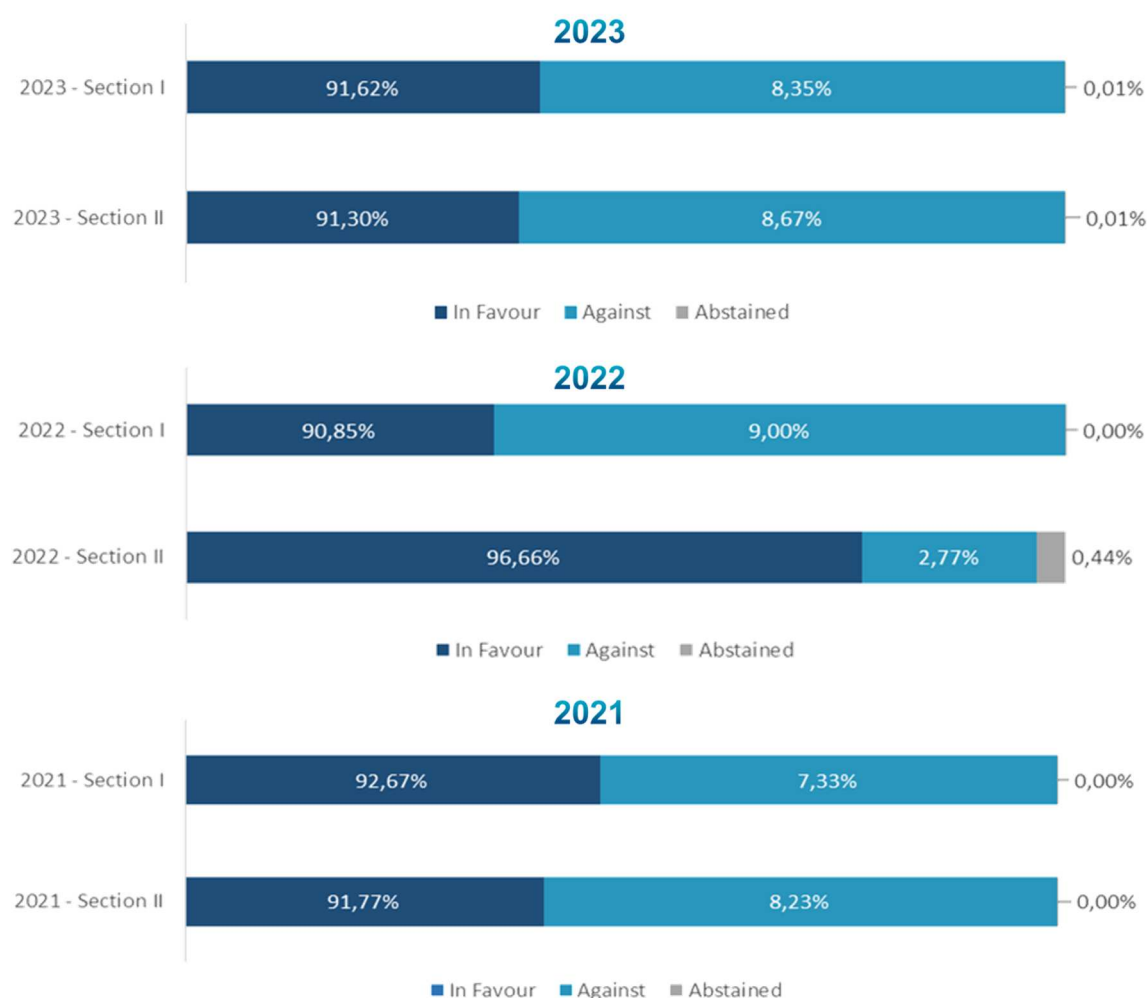
- Every year, it prepares an Equality & Care Plan that identifies objectives and associated projects for diversity and inclusion and corporate welfare.
- In 2023, the “Equality Platform” was designed and launched. This “physical and virtual space” is designed to spread ED&I culture and generate ideas -rooted in the exchange of experiences and knowledge- for definition of projects that meet the needs of people and the organisation. The project will continue in 2024 with an event aimed at all users of the Equality Platform, who will also receive dedicated training.
- Acea SpA has also achieved UNI/PdR 125:2023 certification on gender equality.
- For the well-being of its employees, Acea has developed an integrated corporate welfare system, based on listening to employees and their needs and structure around six fundamental pillars: health, psycho/physical well-being, family, reconciliation measures, economic assistance and complementary social security. Numerous initiatives have been implemented to support these pillars, including preventive medicine campaigns, support services for psycho/physical well-being and support for parents.
- Furthermore, with the aim of developing further expertise and new mindsets amongst our People in 2023, following on from activity in previous years, training courses have been provided both remotely and in the classroom, in partnership with high-profile organisations (universities, business schools, research centres, professional firms, etc.) in management, governance and technical/digital areas.
- Finally, in 2023, Acea participated again in the Top Employers certification, which analyses the HR strategies of thousands of companies globally, and the company ranked in the top 131 Italian companies. The Top Employers certification rewards excellence in HR policies and strategies and

