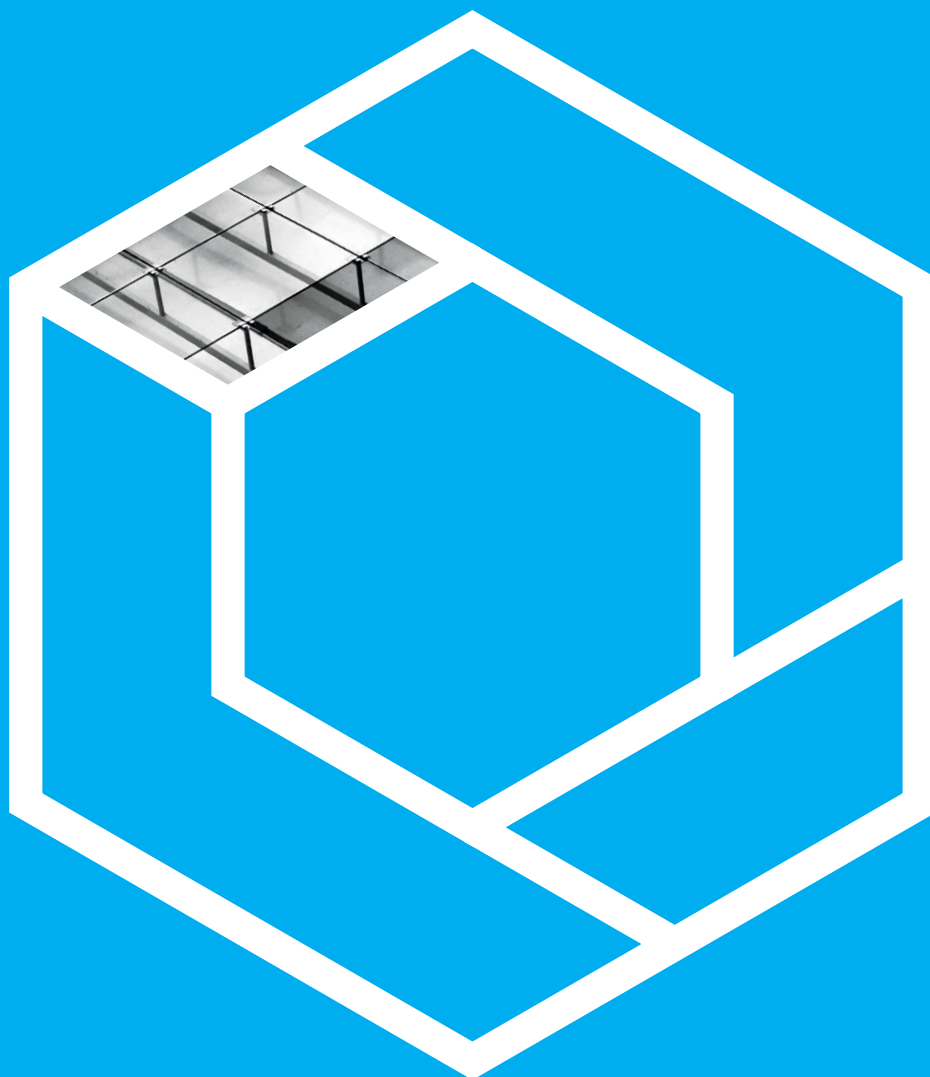




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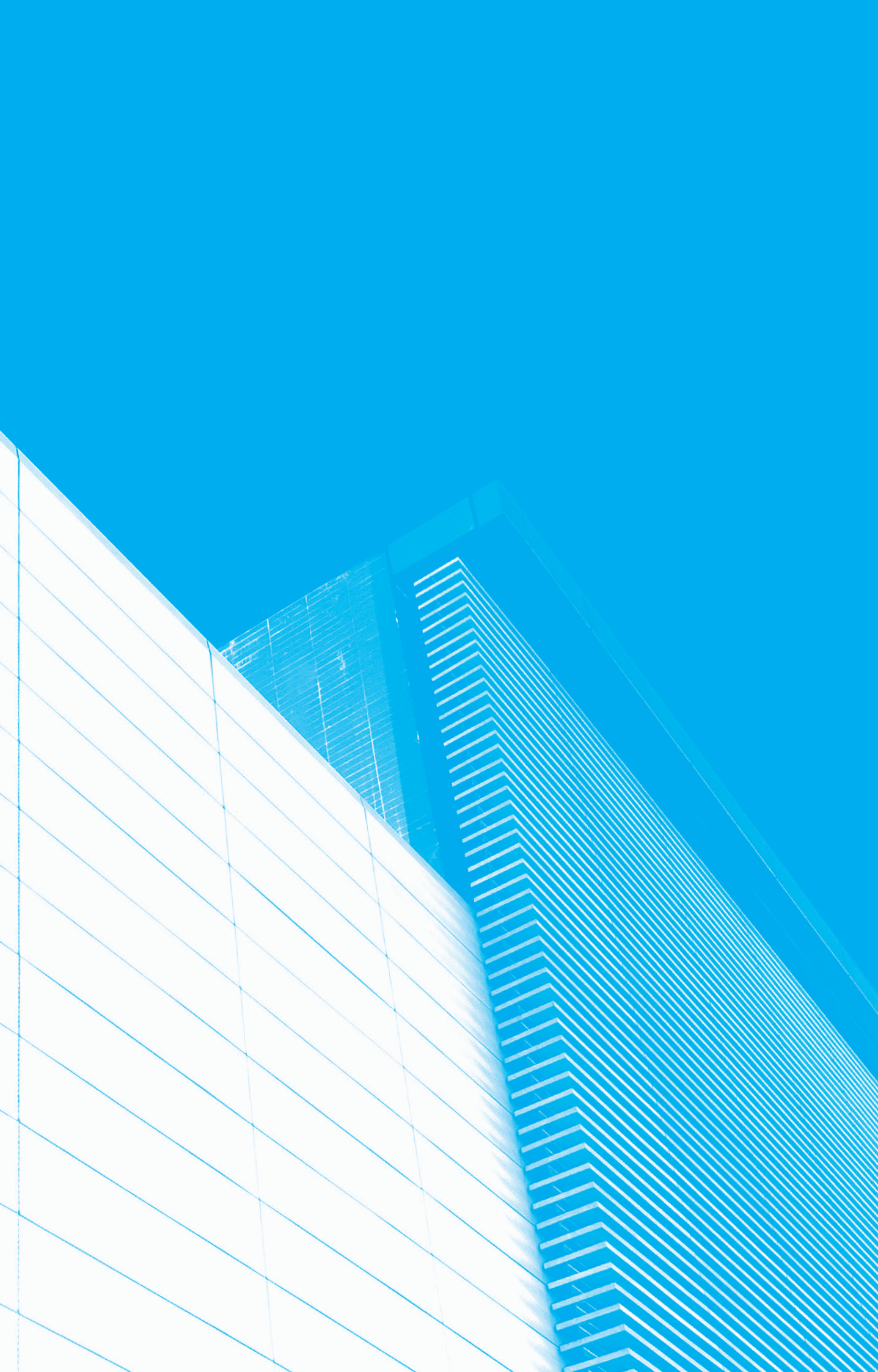


2018

Remuneration
Report



Report on Remuneration 2018



Contents

Introduction	4
Governance system and organizational structure of A2A	6
2018 Remuneration Policy - Summary	8
Section 1 - 2018 Remuneration Policy	12
a. Preparation, approval and implementation of the Remuneration Policy: procedures, bodies and entities involved	12
b. Aims and Principles of the Remuneration Policy	17
c. Detailed Structure of the Remuneration Policy	18
c1. Remuneration of the members of the Board of Directors, excluding the Chair, Vice-Chair and CEO	18
c2. Remuneration of the Chair of the Board of Directors	19
c3. Remuneration of the Vice-Chair of the Board of Directors	20
c4. Remuneration of the Chief Executive Officer	20
c5. Remuneration of the General Manager	21
c6. Remuneration of Key Executives	22
c7. Non-monetary benefits	22
c8. Indemnities in the event of termination of office or termination of employment	23
c9. Deferral of cash components and claw-back clauses	23
c10. Benchmark of other companies on remuneration policies	23
Section 2 - Implementation of the 2017 Remuneration Policy	24

This is a translation of the Italian original “Relazione sulla remunerazione 2018” and has been prepared solely for the convenience of international readers. In the event of any ambiguity the Italian text will prevail. The Italian original is available at the website www.a2a.eu.

Introduction

This Remuneration Report (hereinafter also the “Report”) was drafted in compliance with applicable legal and regulatory obligations:

- Article 123-ter of Legislative Decree February 24, 1998 no. 58, transposed in the Consolidated Finance Act (hereinafter also “CFA”);
- Article 84-quater of the Consob Issuers Regulation (Resolution no. 11971 of May 14, 1999 and subsequent amendments and supplements) and related Annex 3A, schemes 7-bis and 7-ter;

and in accordance with the Corporate Governance Code recommendations for listed companies of Borsa Italiana S.p.A. (hereinafter also “Corporate Governance Code”).

The report was approved on March 20, 2018 by the Board of Directors (hereinafter also the “BoD” or “Board”) of A2A S.p.A. (hereinafter also “A2A” or the “Company”), at the proposal of the Remuneration and Appointments Committee (hereinafter also “Committee”).

The Report is organized in two sections:

- First Section outlining:
 - the Remuneration Policy, which is the policy adopted by A2A and the companies controlled by it regarding the remuneration of executive and non-executive members of the Board of Directors, General Manager and Executives with strategic responsibilities¹⁾ (hereinafter also “Key Executives”);
 - the procedures adopted for the preparation, approval and implementation of the Remuneration Policy as well as the bodies and entities involved.
- Second Section outlining:
 - in analytical and nominative form, the remuneration paid in 2017 to executive and non-executive members of the Board of Directors, members of the Board of Auditors and the General Manager, in any capacity and in any form, by the Company and its subsidiaries/associates;
 - in analytical and aggregated form, the remuneration paid in 2017 to the Strategic Executives, in any capacity and in any form, by A2A and its subsidiaries/associates.

In order to provide a quick overview of the main elements and simplify reading of the Report, before the two sections is a summary overview of the Remuneration Policy. The following annexes have also been provided:

- a glossary of recurring terms and abbreviations / acronyms used;
- a table for quick identification, in each chapter of the Report, of the information required by Consob.

As required by article 84-quater, paragraph 4, of the Issuers Regulation, the Report outlines in specific tables, the figures related to the investments held, directly or through investees, trust companies, or third parties, by:

- members of the Board of Directors, members of the Board of Auditors, General Manager and Key Executives;
- not legally separated spouses and children (minors) of the members of the Board of Directors, members of the Board of Auditors, General Manager and Key Executives.

¹ According to the definition of reference outlined by Consob in the “Regulation on related-party transactions no. 17221 of March 12, 2010”: “Key Managers are those persons who have the power and responsibility, directly or indirectly, for planning, directing and controlling of the company’s activities, including directors (whether executive or otherwise) of the company”.

The information provided in this Report relates, unless otherwise indicated, to March 20, 2018, the date of its approval by the A2A Board of Directors.

This Report is made available to the public at the authorized storage mechanism 1Info on the website www.1info.it, at the Company's headquarters located in Brescia, via Lamarmora 230 and on the website www.a2a.eu ("Governance" - "Meetings" section), at least 21 days before the date of the Shareholders' Meeting called to express itself, with non-binding resolution, on the First Section of the Report (in compliance with current legislation).

Introduction

Governance system and organizational structure of A2A

2018 Remuneration Policy - Summary

Section 1 2018 Remuneration Policy

Section 2 Implementation of the 2017 Remuneration Policy

Governance system and organizational structure of A2A

As of June 16, 2014, the Company has changed its management and control system from “two-tier” to “traditional”, in accordance with the changes to the By-laws approved by the Extraordinary Shareholders’ Meeting of June 13, 2014.

On May 15, 2017, the Shareholders’ Meeting appointed for the three-year period 2017-2019 a Board of Directors consisting of 12 members and a Board of Statutory Auditors consisting of 3 statutory auditors and 2 alternate auditors, determining, according to the provisions of the Company By-laws, the annual remuneration for the office of Board Director and Member of the Board of Auditors.

The following table shows the composition of the Board of Directors and Board of Auditors at the date of this Report.

	Chair	Vice-Chair	Chief Executive Officer	Members
Board of Directors	Giovanni Valotti	Alessandra Perrazzelli	Luca Valerio Camerano	<ul style="list-style-type: none">• Giambattista Brivio• Giovanni Comboni• Enrico Corali• Luigi De Paoli• Alessandro Fracassi• Maria Chiara Franceschetti• Gaudiana Giusti• Dina Ravera• Norberto Rosini
	Chair		Auditors	
Board of Statutory Auditors	Giacinto Sarubbi		Statutory: <ul style="list-style-type: none">• Maurizio Leonardo Lombardi• Chiara Segala Alternate: <ul style="list-style-type: none">• Sonia Ferrero• Stefano Morri	

Following its establishment, on May 17, 2017, the Board of Directors of A2A S.p.A.:

- appointed Luca Valerio Camerano as Chief Executive Officer, granting him extensive powers for the ordinary management and for the preparation of proposals for extraordinary operations of the Company;
- assigned to the Chair specific responsibilities concerning relationships with shareholders, institutions, authorities, the media, external relations, the management of activities relating to sustainability and social responsibility and the drafting of proposals for extraordinary operations of territorial aggregation.

During the same session, the Board of Directors also appointed three Board Committees, as indicated in the table below.

Audit and Risks Committee	Remuneration and Appointments Committee	Sustainability and Territory Committee
<ul style="list-style-type: none">• Luigi De Paoli (Chair)• Enrico Corali• Gaudiana Giusti• Giovanni Comboni	<ul style="list-style-type: none">• Alessandra Perrazzelli (Chair)• Dina Ravera• Norberto Rosini	<ul style="list-style-type: none">• Giovanni Valotti (Chair)• Giambattista Brivio• Alessandro Fracassi• Maria Chiara Franceschetti

Subsequently, upon the proposal of the Remuneration and Appointments Committee, the Board of Directors introduced, as part of the Company’s macro-organizational structure, the figure of the General Manager, assigning to the latter the powers for the operational management of the Company, and on May 22, 2017, entrusted this new role to Luca Valerio Camerano, already appointed Chief Executive Officer.

In view of this new assignment, Luca Valerio Camerano is linked to the Company with a collaboration contract for the role of Chief Executive Officer and with an employment contract for the role of General Manager.

Introduction

**Governance
system and
organizational
structure
of A2A**

2018
Remuneration
Policy -
Summary

Section 1
2018
Remuneration
Policy

Section 2
Implementation
of the 2017
Remuneration
Policy

2018 Remuneration Policy - Summary

The following tables (tables 1, 2, 3 and 4) provide a summary of the main elements of the remuneration structure defined for members of the Board of Directors, the members of the Board of Statutory Auditors, the General Manager and Key Executives.

Table 1: Summary overview of the main elements of the remuneration structure defined for the Board of Directors

	Board of Directors			
	Chair	Vice-Chair	Chief Executive Officer	Members
Fixed Remuneration: Component not subject to any condition for disbursement	It is composed of the remuneration received as Director (approved by Shareholders' Meeting at the time of appointment of the Board of Directors) in addition to the supplementary remuneration provided for the particular role and associated responsibilities. The Chair also receives additional remuneration for participation in the Committee for the Territory and Sustainability.	It is composed of the remuneration received as Director (approved by Shareholders' Meeting at the time of appointment of the Board of Directors) in addition to the supplementary remuneration provided for responsibility for the Internal Audit. The Vice-Chair also receives additional remuneration for participation in the Remuneration and Appointments Committee.	It is composed of the remuneration received as Director (approved by Shareholders' Meeting at the time of appointment of the Board of Directors) in addition to the supplementary remuneration (approved by the Board of Directors). for the particular role held and the associated responsibilities.	It is composed of: <ul style="list-style-type: none">• Remuneration received as Director (approved by the Shareholders' Meeting at the time of appointment of the Board of Directors);• Any additional remuneration for participation in Board Committees.
Short-term variable incentives: Component disbursed based on the achievement of short-term targets	Not provided	Not provided	Approved by the Board of Directors. An "access gate" is envisaged, which reduces or annuls the remuneration payable if the Group's economic-financial performance is not in line with the budget. The targets are predefined and assigned annually by the Board, after consultation with the Remuneration and Appointments Committee. For disbursement of remuneration, it is necessary to exceed a minimum achievement of targets; upon exceeding said minimum threshold, remuneration may vary linearly between 26.7% and 40% of Fixed Remuneration depending on the level of achievement of targets.	Not provided
Long-term variable incentives	Not provided			
Non-monetary benefits	<ul style="list-style-type: none">• Insurance policies (occupational and non-occupational injury; permanent disability due to illness and life);• Supplementary health coverage;• Insurance for civil liability Directors, Auditors and Executives;• Car for mixed-use and use of fuel card.	<ul style="list-style-type: none">• Insurance policy occupational and non-occupational injuries;• Insurance for civil liability Directors, Auditors and Executives.	<ul style="list-style-type: none">• Envisaged as General Manager.	<ul style="list-style-type: none">• Insurance policy occupational and non-occupational injuries;• Insurance for civil liability Directors, Auditors and Executives.

Introduction

Governance system and organizational structure of A2A

2018 Remuneration Policy - Summary

Section 1 2018 Remuneration Policy

Section 2 Implementation of the 2017 Remuneration Policy

Table 2: Summary overview of the main elements of the remuneration structure defined for the Board of Auditors

	Board of Statutory Auditors	
	Chair	Statutory Auditors
Fixed Remuneration: Component not subject to any condition for disbursement	It is composed of the remuneration received as Chair of the Board of Auditors (approved by Shareholders' Meeting at the time of appointment of the Board of Auditors).	It is composed of the remuneration received as Auditor of the Board of Auditors (approved by Shareholders' Meeting at the time of appointment of the Board of Auditors).
Short and long-term variable incentives	Not provided	
Non-monetary benefits	<ul style="list-style-type: none">• Insurance policy occupational and non-occupational injuries;• Insurance for civil liability Directors, Auditors and Executives.	<ul style="list-style-type: none">• Insurance policy occupational and non-occupational injuries;• Insurance for civil liability Directors, Auditors and Executives.

Table 3: Summary overview of the main elements of the remuneration structure defined for the General Manager

	General Manager
Fixed Remuneration: Component not subject to any condition for disbursement	It is approved by the Board of Directors and determined on the basis of the role, powers and responsibilities assigned.
Short-term variable incentives: Component disbursed based on the achievement of short-term targets	Approved by the Board of Directors. An "access gate" is envisaged, which reduces or annuls the remuneration payable if the Group's economic-financial performance is not in line with the budget. The targets are predefined and assigned annually by the Board, after consultation with the Remuneration and Appointments Committee. For disbursement of remuneration, it is necessary to exceed a minimum achievement of targets; upon exceeding said minimum threshold, remuneration may vary linearly between 26.7% and 40% of Fixed Remuneration depending on the level of achievement of targets.
Long-term variable incentives	Not provided
Non-monetary benefits	<ul style="list-style-type: none">• Insurance policies (occupational and non-occupational injury; permanent disability due to illness and life);• Supplementary health coverage;• Insurance for civil liability Directors, Auditors and Executives;• Car for mixed-use and use of fuel card.

Table 4: Summary overview of the main elements of the remuneration structure defined for Key Executives

	Key Executives
Fixed Remuneration: Component not subject to any condition for disbursement	It is determined based on the role and responsibilities assigned as well as the professional specialization and technical, professional and managerial skills required and held.
Short-term variable incentives: Component disbursed based on the achievement of short-term targets	<p>An "access gate" is envisaged, which reduces or annuls the remuneration payable if the Group's economic-financial performance is not in line with the budget.</p> <p>The targets, predefined and assigned annually, are:</p> <ul style="list-style-type: none">• economic-financial, operational and/or productivity targets related to the Group's performance and the achievement of the Group's business plan;• 1 - 2 common to all Key Executives;• 2 - 3 specific for organizational area of responsibility. <p>The Company has decided, starting in 2017, for all Group executives to assign a sustainability target, measurable, consistent with the 2020 Sustainability Plan and the 2030 Sustainability Policy.</p> <p>The remuneration value is:</p> <ul style="list-style-type: none">• assigned individually and determined based on the role and responsibilities assigned and balance (pay-mix) with Fixed Remuneration;• characterized by a range of fluctuation with:<ul style="list-style-type: none">• a minimum amount, payable only upon exceeding minimum achievement of the targets (15% - 25% of the RAL);• an amount at target payable upon achievement of 100% of the short-term targets assigned (20% - 30% of the RAL);• a maximum amount ("cap") payable in conditions of over-performance (25% - 35% of the RAL).
Long-term variable incentives	At this moment not present. It is being studied by the CRN with possible implementation in 2018.
Non-monetary benefits	<ul style="list-style-type: none">• Insurance policies (occupational and non-occupational injury; permanent disability due to illness and life);• Supplementary health coverage;• Insurance for civil liability Directors, Auditors and Executives;• Car for mixed-use and use of fuel card.