is awarded to companies that meet the high standards of the HR Best Practices Survey. Acea has been a recipient for three consecutive years.

## Results of voting by the shareholders' meeting

According to what is provided for in the laws in force at the moment of the vote (art. 123-ter, paragraph 6 of the CLF), the shareholders' meeting held on 18 April 2023, in view of the implementation of the SHRD II, held a binding vote on Section I of the 2023 Remuneration Report and a consultative vote on Section II. Below is a comparison of the votes cast in 2021, 2022 and 2023 (Sections I and II).

In developing the 2024 policy on the subject of remuneration the results and reasons underlying the votes obtained during the 2023 Shareholders' Meeting were taken into account, in order to incorporate the feedback received.



## Correlation between remuneration, risk profile and company performance

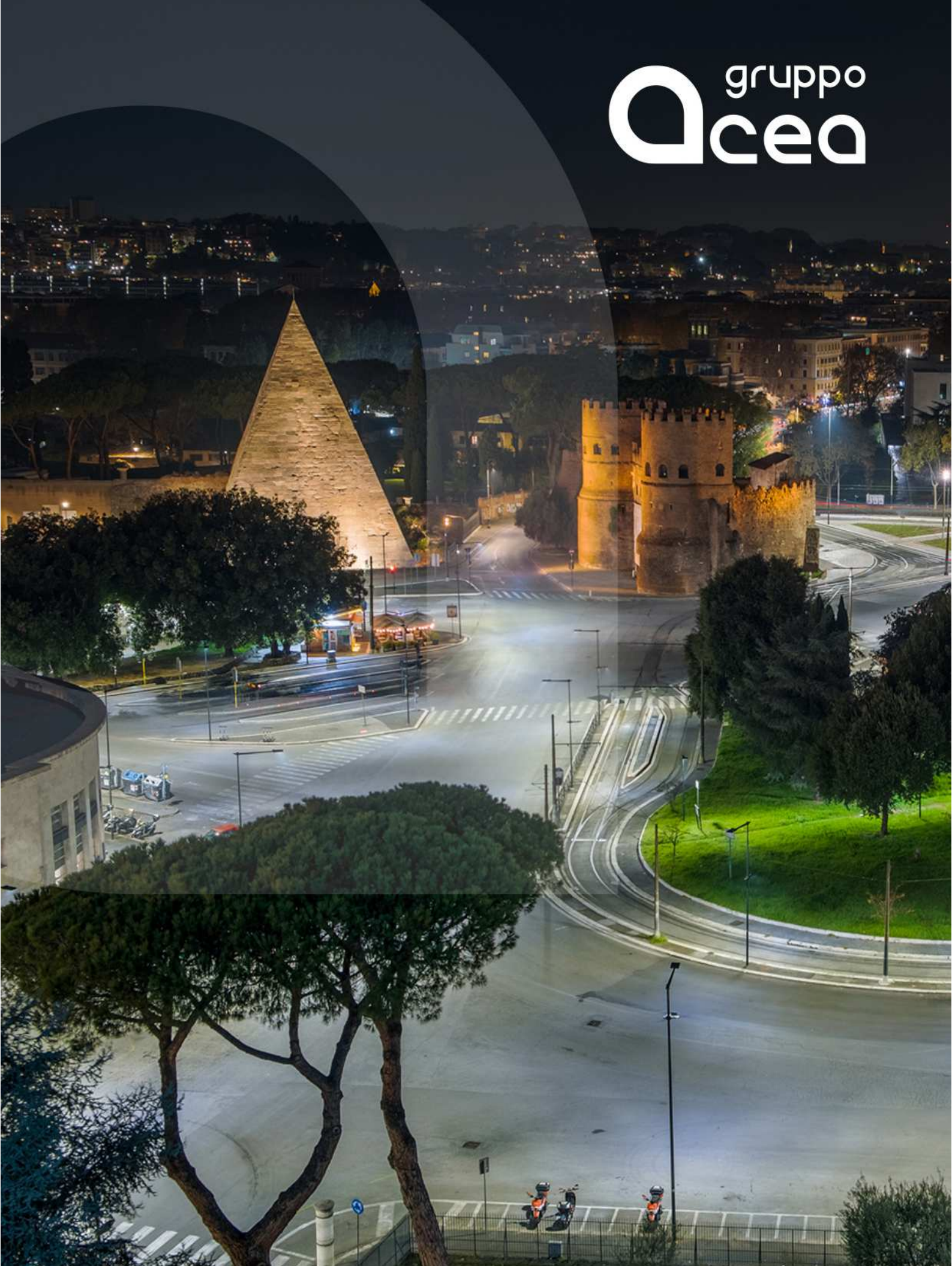
The remuneration systems adopted in the interest of all of the stakeholders are in line with the long-term strategy, linked to the company objectives and structured so as to avoid incentives that may lead to conflicts of interest and the excessive undertaking of risks. The risk mitigation elements provided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