Introduction

Governance system and organizational structure of A2A

2018 Remuneration Policy - Summary

Section 1 2018 Remuneration Policy

Section 2 Implementation of the 2017 Remuneration Policy

Section 1 - 2018 Remuneration Policy

a. Preparation, approval and implementation of the Remuneration Policy: procedures, bodies and entities involved

The preparation, approval and implementation of the Remuneration Policy related to the members of the Board of Directors and Key Executives requires the involvement and contribution of various bodies and entities depending on the recipient to which it is addressed and specifically:

- Shareholders' Meeting;
- Board of Directors;
- Remuneration and Appointments Committee;
- Chair and CEO;
- Human Resources, Organization and Change Management Division and Administration, Finance and Control Division.

Shareholders' Meeting

Regarding remuneration, the Shareholders' Meeting:

- defines the remuneration of the members of the Board of Directors as Directors. The remuneration is determined at the time of appointment of Directors;
- defines the remuneration of the members of the Board of Auditors. The remuneration is determined at the time of appointment of Auditors;
- resolution in favour or against (non-binding vote) on Section 1 of the Report provided for in article 123-ter, paragraph 3 of the CFA on the Company's policy on remuneration of the members of the boards of directors and auditors, General Managers and Key Executives with reference at least to the following year.

On May 15, 2017, the Shareholders' Meeting determined, for the period of office of the Board of Directors and the Board of Auditors, the following annual remuneration:

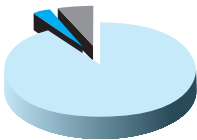
- 80,000 euro for the members of the Board of Directors;
- 130,000 euro for the Chair of the Board of Auditors;
- 80,000 euro for Statutory Auditors.

On May 15, 2017, the Shareholders' Meeting also voted in favour on Section 1 of the 2017 Remuneration Report.

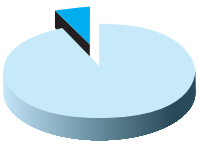
The figure below (figure 5) outlines the results of the advisory vote by the Shareholders' Meeting of 2012 (May 29, 2012), 2013 (June 13, 2013), 2014 (June 13, 2014), 2015 (June 11, 2015), 2016 (June 7, 2016) and 2017 (May 15, 2017) on the Remuneration Report.

Figure 5: Results of the advisory vote by the Shareholders’ Meeting on the 2012, 2013, 2014, 2015, 2016 and 2017 Remuneration Reports

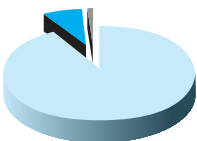
2012 Remuneration Report	
Total shares for which the vote was expressed	2,197,892,815
Share capital	3,132,905,277
% Azioni per le quali è stato espresso il voto su Capitale Sociale	70.16%
	%
Favourable	89.92%
Against	3.01%
Abstention + Non-Voter	7.08%



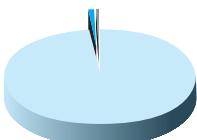
2013 Remuneration Report	
Total shares for which the vote was expressed	1,895,023,070
Share capital	3,132,905,277
% Shares for which the vote was expressed of Share capital	60.49%
	%
Favourable	93.08%
Against	6.92%
Abstention + Non-Voter	0.00%



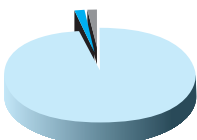
2014 Remuneration Report	
Total shares for which the vote was expressed	2,201,035,232
Share capital	3,132,905,277
% Shares for which the vote was expressed of Share capital	70.26%
	%
Favourable	90.93%
Against	8.32%
Abstention + Non-Voter	0.75%



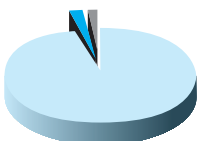
2015 Remuneration Report	
Total shares for which the vote was expressed	1,954,707,234
Share capital	3,132,905,277
% Shares for which the vote was expressed of Share capital	62.39%
	%
Favourable	98.63%
Against	1.07%
Abstention + Non-Voter	0.30%



2016 Remuneration Report	
Total shares for which the vote was expressed	2,031,824,030
Share capital	3,132,905,277
% Shares for which the vote was expressed of Share capital	64.85%
	%
Favourable	96.39%
Against	1.97%
Abstention + Non-Voter	1.64%



2017 Remuneration Report	
Total shares for which the vote was expressed	2,222,579,359
Share capital	3,132,905,277
% Shares for which the vote was expressed of Share capital	70.94%
	%
Favourable	95.43%
Against	2.48%
Abstention + Non-Voter	2.09%



Favourable Against Abstentions and non-Voters

Introduction

Governance system and organizational structure of A2A

2018 Remuneration Policy - Summary

Section 1
2018 Remuneration Policy

a. Preparation, approval and implementation of the Remuneration Policy: procedures, bodies and entities involved

b. Aims and Principles of the Remuneration Policy

c. Detailed Structure of the Remuneration Policy

Section 2
Implementation of the 2017 Remuneration Policy

Board of Directors

Regarding remuneration, the Board of Directors:

- established a Remuneration and Appointments Committee and determined the powers and rules of operation thereof, bearing in mind that at least one of the members of the Committee possesses adequate knowledge and experience in financial matters or remuneration policies;

and in accordance with the By-Laws of the Group:

- establishes, after consulting with the Remuneration and Appointments Committee, and the Board of Auditors, the remuneration for the Directors vested with particular offices, powers or functions by the By-laws or by the Board of Directors;
- may attribute special offices or special technical-administrative functions to one or more of its members, in this case resolving special compensation and particular remuneration, both upon conferment of the office and subsequently, after consulting with the Remuneration and Appointments Committee and the opinion of the Board of Auditors;
- approves the Remuneration Policy and submits it to the Shareholders’ Meeting called to resolve on the allocation of profits.

Furthermore, the Board of Directors, with the support of the Remuneration and Appointments Committee and, where necessary, the competent corporate organizational structures (Human Resources, Organization and Change Management and Administration, Finance and Control) is responsible for the preparation and implementation of the short-term incentive system of the CEO and the General Manager, setting the performance targets and approving the related level of achievement.

Regarding remuneration, in 2017, the Board of Directors:

- resolved, upon the proposal of the Remuneration and Appointments Committee, the creation of the role of General Manager, to entrust the operational management of the Company and resolved to assign this new responsibility to Luca Valerio Camerano, already appointed Chief Executive Officer. In this context, following a detailed study by the Remuneration and Appointments Committee, it also defined the compensation for the Chief Executive Officer and the General Manager;
- resolved, on the basis of a proposal by the Remuneration and Appointments Committee, the compensation for the Chair, the Vice-Chair and for the participation of Committees;
- analyzed and approved the short-term incentive system of Top Management for 2017, upon the proposal of the Remuneration and Appointments Committee;
- attested, on the basis of the analyses and review conducted by the Remuneration and Appointments Committee, the level of achievement of the targets assigned to the CEO for 2016;
- launched, with the involvement of the Remuneration and Appointments Committee, an in-depth analysis of the opportunity to introduce a long-term incentive system for top management.

The Board of Directors also approved an update to the Regulation of the Remuneration and Appointments Committee.

Remuneration and Appointments Committee

The Remuneration and Appointments Committee was established on May 17, 2017 by the Board of Directors with the composition indicated in table 6 and valid at the date of publication of this Report.

Table 6: Current Composition - Remuneration and Appointments Committee

Full name	Office	
Alessandra Perrazzelli	Committee Chair	Independent Board Director pursuant to art. 148 CFA and criteria 3.C.1 of the Corporate Governance Code.
Dina Ravera	Committee Member	Independent Board Director pursuant to art. 148 CFA and criteria 3.C.1 of the Corporate Governance Code.
Norberto Rosini	Committee Member	Independent Board Director pursuant to art. 148 CFA and criteria 3.C.1 of the Corporate Governance Code.

The Remuneration and Appointments Committee has the task of assisting the Board of Directors with investigative, advisory and proposal functions.

In particular, the Committee is attributed the following tasks:

- periodically assess the adequacy, overall consistency and concrete application of the remuneration policy of Directors and Key Executives, availing itself, in this latter context, of the information provided by the Chief Executive Officers;
- submit proposals to the Board of Directors on the matter;
- submit proposals or express opinions to the Board of Directors on the remuneration of Executive Directors and other Directors who hold specific offices or functions and also on the establishment of performance targets related to the variable component of said remuneration;
- assess the possibility of setting up long-term incentive systems for the Chair, CEO and first-level Management;
- monitor the implementation of decisions taken by the Board itself, verifying, in particular, the actual achievement of performance targets;
- previously examine the Annual Remuneration Report to be made available to the public in view of the Shareholders’ Meeting for the annual financial statements;
- propose to the Board of Directors candidates for the office of Director in cases of co-option, if it is necessary to replace independent Directors;
- perform preliminary investigation on the drafting of the plan for the succession of executive Directors, if the Board of Directors has assessed the adoption of said plan;
- submit to the Board of Directors proposals for the appointment and remuneration in the corporate bodies of the subsidiaries on the basis of the “Guidelines for the appointment and remuneration of members of the corporate bodies of investees”;
- perform any other tasks assigned by the Board of Directors.

For the effective performance of its analysis and investigation functions, the Committee may access the company information required and seek the operational support of the competent organizational structures.

In the terms established by the Board of Directors and the within the limits of the annual budget approved by the Board of Directors, the Committee, if it deems it appropriate, may also seek the consultancy of external expert companies on issues addressed, provided that they do not maintain relations with the Group such as to affect the independence of judgement. In 2017, the Committee availed itself of the support of the consulting company Mercer to analyze the opportunity to introduce a long-term incentive system for top management.

The Committee shall meet as often as necessary for the proper performance of its functions. For the meetings to be valid, the presence of the majority of the members in office shall be required.

The resolutions may be adopted only with the favourable vote of the majority of members in office.

Introduction

Governance system and organizational structure of A2A

2018 Remuneration Policy - Summary

Section 1 2018 Remuneration Policy

a. Preparation, approval and implementation of the Remuneration Policy: procedures, bodies and entities involved

b. Aims and Principles of the Remuneration Policy

c. Detailed Structure of the Remuneration Policy

Section 2 Implementation of the 2017 Remuneration Policy

Committee meetings are also attended by the Chair of the Board of Auditors, who may designate another Statutory Auditor to attend in place. However, they can also be attended by the other Statutory Auditors.

The meetings are also attended by the Head of Human Resources, Organization and Change Management identified, on the basis of skills and corporate responsibilities assigned, secretary of the Committee.

If necessary, meetings may also be attended by other members of the Board of Directors or heads of the company functions or third parties, whose presence may be of support to the activities of the Committee.

However, no Director may attend meetings in which proposals are formulated to the Board of Directors regarding their remuneration.

The meeting calls contain an indication of the topics on the agenda and shall be sent at least three business days before the date set (except in cases of urgency in which the term is reduced to one day), to each member of the Committee and members of the Board of Auditors.

In 2017, the Committee met 12 times; the participation of its members was 100%. All meetings were regularly held by prior call sent to all parties concerned and for each meeting, minutes were prepared outlining the issues addressed and the decisions taken. The meetings were always attended by the entire Board of Auditors. In some cases, the meetings were also attended by other parties invited by the Committee Chair.

The detailed information regarding the Committee's operating mechanism is available on the Regulation published on the website www.a2a.eu (section "Governance" – "Committees").

In 2017, the Committee:

- analyzed the proposals for appointment of the members of the governing bodies of investees, examining the Curricula Vitae of the candidates and expressing opinion for subsequent resolution in the Board of Directors;
- analyzed the level of achievement of the targets for 2016 assigned to the CEO and in particular:
 - verified, at the same time as the definition of the draft financial statements, the level of achievement of the economic-financial targets;
 - analyzed in detail the result of the targets of specific projects;
 - for the qualitative assessment of the work of the CEO, collected the contributions of the Board Directors expressed according to predefined criteria;
- formulated a proposal, to be submitted to the Board of Directors, for the compensation of Chair, Vice-Chair, Chief Executive Officer and General Manager;
- formulated a proposal, to be submitted to the Board of Directors, for the compensation of the members of the committees;
- defined the proposal, to be submitted to the Board of Directors, for the short-term incentive system of the Top Management for 2017;
- defined, in consultation with the Committee for the Territory and Sustainability and with Top Management, a model for assignment, starting in 2017, to the Chief Executive Officer and all executives of the Company of a sustainability target, measurable, consistent with the 2020 Sustainability Plan and the 2030 Sustainability Policy;
- analyzed the remuneration instruments applied in the Group, divided by population cluster (executives, managers, employees and workers), also examining the numerical evidence of the various actions taken on the workforce in the year's remuneration policy process;
- analyzed the performance of the shareholders' meeting voting from 2012 to 2017 as well as the opinions and suggestions presented in the Shareholders' Meeting of 2017 by the shareholders, including institutional investors;
- analyzed, with the support of the external consulting company Mercer, the opportunity to introduce a long-term incentive system for top management, studying an implementation scheme.

The Committee also reviewed and submitted the Regulation of the Committee to the Board of Directors for approval.

At the end of 2017, the Committee also planned the activities to be carried out during the following year.

As of March 20, 2018, the Committee has already held 4 meetings, which dealt with the following topics:

- appointment and remuneration in the corporate bodies of investees with the definition of proposals to be submitted to the Board of Directors;
- short-term incentive systems of the CEO and General Manager for the purpose of both definition of the proposal for the year 2018 and verification of achievement of performance targets for the year 2017;
- continuation of the study on the long-term incentive system;
- Remuneration Report with the preparation of this document to be submitted for approval to the Board of Directors.

Chair and CEO

The remuneration policies of the managerial staff, including the Key Executives, are defined by the Chair and Chief Executive Officer, with periodic information to the Board of Directors:

- the Chair limited to the managerial staff exclusively and directly under, after consulting the Chief Executive Officer;
- the Chief Executive Officer for all executives with the exception of the General Manager, which is the sole responsibility of the Board of Directors, and of the executives that report to the Chair of the Board of Directors.

In the same manner, the Chair and CEO are also responsible for managing all contractual and organizational aspects of the other employees of the A2A Group.

Human Resources, Organization and Change Management and Administration, Finance and Control

Activities pertaining to the Remuneration Policy of the Board of Directors and Key Executives also involve:

- Human Resources, Organization and Change Management for technical-specialist assistance on remuneration issues and for the elaboration of support analyzes such as, by way of example but not limited to, monitoring of internal remuneration and market trends; studies and benchmarks of market practices and trends; analysis of remuneration levels in terms of internal equity and competitiveness with respect to markets selected as reference;
- Administration, Finance and Control for the identification and valorization of quantitative parameters underlying the variable incentive systems and the ex-post assessment of their level of achievement.

b. Aims and Principles of the Remuneration Policy

The A2A Remuneration Policy aims to:

- attract, retain and motivate people with the professional skills necessary to successfully manage the Company;
- recognize the professional merit and compliance with the Code of Ethics of the Company and integrity of conduct;
- guarantee fair conditions within the organization and competitiveness with respect to other companies of comparable sectors in terms of business and size;
- align the interests of its people to the pursuit of the priority target of creating value for shareholders and the achievement of predetermined economic results, through the use of variable components.

Introduction

Governance system and organizational structure of A2A

2018 Remuneration Policy - Summary

Section 1
2018 Remuneration Policy

a. Preparation, approval and implementation of the Remuneration Policy: procedures, bodies and entities involved

b. Aims and Principles of the Remuneration Policy

c. Detailed Structure of the Remuneration Policy

Section 2
Implementation of the 2017 Remuneration Policy

In the definition of the Remuneration Policy, the Board of Directors therefore applies the following criteria:

- Remuneration consistent with responsibilities assigned and activities managed:
 - The remuneration of Directors who hold special offices (Chair, CEO and General Manager) or functions (Vice-Chair), or members of the Board Committees, was defined considering responsibilities/powers assigned and the level of operations and the intensity of work required. For their determination, the remuneration practices of companies selected as reference panel were also analyzed;
 - The remuneration of Key Executives was also defined and updated on the basis of the “complexity” of the activities managed, evaluated by applying an internationally recognized and certified methodology, and on the level of coverage of the organizational position assigned;
 - The fixed component of the remuneration, not subject to performance conditions for disbursement, is also such to compensate the activities managed even if the variable component, if applicable, is not disbursed.
- Link between variable remuneration and corporate performance:
 - The fixed component and the variable component are properly balanced according to the strategic targets and the Company’s risk management policy, also taking account of the sector and the characteristics of the activity in which it operates;
 - The variable incentive system provides an access mechanism that cancels or significantly reduces the bonus payable in the event of Company performance not in line with forecasts;
 - The targets assigned are predetermined, measurable and economic-financial, operational and/or productivity targets related to the Group’s performance and the achievement of the Group’s business plan;
 - Maximum limits are provided for the variable component.
- Recognition of wage increases for merit in compliance with the Code of Ethics and conduct integrity:
 - The individual results obtained and the conduct for the achievement thereof are periodically measured in order to apply meritocratic management;
 - Adherence to conduct in compliance with the Company’s Code of Ethics and integrity of conduct are also verified and evaluated.

c. Detailed Structure of the Remuneration Policy

The structure of the Remuneration Policy for the year 2018, described in detail below, reflects the decisions made regarding remuneration on May 15, 2017 of the Shareholders’ Meeting, May 17, 2017 and June 22, 2017 by the Board of Directors.

c1. Remuneration of the members of the Board of Directors, excluding the Chair, Vice-Chair and CEO

The remuneration of the individual Board Directors, not vested with special offices, powers or functions, consists of:

- the fixed annual gross remuneration, approved by the Shareholders’ Meeting upon appointment, received as Board member and equal to 80,000 euro/year;
- the fixed annual gross remuneration, approved by the Board of Directors, for participation in the Board Committees, according to as indicated in table 7. Said remuneration is commensurate to the commitment required and therefore has different amounts for the Control and Risk Committee, in terms of greater commitment required, and the Chair, in view of the role assigned for work coordination and liaison with the corporate bodies and corporate functions.

Table 7: Annual gross fixed remuneration for participation in Board Committees

Committee	Emolument for participation in Committees (euro/year)	
	Chair	Member
Audit and Risks	30,000	20,000
Remuneration and Appointments	20,000	19,000
Sustainability and Territory	20,000	19,000

No attendance tokens are provided for meetings of the Board Committees nor, in consideration of the non-executive role, variable monetary incentive systems based on financial instruments or equity.

The remuneration for participation in Board Committees was approved in 2014 and subsequently confirmed in 2017 by the Board of Directors considering:

- the Remuneration practices of the major companies in the FTSE MIB index;
- the method of operation of the Board Committees of the leading companies in the FTSE MIB index and Italian companies in the multi-utilities sector;
- the responsibilities assigned as well as the level of operations and the intensity of work required by the Board Committees;
- the role specificity of the Control and Risks Committee.

c2. Remuneration of the Chair of the Board of Directors

The remuneration package of the Chair of the Board of Directors includes:

- fixed annual gross remuneration, approved by the Shareholders’ Meeting, received as Board member and equal to 80,000 euro/year;
- fixed annual gross remuneration, approved by the Board of Directors, for participation in the Board Committees, according to as indicated in table 7;
- fixed remuneration for the specific office of Chair for 250,000 euro/year gross, in addition to the two amounts above.

Even for the Chair no attendance tokens are provided for meetings of the Board Committees; moreover, repayment is provided for any remuneration received for participation, as Director, in the Boards of Directors of investees.

The remuneration package of the Chair is completed by the provision of non-monetary benefits provided to the managerial staff of the Group (details provided in paragraph c7).

Also considering the type of non-employment contract of the Executive Chair with the Company, the Company pays pension contributions in separate management.

The remuneration of the Chair described above was approved in 2017 by the Board of Directors considering:

- the remuneration practices of companies with similar characteristics to A2A;
- the executive nature and the strategic importance of the Chair;
- the responsibilities, delegations and powers attributed.