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

Having said this, the Company's Remuneration Policy is based on an evaluation of a "moderate" risk profile; this evaluation derives especially from considering the sector to which the company belongs (regulated), in which the margins from free market activities constitute a non-preponderant part.

This means that the Company is exposed to limited market risks and, conversely, more exposed to regulatory risks. Taking into account the "moderate" risk profile, Acea has elected to not allocate highly volatile financial instruments, such as option rights or other similar instruments, for example. The long-term variable component is therefore constituted exclusively by a monetary type plan.





Section II is composed of three separate parts:

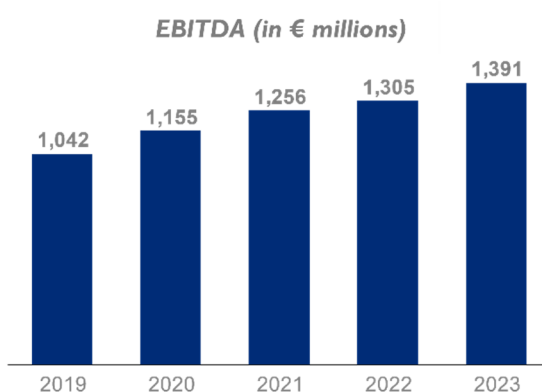
1. The first part of Section II presents the implementing framework of the Remuneration Policy as presented to the 2023 Shareholders' Meeting, the company's results, with a particular focus on the achievement of the objectives established in the plans, and the balance between the various components that comprise the remuneration package paid to the Chief Executive Officer and the Executives with Strategic Responsibilities.
2. The second part describes the items comprising the remuneration of the members of the Board of Directors (Chairperson, Chief Executive Officers, non-executive members and members of the Committees within the Board), the Board of Statutory Auditors and the Executives with Strategic Responsibilities, giving proof of their compliance with the remuneration policy approved by the Shareholders' Meeting.
3. The third part analyses the remuneration paid out in 2023, in compliance with the tables contained in the Issuer Regulations (Appendix 3A - Table 7-bis), for the members of the administration and control bodies, in individual terms, and for the Executives with Strategic Responsibilities, in aggregate terms.

These components of remuneration (fixed and variable components and non-monetary benefits) have been paid according to a criterion of competence, in relation to the effective period spent in the role and consistently with the reference Remuneration Policy. Furthermore, they are in line with the Remuneration Policy last approved by the Shareholders' Meeting on 18 April 2023 and the resolutions of the Board of Directors during the business year in question.

## Executive summary – Section II

### **Results, context and application of the 2023 Remuneration Policy**

It is noted that EBITDA increased 6.6% in 2023, and 33.5% compared to the 2019 figure.



With regard to the difference in remuneration between 2023 and 2022 for each of the figures for whom data is provided on a name-specific basis, it is noted that this information has not been included as it is not representative following the change of Chief Executive Officer in 2022 and the Chairperson in 2023.



## Figures for comparison and CEO pay ratio

In previous years, the *remuneration multiple* criteria was used, adopting the calculation method for the ratio between remuneration of Top Management and the average employee.

From this year, in line with market best practices and the Issuers' Regulations, the alternative CEO pay ratio criteria has been introduced. This calculates the relationship between remuneration issued during each financial year to the Chief Executive Officer and General Manager and the average fixed remuneration of Acea Group<sup>1</sup> employees.