Introduction

Governance system and organizational structure of A2A

2018 Remuneration Policy - Summary

Section 1 2018 Remuneration Policy

a. Preparation, approval and implementation of the Remuneration Policy: procedures, bodies and entities involved

b. Aims and Principles of the Remuneration Policy

c. Detailed Structure of the Remuneration Policy

Section 2 Implementation of the 2017 Remuneration Policy

c3. Remuneration of the Vice-Chair of the Board of Directors

The remuneration package of the Vice-Chair of the Board of Directors includes:

- fixed annual gross remuneration, approved by the Shareholders' Meeting, received as Board member and equal to 80,000 euro/year;
- fixed annual gross remuneration, approved by the Board of Directors, for participation in the Board Committees, according to as indicated in table 7;
- a fixed compensation for the responsibility of the Internal Audit of the Group for 40,000 euro/year gross, in addition to the two amounts above.

Even for the Vice-Chair, no attendance tokens are provided for meetings of the Board Committees.

c4. Remuneration of the Chief Executive Officer

The remuneration package of the CEO includes:

- fixed annual gross remuneration, approved by the Shareholders' Meeting, received as Board member and equal to 80,000 euro/year;
- fixed remuneration for the specific office of CEO for €120,000/year gross, in addition to the two amounts above;
- annual variable remuneration linked to the achievement of short-term targets assigned annually by the Board of Directors, with a maximum payable value of 40% of the total emolument (200,000 euro = 120,000 euro + 80,000 euro) and therefore 80,000 euro/year.

The annual variable remuneration envisages:

- an "access gate", based on EBITDA of the Company in the 2018 and Industrial Cash Flow of the Company at 12/31/2018, which reduces or annuls the remuneration payable if the Group's economic-financial performance is not in line with the budget of the year of reference;
- five targets:
 1. EBITDA (25% weight) of the Company in financial year 2018;
 2. Industrial Cash Flow (25% weight) of the Company at 12/31/2018;
 3. Strategic projects for the Group (27% weight) identified by the Board of Directors;
 4. Sustainability Target (10% weight);
 5. Qualitative assessment of the Board of Directors on the work of the Chief Executive Officer (weight 13%).

In particular:

- EBITDA and Industrial Cash Flow: are set, as targets, on the budget value for the reference year;
- Strategic projects for the Group: three strategic actions for the maintenance and development of the business have been identified and assigned by the Board of Directors;
- Sustainability target: the Board of Directors has decided to assign the same target to the Chief Executive Officer and to the General Manager, maintaining the operating mechanism envisaged in 2017, i.e. achievement calculated on the average of the achievements of the individual targets assigned to the Executives reporting directly to the General Manager. The Board of Directors also decided to increase the relevance of the target, increasing its weight from 5% to 10%;
- Qualitative assessment of the Board of Directors on the work of the CEO: the Board of Directors has decided to maintain this target in order to analyze and consider strategic elements that are not related to the outcome of short-term targets. This assessment will be performed ex post through a structured process, coordinated by the Chair of the Remuneration and Appointments Committee, with the involvement of the Chair of the Board of Auditors.

In addition to the “access gate”, it is required to achieve a minimum of the targets below which the remuneration shall not be paid; upon exceeding said minimum achievement, the remuneration may vary linearly between 26.7% and 40% of the total emolument (200,000 euro) depending on the level of achievement of targets.

The 40% of the overall emolument (80,000 euro) represents a maximum amount (“Cap”) above which, even in the presence of over-performance of the Company and the CEO, no further increase of the amount due shall be provided.

The remuneration of the CEO described above was approved by the Board of Directors in 2017 considering:

- the remuneration practices of companies with similar characteristics to A2A;
- the responsibilities and powers attributed.

Even for the CEO, repayment is provided for any remuneration received for participation, as Director, in the Boards of Directors of investees.

Also considering the type of non-employment contract of the Chief Executive Officer with the Company, the Company pays pension contributions in separate management.

c5. Remuneration of the General Manager

The remuneration package of the General Manager includes:

- a fixed remuneration of 500,000 euro/year gross;
- annual variable remuneration linked to the achievement of short-term targets assigned annually by the Board of Directors, with a maximum payable value of 40% of the fixed remuneration (500,000 euro) and therefore 200,000 euro/year.

The annual variable remuneration envisages:

- an “access gate”, based on EBITDA of the Company in the 2018 and Industrial Cash Flow of the Company at 12/31/2018, which reduces or annuls the remuneration payable if the Group’s economic-financial performance is not in line with the budget of the year of reference;
- four targets:
 1. EBITDA (25% weight) of the Company in financial year 2018;
 2. Industrial Cash Flow (25% weight) of the Company at 12/31/2018;
 3. Strategic projects for the Group (40% weight) identified by the Board of Directors;
 4. Sustainability Target (10% weight).

In particular:

- EBITDA and Industrial Cash Flow: are set, as targets, on the budget value for the reference year;
- Strategic projects for the Group: five strategic actions for the maintenance and development of the business have been identified and assigned by the Board of Directors;
- Sustainability target: the Board of Directors has decided to assign the same target to the Chief Executive Officer and to the General Manager, maintaining the operating mechanism envisaged in 2017, i.e. achievement calculated on the average of the achievements of the individual targets assigned to the Executives reporting directly to the General Manager. The Board of Directors also decided to increase the relevance of the target, increasing its weight from 5% to 10%.

Introduction

Governance system and organizational structure of A2A

2018 Remuneration Policy - Summary

**Section 1
2018
Remuneration
Policy**

a. Preparation, approval and implementation of the Remuneration Policy: procedures, bodies and entities involved
b. Aims and Principles of the Remuneration Policy

**c. Detailed
Structure of the
Remuneration
Policy**

Section 2
Implementation of the 2017 Remuneration Policy

c6. Remuneration of Key Executives

Following its inauguration in May 2017, the Board of Directors decided to temporarily maintain the criteria for identifying the organizational positions of the A2A Group with strategic responsibilities defined by the previous Board.

The A2A Group therefore recognizes as Key Executives organizational positions with a significant impact on the Group performance and that, for proper management, require the individual to have high professional knowledge and experience, significant managerial autonomy and a strategic vision over a medium to long term time horizon.

As stated in the Remuneration Report published last year, at December 31, 2016, there were 8 key executives in the Group. At the date of publication of this document, this number is still 8.

The remuneration packages of Key Executives include:

- an annual fixed gross amount determined:
 - based on the role and responsibilities assigned considering the average salary levels applied to roles of comparable complexity, by national companies comparable in size;
 - based on professional specialization and technical, and managerial skills required and held;
- a short-term variable component related to individual targets with a target value equal to approximately 20%-30% of the annual gross fixed amount.

The annual variable remuneration envisages:

- in line with the Chief Executive Officer and General Manager, an “access gate”, based on EBITDA of the Company in the 2018 and Industrial Cash Flow of the Company at 12/31/2018, which reduces or annuls the remuneration payable if the Group’s economic-financial performance is not in line with the budget of the year of reference;
- the following targets:
 - Achievement of the EBITDA of the area of competence envisaged in the budget, for Key Executives responsible for Business Units;
 - Respect of budget costs for the area of competence;
 - Strategic projects for the Group regarding business development, excellence and operational efficiency and innovation;
 - Achievement of the sustainability targets envisaged in the plan.

A long-term incentive plan is not currently available for Key Executives. However, it is being studied by the Remuneration and Appointments Committee, which could lead to the introduction of this component in 2018.

c7. Non-monetary benefits

The Directors, excluding the Chair and Chief Executive Officer, and the members of the Board of Auditors (including the Chair) shall receive as non-monetary benefits:

- Insurance policy occupational and non-occupational injuries;
- Insurance for civil liability Directors, Auditors and Executives.

Instead, the Chair, General Manager and Key Executives shall receive non-monetary benefits similar to those provided to top management:

- insurance policies (occupational and non-occupational injury; permanent disability due to illness and life);
- supplementary health coverage;
- insurance for civil liability Directors, Auditors and Executives;
- car for mixed-use and use of fuel card.

c8. Indemnities in the event of termination of office or termination of employment

Specific indemnities for end of term or agreements that provide indemnities in the event of termination of office, for non-executive Board Directors, the Chair of the Board of Directors, the Chief Executive Officer, the General Manager and Key Executives are not provided.

In the absence of specific agreements:

- the non-executive Board Directors, the Chair of the Board of Directors and the CEO are not recognized indemnities;
- for the General Manager and Key Executives linked to the Company through employment, an indemnity is provided according to as established by the national collective agreement of reference.

c9. Deferral of cash components and claw-back clauses

To date, there are no mechanisms for deferment in the payment of the fixed or variable component.

In addition, the remuneration policy of A2A does not include ex-post correction mechanisms in the form of claw-back clauses.

Both aspects could be implemented in a long-term incentive system if the Board of Directors decides to implement it after the study of the Remuneration and Appointments Committee.

c10. Benchmark of other companies on remuneration policies

As outlined in the paragraphs above, all remuneration packages were approved by the Board of Directors following the studies that considered as an important element also the benchmark with other companies on the market. In particular, consistent with the package to be defined, the study considered companies in the FTSE MIB index, in the multi-utilities sector and/or with similar characteristics to A2A on the Italian and foreign market.

Since its establishment, A2A has also adopted a standard method of analysis of organizational positions recognized and certified internationally. This methodology, which classifies the organizational positions in complexity ranges based on the evaluation of specific indicators, allows comparing roles, in terms of remuneration, with similar complexity both in the domestic market (company) and the foreign market (Italy where salary levels are provided by leading consulting companies).

Introduction

Governance system and organizational structure of A2A

2018 Remuneration Policy - Summary

**Section 1
2018
Remuneration
Policy**

- a. Preparation, approval and implementation of the Remuneration Policy: procedures, bodies and entities involved
- b. Aims and Principles of the Remuneration Policy

**c. Detailed
Structure of the
Remuneration
Policy**

Section 2
Implementation of the 2017 Remuneration Policy

Section 2 - Implementation of the 2017 Remuneration Policy

As outlined in the first section of this Report:

- on May 15, 2017, the Shareholders' Meeting appointed the Board of Directors and the Board of Statutory Auditors for the three-year period 2017-2019, defining the annual remuneration for the office of Board Director and Member of the Board of Auditors;
- on May 17, 2017, the Board of Directors appointed Luca Valerio Camerano as Chief Executive Officer and set up three Committees, indicating their members;
- on June 22, 2017, the Board of Directors attributed to Luca Valerio Camerano, already appointed Chief Executive Officer, also the role and functions of General Manager;
- on June 22, 2017, the Board of Directors approved the compensation for the Chair, Vice-Chair, Chief Executive Officer, General Manager and Committee Members.

With respect to the foregoing, described below is the remuneration paid in 2017 to:

- Members of the Board of Directors outgoing at May 15, 2017;
- Members of the Board of Directors incoming at May 15, 2017;
- Members of the Board of Statutory Auditors outgoing at May 15, 2017;
- Members of the Board of Statutory Auditors incoming at May 15, 2017;
- General Manager;
- Key Executives.

As described below is annexed (tables 1 and 3b) according to the standard established by Consob.

Members of the Board of Directors outgoing at May 15, 2017, excluding the Chief Executive Officer

The members of the Board of Directors outgoing at May 15, 2017 were paid remuneration consistent with as described in Section 1 (paragraphs c1, c2 and c3) of the 2017 Remuneration Report pro-quoted for the actual period of office.

Specifically in 2017, each Board Director outgoing was paid the following amounts:

- fixed gross remuneration, approved by the Shareholders' Meeting, received as Board member and equal to 29,589 euro (80,000 euro/year pro-quoted for the period January 1, 2017 – May 15, 2017);
- a fixed gross amount, approved by the Board of Directors, for participation in the Board Committees, according to the following scheme (table 8).

In addition to the above amounts, as approved by the Board of Directors, the Chair was paid an amount of 144,246 euro (390,000 euro/year pro-quoted for the period January 1, 2017 – May 15, 2017) for the specific office assigned while the Vice-Chair was paid an amount of 14,795 euro (40,000 euro/year pro-quoted for the period January 1, 2017 – May 15, 2017) for the responsibility of the Internal Audit.

Table 8: Gross fixed remuneration paid for participation in Board Committees

Committee	Emolument for participation in Committees (€ – euro amounts pro-quoted for the period January 1, 2017 – May 15, 2017)	
	Chair	Member
Executive	No amount provided	
Audit and Risks	11,095.89 €	7,397.26 €
Remuneration and Appointments	7,397.26 €	7,027.39 €
Sustainability and Territory	7,397.26 €	7,027.39 €

In accordance with the By-Laws of A2A, members of the Board of Directors were paid an amount equal to the reimbursement of expenses actually incurred by virtue of their office.

The annexed table (1a) also indicates, for Directors, the value of non-monetary benefits recognized.

Members of the Board of Directors incoming at May 15, 2017, excluding the Chief Executive Officer

The members of the Board of Directors incoming at May 15, 2017 were paid remuneration consistent with as described in Section 1 (paragraphs c1, c2 and c3) of this Report pro-quoted for the actual period of office.

Specifically in 2017, each Board Director incoming was paid the following amounts:

- fixed gross remuneration, approved by the Shareholders’ Meeting, received as Board member and equal to 50,411 euro (80,000 euro/year pro-quoted for the period May 15, 2017 – December 31, 2017);
- a fixed gross amount, approved by the Board of Directors, for participation in the Board Committees, according to the following scheme (table 9).

In addition to the above amounts, as approved by the Board of Directors, the Chair was paid an amount of 157,534 euro (250,000 euro/year pro-quoted for the period May 15, 2017 – December 31, 2017) for the specific office assigned while the Vice-Chair was paid an amount of 25,205 euro (40,000 euro/year pro-quoted for the period May 15, 2017 – December 31, 2017) for the responsibility of the Internal Audit.

Table 9: Gross fixed remuneration paid for participation in Board Committees

Committee	Emolument for participation in Committees (€ – euro amounts pro-quoted for the period May 17, 2017 – December 31, 2017)	
	Chair	Member
Audit and Risks	18,739.73 €	12,493.15 €
Remuneration and Appointments	12,493.15 €	11,868.49 €
Sustainability and Territory	12,493.15 €	11,868.49 €

In accordance with the By-Laws of A2A, members of the Board of Directors were paid an amount equal to the reimbursement of expenses actually incurred by virtue of their office.

The annexed table (1a) also indicates, for Directors, the value of non-monetary benefits recognized.

Introduction

Governance system and organizational structure of A2A

2018 Remuneration Policy - Summary

Section 1 2018 Remuneration Policy

Section 2 Implementation of the 2017 Remuneration Policy

Chief Executive Officer

In 2017, the following amounts were paid to the Chief Executive Officer:

- as part of the mandate 2014 – 2016:
 - fixed gross remuneration, approved by the Shareholders' Meeting, received as Board member and equal to 29,589 euro (80,000 euro/year pro-quoted for the period January 1, 2017 – May 15, 2017);
 - a fixed gross amount, approved by the Board of Directors for the specific office assigned, amounting to 229,315 euro (620,000 euro/year pro-quoted for the period January 1, 2017 – May 15, 2017);
- as part of the mandate 2017 – 2019:
 - fixed gross remuneration, approved by the Shareholders' Meeting, received as Board member and equal to 50,411 euro (80,000 euro/year pro-quoted for the period May 15, 2017 – December 31, 2017);
 - a fixed gross amount, approved by the Board of Directors for the specific office assigned, amounting to 74,959 euro (120,000 euro/year pro-quoted for the period May 17, 2017 – December 31, 2017);

As stated above, on June 22, 2017, the Board of Directors assigned to Luca Valerio Camerano, already Chief Executive Officer, the role and functions of General Manager, redistributing the powers on the two figures. In this context, the short-term variable component between the two figures was also redefined, setting a maximum compensation for the Chief Executive Officer and the General Manager.

As a result, the targets assigned to the CEO at the beginning of 2017 have been divided between CEO and General Manager through an analysis of the powers and management/managerial levers available.

Below are the targets assigned to the CEO, following the analysis described above:

- EBITDA (weight 24%), with a target set at the budget value of the reference year;
- Industrial Cash Flow (weight 24%) with a target set at the budget value of the reference year;
- Strategic projects for the Group (total weight 23.2%, equally distributed) relating to the Milan ATEM 1 Gas Tender and the management of EPCG;
- Qualitative assessment of the Board of Directors on the work of the Chief Executive Officer (weight 28.8%).

At the beginning of 2018, the Board of Directors, with the support of the Remuneration and Appointments Committee, verified and certified the level of achievement of the targets indicated above (EBITDA and Industrial Cash Flow over the maximum expected fluctuation of 105% of the budget, Strategic Projects reached and maximum value for the qualitative assessment) calculating the consequent % of total achievement (equal to 120%), with respect to which the CEO was paid a variable compensation of 80,000 euro.

The annexed table (1a) also indicates, for the CEO, the value of non-monetary benefits recognized.

Members of the Board of Statutory Auditors outgoing at May 15, 2017

The members of the Board of Auditors outgoing at May 15, 2017 were paid the remuneration approved by the Shareholders' Meeting of June 7, 2016, upon the proposal of the Board of Directors, pro-quoted for the actual period of office.

In particular, the following were paid:

- to the Chair, a gross fixed amount of 48,082 euro (130,000 euro/year pro-quoted for the period January 1, 2017 – May 15, 2017);
- to the Statutory Auditors, a gross fixed amount of 29,589 euro (80,000 euro/year pro-quoted for the period January 1, 2017 – May 15, 2017).

Finally, in accordance with the By-Laws of A2A, members of the Board of Auditors were paid an amount equal to the reimbursement of expenses actually incurred by virtue of their office.

The annexed table (1b) also indicates, for the Chair and for the Statutory Auditors, the value of non-monetary benefits recognized.

Members of the Board of Statutory Auditors incoming at May 15, 2017

The members of the Board of Auditors incoming at May 15, 2017 were paid the remuneration approved by the Shareholders’ Meeting of May 15, 2017, pro-quoted for the actual period of office.

In particular, the following were paid:

- to the Chair, a gross fixed amount of 81,917 euro (130,000 euro/year pro-quoted for the period May 15, 2017 – December 31, 2017);
- to the Statutory Auditors, a gross fixed amount of 50,411 euro (80,000 euro/year pro-quoted for the period May 15, 2017 – December 31, 2017).

Finally, in accordance with the By-Laws of A2A, members of the Board of Auditors were paid an amount equal to the reimbursement of expenses actually incurred by virtue of their office.

The annexed table (1b) also indicates, for the Chair and for the Statutory Auditors, the value of non-monetary benefits recognized.

General Manager

In 2017, as a fixed component, the General Manager was paid 250,000 euro (500,000 euro/year pro-quoted for the period July 1, 2017 – December 31, 2017).

As stated above, on June 22, 2017, the Board of Directors assigned to Luca Valerio Camerano, already Chief Executive Officer, the role and functions of General Manager, redistributing the powers on the two figures. In this context, the short-term variable component between the two figures was also redefined, setting a maximum compensation of 80,000 euro/year for the CEO and 200,000 euro/year for the General Manager.

As a result, the targets assigned to the CEO at the beginning of 2017 have been divided between CEO and General Manager through an analysis of the powers and management/managerial levers available.

Below are the targets assigned to the General Manager, following the analysis described above:

- EBITDA (weight 26%), with a target set at the budget value of the reference year;
- Industrial Cash Flow (weight 26%) with a target set at the budget value of the reference year;
- Strategic projects for the Group (total weight 37.5%, equally distributed) relating to the achievement of the savings envisaged in the business plan, the implementation of an operational excellence program aimed at optimizing the performance of the company processes in terms of effectiveness, quality and efficiency and the development of the Group’s business;
- Sustainability target (10.5%) measured as the average of the achievements of the sustainability targets assigned to the Executives directly under. Specifically, Executives directly under were assigned targets regarding (list not exhaustive): the reduction of injuries, the increase in waste treatment capacity and the improvement of management processes, the reduction of losses in the water service, the dissemination of the smart working tool, the reduction of CO2 emissions, the dissemination of the concepts of ethical and environmental sustainability, the reduction of the use of paper through digitization interventions.