The table below compares the change in remuneration paid to the Chief Executive Officer and General Manager and the change in gross average annual remuneration to employees over a five-year period (2019-2023).

Position	2023	2022	2021	2020	2019
Chief Executive Officer and General Manager	1,251,096	1,083,485	775,938	2,240,529 *	859,146
<b>ACEA employees</b>					
Number of employees	5,214	5,168	4,988	4,907	4,865
Annual gross average remuneration (€)	43,579	42,272	41,404	40,735	40,044
Average GAR increase	3.1%	2.1%	1.6%	1.7%	-
<b>CEO pay ratio</b>	<b>29x</b>	<b>26x</b>	<b>19x</b>	<b>55x</b>	<b>21x</b>

\*Including the bonus paid to the exiting Chief Executive Officer

## 2023 Results

### Short-Term Incentive Plan

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

Group Objectives	Weight as %	Target	Overall	Achievement (%)
EBITDA	30%	1,342	1,391	132.67%
NFP	30%	5,166	4,847	140%
NET PROFIT post minorities	30%	284	294	122.22%
<b>SUSTAINABILITY OBJECTIVE</b>	<b>10%</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Improved efficiency of water -treatment plants (rationalisation of small plants and reduction)	2.5%	2	4	140%
- No. of secondary Cabins on which to do activation/upgrade work (network digitalisation)	2.5%	1,600	1,768	140%
- Total volumes processed in circular waste management (kton)	2.5%	1,815	1,829	102.15%
- Average Customer Satisfaction for Group Companies	2.5%	85%	84%	97%

On proposal by the Appointments and Remuneration Committee, the Board of Directors thus verified that the Group objectives had been achieved by 130.44%.

<sup>1</sup> The following companies are included within the scope of the Group: ACEA SPA, ARETI SPA, ACEA ATO2 SPA, ACEA ATO5 SPA, ACEA MOLISE SRL, GE.SE.SA. SPA, ACEA INFRASTRUCTURE SPA, ACEA AMBIENTE SRL, ORVIETO AMBIENTE SRL, AQUASER S.R.L., ACQUE INDUSTRIALI SRL, ACEA PRODUZIONE SPA, ECOGENA SRL, ACEA ENERGIA SPA, and ACEA INNOVATION S.R.L.

## Long-Term Incentive Plan

The table below indicates the level of achievement of each objective in the first cycle of the 2021-2023 Long-Term Incentive Plan, as verified by the Board of Directors by recommendation of the Appointments and Remuneration Committee:

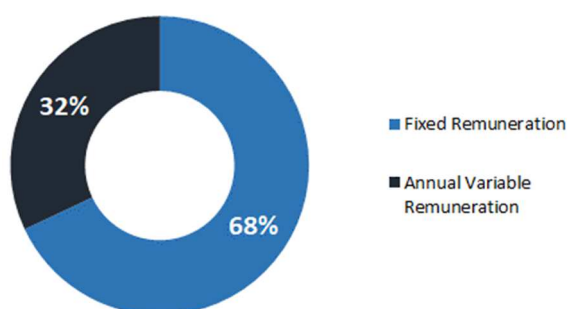
Performance objectives	Weight as %	Target	Overall	Achievement % of fixed
Cumulative EPS	40%	4.43	4.16	33.9%
NFP/EBITDA	25%	3.10	3.50	0%
NPF/NP	25%	11	15	0%
<b>SUSTAINABILITY OBJECTIVE</b>	<b>10%</b>	<b>-</b>	<b>-</b>	<b>-</b>
-Annual percentage change to IRI	2%	-40%	-67%	50%
- % reduction in volume of water lost compared to previous year	2%	22%	19.75%	35.1%
- % reduction in production of dewatered/dried sludge compared to the year value	2%	28%	17.7%	0%
-Reduction of CO2 emission intensity index in Acea's Production	2%	50.00	76.10	0%
- Reduction in injury-related indices	2%	-15%	-34%	50%

On proposal by the Appointments and Remuneration Committee, the Board of Directors thus verified that the total payout was 16.25%. This percentage, calculated on the basis of individual objectives using linear interpolation between the minimum (30%), target (40%) and maximum (50%) values, refers to the pay-out in relation to the fixed component of remuneration.

## Balancing of remuneration package

The components effectively paid to the Chief Executive Officer and the Executives with Strategic Responsibilities in percentages, are shown below.

**ACTUAL PAY MIX - AD**



**ACTUAL PAY MIX - DRS**