At the beginning of 2018, the Board of Directors, with the support of the Remuneration and Appointments Committee, verified and certified the level of achievement of the targets indicated above (EBITDA and Industrial Cash Flow over the maximum expected fluctuation of 105% of the budget, Strategic Projects reached with a total of 114.9% and a sustainability target reached at 115.8%), calculating the consequent overall % of achievement (equal to 117.66%), with respect to which the General Manager was paid a variable compensation of 196,094 euro.

Key Executives

In 2017, by way of a fixed component, Key Executives were paid a total of 1,853,077 euro/year; the total of the variable component of the remuneration totalled 561,600 euro, with respect to an average achievement of the targets assigned of 107.46%.

Introduction

Governance system and organizational structure of A2A

2018 Remuneration Policy - Summary

Section 1 2018 Remuneration Policy

Section 2 Implementation of the 2017 Remuneration Policy

Annex 1 – Glossary

To facilitate the understanding and reading of the Remuneration Report, a glossary of some recurring terms and acronyms/abbreviations used is provided below.

Terms and Abbreviations	Meaning
Administrators / Directors / Executive Members	Indicates the members of the Board of Directors who were assigned operational or management proxies and who were assigned special duties by the Board of Directors
Administrators / Directors / Non-Executive Members	Indicates the members of the Board of Directors who were not assigned operational or management proxies and who were not assigned special duties by the Board of Directors
Non-monetary benefits	Indicates the non-monetary elements included in the remuneration aimed at increasing individual and family well-being of workers in economic and social terms
Access gate	Indicates an economic-financial performance target of A2A, the achievement of which represents the threshold for access to the variable incentive system. If said target is not reached, the variable amount shall not be paid (or is significantly reduced) regardless of the level of achievement of the targets assigned individually
Code of Corporate Governance for listed companies of Borsa Italiana S.p.A. ("Corporate Governance Code")	Indicates the Corporate Governance Code of listed companies promoted by the Italian Stock Exchange, as amended and supplemented in July 2015. The Code contains corporate governance principles for companies listed on regulated markets managed by Borsa Italiana S.p.A. and has recommendatory value for all listed companies that adhere to it. The Code is drafted based on the "comply or explain" model, which means that the Code does not necessarily have to be implemented by adhering listed companies, but their failure to adhere, even if only partial, must necessarily be adequately substantiated by each company in the annual corporate governance report in accordance with art. 123-bis, paragraph 2, lett. a) of Legislative Decree February 24, 1998, no. 58
Remuneration and Appointments Committee ("Committee" / "CRN")	Refers to the Remuneration and Appointments Committee of A2A S.p.A. established by the Board of Directors on May 17, 2017. The Remuneration and Appointments Committee has the task of assisting the Board of Directors with investigative, advisory and proposal functions regarding remuneration and appointments
Board of Directors ("BoD")	Refers to the Board of Directors of A2A S.p.A. appointed by the Shareholders' Meeting on May 15, 2017
Executives with Strategic Responsibilities ("Key Executives")	Refers to the managers, identified according to the criteria established by the Board of Directors upon the proposal of the Remuneration and Appointments Committee, who have the power and responsibility, directly or indirectly, of the planning, management and control of the Company's activities
EBITDA	Profitability indicator of the company's income from operations therefore before interest, taxes, depreciation and amortization of assets
Amount/economic value at target	Refers to the remuneration amount, related to a variable incentive system, which shall be paid upon achievement of 100% of the targets assigned
End of term/relationship indemnities	Indicates a monetary amount to be paid to the director/employee upon termination of the administration/employment relation
Non-competition agreement	As defined in article 2125 of the Civil Code, it is "The agreement that limits the conduct of the activity of the employee, for the time following termination of the contract"
Pay - min	Indicates the % ratio between the fixed remuneration, the variable short-term remuneration and the long-term variable remuneration paid at target level
Short/long-term incentive system	Indicates a variable incentive plan over an annual/multi-year time horizon (3/5 years) that recognizes assignees a monetary bonus based on the results achieved on specific targets defined "ex ante" and assigned individually
Consolidated Finance Act ("CFA")	Legislative Decree February 24, 1998 no. 58 as amended and supplemented

Annex 2 - References between the Remuneration Report and the information required by Consob

The table below provides an indication of the chapters / sections of the Report which outline the information required by Consob, according to resolution no.18049.

Information Required by Consob - Resolution no. 18049 - Scheme 7-bis	Reference
Bodies or parties involved in the preparation and approval of the remuneration policy, specifying the respective roles, and bodies or parties responsible for the proper implementation of said policy	Paragraph a
The possible intervention of a remuneration committee or other committee competent on the matter, describing the composition (with the distinction between non-executive and independent directors), the competences and methods of operation	Paragraph b
The name of the independent experts that may be involved in the preparation of the remuneration policy	Paragraph a
Targets pursued with the remuneration policy, the principles that underlie it, and any changes in the remuneration policy with respect to the previous financial year	Paragraph b
Description of the policies of fixed and variable remuneration components, with particular regard to the indication of the relative weight within the overall remuneration and distinguishing between short and medium-long term variable components	Paragraphs from c1 to c6
Policy followed regarding non-monetary benefits	Paragraph c7
With reference to the variable components, description of performance targets under which they are assigned, distinguishing between short and medium-long term variable components, and information on the link between the change in results and the change in the remuneration	Paragraphs from c1 to c6
The criteria used for the assessment of the performance targets at the base of the allocation of shares, options, other financial instruments or other variable components of remuneration	
Information aimed at highlighting the consistency of the remuneration policy with the pursuit of the long-term interests of the company and with the policy of risk management, where formalized	
Terms of vesting of rights (vesting period), any deferred payment systems, indicating the periods of deferment and the criteria used to determine said periods and, if required, ex post correction mechanisms	
Information on the possibility of introducing clauses for maintaining in the portfolio financial instruments after their acquisition, indicating the periods of retention and the criteria used to determine said periods	Paragraph c8
Policy related to the treatment provided in the event of the resignation or termination of employment, specifying what circumstances determine the onset of the right and the possible link between these processes and the performance of the company	
Information on the presence of any insurance coverage, social security or pension, other than mandatory ones	Paragraph c7
The remuneration policy possibly followed with reference to: (i) independent directors, (ii) participation in committees and (iii) the conduct of special offices (Chair, Vice-Chair, etc.)	Paragraphs from c1 to c4
If the remuneration policy was defined using the remuneration policies of other companies as a reference, and if so, the criteria used for the selection of said companies	Paragraph c10

Introduction

Governance system and organizational structure of A2A

2018 Remuneration Policy - Summary

Section 1 2018 Remuneration Policy

Section 2 Implementation of the 2017 Remuneration Policy

TABLE 1: Compensation paid to members of administration and control bodies, general managers and other key executives

1/a - Compensation to the Board of Directors (amounts in €)

(A) Surname and Name	(B) Office	(C) Period for which the office was covered		(D) End of term	(1) Fixed compensation	
		from	to			
Valotti Giovanni	Chair A2A S.p.A. (mandate 2014-2016)	01.01.17	05.15.17	12.31.16	152,304 (*)	
	Chair A2A S.p.A. (mandate 2017-2019)	05.15.17	12.31.17	12.31.19	162,691 (*)	
	Director A2A S.p.A. (mandate 2014-2016)	01.01.17	05.15.17	12.31.16	29,589	
	Director A2A S.p.A. (mandate 2017 - 2019)	05.15.17	12.31.17	12.31.19	50,411	
Comboni Giovanni	Vice Chair A2A S.p.A. (mandate 2014-2016)	01.01.17	05.15.17	12.31.16	14,795	
	Director A2A S.p.A. (mandate 2014-2016)	01.01.17	05.15.17	12.31.16	29,589	
	Director A2A S.p.A. (mandate 2017 - 2019)	05.15.17	12.31.17	12.31.19	50,411	
Perrazzelli Alessandra	Vice Chair A2A S.p.A. (mandate 2017-2019)	05.15.17	12.31.17	12.31.19	25,205	
	Director A2A S.p.A. (mandate 2017 - 2019)	05.15.17	12.31.17	12.31.19	50,411	
Camerano Luca Valerio	CEO A2A S.p.A.	01.01.17	05.15.17	12.31.16	245,271 (*)	
	CEO A2A S.p.A.	05.17.17	12.31.17	12.31.19	74,959	
	Director A2A S.p.A. (mandate 2014-2016)	01.01.17	05.15.17	12.31.16	29,589	
	Director A2A S.p.A. (mandate 2017 - 2019)	05.15.17	12.31.17	12.31.19	50,411	
Brivio Giambattista	Director A2A S.p.A. (mandate 2014-2016)	01.01.17	05.15.17	12.31.16	29,589	
	Director A2A S.p.A. (mandate 2017 - 2019)	05.15.17	12.31.17	12.31.19	50,411	
Corali Enrico	Director A2A S.p.A. (mandate 2017 - 2019)	05.15.17	12.31.17	12.31.19	50,411	
De Paoli Luigi	Director A2A S.p.A. (mandate 2014-2016)	01.01.17	05.15.17	12.31.16	29,589	
	Director A2A S.p.A. (mandate 2017 - 2019)	05.15.17	12.31.17	12.31.19	50,411	
Fracassi Alessandro	Director A2A S.p.A. (mandate 2017 - 2019)	05.15.17	12.31.17	12.31.19	50,411	
Franceschetti Maria Chiara	Director A2A S.p.A. (mandate 2017 - 2019)	05.15.17	12.31.17	12.31.19	50,411	
Giusti Gaudiana	Director A2A S.p.A. (mandate 2017 - 2019)	05.15.17	12.31.17	12.31.19	50,411	
Ravera Secondina Giulia	Director A2A S.p.A. (mandate 2014-2016)	01.01.17	05.15.17	12.31.16	29,589	
	Director A2A S.p.A. (mandate 2017 - 2019)	05.15.17	12.31.17	12.31.19	50,411	
Rosini Norberto	Director A2A S.p.A. (mandate 2017 - 2019)	05.15.17	12.31.17	12.31.19	50,411	
Bonomo Antonio	Director A2A S.p.A.	01.01.17	05.15.17	12.31.16	29,589	
Cappello Maria Elena	Director A2A S.p.A.	01.01.17	05.15.17	12.31.16	29,589	
Castelli Michaela	Director A2A S.p.A.	01.01.17	05.03.17	12.31.16	26,959	
Ceretti Elisabetta	Director A2A S.p.A.	01.01.17	05.15.17	12.31.16	29,589	
Di Mezza Fausto	Director A2A S.p.A.	01.01.17	05.15.17	12.31.16	29,589	
Pareglio Stefano	Director A2A S.p.A.	01.01.17	05.15.17	12.31.16	29,589	
(I) Compensation in the company drafting the Financial Statements					1,632,595	
(II) Compensation from Subsidiaries and Associates						
(III) TOTAL					1,632,595	

(*) Includes grossed up expenses

	(2)	(3)		(4)	(5)	(6)	(7)	(8)
	Compensation for participation in Committees (**)	Non-equity variable compensation		Non-monetary benefits	Other remuneration	TOTAL	Fair value of equity compensation	Indemnity for end of term or termination of employment
		Bonuses and other incentives	Participation in the profits					
	7,027 (1) 12,493 (1)			7,812		422,326		
	7,027 (2) 12,493 (2)			334		114,649		
	12,493 (3)			211		88,320		
		80,000		7,722		487,953		
	7,397 (4) 11,868 (4)			334		99,599		
	12,493 (5)			211		63,115		
	7,027 (6) 18,740 (6)			334		106,101		
	11,868 (7)			211		62,490		
	11,868 (8)			211		62,490		
	12,493 (9)			211		63,115		
	7,027 (10) 11,868 (10)			334		99,229		
	11,868 (11)			211		62,490		
	7,397 (12)			124		37,110		
				124		29,713		
	10,110 (13)			113		37,181		
	7,027 (14)			124		36,740		
	7,397 (15)			124		37,110		
	7,397 (16)			124		37,110		
	215,381	80,000		18,867		1,946,843		
	215,381	80,000		18,867		1,946,843		

Introduction

Governance system and organizational structure of A2A

2018 Remuneration Policy - Summary

Section 1 2018 Remuneration Policy

Section 2 Implementation of the 2017 Remuneration Policy

1/b - Compensation to the Board of Auditors (amounts in €)

(A) Surname and Name	(B) Office	(C) Period for which the office was covered		(D) End of term	(1) Fixed compensation	
		from	to			
Sarubbi Giacinto Gaetano	Chair (mandate 2014-2016)	01.01.17	05.15.17	12.31.16	48,082	
	Chair (mandate 2017-2019)	05.15.17	12.31.17	12.31.19	81,918	
Lombardi Maurizio Leonardo	Statutory Auditor (mandate 2017-2019)	05.15.17	12.31.17	12.31.19	50,411	
Segala Chiara	Statutory Auditor (mandate 2017-2019)	05.15.17	12.31.17	12.31.19	50,411	
Casadio Cristina	Statutory Auditor (mandate 2014-2016)	01.01.17	05.15.17	12.31.16	29,589	
Rosini Norberto	Statutory Auditor (mandate 2014-2016)	01.01.17	05.15.17	12.31.16	29,589	
(I) Compensation in the company drafting the Financial Statements					290,000	
(II) Compensation from Subsidiaries and Associates						
(III) TOTAL					290,000	

1/c - Compensation to the General Manager (amounts in €)

(A) Surname and Name	(B) Office	(C) Period for which the office was covered		(D) End of term	(1) Fixed compensation	
		from	to			
Luca Valerio Camerano	General Manager	05.22.17	12.31.17		312,500 (*)	
(I) Compensation in the company drafting the Financial Statements					312,500	
(II) Compensation from Subsidiaries and Associates						
(III) TOTAL					312,500	

(*) With Board resolution of June 22, 2017, the Board of Directors resolved to provide Luca Valerio Camerano with total annual fixed compensation for the office of Chief Executive Officer and for the role of General Manager of 620,000 euro (120,000 for Chief Executive Officer and 500,000 for General Manager).

In 2017, Luca Valerio Camerano was paid:
- 230,000 euro for the office of Chief Executive Officer for the previous mandate (January 2017 - mid May 2017);
- 75,000 euro for the office of Chief Executive Officer for the new mandate (mid-May 2017 - December 2017);
- 250,000 euro for the office of General Manager for the new mandate (July 2017 - December 2017).

In order to achieve the total annual fixed compensation (620,000 euro), an additional amount of 62,500 euro was provided for in the employment contract of Luca Valerio Camerano.

1/d - Compensation to Key Executives (amounts in €)

(A) Surname and Name	(B) Office	(C) Period for which the office was covered		(D) End of term	(1) Fixed compensation	
		from	to			
Key Executives (8 Holders)		01.01.17	12.31.17		1.853.077	

(**) Breakdown Compensation for participation in Committees (amounts in €):

(1) Of which: COMMITTEE FOR TERRITORY AND SUSTAINABILITY (until 05.15.17)	7,027	(4) Of which: AUDIT AND RISKS COMMITTEE (until 05.15.17)	7,397
COMMITTEE FOR TERRITORY AND SUSTAINABILITY (since 05.17.17 - Chair)	12,493	COMMITTEE FOR TERRITORY AND SUSTAINABILITY (since 05.17.17)	11,868
(2) Of which: REMUNERATION AND APPOINTMENTS COMMITTEE (until 05.15.17)	7,027	(5) Of which: AUDIT AND RISKS COMMITTEE (since 05.17.17)	12,493
AUDIT AND RISKS COMMITTEE (since 05.17.17)	12,493	(6) Of which: COMMITTEE FOR TERRITORY AND SUSTAINABILITY (until 05.15.17)	7,027
(3) Of which: REMUNERATION AND APPOINTMENTS COMMITTEE (since 05.17.17 - Chair)	12,493	AUDIT AND RISKS COMMITTEE (since 05.17.17 - Chair)	18,740
		(7) Of which: COMMITTEE FOR TERRITORY AND SUSTAINABILITY (since 05.17.17)	11,868

	(2)	(3)		(4)	(5)	(6)	(7)	(8)
	Compensation for participation in Committees (**)	Non-equity variable compensation		Non-monetary benefits	Other remuneration	TOTAL	Fair value of equity compensation	Indemnity for end of term or termination of employment
		Bonuses and other incentives	Participation in the profits					
				424		130,424		
				211		50,622		
				211		50,622		
				124		29,713		
				124		29,713		
				1,092		291,092		
				1,092		291,092		

	(2)	(3)		(4)	(5)	(6)	(7)	(8)
	Compensation for participation in Committees (**)	Non-equity variable compensation		Non-monetary benefits	Other remuneration	TOTAL	Fair value of equity compensation	Indemnity for end of term or termination of employment
		Bonuses and other incentives	Participation in the profits					
		196,094				508,594		
		196,094				508,594		
		196,094				508,594		

	(2)	(3)		(4)	(5)	(6)	(7)	(8)
	Compensation for participation in Committees (**)	Non-equity variable compensation		Non-monetary benefits	Other remuneration	TOTAL	Fair value of equity compensation	Indemnity for end of term or termination of employment
		Bonuses and other incentives	Participation in the profits					
		641,600		71,831		2,566,508		

(8) Of which: COMMITTEE FOR TERRITORY AND SUSTAINABILITY (since 05.17.17)	11,868
(9) Of which: AUDIT AND RISKS COMMITTEE (since 05.17.17)	12,493
(10) Of which: REMUNERATION AND APPOINTMENTS COMMITTEE	18,895
(11) Of which: REMUNERATION AND APPOINTMENTS COMMITTEE (since 05.17.17)	11,868
(12) Of which: REMUNERATION AND APPOINTMENTS COMMITTEE (until 05.15.17 - Chair)	7,397

(13) Of which: AUDIT AND RISKS COMMITTEE (until 05.03.17 - Chair)	10,110
(14) Of which: COMMITTEE FOR TERRITORY AND SUSTAINABILITY (until 05.15.17)	7,027
(15) Of which: AUDIT AND RISKS COMMITTEE (until 05.15.17)	7,397
(16) Of which: COMMITTEE FOR TERRITORY AND SUSTAINABILITY (until 05.15.17 - Chair)	7,397

Introduction

Governance system and organizational structure of A2A

2018 Remuneration Policy - Summary

Section 1 2018 Remuneration Policy

Section 2 Implementation of the 2017 Remuneration Policy

TABLE 3B: Monetary incentive plans in favour of members of the Administrative Body, General Managers and other Key Executives

(A)	(B)	(1)	(2)			(3)			(4)
	Office	Plan	Bonuses in the year			Bonuses in previous years			Other Bonuses
			(A) Payable / Paid	(B) Deferred	(C) Deferral period	(A) No longer payable	(B) Payable / Paid	(C) Deferred	
Camerano Luca Valerio	Chief Executive Officer								
(I) Compensation in the company drafting the Financial Statements		Plan STI 2017	80,000						
(II) Compensation from Subsidiaries and Associates									
(III) TOTAL			80,000						
Camerano Luca Valerio	General Manager								
(I) Compensation in the company drafting the Financial Statements		Plan STI 2017	196,094						
(II) Compensation from Subsidiaries and Associates									
(III) TOTAL			196,094						
Key Executives									
(I) Compensation in the company drafting the Financial Statements		Plan STI 2017	561,600						
(II) Compensation from Subsidiaries and Associates									
(III) TOTAL			561,600						
TOTAL			837,694						

Scheme 7-ter: Scheme related to information on the shareholdings of members of the Management and Control bodies, General Managers and other Key Executives

The following tables outline the shareholdings of all parties that in 2017 held, even for a fraction of the year, offices as members of the Management and Control Bodies, General Manager or Key Executive.

TABLE 1: Shareholdings of members of the Management and Control Bodies and General Managers

Surname and Name	Office	Investee Company	Number of shares held at the end of 2016 (or at the date of appointment)	Number of shares purchased in 2017	Number of shares sold in 2017	Number of shares held at the end of 2017 (or at the date of termination of the office if before)
Bonomo Antonio	Director of the Board	A2A S.p.A.	65,000	=	=	65,000
Franceschetti Maria Chiara	Director of the Board	A2A S.p.A.	=	1,000	=	1,000

TABLE 2: Shareholdings of other Key Executives

Number of key executives	Investee Company	Number of shares held at the end of 2016 (or at the date of appointment)	Number of shares purchased in 2017	Number of shares sold in 2017	Number of shares held at the end of 2017 (or at the date of termination of the office if before)
9 holders	A2A S.p.A.	2,000	=	=	2,000

Introduction

Governance system and organizational structure of A2A

2018 Remuneration Policy - Summary

Section 1 2018 Remuneration Policy

Section 2 Implementation of the 2017 Remuneration Policy